

**Chippewa Valley Schools
Clinton Township, Michigan**

**Financial Report
with Supplemental Information
June 30, 2010**

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 (the "School District") as of and for the year ended June 30, 2010, 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 opinion.

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, 2010 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 13 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, but 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 20, 2010 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 20, 2010

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, 2010. 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, 2005 Capital Projects 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. 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

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 revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety 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 Service, Athletic, 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, 2010 and, for comparative purposes, net assets (deficit) as of June 30, 2009:

| Table I | Governmental Activities | |
|--|-------------------------|-------------------------|
| | 2010 | 2009 |
| | (in millions) | |
| Assets | | |
| Current and other assets | \$ 129.8 | \$ 52.5 |
| Capital assets | <u>369.0</u> | <u>372.0</u> |
| Total assets | 498.8 | 424.5 |
| Liabilities | | |
| Current liabilities | 48.6 | 44.8 |
| Long-term liabilities | <u>510.1</u> | <u>430.6</u> |
| Total liabilities | <u>558.7</u> | <u>475.4</u> |
| Net Assets (Deficit) | | |
| Invested in property and equipment - Net of related debt | (50.2) | (52.0) |
| Restricted | 3.5 | 2.4 |
| Unrestricted | <u>(13.2)</u> | <u>(1.3)</u> |
| Total net assets (deficit) | <u>\$ (59.9)</u> | <u>\$ (50.9)</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 (deficit) were (\$59.9) million at June 30, 2010.

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

Capital assets, net of related debt totaling (\$50.2) 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 (\$50.2) 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, the fund balance of the International Academy 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 (deficit) of (\$13.2) million was unrestricted. The (\$13.2) million in unrestricted net assets (deficit) of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets (deficit) 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 2010 and, for comparative purposes, the change in net assets for fiscal year 2009.

Table 2

| | Governmental Activities | |
|---------------------------------|-------------------------|--------|
| | 2010 | 2009 |
| | (in millions) | |
| Revenue | | |
| Program revenue: | | |
| Charges for services | \$ 7.4 | \$ 6.4 |
| Federal grants and entitlements | 7.3 | 5.4 |
| State categoricals | 6.7 | 6.1 |
| Operating grants | 2.9 | 3.5 |
| General revenue: | | |
| Property taxes | 43.0 | 43.9 |
| State foundation allowance | 91.4 | 91.3 |
| Federal source - Unrestricted | 4.4 | 5.8 |
| Other | 4.3 | 3.6 |
| Total revenue | 167.4 | 166.0 |

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

Table 2 (Continued)

| | Governmental Activities | |
|-----------------------------------|-------------------------|-----------------|
| | 2010 | 2009 |
| | (in millions) | |
| Functions/Program Expenses | | |
| Instruction | \$ 87.5 | \$ 83.1 |
| Support services | 46.4 | 46.3 |
| Community services | 0.9 | 0.9 |
| Building activities | 1.9 | 2.0 |
| Food services | 3.4 | 3.3 |
| Athletics | 1.9 | 1.8 |
| International Academy | 1.5 | 0.9 |
| Interest on long-term debt | 21.1 | 20.1 |
| Depreciation (unallocated) | 11.8 | 10.6 |
| Total functions/program expenses | 176.4 | 169.0 |
| Decrease in Net Assets | \$ (9.0) | \$ (3.0) |

As reported in the statement of activities, the cost of all of our governmental activities this year was \$176.4 million. Certain activities were partially funded from those who benefited from the programs (\$7.4 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$16.9 million). We paid for the remaining public benefit portion of our governmental activities with \$43 million in taxes, \$91.4 million in state foundation allowance, and with our other revenues, i.e., interest and general entitlements.

The School District experienced a decrease in net assets of \$9 million. The key reasons for the decrease in net assets are the accrued interest on the School Bond Loan Fund and School Bond Revolving Fund, an increase in the early retirement incentive offered by the School District in the current year, and an overall decrease in the General Fund fund balance.

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 to control and manage money for particular purposes. Looking at the 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 \$112.3 million, which is an increase of \$78 million from last year. The primary reasons for the increase were the approval of the 2010 bond issue and an increase in the Macomb International Academy Fund with offsets by the continued use of 2005 bond funds, decreases in fund balances in the General Fund, the Food Service Fund, the Athletic Fund, the CTE Fund, and the Building Activities Fund. In the 2009/2010 school year, \$.1 million of 2010A bond money was expended, \$3.4 million of 2010B bond money was expended, and \$5.5 million of 2005 bond money was expended. There remains \$67.2 million in the 2010B bond, \$19.1 million in the 2010A bond, and \$8.5 million in the 2005 bond to complete remaining projects. The projects for the 2010 bond issue are estimated to be 4 percent complete and the projects for the 2005 bond issue are estimated to be over 95 percent complete as of June 30, 2010.

In the General Fund, our principal operating fund, the fund balance decreased by \$3.2 million from \$16.4 million to \$13.2 million. The fund balance had been projected to decrease by \$4.5 million but continued conservative operations resulted in the smaller decrease in fund balance of \$3.2 million.

Special Revenue Funds include Food Service, Athletics, Resale, Building Activities/Childcare, and Macomb International Academy Funds. The combined Special Revenue Funds fund balance increased by \$882,107. Food Service fund balance decreased \$77,181, Athletics fund balance decreased by \$186,099 (in 2010-2011 the Athletics Fund will become part of the General Fund), Resale Fund balance decreased by \$149,063 (in 2010-11, the Resale Fund will become part of the General Fund), Building Activities/Childcare fund balance decreased by \$11,186, and Macomb International Academy fund balance increased by \$1.306 million (results of a supplement from the Macomb County Intermediate School District to provide funds for future years' operation).

Combined, the Debt Service Funds showed a fund balance decrease of \$529,932. Chippewa Valley Schools continues to assess the maximum allowable millage rate to fund operations (18 mills on non-homestead property) and the required millage rate for debt retirement to participate in the School Bond Loan Fund. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Durant debt service obligations are funded by annual state appropriation. Debt Service Funds fund balance is reserved since it can only be used to pay debt service obligations.

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Over the course of the school year, the School District revises its budget to reflect changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. Amendments to the General Fund budget were adopted on January 25, 2010 and June 7, 2010. A schedule showing the School District's original and final budget compared with amounts actually received and expended is provided in the supplemental information section of these financial statements. It should be noted that in June 2010, the School District was notified that the State Aid foundation allowance was going to be increased by \$11 per pupil (the State discretionary deduct was reduced from \$165 to \$154 per pupil) or \$174,161. An amendment to the General Fund budget was not made reflecting this change.

From the original adopted budget to the final amended budget, total projected revenue including other financing sources was increased by 0.67 percent or about \$853,000, while total projected expenditures including other financing uses were increased by 1.0 percent or about \$1,327,000 bringing projected revenues to \$130,708,778 and projected expenditures to \$135,247,760 in the final amended budget.

