

# **Chippewa Falls Area Unified School District**

Chippewa Falls, Wisconsin

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

Year Ended June 30, 2017

# Chippewa Falls Area Unified School District

## Financial Statements With Supplementary Financial Information

Year Ended June 30, 2017

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# Chippewa Falls Area Unified School District

## Financial Statements With Supplementary Financial Information

Year Ended June 30, 2017

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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, 2017, 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, 2017, and the respective changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States.

## *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States require that the budgetary comparison schedule – general fund, schedules of the employer’s proportionate share of the net pension liability (asset) and employer contributions – Wisconsin Retirement System, schedule of changes in the employer’s net pension liability and related ratios – District pension plan, schedule of employer contributions – District pension plan, schedule of investment returns – District pension plan, schedule of changes in employer’s net OPEB liability and related ratios – District OPEB plan, schedule of employer contributions – District OPEB plan, and the schedule of investment returns – District OPEB plan on pages 52 through 63 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) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration, and are also not a required part of the basic financial statements. The fiduciary fund – schedule of changes in assets and liabilities (student organizations' agency fund) and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the fiduciary fund – schedule of changes in assets and liabilities (student organizations' agency fund) and the schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2017, on our consideration of the Chippewa Falls Area Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Wipfli LLP

November 16, 2017  
Eau Claire, Wisconsin

# Government-Wide Financial Statements

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# Chippewa Falls Area Unified School District

## Statement of Net Position

June 30, 2017

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<i>Assets and Deferred Outflows of Resources</i>	<b>Governmental Activities</b>
Current assets:	
Cash and investments	\$ 11,525,615
Receivables:	
Taxes	7,198,242
Due from other governments	1,540,723
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Total current assets	20,264,580
<hr/>	
Noncurrent assets:	
Capital assets:	
Land	1,083,712
Land improvements	3,727,382
Buildings and building improvements	46,643,565
Furniture and equipment	5,475,804
Less - Accumulated depreciation	(29,709,183)
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Total capital assets, net of accumulated depreciation	27,221,280
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Total assets	47,485,860
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Deferred outflows of resources:	
Related to pensions - WRS	11,061,732
Related to pensions - District pension plan	45,263
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Total deferred outflows of resources	11,106,995
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<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 58,592,855</b>
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<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	<b>Governmental Activities</b>
Liabilities:	
Current liabilities:	
Accounts payable	\$ 1,979,538
Short-term notes payable	4,000,000
Accrued liabilities:	
Payroll, payroll taxes, insurance	4,461,390
Claims incurred but not reported	2,082,481
Interest	5,585
Unearned revenue	55,190
Current portion of long-term obligations	508,473
Total current liabilities	13,092,657
Noncurrent liabilities:	
Accrued sick and vacation leave	775,421
Capital lease payable	76,335
Net OPEB liability - District OPEB plan	14,034,377
Net pension liability - WRS	1,574,949
Net pension liability - District pension plan	3,431,228
Total noncurrent liabilities	19,892,310
Total liabilities	32,984,967
Deferred inflows of resources:	
Related to pensions - WRS	5,277,178
Related to pensions - District pension plan	379,333
Total deferred inflows of resources	5,656,511
Net position:	
Net investment in capital assets	27,098,461
Restricted for:	
Food service	957,518
Donor-approved expenditures	348,820
Unrestricted	(8,453,422)
Total net position	19,951,377
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 58,592,855</b>

See accompanying notes to financial statements.

# Chippewa Falls Area Unified School District

## Statement of Activities

Year Ended June 30, 2017

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	\$ 27,600,238	\$ 1,085,520	\$ 769,592	\$ (25,745,126)
Vocational instruction	1,930,947	-	23,459	(1,907,488)
Special education instruction	7,416,134	6,096	2,205,251	(5,204,787)
Other instruction	2,702,629	58,817	-	(2,643,812)
<b>Total instruction</b>	<b>39,649,948</b>	<b>1,150,433</b>	<b>2,998,302</b>	<b>(35,501,213)</b>
Support services:				
Pupil services	2,704,801	-	582,627	(2,122,174)
Instructional staff services	2,392,867	2,074	596,700	(1,794,093)
General administration services	2,045,595	-	-	(2,045,595)
Building administration services	3,092,771	-	-	(3,092,771)
Business services	725,619	-	-	(725,619)
Operations and maintenance	6,294,755	-	9,165	(6,285,590)
Pupil transportation services	3,504,872	-	240,856	(3,264,016)
Food service	2,660,895	1,128,530	1,605,778	73,413
Central services	1,359,385	14,404	-	(1,344,981)
Insurance	520,485	-	-	(520,485)
Community service	120,622	12,022	23,270	(85,330)
Interest	125,818	-	-	(125,818)
Other support services	134,601	-	19,642	(114,959)
Depreciation - Unallocated	1,116,809	-	-	(1,116,809)
<b>Total support services</b>	<b>26,799,895</b>	<b>1,157,030</b>	<b>3,078,038</b>	<b>(22,564,827)</b>
<b>Total governmental activities (carried forward)</b>	<b>\$ 66,449,843</b>	<b>\$ 2,307,463</b>	<b>\$ 6,076,340</b>	<b>\$ (58,066,040)</b>

# Chippewa Falls Area Unified School District

## Statement of Activities (Continued)

Year Ended June 30, 2017

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)				\$ (58,066,040)
General revenues:				
Property taxes:				
General purposes				22,609,426
Community service				297,000
State and federal aids not restricted to specific functions:				
General				30,078,583
Other				252,076
Interest and investment earnings				7,577
Miscellaneous				429,246
Gain on disposal of assets				2,377
<b>Total general revenues</b>				<b>53,676,285</b>
Change in net position				(4,389,755)
Net position - Beginning of year, as restated				24,341,132
<b>Net position - End of year</b>				<b>\$ 19,951,377</b>

# Fund Financial Statements

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# Chippewa Falls Area Unified School District

## Governmental Funds – Balance Sheet

June 30, 2017

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<i>Assets</i>	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and investments	\$ 10,162,840	\$ 1,362,775	\$ 11,525,615
Taxes receivable	7,198,242	-	7,198,242
Due from other governments	1,332,582	208,141	1,540,723

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**TOTAL ASSETS** \$ 18,693,664   \$ 1,570,916   \$ 20,264,580

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<i>Liabilities and Fund Balances</i>	General Fund	Other Governmental Funds	Total Governmental Funds
Liabilities:			
Short-term notes payable	\$ 4,000,000	\$ -	\$ 4,000,000
Accounts payable	1,129,538	-	1,129,538
Accrued liabilities:			
Payroll, payroll taxes, insurance	4,455,518	5,872	4,461,390
Claims incurred but not reported	2,082,481	-	2,082,481
Interest	5,585	-	5,585
Unearned revenue	-	55,190	55,190
Due to other funds	850,000	-	850,000
<b>Total liabilities</b>	<b>12,523,122</b>	<b>61,062</b>	<b>12,584,184</b>
Fund balances:			
Restricted:			
Capital projects	-	203,516	203,516
Food service	-	957,518	957,518
Donor-approved expenditures	-	348,820	348,820
Assigned:			
Community service	88,894	-	88,894
Unassigned	6,081,648	-	6,081,648
<b>Total fund balances</b>	<b>6,170,542</b>	<b>1,509,854</b>	<b>7,680,396</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 18,693,664</b>	<b>\$ 1,570,916</b>	<b>\$ 20,264,580</b>

