

**SCHOOL DISTRICT OF JANESVILLE**  
Janesville, Wisconsin

**BASIC FINANCIAL STATEMENTS**  
and  
**INDEPENDENT AUDITOR'S REPORT**

For the Year Ended June 30, 2015



# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 13
BASIC FINANCIAL STATEMENTS	
District-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18 - 19
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	21
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Special Education Fund	22
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Debt Service Fund	23
Statement of Net Position - Proprietary Funds	24
Statement of Revenues, Expenditures, and Changes in Net Position - Proprietary Funds	25

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## TABLE OF CONTENTS

(Continued)

	<u>Page</u>
Statement of Cash Flows - Proprietary Funds	26
Statement of Fiduciary Net Position	27
Statements of Changes in Fiduciary Net Position	28
Notes to the Basic Financial Statements	29 - 58
REQUIRED SUPPLEMENTARY INFORMATION	
Required Supplementary Information - Schedule of Funding Progress for Other Postemployment Benefits	60
Required Supplementary Information - Schedule of District's Proportionate Share of the Net Pension Liability (Asset) and District Contributions	61
OTHER SUPPLEMENTAL FINANCIAL INFORMATION	
Statement of Changes in Assets and Liabilities - Agency Funds	63
Analysis of Local Levy	64

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
School District of Janesville  
Janesville, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District of Janesville (the "district") as of and for the year ended June 30, 2015, 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.

### 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 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 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 district'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 district'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, the business-type activities, each major fund, and the aggregate remaining fund information of the district as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Special Education Fund, and the Debt Service Fund 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 Management's Discussion and Analysis (pages 4 to 13), Schedule of Funding Progress for Postemployment Benefits (page 60), and Schedule of District's Proportionate Share of the Net Pension Liability (Asset), and District's Contributions (page 61) 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.

### *Other 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 supplemental financial information on pages 63 to 64 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental financial information is the responsibility of management and was derived from and relates 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 of America. In our opinion, the supplemental 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 October 30, 2015, on our consideration of the 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 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.

Madison, Wisconsin  
October 30, 2015

*Smith & Gesteland, LLP*  
SMITH & GESTELAND, LLP

School District of Janesville  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

The discussion and analysis of the School District of Janesville's financial performance provides an overall review of financial activities for the fiscal year ended June 30, 2015, as required by Governmental Accounting Standards Board Statement No. 34.

FINANCIAL HIGHLIGHTS

- The District's combined net position increased by \$22.9 million or 32.6%, which included an increase of \$20.5 million to net position resulting from a prior period adjustment due to the district's implementation of Governmental Accounting Standards Board (GASB) Statement No. 68. Excluding this adjustment, the district's net position increased \$2.4 million.
- The fund balance remained fairly constant with a minuscule increase.
- The District increased the balance of the OPEB trust by about \$1.5 million.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School District of Janesville's basic financial statements. These statements consist of 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Other supplementary information is also provided.

**District-wide Statements**

- The district-wide statements are the *statement of net position* and *statement of activities*. These statements present an aggregate view of the district's finances using accounting methods similar to those used by private-sector companies. Both statements distinguish functions that are supported principally by property taxes and intergovernmental revenues, called *governmental activities*, from functions that are intended to recover all or a significant portion of costs through user fees and charges (*business type activities*).
- The *statement of net position* presents information on all of the district's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in the net position may serve as an useful indicator of whether its financial position is improving or deteriorating, respectively.
- The *statement of activities* presents information showing how the district's net position changed during the year. This statement reports the cost of government functions and how those functions were financed for the fiscal year.
- The district-wide financial statements are shown on pages 14 - 15 of this report.



## Fund Financial Statements

- A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The district, like other governmental entities, uses fund accounting to demonstrate compliance with finance-related legal requirements. Fund statements generally report operations in more detail than the district-wide statements and provide information that may be useful in evaluating a district's near-term financing requirements.
- There are two fund financial statements, the *balance sheet* and the *statement of revenues and expenditures and changes in fund balance*. Generally, fund statements focus on near-term inflows and outflows of spendable resources and their impact on fund balance.
- Because the focus of fund financial statements is narrower than that of the district-wide statements, it is useful to make comparison between the information presented. By doing so, readers may better understand the long-term implications of the government's near-term financial decisions. A reconciliation to facilitate this comparison is provided either at the bottom of the governmental funds statement or as a separate statement.
- The district has three kinds of funds: *governmental, proprietary, and fiduciary*. *Governmental funds* include the district's permanent funds (general, special education, and debt service) and individual capital project funds as needed. The district has one *proprietary fund*, the food service fund. The *fiduciary funds* for the district are an agency fund for student and parent organizations, an Employee Benefit trust fund, and a trust fund serving scholarship recipients.
- Financial information is presented separately on both the *balance sheet* and the *statement of revenues, expenditures and changes in fund balance* for the general fund, capital projects fund and debt service fund as these are considered to be major funds. Data for the special education fund has been consolidated under the general fund heading, since this fund does not meet the GASB definition of a special revenue fund. The governmental fund financial statements are on pages 16 - 23 of this report.
- The proprietary fund statements for the district's food service program are prepared on the same basis of accounting and measurement focus as the district-wide financial statements. In addition, the district provides *a statement of cash flows* for the proprietary fund. Proprietary fund statements are located on pages 24 - 26 of this report.
- Fiduciary funds are used to account for resources held for the benefit of affiliated parties not legally a part of the district such as students, parents or staff. Fiduciary funds are excluded from the district-wide financial statements because the district cannot use these resources to finance operations. The accounting used for fiduciary funds is much like that used for proprietary funds. Fiduciary fund statements are located on pages 27 - 28 of this report.

The *notes to the financial statements* provide additional information that is essential to the full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements begin on page 29.

*Required supplementary information* further explains and supports the financial statements by including a comparison of the district's budget data for major funds for the year.

Major Features of the District-wide and Fund Financial Statements

	District-Wide Statements	Governmental	Fund Financial Statements Proprietary	Fiduciary
Scope	Entire district (except fiduciary funds).	The activities of the district that are not proprietary or fiduciary, such as instructional, support services, and community services.	Activities the district operates similar to private business. The district's food service program is its only proprietary operation.	Assets held by the district on behalf of someone else. Student and other organizations that have funds on deposit with the district are reported here.
Required financial statements	Statement of net position and Statement of activities.	Balance sheet and Statement of revenues, expenditures and changes in fund balance.	Statement of net position, Statement of revenues, expenses and changes in net position, and Statement of cash flows.	Statement of fiduciary net position and Statement of changes in fiduciary net position.
Basis of accounting and measurement focus	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.	Accrual accounting. Economic resources focus.
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities are included.	All assets and liabilities, both financial and capital; short-term and long-term.	All assets and liabilities, both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liabilities are due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received and paid.

## FINANCIAL ANALYSIS

### The District as a Whole

The District's combined net position increased by 32.6% to \$92,957,847, which included an increase of \$20.5 million to net position resulting from a prior period adjustment due to the district's implementation of GASB Statement No. 68. Excluding this adjustment, the district's net position increased \$2.4 million. Excluding the prior period adjustment, the net position of governmental activities increased by \$2.1 million and the net position of the food service program increased by \$272,840.

**Table 1**  
**Condensed Statement of Net Assets**

	Governmental Activities		Business-type Activities		Total		% Change
	2015	2014	2015	2014	2015	2014	
Current Assets	\$ 38,283,105	\$ 40,972,019	\$ 1,537,926	\$ 1,429,581	\$ 39,821,031	\$ 42,401,600	-6.1%
Net Pension Asset	11,055,383	17,862,184	266,256	430,189	11,321,639	18,292,373	-38.1%
Capital Assets	135,124,762	139,921,027	457,690	428,822	135,582,452	140,349,849	-3.4%
Deferred Outflows of Resources	9,131,177	2,176,049	219,913	52,408	9,351,090	2,228,457	319.6%
<b>Total Assets And Deferred Outflows</b>	<b>193,594,427</b>	<b>200,931,279</b>	<b>2,481,785</b>	<b>2,341,000</b>	<b>196,076,212</b>	<b>203,272,279</b>	<b>-3.5%</b>
Current Liabilities	24,234,201	28,209,672	270,544	402,599	24,504,745	28,612,271	-14.4%
Long-term debt outstanding	78,613,620	84,053,634	-	-	78,613,620	84,053,634	-6.5%
<b>Total Liabilities</b>	<b>102,847,821</b>	<b>112,263,306</b>	<b>270,544</b>	<b>402,599</b>	<b>103,118,365</b>	<b>112,665,905</b>	<b>-8.5%</b>
<b>Net Position</b>	<b>\$ 90,746,606</b>	<b>\$ 88,667,973</b>	<b>\$ 2,211,241</b>	<b>\$ 1,938,401</b>	<b>\$ 92,957,847</b>	<b>\$ 90,606,374</b>	<b>2.6%</b>
Prior Period Adjustment	-	20,038,233	-	482,597	-	20,520,830	
Net Investment in Capital Assets	\$ 76,866,806	\$ 75,839,944	\$ 457,690	\$ 428,822	\$ 77,324,496	\$ 76,268,766	1.4%
Restricted	6,149,854	542,679	1,753,551	1,026,982	7,903,405	1,569,661	403.5%
Unrestricted	7,729,946	(7,752,883)	-	-	7,729,946	(7,752,883)	-199.7%
<b>Total Net Position</b>	<b>\$ 90,746,606</b>	<b>\$ 88,667,973</b>	<b>\$ 2,211,241</b>	<b>\$ 1,938,401</b>	<b>\$ 92,957,847</b>	<b>\$ 90,606,374</b>	<b>2.6%</b>

The largest portion of net position held by the District is its investment in capital assets (land, schools, furniture, and equipment) less any related debt used to acquire those assets that is still outstanding. The valuation of capital assets is based on historical costs and does not reflect the current market value of those assets. The District has an extensive repair and maintenance plan for buildings and sites that is funded by annual operating funds that would not necessarily be capitalized. Expenditures that typically keep an asset in working order are considered maintenance and are not capitalized, while expenditures that improve the asset and lengthen its useful life are typically capitalized. Capital assets also included more improvements to the infrastructure of the District's computer system along with new computer hardware and software upgrades.

Capital assets are not available for future spending. While the School District of Janesville's investment in capital assets is shown net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources (future tax levies), since the capital assets themselves cannot be liquidated and do not generate income.

Additional portion of the School District of Janesville's net position are subject to external restrictions on how they may be used. The assets of the food service program, for example, are restricted for use only by that program. The same applies for assets of the various other funds.

