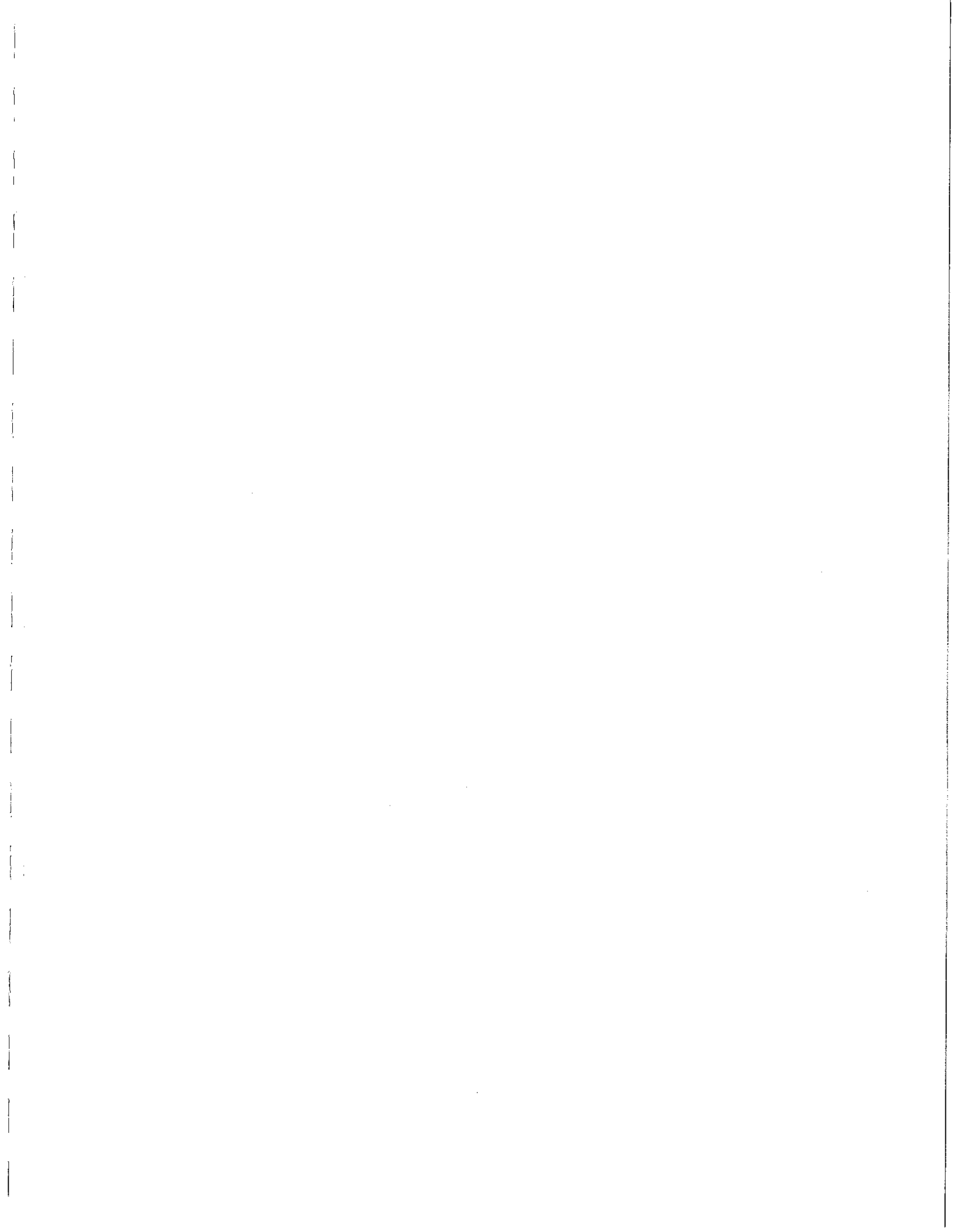


**SCHOOL DISTRICT OF JANESVILLE**  
Janesville, Wisconsin

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

For the Year Ended June 30, 2005

DEC 19 2005



**SCHOOL DISTRICT OF JANESVILLE**  
Janesville, Wisconsin

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**SCHOOL DISTRICT OF JANESVILLE**  
Janesville, Wisconsin

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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, 2005, 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, 2005, 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 11, 2005, on our consideration of the School District of Janesville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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AFFILIATE  
**INPACT**  
INTERNATIONAL NETWORK OF  
PROFESSIONAL ACCOUNTANTS

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the district's basic financial statements. The combining and individual fund financial statements listed on pages 45 to 46 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 11, 2005

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



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*Education is our investment in the future.*

School District of Janesville  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005

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, 2005, 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 \$4.6 million.
- The school food service program, the district's only business-type activity, had total revenues of \$2,745,197 and total expenses of \$2,820,721. Net assets decreased by \$75,524 for the current fiscal period. For the sixth year in a row the food service program has operated as a self-supporting entity without financial support from the General Fund.
- \$14.9 million was paid out in health related costs by the self-insured plan during the fiscal year ended June 30, 2005.
- In governmental funds, total fund balance decreased by \$3.9 million which includes a reduction of \$7.3 million for capital projects.
- The District issued \$6.99 million in General Obligation School Building Bonds on January 1, 2005, as the final phase of an approved referendum to renovate five elementary schools. Construction was completed in August 2005.

**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 13 to 14 of this report.

## Fund Financial Statements

- A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The district, like other governmental entities, uses fund accounting to demonstrate compliance with finance-related legal requirements. Fund statements generally report operations in more detail than the district-wide statements and provide information that may be useful in evaluating a district's near-term financing requirements.
- There are two fund financial statements, the *balance sheet* and the *statement of revenues, expenditures, and changes in fund balance*. Generally, fund statements focus on near-term inflows and outflows of spendable resources and their impact on fund balance.
- Because the focus of fund financial statements is narrower than that of the district-wide statements, it is useful to make comparison between the information presented. By doing so, readers may better understand the long-term implications of the government's near-term financial decisions. A reconciliation to facilitate this comparison is provided either at the bottom of the governmental funds statement or as a separate statement.
- The district has three kinds of funds: *governmental, proprietary and fiduciary*. *Governmental funds* include the district's permanent funds (general, TEACH, special education, debt service, community service) and individual capital project funds as needed. The district has one *proprietary fund*, the food service fund. The only *fiduciary funds* for the district are an agency fund for student and parent organizations and a trust fund serving scholarship recipients.
- Financial information is presented separately on both the *balance sheet* and the *statement of revenues, expenditures and changes in fund balance* for the general fund, capital projects fund and debt service fund as these are considered to be major funds. Data for the TEACH and special education funds have been consolidated under the heading of special revenue funds, and a community service fund is reported under other government funds. Data for each of these individual non-major funds is provided separately as supplementary information. The governmental fund financial statements are on pages 15 to 17 of this report.
- The proprietary fund statements for the district's food service program are prepared on the same basis of accounting and measurement focus as the district-wide financial statements. In addition, the district provides *a statement of cash flows* for the proprietary fund. Proprietary fund statements are located on pages 21 to 23 of this report.
- Fiduciary funds are used to account for resources held for the benefit of affiliated parties not legally a part of the district such as students, parents or staff. Fiduciary funds are excluded from the district-wide financial statements because the district cannot use these resources to finance operations. The accounting used for fiduciary funds is much like that used for proprietary funds. Fiduciary fund statements are located on pages 24 to 25 of this report.