# Chippewa Falls Area Unified School District

## Governmental Funds – Balance Sheet (Continued)

June 30, 2017

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

Total fund balances - Governmental funds (from previous page)	\$ 7,680,396
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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	\$ 56,930,463	
Governmental accumulated depreciation	(29,709,183)	27,221,280

The net pension liabilities, net OPEB liability, and the deferred outflows of resources and deferred inflows of resources related to pensions and OPEB are only reported in the statement of net position:

Net pension liability - WRS	(1,574,949)	
Net pension liability - District pension plan	(3,431,228)	
Net OPEB liability - District OPEB plan	(14,034,377)	
Deferred outflows of resources related to pensions - WRS	11,061,732	
Deferred outflows of resources related to pensions - District pension plan	45,263	
Deferred inflows of resources related to pensions - WRS	(5,277,178)	
Deferred inflows of resources related to pensions - District pension plan	(379,333)	(13,590,070)

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:

Promissory note		(250,000)
Capital leases payable		(76,335)
Compensated absences		(1,033,894)

<b>Net position - Governmental activities</b>		<b>\$ 19,951,377</b>
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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, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 22,906,426	\$ -	\$ 22,906,426
Other local services	328,317	1,417,641	1,745,958
Interdistrict sources	1,002,680	-	1,002,680
Intermediate sources	69,280	-	69,280
State sources	32,598,855	63,329	32,662,184
Federal sources	1,971,544	1,540,716	3,512,260
Miscellaneous	158,541	384	158,925
<b>Total revenues</b>	<b>59,035,643</b>	<b>3,022,070</b>	<b>62,057,713</b>
Expenditures:			
Instruction:			
Regular instruction	25,734,594	3,424	25,738,018
Vocational instruction	1,842,346	-	1,842,346
Special instruction	6,890,119	765	6,890,884
Other instruction	2,371,352	7,810	2,379,162
<b>Total instruction</b>	<b>36,838,411</b>	<b>11,999</b>	<b>36,850,410</b>
Support services:			
Pupil services	2,554,975	7,300	2,562,275
Instructional staff services	2,265,104	46,013	2,311,117
General administration services	1,907,513	-	1,907,513
Building administration services	2,757,693	142,540	2,900,233
Business services	701,642	-	701,642
Operations and maintenance	5,980,990	46,984	6,027,974
Pupil transportation	3,504,872	-	3,504,872
Food service	-	2,595,676	2,595,676
Central services	1,347,593	-	1,347,593
Insurance	520,485	-	520,485
Debt service:			
Principal	150,634	-	150,634
Interest	125,818	-	125,818
Other support services	134,601	-	134,601
Community service	116,618	-	116,618
<b>Total support services</b>	<b>22,068,538</b>	<b>2,838,513</b>	<b>24,907,051</b>
Nonprogram - Purchased instructional services	-	-	-
<b>Total expenditures</b>	<b>58,906,949</b>	<b>2,850,512</b>	<b>61,757,461</b>

# Chippewa Falls Area Unified School District

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

Year Ended June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Excess of revenues over expenditures	\$ 128,694	\$ 171,558	\$ 300,252
Other financing sources:			
Proceeds from long-term notes	-	250,000	250,000
Proceeds from sale of capital assets	2,377	-	2,377
Total other financing sources	2,377	250,000	252,377
Net change in fund balances	131,071	421,558	552,629
Fund balances - Beginning of year	6,039,471	1,088,296	7,127,767
Fund balances - End of year	\$ 6,170,542	\$ 1,509,854	\$ 7,680,396

# 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, 2017

Total net change in fund balances - Governmental funds	\$	552,629
<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 an expenditure. 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 the governmental fund statements	\$	179,942
Depreciation expense reported in the statement of activities		(1,557,728)
<hr/>		
Amount by which capital outlays are less than depreciation in the current year		(1,377,786)
<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		(2,355)
<p>Some employee benefits reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Change in net OPEB liability - District OPEB plan		(1,911,558)
Change in net pension liability - WRS		1,424,060
Change in net pension liability - District pension plan		528,770
Change in deferred outflows of resources related to pensions - WRS		(4,691,028)
Change in deferred outflows of resources related to pensions - District pension plan		45,263
Change in deferred inflows of resources related to pensions - WRS		1,103,491
Change in deferred inflows of resources related to pensions - District pension plan		38,125
<hr/>		
Amounts paid are greater than amounts earned		(3,462,877)
<p>Proceeds of principal of long-term debt are reported in the governmental funds as a revenue, but are reported as an increase in long-term debt in the statement of net position and do not affect the statement of activities.</p>		
The amount of long-term debt proceeds in the current year		(250,000)
<p>Repayment of principal on capital leases is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.</p>		
The amount of capital lease principal payments in the current year		150,634

# 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 (Continued)

Year Ended June 30, 2017

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.

The value of capital assets disposed of during the year was:	\$ (10,600)
The amount of depreciation recapture for the year was:	10,600

The difference in the value of assets, net of recaptured depreciation, creates a loss of:	\$ -
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<b>Change in net position - Governmental activities</b>	<b>\$ (4,389,755)</b>
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# Chippewa Falls Area Unified School District

## Fiduciary Funds – Statement of Net Position

June 30, 2017

	Employee Benefit Trust	Agency Fund
Assets:		
Cash and investments	\$ 8,564,630	\$ 250,383
Due from other funds	850,000	-
<b>Total assets</b>	<b>\$ 9,414,630</b>	<b>\$ 250,383</b>
Liabilities:		
Due to student organizations	\$ -	\$ 250,383
Due to other funds	-	-
<b>Total liabilities</b>	<b>-</b>	<b>\$ 250,383</b>
Net position:		
Restricted for OPEB	9,899,664	
Unrestricted	(485,034)	
<b>Total net position</b>	<b>\$ 9,414,630</b>	

# Chippewa Falls Area Unified School District

## Fiduciary Funds – Statement of Changes in Net Position

Year Ended June 30, 2017

	Employee Benefit Trust
<hr/>	
Additions:	
District contributions	\$ 850,000
Retiree contributions	21,430
Interest	46,026
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Total additions	917,456
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Deductions:	
Pension benefits	352,583
OPEB benefits	1,809,702
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Total deductions	2,162,285
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Decrease in net position	(1,244,829)
Net position - Beginning of year	10,659,459
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Net position - End of year	\$ 9,414,630
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# 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 Pronouncement**

Management adopted new accounting guidance GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statements No. 74 and No. 75 replaces the requirements of GASB Statements No. 43 and No. 45 on accounting and financial reporting by employers for postemployment benefits other than pensions. See Note 16 for the restatement of beginning net position.

#### **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.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

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

##### *Government-Wide Financial Statements* (continued):

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.

##### *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.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

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

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

The District reports the following 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.
- 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).
- Capital Projects Fund – 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.

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 pension and other postemployment benefits in an employee benefit trust fund.

#### **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.

# 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** (Continued)

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.

#### **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.

# 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**

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.

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

All investments are stated at fair market value, except for Wisconsin Investment Series Cooperative (WISC) funds, which are reported at amortized cost.

