

SCHOOL DISTRICT OF JANESVILLE
Janesville, Wisconsin

BASIC FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT

For the Year Ended June 30, 2014

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

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SCHOOL DISTRICT OF JANESVILLE
Janesville, Wisconsin

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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, 2014, and the related notes to the financial statements, which collectively comprise the district's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2014, 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 and the Schedule of Funding Progress for Postemployment Benefits on pages 4 to 13, and 55, respectively, 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 57 to 58 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 21, 2014, 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 21, 2014

Smith & Gesteland, LLP
SMITH & GESTELAND, LLP

School District of Janesville
Management's Discussion and Analysis
For the Year Ended June 30, 2014

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, 2014, as required by Governmental Accounting Standards Board Statement No. 34.

FINANCIAL HIGHLIGHTS

- The District's combined net position remained fairly constant as there was a decrease of only \$.4 million or 0.5%.
- About \$2.1 million of the fund balance was required for operations as a portion of the reserve for self-funded claims was utilized.
- The District made their second contribution to the OPEB trust in the amount of \$1.0 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 a 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 decreased by 0.5% to \$70,085,544. The net position of governmental activities decreased by \$581,276 or (0.8%). The net position of the food service program increased by \$218,414 or 17.7%.

Table 1
Condensed Statement of Net Assets

| | Governmental Activities | | Business-type Activities | | Total | | % Change |
|----------------------------------|-------------------------|---------------|--------------------------|--------------|---------------|---------------|----------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | |
| Current Assets | \$ 40,972,019 | \$ 44,067,805 | \$ 1,429,581 | \$ 1,226,617 | \$ 42,401,600 | \$ 45,294,422 | -6.4% |
| Capital Assets | 139,921,027 | 141,904,168 | 428,822 | 275,642 | 140,349,849 | 142,179,810 | -1.3% |
| Total Assets | 180,893,046 | 185,971,973 | 1,858,403 | 1,502,259 | 182,751,449 | 187,474,232 | -2.5% |
| Current Liabilities | 28,209,672 | 28,546,757 | 402,599 | 264,869 | 28,612,271 | 28,811,626 | -0.7% |
| Long-term debt outstanding | 84,053,634 | 88,214,200 | - | - | 84,053,634 | 88,214,200 | -4.7% |
| Total Liabilities | 112,263,306 | 116,760,957 | 402,599 | 264,869 | 112,665,905 | 117,025,826 | -3.7% |
| Net Position | \$ 68,629,740 | \$ 69,211,016 | \$ 1,455,804 | \$ 1,237,390 | \$ 70,085,544 | \$ 70,448,406 | -0.5% |
| Net Investment in Capital Assets | \$ 75,839,744 | \$ 72,589,958 | \$ 428,822 | \$ 275,642 | \$ 76,268,566 | \$ 72,865,600 | 4.7% |
| Restricted | 542,679 | 574,680 | 1,026,982 | 961,748 | 1,569,661 | 1,536,428 | 2.2% |
| Unrestricted | (7,752,883) | (3,953,622) | - | - | (7,752,883) | (3,953,622) | 96.1% |
| Total Net Position | \$ 68,629,540 | \$ 69,211,016 | \$ 1,455,804 | \$ 1,237,390 | \$ 70,085,344 | \$ 70,448,406 | -0.5% |

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 2014 and 2013, respectively. As demonstrated, general revenues are the primary source of funding for governmental activities at 85.0%, while program revenues provide almost the entire source of funding for business-type activities.

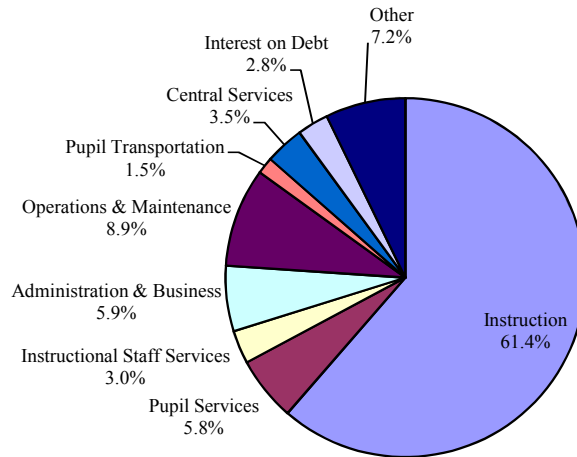
Table 2
Changes in Net Position
For the Year Ending June

| | Governmental | | Business-type | | Total | | Total | |
|----------------------------------|-----------------------|-------------|---------------------|-------------|-----------------------|---------------|-----------------------|-------------|
| | Activities | % | Activities | % | | % | | % |
| | 2014 | | 2014 | | 2014 | | 2013 | |
| Revenues: | | | | | | | | |
| Program Revenues | | | | | | | | |
| Charges for Services | \$ 4,332,196 | 3.6% | \$ 1,467,708 | 30.6% | \$ 5,799,904 | 4.6% | \$ 6,342,009 | 5.1% |
| Operating Grants & Contributions | 13,664,210 | 11.4% | 3,320,298 | 69.4% | 16,984,508 | 13.6% | 16,135,589 | 13.0% |
| Capital Grants & Contributions | | | | | | | | |
| General Revenues | | | | | | | | |
| Property Taxes | 35,904,552 | 29.8% | | | 35,904,552 | 28.7% | 36,160,932 | 29.2% |
| General State Aid | 65,526,996 | 54.4% | | | 65,526,996 | 52.5% | 64,371,353 | 52.0% |
| Other | 928,842 | 0.8% | 639 | 0.0% | 929,481 | 0.7% | 748,398 | 0.6% |
| Total Revenues | <u>\$ 120,356,796</u> | <u>100%</u> | <u>\$ 4,788,645</u> | <u>100%</u> | <u>\$ 125,145,441</u> | <u>100.0%</u> | <u>\$ 123,758,281</u> | <u>100%</u> |
| Expenses: | | | | | | | | |
| Instruction | \$ 74,100,086 | 61.3% | | | \$ 74,100,086 | 59.0% | \$ 76,031,791 | 59.3% |
| Pupil Services | 7,064,532 | 5.8% | | | 7,064,532 | 5.6% | 7,140,407 | 5.6% |
| Instructional Staff Services | 3,658,963 | 3.0% | | | 3,658,963 | 2.9% | 3,334,815 | 2.6% |
| Administration & Business | 7,080,045 | 5.9% | | | 7,080,045 | 5.6% | 6,662,880 | 5.2% |
| Operations & Maintenance | 10,810,407 | 8.9% | | | 10,810,407 | 8.6% | 10,958,684 | 8.5% |
| Pupil Transportation | 1,844,351 | 1.5% | | | 1,844,351 | 1.5% | 1,886,900 | 1.5% |
| Central Services | 4,290,797 | 3.5% | | | 4,290,797 | 3.4% | 3,859,598 | 3.0% |
| Interest on Debt | 3,424,843 | 2.8% | | | 3,424,843 | 2.7% | 3,641,945 | 2.8% |
| Other | 8,664,048 | 7.2% | 4,570,231 | 100.0% | 13,234,279 | 10.5% | 14,719,585 | 11.5% |
| Total Expenses | <u>\$ 120,938,072</u> | <u>100%</u> | <u>\$ 4,570,231</u> | <u>100%</u> | <u>\$ 125,508,303</u> | <u>100%</u> | <u>\$ 128,236,605</u> | <u>100%</u> |
| Change in Net Position | <u>\$ (581,276)</u> | | <u>\$ 218,414</u> | | <u>\$ (362,862)</u> | | <u>\$ (4,478,324)</u> | |

Governmental Activities: Property taxes are levied for two purposes - general and debt. About 25.6% of the levy was used for long-term interest and debt retirement. The decrease in the District's financial position was primarily the result of fund balance usage.