Projected revenue changes from original budget to final amended budget in total were increased by \$853,000 (0.65 percent) which included approximately:

- \$38,000 decrease (-0.03 percent) in local revenue
- \$3,413,000 increase (+2.61 percent) in state revenue, resulting from a \$4,961,000 reduction of federal stimulus funding which was replaced by state funding, a reduction in state funding of \$2,612,000 due to the \$165 per pupil reduction, a \$539,000 increase special education funding for prior year adjustments, a \$300,000 increase in At Risk funding applied to per pupil reduction, a \$179,000 increase due to higher enrollment, and a \$46,000 increase in miscellaneous categorical sources
- \$2,602,000 decrease (-1.99 percent) in federal revenue reflecting a \$4,961,000 decrease in federal stimulus funding, a \$1,696,000 increase in ARRA funding for Title I and IDEA, and a \$663,000 increase in the grant carryover and grant allocation adjustments;
- \$80,000 increase (+0.06 percent) in transfers consisting of a \$109,000 increase from the Food Service Fund and a \$29,000 decrease from Macomb International Academy

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

Projected expenditure changes included provisions of expenditures for carryover grant amounts for federal and state programs and adjustment to expenditures categories in the areas of wages, benefits, purchased services, supplies and materials, and transfers. In total, there were increases of \$1,327,000 (1.0 percent), of which \$663,000 can be attributed to grant carryover and grant allocation adjustments (0.50 percent). Overall, when looking at major object code adjustments, the expenditure budget was increased due to the following:

- Wages accounted for \$776,000 of the increase (+0.58 percent) and approximately \$758,000 was attributed to contract settlements.
- Benefit budgeted costs decreased \$154,000 (-0.11 percent), which was the net of reductions in budget for health, dental, vision, and workers' compensation and an increase in employer FICA and retirement.
- Purchased services increased \$337,000 (+0.25 percent) of total budget increase.
- All others increased \$368,000 (+0.28 percent) of total increase with most of these two increases attributable to grants.

When comparing budget to actual figures for both revenue and transfers in and expenditures and transfers out, actual revenue and transfers in were \$701,570 under projected revenue and transfers in (.54 percent) and actual expenditures and transfers out were \$2,043,460 under projected expenditures and transfers out (1.51 percent). Actual expenditures were under budget in all major categories: wages (\$602,198 or .7 percent), benefits (\$541,944 or 1.5 percent), purchased services (\$327,205 or 5.8 percent), and supplies, materials, other, and transfers out (\$572,113 or 6.5 percent). For both revenue and expenditures, approximately \$827,000 (.6 percent of budgeted expenditures) was attributable to grant revenue not earned and thus not received or expended.

Actual fund balance decreased by \$3,197,092 to \$13,157,424 (rather than the projected decrease of \$4,538,982 to \$11,815,534). The lower than projected decrease in fund balance of \$1,341,890 is about 1.01 percent of actual expenditures. As a percentage of expenditures, fund balance decreased from 12.7 percent to 9.9 percent.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2010, the School District had \$467.6 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a slight net increase from last year.

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

| | 2010 | 2009 |
|-------------------------------------|-----------------------|-----------------------|
| Land | \$ 13,092,570 | \$ 13,091,640 |
| Construction in progress | 2,388,828 | - |
| Buildings and building improvements | 413,846,716 | 410,687,015 |
| Buses and other vehicles | 8,304,010 | 8,279,112 |
| Furniture and equipment | 30,005,653 | 29,341,143 |
| Total capital assets | <u>\$ 467,637,777</u> | <u>\$ 461,398,910</u> |

This year's net additions of approximately \$6.2 million included building additions and renovations, technology, and buses. The additions were financed primarily from the 2005 Capital Projects Fund and to a lesser degree by the 2010B Capital Projects Fund.

We anticipate capital additions in 2010-2011 will be more than the 2009-2010 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of the year, the School District had \$419.5 million in general obligation bonds outstanding versus \$351 million in the previous year - a change of approximately 20 percent. The increase in outstanding debt was a result of the issuance of the 2010A and 2010B bonds, offset by principal payments made on the other outstanding bond issues.

Those bonds consisted of the following:

| | 2010 | 2009 |
|--------------------------|-----------------------|-----------------------|
| General obligation bonds | <u>\$ 419,479,000</u> | <u>\$ 351,016,000</u> |

The School District's general obligation bond rating was AAA per S&P at its issuance. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to the debt limit. The School District's outstanding qualified general obligation debt of \$419.5 million does not apply to the \$557.6 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 \$42.0 million and \$57.9 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.

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

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 concern for Chippewa Valley Schools and all school districts in Michigan for 2010-2011 and beyond. In the just completed 2009-2010 school year, the ARRA federal stimulus money was needed to keep State-promised district funding whole (the State Foundation Allowance was reduced \$154 per pupil from the 2008-2009 school year - at the reduced State Foundation Allowance, state aid was reduced \$4,365,341 and replaced in like amount with ARRA federal stimulus funds). A School State Aid Bill for 2010-2011 has been adopted keeping the State Foundation Allowance at the 2009-2010 level. While the State May Revenue Consensus Conference shows an increase in School State Aid Fund revenue projections for both 2009-2010 and 2010-2011, the increase was the result of an upturn in sales tax receipts and it remains uncertain if that increase will be sustained. Recent discussions at the State suggest that some of the increase in State School Aid revenue might be used to offset the decrease in State General Fund revenue projections by using some State School Aid funds to support community colleges and/or state universities (currently community colleges and universities are funded out of the State's General Fund). There is ARRA federal stimulus money remaining for the 2010-2011 school year and there was new federal legislation providing additional funding to states to retain/maintain teaching jobs. Details on how the new federal funding will be distributed are not yet known.

During the past six years, Chippewa Valley Schools has made adjustments and implemented cost-savings measures that have reduced costs by over \$10 million. Adjustments for the 2010-2011 school year will have an additional positive impact on the budget of over \$8 million. In addition to cost reductions and savings, the School District has successfully opened several new facilities to accommodate the continued student growth in the School District. In February 2010, the community approved a bond proposal for over \$89 million which will allow the School District to invest in its facilities, technology, and equipment.

The preliminary budget for the General Fund for the 2010-2011 school year adopted on June 21, 2010 uses the same foundation allowance as in 2009-2010 (but replaces \$115 per pupil or \$1,847,000 of State Aid with ARRA federal stimulus funding) and an enrollment increase of 200 for revenue and wage increases as determined by negotiated contracts with employee groups, a retirement contribution rate that increases from 16.94 percent to 19.41 percent, and over \$8 million in adjustments either increasing revenue or reducing costs. Using the factors indicated and best estimates for other factors, the adopted budget projects that expenditures will exceed revenue by \$2.92 million or 2.2 percent. The \$2.92 million will be covered by the School District's General Fund fund balance. The adopted 2010-2011 budget factors in the use of ARRA IDEA funds to cover the cost of ongoing special education costs for the second year.

Chippewa Valley Schools

Management's Discussion and Analysis (Continued)

Opportunities to enhance revenue and control costs will be monitored on an ongoing basis. While Chippewa Valley Schools has managed its finances in this difficult period, without a substantial improvement in the Michigan and national economy and a stable funding mechanism for schools, it will be an immense challenge to maintain educational services at the already reduced level.

Chippewa Valley Schools

Statement of Net Assets (Deficit) June 30, 2010

| | Governmental Activities |
|--|-------------------------------|
| Assets | |
| Cash and investments (Note 3) | \$ 9,053,387 |
| Receivables: | |
| Accounts | 174,111 |
| Interest | 735,918 |
| Due from other governmental units | 19,037,493 |
| Inventories | 74,199 |
| Prepaid costs | 2,239,259 |
| Restricted assets (Note 3) | 98,454,479 |
| Capital assets - Net (Note 5) | <u>369,031,928</u> |
| Total assets | 498,800,774 |
| Liabilities | |
| Accounts payable | 3,391,820 |
| Accrued payroll and other liabilities | 12,335,017 |
| Employee fringe benefits payable | 1,181,068 |
| Retirement benefits payable | 3,227,713 |
| Retainage payable | 307,640 |
| Deferred revenue (Note 4) | 518,207 |
| Long-term liabilities (Note 7): | |
| Due within one year | 27,598,534 |
| Due in more than one year | <u>510,140,967</u> |
| Total liabilities | <u>558,700,966</u> |
| Net Assets (Deficit) | |
| Investment in capital assets - Net of related debt | (50,246,120) |
| Restricted: | |
| Special revenue | 1,672,202 |
| Debt service | 1,312,402 |
| Capital projects | 554,745 |
| Unrestricted | <u>(13,193,421)</u> |
| Total net assets (deficit) | <u>\$ (59,900,192)</u> |

