

Chippewa Falls Area Unified School District

City, Wisconsin

Financial Statements With Supplementary Financial Information

Year Ended June 30, 2013

Chippewa Falls Area Unified School District

Financial Statements With Supplementary Financial Information

Year Ended June 30, 2013

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Chippewa Falls Area Unified School District

Financial Statements With Supplementary Financial Information

Year Ended June 30, 2013

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa Falls Area Unified School District, (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa Falls Area Unified School District, as of June 30, 2013, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the budgetary comparison information and the schedules of funding progress and employer contributions on pages 45 through 46 and 50 through 51 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The fiduciary fund – schedule of changes in assets and liabilities (student organizations' agency fund) and the schedules of expenditures of federal awards and state financial assistance as required by the 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 basic financial statements. The fiduciary fund – schedule of changes in assets and liabilities (student organizations' agency fund) and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. 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 state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2013, 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* in considering the District's internal control over financial reporting and compliance.



Wipfli LLP

October 9, 2013
Eau Claire, Wisconsin

Government-Wide Financial Statements

Chippewa Falls Area Unified School District

Statement of Net Position

June 30, 2013

<i>Assets</i>	Governmental Activities
Current assets:	
Cash and investments	\$ 12,833,645
Receivables:	
Taxes	7,335,278
Accounts	1,135
Pledges	19,170
Due from other governments	1,862,269
Total current assets	22,051,497
Noncurrent assets:	
Net OPEB asset	20,815,161
Capital assets:	
Land	1,031,872
Construction in progress	158,661
Land improvements	3,727,412
Buildings and building improvements	37,440,794
Furniture and equipment	4,549,568
Less - Accumulated depreciation	(23,970,910)
Total capital assets	22,937,397
Total noncurrent assets	43,752,558
TOTAL ASSETS	\$ 65,804,055

<i>Liabilities and Net Position</i>	Governmental Activities
Liabilities:	
Current liabilities:	
Accounts payable	\$ 2,229,219
Short-term notes payable	5,000,000
Accrued liabilities:	
Payroll, payroll taxes, insurance	2,788,615
Claims incurred but not reported	2,517,121
Interest	15,625
Unearned revenue	48,380
Current portion of noncurrent obligations	422,220
Total current liabilities	13,021,180
Noncurrent liabilities:	
Accrued sick and vacation leave	1,266,657
Net pension obligation	830,051
Total noncurrent liabilities	2,096,708
Total liabilities	15,117,888
Net position:	
Net investment in capital assets	22,937,397
Restricted for:	
Capital projects	653,759
Food service	541,156
Donor-approved expenditures	221,899
Unrestricted	26,331,956
Total net position	50,686,167
TOTAL LIABILITIES AND NET POSITION	\$ 65,804,055

Chippewa Falls Area Unified School District

Statement of Activities

For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Total Governmental Activities
Governmental activities:				
Instruction:				
Regular instruction	\$ 20,013,484	\$ 685,543	\$ 1,004,153	\$ (18,323,788)
Vocational instruction	1,429,316	-	33,451	(1,395,865)
Special education instruction	5,302,742	8,440	2,502,093	(2,792,209)
Other instruction	1,801,060	51,155	6,311	(1,743,594)
Total instruction	28,546,602	745,138	3,546,008	(24,255,456)
Support services:				
Pupil services	2,126,618	-	64,718	(2,061,900)
Instructional staff services	1,732,980	1,881	536,919	(1,194,180)
General administration services	1,662,028	-	-	(1,662,028)
Building administration services	2,586,206	-	14,302	(2,571,904)
Business services	394,294	-	-	(394,294)
Operations and maintenance	4,589,662	-	261,791	(4,327,871)
Pupil transportation services	3,414,419	-	272,398	(3,142,021)
Food service	2,281,900	912,268	1,291,314	(78,318)
Central services	1,088,048	13,159	28,962	(1,045,927)
Insurance	361,906	-	-	(361,906)
Community service	177,730	15,038	-	(162,692)
Interest	30,793	-	-	(30,793)
Other support services	1,744,786	-	-	(1,744,786)
Depreciation - Unallocated	712,444	-	-	(712,444)
Total support services	22,903,814	942,346	2,470,404	(19,491,064)
Total governmental activities (carried forward)	\$ 51,450,416	\$ 1,687,484	\$ 6,016,412	(43,746,520)

Chippewa Falls Area Unified School District

Statement of Activities (Continued)

For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Total Governmental Activities
Total governmental activities (brought forward)				\$ (43,746,520)
General revenues:				
Property taxes:				
General purposes				21,838,753
Community service				297,000
State and federal aids not restricted to specific functions:				
General				27,393,195
Other				115,826
Interest and investment earnings				3,395
Miscellaneous				200,084
Total general revenues				49,848,253
Change in net position				6,101,733
Net position - Beginning of year				44,584,434
Net position - End of year				\$ 50,686,167

