

SCHOOL DISTRICT OF JANESVILLE
Janesville, Wisconsin

BASIC FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT

For the Year Ended June 30, 2016

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

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SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

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INDEPENDENT AUDITOR'S REPORT

Board of Education
School District of Janesville
Janesville, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District of Janesville (the "district") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the district's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the district's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the district's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the district as of June 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Special Education Fund, and the Debt Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 4 to 13), Schedule of Funding Progress for Other Postemployment Benefits (page 63), and Schedule of District's Proportionate Share of the Net Pension Liability (Asset), and District Contributions (page 64) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the district's basic financial statements. The supplemental financial information beginning on page 66 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, on our consideration of the district's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the district's internal control over financial reporting and compliance.

Madison, Wisconsin
December 20, 2016

Smith & Gesteland, LLP
SMITH & GESTELAND, LLP

School District of Janesville
Management's Discussion and Analysis
For the Year Ended June 30, 2016

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, 2016, as required by Governmental Accounting Standards Board Statement No. 34.

FINANCIAL HIGHLIGHTS

- The District's combined net position remained within 1.1% of that of the prior year.
- The General Fund Balance increased by \$1.4 million, or 6.4%.
- The District deposited an additional \$750,000 into Fund 46. Those funds may not be utilized until five years after the initial deposit to Fund 46. As the initial deposit was made on June 17, 2015, the funds will not be available to the District until June 17, 2020.

OVERVIEW OF FINANCIAL STATEMENTS

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

District-wide Statements

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

Fund Financial Statements

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

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

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

Major Features of the District-wide and Fund Financial Statements

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

FINANCIAL ANALYSIS

The District as a Whole

The District's combined net position decreased by 1.1% to \$91,936,570. The net position of governmental activities decreased by \$1.2 million, or 1.3%. The net position of the food service program increased slightly by \$.2 million, or 7.1%.

Table 1
Condensed Statement of Net Position
As of June 30

	Governmental Activities		Business-type Activities		Total		% Change
	2016	2015	2016	2015	2016	2015	
Current Assets	\$ 38,836,105	\$ 38,283,105	\$ 1,779,343	\$ 1,537,926	\$ 40,615,448	\$ 39,821,031	2.0%
Net WRS Pension Asset	-	11,055,383	-	266,256	-	11,321,639	-100.0%
Other Noncurrent Assets	130,371,600	135,124,762	404,639	457,690	130,776,239	135,582,452	-3.5%
Deferred Outflows of Resources	38,130,659	9,131,177	886,692	219,913	39,017,351	9,351,090	317.2%
Total Assets And Deferred Outflows	207,338,364	193,594,427	3,070,674	2,481,785	210,409,038	196,076,212	7.3%
Current Liabilities	22,537,233	24,234,201	180,339	270,544	22,717,572	24,504,745	-7.3%
Net WRS Pension Liability	7,240,535	-	168,372	-	7,408,907	-	100.0%
Long-Term Debt Outstanding	72,737,201	78,613,620	-	-	72,737,201	78,613,620	-7.5%
Deferred Inflows of Resources	15,254,069	-	354,719	-	15,608,788	-	N/A
Total Liabilities	117,769,038	102,847,821	703,430	270,544	118,472,468	103,118,365	14.9%
Net Position	\$ 89,569,326	\$ 90,746,606	\$ 2,367,244	\$ 2,211,241	\$ 91,936,570	\$ 92,957,847	-1.1%
Net Investment in Capital Assets	\$ 77,946,771	\$ 76,866,806	\$ 404,639	\$ 457,690	\$ 78,351,410	\$ 77,324,496	1.3%
Restricted	2,818,058	6,149,854	1,962,605	1,753,551	4,780,663	7,903,405	-39.5%
Unrestricted	8,804,497	7,729,946	-	-	8,804,497	7,729,946	13.9%
Total Net Position	\$ 89,569,326	\$ 90,746,606	\$ 2,367,244	\$ 2,211,241	\$ 91,936,570	\$ 92,957,847	-1.1%

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

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

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

Changes in Net Position: Table 2 shows the changes in net position for the fiscal years ending June 2016 and 2015, respectively. As demonstrated, general revenues are the primary source of funding for governmental activities at 85.0%, while program revenues provide almost the entire source of funding for business-type activities.

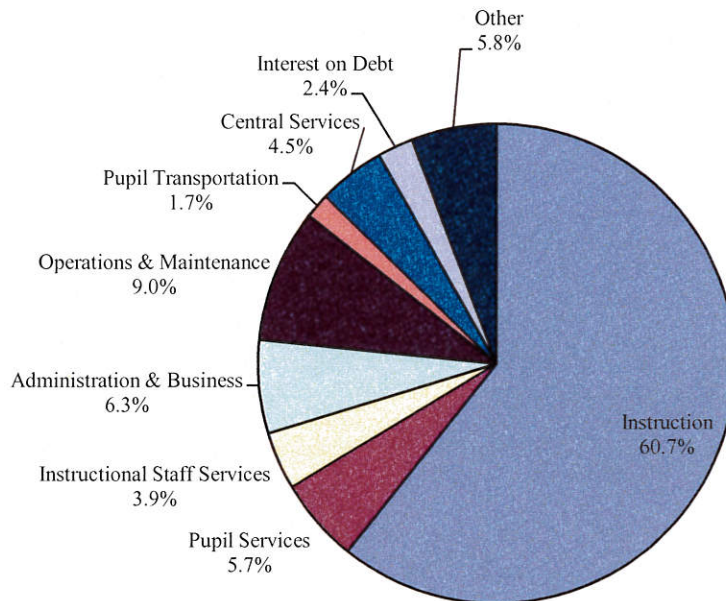
Table 2
Changes in Net Position
For the Year Ending June

	Governmental		Business-type		Total		Total	
	Activities	%	Activities	%	2016	%	2015	%
	2016		2016		2016		2015	
Revenues:								
Program Revenues								
Charges for Services	\$ 5,384,334	4.4%	\$ 1,328,674	26.6%	\$ 6,713,008	5.3%	\$ 6,369,760	5.0%
Operating Grants & Capital Grants &	13,069,418	10.6%	3,672,428	73.4%	16,741,846	13.1%	17,321,280	13.5%
General Revenues								
Property Taxes	35,985,339	29.3%			35,985,339	28.1%	35,112,869	27.3%
General State Aid	66,751,743	54.3%			66,751,743	52.2%	67,880,340	52.8%
Other	1,669,522	1.4%	2,107	0.0%	1,671,629	1.3%	1,751,295	1.4%
Total Revenues	<u>\$ 122,860,356</u>	<u>100.0%</u>	<u>\$ 5,003,209</u>	<u>100.0%</u>	<u>\$ 127,863,565</u>	<u>100.0%</u>	<u>\$ 128,435,544</u>	<u>100.0%</u>
Expenses:								
Instruction	\$ 75,337,816	60.7%	\$		\$ 75,337,816	58.5%	\$ 74,970,909	59.5%
Pupil Services	7,124,085	5.7%			7,124,085	5.5%	7,170,438	5.7%
Instructional Staff Services	4,854,050	3.9%			4,854,050	3.8%	4,045,536	3.2%
Administration & Business	7,869,994	6.3%			7,869,994	6.1%	7,485,037	5.9%
Operations & Maintenance	11,118,762	9.0%			11,118,762	8.6%	10,395,166	8.2%
Pupil Transportation	2,063,207	1.7%			2,063,207	1.6%	2,025,663	1.6%
Central Services	5,610,450	4.5%			5,610,450	4.4%	5,030,054	4.0%
Interest on Debt	2,925,914	2.4%			2,925,914	2.3%	3,129,542	2.5%
Other	7,133,358	5.8%	4,847,206	100.0%	11,980,564	9.3%	11,831,726	9.4%
Total Expenses	<u>\$ 124,037,636</u>	<u>100.0%</u>	<u>\$ 4,847,206</u>	<u>100.0%</u>	<u>\$ 128,884,842</u>	<u>100.0%</u>	<u>\$ 126,084,071</u>	<u>100%</u>
Change in Net Position	<u>\$ (1,177,280)</u>		<u>\$ 156,003</u>		<u>\$ (1,021,277)</u>		<u>\$ 2,351,473</u>	

Governmental Activities: Property taxes are levied for two purposes - general and debt. About 24.3% of the levy was used for long-term interest and debt retirement.