Chippewa Valley Schools

Statement of Activities Year Ended June 30, 2010

| Functions/Programs | Program Revenues | | | Governmental Activities |
|--|-----------------------|-------------------------|------------------------------------|---|
| | Expenses | Charges for Services | Operating Grants/ Contributions | Net (Expense) Revenue and Changes in Net Assets (Deficit) |
| Primary government - Governmental activities: | | | | |
| Instruction | \$ 87,485,935 | \$ - | \$ 11,218,209 | \$ (76,267,726) |
| Support services | 46,422,778 | - | 4,226,604 | (42,196,174) |
| Community services | 932,749 | - | - | (932,749) |
| Food services | 3,378,390 | 2,044,289 | 1,484,362 | 150,261 |
| Building activities | 1,865,548 | 1,854,060 | - | (11,488) |
| Athletics | 1,867,346 | 545,157 | - | (1,322,189) |
| International academy | 1,526,587 | 2,931,725 | - | 1,405,138 |
| Interest on long-term debt | 21,090,302 | - | - | (21,090,302) |
| Depreciation (unallocated) | 11,813,741 | - | - | (11,813,741) |
| Total governmental activities | \$ 176,383,376 | \$ 7,375,231 | \$ 16,929,175 | (152,078,970) |
| General revenues: | | | | |
| Taxes: | | | | |
| Property taxes, levied for general purposes | | | | 14,713,096 |
| Property taxes, levied for debt services | | | | 28,292,496 |
| State aid not restricted to specific purposes | | | | 91,440,881 |
| Federal sources - Unrestricted | | | | 4,365,341 |
| Interest and investment earnings | | | | 831,726 |
| Other | | | | 3,643,218 |
| Special item - Loss on disposal of capital assets (Note 5) | | | | <u>(160,207)</u> |
| Total general revenues and special item | | | | <u>143,126,551</u> |
| Change in Net Assets | | | | (8,952,419) |
| Net Assets (Deficit) - Beginning of year | | | | <u>(50,947,773)</u> |
| Net Assets (Deficit) - End of year | | | | <u>\$ (59,900,192)</u> |

Chippewa Valley Schools

Governmental Funds Balance Sheet June 30, 2010

| | General Fund | 2005 Capital Projects Fund | 2010A Capital Projects Fund | 2010B Capital Projects Fund | Other Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|-------------------------------|--------------------------------|--------------------------------|---|--------------------------------|
| Assets | | | | | | |
| Cash and investments (Note 3) | \$ 7,186,184 | \$ - | \$ - | \$ - | \$ 1,867,203 | \$ 9,053,387 |
| Receivables: | | | | | | |
| Accounts | 166,578 | - | - | - | 7,533 | 174,111 |
| Interest | - | - | 138,219 | 597,699 | - | 735,918 |
| Due from other governments | 19,037,493 | - | - | - | - | 19,037,493 |
| Due from other funds (Note 6) | 541,790 | - | - | 1,075 | 1,672,202 | 2,215,067 |
| Inventories | 29,435 | - | - | - | 44,764 | 74,199 |
| Prepaid costs | 2,239,259 | - | - | - | - | 2,239,259 |
| Restricted assets (Note 3) | - | 8,968,261 | 18,986,487 | 69,188,476 | 1,311,255 | 98,454,479 |
| Total assets | \$ 29,200,739 | \$ 8,968,261 | \$ 19,124,706 | \$ 69,787,250 | \$ 4,902,957 | \$ 131,983,913 |
| Liabilities and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 607,282 | \$ 394,652 | \$ - | \$ 2,322,697 | \$ 3,231 | \$ 3,327,862 |
| Accrued payroll and other liabilities | 8,817,055 | - | - | - | - | 8,817,055 |
| Employee fringe benefits payable | 1,181,068 | - | - | - | - | 1,181,068 |
| Retirement benefits payable | 3,227,713 | - | - | - | - | 3,227,713 |
| Retainage payable | - | 43,380 | - | 264,260 | - | 307,640 |
| Due to other funds (Note 6) | 1,736,160 | - | 1,075 | - | 541,790 | 2,279,025 |
| Deferred revenue (Note 4) | 474,037 | - | - | - | 44,170 | 518,207 |
| Total liabilities | 16,043,315 | 438,032 | 1,075 | 2,586,957 | 589,191 | 19,658,570 |
| Fund Balances | | | | | | |
| Reserved: | | | | | | |
| Capital projects (bonded) | - | 7,383,001 | 19,123,631 | 58,208,497 | - | 84,715,129 |
| Debt service | - | - | - | - | 1,312,402 | 1,312,402 |
| Inventories | 29,435 | - | - | - | 44,764 | 74,199 |
| Prepays | 2,239,259 | - | - | - | - | 2,239,259 |
| Construction commitments (Note 5) | - | 1,147,228 | - | 8,991,796 | - | 10,139,024 |
| Unreserved: | | | | | | |
| Designated for capital projects | - | - | - | - | - | - |
| Designated for International Academy | - | - | - | - | 1,672,202 | 1,672,202 |
| Designated for deferred health benefit costs | 1,876,868 | - | - | - | - | 1,876,868 |
| Undesignated, reported in: | | | | | | |
| General Fund | 9,011,862 | - | - | - | - | 9,011,862 |
| Special Revenue Funds | - | - | - | - | 1,284,398 | 1,284,398 |
| Total fund balances | 13,157,424 | 8,530,229 | 19,123,631 | 67,200,293 | 4,313,766 | 112,325,343 |
| Total liabilities and fund balances | \$ 29,200,739 | \$ 8,968,261 | \$ 19,124,706 | \$ 69,787,250 | \$ 4,902,957 | \$ 131,983,913 |

Chippewa Valley Schools

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets (Deficit) June 30, 2010

Fund Balance - Total Governmental Funds \$ 112,325,343

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 | \$ 467,637,777 | |
| Accumulated depreciation | <u>(98,605,849)</u> | 369,031,928 |

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, bond discount, and deferred charges | (531,726,398) |
| Compensated absences | (1,466,051) |
| Self-insurance liability | (996,372) |
| Early retirement incentives | (3,550,680) |

| | |
|---|--------------------|
| Accrued interest payable is not included as a liability in governmental funds | <u>(3,517,962)</u> |
|---|--------------------|

