

# **Chippewa Falls Area Unified School District**

Chippewa Falls, Wisconsin

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

Year Ended June 30, 2014

# Chippewa Falls Area Unified School District

## Financial Statements With Supplementary Financial Information

Year Ended June 30, 2014

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# Chippewa Falls Area Unified School District

## Financial Statements With Supplementary Financial Information

Year Ended June 30, 2014

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## Independent Auditor's Report

Board of Education  
Chippewa Falls Area Unified School District  
Chippewa Falls, 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 the Chippewa Falls Area Unified School District, (the "District"), as of and for the year ended June 30, 2014, 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 the Chippewa Falls Area Unified School District, as of June 30, 2014, and the respective changes in financial position thereof, for the year then ended in accordance 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 43 and 44 and pages 48 and 49 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.

*Supplementary Information* (Continued)

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 November 21, 2014, 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.

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

Wipfli LLP

November 21, 2014  
Eau Claire, Wisconsin

# Government-Wide Financial Statements

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# Chippewa Falls Area Unified School District

## Statement of Net Position

June 30, 2014

<i>Assets</i>	<b>Governmental Activities</b>
Current assets:	
Cash and investments	\$ 9,005,483
Receivables:	
Taxes	7,333,418
Accounts	50,860
Pledges	19,170
Due from other governments	1,761,034
<hr/>	
Total current assets	18,169,965
Noncurrent assets:	
Net OPEB asset	20,823,307
Capital assets:	
Land	1,031,872
Construction in progress	3,904,775
Land improvements	3,727,382
Buildings and building improvements	38,216,018
Furniture and equipment	4,844,562
Less - Accumulated depreciation	(25,228,192)
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Total capital assets, net of accumulated depreciation	26,496,417
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Total noncurrent assets	47,319,724
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<b>TOTAL ASSETS</b>	<b>\$ 65,489,689</b>



<i>Liabilities and Net Position</i>	<b>Governmental Activities</b>
Liabilities:	
Current liabilities:	
Accounts payable	\$ 1,272,907
Short-term notes payable	3,000,000
Accrued liabilities:	
Payroll, payroll taxes, insurance	3,048,581
Claims incurred but not reported	2,116,977
Interest	42,947
Unearned revenue	51,883
Current portion of noncurrent obligations	252,624
Total current liabilities	9,785,919
Noncurrent liabilities:	
Accrued sick and vacation leave	757,867
Net pension obligation	481,509
Total noncurrent liabilities	1,239,376
Total liabilities	11,025,295
Net position:	
Net investment in capital assets	26,496,417
Restricted for:	
Food service	599,010
Donor-approved expenditures	287,220
Unrestricted	27,081,747
Total net position	54,464,394
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 65,489,689</b>

# Chippewa Falls Area Unified School District

## Statement of Activities

Year Ended June 30, 2014

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	\$ 21,315,136	\$ 755,088	\$ 907,262	\$ (19,652,786)
Vocational instruction	1,521,068	-	23,922	(1,497,146)
Special education instruction	5,487,729	17,380	1,932,036	(3,538,313)
Other instruction	1,927,320	55,282	-	(1,872,038)
<b>Total instruction</b>	<b>30,251,253</b>	<b>827,750</b>	<b>2,863,220</b>	<b>(26,560,283)</b>
Support services:				
Pupil services	2,296,991	-	24,198	(2,272,793)
Instructional staff services	2,118,339	1,943	616,528	(1,499,868)
General administration services	1,502,801	-	-	(1,502,801)
Building administration services	2,647,111	-	-	(2,647,111)
Business services	566,059	-	-	(566,059)
Operations and maintenance	4,681,963	-	350,175	(4,331,788)
Pupil transportation services	3,575,545	-	291,220	(3,284,325)
Food service	2,319,793	962,190	1,420,907	63,304
Central services	1,348,803	13,181	74,833	(1,260,789)
Insurance	486,804	-	-	(486,804)
Community service	185,673	14,050	72	(171,551)
Interest	78,946	-	-	(78,946)
Other support services	1,611,094	-	-	(1,611,094)
Depreciation - Unallocated	1,194,439	-	-	(1,194,439)
<b>Total support services</b>	<b>24,614,361</b>	<b>991,364</b>	<b>2,777,933</b>	<b>(20,845,064)</b>
<b>Total governmental activities (carried forward)</b>	<b>\$ 54,865,614</b>	<b>\$ 1,819,114</b>	<b>\$ 5,641,153</b>	<b>(47,405,347)</b>

# Chippewa Falls Area Unified School District

## Statement of Activities (Continued)

Year Ended June 30, 2014

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)				\$ (47,405,347)
General revenues:				
Property taxes:				
General purposes				22,010,578
Community service				297,000
State and federal aids not restricted to specific functions:				
General				27,968,230
Other				274,387
Interest and investment earnings				1,139
Miscellaneous				632,240
Total general revenues				51,183,574
Change in net position				3,778,227
Net position - Beginning of year				50,686,167
Net position - End of year				\$ 54,464,394

## Fund Financial Statements

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# Chippewa Falls Area Unified School District

