

SCHOOL DISTRICT OF JANESVILLE
Janesville, Wisconsin

BASIC FINANCIAL STATEMENTS
and
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

For the Year Ended June 30, 2009

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

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SCHOOL DISTRICT OF JANESVILLE
Janesville, Wisconsin

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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, 2009, which collectively comprise the district's basic financial statements as identified in the accompanying table of contents. These financial statements are the responsibility of the district's board of education and management. Our responsibility is to express an opinion 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 *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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the district's board of education and management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 School District of Janesville as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2009, on our consideration of the School District of Janesville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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PROFESSIONAL ACCOUNTANTS



The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the district's basic financial statements. The supplemental statements listed on Pages 50 - 53 in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the School District of Janesville. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Madison, Wisconsin
November 17, 2009

Smith & Gesteland, LLP
SMITH & GESTELAND, LLP

School District of Janesville
Management's Discussion and Analysis
For the Year Ended June 30, 2009

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, 2009, as required by *Governmental Accounting and Standards* Board Statement 34.

FINANCIAL HIGHLIGHTS

- The district's financial status, as reflected in total net assets, improved by \$.5 million.
- \$18.3 million was paid out in health related costs by the self-insured plan during the fiscal year ended June 30, 2009. Claims increased by \$2.6 million over the previous year while participation remained somewhat stable.
- Approximately \$2.3 million of the General Fund Balance was used for debt retirement during the fiscal year ended June 30, 2009.
- The Board of Education adopted a General Fund Balance policy establishing guidelines for determining an adequate fund balance and appropriate reserves.
- The district made substantial progress on two major construction projects that will total \$70.795 million for additions and renovations to Craig and Parker high schools including additional general and specialized classrooms and gymnasium space, and renovations to heating, ventilation and air conditioning systems, and locker rooms.
- Moody's Investor Service affirmed the district's Aa3 rating in August 2009. Standard & Poor's AA-rating has remained unchanged since 2007.

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 assets* 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 assets* presents information on all of the district's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in the net assets 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 assets 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 13 - 14 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, 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, TEACH, special education, debt service, community service) and individual capital project funds as needed. The district has one *proprietary fund*, the food service fund. The only *fiduciary funds* for the district are an agency fund for student and parent organizations 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 TEACH and special education funds have been consolidated under the heading of special revenue funds, and a community service fund is reported under other government funds. Data for each of these individual non-major funds is provided separately as supplementary information. The governmental fund financial statements are on pages 15 - 17 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 21 - 23 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 24 - 25 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 26.

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 assets, and Statement of activities.	Balance sheet, and Statement of revenues, expenditures and changes in fund balance.	Statement of net assets, Statement of revenues, expenses and changes in net assets, and Statement of cash flows.	Statement of fiduciary net assets, and Statement of changes in fiduciary net assets.
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 assets increased by 13.4% to \$80,446,436. The improvement came from governmental activities with net assets growing by \$9,430,936 (13.3%). The net assets of the food service program increased by \$78,539 (52.5%).

Table 1
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total		% Change
	2009	2008	2009	2008	2009	2008	
Current Assets	\$ 48,324,097	\$ 54,710,631	\$ 278,744	\$ 219,002	\$ 48,602,841	\$ 54,929,633	-11.5%
Capital Assets	153,928,122	119,056,436	129,023	149,722	154,057,145	119,206,158	29.2%
Total Assets	202,252,219	173,767,067	407,767	368,724	202,659,986	174,135,791	16.4%
Current Liabilities	23,265,975	28,303,103	179,506	219,002	23,445,481	28,522,105	-17.8%
Long-term debt outstanding	98,768,069	74,676,725			98,768,069	74,676,725	32.3%
Total Liabilities	122,034,044	102,979,828	179,506	219,002	122,213,550	103,198,830	18.4%
Net Assets	\$ 80,218,175	\$ 70,787,239	\$ 228,261	\$ 149,722	\$ 80,446,436	\$ 70,936,961	13.4%
Invested in capital assets, net of related debt	\$ 68,923,122	\$ 65,766,436	\$ 129,023	\$ 149,722	\$ 69,052,145	\$ 65,916,158	4.8%
Restricted	3,707,414	1,593,740	99,238		3,806,652	1,593,740	138.9%
Unrestricted	7,587,639	3,427,063			7,587,639	3,427,063	121.4%
Total Net Assets	\$ 80,218,175	\$ 70,787,239	\$ 228,261	\$ 149,722	\$ 80,446,436	\$ 70,936,961	13.4%

The largest portion of net assets 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. Major improvements funded by operating funds include a partial roof replacement at Craig High and the replacement of tennis courts and a running track at Parker High. Capital assets also include computer hardware and software upgrades, the installation of additional security cameras, the purchase of fitness equipment and industrial arts equipment at the high schools, and additions to the library and textbook collections. Over 1,000 workstations and lap tops were replaced during 2008-09. \$68.6 million is reported as work in progress for major renovations and additions at each of the district's two comprehensive high schools. Construction began in the spring 2007 and is anticipated to be completed during the fall of 2009.

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.

An additional portion of the School District of Janesville's net assets 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 net assets of the various other funds.

Changes in Net Assets: Table 2 shows the changes in net assets for the fiscal year ending 2009 and 2008. As demonstrated, general revenues are the primary source of funding governmental activities at 87.6%, while program revenues provide almost the entire source of funding for business-type activities.

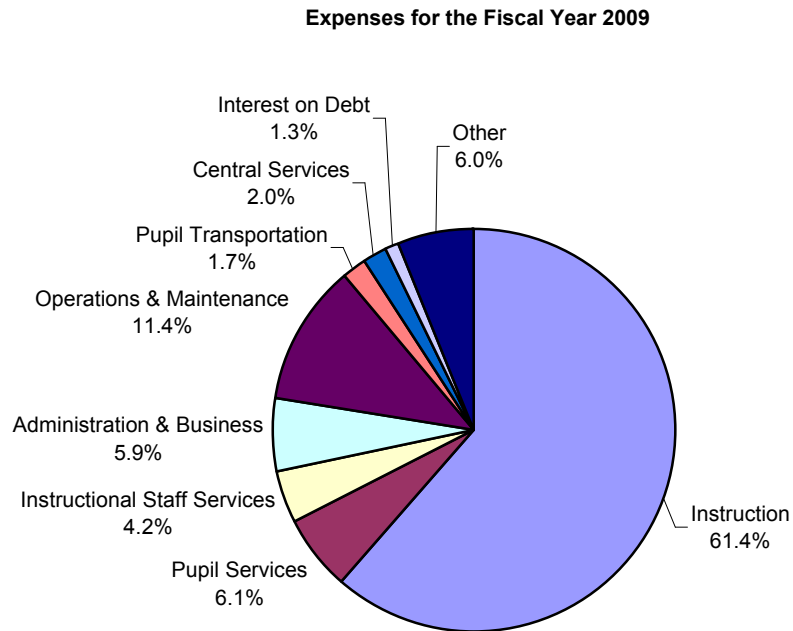
Table 2
Changes in Net Assets
For the Year Ending June

