

**Chippewa Hills School District**  
Remus, Michigan

Financial Statements  
With Supplementary Information  
June 30, 2018



Chippewa Hills School District  
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June 30, 2018

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Chippewa Hills School District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa Hills School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As discussed in the notes to the financial statements, the District adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of this Statement, the financial statements have been changed to reflect the new presentation required by GASB Statement No. 75. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Sincerely,



Roslund, Prestage & Company, P.C.  
Certified Public Accountants

October 2, 2018

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**



This section of Chippewa Hills School District's annual financial report presents our discussion and analysis of the Chippewa Hills School District's financial performance during the year ended June 30, 2018. Please read this section in conjunction with the financial statements that 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 Hills School District 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, Food Service Fund, Debt Service Fund, and Capital Projects Fund. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

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

**Basic Financial Statements**

*District-wide Financial Statements*

*Fund Financial Statements*

*Notes to the Basic Financial Statements*

*(Required Supplemental Information)*

*Budgetary Information for the General Fund and Major Special Revenue Funds*

*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 financial condition of Chippewa Hills School District as a result of this year's activities?" The statement of net position and the statement of activities, which appear first in the financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position – the difference between assets and liabilities, as reported in the statement of net position – as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of education provided and the safety of the schools, to assess the overall health of the Chippewa Hills School District.

The statement of net position and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

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

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes or to show that the School District is meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

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

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

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

**The School District as a Whole**

Recall that the statement of net position provides the perspective of the Chippewa Hills School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2018:

Table 1	Governmental Activities-2018	Governmental Activities-2017
<b>Assets</b>		
Current and other assets	\$6,468,760	\$ 6,376,511
Capital assets - net of accumulated depreciation	25,612,809	26,079,988
Total Assets	32,081,569	32,456,499
Deferred Outflows Of Resources		
Deferred Outflow Retirement Contributions	6,094,432	4,115,378
<b>Liabilities</b>		
Current liabilities	4,772,547	4,377,705
Long-term liabilities	49,497,599	40,509,135
Total liabilities	54,270,146	44,886,840
<b>Deferred Inflows of Resources:</b>		
Deferred inflows of resources-deferred charge on refunding	4,558,541	1,930,124
<b>Net Position</b>		
Invested in capital assets - Net of related debt	16,802,274	15,707,229
Restricted	472,630	418,734
Unrestricted	(37,927,590)	(26,371,050)
Total net position	\$ (20,652,686)	\$ (10,245,087)

The change in net position of the School District's governmental activities is attributable to the implementation of GASB 68 and 75. In 2014-2015, GASB 68 went into effect,



which required school districts to record their portion of the Michigan Public School Employees Retirement System (MPERS). Previous to GASB 68, the district did not record their portion of the employee retirement system that the state holds and controls. In addition to GASB 68, GASB 75 is now in effect beginning with the 2017-2018 school year. This requires the district to disclose information on other post employment benefits other than pensions (OPEB). These two GASB statements have greatly affected the recoded net position of the district. **The district's share of the pension liability for the period ending June 30, 2018 was \$30,934,036. The district's share of the OPEB liability for the period ending June 30, 2018 was \$10,577,075.** Please note that the district does not directly pay retirees the retirement benefits or the health insurance as this is the responsibility of the state. **The recording of the district's share of the two liabilities has affected the district's net position as of June 30, 2018 as a negative balance of (\$20,652,686).**

During the 2014-2015 fiscal year, the district refunded the 2005 refunding bonds as well as passing a new bond issue. The refunding saved the district \$527,972 over the remaining years of this loan. In essence it was a savings of 1% in interest on the \$5.9 million balance of this bond.

Also the district passed a new general obligation bond in two series. The first series is issued at \$7,340,174.00. This is to be used for bus purchases, security and technology upgrades in all buildings, needed remodeling, some furniture replacements, upgrades to the athletic facilities and roof replacements at Mecosta, Weidman and the Remus building. Series two will be sold in 2019.

**During the fiscal year 2015-2016, the district began the renovations included in the series 1 of the bond passed in 2014-2015. These renovations (including renovations to all of our school buildings and most of our athletic facilities) were wrapped up in 2017-2018.**

**Since 2014-2015 the district has also spent \$1,190,182 in Series I bond money on buses. With the vast size of our district, it is important to be able to provide safe transportation for all of our students, and the bond has allowed us to update our fleet.**

**Also in the first series of the bond, \$412,000 is remaining for technology upgrades. This will be expended during the 2018-2019 school year and help improve student instruction at all of our school buildings.**

The Restricted net position, which totals **\$273,555 restricted for Debt Service and \$199,075 restricted for Food Service**, is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net position for day-to-day operations.

The \$ **(35,632,240)** in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations and the effect of the retirement

Chippewa Hills School District  
Management's Discussion and Analysis

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obligations of the district. The operating result of the General Fund has had a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net position for fiscal year 2018.

Table 2	<u>Governmental Activities-2018</u>	<u>Governmental Activities-2017</u>
<b>Revenue</b>		
Program Revenue	<b>\$2,665,536</b>	\$2,823,084
General Revenue:		
Property Taxes	<b>7,998,474</b>	7,984,121
State foundation allowance	<b>12,046,760</b>	11,787,477
Other	<b>271,480</b>	255,086
Total revenue	<b>22,982,250</b>	22,849,768
<b>Function/Program Expenses</b>		
Instruction	<b>14,173,642</b>	12,790,972
Support Services (incl. Athletics)	<b>6,657,741</b>	5,097,537
Food Services	<b>1,158,574</b>	1,202,795
Community Activities	<b>14,337</b>	24,418
Transfers/Other Expenditures	<b>4,824</b>	0
Interest on long-term debt	<b>213,972</b>	281,175
Depreciation – unallocated	<b>1,067,739</b>	1,015,347
Total expenses	<b>23,290,829</b>	20,412,244
<b>Increase/(Decrease) in net position</b>	<b><u>(308,579)</u></b>	<b><u>\$2,437,524</u></b>

Chippewa Hills School District  
Management's Discussion and Analysis

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<b>Net Position beginning, as restated for Net other post-employment benefit Liability (OPEB)</b>	<b>\$ (20,214,475)</b>
<b>Prior period adjustments</b>	<b>\$(129,632)</b>
<b>Change in net position</b>	<b>\$(308,579)</b>
<hr/>	
<b><u>Ending Net Position with pension liability And OPEB:</u></b>	<b><u>\$ (20,652,686)</u></b>

As reported in the statement of activities, the cost of all of our *governmental* activities this year was **\$20,999,163** of which **\$12,541,288** or **59.7%** was spent on instruction and **\$8,457,875** or **40.3%** was on support services. Certain activities were partially funded from those who benefited from the programs or by other governments and organizations that subsidized certain programs with grants and categoricals (**\$1,813,927**). We paid for the remaining “public benefit” portion of our governmental activities with **\$7,998,474** in taxes, **\$12,046,760** in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

As of June 30, 2018, Chippewa Hills School District's negative net position increased by **\$308,579** (after adjusting for other post-employment benefit liabilities).

The district has been adjusting programs and services over the past seven years due to the changes in funding received from the state. During 2017-2018, the district added to fund balance **\$446,719**. After running a deficit last year, Food Service added **\$49,588** back to their fund balance. Starting in 2018-2019, in addition to free universal breakfasts at all schools and free after school snacks at the high school, Chippewa Hills will be offering free lunch to all of our students, regardless of income.

Please note that the increase in net position differs from the change in fund balance, and the reconciliation appears on page 6.