## Governmental Funds – Balance Sheet

June 30, 2014

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<i>Assets</i>	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and investments	\$ 8,801,753	\$ 203,730	\$ 9,005,483
Taxes receivable	7,333,418	-	7,333,418
Accounts receivable	50,860	-	50,860
Pledges receivable	-	19,170	19,170
Due from other governments	1,699,461	61,573	1,761,034
Due from other funds	-	653,759	653,759
<hr/>			
<b>TOTAL ASSETS</b>	<b>\$ 17,885,492</b>	<b>\$ 938,232</b>	<b>\$ 18,823,724</b>

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<i>Liabilities and Fund Balances</i>	General Fund	Other Governmental Funds	Total Governmental Funds
Liabilities:			
Short-term notes payable	\$ 3,000,000	\$ -	\$ 3,000,000
Accounts payable	1,202,637	103	1,202,740
Accrued liabilities:			
Payroll, payroll taxes, insurance	3,048,565	16	3,048,581
Claims incurred but not reported	2,116,977	-	2,116,977
Interest	42,947	-	42,947
Unearned revenue	-	51,883	51,883
Due to other funds	723,926	-	723,926
Total liabilities	10,135,052	52,002	10,187,054
Fund balances:			
Restricted:			
Food service	-	599,010	599,010
Donor-approved expenditures	-	287,220	287,220
Unassigned	7,750,440	-	7,750,440
Total fund balances	7,750,440	886,230	8,636,670
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 17,885,492</b>	<b>\$ 938,232</b>	<b>\$ 18,823,724</b>

# Chippewa Falls Area Unified School District

## Governmental Funds – Balance Sheet (Continued)

June 30, 2014

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

Total fund balances - Governmental funds (from previous page) \$ 8,636,670

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	\$ 51,724,609	
Governmental accumulated depreciation	(25,228,192)	26,496,417

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Contributions made for other post employment benefits (OPEB) exceeding the annual required contribution (ARC) are reported as a net OPEB asset in the statement of activities. 20,823,307

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		(1,010,491)
Net pension obligation		(481,509)

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**Net position - Governmental activities** **\$ 54,464,394**

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# Chippewa Falls Area Unified School District

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

Year Ended June 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 22,307,578	\$ -	\$ 22,307,578
Other local services	471,915	1,073,755	1,545,670
Interdistrict sources	703,641	-	703,641
Intermediate sources	54,086	-	54,086
State sources	30,071,941	50,535	30,122,476
Federal sources	2,256,789	1,368,372	3,625,161
Miscellaneous	283,228	2,000	285,228
<b>Total revenues</b>	<b>56,149,178</b>	<b>2,494,662</b>	<b>58,643,840</b>
Expenditures:			
Instruction:			
Regular instruction	22,726,820	-	22,726,820
Vocational instruction	1,619,671	-	1,619,671
Special instruction	5,696,973	-	5,696,973
Other instruction	2,016,961	-	2,016,961
<b>Total instruction</b>	<b>32,060,425</b>	<b>-</b>	<b>32,060,425</b>
Support services:			
Pupil services	2,365,392	2,515	2,367,907
Instructional staff services	2,080,876	43,552	2,124,428
General administration services	1,681,620	-	1,681,620
Building administration services	2,692,784	-	2,692,784
Business services	566,059	-	566,059
Operations and maintenance	8,813,057	653,936	9,466,993
Pupil transportation	3,575,545	-	3,575,545
Food service	-	2,325,243	2,325,243
Central services	1,374,106	-	1,374,106
Insurance	486,804	-	486,804
Debt service:			
Interest	78,946	-	78,946
Other support services	473,174	-	473,174
Community service	185,673	-	185,673
<b>Total support services</b>	<b>24,374,036</b>	<b>3,025,246</b>	<b>27,399,282</b>
<b>Total expenditures</b>	<b>56,434,461</b>	<b>3,025,246</b>	<b>59,459,707</b>



# Chippewa Falls Area Unified School District

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

Year Ended June 30, 2014

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	General Fund	Other Governmental Funds	Total Governmental Funds
Excess of expenditures over revenues	\$ (285,283)	\$ (530,584)	\$ (815,867)
Net change in fund balances	(285,283)	(530,584)	(815,867)
Fund balances - Beginning of year	8,035,723	1,416,814	9,452,537
Fund balances - End of year	\$ 7,750,440	\$ 886,230	\$ 8,636,670

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# 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

Year Ended June 30, 2014

Total net change in fund balances - Governmental funds	\$ (815,867)
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>	
<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	\$ 4,891,435
Depreciation expense reported in the statement of activities	(1,320,474)
<hr/>	
Amount by which capital outlays are greater than depreciation in the current year	3,570,961
<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	678,386
<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	348,542
Change in net OPEB asset	8,146
<hr/>	
Amounts paid are greater than amounts earned	356,688
<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. There is no effect on the governmental funds balance sheet.</p>	
The value of capital assets disposed of during the year was:	(75,133)
The amount of depreciation recapture for the year was:	63,192
<hr/>	
The difference in the value of assets, net of recaptured depreciation, creates a loss of:	(11,941)
<hr/>	
<b>Change in net position - Governmental activities</b>	<b>\$ 3,778,227</b>