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

Expense Breakout for Fiscal Year 2015-16



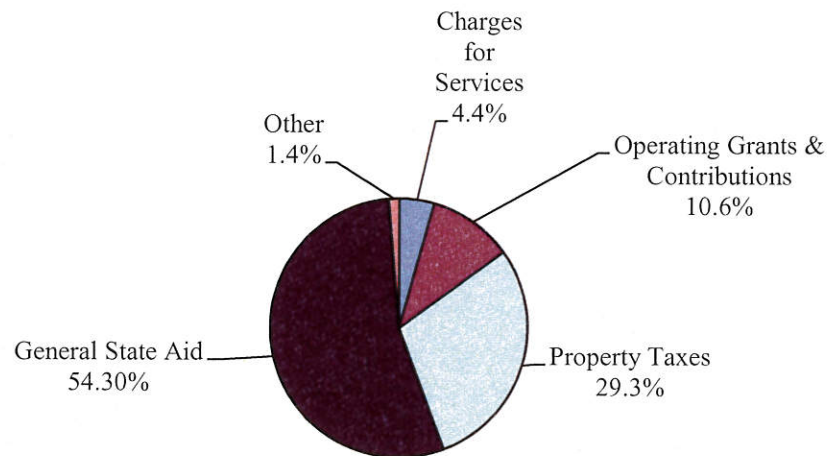
The net cost of providing services is shown in Table 3. Net cost is the total cost of the service less any user fees generated by the activities or any intergovernmental aid or gifts received for specific programs. The net cost shows the reliance on general revenues of the district, primarily state aid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

**Table 3
Cost of Governmental Activities**

	Total Cost of Services 2016	Net Cost of Services 2016
Instruction	\$ 75,337,816	\$ 58,148,897
Pupil Services	7,124,085	7,121,462
Instructional Staff Services	4,854,050	4,401,381
Administration & Business	7,869,994	7,869,994
Operations & Maintenance	11,118,762	10,879,258
Pupil Transportation	2,063,207	2,040,643
Central Services	5,610,450	5,610,450
Interest on Debt	2,925,914	2,925,914
Other	7,133,358	6,585,885
Total Expenses	<u>\$ 124,037,636</u>	<u>\$ 105,583,884</u>

Program revenues offset 14.9%, or about \$18.4 million of costs. The largest category of program revenue comes from grants and contributions totaling about \$13.1 million. The largest single source of program revenue comes from the State of Wisconsin as aid for special education.

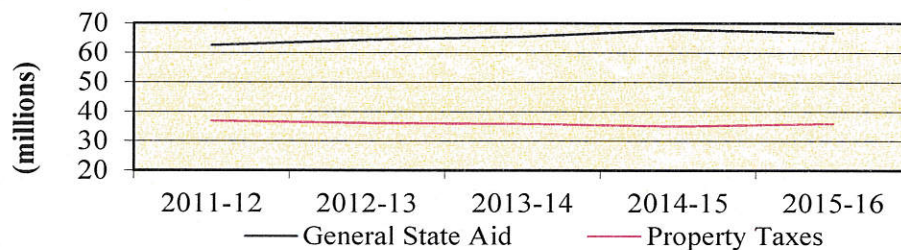
Fiscal 2015-16 Revenue by Source - Governmental Activities



General revenues consist primarily of General State aid and property taxes. A \$1.1 million decrease in General State aid received by the District and a \$.9 million increase in the net property tax levy led to an overall decrease in general revenue as demonstrated by Table 4.

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

	2011-12	2012-13	2013-14	2014-15	2015-16
General State Aid	62.6	64.4	65.5	67.9	66.8
Property Taxes	36.9	36.2	35.9	35.1	36.0



Business-type activities: The largest source of revenue for the food service program comes from the sale of food and beverages. The District provides a breakfast and lunch program at all sites with minimal services at the remote charter schools and ala carte services at all middle and high schools. The district had 48.7% of students qualify for free or reduced meals in 2015-2016.

Overall, the food service fund generated \$156,003 for 2015-2016. Prices were kept at the same level as the prior year. All food service surplus will be used to support a continued capital replacement program for food service assets in 2016-2017.

Governmental Funds

Fund accounting is required by the Wisconsin Department of Public Instruction. It is also the required method for budget adoption and levy certification. A \$2.2 million increase, or 9.7%, in total governmental fund balance increased the balance to \$25.2 million. Over \$1.0 million of this increase was due to increases in other governmental funds for future capital expenditures and special projects.

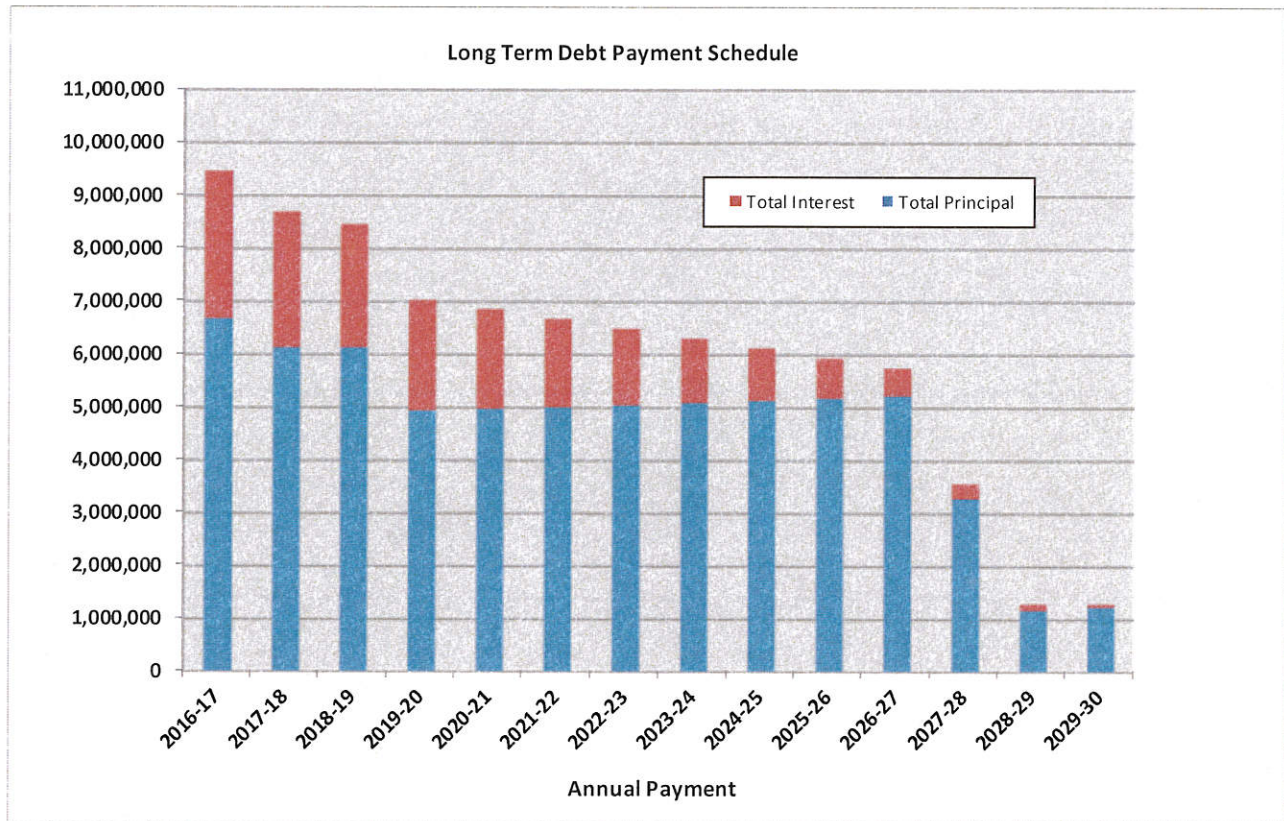
- At June 30, 2016, the General Fund balance totaled \$22.7 million, representing 21.3% of general expenditures or 2.6 months of operations. The District's policy on general fund balance indicates a reasonable fund balance designated for cash flow should be 17% to 23% of general and special education budgeted expenditures for the ensuing fiscal year, a reserve for at least 10% of the expected claims cost for the ensuing fiscal year, and to limit the use of unassigned fund balance to funding the district's Other Post-Employment Benefits (OPEB) liability, reducing the district's property tax levy, or one-time expenditures. By policy, between \$18.1 million and \$224.4 million should be available to meet the needs of the 2016-2017 budgeted expenditures.
- General fund revenue was nearly at the final budgeted amount.
- General fund expenditures came in \$.8 million, or 1.4%, under budget. Budget variances for the General and Special Revenue funds can be viewed on pages 21 and 22 of this report.
- The Special Education fund is used to account for all revenue and expenditures associated with the special education program, including any federal and state funding. Because outside funding is insufficient to cover the cost of the program, funds are transferred from the General fund as an operating transfer. The transfer of \$11.1 million, nearly the same as the prior year, represents 65% of the total expenditures, as compared to 61% the previous year.
- The Debt Service fund had a decrease of \$103,000. Its fund balance will fluctuate from year to year because the fund balance must be sufficient to meet the amount of any scheduled debt payments that are due prior to February 15 of the subsequent year. The typical debt service schedule requires interest payments in the fall and principal and interest payments in the spring of each year.

