

# **Chippewa Falls Area Unified School District**

Chippewa Falls, Wisconsin

## **Financial Statements With Supplementary Financial Information**

Year Ended June 30, 2012

# Chippewa Falls Area Unified School District

## Financial Statements With Supplementary Financial Information

Year Ended June 30, 2012

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# Chippewa Falls Area Unified School District

## Financial Statements With Supplementary Financial Information

Year Ended June 30, 2012

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## Independent Auditor's Report

Board of Education  
Chippewa Falls Area Unified School District  
Chippewa Falls, Wisconsin

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chippewa Falls Area Unified School District (the "District") as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information of the Chippewa Falls Area Unified School District as of June 30, 2012, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 28, 2012, on our consideration of the Chippewa Falls Area Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States require that the budgetary comparison schedule – General Fund, schedules of funding progress, and employer contributions on pages 41 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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, 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.

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Chippewa Falls Area Unified School District’s financial statements as a whole. The fiduciary fund – schedule of changes in assets and liabilities (student organizations’ agency fund) and the schedules of expenditures of federal awards and schedule of state financial assistance, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the fiduciary fund – schedule of changes in assets and liabilities (student organizations’ agency fund) and the schedules of expenditures of federal awards and schedule of state financial assistance are fairly stated in all material respects in relation to the financial statements as a whole.



Wipfli LLP

November 28, 2012  
Eau Claire, Wisconsin

# Government-Wide Financial Statements

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# Chippewa Falls Area Unified School District

## Statement of Net Assets

June 30, 2012

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<i>Assets</i>	<b>Governmental Activities</b>
Current assets:	
Cash and investments	\$ 11,829,942
Receivables:	
Taxes	7,165,445
Pledges	28,312
Due from other governments	2,203,251
<hr/>	
Total current assets	21,226,950
<hr/>	
Capital assets:	
Land	1,031,872
Land improvements	3,632,646
Buildings and building improvements	36,900,946
Furniture and equipment	5,539,097
Less - Accumulated depreciation	(24,977,076)
<hr/>	
Total capital assets	22,127,485
<hr/>	
Other assets - Net OPEB asset	15,445,421
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<b>TOTAL ASSETS</b>	<b>\$ 58,799,856</b>

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<i>Liabilities and Net Assets</i>	<b>Governmental Activities</b>
Liabilities:	
Current liabilities:	
Accounts payable	\$ 1,836,899
Short-term notes payable	5,000,000
Accrued liabilities:	
Payroll, payroll taxes, insurance	2,435,615
Claims incurred but not reported	2,425,735
Interest	30,665
Deferred revenue	47,952
Current portion of noncurrent obligations	318,240
Total current liabilities	12,095,106
Noncurrent liabilities:	
Accrued sick and vacation leave	954,720
Net pension obligation	1,165,596
Total noncurrent liabilities	2,120,316
Total liabilities	14,215,422
Net assets:	
Invested in capital assets	22,127,485
Restricted for:	
Capital projects	653,759
Food service	746,486
Donor-approved expenditures	227,209
Unrestricted	20,829,495
Total net assets	44,584,434
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 58,799,856</b>

# Chippewa Falls Area Unified School District

## Statement of Activities

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Assets
				Total Governmental Activities
Governmental activities:				
Instruction:				
Regular instruction	\$ 19,409,232	\$ 615,205	\$ 2,077,865	\$ (16,716,162)
Vocational instruction	1,609,068	-	-	(1,609,068)
Special education instruction	5,332,739	-	3,241,494	(2,091,245)
Other instruction	1,803,021	56,734	-	(1,746,287)
<b>Total instruction</b>	<b>28,154,060</b>	<b>671,939</b>	<b>5,319,359</b>	<b>(22,162,762)</b>
Support services:				
Pupil services	2,111,699	-	2,544	(2,109,155)
Instructional staff services	1,921,787	2,606	254,086	(1,665,095)
General administration services	1,486,053	-	-	(1,486,053)
Building administration services	2,444,265	-	-	(2,444,265)
Business services	371,096	-	-	(371,096)
Operations and maintenance	5,473,330	-	200	(5,473,130)
Pupil transportation services	3,153,631	-	238,506	(2,915,125)
Food service	2,125,713	943,717	1,269,775	87,779
Central services	725,545	4,503	-	(721,042)
Insurance	419,270	-	-	(419,270)
Community service	174,358	7,952	365	(166,041)
Interest	42,513	-	-	(42,513)
Depreciation - Unallocated	1,338,899	-	-	(1,338,899)
<b>Total support services</b>	<b>23,031,721</b>	<b>958,778</b>	<b>1,765,476</b>	<b>(20,307,467)</b>
<b>Total governmental activities (carried forward)</b>	<b>\$ 51,185,781</b>	<b>\$ 1,630,717</b>	<b>\$ 7,084,835</b>	<b>(42,470,229)</b>

# Chippewa Falls Area Unified School District

## Statement of Activities (Continued)

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Assets
				Total Governmental Activities
Total governmental activities (brought forward)				\$ (42,470,229)
General revenues:				
Property taxes:				
General purposes				20,926,925
Community service				297,426
State and federal aids not restricted to specific functions:				
General				27,307,106
Other				153,667
Interest and investment earnings				3,191
Miscellaneous				194,212
Gain on disposal of assets				82,260
Total general revenues				48,964,787
Change in net assets				6,494,558
Net assets - Beginning of year				38,089,876
Net assets - End of year				\$ 44,584,434

## Fund Financial Statements

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# Chippewa Falls Area Unified School District

## Governmental Funds – Balance Sheet

June 30, 2012

<i>Assets</i>	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and investments	\$ 10,935,747	\$ 894,195	\$ 11,829,942
Taxes receivable	7,165,445	-	7,165,445
Pledges receivable	-	28,312	28,312
Due from other governments	2,187,410	15,841	2,203,251
Due from other funds	-	741,111	741,111
<b>TOTAL ASSETS</b>	<b>\$ 20,288,602</b>	<b>\$ 1,679,459</b>	<b>\$ 21,968,061</b>
<i>Liabilities and Fund Balances</i>			
Liabilities:			
Short-term notes payable	\$ 5,000,000	\$ -	\$ 5,000,000
Accounts payable	1,833,441	3,458	1,836,899
Accrued liabilities:			
Payroll, payroll taxes, insurance	2,435,020	595	2,435,615
Claims incurred but not reported	2,425,735	-	2,425,735
Interest	30,665	-	30,665
Deferred revenue	-	47,952	47,952
Due to other funds	741,111	-	741,111
Total liabilities	12,465,972	52,005	12,517,977
Fund balances:			
Restricted:			
Capital projects	-	653,759	653,759
Food service	-	746,486	746,486
Donor-approved expenditures	-	227,209	227,209
Assigned:			
Community service	30,749	-	30,749
Unassigned	7,791,881	-	7,791,881
Total fund balances	7,822,630	1,627,454	9,450,084
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 20,288,602</b>	<b>\$ 1,679,459</b>	<b>\$ 21,968,061</b>

# Chippewa Falls Area Unified School District

## Governmental Funds – Balance Sheet (Continued)

June 30, 2012

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Total fund balances - Governmental funds (from previous page) \$ 9,450,084

**Total net assets reported for governmental activities in the statement of net assets are different from the amount reported above as total governmental fund balances because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental capital assets	\$ 47,104,561	
Governmental accumulated depreciation	(24,977,076)	22,127,485

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Long-term liabilities are not due in the current year and, therefore, are not reported in the fund statements. All liabilities, both current and long-term, are reported in the statement of net assets. Balances reported in the statement of net assets that are not reported in the governmental funds balance sheet are:

Compensated absences	(1,272,960)
Net pension obligation	(1,165,596)
Net OPEB asset	15,445,421

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**Total net assets - Governmental activities** \$ 44,584,434

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# Chippewa Falls Area Unified School District

## Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 21,224,351	\$ -	\$ 21,224,351
Other local services	156,579	998,426	1,155,005
Interdistrict sources	533,976	-	533,976
Intermediate sources	198,545	-	198,545
State sources	29,167,006	53,975	29,220,981
Federal sources	3,855,210	1,215,800	5,071,010
Miscellaneous	194,212	-	194,212
<b>Total revenues</b>	<b>55,329,879</b>	<b>2,268,201</b>	<b>57,598,080</b>
Expenditures:			
Instruction:			
Regular instruction	20,378,513	373	20,378,886
Vocational instruction	1,609,069	-	1,609,069
Special instruction	5,339,203	-	5,339,203
Other instruction	1,802,571	450	1,803,021
<b>Total instruction</b>	<b>29,129,356</b>	<b>823</b>	<b>29,130,179</b>
Support services:			
Pupil services	2,108,267	3,431	2,111,698
Instructional staff services	1,999,601	34,686	2,034,287
General administration services	1,675,885	87,346	1,763,231
Building administration services	2,451,249	-	2,451,249
Business services	371,096	-	371,096
Operations and maintenance	5,914,750	1,060	5,915,810
Pupil transportation	3,186,147	-	3,186,147
Food service	-	2,225,824	2,225,824
Central services	798,999	-	798,999
Insurance	419,270	-	419,270
Debt service:			
Interest	42,513	-	42,513
Other support services	6,385,825	-	6,385,825
Community service	174,358	-	174,358
<b>Total support services</b>	<b>25,527,960</b>	<b>2,352,347</b>	<b>27,880,307</b>

# Chippewa Falls Area Unified School District

## Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)

Year Ended June 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
Expenditures: (continued)			
Total expenditures	\$ 54,657,316	\$ 2,353,170	\$ 57,010,486
Excess (deficiency) of revenues over expenditures	672,563	(84,969)	587,594
Other financing sources:			
Proceeds from sale of capital assets	94,276	-	94,276
Total other financing sources	94,276	-	94,276
Net change in fund balances	766,839	(84,969)	681,870
Fund balances - Beginning of year	7,055,791	1,712,423	8,768,214
Fund balances - End of year	\$ 7,822,630	\$ 1,627,454	\$ 9,450,084

# Chippewa Falls Area Unified School District

## Governmental Funds – Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the Year Ended June 30, 2012

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Total net change in fund balances - Governmental funds	\$ 681,870
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**Amounts reported for governmental activities in the statement of activities are  
different because:**

The acquisition of capital assets is reported in the governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

Capital outlays reported in governmental fund statements	\$ 1,015,392
Depreciation expense reported in the statement of activities	(1,480,815)

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Amount by which capital outlays are less than depreciation in the current year	(465,423)
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Unpaid vacation and sick pay is a liability of the governmental funds only if the employee has resigned or retired.

Amount by which the liability for vacation and sick pay changed in the current year	539,418
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Postemployment benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.

Change in net pension benefit	407,673
Change in net OPEB asset	5,343,031

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Amounts paid are greater than amounts earned	5,750,704
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The District disposed of outdated equipment resulting in a reduction of capital assets and recapture of prior year depreciation expense reported on the statement of net assets as a net loss and has no effect on the governmental funds balance sheet.

The value of capital assets disposed of during the year was:	(227,300)
The amount of depreciation recapture for the year was:	215,289

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The difference in the value of assets, net of recaptured depreciation, creates a loss of:	(12,011)
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<b>Change in net assets - Governmental activities</b>	<b>\$ 6,494,558</b>
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# Chippewa Falls Area Unified School District

## Fiduciary Funds – Statement of Net Assets

For the Year Ended June 30, 2012

	Pension Trust Fund	Employee Benefit Trust	Agency Fund
Assets:			
Cash and investments	\$ 100,090	\$ 15,199,702	\$ 343,964
Total assets	\$ 100,090	\$ 15,199,702	\$ 343,964
Liabilities:			
Due to student organizations	\$ -	\$ -	\$ 343,964
Total liabilities	-	-	\$ 343,964
Net assets:			
Held in trust for pension benefits	100,090	-	
Held in trust for OPEB	-	15,199,702	
Total net assets	\$ 100,090	\$ 15,199,702	

# Chippewa Falls Area Unified School District

## Fiduciary Funds – Statement of Changes in Net Assets

For the Year Ended June 30, 2012

	Pension Trust Fund	Employee Benefit Trust
Additions:		
District contributions	\$ 715,130	\$ 6,708,165
Retiree contributions	-	39,357
Interest	823	106,042
Total additions	715,953	6,853,564
Deductions:		
Employee benefits	715,130	2,087,745
Total deductions	715,130	2,087,745
Change in net assets	823	4,765,819
Net assets - Beginning of year	99,267	10,433,883
Net assets - End of year	\$ 100,090	\$ 15,199,702

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies**

#### **Introduction**

The financial statements of the Chippewa Falls Area Unified School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below.

#### **Reporting Entity**

The Chippewa Falls Area Unified School District is organized as a common school district. The District, governed by a seven-member elected school board, operates grades kindergarten through 12 and is comprised of all or part of ten taxing districts.

The accompanying financial statements present the activities of the Chippewa Falls Area Unified School District. Accounting principles generally accepted in the United States require that these financial statements include the primary government and its component units. Component units are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the basic financial statements. The District has no component units, and it is not included in any other governmental reporting entity.

#### **Basis of Presentation**

##### *Government-Wide Statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are only reported in the statements of fiduciary net assets at the fund financial statement level.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

#### **Basis of Presentation** (Continued)

##### *Government-Wide Statements:* (Continued)

The statement of net assets and the statement of activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients for goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net assets are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the statement of activities.

##### *Fund Financial Statements:*

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

#### **Basis of Presentation** (Continued)

#### *Fund Financial Statements:* (Continued)

The District reports the following major governmental funds:

- General Fund – This is the District’s primary operating fund. It accounts for all financial activity that is not accounted for and reported in another fund, including educational programs for students with disabilities as well as programs provided to the community as a whole.

The District reports the following nonmajor governmental funds:

- Food Service Fund – Used to account for the financial resources that are restricted to expenditures in the District’s breakfast and lunch program.
- Capital Projects Funds – Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- Special Revenue Fund – Used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes (Dorais Field and other community projects).

The District accounts for assets held as an agent for various student organizations in an agency fund and resources legally held in trust for the District’s postemployment benefits in a pension trust fund and an employee benefit trust fund.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

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

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available (susceptible to accrual). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the current fiscal year.

Expenditures are recognized when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

#### **Use of Estimates**

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

#### **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less and shares in the local government investment pool.

The Capital Projects Fund accounts for its transactions through separate and distinct bank and investment accounts as required by State Statutes. In addition, the Trust and Agency Funds use separate and distinct accounts. All other funds share in common bank and investment accounts.

State Statutes permit the District to invest available cash balances, other than debt service funds, in time deposits (maturing in not more than three years) of authorized depositories, U.S. Treasury obligations, U.S. agency issues, municipal obligations within Wisconsin, high-grade commercial paper, and the local government pooled investment fund administered by the state investment board. Available balances in the Debt Service Fund may be invested in obligations of the United States and the local government pooled investment fund administered by the Wisconsin Investment Series Cooperative.