# Chippewa Falls Area Unified School District

## Fiduciary Funds – Statement of Net Position

June 30, 2014

	Pension Trust Fund	Employee Benefit Trust	Agency Fund
Assets:			
Cash and investments	\$ 106,010	\$ 16,632,288	\$ 219,382
Due from other funds	-	70,167	-
<b>Total assets</b>	<b>\$ 106,010</b>	<b>\$ 16,702,455</b>	<b>\$ 219,382</b>
Liabilities:			
Due to student organizations	\$ -	\$ -	\$ 219,382
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>\$ 219,382</b>
Net position:			
Restricted for pension benefits	106,010	-	
Restricted for OPEB	-	16,702,455	
<b>Total net position</b>	<b>\$ 106,010</b>	<b>\$ 16,702,455</b>	

# Chippewa Falls Area Unified School District

## Fiduciary Funds – Statement of Changes in Net Position

Year Ended June 30, 2014

	Pension Trust Fund	Employee Benefit Trust
Additions:		
District contributions	\$ 667,913	\$ 1,058,130
Retiree contributions	-	22,087
Interest	5,033	78,843
Total additions	672,946	1,159,060
Deductions:		
Employee benefits	667,913	3,736,826
Total deductions	667,913	3,736,826
Change in net position	5,033	(2,577,766)
Net position - Beginning of year	100,977	19,280,221
Net position - End of year	\$ 106,010	\$ 16,702,455

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

#### Introduction

The financial statements of the Chippewa Falls Area Unified School District (the "District") have been prepared in accordance 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 12 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.

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.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

#### **New Accounting Pronouncements**

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 yet evaluated the potential impact of these changes.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

#### **Basis of Presentation**

##### *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

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### 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 fund:

- **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 Trust Fund** – Used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes (Dorais Field and other community projects).

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



# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

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

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

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

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

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net 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

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

#### **Use of Estimates**

The preparation of financial statements in accordance 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.

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.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

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

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.

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.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

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

Capital assets 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 expenses.

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.

#### **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 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 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.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

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

The District's policy allows employees to earn varying amounts of sick pay for each year employed, accumulating to a maximum vested amount of 150 days for administrators/supervisors/confidential employees and 90 days for teachers and hourly District employees. Upon retirement or termination of employment, the employee is entitled to receive cash payment for vested vacation pay and varying percentages of vested sick pay based upon years employed by the District. Consistent with the compensated absences reporting standards of GASB Statement No. 16, "Accounting for Compensated Absences," an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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

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

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

#### **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.

#### **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.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

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

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 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.

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.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

#### **Property Tax Levy**

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 2013 tax levy is used to finance operations of the District's fiscal year ended June 30, 2014. All property taxes are considered due on January 1 when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30 and are available to pay current liabilities.

#### **Subsequent Events**

Subsequent events have been evaluated through November 21, 2014, which is the date the financial statements were available to be issued.



# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 2      Stewardship and Accountability

#### Limitation on School District Revenues

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

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

### Note 3      Cash and Investments

#### Deposits

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2014, the District's bank balance of \$6,070,122 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.

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. The District's investments in the WISC Cash Management Series, WISC Cash Investment Series, and Certificates of Deposit were unrated.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

### Note 3 Cash and Investments (Continued)

#### Investments (Continued)

The District's cash and investment balances at June 30, 2014, were as follows:

	Maturities	Fair Value
Money Market Accounts:		
WISC Cash Management Series (CMS)	<90 days average	\$ 4,497,245
WISC Investment Series	<120 days average	2,442,121
Fixed Income Securities:		
WISC Term Series - 20140902AA03	9/2/2014	1,000,000
WISC Term Series - 20140929AA03	9/29/2014	3,000,000
WISC Term Series - 20151204AA03	12/4/2015	1,000,000
WISC Term Series - 20160225AA03	2/25/2016	3,000,000
Certificates of Deposit:		
Banco Bilbao Vizcaya Argentaria Puerto Rico	8/14/2014	248,228
American NB - Fox Cities	9/23/2014	249,700
Private Bank	11/12/2014	246,900
Onewest Bank FSB	11/12/2014	247,500
Midland States Bank	11/12/2014	247,900
Bank of Baroda	12/12/2014	248,908
First National Bank of Omaha	1/20/2015	249,055
Cathay Bank	1/20/2015	249,067
Marlin Business Bank	7/17/2015	249,182
College Savings Bank	7/20/2015	249,154
Standard B&TC	7/30/2015	249,144
State Bank of India NY	10/13/2015	249,585
Austin Bank of Chicago	1/7/2016	247,400
Community State Bank	1/8/2016	247,200
Luana Savings Bank	1/8/2016	247,200
Fifth Third Bank	1/13/2016	243,000
Cardinal Bank	2/10/2016	249,503
Enerbank USA	7/11/2016	249,162
Pyramax Bank	7/12/2016	249,154
Dakota Community Bank	11/28/2016	243,800
GE Money Bank	1/10/2017	247,420
Goldman Sachs Bank USA	1/17/2017	247,673

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 3 Cash and Investments (Continued)