	Governmental		Business-type		Total		Total		
	Activities	%	Activities	%		%		%	
	2009		2009		2009		2008		
Revenues:									
Program Revenues									
Charges for Services	\$ 2,243,483	1.9%	\$ 1,653,691	48.4%	\$ 3,897,174	3.2%	\$ 4,701,870	3.9%	
Operating Grants & Contributions	12,448,120	10.5%	1,763,855	51.6%	14,211,975	11.7%	12,870,854	10.7%	
Capital Grants & Contributions									
General Revenues									
Property Taxes	34,617,136	29.2%			34,617,136	28.4%	33,351,317	27.8%	
General State Aid	59,827,887	50.5%			59,827,887	49.1%	66,517,496	55.4%	
Other	9,307,941	7.9%	175	0.0%	9,308,116	7.6%	2,558,439	2.2%	
Total Revenues	<u>\$ 118,444,567</u>	<u>100%</u>	<u>\$ 3,417,721</u>	<u>100%</u>	<u>\$ 121,862,288</u>	<u>100%</u>	<u>\$ 119,999,976</u>	<u>100%</u>	
Expenses:									
Instruction	\$ 70,371,337	59.6%	\$		\$ 70,371,337	58.0%	\$ 66,790,066	60.8%	
Pupil Services	7,276,601	6.2%			7,276,601	6.0%	6,655,711	6.1%	
Instructional Staff Services	4,656,062	3.9%			4,656,062	3.8%	4,469,232	4.1%	
Administration & Business	6,924,411	5.9%			6,924,411	5.7%	6,438,824	5.9%	
Operations & Maintenance	12,209,743	10.3%			12,209,743	10.1%	11,779,675	10.7%	
Pupil Transportation	1,700,518	1.4%			1,700,518	1.4%	1,855,998	1.7%	
Central Services	2,979,407	2.5%			2,979,407	2.5%	2,231,974	2.0%	
Interest on Debt	3,889,220	3.3%			3,889,220	3.2%	2,269,273	2.1%	
Other	7,977,733	6.9%	3,339,182	100%	11,316,915	9.3%	7,371,533	6.6%	
Total Expenses	<u>\$ 117,985,032</u>	<u>100%</u>	<u>\$ 3,339,182</u>	<u>100%</u>	<u>\$ 121,324,214</u>	<u>100%</u>	<u>\$ 109,862,286</u>	<u>100%</u>	
Increase in Net Assets	<u>\$ 459,535</u>		<u>\$ 78,539</u>		<u>\$ 538,074</u>		<u>\$ 10,137,690</u>		

Governmental Activities: Property taxes are levied for two purposes - general and debt. Fifteen percent of the levy was used for long-term interest and debt retirement. A prior period adjustment (see Note 18) contributed \$9.0 million to the increase in net assets. The improvement in the district's financial position is a result of increasing capital assets. Other items which contributed to the change are as follows:

- School allocations that went unspent during the year totaled about \$150K. As a means of providing more efficient use of funds, schools are permitted to carry over unused funds to the next year.
- The negative downturn in the investment market led to a \$921K decrease in interest earnings from the prior year.

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.



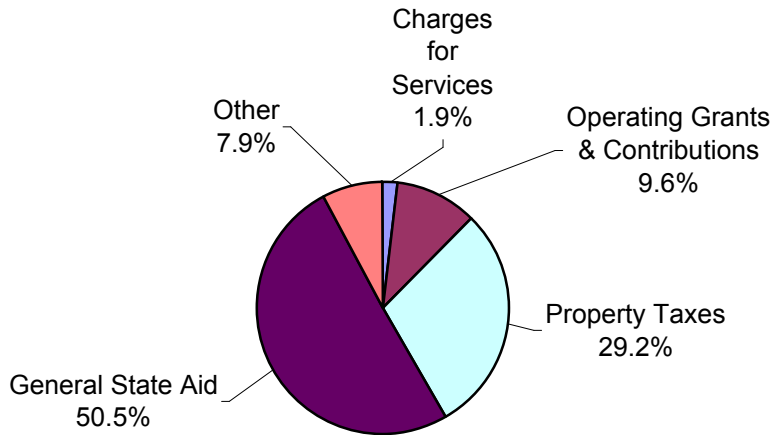
The net cost of providing services is shown in table 3. Net cost is the total cost of the service less any user fees generated by the activities or any intergovernmental aid or gifts received for specific programs. The net cost shows the reliance on general revenues of the district, primarily state aid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

**Table 3
Cost of Governmental Activities**

	Total Cost of Services 2009	Net Cost of Services 2009
Instruction	\$ 70,371,337	\$ 60,442,989
Pupil Services	7,276,601	4,812,478
Instructional Staff Services	4,656,062	3,059,230
Administration & Business	6,924,411	6,924,366
Operations & Maintenance	12,209,743	12,130,968
Pupil Transportation	1,700,518	1,285,888
Central Services	2,979,407	2,801,419
Interest on Debt	3,889,220	3,889,220
Other	7,977,733	7,946,871
Total Expenses	\$ 117,985,032	\$ 103,293,429

Program revenues offset 12.5%, or \$14.7 million of costs. The largest category of program revenue comes from grants and contributions totaling \$12.4 million. The largest single source of program revenue comes from the State of Wisconsin as aid for special education. Special education instruction receives the most program revenues at 34% of cost.

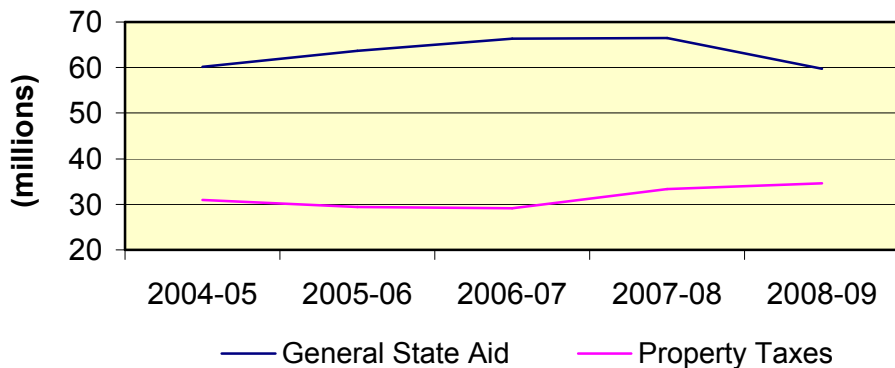
Revenue by Source - Governmental Activities



General revenues consist primarily of General State aid and property taxes. A lack of growth in General State aid and an increase in debt have caused the property tax levy to increase moderately as demonstrated by Table 4.

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

	2004-05	2005-06	2006-07	2007-08	2008-09
General State Aid	60.2	63.7	66.3	66.5	59.8
Property Taxes	31.04	29.4	29.2	33.4	34.6



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 lunch program at all sites with minimal services at the remote charter schools and ala carte services at all middle and high schools. A federally subsidized school breakfast program is offered at Kennedy, Lincoln, Monroe, and Wilson Elementary, Franklin and Marshall Middle, and Parker and Craig High schools. The district had 38% of students qualify for free or reduced meals. Unfortunately, the federal reimbursement rate for reimbursable meals has not kept up with the cost of producing those meals. Therefore, for 2008-09, meal, milk and ala carte prices were increased to raise additional revenue and keep the fund self-supporting.

Overall, the food service fund generated \$78,364 for 2008-09. Prices will not be increased in the 2009-2010 fiscal year.

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. The decrease in total governmental fund balance for the year was \$.6 million, bringing the total to \$32.3 million, only a 2% decrease.