Fund Financial Statements

Chippewa Falls Area Unified School District

Governmental Funds – Balance Sheet

June 30, 2013

<i>Assets</i>	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and investments	\$ 12,067,565	\$ 766,080	\$ 12,833,645
Taxes receivable	7,335,278	-	7,335,278
Accounts receivable	1,135	-	1,135
Pledges receivable	-	19,170	19,170
Due from other governments	1,827,796	34,473	1,862,269
Due from other funds	-	653,759	653,759
<hr/>			
TOTAL ASSETS	\$ 21,231,774	\$ 1,473,482	\$ 22,705,256

<i>Liabilities and Fund Balances</i>	General Fund	Other Governmental Funds	Total Governmental Funds
Liabilities:			
Short-term notes payable	\$ 5,000,000	\$ -	\$ 5,000,000
Accounts payable	1,003,155	3,981	1,007,136
Accrued liabilities:			
Payroll, payroll taxes, insurance	2,784,308	4,307	2,788,615
Claims incurred but not reported	2,517,121	-	2,517,121
Interest	15,625	-	15,625
Unearned revenue	-	48,380	48,380
Due to other funds	1,875,842	-	1,875,842
Total liabilities	13,196,051	56,668	13,252,719
Fund balances:			
Nonspendable:			
Restricted:			
Capital projects	-	653,759	653,759
Food service	-	541,156	541,156
Donor-approved expenditures	-	221,899	221,899
Assigned:			
Community service	13,947	-	13,947
Unassigned	8,021,776	-	8,021,776
Total fund balances	8,035,723	1,416,814	9,452,537
TOTAL LIABILITIES AND FUND BALANCES	\$ 21,231,774	\$ 1,473,482	\$ 22,705,256

Chippewa Falls Area Unified School District

Governmental Funds – Balance Sheet (Continued)

June 30, 2013

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

Total fund balances - Governmental funds (from previous page) \$ 9,452,537

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 position:

Governmental capital assets	\$ 46,908,307	
Governmental accumulated depreciation	(23,970,910)	22,937,397

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 position. Balances reported in the statement of net position that are not reported in the governmental funds balance sheet are:

Compensated absences		(1,688,877)
Net pension obligation		(830,051)
Net OPEB asset		20,815,161

Net position - Governmental activities **\$ 50,686,167**

Chippewa Falls Area Unified School District

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

For the Year Ended June 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 22,135,753	\$ -	\$ 22,135,753
Other local services	154,077	945,003	1,099,080
Interdistrict sources	624,534	-	624,534
Intermediate sources	140,909	-	140,909
State sources	29,355,597	50,896	29,406,493
Federal sources	2,704,877	1,240,417	3,945,294
Miscellaneous	200,084	-	200,084
Total revenues	55,315,831	2,236,316	57,552,147
Expenditures:			
Instruction:			
Regular instruction	20,866,266	301	20,866,567
Vocational instruction	1,537,443	-	1,537,443
Special instruction	5,563,792	-	5,563,792
Other instruction	1,895,799	-	1,895,799
Total instruction	29,863,300	301	29,863,601
Support services:			
Pupil services	2,202,836	2,945	2,205,781
Instructional staff services	1,720,777	34,086	1,754,863
General administration services	1,578,906	-	1,578,906
Building administration services	2,631,259	-	2,631,259
Business services	394,294	-	394,294
Operations and maintenance	5,895,133	713	5,895,846
Pupil transportation	3,414,418	-	3,414,418
Food service	-	2,408,911	2,408,911
Central services	1,107,357	-	1,107,357
Insurance	361,906	-	361,906
Debt service:			
Interest	30,793	-	30,793
Other support services	5,724,029	-	5,724,029
Community service	177,730	-	177,730
Total support services	25,239,438	2,446,655	27,686,093
Total expenditures	55,102,738	2,446,956	57,549,694

Chippewa Falls Area Unified School District

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

For the Year Ended June 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
Excess (deficiency) of revenues over expenditures	\$ 213,093	\$ (210,640)	\$ 2,453
Net change in fund balances	213,093	(210,640)	2,453
Fund balances - Beginning of year	7,822,630	1,627,454	9,450,084
Fund balances - End of year	\$ 8,035,723	\$ 1,416,814	\$ 9,452,537

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, 2013

Total net change in fund balances - Governmental funds	\$	2,453
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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 position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.</p>		
Capital outlays reported in governmental fund statements	\$	1,828,506
Depreciation expense reported in the statement of activities		(834,683)
<hr/>		
Amount by which capital outlays are greater than depreciation in the current year		993,823
<p>Unpaid vacation and sick pay is a liability of the governmental funds only if the employee has resigned or retired.</p>		
Amount by which the liability for vacation and sick pay changed in the current year		(415,917)
<p>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.</p>		
Change in net pension benefit		335,545
Change in net OPEB asset		5,369,740
<hr/>		
Amounts paid are greater than amounts earned		5,705,285
<p>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 position as a net loss and has no effect on the governmental funds balance sheet.</p>		
The value of capital assets disposed of during the year was:		(2,024,760)
The amount of depreciation recapture for the year was:		1,840,849
<hr/>		
The difference in the value of assets, net of recaptured depreciation, creates a loss of:		(183,911)
<hr/>		
Change in net position - Governmental activities	\$	6,101,733