The *notes to the financial statements* provide additional information that is essential to the full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements begin on page 26.

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



Major Features of the District-wide and Fund Financial Statements

|   | District-Wide<br>Statements   | Governmental  | Fund Financial<br>Statements<br>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 or paid.   |

## FINANCIAL ANALYSIS

### The District as a Whole

The district's combined net assets increased by 8.9% to \$56,609,667. All of this improvement came from governmental activities with net assets growing by \$4,718,226. The net assets of the food service program decreased by \$75,524 (20%).

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

|   | Governmental Activities |                   | Business-type Activities |                | Total             |                   | % Change    |
|---|-------------------------|-------------------|--------------------------|----------------|-------------------|-------------------|-------------|
|   | 2005                    | 2004              | 2005                     | 2004           | 2005              | 2004              |             |
| Current Assets                                  | \$ 42,149,395           | \$ 44,880,512     | \$ 173,083               | \$ 387,224     | \$ 42,322,478     | \$ 45,267,736     | -6.5%       |
| Capital Assets                                  | 86,610,259              | 71,173,650        | 185,681                  | 196,360        | 86,795,940        | 71,370,010        | 21.6%       |
| Total Assets                                    | \$ 128,759,654          | \$ 116,054,162    | \$ 358,764               | \$ 583,584     | \$ 129,118,418    | \$ 116,637,746    | 10.7%       |
| Current Liabilities                             | \$ 19,283,171           | \$ 17,837,869     | \$ 64,160                | \$ 213,456     | \$ 19,347,331     | \$ 18,051,325     | 7.2%        |
| Long-term debt outstanding                      | 53,161,420              | 46,619,456        |                          |                | 53,161,420        | 46,619,456        | 14.0%       |
| Total Liabilities                               | 72,444,591              | 64,457,325        | 64,160                   | 213,456        | 72,508,751        | 64,670,781        | 12.1%       |
| <b>Net Assets</b>                               | <b>56,315,063</b>       | <b>51,596,837</b> | <b>294,604</b>           | <b>370,128</b> | <b>56,609,667</b> | <b>51,966,965</b> | <b>8.9%</b> |
| Invested in capital assets, net of related debt | 54,816,049              | 43,186,666        | 185,681                  | 196,360        | 55,001,730        | 43,383,026        | 26.8%       |
| Restricted                                      | 3,201,981               | 10,602,152        | 108,923                  | 173,768        | 3,310,904         | 10,775,920        | -69.3%      |
| Unrestricted                                    | (1,702,967)             | (2,191,981)       |                          |                | (1,702,967)       | (2,191,981)       | -22.3%      |
| Total Net Assets                                | \$ 56,315,063           | \$ 51,596,837     | \$ 294,604               | \$ 370,128     | \$ 56,609,667     | \$ 51,966,965     | 8.9%        |

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 boiler replacement at Wilson Elementary, relighting projects at Madison and Adams Elementaries, ventilation upgrade at Adams, roofing projects at Craig High and Roosevelt Elementary, flooring replacement projects at Edison and Franklin Middle schools and Lincoln, Monroe and Washington Elementaries, locker replacement at Parker High, and locker room and auditorium renovation at Craig. Capital assets also include computer hardware and software upgrades and library 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 \$1.7 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 2005 and 2004. As demonstrated, general revenues are the primary source of funding governmental activities at 88.2%, 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**

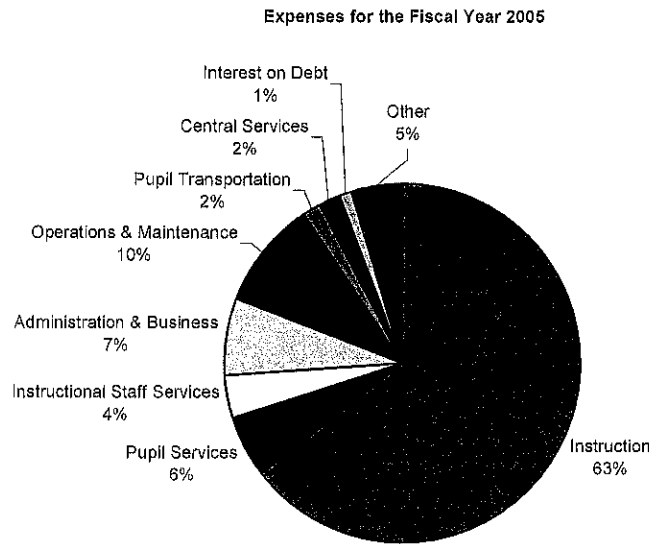
|                                  | Governmental          |             | Business-type       |             | Total                 | %           | Total                 | %           |
|----------------------------------|-----------------------|-------------|---------------------|-------------|-----------------------|-------------|-----------------------|-------------|
|                                  | Activities            | %           | Activities          | %           |                       |             |                       |             |
|                                  | 2005                  |             | 2005                |             | 2005                  |             | 2004                  |             |
| <b>Revenues:</b>                 |                       |             |                     |             |                       |             |                       |             |
| Program Revenues                 |                       |             |                     |             |                       |             |                       |             |
| Charges for Services             | \$ 2,377,959          | 2.3%        | \$ 1,563,234        | 56.9%       | \$ 3,941,193          | 3.7%        | \$ 3,542,798          | 3.5%        |
| Operating Grants & Contributions | 10,009,333            | 9.6%        | 1,177,018           | 42.9%       | 11,186,351            | 10.4%       | 10,791,499            | 10.5%       |
| Capital Grants & Contributions   | -                     | 0.0%        |                     |             | -                     | 0.0%        | 133,580               | 0.1%        |
| General Revenues                 |                       |             |                     |             |                       |             |                       |             |
| Property Taxes                   | 31,035,739            | 29.7%       |                     |             | 31,035,739            | 29.0%       | 28,800,564            | 28.1%       |
| General State Aid                | 60,216,847            | 57.7%       |                     |             | 60,216,847            | 56.2%       | 58,602,117            | 57.2%       |
| Other                            | 810,652               | 0.8%        | 4,945               | 0.2%        | 815,597               | 0.8%        | 540,987               | 0.5%        |
| <b>Total Revenues</b>            | <b>\$ 104,450,530</b> | <b>100%</b> | <b>\$ 2,745,197</b> | <b>100%</b> | <b>\$ 107,195,727</b> | <b>100%</b> | <b>\$ 102,411,545</b> | <b>100%</b> |
| <b>Expenses:</b>                 |                       |             |                     |             |                       |             |                       |             |
| Instruction                      | \$ 61,889,907         | 62.1%       |                     |             | \$ 61,889,907         | 60.3%       | \$ 61,244,994         | 62.7%       |
| Pupil Services                   | 6,011,876             | 6.0%        |                     |             | 6,011,876             | 5.9%        | 5,352,893             | 5.5%        |
| Instructional Staff Services     | 4,132,342             | 4.1%        |                     |             | 4,132,342             | 4.0%        | 3,797,655             | 3.9%        |
| Administration & Business        | 5,743,042             | 5.8%        |                     |             | 5,743,042             | 5.6%        | 6,434,352             | 6.6%        |
| Operations & Maintenance         | 9,411,529             | 9.4%        |                     |             | 9,411,529             | 9.2%        | 9,287,173             | 9.5%        |
| Pupil Transportation             | 1,906,608             | 1.9%        |                     |             | 1,906,608             | 1.9%        | 1,693,584             | 1.7%        |
| Central Services                 | 1,903,808             | 1.9%        |                     |             | 1,903,808             | 1.9%        | 1,876,407             | 1.9%        |
| Interest on Debt                 | 1,378,276             | 1.4%        |                     |             | 1,378,276             | 1.3%        | 981,114               | 1.0%        |
| Other                            | 7,354,916             | 7.4%        | 2,820,721           | 100%        | 10,175,637            | 9.9%        | 6,962,883             | 7.1%        |
| <b>Total Expenses</b>            | <b>\$ 99,732,304</b>  | <b>100%</b> | <b>\$ 2,820,721</b> | <b>100%</b> | <b>\$ 102,553,025</b> | <b>100%</b> | <b>\$ 97,631,055</b>  | <b>100%</b> |
| <b>Increase in Net Assets</b>    | <b>\$ 4,718,226</b>   |             | <b>\$ (75,524)</b>  |             | <b>\$ 4,642,702</b>   |             | <b>\$ 4,780,490</b>   |             |