#### Investments (Continued)

	Maturities	Fair Value
Certificates of Deposit (Continued):		
BMW Bank of North America	1/17/2017	\$ 248,109
Park Sterling Bank	1/23/2017	249,022
World Financial Capital Bank	7/5/2017	248,579
Cit Bank	7/17/2017	249,743
Georgia B&TC of Augusta	7/31/2017	250,942
Everbank	10/16/2017	251,239
Sallie Mae Bank	10/24/2017	250,331
Washington Trust Company of Westerly	4/30/2018	249,999
<hr/>		
Total Investments		22,393,165
Cash deposits with financial institutions carrying amount		3,569,998
Less - Cash and investments held by fiduciary funds		(16,957,680)
<hr/>		
Cash and investments reported on statement of net position		\$ 9,005,483

The District has invested funds with the Wisconsin Investment Series Cooperative. 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.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

**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, 2014, was as follows:

Description	Balance 07/01/13	Issued	Redeemed	Balance 06/30/14
Revenue Anticipation Notes:				
U.S. Bank National Association 0.43% note	\$ 5,000,000	\$ -	\$ (5,000,000)	\$ -
U.S. Bank National Association 2.00% note	-	5,000,000	(2,000,000)	3,000,000
<b>Total</b>	<b>\$ 5,000,000</b>	<b>\$ 5,000,000</b>	<b>\$ (7,000,000)</b>	<b>\$ 3,000,000</b>

Interest on short-term notes for the year totaled \$78,946.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 5 Interfund Balances and Activity

Interfund receivable and payable balances in the fund financial statements on June 30, 2014, are as follows:

<u>Due from:</u>	<u>Due to:</u>	
General Fund	Capital Fund	\$ 653,759
General Fund	Employee Benefit Trust Fund	70,167
<u>Total due to other funds</u>		<u>\$ 723,926</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, 2014, were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,031,872	\$ -	\$ -	\$ 1,031,872
Construction in progress	158,661	3,904,775	(158,661)	3,904,775
Total capital assets not being depreciated	1,190,533	3,904,775	(158,661)	4,936,647
Capital assets being depreciated:				
Land improvements	3,727,412	-	(30)	3,727,382
Buildings and building improvements	37,440,794	775,224	-	38,216,018
Furniture and equipment	4,549,568	370,097	(75,103)	4,844,562
Total capital assets being depreciated	45,717,774	1,145,321	(75,133)	46,787,962
Less accumulated depreciation for:				
Land improvements	(1,836,157)	(147,212)	-	(1,983,369)
Buildings and building improvements	(18,842,686)	(855,479)	-	(19,698,165)
Furniture and equipment	(3,292,067)	(317,783)	63,192	(3,546,658)
Total accumulated depreciation	(23,970,910)	(1,320,474)	63,192	(25,228,192)
Total capital assets being depreciated - Net of accumulated depreciation	21,746,864	(175,153)	(11,941)	21,559,770
<b>Governmental activities capital assets - Net</b>	<b>\$ 22,937,397</b>	<b>\$ 3,729,622</b>	<b>\$ (170,602)</b>	<b>\$ 26,496,417</b>

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

### Note 6 Capital Assets (Continued)

Depreciation expense was charged to governmental activities as follows:

Regular instruction	\$ 59,578
Vocational instruction	953
General administration services	4,560
Operations and maintenance of plant	33,004
School food service program	27,940
Depreciation not charged to a specific function	1,194,439
<hr/>	
Total depreciation for governmental activities	<u>\$ 1,320,474</u>

### Note 7 Long-Term Obligations

Long-term obligations of the District are as follows:

	Balance			Balance	Amounts
	07/01/13	Additions	Reductions	06/30/14	Due Within
					One Year
Accrued sick and vacation leave	\$1,688,877	\$ -	\$ (678,386)	\$1,010,491	\$ 252,624
Net pension obligation	830,051	319,371	(667,913)	481,509	-
Totals	<u>\$2,518,928</u>	<u>\$ 319,371</u>	<u>\$(1,346,299)</u>	<u>\$1,492,000</u>	<u>\$ 252,624</u>

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

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

#### General Obligation Debt

The 2013 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$2,527,061,631. The legal debt limit and margin of indebtedness as of June 30, 2014, in accordance with Section 67.03(1)(a) of the Wisconsin Statutes follows:

Legal debt limit (10% of \$2,527,061,631)	\$ 252,706,163
Deduct:	
Long-term debt applicable to debt margin	-
Add:	
Debt service fund assets available	-
<hr/>	
Margin of indebtedness	\$ 252,706,163
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### 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 expired June 30, 2014, and has not yet been renewed. The total amount included in expense for rental of the space for 2013-2014 was \$142,651.

### 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. All employees initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire, are eligible to participate in the WRS. All employees initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees), and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Note: Employees hired to work nine or ten months per year, (e.g., teachers contracts), but expected to return year after year are considered to have met the one-year requirement.