Donations to the District of securities or other property are considered trust funds and are invested as the donor specifies. In the absence of any specific directions, the District may invest the donated items in accordance with laws applicable to trust investments.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

#### **Deposits and Investments** (Continued)

Funds held in the Employee Benefit Trust Fund to provide for postemployment health care benefits and other postemployment benefits may be invested in any kind of property or type of investment consistent with the prudent investor rule set forth in WI Stat. 881.01. This rule requires the trustee of an Employee Benefit Trust Fund to exercise reasonable care, skill, and caution when investing and managing the assets of the trust.

All investments are stated at fair market value. Determination of fair value for investment in the local government investment pool is based on information provided by the State of Wisconsin Investment Board.

#### **Receivables and Payables**

All accounts receivable are shown at gross amounts and, where appropriate, are reduced by an allowance for uncollectible accounts. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

#### **Capital Assets**

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 for capitalizing capital assets.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

#### **Capital Assets** (Continued)

Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 15 years for equipment.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life is not capitalized.

The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

#### **Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, if applicable, are reported as deferred charges and amortized over the term of the related debt.

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.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

#### **Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts**

The District's policy allows employees to earn varying amounts of sick pay for each year employed, accumulating to a maximum vested amount of 150 days for administrators and 65 days for teachers and unionized District employees. Upon retirement or termination of employment, the employee is entitled to receive cash payment for vested vacation pay and varying percentages of vested sick pay based upon years employed by the District. Consistent with the compensated absences reporting standards of GASB Statement No. 16, "Accounting for Compensated Absences," an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on the pay rates in effect at year-end.

Retirement Plans – District employees participate in the Wisconsin Retirement System. All contributions made by the District on behalf of its employees are reported as expenditures when paid.

Postemployment Benefits – In addition to the pension benefits described in Note 12, the District offers a supplemental retirement program for eligible administrators, supervisors, and teachers. Eligibility is based on age and years of service. Upon eligibility, the retiree will receive a percentage of his or her base salary in the form of a stipend for 5–7 years.

Also as provided in applicable negotiated contracts, certified District employees meeting a minimum age and length of service requirement may participate in the District's group health insurance program.

#### **Restricted Assets**

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

#### **Net Assets**

Net assets represent the difference between assets and liabilities in the government-wide financial statements. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

#### **Fund Balances**

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

*Restricted fund balance:* This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance:* These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board of Education – the District’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action that imposed the original commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

#### **Fund Balances** (Continued)

*Assigned fund balance:* This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but the amounts are neither restricted nor committed. The Board of Education and District Manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned fund balance:* This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

#### **Property Tax Levy**

Under Wisconsin law, personal property taxes and first installment real estate taxes are collected by city, town, and village treasurers or clerks who then make proportional settlement with the school district and county treasurer for those taxes collected on their behalf. Second installment real estate taxes and delinquent taxes are collected by the county treasurer who then makes settlement with the city, town, village, and school districts before retaining any for county purposes.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

#### **Property Tax Levy** (Continued)

The aggregate district tax levy is apportioned and certified by November 6 of the current fiscal year for collection to comprising municipalities based on the immediate past October 1 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes may be paid in full or two or more installments with the first installment payable the subsequent January 31 and a final payment no later than the following July 31. On or before January 15, and by the 20th of each subsequent month thereafter, the District may be paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the county treasurer makes full settlement to the District for any remaining balance.

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2011 tax levy is used to finance operations of the District's fiscal year ended June 30, 2012. All property taxes are considered due on January 1 when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30 and are available to pay current liabilities.

#### **Subsequent Events**

Subsequent events have been evaluated through November 28, 2012, which is the date the financial statements were available to be issued.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 2      **Stewardship and Accountability**

#### **Limitation on School District Revenues**

Wisconsin Statutes limit the amount of revenues school districts may derive from general school aids and property taxes unless a higher amount is approved by a referendum. This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

- A resolution of the school board or by referendum prior to August 12, 1993.
- A referendum on or after August 12, 1993.

### Note 3      **Cash and Investments**

#### **Deposits**

**Custodial Credit Risk:** Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2012, the District's bank balance of \$7,936,995 was not exposed to custodial credit risk.

#### **Investments**

**Interest Rate Risk:** The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. State Statute limits the maturity of commercial paper and corporate bonds to not more than seven years.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 3 Cash and Investments

#### Investments (Continued)

Credit Risk: State Statute limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. Ratings are not required, or available, for the Wisconsin Local Government Investment Pool (LGIP) or the Wisconsin Investment Series Cooperative (WISC). The District has no investment policy that would further limit its investment choices. As of June 30, 2012, the District's investment in the Brooklyn Center, Minnesota Independent School District Bond had a Moody's rating of Aa2. The District's investment in the Robbinsdale Independent School District Bond had an S & P rating of AAA. The District's investments in the WISC Cash Management Series, WISC Cash Investment Series, and Certificates of Deposit were unrated.

The District's cash and investment balances at June 30, 2012, were as follows:

	Maturities	Fair Value
Money Market Accounts:		
WISC Cash Management Series	< 60 days average	\$ 5,751,728
WISC Cash Investment Series	< 60 days average	3,491,567
Government Securities:		
Brooklyn Center, Minnesota Independent School District Bond	02/01/14	245,000
Robbinsdale Independent School District Bond	02/01/15	755,000
Certificates of Deposit:		
WISC Term Series	07/02/12	1,000,272
Liberty Bank of Arkansas	10/19/12	81,903
Liberty Bank of Arkansas	10/19/12	82,914
Liberty Bank of Arkansas	10/19/12	83,925
GE Capital Financial Inc	11/07/12	249,995
American NB - Fox Cities	11/07/12	249,859
Post Oak Bank, NA	11/07/12	249,995

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

### Note 3 Cash and Investments (Continued)

#### Investments (Continued)

	Maturities	Fair Value
Certificates of Deposit: (Continued)		
First American Bank	11/07/12	\$ 249,916
Washington Trust Company	11/07/12	210,797
Independence State Bank	07/29/13	204,044
Town Bank (Delafield State Bank)	08/01/13	249,540
Wells Fargo Bank NA	08/19/13	3,852,894
Discover Bank	09/30/13	248,000
American Express Centurion Bank	09/30/13	248,000
GE Money Bank	09/30/13	248,000
Southside Bank	10/01/13	245,037
Ally Bank	10/07/13	248,000
Compass Bank	10/07/13	248,000
Goldman Sachs Bank USA	12/09/13	248,000
Bank Leumi USA	01/09/14	249,911
Bank of China	01/13/14	248,000
BMW Bank of North America	01/13/14	248,000
Safra National Bank	01/17/14	248,000
Firstbank of Puerto Rico	02/10/14	248,000
Banco Bilbao Vizcaya Argentaria Puerto Rico	08/14/14	248,000
Cardinal Bank	02/10/16	249,000
Total investments		20,481,297
Cash deposits with financial institutions carrying amount		6,992,401
Less - Cash and investments held by fiduciary funds		(15,643,756)
Cash and investments reported on statement of net assets		\$ 11,829,942

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

### Note 3 Cash and Investments (Continued)

#### Investments (Continued)

The District has invested funds with the Wisconsin Investment Series Cooperative (WISC). The WISC operates three investment pools that allow governments within the state to pool their funds for investment purposes. The WISC is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2(a)7 of the Investment Company Act of 1940. Investments with the WISC are valued at fair value.

### Note 4 Short-Term Notes Payable

The District issues revenue anticipation notes in advance of tax collections and receipt of federal and state aids. These notes are necessary to allow the school to pay its operating expenditures. The District also had a short-term note payable used to cash flow the Dorais Field project until pledges receivable were collected.