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 2013-14



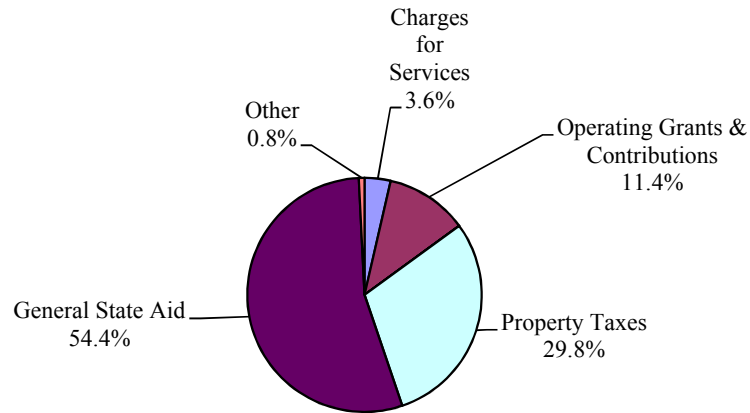
The net cost of providing services is shown in Table 3. Net cost is the total cost of the service less any user fees generated by the activities or any intergovernmental aid or gifts received for specific programs. The net cost shows the reliance on general revenues of the district, primarily state aid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

**Table 3
Cost of Governmental Activities**

| | Total Cost of Services 2014 | Net Cost of Services 2014 |
|------------------------------|--------------------------------|------------------------------|
| Instruction | \$ 74,100,086 | \$ 57,404,854 |
| Pupil Services | 7,064,532 | 6,652,580 |
| Instructional Staff Services | 3,658,963 | 3,342,226 |
| Administration & Business | 7,080,045 | 7,080,045 |
| Operations & Maintenance | 10,810,407 | 10,665,407 |
| Pupil Transportation | 1,844,351 | 1,844,306 |
| Central Services | 4,290,797 | 4,290,797 |
| Interest on Debt | 3,424,843 | 3,424,843 |
| Other | 8,664,048 | 8,236,608 |
| Total Expenses | \$ 120,938,072 | \$ 102,941,666 |

Program revenues offset 14.9%, or about \$18.0 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.

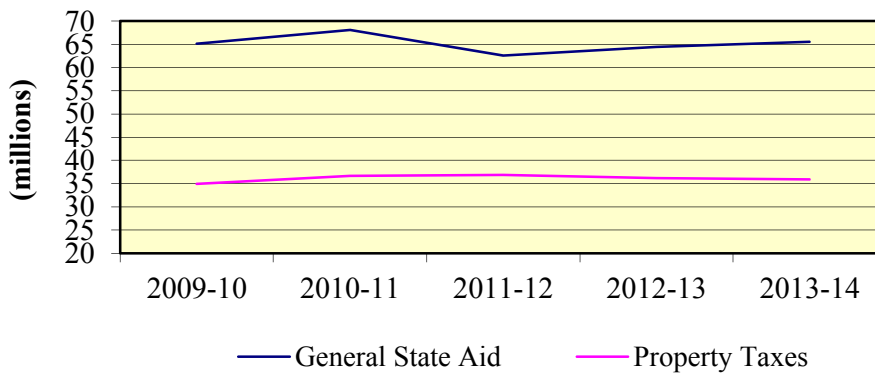
Fiscal 2013-14 Revenue by Source - Governmental Activities



General revenues consist primarily of General State aid and property taxes. An increase in General State aid received by the District and a small 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)

| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|--------------------------|---------|---------|---------|---------|---------|
| General State Aid | 65.1 | 68.1 | 62.6 | 64.4 | 65.5 |
| Property Taxes | 34.9 | 36.6 | 36.9 | 36.2 | 35.9 |



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 49.7% of students qualify for free or reduced meals in 2013-2014.

Overall, the food service fund generated \$218,414 for 2013-14. Prices will be increased minimally in the 2014-2015 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 2014-2015.

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. An 8.9% decrease (\$2.2 million) in total governmental fund balance reduced the balance to \$22.9 million.

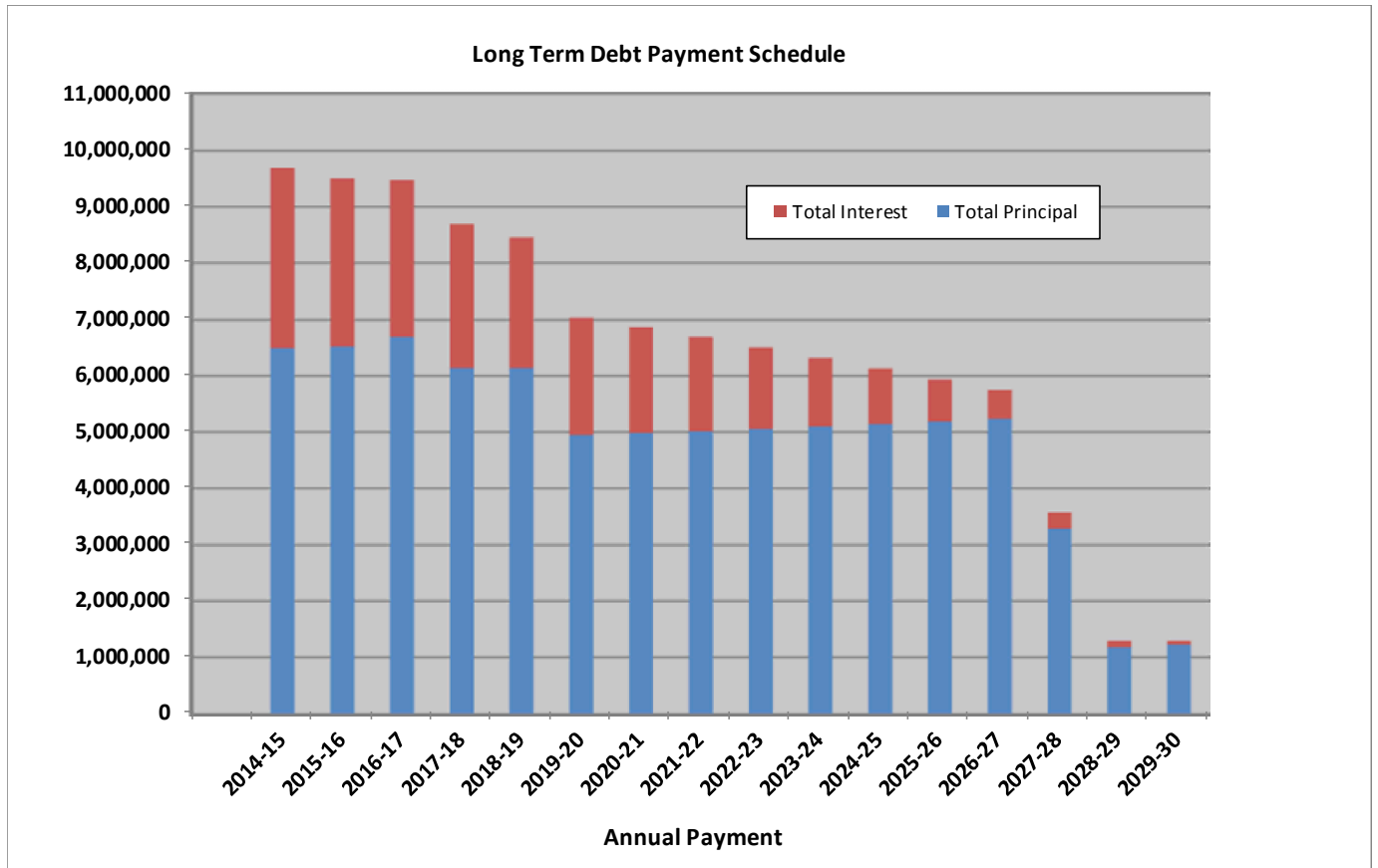
- At June 30, 2014, the General Fund balance totaled \$21.2 million, representing 19.5% of general expenditures or 2.3 months of operations. The District's policy on general fund balance indicates a reasonable fund balance designated for cash flow should be 17% to 23% of general and special education 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 on-time expenditures. By policy, between \$18.5 million and \$25.1 million should be available to meet the needs of the 2014-2015 budgeted expenditures.
- General fund revenue was about \$0.6 million below budget, which was a change of only 0.5%.
- General fund expenditures came in \$1.3 million over budget. The largest part of the change from budget resulted from the \$2.1 million unbudgeted use of the self-funded medical claims reserve. 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 \$12.1 million, an increase of about \$0.8 million from the prior year, represents 66% of the total expenditures as compared to 63% the previous year.
- The Debt Service fund had a decrease of \$135,996. 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 \$78.3 million. Current debt obligations have retirements running through March 2030. The District's current debt is 21.9% 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, 2014