Chippewa Falls Area Unified School District

Fiduciary Funds – Statement of Net Position

June 30, 2013

	Pension Trust Fund	Employee Benefit Trust	Agency Fund
Assets:			
Cash and investments	\$ 100,977	\$ 18,058,138	\$ 322,735
Due from other funds	-	1,222,083	-
Total assets	\$ 100,977	\$ 19,280,221	\$ 322,735
Liabilities:			
Due to student organizations	\$ -	\$ -	\$ 322,735
Total liabilities	-	-	\$ 322,735
Net position:			
Held in trust for pension benefits	100,977	-	
Held in trust for OPEB	-	19,280,221	
Total net position	\$ 100,977	\$ 19,280,221	

Chippewa Falls Area Unified School District

Fiduciary Funds – Statement of Changes in Net Position

For the Year Ended June 30, 2013

	Pension Trust Fund	Employee Benefit Trust
Additions:		
District contributions	\$ 640,447	\$ 6,701,390
Retiree contributions	-	33,689
Interest	887	114,290
Total additions	641,334	6,849,369
Deductions:		
Employee benefits	640,447	2,768,850
Total deductions	640,447	2,768,850
Change in net position	887	4,080,519
Net position - Beginning of year	100,090	15,199,702
Net position - End of year	\$ 100,977	\$ 19,280,221

Chippewa Falls Area Unified School District

Notes to Financial Statements

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 twelve taxing districts.

This report includes all of the funds of the Chippewa Falls Area Unified School District. The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

Chippewa Falls Area Unified School District

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies**

Reporting Entity (Continued)

A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. This report does not contain any component units.

New Accounting Pronouncements

In June 2011, the Government Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The District adopted this guidance as of July 1, 2012.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No. 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, Statement No. 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources.

Chippewa Falls Area Unified School District

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies**

New Accounting Pronouncements (Continued)

In addition, Statement No. 65 recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The requirements of Statement No. 65 are effective for periods beginning after December 15, 2012. The District adopted this guidance as of July 1, 2012.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which will be effective for years beginning after June 15, 2014. Statement No. 68 establishes new requirements for governments to report a “net pension liability” for the unfunded portion of its pension plan. Governments that maintain their own pension plans (either single-employer or agent multiple-employer) will report a liability for the difference between the total pension liability and the amount held in a pension trust fund. Governments that participate in a cost sharing plan will report a liability for their “proportionate share” of the net pension liability of the entire system. Statement No. 68 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. For single-employer and agent multiple-employer plans, the information for these statements will come from the annual actuarial valuation. For cost sharing plans, this information will be derived from the financial reports of the plan itself, multiplied by the government’s proportionate share of plan. Statement No. 68 is only applicable to pension plans. However, the GASB intends to issue a similar standard for other postemployment benefits effective two years later than this standard.

The District has not evaluated the potential impact of these changes.

Chippewa Falls Area Unified School District

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies**

Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position 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 position at the fund financial statement level.

The statement of net position 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 position 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.

Chippewa Falls Area Unified School District

Notes to Financial Statements

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

Basis of Presentation (Continued)

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.

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

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 position 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

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 State of Wisconsin Investment Board.

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

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 recorded 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

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.

Capital assets not being depreciated include land and construction in progress.

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 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts 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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. At this time, the District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents the acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At this time, the District has no items that qualify for reporting in this category.

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 90 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.

Chippewa Falls Area Unified School District

Notes to Financial Statements

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

Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts (Continued)

Postemployment Benefits – In addition to the pension benefits described in Note 10, 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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists 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 position is reported as restricted 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.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first.

Chippewa Falls Area Unified School District

Notes to Financial Statements

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

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

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 Business 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.

Chippewa Falls Area Unified School District

Notes to Financial Statements

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

Fund Balances (Continued)

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.

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 2012 tax levy is used to finance operations of the District's fiscal year ended June 30, 2013. 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 October 9, 2013, which is the date the financial statements were available to be issued.