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 \$4.72 million to the increase in net assets. The improvement in the District's financial position is a result of conservative fiscal management and an increase in capital assets. 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 \$300,000. Health related payments totaled \$14.9 million as compared to \$13.8 million the previous year. This represents an 8% increase as opposed to the 12% increase anticipated.
- School allocations that went unspent during the year totaled \$252,000. As a means of providing more efficient use of funds, schools are permitted to carry over unused funds to the next year.
- An increase of \$15.4 million was the result of a net increase in capital assets after depreciation. Included in that increase is \$14.5 million for work in progress on five elementary additions and remodeling.

- The General Fund budget was adopted with \$935,000 held as a contingency due to the uncertainty in State funding that remained unobligated and, therefore, unspent for the year.
- New debt of \$6.99 million was issued in January 2005 to finance the last phase of the elementary additions projects. This was in addition to the first issuance of \$10 million in bonds in May 2004.

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.



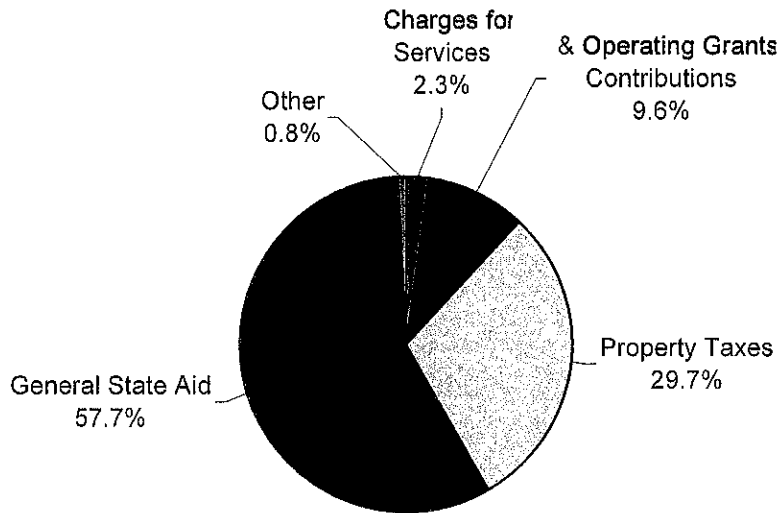
The net cost of providing services is shown in table 3. Net cost is the total cost of the service less any user fees generated by the activities or any intergovernmental aid or gifts received for specific programs. The net cost shows the reliance on general revenues of the district, primarily state aid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

**Table 3  
Cost of Governmental Activities**

|                              | Total Cost of Services<br>2005 | Net Cost of Services<br>2005 |
|------------------------------|--------------------------------|------------------------------|
| Instruction                  | \$ 61,889,907                  | \$ 52,815,739                |
| Pupil Services               | 6,011,876                      | 4,327,593                    |
| Instructional Staff Services | 4,132,342                      | 3,152,838                    |
| Administration & Business    | 5,743,042                      | 5,741,336                    |
| Operations & Maintenance     | 9,411,529                      | 9,359,563                    |
| Pupil Transportation         | 1,906,608                      | 1,580,463                    |
| Central Services             | 1,903,808                      | 1,903,808                    |
| Interest on Debt             | 1,378,276                      | 1,378,276                    |
| Other                        | 7,354,916                      | 7,085,396                    |
| <b>Total Expenses</b>        | <b>\$ 99,732,304</b>           | <b>\$ 87,345,012</b>         |

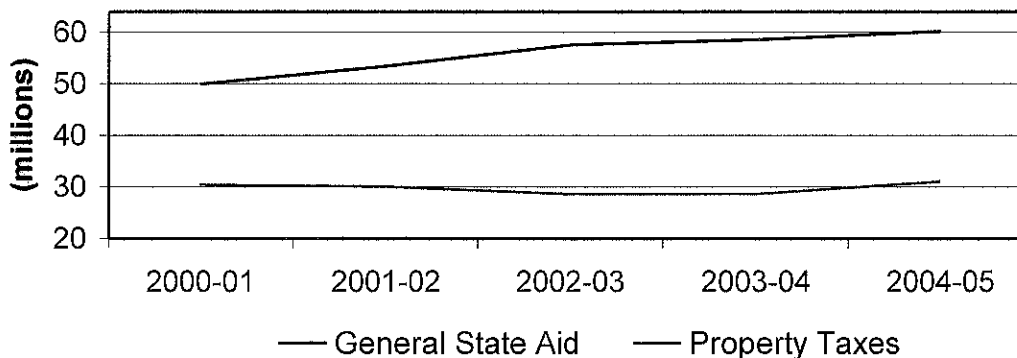
Program revenues offset 12.4%, or \$12 million of costs. The largest category of program revenue comes from grants and contributions totaling \$10 million. The largest single source of program revenue comes from the State of Wisconsin as aid for special education. Special education instruction receives the most program revenues at 39% 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.

|                   | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|-------------------|---------|---------|---------|---------|---------|
| General State Aid | 49.96   | 53.45   | 57.55   | 58.6    | 60.2    |
| Property Taxes    | 30.42   | 30.07   | 28.67   | 28.68   | 31.04   |



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 school 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 last increased for 2001-02. The percentage of students qualified for free or reduced lunch for the year was 27%. The District received federal and state subsidies, including commodities, totaling \$1,177,000.

Food and supply costs made up 51% of all operating expenses while labor costs were 45% of the total. \$17,539 was spent on new equipment during the year and annual depreciation totaled \$28,218, resulting in a \$10,679 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 \$3.9 million, bringing the total to \$26.6 million, a 13% decrease.

