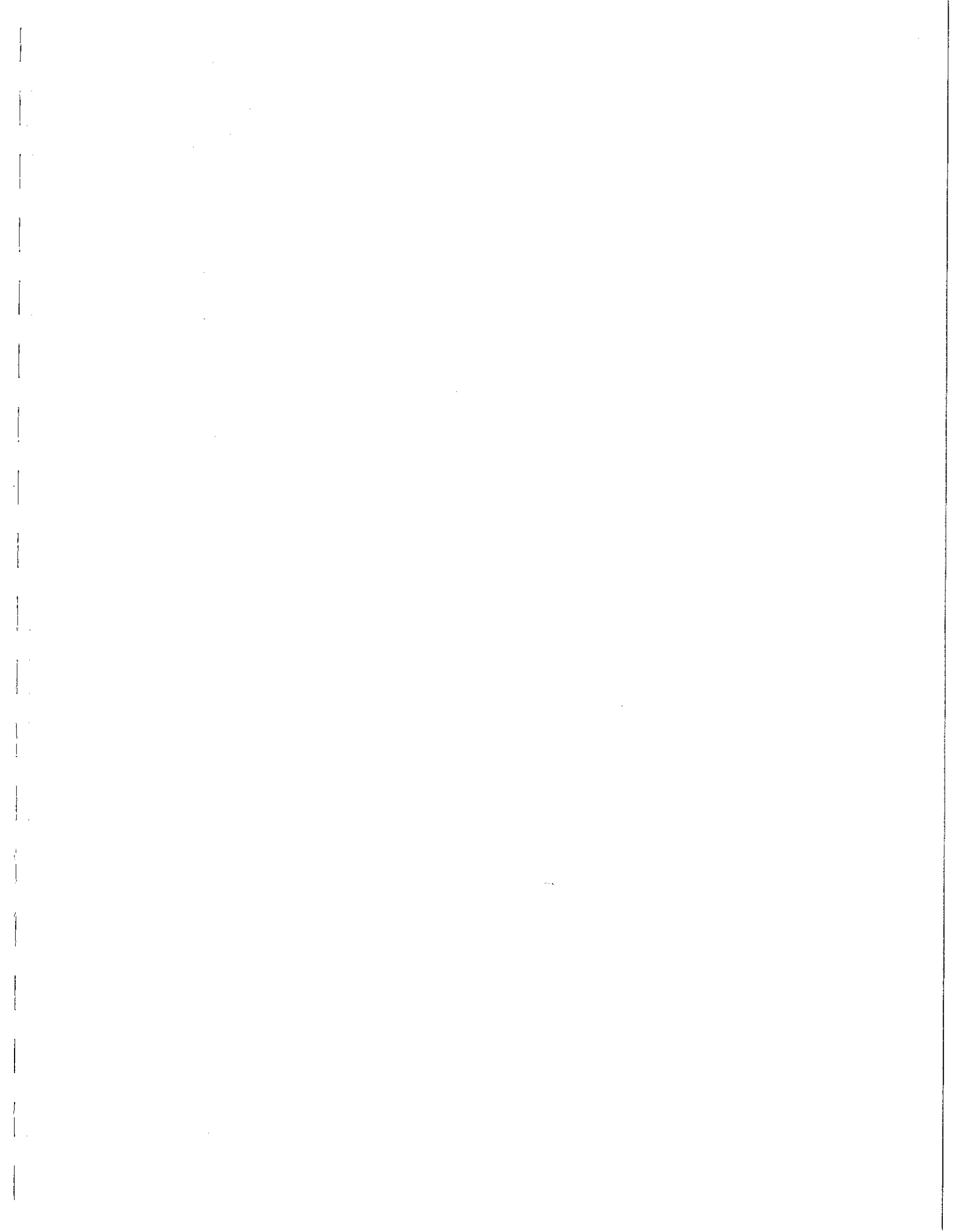


**SCHOOL DISTRICT OF JANESVILLE**  
Janesville, Wisconsin

**BASIC FINANCIAL STATEMENTS**  
and  
**REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

For the Year Ended June 30, 2006



**SCHOOL DISTRICT OF JANESVILLE**  
Janesville, Wisconsin

**TABLE OF CONTENTS**

	<u>Page</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 13
BASIC FINANCIAL STATEMENTS	
District-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17 - 18
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	20
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Special Revenue Fund	21
Statement of Net Assets - Proprietary Funds	22
Statement of Revenues, Expenditures, and Changes in Net Assets - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Statement of Fiduciary Net Assets	25
Statement of Changes in Fiduciary Net Assets	26
Notes to the Basic Financial Statements	27 - 44

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**TABLE OF CONTENTS**

(Continued)

	<u>Page</u>
SUPPLEMENTAL FINANCIAL INFORMATION	
Special Revenue Funds	
Combining Balance Sheet	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	47
Analysis of Local Levy	48

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the School Board  
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, 2006, which collectively comprise the district's basic financial statements as identified in the accompanying table of contents. These financial statements are the responsibility of the district's board of education and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the district's board of education and management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District of Janesville as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2006, on our consideration of the School District of Janesville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

8383 Greenway Boulevard  
Suite 400  
Middleton, Wisconsin 53562  
p 608.836.7500  
f 608.836.7505

100 Wilburn Road  
Suite 102  
Sun Prairie, Wisconsin 53590  
p 608.837.4477  
f 608.825.6526

1339 Park Avenue  
Columbus, Wisconsin 53925  
p 920.623.4115  
f 920.623.3030

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the district's basic financial statements. The combining and individual fund financial statements listed on pages 46 to 47 in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the School District of Janesville. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Madison, Wisconsin  
August 14, 2006

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

School District of Janesville  
Management's Discussion and Analysis  
For the Year Ended June 30, 2006

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, 2006, as required by Governmental Accounting and Standards Board statement 34.

#### Financial Highlights

- The District's financial status, as reflected in total net assets, improved by \$1.7 million.
- The school food service program, the district's only business-type activity, had total revenues of \$3,064,395 and total expenses of \$3,102,293. Net assets decreased by \$37,898 for the current fiscal period.
- \$16.5 million was paid out in health related costs by the self-insured plan during the fiscal year ended June 30, 2006.
- In governmental funds, total fund balance decreased by \$1.8 million which includes a reduction of \$2.0 million for capital projects.
- Additions and renovations to five elementary schools from bond proceeds totaling \$16.99 million were completed in August 2005.
- General Obligation Refunding Bonds totaling \$8,950,000 were issued in March 2006 to refinance some 1995 and 1998 bonds totaling \$9,050,000. The lower interest rate on the new debt results in a total savings to the District's taxpayers of \$349,991.
- Moody's Investor Service upgraded the District's rating to Aa3 and Standard & Poor's reaffirmed its AA - rating in February 2006.

#### Overview of the Financial Statements

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

#### District-wide Statements

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

## Fund Financial Statements

- A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The district, like other governmental entities, uses fund accounting to demonstrate compliance with finance-related legal requirements. Fund statements generally report operations in more detail than the district-wide statements and provide information that may be useful in evaluating a district's near-term financing requirements.
- There are two fund financial statements, the *balance sheet* and the *statement of revenues and expenditures and changes in fund balance*. Generally, fund statements focus on near-term inflows and outflows of spendable resources and their impact on fund balance.
- Because the focus of fund financial statements is narrower than that of the district-wide statements, it is useful to make comparison between the information presented. By doing so, readers may better understand the long-term implications of the government's near-term financial decisions. A reconciliation to facilitate this comparison is provided either at the bottom of the governmental funds statement or as a separate statement.
- The district has three kinds of funds: *governmental, proprietary, and fiduciary*. *Governmental funds* include the district's permanent funds (general, TEACH, special education, debt service, and community service) and individual capital project funds as needed. The district has one *proprietary fund*, the food service fund. The only *fiduciary funds* for the district are an agency fund for student and parent organizations and a trust fund serving scholarship recipients.
- Financial information is presented separately on both the *balance sheet* and the *statement of revenues, expenditures and changes in fund balance* for the general fund, capital projects fund, and debt service fund as these are considered to be major funds. Data for the TEACH and special education funds have been consolidated under the heading of special revenue funds, and a community service fund is reported under other government funds. Data for each of these individual non-major funds is provided separately as supplementary information. The governmental fund financial statements are on pages 16 to 18 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 22 to 24 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 25 to 26 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 27.

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



Major Features of the District-wide and Fund Financial Statements

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

## FINANCIAL ANALYSIS

### The District as a Whole

The district's combined net assets increased by 3.0% to \$58,320,791. All of this improvement came from governmental activities with net assets growing by \$1,749,022. The net assets of the food service program decreased by \$37,898 (13%).

