

**SCHOOL DISTRICT OF CHILTON
CHILTON, WISCONSIN**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
School District of Chilton
Chilton, 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 School District of Chilton, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 School District of Chilton as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of Chilton's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of changes in assets and liabilities - agency funds are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards and schedule of state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and *State Single Audit Guidelines* and are also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, schedule of changes in assets and liabilities - agency funds, schedule of expenditures of federal awards, and the schedule of 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2014, on our consideration of the School District of Chilton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District of Chilton's internal control over financial reporting and compliance.

HAWKINS ASH CPAs, LLP

A handwritten signature in cursive script that reads "Hawkins Ash CPAs, LLP".

Manitowoc, Wisconsin
November 3, 2014

**SCHOOL DISTRICT OF CHILTON
CHILTON, WISCONSIN**

**BASIC
FINANCIAL STATEMENTS**

**SCHOOL DISTRICT OF CHILTON
CHILTON, WISCONSIN**

**DISTRICT-WIDE
FINANCIAL STATEMENTS**

SCHOOL DISTRICT OF CHILTON

STATEMENT OF NET POSITION

JUNE 30, 2014

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and investments	\$ 3,435,722
Receivables	
Accounts	2,780
Taxes	1,542,516
Receivable from external parties	842
Due from other governments	184,779
Prepaid expenses	355,136
Unconditional promise to give	1,171,741
Capital assets not being depreciated	46,510
Capital assets being depreciated	39,146,459
Less: Accumulated depreciation	<u>(14,861,510)</u>
TOTAL ASSETS	<u>31,024,975</u>
LIABILITIES	
Accounts payable	166,373
Accrued liabilities	
Payroll, payroll taxes, insurance	1,081,182
Interest	154,440
Due to other governments	107,306
Due to student organization	139,666
Unearned revenue	18,605
Current portion of long-term obligations	1,710,000
Noncurrent portion of long-term obligations	<u>13,980,000</u>
TOTAL LIABILITIES	<u>17,357,572</u>
NET POSITION	
Net investment in capital assets	8,641,459
Restricted for	
Debt service	162,758
Capital projects	410,255
Unrestricted	<u>4,452,931</u>
TOTAL NET POSITION	<u>13,667,403</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 31,024,975</u>

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF CHILTON

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE		NET (EXPENSES)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	REVENUE AND CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular instruction	\$ 4,949,900	\$ 45,652	\$ -	\$ (4,904,248)
Vocational instruction	542,750	14,556	-	(528,194)
Special instruction	712,330	-	369,740	(342,590)
Other instruction	754,919	79,842	-	(675,077)
Total instruction	<u>6,959,899</u>	<u>140,050</u>	<u>369,740</u>	<u>(6,450,109)</u>
Support services				
Pupil services	414,580	-	-	(414,580)
Instructional staff services	985,572	-	48,128	(937,444)
General administration services	339,402	-	-	(339,402)
Building administration services	678,526	5,550	1,500	(671,476)
Business services	3,268,508	327,265	277,075	(2,664,168)
Central services	92,239	-	-	(92,239)
Insurance	99,623	-	-	(99,623)
Interest and other	655,260	-	-	(655,260)
Community services	173,005	24,709	-	(148,296)
Total support services	<u>6,706,715</u>	<u>357,524</u>	<u>326,703</u>	<u>(6,022,488)</u>
Non-program transactions	487,643	-	-	(487,643)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 14,154,257</u>	<u>\$ 497,574</u>	<u>\$ 696,443</u>	<u>(12,960,240)</u>
General revenue				
Taxes				
Property taxes				5,299,934
Other taxes				3,508
State and federal aids not restricted to specific functions				
General				7,097,160
Interest and investment earnings				18,204
Miscellaneous				838,408
Total general revenue				<u>13,257,214</u>
CHANGE IN NET POSITION				296,974
NET POSITION - BEGINNING OF YEAR				<u>13,370,429</u>
NET POSITION - END OF YEAR				<u>\$ 13,667,403</u>

The accompanying notes are an integral part of these statements.

**SCHOOL DISTRICT OF CHILTON
CHILTON, WISCONSIN**

**FUND
FINANCIAL STATEMENTS**

SCHOOL DISTRICT OF CHILTON

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	GENERAL FUND	REFERENDUM APPROVED DEBT SERVICE	TOTAL NONMAJOR GOV'T FUNDS	TOTAL GOV'T FUNDS
ASSETS				
Cash and investments	\$ 2,533,537	\$ 162,758	\$ 739,427	\$ 3,435,722
Receivables				
Accounts	2,478	-	302	2,780
Taxes	1,542,516	-	-	1,542,516
Due from other funds	3,241	-	1,561	4,802
Due from other governments	179,476	-	5,303	184,779
Prepaid expenses	78,228	-	-	78,228
TOTAL ASSETS	<u>4,339,476</u>	<u>162,758</u>	<u>746,593</u>	<u>5,248,827</u>
LIABILITIES				
Accounts payable	143,540	-	22,833	166,373
Accrued payroll liabilities	1,073,777	-	7,405	1,081,182
Due to other funds	1,561	-	2,399	3,960
Due to other governments	107,306	-	-	107,306
Due to student organization	139,666	-	-	139,666
Unearned revenue	7,613	-	15,171	22,784
TOTAL LIABILITIES	<u>1,473,463</u>	<u>-</u>	<u>47,808</u>	<u>1,521,271</u>
FUND BALANCES				
Nonspendable	78,228	-	-	78,228
Restricted	-	162,758	410,255	573,013
Committed	-	-	1,714	1,714
Assigned	115,638	-	286,816	402,454
Unassigned	2,672,147	-	-	2,672,147
TOTAL FUND BALANCES	<u>2,866,013</u>	<u>162,758</u>	<u>698,785</u>	<u>3,727,556</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,339,476</u>	<u>\$ 162,758</u>	<u>\$ 746,593</u>	

Total net position reported for governmental activities in the statement of net position is different from the amount reported above as total governmental funds fund balance because:

Long-term receivables are not current financial resources and are not reported in the fund statements. 1,171,741

Prepaid other post employment benefit obligations are not current financial resources and are not reported in the fund statements. 276,908

Capital assets used in government 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 are:

Governmental capital asset	\$ 39,192,969	
Governmental accumulated depreciation	<u>(14,861,510)</u>	24,331,459

Some revenues are unearned in the funds because they are not available to pay current period's expenditures: 4,179

Long-term liabilities are not due in the current period and therefore are not reported in the fund statements. Long term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:

General obligation debt	\$ (15,690,000)	
Accrued interest on general obligation debt	<u>(154,440)</u>	<u>(15,844,440)</u>