- At June 30, 2005, the General Fund balance totaled \$22.9 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. \$2.3 million of the fund balance is reserved for specific purposes: \$1.7 million for encumbered obligations payable in the next fiscal year (outstanding purchase orders), \$81,260 for inventory to be consumed in the next fiscal year, \$253,000 is for projects that were not finalized but fully budgeted in this fiscal year and will be completed in 2005-06, and \$252,282 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 \$560,671. The most significant variance in that category includes an unbudgeted amount of \$300,000 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. Another source of revenue that exceeded budget was Medicaid reimbursement that was \$165,000 over.
- General fund expenditures came in \$2,575,000 under budget. As previously mentioned, \$935,000 of that came from unobligated funds that were held in reserve due to the uncertainty of State funding. \$253,000 is from projects that will be carried over to 2005-06 and \$252,000 is being carried over from site based accounts at the schools. The total impact of Special Education charged to the General fund was \$223,000 less than budgeted. Budget variances for the General and Special Revenue funds can be viewed beginning on page 19 of this report.
- The Special Education fund is used to account for all revenue and expenditures associated with the special education program, including any federal and state funding. Because outside funding is insufficient to cover the cost of the program, funds are transferred from the General fund as an operating transfer. The transfer of \$9.6 million represents 60.3% of the total expenditures as compared to 61.2 % the previous year.
- The TEACH fund balance at year end totaled \$706,000. 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 an increase of \$357,712. 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 when bonds were issued to finance construction and renovation projects at five elementary schools. The bond proceeds of \$6.99 million were deposited into the Capital Projects fund and are being used to pay for the projects. At year end, the fund balance was \$2,275,315.

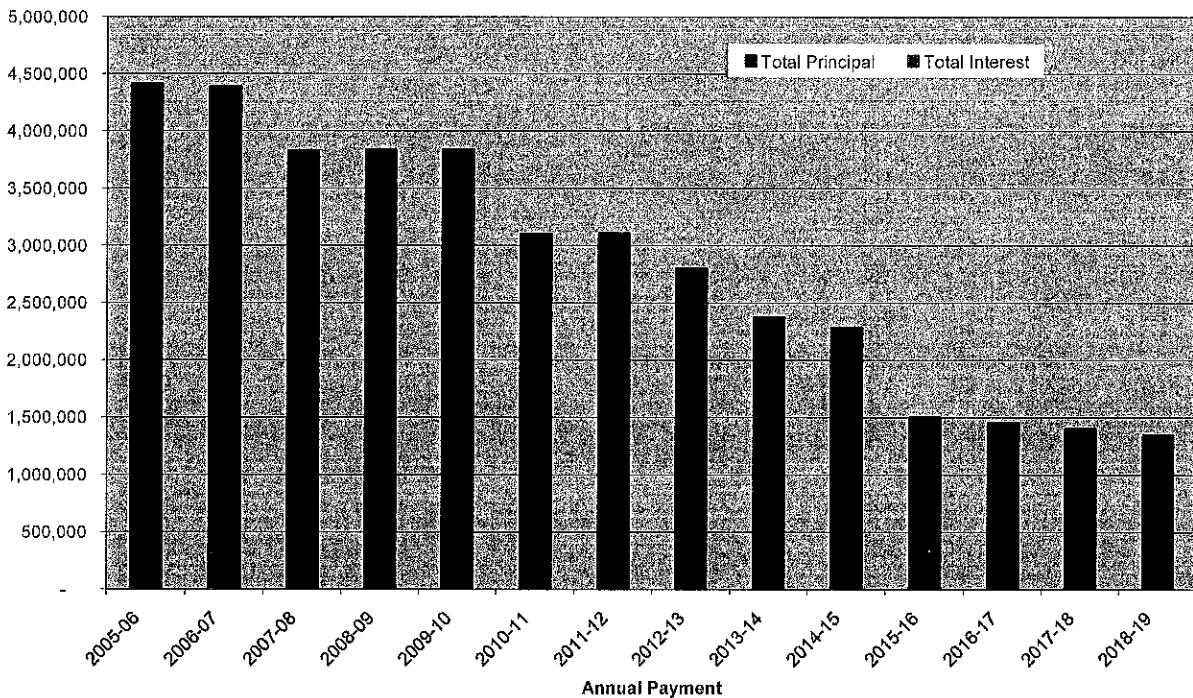
### Fiduciary Funds

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 scholarship accounts. A donor created scholarship benefits former graduates of our district and is funded by earnings from an endowment that is to remain intact. The second 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 9.3% of the maximum permitted by law. At the end of the current fiscal year the School District of Janesville had general obligation debt of \$31.4 million. Current debt obligations have retirements running through March 2019.

**Long term Debt Payment Schedule**



A prepayment of debt was made in 2001-02 of \$835,906 and was funded by a transfer from the General fund. The retirement of that debt removed any current obligation on funds generated within the revenue cap. The District also 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 is operating under a current agreement that runs through June 2007. The agreements with the Janesville Education Association representing teaching staff and the secretary/ clerk/aide unit expired at the end of June 2005 and the administration and unions are currently negotiating agreements for future years.

The District held a referendum in February 2004 seeking borrowing authority of \$16.99 million for additions, remodeling, renovations, and improvements to Harrison, Jackson, Jefferson, Roosevelt, and Van Buren elementary schools. The referendum was approved, bonds were issued in two phases in May 2004 and January 2005, and construction commenced in 2005. All projects have been completed and the schools were fully functional at the start of the school year in August 2005.

Effective for the 2005-06 school year, meal prices were increased in the Food Service program as follows: Elementary \$1.75 from \$1.60, Middle \$2.00 from \$1.80, High \$2.00 from \$1.85, and Adult \$2.75 from \$2.50. Historically, meal prices hold constant for three-year cycles. It is believed that this price increase will continue to keep the program self-supporting with no reliance on the General Fund.

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, 2005

|   | Governmental<br>Activities | Business-Type<br>Activities | Total         |
|---|----------------------------|-----------------------------|---------------|
| <b>ASSETS</b>                                   |                            |                             |               |
| Current assets                                  |                            |                             |               |
| Cash and investments                            | \$ 30,182,275              | \$ 116,818                  | \$ 30,299,093 |
| Accounts receivable                             | 23,586                     | 159                         | 23,745        |
| Taxes receivable                                | 9,338,409                  |                             | 9,338,409     |
| Interest receivable                             | 91,705                     |                             | 91,705        |
| Due from other governments                      | 2,331,709                  | 48,479                      | 2,380,188     |
| Other current assets                            | 181,711                    | 7,627                       | 189,338       |
| Total current assets                            | 42,149,395                 | 173,083                     | 42,322,478    |
| Noncurrent assets                               |                            |                             |               |
| Land  | 1,329,744                  |                             | 1,329,744     |
| Site improvements                               | 2,568,634                  |                             | 2,568,634     |
| Buildings and building improvements             | 85,742,232                 |                             | 85,742,232    |
| Furniture and equipment                         | 10,197,622                 | 475,606                     | 10,673,228    |
| Work in progress                                | 14,537,140                 |                             | 14,537,140    |
|   | 114,375,372                | 475,606                     | 114,850,978   |
| Less accumulated depreciation                   | (27,765,113)               | (289,925)                   | (28,055,038)  |
| Total noncurrent assets                         | 86,610,259                 | 185,681                     | 86,795,940    |
| Total assets                                    | 128,759,654                | 358,764                     | 129,118,418   |
| <b>LIABILITIES</b>                              |                            |                             |               |
| Current liabilities                             |                            |                             |               |
| Accounts payable                                | 3,477,199                  | 10,584                      | 3,487,783     |
| Accrued liabilities                             | 12,043,832                 | 43,598                      | 12,087,430    |
| Accrued interest                                | 544,868                    |                             | 544,868       |
| Deferred revenue                                | 3,000                      | 9,978                       | 12,978        |
| Current portion of long-term liabilities        | 3,214,272                  |                             | 3,214,272     |
| Total current liabilities                       | 19,283,171                 | 64,160                      | 19,347,331    |
| Noncurrent liabilities                          |                            |                             |               |
| Long-term liabilities, less current portion     | 53,161,420                 |                             | 53,161,420    |
| Total non-current liabilities                   | 53,161,420                 |                             | 53,161,420    |
| Total liabilities                               | 72,444,591                 | 64,160                      | 72,508,751    |
| <b>NET ASSETS</b>                               |                            |                             |               |
| Invested in capital assets, net of related debt | 54,816,049                 | 185,681                     | 55,001,730    |
| Restricted for:                                 |                            |                             |               |
| Debt service                                    | 220,434                    |                             | 220,434       |
| Capital projects                                | 2,275,315                  |                             | 2,275,315     |
| Other activities                                | 706,232                    | 108,923                     | 815,155       |
| Unrestricted                                    | (1,702,967)                |                             | (1,702,967)   |
| Total net assets                                | \$ 56,315,063              | \$ 294,604                  | \$ 56,609,667 |