- At June 30, 2009, the General Fund balance totaled \$27.4 million representing 30.0% of general expenditures or 3.6 months of operations. The district's guidelines indicate a reasonable fund balance designated for cash flow should be 19% to 23% of ensuing expenditures. \$3.9 million of the fund balance is reserved for specific purposes including \$3.7 million for future claims from the self-insured health plan and \$.2 million for encumbered obligations payable in the next fiscal year (outstanding purchase orders). The remainder of the fund balance (\$21.8 million) is designated for cash flow needs of the district. By policy, between \$21.8 million and \$26.4 million should be available to meet the needs of the 2009-10 budgeted expenditures.
- General fund revenue was about \$1.2 million below budget. The most significant variance in that category was the large decrease in interest income due to the unfavorable market conditions experienced. There was a net decrease in Federal and State funding of \$524,019.
- General fund expenditures came in \$1.0 million under budget. About \$150K is being carried over from site based accounts at the schools. Reductions were made in many areas, with the largest coming from the regular instruction line item. Budget variances for the General and Special Revenue funds can be viewed beginning on page 19 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 \$10.1 million (a decrease of about \$670K from the prior year) represents 57% of the total expenditures as compared to 61% the previous year. Less funding was needed due to an increase in Federal funding this year.
- The TEACH fund balance at year end is now at \$0. As mentioned earlier, use of TEACH funds was restricted to educational technology and telecommunications access. TEACH block grants were funded by the State of Wisconsin and were discontinued after 2002-03.
- The Debt Service fund had an increase of \$343,024. 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. With the issuance of new debt in 2008-09 there is an increase in the future scheduled debt payments which increases the need for fund balance.

- The Capital Projects fund received \$33 million in bond proceeds in 2006-07 and \$38 million in 2008-09. \$31.9 million was disbursed during 2007-08 and \$35.4 million was disbursed during 2008-09 on the renovation and construction taking place at both high schools.

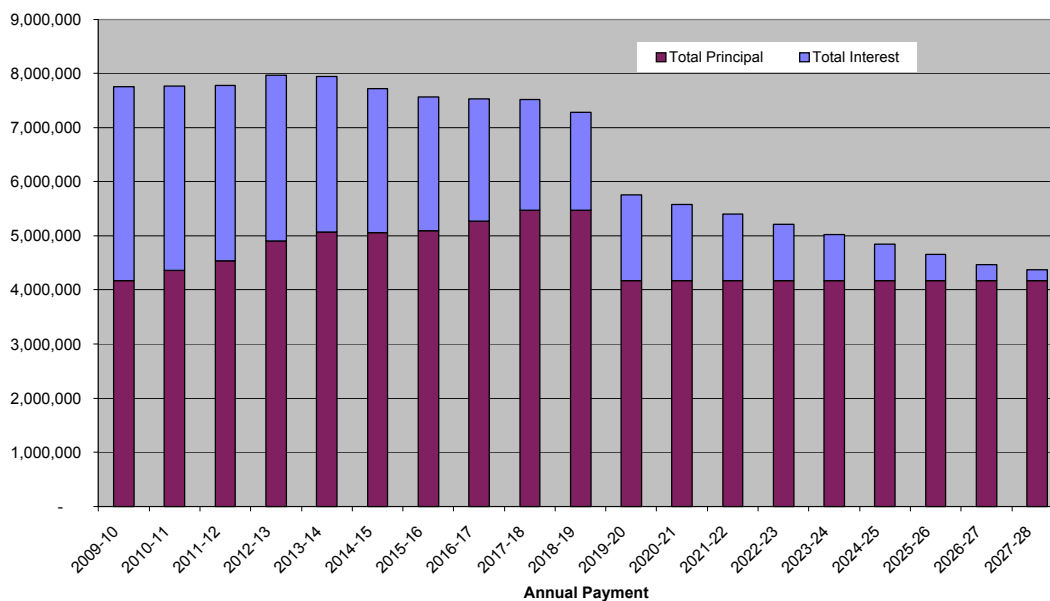
Fiduciary Funds

Fiduciary Funds consist of an agency fund and a trust fund. 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 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.

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 \$85.0 million. Current debt obligations have retirements running through March 2028. In July 2008 the district called all remaining debt from the October 1, 1997 and October 15, 1998, issues totaling \$2.3 million and paid off the obligations on September 2, 2008. Also in July 2008, the district issued \$38 million in general obligation bonds with annual maturities through March 2028. The district's current debt is 20.5% of the maximum permitted by law.

Long term Debt Payment Schedule



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

The custodial/maintenance/food service labor union and the Janesville Education Association representing teaching staff have had their contracts expire in June 2009. Both are in the process of negotiations. The secretary/clerk/aide unit have a contract in place until the end of June 2010.

The second phase of the capital project borrowing took place in July 2008 to issue bonds totaling \$37,795,000. The sale was well received and returned a net interest rate of 4.365% over 20 years.

The district contracted for actuarial services to determine the value of post employment benefits (OPEB) other than pensions as described under GASB Statement 45 and has approved a plan for funding.

General Motors Corp., a major employer, closed their Janesville manufacturing plant in December 2008. Supporting manufacturers have also announced closures. To date, the level of the impact this may have on student enrollment, and on the district in general, is undetermined.

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, WI 53548, or by calling (608)743-5018.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

STATEMENT OF NET ASSETS

As of June 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and investments	\$ 34,061,285	\$ 71	\$ 34,061,356
Accounts receivable	21,357	1,677	23,034
Taxes receivable	10,971,780		10,971,780
Interest receivable	174,407		174,407
Due from other governments	2,766,680	268,565	3,035,245
Due from business-type activities fund	15,431		15,431
Other current assets	313,157	8,431	321,588
Total current assets	48,324,097	278,744	48,602,841
Noncurrent assets			
Land	1,329,744		1,329,744
Site improvements	4,013,659		4,013,659
Buildings and building improvements	103,359,455		103,359,455
Furniture and equipment	16,327,972	520,243	16,848,215
Work in progress	68,566,938		68,566,938
	193,597,768	520,243	194,118,011
Less accumulated depreciation	(39,669,646)	(391,220)	(40,060,866)
Total noncurrent assets	153,928,122	129,023	154,057,145
Total assets	202,252,219	407,767	202,659,986
LIABILITIES			
Current liabilities			
Accounts payable	2,422,449	83,804	2,506,253
Accrued liabilities	13,564,684	33,709	13,598,393
Accrued interest	1,193,296		1,193,296
Due to governmental activities funds		15,431	15,431
Deferred revenue		46,562	46,562
Current portion of long-term liabilities	6,085,546		6,085,546
Total current liabilities	23,265,975	179,506	23,445,481
Noncurrent liabilities			
Long-term liabilities, less current portion	98,768,069		98,768,069
Total noncurrent liabilities	98,768,069		98,768,069
Total liabilities	122,034,044	179,506	122,213,550
NET ASSETS			
Invested in capital assets, net of related debt	68,923,122	129,023	69,052,145
Restricted for:			
Debt service	267,143		267,143
Capital projects	3,440,271		3,440,271
Other activities		99,238	99,238
Unrestricted	7,587,639		7,587,639
Total net assets	\$ 80,218,175	\$ 228,261	\$ 80,446,436