Changes in Net Position: Table 2 shows the changes in net position for the fiscal years ending June 2015 and 2014, respectively. As demonstrated, general revenues are the primary source of funding for governmental activities at 84.8%, while program revenues provide almost the entire source of funding for business-type activities.

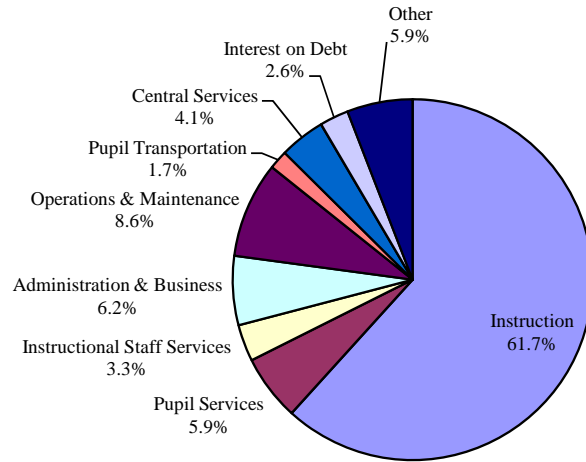
**Table 2**  
**Changes in Net Position**  
**For the Year Ending June**

	Governmental		Business-type		Total		Total	
	Activities	%	Activities	%	2015	%	2014	%
	2015		2015		2015		2014	
Revenues:								
Program Revenues								
Charges for Services	\$ 5,012,882	4.1%	\$ 1,356,878	27.2%	\$ 6,369,760	5.0%	\$ 5,799,904	4.6%
Operating Grants & Capital Grants &	13,689,584	11.1%	3,631,696	72.8%	17,321,280	13.5%	16,984,508	13.6%
General Revenues								
Property Taxes	35,112,869	28.4%			35,112,869	27.3%	35,904,552	28.7%
General State Aid	67,880,340	55.0%			67,880,340	52.8%	65,526,996	52.4%
Other	1,750,512	1.4%	783	0.0%	1,751,295	1.4%	929,481	0.7%
Total Revenues	<u>\$ 123,446,187</u>	<u>100.0%</u>	<u>\$ 4,989,357</u>	<u>100.0%</u>	<u>\$ 128,435,544</u>	<u>100.0%</u>	<u>\$ 125,145,441</u>	<u>100.0%</u>
Expenses:								
Instruction	\$ 74,970,909	61.7%	\$		\$ 74,970,909	59.5%	\$ 74,100,086	59.2%
Pupil Services	7,170,438	5.9%			7,170,438	5.7%	7,064,532	5.6%
Instructional Staff Services	4,045,536	3.3%			4,045,536	3.2%	3,658,963	2.9%
Administration & Business	7,485,037	6.2%			7,485,037	5.9%	7,080,045	5.6%
Operations & Maintenance	10,395,166	8.6%			10,395,166	8.2%	10,810,407	8.6%
Pupil Transportation	2,025,663	1.7%			2,025,663	1.6%	1,844,351	1.5%
Central Services	5,030,054	4.1%			5,030,054	4.0%	4,290,797	3.4%
Interest on Debt	3,129,542	2.6%			3,129,542	2.5%	3,424,843	2.7%
Other	7,115,209	5.9%	4,716,517	100.0%	11,831,726	9.4%	13,234,279	10.5%
Total Expenses	<u>\$ 121,367,554</u>	<u>100.0%</u>	<u>\$ 4,716,517</u>	<u>100.0%</u>	<u>\$ 126,084,071</u>	<u>100.0%</u>	<u>\$ 125,508,303</u>	<u>100.0%</u>
Change in Net Position	<u>\$ 2,078,633</u>		<u>\$ 272,840</u>		<u>\$ 2,351,473</u>		<u>\$ (362,862)</u>	

Governmental Activities: Property taxes are levied for two purposes - general and debt. About 27.3% of the levy was used for long-term interest and debt retirement.

The chart below depicts the major categories of expenses within governmental activities. The largest single expense to the district is the cost of providing instruction.

**Expense Breakout for Fiscal Year 2014-15**



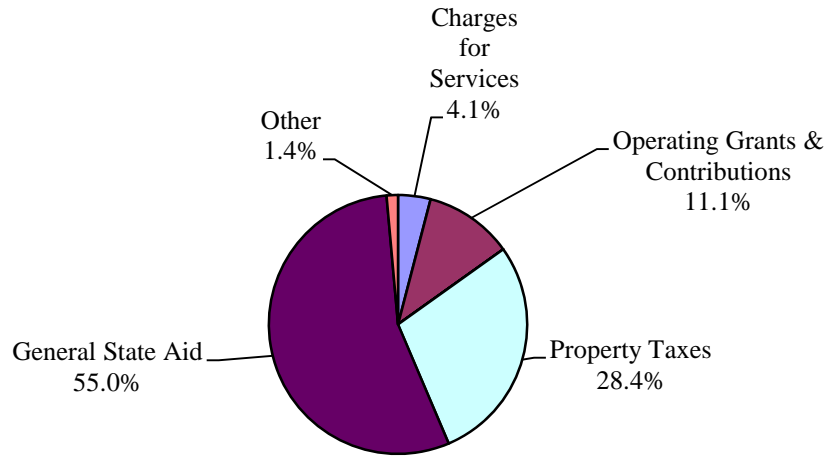
The net cost of providing services is shown in Table 3. Net cost is the total cost of the service less any user fees generated by the activities or any intergovernmental aid or gifts received for specific programs. The net cost shows the reliance on general revenues of the district, primarily state aid and property taxes.

**Table 3  
Cost of Governmental Activities**

	Total Cost of Services 2015	Net Cost of Services 2015
Instruction	\$ 74,970,909	\$ 57,410,669
Pupil Services	7,170,438	7,049,662
Instructional Staff Services	4,045,536	3,641,009
Administration & Business	7,485,037	7,485,037
Operations & Maintenance	10,395,166	10,114,278
Pupil Transportation	2,025,663	1,979,131
Central Services	5,030,054	5,030,054
Interest on Debt	3,129,542	3,129,542
Other	7,115,209	6,825,706
<b>Total Expenses</b>	<b>\$ 121,367,554</b>	<b>\$ 102,665,088</b>

Program revenues offset 15.4%, or about \$18.7 million of costs. The largest category of program revenue comes from grants and contributions totaling about \$13.7 million. The largest single source of program revenue comes from the State of Wisconsin as aid for special education.

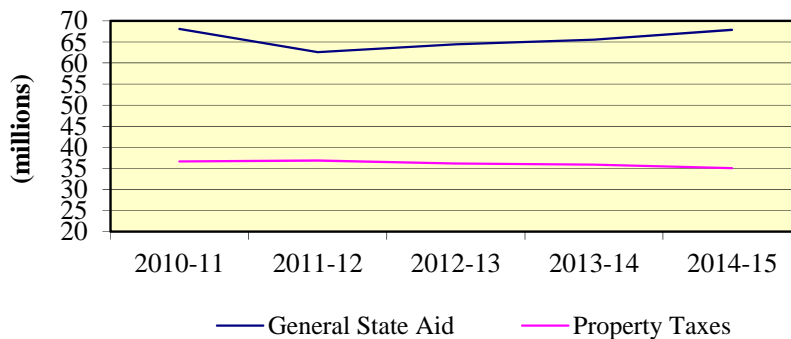
### Fiscal 2014-15 Revenue by Source - Governmental Activities



General revenues consist primarily of General State aid and property taxes. A \$2.4 million increase in General State aid received by the District and a \$.8 million decrease in the net property tax levy led to an overall increase in general revenue as demonstrated by Table 4.

**Five Year History of Major General Revenues**  
(in million of dollars)

	2010-11	2011-12	2012-13	2013-14	2014-15
<b>General State Aid</b>	68.1	62.6	64.4	65.5	67.9
<b>Property Taxes</b>	36.6	36.9	36.2	35.9	35.1



Business-type activities: The largest source of revenue for the food service program comes from the sale of food and beverages. The District provides a breakfast and lunch program at all sites with minimal services at the remote charter schools and ala carte services at all middle and high schools. The district had 47.8% of students qualify for free or reduced meals in 2014-2015.

Overall, the food service fund generated \$272,840 for 2014-15. Prices will be increased minimally in the 2015-2016 fiscal year in accordance with The Healthy, Hunger-Free Kids Act of 2010. Any surplus will continue to be used to support an aggressive capital replacement program for food service assets in 2015-2016.

### Governmental Funds

Fund accounting is required by the Wisconsin Department of Public Instruction. It is also the required method for budget adoption and levy certification. A miniscule increase (less than 1%) in total governmental fund balance kept the balance at \$22.9 million.