Net Assets (Deficit) - Governmental Activities **\$ (59,900,192)**

Chippewa Valley Schools

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2010

| | General Fund | 2005 Capital Projects Fund | 2010A Capital Projects Fund | 2010B Capital Projects Fund | Other Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|-------------------------------|--------------------------------|--------------------------------|---|--------------------------------|
| Revenue | | | | | | |
| Local sources | \$ 21,055,944 | \$ 29,775 | \$ 212,735 | 312,235 | \$ 33,262,003 | \$ 54,872,692 |
| State sources | 97,994,090 | - | - | - | 142,040 | 98,136,130 |
| Federal sources | 10,308,295 | - | - | - | 1,342,322 | 11,650,617 |
| Interdistrict sources | - | - | - | - | 2,931,725 | 2,931,725 |
| Total revenue | 129,358,329 | 29,775 | 212,735 | 312,235 | 37,678,090 | 167,591,164 |
| Expenditures | | | | | | |
| Current: | | | | | | |
| Instruction | 85,187,340 | - | - | - | - | 85,187,340 |
| Support services | 45,398,214 | - | - | - | - | 45,398,214 |
| Community services | 880,633 | - | - | - | - | 880,633 |
| Food service | - | - | - | - | 3,378,390 | 3,378,390 |
| International Academy | - | - | - | - | 1,526,587 | 1,526,587 |
| Resale | - | - | - | - | 342,122 | 342,122 |
| Athletics | - | - | - | - | 1,867,346 | 1,867,346 |
| Building activities | - | - | - | - | 1,865,548 | 1,865,548 |
| Debt service: | | | | | | |
| Principal | - | - | - | - | 21,276,976 | 21,276,976 |
| Interest | - | - | - | - | 21,091,634 | 21,091,634 |
| Other | - | - | 73,078 | 346,312 | 182,691 | 602,081 |
| Capital outlay | 99,692 | 5,483,411 | - | 3,080,630 | 273,759 | 8,937,492 |
| Total expenditures | 131,565,879 | 5,483,411 | 73,078 | 3,426,942 | 51,805,053 | 192,354,363 |
| Excess of Revenue (Under) Over Expenditures | (2,207,550) | (5,453,636) | 139,657 | (3,114,707) | (14,126,963) | (24,763,199) |
| Other Financing (Uses) Sources | | | | | | |
| Transfers (out) in | (989,542) | - | - | - | 989,542 | - |
| (Discount) premium on debt issued | - | - | (81,026) | (385,000) | 98,770 | (367,256) |
| Long-term debt issued | - | - | 19,065,000 | 70,700,000 | 14,899,597 | 104,664,597 |
| Payment to refund bond escrow agent | - | - | - | - | (1,508,771) | (1,508,771) |
| Total other financing (uses) sources | (989,542) | - | 18,983,974 | 70,315,000 | 14,479,138 | 102,788,570 |
| Net Change in Fund Balances | (3,197,092) | (5,453,636) | 19,123,631 | 67,200,293 | 352,175 | 78,025,371 |
| Fund Balances - Beginning of year | 16,354,516 | 13,983,865 | - | - | 3,961,591 | 34,299,972 |
| Fund Balances - End of year | \$ 13,157,424 | \$ 8,530,229 | \$ 19,123,631 | \$ 67,200,293 | \$ 4,313,766 | \$ 112,325,343 |

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, 2010

| | | |
|---|------------------|------------------------------|
| Net Change in Fund Balances - Total Governmental Funds | | \$ 78,025,371 |
| 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 | \$ (11,813,741) | |
| Capitalized capital outlay | <u>8,954,944</u> | (2,858,797) |
| Loss on disposal of assets; in the statement of activities, these are recorded as a special item expense | | (160,207) |
| Bond and debt issuances are not reported as financing sources in the statement of activities | | (104,664,597) |
| Premiums on bond issuances are not reported as financing sources in the statement of activities | | (98,770) |
| Discounts on bond issuances are not reported as financing uses in the statement of activities | | 466,026 |
| Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid | | (737,703) |
| 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 | | 875,744 |
| Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) | | 22,791,976 |
| 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>(2,448,524)</u> |
| Change in Net Assets of Governmental Activities | | <u>\$ (8,952,419)</u> |

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

Chippewa Valley Schools

Fiduciary Fund Statement of Fiduciary Assets and Liabilities June 30, 2010

| | Student Activities <u>Agency Fund</u> |
|--|---|
| Assets | |
| Cash and investments (Note 3) | \$ 911,038 |
| Due from other funds (Note 6) | <u>63,958</u> |
| Total assets | <u><u>\$ 974,996</u></u> |
| Liabilities - Due to student groups | <u><u>\$ 974,996</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 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 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 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.

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 revenue to be available if it is 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.

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 Food Services, Athletics, Resale, International Academy, and Building Activities Funds. Any operating deficit generated by these activities, excluding the International Academy, 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.

Note I - Summary of Significant Accounting Policies (Continued)

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.

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Upcoming Accounting Pronouncements - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned. The School District is currently evaluating the impact this standard will have on the financial statements when adopted. The School District will implement Statement No. 54 beginning with the fiscal year ending June 30, 2011.

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; 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 January 25, 2010 and June 7, 2010.

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 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.

Beginning with the year of bond issuance, the School District has reported the annual construction activity in the 2005 Capital Projects Fund. The project for which the 2005 School Building and Site bonds were issued was considered complete on June 30, 2010 and the cumulative expenditures recognized for the construction period were \$173,665,967.

Note 3 - Deposits and Investments

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

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

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

Note 3 - Deposits and Investments (Continued)

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 \$29,666,213 had \$20,498,545 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. As of July 1, 2010, the FDIC coverage significantly declined due to the opt-out provisions in the Transaction Account Guarantee Program. The School District believes that due to the dollar amounts of cash deposits and the limits of federal 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.

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, 2010, the School District did not hold any investment securities that were uninsured and unregistered.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities. The School District's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools; and limiting the average maturity in accordance with the School District's cash requirements.

Chippewa Valley Schools

Notes to Financial Statements June 30, 2010

Note 3 - Deposits and Investments (Continued)

Credit Risk

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

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

| Investment | Fair Value | Weighted Average Maturities | Rating | Rating Organization |
|------------------------------|----------------------|-----------------------------------|--------|------------------------|
| Michigan Liquid Asset Fund | \$ 5,018 | N/A | AAAm | Standard & Poor's |
| U.S. agency bonds - Series A | 17,178,467 | 3.73 years | AAA | Standard & Poor's |
| U.S. agency bonds - Series B | <u>61,513,258</u> | 1.84 years | AAA | Standard & Poor's |
| Total investments | <u>\$ 78,696,743</u> | | | |

Concentration of Credit Risk

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

| Issuer | Percent of Investments |
|--|---------------------------|
| Federal Home Loan Bank | 23.32 |
| Freddie Mac | 16.33 |
| Federal National Mortgage Association | 47.72 |
| Federal Home Loan Mortgage Corporation | 11.53 |

Chippewa Valley Schools

Notes to Financial Statements June 30, 2010

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 \$474,037 of deferred revenue related to grants received and tuition payments received but not yet earned and \$44,170 of deposits received for the subsequent year's food service and summer preschool programs.

Note 5 - Capital Assets

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

| | Balance July 1, 2009 | Additions | Disposals and Adjustments | Balance June 30, 2010 |
|---------------------------------------|-------------------------|----------------|------------------------------|--------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 13,091,640 | \$ 930 | \$ - | \$ 13,092,570 |
| Construction in progress | - | 2,388,828 | - | 2,388,828 |
| Subtotal | 13,091,640 | 2,389,758 | - | 15,481,398 |
| Capital assets being depreciated: | | | | |
| Buildings and building improvements | 410,687,015 | 3,159,701 | - | 413,846,716 |
| Buses and other vehicles | 8,279,112 | 24,898 | - | 8,304,010 |
| Furniture and equipment | 29,341,143 | 3,380,587 | (2,716,077) | 30,005,653 |
| Subtotal | 448,307,270 | 6,565,186 | (2,716,077) | 452,156,379 |
| Accumulated depreciation: | | | | |
| Buildings and building improvements | 71,489,984 | 7,836,007 | - | 79,325,991 |
| Buses and other vehicles | 4,102,192 | 770,049 | - | 4,872,241 |
| Furniture and equipment | 13,755,802 | 3,207,685 | (2,555,870) | 14,407,617 |
| Subtotal | 89,347,978 | 11,813,741 | (2,555,870) | 98,605,849 |
| Net capital assets being depreciated | 358,959,292 | (5,248,555) | (160,207) | 353,550,530 |
| Net governmental capital assets | \$ 372,050,932 | \$ (2,858,797) | \$ (160,207) | \$ 369,031,928 |