#### **Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs, therefore requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

#### **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.

Capital assets not being depreciated include land.

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.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

#### **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. The District has only one item that qualifies for reporting in this category. The District reports deferred outflows of resources related to pensions for its proportionate shares of collective deferred outflows of resources related to pensions and District contributions to pension plans subsequent to the measurement date of the collective net pension liability (asset) and deferred outflows related to the District pension plan.

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. The District reports deferred inflows of resources for its proportionate share of the collective deferred inflows of resources related to pensions and deferred inflows related to the District pension plan.

# 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.

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.

District Pension and OPEB Plans – For purposes of measuring the net pension liability (asset), net OPEB liability (asset), deferred outflows of resources, deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and the District defined benefit pension and OPEB plans and additions to/deductions from the WRS' fiduciary net position and the District defined benefit pension and OPEB plans' fiduciary net position have been determined on the same basis as they are reported by the WRS and the District defined benefit pension and OPEB plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

#### **Restricted Assets**

Restricted assets are cash, cash equivalents, investments, and the net pension asset whose use is limited by legal requirements such as a bond indenture or assets in an irrevocable trust.

#### **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 2016 tax levy is used to finance operations of the District's fiscal year ended June 30, 2017. 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 16, 2017, 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, 2017, the District's bank balance of \$13,042,399 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 broker CDs, or the local government note. The District has no investment policy that would further limit its investment choices.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 3 Cash and Investments (Continued)

#### Investments (Continued)

Concentration of Credit Risk: For an investment, concentration of credit risk is the risk of loss that may be caused by the District's investment in a single issuer. The District does not have an investment policy for concentration of credit risk.

The District's cash and investment balances at June 30, 2017, were as follows:

	Maturities	Balance
WISC Cash Management Series	< 1 year	\$ 19
WISC Investment Series	< 1 year	2,084,376
WISC Term Series	< 1 year	3,000,000
WISC Limited Term Duration	< 1 year	2,514,318
Broker CDs	< 1 year	1,491,665
Local government note	1 to 3 years	205,000
Total investments		9,295,378
Cash deposits with financial institutions carrying amount		11,045,250
Less - Cash and investments held by fiduciary funds		(8,815,013)
Cash and investments reported on statement of net position		<u>\$11,525,615</u>

The District is a participant in the Wisconsin Investment Series Cooperative (WISC) funds, which are authorized under Wisconsin Statute 66.0301 and are governed by a commission in accordance with the terms of an intergovernmental cooperation agreement. The WISC is not registered with the SEC as an investment company. The WISC reports to participants on the amortized cost basis. WISC shares are bought and redeemed at \$1 based on the amortized cost of the investments in the pool. Participants in WISC have the right to withdraw their funds in total on one day's notice. The investments in WISC are not subject to the fair value hierarchy disclosures.

The District's broker CDs and local government note are valued using Level 2 inputs as of June 30, 2017.

# 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, 2017, was as follows:

Description	Balance 07/01/16	Issued	Redeemed	Balance 06/30/17
Tax and Revenue Anticipation Promissory Notes:				
U.S. Bank National Association 2.00% note	\$ -	\$ 7,000,000	\$ (3,000,000)	\$ 4,000,000
U.S. Bank National Association 2.00% note	3,500,000	-	(3,500,000)	-
<b>Total</b>	<b>\$ 3,500,000</b>	<b>\$ 7,000,000</b>	<b>\$ (6,500,000)</b>	<b>\$ 4,000,000</b>

Interest on short-term notes for the year totaled \$122,407.

### Note 5 Interfund Balances and Activity

Interfund receivable and payable balances in the fund financial statements on June 30, 2017, are as follows:

Receivable Fund	Payable Fund	Amount
Employee Benefit Trust Fund	General Fund	\$ 850,000

The purpose of the interfund receivable between the employee benefit trust fund and the general fund is to record contributions made after the end of the fiscal year.

# 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, 2017, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,062,754	\$ 20,958	\$ -	\$ 1,083,712
Total capital assets not being depreciated	1,062,754	20,958	-	1,083,712
Capital assets being depreciated:				
Land improvements	3,727,382	-	-	3,727,382
Buildings and building improvements	46,515,121	128,444	-	46,643,565
Furniture and equipment	5,455,864	30,540	(10,600)	5,475,804
Total capital assets being depreciated	55,698,367	158,984	(10,600)	55,846,751
Less accumulated depreciation for:				
Land improvements	(2,249,530)	(131,242)	-	(2,380,772)
Buildings and building improvements	(21,794,044)	(1,090,124)	-	(22,884,168)
Furniture and equipment	(4,118,481)	(336,362)	10,600	(4,444,243)
Total accumulated depreciation	(28,162,055)	(1,557,728)	10,600	(29,709,183)
Total capital assets being depreciated - Net of accumulated depreciation	27,536,312	(1,398,744)	-	26,137,568
<b>Governmental activities capital assets - Net</b>	<b>\$ 28,599,066</b>	<b>\$ (1,377,786)</b>	<b>\$ -</b>	<b>\$ 27,221,280</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	\$ 131,290
Vocational instruction	953
General administration services	8,740
Operations and maintenance	273,868
Central services	4,235
Food service	21,833
Depreciation not charged to a specific function	1,116,809
<hr/>	
Total depreciation for governmental activities	\$ 1,557,728

### Note 7 Long-Term Obligations

Long-term obligations of the District are as follows:

	Balance			Balance	Amounts
	07/01/16	Additions	Reductions	06/30/17	Due Within
					One Year
Promissory note	\$ -	\$ 250,000	\$ -	\$ 250,000	\$ 250,000
Accrued sick and vacation leave	1,031,539	248,479	(246,124)	1,033,894	258,473
Capital lease	226,969	-	(150,634)	76,335	-
<hr/>					
Totals	\$ 1,258,508	\$ 498,479	\$ (396,758)	\$ 1,360,229	\$ 508,473

Vested employee benefits will be liquidated by several of the governmental funds. Capital lease obligations will be liquidated by the general fund. The promissory note will be liquidated by the debt service fund.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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

#### General Obligation Debt

The 2016 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$2,851,141,146. The legal debt limit and margin of indebtedness as of June 30, 2017, in accordance with Section 67.03(1)(a) of the Wisconsin Statutes, follows:

Legal debt limit (10% of \$2,851,141,146)	\$ 285,114,115
Deduct:	
Long-term debt applicable to debt margin	(250,000)
Add:	
Debt service fund assets available	-
<hr/>	
Margin of indebtedness	<u>\$ 284,864,115</u>

### Note 8 Operating Leases

The Chippewa Falls Area Unified School District leases certain classroom space from the State of Wisconsin Department of Health Services under an operating lease. The lease expired June 30, 2017. The total amount included in expense for rental of the space for 2016-2017 was \$162,788.