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, 2005

| Functions/ Programs  | Expenses              | Program Revenues        |  |                | Net (Expenses) Revenue<br>and Changes in Net Assets |                                |                     |
|--|-----------------------|-------------------------|--|----------------|---|--------------------------------|---------------------|
|  |                       | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital Grants | Government<br>Activities                            | Business<br>Type<br>Activities | Total               |
| <b>Governmental activities:</b>                            |                       |                         |  |                |   |                                |                     |
| Instruction:   |                       |                         |  |                |   |                                |                     |
| Regular instruction  | \$ 39,919,734         | \$ 1,416,475            | \$ 2,094,420                             | \$             | \$ (36,408,839)                                     | \$                             | \$ (36,408,839)     |
| Special education instruction                              | 13,550,673            | 735,623                 | 4,553,761                                | \$             | (8,261,289)   | \$                             | (8,261,289)         |
| Vocational instruction                                     | 3,815,263             | \$                      | 32,819                                   | \$             | (3,782,444)   | \$                             | (3,782,444)         |
| Other instruction  | 4,604,237             | 194,970                 | 46,100                                   | \$             | (4,363,167)   | \$                             | (4,363,167)         |
| <b>Total instruction</b>                                   | <b>61,889,907</b>     | <b>2,347,068</b>        | <b>6,727,100</b>                         | <b>\$</b>      | <b>(52,815,739)</b>                                 | <b>\$</b>                      | <b>(52,815,739)</b> |
| Support services:  |                       |                         |  |                |   |                                |                     |
| Pupil services   | 6,011,876             | \$                      | 1,684,283                                | \$             | (4,327,593)   | \$                             | (4,327,593)         |
| Instructional staff services                               | 4,132,342             | 1,522                   | 977,982                                  | \$             | (3,152,838)   | \$                             | (3,152,838)         |
| General administration services                            | 762,600               | \$                      | \$                                       | \$             | (762,600)   | \$                             | (762,600)           |
| School administration services                             | 4,254,417             | 1,706                   | \$                                       | \$             | (4,252,711)   | \$                             | (4,252,711)         |
| Business services  | 726,025               | \$                      | \$                                       | \$             | (726,025)   | \$                             | (726,025)           |
| Operations & maintenance of plant services                 | 9,411,529             | 27,663                  | 24,303                                   | \$             | (9,359,563)   | \$                             | (9,359,563)         |
| Pupil transportation services                              | 1,906,608             | \$                      | 326,145                                  | \$             | (1,580,463)   | \$                             | (1,580,463)         |
| Central services   | 1,903,808             | \$                      | \$                                       | \$             | (1,903,808)   | \$                             | (1,903,808)         |
| Insurance  | 828,600               | \$                      | \$                                       | \$             | (828,600)   | \$                             | (828,600)           |
| Other support services                                     | 4,206,885             | \$                      | \$                                       | \$             | (4,206,885)   | \$                             | (4,206,885)         |
| Community services   | 275,750               | \$                      | 269,520                                  | \$             | (6,230)   | \$                             | (6,230)             |
| Interest   | 1,378,276             | \$                      | \$                                       | \$             | (1,378,276)   | \$                             | (1,378,276)         |
| Depreciation - unallocated                                 | 2,043,681             | \$                      | \$                                       | \$             | (2,043,681)   | \$                             | (2,043,681)         |
| <b>Total support services</b>                              | <b>37,842,397</b>     | <b>30,891</b>           | <b>3,282,233</b>                         | <b>\$</b>      | <b>(34,529,273)</b>                                 | <b>\$</b>                      | <b>(34,529,273)</b> |
| <b>Total governmental activities</b>                       | <b>99,732,304</b>     | <b>2,377,959</b>        | <b>10,009,333</b>                        | <b>\$</b>      | <b>(87,345,012)</b>                                 | <b>\$</b>                      | <b>(87,345,012)</b> |
| <b>Business-type activities:</b>                           |                       |                         |  |                |   |                                |                     |
| School food service program                                | 2,820,721             | 1,562,315               | 1,177,937                                | \$             | \$  | (80,469)                       | (80,469)            |
| <b>Total school district</b>                               | <b>\$ 102,553,025</b> | <b>\$ 3,940,274</b>     | <b>\$ 11,187,270</b>                     | <b>\$</b>      | <b>(87,345,012)</b>                                 | <b>(80,469)</b>                | <b>(87,425,481)</b> |
| <b>General revenues:</b>                                   |                       |                         |  |                |   |                                |                     |
| Property taxes:  |                       |                         |  |                |   |                                |                     |
| General purposes   | \$                    | \$                      | \$                                       | \$             | 26,776,739  | \$                             | 26,776,739          |
| Debt services  | \$                    | \$                      | \$                                       | \$             | 4,259,000   | \$                             | 4,259,000           |
| Federal and state aid not restricted to specific purposes: |                       |                         |  |                |   |                                |                     |
| General  | \$                    | \$                      | \$                                       | \$             | 59,851,513  | \$                             | 59,851,513          |
| Other  | \$                    | \$                      | \$                                       | \$             | 365,334   | \$                             | 365,334             |
| Interest and investment earnings                           | \$                    | \$                      | \$                                       | \$             | 581,875   | 4,026                          | 585,901             |
| Miscellaneous  | \$                    | \$                      | \$                                       | \$             | 228,777   | 919                            | 229,696             |
| <b>Total general revenues</b>                              | <b>\$</b>             | <b>\$</b>               | <b>\$</b>                                | <b>\$</b>      | <b>92,063,238</b>                                   | <b>4,945</b>                   | <b>92,068,183</b>   |
| Change in net assets                                       | \$                    | \$                      | \$                                       | \$             | 4,718,226   | (75,524)                       | 4,642,702           |
| Net assets - beginning of year                             | \$                    | \$                      | \$                                       | \$             | 51,596,837  | 370,128                        | 51,966,965          |
| Net assets - end of year                                   | <b>\$ 56,315,063</b>  | <b>\$ 294,604</b>       | <b>\$ 56,609,667</b>                     | <b>\$</b>      | <b>\$</b>   | <b>\$</b>                      | <b>\$</b>           |