Chippewa Valley Schools

Notes to Financial Statements June 30, 2010

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, 2010A, and 2010B Capital Projects Funds. 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 | \$ 173,665,967 | \$ 1,147,228 |
| 2010B Capital Projects Fund | <u>3,426,942</u> | <u>8,991,796</u> |
| Total | <u>177,092,909</u> | <u>10,139,024</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> |
|--------------------------------------|----------------------|--|--|---------------------|
| | <u>General Fund</u> | <u>2010A Capital Projects Fund</u> | <u>Other Nonmajor Governmental Funds</u> | |
| General Fund | \$ - | \$ - | \$ 541,790 | \$ 541,790 |
| 2010B Capital Projects Fund | - | 1,075 | - | 1,075 |
| Other nonmajor governmental funds | 1,672,202 | - | - | 1,672,202 |
| Fiduciary Fund | <u>63,958</u> | <u>-</u> | <u>-</u> | <u>63,958</u> |
| Total | <u>\$ 1,736,160</u> | <u>\$ 1,075</u> | <u>\$ 541,790</u> | <u>\$ 2,279,025</u> |

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

Chippewa Valley Schools

Notes to Financial Statements June 30, 2010

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers

Transfers of \$1,145,002 from the General Fund subsidized operations in the Athletics Fund. Transfers of \$493,419 from the General Fund to the International Academy covered the School District's tuition owed to the Academy. The International Academy transferred \$338,576 to the General Fund to reimburse the School District for staff working at the Academy. A transfer of \$45,719 from the 1998 Debt Fund to the 2009 Refunding Fund closed out the 1998 Debt Fund, and a transfer of \$218,000 was made from the Cafeteria Fund to the General Fund to pay for indirect costs charged. Additionally, a transfer of \$92,303 was made from the Resale Fund to the General Fund to close out the Resale Fund's fund balance and this activity will be a part of the General Fund in 2010-2011.

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 | \$ 351,016,000 | \$ 91,175,000 | \$ 22,712,000 | \$ 419,479,000 | \$ 23,770,000 |
| Durant Non-Plaintiff Bond | 733,644 | - | 79,976 | 653,668 | 83,785 |
| School bond loan | 39,772,261 | 2,252,340 | - | 42,024,601 | - |
| School Loan Revolving Fund | 46,694,608 | 11,237,257 | - | 57,931,865 | - |
| Bond premium and issuance costs | 15,167,269 | 98,770 | 875,744 | 14,390,295 | 875,744 |
| Less bond discount | - | (466,026) | - | (466,026) | (28,904) |
| Less deferred refunding charges | (2,429,943) | - | (142,938) | (2,287,005) | (142,938) |
| Other obligations | 3,564,579 | 14,623,241 | 12,174,717 | 6,013,103 | 3,040,847 |
| Total governmental activities | \$ 454,518,418 | \$ 118,920,582 | \$ 35,699,499 | \$ 537,739,501 | \$ 27,598,534 |

Chippewa Valley Schools

Notes to Financial Statements June 30, 2010

Note 7 - Long-term Debt (Continued)

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

| | Governmental Activities | | | | |
|-----------|-------------------------|-----------------------|------------------------|-----------------------|-----------------------|
| | Principal | Interest | Interest Subsidy | Net Interest | Total - Net |
| 2011 | \$ 23,853,785 | \$ 20,368,613 | \$ (1,517,347) | \$ 18,851,266 | \$ 42,705,051 |
| 2012 | 24,489,936 | 19,567,926 | (1,538,718) | 18,029,208 | 42,519,144 |
| 2013 | 25,102,947 | 18,342,359 | (1,538,718) | 16,803,641 | 41,906,588 |
| 2014 | 24,876,000 | 17,271,440 | (1,538,718) | 15,732,722 | 40,608,722 |
| 2015 | 20,730,000 | 16,116,195 | (1,538,718) | 14,577,477 | 35,307,477 |
| 2016-2020 | 100,210,000 | 66,318,273 | (7,239,041) | 59,079,232 | 159,289,232 |
| 2021-2025 | 92,255,000 | 43,111,770 | (5,524,610) | 37,587,160 | 129,842,160 |
| 2026-2030 | 63,515,000 | 21,925,790 | (3,495,853) | 18,429,937 | 81,944,937 |
| 2031-2035 | 45,100,000 | 7,151,750 | (1,330,613) | 5,821,137 | 50,921,137 |
| Total | <u>\$ 420,132,668</u> | <u>\$ 230,174,116</u> | <u>\$ (25,262,336)</u> | <u>\$ 204,911,780</u> | <u>\$ 625,044,448</u> |

Governmental Activities

General obligation bonds consist of the following:

| | |
|--|--------------|
| 2001 Series I issue - \$61,715,000 serial bonds due in one remaining annual installment of \$2,550,000 on May 1, 2011; interest at 4.25% | \$ 2,550,000 |
| 2002 issue - \$50,050,000 serial bonds due in annual installments of \$1,775,000 through May 1, 2012; interest from 4.5% to 5.0% | 3,550,000 |
| 2003 Refunding issue - \$58,895,000 serial bonds due in annual installments of \$2,845,000 to \$3,255,000 through May 1, 2021; interest at 5.0% | 33,815,000 |
| 2003 School Bond Loan Refunding issue - \$34,761,580 serial bonds due in annual installments of \$3,875,000 to \$4,266,000 through May 1, 2014; fixed interest at 3.318% | 16,274,000 |
| 2004 Refunding issue - \$19,570,000 serial bonds due in annual installments of \$1,100,000 to \$1,265,000 through May 1, 2015; interest from 3.5% to 5.0% | 5,900,000 |
| 2005 issue - \$158,335,000 serial bonds due in annual installments of \$5,250,000 to \$6,800,000 through May 1, 2034; interest from 3.8% to 5.0% | 141,300,000 |

Chippewa Valley Schools

Notes to Financial Statements June 30, 2010

Note 7 - Long-term Debt (Continued)

| | |
|--|-----------------------|
| 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% | \$ 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% to 5.0% | 60,630,000 |
| 2009 Refunding issue - \$1,410,000 serial bonds due in annual installments of \$470,000 through May 1, 2013; interest at 5.0% | 1,410,000 |
| 2010 issue - Series A general obligation - unlimited tax; federally taxable - \$19,065,000 due in annual installments of \$2,565,000 to \$3,625,000 through May 1, 2016; interest from 1.15% to 4.25% | 19,065,000 |
| 2010 issue - Series B general obligation - unlimited tax; federally taxable-Build America Bonds - direct payment - \$70,700,000 due in annual installments of \$550,000 to \$3,700,000 through May 1, 2035; interest from 5.35% to 6.85% with 35% Build America Bonds interest subsidy | <u>70,700,000</u> |
| Total bonded debt | <u>\$ 419,479,000</u> |

Other governmental activities long-term obligations include the following:

| | |
|---------------------------------|---------------------|
| Employee-compensated absences | \$ 1,466,051 |
| Voluntary retirement supplement | 3,550,680 |
| Self-insurance liability | <u>996,372</u> |
| Total | <u>\$ 6,013,103</u> |

Note 7 - Long-term Debt (Continued)

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 \$83,785 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 5.375 percent to 5.75 percent from July 1, 2009 to June 30, 2010, has been assessed for the year ended June 30, 2010. Repayment is required when the millage rate necessary to cover the annual bonded debt service falls below 7 mills. The School District is required to levy 7 mills and repay to the State any excess of the amount levied over the bonded debt service requirements. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the School District, no provision for repayment has been included in the above amortization schedule.

School Loan Revolving Fund - The School Loan Revolving Fund payable represents notes payable to the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board in accordance with Section 9 of Act No. 92 of the Public Acts of 2005, as amended. Interest rates went into effect beginning October 1, 2005 pursuant to Public Act 92. Interest, at an annual rate ranging from 3.36 percent to 6.34 percent from July 1, 2009 to June 30, 2010, has been assessed for the year ended June 30, 2010. Repayment begins as soon as annual tax collections exceed annual debt service payment requirements. The predetermined mandatory final loan repayment date is May 1, 2040. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the School District, no provision for repayment has been included in the above amortization schedule.