Chippewa Falls Area Unified School District

Notes to Financial Statements

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, 2013, the District's bank balance of \$8,804,867 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

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 Investment Series Cooperative (WISC). The District has no investment policy that would further limit its investment choices. As of June 30, 2013, 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 AA+. 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, 2013, were as follows:

	Maturities	Fair Value
Money Market Accounts:		
WISC Cash Management Series	< 60 days average	\$ 8,957,606
WISC Cash Investment Series	< 60 days average	7,601,278
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:		
Independence State Bank	07/29/13	204,044
Town Bank (Delafield State Bank)	08/01/13	249,540
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

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)		
Compass Bank	10/07/13	\$ 248,000
Goldman Sachs Bank USA	12/09/13	248,000
Bank of Hapoalim	09/26/13	248,000
Bank of Baroda	11/22/13	248,000
Bank of India	11/20/13	248,000
IDB Bank	11/12/13	249,934
Bank Leumi USA	01/09/14	249,911
Bank of West	05/05/14	249,937
Rockford B&TC	05/05/14	249,981
Sonabank	05/05/14	249,908
Bank of China	01/13/14	248,000
State Bank of India NY	10/13/15	248,000
Private Bank	11/12/14	249,934
Onewest Bank FSB	11/12/14	249,995
BMW Bank of North America	01/13/14	248,000
Midland States Bank	11/12/14	249,921
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
Everbank	10/16/17	248,000
Sallie Mae Bank	10/16/17	248,000
Cardinal Bank	02/10/16	249,000
Total investments		24,722,026
Cash deposits with financial institutions carrying amount		6,593,469
Less - Cash and investments held by fiduciary funds		(18,481,850)
Cash and investments reported on statement of net position		<u>\$ 12,833,645</u>

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.

Short-term notes payable activity for the year ended June 30, 2013, was as follows:

Description	Balance 07/01/12	Issued	Redeemed	Balance 06/30/13
Revenue Anticipation Notes:				
RW Baird 0.85% note	\$ 5,000,000	\$ -	\$ (5,000,000)	\$ -
U.S. Bank National Association 0.43% note	-	5,000,000	-	5,000,000
Total	\$ 5,000,000	\$ 5,000,000	\$ (5,000,000)	\$ 5,000,000

Interest on short-term notes for the year totaled \$30,793.

Chippewa Falls Area Unified School District

Notes to Financial Statements

Note 5 Interfund Balances and Activity

Interfund receivable and payable balances in the fund financial statements on June 30, 2013, are as follows:

<u>Due from:</u>	<u>Due to:</u>	
General Fund	Capital Projects Fund	\$ 653,759
General Fund	Employee Benefit Trust Fund	1,222,083
<u>Total due to other funds</u>		<u>\$ 1,875,842</u>

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

In the statement of net position, 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, 2013, were as follows:

	Beginning Balance	Prior Year's Adjustment	Increases	Decreases	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,031,872	\$ -	\$ -	\$ -	\$ 1,031,872
Construction in progress	-	-	158,661	-	158,661
Total capital assets not being depreciated	1,031,872	-	158,661	-	1,190,533
Capital assets being depreciated:					
Land improvements	3,632,646	-	94,766	-	3,727,412
Buildings and building improvements	36,900,946	-	1,276,249	(736,401)	37,440,794
Furniture and equipment	5,539,097	-	298,830	(1,288,359)	4,549,568
Total capital assets being depreciated	46,072,689	-	1,669,845	(2,024,760)	45,717,774
Less accumulated depreciation for:					
Land improvements	(2,040,400)	355,205	(150,962)	-	(1,836,157)
Buildings and building improvements	(18,747,085)	82,002	(807,635)	630,031	(18,842,687)
Furniture and equipment	(4,189,591)	619	(313,912)	1,210,818	(3,292,066)
Total accumulated depreciation	(24,977,076)	437,826	(1,272,509)	1,840,849	(23,970,910)
Total capital assets being depreciated - Net of accumulated depreciation	21,095,613	437,826	397,336	(183,911)	21,746,864
Governmental activities capital assets - Net	\$ 22,127,485	\$ 437,826	\$ 555,997	\$ (183,911)	\$ 22,937,397

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	\$	53,832
General administration services		6,189
Operations and maintenance of plant		33,991
School food service program		28,227
Depreciation not charged to a specific function		712,444
		712,444
Total depreciation for governmental activities		\$ 834,683

Note 7 Long-Term Obligations

Long-term obligations of the District are as follows:

	Balance			Balance	Amounts
	07/01/12	Additions	Reductions	06/30/13	Due Within
					One Year
Accrued sick and vacation leave	\$1,272,960	\$ 415,917	\$ -	\$1,688,877	\$ 422,220
Net pension obligation	1,165,596	304,902	(640,447)	830,051	-
Totals	\$2,438,556	\$ 720,819	\$ (640,447)	\$2,518,928	\$ 422,220

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

Chippewa Falls Area Unified School District

Notes to Financial Statements

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

General Obligation Debt

The 2012 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$2,469,454,454. The legal debt limit and margin of indebtedness as of June 30, 2013, in accordance with Section 67.03(1)(a) of the Wisconsin Statutes follows:

Legal debt limit (10% of \$2,469,454,454)	\$ 246,945,445
Deduct:	
Long-term debt applicable to debt margin	-
Debt service fund assets available	-
<hr/>	
Margin of indebtedness	<u>\$ 246,945,445</u>

Note 8 **Operating Leases**

The Chippewa Falls Area Unified School District leases certain classroom space from the State of Wisconsin Department of Health Services under an operating lease. The lease runs through June 30, 2013, with the option to renew for an additional one-year term through June 30, 2014. The total amount included in expense for rental of the space for 2012-2013 was \$86,730. For 2013-2014, \$142,651 will be due on the lease.