Total net position - governmental activities **\$ 13,667,403**

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF CHILTON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	GENERAL	REFERENDUM APPROVED DEBT SERVICE	TOTAL NONMAJOR GOV'T FUNDS	TOTAL GOV'T FUNDS
REVENUES				
Property taxes	\$ 3,041,069	\$ 1,856,884	\$ 405,489	\$ 5,303,442
Other local sources	188,456	187,599	356,164	732,219
Interdistrict sources	541,811	-	6,734	548,545
Intermediate sources	99,589	-	-	99,589
State sources	7,079,837	-	9,544	7,089,381
Federal sources	370,252	-	239,031	609,283
Other sources	182,787	-	47	182,834
TOTAL REVENUES	<u>11,503,801</u>	<u>2,044,483</u>	<u>1,017,009</u>	<u>14,565,293</u>
EXPENDITURES				
Current				
Instruction				
Regular instruction	4,870,381	-	-	4,870,381
Vocational instruction	550,559	-	-	550,559
Special instruction	708,323	-	-	708,323
Other instruction	669,360	-	22,855	692,215
Total instruction	<u>6,798,623</u>	<u>-</u>	<u>22,855</u>	<u>6,821,478</u>
Support services				
Pupil services	414,272	-	-	414,272
Instructional staff services	790,256	-	-	790,256
General administration services	328,140	-	-	328,140
Building administration services	664,756	-	-	664,756
Business services	1,784,907	-	686,033	2,470,940
Insurance	99,623	-	-	99,623
Community services	-	-	172,877	172,877
Total support services	<u>4,081,954</u>	<u>-</u>	<u>858,910</u>	<u>4,940,864</u>
Non-program transactions	487,643	-	-	487,643
Debt Service				
Principal	-	1,655,000	-	1,655,000
Interest	-	667,760	-	667,760
Total debt service	<u>-</u>	<u>2,322,760</u>	<u>-</u>	<u>2,322,760</u>
Capital outlay	242,802	-	53,301	296,103
TOTAL EXPENDITURES	<u>11,611,022</u>	<u>2,322,760</u>	<u>935,066</u>	<u>14,868,848</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(107,221)</u>	<u>(278,277)</u>	<u>81,943</u>	<u>(303,555)</u>
OTHER FINANCING (USES) SOURCES				
Net transfer (to) from other funds	(21,773)	-	21,773	-
Sale of capital assets	-	-	207	207
TOTAL OTHER FINANCING (USES) SOURCES	<u>(21,773)</u>	<u>-</u>	<u>21,980</u>	<u>207</u>
NET CHANGE IN FUND BALANCE	(128,994)	(278,277)	103,923	(303,348)
FUND BALANCE - BEGINNING OF YEAR	2,995,007	441,035	594,862	4,030,904
FUND BALANCE - END OF YEAR	<u>\$ 2,866,013</u>	<u>\$ 162,758</u>	<u>\$ 698,785</u>	<u>\$ 3,727,556</u>

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF CHILTON

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds \$ (303,348)

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

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

Capital outlay reported in fund statements	\$ 296,103	
Less noncapitalized outlay	(219,071)	
Depreciation expense reported in the statement of activities	<u>(1,021,055)</u>	
Amount by which capital outlays are less than depreciation in the current period		(944,023)

Unconditional promises to give are reported as revenue in the governmental funds when received. In the statement of activities, revenue is reported when the promise to give is received. The amount of unconditional promise to give received in the current year is (114,269)

Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. This year the accrual of these benefits increased by (8,886)

Repayment of principal on long-term debt 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. Amount of long-term debt principal payments in the current year is 1,655,000

In governmental funds interest payments and other debt costs on outstanding debt are reported as an expenditure when paid. In the statement of activities interest is reported as it accrues. Amount of interest and other debt costs paid during the current period is \$ 667,760
Amount of interest and other debt costs accrued during the current period is (655,260)
Interest paid is greater than interest accrued by 12,500

Change in net position - governmental activities \$ 296,974

SCHOOL DISTRICT OF CHILTON
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>AGENCY FUND</u>	<u>TRUST FUND</u>	
	<u>STUDENT ACTIVITY</u>	<u>PRIVATE PURPOSE</u>	<u>EMPLOYEE BENEFIT</u>
ASSETS			
Cash	\$ 34,959	\$ 257,791	\$ 416,983
TOTAL ASSETS	<u>34,959</u>	<u>257,791</u>	<u>416,983</u>
 LIABILITIES			
Accounts payable	208	-	-
Due to other funds	842	-	-
Due to student organizations	33,909	-	-
Unearned revenue	-	-	21,943
TOTAL LIABILITIES	<u>34,959</u>	<u>-</u>	<u>21,943</u>
 NET POSITION			
Nonspendable	-	248,709	-
Net position held in trust	-	9,082	395,040
TOTAL LIABILITIES AND NET POSITION	<u>\$ 34,959</u>	<u>\$ 257,791</u>	<u>\$ 416,983</u>

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF CHILTON
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2014

	TRUST FUND	
	PRIVATE PURPOSE	EMPLOYEE BENEFIT
ADDITIONS		
Investment income	\$ 20,315	\$ 45,698
Contributions	<u>156,300</u>	<u>108,854</u>
TOTAL ADDITIONS	<u>176,615</u>	<u>154,552</u>
DEDUCTIONS		
Disbursements	<u>3,900</u>	<u>108,854</u>
TOTAL DEDUCTIONS	<u>3,900</u>	<u>108,854</u>
CHANGE IN NET POSITION	172,715	45,698
NET POSITION - BEGINNING OF YEAR	<u>85,076</u>	<u>349,342</u>
NET POSITION - END OF YEAR	<u>\$ 257,791</u>	<u>\$ 395,040</u>

The accompanying notes are an integral part of these statements.

**SCHOOL DISTRICT OF CHILTON
CHILTON, WISCONSIN**

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - Summary of Significant Accounting Policies

The financial statements of the School District of Chilton (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America 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 School District of Chilton is organized as a common school district. The District, governed by a five member elected school board, operates grades K through 12 and is comprised of all or parts of nine taxing districts.

The District's basic financial statements do not include any components units, as defined in GASB 14 and amended by GASB 39 and GASB 61, as there are no organizations which meet the criterion. The criterion for including a legally separate organization as a component unit is the degree of financial accountability the District has with the organization. A financial benefit or burden relationship needs to be present between the primary government and that organization for it to be included in the reporting entity as a component unit.

The following circumstances set forth the District's financial accountability for a legally separate organization: the District 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 impose specific financial burdens on the District. The District may be financially accountable if an organization is fiscally dependent on the District regardless of whether the organization has (1) a separately-elected governing body, (2) a governing body appointed by a higher level of government, or (3) a jointly-appointed governing body. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading.