Short-term notes payable activity for the year ended June 30, 2012, was as follows:

Description	Balance 07/01/11	Issued	Redeemed	Balance 06/30/12
Revenue Anticipation Notes:				
RW Baird 0.85% note	\$ -	\$ 5,000,000	\$ -	\$ 5,000,000
U.S. Bank National Association 0.74% note	5,000,000	-	(5,000,000)	-
Other:				
Northwestern Bank 0.9126% note	112,820	-	(112,820)	-
<b>Total</b>	<b>\$ 5,112,820</b>	<b>\$ 5,000,000</b>	<b>\$ (5,112,820)</b>	<b>\$ 5,000,000</b>

Interest on short-term notes for the year totaled \$42,513.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 5 Interfund Balances and Activity

Interfund receivable and payable balances in the fund financial statements on June 30, 2012, are as follows:

<u>Due from:</u>	<u>Due to:</u>	
General Fund	Capital Projects Fund	\$ 741,111
<u>Total due to other funds</u>		<u>\$ 741,111</u>

The purpose for interfund receivable and payable balances is to record expenditures in the correct fund.

In the statement of net assets, amounts reported in fund balance sheets as interfund balances have been eliminated within the governmental activities columns.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

### Note 6 Capital Assets

Capital asset balances and activity for the year ended June 30, 2012, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated - Land	\$ 1,031,872	\$ -	\$ -	\$ 1,031,872
Capital assets being depreciated:				
Land improvements	3,619,993	12,653	-	3,632,646
Buildings and building improvements	36,607,769	293,177	-	36,900,946
Furniture and equipment	5,056,835	709,562	(227,300)	5,539,097
Total capital assets being depreciated	45,284,597	1,015,392	(227,300)	46,072,689
Less accumulated depreciation for:				
Land improvements	(1,746,765)	(293,635)	-	(2,040,400)
Buildings and building improvements	(17,856,927)	(890,158)	-	(18,747,085)
Furniture and equipment	(4,107,858)	(297,022)	215,289	(4,189,591)
Total accumulated depreciation	(23,711,550)	(1,480,815)	215,289	(24,977,076)
Total capital assets being depreciated - Net of accumulated depreciation	21,573,047	(465,423)	(12,011)	21,095,613
<b>Governmental activities capital assets - Net</b>	<b>\$ 22,604,919</b>	<b>\$ (465,423)</b>	<b>\$ (12,011)</b>	<b>\$ 22,127,485</b>

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

### Note 6 Capital Assets (Continued)

Depreciation expense was charged to governmental activities as follows:

Regular instruction	\$ 69,636
General administration services	10,546
Operations and maintenance of plant	44,044
School food service program	17,690
Depreciation not charged to a specific function	1,338,899
<hr/>	
Total depreciation for governmental activities	<u>\$ 1,480,815</u>

### Note 7 Long-Term Obligations

Long-term obligations of the District are as follows:

	Balance 07/01/11	Additions	Reductions	Balance 06/30/12	Amounts Due Within One Year
Accrued sick and vacation leave	\$ 1,812,378	\$ -	\$ (539,418)	\$ 1,272,960	\$ 318,240
Net pension obligation	1,573,269	307,457	(715,130)	1,165,596	-
<hr/>					
Totals	\$ 3,385,647	\$ 307,457	\$ (1,254,548)	\$ 2,438,556	\$ 318,240

Vested employee benefits will be liquidated by several of the governmental funds.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 7 Long-Term Obligations (Continued)

#### General Obligation Debt

The 2011 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$2,442,021,378. The legal debt limit and margin of indebtedness as of June 30, 2012, in accordance with Section 67.03(1)(a) of the Wisconsin Statutes follows:

Legal debt limit (10% of \$2,442,021,378)	\$ 244,202,138
Deduct:	
Long-term debt* applicable to debt margin	-
Debt service fund assets available	-
	<hr/>
Margin of indebtedness	\$ 244,202,138
	<hr/> <hr/>

### Note 8 Employee Retirement Plans

All eligible Chippewa Falls Area Unified School District employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit Public Employee Retirement System (PERS). Eligibility requirements are as follows:

- Employees initially employed by a WRS employer prior to July 1, 2011 – Expected to be employed for at least one year and expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees).
- Employees initially employed by a WRS employer on or after July 1, 2011 – Expected to be employed for at least one year and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees).

Covered employees in the general/teacher/educational support personnel category are required by statute to contribute 5.8% (July to December 2011) and 5.9% (January to June 2012) of their salary to the plan. If provided for by an existing collective bargaining agreement, employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 8 Employee Retirement Plans (Continued)

The payroll for Chippewa Falls Area Unified School District employees covered by the WRS for the year ended June 30, 2012, was \$23,144,141; the employer's total payroll was \$24,257,120. The total required contribution for the year ended June 30, 2012, was \$2,684,138, which consisted of \$1,342,069 or 5.8% of payroll from the employer and \$1,342,069 or 5.8% of payroll from employees. Total contributions for the years ending June 30, 2011 and 2010, were \$2,665,858 and \$2,933,673, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 or beginning employment on or after April 24, 1998, up to and including June 30, 2011, are immediately vested. Participants initially beginning employment on or after July 1, 2011, are not eligible for a WRS retirement annuity or lump sum retirement benefit until they have five years of creditable service. If an employee were to leave prior to fulfilling the five-year vesting requirement, that employee would remain eligible to take a separation benefit. The separation benefit would include the employee contributions (and investment returns) only.

The WRS also provides death and disability benefits for employees. Eligibility for and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report, which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

The District also sponsors a defined contribution retirement plan under Code Section 403(b) that allows all employees to make pretax voluntary contributions. This plan currently does not provide for employer contributions.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 9 Supplemental Pension Plan

The District provides a defined contribution supplemental pension benefit to eligible teachers, administrators, and supervisors. There are 75 retired employees participating in the plan as of June 30, 2012. The pension benefit is equal to:

Teachers hired prior to July 1, 2009: Upon retirement from a full-time position after completing 15 years of service in the District and attaining age 57 or greater, the retiree shall receive a stipend in an amount equivalent to 25% of the base salary. This stipend will be paid on the same days as an active teacher's payroll and for a period of five years.

Teachers hired for the 2009/2010 school year and thereafter: Upon retirement from a full-time position after completing 15 years of service and acquiring age 57 or greater, the retiree shall be entitled to an annual contribution of \$5,000, plus accumulated interest, into a postemployment benefit trust until he or she qualifies for Medicare.

Administrators hired prior to July 1, 2003: Upon retirement from a full-time position after completing 25 years of service (for Administrators hired on or after May 1, 1999, their ten consecutive years of service prior to retirement must be with the District) and attaining age 55 or greater, the retiree shall receive an annual stipend in the amount of 15% of the average of the retiree's three highest annual contracted salaries. This stipend shall be paid monthly and will continue for a period of seven years.

Administrators hired after July 1, 2003, but before July 1, 2010: Upon retirement from a full-time position after completing 25 years of service (for Administrators hired on or after May 1, 1999, their ten consecutive years of service prior to retirement must be with the District) and attaining age 57 or greater, the retiree shall receive an annual stipend in the amount of 15% of the average of the retiree's three highest annual contracted salaries. This stipend shall be paid monthly and will continue for a period of five years.