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, 2009

Functions/ Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Government Activities	Business Type Activities	Total
Governmental activities:						
Instruction:						
Regular instruction	\$ 45,955,270	\$ 1,698,237	\$ 2,818,601	\$ (41,438,432)		\$ (41,438,432)
Vocational instruction	4,560,581	557	78,528	(4,481,496)		(4,481,496)
Special education instruction	14,963,591	199,970	4,839,662	(9,923,959)		(9,923,959)
Other instruction	4,891,895	271,311	21,482	(4,599,102)		(4,599,102)
Total instruction	<u>70,371,337</u>	<u>2,170,075</u>	<u>7,758,273</u>	<u>(60,442,989)</u>		<u>(60,442,989)</u>
Support services:						
Pupil services	7,276,601	10,496	2,453,627	(4,812,478)		(4,812,478)
Instructional staff services	4,656,062	993	1,595,839	(3,059,230)		(3,059,230)
General administration services	877,197			(877,197)		(877,197)
School administration services	4,920,437	45		(4,920,392)		(4,920,392)
Business services	1,126,777			(1,126,777)		(1,126,777)
Operations and maintenance	12,209,743	61,874	16,901	(12,130,968)		(12,130,968)
Pupil transportation services	1,700,518		414,630	(1,285,888)		(1,285,888)
Central services	2,979,407		177,988	(2,801,419)		(2,801,419)
Insurance	641,774			(641,774)		(641,774)
Community services	25,953		25,431	(522)		(522)
Other support services	4,652,695		5,431	(4,647,264)		(4,647,264)
Interest	3,889,220			(3,889,220)		(3,889,220)
Depreciation - unallocated	2,657,311			(2,657,311)		(2,657,311)
Total support services	<u>47,613,695</u>	<u>73,408</u>	<u>4,689,847</u>	<u>(42,850,440)</u>		<u>(42,850,440)</u>
Total governmental activities	<u>117,985,032</u>	<u>2,243,483</u>	<u>12,448,120</u>	<u>(103,293,429)</u>		<u>(103,293,429)</u>
Business-type activities:						
School food service program	3,339,182	1,653,691	1,763,855		78,364	78,364
Total school district	<u>\$ 121,324,214</u>	<u>\$ 3,897,174</u>	<u>\$ 14,211,975</u>	<u>(103,293,429)</u>	<u>78,364</u>	<u>(103,215,065)</u>
General revenues:						
Property taxes:						
General purposes				27,597,136		27,597,136
Debt services				7,020,000		7,020,000
Federal and state aid not restricted to specific purposes:						
General				59,827,887		59,827,887
Other				332,833		332,833
ARRA State Fiscal Stabilization				7,692,190		7,692,190
Interest and investment earnings				1,282,918	175	1,283,093
Total general revenues				<u>103,752,964</u>	<u>175</u>	<u>103,753,139</u>
Change in net assets				459,535	78,539	538,074
Net assets - beginning of year (as previously reported)				70,787,239	149,722	70,936,961
Prior period adjustment (See Note 18)				8,971,401		8,971,401
Net assets - beginning of year (as restated)				<u>79,758,640</u>	<u>149,722</u>	<u>79,908,362</u>
Net assets - end of year				<u>\$ 80,218,175</u>	<u>\$ 228,261</u>	<u>\$ 80,446,436</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, 2009

	General	Special Revenue	Debt Service	Capital Projects	Other Government Funds	Total Government Funds
ASSETS						
Cash and investments	\$ 28,405,495	\$	\$ 1,455,143	\$ 4,200,125	\$ 522	\$ 34,061,285
Accounts receivable	21,357					21,357
Taxes receivable	10,971,780					10,971,780
Interest receivable	14,419		5,296	154,692		174,407
Due from other governments	2,171,631	595,049				2,766,680
Inventories and other current assets	308,600	4,557				313,157
Due from other funds	15,431	1,666,525				1,681,956
Total assets	\$ 41,908,713	\$ 2,266,131	\$ 1,460,439	\$ 4,354,817	\$ 522	\$ 49,990,622
LIABILITIES						
Accounts payable	\$ 1,459,237	\$ 48,666	\$	\$ 914,546	\$	\$ 2,422,449
Accrued salaries and related items	7,125,604	1,746,172				8,871,776
Due to other funds	1,666,525					1,666,525
Other current liabilities	4,221,093	471,293			522	4,692,908
Total liabilities	14,472,459	2,266,131		914,546	522	17,653,658
FUND EQUITY						
Fund balances						
Reserved	5,501,566		1,460,439	3,440,271		10,402,276
Unreserved - designated	21,934,688					21,934,688
Total fund balances	27,436,254		1,460,439	3,440,271		32,336,964
Total liabilities and fund equity	\$ 41,908,713	\$ 2,266,131	\$ 1,460,439	\$ 4,354,817	\$ 522	
Total net assets reported for governmental activities in the statement of net assets 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 assets:						
Governmental capital assets					\$ 193,597,768	
Governmental accumulated depreciation					(39,669,646)	153,928,122
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					\$ (85,005,000)	
Accrued interest on bonds payable					(1,193,296)	
Vested employee benefits					(19,848,615)	(106,046,911)
Total net assets - governmental activities						\$ 80,218,175

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, 2009

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Government Funds</u>	<u>Total Government Funds</u>
Revenues						
Local sources	\$ 28,495,595	\$	\$ 7,031,978	\$ 557,052	\$	\$ 36,084,625
Interdistrict sources	1,157,577	114,835				1,272,412
Intermediate sources	9,996	38,572				48,568
State sources	62,356,163	4,143,356				66,499,519
Federal sources	11,148,831	3,036,427			25,431	14,210,689
Other	<u>2,783</u>					<u>2,783</u>
 Total revenues	 <u>103,170,945</u>	 <u>7,333,190</u>	 <u>7,031,978</u>	 <u>557,052</u>	 <u>25,431</u>	 <u>118,118,596</u>
 Expenditures						
Instruction:						
Regular instruction	43,731,401					43,731,401
Vocational instruction	4,433,481	489,857				4,923,338
Special instruction	1,793,820	12,851,324				14,645,144
Other instruction	<u>4,862,185</u>					<u>4,862,185</u>
Total instruction	<u>54,820,887</u>	<u>13,341,181</u>				<u>68,162,068</u>
Support service:						
Pupil services	4,783,438	2,523,373				7,306,811
Instructional staff services	4,115,104	757,002				4,872,106
General administration services	872,887	4,310				877,197
School administration services	4,895,000					4,895,000
Business services	1,042,808	83,969				1,126,777
Operations and maintenance	13,533,670	6,103				13,539,773
Pupil transportation	719,481	981,037				1,700,518
Central services	3,105,861	12,327				3,118,188
Insurance	641,774					641,774
Community service					25,953	25,953
Other support services	<u>2,787,189</u>					<u>2,787,189</u>
 Total support services	 <u>\$ 36,497,212</u>	 <u>\$ 4,368,121</u>	 <u>\$</u>	 <u>\$</u>	 <u>\$ 25,953</u>	 <u>\$ 40,891,286</u>

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Government Funds</u>	<u>Total Government Funds</u>
Debt service:						
Principal	\$	\$	\$ 6,080,000	\$	\$	\$ 6,080,000
Interest	<u>4,008</u>		<u>3,157,907</u>			<u>3,161,915</u>
Total debt service	<u>4,008</u>		<u>9,237,907</u>			<u>9,241,915</u>
Capital outlay				<u>35,380,292</u>		<u>35,380,292</u>
Total expenditures	<u>91,322,107</u>	<u>17,709,302</u>	<u>9,237,907</u>	<u>35,380,292</u>	<u>25,953</u>	<u>153,675,561</u>
Excess of revenues over (under) expenditures	<u>11,848,838</u>	<u>(10,376,112)</u>	<u>(2,205,929)</u>	<u>(34,823,240)</u>	<u>(522)</u>	<u>(35,556,965)</u>
Other financial sources (uses)						
Payments to other institutions	(2,199,273)	(277,368)				(2,476,641)
Proceeds from bonds payable				37,795,000		37,795,000
Bond premium and accrued interest			325,972			325,972
Bond issuance costs			(262,142)			(262,142)
Refund of uncollected property taxes	(383,921)					(383,921)
Operating transfers in (out)	<u>(12,402,656)</u>	<u>10,102,656</u>	<u>2,485,123</u>	<u>(185,123)</u>		
Net other financing sources (uses)	<u>(14,985,850)</u>	<u>9,825,288</u>	<u>2,548,953</u>	<u>37,609,877</u>		<u>34,998,268</u>
Net change in fund balances	(3,137,012)	(550,824)	343,024	2,786,637	(522)	(558,697)
Fund balances - beginning of year	<u>30,573,266</u>	<u>550,824</u>	<u>1,117,415</u>	<u>653,634</u>	<u>522</u>	<u>32,895,661</u>
Fund balances - end of year	<u>\$ 27,436,254</u>	<u>\$</u>	<u>\$ 1,460,439</u>	<u>\$ 3,440,271</u>	<u>\$</u>	<u>\$ 32,336,964</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, 2009