Basis Of Presentation

District-Wide Statements

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 of 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.

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2014

NOTE 1 - Summary of Significant Accounting Policies - Continued

Fund Financial Statements

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

The District reports the following major governmental funds:

General Fund - is used for all financial activity that is not required to be accounted for in another fund. This is the District's primary operating fund.

Referendum Approved Debt Service Fund - is used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest.

The District has three fiduciary funds which account for assets held as an agent for various student organizations, an employee benefit trust and a private purpose trust.

Measurement Focus and Basis of Accounting

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded 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.

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2014

NOTE 1 - Summary of Significant Accounting Policies - Continued

Cash and Investments - The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. All funds share common (pooled) checking and investment accounts unless regulations require separate investment accounts, such as the debt service fund.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average investment balances.

Property Tax Levy - Under Wisconsin law, personal property taxes and first and second installment real estate taxes are collected by municipal treasurers who then make proportional settlement with the school district and county treasurer for those taxes collected on their behalf. Third 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. Taxes collected by the township are made in two installments, the first by the town, and the second by the county treasurer.

The District's property taxes are levied on or before November 1 on the equalized property valuation certified by the Department of Revenue. 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. The District is paid by the collecting municipality its proportionate share of tax collections received through the last day of the preceding month on or before January 15, and by the 20th each subsequent month thereafter. On or before August 20, the County Treasurer makes full settlement to the District for any remaining balance. The County assumes all responsibility for delinquent real estate property taxes.

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2013 tax levy is used to finance operations of the District's fiscal year ended June 30, 2014. All property taxes are considered due on January 1, when an enforceable lien may be 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.

Accounts Receivable - Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material.

Prepaid Items - Prepaid items represent payments made by the District for which benefits extend beyond June 30.

A nonspendable fund balance has been recognized for these non-liquid assets (prepaid items) to signify that a portion of fund balance is not available for other subsequent expenditures.

Due To/From Other Funds - The amounts reported on the statement of net position for receivable/payable from external parties represents amount due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type.

SCHOOL DISTRICT OF CHILTON
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2014

NOTE 1 - Summary of Significant Accounting Policies - Continued

Interfund Transactions - Non-exchange transactions which are not borrowing/lending (will not be repaid) are recorded as operating transfers, and exchange transactions are recorded as revenues and expenses. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

Capital Assets - Capital assets are reported at actual cost or estimated historical costs, based on appraisals conducted by an independent third-party professional appraisal firm. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar valued above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$1,000	Straight-line	25-50 years
Land improvements	\$1,000	Straight-line	20 years
Furniture and equipment	\$1,000	Straight-line	5-20 years
Computer and related technology	\$1,000	Straight-line	5 years

Impairment of Long-Lived Assets - In accordance with U.S. GAAP, the District reviews its non-current assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recovered. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the fiscal year ended June 30, 2014.

Vested Employee Benefits

Compensated Absences - The District's vacation and sick pay policy does not allow accumulated vacation pay benefits or accumulated sick pay benefits to vest. Unused accumulated benefits are forfeited upon retirement or termination of employment.

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

Post-Employment Benefits - The District provides varying amounts of payment of health insurance to retired employees depending on age and years of experience. An estimate of the future benefits is recognized as a liability in the statement of assets.

Deferred Outflows and Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2014

NOTE 1 - Summary of Significant Accounting Policies - Continued

an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resources (revenue) until then.

Estimates - The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Net Position Classifications - Net position represents the difference between the total assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those 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.

Fund Balance Classifications - The District classifies its fund equity as follows: 1) nonspendable fund balance consists of equity that is not in a spendable form or is legally or contractually required to be maintained intact, 2) restricted fund balance consists of equity constrained to specific purposes by their providers, externally imposed by creditors, constitutional provisions or by enabling legislation, 3) committed fund balance consists of equity constrained to specific purposes by the District itself, using its highest level of decision making authority - Board of Education policies, 4) assigned fund balance consists of equity the governing body intends to use for a specific purpose, intent can be expressed by the governing body. The Board of Education has authorized the District Administrator to assign fund balances through its fund balance policy and 5) unassigned fund balance consists of equity available for any purpose.

When net losses occur, it is the District's policy to record the net loss against committed fund balance, then assigned fund balance and lastly to unassigned fund balance. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Subsequent Events - The District has evaluated subsequent events through November 3, 2014, the date which the financial statements were available to be issued.

NOTE 2 - Cash and Investments

State statutes permit the District to invest available cash balances, other than debt service funds, in time deposits of authorized depositories, state obligations, U.S. Treasury obligations, U.S. agency issues, repurchase agreements and other investments secured by federal securities, high grade commercial paper, and the local government investment pool administered by the state investment board. Available balances in the debt service fund may be invested in municipal obligations, obligations of the United States and the local government pooled-investment fund. No significant violations of these restrictions occurred during the year.

SCHOOL DISTRICT OF CHILTON
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2014

NOTE 2 - Cash and Investments - Continued

As of June 30, 2014, the District had the following investment:

<u>Investment</u>	<u>Weighted Average Maturities</u>	<u>Fair Value</u>
State of Wisconsin Investment Pool	Less than one year	<u>\$ 374</u>

Fair (Market) Value of Deposits and Investments - Deposits and investments are reported at fair value. At June 30, 2014, the fair value of the District's deposits and investments approximated original cost, therefore no fair value adjustments were necessary.

Investment Pool Information - Participation in the State of Wisconsin Local Government Investment Pool is voluntary. The Pool's regulatory oversight is provided by state statutes and its investment board. The fair value of the District's position in the Pool is the same as the value of the Pool shares. At June 30, 2014, the Pool's fair value was 100 percent of book value.

Determining Fair Value - Fair value of the District's deposits and investments are determined as follows:

- 1) Deposits and investments with stated interest rates (savings account and certificate of deposits) are stated at cost.
- 2) State of Wisconsin Local Government Investment Pool fair value is determined monthly by the Pool's investment board based on published market quotations.

Income Allocation - Interest income is generally allocated to the fund that owns the certificate of deposit, money market account, savings account, and investment.

Interest Rate Risk - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to those which mature or may be tendered for purchase at the option of the holder within not more than 7 years of the date acquired. The District has an investment policy that does not further limit investment maturities as a means of further managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has an investment policy that does not further limit its investment choices. The State of Wisconsin Local Government Investment Pool and money market fund are not rated.