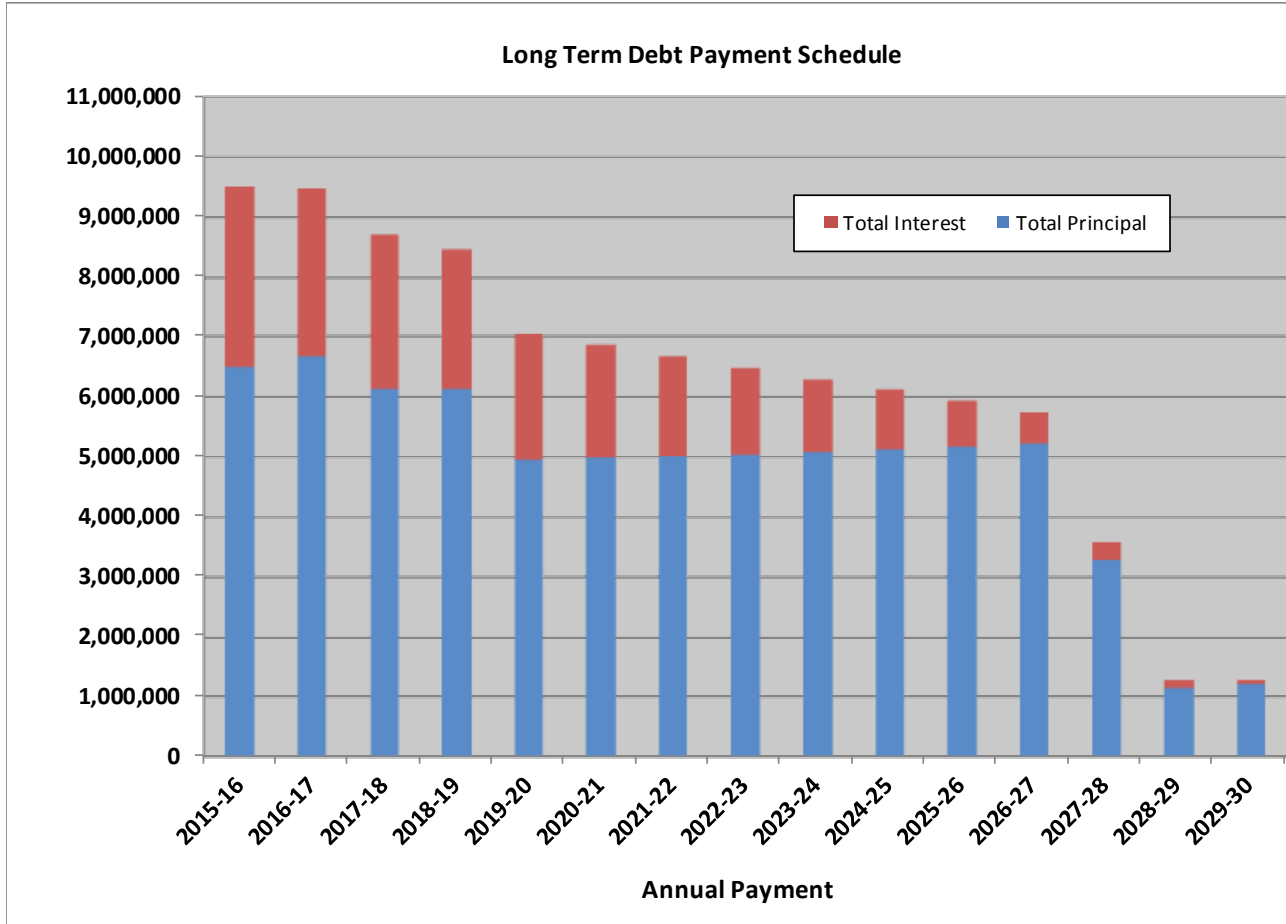
- At June 30, 2015, the General Fund balance totaled \$21.3 million, representing 19.6% of general expenditures or 2.4 months of operations. The District's policy on general fund balance indicates a reasonable fund balance designated for cash flow should be 17% to 23% of general and special education budgeted expenditures for the ensuing fiscal year, a reserve for at least 10% of the expected claims cost for the ensuing fiscal year, and to limit the use of unassigned fund balance to funding the district's Other Post-Employment Benefits (OPEB) liability, reducing the district's property tax levy, or one-time expenditures. By policy, between \$18.5 million and \$25.1 million should be available to meet the needs of the 2015-2016 budgeted expenditures.
- General fund revenue was about \$0.7 million below budget, which was a change of only 0.7%.
- General fund expenditures came in \$.9 million under budget. Budget variances for the General and Special Revenue funds can be viewed on pages 21 and 22 of this report.
- The Special Education fund is used to account for all revenue and expenditures associated with the special education program, including any federal and state funding. Because outside funding is insufficient to cover the cost of the program, funds are transferred from the General fund as an operating transfer. The transfer of \$11.1 million, a decrease of about \$1.0 million from the prior year, represents 61% of the total expenditures as compared to 66% the previous year.
- The Debt Service fund had a decrease of \$122,000. Its fund balance will fluctuate from year to year because the fund balance must be sufficient to meet the amount of any scheduled debt payments that are due prior to February 15 of the subsequent year. The typical debt service schedule requires interest payments in the fall and principal and interest payments in the spring of each year.

### Fiduciary Funds

Fiduciary Funds consist of an agency fund and two trust funds. The agency fund records the assets held by the district for the benefit of others. The majority of these funds are held by the individual schools in the form of activity funds. The funds belong to various student groups and account for their fundraising efforts, class fees, etc. and all related disbursements. The management of the funds is regulated by the district and subject to annual audit. The Private-Purpose Trust Fund is for the benefit of student scholarships. Donors have created scholarships benefiting high school graduates of our district and are funded by the donor or earnings from an endowment that is to remain intact. The Employee Benefit Trust Fund is established to finance retiree health insurance benefits.

Long-term Debt

Debt of the District is secured by an irrevocable tax levy adopted by the school board at the time of issuance. The maximum legal debt limit is set by state statutes and detailed in Note 8 to the financial statements. At the end of the current fiscal year, the School District of Janesville had general obligation debt of \$71.8 million. Current debt obligations have retirements running through March 2030. The District's current debt is 19.1% of the maximum permitted by law.



Included in governmental activities under long-term obligations are other liabilities that are also detailed in Note 8 to the financial statements.



### Factors Bearing on the District's Future

Management has evaluated factors bearing on the District's future and has determined the following items that could have a material bearing on the District's future:

- Any increases or decreases in the District's population would likely affect student enrollment, which determines revenue caps, employment needs, and other critical factors.
- The economic stability of the Janesville area.
- The establishment of the biennial budget by the State Legislature will determine any funding increases or decreases.
- State elections which could potentially lead to a change in the current status of collective bargaining.
- Any governmental changes which involve revenue caps.

### Contacting the District's Financial Management

The financial report is designed to provide a general overview of the School District of Janesville's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to Keith Pennington, Chief Financial Officer/Assistant Treasurer, School District of Janesville, 527 South Franklin Street, Janesville, Wisconsin 53548, or by calling (608)743-5000.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## STATEMENT OF NET POSITION

As of June 30, 2015

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and investments	\$ 25,404,619	\$ 1,275,629	\$ 26,680,248
Accounts receivable	23,933	16,508	40,441
Taxes receivable	10,009,083		10,009,083
Due from other governments	2,647,461	245,749	2,893,210
Other current assets	198,009	40	198,049
Total current assets	38,283,105	1,537,926	39,821,031
Noncurrent assets			
Bond origination discount	62,549		62,549
Accumulated amortization of bond discount	(14,593)		(14,593)
Net WRS pension asset	11,055,383	266,256	11,321,639
Capital assets:			
Land	1,329,333		1,329,333
Site improvements	4,979,222		4,979,222
Buildings and building improvements	177,342,527		177,342,527
Furniture and equipment	22,075,033	1,048,964	23,123,997
	205,726,115	1,048,964	206,775,079
Less accumulated depreciation	(70,649,309)	(591,274)	(71,240,583)
Total capital assets	135,076,806	457,690	135,534,496
Total noncurrent assets	146,180,145	723,946	146,904,091
Total assets	184,463,250	2,261,872	186,725,122
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows to be recognized in future pension expense	9,131,177	219,913	9,351,090
Total deferred outflows of resources	9,131,177	219,913	9,351,090
Total assets and deferred outflows of resources	193,594,427	2,481,785	196,076,212
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	1,282,025	107,158	1,389,183
Accrued liabilities	13,938,829	86,579	14,025,408
Due to employee benefit trust fund	100,113	11,074	111,187
Accrued interest	997,438		997,438
Deferred revenue	31,595	65,733	97,328
Current portion of long-term liabilities	7,884,201		7,884,201
Total current liabilities	24,234,201	270,544	24,504,745
Noncurrent liabilities			
Long-term liabilities, less current portion	78,613,620		78,613,620
Total non-current liabilities	78,613,620		78,613,620
Total liabilities	102,847,821	270,544	103,118,365
<b>NET POSITION</b>			
Net investment in capital assets	76,866,806	457,690	77,324,496
Restricted for:			
Debt service	502,128		502,128
Employee benefits	5,527,726	475,095	6,002,821
Other activities	120,000	1,278,456	1,398,456
Unrestricted	7,729,946		7,729,946
Total net position	\$ 90,746,606	\$ 2,211,241	\$ 92,957,847

The accompanying notes are an integral part of the basic financial statements.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

Functions/ Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Government Activities	Business Type Activities	Total
<b>Governmental activities:</b>						
Instruction:						
Regular instruction	\$ 50,267,584	\$ 4,196,082	\$ 6,106,944	\$ (39,964,558)		\$ (39,964,558)
Vocational instruction	3,647,998	16,961	2,335,827	(1,295,210)		(1,295,210)
Special education instruction	16,435,763	48,024	4,441,181	(11,946,558)		(11,946,558)
Other instruction	4,619,564	176,654	238,567	(4,204,343)		(4,204,343)
Total instruction	<u>74,970,909</u>	<u>4,437,721</u>	<u>13,122,519</u>	<u>(57,410,669)</u>		<u>(57,410,669)</u>
Support services:						
Pupil services	7,170,438		120,776	(7,049,662)		(7,049,662)
Instructional staff services	4,045,536	4,770	399,757	(3,641,009)		(3,641,009)
General administration services	998,353			(998,353)		(998,353)
School administration services	5,034,417			(5,034,417)		(5,034,417)
Business services	1,452,267			(1,452,267)		(1,452,267)
Operations and maintenance	10,395,166	280,888		(10,114,278)		(10,114,278)
Pupil transportation services	2,025,663		46,532	(1,979,131)		(1,979,131)
Central services	5,030,054			(5,030,054)		(5,030,054)
Insurance	846,157			(846,157)		(846,157)
Other support services	718,698	289,503		(429,195)		(429,195)
Interest	3,129,542			(3,129,542)		(3,129,542)
Depreciation and amortization - unallocated	5,550,354			(5,550,354)		(5,550,354)
Total support services	<u>46,396,645</u>	<u>575,161</u>	<u>567,065</u>	<u>(45,254,419)</u>		<u>(45,254,419)</u>
Total governmental activities	<u>121,367,554</u>	<u>5,012,882</u>	<u>13,689,584</u>	<u>(102,665,088)</u>		<u>(102,665,088)</u>
<b>Business-type activities:</b>						
School food service program	4,716,517	1,356,878	3,631,696		272,057	272,057
Total school district	<u>\$ 126,084,071</u>	<u>\$ 6,369,760</u>	<u>\$ 17,321,280</u>	<u>(102,665,088)</u>	<u>272,057</u>	<u>(102,393,031)</u>
<b>General revenues:</b>						
Property taxes:						
General purposes				25,539,084		25,539,084
Debt services				9,573,785		9,573,785
Federal and state aid not restricted to specific purposes:						
General				67,880,340		67,880,340
Other				1,746,871		1,746,871
Interest and investment earnings				3,641	783	4,424
Total general revenues				<u>104,743,721</u>	<u>783</u>	<u>104,744,504</u>
Change in net position				<u>2,078,633</u>	<u>272,840</u>	<u>2,351,473</u>
Net position - beginning of year (as previously reported)				68,629,740	1,455,804	70,085,544
Prior period adjustment (See Note 19)				<u>20,038,233</u>	<u>482,597</u>	<u>20,520,830</u>
Net position - beginning of year (as restated)				<u>88,667,973</u>	<u>1,938,401</u>	<u>90,606,374</u>
Net position - end of year				<u>\$ 90,746,606</u>	<u>\$ 2,211,241</u>	<u>\$ 92,957,847</u>