Net change in fund balances - total governmental funds		\$ (558,697)
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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 assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.</p>		
Capital outlay reported in governmental fund statements	\$ 38,467,867	
Depreciation expense reported in the statement of activities	<u>(3,451,844)</u>	
Amount by which capital outlays are greater than depreciation in the current period		35,016,023
Fixed asset disposals in current year	\$ (499,746)	
Accumulated depreciation on fixed asset disposals	<u>355,409</u>	
Loss on disposal of fixed assets		(144,337)
<p>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.</p>		
Vested employee benefits paid in current year	\$ 3,421,151	
Vested employee benefits earned in current year	<u>(5,094,442)</u>	
Amounts earned are greater than amounts paid by		(1,673,291)
<p>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 assets and does not affect the statement of activities.</p>		
The amount of long-term debt proceeds in the current year is:		(37,795,000)
<p>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 assets and does not affect the statement of activities.</p>		
The amount of long-term debt principal payments in the current year is:		6,080,000
<p>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.</p>		
The amount of interest paid during the current period	\$ 3,161,915	
The amount of interest accrued during the current period	<u>(3,627,078)</u>	
Interest paid is less than interest accrued by		<u>(465,163)</u>
Change in net assets - governmental activities		<u>\$ 459,535</u>

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

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

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable
				(Unfavorable)
Revenues				
Property taxes	\$ 27,460,468	\$ 27,604,212	\$ 27,597,136	\$ (7,076)
Other local sources	1,291,850	940,481	898,459	(42,022)
Interdistrict sources	1,313,800	1,145,700	1,157,577	11,877
Intermediate sources	9,000	9,000	9,996	996
State sources	70,027,353	70,079,642	62,356,163	(7,723,479)
Federal sources	3,040,620	3,949,371	11,148,831	7,199,460
Other sources	502,000	682,000	2,783	(679,217)
Total revenues	<u>103,645,091</u>	<u>104,410,406</u>	<u>103,170,945</u>	<u>(1,239,461)</u>
Expenditures				
Instruction:				
Regular instruction	44,136,412	44,306,434	43,731,401	575,033
Vocational instruction	4,548,298	4,543,992	4,433,481	110,511
Special instruction	1,786,411	1,809,293	1,793,820	15,473
Other instruction	4,755,180	4,836,775	4,862,185	(25,410)
Total instruction	<u>55,226,301</u>	<u>55,496,494</u>	<u>54,820,887</u>	<u>675,607</u>
Support services:				
Pupil services	4,532,689	4,960,783	4,783,438	177,345
Instructional staff services	4,070,568	4,387,033	4,115,104	271,929
General administration services	773,799	868,685	872,887	(4,202)
School administration services	4,838,037	4,929,959	4,895,000	34,959
Business services	1,026,186	1,059,339	1,042,808	16,531
Operations and maintenance of plant	12,906,995	13,416,131	13,533,670	(117,539)
Pupil transportation	819,740	761,605	719,481	42,124
Central services	2,560,189	3,010,036	3,105,861	(95,825)
Insurance	746,200	649,516	641,774	7,742
Other support services	2,808,372	2,804,621	2,787,189	17,432
Total support services	<u>35,082,775</u>	<u>36,847,708</u>	<u>36,497,212</u>	<u>350,496</u>
Debt service:				
Interest	9,045	4,008	4,008	
Total debt service	<u>9,045</u>	<u>4,008</u>	<u>4,008</u>	
Total expenditures	<u>90,318,121</u>	<u>92,348,210</u>	<u>91,322,107</u>	<u>1,026,103</u>
Excess of revenues over expenditures	<u>13,326,970</u>	<u>12,062,196</u>	<u>11,848,838</u>	<u>(213,358)</u>
Other financing uses				
Payments to other institutions	(2,446,448)	(2,121,712)	(2,199,273)	(77,561)
Other	(29,000)	(43,971)	(383,921)	(339,950)
Transfers to other funds	<u>(13,642,022)</u>	<u>(13,073,604)</u>	<u>(12,402,656)</u>	<u>670,948</u>
Total other financing uses	<u>(16,117,470)</u>	<u>(15,239,287)</u>	<u>(14,985,850)</u>	<u>253,437</u>
Net change in fund balance	(2,790,500)	(3,177,091)	(3,137,012)	40,079
Fund balance - beginning of year	<u>30,573,266</u>	<u>30,573,266</u>	<u>30,573,266</u>	
Fund balance - end of year	<u>\$ 27,782,766</u>	<u>\$ 27,396,175</u>	<u>\$ 27,436,254</u>	<u>\$ 40,079</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 REVENUE FUND

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable (Unfavorable)
Revenues				
Interdistrict sources	\$ 211,000	\$ 138,930	\$ 114,835	\$ (24,095)
Intermediate sources	10,000	10,500	38,572	28,072
State sources	4,210,000	4,210,000	4,143,356	(66,644)
Federal sources	<u>2,169,068</u>	<u>2,322,451</u>	<u>3,036,427</u>	<u>713,976</u>
Total revenues	<u>6,600,068</u>	<u>6,681,881</u>	<u>7,333,190</u>	<u>651,309</u>
Expenditures				
Instruction:				
Vocational instruction	204	490,702	489,857	845
Special instruction	<u>13,052,602</u>	<u>12,844,168</u>	<u>12,851,324</u>	<u>(7,156)</u>
Total instruction	<u>13,052,806</u>	<u>13,334,870</u>	<u>13,341,181</u>	<u>(6,311)</u>
Support services:				
Pupil services	2,917,702	2,523,675	2,523,373	302
Instructional staff services	600,689	789,615	757,002	32,613
General administration services	14,486	11,986	4,310	7,676
Business services		63,022	83,969	(20,947)
Operations and maintenance	7,955	7,155	6,103	1,052
Pupil transportation	1,068,138	984,089	981,037	3,052
Central services	587,778	18,500	12,327	6,173
Insurance	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
Total support services	<u>5,198,748</u>	<u>4,400,042</u>	<u>4,368,121</u>	<u>31,921</u>
Total expenditures	<u>18,251,554</u>	<u>17,734,912</u>	<u>17,709,302</u>	<u>25,610</u>
Excess of expenditures over revenues	(11,651,486)	(11,053,031)	(10,376,112)	676,919
Other financing sources (uses)				
Transfer from general fund	11,342,022	10,773,604	10,102,656	(670,948)
Payments to other institutions	<u>(259,814)</u>	<u>(271,397)</u>	<u>(277,368)</u>	<u>(5,971)</u>
Net change in fund balance	(569,278)	(550,824)	(550,824)	
Fund balance - beginning of year	<u>550,824</u>	<u>550,824</u>	<u>550,824</u>	
Fund balance - end of year	<u>\$ (18,454)</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 NET ASSETS - PROPRIETARY FUNDS