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

**As the School District completed this year, the governmental funds reported a combined fund balance of \$3,859,812, which is a decrease of \$226,084 from last year. In 2014-2015, the district had just passed the series one of the new bond which added \$7,238,549 to the fund balance of June 2015. The district has been spending this money down to a balance as of June 30, 2018 of \$944,243. The district increased the General Fund balance by \$446,719. The district also experienced a slight increase in the overall debt fund balances by \$4,308. As mentioned before, Food Service added \$49,588 to its fund balance. The district also has an outstanding Energy Bond which expires in 2025. The district uses savings from the utilities to meet the annual obligation of \$129,270 that is required to repay the energy performance bond taken out seven years ago. In the General Fund, our principal operating fund, the fund balance came in over the forecasted amounts. Overall, actual General Fund revenue came in within 100.3% of the projected amount and General Fund expenses were within 96% percent of forecasted amounts.**

- The Food Service Fund showed a fund balance **increase \$49,588** as a result of general food service operations. The single biggest factor in this fund balance increase is that there was no capital outlay for Food Service in 2017-2018.
- **The Athletic Fund is included with the General Fund. The net contribution of the General Fund is \$288,010 which is up from the \$260,000 from last year. We had the same Athletic Director since the 2012-2013. She was the Intermediate School Principal as well as the Athletic Director, and was only paid an extra duty contract for athletics. Beginning with the 2018-2019 school year, Chippewa Hills will have a full time Athletic Director to help improve the quality of athletics for our students. The sports boosters during 2017-2018 donated \$2,500 to help defray what the General Fund has difficulties in funding. Going forward, rather than a cash donation, the boosters will be funding an on-site athletic trainer for the district's events. Finally, as we have done in the past, non-employee coaching staff has been paid through a third party service which saves the district the cost of retirement contributions.**
- Combined, the Debt Service Funds showed an ending fund balance of **\$273,555. The Debt Millage is paid for through a Debt Tax Levy. This Millage rate is determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service.** The debt issue currently had sufficient resources to continue to levy the 2.68 mills.

Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

### **General Fund Budgetary Highlights**

Over the course of the year, the Chippewa Hills School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

**Foundation Grant amounts were finalized at \$7,631. We also had a hold harmless guarantee of \$20 per student and an isolated district allowance of \$45.84 per student. The district's At Risk funding increased to \$910,437, and additional supports were distributed to the district specifically for High School students - \$14,550.**

Local General Fund tax collections were **\$5,829,593**. The district also receives grants from the Saginaw Chippewa Tribe. **At June 30, 2018** we had a balance in the local Indian Grant money of **\$ 141,769**. This figure represents a composite of the current year as well as funding from prior years that the district has not used yet. This summer, the district will be installing additional security cameras and applying security film to our windows with the donations from the Saginaw Chippewa Tribe.

The state also has created a new source of funding that is a pass through funding for the district. It is called Section 147c. This money is money that the state has dedicated to bringing down the pension fund liability. It appears that this is increased district funding but it actually is given to the district on the State Aid the 20<sup>th</sup> of the month and taken back by invoice the 10<sup>th</sup> of the following month. **The amount sent to the district for the 2017-2018 school year was \$1,243,799.**

**The year-end prediction was that the district would add about \$100,000 to our Fund Balance. The district actually had revenues over expenditures of \$443,035 which will increase the fund balance to \$2,442,939 from the \$1,999,004 balance in June 2017. This now gives us a total fund balance of 12%.**

**During the year 2017-2018, the district student count was down 19.6 students. This reduced the amount of state revenue for the district by \$149,567.**

Recently, Moody's Investor Services reevaluated the district's financial position and changed its rating to Aa2 with a negative outlook. This means that the investor service is concerned about the financial conditions in the state as well as in the school system. An Aa2 is still considered prime. It has not affected our borrowing rate as of this time.

## **Capital Asset and Debt Administration**

### ***Capital Assets***

At June 30, 2018, the Chippewa Hills School District had **\$25,612,809** invested in a broad range of capital assets, including land, land improvements, buildings, equipment, and vehicles. This amount represents a net decrease (including additions and disposals) of **\$467,179 from last year. More depreciation occurred than purchases of new assets in 2017-2018.**

	<u>2018</u>	<u>2017</u>
Land	<b>\$ 105,000</b>	\$ 105,000
Buildings & Improvements	<b>33,769,551</b>	33,769,551
Equipment	<b>2,723,457</b>	3,152,389
Construction in Progress	<b>3,709,205</b>	3,595,204
Vehicles	<b>2,462,428</b>	2,252,810
	<hr/>	<hr/>
Total Capital Assets	<b>42,769,641</b>	42,874,954
	<hr/>	<hr/>
Less accumulated depreciation	<b>17,156,832</b>	16,794,966
	<hr/>	<hr/>
Net Capital Assets	<b><u>\$ 25,612,809</u></b>	<b><u>\$ 26,079,988</u></b>

During the fiscal year of 2009-2010, the district also was able to take advantage of the Qualified School Construction Bond Stimulus funding. The district was approved for a \$2.5 million dollar energy program. With these funds, the district made improvements to boilers and HVAC equipment, building management systems as well as roof repairs at four of our buildings.

This bond was sold zero interest and our local bank bought the bonds. Under this stimulus funding, the bank receives a tax credit for holding these bonds. Between the zero coupon bond and the tax incentive for the bank, the district will actually pay back only \$ 1,939,051.2 with annual set asides for the bank. The remainder of the payment will be made with the interest on the set aside account. The first payment was made in the 2010-2011 fiscal school year.

**The 2015 bond was sold in two series. The work is almost completed in the series 1 with the exception of the remaining buses and technology to be purchased. The second series of bonds will be sold in 2019, and the main expense will be the replacement of Barryton Elementary School. This was done with no increase in the current Debt Levy of 2.68 mills.**

**Debt**

At the end of this year, the Chippewa Hills School District had \$11,169,438 in bonds outstanding versus \$13,107,431 in the previous year. We have also added the Capital Leases on the copy machines to this schedule. This schedule reflects the new long term portion of the General Obligation Bond sold during 2014-2015. Those bonds consisted of the following:

	2018	2017
Energy Bonds (QSCB)	\$ 904,890	\$ 1,034,160
2015 Refunding Bonds	\$ 1,595,000	\$ 3,130,000
2015 Bond Issue Series 1	\$ 6,440,000	\$ 6,635,000
Capital lease Copiers	\$ 178,525	264,217
2005 Refunding Bonds	0	0
Bus Note	53,032	106,061
<b>Total Long-Term Bonds</b>	<b>\$ 9,171,447</b>	<b>\$ 11,169,438</b>

Other obligations, which include employee-compensated absences, will be presented with the above long-term obligations in note 6 of the financial statements.

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

Our elected Board of Education officials and administration consider many factors when setting the Chippewa Hills School District's 2018-2019 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. **The blended count for the 2018 fiscal year is 90 percent and 10 percent of the September 2018 and February 2018 student counts. The state has reinstated the previous counting formula (which was suspended during the 2015-2016 year) allowing that if a student leaves after count day and can be traced to the new district, the new district can charge back the district a prorated foundation amount for the days the district educated the student. This adds more uncertainty to the budget. The 2018-2019 fiscal year budget was adopted in June 2018, based on an estimate of students that will be enrolled in September 2018. The district is estimating this number to be 1970 a drop of possibly 52 students.**

Approximately 75 percent to 80 percent of total General Fund revenues are from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general operations. The district built the budget for 2018-2019 based on the number of projected as well as counting for the graduating seniors and adding the new Kindergarten student estimate from the spring round up. Once the final student count and related per pupil funding is validated, State law requires the School

District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation. The School Aid Fund actually has done better than expected. However, Governor Snyder, chose to rebase the education foundation for 2011-2012 from \$7,316 downward to \$6,846. This is a cut of \$470 a student. This cut still exists in the Foundation Grant annual adjustments. There are some one-time revenues to help share the cost of the rising retirement rate as well as incentive money for "Best Practices."

One of the major issues affecting education funding is the retirement legacy cost obligations that the state has for retiring school personnel. The health costs have risen; many more have taken incentives to retire early lowering the amount contributing into the retirement system; and districts have been privatizing staff to save retirement costs. The state has approved legislation to contain costs and reform the pension underfunded liability that currently exists. However, the positive effect of this change will not be seen for many years. The rate that the districts are charged per employee is currently set at **26.18%**. There are different rates depending upon the choices that the current employees make regarding a defined benefit or defined contribution. Also, part of the foundation grant increase from the state is used to fund the unfunded portion of the pension. About half of the foundation increase from the state for 2016-2017 went to fund the pension underfunded portion and not to the classroom.