Fiduciary Funds

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

Long-term Debt

Debt of the District is secured by an irrevocable tax levy adopted by the school board at the time of issuance. The maximum legal debt limit is set by state statutes and detailed in Note 9 to the financial statements. At the end of the current fiscal year, the School District of Janesville had general obligation debt of \$65.3 million. Current debt obligations have retirements running through March 2030. The District's current debt is 17.4% of the maximum permitted by law.



Included in governmental activities under long-term obligations are other liabilities that are also detailed in Note 9 to the financial statements.

Factors Bearing on the District's Future

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

- Any increases or decreases in the District's population would likely affect student enrollment, which is a huge factor in the determination of revenue caps, employment levels and other critical factors. The current population is anticipated to remain fairly flat in the near future.
- The economic stability of the Janesville area.
- The establishment of the upcoming biennial budget by the Wisconsin State Legislature will determine any funding increases or decreases.
- Due to a retirement, the District will be hiring a new Superintendent for the 2017-2018 school year.

Contacting the District's Financial Management

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

STATEMENT OF NET POSITION

As of June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and investments	\$ 23,049,333	\$ 1,240,442	\$ 24,289,775
Accounts receivable	49,142		49,142
Taxes receivable	10,298,651		10,298,651
Due from other governments	3,990,464	519,287	4,509,751
Due from employee benefit trust fund	901,889		901,889
Due from agency funds	7,004		7,004
Other current assets	539,622	19,614	559,236
Total current assets	38,836,105	1,779,343	40,615,448
Noncurrent assets			
Bond origination discount	62,549		62,549
Accumulated amortization of bond discount	(17,720)		(17,720)
Capital assets:			
Land	1,329,333		1,329,333
Site improvements	5,019,570		5,019,570
Buildings and building improvements	177,820,602		177,820,602
Furniture and equipment	22,419,787	1,075,845	23,495,632
Work in progress	241,605		241,605
	206,830,897	1,075,845	207,906,742
Less accumulated depreciation	(76,504,126)	(671,206)	(77,175,332)
Total capital assets	130,326,771	404,639	130,731,410
Total noncurrent assets	130,371,600	404,639	130,776,239
Total assets	169,207,705	2,183,982	171,391,687
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension charges - WRS	38,130,659	886,692	39,017,351
Total deferred outflows of resources	38,130,659	886,692	39,017,351
Total assets and deferred outflows of resources	207,338,364	3,070,674	210,409,038
LIABILITIES			
Current liabilities			
Accounts payable	2,000,057	27,208	2,027,265
Accrued liabilities	11,506,973	80,667	11,587,640
Due to employee benefit trust fund		4,128	4,128
Accrued interest	927,912		927,912
Deferred revenue	164,887	68,336	233,223
Current portion of long-term liabilities	7,915,264		7,915,264
Total current liabilities	22,515,093	180,339	22,695,432
Noncurrent liabilities			
Net WRS pension liability	7,240,535	168,372	7,408,907
Long-term liabilities, less current portion	72,759,341		72,759,341
Total non-current liabilities	79,999,876	168,372	80,168,248
Total liabilities	102,514,969	348,711	102,863,680
DEFERRED INFLOWS OF RESOURCES			
Deferred pension credits - WRS	15,254,069	354,719	15,608,788
Total deferred inflows of resources	15,254,069	354,719	15,608,788
Total liabilities and deferred inflows of resources	117,769,038	703,430	118,472,468
NET POSITION			
Net investment in capital assets	77,946,771	404,639	78,351,410
Restricted for:			
Debt service	468,295		468,295
Employee benefits	1,242,213	359,473	1,601,686
Food service		1,603,132	1,603,132
Capital improvements	770,005		770,005
Community service	16,950		16,950
Special projects	320,595		320,595
Unrestricted	8,804,497		8,804,497
Total net position	\$ 89,569,326	\$ 2,367,244	\$ 91,936,570

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, 2016

Functions/ Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Government Activities	Business Type Activities	Total
Governmental activities:						
Instruction:						
Regular instruction	\$ 48,013,299	\$ 4,314,040	\$ 7,520,472	\$ (36,178,787)	\$	\$ (36,178,787)
Vocational instruction	3,573,446	7,734	184,187	(3,381,525)		(3,381,525)
Special education instruction	18,893,374	36,740	4,325,668	(14,530,966)		(14,530,966)
Other instruction	4,857,697	202,128	597,950	(4,057,619)		(4,057,619)
Total instruction	75,337,816	4,560,642	12,628,277	(58,148,897)		(58,148,897)
Support services:						
Pupil services	7,124,085	2,623		(7,121,462)		(7,121,462)
Instructional staff services	4,854,050	34,092	418,577	(4,401,381)		(4,401,381)
General administration services	1,589,849			(1,589,849)		(1,589,849)
School administration services	5,095,277			(5,095,277)		(5,095,277)
Business services	1,184,868			(1,184,868)		(1,184,868)
Operations and maintenance	11,118,762	239,504		(10,879,258)		(10,879,258)
Pupil transportation services	2,063,207		22,564	(2,040,643)		(2,040,643)
Internal services	120,803			(120,803)		(120,803)
Central services	5,610,450			(5,610,450)		(5,610,450)
Insurance	837,426	3,005		(834,421)		(834,421)
Community services	61,068	78,019		16,951		16,951
Other support services	515,990	466,449		(49,541)		(49,541)
Interest	2,925,914			(2,925,914)		(2,925,914)
Depreciation and amortization - unallocated	5,598,071			(5,598,071)		(5,598,071)
Total support services	48,699,820	823,692	441,141	(47,434,987)		(47,434,987)
Total governmental activities	124,037,636	5,384,334	13,069,418	(105,583,884)		(105,583,884)
Business-type activities:						
School food service program	4,847,206	1,328,674	3,672,428		153,896	153,896
Total school district	\$ 128,884,842	\$ 6,713,008	\$ 16,741,846	(105,583,884)	153,896	(105,429,988)
General revenues:						
Property taxes:						
General purposes				26,587,516		26,587,516
Debt services				9,397,823		9,397,823
Federal and state aid not restricted to specific purposes:						
General				66,751,743		66,751,743
Other				1,663,421		1,663,421
Interest and investment earnings				6,101	2,107	8,208
Total general revenues				104,406,604	2,107	104,408,711
Change in net position				(1,177,280)	156,003	(1,021,277)
Net position - beginning of year				90,746,606	2,211,241	92,957,847
Net position - end of year				\$ 89,569,326	\$ 2,367,244	\$ 91,936,570

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2016

	General	Debt Service	Other Government Funds	Total Government Funds
ASSETS				
Cash and investments	\$ 21,281,668	\$ 1,396,207	\$ 371,458	\$ 23,049,333
Accounts receivable	49,142			49,142
Taxes receivable	10,298,651			10,298,651
Due from other governmental funds			750,000	750,000
Due from agency funds	7,004			7,004
Due from employee benefit trust fund	901,889			901,889
Due from other governments	3,990,464			3,990,464
Inventories and other current assets	539,622			539,622
Total assets	<u>\$ 37,068,440</u>	<u>\$ 1,396,207</u>	<u>\$ 1,121,458</u>	<u>\$ 39,586,105</u>
LIABILITIES				
Accounts payable	\$ 1,986,149	\$	\$ 13,908	\$ 2,000,057
Accrued salaries and related items	10,125,078			10,125,078
Due to other governmental funds	750,000			750,000
Other current liabilities	1,546,782			1,546,782
Total liabilities	<u>14,408,009</u>		<u>13,908</u>	<u>14,421,917</u>
FUND BALANCES				
Non-spendable	519,799			519,799
Committed for self insurance	100,000			100,000
Restricted for debt service retirement		1,396,207		1,396,207
Restricted for capital improvements			770,005	770,005
Restricted for community service			16,950	16,950
Restricted for special projects			320,595	320,595
Assigned	1,331,212			1,331,212
Unassigned	20,709,420			20,709,420
Total fund balances	<u>22,660,431</u>	<u>1,396,207</u>	<u>1,107,550</u>	<u>25,164,188</u>
Total liabilities and fund balances	<u>\$ 37,068,440</u>	<u>\$ 1,396,207</u>	<u>\$ 1,121,458</u>	<u>\$ 39,586,105</u>