The accompanying notes are an integral part of the basic financial statements.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

	General	Debt Service	Other Government Funds	Total Government Funds
<b>ASSETS</b>				
Cash and investments	\$ 23,788,718	\$ 1,499,566	\$ 116,335	\$ 25,404,619
Accounts receivable	23,933			23,933
Taxes receivable	10,009,083			10,009,083
Due from other governments	2,647,461			2,647,461
Inventories and other current assets	<u>198,009</u>			<u>198,009</u>
Total assets	<u>\$ 36,667,204</u>	<u>\$ 1,499,566</u>	<u>\$ 116,335</u>	<u>\$ 38,283,105</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,259,433	\$	\$ 22,592	\$ 1,282,025
Accrued salaries and related items	9,879,561			9,879,561
Due to employee benefit trust fund	100,113			100,113
Other current liabilities	<u>4,090,863</u>			<u>4,090,863</u>
Total liabilities	<u>15,329,970</u>		<u>22,592</u>	<u>15,352,562</u>
<b>FUND EQUITY</b>				
Fund balances				
Non-spendable	197,776			197,776
Restricted for self insurance	100,000			100,000
Restricted for debt service retirement		1,499,566		1,499,566
Restricted for capital projects			20,000	20,000
Assigned	1,282,798		73,743	1,356,541
Unassigned	<u>19,756,660</u>			<u>19,756,660</u>
Total fund balances	<u>21,337,234</u>	<u>1,499,566</u>	<u>93,743</u>	<u>22,930,543</u>
Total liabilities and fund equity	<u>\$ 36,667,204</u>	<u>\$ 1,499,566</u>	<u>\$ 116,335</u>	<u>\$ 38,283,105</u>

The accompanying notes are an integral part of the basic financial statements.

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION**

June 30, 2015

Total fund balances - governmental funds		\$ 22,930,543
Total net position reported for governmental activities in the statement of net position are different from the amount reported above as total governmental funds fund balance because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Amounts reported for governmental activities in the statement of net position:		
Governmental capital assets	\$ 205,726,115	
Governmental accumulated depreciation	<u>(70,649,309)</u>	135,076,806
Bond origination discounts are not financial resources and therefore are not reported as assets in governmental funds. Amounts reported for governmental activities in the statement of net position:		
Governmental bond origination discount	\$ 62,549	
Governmental accumulated amortization	<u>(14,593)</u>	47,956
Net pension liability (asset) is not due and payable in the current period, and therefore is not reported as a liability (or asset) in governmental funds		11,055,383
Deferred outflows to be recognized in future pension expense are not financial resources and are not reported as assets in governmental funds.		9,131,177
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of the following:		
Bonds payable	\$ (71,775,000)	
Premium on refunded bonds payable	(156,760)	
Accrued interest on bonds payable	(997,438)	
Vested employee benefits	<u>(14,566,061)</u>	<u>(87,495,259)</u>
Total net position - governmental activities		<u>\$ 90,746,606</u>

The accompanying notes are an integral part of the basic financial statements.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2015

	General	Debt Service	Other Government Funds	Total Government Funds
<b>Revenues</b>				
Local sources	\$ 26,728,672	\$ 9,573,991	\$ 238,567	\$ 36,541,230
Interdistrict sources	3,020,611			3,020,611
Intermediate sources	3,255			3,255
State sources	76,205,963			76,205,963
Federal sources	7,125,657			7,125,657
Other	500,344			500,344
Total revenues	113,584,502	9,573,991	238,567	123,397,060
<b>Expenditures</b>				
Instruction:				
Regular instruction	45,977,652		53,247	46,030,899
Vocational instruction	3,557,239		6,027	3,563,266
Special instruction	16,234,169		2,852	16,237,021
Other instruction	4,587,619		6,920	4,594,539
Total instruction	70,356,679		69,046	70,425,725
Support service:				
Pupil services	7,170,020		12,484	7,182,504
Instructional staff services	4,038,191		11,900	4,050,091
General administration services	999,487			999,487
School administration services	5,042,704			5,042,704
Business services	1,448,549		14,139	1,462,688
Operations and maintenance of plant	11,527,406		21,317	11,548,723
Pupil transportation	2,021,648		4,015	2,025,663
Central services	5,088,264			5,088,264
Insurance	846,157			846,157
Other support services	406,771		90,855	497,626
Total support services	\$ 38,589,197	\$	\$ 154,710	\$ 38,743,907

The accompanying notes are an integral part of the basic financial statements.

	<u>General</u>	<u>Debt Service</u>	<u>Other Government Funds</u>	<u>Total Government Funds</u>
Debt service:				
Principal	\$	\$ 6,485,000	\$	\$ 6,485,000
Interest		<u>3,211,055</u>		<u>3,211,055</u>
Total debt service		<u>9,696,055</u>		<u>9,696,055</u>
Total expenditures	<u>108,945,876</u>	<u>9,696,055</u>	<u>223,756</u>	<u>118,865,687</u>
Excess of revenues over (under) expenditures	<u>4,638,626</u>	<u>(122,064)</u>	<u>14,811</u>	<u>4,531,373</u>
Other financing sources (uses)				
Payments to other institutions	(4,202,494)			(4,202,494)
Other	(322,448)			(322,448)
Operating transfers in (out)	<u>(20,000)</u>		<u>20,000</u>	
Net other financing sources (uses)	<u>(4,544,942)</u>		<u>20,000</u>	<u>(4,524,942)</u>
Net change in fund balances	93,684	(122,064)	34,811	6,431
Fund balances - beginning of year	<u>21,243,550</u>	<u>1,621,630</u>	<u>58,932</u>	<u>22,924,112</u>
Fund balances - end of year	<u>\$ 21,337,234</u>	<u>\$ 1,499,566</u>	<u>\$ 93,743</u>	<u>\$ 22,930,543</u>

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

Net change in fund balances - total governmental funds		\$	6,431
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 expense in the statement of activities.			
Capital outlay reported in governmental fund statements	\$	1,358,443	
Depreciation expense reported in the statement of activities		<u>(6,094,764)</u>	
Amount by which capital outlays are less than depreciation in the current period by:			(4,736,321)
Fixed asset disposals in current year	\$	(246,231)	
Accumulated depreciation on fixed asset disposals		<u>189,414</u>	
Loss on disposal of fixed assets			(56,817)
Discounts on bond refunding 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 the life of the bond as annual amortization expense in the statement of activities.			
The amount amortized in the current year is:			(3,127)
Premiums received on bond refunding are reported as revenue in the governmental funds, but are capitalized and amortized over the life of the bonds in the statement of net assets and the statement of activities.			
The amount amortized in the current year is:			49,126
The district's WRS employee pension plan is reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.			
Employee pension plan contributions paid in current year	\$	4,286,993	
Net pension expense in current year		<u>(4,138,666)</u>	
Employee pension contributions exceed net pension expense by:			148,327
Vested employee benefits are reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.			
Vested employee benefits paid in current year	\$	3,228,612	
Vested employee benefits earned in current year		<u>(3,124,111)</u>	
Amounts paid are less than amounts earned by:			104,501
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.			
The amount of long-term debt principal payments in the current year is:			6,485,000
In governmental funds, interest payments on outstanding long-term debt are reported as an expenditure when paid. In the statement of activities, interest is reported as incurred.			
The amount of interest paid during the current period	\$	3,211,055	
The amount of interest accrued during the current period		<u>(3,129,542)</u>	
Interest paid is more than interest accrued by:			<u>81,513</u>
Change in net position - governmental activities		\$	<u>2,078,633</u>

The accompanying notes are an integral part of the basic financial statements.



# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 25,542,494	\$ 25,542,494	\$ 25,539,084	\$ (3,410)
Other local sources	1,171,214	1,271,836	1,189,588	(82,248)
Interdistrict sources	3,196,855	3,208,450	3,020,161	(188,289)
State sources	71,689,180	71,810,207	71,810,333	126
Federal sources	4,617,095	4,779,936	4,309,800	(470,136)
Other sources	47,000	468,064	500,344	32,280
Total revenues	106,263,838	107,080,987	106,369,310	(711,677)
Expenditures				
Instruction:				
Regular instruction	45,991,765	46,246,038	45,977,652	268,386
Vocational instruction	3,501,897	3,558,029	3,554,905	3,124
Special instruction	2,527,316	2,507,782	2,498,947	8,835
Other instruction	4,498,830	4,609,042	4,587,619	21,423
Total instruction	56,519,808	56,920,891	56,619,123	301,768
Support services:				
Pupil services	4,173,483	4,983,724	4,666,973	316,751
Instructional staff services	3,452,982	3,638,304	3,437,384	200,920
General administration services	862,627	993,453	993,641	(188)
School administration services	4,843,562	5,053,174	5,042,704	10,470
Business services	1,174,614	1,411,152	1,411,598	(446)
Operations and maintenance of plant	11,928,667	11,604,299	11,474,289	130,010
Pupil transportation	860,992	919,669	903,700	15,969
Central services	4,724,399	5,075,459	5,023,611	51,848
Insurance	861,011	846,157	846,157	
Other support services	269,867	278,233	406,771	(128,538)
Total support services	33,152,204	34,803,624	34,206,828	596,796
Total expenditures	89,672,012	91,724,515	90,825,951	898,564
Excess of revenues over expenditures	16,591,826	15,356,472	15,543,359	186,887
Other financing uses				
Payments to other institutions	(4,198,963)	(4,018,482)	(3,997,545)	20,937
Other	(15,000)	(323,056)	(322,448)	608
Transfers to other funds	(12,377,863)	(11,121,350)	(11,129,682)	(8,332)
Total other financing uses	(16,591,826)	(15,462,888)	(15,449,675)	13,213
Net change in fund balance		(106,416)	93,684	200,100
Fund balance - beginning of year	21,243,550	21,243,550	21,243,550	
Fund balance - end of year	\$ 21,243,550	\$ 21,137,134	\$ 21,337,234	\$ 200,100

The accompanying notes are an integral part of the basic financial statements.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL EDUCATION FUND