Administrators hired after July 1, 2010: Administrators hired for the 2010-11 school year and thereafter shall not receive a stipend.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 9 Supplemental Pension Plan (Continued)

Supervisors hired prior to July 1, 2003: Upon retirement from a full-time position after completing 15 years of service and attaining age 55 or greater, the retiree shall receive a bimonthly stipend for a period of seven years. The amount of this stipend is based upon 50% of the annual salary multiplied by the number of months worked per year and by a rate factor determined by years of service.

Supervisors hired after July 1, 2003: Upon retirement from a full-time position after completing 15 years of service and attaining age 57 or greater, the retiree shall receive a bimonthly stipend for a period of seven years. The amount of this stipend is based upon 50% of the annual salary multiplied by the number of months worked per year and by a rate factor determined by years of service.

Supervisors hired after July 5, 2010: Supervisors hired from this date and thereafter shall not receive a stipend.

The following table shows the components of the District's annual pension cost for the year, the amounts actually contributed to the plan, and changes in the District's net pension benefit obligation:

Annual required contribution	\$ 297,597
Interest on net pension obligation	86,530
Adjustment to annual required contribution	<u>(76,670)</u>
Annual pension cost (expense)	307,457
Pension payments made	<u>(715,130)</u>
Decrease in net pension obligation	(407,673)
Net pension obligation - Beginning of year	<u>1,573,269</u>
Net pension obligation - End of year	<u>\$ 1,165,596</u>

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 9 Supplemental Pension Plan (Continued)

The annual required contribution for the current year was determined as part of the July 1, 2011, actuarial valuation using the open level percentage of payroll amortization method. The remaining amortization period at July 1, 2011, was 30 years. The actuarial assumptions included a 5.5% discount rate and projected salary increases at 4%. Mortality, disability, and retirement rates approximate the Wisconsin Retirement System tables used in the pension valuation.

The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District's annual pension cost, the percentage of the annual pension cost contributed to the plan, and the net pension obligation for fiscal year 2012 and the two preceding fiscal years were as follows:

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost</b>	<b>Percentage of Annual Pension Cost Contributed</b>	<b>Net Pension Benefit Obligation</b>
06/30/10	\$ 312,834	210%	\$ 1,893,615
06/30/11	310,198	203%	1,573,269
06/30/12	307,457	233%	1,165,596

### Note 10 Other Postemployment Benefits

The District administers a single-employer defined benefit health care plan. The plan provides medical insurance benefits to eligible retirees through the District's group medical insurance plan, which covers both active and retired members. Benefit provisions are established through collective bargaining agreements. The eligibility requirements are based on the retiree's position, years of service, and age at retirement. If eligible, the retiree may receive medical insurance benefits until he or she is eligible for Medicare. The plan does not issue a standalone report.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 10      Other Postemployment Benefits (Continued)

Membership of the plan consisted of 123 retirees receiving benefits and 571 active plan members at January 1, 2011, the date of the latest actuarial valuation.

The contribution requirements of Plan members are:

Teachers hired prior to July 1, 2009: Teachers with 15 years of service in the District may elect to retire at age 57 or any year thereafter. The retiree will receive paid medical and dental premiums until he or she qualifies for Medicare (a maximum of eight years).

- Administrators and Supervisors hired prior to July 1, 2003: Administrators with 25 years teaching/administrative experience (15 years of service for Supervisors) may elect to retire at age 55 or any year thereafter (for administrators hired after May 1, 1999, ten years consecutive teaching/administrative experience shall be in the District). The retiree will receive paid health and dental insurance until he or she qualifies for Medicare.
- Administrators hired on or after July 1, 2003, but before July 1, 2010: Administrators with 25 years teaching/administrative experience may elect to retire at age 57 or any year thereafter. Retirees will receive health/dental coverage until he or she qualifies for Medicare. Any increase in the school district medical/dental premiums after their retirement date will be paid for by the retiree.
- Administrators hired after July 1, 2010: Administrators with 10 years of consecutive administrative employment in this school district, who elect to retire at age 57 or any year thereafter, the Board of Education shall make an annual contribution of \$11,000 into an HRA employment benefit trust until he or she qualifies for Medicare. The retiree shall be entitled to the contributions, plus accumulated interest.
- Supervisors hired on or after July 1, 2003: Supervisors with 15 years of service may elect to retire at age 57 or any year thereafter. Retirees will receive health/dental coverage until they qualify for Medicare. Any increase in the school district medical/dental premiums after their retirement date will be paid by the retiree.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 10 Other Postemployment Benefits (Continued)

The contribution requirements of plan members are based on the collective bargaining agreement in effect on the date of retirement. The District's contribution is established annually based on an amount to pay current premiums and an additional amount to prefund benefits. For fiscal year 2012, the District contributed \$6,708,165 to the plan, including \$2,048,389 for current premiums (approximately 98% of total premiums) and an additional \$4,659,776 to prefund benefits. Plan members receiving benefits contributed \$39,357 (approximately two percent of total premiums).

The District's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or fund excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 1,428,446
Interest on net OPEB obligation	(555,631)
Adjustment to annual required contribution	492,319
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Annual OPEB cost (expense)	1,365,134
Contributions made	(6,708,165)
<hr/>	
Increase in net OPEB obligation (asset)	(5,343,031)
Net OPEB obligation (asset) - Beginning of year	(10,102,390)
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Net OPEB obligation (asset) - End of year	\$ (15,445,421)

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 10 Other Postemployment Benefits (Continued)

The District's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for fiscal year 2012 and the two preceding fiscal years are as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Asset</b>
06/30/10	\$ 1,960,721	32.0%	\$ 5,180,955
06/30/11	1,927,640	35.5%	10,102,390
06/30/12	1,365,134	49.1%	15,445,421

The funded status as of July 1, 2011, the most recent actuarial valuation date, was 44.9 percent funded. The actuarial accrued liability for benefits was \$23,224,640, and the actuarial value of assets was \$10,433,883, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,790,757. The covered payroll (annual payroll of active employees covered by the plan) was \$15,058,209 and the ratio of the UAAL to the covered payroll was 85 percent.

The schedules of employer contributions on pages 45 and 46 presents trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care costs trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 10      **Other Postemployment Benefits** (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. 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.

In the July 1, 2011, actuarial valuation, the unprojected unit credit actuarial cost method was used. The actuarial assumptions included a 5.5 percent rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a long-term fixed income portfolio, and an annual health care cost trend rate of 10 percent initially, reduced by decrements to a rate of 5 percent after five years. Both rates include a four percent inflation assumption. The actuarial value of the plan assets was \$10,433,883 as of the date of the actuarial valuation. The plan's unfunded actuarial liability is being amortized using the open level percentage of payroll amortization method. The remaining amortization period at July 1, 2011, was 30 years.

### Note 11      **Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There was no significant reduction in the District's insurance coverage in fiscal 2012.

The District has retained a portion of the risk of loss for its health and dental care programs. A third-party administrator is responsible for the approval, processing, and payment of claims, after which the District is billed for reimbursement. Purchased stop-loss coverage pays health and dental insurance claims in excess of \$110,000 up to \$890,000 per individual and claims in excess of \$12,915,825 up to \$1,000,000 in the aggregate.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 11 Risk Management (Continued)

At June 30, 2012, the District has recorded a \$2,396,000 liability, which represents reported and estimated unreported claims, which were incurred on or before June 30, 2012.