Custodial Credit Risk - Custodial credit is the risk that, in the event of a financial institution failure, the District's deposits may not be returned. The District does have a policy in place for custodial credit risk. The State of Wisconsin's Public Deposit Guarantee Fund created under Chapter 34 of the Wisconsin Statutes protects the municipality's designated public depositories against any losses of public funds up to \$400,000 subject to the total amount of the Guarantee Fund available. As of June 30, 2014, \$2,980,069 of the District's bank balance of \$3,630,069 was exposed to custodial credit risk as uninsured, pledged collateral, collateralized by U.S. Government securities held by the bank in the bank's name. There were no deposits that were uninsured and uncollateralized.

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2014

NOTE 3 - Capital Assets

Capital asset balances and activity for the year ended June 30, 2014 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 46,510	\$ -	\$ -	\$ 46,510
Total capital assets not being depreciated	<u>46,510</u>	<u>-</u>	<u>-</u>	<u>46,510</u>
Capital assets being depreciated:				
Land improvements	1,445,762	-	-	1,445,762
Buildings and improvements	32,342,405	8,990	-	32,351,395
Equipment	5,281,260	68,042	-	5,349,302
Total capital assets being depreciated	<u>39,069,427</u>	<u>77,032</u>	<u>-</u>	<u>39,146,459</u>
Less accumulated depreciation for:				
Land improvements	(827,858)	(65,946)	-	(893,804)
Buildings and improvements	(9,152,507)	(648,839)	-	(9,801,346)
Equipment	(3,860,090)	(306,270)	-	(4,166,360)
Total accumulated depreciation	<u>(13,840,455)</u>	<u>(1,021,055)</u>	<u>-</u>	<u>(14,861,510)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>25,228,972</u>	<u>(944,023)</u>	<u>-</u>	<u>24,284,949</u>
Capital assets, net of accumulated depreciation	<u>\$ 25,275,482</u>	<u>\$ (944,023)</u>	<u>\$ -</u>	<u>\$ 24,331,459</u>

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 113,197
Vocational instruction	6,535
Special education instruction	3,481
Other instruction	36,530
Instructional staff services	4,668
General administration services	7,454
Building administration services	12,613
Business services	744,338
Central services	92,239
Total	<u>\$ 1,021,055</u>

The District does not capitalize interest on general fixed asset projects.

SCHOOL DISTRICT OF CHILTON
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2014

NOTE 4 - Long-Term Liabilities

Long-term obligations of the District are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds payable	\$ 17,345,000	\$ -	\$ (1,655,000)	\$ 15,690,000	\$ 1,710,000

Interest cost incurred during the year totaled \$655,260 and total interest paid during the year aggregated \$667,760.

General Obligation Debt - All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. The general obligation debt is expected to be repaid with general property taxes. General obligation debt at June 30, 2014 is comprised of the following individual issues:

<u>Issue Description</u>	<u>Issue Dates</u>	<u>Interest Rates (%)</u>	<u>Dates of Maturity</u>	<u>Balance</u>
Bonds	4/1/05	4-4.2%	4/1/20	\$ 6,620,000
Bonds	11/15/10	3-4%	4/1/22	9,070,000
Total General Obligation Debt				<u>\$ 15,690,000</u>

General Obligation Debt Limit Calculation - The 2013 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$470,495,727. The legal debt limit and margin of indebtedness as of June 30, 2014, in accordance with Section 67.03(1) (b) of the Wisconsin Statutes, follows:

Debt limit (10 percent of \$470,495,727)	\$ 47,049,573
Amount available in debt service fund	162,758
Deduct long-term debt applicable to debt margin	<u>(15,690,000)</u>
Margin of indebtedness	<u>\$ 31,522,331</u>

Maturities of Long-Term Obligations - Aggregate cash flow requirements for the retirement of long-term principal and interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,710,000	\$ 617,760	\$ 2,327,760
2016	1,770,000	566,060	2,336,060
2017	1,850,000	495,260	2,345,260
2018	1,925,000	420,630	2,345,630
2019	2,010,000	342,315	2,352,315
2020-2022	<u>6,425,000</u>	<u>517,660</u>	<u>6,942,660</u>
	<u>\$15,690,000</u>	<u>\$ 2,959,685</u>	<u>\$18,649,685</u>

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2014

NOTE 5 - Wisconsin Retirement System

All eligible School District of Chilton employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Note: Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for employees in the General Employment category, including Teachers, and Executives and Elected Officials. Required contributions for protective contributions 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. Contribution rates for 2014 are:

	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	6.65-7%	6.65-7%

The payroll for School District of Chilton employees covered by the WRS for the year ended June 30, 2014 was \$6,376,030; the employer's total payroll was \$6,589,964. The total required contribution for the year ended June 30, 2014 was \$870,928, which consisted of \$435,464, or 6.65-7% of payroll from the employer and \$435,464, or 6.65-7% of payroll from employees. Total contributions for the years ending June 30, 2013 and 2012 were \$723,236 and \$669,586, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

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

SCHOOL DISTRICT OF CHILTON
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2014

NOTE 6 - Interfund Balances and Activity

Interfund receivable and payable balances on June 30, 2014, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Student Activity	\$ 842
General	Community Service	\$ 361
General	Cooperative Program	\$ 2,038
Food Service	General	\$ 690
Cooperative	General	\$ 871

The above balances resulted from the timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. All amounts are due within one year. For the statement of net position, interfund balances which are owed within the governmental activities are netted and eliminated.

Interfund transfers at June 30, 2014 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General Fund	Cooperative	\$ 21,773

Generally, transfers are used to move revenue from the fund that collects them to the fund that the budget requires to expend them and use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - Post Employment Benefits Other Than Pensions

Plan Description - The District, through its substantive commitment to provide other post employment benefits (OPEB), maintains a single-employer defined benefit plan to provide certain post retirement healthcare benefits to former employees who meet retirement eligibility requirements and continue retiree medical coverage for a specified period. The District is under contractual obligation to provide these healthcare benefits. Because the Plan consists solely of the District's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

Funding Policy - Premiums under the Plan for post employment healthcare benefits are funded by retirees via co-pays paid to the District in accordance with rates established by the District and from the District itself from the appropriate governmental funds on a pay-as-you-go basis. The District may make additional contributions as determined by management. For the year ended June 30, 2014, contribution rates for Plan members were zero to \$1,632 per participant per month and zero to \$548 from the District, depending on the type of retiree plan. Plan members receiving benefits paid \$53,368 and the District paid \$55,486 for current year premiums due.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2014

NOTE 7 - Post Employment Benefits Other Than Pensions - Continued

determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The following illustrates the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$	113,790
Interest on net OPEB obligation		(15,718)
Adjustment to annual required contribution		<u>19,669</u>
Annual OPEB cost		117,741
Contributions made		<u>(108,854)</u>
Increase in net OPEB obligation		8,887
Net OPEB asset - beginning of year		<u>(285,795)</u>
Net OPEB asset - end of year	\$	<u><u>(276,908)</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation - End of Year</u>
6/30/12	\$ 135,575	92.18%	\$ (287,563)
6/30/13	\$ 135,432	98.69%	\$ (285,795)
6/30/14	\$ 117,741	92.45%	\$ (276,908)

Funding Status and Funding Progress - As of July 1, 2013, the most recent actuarial valuation date, the Plan was funded in the amount of \$369,011 or 29% of the actuarial accrued liability (AAL). The AAL for benefits equaled \$1,274,169, resulting in an unfunded actuarial accrued liability (UAAL) of \$905,158. The covered payroll (annual payroll of active employees covered by the Plan) equaled \$4,316,266, and the ratio of the UAAL to the covered payroll is 21%.