The state also has added another categorical called section 147c. This funding also is for the pension system. The state gives us the money in the state aid funding received the 20<sup>th</sup> of the month. Then the state asks for this money back on the 10<sup>th</sup> of the following month. This section actually is funding part of the retirement rate and keeping the rate for the districts to pay directly down about 8 to 10 percentage points. The actual pension rate is **38.39%** with the state funding about 10% of the rate off the top of the foundation grant. The pension reform will take until about 2036 before it stabilizes and the rates to fund the pension go down.

**For the year 2017-2018, the state has increased the foundation grant of \$7,511 by the following: A \$120 (x2) boost to the minimum foundation and a continuing equity boost of \$125 per student. The district also qualifies again for a categorical added to the State Aid called Isolated District Funding. This makes our foundation grant now \$7,631 per student plus the additional \$44 per student for isolated districts.**

The School District's major expenditure concerns are the soaring employee benefit costs that consist of health care costs and mandatory retirement costs. These employee benefit costs keep rising and the foundation grant does not keep pace with



the increases that the district is incurring. The district also has to deal with the rising costs of maintaining aging facilities, vehicles and equipment throughout the district.

**The bargaining agreements for both the teachers and the support group have been settled during the 2016-2017 fiscal year. The teacher's contract expires December 2020 and the support contract expires December 31, 2018. The administration has added an equity sharing clause that states if the district does better than projected some of this increase will be shared with the employees as long as the fund balance is increasing by at least 1% per year. This year we increased the fund balance from 10% to 12% so the administration will be discussing some equity sharing with the staff for the upcoming calendar year.**

The way the equity share program was drafted, the Teacher's Association and the Board will meet after the verified count of the school year and the audit has been completed and the foundation grant is set. The board assumes that steps will be granted should the financial situation allow it to occur. Additional funds will be negotiated through additional steps, schedule adjustments or stipends. The association also agrees to concessions with regard to schedule adjustments and or steps if the financial situation does not meet the expected fund balance. The increases occur in January and run through the following December. This crosses two fiscal years.

The Administrators, Executive Staff, and the other support staff also become part of the equity share program.

In June, 2015, the district had dropped to a fund balance of 5.65%. This was dangerously low. The original intent was to reach a 10% fund balance by the year 2020. The district has performed better over the last three years and currently has the 12% fund balance as of June, 2018.

To handle our substitute issues we have a third party administrator handling our teacher and some support substitutes. With the high cost of the retirement percentage, hiring substitutes from an outside vendor saves the district in fringe benefit costs. Beginning in January 2018, the district implemented a tiered pay system which rewards substitutes who work consistently for Chippewa Hills and helps us keep the substitute teacher vacancy rates low.

The district administration and the Board of Education appreciate the concessions that both units have made to try to curtail our spending and avoid more layoffs in personnel. **The rising costs coupled with declining enrollment and revenue loses put the School District in a financial squeeze. However, with employee concessions and right sizing our operations the district has brought the fund balance up to the 10% figure. The district continues to look at cuts and service consolidations to save money and add efficiency.**

**Contacting the School District's Financial Management**

This financial report is designed to provide the Chippewa Hills School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, write to the Director of Finance at 3226 Arthur Road, Remus, Michigan 49340.

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**



Chippewa Hills School District  
Statement of Net Position  
June 30, 2018

**Assets**

Current assets

Cash and investments	\$ 3,737,958
Accounts receivable	35,609
Due from other governmental units	2,353,507
Due from agency fund	268,080
Inventory	22,113
Other current assets	51,493
Total current assets	6,468,760

Non-current assets

Capital assets not being depreciated	3,814,205
Capital assets being depreciated, net	21,798,604
Total non-current assets	25,612,809

Total assets 32,081,569

**Deferred Outflows of Resources**

Deferred outflow - related to pension	5,855,583
Deferred outflow - related to other post-employment benefits	238,849
Total deferred outflows	6,094,432

**Liabilities**

Current liabilities

Accounts payable	474,136
Accrued payroll liabilities	355,565
Accrued expenses	1,203,650
Accrued interest	52,872
Unearned revenue	575,597
Bonds payable, due within one year	1,939,270
Bus loan, due within one year	53,032
Capital lease, due within one year	85,692
Compensated absences, due within one year	32,733
Total current liabilities	4,772,547

Non-current liabilities

Premium on bonds sold, net of amortization	707,547
Bonds payable, due beyond one year	7,000,620
Capital lease, due beyond one year	92,833
Compensated absences, due beyond one year	185,488
Net pension liability	30,934,036
Net other post-employment benefit liability	10,577,075
Total non-current liabilities	49,497,599

Total liabilities 54,270,146

**Deferred Inflows of Resources**

Deferred inflow - related to pension	2,718,332
Deferred inflow - related to other post-employment benefits	357,582
Deferred inflow - 147c allocation	1,482,627
Total deferred inflows of resources	4,558,541

**Net position**

Net investment in capital assets	16,802,274
Restricted for:	
Debt service	273,555
Food service	199,075
Unrestricted	(37,927,590)
Total net position	\$ (20,652,686)

The notes to the financial statements are an integral part of this statement.

Chippewa Hills School District  
Statement of Activities  
For The Year Ended June 30, 2018

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
<b>Governmental activities:</b>				
Instruction	\$ 14,173,642	\$ 551,368	\$ 876,327	\$ (12,745,947)
Support services	6,657,741	93,688	-	(6,564,053)
Food service	1,158,574	210,237	933,916	(14,421)
Community activities	14,337	-	-	(14,337)
Interest, fees and other on long-term debt	213,972	-	-	(213,972)
Other expenditures	4,824	-	-	(4,824)
Depreciation - unallocated	1,067,739	-	-	(1,067,739)
Total governmental activities	<u>\$ 23,290,829</u>	<u>\$ 855,293</u>	<u>\$ 1,810,243</u>	<u>(20,625,293)</u>
<b>General revenues:</b>				
Property taxes				7,998,474
State aid not restricted to specific purposes				12,046,760
Interest and investment earnings - unrestricted				29,103
Interest and investment earnings - restricted				29,628
Other revenues				212,749
Total general revenues				<u>20,316,714</u>
<b>Change in net position</b>				(308,579)
<b>Net position - beginning, as restated for net other post-employment benefit liability</b>				(20,214,475)
<b>Prior period adjustments</b>				<u>(129,632)</u>
<b>Net position - ending</b>				<u>\$ (20,652,686)</u>

## FUND FINANCIAL STATEMENTS



Chippewa Hills School District  
Balance Sheet  
Governmental Funds  
June 30, 2018

	Major Funds		Total Non-major Funds	Total Governmental Funds
	General	Capital Projects		
<b>Assets</b>				
Cash and investments	\$ 2,362,910	\$ 1,068,459	\$ 306,589	\$ 3,737,958
Accounts receivable	32,998	-	2,611	35,609
Due from other funds	-	-	412,285	412,285
Due from agency fund	268,080	-	-	268,080
Due from other governmental units	2,338,770	-	14,737	2,353,507
Inventory	15,943	-	6,170	22,113
Prepaid expenditures	51,493	-	-	51,493
Total assets	<u>\$ 5,070,194</u>	<u>\$ 1,068,459</u>	<u>\$ 742,392</u>	<u>\$ 6,881,045</u>
<b>Liabilities</b>				
Accounts payable	\$ 346,614	\$ 123,216	\$ 4,306	\$ 474,136
Accrued payroll liabilities	355,565	-	-	355,565
Accrued expenses	1,198,727	-	4,923	1,203,650
Due to other funds	161,285	1,000	250,000	412,285
Unearned revenue	565,064	-	10,533	575,597
Total liabilities	<u>2,627,255</u>	<u>124,216</u>	<u>269,762</u>	<u>3,021,233</u>
<b>Fund balances</b>				
Nonspendable				
Inventory and prepaids	67,436	-	6,170	73,606
Restricted	-	944,243	466,460	1,410,703
Committed				
Energy grant	5,427	-	-	5,427
Assigned				
Curriculum	100,000	-	-	100,000
Boiler Replacement	18,920	-	-	18,920
Van purchase	26,995	-	-	26,995
Unassigned	2,224,161	-	-	2,224,161
Total fund balances	<u>2,442,939</u>	<u>944,243</u>	<u>472,630</u>	<u>3,859,812</u>
Total liabilities and fund balances	<u>\$ 5,070,194</u>	<u>\$ 1,068,459</u>	<u>\$ 742,392</u>	<u>\$ 6,881,045</u>