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

	Governmental Activities		Business-type Activities		Total		% Change
	2006	2005	2006	2005	2006	2005	
Current Assets	38,581,720	42,149,395	196,577	173,083	38,778,297	42,322,478	-8.4%
Capital Assets	87,481,771	86,610,259	182,556	185,681	87,664,327	86,795,940	1.0%
Total Assets	<u>126,063,491</u>	<u>128,759,654</u>	<u>379,133</u>	<u>358,764</u>	<u>126,442,624</u>	<u>129,118,418</u>	-2.1%
Current Liabilities	17,326,818	19,283,171	122,427	64,160	17,449,245	19,347,331	-9.8%
Long-term debt outstanding	50,672,588	53,161,420			50,672,588	53,161,420	-4.7%
Total Liabilities	<u>67,999,406</u>	<u>72,444,591</u>	<u>122,427</u>	<u>64,160</u>	<u>68,121,833</u>	<u>72,508,751</u>	-6.1%
Net Assets	<u>58,064,085</u>	<u>56,315,063</u>	<u>256,706</u>	<u>294,604</u>	<u>58,320,791</u>	<u>56,609,667</u>	3.0%
Invested in capital assets, net of related debt	59,001,833	54,816,049	182,556	185,681	59,184,389	55,001,730	7.6%
Restricted	3,809,178	3,201,981	74,150	108,923	3,883,328	3,310,904	17.3%
Unrestricted	(4,746,926)	(1,702,967)			(4,746,926)	(1,702,967)	178.7%
Total Net Assets	<u>58,064,085</u>	<u>56,315,063</u>	<u>256,706</u>	<u>294,604</u>	<u>58,320,791</u>	<u>56,609,667</u>	3.0%

The largest portion of net assets held by the District is its investment in capital assets (land, schools, furniture and equipment) less any related debt used to acquire those assets that is still outstanding. The valuation of capital assets is based on historical costs and does not reflect the current market value of those assets. The District has an extensive repair and maintenance plan for buildings and sites that is funded by annual operating funds that would not necessarily be capitalized. Expenditures that typically keep an asset in working order are considered maintenance and are not capitalized, while expenditures that improve the asset and lengthen its useful life are typically capitalized. Major improvements funded by operating funds include renovation of gym floors, and fencing and lighting of soccer fields at the high schools, ceiling tile and carpet replacement at Edison Middle, carpet and flooring replacement at Monroe Elementary and Franklin Middle, bathroom partition replacement at Adams Elementary, accordion door replacement at Jackson Elementary and Parker High, ceiling tile replacement in the auditorium at Parker High, and a sound system replacement in the gym and a replaced parking lot at Craig High. Capital assets also include computer hardware and software upgrades and library and textbook collections.

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

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

The District has a negative unrestricted net asset balance of \$4.7 million. This is primarily the result of recognizing a prior service liability with the Wisconsin Retirement System in the district-wide financial statements that has not been included in the fund financial statements. The District currently makes monthly payments to the Wisconsin Retirement System of 1.3% of eligible wages to be applied against the prior service liability. The liability is actuarially determined based on assumptions of rates of withdrawal, disability, retirement, salary increases and mortality among participants, and rate of return on investments to be generated by the fund.

Changes in Net Assets: Table 2 shows the changes in net assets for the fiscal year ending 2006 and 2005. As demonstrated, general revenues are the primary source of funding governmental activities at 87.8%, while program revenues provide almost the entire source of funding for business-type activities.

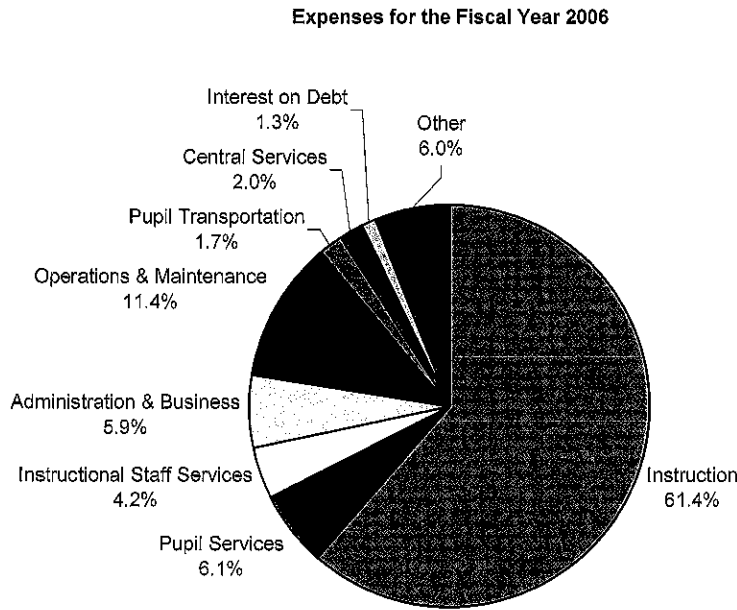
**Table 2**  
**Changes in Net Assets**  
**For the Year Ending June**

	Governmental		Business-type		Total		Total		
	Activities	%	Activities	%	2006	%	2005	%	
	2006		2006						
<b>Revenues:</b>									
Program Revenues									
Charges for Services	\$ 2,767,565	2.6%	\$ 1,740,798	56.8%	\$ 4,508,363	4.1%	\$ 3,941,193	3.7%	
Operating Grants & Contributions	10,293,275	9.6%	1,319,140	43.0%	11,612,415	10.5%	11,186,351	10.4%	
Capital Grants & Contributions	-	0.0%	-	-	-	0.0%	-	0.0%	
General Revenues									
Property Taxes	29,407,562	27.4%			29,407,562	26.6%	31,035,739	29.0%	
General State Aid	63,698,671	59.3%			63,698,671	57.7%	60,216,847	56.2%	
Other	1,225,941	1.1%	4,457	0.1%	1,230,398	1.1%	815,597	0.8%	
Total Revenues	<u>\$ 107,393,014</u>	<u>100%</u>	<u>\$ 3,064,395</u>	<u>100%</u>	<u>\$ 110,457,409</u>	<u>100%</u>	<u>\$ 107,195,727</u>	<u>100%</u>	
<b>Expenses:</b>									
Instruction	\$ 64,880,017	61.4%			\$ 64,880,017	59.7%	\$ 61,889,907	60.3%	
Pupil Services	6,399,572	6.1%			6,399,572	5.9%	6,011,876	5.9%	
Instructional Staff Services	4,455,694	4.2%			4,455,694	4.1%	4,132,342	4.0%	
Administration & Business	6,258,170	5.9%			6,258,170	5.8%	5,743,042	5.6%	
Operations & Maintenance	12,013,555	11.4%			12,013,555	11.0%	9,411,529	9.2%	
Pupil Transportation	1,777,071	1.7%			1,777,071	1.6%	1,906,608	1.9%	
Central Services	2,081,824	2.0%			2,081,824	1.9%	1,903,808	1.9%	
Interest on Debt	1,384,270	1.3%			1,384,270	1.3%	1,378,276	1.3%	
Other	6,393,819	6.1%	3,102,293	100%	9,496,112	8.7%	10,175,637	9.9%	
Total Expenses	<u>\$ 105,643,992</u>	<u>100%</u>	<u>\$ 3,102,293</u>	<u>100%</u>	<u>\$ 108,746,285</u>	<u>100%</u>	<u>\$ 102,553,025</u>	<u>100%</u>	
Increase in Net Assets	<u>\$ 1,749,022</u>		<u>\$ (37,898)</u>		<u>\$ 1,711,124</u>		<u>\$ 4,642,702</u>		

**Governmental Activities:** Property taxes are levied for two purposes, general and debt. Fourteen percent of the levy was used for long-term interest and debt retirement. Governmental activities contributed \$1.86 million to the increase in net assets. The improvement in the District's financial position is a result of conservative fiscal management and a decrease in debt. Some specific examples of this are as follows:

- A lower than anticipated increase in costs of the self funded insurance plan resulted in a savings of \$375,000. Health related payments totaled \$16.5 million as compared to \$14.9 million the previous year. This represents an 11% increase as opposed to the 13% increase anticipated.
- School allocations that went unspent during the year totaled \$165,000. As a means of providing more efficient use of funds, schools are permitted to carry over unused funds to the next year.
- Refinancing resulted in a reduction of \$100,000 of long-term debt.