Note 7 - Long-term Debt (Continued)

Early Retirement Incentive - The School District has a long-term early retirement incentive program in place that calls for yearly lump-sum payments of \$1,640,000 on October 1, 2010, \$820,000 on October 1, 2011, and \$820,000 on October 1, 2012, and a long-term voluntary retirement incentive program in place that calls for a total payout of \$270,680 through June 2016 to be paid in monthly installments ranging from \$335 to \$7,035.

Advance and Current Refundings - During the year, the School District issued \$1,410,000 in general obligation bonds with an average interest rate of 5.0 percent. The proceeds of these bonds, along with a premium of \$98,771 and a contribution of \$77,000 from the 1998 bond debt service fund, was used to advance refund \$1,515,000 of outstanding 1998 bonds with an average interest rate of 4.6125 percent. These proceeds and the debt service fund contribution were used to purchase U.S. government securities. These securities 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 defeased and the liability for the bonds has been removed from the School District's long-term obligations. The advance refunding reduced total debt service payments by \$105,000, which represents an economic gain of approximately \$53,000.

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, 2010, \$212,065,000 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, dental, and medical. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. For dental, claims are limited to various maximum amounts which depend on employee contractual groups.

Chippewa Valley Schools

Notes to Financial Statements June 30, 2010

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:

| | <u>2010</u> | <u>2009</u> |
|--|-------------------|-------------------|
| Estimated liability - Beginning of year | \$ 203,817 | \$ 160,988 |
| Estimated claims incurred - Including changes in estimates | 20,325 | 286,591 |
| Claim payments | <u>79,891</u> | <u>243,762</u> |
| Estimated liability - End of year | <u>\$ 144,251</u> | <u>\$ 203,817</u> |

The School District is partially self-insured for medical benefits provided to employees. The School District's maximum loss exposure for the fiscal year ended June 30, 2010 was limited to a specific stop loss of \$75,000 and an aggregate stop loss at 120 percent of estimated medical claims, excluding prescription coverage, not to exceed \$9,364,400. The School District has purchased commercial excess insurance coverage to pay employee claims in excess of deductible amounts. Changes in the estimated liability for the year were as follows:

| | <u>2010</u> | <u>2009</u> |
|--|-------------------|-------------------|
| Estimated liability - Beginning of year | \$ 715,833 | \$ - |
| Estimated claims incurred - Including changes in estimates | 11,132,177 | 10,471,504 |
| Claim payments | <u>10,995,889</u> | <u>9,755,671</u> |
| Estimated liability - End of year | <u>\$ 852,121</u> | <u>\$ 715,833</u> |

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 postemployment 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.

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 9.73 percent of covered payroll for the period from July 1, 2009 through September 30, 2009 and 10.13 percent for the period from October 1, 2009 through June 30, 2010. 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. For member investment plan members hired after June 30, 2008, a graduated fixed contribution rate is used ranging from 3 percent to 6.4 percent of wages. The School District's required and actual contributions to the plan for the years ended June 30, 2010, 2009, and 2008 were \$8,761,033, \$8,110,157, and \$8,124,728, respectively.

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

Postemployment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. For members who first work after June 30, 2008, a graduated premium health insurance subsidy has been put in place. 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. Required contributions for postemployment healthcare benefits are included as part of the School District's total contribution to the MPSRS plan discussed above. The employer contribution rate was 6.81 percent of covered payroll for the period from July 1, 2009 through September 30, 2009 and stayed at 6.81 percent for the period from October 1, 2009 through June 30, 2010. The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2010, 2009, and 2008 were \$5,938,056, \$5,577,471, and \$5,128,904, respectively.

Required Supplemental Information

Chippewa Valley Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Over (Under) Final Budget |
|---------------------------------------|----------------------|----------------------|----------------------|------------------------------|
| Revenue | | | | |
| Local sources | \$ 21,146,941 | \$ 21,108,657 | \$ 21,055,944 | \$ (52,713) |
| State sources | 94,569,653 | 97,982,882 | 97,994,090 | 11,208 |
| Federal sources | 13,662,861 | 11,061,239 | 10,308,295 | (752,944) |
| Total revenue | 129,379,455 | 130,152,778 | 129,358,329 | (794,449) |
| Expenditures - Current | | | | |
| Instruction: | | | | |
| Basic programs | 70,854,840 | 71,622,578 | 71,243,530 | (379,048) |
| Added needs | 13,748,666 | 14,309,838 | 13,773,388 | (536,450) |
| Adult and continuing education | 266,933 | 297,163 | 247,647 | (49,516) |
| Support services: | | | | |
| Pupil | 11,281,259 | 11,320,919 | 11,228,325 | (92,594) |
| Instructional staff | 4,586,022 | 4,690,002 | 4,472,042 | (217,960) |
| General administration | 809,917 | 765,394 | 731,374 | (34,020) |
| School administration | 8,335,610 | 8,376,393 | 8,344,803 | (31,590) |
| Business services | 1,883,452 | 2,060,864 | 2,028,547 | (32,317) |
| Operations and maintenance | 11,945,404 | 11,429,159 | 11,147,566 | (281,593) |
| Transportation and maintenance | 4,456,499 | 4,341,107 | 4,288,758 | (52,349) |
| Central | 3,203,645 | 3,214,922 | 3,168,355 | (46,567) |
| Community services | 841,454 | 1,050,421 | 891,544 | (158,877) |
| Total expenditures | 132,213,701 | 133,478,760 | 131,565,879 | (1,912,881) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 476,384 | 556,000 | 648,879 | 92,879 |
| Transfers out | (1,707,000) | (1,769,000) | (1,638,421) | 130,579 |
| Total other financing uses | (1,230,616) | (1,213,000) | (989,542) | 223,458 |
| Net Change in Fund Balance | (4,064,862) | (4,538,982) | (3,197,092) | 1,341,890 |
| Fund Balance - July 1, 2009 | 16,354,516 | 16,354,516 | 16,354,516 | - |
| Fund Balance - June 30, 2010 | <u>\$ 12,289,654</u> | <u>\$ 11,815,534</u> | <u>\$ 13,157,424</u> | <u>\$ 1,341,890</u> |

Other Supplemental Information

Chippewa Valley Schools

| | Special Revenue Funds | | | Debt Service Funds | |
|--|-----------------------|-----------------------|---------------------|--------------------|------------------|
| | Cafeteria | International Academy | Building Activities | 2001 Issue | 2002 Issue |
| Assets | | | | | |
| Cash and investments | \$ 748,285 | \$ - | \$ 1,118,918 | \$ - | \$ - |
| Accounts receivable | 6,224 | - | - | 96 | 94 |
| Due from other funds | - | 1,672,202 | - | - | - |
| Inventories | 44,764 | - | - | - | - |
| Restricted assets | - | - | - | 97,531 | 95,370 |
| Total assets | \$ 799,273 | \$ 1,672,202 | \$ 1,118,918 | \$ 97,627 | \$ 95,464 |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 3,069 | \$ - | \$ - | \$ 11 | \$ 14 |
| Due to other funds | 166,157 | - | 375,633 | - | - |
| Deferred revenue | 44,170 | - | - | - | - |
| Total liabilities | 213,396 | - | 375,633 | 11 | 14 |
| Fund Balances | | | | | |
| Reserved: | | | | | |
| Debt service | - | - | - | 97,616 | 95,450 |
| Inventories | 44,764 | - | - | - | - |
| Unreserved: | | | | | |
| Designated for International Academy | | | | | |
| Undesignated | 541,113 | 1,672,202 | 743,285 | - | - |
| Total fund balances | 585,877 | 1,672,202 | 743,285 | 97,616 | 95,450 |
| Total liabilities and fund balances | \$ 799,273 | \$ 1,672,202 | \$ 1,118,918 | \$ 97,627 | \$ 95,464 |