	2012	2011
Estimated unpaid claims at beginning of year	\$ 2,200,000	\$ 1,925,000
Current year claims and changes in estimates	9,263,283	9,889,039
Claim payments	(9,067,283)	(9,614,039)
Estimated unpaid claims at end of year	\$ 2,396,000	\$ 2,200,000

### Note 12 Jointly Governed Organization

The District is served by Cooperative Education Service Agency No. 10 (CESA). CESA is a regional service entity organized to serve the educational needs of 30 school districts in all or parts of Barron, Buffalo, Chippewa, Clark, Dunn, Eau Claire, Jackson, Marathon, Price, Rusk, Sawyer, Taylor, and Trempealeau counties. CESA is governed by an 11-member board of control elected from a delegate assembly, which consists of one school board member from each of the school districts in the CESA region, with special provisions made for areas served by union high/K-8 districts. Participating school districts have neither an ongoing financial interest nor responsibility. The District purchased \$268,733 of education services during the fiscal year. At June 30, 2012, due to/from other governments included \$169,129 due from CESA.

## Required Supplementary Information

# Chippewa Falls Area Unified School District

## Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2012

	Budgeted Amounts		Actual on Budgetary Basis	Variance With
	Original	Original and Final		Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 20,924,590	\$ 20,924,590	\$ 20,926,925	\$ 2,335
Other local services	222,624	222,624	148,262	(74,362)
Interdistrict sources	489,916	489,916	533,976	44,060
Intermediate sources	3,890	3,890	157,566	153,676
State sources	27,927,003	27,927,003	27,904,624	(22,379)
Federal sources	996,853	996,853	2,074,642	1,077,789
Miscellaneous	35,046	35,046	194,212	159,166
<b>Total revenues</b>	<b>50,599,922</b>	<b>50,599,922</b>	<b>51,940,207</b>	<b>1,340,285</b>
Expenditures:				
Instruction:				
Regular instruction	23,753,951	23,753,951	20,378,132	3,375,819
Vocational instruction	1,614,029	1,614,029	1,597,290	16,739
Special instruction	990,279	990,279	927,489	62,790
Other instruction	2,066,493	2,066,493	1,802,571	263,922
<b>Total instruction</b>	<b>28,424,752</b>	<b>28,424,752</b>	<b>24,705,482</b>	<b>3,719,270</b>
Support services:				
Pupil services	1,494,976	1,494,976	1,431,070	63,906
Instructional staff services	1,681,109	1,681,109	1,737,173	(56,064)
General administration services	1,829,057	1,829,057	1,670,857	158,200
Building administration services	2,463,662	2,463,662	2,451,249	12,413
Business services	528,013	528,013	371,096	156,917
Operations and maintenance	5,795,963	5,795,963	5,264,613	531,350
Pupil transportation	2,779,413	2,779,413	2,691,477	87,936
Central services	899,376	899,376	795,528	103,848
Insurance	713,000	713,000	418,384	294,616
Debt service:				
Principal and interest	200,000	200,000	42,513	157,487
Other support services	7,996	7,996	6,301,773	(6,293,777)
<b>Total support services</b>	<b>18,392,565</b>	<b>18,392,565</b>	<b>23,175,733</b>	<b>(4,783,168)</b>
<b>Total expenditures</b>	<b>46,817,317</b>	<b>46,817,317</b>	<b>47,881,215</b>	<b>(1,063,898)</b>

# Chippewa Falls Area Unified School District

## Budgetary and Comparison Schedule – General Fund (Continued)

Year Ended June 30, 2012

	Budgeted Amounts		Actual on Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Original and Final		
Excess (deficiency) of revenues over expenditures	\$ 3,782,605	\$ 3,782,605	\$ 4,058,992	\$ 276,387
Other financing sources:				
Transfers out	(4,396,592)	(4,396,592)	(3,389,604)	1,006,988
Proceeds from sale of capital assets	30,000	30,000	94,276	64,276
Net other financing sources (uses)	(4,366,592)	(4,366,592)	(3,295,328)	1,071,264
Net change in fund balance	(583,987)	(583,987)	763,664	1,347,651
Fund balance - Beginning of year	7,028,217	7,028,217	7,028,217	-
Fund balance - End of year	\$ 6,444,230	\$ 6,444,230	\$ 7,791,881	\$ 1,347,651

See Independent Auditor's Report.

See accompanying notes to Budgetary and Comparison Schedule – General Fund.

# Chippewa Falls Area Unified School District

## Notes to Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2012

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### Note 1            **Budgetary Information**

Budgets are adopted each fiscal year for all funds in accordance with Section 65.90 of the Wisconsin Statutes, using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction (DPI).

The legally adopted budget and budgetary expenditure control is exercised at the two-digit subfunction level in the General Fund and at the function level for all other funds. Reported budget amounts are as originally adopted or as amended by School Board resolution.

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

- Based upon requests from District staff, District administration recommends budget proposals to the School Board.
- The School Board prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
- Pursuant to the public budget hearing, the School Board may make alterations to the proposed budget.
- Once the School Board (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire School Board.

Appropriations lapse at year-end unless authorized as a carryover by the School Board. The portion of fund balance representing carryover appropriations is reported as an assigned fund balance.

# Chippewa Falls Area Unified School District

## Notes to Budgetary Comparison Schedule – General Fund (Continued)

Year Ended June 30, 2012

### Note 2 Budgetary Comparison

GAAP requires a budgetary comparison for the general fund and each major special revenue fund.

Required comparisons are between the final budget and actual on a budgetary basis. The “original budget” represents the budget as approved by the school board after it sets the tax to be levied for the fiscal year. The “final budget” is the “original budget” adjusted for any budget amendments approved by the school board during the fiscal year and up to the time the financial statements are ready to be issued. The “actual on a budgetary basis” excludes the revenues, expenditures, and other financing sources/(uses) of the special education fund and community service fund which are treated as special revenue funds for budgetary purposes. The following schedule reconciles the “budgetary basis” revenues and expenditures of the *budgetary comparison schedule – general fund* to the *governmental funds – statement of revenues, expenditures, and changes in fund balances*.

	General Fund Actual on Budgetary Basis	Special Education Fund	Community Service Fund	General Fund Actual on GAAP Basis
Revenues	\$ 51,940,207	\$ 3,083,929	\$ 305,743	\$ 55,329,879
Expenditures	(47,881,215)	(6,473,533)	(302,568)	(54,657,316)
Other financing sources (uses)	(3,295,328)	3,389,604	-	94,276
Net change in fund balance	\$ 763,664	\$ -	\$ 3,175	\$ 766,839

### Note 3 Excess of Expenditures Over Appropriations

For the year ended June 30, 2012, the General Fund had expenditures in excess of appropriations for the following two-digit subfunction categories:

	Budget	Actual	Actual Over Budget
Instructional staff services	\$ 1,681,109	\$ 1,737,173	\$ 56,064
Other support services	7,996	6,301,773	6,293,777

Overexpenditures of other support services were mainly a result of prefunding OPEB.

# Chippewa Falls Area Unified School District

## Schedules of Funding Progress and Employer Contributions – OPEB

Year Ended June 30, 2012

### SCHEDULE OF FUNDING PROGRESS - OPEB

As of June 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/11	\$ 10,433,883	\$ 23,224,640	\$ 12,790,757	44.9%	\$ 15,058,209	85.0%
01/01/10	1,824,545	23,423,550	21,599,005	7.8%	17,035,884	12.7%
01/01/08	1,789,120	25,487,153	23,698,033	7.0%	16,452,470	14.4%

### SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB

For the Year Ended June 30, 2012

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2012	\$ 1,428,446	47.0%
2011	1,967,455	34.8%
2010	1,967,455	31.8%
2009	2,081,892	14.2%

Note: Data in the schedule of funding progress was taken from the report issued by the actuary for OPEB.