Chippewa Falls Area Unified School District

Notes to Financial Statements

Note 9 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 5.9% (July to December 2012) and 6.65% (January to June 2013) 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.

The payroll for Chippewa Falls Area Unified School District employees covered by the WRS for the year ended June 30, 2013, was \$22,833,829; the employer's total payroll was \$24,523,964. The total required contribution for the year ended June 30, 2013, was \$2,870,784, which consisted of \$1,435,392 or 6.3% of payroll from the employer and \$1,435,392 or 6.3% of payroll from employees. Total contributions for the years ending June 30, 2012 and 2011, were \$2,684,138 and \$2,665,858, respectively, equal to the required contributions for each year.

Chippewa Falls Area Unified School District

Notes to Financial Statements

Note 9 Employee Retirement Plans (Continued)

Employees who retire at or after age 65 are entitled to receive a retirement benefit. Employees may retire at age 55 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 and on or after April 24, 1998, and prior to July 1, 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

Note 10 Supplemental Pension Plan

The District provides a defined contribution supplemental pension benefit to eligible teachers, administrators, and supervisors. There are 74 retired employees participating in the plan as of June 30, 2013. 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

Note 10 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	64,108
Adjustment to annual required contribution	<u>(56,803)</u>
Annual pension cost (expense)	304,902
Pension payments made	<u>(640,447)</u>
Decrease in net pension obligation	(335,545)
Net pension obligation - Beginning of year	<u>1,165,596</u>
Net pension obligation - End of year	<u><u>\$ 830,051</u></u>

Chippewa Falls Area Unified School District

Notes to Financial Statements

Note 10 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 2013 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Benefit Obligation
06/30/11	\$ 310,198	203%	\$ 1,573,269
06/30/12	307,457	233%	1,165,596
06/30/13	304,902	210%	830,051

Note 11 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

Note 11 **Other Postemployment Benefits** (Continued)

Membership of the plan consisted of 117 retirees receiving benefits and 290 active plan members at July 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: For administrators with 10 years of consecutive administrative employment in the 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 District medical/dental premiums after their retirement date will be paid by the retiree.

Chippewa Falls Area Unified School District

Notes to Financial Statements

Note 11 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 2013, the District contributed \$6,701,390 to the plan, including \$2,735,162 for current premiums (approximately 99% of total premiums) and an additional \$3,966,228 to prefund benefits. Plan members receiving benefits contributed \$33,689 (approximately one 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 (asset):

Annual required contribution	\$ 1,428,446
Interest on net OPEB obligation (asset)	(849,498)
Adjustment to annual required contribution	<u>752,702</u>
Annual OPEB cost (expense)	1,331,650
Contributions made	<u>(6,701,390)</u>
Increase in net OPEB obligation (asset)	(5,369,740)
Net OPEB obligation (asset) - Beginning of year	<u>(15,445,421)</u>
Net OPEB obligation (asset) - End of year	<u><u>\$ (20,815,161)</u></u>

Chippewa Falls Area Unified School District

Notes to Financial Statements

Note 11 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 2013 and the two preceding fiscal years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
06/30/11	\$ 1,927,640	355.3%	\$ 10,102,390
06/30/12	1,365,134	491.4%	15,445,421
06/30/13	1,331,650	503.2%	20,815,160

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 92 percent.

The schedules of employer contributions on pages 49 and 50 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

Note 11 **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 12 **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 2013.

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 \$1,140,000 per individual and claims in excess of \$12,538,157 up to \$1,000,000 in the aggregate.

Chippewa Falls Area Unified School District

Notes to Financial Statements

Note 12 Risk Management (Continued)

At June 30, 2013, the District has recorded a \$2,326,893 liability, which represents reported and estimated unreported claims, which were incurred on or before June 30, 2013.

	2013	2012
Estimated unpaid claims at beginning of year	\$ 2,396,000	\$ 2,200,000
Current year claims and changes in estimates	9,705,290	9,263,283
Claim payments	(9,774,397)	(9,067,283)
Estimated unpaid claims at end of year	<u>\$ 2,326,893</u>	<u>\$ 2,396,000</u>

Note 13 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 \$271,062 of education services during the fiscal year. At June 30, 2013, due to/from other governments included \$156,125 due from CESA.