Actuarial Methods and Assumptions - Actuarial valuations of the Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The actuarial determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits are based on the types of benefits provided under the Plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members. Projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of unknown legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and assets.

The schedule of funding progress, presented as RSI following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

SCHOOL DISTRICT OF CHILTON
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2014

NOTE 7 - Post Employment Benefits Other Than Pensions - Continued

The actuarial valuation, dated July 1, 2013, used the unit credit cost method. The assumptions and methods used in the valuation were: value of assets-fair market value, 5.5% investment return, 3% per annum salary increases, 10% - 5% medical healthcare cost trend rate, 4% dental healthcare cost trend rate and level dollar amortization method over 30 years with open period.

NOTE 8 - Fund Balances and Net Position

Portions of fund balances and net position are not available for current appropriation or expenditure as follows:

<u>Governmental Fund</u>	<u>Purpose</u>	<u>Amount</u>
General		
Nonspendable	Prepaid expenses	\$ 78,228
Assigned	Specific expenses	\$ 115,638
Referendum debt service		
Restricted	DPI regulation	\$ 162,758
Capital expansion		
Restricted	DPI regulation	\$ 410,255
Food service		
Assigned	Specific expenses	\$ 286,816
Community service		
Committed	Specific expenses	\$ 1,714
 <u>Governmental Activities</u>		
Debt service funds		
Restricted	DPI regulation	\$ 162,758
Capital expansion		
Restricted	DPI regulation	\$ 410,255

NOTE 9 - Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters. For all risks of loss, the District's policy is to purchase commercial insurance. Settled claims have not exceeded commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from coverage in the prior year.

NOTE 10 - Commitments and Contingencies

The District has a service agreement with Cooperative Education Service Agency No. 7 for services to be provided to the District in 2014-2015. Expected costs are \$285,829.

The District has a transportation agreement with estimated costs for the following school years:

2014-2015	\$ 368,907
2015-2016	375,578
2016-2017	382,329
	<u>\$ 1,126,814</u>

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2014

NOTE 10 - Commitments and Contingencies - Continued

From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the District's attorney that the likelihood is remote that any such claims or proceedings will have a material effect on the District's financial position or results of operations.

NOTE 11 - Limitation of School District Revenue

Wisconsin statutes limit the amount of revenue school districts may derive from general school aids and property taxes. The limitation does not apply to revenue needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following: (a) a resolution of the school board or by a referendum prior to August 12, 1993 and (b) a referendum on or after August 12, 1993.

NOTE 12 - Unconditional Promises to Give

Unconditional promises to give as of June 30, 2014 are as follows:

Receivable in less than one year	\$ 185,000
Receivable in one to five years	925,000
Receivable in more than five years	<u>370,000</u>
Total unconditional promises to give receivable	1,480,000
Less discounts to net present value at 5.5%	<u>(308,259)</u>
Net unconditional promises to give receivable	<u>\$ 1,171,741</u>

NOTE 13 - Prior Period Adjustment

The District made a prior period adjustment to beginning fund balance in the Community Service and Engler Center funds for \$8,632. The adjustment increased fund balance in the Engler Center fund and decreased fund balance in the Community Service fund.

**SCHOOL DISTRICT OF CHILTON
CHILTON, WISCONSIN**

**REQUIRED
SUPPLEMENTARY INFORMATION**

SCHOOL DISTRICT OF CHILTON
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2014

	ORIGINAL BUDGETED AMOUNTS			FINAL BUDGETED AMOUNTS			ACTUAL AMOUNTS			VARIANCE WITH
	SPECIAL			SPECIAL			SPECIAL			FINAL BUDGET
	GENERAL	EDUCATION	TOTAL	GENERAL	EDUCATION	TOTAL	GENERAL	EDUCATION	TOTAL	POSITIVE (NEGATIVE)
REVENUES										
Property taxes	\$3,193,030	\$ -	\$3,193,030	\$3,040,640	\$ -	\$3,040,640	\$3,041,069	\$ -	\$3,041,069	\$ 429
Other local sources	158,300	-	158,300	158,300	-	158,300	188,456	-	188,456	30,156
Interdistrict sources	505,175	-	505,175	505,175	-	505,175	541,811	-	541,811	36,636
Intermediate sources	24,261	190,000	214,261	24,261	190,000	214,261	23,649	75,940	99,589	(114,672)
State sources	6,743,629	75,000	6,818,629	6,829,382	75,000	6,904,382	6,915,918	163,919	7,079,837	175,455
Federal sources	185,000	267,572	452,572	185,000	267,572	452,572	240,371	129,881	370,252	(82,320)
Other sources	19,500	-	19,500	19,500	-	19,500	117,022	65,765	182,787	163,287
TOTAL REVENUES	10,828,895	532,572	11,361,467	10,762,258	532,572	11,294,830	11,068,296	435,505	11,503,801	208,971
EXPENDITURES										
Current										
Instruction										
Regular instruction	4,890,644	-	4,890,644	4,923,868	-	4,923,868	4,870,381	-	4,870,381	53,487
Vocational instruction	547,395	-	547,395	549,265	-	549,265	550,559	-	550,559	(1,294)
Special instruction	-	625,472	625,472	-	625,472	625,472	-	708,323	708,323	(82,851)
Other instruction	650,648	-	650,648	663,822	-	663,822	669,360	-	669,360	(5,538)
Total instruction	6,088,687	625,472	6,714,159	6,136,955	625,472	6,762,427	6,090,300	708,323	6,798,623	(36,196)
Support services										
Pupil services	255,669	188,430	444,099	254,170	188,430	442,600	224,167	190,105	414,272	28,328
Instructional staff services	786,514	32,878	819,392	788,797	32,878	821,675	763,099	27,157	790,256	31,419
General administration services	335,446	-	335,446	336,783	-	336,783	328,140	-	328,140	8,643
Building administration services	661,627	-	661,627	663,633	-	663,633	664,756	-	664,756	(1,123)
Business services	1,750,762	41,143	1,791,905	1,758,929	41,143	1,800,072	1,747,445	37,462	1,784,907	15,165
Insurance	104,000	-	104,000	114,000	-	114,000	99,623	-	99,623	14,377
Other support services	5,000	-	5,000	5,000	-	5,000	-	-	-	5,000
Total support services	3,899,018	262,451	4,161,469	3,921,312	262,451	4,183,763	3,827,230	254,724	4,081,954	101,809
Non-program transactions	260,000	138,127	398,127	260,000	138,127	398,127	344,630	143,013	487,643	(89,516)
Capital outlay	257,400	-	257,400	257,400	-	257,400	242,802	-	242,802	14,598
TOTAL EXPENDITURES	10,505,105	1,026,050	11,531,155	10,575,667	1,026,050	11,601,717	10,504,962	1,106,060	11,611,022	(9,305)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	323,790	(493,478)	(169,688)	186,591	(493,478)	(306,887)	563,334	(670,555)	(107,221)	199,666
OTHER FINANCING SOURCES (USES)										
Transfer (to) / from other funds	(608,250)	581,379	(26,871)	(608,250)	581,379	(26,871)	(692,328)	670,555	(21,773)	5,098
TOTAL OTHER FINANCING SOURCES (USES)	(608,250)	581,379	(26,871)	(608,250)	581,379	(26,871)	(692,328)	670,555	(21,773)	5,098
NET CHANGE IN FUND BALANCE	(284,460)	87,901	(196,559)	(421,659)	87,901	(333,758)	(128,994)	-	(128,994)	204,764
FUND BALANCE - BEGINNING OF YEAR	2,995,007	-	2,995,007	2,995,007	-	2,995,007	2,995,007	-	2,995,007	-
FUND BALANCE - END OF YEAR	\$2,710,547	\$ 87,901	\$2,798,448	\$2,573,348	\$ 87,901	\$2,661,249	\$2,866,013	\$ -	\$2,866,013	\$ 204,764