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and investments | \$ 27,308,033 | \$ 920,758 | \$ 28,228,791 |
| Accounts receivable | 31,051 | 4,242 | 35,293 |
| Taxes receivable | 10,422,859 | | 10,422,859 |
| Due from other governments | 3,119,992 | 504,542 | 3,624,534 |
| Other current assets | 90,084 | 39 | 90,123 |
| Total current assets | <u>40,972,019</u> | <u>1,429,581</u> | <u>42,401,600</u> |
| Noncurrent assets | | | |
| Bond origination discount | 62,549 | | 62,549 |
| Accumulated amortization of bond discount | (11,466) | | (11,466) |
| Capital assets: | | | |
| Land | 1,329,744 | | 1,329,744 |
| Site improvements | 4,837,731 | | 4,837,731 |
| Buildings and building improvements | 176,002,108 | | 176,002,108 |
| Furniture and equipment | 22,444,320 | 968,329 | 23,412,649 |
| | 204,613,903 | 968,329 | 205,582,232 |
| Less accumulated depreciation | (64,743,959) | (539,507) | (65,283,466) |
| Total capital assets | <u>139,869,944</u> | <u>428,822</u> | <u>140,298,766</u> |
| Total noncurrent assets | <u>139,921,027</u> | <u>428,822</u> | <u>140,349,849</u> |
| Total assets | <u>180,893,046</u> | <u>1,858,403</u> | <u>182,751,449</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 3,943,424 | 161,167 | 4,104,591 |
| Accrued liabilities | 13,883,934 | 73,928 | 13,957,862 |
| Due to employee benefit trust fund | 220,549 | 92,470 | 313,019 |
| Accrued interest | 1,078,951 | | 1,078,951 |
| Deferred revenue | | 75,034 | 75,034 |
| Current portion of long-term liabilities | 9,082,814 | | 9,082,814 |
| Total current liabilities | <u>28,209,672</u> | <u>402,599</u> | <u>28,612,271</u> |
| Noncurrent liabilities | | | |
| Long-term liabilities, less current portion | 84,053,634 | | 84,053,634 |
| Total non-current liabilities | <u>84,053,634</u> | | <u>84,053,634</u> |
| Total liabilities | <u>112,263,306</u> | <u>402,599</u> | <u>112,665,905</u> |
| NET POSITION | | | |
| Net investment in capital assets | 75,839,944 | 428,822 | 76,268,766 |
| Restricted for: | | | |
| Debt service | 542,679 | | 542,679 |
| Other activities | | 1,026,982 | 1,026,982 |
| Unrestricted | (7,752,883) | | (7,752,883) |
| Total net position | <u>\$ 68,629,740</u> | <u>\$ 1,455,804</u> | <u>\$ 70,085,544</u> |

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, 2014

| 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 |
| Governmental activities: | | | | | | |
| Instruction: | | | | | | |
| Regular instruction | \$ 49,733,255 | \$ 3,547,599 | \$ 6,530,821 | \$ (39,654,835) | | \$ (39,654,835) |
| Vocational instruction | 3,550,595 | 13,939 | 1,811,236 | (1,725,420) | | (1,725,420) |
| Special education instruction | 16,285,160 | 35,378 | 4,367,618 | (11,882,164) | | (11,882,164) |
| Other instruction | 4,531,076 | 157,893 | 230,748 | (4,142,435) | | (4,142,435) |
| Total instruction | <u>74,100,086</u> | <u>3,754,809</u> | <u>12,940,423</u> | <u>(57,404,854)</u> | | <u>(57,404,854)</u> |
| Support services: | | | | | | |
| Pupil services | 7,064,532 | 4,947 | 407,005 | (6,652,580) | | (6,652,580) |
| Instructional staff services | 3,658,963 | | 316,737 | (3,342,226) | | (3,342,226) |
| General administration services | 912,659 | | | (912,659) | | (912,659) |
| School administration services | 4,715,625 | | | (4,715,625) | | (4,715,625) |
| Business services | 1,451,761 | | | (1,451,761) | | (1,451,761) |
| Operations and maintenance | 10,810,407 | 145,000 | | (10,665,407) | | (10,665,407) |
| Pupil transportation services | 1,844,351 | | 45 | (1,844,306) | | (1,844,306) |
| Central services | 4,290,797 | | | (4,290,797) | | (4,290,797) |
| Insurance | 885,090 | | | (885,090) | | (885,090) |
| Other support services | 2,581,508 | 427,440 | | (2,154,068) | | (2,154,068) |
| Interest | 3,424,843 | | | (3,424,843) | | (3,424,843) |
| Depreciation and amortization - unallocated | 5,197,450 | | | (5,197,450) | | (5,197,450) |
| Total support services | <u>46,837,986</u> | <u>577,387</u> | <u>723,787</u> | <u>(45,536,812)</u> | | <u>(45,536,812)</u> |
| Total governmental activities | <u>120,938,072</u> | <u>4,332,196</u> | <u>13,664,210</u> | <u>(102,941,666)</u> | | <u>(102,941,666)</u> |
| Business-type activities: | | | | | | |
| School food service program | 4,570,231 | 1,467,708 | 3,320,298 | | 217,775 | 217,775 |
| Total school district | <u>\$ 125,508,303</u> | <u>\$ 5,799,904</u> | <u>\$ 16,984,508</u> | <u>(102,941,666)</u> | <u>217,775</u> | <u>(102,723,891)</u> |
| General revenues: | | | | | | |
| Property taxes: | | | | | | |
| General purposes | | | | 26,749,767 | | 26,749,767 |
| Debt services | | | | 9,154,785 | | 9,154,785 |
| Federal and state aid not restricted to specific purposes: | | | | | | |
| General | | | | 65,526,996 | | 65,526,996 |
| Other | | | | 916,463 | | 916,463 |
| Interest and investment earnings | | | | 12,379 | 639 | 13,018 |
| Total general revenues | | | | <u>102,360,390</u> | <u>639</u> | <u>102,361,029</u> |
| Change in net position | | | | <u>(581,276)</u> | <u>218,414</u> | <u>(362,862)</u> |
| Net position - beginning of year | | | | 69,211,016 | 1,237,390 | 70,448,406 |
| Net position - end of year | | | | <u>\$ 68,629,740</u> | <u>\$ 1,455,804</u> | <u>\$ 70,085,544</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, 2014