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



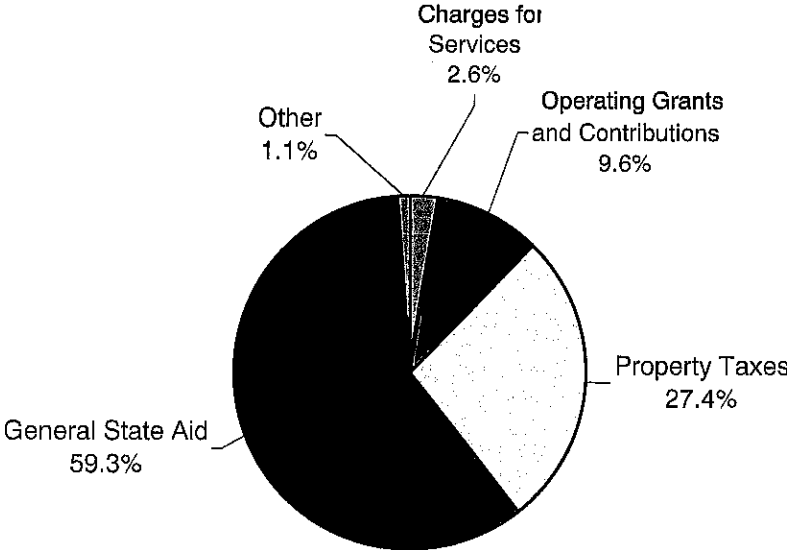
The net cost of providing services is shown in Table 3. Net cost is the total cost of the service less any user fees generated by the activities or any intergovernmental aid or gifts received for specific programs. The net cost shows the reliance on general revenues of the district, primarily state aid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

**Table 3  
Cost of Governmental Activities**

	Total Cost of Services 2006	Net Cost of Services 2006
Instruction	\$ 64,898,008	\$ 55,228,255
Pupil Services	6,399,572	4,929,674
Instructional Staff Services	4,455,694	3,483,069
Administration & Business	6,258,170	6,253,360
Operations & Maintenance	12,013,555	11,943,054
Pupil Transportation	1,777,071	1,443,334
Central Services	2,081,824	2,068,959
Interest on Debt	1,384,270	1,384,270
Other	6,375,828	5,849,177
<b>Total Expenses</b>	<b>\$ 105,643,992</b>	<b>\$ 92,583,152</b>

Program revenues offset 12.4%, or \$13 million of costs. The largest category of program revenue comes from grants and contributions totaling \$10.3 million. The largest single source of program revenue comes from the State of Wisconsin as aid for special education. Special education instruction receives the most program revenues at 37% of cost.

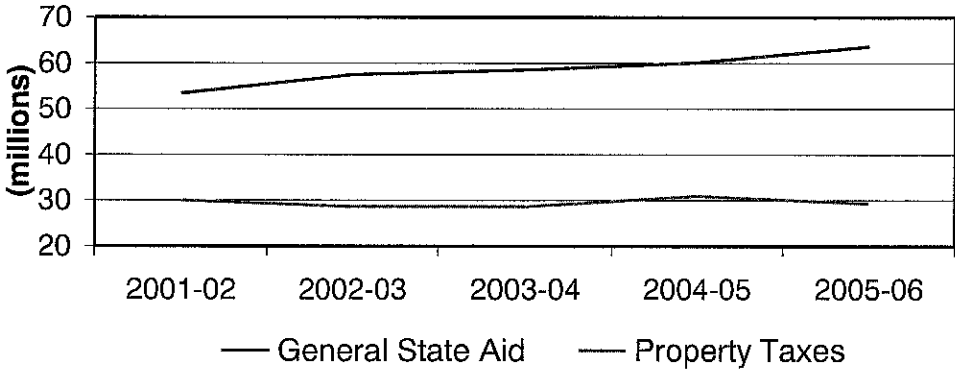
**Revenue by Source - Governmental Activities**



General revenues consist primarily of General State aid and property taxes. A steady growth in General State aid has permitted the property tax levy to remain relatively unchanged as demonstrated by Table 4.

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

	2001-02	2002-03	2003-04	2004-05	2005-06
<b>General State Aid</b>	53.45	57.55	58.6	60.2	63.7
<b>Property Taxes</b>	30.07	28.67	28.68	31.04	29.4



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 hot lunch program at all sites except for the charter schools and ala carte services at all middle and high schools. A federally subsidized school breakfast program is offered at Wilson Elementary, Marshall Middle and Parker High schools. Lunch prices were increased for 2005-06. The percentage of students qualified for free or reduced lunch for the year was 29%. The District received federal and state subsidies, including commodities, totaling \$1.3 million.

Food and supply costs made up 48% of all operating expenses while labor costs were 45% of the total. \$25,800 was spent on new equipment during the year and annual depreciation totaled \$28,925, resulting in a \$3,125 decrease in net capital assets.

### Governmental Funds

Fund accounting is required by the Wisconsin Department of Public Instruction. It is also the required method for budget adoption and levy certification. The decrease in total governmental fund balance for the year was \$1.8 million, bringing the total to \$24.86 million, a 7% decrease.

- At June 30, 2006, the General Fund fund balance totaled \$23.5 million representing 25% of expenditures or 3 months of operations. This is within the guidelines followed by the district that indicate a reasonable fund balance should be 2 to 3 months of operation costs. \$2.8 million of the fund balance is reserved for specific purposes: \$2.4 million for encumbered obligations payable in the next fiscal year (outstanding purchase orders), \$76,994 for inventory to be consumed in the next fiscal year, \$142,811 is for projects that were not finalized but fully budgeted in this fiscal year and will be completed in 2006-07 and \$165,405 for school allocation carryovers. The remainder of the fund balance is designated to meet the cash flow needs of the district.
- General fund revenue exceeded budget by \$470,283. The most significant variance in that category includes an unbudgeted amount of \$375,000 for an adjustment to claims payable. This is technically a reduction to the health, dental and drug premium expenditure accounts but is reported as revenue due to the complexity of allocating the correct amounts to the more than 400 related expenditure accounts affected. Other sources of revenue that exceeded budget were: Medicaid reimbursement by \$86,000, interest earnings by \$52,000 and the sale of used textbooks by \$40,000.
- General fund expenditures came in \$658,000 under budget. \$142,811 is from projects that will be carried over to 2006-07 and \$165,405 is being carried over from site based accounts at the schools. Federal grant expenditures came in \$80,000 under budget and \$68,000 was left unspent for locally funded curriculum and staff development. The total impact of Special Education charged to the General fund was \$132,000 over budget. Budget variances for the General and Special Revenue funds can be viewed beginning on page 20 of this report.
- The Special Education fund is used to account for all revenue and expenditures associated with the special education program, including any federal and state funding. Because outside funding is insufficient to cover the cost of the program, funds are transferred from the General fund as an operating transfer. The transfer of \$10.9 million represents 63% of the total expenditures as compared to 60% the previous year.
- The TEACH fund balance at year end totaled \$663,000. As mentioned earlier, use of TEACH funds is restricted to educational technology and telecommunications access. TEACH block grants were funded by the State of Wisconsin and were discontinued after 2002-03. The first block grant was received in 1997-98.
- The Debt Service fund had a decrease of \$371,000. 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.

- The Community Services fund balance of \$519 represents donations received from the Janesville Fife and Drum Corp that have been held for future use as needed.
- The Capital Projects fund became a major fund in 2003-04 when bonds were issued to finance construction and renovation projects at five elementary schools. The bonds totaling \$16.99 million were issued by the Debt Service fund and deposited into the Capital Projects fund to be used to pay for the projects. The construction and renovation was substantially complete at all five sites by August 2005 and available for instruction. At year end, the fund balance was \$276,548.