Required Supplementary Information

Chippewa Falls Area Unified School District

Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 21,838,417	\$ 21,838,417	\$ 21,838,753	\$ 336
Other local services	222,624	222,624	139,039	(83,585)
Interdistrict sources	605,440	605,440	616,094	10,654
Intermediate sources	86,373	86,373	124,485	38,112
State sources	27,943,008	27,943,008	27,944,855	1,847
Federal sources	996,853	996,853	1,183,632	186,779
Miscellaneous	65,046	65,046	200,084	135,038
Total revenues	51,757,761	51,757,761	52,046,942	289,181
Expenditures:				
Instruction:				
Regular instruction	23,328,859	21,403,024	20,866,266	536,758
Vocational instruction	1,577,856	1,578,000	1,530,824	47,176
Special instruction	948,328	948,328	910,318	38,010
Other instruction	1,933,291	1,933,296	1,895,799	37,497
Total instruction	27,788,334	25,862,648	25,203,207	659,441
Support services:				
Pupil services	1,341,717	1,341,717	1,509,598	(167,881)
Instructional staff services	1,682,143	1,682,143	1,489,250	192,893
General administration services	1,617,350	1,617,350	1,573,924	43,426
Building administration services	2,496,271	2,496,271	2,631,259	(134,988)
Business services	348,767	348,767	394,294	(45,527)
Operations and maintenance	5,734,867	5,734,603	5,601,056	133,547
Pupil transportation	2,815,759	2,817,175	2,932,606	(115,431)
Central services	884,900	884,900	1,078,395	(193,495)
Insurance	465,000	465,000	361,020	103,980
Debt service:				
Principal and interest	50,000	50,000	30,793	19,207
Other support services	2,110,695	4,607,522	5,126,034	(518,512)
Total support services	19,547,469	22,045,448	22,728,229	(682,781)
Total expenditures	47,335,803	47,908,096	47,931,436	(23,340)

Chippewa Falls Area Unified School District

Budgetary Comparison Schedule – General Fund (Continued)

Year Ended June 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Excess of revenues over expenditures	\$ 4,421,958	\$ 3,849,665	\$ 4,115,506	\$ 265,841
Other financing sources:				
Transfers out	(4,464,476)	(3,892,183)	(3,885,611)	6,572
Net other financing sources (uses)	(4,464,476)	(3,892,183)	(3,885,611)	6,572
Net change in fund balance	(42,518)	(42,518)	229,895	272,413
Fund balance - Beginning of year	6,444,230	6,444,230	7,791,881	1,347,651
Fund balance - End of year	\$ 6,401,712	\$ 6,401,712	\$ 8,021,776	\$ 1,620,064

See Independent Auditor's Report.

See accompanying notes to Budgetary Comparison Schedule – General Fund.

Chippewa Falls Area Unified School District

Notes to Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2013

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, 2013

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	\$ 52,046,942	\$ 2,956,851	\$ 312,038	\$ 55,315,831
Expenditures	(47,931,436)	(6,842,462)	(328,840)	\$ (55,102,738)
Other financing sources (uses)	(3,885,611)	3,885,611	-	\$ -
Net change in fund balance	\$ 229,895	\$ -	\$ (16,802)	\$ 213,093

Chippewa Falls Area Unified School District

Notes to Budgetary Comparison Schedule – General Fund (Continued)

Year Ended June 30, 2013

Note 3 Excess of Expenditures Over Appropriations

For the year ended June 30, 2013, the General Fund had expenditures in excess of appropriations for the following two-digit subfunction categories:

	Budget	Actual	Actual Over Budget
Pupil services	\$ 1,341,717	\$ 1,509,598	\$ 167,881
Building administration services	2,496,271	2,631,259	134,988
Business services	348,767	394,294	45,527
Pupil transportation	2,817,175	2,932,606	115,431
Central services	884,900	1,078,395	193,495
Other support services	4,607,522	5,126,034	518,512

Overexpenditures in the two-digit subfunction categories were due to the following:

- Pupil services was a result of staffing changes and benefit eligibility.
- Building administration services was a result of year-end purchasing decisions.
- Business services was a result of properly coding of business related expense.
- Pupil transportation was mainly due to Building Bridges 4 Children transportation costs being higher than anticipated due to utilization.
- Central services was due to moving technology staff wages and benefits from general administration services to central services.
- Other support services was a result of prefunding OPEB.

Chippewa Falls Area Unified School District

Schedules of Funding Progress and Employer Contributions – OPEB

Year Ended June 30, 2013

SCHEDULE OF FUNDING PROGRESS - OPEB

As of June 30, 2013

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	\$ 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, 2013

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2013	\$ 1,428,446	469.1%
2012	1,428,446	469.6%
2011	1,967,455	348.1%
2010	1,967,455	318.5%
2009	2,081,892	142.1%

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, 2013

SCHEDULE OF FUNDING PROGRESS - PENSION

As of June 30, 2013

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, 2013

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2013	\$ 297,597	215.2%
2012	297,597	240.3%
2011	295,646	213.3%
2010	295,646	221.8%
2009	224,051	281.0%