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

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

June 30, 2016

Total fund balances - governmental funds		\$ 25,164,188
Total net position reported for governmental activities in the statement of net position are different from the amount reported above as total governmental funds fund balance because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Amounts reported for governmental activities in the statement of net position:		
Governmental capital assets	\$ 206,830,897	
Governmental accumulated depreciation	<u>(76,504,126)</u>	130,326,771
Bond origination discounts are not financial resources and therefore are not reported as assets in governmental funds. Amounts reported for governmental activities in the statement of net position:		
Governmental bond origination discount	\$ 62,549	
Governmental accumulated amortization	<u>(17,720)</u>	44,829
The district's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to their participation in WRS is not recorded in the governmental funds but is recorded in the Statement of Net Position.		
		15,636,055
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	\$ (65,265,000)	
Premium on refunded bonds payable	(107,634)	
Accrued interest on bonds payable	(927,912)	
Vested employee benefits	<u>(15,301,971)</u>	(81,602,517)
Total net position - governmental activities		<u>\$ 89,569,326</u>

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

	General	Debt Service	Other Government Funds	Total Government Funds
Debt service:				
Principal	\$	\$ 6,510,000	\$	\$ 6,510,000
Interest		2,992,313		2,992,313
Total debt service		9,502,313		9,502,313
Total expenditures	106,223,873	9,502,313	412,167	116,138,353
Excess of revenues over (under) expenditures	6,512,429	(103,359)	263,807	6,672,877
Other financing sources (uses)				
Payments to other institutions	(4,070,698)			(4,070,698)
Other	(368,534)			(368,534)
Operating transfers in (out)	(750,000)		750,000	
Net other financing sources (uses)	(5,189,232)		750,000	(4,439,232)
Net change in fund balances	1,323,197	(103,359)	1,013,807	2,233,645
Fund balances - beginning of year	21,337,234	1,499,566	93,743	22,930,543
Fund balances - end of year	\$ 22,660,431	\$ 1,396,207	\$ 1,107,550	\$ 25,164,188

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, 2016

Net change in fund balances - total governmental funds		\$	2,233,645
Amounts reported for governmental activities in the statement of activities are different because:			
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.			
Capital outlay reported in governmental fund statements	\$	1,473,244	
Depreciation expense reported in the statement of activities		<u>(6,097,171)</u>	
Amount by which capital outlays are less than depreciation in the current period:			(4,623,927)
Fixed asset disposals in current year		(368,462)	
Accumulated depreciation on fixed asset disposals		<u>242,354</u>	
Loss on disposal of fixed assets			(126,108)
Discounts on bond refunding are reported in the governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over the life of the bond as annual amortization expense in the statement of activities.			
The amount amortized in the current year is:			(3,127)
Premiums received on bond refunding are reported as revenue in the governmental funds, but are capitalized and amortized over the life of the bonds in the statement of net position and the statement of activities.			
The amount amortized in the current year is:			49,126
Changes in the districts proportionate share of the net pension asset, deferred outflows of resources, and deferred inflows of resources related to WRS for the current year are not reported in the governmental funds but are reported in the statement of activities.			
			(4,550,505)
Vested employee benefits are reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.			
Vested employee benefits paid in current year		1,243,580	
Vested employee benefits earned in current year		<u>(1,979,490)</u>	
Amounts paid are less than amounts earned by:			(735,910)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.			
The amount of long-term debt principal payments in the current year is:			6,510,000
In governmental funds, interest payments on outstanding long-term debt are reported as an expenditure when paid. In the statement of activities, interest is reported as incurred.			
The amount of interest paid during the current period		2,992,313	
The amount of interest accrued during the current period		<u>(2,922,787)</u>	
Interest paid is less than interest accrued by:			69,526
Change in net position - governmental activities	\$		<u>(1,177,280)</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, 2016

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Property taxes	\$ 26,505,010	\$ 26,588,164	\$ 26,587,516	\$ (648)
Other local sources	903,668	928,743	1,372,191	443,448
Interdistrict sources	3,614,001	3,058,596	3,041,816	(16,780)
Intermediate sources			2,473	2,473
State sources	70,771,206	70,862,916	70,801,306	(61,610)
Federal sources	3,961,681	4,345,646	3,948,905	(396,741)
Other sources	299,475	576,081	629,513	53,432
Total revenues	106,055,041	106,360,146	106,383,720	23,574
Expenditures				
Instruction:				
Regular instruction	42,474,189	42,346,503	41,442,914	903,589
Vocational instruction	3,242,946	3,265,385	3,236,845	28,540
Special instruction	4,593,120	4,330,437	4,682,076	(351,639)
Other instruction	4,792,543	4,711,119	4,500,262	210,857
Total instruction	55,102,798	54,653,444	53,862,097	791,347
Support services:				
Pupil services	4,979,076	4,445,817	4,386,473	59,344
Instructional staff services	4,630,505	4,425,320	4,160,411	264,909
General administration services	1,009,304	1,490,555	1,497,159	(6,604)
School administration services	4,723,377	4,857,618	4,799,729	57,889
Business services	976,760	852,386	836,266	16,120
Operations and maintenance of plant	12,475,965	12,484,998	12,268,091	216,907
Pupil transportation	930,617	849,249	888,156	(38,907)
Internal services	117,787	119,457	120,089	(632)
Central services	4,874,223	5,459,132	5,489,134	(30,002)
Insurance	861,413	846,538	837,426	9,112
Other support services	4,103	4,103	5,823	(1,720)
Total support services	35,583,130	35,835,173	35,288,757	546,416
Total expenditures	90,685,928	90,488,617	89,150,854	1,337,763
Excess of revenues over expenditures	15,369,113	15,871,529	17,232,866	1,361,337
Other financing uses				
Payments to other institutions	(3,991,530)	(3,773,872)	(3,731,744)	42,128
Other	(17,000)	(272,718)	(368,534)	(95,816)
Transfers to other funds	(11,360,583)	(11,858,009)	(11,809,391)	48,618
Total other financing uses	(15,369,113)	(15,904,599)	(15,909,669)	(5,070)
Net change in fund balance		(33,070)	1,323,197	1,356,267
Fund balance - beginning of year	21,337,234	21,337,234	21,337,234	
Fund balance - end of year	\$ 21,337,234	\$ 21,304,164	\$ 22,660,431	\$ 1,356,267

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Interdistrict sources	\$	\$	\$ 5,633	\$ 5,633
Intermediate sources			150	150
State sources	4,164,002	4,208,852	4,211,388	2,536
Federal sources	2,845,088	3,378,759	2,127,628	(1,251,131)
Other sources			7,783	7,783
Total revenues	7,009,090	7,587,611	6,352,582	(1,235,029)
Expenditures				
Instruction:				
Vocational instruction			2,799	(2,799)
Special instruction	13,336,431	13,683,578	12,793,589	889,989
Total instruction	13,336,431	13,683,578	12,796,388	887,190
Support services:				
Pupil services	2,401,544	2,527,582	2,357,254	170,328
Instructional staff services	439,377	668,492	470,299	198,193
General administration services	6,000	22,960	22,391	569
Business services	41,000	36,100	14,102	21,998
Operations and maintenance of plant	24,500	249,500	155,501	93,999
Pupil transportation	1,153,121	1,252,120	1,170,412	81,708
Central services	61,700	160,650	86,672	73,978
Total support services	4,127,242	4,917,404	4,276,631	640,773
Total expenditures	17,463,673	18,600,982	17,073,019	1,527,963
Excess of expenditures over revenues	(10,454,583)	(11,013,371)	(10,720,437)	292,934
Other financing sources (uses)				
Payments to other institutions	(906,000)	(525,354)	(338,954)	186,400
Transfers from other funds	11,360,583	11,538,725	11,059,391	(479,334)
Total other financing sources	10,454,583	11,013,371	10,720,437	(292,934)
Net change in fund balance				
Fund balance - beginning of year				
Fund balance - end of year	\$	\$	\$	\$

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 9,397,823	\$ 9,397,823	\$ 9,397,823	\$
Other local sources	120	120	1,131	1,011
Total revenues	9,397,943	9,397,943	9,398,954	1,011
Expenditures				
Debt service:				
Principal	6,510,000	6,510,000	6,510,000	
Interest	2,992,312	2,992,312	2,992,313	(1)
Total debt service	9,502,312	9,502,312	9,502,313	(1)
Total expenditures	9,502,312	9,502,312	9,502,313	(1)
Excess of expenditures over revenues	(104,369)	(104,369)	(103,359)	1,010
Net change in fund balance	(104,369)	(104,369)	(103,359)	1,010
Fund balance - beginning of year	1,499,566	1,499,566	1,499,566	
Fund balance - end of year	\$ 1,395,197	\$ 1,395,197	\$ 1,396,207	\$ 1,010