### Note 9 Capital Leases

The District leases computer equipment. The computer equipment lease, which expires in 2019, is classified as a capital lease. Furniture and equipment includes the following amounts for the equipment leases that have been capitalized:

Furniture and equipment	\$ 399,000
Less - Accumulated amortization	(159,600)
<hr/>	
Total	<u>\$ 239,400</u>

Lease amortization is included in depreciation expense.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

### Note 9 Capital Leases (Continued)

Future minimum payments, by year and in the aggregate, under the capital lease with initial or remaining terms in excess of one year consisted of the following:

	<b>Capital Lease</b>
2018	\$ -
2019	77,022
Total minimum lease payments	77,022
Amount representing interest	687
Present value of net minimum lease payments	76,335
Less - Current maturities	76,335
Long-term obligations under capital lease	\$ -

### Note 10 Employee Retirement Plans – Wisconsin Retirement System

#### Plan Description

The Wisconsin Retirement System (WRS) is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government, and other public employees. 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.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 10      **Employee Retirement Plans – Wisconsin Retirement System** (Continued)

#### **Vesting**

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.

#### **Benefits Provided**

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

### Note 10 Employee Retirement Plans – Wisconsin Retirement System (Continued)

#### Post-Retirement Adjustments

The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system’s consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the “floor”) set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3.0%	10.0%
2008	6.6%	0.0%
2009	(2.1%)	(42.0%)
2010	(1.3%)	22.0%
2011	(1.2%)	11.0%
2012	(7.0%)	(7.0%)
2013	(9.6%)	9.0%
2014	4.7%	25.0%
2015	2.9%	2.0%
2016	0.5%	(5.0%)

#### Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and executives and elected officials. Starting on January 1, 2016, the executive and elected officials category was merged into the general employee category. Required contributions for protective employees are the same rate as general employees. 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.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 10 Employee Retirement Plans – Wisconsin Retirement System (Continued)

#### Contributions (Continued)

During the reporting period, the WRS recognized \$1,854,082 in contributions from the employer.

Contribution rates as of June 30, 2017, are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives, and elected officials)	6.8%	6.8%
Protective with social security	6.8%	10.6%
Protective without social security	6.8%	14.9%

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

At June 30, 2017, the District reported a liability of \$1,574,949 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the District's proportion was .19107927%, which was an increase of .0065227% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$4,102,694.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

### Note 10 Employee Retirement Plans – Wisconsin Retirement System (Continued)

#### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 600,528	\$ (4,953,080)
Changes in assumptions	1,646,671	-
Net differences between projected and actual earnings on pension plan investments	7,839,599	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(324,098)
Employer contributions subsequent to the measurement date	974,934	-
<b>Total</b>	<b>\$ 11,061,732</b>	<b>\$ (5,277,178)</b>

\$974,934 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30:	Net Deferred Outflows (Inflows) of Resources
2018	\$ 1,989,778
2019	1,989,778
2020	1,338,672
2021	(509,762)
2022	1,154

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 10 Employee Retirement Plans – Wisconsin Retirement System (Continued)

#### Actuarial Assumptions

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2015
Measurement date of net pension liability (asset)	December 31, 2016
Actuarial cost method	Entry Age
Asset valuation method	Fair market value
Long-term expected rate of return	7.2%
Discount rate	7.2%
Salary increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	2.1%

*\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience, and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2016, is based upon a roll-forward of the liability calculated from the December 31, 2015, actuarial valuation.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

### Note 10 Employee Retirement Plans – Wisconsin Retirement System (Continued)

#### Actuarial Assumptions (Continued)

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

#### Asset Allocation Targets and Expected Returns

As of December 31, 2016

	Asset Allocation	Destination Target Asset	Long-Term Expected Nominal	Long-Term Expected
<u>Core Fund Asset Class</u>				
Global equities	50.0%	45%	8.3%	5.4%
Fixed income	24.5%	37%	4.2%	1.4%
Inflation sensitive assets	15.5%	20%	4.3%	1.5%
Real estate	8.0%	7%	6.5%	3.6%
Private equity/debt	8.0%	7%	9.4%	6.5%
Multi-asset	4.0%	4%	6.6%	3.7%
Total core fund	110.0%	120.0%	7.4%	4.5%
<u>Variable Fund Asset Class</u>				
U.S. equities	70%	70%	7.6%	4.7%
International equities	30%	30%	8.5%	5.6%
Total variable fund	100.0%	100%	7.9%	5.0%

*New England Pension Consultants Long-Term US CPI (Inflation) Forecast: 2.75%.*

*Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.*

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

### Note 10 Employee Retirement Plans – Wisconsin Retirement System (Continued)

#### Actuarial Assumptions (Continued)

Single Discount Rate: A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long-term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension asset calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	<b>1% Decrease to Discount Rate (6.20%)</b>	<b>Current Discount Rate (7.20%)</b>	<b>1% Increase to Discount Rate (8.20%)</b>
District's proportionate share of the net pension liability (asset)	\$20,719,469	\$ 1,574,949	\$(13,167,198)

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 10 Employee Retirement Plans – Wisconsin Retirement System (Continued)

#### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

#### Payables to the Pension Plan

At June 30, 2017, the District reported a payable of \$246,044 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

### Note 11 District Pension Plan and Benefits

The Chippewa Falls Area Unified School District administers a single-employer defined benefit plan that provides pension benefits to eligible retirees as established by District policy. The School District Board manages the pension plan and has appointed the Director of Business Services as trustee and investment manager. There are 224 active and 51 retired employees in the plan.

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.

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 11 District Pension Plan and Benefits (Continued)

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

Supervisors hired after July 1, 2003, but before July 5, 2010: 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.

The pension plan investment policies and investment disclosures are discussed in Note 1 and Note 3. For June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, is .49 percent. The money-weighted rate of return expresses the investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The components of the net pension liability of the District at June 30, 2017, were as follows:

Total pension liability	\$ 2,946,194
Plan fiduciary net position	<u>(485,034)</u>
Net pension liability	<u>\$ 3,431,228</u>
Plan fiduciary net position as a percentage of the total pension liability	(16.46%)

The total pension liability was measured as of June 30, 2017, and was determined by an actuarial valuation as of June 30, 2015, and rolled forward to June 30, 2017. The actuarial assumptions included an inflation rate of 2.5 percent and project salary increases of 3%, average, including inflation. The investment rate of return was 3.5%, net of pension plan investment expense, including inflation. Mortality, disability, and retirement rates are from the Wisconsin Retirement System experience for public schools.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 11 District Pension Plan and Benefits (Continued)

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

<u>Asset Class</u>	<u>Long-Term Real Rate of Return</u>
External investment pool	3.50%

The discount rate used to measure the total pension liability was 3.5 percent as determined by the actuary based on the Bond Buyer Go 20-year AA Bond Index published by the Federal Reserve for the week of the measurement date. Since the District has not made any contributions to the trust in fiscal years 2015 and 2016 and is currently carrying a negative net position, the projection of cash flows used to determine the single discount rate assumed the plan would be funded on the same basis. Based on those assumptions, the pension plan's fiduciary net position was projected to not be available to make all projected future benefit payments of current plan members. Therefore, a municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

### Note 11 District Pension Plan and Benefits (Continued)

Changes in the net pension liability for the year ended June 30, 2017, are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at June 30, 2016</b>	\$ 2,972,392	\$ (987,606)	\$ 3,959,998
<b>Changes for the year:</b>			
Service cost	168,581	-	168,581
Interest	108,015	-	108,015
Changes in assumptions or other input	49,789	-	49,789
Contributions - Employer	-	850,000	(850,000)
Net investment income	-	5,155	(5,155)
Benefit payments, including refunds of employee contributions	(352,583)	(352,583)	-
Net changes	(26,198)	502,572	(528,770)
<b>Balances at June 30, 2017</b>	\$ 2,946,194	\$ (485,034)	\$ 3,431,228