| | General | Debt Service | Other Government Funds | Total Government Funds |
|--|----------------------|---------------------|------------------------------|------------------------------|
| ASSETS | | | | |
| Cash and investments | \$ 25,625,771 | \$ 1,621,630 | \$ 60,632 | \$ 27,308,033 |
| Accounts receivable | 31,051 | | | 31,051 |
| Taxes receivable | 10,422,859 | | | 10,422,859 |
| Due from other governments | 3,119,992 | | | 3,119,992 |
| Inventories and other current assets | 90,084 | | | 90,084 |
| Total assets | <u>\$ 39,289,757</u> | <u>\$ 1,621,630</u> | <u>\$ 60,632</u> | <u>\$ 40,972,019</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 3,941,724 | \$ | \$ 1,700 | \$ 3,943,424 |
| Accrued salaries and related items | 9,694,239 | | | 9,694,239 |
| Due to employee benefit trust fund | 220,549 | | | 220,549 |
| Other current liabilities | 4,189,695 | | | 4,189,695 |
| Total liabilities | <u>18,046,207</u> | | <u>1,700</u> | <u>18,047,907</u> |
| FUND EQUITY | | | | |
| Fund balances | | | | |
| Non-spendable | 90,122 | | | 90,122 |
| Restricted for self insurance | 2,271,337 | | | 2,271,337 |
| Restricted for debt service retirement | | 1,621,630 | | 1,621,630 |
| Assigned | 2,797,936 | | 58,932 | 2,856,868 |
| Unassigned | 16,084,155 | | | 16,084,155 |
| Total fund balances | <u>21,243,550</u> | <u>1,621,630</u> | <u>58,932</u> | <u>22,924,112</u> |
| Total liabilities and fund equity | <u>\$ 39,289,757</u> | <u>\$ 1,621,630</u> | <u>\$ 60,632</u> | <u>\$ 40,972,019</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, 2014

Total fund balances - governmental funds \$ 22,924,112

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 | \$ 204,613,903 | |
| Governmental accumulated depreciation | <u>(64,743,959)</u> | 139,869,944 |

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>(11,466)</u> | 51,083 |

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 | \$ (78,260,000) | |
| Premium on refunded bonds payable | (205,886) | |
| Accrued interest on bonds payable | (1,078,951) | |
| Vested employee benefits | <u>(14,670,562)</u> | <u>(94,215,399)</u> |
| Total net position - governmental activities | | <u>\$ 68,629,740</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, 2014

| | <u>General</u> | <u>Debt Service</u> | <u>Other Government Funds</u> | <u>Total Government Funds</u> |
|---------------------------------|--------------------------|-------------------------|---------------------------------------|---------------------------------------|
| Revenues | | | | |
| Local sources | \$ 27,688,195 | \$ 9,154,967 | \$ 230,748 | \$ 37,073,910 |
| Interdistrict sources | 2,668,807 | | | 2,668,807 |
| Intermediate sources | 4,947 | | | 4,947 |
| State sources | 72,829,810 | | | 72,829,810 |
| Federal sources | 7,232,618 | | | 7,232,618 |
| Other | <u>518,639</u> | | | <u>518,639</u> |
| Total revenues | <u>110,943,016</u> | <u>9,154,967</u> | <u>230,748</u> | <u>120,328,731</u> |
| Expenditures | | | | |
| Instruction: | | | | |
| Regular instruction | 45,630,616 | | 73,048 | 45,703,664 |
| Vocational instruction | 3,316,032 | | 22,809 | 3,338,841 |
| Special instruction | 16,225,351 | | 2,014 | 16,227,365 |
| Other instruction | <u>4,506,770</u> | | | <u>4,506,770</u> |
| Total instruction | <u>69,678,769</u> | | <u>97,871</u> | <u>69,776,640</u> |
| Support service: | | | | |
| Pupil services | 7,069,209 | | 12,536 | 7,081,745 |
| Instructional staff services | 3,747,031 | | 3,861 | 3,750,892 |
| General administration services | 933,978 | | | 933,978 |
| School administration services | 4,714,719 | | 906 | 4,715,625 |
| Business services | 1,449,581 | | 3,933 | 1,453,514 |
| Operations and maintenance | 12,319,822 | | | 12,319,822 |
| Pupil transportation | 1,895,412 | | 3,815 | 1,899,227 |
| Central services | 6,103,407 | | | 6,103,407 |
| Insurance | 885,090 | | | 885,090 |
| Other support services | <u>216,749</u> | | <u>83,644</u> | <u>300,393</u> |
| Total support services | <u>\$ 39,334,998</u> | <u>\$</u> | <u>\$ 108,695</u> | <u>\$ 39,443,693</u> |

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 | \$ | \$ 5,725,000 | \$ | \$ 5,725,000 |
| Interest | <u>5</u> | <u>3,528,838</u> | | <u>3,528,843</u> |
| Total debt service | <u>5</u> | <u>9,253,838</u> | | <u>9,253,843</u> |
| Total expenditures | <u>109,013,772</u> | <u>9,253,838</u> | <u>206,566</u> | <u>118,474,176</u> |
| Excess of revenues over (under) expenditures | <u>1,929,244</u> | <u>(98,871)</u> | <u>24,182</u> | <u>1,854,555</u> |
| Other financing sources (uses) | | | | |
| Payments to other institutions | (4,034,181) | | | (4,034,181) |
| Refund of uncollected property taxes | (32,861) | | | (32,861) |
| Refunding bonds issued | | 6,345,000 | | 6,345,000 |
| Payment to refunded bond escrow agent | | (6,500,000) | | (6,500,000) |
| Bond premium | | 210,595 | | 210,595 |
| Bond issuance costs | | <u>(92,720)</u> | | <u>(92,720)</u> |
| Net other financing uses | <u>(4,067,042)</u> | <u>(37,125)</u> | | <u>(4,104,167)</u> |
| Net change in fund balances | (2,137,798) | (135,996) | 24,182 | (2,249,612) |
| Fund balances - beginning of year | <u>23,381,348</u> | <u>1,757,626</u> | <u>34,750</u> | <u>25,173,724</u> |
| Fund balances - end of year | <u>\$ 21,243,550</u> | <u>\$ 1,621,630</u> | <u>\$ 58,932</u> | <u>\$ 22,924,112</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, 2014

| | | | |
|--|----|--------------------|------------------|
| Net change in fund balances - total governmental funds | | \$ | (2,249,612) |
| 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 | \$ | 4,032,634 | |
| Depreciation expense reported in the statement of activities | | <u>(5,830,490)</u> | |
| Amount by which capital outlays are less than depreciation in the current period | | | (1,797,856) |
| Fixed asset disposals in current year | \$ | (1,380,927) | |
| Accumulated depreciation on fixed asset disposals | | <u>1,198,769</u> | |
| Loss on disposal of fixed assets | | | (182,158) |
| 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 of premium received in the current year is: | \$ | (210,595) | |
| The amount amortized in the current year is: | | <u>28,067</u> | |
| | | | (182,528) |
| 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 | \$ | 3,292,463 | |
| Vested employee benefits earned in current year | | <u>(5,442,453)</u> | |
| Amounts paid are less than amounts earned by: | | | (2,149,990) |
| Principal proceeds from bond and notes payable issuance is reported in the governmental funds as revenue, but is reported as an increase in long-term debt in the statement of net position and does not affect the statement of activities. | | | |
| The amount of long-term debt proceeds in the current year is: | | | (6,345,000) |
| 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: | | | 12,225,000 |
| 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 | \$ | 3,528,838 | |
| The amount of interest accrued during the current period | | <u>(3,424,843)</u> | |
| Interest paid is more than interest accrued by | | | <u>103,995</u> |
| Change in net position - governmental activities | \$ | | <u>(581,276)</u> |