# Chippewa Falls Area Unified School District

## Notes to Financial Statements

### Note 9 Employee Retirement Plans (Continued)

Effective the first day of the first pay period on or after June 29, 2011, the employee required contribution was changed to one-half of the actuarially determined contribution rate for employees in the General Employment category, including teachers. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

Contributions rates are as follows:

	2014		2013	
	Employee	Employer	Employee	Employer
General (including teachers)	7.00%	7.00%	6.65%	6.65%

The payroll for Chippewa Falls Area Unified School District employees covered by the WRS for the year ended June 30, 2014, was \$24,383,571; the employer's total payroll was \$25,899,161. The total required contribution for the year ended June 30, 2014, was \$3,330,814, which consisted of \$1,665,407, or 6.8% of payroll from the employer and \$1,665,407, or 6.8% of payroll from employees. Total contributions for the years ending June 30, 2013 and 2012, were \$2,870,784 and \$2,684,138, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 are entitled to receive a retirement benefit. Employees may retire at age 55 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. A 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 who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 9 Employee Retirement Plans (Continued)

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes.

The WRS issues an annual financial report that may be obtained by writing to:

Department of Employee Trust Funds  
P.O. Box 7931  
Madison, WI 53707-7931

### Note 10 Supplemental Pension Plan

The District provides a defined benefit supplemental pension benefit to eligible teachers, administrators, and supervisors. There are 71 retired employees participating in the plan as of June 30, 2014. 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 10 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 10 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.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 10 Supplemental Pension Plan (Continued)

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

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	\$ 314,170
Interest on net pension obligation	45,653
Adjustment to annual required contribution	<u>(40,452)</u>
Annual pension cost (expense)	319,371
Pension payments made	<u>(667,913)</u>
Decrease in net pension obligation	(348,542)
Net pension obligation - Beginning of year	<u>830,051</u>
Net pension obligation - End of year	<u><u>\$ 481,509</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, 2013, actuarial valuation using the unit credit method. The actuarial assumptions included a 5.5% discount rate and projected salary increases at 3% per annum. 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 unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining amortization period at July 1, 2013, is 30 years.

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 2014 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
06/30/12	\$ 307,457	233%	\$ 1,165,596
06/30/13	304,902	210%	830,051
06/30/14	319,371	209%	481,509

### 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.

Membership of the plan consisted of 111 retirees receiving benefits and 400 active plan members at July 1, 2013, the date of the latest actuarial valuation.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 11      Other Postemployment Benefits (Continued)

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 10 years of consecutive teaching/administrative employment with the District (15 years of service for Supervisors) may elect to retire at age 55 or any year thereafter. 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 10 years of consecutive administrative employment with the District 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, but before July 5, 2010: 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.
- Supervisors hired after July 5, 2010: For supervisors with 15 years of 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 \$6,000 into an HRA post-employment benefit trust until he or she qualifies for Medicare. The retiree shall be entitled to the contributions, plus accumulated interest.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 11 Other Postemployment Benefits (Continued)

The contribution requirements of plan members are based on the employment 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 2014, the District contributed \$1,058,130 to the plan, including \$1,058,130 for current premiums (approximately 28% of total premiums). Plan members receiving benefits contributed \$22,087 (approximately two percent of total premiums).

The District's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or fund excess) over a period not to exceed 30 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	\$ 1,180,434
Interest on net OPEB obligation (asset)	(1,144,834)
Adjustment to annual required contribution	<u>1,014,384</u>
Annual OPEB cost (expense)	1,049,984
Contributions made	<u>(1,058,130)</u>
Increase in net OPEB obligation (asset)	(8,146)
Net OPEB obligation (asset) - Beginning of year	<u>(20,815,161)</u>
Net OPEB obligation (asset) - End of year	<u><u>\$ (20,823,307)</u></u>

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### 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 2014 and the two preceding fiscal years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
06/30/12	\$ 1,365,134	491.4%	\$ 15,445,421
06/30/13	1,331,650	503.2%	20,815,160
06/30/14	1,049,984	100.7%	20,823,307

The funded status as of July 1, 2013, the most recent actuarial valuation date, was 69.5 percent funded. The actuarial accrued liability for benefits was \$24,647,032, and the actuarial value of assets was \$17,120,747, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,526,285. The covered payroll (annual payroll of active employees covered by the plan) was \$12,706,170 and the ratio of the UAAL to the covered payroll was 59 percent.

The schedule of employer contributions on page 48 presents trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43.

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

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### **Note 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, 2013, actuarial valuation, the projected 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 \$17,120,747 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, 2013, 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 2014.

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 \$1,890,000 per individual and claims in excess of \$13,813,719 up to \$1,000,000 in the aggregate per individual.



# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 12 Risk Management (Continued)

At June 30, 2014, the District has recorded a \$2,082,481 liability, which represents reported and estimated unreported claims, which were incurred on or before June 30, 2014.

	2014	2013
Estimated unpaid claims at beginning of year	\$ 2,496,000	\$ 2,396,000
Current year claims and changes in estimates	11,842,708	9,874,443
Claim payments	(12,256,227)	(9,774,443)
Estimated unpaid claims at end of year	\$ 2,082,481	\$ 2,496,000

### 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 \$248,912 of education services during the fiscal year. At June 30, 2014, due to/from other governments included \$56,702 due from CESA.