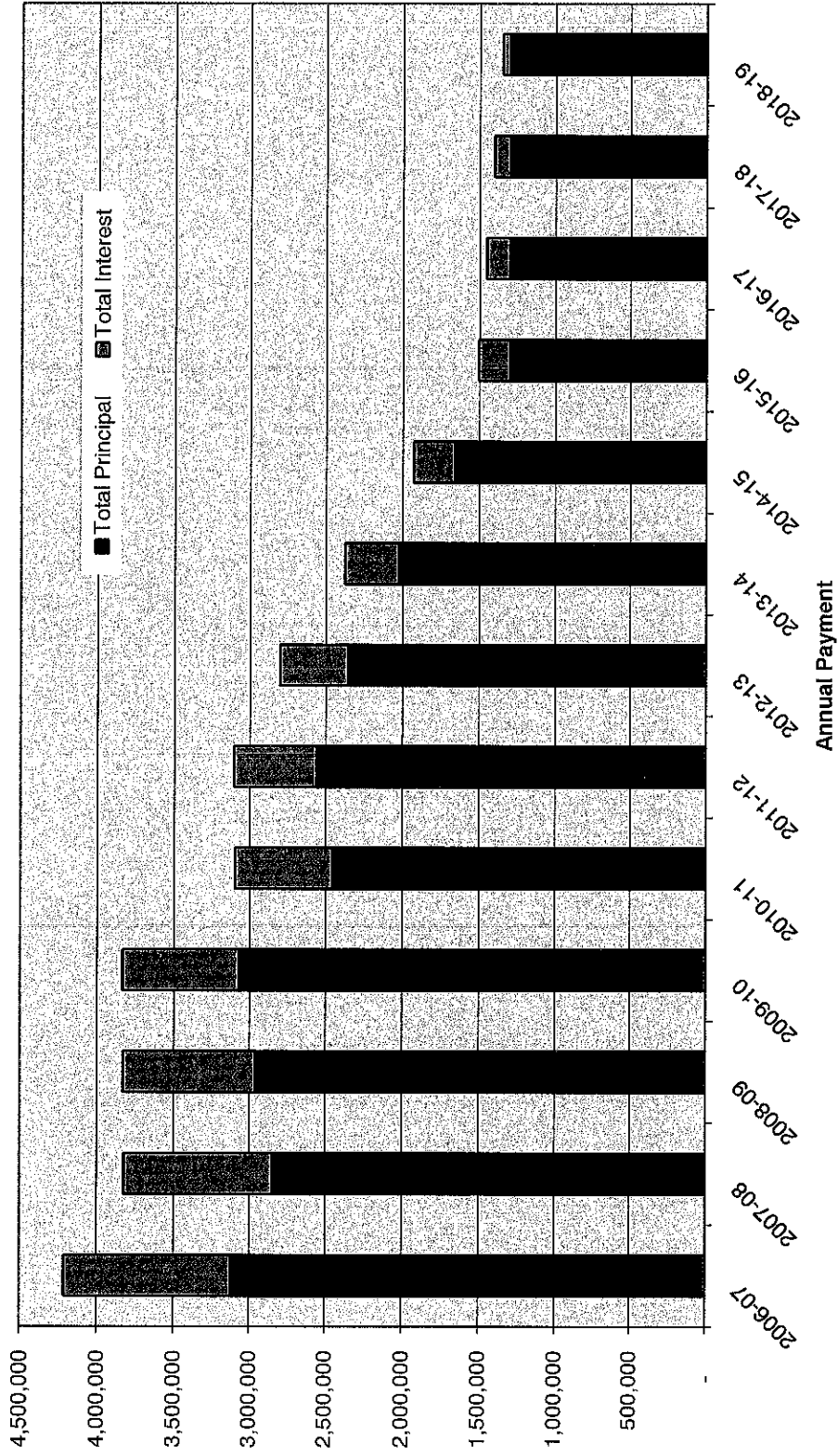
#### Fiduciary Funds

Fiduciary Funds consist of an agency fund and a trust fund. The agency fund records the assets held by the district for the benefit of others. The majority of these funds are held by the individual schools in the form of activity funds. The funds belong to various student groups and account for their fundraising efforts, class fees, etc. and all related disbursements. The management of the funds is regulated by the district and subject to annual audit. The trust fund consists of two student scholarship accounts and one teacher scholarship. 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 teacher scholarship is for the District's educators and promotes international travel.

#### 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 7 to the financial statements. The District's current debt is 7.9% of the maximum permitted by law. At the end of the current fiscal year the School District of Janesville had general obligation debt of \$28.3 million. Current debt obligations have retirements running through March 2019.

### Long term Debt Payment Schedule





In March 2006 the District issued \$8,950,000 of general obligation refunding bonds to call \$2,600,000 of 1998 bonds and advance refund \$6,450,000 of 1995 bonds. The reduction in the interest rate will result in a net savings of \$350,000. The District has two capital leases that have five year paybacks and will be finalized in 2008.

Included in governmental activities under long-term obligations are other liabilities that are also detailed in Note 7 to the financial statements.

#### Factors Bearing on the District's Future

The custodial/maintenance/food service labor union and the Janesville Education Association representing teaching staff are operating under a current agreement that runs through June 2007. The agreement with the secretary/clerk/aide unit expires at the end of June 2008.

The District will hold a referendum in November 2006 seeking borrowing authority of \$70.795 million for additions and renovations to Craig and Parker high schools including additional general and specialized classrooms and gymnasium space, and renovations to heating, ventilation and air conditioning systems, general classrooms and locker rooms.

Effective for the 2006-07 school year, the District will implement an athletic participation fee of \$50 per sport at the high school level. It is anticipated that this action will bring in \$50,000 or more in additional revenue.

The District has entered into an agreement for actuarial services to determine the value of post employment benefits (OPEB) other than pensions as described under GASB Statement 45 and a method of funding. The District will be required to report OPEB costs in 2007-08.

#### 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 Douglas Bunton, Director of Business Services or Lauri Clifton, Comptroller, School District of Janesville, 527 South Franklin Street, Janesville, WI 53548, or by calling (608)743-5018.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## STATEMENT OF NET ASSETS

As of June 30, 2006

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and investments	\$ 27,262,206	\$	\$ 27,262,206
Accounts receivable	19,450	581	20,031
Taxes receivable	8,670,521		8,670,521
Interest receivable	46,504		46,504
Due from other governments	2,414,179	187,778	2,601,957
Other current assets	168,860	8,218	177,078
Total current assets	38,581,720	196,577	38,778,297
Noncurrent assets			
Land	1,329,744		1,329,744
Site improvements	3,162,855		3,162,855
Buildings and building improvements	101,470,386		101,470,386
Furniture and equipment	11,819,435	501,406	12,320,841
Work in progress	208,999		208,999
	117,991,419	501,406	118,492,825
Less accumulated depreciation	(30,509,648)	(318,850)	(30,828,498)
Total noncurrent assets	87,481,771	182,556	87,664,327
Total assets	126,063,491	379,133	126,442,624
<b>LIABILITIES</b>			
Current liabilities			
Bank overdraft		38,798	38,798
Accounts payable	874,234	6,382	880,616
Accrued liabilities	12,850,007	46,445	12,896,452
Accrued interest	364,156		364,156
Deferred revenue		30,802	30,802
Current portion of long-term liabilities	3,238,421		3,238,421
Total current liabilities	17,326,818	122,427	17,449,245
Noncurrent liabilities			
Long-term liabilities, less current portion	50,672,588		50,672,588
Total non-current liabilities	50,672,588		50,672,588
Total liabilities	67,999,406	122,427	68,121,833
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	59,001,833	182,556	59,184,389
Restricted for:			
Debt service	30,438		30,438
Capital projects	276,548		276,548
Other activities	3,502,192	74,150	3,576,342
Unrestricted	(4,746,926)		(4,746,926)
Total net assets	\$ 58,064,085	\$ 256,706	\$ 58,320,791

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, 2006

Functions/ Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants	Government Activities	Business Type Activities	Total
<b>Governmental activities:</b>							
Instruction:							
Regular instruction	\$ 41,661,725	\$ 1,822,983	\$ 2,294,106	\$	\$ (37,544,636)	\$	\$ (37,544,636)
Vocational instruction	4,370,099		80,417		(4,289,682)		(4,289,682)
Special education instruction	14,328,269	710,675	4,539,449		(9,078,145)		(9,078,145)
Other instruction	4,537,915	186,631	35,492		(4,315,792)		(4,315,792)
Total instruction	64,898,008	2,720,289	6,949,464		(55,228,255)		(55,228,255)
Support services:							
Pupil services	6,399,572		1,469,898		(4,929,674)		(4,929,674)
Instructional staff services	4,455,694	1,023	971,602		(3,483,069)		(3,483,069)
General administration services	747,857				(747,857)		(747,857)
School administration services	4,479,324	4,810			(4,474,514)		(4,474,514)
Business services	1,030,989				(1,030,989)		(1,030,989)
Operations & maintenance of plant services	12,013,555	41,443	29,058		(11,943,054)		(11,943,054)
Pupil transportation services	1,777,071		333,737		(1,443,334)		(1,443,334)
Central services	2,081,824		12,865		(2,068,959)		(2,068,959)
Insurance	832,451				(832,451)		(832,451)
Community services	526,651		526,651				
Other support services	2,581,204				(2,581,204)		(2,581,204)
Interest	1,384,270				(1,384,270)		(1,384,270)
Depreciation - unallocated	2,435,522				(2,435,522)		(2,435,522)
Total support services	40,745,984	47,276	3,343,811		(37,354,897)		(37,354,897)
Total governmental activities	105,643,992	2,767,565	10,293,275		(92,583,152)		(92,583,152)
<b>Business-type activities:</b>							
School food service program	3,102,293	1,740,798	1,319,140			(42,355)	(42,355)
Total school district	\$ 108,746,285	\$ 4,508,363	\$ 11,612,415	\$	(92,583,152)	(42,355)	(92,625,507)
<b>General revenues:</b>							
Property taxes:							
General purposes					25,169,562		25,169,562
Debt services					4,238,000		4,238,000
Federal and state aid not restricted to specific purposes:							
General					63,698,671		63,698,671
Other					300,859		300,859
Interest and investment earnings					799,479	4,767	804,246
Miscellaneous					125,603	(310)	125,293
Total general revenues					94,332,174	4,457	94,336,631
Change in net assets					1,749,022	(37,898)	1,711,124
Net assets - beginning of year					56,315,063	294,604	56,609,667
Net assets - end of year					\$ 58,064,085	\$ 256,706	\$ 58,320,791