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

STATEMENTS OF NET POSITION - PROPRIETARY FUNDS

As of June 30

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,240,442	\$ 1,275,629
Accounts receivable		16,508
Due from other governments	519,287	245,749
Inventories and prepaid items	19,614	40
Total current assets	<u>1,779,343</u>	<u>1,537,926</u>
Noncurrent assets		
Net WRS pension asset		266,256
Property and equipment	1,075,845	1,048,964
Less accumulated depreciation	<u>(671,206)</u>	<u>(591,274)</u>
Total noncurrent assets	<u>404,639</u>	<u>723,946</u>
Total assets	<u>2,183,982</u>	<u>2,261,872</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension charges - WRS	<u>886,692</u>	<u>219,913</u>
Total deferred outflows of resources	<u>886,692</u>	<u>219,913</u>
Total assets and deferred outflows of resources	<u>3,070,674</u>	<u>2,481,785</u>
LIABILITIES		
Current liabilities		
Accounts payable	27,208	107,158
Accrued payroll	80,667	86,579
Due to employee benefit trust fund	4,128	11,074
Deferred revenue	<u>68,336</u>	<u>65,733</u>
Total current liabilities	<u>180,339</u>	<u>270,544</u>
Noncurrent liabilities		
Net WRS pension liability	<u>168,372</u>	
Total noncurrent liabilities	<u>168,372</u>	
Total liabilities	<u>348,711</u>	<u>270,544</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pension credits - WRS	<u>354,719</u>	
Total deferred inflows of resources	<u>354,719</u>	
Total liabilities and deferred inflows of resources	<u>703,430</u>	<u>270,544</u>
NET POSITION		
Net investment in capital assets	404,639	457,690
Restrict for employee benefits	359,473	475,095
Restricted for food service programs	<u>1,603,132</u>	<u>1,278,456</u>
Total net position	<u>\$ 2,367,244</u>	<u>\$ 2,211,241</u>

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

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

For the Years Ended June 30

	<u>2016</u>	<u>2015</u>
Revenues:		
Food sales	\$ 1,328,674	\$ 1,356,878
Intermediate sources	3,466	13,922
State sources	112,790	119,390
Federal sources	3,245,008	3,197,112
Federal commodities	310,888	301,272
Other revenue	<u>276</u>	
Total revenues	<u>5,001,102</u>	<u>4,988,574</u>
Operating expenses:		
Salaries and wages	1,604,696	1,582,947
Employer paid benefits	325,185	290,460
Pension expense	221,618	99,675
Purchased services	92,761	120,445
Supplies, food, and materials	2,447,073	2,517,357
Other	75,941	32,873
Depreciation	<u>79,932</u>	<u>72,760</u>
Total operating expenses	<u>4,847,206</u>	<u>4,716,517</u>
Operating income	<u>153,896</u>	<u>272,057</u>
Nonoperating revenues:		
Investment earnings	<u>2,107</u>	<u>783</u>
Total nonoperating revenues	<u>2,107</u>	<u>783</u>
Change in net position	156,003	272,840
Net position - beginning of year	<u>2,211,241</u>	<u>1,938,401</u>
Net position - end of year	<u>\$ 2,367,244</u>	<u>\$ 2,211,241</u>

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS

For the Years Ended June 30

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from user charges	\$ 1,348,050	\$ 1,335,340
Cash received from other government payments	3,087,737	3,589,103
Cash received from interest earnings	2,107	783
Cash payments to other funds	(6,945)	(81,396)
Cash payments to employees for services	(2,034,843)	(1,964,003)
Cash payments for utilities and other purchased services	(92,761)	(120,445)
Cash payments to suppliers for goods and services	<u>(2,311,651)</u>	<u>(2,298,376)</u>
Net cash provided by (used in) operating activities	<u>(8,306)</u>	<u>461,006</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash payments for acquisition of capital assets	<u>(26,881)</u>	<u>(106,135)</u>
Net cash used in investing activities	<u>(26,881)</u>	<u>(106,135)</u>
Change in cash and cash equivalents	(35,187)	354,871
Cash and cash equivalents - beginning of year	<u>1,275,629</u>	<u>920,758</u>
Cash and cash equivalents - end of year	<u>\$ 1,240,442</u>	<u>\$ 1,275,629</u>
RECONCILIATION OF CHANGE IN NET POSITION TO		
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Change in net position	\$ 156,003	\$ 272,840
Adjustments to reconcile change in net position to net cash provided by (used in) operating activities:		
Loss on disposal of capital assets		4,507
Depreciation	79,932	72,760
Changes in assets and liabilities:		
Accounts receivable	16,508	(12,266)
Due from other governments	(273,538)	258,793
Inventories and prepaid items	(19,574)	(1)
Net WRS pension asset (liability) and related deferred outflows/inflows	122,568	(3,572)
Accounts payable	(79,950)	(54,009)
Accrued payroll	(5,912)	12,651
Due to other funds	(6,946)	(81,396)
Deferred revenue	<u>2,603</u>	<u>(9,301)</u>
Net cash provided by (used in) operating activities	<u>\$ (8,306)</u>	<u>\$ 461,006</u>

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

STATEMENTS OF FIDUCIARY NET POSITION

As of June 30, 2016

	Agency Funds	Employee Benefit Trust Fund	Private- Purpose Trust
ASSETS			
Cash and cash equivalents	\$ 193,565	\$ 4,272,664	\$ 72,105
Investments			148,995
Due from other funds		4,128	
Total assets	<u>193,565</u>	<u>4,276,792</u>	<u>221,100</u>
LIABILITIES			
Due to student organizations	186,561		
Due to other funds	<u>7,004</u>	<u>901,889</u>	
Total liabilities	<u>193,565</u>	<u>901,889</u>	
NET POSITION			
Nonspendable			111,019
Restricted		<u>3,374,903</u>	<u>110,081</u>
Total net position	<u>\$</u>	<u>\$ 3,374,903</u>	<u>\$ 221,100</u>

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2016

	Employee Benefit Trust Fund	Private- Purpose Trust
ADDITIONS		
Contributions	\$ 1,251,583	\$
Investment earnings	8,751	9,678
Gifts		5,365
Total additions	<u>1,260,334</u>	<u>15,043</u>
DEDUCTIONS		
Payments of scholarships		3,768
Other post retirement benefits expense	<u>2,149,344</u>	
Total deductions	<u>2,149,344</u>	<u>3,768</u>
Change in net position	(889,010)	11,275
Net position - beginning of year	<u>4,263,913</u>	<u>209,825</u>
Net position - end of year	<u>\$ 3,374,903</u>	<u>\$ 221,100</u>

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

A. REPORTING ENTITY

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

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

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

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

B. BASIS OF PRESENTATION

District-Wide Statements

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the district's governmental activities and for business-type activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients for goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

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

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

The district reports the following major governmental funds:

General Fund. This is the district's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. This fund includes activities associated with providing educational programs for students with disabilities.

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.

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

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

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The district considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the district may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the district's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

D. ASSETS, LIABILITIES, AND FUND BALANCE

Deposits and Investments

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

State statutes permit the district to invest available cash balances, other than debt service funds, in time deposits of authorized depositories, U.S. Treasury obligations, U.S. Agency issues, high-grade commercial paper, and the local government pooled-investment fund administered by the state investment board. Available balances in the debt service fund may be invested in municipal obligations, obligations of the United States, and the local government pooled-investment fund.

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

Property Tax Levy

Under Wisconsin law, personal property taxes and first installment real estate taxes can be collected by city, town, and village treasurers or clerks who then make proportional settlement with the school district and county treasurer for those taxes collected on their behalf. The county treasurer who then makes settlement with the city, town, village, and school districts before retaining any for county purposes collects second installment real estate taxes and delinquent taxes. Municipalities have the option of turning the entire collection process over to the county treasurer.

The district's property taxes are levied on or before October 31 on the equalized property valuation certified by the Department of Revenue. As permitted by a collecting municipality's ordinance, taxes may be paid in full in two or more installments, with the first installment payable the subsequent January 31 and a final payment no later than the following July 31. The district is paid by the collecting municipality its proportionate share of tax collections received through the last day of the preceding month on or before January 15, February 20, and August 20. The lottery tax credit portion of the levy is payable by April 15. On or before August 20, the County Treasurer makes full settlement to the district for any remaining balance. The County assumes all responsibility for delinquent real property taxes.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2015 tax levy is used to finance operations of the district's fiscal year ended June 30, 2016. All property taxes are considered due on January 1, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30 and are available to pay current liabilities.