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, 2014

| | Budgeted Amounts | | Actual | Variance with |
|--------------------------------------|----------------------|----------------------|----------------------|--|
| | Original | Final | | Final Budget Favorable (Unfavorable) |
| Revenues | | | | |
| Property taxes | \$ 26,752,590 | \$ 26,752,590 | \$ 26,749,767 | \$ (2,823) |
| Other local sources | 759,833 | 861,333 | 938,428 | 77,095 |
| Interdistrict sources | 2,634,788 | 2,729,175 | 2,668,807 | (60,368) |
| State sources | 68,461,011 | 68,513,941 | 68,517,501 | 3,560 |
| Federal sources | 4,834,516 | 5,470,094 | 5,264,185 | (205,909) |
| Other sources | 819,766 | 900,670 | 518,639 | (382,031) |
| Total revenues | <u>104,262,504</u> | <u>105,227,803</u> | <u>104,657,327</u> | <u>(570,476)</u> |
| Expenditures | | | | |
| Instruction: | | | | |
| Regular instruction | 44,738,527 | 44,752,418 | 45,630,616 | (878,198) |
| Vocational instruction | 3,162,105 | 3,224,763 | 3,315,240 | (90,477) |
| Special instruction | 2,082,055 | 2,171,234 | 2,207,828 | (36,594) |
| Other instruction | 4,319,738 | 4,382,574 | 4,506,770 | (124,196) |
| Total instruction | <u>54,302,425</u> | <u>54,530,989</u> | <u>55,660,454</u> | <u>(1,129,465)</u> |
| Support services: | | | | |
| Pupil services | 4,527,391 | 4,733,517 | 4,393,783 | 339,734 |
| Instructional staff services | 3,376,003 | 3,424,255 | 3,258,785 | 165,470 |
| General administration services | 823,986 | 866,995 | 933,082 | (66,087) |
| School administration services | 4,412,473 | 4,602,939 | 4,714,719 | (111,780) |
| Business services | 1,083,231 | 1,173,155 | 1,401,741 | (228,586) |
| Operations and maintenance of plant | 11,559,894 | 12,139,270 | 12,309,813 | (170,543) |
| Pupil transportation | 803,661 | 864,939 | 902,823 | (37,884) |
| Central services | 4,612,219 | 5,970,623 | 6,067,607 | (96,984) |
| Insurance | 889,529 | 880,585 | 885,090 | (4,505) |
| Other support services | 2,145,731 | 209,755 | 216,749 | (6,994) |
| Total support services | <u>34,234,118</u> | <u>34,866,033</u> | <u>35,084,192</u> | <u>(218,159)</u> |
| Debt service: | | | | |
| Interest | 10 | 10 | 5 | 5 |
| Total debt service | <u>10</u> | <u>10</u> | <u>5</u> | <u>5</u> |
| Total expenditures | <u>88,536,553</u> | <u>89,397,032</u> | <u>90,744,651</u> | <u>(1,347,619)</u> |
| Excess of revenues over expenditures | <u>15,725,951</u> | <u>15,830,771</u> | <u>13,912,676</u> | <u>(1,918,095)</u> |
| Other financing uses | | | | |
| Payments to other institutions | (4,201,769) | (3,909,988) | (3,911,227) | (1,239) |
| Other | (57,000) | (45,172) | (32,861) | 12,311 |
| Transfers to other funds | (11,577,752) | (11,869,456) | (12,106,386) | (236,930) |
| Total other financing uses | <u>(15,836,521)</u> | <u>(15,824,616)</u> | <u>(16,050,474)</u> | <u>(225,858)</u> |
| Net change in fund balance | (110,570) | 6,155 | (2,137,798) | (2,143,953) |
| Fund balance - beginning of year | <u>23,381,348</u> | <u>23,381,348</u> | <u>23,381,348</u> | |
| Fund balance - end of year | <u>\$ 23,270,778</u> | <u>\$ 23,387,503</u> | <u>\$ 21,243,550</u> | <u>\$ (2,143,953)</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 - SPECIAL EDUCATION FUND

For the Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|--------------------------------------|---------------------|---------------------|---------------------|--|
| | Original | Final | | Final Budget Favorable (Unfavorable) |
| Revenues | | | | |
| Intermediate sources | \$ | 2,800 | \$ 4,947 | \$ 2,147 |
| State sources | 4,116,749 | 4,312,309 | 4,312,309 | |
| Federal sources | 2,714,975 | 2,628,695 | 1,968,433 | (660,262) |
| Total revenues | <u>6,831,724</u> | <u>6,943,804</u> | <u>6,285,689</u> | <u>(658,115)</u> |
| Expenditures | | | | |
| Instruction: | | | | |
| Vocational instruction | 792 | 792 | 792 | |
| Special instruction | 13,740,475 | 14,263,272 | 14,017,523 | 245,749 |
| Total instruction | <u>13,741,267</u> | <u>14,264,064</u> | <u>14,018,315</u> | <u>245,749</u> |
| Support services: | | | | |
| Pupil services | 2,717,052 | 2,635,180 | 2,675,426 | (40,246) |
| Instructional staff services | 644,962 | 594,905 | 488,246 | 106,659 |
| General administration services | 11,510 | 11,510 | 896 | 10,614 |
| Business services | 74,543 | 87,048 | 47,840 | 39,208 |
| Operations and maintenance of plant | 10,916 | 10,973 | 10,009 | 964 |
| Pupil transportation | 1,107,965 | 1,038,159 | 992,589 | 45,570 |
| Central services | 40,500 | 40,500 | 35,800 | 4,700 |
| Total support services | <u>4,607,448</u> | <u>4,418,275</u> | <u>4,250,806</u> | <u>167,469</u> |
| Total expenditures | <u>18,348,715</u> | <u>18,682,339</u> | <u>18,269,121</u> | <u>413,218</u> |
| Excess of expenditures over revenues | <u>(11,516,991)</u> | <u>(11,738,535)</u> | <u>(11,983,432)</u> | <u>(244,897)</u> |
| Other financing sources (uses) | | | | |
| Payments to other institutions | (60,761) | (130,921) | (122,954) | 7,967 |
| Transfers from other funds | 11,577,752 | 11,869,456 | 12,106,386 | 236,930 |
| Total other financing sources | <u>11,516,991</u> | <u>11,738,535</u> | <u>11,983,432</u> | <u>244,897</u> |
| Net change in fund balance | | | | |
| 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, 2014

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|--------------------------------------|---------------------|---------------------|---------------------|---|
| | Original | Final | | (Unfavorable) |
| Revenues | | | | |
| Property taxes | \$ 9,154,785 | \$ 9,154,785 | \$ 9,154,800 | \$ 15 |
| Other local sources | | | 167 | 167 |
| Total revenues | <u>9,154,785</u> | <u>9,154,785</u> | <u>9,154,967</u> | <u>182</u> |
| Expenditures | | | | |
| Debt service: | | | | |
| Principal | 5,725,000 | 5,725,000 | 5,725,000 | |
| Interest | 3,528,838 | 3,528,838 | 3,528,838 | |
| Total debt service | <u>9,253,838</u> | <u>9,253,838</u> | <u>9,253,838</u> | |
| Total expenditures | <u>9,253,838</u> | <u>9,253,838</u> | <u>9,253,838</u> | |
| Excess of expenditures over revenues | <u>(99,053)</u> | <u>(99,053)</u> | <u>(98,871)</u> | <u>182</u> |
| Other financing sources (uses) | | | | |
| Refunding bonds issued | | 6,345,000 | 6,345,000 | |
| Payment to refunded bond escrow | | (6,500,000) | (6,500,000) | |
| Bond premium | | 210,595 | 210,595 | |
| Bond issuance costs | | (92,720) | (92,720) | |
| Net other financing uses | | <u>(37,125)</u> | <u>(37,125)</u> | |
| Net change in fund balance | <u>(99,053)</u> | <u>(136,178)</u> | <u>(135,996)</u> | <u>182</u> |
| Fund balance - beginning of year | <u>1,757,626</u> | <u>1,757,626</u> | <u>1,757,626</u> | |
| Fund balance - end of year | <u>\$ 1,658,573</u> | <u>\$ 1,621,448</u> | <u>\$ 1,621,630</u> | <u>\$ 182</u> |