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010**

Debt Service Funds

| 2003 Refunding Issue | 2004 Refunding Issue | 2005 Issue | 2005 Refunding | School Bond Loan Refunding | 2006 Refunding | 2009 Refunding | Total |
|--------------------------|-------------------------|--------------------------|--------------------------|-------------------------------|--------------------------|------------------------|----------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,867,203 |
| 180 | 56 | 428 | 113 | 154 | 188 | - | 7,533 |
| - | - | - | - | - | - | - | 1,672,202 |
| - | - | - | - | - | - | - | 44,764 |
| <u>179,110</u> | <u>58,746</u> | <u>418,578</u> | <u>114,231</u> | <u>154,021</u> | <u>188,247</u> | <u>5,421</u> | <u>1,311,255</u> |
| <u>\$ 179,290</u> | <u>\$ 58,802</u> | <u>\$ 419,006</u> | <u>\$ 114,344</u> | <u>\$ 154,175</u> | <u>\$ 188,435</u> | <u>\$ 5,421</u> | <u>\$ 4,902,957</u> |
| \$ 24 | \$ 10 | \$ 47 | \$ 13 | \$ 20 | \$ 14 | \$ 9 | \$ 3,231 |
| - | - | - | - | - | - | - | 541,790 |
| - | - | - | - | - | - | - | 44,170 |
| 24 | 10 | 47 | 13 | 20 | 14 | 9 | 589,191 |
| 179,266 | 58,792 | 418,959 | 114,331 | 154,155 | 188,421 | 5,412 | 1,312,402 |
| - | - | - | - | - | - | - | 44,764 |
| - | - | - | - | - | - | - | 1,672,202 |
| - | - | - | - | - | - | - | 1,284,398 |
| <u>179,266</u> | <u>58,792</u> | <u>418,959</u> | <u>114,331</u> | <u>154,155</u> | <u>188,421</u> | <u>5,412</u> | <u>4,313,766</u> |
| <u>\$ 179,290</u> | <u>\$ 58,802</u> | <u>\$ 419,006</u> | <u>\$ 114,344</u> | <u>\$ 154,175</u> | <u>\$ 188,435</u> | <u>\$ 5,421</u> | <u>\$ 4,902,957</u> |

Chippewa Valley Schools

| | Special Revenue Funds | | | | | Debt Service Funds | | | |
|--|-----------------------|-----------------------|------------------|--------------------|---------------------|--------------------|------------------|--------------------|--------------------|
| | Cafeteria | International Academy | Resale | Athletics | Building Activities | 1998 Durant | 1998 Issue | 2001 Issue | 2002 Issue |
| Revenue | | | | | | | | | |
| Local | \$ 2,045,094 | \$ - | \$ 285,617 | \$ 545,157 | \$ 1,854,362 | \$ 96,330 | \$ 2,512 | \$ 2,081,298 | \$ 2,044,718 |
| State | 142,040 | - | - | - | - | - | - | - | - |
| Federal | 1,342,322 | - | - | - | - | - | - | - | - |
| Interdistrict | - | 2,931,725 | - | - | - | - | - | - | - |
| Total revenue | 3,529,456 | 2,931,725 | 285,617 | 545,157 | 1,854,362 | 96,330 | 2,512 | 2,081,298 | 2,044,718 |
| Expenditures | | | | | | | | | |
| Current: | | | | | | | | | |
| Food services | 3,378,390 | - | - | - | - | - | - | - | - |
| International Academy | - | 1,526,587 | - | - | - | - | - | - | - |
| Resale | - | - | 342,122 | - | - | - | - | - | - |
| Athletics | - | - | - | 1,867,346 | - | - | - | - | - |
| Building activities | - | - | - | - | 1,865,548 | - | - | - | - |
| Debt service: | | | | | | | | | |
| Principal | - | - | - | - | - | 79,976 | - | 2,550,000 | 2,395,000 |
| Interest | - | - | - | - | - | 16,354 | - | 748,862 | 843,521 |
| Other | - | - | - | - | - | - | 78,959 | 8,334 | 8,621 |
| Capital outlay | 10,247 | 254,345 | 255 | 8,912 | - | - | - | - | - |
| Total expenditures | 3,388,637 | 1,780,932 | 342,377 | 1,876,258 | 1,865,548 | 96,330 | 78,959 | 3,307,196 | 3,247,142 |
| Excess of Revenue Over (Under) Expenditures | 140,819 | 1,150,793 | (56,760) | (1,331,101) | (11,186) | - | (76,447) | (1,225,898) | (1,202,424) |
| Other Financing Sources (Uses) | | | | | | | | | |
| Transfers in | - | 493,419 | - | 1,145,002 | - | - | - | - | - |
| Transfers out | (218,000) | (338,576) | (92,303) | - | - | - | (45,719) | - | - |
| Premium on debt issued | - | - | - | - | - | - | - | - | - |
| Long-term debt issued | - | - | - | - | - | - | - | 1,184,779 | 1,145,162 |
| Payment to refund bond escrow agent | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | (218,000) | 154,843 | (92,303) | 1,145,002 | - | - | (45,719) | 1,184,779 | 1,145,162 |
| Net Change in Fund Balances | (77,181) | 1,305,636 | (149,063) | (186,099) | (11,186) | - | (122,166) | (41,119) | (57,262) |
| Fund Balances - Beginning of year | 663,058 | 366,566 | 149,063 | 186,099 | 754,471 | - | 122,166 | 138,735 | 152,712 |
| Fund Balances - End of year | \$ 585,877 | \$ 1,672,202 | \$ - | \$ - | \$ 743,285 | \$ - | \$ - | \$ 97,616 | \$ 95,450 |

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2010**

Debt Service Funds

| 2003 Refunding | | School Bond | | | | | | |
|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|-----------------|---------------------|--|
| Issue | 2004 Refunding | 2005 Issue | 2005 Refunding | Loan Refunding | 2006 Refunding | 2009 Refunding | Total | |
| \$ 3,903,744 | \$ 1,226,204 | \$ 9,290,524 | \$ 2,453,484 | \$ 3,343,403 | \$ 4,085,711 | \$ 3,845 | \$ 33,262,003 | |
| - | - | - | - | - | - | - | 142,040 | |
| - | - | - | - | - | - | - | 1,342,322 | |
| - | - | - | - | - | - | - | 2,931,725 | |
| <u>3,903,744</u> | <u>1,226,204</u> | <u>9,290,524</u> | <u>2,453,484</u> | <u>3,343,403</u> | <u>4,085,711</u> | <u>3,845</u> | <u>37,678,090</u> | |
| - | - | - | - | - | - | - | 3,378,390 | |
| - | - | - | - | - | - | - | 1,526,587 | |
| - | - | - | - | - | - | - | 342,122 | |
| - | - | - | - | - | - | - | 1,867,346 | |
| - | - | - | - | - | - | - | 1,865,548 | |
| 3,325,000 | 1,305,000 | 5,225,000 | - | 3,752,000 | 2,645,000 | - | 21,276,976 | |
| 2,471,584 | 752,304 | 7,921,228 | 3,474,427 | 1,058,124 | 2,993,953 | 811,277 | 21,091,634 | |
| 14,931 | 5,112 | 32,800 | 8,734 | 12,080 | 11,661 | 1,459 | 182,691 | |
| - | - | - | - | - | - | - | 273,759 | |
| <u>5,811,515</u> | <u>2,062,416</u> | <u>13,179,028</u> | <u>3,483,161</u> | <u>4,822,204</u> | <u>5,650,614</u> | <u>812,736</u> | <u>51,805,053</u> | |
| (1,907,771) | (836,212) | (3,888,504) | (1,029,677) | (1,478,801) | (1,564,903) | (808,891) | (14,126,963) | |
| - | - | - | - | - | - | 45,719 | 1,684,140 | |
| - | - | - | - | - | - | - | (694,598) | |
| - | - | - | - | - | - | 98,770 | 98,770 | |
| 1,833,134 | 783,186 | 3,748,689 | 990,673 | 1,423,554 | 1,611,835 | 2,178,585 | 14,899,597 | |
| - | - | - | - | - | - | (1,508,771) | (1,508,771) | |
| <u>1,833,134</u> | <u>783,186</u> | <u>3,748,689</u> | <u>990,673</u> | <u>1,423,554</u> | <u>1,611,835</u> | <u>814,303</u> | <u>14,479,138</u> | |
| (74,637) | (53,026) | (139,815) | (39,004) | (55,247) | 46,932 | 5,412 | 352,175 | |
| <u>253,903</u> | <u>111,818</u> | <u>558,774</u> | <u>153,335</u> | <u>209,402</u> | <u>141,489</u> | <u>-</u> | <u>3,961,591</u> | |
| \$ 179,266 | \$ 58,792 | \$ 418,959 | \$ 114,331 | \$ 154,155 | \$ 188,421 | \$ 5,412 | \$ 4,313,766 | |