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

Supplementary Financial Information

Chippewa Falls Area Unified School District

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

Year Ended June 30, 2013

<i>Assets</i>	Balance 07-01-12	Additions	Deductions	Balance 06-30-13
Cash and investments	\$ 343,964	\$ 1,400,282	\$ 1,421,511	\$ 322,735
TOTAL ASSETS	\$ 343,964	\$ 1,400,282	\$ 1,421,511	\$ 322,735
<hr/> <i>Liabilities</i> <hr/>				
Due to student organizations:				
High school	\$ 282,935	\$ 1,191,966	\$ 1,212,675	\$ 262,226
Middle school	61,029	208,316	208,836	60,509
TOTAL LIABILITIES	\$ 343,964	\$ 1,400,282	\$ 1,421,511	\$ 322,735

Chippewa Falls Area Unified School District

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

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, 2012 - June 30, 2013		\$ 274,483
National School Lunch Program - Cash Assistance	10.555	
July 1, 2012 - June 30, 2013		816,829
National School Lunch Program - Non-Cash Assistance	10.555	
July 1, 2012 - June 30, 2013		149,105
TOTAL 10.555		965,934
TOTAL CHILD NUTRITION CLUSTER		1,240,417
TOTAL U.S. DEPARTMENT OF AGRICULTURE		1,240,417
<u>U.S. DEPARTMENT OF EDUCATION</u>		
Wisconsin Department of Public Instruction		
Special Education Cluster:		
Special Education - Grants to States (IDEA, Part B)	84.027	
July 1, 2012 - June 30, 2013		1,248,650
Special Education - Preschool Grants (IDEA Preschool)	84.173	
July 1, 2012 - June 30, 2013		42,030
TOTAL SPECIAL EDUCATION CLUSTER		1,290,680
Title I, Part A Cluster:		
Title I Grants to Local Education Agencies (Title I, Part A of the ESEA)	84.010	
July 1, 2012 - June 30, 2013		729,657
TOTAL TITLE I, PART A CLUSTER		729,657

Chippewa Falls Area Unified School District

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2013

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		
Improving Teacher Quality State Grants July 1, 2012 - June 30, 2013	84.367	\$ 147,937
Wisconsin Department of Administration		
Education Jobs Fund July 1, 2012 - June 30, 2013	84.410	218,327
CESA #10:		
Career and Technical Education - Basic Grants to States July 1, 2012 - June 30, 2013	84.048	36,220
Fund for the Improvement of Education July 1, 2012 - June 30, 2013	84.215	82,483
English Language Acquisition Grants July 1, 2012 - June 30, 2013	84.365	4,822
TOTAL CESA #10		123,525
TOTAL U.S. DEPARTMENT OF EDUCATION		2,510,126
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Wisconsin Department of Health Services		
Medical Assistance Program July 1, 2012 - June 30, 2013	93.778	318,276
TOTAL FEDERAL AWARDS		\$ 4,068,819

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, 2013

Administering Agency Pass-Through Agency Award Description	State ID Number	Accrued Revenue 7/1/2012	State Grantor Reimbursements	Grantor Expenditures	Accrued Revenue 7/1/2013
<u>Cost Reimbursement Programs</u>					
<u>WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT</u>					
<u>CESA #10</u>					
Chippewa Valley Youth Apprenticeship July 1, 2012 - June 30, 2013	20.445(7)(b)	\$ 1,368	\$ 2,047	\$ 679	\$ -
Wisconsin Department of Public Instruction					
Entitlement Programs					
<u>Major State Programs</u>					
Special Education and School Age Parents District Programs	255.101		\$ 1,410,742		
Total Special Education and School Age Parents Program			1,410,742		
General Equalization	255.201		27,143,395		
Total Equalization Aid Cluster			27,143,395		
Pupil Transportation	255.107		246,977		
Common School Fund Library Aid	255.103		183,238		
Per Pupil Aid Adjustment	255.925		249,800		
Total Major State Programs			29,234,152		
<u>Nonmajor Programs</u>					
State Lunch	255.102		24,609		
Peer Review & Mentoring	255.301		5,619		
School Breakfast Program	255.344		26,287		
Total Nonmajor Programs			56,515		
TOTAL WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION			29,290,667		
WISCONSIN DEPARTMENT OF REVENUE					
Computer Aid	835.109		103,309		
WISCONSIN DEPARTMENT OF NATURAL RESOURCES					
Payments in Lieu of Taxes	370.503		12,517		
TOTAL STATE FINANCIAL ASSISTANCE			\$ 29,408,540		

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, 2013

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, 2013. 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 position, 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**

2012–2013 eligible costs under the State Special Education Program are \$4,968,379.

Other Reports



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

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

We have audited, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 9, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

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 that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, that we consider to be significant deficiencies, which are described in the accompanying schedule of findings and questioned costs as items 2013-01, 2013-02, and 2013-03.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Wipfli LLP

October 9, 2013
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

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

Report on Compliance for Each Major Federal and State Program

We have audited Chippewa Falls Area Unified School District's compliance 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 could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Chippewa Falls Area Unified School District's major federal and state programs based on our audit of the types of compliance requirements referred to above.