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Interdistrict sources	\$	\$	\$ 450	\$ 450
Intermediate sources			3,255	3,255
State sources	4,389,507	4,367,703	4,395,630	27,927
Federal sources	2,955,182	3,411,756	2,815,857	(595,899)
<b>Total revenues</b>	<u>7,344,689</u>	<u>7,779,459</u>	<u>7,215,192</u>	<u>(564,267)</u>
<b>Expenditures</b>				
<b>Instruction:</b>				
Vocational instruction	3,500	3,500	2,334	1,166
Special instruction	14,784,807	13,987,646	13,735,222	252,424
<b>Total instruction</b>	<u>14,788,307</u>	<u>13,991,146</u>	<u>13,737,556</u>	<u>253,590</u>
<b>Support services:</b>				
Pupil services	2,796,205	2,531,074	2,503,047	28,027
Instructional staff services	648,419	769,151	600,807	168,344
General administration services	5,000	5,000	5,846	(846)
Business services	102,160	48,484	36,951	11,533
Operations and maintenance of plant	47,209	83,608	53,117	30,491
Pupil transportation	1,084,295	1,138,172	1,117,948	20,224
Central services	63,085	81,739	64,653	17,086
<b>Total support services</b>	<u>4,746,373</u>	<u>4,657,228</u>	<u>4,382,369</u>	<u>274,859</u>
<b>Total expenditures</b>	<u>19,534,680</u>	<u>18,648,374</u>	<u>18,119,925</u>	<u>528,449</u>
<b>Excess of expenditures over revenues</b>	<u>(12,189,991)</u>	<u>(10,868,915)</u>	<u>(10,904,733)</u>	<u>(35,818)</u>
<b>Other financing sources (uses)</b>				
Payments to other institutions	(187,872)	(232,435)	(204,949)	27,486
Transfers from other funds	12,377,863	11,101,350	11,109,682	8,332
<b>Total other financing sources</b>	<u>12,189,991</u>	<u>10,868,915</u>	<u>10,904,733</u>	<u>35,818</u>
<b>Net change in fund balance</b>				
Fund balance - beginning of year				
Fund balance - end of year	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

The accompanying notes are an integral part of the basic financial statements.

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND**

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 9,573,785	\$ 9,573,785	\$ 9,573,785	\$
Other local sources	9	9	206	197
Total revenues	9,573,794	9,573,794	9,573,991	197
Expenditures				
Debt service:				
Principal	6,485,000	6,485,000	6,485,000	
Interest	3,211,055	3,211,055	3,211,055	
Total debt service	9,696,055	9,696,055	9,696,055	
Total expenditures	9,696,055	9,696,055	9,696,055	
Excess of expenditures over revenues	(122,261)	(122,261)	(122,064)	197
Net change in fund balance	(122,261)	(122,261)	(122,064)	197
Fund balance - beginning of year	1,621,630	1,621,630	1,621,630	
Fund balance - end of year	\$ 1,499,369	\$ 1,499,369	\$ 1,499,566	\$ 197

The accompanying notes are an integral part of the basic financial statements.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## STATEMENT OF NET POSITION - PROPRIETARY FUNDS

As of June 30, 2015

### ASSETS

Current assets	
Cash and cash equivalents	\$ 1,275,629
Accounts receivable	16,508
Due from other governments	245,749
Inventories and prepaid items	<u>40</u>
Total current assets	<u>1,537,926</u>
Noncurrent assets	
Net pension asset	266,256
Property and equipment	1,048,964
Less accumulated depreciation	<u>(591,274)</u>
Total noncurrent assets	<u>723,946</u>
Total assets	<u>2,261,872</u>

### DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows to be recognized in future pension expense	<u>219,913</u>
Total deferred outflows of resources	<u>219,913</u>
Total assets and deferred outflows of resources	<u>2,481,785</u>

### LIABILITIES

Current liabilities	
Accounts payable	107,158
Accrued payroll	86,579
Due to employee benefit trust fund	11,074
Deferred revenue	<u>65,733</u>
Total liabilities	<u>270,544</u>

### NET POSITION

Net investment in capital assets	457,690
Restrict for employee benefits	475,095
Restricted for food service	<u>1,278,456</u>
Total net position	<u>\$ 2,211,241</u>

The accompanying notes are an integral part of the basic financial statements.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

For the Year Ended June 30, 2015

Revenues:	
Food sales	\$ 1,356,878
Intermediate sources	13,922
State sources	119,390
Federal sources	3,197,112
Federal commodities	<u>301,272</u>
Total revenues	<u>4,988,574</u>
Operating expenses:	
Salaries and wages	1,582,947
Employer paid benefits	290,460
Pension expense	99,675
Purchased services	120,445
Supplies, food, and materials	2,517,357
Other	32,873
Depreciation	<u>72,760</u>
Total operating expenses	<u>4,716,517</u>
Operating income	<u>272,057</u>
Nonoperating revenues:	
Investment earnings	<u>783</u>
Total nonoperating revenues	<u>783</u>
Change in net position	<u>272,840</u>
Net position - beginning of year (as previously reported)	1,455,804
Prior period adjustment (See Note 19)	<u>482,597</u>
Net position - beginning of year (as restated)	<u>1,938,401</u>
Net position - end of year	<u>\$ 2,211,241</u>

The accompanying notes are an integral part of the basic financial statements.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the Year Ended June 30, 2015

### CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from user charges	\$ 1,335,340
Cash received from other government payments	3,589,103
Cash received from interest earnings	783
Cash payments to other funds	(81,396)
Cash payments to employees for services	(1,964,003)
Cash payments for utilities and other purchased services	(120,445)
Cash payments to suppliers for goods and services	<u>(2,298,376)</u>
Net cash provided by operating activities	<u>461,006</u>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Cash payments for acquisition of capital assets	<u>(106,135)</u>
Net cash used in investing activities	<u>(106,135)</u>
Change in cash and cash equivalents	354,871
Cash and cash equivalents - beginning of year	<u>920,758</u>
Cash and cash equivalents - end of year	<u>\$ 1,275,629</u>

### RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Change in net position	\$ 272,840
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Loss on disposal of capital assets	4,507
Depreciation	72,760
Changes in assets and liabilities:	
Accounts receivable	(12,266)
Due from other governments	258,793
Inventories and prepaid items	(1)
Change in net pension asset and related deferred outflows	(3,572)
Accounts payable	(54,009)
Accrued payroll	12,651
Due to other funds	(81,396)
Deferred revenue	<u>(9,301)</u>
Net cash provided by operating activities	<u>\$ 461,006</u>

The accompanying notes are an integral part of the basic financial statements.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## STATEMENTS OF FIDUCIARY NET POSITION

As of June 30, 2015

	<u>Agency Funds</u>	<u>Employee Benefit Trust Fund</u>	<u>Private- Purpose Trust</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 375,027	\$ 4,152,726	\$ 192,230
Investments			17,595
Due from grantor agencies	4,608		
Due from other funds	<u>                    </u>	<u>111,187</u>	<u>                    </u>
Total assets	<u>379,635</u>	<u>4,263,913</u>	<u>209,825</u>
<b>LIABILITIES</b>			
Accounts payable	13,722		
Due to student organizations	<u>365,913</u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>379,635</u>	<u>                    </u>	<u>                    </u>
<b>NET POSITION</b>			
Nonspendable			111,019
Restricted	<u>                    </u>	<u>4,263,913</u>	<u>98,806</u>
Total net position	<u>\$                    </u>	<u>\$ 4,263,913</u>	<u>\$ 209,825</u>

The accompanying notes are an integral part of the basic financial statements.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2015

	<u>Employee Benefit Trust Fund</u>	<u>Private- Purpose Trust</u>
<b>ADDITIONS</b>		
Contributions	\$ 3,316,156	\$
Investment earnings	3,402	3,755
Gifts	<u>                    </u>	<u>21,389</u>
Total additions	<u>3,319,558</u>	<u>25,144</u>
<b>DEDUCTIONS</b>		
Payments of scholarships		1,250
Other post retirement benefits expense	<u>1,771,687</u>	<u>                    </u>
Total deductions	<u>1,771,687</u>	<u>1,250</u>
Change in net position	1,547,871	23,894
Net position - beginning	<u>2,716,042</u>	<u>185,931</u>
Net position - ending	<u>\$ 4,263,913</u>	<u>\$ 209,825</u>

The accompanying notes are an integral part of the basic financial statements.



# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 1 - INFORMATION ABOUT THE DISTRICT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. REPORTING ENTITY

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

The School District of Janesville is organized as a unified school district. The district, governed by a nine member elected school board, operates programs for early childhood through grade twelve and is comprised of all or parts of five taxing districts.

The accompanying financial statements present the activities of the School District of Janesville. The district is not a component unit of another reporting entity nor does it have any component units.

The reporting entity for the district is based upon criteria set forth by the Governmental Accounting Standards Board. All functions of the district for which it exercises oversight responsibility are included. The oversight responsibility includes, but is not limited to, financial interdependency between the district and any other governmental entity; control by the district over selection of the entity's governing authority or designation of management; the ability of the district to significantly influence operations of the entity; and whether the district is responsible for the accountability for fiscal matters.

#### B. BASIS OF PRESENTATION

##### *District-Wide Statements*

The statement of net position and the statement of activities present financial information about the district's governmental and business type activities. These statements include the financial activities of the overall district in its entirety, except those that are fiduciary. The effect of internal activity has been eliminated from the district-wide financial statements to avoid double-counting of internal transactions. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 1 - INFORMATION ABOUT THE DISTRICT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The statement of activities presents a comparison between direct expenses and program revenues for each function of the district's governmental activities and for business-type 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.

#### *Fund Financial Statements*

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The district reports the following major governmental funds:

General Fund. This is the district's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund. This fund accounts for activities associated with providing educational programs for students with disabilities. Sources include financial aid received from the state and federal government and payments from other school districts. Excess expenditures of the fund are financed with a transfer from the general fund.

Debt Service Fund. This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental activities.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 1 - INFORMATION ABOUT THE DISTRICT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The district operates one proprietary fund, the food service fund. This fund accounts for the activities of the district's food service program.

The district accounts for assets held as an agent for various student and parent organizations in an agency fund.

The district accounts for transactions related to scholarships for graduating seniors in a private purpose trust fund.

The district accounts for assets that are accumulated to finance retiree health insurance benefits in an employee benefit trust fund.

#### C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The district-wide and proprietary 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 expenses 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 JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 1 - INFORMATION ABOUT THE DISTRICT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### D. ASSETS, LIABILITIES, AND FUND BALANCE

##### *Deposits and Investments*

The district's cash and investments consist of cash on hand, demand deposits, and short-term investments with original maturities of six months or less from date of acquisition. Cash and investment balances for individual funds are pooled unless maintained in segregated accounts.