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

# SCHOOL DISTRICT OF JANESVILLE

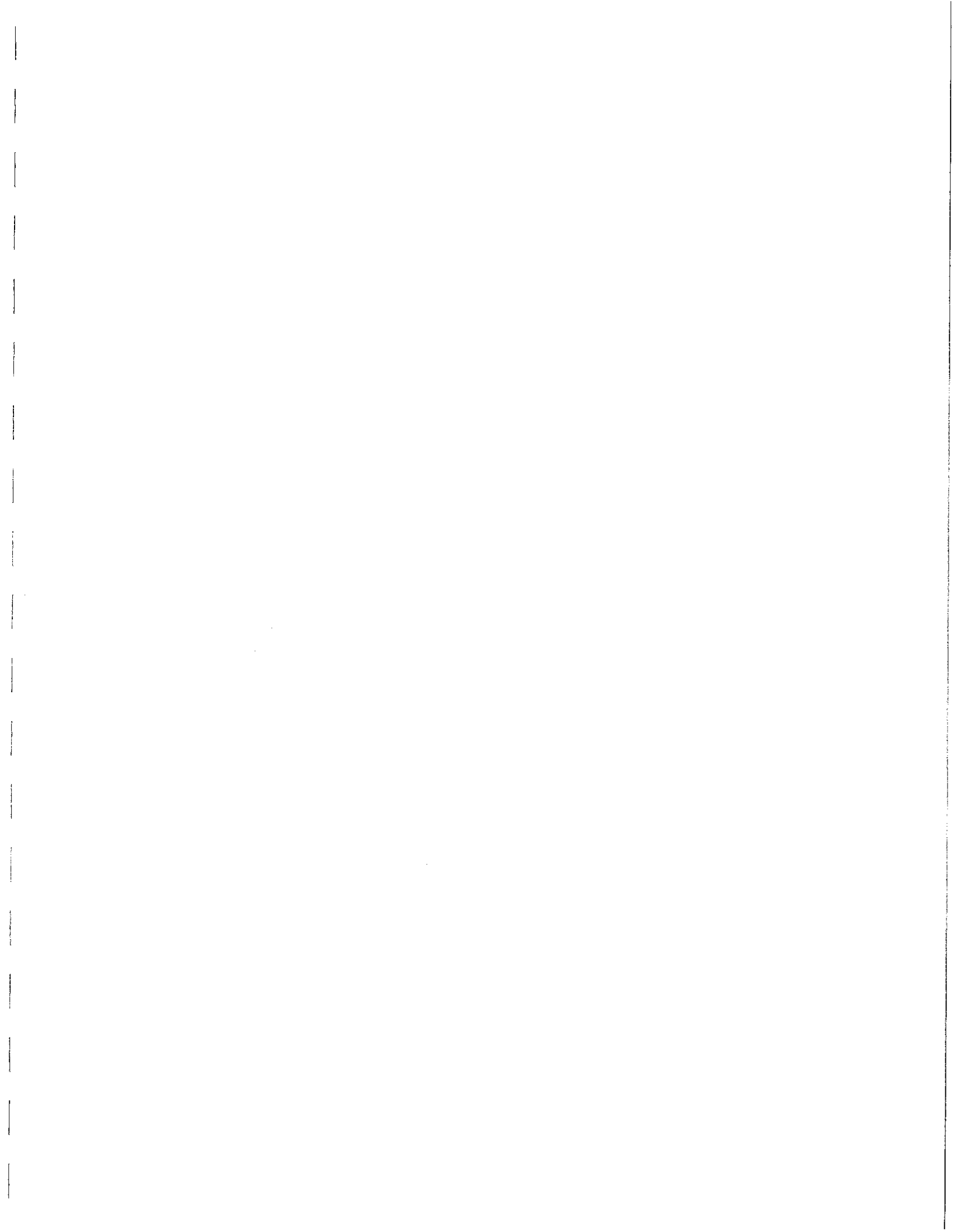
Janesville, Wisconsin

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2005

|   | General              | Special<br>Revenue  | Debt<br>Service   | Capital<br>Projects | Other<br>Government<br>Funds | Total<br>Government<br>Funds |
|---|----------------------|---------------------|-------------------|---------------------|------------------------------|------------------------------|
| <b>ASSETS</b>   |                      |                     |                   |                     |                              |                              |
| Cash and investments  | \$ 23,920,135        | \$ 706,355          | \$ 756,811        | \$ 4,798,452        | \$ 522                       | \$ 30,182,275                |
| Accounts receivable   | 23,362               | 224                 |                   |                     |                              | 23,586                       |
| Taxes receivable  | 9,338,409            |                     |                   |                     |                              | 9,338,409                    |
| Interest receivable   | 44,372               |                     | 8,490             | 38,843              |                              | 91,705                       |
| Due from other governments  | 1,773,629            | 503,766             |                   |                     | 54,314                       | 2,331,709                    |
| Inventories and other current assets  | 179,003              | 2,708               |                   |                     |                              | 181,711                      |
| Due from other funds  | 32,292               | 1,611,775           |                   |                     |                              | 1,644,067                    |
| <b>Total assets</b>   | <b>\$ 35,311,202</b> | <b>\$ 2,824,828</b> | <b>\$ 765,301</b> | <b>\$ 4,837,295</b> | <b>\$ 54,836</b>             | <b>\$ 43,793,462</b>         |
| <b>LIABILITIES</b>  |                      |                     |                   |                     |                              |                              |
| Accounts payable  | \$ 852,889           | \$ 56,286           |                   | \$ 2,561,980        | \$ 6,044                     | \$ 3,477,199                 |
| Accrued salaries and related items  | 5,877,997            | 1,599,480           |                   |                     | 12,544                       | 7,490,021                    |
| Due to other funds  | 1,611,775            |                     |                   |                     | 32,292                       | 1,644,067                    |
| Due to other governments  |                      | 27,480              |                   |                     |                              | 27,480                       |
| Other current liabilities   | 4,090,547            | 435,347             |                   |                     | 3,437                        | 4,529,331                    |
| <b>Total liabilities</b>  | <b>12,433,208</b>    | <b>2,118,593</b>    |                   | <b>2,561,980</b>    | <b>54,317</b>                | <b>17,168,098</b>            |
| <b>FUND EQUITY</b>  |                      |                     |                   |                     |                              |                              |
| Fund balances   |                      |                     |                   |                     |                              |                              |
| Reserved  | 2,262,473            | 706,235             | 765,301           | 2,275,315           | 519                          | 6,009,843                    |
| Unreserved - designated   | 20,615,521           |                     |                   |                     |                              | 20,615,521                   |
| <b>Total fund balances</b>  | <b>22,877,994</b>    | <b>706,235</b>      | <b>765,301</b>    | <b>2,275,315</b>    | <b>519</b>                   | <b>26,625,364</b>            |
| <b>Total liabilities and fund equity</b>  | <b>\$ 35,311,202</b> | <b>\$ 2,824,828</b> | <b>\$ 765,301</b> | <b>\$ 4,837,295</b> | <b>\$ 54,836</b>             |                              |
| 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   |                      |                     |                   |                     | \$ 114,375,372               |                              |
| Governmental accumulated depreciation   |                      |                     |                   |                     | (27,765,113)                 | 86,610,259                   |
| 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   |                      |                     |                   |                     | \$ (31,415,000)              |                              |
| Accrued interest on bonds payable   |                      |                     |                   |                     | (544,868)                    |                              |
| Capital leases and other notes payable  |                      |                     |                   |                     | (379,210)                    |                              |
| Vested employee benefits  |                      |                     |                   |                     | (24,581,482)                 | (56,920,560)                 |
| <b>Total net assets - governmental activities</b>   |                      |                     |                   |                     |                              | <b>\$ 56,315,063</b>         |