As of June 30

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 71	\$ 183
Accounts receivable	1,677	
Due from other governments	268,565	201,857
Inventories and prepaid items	<u>8,431</u>	<u>16,962</u>
Total current assets	<u>278,744</u>	<u>219,002</u>
Noncurrent assets		
Furniture and equipment	520,243	513,827
Less accumulated depreciation	<u>(391,220)</u>	<u>(364,105)</u>
Total noncurrent assets	<u>129,023</u>	<u>149,722</u>
Total assets	<u>407,767</u>	<u>368,724</u>
LIABILITIES		
Current liabilities		
Accounts payable	83,804	46,902
Accrued payroll	33,709	32,646
Due to other funds	15,431	98,599
Deferred revenue	<u>46,562</u>	<u>40,855</u>
Total liabilities	<u>179,506</u>	<u>219,002</u>
NET ASSETS		
Invested in capital assets, net of related debt	129,023	149,722
Restricted for food service	<u>99,238</u>	<u> </u>
Total net assets	<u>\$ 228,261</u>	<u>\$ 149,722</u>

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS

For the Years Ended June 30

	<u>2009</u>	<u>2008</u>
Revenues:		
Food sales	\$ 1,653,661	\$ 1,642,322
State sources	51,058	52,318
Federal sources	1,538,028	1,301,138
Federal commodities	174,769	177,899
Other revenue	<u>30</u>	<u>1,466</u>
Total revenues	<u>3,417,546</u>	<u>3,175,143</u>
Operating expenses:		
Salaries and wages	1,240,546	1,154,562
Employer paid benefits	346,596	310,734
Purchased services	71,820	90,442
Supplies, food, and materials	1,635,317	1,780,373
Other	17,788	8,752
Depreciation	<u>27,115</u>	<u>26,617</u>
Total operating expenses	<u>3,339,182</u>	<u>3,371,480</u>
Operating income (loss)	<u>78,364</u>	<u>(196,337)</u>
Nonoperating revenues:		
Operating transfer in		54,672
Investment earnings	<u>175</u>	<u>2,320</u>
Total nonoperating revenues	<u>175</u>	<u>56,992</u>
Change in net assets	78,539	(139,345)
Net assets - beginning of year	<u>149,722</u>	<u>289,067</u>
Net assets - end of year	<u>\$ 228,261</u>	<u>\$ 149,722</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>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from user charges	\$ 1,657,722	\$ 1,647,578
Cash received from other government payments	1,518,820	1,361,674
Cash received from interest earnings	175	2,320
Cash received from (paid to) other funds	(83,168)	153,271
Cash payments to employees for services	(1,586,080)	(1,472,591)
Cash payments for utilities and other purchased services	(71,820)	(847)
Cash payments to suppliers for goods and services	(1,408,698)	(1,576,564)
Cash payments for other operating expenses	<u>(20,647)</u>	<u>(98,346)</u>
Net cash provided by operating activities	<u>6,304</u>	<u>16,495</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash payments for acquisition of capital assets	<u>(6,416)</u>	<u>(11,800)</u>
Net cash used in investing activities	<u>(6,416)</u>	<u>(11,800)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Bank overdraft	<u> </u>	<u>(4,512)</u>
Net cash used in financing activities	<u> </u>	<u>(4,512)</u>
Net increase (decrease) in cash and investments	(112)	183
Cash and investments - beginning of year	<u>183</u>	<u> </u>
Cash and investments - end of year	<u>\$ 71</u>	<u>\$ 183</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ 78,539	\$ (139,345)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	27,115	26,617
Changes in assets and liabilities:		
Accounts receivable	(1,677)	891
Due from other governments	(66,708)	6,751
Inventories and prepaid items	8,531	(8,988)
Accounts payable	36,902	34,898
Accrued payroll	1,063	(7,294)
Due to other funds	(83,168)	98,599
Deferred revenue	<u>5,707</u>	<u>4,366</u>
Net cash provided by operating activities	<u>\$ 6,304</u>	<u>\$ 16,495</u>

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

STATEMENT OF FIDUCIARY NET ASSETS

As of June 30, 2009

	<u>Agency Funds</u>	<u>Private- Purpose Trust</u>
ASSETS		
Cash and cash equivalents	\$ 517,635	\$ 148,907
Total assets	<u>517,635</u>	<u>148,907</u>
LIABILITIES		
Accounts payable	14,116	
Due to grantor agencies	20,786	
Due to student groups:		
High school	217,080	
Middle school	143,441	
Elementary school	120,173	
Other schools	<u>2,039</u>	
Total liabilities	<u>517,635</u>	
NET ASSETS		
Reserved for student scholarships		17,888
Reserved for endowment		<u>131,019</u>
Total net assets	<u>\$</u>	<u>\$ 148,907</u>

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the Years Ended June 30

	Private-Purpose Trust	
	<u>2009</u>	<u>2008</u>
ADDITIONS		
Interest earnings on scholarship funds	<u>\$ 5,600</u>	<u>\$ 11,123</u>
Total additions	<u>5,600</u>	<u>11,123</u>
DEDUCTIONS		
Payments of scholarships	<u>6,750</u>	<u>3,500</u>
Total deductions	<u>6,750</u>	<u>3,500</u>
Change in net assets	(1,150)	7,623
Net assets - beginning of year	<u>150,057</u>	<u>142,434</u>
Net assets - ending of year	<u>\$ 148,907</u>	<u>\$ 150,057</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 assets 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.

Capital Projects Fund. This fund is used to account for major building and renovation expenditures financed through the use of bonds and promissory notes.

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.

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 assets 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.

Reports for the district's food service fund are prepared following the Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with Governmental Accounting Standards Board (GASB) pronouncements.

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 AND LIABILITIES

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 or two or more installments with the first installment payable the subsequent January 31, and a final payment no later than the following July 31. The district is paid by the collecting municipality its proportionate share of tax collections received through the last day of the preceding month on or before January 15, 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 2008 tax levy is used to finance operations of the district's fiscal year ended June 30, 2009. 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.

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.

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)

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.

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.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, 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 assets are 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 assets are available.

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)

Fund Balance Reserves

The district reserves those portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for the debt service fund, the TEACH fund, the capital projects fund, and prepaid items.

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.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS (continued)

- 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.

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 districts 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 Capital Projects Fund and Debt Service Fund account 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: 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.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 3 - CASH AND INVESTMENTS (continued)

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. As of June 30, 2009, \$411,928 of the district's bank balance of \$1,061,928 was exposed to custodial credit risk.

Disclosures

As of June 30, 2009, the district had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Investment in State Treasurer's Investment Pool	Less than 6 months	\$ 20,003,741
Wisconsin Investment Series Cooperative	Less than 1 year	14,071,656
Chase Bank High Interest Savings	Less than 3 months	525,225
Johnson Bank Scholarship Investments	No stated maturities	<u>106,210</u>
		<u>\$ 34,706,832</u>

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.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 4 - DUE FROM/DUE TO OTHER FUNDS

Individual fund interfund receivable and payable balances at June 30, 2009, are as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General fund	\$ 15,431	\$ 1,666,525
Food service fund		15,431
Special revenue fund	<u>1,666,525</u>	<u> </u>
	<u>\$ 1,681,956</u>	<u>\$ 1,681,956</u>

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, 2009:

<u>Fund</u>	<u>Excess Expenditures</u>
Special revenue funds	
Support services	\$ 6,311

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 6 - FUND BALANCES

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

<u>Individual Fund</u>	<u>Reservation</u>
General fund	\$ 5,501,566
Debt service fund	1,460,439
Capital projects fund	3,440,271
Non-expendable trust - reserved for scholarship programs	131,019
Expendable trust fund	<u>17,888</u>
	<u>\$ 10,551,183</u>

The general fund balance is designated to meet subsequent year cash flow requirements.