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

STATEMENTS OF NET POSITION - PROPRIETARY FUNDS

As of June 30

| | <u>2014</u> | <u>2013</u> |
|------------------------------------|---------------------|---------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 920,758 | \$ 730,191 |
| Accounts receivable | 4,242 | 676 |
| Due from other governments | 504,542 | 486,685 |
| Inventories and prepaid items | <u>39</u> | <u>9,065</u> |
| Total current assets | <u>1,429,581</u> | <u>1,226,617</u> |
| Noncurrent assets | | |
| Furniture and equipment | 968,329 | 768,878 |
| Less accumulated depreciation | <u>(539,507)</u> | <u>(493,236)</u> |
| Total noncurrent assets | <u>428,822</u> | <u>275,642</u> |
| Total assets | <u>1,858,403</u> | <u>1,502,259</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | 161,167 | 48,517 |
| Accrued payroll | 73,928 | 86,248 |
| Due to employee benefit trust fund | 92,470 | 56,027 |
| Deferred revenue | <u>75,034</u> | <u>74,077</u> |
| Total liabilities | <u>402,599</u> | <u>264,869</u> |
| NET POSITION | | |
| Net investment in capital assets | 428,822 | 275,642 |
| Restricted for food service | <u>1,026,982</u> | <u>961,748</u> |
| Total net position | <u>\$ 1,455,804</u> | <u>\$ 1,237,390</u> |

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

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

For the Years Ended June 30

| | <u>2014</u> | <u>2013</u> |
|----------------------------------|---------------------|---------------------|
| Revenues: | | |
| Food sales | \$ 1,467,708 | \$ 1,475,265 |
| Intermediate sources | 1,500 | 1,500 |
| State sources | 100,271 | 71,229 |
| Federal sources | 2,931,601 | 2,808,700 |
| Federal commodities | 286,926 | 259,605 |
| Other revenue | | 174 |
| | <u>4,788,006</u> | <u>4,616,473</u> |
| Total revenues | | |
| Operating expenses: | | |
| Salaries and wages | 1,523,608 | 1,489,393 |
| Employer paid benefits | 476,821 | 492,611 |
| Purchased services | 92,939 | 87,439 |
| Supplies, food, and materials | 2,397,446 | 2,371,730 |
| Other | 29,092 | 86,612 |
| Depreciation | 50,325 | 28,991 |
| | <u>4,570,231</u> | <u>4,556,776</u> |
| Total operating expenses | | |
| Operating income | <u>217,775</u> | <u>59,697</u> |
| Nonoperating revenues: | | |
| Investment earnings | <u>639</u> | <u>1,210</u> |
| | | |
| Total nonoperating revenues | <u>639</u> | <u>1,210</u> |
| Change in net position | 218,414 | 60,907 |
| Net position - beginning of year | <u>1,237,390</u> | <u>1,176,483</u> |
| Net position - end of year | <u>\$ 1,455,804</u> | <u>\$ 1,237,390</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 Years Ended June 30

| | <u>2014</u> | <u>2013</u> |
|--|-------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from user charges | \$ 1,465,098 | \$ 1,481,089 |
| Cash received from other government payments | 3,015,409 | 2,537,054 |
| Cash received from interest earnings | 639 | 1,210 |
| Cash received from other funds | 36,443 | 56,027 |
| Cash payments to employees for services | (2,012,748) | (1,967,751) |
| Cash payments for utilities and other purchased services | (92,939) | (87,439) |
| Cash payments to suppliers for goods and services | (1,783,157) | (2,010,316) |
| Cash payments for other operating expenses | <u>(232,490)</u> | <u>(192,395)</u> |
| Net cash provided by (used in) operating activities | <u>396,255</u> | <u>(182,521)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Cash payments for acquisition of capital assets | <u>(205,688)</u> | <u>(106,020)</u> |
| Net cash used in investing activities | <u>(205,688)</u> | <u>(106,020)</u> |
| Change in cash and cash equivalents | 190,567 | (288,541) |
| Cash and cash equivalents - beginning of year | <u>730,191</u> | <u>1,018,732</u> |
| Cash and cash equivalents - end of year | <u>\$ 920,758</u> | <u>\$ 730,191</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | |
| Change in net position | \$ 218,414 | \$ 60,907 |
| Adjustments to reconcile change in net position to net cash provided by (used in) operating activities: | | |
| Loss on disposal of capital assets | 2,183 | |
| Depreciation | 50,325 | 28,991 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (3,566) | (402) |
| Due from other governments | (17,857) | (344,312) |
| Inventories and prepaid items | 9,026 | (59) |
| Accounts payable | 112,650 | (4,152) |
| Accrued payroll | (12,320) | 14,254 |
| Due to other funds | 36,443 | 56,027 |
| Deferred revenue | <u>957</u> | <u>6,225</u> |
| Net cash provided by (used in) operating activities | <u>\$ 396,255</u> | <u>\$ (182,521)</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, 2014

| | <u>Agency Funds</u> | <u>Employee Benefit Trust Fund</u> | <u>Private- Purpose Trust</u> |
|------------------------------|-------------------------------|--|---------------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 384,658 | \$ 2,403,023 | \$ 185,931 |
| Due from other funds | <u> </u> | <u>313,019</u> | <u> </u> |
| Total assets | <u>384,658</u> | <u>2,716,042</u> | <u>185,931</u> |
| LIABILITIES | | | |
| Accounts payable | 18,724 | | |
| Due to grantor agencies | 1,370 | | |
| Due to student organizations | <u>364,564</u> | <u> </u> | <u> </u> |
| Total liabilities | <u>384,658</u> | <u> </u> | <u> </u> |
| NET POSITION | | | |
| Nonspendable | | | 111,019 |
| Restricted | <u> </u> | <u>2,716,042</u> | <u>74,912</u> |
| Total net position | <u>\$ </u> | <u>\$ 2,716,042</u> | <u>\$ 185,931</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, 2014

| | <u>Employee Benefit Trust Fund</u> | <u>Private- Purpose Trust</u> |
|--|--|---------------------------------------|
| ADDITIONS | | |
| Contributions | \$ 3,287,678 | \$ |
| Investment earnings | <u>609</u> | <u>4,107</u> |
| Total additions | <u>3,288,287</u> | <u>4,107</u> |
| DEDUCTIONS | | |
| Payments of scholarships | | 2,000 |
| Other post retirement benefits expense | <u>1,931,674</u> | <u></u> |
| Total deductions | <u>1,931,674</u> | <u>2,000</u> |
| Change in net position | 1,356,613 | 2,107 |
| Net position - beginning | <u>1,359,429</u> | <u>183,824</u> |
| Net position - ending | <u>\$ 2,716,042</u> | <u>\$ 185,931</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 generally accepted accounting principles (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 governmental 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, generally school hot lunch, 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 a 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 2013 tax levy is used to finance operations of the district's fiscal year ended June 30, 2014. All property taxes are considered due on January 1, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30 and are available to pay current liabilities.

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, 2014.

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.

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.

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.