The following presents the net pension liability of the District, calculated using the discount rate of 3.5 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5 percent) or 1-percentage-point higher (4.5 percent) than the current rate:

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
District's net pension liability	\$ 3,629,575	\$ 3,431,228	\$ 3,240,524

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

### Note 11 District Pension Plan and Benefits (Continued)

For the year ended June 30, 2017, the District recognized pension expense of \$237,842. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 288,111
Changes of assumptions	45,263	46,233
Net difference between projected and actual earnings on pension plan investments	-	44,989
<b>Total</b>	<b>\$ 45,263</b>	<b>\$ 379,333</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### Year ended June 30:

2018	\$ (64,615)
2019	(64,613)
2020	(63,154)
2021	(57,403)
2022	(51,199)
Thereafter	(33,086)

At June 30, 2017, the District reported a payable of \$850,000 for the outstanding amount of contributions to the District pension plan required for the year ended June 30, 2017.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 12      District OPEB Plan and Benefits

The Chippewa Falls Area Unified School District administers a single-employer defined benefit plan that provides OPEB benefits to eligible retirees as established by District policy. The School District Board manages the OPEB plan and has appointed the Director of Business Services as trustee and investment manager. There are 224 active plan members, 82 inactive plan members currently receiving benefits, and no inactive plan members entitled to but not yet receiving benefits. The School Board has the authority to establish and amend the types of benefits provided through the OPEB plan. The School Board determines the amount contributed to the trust. The plan does not issue a standalone report.

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.

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.

The OPEB plan investment policies and investment disclosures are discussed in Note 1 and Note 3. Currently the plan is invested in WISC funds and a local government note. For June 30, 2017, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was .49 percent. The money-weighted rate of return expresses the investment performance, net of investment expense, adjusted for the changing amounts actually invested.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

### Note 12 District OPEB Plan and Benefits (Continued)

The components of the net OPEB liability of the District at June 30, 2017, is as follows:

Total OPEB liability	\$ 23,934,041
Plan fiduciary net position	<u>9,899,664</u>
Net OPEB liability	<u><u>14,034,377</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	41.36%

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016, and rolled forward to June 30, 2017. The actuarial assumptions included an inflation rate of 2.5 percent and projected salary increases of 3.0 percent, average, including inflation. The investment rate of return was 3.75 percent, net of OPEB plan investment expense, including inflation. The medical care trend at a rate of 7.5 percent decreasing by .5 percent per year down to 6.5 percent, then by .1 percent per year down to 5.0 percent and level thereafter. Actuarial assumptions are based upon an experience study conducted in 2012 using Wisconsin Retirement System (WRS) experience from 2009-2011.

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
WISC funds	3.75%
Local government note	2.0%

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

### Note 12 District OPEB Plan and Benefits (Continued)

The discount rate used to measure the total OPEB liability was 3.50 percent as determined by the actuary based on the Bond Buyer GO 20-year AA Bond Index published by the Federal Reserve for the week of the measurement date. Since assets are invested in fixed interest accounts, the discount rate used is the 20-year AA municipal bond rate.

Changes in the net OPEB liability for the year ended June 30, 2017, are as follows:

Changes in Net OPEB Liability Year Ended June 30, 2017	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2016	\$ 23,769,884	\$ 11,647,065	\$ 12,122,819
Changes for the year:			
Service cost	1,131,968	-	1,131,968
Interest	820,461	-	820,461
Contributions - Employee	-	21,430	(21,430)
Net investment income		40,871	(40,871)
Benefit payments, including refunds of employee contributions	(1,788,272)	(1,809,702)	21,430
Net changes	164,157	(1,747,401)	1,911,558
Balances at June 30, 2017	\$ 23,934,041	\$ 9,899,664	\$ 14,034,377

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

### Note 12 District OPEB Plan and Benefits (Continued)

The following presents the net OPEB liability of the District, calculated using the discount rate of 3.5 percent, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5 percent) or 1-percentage-point higher (4.5 percent) than the current rate:

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
District's net OPEB liability (asset)	\$ 15,526,913	\$ 14,034,377	\$ 12,604,052

The following presents the District's OPEB liability (asset) calculated using the healthcare cost trend rate of 7.5 percent decreasing to 5 percent, as well as what the District's OPEB liability (asset) would be if it were calculated using the healthcare cost trend rate that is 1-percentage-point lower (6.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (8.5 percent decreasing to 6.0 percent) than the current rate:

	1% Decrease (6.5% decreasing to 4.0%)	Current (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Net OPEB liability (asset)	\$ 11,661,436	\$ 14,034,377	\$ 16,818,124

For the year ended June 30, 2017, the District recognized OPEB expense of \$1,911,558. At June 30, 2017, the District reported no deferred outflows of resources or deferred inflows of resources related to OPEB.

### Note 13 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 2017.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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### Note 13 Risk Management (Continued)

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 unlimited per individual and claims in excess of \$14,948,432 up to \$1,000,000 in the aggregate per individual.

At June 30, 2017, the District has recorded a \$2,082,481 liability, which represents reported and estimated unreported claims, which were incurred on or before June 30, 2017.

	2017	2016
Estimated unpaid claims at beginning of year	\$ 2,082,481	\$ 2,082,481
Current year claims and changes in estimates	9,824,175	12,392,439
Claim payments	(9,824,175)	(12,392,439)
Estimated unpaid claims at end of year	\$ 2,082,481	\$ 2,082,481

### Note 14 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 29 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 \$300,804 of education services during the fiscal year. At June 30, 2017, due from other governments included \$46,820 for CESA.

# Chippewa Falls Area Unified School District

## Notes to Financial Statements

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**Note 15      Related Party**

The District maintains investments with the Wisconsin Investment Series Cooperative (WISC) in the amount of \$9,295,379. The Business Manager of the District is also the WISC Chairman. The District invests funds throughout the year with WISC (see Note 3).

**Note 16      Prior Year Restatement**

As a result of the implementation of GASB Statement No. 74 and No. 75, the governmental activities beginning net position was restated as follows:

	<b>Governmental Activities</b>
Balance at July 1, 2016, as previously reported	\$ 54,714,936
Subtract previously reported net OPEB asset	(18,250,985)
Subtract beginning net OPEB liability	(12,122,819)
Balance at July 1, 2016, as restated	\$ 24,341,132