State statutes permit the district to invest available cash balances, other than debt service funds, in time deposits of authorized depositories, U.S. Treasury obligations, U.S. Agency issues, 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 municipal obligations, obligations of the United States, and the local government pooled-investment fund.

All investments are stated at fair value. Determination of fair value for investment in the state treasurer's investment pool is based on information provided by the State of Wisconsin Investment Board.

##### *Property Tax Levy*

Under Wisconsin law, personal property taxes and first installment real estate taxes can be 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. The county treasurer who then makes settlement with the city, town, village, and school districts before retaining any for county purposes collects second installment real estate taxes and delinquent taxes. Municipalities have the option of turning the entire collection process over to the county treasurer.

The district's property taxes are levied on or before October 31 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 in 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, February 20, and August 20. The lottery tax credit portion of the levy is payable by April 15. 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 property taxes.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 1 - INFORMATION ABOUT THE DISTRICT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2014 tax levy is used to finance operations of the district's fiscal year ended June 30, 2015. 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.

#### *Accounts Receivable*

All accounts receivable are shown 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 such allowance would not be material.

#### *Other Assets*

Expendable supplies or non-capital items acquired for initial use in subsequent fiscal periods are recorded as inventory and/or prepaid supplies. Inventory and prepaid supplies are valued at the lower of cost (first-in, first-out method) or market. The cost is recorded as an expenditure at the time individual inventory items are consumed.

#### *Due to/Due from Other Funds*

The amounts reported on the governmental funds balance sheets as due to and due from other funds represent amounts due between different funds and results from the use of a central checking account reported in the general fund. All interfund balances are expected to be repaid within one year. Eliminations have been made for amounts due to and due from within the same fund type for reporting in the Statement of Net Position. See Note 4 for a detailed description of the interfund balances and transfers as of June 30, 2015.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 1 - INFORMATION ABOUT THE DISTRICT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Capital Assets*

Capital assets are reported at actual cost or at 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 value 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 and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and building improvements	\$ 5,000	Straight-line	20-100 years
Site improvements	5,000	Straight-line	20 years
Furniture and equipment	5,000	Straight-line	10-20 years
Computer and related technology	5,000	Straight-line	5-10 years
Library books and video collections*	5,000	Straight-line	5-7 years

\*For purposes of determining the capitalization threshold for these items, the district groups all purchases by site for the year.

#### *Pensions*

For purposes of measuring the net position liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS), and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. 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.

#### *Vested Employee Benefits*

Vacation. The district's policy does not provide school year employees with paid vacations. However, 12-month employees are provided paid vacation days. Administrators are paid for their unused vacation days at retirement. The superintendent can cash in up to two weeks' vacation annually and directors and high school principals can cash in up to one week annually.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 1 - INFORMATION ABOUT THE DISTRICT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sick Pay. The district's policy allows teachers to earn 10 days of sick pay for each year employed, accumulating to a maximum vested amount of 130 days. Clerical employees can accumulate up to 120 days and custodial and food service employees can accumulate up to 130 days. Administrators and administrative support staff earn up to 13.5 days per year, cumulative to a maximum of the number of contract days worked in a year.

#### *Bond Premiums*

Bond premiums associated with the issuance of general obligation bonds are being amortized using the effective interest method over the life of the bonds.

#### *Bond Origination Discounts*

Discounts associated with the issuance of general obligation bonds are amortized using the straight-line method over the life of the bonds.

#### *Net Position*

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by 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 their governments.

The district applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

#### *Fund Balance*

The district's policy on fund balance is to maintain a level of fund balance which strives to avoid cash flow borrowing, help maintain the district's current high quality bond ratings, to provide a resource for emergency expenditures, and to ensure continuity of the district's self-funded medical insurance plan. See Note 6 for additional information regarding the district's fund balances.

#### *State and Federal Aids*

State general, categorical, and SAGE aids are recognized as revenue in the entitlement year. Federal and state aids for reimbursable programs are recognized as revenue in the year related program expenditures are incurred. Aids received prior to meeting revenue recognition criteria are recorded as deferred revenues.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 1 - INFORMATION ABOUT THE DISTRICT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. ESTIMATES

The preparation of financial statements 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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

### NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

Differences between the governmental funds statement of revenues, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories:

- a. Long-term revenue differences arise because governmental funds report revenues only when they are considered "available," whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities. The long-term expenses reported in the statement of activities recognize the change in vested employee benefits.
- b. Capital related differences include (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording depreciation expense on those items as recorded in the statement of activities.
- c. Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability, interest expense is recorded as incurred, and principal payments are recorded as a reduction of liabilities.



# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 3 - CASH AND INVESTMENTS

Investments are carried at fair value. Fair value for investments is based on quoted market prices, except for investments in the Local Government Investment Pool (LGIP), which are based on information provided by the State of Wisconsin Investment Board. The LGIP is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. The district, at any point in time, is able to remove the pool shares deposited at full value plus any accrued interest. The Legislative Audit Bureau audits the SIF annually.

The district's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of six months or less from the date of acquisition.

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

Deposits: As of June 30, 2015, deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for demand deposits and time deposits. In addition, the state of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per entity above the amount provided by the FDIC. However, due to the relatively small size of the State Guarantee Fund in relation to the total coverage, total recovery of losses may not be available. As of June 30, 2015, \$24,325,616 of the district's bank balance of \$24,975,616 was uninsured. The district's bank balances are uncollateralized.

The district is required to invest its funds in accordance with Wisconsin Statute 66.0603. The school board has adopted an investment policy pursuant to these statutes which allows the district to invest in the following:

- Time deposits
- Securities guaranteed by the U.S. Government
- Securities of Wisconsin Municipal Units including Educational and School Districts
- Other highly rated securities
- Local Government Investment Pool
- Repurchase agreements
- Wisconsin Investment Series Cooperative

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 3 - CASH AND INVESTMENTS (continued)

*Custodial Credit Risk - Deposits.* 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.

*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.

*Credit Risk.* Investments held in the Wisconsin Investment Series Cooperative and in the State Treasurer's Investment Pool conform with investment guidelines as required by state law. Both of these investments are unrated.

*Concentration of Credit Risk.* The district places no limit on the amount the district may invest in any one issuer.

As of June 30, 2015, the district had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Investment in State Treasurer's Investment Pool	Less than 6 months	\$ 811,820
Wisconsin Investment Series Cooperative	Less than 1 year	5,672,227
Chase Bank High Interest Savings	Less than 3 months	18,839,184
Johnson Bank Scholarship Investments	No stated maturities	<u>154,553</u>
		<u>\$ 25,477,784</u>

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**NOTE 4 - INTERFUND BALANCES/TRANSFERS**

Individual fund interfund receivable and payable balances at June 30, 2015, are as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General fund	\$ 100,113	\$
Food service fund	11,074	
Fiduciary funds		<u>111,187</u>
	<u>\$ 111,187</u>	<u>\$ 111,187</u>

Interfund balances result from the time lag 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.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. There were no material transfers between funds for the year ended June 30, 2015.

**NOTE 5 - EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS**

The following individual funds had an excess of actual expenditures over budget for the year ended June 30, 2015:

<u>Fund</u>	<u>Excess Expenditures</u>
General fund	
Transfers to other funds	\$ 8,332

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 6 - FUND BALANCES

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

Nonspendable - Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This includes items such as inventories, prepaid amounts, the long-term amount of loans and notes receivable, property held for resale (unless the proceeds are restricted, committed, or assigned), and the corpus of a permanent fund.

Restricted - Includes amounts that can be spent only for the specific purposes stipulated by constitution provisions, external resource providers, or through enabling legislation.

Committed - Includes amounts that can be used only for the specific purposes determined by formal action of the Board of Education (the district's highest level of decision-making authority).

Assigned - Includes amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned - The residual classification for the general fund. Includes all funds that have not been assigned to other funds and have not been restricted, committed, or assigned to specific purposes.

The district's policy on general fund balance is for the district to strive: (1) to maintain an assigned general fund balance of 17-23% of general and special education fund budgeted expenditures for the ensuing fiscal year, excluding claims expenses for self-funded health insurance, (2) to maintain a self-funded medical plan claim stabilization reserve of not less than 10% of the expected claims cost for the ensuing fiscal year, and (3) to limit the use of unassigned fund balance to funding the district's Other Post-Employment Benefits (OPEB) liability, reducing the district's property tax levy, or one-time expenditures such as the start-up cost of a new program or one-time cost of a capital expenditure. As such, the district's general fund balance has been classified in accordance with this policy.

The district will generally use restricted amounts before unrestricted amounts when doing so does not result in loss of general state aid.

The district's fund balance categories are presented in the Governmental Fund Balance Sheet.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 7 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2015, were as follows:

	Beginning Balance	Increases	Reclassifications	Decreases	Ending Balance
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Sites (land)	\$ 1,329,744	\$	\$	\$ 411	\$ 1,329,333
Site improvements	703,841				703,841
Total sites and site improvements not being depreciated	2,033,585			411	2,033,174
Capital assets being depreciated:					
Site improvements	4,133,890	176,766	(24,127)	11,148	4,275,381
Buildings and building improvements	176,002,108	870,903	469,516		177,342,527
Furniture and equipment	22,444,320	310,774	(445,389)	234,672	22,075,033
Total capital assets being depreciated	202,580,318	1,358,443		245,820	203,692,941
Less accumulated depreciation for:					
Site improvements	(1,848,054)	(204,864)	11,825	(7,293)	(2,033,800)
Buildings and building improvements	(48,797,488)	(4,204,404)	(14,814)		(53,016,706)
Furniture and equipment	(14,098,417)	(1,685,496)	2,989	(182,121)	(15,598,803)
Total accumulated depreciation	(64,743,959)	(6,094,764)		(189,414)	(70,649,309)
Total capital assets being depreciated, net of accumulated depreciation	137,836,359	(4,736,321)		56,406	133,043,632
Governmental activities capital assets, net of accumulated depreciation	\$ 139,869,944	\$ (4,736,321)	\$	\$ 56,817	\$ 135,076,806
<b>Business-type activities:</b>					
Capital assets being depreciated:					
Property and equipment	\$ 968,329	\$ 106,135		\$ 25,500	\$ 1,048,964
Less accumulated depreciation	(539,507)	(72,760)		(20,993)	(591,274)
Business-type activities capital assets, net of accumulated depreciation	\$ 428,822	\$ 33,375	\$	\$ 4,507	\$ 457,690
Depreciation expense was charged to governmental functions as follows:					
Regular instruction	\$ 339,073				
Vocational instruction	146,549				
Special education instruction	25,177				
Other instruction	33,611				
Depreciation not charged to a specific function	5,550,354				
Total depreciation for governmental activities	\$ 6,094,764				

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 8 - LONG-TERM OBLIGATIONS

Long-term obligations of the district as of June 30, 2015 and 2014, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
Bonds and notes payable					
Capital projects	\$ 78,260,000	\$ _____	\$ 6,485,000	\$ 71,775,000	\$ 6,510,000
Total bonds payable	78,260,000	_____	6,485,000	71,775,000	6,510,000
<b>Other liabilities</b>					
Vested employee benefits					
Longevity	10,066		2,726	7,340	1,100
Pension benefits	945,633	89,205	170,542	864,296	77,975
Other postemployment benefits	13,714,863	3,034,906	3,055,344	13,694,425	1,246,000
Bond premium	205,886	_____	49,126	156,760	49,126
Total other liabilities	14,876,448	3,124,111	3,277,738	14,722,821	1,374,201
Total governmental activities long-term liabilities	\$ 93,136,448	\$ 3,124,111	\$ 9,762,738	\$ 86,497,821	\$ 7,884,201
<b>Business type activities:</b>					
Bonds and notes payable	NONE				
Capital leases	NONE				

Total interest paid during the year aggregated \$3,211,055. Total interest incurred during the year aggregated \$3,129,542.