Accounts Receivable

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

Other Assets

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

Due to/Due from Other Funds

The amounts reported on the governmental funds balance sheets as due to and due from other funds represent amounts due between different funds and results from the use of a central checking account reported in the general fund. All interfund balances are expected to be repaid within one year. Eliminations have been made for amounts due to and due from within the same fund type for reporting in the Statement of Net Position. See Note 5 for a detailed description of the interfund balances and transfers as of June 30, 2016.

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.

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)

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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
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

Pensions

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

Vested Employee Benefits

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

Sick Pay. The district's policy allows teachers to earn 10 days of sick pay for each school year employed, accumulating to a maximum vested amount of 130 days. Clerical employees earn 12 days of sick pay for each calendar year employed, accumulating up to 120 days, and custodial and food service employees earn 12 days of sick pay for each calendar year employed, accumulating up to 130 days. Administrators and administrative support staff earn up to 12 days per year, cumulative to a maximum of the number of contract days worked in a 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)

Bond Premiums

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

Bond Origination Discounts

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

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of their governments.

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

Fund Balance

The district's policy on fund balance is to maintain a level of fund balance which strives to avoid cash flow borrowing, help maintain the district's current high quality bond ratings, to provide a resource for emergency expenditures, and to ensure continuity of the district's self-funded dental insurance plan. See Note 7 for additional information regarding the district's fund balances.

State and Federal Aids

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

E. ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

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

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

Differences between the governmental funds statement of revenues, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories. The reconciling amounts shown in the columns on page 20 represent:

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 3 - CASH AND INVESTMENTS

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

The 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 Improvement Fund and the 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: As of June 30, 2016, deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for demand deposits and time deposits. In addition, the state of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per entity above the amount provided by the FDIC. However, due to the relatively small size of the State Guarantee Fund in relation to the total coverage, total recovery of losses may not be available. As of June 30, 2016, \$24,343,860 of the district's bank balance of \$24,994,865 was uninsured. The district's bank balances are uncollateralized.

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

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 3 - CASH AND INVESTMENTS (continued)

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the district's deposits may not be returned to it. The district does not have a deposit policy for custodial credit risk.

Interest Rate Risk: The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

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

As of June 30, 2016, the district had the following governmental activity investments:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Investment in State Treasurer's Investment Pool	Less than 6 months	\$ 814,404
Wisconsin Investment Series Cooperative	Less than 2 years	1,416,212
Chase Bank High Interest Savings	Less than 3 months	<u>18,203,080</u>
		<u>\$ 20,433,696</u>

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 4 - FAIR VALUE MEASUREMENTS

Governmental accounting standards define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value measurements for assets and liabilities required to be recorded at fair value, the district considers the principal or most advantageous market in which it would transact and assumes that general market participants would act in their economic best interest.

Governmental accounting standards also establish a fair value hierarchy that requires the district to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The standard establishes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

Investments required to be measured at fair value on a recurring basis at June 30, 2016, under GASB #72, *Fair Value Measurement and Application*, segregated by fair value hierarchy, are summarized below (Level 1, 2, and 3 inputs are defined above):

	Fair Value Measurements Using Input Type			Total
	Level 1	Level 2	Level 3	
Governmental activities				
Pooled investments	\$	\$	\$ 1,416,487	\$ 1,416,487
Business-Type activities				
Pooled investments	\$	\$	\$ 775,598	\$ 775,598
Private-Purpose Trust Funds				
Pooled investments	\$	\$	\$ 38,531	\$ 38,531
Money market funds		32,376		32,376
Corporate stock	20,362			20,362
Mutual funds	128,633			128,633
Total private-purpose trust fund				
investments measured at fair value	\$ 148,995	\$ 32,376	\$ 38,531	\$ 219,902
Employee Benefit Trust Funds				
Pooled investments	\$	\$	\$ 1,293,293	\$ 1,293,293
Long-term certificates of deposit		496,608		496,608
To employee benefit trust fund				
investments measured at fair value	\$	\$ 496,608	\$ 1,293,293	\$ 1,789,901

Mutual funds classified in Level 1 of the fair value hierarchy are valued at the daily closing price as reported by the fund. Such funds held by the district are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the district are deemed to be actively traded.

Corporate stock is valued at the closing price reported on the active market on which the individual security is traded.

Investments classified in Level 2 of the fair value hierarchy are valued by and reported to the district by independent third parties utilizing quoted prices in markets that are not active.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

Investments classified in Level 3 of the fair value hierarchy are value by and provided to the district by the State of Wisconsin Local Government Investment Pool or the Wisconsin Investment Series Cooperative.

There have been no changes in the methodologies used at June 30, 2016. The methods prescribed may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the district believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 5 - INTERFUND BALANCES/TRANSFERS

Individual fund interfund receivable and payable balances at June 30, 2016, are as follows:

<u>Fund</u>	<u>Due from other funds</u>	<u>Due to other funds</u>
General fund	\$ 908,893	\$ 750,000
Fiduciary funds	4,128	908,893
Food service fund		4,128
Other governmental funds	<u>750,000</u>	<u></u>
	<u>\$ 1,663,021</u>	<u>\$ 1,663,021</u>

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. There was only one such transfer for the year ended June 30, 2016, which was to transfer \$750,000 from the general fund to the capital improvement fund as authorized by the board.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 6 - 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, 2016:

<u>Fund</u>	<u>Excess Expenditures</u>
General fund	
Other financing uses	\$ <u>5,070</u>

NOTE 7 - FUND BALANCES

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

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

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

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

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

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 7 - FUND BALANCES (continued)

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

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

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 8 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2016, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Sites (land)	\$ 1,329,333	\$	\$	\$ 1,329,333
Site improvements	703,841			703,841
Work in progress		241,605		241,605
Total sites and site improvements not being depreciated	<u>2,033,174</u>	<u>241,605</u>		<u>2,274,779</u>
Capital assets being depreciated:				
Site improvements	4,275,381	64,071	23,723	4,315,729
Buildings and building improvements	177,342,527	478,075		177,820,602
Furniture and equipment	<u>22,075,033</u>	<u>689,493</u>	<u>344,739</u>	<u>22,419,787</u>
Total capital assets being depreciated	<u>203,692,941</u>	<u>1,231,639</u>	<u>368,462</u>	<u>204,556,118</u>
Less accumulated depreciation for:				
Site improvements	(2,033,800)	(194,154)	(11,763)	(2,216,191)
Buildings and building improvements	(53,016,706)	(4,239,541)		(57,256,247)
Furniture and equipment	<u>(15,598,803)</u>	<u>(1,663,476)</u>	<u>(230,591)</u>	<u>(17,031,688)</u>
Total accumulated depreciation	<u>(70,649,309)</u>	<u>(6,097,171)</u>	<u>(242,354)</u>	<u>(76,504,126)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>133,043,632</u>	<u>(4,865,532)</u>	<u>126,108</u>	<u>128,051,992</u>
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 135,076,806</u>	<u>\$ (4,623,927)</u>	<u>\$ 126,108</u>	<u>\$ 130,326,771</u>
Business-type activities:				
Capital assets being depreciated:				
Property and equipment	\$ 1,048,964	\$ 26,881		\$ 1,075,845
Less accumulated depreciation	<u>(591,274)</u>	<u>(79,932)</u>		<u>(671,206)</u>
Business-type activities capital assets, net of accumulated depreciation	<u>\$ 457,690</u>	<u>\$ (53,051)</u>	<u>\$</u>	<u>\$ 404,639</u>
Depreciation expense was charged to governmental functions as follows:				
Regular instruction	\$ 310,413			
Vocational instruction	130,106			
Special education instruction	33,589			
Other instruction	24,992			
Depreciation not charged to a specific function	<u>5,598,071</u>			
Total depreciation for governmental activities	<u>\$ 6,097,171</u>			

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM OBLIGATIONS

Long-term obligations of the district as of June 30, 2016 and 2015, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds and notes payable					
Capital projects	\$ 71,775,000	\$	\$ 6,510,000	\$ 65,265,000	\$ 6,685,000
Total bonds payable	71,775,000		6,510,000	65,265,000	6,685,000
Other liabilities					
Vested employee benefits					
Longevity	7,340		1,100	6,240	1,440
Pension benefits	864,296	32,702	120,455	776,543	35,368
Other postemployment benefits	13,694,425	1,946,788	1,122,025	14,519,188	1,149,000
Bond premium	156,760		49,126	107,634	44,456
Total other liabilities	14,722,821	1,979,490	1,292,706	15,409,605	1,230,264
Total governmental activities long-term liabilities	\$ 86,497,821	\$ 1,979,490	\$ 7,802,706	\$ 80,674,605	\$ 7,915,264
Business type activities:					
Bonds and notes payable	NONE				
Capital leases	NONE				