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, 2009, 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
Work in progress	33,770,568	35,252,316	455,946	68,566,938
Total sites and site improvements not being depreciated	35,804,153	35,252,316	455,946	70,600,523
Capital assets being depreciated:				
Site improvements	2,401,517	1,059,924	151,623	3,309,818
Buildings and building improvements	103,003,189	363,913	7,647	103,359,455
Furniture and equipment	14,420,788	2,247,660	340,476	16,327,972
Total capital assets being depreciated	119,825,494	3,671,497	499,746	122,997,245
Less accumulated depreciation for:				
Site improvements	(990,707)	(155,655)	(89,089)	(1,057,273)
Buildings and building improvements	(27,150,614)	(1,726,334)	(4,231)	(28,872,717)
Furniture and equipment	(8,431,890)	(1,569,855)	(262,089)	(9,739,656)
Total accumulated depreciation	(36,573,211)	(3,451,844)	(355,409)	(39,669,646)
Total capital assets being depreciated, net of accumulated depreciation	83,252,283	219,653	144,337	83,327,599
Governmental activities capital assets, net of accumulated depreciation	\$ 119,056,436	\$ 35,471,969	\$ 600,283	\$ 153,928,122
Business-type activities:				
Capital assets being depreciated:				
Furniture and equipment	\$ 513,827	\$ 6,416	\$	\$ 520,243
Less accumulated depreciation	(364,105)	(27,115)		(391,220)
Business-type activities capital assets, net of accumulated depreciation	\$ 149,722	\$ (20,699)	\$	\$ 129,023

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 331,065
Vocational instruction	375,742
Special education instruction	43,790
Other instruction	43,936
Depreciation not charged to a specific function	2,657,311
Total depreciation for governmental activities	\$ 3,451,844

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, 2009 and 2008, 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	\$ 53,290,000	\$ 37,795,000	\$ 6,080,000	\$ 85,005,000	\$ 4,175,000
Total bonds payable	<u>53,290,000</u>	<u>37,795,000</u>	<u>6,080,000</u>	<u>85,005,000</u>	<u>4,175,000</u>
Other liabilities					
Vested employee benefits					
Longevity	44,478		8,375	36,103	6,176
Pension benefits	2,000,000			2,000,000	262,676
Other postemployment benefits		4,240,686	2,598,992	1,641,694	1,641,694
Prior service liability, Wisconsin Retirement Fund	<u>16,130,846</u>	<u>853,756</u>	<u>813,784</u>	<u>16,170,818</u>	<u></u>
Total other liabilities	<u>18,175,324</u>	<u>5,094,442</u>	<u>3,421,151</u>	<u>19,848,615</u>	<u>1,910,546</u>
Total governmental activities long-term liabilities	<u>\$ 71,465,324</u>	<u>\$ 42,889,442</u>	<u>\$ 9,501,151</u>	<u>\$ 104,853,615</u>	<u>\$ 6,085,546</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 \$3,161,915. Total interest incurred during the year aggregated \$3,627,078.

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, 2009, is comprised of the following individual issues:

Description	Issue Date	Interest Rate (%)	Date of Maturity	Balance June 30, 2009
Notes and bonds awarded to:				
Morgan, Keegan, & Company, Inc.	05/15/04	3.5 - 4.25	03/01/19	\$ 8,600,000
Legg Mason Wood Walker	01/01/05	3.0 - 4.0	03/01/13	4,165,000
RBC Capital Markets	03/15/06	3.75 - 4.25	03/01/15	4,765,000
Harris N.A.	05/01/07	3.75 - 4.5	03/01/27	30,000,000
UBS Securities, LLC	07/15/08	3.5 - 4.625	03/01/28	<u>37,475,000</u>
 Total general obligation debt				 <u>\$ 85,005,000</u>

The 2008 equalized valuation of the district as certified by the Wisconsin Department of Revenue is \$4,144,819,199. The legal debt limit and margin of indebtedness as of June 30, 2009, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$4,144,819,199)	\$ 414,481,920
Deduct long-term debt applicable to debt margin	<u>85,005,000</u>
Margin of indebtedness	<u>\$ 329,476,920</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, 2009, follows:

Year Ended June 30	Principal	Interest	Total
2010	\$ 4,175,000	\$ 3,579,888	\$ 7,754,888
2011	4,355,000	3,413,950	7,768,950
2012	4,535,000	3,240,750	7,775,750
2013	4,905,000	3,060,100	7,965,100
2014	5,075,000	2,864,400	7,939,400
2015 - 2019	26,385,000	11,227,850	37,612,850
2020 - 2024	20,875,000	6,096,156	26,971,156
2025 - 2028	14,700,000	1,529,625	16,229,625
	<u>\$ 85,005,000</u>	<u>\$ 35,012,719</u>	<u>\$ 120,017,719</u>

NOTE 9 - EMPLOYEE PENSION PLANS

Defined Benefit Plan

All eligible district employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year (440 hours for teachers) are eligible to participate in the System. Covered employees in the General/Teacher category are required by statute to contribute 6.0% of their salary to the plan. The district makes these contributions on behalf of employees as part of their compensation package. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits. Rates are determined annually and go into effect on January 1 of each year.

The payroll for district employees covered by the system for the year ended December 31, 2008, was \$61,329,174. The total required contribution for the year ended December 31, 2008, was \$7,298,172, which consisted of \$3,618,421 or 5.9% of payroll from the employer and \$3,679,751 or 6.0% of payroll from employees. Total contributions for the years ending June 30, 2009 and 2008, were \$7,298,172 and \$7,038,536, respectively, equal to the required contributions for each year.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 9 - EMPLOYEE PENSION PLANS (continued)

Employees who retire at or after age 65 are entitled to receive a retirement benefit. Employees may retire at age 55 and receive actuarially reduced benefits. Retirement benefits are calculated as 1.6% of final average earnings for each year of creditable service. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment 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, are immediately vested.

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

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 various vehicles, equipment, and buildings on an annual basis. Total rent expense under these leases was \$114,526 for the year ended June 30, 2009.

The district leased space for its Charter School under an operating lease through June 30, 2013. The lease calls for monthly payments of \$9,736 and has a 2.5% annual escalator. Rent expense under this lease was \$113,992 for the year ended June 30, 2009.

The district leased space for its TAGOS Academy under an operating lease through August 2013, with an option to renew for an additional five year term. The lease calls for monthly payment of \$10,364 and has a 3% annual escalator. Rent expense under this lease was \$124,368 for the year ended June 30, 2009.

The district entered into a lease for its CRES Academy under an operating lease beginning August 1, 2009. The lease calls for monthly payments of \$1,159 and ends June 2010.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 10 - OPERATING LEASES, AS LESSEE (continued)

The district leases a storage facility under an operating lease. The lease calls for monthly payments of \$5,606. This lease ends November 2009. Rent expense under this lease was \$55,923 for the year ended June 30, 2009.

Future minimum lease payments under these leases are as follows:

Year ended June 30	
2010	\$ 285,086
2011	251,060
2012	257,988
2013	265,120
2014	<u>23,330</u>
	<u>\$ 1,082,584</u>

NOTE 11 - SELF-FUNDED INSURANCE PROGRAM

On September 1, 1983, the district established a self-funded health and dental benefit plan for its employees. The plan administrators, UMR 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 UMR 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 \$275,000 per individual, with \$1,000,000 of lifetime maximum coverage. For the year ended June 30, 2009, there were no claims that were subject to stop-loss coverage.

SCHOOL DISTRICT OF JANESVILLE
Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 11 - SELF-FUNDED INSURANCE PROGRAM (continued)

At June 30, 2009, the district has reported an estimated liability of \$1,375,914 which represents reported and unreported claims which were incurred on or before June 30, 2009, but were not paid by the district as of that date.