## Required Supplementary Information

# Chippewa Falls Area Unified School District

## Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2014

	Budgeted Amounts		Actual on Budgetary Basis	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 22,233,844	\$ 21,993,665	\$ 22,010,578	\$ 16,913
Other local services	182,200	182,200	457,793	275,593
Interdistrict sources	584,915	584,915	686,261	101,346
Intermediate sources	40,920	40,920	38,266	(2,654)
State sources	28,362,489	28,602,668	28,725,414	122,746
Federal sources	1,216,540	1,216,540	1,167,430	(49,110)
Miscellaneous	90,000	90,000	283,228	193,228
<b>Total revenues</b>	<b>52,710,908</b>	<b>52,710,908</b>	<b>53,368,970</b>	<b>658,062</b>
Expenditures:				
Instruction:				
Regular instruction	23,366,241	22,516,035	22,726,820	(210,785)
Vocational instruction	1,788,340	1,788,340	1,614,753	173,587
Special instruction	993,195	993,195	973,328	19,867
Other instruction	1,989,982	1,989,982	2,016,961	(26,979)
<b>Total instruction</b>	<b>28,137,758</b>	<b>27,287,552</b>	<b>27,331,862</b>	<b>(44,310)</b>
Support services:				
Pupil services	1,577,866	1,577,866	1,630,585	(52,719)
Instructional staff services	1,977,062	1,977,062	1,839,467	137,595
General administration services	1,708,013	1,628,013	1,676,602	(48,589)
Building administration services	2,636,424	2,636,424	2,692,784	(56,360)
Business services	505,786	505,786	566,059	(60,273)
Operations and maintenance	7,262,380	8,606,811	8,416,126	190,685
Pupil transportation	3,426,486	3,026,486	3,061,308	(34,822)
Central services	1,068,635	1,198,410	1,299,273	(100,863)
Insurance	378,201	458,201	485,918	(27,717)
Debt service:				
Principal and interest	100,000	35,000	78,946	(43,946)
Other support services	11,092	161,092	342,554	(181,462)
<b>Total support services</b>	<b>20,651,945</b>	<b>21,811,151</b>	<b>22,089,622</b>	<b>(278,471)</b>
<b>Total expenditures</b>	<b>48,789,703</b>	<b>49,098,703</b>	<b>49,421,484</b>	<b>(322,781)</b>

# Chippewa Falls Area Unified School District

## Budgetary Comparison Schedule – General Fund (Continued)

Year Ended June 30, 2014

	Budgeted Amounts		Actual on Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Excess of revenues over expenditures	\$ 3,921,205	\$ 3,612,205	\$ 3,947,486	\$ 335,281
Other financing sources:				
Transfers out	(3,951,205)	(3,642,205)	(4,203,090)	(560,885)
Proceeds from sale of capital assets	30,000	30,000	-	(30,000)
Net other financing uses	(3,921,205)	(3,612,205)	(4,203,090)	(590,885)
Net change in fund balance	-	-	(255,604)	(255,604)
Fund balance - Beginning of year	8,021,776	8,021,776	8,021,776	-
Fund balance - End of year	\$ 8,021,776	\$ 8,021,776	\$ 7,766,172	\$ (255,604)

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, 2014

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### Note 1            **Budgetary Information**

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

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

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

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

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

# Chippewa Falls Area Unified School District

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

Year Ended June 30, 2014

### 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	\$ 53,368,970	\$ 2,469,086	\$ 311,122	\$ 56,149,178
Expenditures	(49,421,484)	(6,672,176)	(340,801)	(56,434,461)
Other financing sources (uses)	(4,203,090)	4,203,090	-	-
Net change in fund balance	\$ (255,604)	\$ -	\$ (29,679)	\$ (285,283)

# Chippewa Falls Area Unified School District

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

Year Ended June 30, 2014

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### Note 3 Excess of Expenditures Over Appropriations

For the year ended June 30, 2014, the General Fund had expenditures in excess of appropriations for the following two-digit subfunction categories:

	Budget	Actual	Actual Over Budget
Regular instruction	\$ 22,516,035	\$ 22,726,820	\$ 210,785
Other instruction	1,989,982	2,016,961	26,979
Pupil services	1,577,866	1,630,585	52,719
General administration services	1,628,013	1,676,602	48,589
Building administration services	2,636,424	2,692,784	56,360
Business services	505,786	566,059	60,273
Pupil transportation	3,026,486	3,061,308	34,822
Central services	1,198,410	1,299,273	100,863
Insurance	458,201	485,918	27,717
Principal and interest	35,000	78,946	43,946
Other support services	161,092	342,554	181,462

# Chippewa Falls Area Unified School District

## Schedules of Funding Progress and Employer Contributions – OPEB

Year Ended June 30, 2014

### SCHEDULE OF FUNDING PROGRESS - OPEB

As of June 30, 2014

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
07/01/13	\$ 17,120,747	\$ 24,647,032	\$ 7,526,285	69.5%	\$ 12,706,170	59.2%
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%

### SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB

For the Year Ended June 30, 2014

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2014	\$ 1,180,434	89.6%
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, 2014

### SCHEDULE OF FUNDING PROGRESS - PENSION

As of June 30, 2014

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
07/01/13	\$ 1,038,367	\$ 3,784,637	\$ 2,746,270	27.4%	\$ 12,706,170	21.6%
07/01/11	99,268	3,428,461	3,329,193	2.9%	15,058,209	22.0%
01/01/10	93,780	3,256,812	3,163,032	2.9%	17,035,884	18.6%

### SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION

For the Year Ended June 30, 2014

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2014	\$ 314,170	212.6%
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

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# Chippewa Falls Area Unified School District

## Fiduciary Fund – Schedule of Changes in Assets and Liabilities

### (Student Organizations' Agency Fund)

Year Ended June 30, 2014

<i>Assets</i>	Balance 07-01-13	Additions	Deductions	Balance 06-30-14
Cash and investments	\$ 322,735	\$ 750,592	\$ 853,945	\$ 219,382
<b>TOTAL ASSETS</b>	<b>\$ 322,735</b>	<b>\$ 750,592</b>	<b>\$ 853,945</b>	<b>\$ 219,382</b>
<i>Liabilities</i>				
Due to student organizations:				
High school	\$ 262,226	\$ 563,782	\$ 673,841	\$ 152,167
Middle school	60,509	186,810	180,104	67,215
<b>TOTAL LIABILITIES</b>	<b>\$ 322,735</b>	<b>\$ 750,592</b>	<b>\$ 853,945</b>	<b>\$ 219,382</b>

# Chippewa Falls Area Unified School District

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

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, 2013 - June 30, 2014		\$ 315,959
National School Lunch Program - Cash Assistance	10.555	
July 1, 2013 - June 30, 2014		897,344
National School Lunch Program - Non-Cash Assistance	10.555	
July 1, 2013 - June 30, 2014		155,069
TOTAL 10.555		1,052,413
TOTAL CHILD NUTRITION CLUSTER		1,368,372
TOTAL U.S. DEPARTMENT OF AGRICULTURE		1,368,372
<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, 2013 - June 30, 2014		887,707
Special Education - Preschool Grants (IDEA Preschool)	84.173	
July 1, 2013 - June 30, 2014		7,166
TOTAL SPECIAL EDUCATION CLUSTER		894,873
Title I, Part A Cluster:		
Title I Grants to Local Education Agencies (Title I, Part A of the ESEA)	84.010	
July 1, 2013 - June 30, 2014		766,522
TOTAL TITLE I, PART A CLUSTER		766,522

# Chippewa Falls Area Unified School District

## Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2014

Administering Agency Pass-Through Agency Award Description	Federal Catalog Number	Grantor Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u> (Continued)		
Wisconsin Department of Public Instruction		
Improving Teacher Quality State Grants July 1, 2013 - June 30, 2014	84.367	\$ 139,472
CESA #10:		
Career and Technical Education - Basic Grants to States July 1, 2013 - June 30, 2014	84.048	35,744
English Language Acquisition Grants July 1, 2013 - June 30, 2014	84.365	2,437
TOTAL CESA #10		38,181
TOTAL U.S. DEPARTMENT OF EDUCATION		1,839,048
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Wisconsin Department of Health Services		
Medical Assistance Program July 1, 2013 - June 30, 2014	93.778	455,922
TOTAL FEDERAL AWARDS		\$ 3,663,342

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 State Financial Assistance

Year Ended June 30, 2014

Administering Agency Pass-Through Agency Award Description	State ID Number	State Grantor Reimbursements
<u>Wisconsin Department of Public Instruction</u>		
Entitlement Programs		
Special Education and School Age Parents	255.101	
District Programs		\$ 1,346,527
<hr/>		
Total Special Education and School Age Parents Program		1,346,527
State Lunch	255.102	25,516
Common School Fund	255.103	185,975
Pupil Transportation	255.107	266,182
General Equalization	255.201	27,590,530
State Breakfast Program	255.344	25,019
Educator Effective Eval Sys Grants Public	255.940	30,640
Per Pupil Aid	255.945	377,700
<hr/>		
Total Wisconsin Department of Public Instruction		29,848,089
<u>Wisconsin Department of Revenue</u>		
Computer Aid	835.109	206,463
<u>Wisconsin Department of Natural Resources</u>		
Payments in Lieu of Taxes	370.503	67,924
<hr/>		
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>		<b>\$ 30,122,476</b>

See Independent Auditor's Report.

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

# Chippewa Falls Area Unified School District

## Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance Year Ended June 30, 2014

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

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state grant activity of the Chippewa Falls Area Unified School District under programs of the federal and state government for the year ended June 30, 2014. 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**

2013–2014 eligible costs under the State Special Education Program are \$5,694,481.

## Other Reports

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## 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  
Chippewa Falls, 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 21, 2014.

### 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 audit 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 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 described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: 2014-01 and 2014-02.

## 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 on 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.

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

Wipfli LLP

November 21, 2014  
Eau Claire, Wisconsin



## Independent Auditor's Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance

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

### Report on Compliance for Each Major Federal and State Program

We have audited the 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, 2014. The Chippewa Falls Area Unified School District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### *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 the 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 the Chippewa Falls Area Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination on the Chippewa Falls Area Unified School District's compliance with those requirements.

### ***Basis for Qualified Opinion on Title 1 Grants to Local Educational Agencies***

As described in the accompanying schedule of findings and questioned costs, the Chippewa Falls Area Unified School District did not comply with the requirements regarding CFDA 84.010 Title 1 Grants to Local Educational Agencies as described in item 2014-03 for documentation of employee time and effort. Compliance with such requirements is necessary, in our opinion, for the Chippewa Falls Area Unified School District to comply with the requirements applicable to that program.