Chippewa Hills School District  
 Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds  
 to Net Position of Governmental Activities on the Statement of Net Position  
 June 30, 2018

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Total fund balance - governmental funds \$ 3,859,812

The amount reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Add:	Cost of capital assets	42,769,641
Deduct:	Accumulated depreciation	(17,156,832)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Deduct:	Bonds payable - 2010 Energy	(904,890)
Deduct:	Bonds payable - 2015 refunding	(1,595,000)
Deduct:	Bonds payable - 2015 construction	(6,440,000)
Deduct:	Loan payable - bus	(53,032)
Deduct:	Capital lease - copiers	(178,525)
Deduct:	Premium on bonds sold - 2010 Energy (net of amortization)	(261,774)
Deduct:	Premium on bonds sold - 2015 refunding (net of amortization)	(105,625)
Deduct:	Premium on bonds sold - 2015 construction (net of amortization)	(340,148)

Long-term liabilities (and corresponding deferrals) are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Add:	Deferred outflow - related to pension	5,855,583
Add:	Deferred outflow - related to other post-employment benefits	238,849
Deduct:	Net pension liability	(30,934,036)
Deduct:	Net other post-employment benefit liability	(10,577,075)
Deduct:	Deferred inflow - related to pension	(2,718,332)
Deduct:	Deferred inflow - related to other post-employment benefits	(357,582)
Deduct:	Deferred inflow - 147c allocation	(1,482,627)
Deduct:	Accrued interest on long-term liabilities	(52,872)
Deduct:	Compensated absences payable	(218,221)

Net position of governmental activities \$ (20,652,686)



Chippewa Hills School District  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For The Year Ended June 30, 2018

	Major Funds		Total Non-major Funds	Total Governmental Funds
	General	Capital Projects		
<b>Revenues</b>				
Local sources	\$ 6,160,069	\$ 17,674	\$ 2,340,847	\$ 8,518,590
State sources	12,610,891	-	117,427	12,728,318
Federal sources	876,326	-	832,539	1,708,865
Other sources	590,608	-	-	590,608
Total revenues	20,237,894	17,674	3,290,813	23,546,381
<b>Expenditures</b>				
Instruction				
Basic program	9,890,195	-	-	9,890,195
Added needs	3,303,719	-	-	3,303,719
Total instruction	13,193,914	-	-	13,193,914
Support services				
Pupil	343,470	-	-	343,470
Instructional staff	47,310	-	-	47,310
General administration	362,857	-	-	362,857
School administration	1,508,877	-	-	1,508,877
Business services	404,603	-	-	404,603
Operation and maintenance	1,512,852	-	-	1,512,852
Pupil transportation	1,346,217	412,450	-	1,758,667
Central	313,241	-	-	313,241
Athletics	342,915	-	-	342,915
Total support services	6,182,342	412,450	-	6,594,792
Community activities	14,337	-	-	14,337
Facilities and improvement	-	327,036	-	327,036
Food service	-	-	1,121,289	1,121,289
Debt service				
Principal payments	138,722	-	1,859,270	1,997,992
Interest, fees and other	1,458	-	387,191	388,649
Other expenditures		1,203	3,621	4,824
Total expenditures	19,530,773	740,689	3,371,371	23,642,833
<b>Revenues over (under) expenditures</b>	707,121	(723,015)	(80,558)	(96,452)
<b>Other financing sources (uses)</b>				
Transfers in	5,427	-	281,111	286,538
Transfers out	(129,270)	-	(157,268)	(286,538)
<b>Net change in fund balances</b>	583,278	(723,015)	43,285	(96,452)
<b>Fund balances - beginning of year</b>	1,999,904	1,667,258	418,734	4,085,896
<b>Prior period adjustment</b>	(140,243)	-	10,611	(129,632)
<b>Fund balances - end of year</b>	\$ 2,442,939	\$ 944,243	\$ 472,630	\$ 3,859,812

Chippewa Hills School District  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in  
 Fund Balances of Governmental Funds to the Statement of Activities  
 For The Year Ended June 30, 2018

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Net change in fund balances - total governmental funds \$ (96,452)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Add:	Capital outlay	600,560
Deduct:	Depreciation expense	(1,067,739)

Long-term debt proceeds are reported as other financing sources in the governmental funds, thereby increasing fund balances. In the statement of net position, however, issuing long-term debt increases liabilities and has no effect on net position. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Add:	Bonds payable - 2010 Energy principal payment	129,270
Add:	Bonds payable - 2015 refunding principal payment	1,535,000
Add:	Bonds payable - 2015 construction principal payment	195,000
Add:	Loan payable - bus principal payment	53,030
Add:	Capital lease - copiers	85,692
Add:	Premium on bonds sold - 2010 Energy amortization	37,397
Add:	Premium on bonds sold - 2015 refunding amortization	105,625
Add:	Premium on bonds sold - 2015 construction amortization	20,009

Revenue in support of pension contributions made subsequent to the measurement date.

Deduct:	Change in deferred inflow - 147c allocation	(564,131)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.

Add:	Change in deferred outflow - related to pension	1,740,205
Deduct:	Change in deferred outflow - related to other post-employment benefits	(948,234)
Deduct:	Change in net pension liability	(606,205)
Add:	Change in net other post-employment benefits	579,396
Deduct:	Change in deferred inflow - related to pension	(1,706,704)
Deduct:	Change in deferred inflow - related to other post-employment benefits	(357,582)
Deduct:	Change in accrual for compensated absences	(54,362)
Add:	Change in accrued interest on long-term debt	11,646

Change in net position of governmental activities	<u>\$ (308,579)</u>
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Chippewa Hills School District  
Statement of Fiduciary Net Position  
June 30, 2018

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	<u>Trust Fund</u>	<u>Agency Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 167,462	\$ 489,053	\$ 656,515
<b>Liabilities</b>			
Due to general fund	-	268,080	268,080
Due to student groups	-	<u>220,973</u>	<u>220,973</u>
Total liabilities	<u>-</u>	<u>489,053</u>	<u>489,053</u>
<b>Net Position</b>			
Restricted for endowments	<u>\$ 167,462</u>	<u>\$ -</u>	<u>\$ 167,462</u>

Chippewa Hills School District  
Statement of Changes in Fiduciary Net Position  
June 30, 2018

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	<u>Trust Fund</u>
<b>Revenues</b>	
Interest	\$ 1,009
<b>Expenses</b>	
Scholarship	<u>1,000</u>
<b>Change in net position</b>	9
<b>Net position - beginning</b>	<u>167,453</u>
<b>Net position - ending</b>	<u><u>\$ 167,462</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Chippewa Hills School District (the District) conform to generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the District. All amounts shown are in dollars.

**Reporting Entity**

The District is governed by Board of Education members which have the responsibility and control over all activities related to public school education within the District. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. The District receives funding from local, state and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America.

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 District's reporting entity, and which organizations are legally separate, component units of the District. Based on the application of the criteria, the District does not contain any component units.

**Basis of Presentation - Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Basis of Presentation - Fund Financial Statements**

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds. Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The *capital projects fund* accounts for the receipt of bond proceeds, transfers from the general fund (as applicable), and the acquisition of fixed assets or construction of capital projects.

The District reports the following non-major governmental funds:

- The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service in a special revenue fund.
- The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The District accounts for its 2005 Bonds, 2010 Energy Bonds, 2015 Construction Bonds, and 2015 Refunding Bonds in debt service funds.