# Chippewa Falls Area Unified School District

## Schedules of Funding Progress and Employer Contributions – Pension

Year Ended June 30, 2012

### SCHEDULE OF FUNDING PROGRESS - PENSION

As of June 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) - Unprojected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/11	\$ 99,268	\$ 3,428,461	\$ 3,329,193	2.9%	\$ 15,058,209	22%
01/01/10	93,780	3,256,812	3,163,032	2.9%	17,035,884	19%
01/01/08	91,830	2,844,822	2,752,992	3.2%	16,452,470	17%

### SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION

For the Year Ended June 30, 2012

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2012	\$ 297,597	24.0%
2011	295,646	21.3%
2010	295,646	22.2%
2009	224,051	28.1%

Note: Data in the schedule of funding progress was taken from the report issued by the actuary for pension benefits.

## Supplementary Financial Information

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# Chippewa Falls Area Unified School District

## Fiduciary Fund – Schedule of Changes in Assets and Liabilities (Student Organizations’ Agency Fund)

Year Ended June 30, 2012

<i>Assets</i>	Balance 07-01-11	Additions	Deductions	Balance 06-30-12
Cash and investments	\$ 359,077	\$ 992,932	\$ 1,008,045	\$ 343,964
<b>TOTAL ASSETS</b>	<b>\$ 359,077</b>	<b>\$ 992,932</b>	<b>\$ 1,008,045</b>	<b>\$ 343,964</b>
<i>Liabilities</i>				
Due to student organizations:				
High school	\$ 307,393	\$ 792,149	\$ 816,607	\$ 282,935
Middle school	51,684	200,783	191,438	61,029
<b>TOTAL LIABILITIES</b>	<b>\$ 359,077</b>	<b>\$ 992,932</b>	<b>\$ 1,008,045</b>	<b>\$ 343,964</b>

# Chippewa Falls Area Unified School District

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Administering Agency Pass-Through Agency Award Description	Federal Catalog Number	Grantor Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
Wisconsin Department of Public Instruction		
Child Nutrition Cluster:		
School Breakfast Program	10.553	
July 1, 2011 - June 30, 2012		\$ 279,454
National School Lunch Program - Cash Assistance	10.555	
July 1, 2011 - June 30, 2012		790,255
National School Lunch Program - Non-Cash Assistance	10.555	
July 1, 2011 - June 30, 2012		146,091
TOTAL 10.555		936,346
<u>TOTAL CHILD NUTRITION CLUSTER</u>		1,215,800
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>		1,215,800
<u>U.S. DEPARTMENT OF EDUCATION</u>		
CESA #10:		
Special Education Cluster:		
Special Education - Grants to States (IDEA, Part B)	84.027	
July 1, 2011 - June 30, 2012		24,768
Wisconsin Department of Public Instruction:		
Special Education Cluster:		
Special Education - Grants to States (IDEA, Part B)	84.027	
July 1, 2011 - June 30, 2012		1,248,672
TOTAL 84.027		1,273,440
Special Education - Preschool Grants (IDEA Preschool)	84.173	
July 1, 2011 - June 30, 2012		59,589
<u>TOTAL SPECIAL EDUCATION CLUSTER</u>		1,333,029
Title I, Part A Cluster:		
Title I Grants to Local Education Agencies (Title I, Part A of the ESEA)	84.010	
July 1, 2011 - June 30, 2012		750,560
<u>TOTAL TITLE I, PART A CLUSTER</u>		750,560

# Chippewa Falls Area Unified School District

## Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2012

Administering Agency Pass-Through Agency Award Description	Federal Catalog Number	Grantor Expenditures
<u>U.S. DEPARTMENT OF EDUCATION (Continued)</u>		
Wisconsin Department of Public Instruction		
Safe and Drug-Free Schools and Communities - State Grants July 1, 2011 - June 30, 2012	84.186	\$ 13,474
Improving Teacher Quality State Grants July 1, 2011 - June 30, 2012	84.367	305,028
Education Jobs Fund July 1, 2011 - June 30, 2012	84.410	847,561
Education Technology State Grants - ARRA July 1, 2011 - June 30, 2012	84.386	13,453
Title I Grants to Local Educational Agencies, ARRA July 1, 2011 - June 30, 2012	84.389	21,686
CESA #10:		
Fund for the Improvement of Education July 1, 2011 - June 30, 2012	84.215	101,866
Career and Technical Education - Basic Grants to States July 1, 2011 - June 30, 2012	84.048	36,735
Education Technology State Grants July 1, 2011 - June 30, 2012	84.318	3,518
English Language Acquisition Grants July 1, 2011 - June 30, 2012	84.365	3,840
TOTAL CESA #10		145,959
TOTAL U.S. DEPARTMENT OF EDUCATION		3,430,750
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Wisconsin Department of Health Services		
Medical Assistance Program July 1, 2011 - June 30, 2012	93.778	595,187
TOTAL FEDERAL AWARDS		\$ 5,241,737

See Independent Auditor's Report.

See accompanying notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance.

# Chippewa Falls Area Unified School District

## Schedule of Expenditures of State Financial Assistance

Year Ended June 30, 2012

Administering Agency Pass-Through Agency Award Description	State ID Number	State Grantor Reimbursements
Wisconsin Department of Public Instruction		
Entitlement Programs		
<u>Major State Programs</u>		
Special Education and School Age Parents	255.101	
District Programs		\$ 1,262,382
Participant in Package Program at CESA #10		16,210
<hr/>		
Total Special Education and School Age Parents Program		1,278,592
General Equalization	255.201	25,525,365
Special Adjustment Aid	255.203	1,781,741
<hr/>		
Total Equalization Aid Cluster		27,307,106
Pupil Transportation	255.107	238,506
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Total Major State Programs		28,824,204
<u>Nonmajor Programs</u>		
State Lunch	255.102	23,663
Library Aid	255.103	199,720
School Breakfast Program	255.344	30,313
Mentoring Grants for Initial Educators	255.355	5,625
<hr/>		
Total Nonmajor Programs		259,321
TOTAL WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION		
WISCONSIN DEPARTMENT OF REVENUE		
Computer Aid	835.109	115,896
WISCONSIN DEPARTMENT OF NATURAL RESOURCES		
Payments in lieu of taxes	370.503	37,770
<hr/>		
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>		<b>\$ 29,237,191</b>

See Independent Auditor's Report.

See accompanying notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance.

# Chippewa Falls Area Unified School District

## Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance Year Ended June 30, 2012

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### **Note 1           Basis of Presentation**

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state grant activity of the Chippewa Falls Area Unified School District under programs of the federal and state government for the year ended June 30, 2012. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and *State of Wisconsin Single Audit Guidelines*. Because the schedules present only a selected portion of the operations of the Chippewa Falls Area Unified School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Chippewa Falls Area Unified School District.

### **Note 2           Summary of Significant Accounting Policies**

Expenditures reported on the schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

### **Note 3           Special Education and School Age Parents Program**

2011–2012 eligible costs under the State Special Education Program are \$5,136,087.

## Other Reports

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**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Board of Education  
Chippewa Falls Area Unified School District  
Chippewa Falls, Wisconsin

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chippewa Falls Area Unified School District (the "District") as of and for the year ended June 30, 2012, which collectively comprise the Chippewa Falls Area Unified School District's basic financial statements and have issued our report thereon dated November 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of Chippewa Falls Area Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Chippewa Falls Area Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Chippewa Falls Area Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Chippewa Falls Area Unified School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and questioned costs as items 2012-01 and 2012-02 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Chippewa Falls Area Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Chippewa Falls Area Unified School District in a separate letter dated November 28, 2012.