## Required Supplementary Information

# Chippewa Falls Area Unified School District

## Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2017

	Budgeted Amounts		Actual on Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 22,605,356	\$ 22,605,356	\$ 22,609,426	\$ 4,070
Other local services	282,700	282,700	293,025	10,325
Interdistrict sources	771,250	771,250	996,584	225,334
Intermediate sources	38,700	38,700	46,820	8,120
State sources	30,785,112	30,785,112	30,840,774	55,662
Federal sources	1,175,884	1,175,884	1,110,601	(65,283)
Miscellaneous	130,000	130,000	158,541	28,541
<b>Total revenues</b>	<b>55,789,002</b>	<b>55,789,002</b>	<b>56,055,771</b>	<b>266,769</b>
Expenditures:				
Instruction:				
Regular instruction	25,025,110	25,667,944	25,734,594	(66,650)
Vocational instruction	2,092,173	2,071,969	1,842,346	229,623
Special instruction	1,076,875	1,022,523	1,025,523	(3,000)
Other instruction	2,409,613	2,409,613	2,367,956	41,657
<b>Total instruction</b>	<b>30,603,771</b>	<b>31,172,049</b>	<b>30,970,419</b>	<b>201,630</b>
Support services:				
Pupil services	1,875,500	1,782,142	1,794,032	(11,890)
Instructional staff services	2,122,891	2,122,891	2,024,169	98,722
General administration services	1,871,341	1,871,814	1,902,265	(30,451)
Building administration services	2,756,487	2,732,694	2,757,693	(24,999)
Business services	718,203	701,642	701,642	-
Operations and maintenance	5,867,991	5,840,474	5,932,657	(92,183)
Pupil transportation	3,106,663	2,970,822	2,970,822	-
Central services	1,303,649	1,335,410	1,347,593	(12,183)
Insurance	468,100	518,360	519,581	(1,221)
Debt service:				
Principal and interest	177,022	275,739	276,452	(713)
Other support services	27,067	28,543	28,542	1
<b>Total support services</b>	<b>20,294,914</b>	<b>20,180,531</b>	<b>20,255,448</b>	<b>(74,917)</b>
<b>Total expenditures</b>	<b>50,898,685</b>	<b>51,352,580</b>	<b>51,225,867</b>	<b>126,713</b>
<b>Excess of revenues over expenditures</b>	<b>4,890,317</b>	<b>4,436,422</b>	<b>4,829,904</b>	<b>393,482</b>

# Chippewa Falls Area Unified School District

## Budgetary Comparison Schedule – General Fund (Continued)

Year Ended June 30, 2017

	Budgeted Amounts		Actual on Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses):				
Transfers out	\$ (4,920,317)	\$ (4,466,422)	\$ (4,764,124)	\$ (297,702)
Proceeds from sale of capital assets	30,000	30,000	2,377	(27,623)
Net other financing uses	(4,890,317)	(4,436,422)	(4,761,747)	(325,325)
Net change in fund balance	-	-	68,157	68,157
Fund balance - Beginning of year	6,013,491	6,013,491	6,013,491	-
Fund balance - End of year	\$ 6,013,491	\$ 6,013,491	\$ 6,081,648	\$ 68,157

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, 2017

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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, 2017

### 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	\$ 56,055,771	\$ 2,647,580	\$ 332,292	\$ 59,035,643
Expenditures	(51,225,867)	(7,411,704)	(269,378)	(58,906,949)
Net other financing sources (uses)	(4,761,747)	4,764,124	-	2,377
Net change in fund balance	\$ 68,157	\$ -	\$ 62,914	\$ 131,071

# Chippewa Falls Area Unified School District

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

Year Ended June 30, 2017

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### Note 3 Excess of Expenditures Over Appropriations

For the year ended June 30, 2017, the General Fund had expenditures in excess of appropriations for the following two-digit subfunction categories:

	Budget	Actual	Actual Over Budget
Regular instruction	\$ 25,667,944	\$ 25,734,594	\$ 66,650
Special instruction	1,022,523	1,025,523	3,000
Pupil services	1,782,142	1,794,032	11,890
General administration services	1,871,814	1,902,265	30,451
Building administration services	2,732,694	2,757,693	24,999
Operations and maintenance	5,840,474	5,932,657	92,183
Central services	1,335,410	1,347,593	12,183
Insurance	518,360	519,581	1,221
Principal and interest	275,739	276,452	713

# Chippewa Falls Area Unified School District

## Schedules of the Employer's Proportionate Share of the Net Pension Liability (Asset) and Employer Contributions – Wisconsin Retirement System

Year Ended June 30, 2017 (And Prior Two Fiscal Years)

### SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) WISCONSIN RETIREMENT SYSTEM (WRS)

Last Three Fiscal Years

	2017	2016	2015
Measurement date	12/31/2016	12/31/2015	12/31/2014
District's proportion of the net pension liability (asset)	0.19107927%	0.18455662%	0.17608579%
District's proportionate share of the net pension liability (asset)	\$ 1,574,949	\$ 2,999,009	\$ (4,325,149)
District's covered-employee payroll during the measurement period	\$ 28,092,202	\$ 27,827,462	\$ 25,639,676
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	5.61%	10.78%	(16.87%)
Plan fiduciary net position as a percentage of the total pension liability	99.12%	98.20%	102.74%

### SCHEDULE OF EMPLOYER CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM (WRS)

Last Three Fiscal Years

	2017	2016	2015
Contractually required contribution for the fiscal period	\$ 1,885,257	\$ 1,886,538	\$ 1,866,224
Contributions in relation to the contractually required contribution	(1,885,257)	(1,886,538)	(1,866,224)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll for the fiscal period	\$ 28,130,054	\$ 28,163,320	\$ 27,059,106
Contributions as a percentage of covered-employee payroll	6.70%	6.70%	6.90%

#### Notes to the Schedules

*Changes of benefit terms.* There were no changes of benefit terms for any participating employer in WRS.

*Changes of assumptions.* There were no changes in the assumptions.

# Chippewa Falls Area Unified School District

## Schedule of Changes in the Employer's Net Pension Liability and Related Ratios – District Pension Plan

Year Ended June 30, 2017 (And Prior Two Fiscal Years)

	2017	2016	2015
Measurement date	6/30/2017	6/30/2016	6/30/2015
<b>Total pension liability:</b>			
Service cost	\$ 168,581	\$ 168,581	\$ 212,624
Interest	108,015	129,105	128,482
Differences between expected and actual experience	-	(384,149)	-
Changes of assumptions	49,789	(61,645)	-
Benefit payments, including refunds of member contributions	(352,583)	(476,013)	(618,419)
<b>Net change in total pension liability</b>	<b>(26,198)</b>	<b>(624,121)</b>	<b>(277,313)</b>
<b>Total pension liability - Beginning</b>	<b>2,972,392</b>	<b>3,596,513</b>	<b>3,873,826</b>
<b>Total pension liability - Ending (a)</b>	<b>\$ 2,946,194</b>	<b>\$ 2,972,392</b>	<b>\$ 3,596,513</b>
<b>Plan fiduciary net position:</b>			
Contributions - Employer	\$ 850,000	\$ -	\$ -
Net investment income	5,155	630	186
Benefit payments, including refunds of employee contributions	(352,583)	(476,013)	(618,419)
<b>Net change in plan fiduciary net position</b>	<b>502,572</b>	<b>(475,383)</b>	<b>(618,233)</b>
<b>Plan fiduciary net position - Beginning</b>	<b>(987,606)</b>	<b>(512,223)</b>	<b>106,010</b>
<b>Plan fiduciary net position - Ending (b)</b>	<b>\$ (485,034)</b>	<b>\$ (987,606)</b>	<b>\$ (512,223)</b>
<b>District's net pension liability - Ending (a) - (b)</b>	<b>\$ 3,431,228</b>	<b>\$ 3,959,998</b>	<b>\$ 4,108,736</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>(16.46%)</b>	<b>(33.23%)</b>	<b>(14.24%)</b>
<b>Covered-employee payroll</b>	<b>\$ 9,576,851</b>	<b>\$ 13,692,462</b>	<b>\$ 14,149,613</b>
<b>District's net pension liability as a percentage of covered-employee payroll</b>	<b>35.83%</b>	<b>28.92%</b>	<b>29.04%</b>