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**NOTE 8 - LONG-TERM OBLIGATIONS** (continued)

General Obligation Debt

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the district. General obligation debt at June 30, 2015, is comprised of the following individual issues:

<u>Description</u>	<u>Issue Date</u>	<u>Interest Rate (%)</u>	<u>Date of Maturity</u>	<u>Balance June 30, 2015</u>
Notes and bonds awarded to:				
BOSC, Inc.	12/05/11	1.9 - 2.0	03/01/17	\$ 1,485,000
Harris N.A.	05/01/07	4.0 - 4.5	03/01/27	23,400,000
UBS Securities, LLC	07/15/08	4.0 - 4.625	03/01/28	28,300,000
Stern Brothers & Company	11/01/10	1.70 - 5.3	03/01/30	13,565,000
Stern Brothers & Company	12/18/13	1.10 - 3.0	03/01/19	<u>5,025,000</u>
Total general obligation debt				<u><u>\$ 71,775,000</u></u>

The 2014 equalized valuation of the district as certified by the Wisconsin Department of Revenue is \$3,756,916,892. The legal debt limit and margin of indebtedness as of June 30, 2015, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$3,756,916,892)	\$ 375,691,689
Deduct long-term debt applicable to debt margin	<u>71,775,000</u>
 Margin of indebtedness	 <u><u>\$ 303,916,689</u></u>

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 8 - LONG-TERM OBLIGATIONS (continued)

Aggregate cash flow requirements for the retirement of long-term principal and interest on June 30, 2015, follows:

Year Ended				
June 30	Principal	Interest	Total	
2016	\$ 6,510,000	\$ 2,992,313	\$ 9,502,313	
2017	6,685,000	2,783,733	9,468,733	
2018	6,135,000	2,565,320	8,700,320	
2019	6,135,000	2,330,220	8,465,220	
2020	4,945,000	2,091,801	7,036,801	
2021 - 2025	25,265,000	7,218,226	32,483,226	
2026 - 2030	16,100,000	1,758,291	17,858,291	
	<u>\$ 71,775,000</u>	<u>\$ 21,739,904</u>	<u>\$ 93,514,904</u>	

### NOTE 9 - EMPLOYEE PENSION PLANS

#### Defined Benefit Plan

##### *Plan description*

The 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.

##### *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.



# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 9 - EMPLOYEE PENSION PLANS (continued)

#### *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.

#### *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:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2005	2.6%	7.0%
2006	0.8%	3.0%
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%

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 9 - EMPLOYEE PENSION PLANS (continued)

#### *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. 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. During the reporting period, the WRS recognized \$4,390,240 in contributions from the employer.

Contribution rates as of June 30, 2015, are:

	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.8%	6.8%
Executives and elected officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

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

At June 30, 2015, the district reported an asset of \$11,321,639 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. 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 asset was based on the district's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the district's proportion was 0.46092746%, which was a decrease of 0.00305177% from its proportion measured as of December 31, 2013. For the year ended June 30, 2015, the district recognized pension expense of \$4,238,341.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 9 - EMPLOYEE PENSION PLANS (continued)

At June 30, 2015, the district reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 1,641,285
Net differences between projected and actual earnings on pension plan investments	5,482,485
Changes in proportion and differences between employer contributions and proportionate share of contributions	39,565
Employer contributions subsequent to the measurement date	<u>2,187,755</u>
Total	<u>\$ 9,351,090</u>

\$2,187,755 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction on the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	<u>Deferred Outflows of Resources</u>
2016	\$ 1,408,563
2017	1,408,563
2018	1,408,563
2019	1,408,563
2020	1,408,563
Thereafter	120,520

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 9 - EMPLOYEE PENSION PLANS (continued)

#### *Actuarial assumptions*

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2013
Measurement date of net pension asset	December 31, 2014
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% - 5.8%
Mortality	WI 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 2012 using experience from 2009 - 2011. The total pension liability for December 31, 2014, is based upon a roll-forward of the liability calculated from the December 31, 2013, actuarial valuation.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 9 - EMPLOYEE PENSION PLANS (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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Real Rate of Return</u>	<u>Target Allocation</u>
US equities	5.3%	21.0%
International equities	5.7%	23.0%
Fixed income	1.7%	36.0%
Inflation sensitive assets	2.3%	20.0%
Real estate	4.2%	7.0%
Private equity/debt	6.9%	7.0%
Multi-asset	3.9%	6.0%
Cash	0.9%	-20.0%

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 3.56%. 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.

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**NOTE 9 - EMPLOYEE PENSION PLANS (continued)**

*Sensitivity of the district's proportionate share of the net pension asset to changes in the discount rate*

The following presents the district's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.2%, as well as what the district's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.2%) or 1-percentage point higher (8.20%) than the current rate:

<u>Asset Class</u>	<u>1% Decrease to Discount Rate (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase to Discount Rate (8.20%)</u>
District's proportionate share of the net pension liability (asset)	\$ 31,940,294	\$ (11,321,639)	\$ (45,488,165)

*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://legis.wisconsin.gov/lab/> and reference report number 15-11.

Defined Contribution Plans

The district offers a 403(b) plan and a 457 plan to employees who meet certain eligibility requirements. Employees may defer limited amounts of compensation under these plans. There are no employer matching contributions for these plans.

**NOTE 10 - OPERATING LEASES, AS LESSEE**

The district, as lessee, leases a number of copiers through March 2020. The lease calls for monthly payments of \$15,078. Rent expense under this lease was \$145,690 for the year ended June 30, 2015.

The district leases space for its Charter School under an operating lease through June 30, 2015. The operating lease shall automatically extend for subsequent one year periods. Effective July 1, 2015, the lease calls for monthly payments of \$10,748 and has a 2.5% annual escalator. Rent expense under this lease was \$125,826 for the year ended June 30, 2015.

The district leases space for its TAGOS Academy under an operating lease through August 2016. That lease calls for monthly payments of \$11,665. Rent expense under this lease was \$139,977 for the year ended June 30, 2015.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 10 - OPERATING LEASES, AS LESSEE (continued)

The district leases a storage facility under an operating lease which ended October 2011 and is currently being leased on a month-by-month basis. The lease calls for monthly payments of \$4,677. Rent expense under this lease was \$56,127 for the year ended June 30, 2015.

Future minimum lease payments under these leases are as follows:

Year ended June 30	
2016	\$ 449,886
2017	204,268
2018	180,938
2019	180,938
2020	<u>135,704</u>
	<u>\$ 1,151,734</u>

### NOTE 11 - SELF-FUNDED INSURANCE PROGRAM

On September 1, 1983, the district established a self-funded health and dental benefit plan for its employees. The plan administrators, Professional Benefits Administrators ("PBA") and Delta Dental, process and pay claims on behalf of the district. The district funds the program and pays all fees. The plan reports on a fiscal year ending August 31.

Drug claims are also processed and paid for by a third party administrator. They then submit a billing to PBA who process the claim for reimbursement in accordance with the policies established for all claims processing.

Accounting and budgeting requirements for the plan are established by the Wisconsin Department of Public Instruction. Prior to July 1, 1992, the plan was accounted for as an internal service fund of the district. Currently, the plan is accounted for in the general fund of the district.

As part of the health coverage of the plan, the district purchases stop-loss coverage which pays claims in excess of \$375,000 per individual, with unlimited lifetime maximum coverage. For the year ended June 30, 2015, there were three claims subject to stop-loss coverage.

At June 30, 2015, the district has reported an estimated liability of \$1,785,000 which represents reported and unreported claims which were incurred on or before June 30, 2015, but were not paid by the district as of that date. Effective July 1, 2015, the district is no longer self-funded, but all reported and unreported claims which were incurred on or before June 30, 2015 will be paid from the self-funded reserve.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 11 - SELF-FUNDED INSURANCE PROGRAM (continued)

Reported and unreported claims:

Estimated Liability Balance July 1, 2014	Current Year Claims and Changes In Estimates	Claim Payments	Estimated Liability Balance June 30, 2015
<u>\$ 1,830,000</u>	<u>\$ 17,380,171</u>	<u>\$ 17,425,171</u>	<u>\$ 1,785,000</u>

### NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES

Encumbrances Outstanding - Encumbrances for purchase orders, contracts and other commitments for expenditures are recognized by the district as a reservation of fund balance. On June 30, 2015, there were \$1,293,371 of encumbrances outstanding.

### NOTE 13 - SUPPLEMENTAL PENSION PLAN

The district provides a single-employer defined benefit supplemental pension benefit to eligible administrators. This benefit was discontinued for new hires effective March 1, 2006. Administrators hired before this date retained the benefit.

Prior to discontinuance and according to the terms of its agreement with the Janesville Education Association, which also covers district administrators, the district agreed to provide an annual stipend to eligible administrators. To be eligible, administrators were required to work for the district for a minimum of 10 years and have at least 26 years of combined administrative/teaching experience. Eligible retirees shall receive an annual stipend equal to 30% of the last step of the last lane of the Teachers' salary schedule in effect following retirement ("base amount"). This amount will be increased by 1% for each additional year of service between 15 and 25 years, up to a maximum of 40% of base amount. Retirees shall receive this stipend amount in return for their initial 26 years of service. For each additional year of service (beyond 26), this annual stipend benefit will be paid out for one additional year. The annual stipend will be paid out for a maximum of 5 years, but shall terminate should a retiree become eligible for unreduced social security benefits.