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

**SCHOOL DISTRICT OF JANESVILLE**

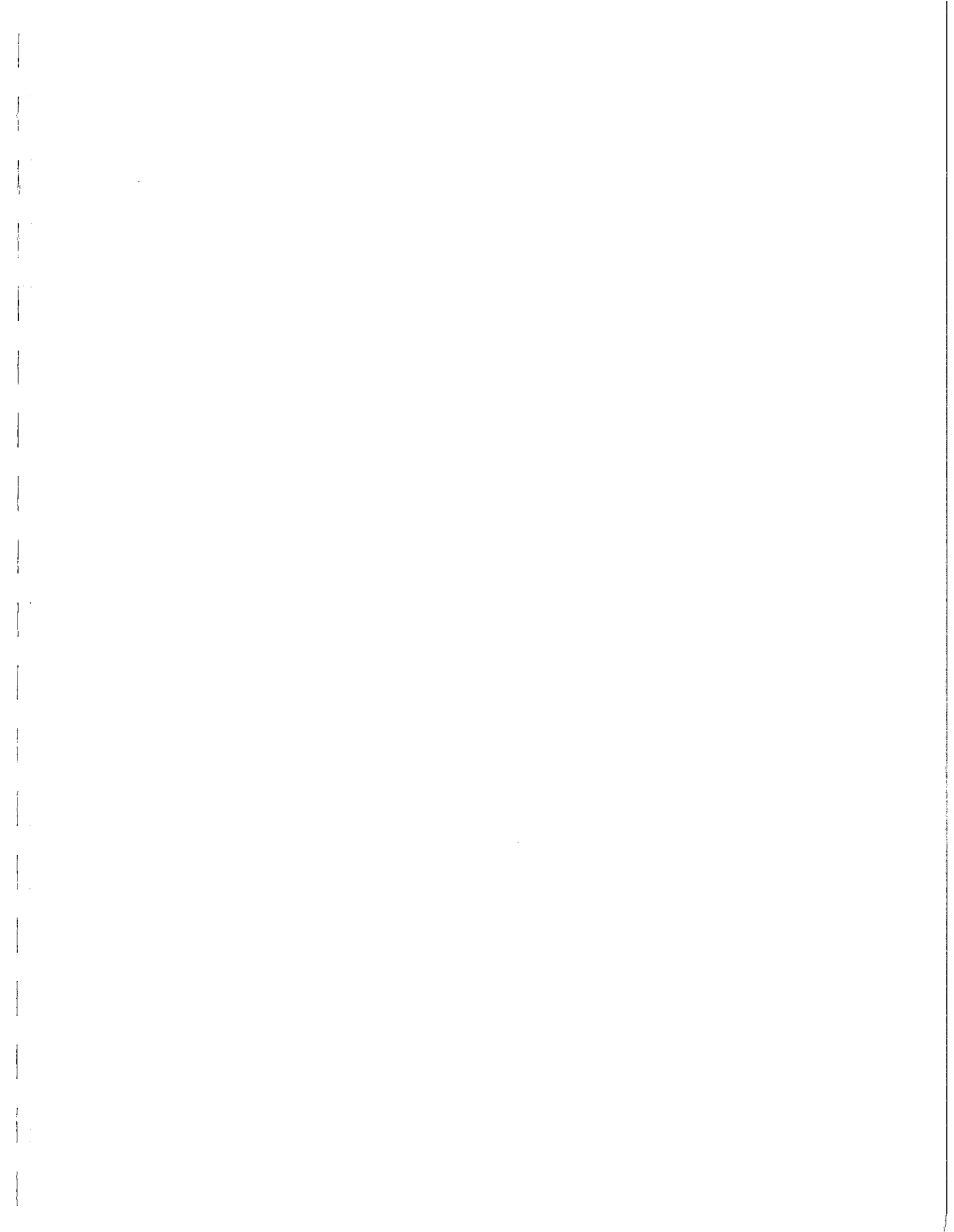
Janesville, Wisconsin

**BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2006

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Government Funds</u>	<u>Total Government Funds</u>
<b>ASSETS</b>						
Cash and investments	\$ 25,935,918	\$ 662,617	\$ 388,597	\$ 274,552	\$ 522	\$ 27,262,206
Accounts receivable	19,450					19,450
Taxes receivable	8,670,521					8,670,521
Interest receivable	38,511		5,997	1,996		46,504
Due from other governments	1,794,880	516,314			102,985	2,414,179
Inventories and other current assets	164,840	4,020				168,860
Due from other funds	58,903	1,753,225				1,812,128
Total assets	<u>\$ 36,683,023</u>	<u>\$ 2,936,176</u>	<u>\$ 394,594</u>	<u>\$ 276,548</u>	<u>\$ 103,507</u>	<u>\$ 40,393,848</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 833,386	\$ 40,787			\$ 61	\$ 874,234
Accrued salaries and related items	6,272,873	1,747,846			33,510	8,054,229
Due to other funds	1,753,225				58,903	1,812,128
Other current liabilities	4,300,338	484,926			10,514	4,795,778
Total liabilities	<u>13,159,822</u>	<u>2,273,559</u>			<u>102,988</u>	<u>15,536,369</u>
<b>FUND EQUITY</b>						
Fund balances						
Reserved	2,839,056	662,617	394,594	276,548	519	4,173,334
Unreserved - designated	20,684,145					20,684,145
Total fund balances	<u>23,523,201</u>	<u>662,617</u>	<u>394,594</u>	<u>276,548</u>	<u>519</u>	<u>24,857,479</u>
Total liabilities and fund equity	<u>\$ 36,683,023</u>	<u>\$ 2,936,176</u>	<u>\$ 394,594</u>	<u>\$ 276,548</u>	<u>\$ 103,507</u>	
Total net assets reported for governmental activities in the statement of net assets are different from the amount reported above as total governmental funds fund balance because:						
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Amounts reported for governmental activities in the statement of net assets:						
Governmental capital assets					\$ 117,991,419	
Governmental accumulated depreciation					(30,509,648)	87,481,771
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					\$ (28,265,000)	
Accrued interest on bonds payable					(364,156)	
Capital leases and other notes payable					(214,938)	
Vested employee benefits					(25,431,071)	(54,275,165)
Total net assets - governmental activities						<u>\$ 58,064,085</u>

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



	General	Special Revenue	Debt Service	Capital Projects	Other Government Funds	Total Government Funds
Debt service:						
Principal	\$ 112,308	\$	\$ 3,050,000	\$	\$	\$ 3,162,308
Interest	5,097		1,471,148			1,476,245
Total debt service	117,405		4,521,148			4,638,553
Capital outlay				2,035,527		2,035,527
Total expenditures	83,996,915	17,134,038	4,521,148	2,035,527	526,651	108,214,279
Excess of revenues over (under) expenditures	12,490,327	(10,807,818)	(255,358)	(1,998,767)		(571,616)
Other financial sources (uses)						
Payments to other institutions	(915,196)	(153,766)				(1,068,962)
Refunding bonds issued			8,950,000			8,950,000
Premium and accrued interest			125,351			125,351
Bonds refunded			(9,050,000)			(9,050,000)
Refunding costs			(140,700)			(140,700)
Refund of uncollected property taxes	(11,958)					(11,958)
Operating transfers in (out)	(10,917,966)	10,917,966				
Net other financing sources (uses)	(11,845,120)	10,764,200	(115,349)			(1,196,269)
Net change in fund balances	645,207	(43,618)	(370,707)	(1,998,767)		(1,767,885)
Fund balances - beginning of year	22,877,994	706,235	765,301	2,275,315	519	26,625,364
Fund balances - end of year	\$ 23,523,201	\$ 662,617	\$ 394,594	\$ 276,548	\$ 519	\$ 24,857,479