# Chippewa Falls Area Unified School District

## Schedule of Employer Contributions – District Pension Plan

Year Ended June 30, 2017 (And Prior Two Fiscal Years)

	2017	2016	2015
Actuarially determined contribution	\$ 949,424	\$ 315,973	\$ 314,710
Contributions in relation to the actuarially determined contribution	850,000	-	-
<b>Contribution deficiency (excess)</b>	<b>\$ 99,424</b>	<b>\$ 315,973</b>	<b>\$ 314,710</b>
Covered-employee payroll	\$ 9,576,851	\$ 13,692,462	\$ 14,149,613
Contributions as a percentage of covered-employee payroll	8.88%	0.00%	0.00%

### Notes to Schedule:

Valuation date: June 30, 2016

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal - Level % of Salary
Amortization method	Level percentage
Remaining amortization period	In 2017 the amortization period changed from 30 years to 5 years
Asset valuation method	Market Value
Inflation	2.50%
Salary increases	3.0% average, including inflation
Investment rate of return	3.5%, net of pension plan investment expense, including inflation

# Chippewa Falls Area Unified School District

## Schedule of Investment Returns – District Pension Plan

Year Ended June 30, 2017 (And Prior Two Fiscal Years)

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**Schedule of Investment Returns - District Pension Plan**  
Year Ended June 30, 2017

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	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	0.49%	0.00%	0.00%

# Chippewa Falls Area Unified School District

## Schedule of Changes in the Employer's Net OPEB Liability and Related Ratios – District OPEB Plan

Year Ended June 30, 2017

Measurement date	6/30/17
<b>Total OPEB liability:</b>	
Service cost	\$ 1,131,968
Interest	820,461
Changes of benefit terms	
Differences between expected and actual experience	
Changes of assumptions	
Benefit payments including refunds of member contributions	(1,788,272)
<b>Net change in total OPEB liability</b>	164,157
<b>Total OPEB liability - Beginning</b>	23,769,884
<b>Total OPEB liability - Ending (a)</b>	\$ 23,934,041
<b>Plan fiduciary net position:</b>	
Contributions - Employee	21,430
Net investment income	40,871
Benefit payments, including refunds of employee contributions	(1,809,702)
<b>Net change in plan fiduciary net position</b>	(1,747,401)
<b>Plan fiduciary net position - Beginning</b>	11,647,065
<b>Plan fiduciary net position - Ending (b)</b>	\$ 9,899,664
<b>District's net OPEB liability - Ending (a) - (b)</b>	\$ 14,034,377
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	41.36%
<b>Covered-employee payroll</b>	\$ 9,576,851
<b>District's net OPEB liability as a percentage of covered-employee payroll</b>	146.54%

### Notes to Schedule:

*Benefit changes: None*

*Changes of assumptions: None*

# Chippewa Falls Area Unified School District

## Schedule of Employer Contributions – District OPEB Plan

Year Ended June 30, 2017

Actuarially determined contribution	\$ 1,527,511
Contributions in relation to the actuarially determined contribution	1,527,511
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>
Covered-employee payroll	\$ 9,576,851
Contributions as a percentage of covered-employee payroll	15.95%

### Notes to Schedule:

Valuation date: June 30, 2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Entry age normal - Level % of salary
Remaining amortization period	30 years
Asset valuation method	Market value
Inflation	2.50%
Health care trend rates	7.5% initial, decreasing 0.5% per year to 6.5%, then by .1% per year down to 5.0 % and level thereafter
Salary increases	3.0%, average, including inflation
Investment rate of return	3.5%, net of pension plan investment expense, including inflation
Retirement age	Actuarial assumptions are based upon the experience study conducted in 2012 using Wisconsin Retirement System (WRS) experience from 2009-2011.
Mortality	Actuarial assumptions are based upon the experience study conducted in 2012 using Wisconsin Retirement System (WRS) experience from 2009-2011.

# Chippewa Falls Area Unified School District

## Schedule of Investment Returns – District OPEB Plan

Year Ended June 30, 2017

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Annual money-weighted rate of return, net of investment expense	0.49%
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## 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, 2017

<i>Assets</i>	Balance 07/01/16	Additions	Deductions	Balance 06/30/17
Cash and investments	\$ 255,935	\$ 967,463	\$ 973,015	\$ 250,383
<b>TOTAL ASSETS</b>	<b>\$ 255,935</b>	<b>\$ 967,463</b>	<b>\$ 973,015</b>	<b>\$ 250,383</b>
<i>Liabilities</i>				
Due to student organizations:				
High school	\$ 189,453	\$ 823,851	\$ 822,335	\$ 190,969
Middle school	66,482	143,612	150,680	59,414
<b>TOTAL LIABILITIES</b>	<b>\$ 255,935</b>	<b>\$ 967,463</b>	<b>\$ 973,015</b>	<b>\$ 250,383</b>

# Chippewa Falls Area Unified School District

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Wisconsin Department of Public Instruction				
Child Nutrition Cluster:				
School Breakfast Program July 1, 2016 - June 30, 2017	10.553	2017-091092-SB-546	\$ - \$	398,323
National School Lunch Program (Cash Assistance) July 1, 2016 - June 30, 2017	10.555	2017-091092-NSL-547	-	892,550
National School Lunch Program (Noncash Assistance) July 1, 2016 - June 30, 2017	10.555	2017-091092-NSL-547	-	217,408
National School Lunch Snack Program July 1, 2016 - June 30, 2017	10.555	2017-091092-NSL-Snacks-566	-	4,801
TOTAL 10.555			-	1,114,759
Summer Food Service Program July 1, 2016 - June 30, 2017	10.559	2017-091092-SFSP-586	-	27,634
TOTAL CHILD NUTRITION CLUSTER			-	1,540,716
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	1,540,716
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Wisconsin Department of Public Instruction				
Special Education Cluster (IDEA):				
Special Education - Grants to States (IDEA, Part B) July 1, 2016 - June 30, 2017	84.027	2017-091092-IDEA-341	-	627,126
Special Education - Preschool Grants (IDEA Preschool) July 1, 2016 - June 30, 2017	84.173	17-091092-Pre-S-347	-	20,346
TOTAL SPECIAL EDUCATION CLUSTER			-	647,472
Title I Grants to Local Education Agencies (Title I, Part A of the ESEA) July 1, 2016 - June 30, 2017	84.010	17-091092-Title I-141	-	700,032
Improving Teacher Quality State Grants July 1, 2016 - June 30, 2017	84.367	17-091092-Title II-365	-	120,965
CESA #10:				
Career and Technical Education - Basic Grants to States July 1, 2016 - June 30, 2017	84.048	N/A	-	31,214
English Language Acquisition Grants July 1, 2016 - June 30, 2017	84.365	17-091092-Title III A-391	-	1,680
TOTAL CESA #10			-	32,894
TOTAL U.S. DEPARTMENT OF EDUCATION			-	1,501,363