The District reports the following fiduciary funds:

- The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities). These funds are not reported in the District's government-wide financial statements.
- The private purpose trust funds account for funds entrusted to the District for scholarship awards and the interest may be spent. These funds are not reported in the District's government-wide financial statements

### **Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are generally 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities. The private-purpose trust fund is reported using the economic resources measurement focus and the accrual basis of accounting.

### **Budgetary Basis of Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will

Chippewa Hills School District  
Notes to the Financial Statements  
June 30, 2018

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be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.

- Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- The budget was amended during the year with supplemental appropriations, the last one approved prior to year ended June 30. The District does not consider these amendments to be significant.

### **Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

#### Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

#### Investments

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

#### Inventory

Inventory is valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventory is recorded as expenditures/expenses when consumed rather than when purchased.

#### Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

#### Due from/to other funds

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

#### Capital Assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.



Chippewa Hills School District  
Notes to the Financial Statements  
June 30, 2018

Land and construction in progress, if any, are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Land	Not Depreciated
Construction in process	Not Depreciated
Buildings and additions	10 – 50
Machinery and equipment	3 - 20
Capital Lease – copiers	5
Vehicles	5 – 8

Deferred Outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has the following items that qualify for reporting in this category:

- Related to pension - A deferred outflow is recognized for pension related items. These amounts are expensed in the plan year in which they apply.
- Related to other post-employment benefits – A deferred outflow is recognized for other post-employment benefits related items. These amounts are expensed in the plan year in which they apply.

Deferred Inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualifies for reporting in this category:

- Related to pension - Future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary.
- Related to other post-employment benefits - Future resources yet to be recognized in relation to the OPEB actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the OPEB liability and the actual results. The amounts are amortized over a period determined by the actuary.
- 147c allocation - Restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period.

Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the fund financial statements and Government-wide financial statements, and revenue is recognized.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

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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 on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### Postemployment Benefits Other Than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### Net Position and Fund Balances

Restricted net position shown in the Government-wide financial statements will generally be different from amounts reported as reserved/designated fund balances in the governmental fund financial statements. This occurs because of differences in the measurement focus and basis of accounting used in the government-wide and fund financial statements and because of the use of funds to imply that restrictions exist.

#### Net Position – Restrictions

Net position in the government-wide financial statements are reported as restricted when constraints placed on net position use is either:

- Externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or
- Imposed by law through constitutional provisions or enabling legislation.

#### Fund Balance

The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* - amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.
- *Restricted fund balance* - amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.
- *Committed fund balance* - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (Board of Education). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- *Assigned fund balance* - amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.
- *Unassigned fund balance* - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

#### Property Tax Revenue

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

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The District levied the following amounts per \$1,000 of assessed valuation. The District levied 18.00 mills for school general operations on the non-homestead taxable value. The District also levied an additional 2.680 mills on all property in the District for the purpose of debt service.

**State Aid Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the Foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the Foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

At June 30<sup>th</sup>, the carrying amount of the District's cash, cash equivalents and investments were as follows:

Description	Amount
Petty Cash	2,650
Checking, Savings, & Money Market Accounts	824,341
Certificates of Deposit	769,785
Investments - MILAF	2,141,182
<b>Total</b>	<b>3,737,958</b>

As of year-end, the District had \$2,141,182 invested in the MILAF External Investment Pool. Additional investment information regarding the investment pool is as follows:

Investment Type	Fair Value	Weighted Average Maturity (years)	Standard & Poor's Rating	%
MILAF External Investment pool-MICMC	804,963	0.16	AAAm	38%
MILAF External Investment pool-MIMAX	<u>1,336,219</u>	0.16	AAAm	62%
<b>Total</b>	<u><b>2,141,182</b></u>			
Portfolio weighted average maturity		0.16		
1 day maturity equals 0.0027, one year equals 1.00				

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The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2018, the fair value of the District's investments is the same as the value of the pool shares.

The other pooled investment fund is Michigan Class. Michigan Class is considered a local government investment pool of "qualified" investments for Michigan School Districts. Michigan Class is not regulated nor is it registered with the SEC. Michigan Class reports as of year-end, the fair value of the District's investments is the same as the value of the pooled shares.

MILAF, as defined by the GASB, are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures. Michigan Class is recorded at fair value and are subject to fair value disclosures.

Interest rate risk: In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates 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; and, 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 District's cash requirements.

Credit risk: State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk: The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2018, \$3,375,733 of the District's bank balance of \$3,875,733 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing accounts. The fiduciary fund balances are not included in the above balances.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the 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 District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Fair value measurement: The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

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The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Michigan Class investments are subject to the fair value measurement and are level 2.

Foreign currency risk: The District is not authorized to invest in investments which have this type of risk.

**NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES**

The amounts of interfund receivable and payable shown on the fund financial statements as of June 30<sup>th</sup>, are as follows:

Receivable fund	Amount	Payable fund	Amount
General Fund	268,080	General Fund	161,285
Capital Projects Fund	-	Capital Projects Fund	1,000
Food Service	148,669	Food Service	-
Energy Bond Fund	12,580	Energy Bond Fund	-
2015 Ref. Bond Fund	251,036	2015 Ref. Bond Fund	-
2015 Const. Bond Fund	-	2015 Const. Bond Fund	250,000
Agency Fund	-	Agency Fund	268,080
<b>Total</b>	<b>680,365</b>	<b>Total</b>	<b>680,365</b>

**NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS**

As of June 30<sup>th</sup>, due from other governmental units is comprised of the following amounts:

Description	Amount
State aid	2,251,801
Federal grants and other pass-through agencies	101,706
<b>Total</b>	<b>2,353,507</b>

No allowance for doubtful accounts is considered necessary.

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**NOTE 5 - CAPITAL ASSETS**

A summary of changes in the District's capital assets follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated				
Land	105,000	-	-	105,000
Construction in process	3,595,204	114,001	-	3,709,205
Total capital assets not being depreciated	3,700,204	114,001	-	3,814,205
Capital assets being depreciated				
Buildings and additions	33,769,551	-	-	33,769,551
Machinery and equipment	2,802,480	20,494	(449,426)	2,373,548
Capital lease – copiers	349,909	-	-	349,909
Vehicles	2,252,810	466,065	(256,447)	2,462,428
Total capital assets being depreciated	39,174,750	486,559	(705,873)	38,955,436
Accumulated depreciation				
Buildings and additions	(13,694,904)	(663,568)	-	(14,358,472)
Machinery and equipment	(1,632,823)	(107,952)	449,426	(1,291,349)
Capital lease – copiers	(87,477)	(87,477)	-	(174,954)
Vehicles	(1,379,762)	(208,742)	256,447	(1,332,057)
Total accumulated depreciation	(16,794,966)	(1,067,739)	705,873	(17,156,832)
Net capital assets being depreciated	22,379,784	(581,180)	-	21,798,604
Net capital assets	26,079,988	(467,179)	-	25,612,809

Depreciation for the year ended June 30, 2018 totaled \$1,067,739. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**NOTE 6 - ACCRUED EXPENSES**

Accrued expenses as of year-end include amounts due for accrued wages, retirement, FICA, employee benefit insurances, and termination benefits (if any). Accrued wages represent the remaining balance on teacher contracts to be paid during the summer and other salaries and wages earned as of June 30<sup>th</sup>.

**NOTE 7 - DEBT**

Long-term debt

**2010 Energy Bonds**

During the fiscal year ended June 30, 2010, the District issued \$2,500,000 of Energy Conservation Improvement Bonds which are due in one lump sum on November 19, 2024, with interest at 0.00 percent per annum. As a condition of the sale of the bonds, the District covenants to deposit \$129,270 in an escrow account, to be held by the Paying agent, on November 19<sup>th</sup> for the fiscal years 2011 through 2025 at which time there is estimated to be sufficient funds in the escrow account to pay the balance in full. Therefore, actual payments to be made by the District on these bonds totals \$1,939,050. The difference between the original bonds (\$2,500,000) and the amount of payments to be made by the District (\$1,939,050) is \$560,950, which is the anticipated amount of interest earnings on the escrow account that will be applied to the final payment. These earnings have been reflected in the statement of net position as bond premiums to be amortized over the life of the bonds.