Chippewa Valley Schools

| | Durant | Series A 2010 Issue | Series B 2010 Issue | 2009 Refunding Issue | 2006 Refunding Issue | 2005 Refunding Issue |
|------------------------|---------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| June 30 | Principal | Principal | Principal | Principal | Principal | Principal |
| 2011 | \$ 83,785 | \$ 2,565,000 | \$ - | \$ 470,000 | \$ 2,765,000 | \$ - |
| 2012 | 477,936 | 2,675,000 | - | 470,000 | 2,680,000 | 2,685,000 |
| 2013 | 91,947 | 3,475,000 | - | 470,000 | 1,905,000 | 5,365,000 |
| 2014 | - | 3,600,000 | - | - | 1,890,000 | 5,490,000 |
| 2015 | - | 3,625,000 | - | - | 110,000 | 7,410,000 |
| 2016 | - | 3,125,000 | 550,000 | - | 115,000 | 7,520,000 |
| 2017 | - | - | 3,675,000 | - | 120,000 | 7,625,000 |
| 2018 | - | - | 3,675,000 | - | 125,000 | 7,730,000 |
| 2019 | - | - | 3,700,000 | - | 5,530,000 | 2,435,000 |
| 2020 | - | - | 3,675,000 | - | 5,615,000 | 2,425,000 |
| 2021 | - | - | 3,675,000 | - | 8,285,000 | - |
| 2022 | - | - | 3,675,000 | - | 8,435,000 | - |
| 2023 | - | - | 3,675,000 | - | 8,425,000 | - |
| 2024 | - | - | 3,700,000 | - | 4,345,000 | 3,900,000 |
| 2025 | - | - | 3,700,000 | - | 4,320,000 | 3,900,000 |
| 2026 | - | - | 3,700,000 | - | 4,290,000 | 3,900,000 |
| 2027 | - | - | 3,700,000 | - | 1,675,000 | 3,900,000 |
| 2028 | - | - | 3,700,000 | - | - | - |
| 2029 | - | - | 3,700,000 | - | - | - |
| 2030 | - | - | 3,700,000 | - | - | - |
| 2031 | - | - | 3,700,000 | - | - | - |
| 2032 | - | - | 3,700,000 | - | - | - |
| 2033 | - | - | 3,700,000 | - | - | - |
| 2034 | - | - | 3,700,000 | - | - | - |
| 2035 | - | - | 3,700,000 | - | - | - |
| Total | \$ 653,668 | \$ 19,065,000 | \$ 70,700,000 | \$ 1,410,000 | \$ 60,630,000 | \$ 64,285,000 |
| Principal payments due | May 15 | May 1 |
| Interest payments due | May 15 | May 1 and November 1 |
| Interest rate | 4.76% | 1.15% to 4.25% | 5.35% to 6.85% | 5.00% | 4.0% to 5.0% | 5.0% |
| Original issue | \$ 1,371,786 | \$ 19,065,000 | \$ 70,700,000 | \$ 1,410,000 | \$ 63,575,000 | \$ 64,285,000 |

**Other Supplemental Information
Schedule of Bonded Indebtedness
Year Ended June 30, 2010**

| 2005 Issue | 2004 Issue | 2003 SBL Refunding Issue | 2,003 Refunding Issue | 2002 Issue | 2001 Issue | Total |
|------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------------|
| Principal | Principal | Principal | Principal | Principal | Principal | |
| \$ 5,250,000 | \$ 1,265,000 | \$ 3,875,000 | \$ 3,255,000 | \$ 1,775,000 | \$ 2,550,000 | \$ 23,853,785 |
| 5,275,000 | 1,225,000 | 4,002,000 | 3,225,000 | 1,775,000 | - | 24,489,936 |
| 5,300,000 | 1,180,000 | 4,131,000 | 3,185,000 | - | - | 25,102,947 |
| 5,325,000 | 1,130,000 | 4,266,000 | 3,175,000 | - | - | 24,876,000 |
| 5,350,000 | 1,100,000 | - | 3,135,000 | - | - | 20,730,000 |
| 5,400,000 | - | - | 3,090,000 | - | - | 19,800,000 |
| 5,450,000 | - | - | 3,050,000 | - | - | 19,920,000 |
| 5,500,000 | - | - | 3,000,000 | - | - | 20,030,000 |
| 5,575,000 | - | - | 2,955,000 | - | - | 20,195,000 |
| 5,650,000 | - | - | 2,900,000 | - | - | 20,265,000 |
| 5,725,000 | - | - | 2,845,000 | - | - | 20,530,000 |
| 5,800,000 | - | - | - | - | - | 17,910,000 |
| 5,875,000 | - | - | - | - | - | 17,975,000 |
| 5,950,000 | - | - | - | - | - | 17,895,000 |
| 6,025,000 | - | - | - | - | - | 17,945,000 |
| 6,100,000 | - | - | - | - | - | 17,990,000 |
| 6,175,000 | - | - | - | - | - | 15,450,000 |
| 6,250,000 | - | - | - | - | - | 9,950,000 |
| 6,325,000 | - | - | - | - | - | 10,025,000 |
| 6,400,000 | - | - | - | - | - | 10,100,000 |
| 6,500,000 | - | - | - | - | - | 10,200,000 |
| 6,600,000 | - | - | - | - | - | 10,300,000 |
| 6,700,000 | - | - | - | - | - | 10,400,000 |
| 6,800,000 | - | - | - | - | - | 10,500,000 |
| - | - | - | - | - | - | 3,700,000 |
| <u>\$ 141,300,000</u> | <u>\$ 5,900,000</u> | <u>\$ 16,274,000</u> | <u>\$ 33,815,000</u> | <u>\$ 3,550,000</u> | <u>\$ 2,550,000</u> | <u>\$ 420,132,668</u> |
| May 1 | May 1 | May 1 | May 1 | May 1 | May 1 | |
| 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 | May 1 and November 1 | |
| 3.8% to 5.0% | 2.0% to 5.0% | 3.318% | 2.25% to 5.0% | 4.0% to 5.5% | 3.75% to 5.375% | |
| <u>\$ 158,335,000</u> | <u>\$ 19,570,000</u> | <u>\$ 34,761,580</u> | <u>\$ 58,895,000</u> | <u>\$ 50,050,000</u> | <u>\$ 61,715,000</u> | |