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



|   | <u>General</u>       | <u>Special<br/>Revenue</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Other<br/>Government<br/>Funds</u> | <u>Total<br/>Government<br/>Funds</u> |
|---|----------------------|----------------------------|-------------------------|-----------------------------|---------------------------------------|---------------------------------------|
| Debt service:                                   |                      |                            |                         |                             |                                       |                                       |
| Principal                                       | \$ 108,993           | \$                         | \$ 3,025,000            | \$                          | \$                                    | \$ 3,133,993                          |
| Interest  | <u>7,837</u>         |                            | <u>1,115,978</u>        |                             |                                       | <u>1,123,815</u>                      |
| Total debt service                              | <u>116,830</u>       |                            | <u>4,140,978</u>        |                             |                                       | <u>4,257,808</u>                      |
| Capital outlay                                  |                      |                            |                         | <u>14,537,140</u>           |                                       | <u>14,537,140</u>                     |
| Total expenditures                              | <u>79,718,610</u>    | <u>15,942,445</u>          | <u>4,140,978</u>        | <u>14,537,140</u>           | <u>275,750</u>                        | <u>114,614,923</u>                    |
| Excess of revenues over<br>(under) expenditures | <u>13,718,508</u>    | <u>(9,626,440)</u>         | <u>357,712</u>          | <u>(14,308,023)</u>         | <u>(6,153)</u>                        | <u>(9,864,396)</u>                    |
| Other financial sources (uses)                  |                      |                            |                         |                             |                                       |                                       |
| Payments to other institutions                  | (827,811)            | (162,523)                  |                         |                             |                                       | (990,334)                             |
| Proceeds from bonds payable                     |                      |                            |                         | 6,990,000                   |                                       | 6,990,000                             |
| Refund of uncollected property taxes            | (28,051)             |                            |                         |                             |                                       | (28,051)                              |
| Operating transfers in (out)                    | <u>(9,603,908)</u>   | <u>9,603,908</u>           |                         |                             |                                       |                                       |
| Net other financing sources<br>(uses)           | <u>(10,459,770)</u>  | <u>9,441,385</u>           |                         | <u>6,990,000</u>            |                                       | <u>5,971,615</u>                      |
| Net change in fund balances                     | 3,258,738            | (185,055)                  | 357,712                 | (7,318,023)                 | (6,153)                               | (3,892,781)                           |
| Fund balances - beginning of year               | <u>19,619,256</u>    | <u>891,290</u>             | <u>407,589</u>          | <u>9,593,338</u>            | <u>6,672</u>                          | <u>30,518,145</u>                     |
| Fund balances - end of year                     | <u>\$ 22,877,994</u> | <u>\$ 706,235</u>          | <u>\$ 765,301</u>       | <u>\$ 2,275,315</u>         | <u>\$ 519</u>                         | <u>\$ 26,625,364</u>                  |

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

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

For the Year Ended June 30, 2005

|   |                    |                     |
|---|--------------------|---------------------|
| Net change in fund balances - total governmental funds  |                    | \$ (3,892,781)      |
| 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   | \$ 17,779,139      |                     |
| Depreciation expense reported in the statement of activities  | <u>(2,331,002)</u> |                     |
| Amount by which capital outlays are greater (less) than depreciation in the current period  |                    | 15,448,137          |
| Fixed asset disposals in current year   | \$ (164,840)       |                     |
| Accumulated depreciation on fixed asset disposals   | <u>153,311</u>     |                     |
| Loss on disposal of fixed assets  |                    | (11,529)            |
| 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   | \$ 1,902,214       |                     |
| Vested employee benefits earned in current year   | <u>(4,679,331)</u> |                     |
| Amounts paid are greater (less) than amounts paid by  |                    | (2,777,117)         |
| 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:   |                    | (6,990,000)         |
| 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:   |                    | 3,182,774           |
| 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   | \$ 1,123,815       |                     |
| The amount of interest accrued during the current period  | <u>(1,365,073)</u> |                     |
| Interest paid is less than interest accrued by  |                    | (241,258)           |
| Change in net assets - governmental activities  |                    | <u>\$ 4,718,226</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, 2005

|   | Budgeted Amounts     |                      | Actual               | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) |
|---|----------------------|----------------------|----------------------|---|
|   | Original             | Final                |                      |   |
| <b>Revenues</b>                             |                      |                      |                      |   |
| Property taxes                              | \$ 26,770,551        | \$ 26,770,551        | \$ 26,776,739        | \$ 6,188  |
| Other local sources                         | 592,760              | 642,760              | 791,174              | 148,414   |
| Interdistrict sources                       | 872,810              | 892,810              | 887,279              | (5,531)   |
| Intermediate sources                        | 8,000                | 23,077               | 24,074               | 997   |
| State sources                               | 61,879,300           | 61,796,800           | 61,901,371           | 104,571   |
| Federal sources                             | 2,343,449            | 2,388,449            | 2,230,247            | (158,202)   |
| Other sources                               | 362,000              | 362,000              | 826,234              | 464,234   |
| <b>Total revenues</b>                       | <b>92,828,870</b>    | <b>92,876,447</b>    | <b>93,437,118</b>    | <b>560,671</b>  |
| <b>Expenditures</b>                         |                      |                      |                      |   |
| Instruction:                                |                      |                      |                      |   |
| Regular instruction                         | 39,992,850           | 39,805,215           | 39,170,809           | 634,406   |
| Vocational instruction                      | 4,148,928            | 4,202,343            | 4,144,223            | 58,120  |
| Special instruction                         | 1,347,490            | 1,443,153            | 1,444,079            | (926)   |
| Other instruction                           | 4,554,930            | 4,658,614            | 4,568,608            | 90,006  |
| <b>Total instruction</b>                    | <b>50,044,198</b>    | <b>50,109,325</b>    | <b>49,327,719</b>    | <b>781,606</b>  |
| Support services:                           |                      |                      |                      |   |
| Pupil services                              | 3,445,928            | 3,938,462            | 3,815,832            | 122,630   |
| Instructional staff services                | 3,802,158            | 3,842,534            | 3,608,493            | 234,041   |
| General administration services             | 822,035              | 790,420              | 777,163              | 13,257  |
| School administration services              | 4,267,607            | 4,272,268            | 4,267,546            | 4,722   |
| Business services                           | 996,723              | 1,027,685            | 994,069              | 33,616  |
| Operations and maintenance of plant         | 12,549,904           | 12,536,920           | 11,329,276           | 1,207,644   |
| Pupil transportation                        | 946,658              | 982,289              | 974,139              | 8,150   |
| Central services                            | 2,070,065            | 2,132,530            | 1,997,249            | 135,281   |
| Insurance                                   | 817,250              | 832,254              | 828,600              | 3,654   |
| Other support services                      | 1,713,983            | 1,710,197            | 1,681,694            | 28,503  |
| <b>Total support services</b>               | <b>31,432,311</b>    | <b>32,065,559</b>    | <b>30,274,061</b>    | <b>1,791,498</b>  |
| Debt service:                               |                      |                      |                      |   |
| Principal                                   | 108,993              | 108,993              | 108,993              |   |
| Interest                                    | 7,707                | 9,707                | 7,837                | 1,870   |
| <b>Total debt service</b>                   | <b>116,700</b>       | <b>118,700</b>       | <b>116,830</b>       | <b>1,870</b>  |
| <b>Total expenditures</b>                   | <b>81,593,209</b>    | <b>82,293,584</b>    | <b>79,718,610</b>    | <b>2,574,974</b>  |
| <b>Excess of revenues over expenditures</b> | <b>11,235,661</b>    | <b>10,582,863</b>    | <b>13,718,508</b>    | <b>3,135,645</b>  |
| <b>Other financing sources (uses)</b>       |                      |                      |                      |   |
| Payments to other institutions              | (979,150)            | (979,150)            | (827,811)            | 151,339   |
| Other                                       | (30,250)             | (30,250)             | (28,051)             | 2,199   |
| Transfer to special education fund          | (10,480,165)         | (9,827,367)          | (9,603,908)          | 223,459   |
| <b>Total other financing uses</b>           | <b>(11,489,565)</b>  | <b>(10,836,767)</b>  | <b>(10,459,770)</b>  | <b>376,997</b>  |
| <b>Net change in fund balance</b>           | <b>(253,904)</b>     | <b>(253,904)</b>     | <b>3,258,738</b>     | <b>3,512,642</b>  |
| Fund balance - beginning of year            | 19,619,256           | 19,619,256           | 19,619,256           |   |
| Fund balance - end of year                  | <u>\$ 19,365,352</u> | <u>\$ 19,365,352</u> | <u>\$ 22,877,994</u> | <u>\$ 3,512,642</u>   |