Total interest paid during the year aggregated \$2,992,313. Total interest incurred during the year aggregated \$2,922,787.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

General Obligation Debt

All general obligation debt is secured by the full faith and credit and taxing powers of the district. General obligation debt at June 30, 2016, is comprised of the following individual issues:

Description	Issue Date	Interest Rate (%)	Date of Maturity	Balance June 30, 2016
Notes and bonds awarded to:				
BOSC, Inc.	12/05/11	1.9 - 2.0	03/01/17	\$ 745,000
Harris N.A.	05/01/07	4.0 - 4.5	03/01/27	21,700,000
UBS Securities, LLC	07/15/08	4.0 - 4.625	03/01/28	26,200,000
Stern Brothers & Company	11/01/10	1.70 - 5.3	03/01/30	12,885,000
Stern Brothers & Company	12/18/13	1.10 - 3.0	03/01/19	<u>3,735,000</u>

Total general obligation debt \$ 65,265,000

Subsequent to year-end, the district issued \$37,735,000 of general obligation refunding bonds dated September 15, 2016, for the purpose of advance refunding the callable maturities of the district's general obligation bonds dated May 1, 2007, and the callable maturities of the district's general obligation bonds dated July 15, 2008. The bonds bear interest at rates ranging from 1.5% to 4.0% and mature at various dates through March 1, 2028.

The 2015 equalized valuation of the district as certified by the Wisconsin Department of Revenue is \$3,755,017,274. The legal debt limit and margin of indebtedness as of June 30, 2016, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$3,755,017,274)	\$ 375,501,727
Deduct long-term debt applicable to debt margin	<u>65,265,000</u>
Margin of indebtedness	<u>\$ 310,236,727</u>

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

Aggregate cash flow requirements for the retirement of long-term principal and interest on June 30, 2016, follows:

Year Ended June 30	Principal	Interest	Total
2017	\$ 6,685,000	\$ 2,783,733	\$ 9,468,733
2018	6,135,000	2,565,320	8,700,320
2019	6,135,000	2,330,220	8,465,220
2020	4,945,000	2,091,801	7,036,801
2021	4,980,000	1,884,719	6,864,719
2022 - 2026	25,465,000	6,094,646	31,559,646
2027 - 2031	10,920,000	997,153	11,917,153
	<u>\$ 65,265,000</u>	<u>\$ 18,747,592</u>	<u>\$ 84,012,592</u>

NOTE 10 - EMPLOYEE PENSION PLANS

Defined Benefit Plan

Plan description

The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

Vesting

For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 10 - EMPLOYEE PENSION PLANS (continued)

Benefits provided

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category. Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits. The WRS also provides death and disability benefits for employees.

Post-retirement adjustments

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2006	0.8%	3.0%
2007	3.0%	10.0%
2008	6.6%	0.0%
2009	-2.1%	-42.0%
2010	-1.3%	22.0%
2011	-1.2%	11.0%
2012	-7.0%	-7.0%
2013	-9.6%	9.0%
2014	4.7%	25.0%
2015	2.9%	2.0%

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 10 - EMPLOYEE PENSION PLANS (continued)

Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. During the district's reporting period, the WRS recognized \$4,358,524 in contributions from the employer.

Contribution rates as of June 30, 2016, are:

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

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

At June 30, 2016, the district reported a liability of \$7,408,907 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The district's proportion of the net pension liability was based on the district's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the district's proportion was 0.45593821%, which was a decrease of 0.00498925% from its proportion measured as of December 31, 2014. For the year ended June 30, 2016, the district recognized pension expense of \$9,031,597.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 10 - EMPLOYEE PENSION PLANS (continued)

At June 30, 2016, the district reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,267,092	\$ 15,591,919
Net differences between projected and actual earnings on pension plan investments	30,378,716	
Changes in assumptions	5,183,594	
Changes in proportion and differences between employer contributions and proportionate share of contributions	30,546	16,869
Employer contributions subsequent to the measurement date	2,157,403	
Total	<u>\$ 39,017,351</u>	<u>\$ 15,608,788</u>

\$2,157,403 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction on the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows::

Year ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 9,575,143	\$ 3,777,355
2018	9,575,143	3,777,355
2019	9,575,143	3,777,355
2020	7,968,683	3,777,355
2021	165,836	499,368

SCHOOL DISTRICT OF JANESVILLE
Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 10 - EMPLOYEE PENSION PLANS (continued)

Actuarial assumptions

The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2014
Measurement date of net pension liability	December 31, 2015
Actuarial cost method	Entry age
Asset valuation method	Fair market value
Long-term expected rate of return	7.2%
Discount rate	7.2%
Salary increases:	
Inflation	3.2%
Seniority/merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 - 2011. The total pension liability for December 31, 2015, is based upon a roll-forward of the liability calculated from the December 31, 2014, actuarial valuation.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 10 - EMPLOYEE PENSION PLANS (continued)

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

Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Core Fund				
U.S. equities	27.0%	23.0%	7.6%	4.7%
International equities	24.5%	22.0%	8.5%	5.6%
Fixed income	27.5%	37.0%	4.4%	1.6%
Inflation sensitive assets	10.0%	20.0%	4.2%	1.4%
Real estate	7.0%	7.0%	6.5%	3.6%
Private equity/debt	7.0%	7.0%	9.4%	6.5%
Multi-asset	4.0%	4.0%	6.7%	3.8%
Total Core Fund	107.0%	120.0%	7.4%	4.5%
Variable Fund				
U.S. equities	70.0%	70.0%	7.6%	4.7%
International equities	30.0%	30.0%	8.5%	5.6%
Total Variable Fund	100.0%	100.0%	7.9%	5.0%

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

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 10 - EMPLOYEE PENSION PLANS (continued)

Single Discount Rate

A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the district's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20%, as well as what the district's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.20%) or 1-percentage point higher (8.20%) than the current rate:

Asset Class	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
District's proportionate share of the net pension liability (asset)	\$ 51,966,218	\$ 7,408,907	\$ (27,391,147)

Pension plan fiduciary net position

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

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.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 11 - OPERATING LEASES, AS LESSEE

The district, as lessee, leases a number of copiers through March 2020. The lease calls for monthly payments of \$15,078. Rent expense under this lease was \$180,938 for the year ended June 30, 2016.

The district leases space for its Charter School under an operating lease through June 30, 2016. The operating lease shall automatically extend for subsequent one year periods. Effective July 1, 2016, the lease calls for monthly payments of \$11,016 and has a 2.5% annual escalator. Rent expense under this lease was \$128,971 for the year ended June 30, 2016. Subsequent to year-end, in October 2016, this property was gifted to the district by the owner of the property.

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

The district leases a storage facility under an operating lease which ended October 2011 and is currently being leased on a month-by-month basis. The lease calls for monthly payments of \$4,677. Rent expense under this lease was \$56,127 for the year ended June 30, 2016.

Future minimum lease payments under these leases are as follows:

Year ended June 30	
2017	\$ 368,549
2018	207,837
2019	184,507
2020	<u>136,001</u>
	<u>\$ 896,894</u>

NOTE 12 - SELF-FUNDED DENTAL INSURANCE PROGRAM

On September 1, 1983, the district established a self-funded health and dental benefit plan for its employees. Effective July 1, 2015, the district is no longer self-funded for health insurance benefits, but remains self-funded for dental benefits. The plan administrator, 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.

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.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 12 - SELF-FUNDED DENTAL INSURANCE PROGRAM (continued)

At June 30, 2016, the district has reported an estimated liability of \$45,000 which represents reported and unreported claims which were incurred on or before June 30, 2016, but were not paid by the district as of that date.

Reported and unreported claims:

Estimated Liability Balance July 1, 2015	Current Year Claims and Changes In Estimates	Claim Payments	Estimated Liability Balance June 30, 2016
<u>\$ 1,785,000</u>	<u>\$ 937,640</u>	<u>\$ 2,677,640</u>	<u>\$ 45,000</u>

NOTE 13 - 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, 2016, there were approximately \$1,225,000 of encumbrances outstanding.

NOTE 14 - SUPPLEMENTAL PENSION PLAN

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

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

There is no legal or contractual maximum contribution rate. The district is currently funding the plan on a "pay-as-you-go" basis. At June 30, 2016 and 2015, the plan has no legally-required reserves or designations and no invested plan assets accumulated for payment of future benefits.