# 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, 2006

Net change in fund balances - total governmental funds		\$	(1,767,885)
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 assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.			
Capital outlay reported in governmental fund statements	\$	3,680,259	
Depreciation expense reported in the statement of activities		<u>(2,803,710)</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period			876,549
Fixed asset disposals in current year	\$	(64,211)	
Accumulated depreciation on fixed asset disposals		<u>59,176</u>	
Loss on disposal of fixed assets			(5,035)
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	\$	2,331,123	
Vested employee benefits earned in current year		<u>(3,180,712)</u>	
Amounts paid are greater (less) than amounts paid by			(849,589)
Principal proceeds from bond and notes payable issuance is reported in the governmental funds as revenue, but is reported as an increase in long-term debt in the statement of net assets and does not affect the statement of activities			
The amount of long-term debt proceeds in the current year is:			(8,950,000)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities			
The amount of long-term debt principal payments in the current year is:			12,264,272
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	\$	1,476,245	
The amount of interest accrued during the current period		<u>(1,295,535)</u>	
Interest paid is less than interest accrued by			180,710
Change in net assets - governmental activities	\$		<u>1,749,022</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, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ 25,189,944	\$ 25,189,944	\$ 25,169,562	\$ (20,382)
Other local sources	690,150	1,142,633	1,251,982	109,349
Interdistrict sources	1,249,126	1,207,341	1,175,923	(31,418)
Intermediate sources	23,846	24,346	24,346	
State sources	65,739,352	65,809,606	65,839,212	29,606
Federal sources	2,220,089	2,226,089	2,145,600	(80,489)
Other sources	417,000	417,000	880,617	463,617
<b>Total revenues</b>	<b>95,529,507</b>	<b>96,016,959</b>	<b>96,487,242</b>	<b>470,283</b>
<b>Expenditures</b>				
<b>Instruction:</b>				
Regular instruction	41,120,801	41,370,192	40,941,917	428,275
Vocational instruction	4,569,483	4,534,560	4,486,244	48,316
Special instruction	1,545,145	1,582,603	1,580,847	1,756
Other instruction	4,618,266	4,604,173	4,560,230	43,943
<b>Total instruction</b>	<b>51,853,695</b>	<b>52,091,528</b>	<b>51,569,238</b>	<b>522,290</b>
<b>Support services:</b>				
Pupil services	3,641,273	3,757,828	3,715,648	42,180
Instructional staff services	3,957,287	4,083,804	3,955,001	128,803
General administration services	808,335	765,517	736,889	28,628
School administration services	4,445,641	4,557,632	4,534,317	23,315
Business services	1,018,410	1,011,485	1,016,414	(4,929)
Operations and maintenance of plant	12,415,909	12,434,869	12,468,577	(33,708)
Pupil transportation	856,202	844,167	862,732	(18,565)
Central services	2,131,960	2,207,390	2,117,774	89,616
Insurance	799,450	831,494	822,485	9,009
Other support services	2,043,630	2,080,434	2,080,435	(1)
<b>Total support services</b>	<b>32,118,097</b>	<b>32,574,620</b>	<b>32,310,272</b>	<b>264,348</b>
<b>Debt service:</b>				
Principal	112,308	112,308	112,308	
Interest	5,892	5,892	5,097	795
<b>Total debt service</b>	<b>118,200</b>	<b>118,200</b>	<b>117,405</b>	<b>795</b>
<b>Total expenditures</b>	<b>84,089,992</b>	<b>84,784,348</b>	<b>83,996,915</b>	<b>787,433</b>
<b>Excess of revenues over expenditures</b>	<b>11,439,515</b>	<b>11,232,611</b>	<b>12,490,327</b>	<b>1,257,716</b>
<b>Other financing sources (uses)</b>				
Payments to other institutions	(1,156,058)	(917,058)	(915,196)	1,862
Other	(10,000)	(12,556)	(11,958)	598
Transfer to special education fund	(10,639,470)	(10,785,854)	(10,917,966)	(132,112)
<b>Total other financing uses</b>	<b>(11,805,528)</b>	<b>(11,715,468)</b>	<b>(11,845,120)</b>	<b>(129,652)</b>
<b>Net change in fund balance</b>	<b>(366,013)</b>	<b>(482,857)</b>	<b>645,207</b>	<b>1,128,064</b>
<b>Fund balance - beginning of year</b>	<b>22,877,994</b>	<b>22,877,994</b>	<b>22,877,994</b>	
<b>Fund balance - end of year</b>	<b>\$ 22,511,981</b>	<b>\$ 22,395,137</b>	<b>\$ 23,523,201</b>	<b>\$ 1,128,064</b>

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



# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

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

For the Year Ended June 30

	<u>2006</u>	<u>2005</u>
Revenues:		
Food sales	\$ 1,740,798	\$ 1,563,234
State sources	42,461	39,258
Federal sources	1,145,478	1,023,512
Federal commodities	131,201	114,248
Other revenue		919
	<u>3,059,938</u>	<u>2,741,171</u>
Total revenues		
Operating expenses:		
Salaries and wages	1,066,874	977,458
Employer paid benefits	337,006	303,645
Purchased services	159,446	54,054
Supplies, food, and materials	1,498,181	1,432,296
Other	12,171	25,050
Depreciation	28,925	28,218
	<u>3,102,603</u>	<u>2,820,721</u>
Total operating expenses		
Operating loss	<u>(42,665)</u>	<u>(79,550)</u>
Nonoperating revenues:		
Investment earnings	4,767	4,026
	<u>4,767</u>	<u>4,026</u>
Total nonoperating revenues		
Change in net assets	(37,898)	(75,524)
Net assets - beginning of year	<u>294,604</u>	<u>370,128</u>
Net assets - end of year	<u>\$ 256,706</u>	<u>\$ 294,604</u>

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

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**

For the Year Ended June 30

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from user charges	\$ 1,761,200	\$ 1,548,617
Cash received from other government payments	1,048,330	1,058,408
Cash received from interest earnings	4,767	4,026
Cash payments to employees for services	(1,401,033)	(1,273,779)
Cash payments for utilities and other purchased services	(31,397)	(36,355)
Cash payments to suppliers for goods and services	(1,371,784)	(1,459,253)
Cash payments for other operating expenses	<u>(139,899)</u>	<u>(42,749)</u>
Net cash used in operating activities	<u>(129,816)</u>	<u>(201,085)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash payments for acquisition of capital assets	<u>(25,800)</u>	<u>(17,539)</u>
Net cash used in investing activities	<u>(25,800)</u>	<u>(17,539)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Bank overdraft	<u>38,798</u>	
Net cash provided by financing activities	<u>38,798</u>	
Net decrease in cash and investments	(116,818)	(218,624)
Cash and investments - beginning of year	<u>116,818</u>	<u>335,442</u>
Cash and investments - end of year	<u>\$</u>	<u>\$ 116,818</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (37,898)	\$ (75,524)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	28,925	28,218
Changes in assets and liabilities:		
Accounts receivable	(422)	65
Due from other governments	(139,299)	(5,281)
Due from other funds	(591)	733
Accounts payable	(4,202)	(141,937)
Accrued payroll	2,847	7,323
Deferred revenue	<u>20,824</u>	<u>(14,682)</u>
Net cash used in operating activities	<u>\$ (129,816)</u>	<u>\$ (201,085)</u>

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

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**STATEMENT OF FIDUCIARY NET ASSETS**

As of June 30, 2006

	<u>Agency Funds</u>	<u>Private- Purpose Trust</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 636,022	\$ 139,764
Total assets	<u>636,022</u>	<u>139,764</u>
<b>LIABILITIES</b>		
Accounts payable	4,344	
Due to grantor agencies	38,974	
Due to student groups:		
High school	348,891	
Middle school	138,744	
Elementary school	<u>105,069</u>	
Total liabilities	<u>636,022</u>	
<b>NET ASSETS</b>		
Reserved for educator scholarships		439
Reserved for student scholarships		8,306
Reserved for endowment		<u>131,019</u>
Total net assets	<u>\$</u>	<u>\$ 139,764</u>