Reported and unreported claims:

Estimated Liability Balance July 1, 2008	Current Year Claims and Changes In Estimates	Claim Payments	Estimated Liability Balance June 30, 2009
\$ 1,663,984	\$ 18,030,946	\$ 18,319,016	\$ 1,375,914

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, 2009, there was \$2,369,191 of encumbrances outstanding.

The district has commitments to complete the renovation work at the districts two high schools. Construction began in spring 2007 and was completed in prior to the start of the 2009/2010 school year. Total cost of the project was \$70.8 million.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 13 - SUPPLEMENTAL PENSION PLAN

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

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

There is no legal or contractual maximum contribution rates. The district is currently funding the plan on a "pay-as-you-go" basis. At June 30, 2009 and 2008, 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, 2009, the district had six retirees receiving benefits under the plan. There are no terminated members entitled to, but not yet receiving benefits. The district has six additional employees that were hired prior to the discontinuation of the plan that are expected to be eligible for benefits under the plan.

As of June 30, 2009, the district had not yet obtained an actuarial valuation for this supplemental pension plan. The liability as of June 30, 2009, as disclosed in Note 8, has been estimated by management. An actuarial valuation will be performed within the next fiscal year.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The district maintains a single-employer defined benefit OPEB plan that is administered as a trust. For the year ended June 30, 2009, the district has prospectively implemented GASB #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

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, paying for the monthly premiums for the same time period as the monthly health insurance premiums. An early retiree who has reached the end of district-paid benefits is responsible for life insurance premium payments until age 65. The district pays for all group life premiums for eligible retirees age 65 or older, until the retiree's death.

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 January 1, 2008, the district had 204 retirees receiving benefits under the plan. There are no terminated members entitled to, but not yet receiving benefits. The district has 1,478 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 Assets and Changes in Plan Net Assets are maintained on the accrual basis of accounting. Plan assets are recorded at published fair market values.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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 is no legal or contractual maximum contribution rates. The district is currently funding the plan on a “pay-as-you-go” basis. At June 30, 2009 and 2008, the plan has no legally-required reserves or designations and no net assets.

The districts 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	\$ 4,240,686
Interest on net OPEB obligation	
Adjustment to annual required contribution	
Annual OPEB cost (expense)	4,240,686
OPEB payments made	(2,598,992)
Prior period adjustment	<u>(10,971,401)</u>
Decrease in net OPEB obligation	(9,329,707)
Net OPEB obligation - beginning of year	<u>10,971,401</u>
Net OPEB obligation - end of year	<u><u>\$ 1,641,694</u></u>

The districts annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and the preceding two year’s were:

<u>Fiscal</u>		<u>Percentage</u>	
<u>Year</u>	<u>Annual</u>	<u>of Annual</u>	<u>Net</u>
<u>Ended</u>	<u>OPEB Cost</u>	<u>OPEB Cost</u>	<u>OPEB</u>
		<u>Contributed</u>	<u>Obligation</u>
6/30/2009	\$ 4,240,686	61.29%	\$ 1,641,694
6/30/2008	N/A	N/A	N/A
6/30/2007	N/A	N/A	N/A

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 6.5% was used, along with an initial medical care trend rate of 9.5%, decreasing by 1% per year through 2012, and decreasing to 5% for 2013 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.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 16 - 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, 2009, the district did not exceed its revenue limit.

NOTE 17 - 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 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 18 - PRIOR PERIOD ADJUSTMENT

Due to the implementation of Government Accounting Standards Board pronouncement number 45, the district decreased its beginning of year other postemployment benefits by \$8,971,401. This adjustment affected the district-wide statements only; there was no effect on the fund balances, which get reported to the Wisconsin Department of Public Instruction.

SUPPLEMENTAL FINANCIAL INFORMATION

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET**

June 30, 2009

	<u>TEACH</u> <u>Grant</u>	<u>Special</u> <u>Education</u>	<u>Totals</u>	
			<u>2009</u>	<u>2008</u>
ASSETS				
Cash and investments	\$	\$	\$	\$ 569,278
Due from other funds		1,666,525	1,666,525	1,779,211
Due from other governments		595,049	595,049	471,664
Other current assets		<u>4,557</u>	<u>4,557</u>	<u>4,686</u>
Total assets	<u>\$</u>	<u>\$ 2,266,131</u>	<u>\$ 2,266,131</u>	<u>\$ 2,824,839</u>
LIABILITIES				
Accounts payable	\$	\$ 48,666	\$ 48,666	\$ 83,470
Accrued salaries and related items		1,746,172	1,746,172	1,675,953
Due to other governments				
Other current liabilities		<u>471,293</u>	<u>471,293</u>	<u>514,592</u>
Total liabilities		<u>2,266,131</u>	<u>2,266,131</u>	<u>2,274,015</u>
FUND BALANCES				
Reserved				<u>550,824</u>
Total fund balances				<u>550,824</u>
Total liabilities and fund balances	<u>\$</u>	<u>\$ 2,266,131</u>	<u>\$ 2,266,131</u>	<u>\$ 2,824,839</u>

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

**SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES**

For the Year Ended June 30, 2009

	TEACH	Special	Totals	
	<u>Grant</u>	<u>Education</u>	<u>2009</u>	<u>2008</u>
Revenues				
Local sources	\$	\$	\$	\$ 1,100
Interdistrict sources		114,835	114,835	168,219
Intermediate sources		38,572	38,572	29,055
State sources		4,143,356	4,143,356	4,276,787
Federal sources		3,036,427	3,036,427	2,150,719
		<u>7,333,190</u>	<u>7,333,190</u>	<u>6,625,880</u>
Total revenues				
Expenditures				
Instruction	487,803	12,853,378	13,341,181	12,457,047
Support service	<u>63,021</u>	<u>4,305,100</u>	<u>4,368,121</u>	<u>4,138,752</u>
		<u>17,158,478</u>	<u>17,709,302</u>	<u>16,595,799</u>
Total expenditures				
Excess of revenues under expenditures	<u>(550,824)</u>	<u>(9,825,288)</u>	<u>(10,376,112)</u>	<u>(9,969,919)</u>
Other financing sources (uses)				
Operating transfers in		10,102,656	10,102,656	10,172,658
Payments to other institutions		<u>(277,368)</u>	<u>(277,368)</u>	<u>(231,640)</u>
Net other financing sources		<u>9,825,288</u>	<u>9,825,288</u>	<u>9,941,018</u>
Excess of revenues and other financing sources under expenditures and other financing uses	<u>(550,824)</u>		<u>(550,824)</u>	<u>(28,901)</u>
Fund balances, beginning of year	<u>550,824</u>		<u>550,824</u>	<u>579,725</u>
Fund balances, end of year	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 550,824</u>

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>
1/1/2008	\$	\$ 40,762,221	\$ 40,762,221	0.00%	\$ 55,688,734	73.20%

1st preceding valuation date - NONE

2nd preceding valuation date - NONE

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

ANALYSIS OF LOCAL LEVY

June 30, 2009

	<u>2007 Taxes Receivable July 1, 2008</u>	<u>Total 2008 Levy</u>	<u>Collections</u>	<u>2008 Taxes Receivable June 30, 2009</u>
City of Janesville	\$ 9,105,082	\$ 30,784,478	\$ 30,129,006	\$ 9,760,554
Town of Harmony	2,303	6,977	7,193	2,087
Town of Janesville	493,252	1,592,258	1,560,597	524,913
Town of La Prairie	119,127	368,555	353,356	134,326
Town of Rock	<u>499,121</u>	<u>1,457,200</u>	<u>1,427,089</u>	<u>529,232</u>
	<u>\$ 10,218,885</u>	<u>\$ 34,209,468</u>	<u>\$ 33,477,241</u>	<u>\$ 10,951,112</u>