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 14 - SUPPLEMENTAL PENSION PLAN (continued)

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, 2016, the district had three retirees receiving benefits under the plan. There are no terminated members entitled to, but not yet receiving benefits. The district has eight additional employees that were hired prior to the discontinuation of the plan that are expected to be eligible for benefits under the plan.

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

<u>Component</u>	<u>Amount</u>
Annual required contribution	\$ 89,205
Interest on net pension obligation	34,572
Adjustment to annual required contribution	<u>(91,075)</u>
Annual pension cost (expense)	32,702
Pension payments made	<u>(120,455)</u>
Decrease in net pension obligation	(87,753)
Net pension obligation - beginning of year	<u>864,296</u>
Net pension obligation - end of year	<u>\$ 776,543</u>

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 14 - SUPPLEMENTAL PENSION PLAN (continued)

The district's annual pension cost, the percentage of the annual pension cost attributed to the plan, and the net pension obligation for 2016 and the preceding two years were:

Fiscal Year Ended	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
6/30/2016	\$ 32,702	368.34%	\$ 776,543
6/30/2015	46,725	274.08%	864,296
6/30/2014	75,562	299.28%	945,633

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 POSTEMPLOYMENT BENEFITS (OPEB)

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

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

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

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

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

The funding policy of the plan states that the employer will fund 100% of the contributions to the plan, including costs to administer the plan. There are no legal or contractual maximum contribution rates. The district is currently funding the plan on a "pay-as-you-go" basis. At June 30, 2016 and 2015, the plan has no legally-required reserves or designations, other than the net position of \$3,374,903 and \$4,263,913, respectively.

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

Component	Amount
Annual required contribution	\$ 1,886,832
Interest on net OPEB obligation	684,721
Adjustment to annual required contribution	<u>(624,765)</u>
Annual OPEB cost (expense)	1,946,788
OPEB payments made	<u>(1,122,025)</u>
Increase in net OPEB obligation	824,763
Net OPEB obligation - beginning of year	<u>13,694,425</u>
Net OPEB obligation - end of year	<u>\$ 14,519,188</u>

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

The district's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the preceding two years were:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2016	\$ 1,946,788	57.63%	\$ 14,519,188
6/30/2015	3,034,906	100.67%	13,694,425
6/30/2014	5,366,891	57.03%	13,714,836

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

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 16 - OTHER EMPLOYEE BENEFIT AMOUNTS

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

NOTE 17 - BUDGETARY INFORMATION

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

NOTE 18 - 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, 2016, the district did not exceed its revenue limit.

NOTE 19 - RISK MANAGEMENT

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

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 20 - SUBSEQUENT EVENTS

The district has performed an evaluation of subsequent events requiring disclosure that have occurred after the statement of net position date but before the financial statements are issued or available to be issued. The district has evaluated its subsequent events through December 20, 2016, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
<u>Other Postemployment Benefits (Note 15)</u>						
7/1/2014	\$ 2,716,042	\$ 21,364,880	\$ 18,648,838	12.71%	\$ 50,871,575	36.66%
7/1/2012		49,688,530	49,688,530	0.00%	57,682,007	86.14%
7/1/2010		54,342,668	54,342,668	0.00%	59,178,714	91.83%
<u>Supplemental Pension (Note 14)</u>						
7/1/2014	\$	\$ 648,271	\$ 648,271	0.00%	\$ 2,942,236	22.03%
7/1/2012		1,135,372	1,135,372	0.00%	2,736,354	41.49%
7/1/2010		1,515,485	1,515,485	0.00%	3,174,258	47.74%

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

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

Wisconsin Retirement System

Last 10 Fiscal Years*

	2015	2014
District's proportion of the net pension liability (asset)	0.45593821%	0.46092746%
District's proportionate share of the net pension liability (asset)	\$ 7,408,907	\$ (11,321,639)
District's covered-employee payroll	\$ 63,910,873	\$ 63,306,487
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.20%	102.74%
District's contractually required contributions	\$ 4,345,939	\$ 4,431,867
District contributions in relation to the contractually required contributions	\$ 4,345,939	\$ 4,431,867
Contribution deficiency (excess)	\$	\$
District's covered-employee payroll	\$ 63,910,873	\$ 63,306,487
District's contributions as a percentage of covered-employee payroll	6.80%	7.00%

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

Notes to Required Supplementary Information:

Significant actuarial assumptions and methods: See Note 10

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

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

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

**OTHER NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

June 30, 2016

	Special Revenue Fund	Capital Improvement Fund	Community Services Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 334,503	\$ 20,005	\$ 16,950	\$ 371,458
Due from other funds		750,000		750,000
Total assets	<u>\$ 334,503</u>	<u>\$ 770,005</u>	<u>\$ 16,950</u>	<u>\$ 1,121,458</u>
LIABILITIES				
Accounts payable	<u>\$ 13,908</u>	<u>\$</u>	<u>\$</u>	<u>\$ 13,908</u>
Total liabilities	<u>13,908</u>			<u>13,908</u>
FUND BALANCES				
Restricted	<u>320,595</u>	<u>770,005</u>	<u>16,950</u>	<u>1,107,550</u>
Total fund balances	<u>320,595</u>	<u>770,005</u>	<u>16,950</u>	<u>1,107,550</u>
Total liabilities and fund balances	<u>\$ 334,503</u>	<u>\$ 770,005</u>	<u>\$ 16,950</u>	<u>\$ 1,121,458</u>

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

**OTHER NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES**

For the Year Ended June 30, 2016

	Special Revenue Fund	Capital Improvement Fund	Community Services Fund	Total Nonmajor Governmental Funds
Revenues				
Local sources	\$ 597,950	\$	\$ 63,051	\$ 661,001
Other revenues		5	14,968	14,973
Total revenues	597,950	5	78,019	675,974
Expenditures				
Instruction:				
Regular instruction	125,194			125,194
Vocational instruction	8,700			8,700
Special instruction	7,296			7,296
Other instruction	125,790			125,790
Total instruction	266,980			266,980
Support services:				
Pupil services	12,878			12,878
Instructional staff services	43,369			43,369
Business services	2,239			2,239
Operations and maintenance	4,787			4,787
Pupil transportation	4,225			4,225
Community services			61,069	61,069
Other support services	16,620			16,620
Total support services	84,118		61,069	145,187
Total expenditures	351,098		61,069	412,167
Excess of revenues over expenditures	246,852	5	16,950	263,807
Other financing sources				
Operating transfers in		750,000		750,000
Net other financing sources		750,000		750,000
Net change in fund balances	246,852	750,005	16,950	1,013,807
Fund balances - beginning of year	73,743	20,000		93,743
Fund balances - end of year	\$ 320,595	\$ 770,005	\$ 16,950	\$ 1,107,550

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
ASSETS				
Cash and cash equivalents	\$ 375,027	\$ 747,851	\$ 929,313	\$ 193,565
Total assets	<u>\$ 375,027</u>	<u>\$ 747,851</u>	<u>\$ 929,313</u>	<u>\$ 193,565</u>
LIABILITIES				
Accounts payable	\$ 13,722	\$ 44,535	\$ 58,257	\$
Due to (from) other funds		7,004		7,004
Due to (from) grantor agencies	(4,608)	209,776	205,168	
Due to student organizations:				
High school	126,797	353,618	349,254	131,161
Middle school	127,007	105,282	176,889	55,400
Elementary school	106,714	26,619	133,333	
Other schools	<u>5,395</u>	<u>1,017</u>	<u>6,412</u>	
Total liabilities	<u>\$ 375,027</u>	<u>\$ 747,851</u>	<u>\$ 929,313</u>	<u>\$ 193,565</u>

SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

ANALYSIS OF LOCAL LEVY

June 30, 2016

	2014 Taxes Receivable <u>July 1, 2015</u>	Total <u>2015 Levy</u>	<u>Collections</u>	2015 Taxes Receivable <u>June 30, 2016</u>
City of Janesville	\$ 8,954,659	\$ 32,369,093	\$ 32,106,656	\$ 9,217,096
Town of Harmony	1,770	7,026	6,980	1,816
Town of Janesville	442,189	1,638,890	1,618,198	462,881
Town of La Prairie	116,706	400,538	393,135	124,109
Town of Rock	<u>476,340</u>	<u>1,492,439</u>	<u>1,496,081</u>	<u>472,698</u>
	<u>\$ 9,991,664</u>	<u>\$ 35,907,986</u>	<u>\$ 35,621,049</u>	<u>\$ 10,278,601</u>