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**2013 Bus Loan**

During the fiscal year ended June 30, 2013, the District entered into an installment purchase agreement of \$318,184 for the purchase of four new buses. Principal payments are due annually in the amount of \$53,031, plus interest for six years. The interest rate ranges from 0.55% to 1.5%. The District pledged the buses purchased with this agreement as collateral.

**2015 Refunding Bonds**

During the fiscal year ended 2015, the School District issued \$5,970,000 in refunding bonds with an interest rate of 4.0%. The 2015 refunding bonds were used to pay \$7,330,000 in 2005 refunding bonds with an interest rate of 5.0%. \$1,228,000 of existing funds in the 2005 debt fund were used to make up the difference between the 2005 principal and 2015 proceeds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the School District's long-term obligations. The escrow agent paid the 2005 refunding bonds in May 2015. The refunding reduced total debt service payments by approximately \$588,270, which represents an economic gain of approximately \$527,972.

**2015 Bonds**

During the fiscal year ended 2015, the School District issued \$6,940,000 in general obligation bonds with an interest rate of 4.0% for 18 years and 3.5% for the last two years. These bonds were issued for the following purposes:

- Bus purchases
- Security and technology upgrades – all buildings
- Needed remodeling
- Some furniture replacement
- Upgrades to athletic facilities
- Roof replacements at Mecosta, Weidman and Remus buildings

**Capital lease**

The District entered into a lease agreement as lessee for financing the acquisition of copiers valued at \$428,460. The copiers have a 5 year estimated useful life. This year, \$87,477 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30th, were as follows:

Year Ending June 30	Amount
2019	85,692
2020	92,833
Total minimum lease payments	178,525
Less: amount representing interest	-
Present value of minimum lease payments	178,525

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**Summary of Debt Transactions**

The changes in debt during the fiscal year are as follows:

	Beginning Balance	Additions	(Deletions)	Ending Balance	Due within one year
Long-term debt					
Compensated abs	163,859	78,941	(24,579)	218,221	32,733
2010 Energy Bonds	1,034,160	-	(129,270)	904,890	129,270
2013 Bus Loan	106,062	-	(53,030)	53,032	53,032
2015 Refunding Bonds	3,130,000	-	(1,535,000)	1,595,000	1,595,000
2015 Bonds – Series 1	6,635,000	-	(195,000)	6,440,000	215,000
Capital Lease - Copiers	264,217	-	(85,692)	178,525	85,692
Total long-term debt	11,333,298	78,941	(2,922,571)	9,389,668	2,110,727

The annual requirements to pay principal and interest on the obligations outstanding at June 30, 2018, are shown in the *Schedule of Long-term Debt*.

**NOTE 8 - NET INVESTMENT IN CAPITAL ASSETS**

As of June 30<sup>th</sup>, the composition of net investment in capital assets was comprised of the following:

Net investment in capital assets	Amount
Capital assets not being depreciated	3,814,205
Capital asset being depreciated, net	21,798,604
Capital related general obligation bonds	(8,939,890)
Bus loan	(53,032)
Capital lease	(178,525)
Unamortized premium on bond refunding	(707,547)
Unspent capital project funds	1,068,459
Net investment in capital assets	16,802,274

**NOTE 9 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District participates in the SET/SEG risk pool for claims relating to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The District has purchased commercial insurance for medical claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. There was no reduction in coverage obtained through commercial insurance during the past year.

**NOTE 10 - RETIREMENT BENEFITS**

**Plan Description**

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).



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The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Benefits Provided**

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

**Contributions**

Districts are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

District contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2016 fiscal year.

The schedule below summarizes pension contribution rates in effect for the plan's fiscal year 2017.

Benefit Structure	Member	District
Basic	0.0 - 4.0%	19.03%
Member Investment Plan	3.0 - 7.0%	19.03%
Pension Plus	3.0 - 6.4%	18.40%
Defined Contribution	0.0%	15.27%

Required contributions to the pension plan from the District were 2,799,878 for the year ended September 30, 2017.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2018, the District reported a liability of \$30,934,036 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. The District's proportion of the net pension liability was determined by dividing each District's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable Districts during the measurement period. At September 30, 2017, the District's proportion was .1193708 percent, which was a decrease of .0021876 percent from its proportion measured as of September 30, 2016.

For the year ending June 30, 2018, the District recognized pension expense of \$2,948,480. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	268,838	151,787
Changes of Assumptions	3,389,069	-
Net difference between projected and actual earnings on pension plan investments	-	1,478,850
Changes in proportion and differences between District contributions and proportionate share of contributions	227,392	1,087,695
District contributions subsequent to the measurement date	1,970,284	-
<b>Total</b>	<b>5,855,583</b>	<b>2,718,332</b>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2018	305,639
2019	790,178
2020	194,271
2021	(123,121)

**Actuarial Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Valuation Date:	September 30, 2016
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	
- MIP and Basic Plans (Non-Hybrid):	7.5%
- Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

**Notes:**

- Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014

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valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.5188 for non-university employers or 1.1222 for university employers]
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Long-Term Expected Return on Plan Assets**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.6%
% Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
Total	100.0%	

\*Long-term rates of return are net of administrative expenses and 2.3% inflation.

**Rate of Return**

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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**Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for the Hybrid Plan), as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease (Non-Hybrid/Hybrid)* 6.5% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 8.5% / 8.0%
40,296,760	30,934,036	23,051,219
<p>* The Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.</p>		

**Michigan Public School Employees’ Retirement System (MPSERS) Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Payables to the Michigan Public School Employees’ Retirement System (MPSERS)**

At year end the District is current on all required pension plan payments. At June 30, 2018, the District reported a payable of \$267,254 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018, consisting of pension contribution payable plus any other amounts owed to the pension plan including the UAAL payments for July and August 2018.

**NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (RETIREE HEALTH CARE)**

**Plan Description**

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees’ Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System’s financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Benefits Provided**

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Chippewa Hills School District  
Notes to the Financial Statements  
June 30, 2018

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Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

**Contributions**

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for plan's fiscal year 2017.

Benefit Structure	Member	Employer
Premium Subsidy	3.00%	5.91%
Personal Healthcare Fund (PHF)	0.00%	5.69%

Required contributions to the OPEB plan from the District were \$929,899 for the year ended September 30, 2017.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2018, the District reported a liability of \$10,577,075 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the District's proportion was .11944 percent, which was the same percentage as its proportion measured as of October 1, 2016.

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Notes to the Financial Statements  
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For the year ending June 30, 2018, the District recognized OPEB expense of \$707,475. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	-	112,615
Changes of Assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	244,967
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,888	-
Employer contributions subsequent to the measurement date	232,961	-
<b>Total</b>	<b>238,849</b>	<b>357,582</b>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year (To Be Recognized in Future OPEB Expenses)	
2018	(85,095)
2019	(85,095)
2020	(85,095)
2021	(85,095)
2022	(11,314)

**Actuarial Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

**Summary of Actuarial Assumptions**

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	7.5%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 12
Mortality:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80%

Chippewa Hills School District  
Notes to the Financial Statements  
June 30, 2018

of the table rates were used for males and 70% of the table rates were used for females.

Other Assumptions:

Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [5.4744 for non-university employers or 1.4186 for university employers]
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2017 MPERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Long-Term Expected Return on Plan Assets**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.6%
% Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
Total	100.0%	

\*Long-term rates of return are net of administrative expenses and 2.3% inflation.

**Rate of Return**

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

A discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to

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Notes to the Financial Statements  
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be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate**

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
12,388,812	10,577,075	9,039,477

**Sensitivity of the District's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate**

The following presents the District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend	1% Increase
8,957,360	10,577,075	12,416,147

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Payables to the OPEB Plan**

At year end the District is current on all required OPEB plan payments. At June 30, 2018, the District reported a payable of \$79,829 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018, consisting of OPEB contribution payable plus any other amounts owed to the OPEB plan including the UAAL payments for July and August 2018.