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

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

For the year ended June 30

	Private- Purpose Trust	
	<u>2006</u>	<u>2005</u>
<b>ADDITIONS</b>		
Interest earnings on scholarship funds	\$ 6,842	\$ 4,437
Gifts	<u>3,000</u>	<u>          </u>
Total additions	<u>9,842</u>	<u>4,437</u>
<b>DEDUCTIONS</b>		
Loss on sale of investments		7,217
Investment fees	35	75
Payments of scholarships	<u>3,000</u>	<u>5,750</u>
Total deductions	<u>3,035</u>	<u>13,042</u>
Change in net assets	6,807	(8,605)
Net assets - beginning	<u>132,957</u>	<u>141,562</u>
Net assets - ending	<u>\$ 139,764</u>	<u>\$ 132,957</u>

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

#### A. REPORTING ENTITY

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

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

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

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

#### B. BASIS OF PRESENTATION

##### *District-Wide Statements*

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

#### *Fund Financial Statements*

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

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

The district reports the following major governmental funds:

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

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

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

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

#### D. ASSETS AND LIABILITIES

##### *Deposits and Investments*

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

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

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

##### *Property Tax Levy*

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

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



# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2005 tax levy is used to finance operations of the District's fiscal year ended June 30, 2006. All property taxes are considered due on January 1, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30 and are available to pay current liabilities.

#### *Accounts Receivable*

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

#### *Other Assets*

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

#### *Capital Assets*

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

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

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

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

#### *Vested Employee Benefits*

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

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

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

Post-Employment Benefits. As provided in applicable negotiated contracts, certified district employees meeting a minimum age and length of service requirement may participate in the district's group health insurance program for up to eight years. Qualified clerical and custodial staff may receive up to three years of health benefits. An estimate of the present value of future benefits is recognized as a long-term liability in the statement of assets.

#### *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.

### 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.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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 amounts shown in the columns on the following page 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 below recognize the change in vested employee benefits.
- b. Capital related differences include (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording depreciation expense on those items as recorded in the statement of activities.
- c. Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability, interest expense is recorded as incurred, and principal payments are recorded as a reduction of liabilities.

### NOTE 3 - CASH AND INVESTMENTS

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

Deposits: Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$100,000 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 Guarantee Fund in relation to the total coverage, total recovery of losses may not be available.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

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

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the district's deposits may not be returned to it. The district does not have a deposit policy for custodial credit risk. As of June 30, 2006, \$-0- of the district's bank balance of \$1,022,117 was exposed to custodial credit risk.

#### Disclosures

As of June 30, 2006, the district had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Investment in State Treasurer's Investment Pool	Less than 6 months	\$ 6,264,588
Wisconsin Investment Series Cooperative	Less than 6 months	20,576,391
Johnson Bank	Less than 6 months	153,581
Johnson Bank CD's	Less than 6 months	<u>550,000</u>
		<u>\$ 27,544,560</u>

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

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

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

**SCHOOL DISTRICT OF JANESVILLE**  
Janesville, Wisconsin

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**NOTE 4 - DUE FROM/DUE TO OTHER FUNDS**

Individual fund interfund receivable and payable balances at June 30, 2006, are as follows:

Fund	Due From	Due To
General fund	\$ 58,903	\$ 1,753,225
Community service fund		58,903
Special revenue funds	1,753,225	
	\$ 1,812,128	\$ 1,812,128

**NOTE 5 - FUND BALANCES**

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

Individual Fund	Reservation
General fund	\$ 2,839,056
Special revenue fund	662,617
Debt service fund	394,594
Capital projects fund	276,548
Food service fund	74,150
Community service fund	519
Non-expendable trust - reserved for scholarship programs	131,019
Expendable trust fund	8,745
	\$ 4,387,248

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

**SCHOOL DISTRICT OF JANESVILLE**  
Janesville, Wisconsin

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM OBLIGATIONS (continued)**

Total interest paid during the year aggregated \$1,476,245. Total interest incurred during the year aggregated \$1,295,535.

General Obligation Debt

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the district. General obligation debt at June 30, 2006, is comprised of the following individual issues:

Description	Issue Date	Interest Rate(%)	Date of Maturity	Balance June 30, 2006
Notes and bonds awarded to:				
Harris Trust & Savings Bank	10/01/97	4.0 - 6.5	03/01/12	\$ 1,650,000
Harris Trust & Savings Bank	10/15/98	3.8 - 5.4	03/01/13	2,100,000
Morgan, Keegan, & Company, Inc.	05/15/04	3.5 - 4.25	03/01/19	9,125,000
Legg Mason Wood Walker	01/01/05	3.0 - 4.0	03/01/13	6,440,000
RBC Capital Markets	03/15/06	3.75 - 4.25	03/01/15	<u>8,950,000</u>
Total general obligation debt				<u>\$ 28,265,000</u>

The 2005 equalized valuation of the district as certified by the Wisconsin Department of Revenue is \$3,571,081,710. The legal debt limit and margin of indebtedness as of June 30, 2006, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$3,571,081,710)	\$ 357,108,171
Deduct long-term debt applicable to debt margin	<u>28,265,000</u>
Margin of indebtedness	<u>\$ 328,843,171</u>

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 7 - LONG-TERM OBLIGATIONS (continued)

Aggregate cash flow requirements for the retirement of long-term principal and interest on June 30, 2006, follows:

Year Ended June 30	Principal	Interest	Total
2007	\$ 3,125,000	\$ 1,090,208	\$ 4,215,208
2008	2,850,000	977,163	3,827,163
2009	2,960,000	871,900	3,831,900
2010	3,075,000	763,138	3,838,138
2011	2,455,000	644,700	3,099,700
2012 - 2019	<u>13,800,000</u>	<u>2,128,850</u>	<u>15,928,850</u>
	<u>\$ 28,265,000</u>	<u>\$ 6,475,959</u>	<u>\$ 34,740,959</u>

### NOTE 8 - DEFINED BENEFIT EMPLOYEE PENSION PLAN

All eligible district employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year (440 hours for teachers) are eligible to participate in the System. Covered employees in the General/Teacher category are required by statute to contribute 5.2% of their salary to the plan. The district makes these contributions on behalf of employees as part of their compensation package. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits. Rates are determined annually and go into effect on January 1 of each year.

The payroll for district employees covered by the system for the year ended December 31, 2005, was \$56,069,225. The total required contribution for the year ended December 31, 2005, was \$6,447,961, which consisted of \$3,195,946 or 5.7% of payroll from the employer and \$3,252,015 or 5.8% of payroll from employees. Total contributions for the years ending June 30, 2006 and 2005, were \$6,627,694 and \$6,276,269, respectively, equal to the required contributions for each year. Effective for 2006, rates were increased to 5.9% for employees and 5.8% for employers.

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**NOTE 8 - DEFINED BENEFIT EMPLOYEE PENSION PLAN (continued)**

Employees who retire at or after age 65 are entitled to receive a retirement benefit. Employees may retire at age 55 and receive actuarially reduced benefits. Retirement benefits are calculated as 1.6% of final average earnings for each year of creditable service. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, are immediately vested.

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

**NOTE 9 - OPERATING LEASES, AS LESSEE**

The district, as lessee, leases various vehicles, equipment, and buildings on an annual basis. Total rent expense was \$234,459 for the year ended June 30, 2006.

The district leases space for its Charter School under three separate operating leases. One for the first floor has a 3% annual increase in base rent, and a monthly payment of \$5,522. This lease ends June 2008, but there is an option to renew for an additional five year term. The second lease is for the second floor and has a monthly payment of \$5,165. This lease ends September, 2008. The final lease is for the entire third floor and has a monthly payment of \$3,245. This lease ends June 2007, but there is an annual option to renew at that time. Rent expense under these leases was \$167,181 for the year ended June 30, 2006.

Future minimum lease payments under these leases are as follows:

Year ended June 30	
2007	\$ 170,345
2008	132,283
2009	<u>15,496</u>
	<u>\$ 318,124</u>



**SCHOOL DISTRICT OF JANESVILLE**  
Janesville, Wisconsin

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**NOTE 10 - CAPITAL LEASE, AS LESSEE**

The following is an analysis of the leased property under capital leases by major classes:

	June 30, 2006
Equipment	<u>\$ 541,218</u>
Leased property under capital leases	<u>\$ 541,218</u>

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2006:

Year ended June 30	
2007	\$ 59,468
2008	18,588
2009	<u>9,294</u>
Total minimum lease payments	87,350
Less amount representing interest	<u>2,059</u>
Present value of net minimum lease payments	<u>\$ 85,291</u>

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**NOTE 11 - SELF-FUNDED INSURANCE PROGRAM**

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

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

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

As part of the health coverage of the plan, the district purchases stop-loss coverage which pays claims in excess of \$200,000 per individual, with \$1,800,000 of lifetime maximum coverage. The stop loss coverage increased to \$250,000 effective September 1, 2006. For the year ended June 30, 2006, there were two claims that were subject to stop-loss coverage.