### ***Qualified Opinion on Title 1 Grants to Local Educational Agencies***

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 Title 1 Grants to Local Educational Agencies program for the year ended June 30, 2014.

### ***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, 2014.

### **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 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 over compliance with the types of requirements that could have a direct and material effect on each 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 over compliance 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 over compliance. Accordingly, we do not express an opinion on the effectiveness of the Chippewa Falls Area Unified School District's internal control over compliance.

## Report on Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance 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 over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance 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 over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2014-03.

The Chippewa Falls Area Unified School District's responses to the noncompliance and internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Chippewa Falls Area Unified School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance 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.



Wipfli LLP

November 21, 2014  
Eau Claire, Wisconsin

# Chippewa Falls Area Unified School District

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

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

#### *Financial Statements*

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	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 weakness(es)?	Yes
Type of auditor’s report issued on compliance for major programs.	Title I, Part A - Qualified All others - Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(a)?	Yes

#### Identification of major federal programs

CFDA Number	Name of Federal Program or Cluster
84.027 and 84.173 84.010	Special Education Cluster Title I, Part A
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, 2014

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

#### *State Financial Assistance*

Internal control over major programs:

Material weakness identified? No

Significant deficiency(ies) identified not material weakness(es)? Yes

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the *State of Wisconsin Single Audit Guidelines*? No

Identification of major state programs

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

# Chippewa Falls Area Unified School District

## Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2014

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### Section II – Financial Statement Findings

#### 2014-01 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, 2014

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

#### 2014-02 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, 2014, 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, 2014

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### Section III – Federal Findings and Questioned Costs

#### 2014-03 Allowable Costs – Time and Effort Reporting

Programs Affected – Title I, Part A: Department of Education (DOE), Passed Through the Wisconsin Department of Public Instruction (DPI) (CFDA 84.010).

Criteria – *OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B, Selected Items of Cost, Part 8, Compensation for Personal Services, Section H, Support of Salaries and Wages:

- Charges to federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
- Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.
- Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports. Such documentary support will be required when employees work on:
  - a) More than one federal award.
  - b) A federal award and a non-federal award.
  - c) An indirect cost activity and a direct cost activity.
  - d) Two or more indirect activities, which are allocated using different allocation bases.
  - e) An unallowable activity and a direct or indirect cost activity.
- Personnel activity reports or equivalent documentation must meet the following standards:
  - a) They must reflect an after-the-fact distribution of the actual activity of each employee.
  - b) They must account for the total activity for which each employee is compensated.
  - c) They must be prepared at least monthly and must coincide with one or more pay periods.
  - d) They must be signed by the employee.

# Chippewa Falls Area Unified School District

## Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2014

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### Section III – Federal Findings and Questioned Costs (Continued)

#### 2014-03 Allowable Costs – Time and Effort Reporting (Continued)

- Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that:
  - a) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed.
  - b) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than 10 percent.
  - c) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Condition – During procedures performed on the District's policies and procedures pertaining to time and effort reporting in accordance with OMB Circular A-87, we noted where a portion of two employees' wages and benefits were allocated to the Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) program. These allocations were based on budgetary estimates and not adjusted to actual at least annually. We also noted that the personnel activity reports for these two employees were not signed by the employee.

Known Questioned Costs: Unknown

Context – A test of 18 payroll expenditures disclosed that two employees had time charged to the grant based on budgeted amounts and not adjusted to actual. These two employees' personnel activity reports were not signed by the employee.

Effect – The amount of salaries and fringes charged to the programs contained within the Title 1, Part A program may not be accurate.

Cause – Program employees were unaware of the compliance requirements. Also, there were no written policies or procedures for employee guidance.

# Chippewa Falls Area Unified School District

## Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2014

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### Section III – Federal Findings and Questioned Costs (Continued)

#### 2014-03 Allowable Costs – Time and Effort Reporting (Continued)

Recommendation – We recommend the District implement policies and procedures to ensure wages and benefits charged to grants are adjusted at least annually based on personnel activity reports signed by the employee or equivalent documentation.

Corrective Action Plan – The District will be creating an administrative policy that will require any employee who is partially funded by a federal grant to document their time and effort with personnel activity reports that are prepared in accordance with OMB Circular A-87. The individual responsible for the grant will be charged with making sure that the employees are completing, signing, and approving the personnel activity reports.

# Chippewa Falls Area Unified School District

## Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2014

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### Section IV – Other Issues

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No

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

Department of Public Instruction	Yes
Department of Revenue	No
Department of Natural Resources	No
Department of Health Services	No

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

Name of Partner



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Dan Walker, CPA

Date

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November 21, 2014

# Chippewa Falls Area Unified School District

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

Year Ended June 30, 2014

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### Financial Statement Findings

2013-01 Segregation of Duties – See finding 2014-01.

2013-02 Financial Accounting and Reporting – See finding 2014-02.

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

2013-03 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 2012-2013 Pupil Transportation Report, it was noted that one student was 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 2013-2014 Pupil Transportation Report, it was noted that the students tested were counted in the correct mileage categories. The District has updated its unusually hazardous plan.