There is no legal or contractual maximum contribution rate. The district is currently funding the plan on a "pay-as-you-go" basis. At June 30, 2015 and 2014, the plan has no legally-required reserves or designations and no invested plan assets accumulated for payment of future benefits.

Benefits that require payment in future fiscal years, though related to currently-received services, are recorded as an expenditure in the period incurred for district-wide presentation and as an expenditure in the period paid or normally payable for governmental reporting.



# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 13 - SUPPLEMENTAL PENSION PLAN (continued)

As of June 30, 2015, the district had five retirees receiving benefits under the plan. There are no terminated members entitled to, but not yet receiving benefits. The district has eight additional employees that were hired prior to the discontinuation of the plan that are expected to be eligible for benefits under the plan.

The district's annual pension cost and net pension obligation for the current year is:

<u>Component</u>	<u>Amount</u>
Annual required contribution	\$ 89,205
Interest on net pension obligation	
Adjustment to annual required contribution	<u>(42,480)</u>
Annual pension cost (expense)	46,725
Pension payments made	<u>(128,062)</u>
Decrease in net pension obligation	(81,337)
Net pension obligation - beginning of year	<u>945,633</u>
Net pension obligation - end of year	<u>\$ 864,296</u>

The annual required contribution for the current year was determined as part of the July 1, 2014, actuarial valuation using the unit credit method. The actuarial assumptions included (a) 4.0% discount rate, (b) level percent increases at 3.0% per annum, (c) a 3.0% rate of inflation, among others. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to 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 employee to that point. Actuarial calculations reflect a long-term perspective, and consistent with that perspective, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 13 - SUPPLEMENTAL PENSION PLAN (continued)

The district's annual pension cost, the percentage of the annual pension cost attributed to the plan, and the net pension obligation for 2015 and the preceding two years were:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
6/30/2015	\$ 46,725	274.08%	\$ 864,296
6/30/2014	75,562	299.28%	945,633
6/30/2013	70,761	410.13%	1,096,212

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The district maintains a single-employer defined benefit OPEB plan that is administered as a trust. The district accounts for OPEB under GASB #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*.

Under terms of its agreements with the Janesville Education Association and the AFSCME Local 938 Custodial/Maintenance Food Service Unit, the district provides medical insurance and life insurance to these employees who elect early retirement. Early retirement may be elected by eligible employees who have attained certain age and service requirements. Teachers and administrative support staff who qualify for early retiree benefits are entitled to a maximum of 48 months of paid health insurance premiums exclusive of sick days conversion, or until age 65, whichever occurs first. Members of the AFSCME bargaining units (custodial, maintenance, food service, secretarial, clerical, and aide employees) who qualify for early retiree benefits are entitled to a maximum of 36 months of paid health insurance premiums, or until age 65, whichever occurs first. Non-administrative retirees are not eligible for a monthly credit applied against their health insurance premium after they begin paying their own premiums. The district also provides life insurance to qualified early retirees at varying rates depending on the type of employee.

Benefits that require payment in future fiscal years, though related to currently-received services, are recorded as an expenditure in the period incurred for district-wide presentation and as an expenditure in the period paid or normally payable for governmental reporting.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

As of July 1, 2014, the district had 159 retirees receiving benefits under the plan. There are no terminated members entitled to, but not yet receiving benefits. The district has 915 employees in active service. The district's Board of Education maintains the right to amend the provisions of the plan, including employer and employee obligations to contribute to the plan.

The Statements of Plan Net Position and Changes in Plan Net Position are maintained on the accrual basis of accounting. Plan assets are recorded at published fair market values.

The funding policy of the plan states that the employer will fund 100% of the contributions to the plan, including costs to administer the plan. There are no legal or contractual maximum contribution rates. The district is currently funding the plan on a "pay-as-you-go" basis. At June 30, 2015 and 2014, the plan has no legally-required reserves or designations, other than the net position of \$4,263,913 and \$2,716,042, respectively.

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

<u>Component</u>	<u>Amount</u>
Annual required contribution	\$ 3,034,906
Interest on net OPEB obligation	
Adjustment to annual required contribution	<u>                    </u>
Annual OPEB cost (expense)	3,034,906
OPEB payments made	<u>(3,055,344)</u>
Decrease in net OPEB obligation	(20,438)
Net OPEB obligation - beginning of year	<u>13,714,863</u>
Net OPEB obligation - end of year	<u>\$ 13,694,425</u>

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

The district's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the preceding two years were:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$ 3,034,906	100.67%	\$ 13,694,425
6/30/2014	5,366,891	57.03%	13,714,836
6/30/2013	5,316,927	70.04%	11,408,490

The actuarial methods and assumptions used are based on the claims data and the equivalent premium rate history of the district's medical and drug plans for actives and retirees and retirement age trends. The actuarial valuation provided for a 30-year amortization of the unfunded accrued liability based upon the level percent method. The overall actuarial cost method used was the "unit credit" method. An investment rate of return of 5% was used, along with an initial medical care trend rate of 7.5%, decreasing by 0.5% per year down to 6.5%, then decreasing by 0.1% per year down to 5%, and level thereafter. The rate of inflation used was 3%. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to 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 employee to that point. Actuarial calculations reflect a long-term perspective, and consistent with that perspective, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

# **SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

### **NOTE 15 - OTHER EMPLOYEE BENEFIT AMOUNTS**

The district had a policy allowing qualified administrative staff to earn a retirement benefit equivalent of up to \$300 per year of service. Upon retirement, the employee was entitled to payment in cash. That policy has been revised effective July 1, 2002, whereby the \$300 is submitted to the Wisconsin Retirement System as an additional contribution on the employee's behalf. All accumulated balances for past years of service were frozen and are paid out to employees upon termination or the month of their 55<sup>th</sup> birthday, whichever comes first.

### **NOTE 16 - BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental and special revenue funds. The statutes do not require a limit at which expenditures may not legally exceed appropriations. Any appropriations lapse at year end.

### **NOTE 17 - LIMITATION ON SCHOOL DISTRICT REVENUES**

Wisconsin statutes limit the amount of revenues that school districts may derive from general school aids and property taxes. The annual revenue increase from these sources is limited by statute or the CPI-adjusted dollar amount on the prior year per pupil amount unless a higher amount has been 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 a referendum prior to August 12, 1993.
- A referendum on or after August 12, 1993.

For the fiscal year ended June 30, 2015, the district did not exceed its revenue limit.

### **NOTE 18 - RISK MANAGEMENT**

The district is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the district carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 19 - PRIOR PERIOD ADJUSTMENT

The district recorded a prior period adjustment to restate beginning fund equity for the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. This statement established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. The provisions of GASB Statement No. 68 were effective for financial statement periods beginning after June 15, 2014. Accounting changes adopted to conform to the provisions of GASB Statement No. 68 were applied retroactively by restating beginning net position, as required.

### NOTE 20 - SUBSEQUENT EVENTS

The district has performed an evaluation of subsequent events requiring disclosure that have occurred after the statement of net position date but before the financial statements are issued or available to be issued. The district has evaluated its subsequent events through October 30, 2015, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS FOR  
OTHER POSTEMPLOYMENT BENEFITS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
<u>Other Postemployment Benefits (Note 14)</u>						
7/1/2014	\$ 2,716,042	\$ 29,260,517	\$ 26,544,475	9.28%	\$ 50,871,575	52.18%
7/1/2012		49,688,530	49,688,530	0.00%	57,682,007	86.14%
7/1/2010		54,342,668	54,342,668	0.00%	59,178,714	91.83%
<u>Supplemental Pension (Note 13)</u>						
7/1/2014	\$	\$ 648,271	\$ 648,271	0.00%	\$ 2,942,236	22.03%
7/1/2012		1,135,372	1,135,372	0.00%	2,736,354	41.49%
7/1/2010		1,515,485	1,515,485	0.00%	3,174,258	47.74%



**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY (ASSET) AND DISTRICT CONTRIBUTIONS**

Wisconsin Retirement System

Last 10 Fiscal Years\*

	<u>2014</u>
District's proportion of the net pension liability (asset)	0.46092746%
District's proportionate share of the net pension liability (asset)	\$ (11,321,639)
District's covered-employee payroll	\$ 63,306,487
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%
District's contractually required contributions	\$ 4,431,867
District contributions in relation to the contractually required contributions	\$ 4,431,867
District's covered-employee payroll	\$ 63,306,487
District's contributions as a percentage of covered-employee payroll	7.00%

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. The calendar year 2014 information presented above was the only available year of information.

*Notes to Required Supplementary Information:*

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.

**OTHER SUPPLEMENTAL FINANCIAL INFORMATION**

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

Year Ended June 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 384,658	\$ 2,123,760	\$ 2,133,391	\$ 375,027
Total assets	<u>\$ 384,658</u>	<u>\$ 2,123,760</u>	<u>\$ 2,133,391</u>	<u>\$ 375,027</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 18,724	\$ 259,429	\$ 264,431	\$ 13,722
Due to (from) grantor agencies	1,370	652,737	658,715	(4,608)
Due to student organizations:				
High school	148,220	719,725	741,148	126,797
Middle school	108,312	306,670	287,975	127,007
Elementary school	103,063	176,915	173,264	106,714
Other schools	<u>4,969</u>	<u>8,284</u>	<u>7,858</u>	<u>5,395</u>
Total liabilities	<u>\$ 384,658</u>	<u>\$ 2,123,760</u>	<u>\$ 2,133,391</u>	<u>\$ 375,027</u>

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**ANALYSIS OF LOCAL LEVY**

June 30, 2015

	<u>2013 Taxes Receivable July 1, 2014</u>	<u>Total 2014 Levy</u>	<u>Collections</u>	<u>2014 Taxes Receivable June 30, 2015</u>
City of Janesville	\$ 9,305,669	\$ 31,594,395	\$ 31,945,405	\$ 8,954,659
Town of Harmony	2,052	6,950	7,232	1,770
Town of Janesville	468,747	1,599,549	1,626,107	442,189
Town of La Prairie	146,376	378,189	407,859	116,706
Town of Rock	<u>484,521</u>	<u>1,455,196</u>	<u>1,463,377</u>	<u>476,340</u>
	<u>\$ 10,407,365</u>	<u>\$ 35,034,279</u>	<u>\$ 35,449,980</u>	<u>\$ 9,991,664</u>