At June 30, 2006, the district has reported an estimated liability of \$1,509,770 which represents reported and unreported claims which were incurred on or before June 30, 2006, but were not paid by the district as of that date.

Reported and unreported claims:

<u>Estimated Liability Balance July 1, 2005</u>	<u>Current Year Claims and Changes In Estimates</u>	<u>Claim Payments</u>	<u>Estimated Liability Balance June 30, 2006</u>
<u>\$ 1,525,048</u>	<u>\$ 16,508,356</u>	<u>\$ 16,523,634</u>	<u>\$ 1,509,770</u>

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES

Encumbrances Outstanding - Encumbrances for purchase orders, contracts and other commitments for expenditures are recognized by the district as a reservation of fund balance. On June 30, 2006, there was \$2,453,846 of encumbrances outstanding.

One individual was subject to stop-loss coverage as of the district's stop-loss year end.

### NOTE 13 - ACCUMULATED UNPAID VACATION, SICK PAY AND OTHER EMPLOYEE BENEFIT AMOUNTS

The district had a policy allowing qualified administrative staff to earn a retirement benefit equivalent of up to \$300 per year of service. Upon retirement, the employee was entitled to payment in cash. That policy has been revised effective July 1, 2002, whereby the \$300 is submitted to the Wisconsin Retirement System as an additional contribution on the employee's behalf. All accumulated balances for past years of service were frozen and are paid out to employees upon termination or the month of their 55<sup>th</sup> birthday, whichever comes first. In addition, the District has a policy allowing qualified administrative staff to earn a retirement benefit equivalent to paid-up group health insurance premiums to age 65 or for a maximum of ten years, whichever occurs first. The District also has a policy allowing qualified administrative staff to earn a retirement benefit equivalent to a \$100 per month credit, for a maximum of 120 months, applied toward group health insurance premium payments made by the retiree after paid-up group health insurance premiums terminate. The credit combined with the paid-up premiums provide a benefit to qualified administrative staff for a maximum of ten years.

Early retiree and retiree benefits for district non-administrative employees are governed by provisions in Board policy and negotiated labor contracts. Teachers and administrative support staff who qualify for early retiree benefits are entitled to a maximum of 48 months of paid health insurance premiums exclusive of sick days conversion, or until age 65, whichever occurs first. Members of the AFSCME bargaining units (custodial, maintenance, food service, secretarial, clerical, and aide employees) who qualify for early retiree benefits are entitled to a maximum of 36 months of paid health insurance premiums, or until age 65, whichever occurs first. Non-administrative retirees are not eligible for a monthly credit applied against their health insurance premium after they begin paying their own premiums.

The district also provides life insurance to qualified early retirees, paying for the monthly premiums for the same time period as the monthly health insurance premiums. An early retiree who has reached the end of district-paid benefits is responsible for life insurance premium payments until age 65. The district pays for all group life premiums for eligible retirees age 65 or older, until the retiree's death. During the 2005-2006 school year, 470 retirees were covered by the life insurance policy at a cost of \$36,265. Due to the nature of the life insurance benefit, an estimate of the future liability is not determinable at this time.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 13 - ACCUMULATED UNPAID VACATION, SICK PAY AND OTHER EMPLOYEE BENEFIT AMOUNTS (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. The value of vested benefits payable in future fiscal periods are recorded as long-term obligations.

The District allows for the conversion of unused accumulated sick days to paid health benefits if certain criteria are met. The maximum potential liability to the District would be \$4,530,691 and will be funded as the benefit is paid out.

### NOTE 14 - 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, 2006, the district did not exceed its revenue limitation.

### NOTE 15 - RISK MANAGEMENT

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

**SUPPLEMENTAL FINANCIAL INFORMATION**

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET**

June 30, 2006

	<u>TEACH</u>	<u>Special</u>	<u>Totals</u>	
	<u>Grant</u>	<u>Education</u>	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>				
Cash and investments	\$ 662,617	\$	\$ 662,617	\$ 706,355
Accounts receivable				224
Due from other funds		1,753,225	1,753,225	1,611,775
Due from other governments		516,314	516,314	503,766
Other current assets		4,020	4,020	2,708
	<u>662,617</u>	<u>2,273,559</u>	<u>2,936,176</u>	<u>2,824,828</u>
<b>Total assets</b>	<b>\$ 662,617</b>	<b>\$ 2,273,559</b>	<b>\$ 2,936,176</b>	<b>\$ 2,824,828</b>
<b>LIABILITIES</b>				
Accounts payable	\$	\$ 40,787	\$ 40,787	\$ 56,286
Accrued salaries and related items		1,747,846	1,747,846	1,599,480
Due to other governments				27,480
Other current liabilities		484,926	484,926	435,347
		<u>2,273,559</u>	<u>2,273,559</u>	<u>2,118,593</u>
<b>Total liabilities</b>		<b>2,273,559</b>	<b>2,273,559</b>	<b>2,118,593</b>
<b>FUND BALANCES</b>				
Reserved	<u>662,617</u>		<u>662,617</u>	<u>706,235</u>
<b>Total fund balances</b>	<b>662,617</b>		<b>662,617</b>	<b>706,235</b>
<b>Total liabilities and fund balances</b>	<b>\$ 662,617</b>	<b>\$ 2,273,559</b>	<b>\$ 2,936,176</b>	<b>\$ 2,824,828</b>

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

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

For the Year Ended June 30, 2006

	<u>TEACH</u>	<u>Special</u>	<u>Totals</u>	
	<u>Grant</u>	<u>Education</u>	<u>2006</u>	<u>2005</u>
Revenues				
Interdistrict sources	\$	\$ 193,058	\$ 193,058	\$ 211,844
Intermediate sources		27,486	27,486	31,221
State sources		3,799,878	3,799,878	3,980,557
Federal sources		<u>2,305,798</u>	<u>2,305,798</u>	<u>2,092,383</u>
Total revenues		<u>6,326,220</u>	<u>6,326,220</u>	<u>6,316,005</u>
Expenditures				
Instruction		12,776,339	12,776,339	12,042,585
Support service	<u>43,618</u>	<u>4,314,081</u>	<u>4,357,699</u>	<u>3,899,860</u>
Total expenditures	<u>43,618</u>	<u>17,090,420</u>	<u>17,134,038</u>	<u>15,942,445</u>
Excess of revenues under expenditures	<u>(43,618)</u>	<u>(10,764,200)</u>	<u>(10,807,818)</u>	<u>(9,626,440)</u>
Other financing sources (uses)				
Operating transfers in		10,917,966	10,917,966	9,603,908
Payments to other institutions		<u>(153,766)</u>	<u>(153,766)</u>	<u>(162,523)</u>
Net other financing sources		<u>10,764,200</u>	<u>10,764,200</u>	<u>9,441,385</u>
Excess of revenues and other financing sources under expenditures and other financing uses	<u>(43,618)</u>		<u>(43,618)</u>	<u>(185,055)</u>
Fund balances, beginning of year	<u>706,235</u>		<u>706,235</u>	<u>891,290</u>
Fund balances, end of year	<u>\$ 662,617</u>	<u>\$</u>	<u>\$ 662,617</u>	<u>\$ 706,235</u>

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## ANALYSIS OF LOCAL LEVY

June 30, 2006

	<u>2004 Taxes Receivable July 1, 2005</u>	<u>Total 2005 Levy</u>	<u>Collections</u>	<u>2005 Taxes Receivable June 30, 2006</u>
City of Janesville	\$ 8,336,384	\$ 26,371,255	\$ 26,966,666	\$ 7,740,973
Town of Harmony	1,982	6,313	6,605	1,690
Town of Janesville	426,678	1,335,742	1,377,387	385,033
Town of La Prairie	123,293	316,987	324,816	115,464
Town of Rock	<u>428,706</u>	<u>1,282,648</u>	<u>1,303,509</u>	<u>407,845</u>
	<u>\$ 9,317,043</u>	<u>\$ 29,312,945</u>	<u>\$ 29,978,983</u>	<u>\$ 8,651,005</u>