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 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination on Chippewa Falls Area Unified School District's compliance with those requirements.

Basis for Qualified Opinion on Pupil Transportation

As described in the accompanying schedule of findings and questioned costs, Chippewa Falls Area Unified School District did not comply with requirements regarding State I.D. Number 255.107, Pupil Transportation as described in item 2013-03 for its state pupil transportation report. Compliance with such requirements is necessary, in our opinion, for Chippewa Falls Area Unified School District to comply with the requirements applicable to that program.

Qualified Opinion on Pupil Transportation

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Chippewa Falls Area Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its Pupil Transportation program for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal and State Programs

In our opinion, the Chippewa Falls Area Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal or state programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Chippewa Falls Area Unified School District is responsible for establishing and maintaining effective internal control over compliance ("internal control") with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Chippewa Falls Area Unified School District's internal control with the types of requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control in accordance with *OMB Circular A-133* and the *State of Wisconsin Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express any opinion on the effectiveness of the Chippewa Falls Area Unified School District's internal control.

A deficiency in internal control 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 in internal control is a deficiency, or combination of deficiencies, in internal control, 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. A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2013-03.

The Chippewa Falls Area Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Chippewa Falls Area Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of *OMB Circular A-133* and the *State of Wisconsin Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

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

Wipfli LLP

October 9, 2013
Eau Claire, Wisconsin

Chippewa Falls Area Unified School District

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

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
10.553 and 10.555	Child Nutrition Cluster
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, 2013

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 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 *State of Wisconsin Single Audit Guidelines*? Yes

Identification of major state programs

State I.D. Number	Name of State Program
255.101	Special Education and School Age Parents
255.103	Common School Fund Library Aid
255.107	Pupil Transportation
255.201 and 255.203	Equalization Aid Cluster
255.925	Per Pupil Adjustment Aid

Chippewa Falls Area Unified School District

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

Section II – Financial Statement Findings

2013-01 Segregation of Duties

Criteria – No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Condition – Incompatible functions are currently being performed by the same individual.

Cause – Limited staff available and inadequate compensating controls.

Effect – Decreased likelihood that unauthorized, false, or incorrectly coded transactions will be prevented or detected in a timely fashion, which may result in misstated financial statements.

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. In addition, the Board reviews monthly cash disbursements and bank reconciliations for oversight.

Chippewa Falls Area Unified School District

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

Section II – Financial Statement Findings (Continued)

2013-02 Financial Accounting and Reporting

Criteria – The District is responsible for reporting financial data reliably in accordance with accounting principles generally accepted in the United States (GAAP).

Condition – As part of our professional services for the year ended June 30, 2013, we were requested to draft the financial statements and accompanying notes to the financial statements.

Cause – The District does not expect, nor does it require its financial staff to have the ability to prepare GAAP financial statements.

Effect – As a result of not having an individual trained in the preparation of GAAP basis financial statements, the completeness of the financial statement disclosures and the accuracy of the financial statement presentation is negatively impacted as outside auditors do not have the same comprehensive understanding of the District as its own management.

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, 2013

Section III – Federal Findings and Questioned Costs

None.

Section IV – State Findings and Questioned Costs

2013-03 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) Of the 21 regular school year students tested, one student was counted in the wrong mileage category. (2) 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 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 and (2) update the unusually hazardous transportation plan.

Corrective Action Plan – The supporting documentation used to prepare the Pupil Transportation Report is now maintained by Brenda Musser and is available for review. The District is currently working on updating their unusually hazardous transportation plan.

Chippewa Falls Area Unified School District

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

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 Workforce Development	No
Department of Administration	No
Department of Human Services	No

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

Name of Partner



Dan Walker, CPA

Date

October 9, 2013

Chippewa Falls Area Unified School District

Schedule of Prior Year's Findings and Questioned Costs

Year Ended June 30, 2013

Financial Statement Findings

2012-01 Segregation of Duties – See finding 2013-01.

2012-02 Financial Accounting and Reporting – See finding 2013-02.

Federal Awards and State Financial Assistance Findings and Questioned Costs

2012-03 Allowable Costs/Cost Principles and Reporting

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

Condition Noted – While testing the District's 2010-2011 Pupil Transportation Report, it was discovered that the District does not maintain documentation to support the number of pupils transported for summer school. Special education students were included in both the regular transportation tables and special education tables. It was also noted that three students were reported in the incorrect mileage category. In addition, the District's unusually hazardous transportation plan had not been updated since 2001.

Current Year Condition – While testing the District's 2012-2013 Pupil Transportation Report, it was noted that summer school transportation was supported by adequate documentation. In addition, special education students were included in separate special education tables and not included in regular transportation tables. It was noted, however, that one student was counted in the wrong mileage category and the District had not updated their unusually hazardous plan – see finding 2013-03.