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

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)

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 below 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, 2014, 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, 2014, \$25,756,523 of the district's bank balance of \$26,406,523 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

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.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 3 - CASH AND INVESTMENTS (continued)

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, 2014, the district had the following investments:

| Investments | Maturities | Fair Value |
|--|----------------------|----------------------|
| Investment in State Treasurer's Investment Pool | Less than 6 months | \$ 809,989 |
| Wisconsin Investment Series Cooperative | Less than 1 year | 4,024,703 |
| Chase Bank High Interest Savings | Less than 3 months | 20,057,008 |
| Johnson Bank Scholarship Investments | No stated maturities | <u>153,097</u> |
| | | <u>\$ 25,044,797</u> |

NOTE 4 - INTERFUND BALANCES/TRANSFERS

Individual fund interfund receivable and payable balances at June 30, 2014, are as follows:

| Fund | Due From | Due To |
|-------------------|-----------------------------|-------------------|
| General fund | \$ 220,549 | \$ |
| Food service fund | 92,470 | |
| Fiduciary funds | <u> </u> | <u>313,019</u> |
| | <u>\$ 313,019</u> | <u>\$ 313,019</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.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 4 - INTERFUND BALANCES/TRANSFERS (continued)

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 transfers between funds for the year ended June 30, 2014.

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, 2014:

| Fund | Excess Expenditures |
|----------------------|------------------------|
| General fund | |
| Instruction | \$ 1,129,465 |
| Support | 218,159 |
| Other financing uses | 225,858 |

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).

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 6 - FUND BALANCES (continued)

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, 2014, were as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|----------------|-------------|-------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Sites (land) | \$ 1,329,744 | \$ | \$ | \$ 1,329,744 |
| Site improvements | 703,841 | | | 703,841 |
| Total sites and site improvements not being depreciated | 2,033,585 | | | 2,033,585 |
| Capital assets being depreciated: | | | | |
| Site improvements | 4,131,990 | 1,900 | | 4,133,890 |
| Buildings and building improvements | 175,306,418 | 695,690 | | 176,002,108 |
| Furniture and equipment | 20,490,203 | 3,335,044 | 1,380,927 | 22,444,320 |
| Total capital assets being depreciated | 199,928,611 | 4,032,634 | 1,380,927 | 202,580,318 |
| Less accumulated depreciation for: | | | | |
| Site improvements | (1,646,335) | (201,719) | | (1,848,054) |
| Buildings and building improvements | (44,612,434) | (4,185,054) | | (48,797,488) |
| Furniture and equipment | (13,853,469) | (1,443,717) | (1,198,769) | (14,098,417) |
| Total accumulated depreciation | (60,112,238) | (5,830,490) | (1,198,769) | (64,743,959) |
| Total capital assets being depreciated, net of accumulated depreciation | 139,816,373 | (1,797,856) | 182,158 | 137,836,359 |
| Governmental activities capital assets, net of accumulated depreciation | \$ 141,849,958 | \$ (1,797,856) | \$ 182,158 | \$ 139,869,944 |
| Business-type activities: | | | | |
| Capital assets being depreciated: | | | | |
| Furniture and equipment | \$ 768,878 | \$ 205,688 | \$ 6,237 | \$ 968,329 |
| Less accumulated depreciation | (493,236) | (50,325) | (4,054) | (539,507) |
| Business-type activities capital assets, net of accumulated depreciation | \$ 275,642 | \$ 155,363 | \$ 2,183 | \$ 428,822 |
| Depreciation expense was charged to governmental functions as follows: | | | | |
| Regular instruction | \$ 410,339 | | | |
| Vocational instruction | 165,813 | | | |
| Special education instruction | 21,127 | | | |
| Other instruction | 35,761 | | | |
| Depreciation not charged to a specific function | 5,197,450 | | | |
| Total depreciation for governmental activities | \$ 5,830,490 | | | |

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, 2014 and 2013, are as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|--|------------------------------|----------------------|----------------------|---------------------------|--|
| Governmental activities: | | | | | |
| Bonds and notes payable | | | | | |
| Capital projects | \$ 84,140,000 | \$ 6,345,000 | \$ 12,225,000 | \$ 78,260,000 | \$ 6,485,000 |
| Total bonds payable | <u>84,140,000</u> | <u>6,345,000</u> | <u>12,225,000</u> | <u>78,260,000</u> | <u>6,485,000</u> |
| Other liabilities | | | | | |
| Vested employee benefits | | | | | |
| Longevity | 15,870 | | 5,804 | 10,066 | 626 |
| Pension benefits | 1,096,212 | 75,562 | 226,141 | 945,633 | 128,062 |
| Other postemployment benefits | 11,408,490 | 5,366,891 | 3,060,518 | 13,714,863 | 2,420,000 |
| Bond premium | <u>23,358</u> | <u>210,595</u> | <u>28,067</u> | <u>205,886</u> | <u>49,126</u> |
| Total other liabilities | <u>12,543,930</u> | <u>5,653,048</u> | <u>3,320,530</u> | <u>14,876,448</u> | <u>2,597,814</u> |
| Total governmental activities long-term liabilities | <u>\$ 96,683,930</u> | <u>\$ 11,998,048</u> | <u>\$ 15,545,530</u> | <u>\$ 93,136,448</u> | <u>\$ 9,082,814</u> |
| Business type activities: | | | | | |
| Bonds and notes payable | NONE | | | | |
| Capital leases | NONE | | | | |

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM OBLIGATIONS (continued)

Total interest paid during the year aggregated \$3,528,838. Total interest incurred during the year aggregated \$3,424,843.

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, 2014, 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, 2014</u> |
|----------------------------------|-----------------------|------------------------------|-----------------------------|----------------------------------|
| Notes and bonds awarded to: | | | | |
| BOSC, Inc. | 12/05/11 | 1.9 - 2.0 | 03/01/17 | \$ 2,225,000 |
| RBC Capital Markets | 03/15/06 | 4.0 | 03/01/15 | 360,000 |
| Harris N.A. | 05/01/07 | 4.0 - 4.5 | 03/01/27 | 24,800,000 |
| UBS Securities, LLC | 07/15/08 | 4.0 - 4.625 | 03/01/28 | 30,300,000 |
| Stern Brothers & Company | 11/01/10 | 1.70 - 5.3 | 03/01/30 | 14,230,000 |
| Stern Brothers & Company | 12/18/13 | 1.10 - 3.0 | 03/01/19 | <u>6,345,000</u> |
| Total general obligation debt | | | | <u>\$ 78,260,000</u> |

The 2013 equalized valuation of the district as certified by the Wisconsin Department of Revenue is \$3,575,858,803. The legal debt limit and margin of indebtedness as of June 30, 2014, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

| | |
|---|-----------------------|
| Debt limit (10% of \$3,575,858,803) | \$ 357,585,880 |
| Deduct long-term debt applicable to debt margin | <u>78,260,000</u> |
| Margin of indebtedness | <u>\$ 279,325,880</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, 2014, follows:

| Year Ended June 30 | Principal | Interest | Total |
|-----------------------|----------------------|----------------------|-----------------------|
| 2015 | \$ 6,485,000 | \$ 3,211,055 | \$ 9,696,055 |
| 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 - 2024 | 25,075,000 | 8,315,414 | 33,390,414 |
| 2025 - 2029 | 20,000,000 | 2,687,450 | 22,687,450 |
| 2030 | 1,235,000 | 65,455 | 1,300,455 |
| | <u>\$ 78,260,000</u> | <u>\$ 24,950,960</u> | <u>\$ 103,210,960</u> |

NOTE 9 - EMPLOYEE PENSION PLANS

Defined Benefit Plan

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 9 - EMPLOYEE PENSION PLANS (continued)

Effective the first day of the first pay period on or after June 29, 2011, the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teachers, Executives, and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2013 are:

| | <u>Employee</u> | <u>Employer</u> |
|------------------------------------|-----------------|-----------------|
| General (including teachers) | 6.65% | 6.65% |
| Executives and elected officials | 7.0% | 7.0% |
| Protective with Social Security | 6.65% | 9.75% |
| Protective without Social Security | 6.65% | 12.35% |

The payroll for district employees covered by the WRS for the year ended December 31, 2013, was \$63,417,872. The total required contribution for the year ended December 31, 2013, was \$8,434,577, which consisted of \$4,217,288, or 6.7% of payroll, from the employer, and \$4,217,288, or 6.7% of payroll, from employees. Total contributions for the years ending December 2013 and 2012, were \$8,434,577 and \$7,353,837, respectively, equal to the required contributions for each year.