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF CHILTON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
JUNE 30, 2014

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. The legally adopted budget and budgetary expenditure control is exercised at the function level. Reported budget amounts are as originally adopted or as amended by a Board of Education resolution.

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

1. Based upon requests from District staff, the District Administration recommends budget proposals to the Board of Education.
2. The Board of Education prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
3. 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.
4. Pursuant to the budget hearing, the Board of Education may make alterations to the proposed budget.
5. After the Board of Education (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 Board of Education.
6. Appropriations lapse at year end unless authorized as a carryover by the Board of Education. The portion of fund balance representing carryover appropriations is reported as a committed or assigned fund balance.
7. Encumbrance accounting is not used.
8. Budgets are adopted on a basis consistent with generally accepted accounting principles.

NOTE 2 - Excess of Actual Expenditure Over Budget - The following functions had an excess of actual expenditures over budget.

General / Special Education	Vocational instruction	\$ 1,294
General / Special Education	Special instruction	82,851
General / Special Education	Other instruction	5,538
General / Special Education	Building administration services	1,123
General / Special Education	Non-program transactions	89,516

SCHOOL DISTRICT OF CHILTON
SCHEDULE OF FUNDING PROGRESS - POST EMPLOYMENT HEALTHCARE
JUNE 30, 2014

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
2012						
7/1/10	\$ 442,405	\$ 1,236,424	\$ 794,019	35.8%	\$ 4,606,312	17.2%
2013						
7/1/10	442,405	1,236,424	794,019	35.8%	4,815,578	16.5%
2014						
7/1/13	369,011	1,274,169	905,158	29.0%	4,316,266	21.0%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
2012	\$ 131,570	\$ 124,977	95.0%
2013	131,570	133,664	101.6%
2014	113,790	108,854	95.7%

**SCHOOL DISTRICT OF CHILTON
CHILTON, WISCONSIN**

**OTHER
SUPPLEMENTARY INFORMATION**

SCHOOL DISTRICT OF CHILTON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	SPECIAL REVENUE FUNDS					TOTAL
	FOOD SERVICE	COMMUNITY SERVICE	ENGLER CENTER	COOPERATIVE PROGRAM	CAPITAL EXPANSION	NONMAJOR GOV'T FUNDS
ASSETS						
Cash and investments	\$ 299,208	\$ 7,264	\$ -	\$ -	\$ 432,955	\$ 739,427
Receivables						
Accounts	302	-	-	-	-	302
Due from other funds	690	-	-	871	-	1,561
Due from other governments	4,136	-	-	1,167	-	5,303
TOTAL ASSETS	<u>304,336</u>	<u>7,264</u>	<u>-</u>	<u>2,038</u>	<u>432,955</u>	<u>746,593</u>
LIABILITIES						
Accounts payable	133	-	-	-	22,700	22,833
Accrued payroll liabilities	2,216	5,189	-	-	-	7,405
Due to other funds	-	361	-	2,038	-	2,399
Unearned revenue	15,171	-	-	-	-	15,171
TOTAL LIABILITIES	<u>17,520</u>	<u>5,550</u>	<u>-</u>	<u>2,038</u>	<u>22,700</u>	<u>47,808</u>
FUND BALANCES						
Restricted	-	-	-	-	410,255	410,255
Committed	-	1,714	-	-	-	1,714
Assigned	286,816	-	-	-	-	286,816
TOTAL FUND BALANCES	<u>286,816</u>	<u>1,714</u>	<u>-</u>	<u>-</u>	<u>410,255</u>	<u>698,785</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 304,336</u>	<u>\$ 7,264</u>	<u>\$ -</u>	<u>\$ 2,038</u>	<u>\$ 432,955</u>	<u>\$ 746,593</u>