# Chippewa Falls Area Unified School District

## Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Wisconsin Department of Health Services				
Medicaid Cluster:				
Medical Assistance Program	93.778			
July 1, 2016 - June 30, 2017		N/A	\$ -	\$ 503,075
<b>TOTAL FEDERAL AWARDS</b>			<b>\$ -</b>	<b>\$ 3,545,154</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

## Schedule of State Financial Assistance

Year Ended June 30, 2017

State Grantor/Program	State I.D. Number	State Identifying Number	Amount Provided to Subrecipients	Grantor Expenditures
<u>WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION</u>				
Entitlement Programs				
Special Education and School Age Parents	255.101			
District Programs		091092-100	-	\$ 1,757,045
Participant in Package Program at CESA #10		N/A	-	22,460
Total Special Education and School Age Parents Program				1,779,505
State School Lunch Aid	255.102	091092-107	-	30,710
Common School Fund Library Aid	255.103	091092-104	-	207,874
Pupil Transportation	255.107	091092-102	-	222,058
General Equalization	255.201	091092-116	-	28,791,333
State School Breakfast Aid	255.344	091092-108	-	32,618
Educator Effective Eval Sys Grants Public	255.940	091092-154	-	32,320
Per Pupil Aid	255.945	091092-113	-	1,287,250
Career and Technical Education Incentive Grants	255.950	091092-151	-	41,649
Assessments of Reading Readiness	255.956	091092-166	-	6,215
Aid for Special Ed Transition Grant BBL	255.960	091092-168	-	1,036
Total Wisconsin Department of Public Instruction			-	32,432,568
<u>WISCONSIN DEPARTMENT OF REVENUE</u>				
Computer Aid	835.109	N/A	-	212,344
<u>WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT</u>				
CESA #10				
Chippewa Valley Youth Apprenticeship	445.107	N/A	-	13,926
<u>WISCONSIN DEPARTMENT OF NATURAL RESOURCES</u>				
Payments in Lieu of Taxes	370.503	N/A	-	39,732
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>			<b>\$ -</b>	<b>\$ 32,698,570</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, 2017

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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 award activity of the Chippewa Falls Area Unified School District under programs of the federal and state government for the year ended June 30, 2017. The information in these schedules is presented in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedules represent adjustment or credits made in the normal course of business to amounts reported as expenditures in prior years. The Chippewa Falls Area Unified School District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

2016–2017 eligible costs under the State Special Education Program are \$6,617,849.

## 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, 2017, 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 16, 2017.

### 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 the 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. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency: 2017-001.

## 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 response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## 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, slightly slanted style.

Wipfli LLP

November 16, 2017  
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 Chippewa Falls Area Unified School District's compliance with the types of compliance requirements described in the *OMB 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, 2017. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of Chippewa Falls Area Unified School District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *State of Wisconsin Single Audit Guidelines*, issued by the Wisconsin Department of Administration. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Chippewa Falls Area Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Basis for Qualified Opinion on Pupil Transportation***

As described in the accompanying schedule of findings and questioned costs, Chippewa Falls Area Unified School District did not comply with requirements regarding State I.D. Number 255.107, Pupil Transportation, as described in item 2017-002 for reporting. Compliance with such requirements is necessary, in our opinion, for Chippewa Falls Area Unified School District to comply with the requirements applicable to that program.

***Qualified Opinion on Pupil Transportation***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Chippewa Falls Area Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its Pupil Transportation program for the year ended June 30, 2017.

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

In our opinion, 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 and 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, 2017.

**Report on Internal Control Over Compliance**

Management of 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 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 and 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 the Uniform Guidance and the *State of Wisconsin Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Chippewa Falls Area Unified School District's internal control over compliance.

## 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 over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. 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 the attention of those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-002 that we consider to be a material weakness.

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

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



Wipfli LLP

November 16, 2017  
Eau Claire, Wisconsin

# Chippewa Falls Area Unified School District

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

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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(es) identified?	No
Significant deficiency(ies) identified?	Yes
Noncompliance material to the financial statements noted?	No

#### *Federal Awards*

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
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 2 CFR 200.516(a)?	No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
10.553, 10.555, and 10.559	Child Nutrition Cluster
Dollar threshold used to distinguish between Type A and Type B Programs	\$750,000
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, 2017

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

*State Financial Assistance*

Internal control over major programs:

Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	No

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

Pupil Transportation – Qualified  
 All Others – 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:

CFDA Number	Name of State Program
255.201	General Equalization
255.107	Pupil Transportation
255.945	Per Pupil Aid

# Chippewa Falls Area Unified School District

## Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2017

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### Section II – Financial Statement Findings

#### 2017-001 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, 2017, 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 are 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.

Management's Response – 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.

### Section III – Federal Findings and Questioned Costs

None.

# Chippewa Falls Area Unified School District

## Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2017

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### Section IV – State Findings and Questioned Costs

#### 2017-002 Reporting

Program Affected – Pupil Transportation State I.D. Number 255.107, Grant No. 091092-102, direct funding from the Wisconsin Department of Public Instruction (DPI), Grant Period: July 1, 2016, through June 30, 2017.

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

Condition – During our testing of the District's transportation table for 2017, we selected one pupil per mileage category. Four out of twenty students tested were reported in the incorrect mileage category.

Known Questioned Costs: Unknown

Cause – It appears 4K students were reported in the mileage category using distance traveled rather than the most direct route.

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

Recommendation – We recommend the District implement policies and procedures to make sure that home-to-school or instructional site distance using the most direct route is regularly updated to ensure proper reporting.

Management's Response – Will follow procedures and practices for measuring distances to school.

# Chippewa Falls Area Unified School District

## Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2017

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### Section V – Other Issues

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

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

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

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

Name of Partner

  
\_\_\_\_\_  
Dan Walker

Date

\_\_\_\_\_  
November 16, 2017

# Chippewa Falls Area Unified School District

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

Year Ended June 30, 2017

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### Financial Statement Findings

2016-001 Financial Accounting and Reporting – See finding 2017-001.



**CHIPPEWA FALLS  
AREA UNIFIED SCHOOL DISTRICT**

**Human Resources Office**  
140 W. Elm Street  
Chippewa Falls, WI 54729

Ph: 715 726-2417  
Fax: 715 723-8554  
<http://cfsd.chipfalls.k12.wi.us>

November 16, 2017

Dr. Heidi Taylor-Eliopoulos  
Superintendent

Chippewa Falls Area Unified School District  
1130 Miles Street

Christine McMasters  
Executive Director  
Student Services

Chippewa Falls, WI 54729

Michelle Golden  
Executive Director  
Human Resources &  
Public Relations

The Chippewa Falls Area Unified School District submits the following corrective action plans for the identified findings and questioned costs for the year ended June 30, 2017.

Finding 2017-001

Jennifer Starck  
Executive Director  
Curriculum &  
Instruction

Corrective Action

Chad Trowbridge  
Executive Director  
Business Services &  
Finance

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.

Sarah Radcliffe  
Interim Director  
Educational Technology

Person Responsible  
Chad Trowbridge and Jessica Miller

Anticipated Completion Date  
Ongoing

Finding 2017-002

Corrective Action

Follow procedures and practices for measuring distances to school

Person Responsible  
Chad Trowbridge and Chippewa Yellow Bus

Anticipated Completion Date  
November 2, 2017

Respectfully submitted,

Responsible Party