**NOTE 12 - TRANSFERS**

During the year the following transfers were made between funds:

- The transfer of \$129,270 from the general fund to the energy bond fund as required in the process of annual payments on the Energy Bonds.
- The transfer of \$5,427 from the energy bond fund to the general fund was for the purpose of making an energy efficiency purchase in the 18-19 school year.
- The transfer of \$151,841 from the 2005 bond fund to the 2015 refunding bond fund was for the purpose of paying the principal due on the refunding bond.

**NOTE 13 - PRIOR PERIOD ADJUSTMENT**

The prior period adjustment in these financial statements consists of the following items:

Description	Amount
General Fund – Adjustments for prior year MSPSERS adjustments	(140,243)
Food Service Fund – Adjustments for prior year MPSERS adjustments	10,611
<b>Total</b>	<b>(129,632)</b>

**NOTE 14 - TAX ABATEMENTS**

Effective for the year ended June 30, 2017 the District is required to disclose significant tax abatements as required by GASB statement 77 (Tax abatements).



Chippewa Hills School District  
Notes to the Financial Statements  
June 30, 2018

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. The property taxes abated for all funds by municipality under these programs are as follows:

Municipality	Amount
Broomfield Township	57
Nottawa Township	1,847
Morton Township	15
Sheridan Township	66
Wheatland Township	3,216
Total	5,201

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

There are no significant abatements made by the District.

**NOTE 15 – RESTATEMENT OF NET POSITION**

As of June 30, 2018, the beginning net position was restated as follows:

Description of Restatement	Beginning Balance Previously Reported	Restatement	Beginning Balance As Restated
Net Position	(10,245,087)	(9,969,388)	(20,214,475)

The beginning net position was restated to reflect the implementation of GASB 75. Net position was restated by \$(9,969,388) which is the cumulative difference (as of June 30, 2017) between the net OPEB liability of \$(11,156,471) and the deferred outflow – related to OPEB of \$1,187,083. NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (RETIREE HEALTH CARE) contains additional information regarding the implementation of GASB 75.

**NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

*GASB Statement No. 84, Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the District's 2019-2020 fiscal year. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

*GASB Statement No. 87, Leases*, was issued by the GASB in June 2017 and will be effective for the District's 2020-2021 fiscal year. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

**REQUIRED SUPPLEMENTARY INFORMATION**



Chippewa Hills School District  
 Budgetary Comparison Schedule for the General Fund  
 For The Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 6,114,289	\$ 6,132,349	\$ 6,160,069	\$ 27,720
State sources	11,872,884	12,496,042	12,610,891	114,849
Federal sources	1,056,517	978,022	876,326	(101,696)
Other sources	592,000	581,999	590,608	8,609
<b>Total revenues</b>	<u>19,635,690</u>	<u>20,188,412</u>	<u>20,237,894</u>	<u>49,482</u>
<b>Expenditures</b>				
Instruction				
Basic programs	9,869,005	10,261,054	9,890,195	370,859
Added needs	3,500,345	3,531,669	3,303,719	227,950
<b>Total instruction</b>	<u>13,369,350</u>	<u>13,792,723</u>	<u>13,193,914</u>	<u>598,809</u>
Support services				
Pupil	338,375	416,181	343,470	72,711
Instructional staff	99,841	81,167	47,310	33,857
General administration	377,273	353,446	362,857	(9,411)
School administration	1,470,170	1,535,988	1,508,877	27,111
Business services	375,452	407,018	404,603	2,415
Operation and maintenance	1,579,097	1,628,186	1,512,852	115,334
Pupil transportation	1,378,458	1,427,003	1,346,217	80,786
Central service	278,535	282,484	313,241	(30,757)
Athletics	341,925	351,680	342,915	8,765
<b>Total support services</b>	<u>6,239,126</u>	<u>6,483,153</u>	<u>6,182,342</u>	<u>300,811</u>
Community activities	29,778	27,657	14,337	13,320
Debt service	-	-	140,180	(140,180)
<b>Total expenditures</b>	<u>19,638,254</u>	<u>20,303,533</u>	<u>19,530,773</u>	<u>772,760</u>
<b>Revenues over (under) expenditures</b>	(2,564)	(115,121)	707,121	822,242
<b>Other financing sources (uses)</b>				
Transfers in	-	-	5,427	5,427
Transfers out	-	-	(129,270)	(129,270)
<b>Net change in fund balance</b>	(2,564)	(115,121)	583,278	698,399
<b>Fund balances - beginning of year</b>	1,999,904	1,999,904	1,999,904	-
<b>Prior period adjustment</b>	-	-	(140,243)	(140,243)
<b>Fund balances - end of year</b>	<u>\$ 1,997,340</u>	<u>\$ 1,884,783</u>	<u>\$ 2,442,939</u>	<u>\$ 558,156</u>

Chippewa Hills School District  
Michigan Public School Employees Retirement Plan  
Prospective 10-year trend information

**Schedule of the District's Proportionate Share of the Net Pension Liability**

Description	Plan year Sept. 30 2017	Plan year Sept. 30 2016	Plan year Sept. 30 2015	Plan year Sept. 30, 2014
District's proportion of net pension liability (%)	0.1194%	0.1216%	0.1265%	0.1243%
District's proportionate share of net pension liability	\$ 30,934,036	\$ 30,327,831	\$ 30,896,709	\$ 27,381,029
District's covered employee payroll	\$ 10,067,684	\$ 10,058,273	\$ 10,191,604	\$ 10,681,958
District's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	307.26%	301.52%	303.20%	256.33%
Plan fiduciary net position as a percentage of total pension liability	63.27%	63.01%	62.92%	66.20%

*Note: Amounts were determined as of 9/30 for each fiscal year.*

**Schedule of the District's Pension Contributions**

Description	Fiscal year June 30, 2018	Fiscal year June 30, 2017	Fiscal year June 30, 2016	Fiscal year June 30, 2015
Statutorily required contributions	\$ 2,172,002	\$ 2,844,074	\$ 2,440,274	\$ 1,930,600
Contributions in relation to statutorily required contributions	\$ 2,172,002	\$ 2,844,074	\$ 2,440,274	\$ 1,930,600
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 10,330,642	\$ 10,120,016	\$ 10,152,320	\$ 10,766,802
Contributions as a percentage of covered-employee payroll	21.02%	28.10%	28.20%	17.93%

*Note: Amounts were determined as of 6/30 for each fiscal year.*

**Notes to Required Supplementary Information**

Changes of benefit terms: There were no changes to benefit terms  
Changes of assumptions: There were no change of benefit assumptions

Chippewa Hills School District  
Michigan Public School Employees Retirement Plan  
Prospective 10-year trend information

**Schedule of the District's Proportionate Share of the OPEB Liability**

Description	Plan year Sept. 30, 2017
District's proportion of OPEB liability (%)	0.1194%
District's proportionate share of OPEB liability	\$ 10,577,075
District's covered employee payroll	\$ 10,067,684
District's proportionate share of net OPEB liability as a percentage of its covered employee payroll (%)	105.06%
Plan fiduciary net position as a percentage of total OPEB liability	36.39%

*Note: Amounts were determined as of 9/30 for each fiscal year.*

**Schedule of the District's OPEB Contributions**

Description	Fiscal year June 30, 2018
Statutorily required contributions	\$ 320,333
Contributions in relation to statutorily required contributions	\$ 320,333
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 10,330,642
Contributions as a percentage of covered-employee payroll	3.10%

*Note: Amounts were determined as of 6/30 for each fiscal year.*

**Notes to Required Supplementary Information**

Changes of benefit terms: There were no changes to benefit terms  
Changes of assumptions: There were no change of benefit assumptions

**OTHER SUPPLEMENTARY INFORMATION**



Chippewa Hills School District  
Combining Balance Sheet  
Non-major Governmental Funds  
June 30, 2018