SCHOOL DISTRICT OF CHILTON
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	SPECIAL REVENUE FUNDS					TOTAL
	FOOD SERVICE	COMMUNITY SERVICE	ENGLER CENTER	COOPERATIVE PROGRAM	CAPITAL EXPANSION	NONMAJOR GOV'T FUNDS
REVENUES						
Property taxes	\$ -	\$ 127,941	\$13,228	\$ -	\$ 264,320	\$ 405,489
Other local sources	329,114	22,859	1,975	-	2,216	356,164
Interdistrict	-	-	-	6,734	-	6,734
State sources	9,544	-	-	-	-	9,544
Federal sources	239,031	-	-	-	-	239,031
Other sources	47	-	-	-	-	47
TOTAL REVENUES	<u>577,736</u>	<u>150,800</u>	<u>15,203</u>	<u>6,734</u>	<u>266,536</u>	<u>1,017,009</u>
EXPENDITURES						
Current						
Instruction						
Other instruction	-	-	-	22,855	-	22,855
Support service						
Business services	497,126	34,619	5,987	5,652	142,649	686,033
Community services	-	163,866	9,011	-	-	172,877
Total support services	<u>497,126</u>	<u>198,485</u>	<u>14,998</u>	<u>5,652</u>	<u>142,649</u>	<u>858,910</u>
Capital outlay	<u>53,301</u>	-	-	-	-	53,301
TOTAL EXPENDITURES	<u>550,427</u>	<u>198,485</u>	<u>14,998</u>	<u>28,507</u>	<u>142,649</u>	<u>935,066</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>27,309</u>	<u>(47,685)</u>	<u>205</u>	<u>(21,773)</u>	<u>123,887</u>	<u>81,943</u>
OTHER FINANCING SOURCES						
Transfer from other funds	-	-	-	21,773	-	21,773
Sale of capital assets	207	-	-	-	-	207
TOTAL OTHER FINANCING SOURCES	<u>207</u>	-	-	<u>21,773</u>	-	<u>21,980</u>
NET CHANGE IN FUND BALANCE	27,516	(47,685)	205	-	123,887	103,923
FUND BALANCES - BEGINNING OF YEAR	259,300	58,031	(8,837)	-	286,368	594,862
PRIOR PERIOD ADJUSTMENT	-	(8,632)	8,632	-	-	-
FUND BALANCES - END OF YEAR	<u>\$ 286,816</u>	<u>\$ 1,714</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 410,255</u>	<u>\$ 698,785</u>

SCHOOL DISTRICT OF CHILTON
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2014

	BALANCE JULY 1, 2013	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2014
<u>ASSETS</u>				
Cash and investments	\$ 32,998	\$ 188,416	\$ (186,455)	\$ 34,959
TOTAL ASSETS	32,998	188,416	(186,455)	34,959
<u>LIABILITIES</u>				
Accounts payable	-	21,631	(21,423)	208
Due to other funds	12	1,042	(212)	842
Due to student organizations Middle / High	32,986	165,743	(164,820)	33,909
TOTAL LIABILITIES	\$ 32,998	\$ 188,416	\$ (186,455)	\$ 34,959

SCHOOL DISTRICT OF CHILTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

Awarding Agency Pass-Through Agency Award Description	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL CATALOG NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED RECEIVABLE (UNEARNED REVENUE) JULY 1, 2013	REVENUES GRANTOR REIMBURSE- MENTS	EXPENDITURES	ACCRUED RECEIVABLE (UNEARNED REVENUE) JUNE 30, 2014
U.S. DEPARTMENT OF AGRICULTURE							
Wisconsin Department of Public Instruction							
School Breakfast Program							
July 1, 2012 - June 30, 2013	None	10.553	N/A	\$ 632	\$ 632	\$ -	\$ -
July 1, 2013 - June 30, 2014	None		N/A	-	34,628	35,319	691
Food Distribution							
July 1, 2013 - June 30, 2014	None	10.555	N/A	-	34,142	34,142	-
National School Lunch Program							
July 1, 2012 - June 30, 2013	None	10.555	N/A	2,581	2,581	-	-
July 1, 2013 - June 30, 2014	None		N/A	-	166,124	169,570	3,446
Total Child Nutrition Cluster				<u>3,213</u>	<u>238,107</u>	<u>239,031</u>	<u>4,137</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>3,213</u>	<u>238,107</u>	<u>239,031</u>	<u>4,137</u>
U.S. DEPARTMENT OF EDUCATION							
Carol M White Physical Education Program							
October 1, 2012 - June 30, 2013	Q215F100071	84.215F	N/A	22,938	22,938	-	-
July 1, 2013 - September 30, 2013	Q215F100071		N/A	-	51,047	51,047	-
				<u>22,938</u>	<u>73,985</u>	<u>51,047</u>	<u>-</u>
Wisconsin Department of Public Instruction							
Title IA - Grants to Local Educational Agencies							
July 1, 2012 - June 30, 2013	2013-1085-751-141	84.010	N/A	20,455	20,455	-	-
July 1, 2013 - June 30, 2014	14-08-1085-TIA		\$ 158,478	-	158,478	158,478	-
				<u>20,455</u>	<u>178,933</u>	<u>158,478</u>	<u>-</u>
Title II-A - Improving Teacher Quality State Grants							
July 1, 2012 - June 30, 2013	2013-1085-730-365	84.367	N/A	144	144	-	-
July 1, 2013 - June 30, 2014	14-08-1085-TIIA-Formula		25,503	-	25,503	25,503	-
				<u>144</u>	<u>25,647</u>	<u>25,503</u>	<u>-</u>
Special Education - Grants to States (IDEA Part B)							
July 1, 2012 - June 30, 2013	2013-1085-730-341	84.027	N/A	120,523	120,523	-	-
July 1, 2013 - June 30, 2014	2014-1085-730-341		199,280	-	56,102	91,938	35,836
Special Education - Preschool Grants (IDEA Part B)							
July 1, 2012 - June 30, 2013	2013-1085-730-347	84.173	N/A	5,636	5,636	-	-
July 1, 2013 - June 30, 2014	2014-1085-730-347		9,679	-	7,259	9,679	2,420
Total Special Education Cluster				<u>126,159</u>	<u>189,520</u>	<u>101,617</u>	<u>38,256</u>
Cooperative Educational Service Agency No. 7							
Career and Technical Education - Basic Grants to States							
July 1, 2013 - June 30, 2014	None	84.048		6,917	6,917	6,917	-
Title III-A - Immigrant State Grants							
July 1, 2013 - June 30, 2014	None	84.365		-	3,727	3,727	-
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>169,696</u>	<u>478,729</u>	<u>347,289</u>	<u>38,256</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Wisconsin Department of Health Services							
Medical Assistance							
July 1, 2012 - June 30, 2013	None	93.778	N/A	1,533	1,533	-	-
July 1, 2013 - June 30, 2014	None		N/A	-	33,607	33,607	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>1,533</u>	<u>35,140</u>	<u>33,607</u>	<u>-</u>
TOTAL FEDERAL AWARDS				<u>\$ 174,442</u>	<u>\$ 751,976</u>	<u>\$ 619,927</u>	<u>\$ 42,393</u>

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF CHILTON
SCHEDULE OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2014