This report is intended solely for the information and use of the school board, management, and the Wisconsin Department of Public Instruction and is not intended to be, and should not be, used by anyone other than these specified parties.

The image shows a handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

November 28, 2012  
Eau Claire, Wisconsin



## Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Federal and State Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Education  
Chippewa Falls Area Unified School District  
Chippewa Falls, Wisconsin

### Compliance

We have audited the compliance of the Chippewa Falls Area Unified School District (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State of Wisconsin Single Audit Guidelines*, issued by the Wisconsin Department of Administration, that are applicable to each of its major federal and state programs for the year ended June 30, 2012. The Chippewa Falls Area Unified School District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the Chippewa Falls Area Unified School District's management. Our responsibility is to express an opinion on the Chippewa Falls Area Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State of Wisconsin Single Audit Guidelines*, issued by the Wisconsin Department of Administration. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Chippewa Falls Area Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Chippewa Falls Area Unified School District's compliance with these requirements.

As described in item 2012-03 in the accompanying schedule of findings and questioned costs, the Chippewa Falls Area Unified School District did not properly comply with requirements regarding adequately documenting the pupils transported when preparing the 2010-2011 Transportation Report submitted to the Wisconsin Department of Public Instruction that are applicable to its state pupil transportation program. Compliance with such requirements is necessary, in our opinion, for the Chippewa Falls Area Unified School District to comply with the requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Chippewa Falls Area Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal and state programs for the year ended June 30, 2012.

### **Internal Control Over Compliance**

The management of the Chippewa Falls Area Unified School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered Chippewa Falls Area Unified School District's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State of Wisconsin Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Chippewa Falls Area Unified School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2012-03. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Chippewa Falls Area Unified School District's response to the significant deficiencies identified in our audit as described in the accompanying schedule of findings and questioned costs was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the school board, management, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

November 28, 2012  
Eau Claire, Wisconsin

# Chippewa Falls Area Unified School District

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

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### Section I – Summary of Auditor’s Results

#### *Financial Statements*

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Noncompliance material to the financial statements?	No

#### *Federal Awards*

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	No
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(a)?	No

#### Identification of major federal programs

CFDA Number	Name of Federal Program or Cluster
84.367	Improving Teacher Quality State Grants
93.778	Medical Assistance Program
84.410	Education Jobs Fund
Dollar threshold used to distinguish between Type A and Type B Programs	\$300,000
Auditee qualified as a low-risk auditee?	Yes

# Chippewa Falls Area Unified School District

## Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

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### Section I – Summary of Auditor’s Results (Continued)

#### *State Financial Assistance*

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Type of auditor’s report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with the <i>State of Wisconsin Single Audit Guidelines</i> ?	Yes

#### Identification of major state programs

State I.D. Number	Name of State Program
255.101	Special Education and School Age Parents
255.107	Pupil Transportation
255.201 and 255.203	Equalization Aid Cluster

# Chippewa Falls Area Unified School District

## Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

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### Section II – Financial Statement Findings

#### 2012-01 Segregation of Duties

Condition – The size of the office staff precludes a proper segregation of functions to ensure adequate internal control. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. This is not unusual in districts this size, but the Board should continue to be aware of this condition and to realize the concentration of duties and responsibilities in a limited number of individuals is not desirable for an effective system of internal control. Under those conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations; however, a significant deficiency exists in the District's internal controls.

Criteria – The lack of proper segregation of duties is considered an internal control weakness.

Effect – As a result of not having a sufficient number of individuals in the accounting department to segregate duties, the District has an internal control weakness.

Recommendation – We recommend that management and those charged with governance continue to evaluate whether to accept the degree of risk associated with this condition because of cost or other considerations.

Corrective Action Plan – The District does not have the resources available to increase staff size and address this internal control deficiency. The Board and management are aware of the incompatible duties and will continue to provide oversight and monitor the District's operations.

# Chippewa Falls Area Unified School District

## Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

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### Section II – Financial Statement Findings (Continued)

#### 2012-02 Financial Accounting and Reporting

Condition – The District’s internal control over financial reporting does not end at the general ledger, but extends to the financial statements and notes. As part of our professional services for the year ended June 30, 2012, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Because the District relies on Wipfli LLP to provide the necessary understanding of current accounting and disclosure principles in the preparation of the financial statements, a significant deficiency exists in the District’s internal controls.

Criteria – *Government Auditing Standards* considers the inability to report financial data reliably in accordance with accounting principles generally accepted in the United States (GAAP) to be an internal control weakness.

Effect – As a result of not having an individual trained in the preparation of GAAP basis financial statements, the District has an internal control weakness.

Recommendation – We recommend that management and those charged with governance continue to evaluate whether to accept the degree of risk associated with this condition because of cost or other considerations.

Corrective Action Plan – The District does not have the resources and staff to prepare the financial statements and notes but will continue to oversee the auditor’s services and review and approve the financial statements and notes.

# Chippewa Falls Area Unified School District

## Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

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### Section III – Federal Findings and Questioned Costs

None.

### Section IV – State Findings and Questioned Costs

#### 2012-03 Allowable Costs/Cost Principles and Reporting

Program Affected – Pupil Transportation State I.D. Number 255.107 passed through the Wisconsin Department of Public Instruction (DPI).

Compliance Requirement – The District should have available, as supporting documentation, a listing of pupils transported at least once during the school year with home to school distance using the most direct route (regular school year and summer school year transportation) or distance to instructional site (vocational transportation) and days enrolled.

Conditions Noted – (1) The District did not maintain any of the supporting documentation for summer school transportation used to prepare the 2010-2011 Pupil Transportation Report submitted to DPI online through the School Finance Reporting Portal. (2) Of the 15 regular school year students tested, three students were counted in the wrong mileage category. (3) Special education students were included in both the regular transportation tables and special education tables. (4) The District's unusually hazardous transportation plan has not been updated since 2001.

Known Questioned Costs: Unknown

Effect – The District's aid received through the Pupil Transportation Program may not be correct.

Recommendation – We recommend the District (1) implement a procedure for gathering and retaining the proper documentation for summer school, (2) implement policies and procedures to ensure that home to school or instructional site distance using the most direct route is regularly updated to ensure proper reporting, (3) count special education students on only one transportation table, and (4) update the unusually hazardous transportation plan.

Corrective Action Plan – The supporting documentation used to prepare the Pupil Transportation Report is now maintained by Brenda Messer and is available for review.

# Chippewa Falls Area Unified School District

## Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

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### Section V – Other Issues

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?

No

Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit*

*Guidelines:*

Department of Public Instruction

Yes

Department of Revenue

No

Department of Natural Resources

No

Department of Health Services

No

Was a Management Letter or other document conveying audit comments issued as a result of this audit?

Yes

Name of Partner



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Dan Walker

Date

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November 28, 2012

# Chippewa Falls Area Unified School District

## Schedule of Prior Year's Findings and Questioned Costs

Year Ended June 30, 2012

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### Financial Statement Findings

2011-01 Financial Accounting and Reporting – See finding 2012-02.

2011-02 Segregation of Duties – See finding 2012-01.

2011-03 Material Adjustment

Condition Noted – During our audit, Wipfli LLP proposed a material adjustment related to the District's self-insurance cash account. Since the District's internal controls did not discover this adjustment prior to our audit, a deficiency existed in the District's controls. Because the situation was an isolated event, we considered the deficiency to be a significant deficiency rather than a material weakness.

Current Year Condition – During 2011-2012, the District's bookkeeper reconciled the self-insurance account on a monthly basis. No audit adjustment was required at year-end.

### Federal Awards and State Financial Assistance Findings and Questioned Costs

None.