	Food Service Fund	Debt Service Funds			2015 Refunding Bonds	Total Non-major Funds
		2005 Bonds	2010 Energy Bonds	2015 Construction Bonds		
<b>Assets</b>						
Cash and investments	\$ 46,650	\$ -	\$ -	\$ 375,463	\$ (115,524)	\$ 306,589
Accounts receivable, net	2,611	-	-	-	-	2,611
Due from other funds	148,669	-	12,580	-	251,036	412,285
Due from other governmental units	14,737	-	-	-	-	14,737
Inventory	6,170	-	-	-	-	6,170
<b>Total assets</b>	<b>\$ 218,837</b>	<b>\$ -</b>	<b>\$ 12,580</b>	<b>\$ 375,463</b>	<b>\$ 135,512</b>	<b>\$ 742,392</b>
<b>Liabilities</b>						
Accounts payable	\$ 4,306	\$ -	\$ -	\$ -	\$ -	\$ 4,306
Accrued expenses	4,923	-	-	-	-	4,923
Due to other funds	-	-	-	250,000	-	250,000
Unearned revenue	10,533	-	-	-	-	10,533
<b>Total liabilities</b>	<b>19,762</b>	<b>-</b>	<b>-</b>	<b>250,000</b>	<b>-</b>	<b>269,762</b>
<b>Fund Balance</b>						
Nonspendable:						
Inventory	6,170	-	-	-	-	6,170
Restricted:						
Food service	192,905	-	-	-	-	192,905
Debt service	-	-	12,580	125,463	135,512	273,555
<b>Total fund balance</b>	<b>199,075</b>	<b>-</b>	<b>12,580</b>	<b>125,463</b>	<b>135,512</b>	<b>472,630</b>
<b>Total liabilities and fund balance</b>	<b>\$ 218,837</b>	<b>\$ -</b>	<b>\$ 12,580</b>	<b>\$ 375,463</b>	<b>\$ 135,512</b>	<b>\$ 742,392</b>

Chippewa Hills School District  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-major Governmental Funds  
For The Year Ended June 30, 2018

	Food Service Fund	Debt Service Funds			2015 Refunding Bonds	Total Non-major Funds
		2005 Bonds	2010 Energy Bonds	2015 Construction Bonds		
<b>Revenues</b>						
Local sources						
Property tax levy	\$ -	\$ -	\$ -	\$ 495,321	\$ 1,607,242	\$ 2,102,563
Interest	79	-	32	819	11,083	12,013
Food sales	226,271	-	-	-	-	226,271
Total local sources	226,350	-	32	496,140	1,618,325	2,340,847
State sources	101,377	-	-	3,892	12,158	117,427
Federal sources	832,539	-	-	-	-	832,539
Total revenues	1,160,266	-	32	500,032	1,630,483	3,290,813
<b>Expenditures</b>						
Food service activities	1,121,289	-	-	-	-	1,121,289
Debt service:						
Bond and note redemptions	-	-	129,270	195,000	1,535,000	1,859,270
Bond interest and fees	-	-	-	261,433	125,758	387,191
Other expenditures	-	-	-	616	3,005	3,621
Total expenditures	1,121,289	-	129,270	457,049	1,663,763	3,371,371
Revenues over (under) expenditures	38,977	-	(129,238)	42,983	(33,280)	(80,558)
<b>Other financing sources (uses)</b>						
Transfers in	-	-	129,270	-	151,841	281,111
Transfers out	-	(151,841)	(5,427)	-	-	(157,268)
Total other financing sources (uses)	-	(151,841)	123,843	-	151,841	123,843
<b>Net change in fund balances</b>	38,977	(151,841)	(5,395)	42,983	118,561	43,285
<b>Fund balance, beginning of year</b>	149,487	151,841	17,975	82,480	16,951	418,734
<b>Prior period adjustment</b>	10,611	-	-	-	-	10,611
<b>Fund balance, end of year</b>	\$ 199,075	\$ -	\$ 12,580	\$ 125,463	\$ 135,512	\$ 472,630

The notes to the financial statements are an integral part of this statement.



Chippewa Hills School District  
Schedule of Long-Term Debt  
For the Year Ended June 30, 2018

Maturity Date	Interest Rate	Annual Principal Due	Interest Due		Total
			1st payment	2nd payment	
<b>2010 Energy Conservation Improvement Bonds - \$2,500,000</b>					
<i>Principal due November 19th</i>					
2019		\$ 129,270	\$ -	\$ -	\$ 129,270
2020		129,270	-	-	129,270
2021		129,270	-	-	129,270
2022		129,270	-	-	129,270
2023		129,270	-	-	129,270
2024		129,270	-	-	129,270
2025		129,270	-	-	129,270
Total		<u>904,890</u>	<u>-</u>	<u>-</u>	<u>904,890</u>
<b>Loan Payable - Bus - \$318,184</b>					
<i>Principal and Interest due April 24th</i>					
2019	1.50%	<u>53,032</u>	<u>795</u>	<u>-</u>	<u>53,827</u>
Total		<u>53,032</u>	<u>795</u>	<u>-</u>	<u>53,827</u>
<b>2015 Refunding Bonds - \$5,970,000</b>					
<i>Interest due November 1 and May 1; Principal due May 1</i>					
2019	4.00%	<u>1,595,000</u>	<u>31,900</u>	<u>31,900</u>	<u>1,658,800</u>
Total		<u>1,595,000</u>	<u>31,900</u>	<u>31,900</u>	<u>1,658,800</u>

Chippewa Hills School District  
Schedule of Long-Term Debt  
For the Year Ended June 30, 2018

Maturity Date	Interest Rate	Annual Principal Due	Interest Due		Total
			1st payment	2nd payment	
<b>2015 School Building and Site Bonds, Series 1 - \$6,940,000</b>					
<i>Interest due November 1 and May 1; Principal due May 1</i>					
2019	4.000	\$ 215,000	\$ 126,288	\$ 126,288	\$ 467,576
2020	4.000	285,000	121,987	121,987	528,974
2021	4.000	295,000	116,288	116,288	527,576
2022	4.000	310,000	110,387	110,387	530,774
2023	4.000	320,000	104,188	104,188	528,376
2024	4.000	335,000	97,787	97,787	530,574
2025	4.000	350,000	91,088	91,088	532,176
2026	4.000	360,000	84,087	84,087	528,174
2027	4.000	375,000	76,888	76,888	528,776
2028	4.000	390,000	69,387	69,387	528,774
2029	4.000	405,000	61,588	61,588	528,176
2030	4.000	425,000	53,487	53,487	531,974
2031	4.000	440,000	44,988	44,988	529,976
2032	4.000	455,000	36,187	36,187	527,374
2033	4.000	475,000	27,088	27,088	529,176
2034	3.500	495,000	17,587	17,587	530,174
2035	3.500	510,000	8,925	8,925	527,850
Total		<u>6,440,000</u>	<u>1,248,225</u>	<u>1,248,225</u>	<u>8,936,450</u>

Chippewa Hills School District  
Schedule of Long-Term Debt  
For the Year Ended June 30, 2018

Fiscal Year	Annual Principal	Annual Interest	Total
<b>Summary</b>			
2019	\$ 1,992,302	\$ 317,171	\$ 2,309,473
2020	414,270	243,974	658,244
2021	424,270	232,576	656,846
2022	439,270	220,774	660,044
2023	449,270	208,376	657,646
2024	464,270	195,574	659,844
2025	479,270	182,176	661,446
2026	360,000	168,174	528,174
2027	375,000	153,776	528,776
2028	390,000	138,774	528,774
2029	405,000	123,176	528,176
2030	425,000	106,974	531,974
2031	440,000	89,976	529,976
2032	455,000	72,374	527,374
2033	475,000	54,176	529,176
2034	495,000	35,174	530,174
2035	510,000	17,850	527,850
	<u>8,992,922</u>	<u>2,561,045</u>	<u>11,553,967</u>

5 year groupings			
1st year	\$ 1,992,302	\$ 317,171	\$ 2,309,473
2nd year	414,270	243,974	658,244
3rd year	424,270	232,576	656,846
4th year	439,270	220,774	660,044
5th year	449,270	208,376	657,646
2nd 5 years	2,068,540	838,474	2,907,014
3rd 5 years	2,200,000	446,676	2,646,676
4th 5 years	1,005,000	53,024	1,058,024
	<u>8,992,922</u>	<u>2,561,045</u>	<u>11,553,967</u>