Awarding Agency Pass-Through Agency <u>Award Description</u>	STATE I.D. <u>NUMBER</u>	PROGRAM OR AWARD <u>AMOUNT</u>	<u>REVENUE</u> GRANTOR/ STATE <u>REIMBURSEMENTS</u>
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION			
Entitlement Programs - Major State Programs			
Special Education and School Age Parents:	255.101		
Internal District Programs		N/A	\$ 163,919
Package Program at CESA No. 7		N/A	75,940
Equalization Aids	255.201	N/A	6,701,830
General Transportation Aid	255.107	N/A	<u>28,501</u>
TOTAL MAJOR PROGRAMS			<u>6,970,190</u>
Nonmajor State Programs			
State School Lunch Aid	255.102	N/A	5,902
Common School Fund Library Aid	255.103	N/A	48,128
Peer Review and Mentoring	255.301	N/A	6,855
School Breakfast Program	255.344	N/A	3,642
Per Pupil Adjustment Aid	255.925	N/A	82,125
Educator Effectiveness Grant	255.940	N/A	8,000
Youth Apprenticeship Grant	445.112	N/A	<u>1,100</u>
TOTAL NONMAJOR PROGRAMS			<u>155,752</u>
TOTAL WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION			<u>7,125,942</u>
WISCONSIN DEPARTMENT OF NATURAL RESOURCES			
Entitlement Program - Nonmajor State Program			
Payment in Lieu of Taxes	None	N/A	<u>33,783</u>
TOTAL WISCONSIN DEPARTMENT OF NATURAL RESOURCES			<u>33,783</u>
WISCONSIN DEPARTMENT OF REVENUE			
Entitlement Program - Nonmajor State Program			
Exempt Computer Aid	None	N/A	<u>12,452</u>
TOTAL STATE ASSISTANCE			\$ <u>7,172,177</u>

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF CHILTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2014

NOTE 1 - Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state grant activity of the School District of Chilton. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and *State Single Audit Guidelines*. Therefore, some amounts presented in these schedules may differ from amounts presented in or used in the preparation of the financial statements.

NOTE 2 - Summary of Significant Accounting Policies

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

NOTE 3 - Special Education and School Age Parents Program

2013-2014 eligible costs under the State Special Education Program are \$786,170.

NOTE 4 - Food Distribution Program

Non-monetary assistance is reported in the schedule of federal awards at the fair market value of the commodities received and used.

**SCHOOL DISTRICT OF CHILTON
CHILTON, WISCONSIN**

OTHER REPORTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education
School District of Chilton
Chilton, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Chilton as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District of Chilton's basic financial statements and have issued our report thereon dated November 3, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District of Chilton'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 School District of Chilton's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District of Chilton'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 a 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 attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, 2014-001 and 2014-002, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District of Chilton'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*.

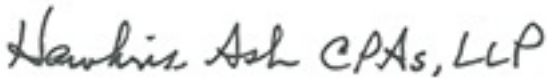
School District of Chilton's Response to Findings

The School District of Chilton's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District of Chilton'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HAWKINS ASH CPAS, LLP

A handwritten signature in black ink that reads "Hawkins Ash CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Manitowoc, Wisconsin
November 3, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND STATE SINGLE AUDIT GUIDELINES

To the Board of Education
School District of Chilton
Chilton, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited the School District of Chilton's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and *State Single Audit Guidelines* that could have a direct and material effect on each of the School District of Chilton's major federal and state programs for the year ended June 30, 2014. The School District of Chilton's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School District of Chilton'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 of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and *State Single Audit Guidelines*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the School District of Chilton'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 of the School District of Chilton's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the School District of Chilton 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 major federal and state programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness 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 attention by 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

HAWKINS ASH CPAS, LLP



Manitowoc, Wisconsin
November 3, 2014

SCHOOL DISTRICT OF CHILTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None reported
Noncompliance material to the financial statements?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over financial reporting:

Material weakness identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(1)?

<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553 / 10.555	Child Nutrition Cluster
84.010	Title I
84.367	Title II-A - Improving Teacher Quality State Grants

State Assistance

Internal control over financial reporting:

Material weakness identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency (ies) identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with *State Single Audit Guidelines*?

<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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SCHOOL DISTRICT OF CHILTON
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
 JUNE 30, 2014

Identification of major state programs:

<u>State ID Number</u>	<u>Name of State Program or Cluster</u>
255.101	Special Education and School Age Parents
255.107	General Transportation
255.201	Equalization Aid

Dollar threshold used to distinguish between:

Type A and Type B federal programs:	\$300,000
Type A and Type B state programs:	\$100,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II - Financial Statement Findings and Questioned Costs

2014-001 - Segregation of Duties

Program: District-Wide

Criteria: Segregation of accounting duties is necessary for adequate internal control.

Condition: Separation of accounting duties for adjusting journal entries, cash receipts, cash disbursements and payroll is currently limited to obtain an adequate internal control system.

Questioned Cost: Not applicable.

Context: The number of personnel limits the separation of accounting duties.

Effect: This weakness could result in the possibility of undetected errors and irregularities.

Recommendation: Management should monitor the accounting internal controls or hire additional personnel to be able to properly separate accounting duties.

Management's Response: This weakness is impractical to entirely correct due to the limited resources and personnel available to our District. We will continue to use other controls, where practical, to compensate for this limitation.

2014-002 - Preparation of Financial Statements

Program: District-Wide

Criteria: Adequate internal controls necessitate personnel to have knowledge and training which would enable them to prepare financial statements (and footnotes) in accordance with generally accepted accounting principles (GAAP).

Condition: Personnel cannot prepare GAAP basis financial statements.

Questioned Cost: Not applicable.

SCHOOL DISTRICT OF CHILTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
JUNE 30, 2014

Context: Personnel have adequate knowledge and experience in governmental accounting and interim reporting requirements; however, their limited knowledge and lack of training limits their ability to prepare GAAP basis financial statements.

Effect: This weakness could result in the possibility of undetected errors and irregularities.

Recommendation: Obtain adequate training or continue to hire a certified public accounting (CPA) firm to prepare GAAP basis financial statements.

Management's Response: Due to the complexities involved with preparing GAAP basis financial statements, management has weighed the cost-benefit of training personnel or hiring a CPA firm. Management has concluded to hire a CPA firm.

Section III - Federal and State Award Findings and Questioned Costs

None

Section IV - Prior Year Findings

2013-001 Segregation of Duties - Repeat
2013-002 Preparation of Financial Statements - Repeat
2013-003 Material Audit Adjustments - Resolved
2013-004 Pupil Transportation - Resolved

Section V - Corrective Action Plan

2014-001 Segregation of Duties

The segregation of duties weakness is impractical to completely correct due to the limited resources and staff available to our District. We will continue to use other controls, where practical, to compensate for this limitation.

2014-002 Preparation of Financial Statements

Due to the complexities of governmental reporting in accordance with GAAP, i.e. financial statements and related disclosure reporting, District management has weighed the cost benefit of training current staff or hiring a Certified Public Accountant on staff for the purposes of preparing the external financial statements in accordance with GAAP. District management has concluded to outsource the preparation of the external financial statements and related disclosures to their certified public accounting firm, which is an acceptable practice according to *Government Auditing Standards*. District management will review and approve the externally prepared financial statements.