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

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 9 - EMPLOYEE PENSION PLANS (continued)

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 December 2017. The lease calls for monthly payments of \$11,162. Rent expense under this lease was \$133,941 for the year ended June 30, 2014.

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, 2014, the lease calls for monthly payments of \$10,485 and has a 2.5% annual escalator. Rent expense under this lease was \$122,757 for the year ended June 30, 2014.

The district leases space for its TAGOS Academy under an operating lease through August 2015. That lease calls for monthly payments of \$11,665. Rent expense under this lease was \$139,977 for the year ended June 30, 2014.

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, 2014.

Future minimum lease payments under these leases are as follows:

| Year ended June 30 | |
|--------------------|-------------------|
| 2015 | \$ 399,747 |
| 2016 | 157,271 |
| 2017 | <u>66,970</u> |
| | <u>\$ 623,988</u> |

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2014, there were three claims subject to stop-loss coverage.

At June 30, 2014, the district has reported an estimated liability of \$1,830,000 which represents reported and unreported claims which were incurred on or before June 30, 2014, but were not paid by the district as of that date.

Reported and unreported claims:

| Estimated Liability Balance July 1, 2013 | Current Year Claims and Changes In Estimates | Claim Payments | Estimated Liability Balance June 30, 2014 |
|--|--|----------------------|---|
| <u>\$ 2,100,000</u> | <u>\$ 17,726,659</u> | <u>\$ 17,996,659</u> | <u>\$ 1,830,000</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, 2014, there were \$2,873,362 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.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 13 - SUPPLEMENTAL PENSION PLAN (continued)

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, 2014 and 2013, 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.

As of June 30, 2014, the district had nine 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:

| Component | Amount |
|--|-------------------|
| Annual required contribution | \$ 70,761 |
| Interest on net pension obligation | 54,811 |
| Adjustment to annual required contribution | <u>(50,010)</u> |
| Annual pension cost (expense) | 75,562 |
| Pension payments made | <u>(226,141)</u> |
| Decrease in net pension obligation | (150,579) |
| Net pension obligation - beginning of year | <u>1,096,212</u> |
| Net pension obligation - end of year | <u>\$ 945,633</u> |

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 13 - SUPPLEMENTAL PENSION PLAN (continued)

The annual required contribution for the current year was determined as part of the July 1, 2012, actuarial valuation using the unit credit method. The actuarial assumptions included (a) 5.0% discount rate, (b) level percent increases at 3.0% per annum, (c) a 4.0% 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.

The district's annual pension cost, the percentage of the annual pension cost attributed to the plan, and the net pension obligation for 2014 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> |
|----------------------------------|--------------------------------|--|---------------------------------------|
| 6/30/2014 | \$ 75,562 | 299.28% | \$ 945,633 |
| 6/30/2013 | 70,761 | 410.13% | 1,096,212 |
| 6/30/2012 | 106,640 | 315.80% | 1,315,663 |

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*.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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.

As of July 1, 2012, the district had 190 retirees receiving benefits under the plan. There are no terminated members entitled to, but not yet receiving benefits. The district has 1,306 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, 2014 and 2013, the plan has no legally-required reserves or designations, other than the net position of \$2,716,042 and \$1,359,429, respectively.

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 (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 | \$ 5,316,927 |
| Interest on net OPEB obligation | 570,424 |
| Adjustment to annual required contribution | <u>(520,460)</u> |
| Annual OPEB cost (expense) | 5,366,891 |
| OPEB payments made | <u>(3,060,518)</u> |
| Increase in net OPEB obligation | 2,306,373 |
| Net OPEB obligation - beginning of year | <u>11,408,490</u> |
| Net OPEB obligation - end of year | <u>\$ 13,714,863</u> |

The district's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 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> |
|----------------------------------|-----------------------------|---|------------------------------------|
| 6/30/2014 | \$ 5,366,891 | 57.03% | \$ 13,714,863 |
| 6/30/2013 | 5,316,927 | 70.04% | 11,408,490 |
| 6/30/2012 | 5,499,872 | 44.89% | 9,815,722 |

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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 10%, decreasing by 1% per year through 2016, and decreasing to 5% for 2017 and later. The rate of inflation used was 4%. 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.

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 55th 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.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2014, 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.

NOTE 19 - 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 21, 2014, 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> | | | | | | |
| 7/1/2012 | \$ | \$ 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% |
| 1/1/2008 | | 40,762,221 | 40,762,221 | 0.00% | 55,688,734 | 73.20% |
| <u>Supplemental Pension (Note 13)</u> | | | | | | |
| 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% |
| 2nd preceding valuation date - NONE | | | | | | |

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

Year Ended June 30, 2014

| | <u>Balance</u> <u>July 1, 2013</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2014</u> |
|-------------------------------|---------------------------------------|---------------------|---------------------|--|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 418,293 | \$ 2,178,265 | \$ 2,211,900 | \$ 384,658 |
| Total assets | <u>\$ 418,293</u> | <u>\$ 2,178,265</u> | <u>\$ 2,211,900</u> | <u>\$ 384,658</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 9,736 | \$ 269,131 | \$ 260,143 | \$ 18,724 |
| Due to grantor agencies | 21,994 | 589,728 | 610,352 | 1,370 |
| Due to student organizations: | | | | |
| High school | 147,065 | 782,885 | 781,730 | 148,220 |
| Middle school | 128,922 | 315,706 | 336,316 | 108,312 |
| Elementary school | 106,706 | 206,999 | 210,642 | 103,063 |
| Other schools | <u>3,870</u> | <u>13,816</u> | <u>12,717</u> | <u>4,969</u> |
| Total liabilities | <u>\$ 418,293</u> | <u>\$ 2,178,265</u> | <u>\$ 2,211,900</u> | <u>\$ 384,658</u> |

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

ANALYSIS OF LOCAL LEVY

June 30, 2014

| | 2012 Taxes Receivable <u>July 1, 2013</u> | Total 2013 Levy | <u>Collections</u> | 2013 Taxes Receivable <u>June 30, 2014</u> |
|--------------------|---|----------------------|----------------------|--|
| City of Janesville | \$ 9,905,856 | \$ 32,232,678 | \$ 32,832,865 | \$ 9,305,669 |
| Town of Harmony | 2,080 | 7,913 | 7,941 | 2,052 |
| Town of Janesville | 503,760 | 1,660,072 | 1,695,085 | 468,747 |
| Town of La Prairie | 141,000 | 425,164 | 419,788 | 146,376 |
| Town of Rock | <u>519,791</u> | <u>1,499,548</u> | <u>1,534,818</u> | <u>484,521</u> |
| | <u>\$ 11,072,487</u> | <u>\$ 35,825,375</u> | <u>\$ 36,490,497</u> | <u>\$ 10,407,365</u> |