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

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

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

For the Year Ended June 30, 2005

|   | Budgeted Amounts  |                   | Actual            | Variance with                              |
|---|-------------------|-------------------|-------------------|--|
|   | Original          | Final             |                   | Final Budget<br>Favorable<br>(Unfavorable) |
| <b>Revenues</b>                                   |                   |                   |                   |  |
| Interdistrict sources                             | \$ 152,817        | \$ 152,817        | \$ 211,844        | \$ 59,027                                  |
| Intermediate sources                              | 10,000            | 32,035            | 31,221            | (814)                                      |
| State sources                                     | 4,080,000         | 4,029,414         | 3,980,557         | (48,857)                                   |
| Federal sources                                   | 2,188,909         | 2,198,909         | 2,092,383         | (106,526)                                  |
| <b>Total revenues</b>                             | <b>6,431,726</b>  | <b>6,413,175</b>  | <b>6,316,005</b>  | <b>(97,170)</b>                            |
| <b>Expenditures</b>                               |                   |                   |                   |  |
| Instruction:                                      |                   |                   |                   |  |
| Vocational instruction                            | 33,418            | 90,082            | 88,494            | 1,588                                      |
| Special instruction                               | 12,311,875        | 12,204,448        | 11,954,091        | 250,357                                    |
| <b>Total instruction</b>                          | <b>12,345,293</b> | <b>12,294,530</b> | <b>12,042,585</b> | <b>251,945</b>                             |
| Support services:                                 |                   |                   |                   |  |
| Pupil services                                    | 2,647,729         | 2,229,206         | 2,202,043         | 27,163                                     |
| Instructional staff services                      | 786,855           | 798,691           | 724,576           | 74,115                                     |
| General administration services                   | 80,000            | 12,659            | 10,330            | 2,329                                      |
| Operations and maintenance                        | 16,200            | 32,200            | 13,884            | 18,316                                     |
| Pupil transportation                              | 977,512           | 934,087           | 932,469           | 1,618                                      |
| Central services                                  | 15,000            | 16,535            | 16,558            | (23)                                       |
| <b>Total support services</b>                     | <b>4,523,296</b>  | <b>4,023,378</b>  | <b>3,899,860</b>  | <b>123,518</b>                             |
| <b>Total expenditures</b>                         | <b>16,868,589</b> | <b>16,317,908</b> | <b>15,942,445</b> | <b>375,463</b>                             |
| Excess (deficiency) of revenues over expenditures | (10,436,863)      | (9,904,733)       | (9,626,440)       | 278,293                                    |
| Other financing sources(uses)                     |                   |                   |                   |  |
| Transfer from general fund                        | 10,480,165        | 9,827,367         | 9,603,908         | (223,459)                                  |
| Payments to other institutions                    | (122,073)         | (154,905)         | (162,523)         | (7,618)                                    |
| <b>Net change in fund balance</b>                 | <b>(78,771)</b>   | <b>(232,271)</b>  | <b>(185,055)</b>  | <b>47,216</b>                              |
| Fund balance - beginning of year                  | 891,290           | 891,290           | 891,290           |  |
| <b>Fund balance - end of year</b>                 | <b>\$ 812,519</b> | <b>\$ 659,019</b> | <b>\$ 706,235</b> | <b>\$ 47,216</b>                           |

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



**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**

As of June 30

|   | <u>2005</u>       | <u>2004</u>       |
|---|-------------------|-------------------|
| <b>ASSETS</b>                                   |                   |                   |
| Current assets                                  |                   |                   |
| Cash and investments                            | \$ 116,818        | \$ 335,442        |
| Accounts receivable                             | 159               | 224               |
| Due from other governments                      | 48,479            | 43,198            |
| Inventories and prepaid items                   | <u>7,627</u>      | <u>8,360</u>      |
| Total current assets                            | <u>173,083</u>    | <u>387,224</u>    |
| Noncurrent assets                               |                   |                   |
| Furniture and equipment                         | 475,606           | 458,067           |
| Less accumulated depreciation                   | <u>(289,925)</u>  | <u>(261,707)</u>  |
| Total noncurrent assets                         | <u>185,681</u>    | <u>196,360</u>    |
| Total assets                                    | <u>358,764</u>    | <u>583,584</u>    |
| <b>LIABILITIES</b>                              |                   |                   |
| Current liabilities                             |                   |                   |
| Accounts payable                                | 10,584            | 152,521           |
| Accrued payroll                                 | 43,598            | 36,275            |
| Deferred revenue                                | <u>9,978</u>      | <u>24,660</u>     |
| Total liabilities                               | <u>64,160</u>     | <u>213,456</u>    |
| <b>NET ASSETS</b>                               |                   |                   |
| Invested in capital assets, net of related debt | 185,681           | 196,360           |
| Restricted for food service                     | <u>108,923</u>    | <u>173,768</u>    |
| Total net assets                                | <u>\$ 294,604</u> | <u>\$ 370,128</u> |

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

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

For the Year Ended June 30

|                                | <u>2005</u>       | <u>2004</u>       |
|--------------------------------|-------------------|-------------------|
| Revenues:                      |                   |                   |
| Food sales                     | \$ 1,563,234      | \$ 1,441,930      |
| State sources                  | 39,258            | 36,864            |
| Federal sources                | 1,023,512         | 894,818           |
| Federal commodities            | 114,248           | 93,326            |
| Other revenue                  | 919               | 1,989             |
|                                | <u>2,741,171</u>  | <u>2,468,927</u>  |
| Total revenues                 |                   |                   |
| Operating expenses:            |                   |                   |
| Salaries and wages             | 977,458           | 852,586           |
| Employer paid benefits         | 303,645           | 267,065           |
| Purchased services             | 54,054            | 63,730            |
| Supplies, food, and materials  | 1,432,296         | 1,255,039         |
| Other                          | 25,050            | 19,802            |
| Depreciation                   | 28,218            | 21,272            |
|                                | <u>2,820,721</u>  | <u>2,479,494</u>  |
| Total operating expenses       |                   |                   |
| Operating loss                 | <u>(79,550)</u>   | <u>(10,567)</u>   |
| Nonoperating revenues:         |                   |                   |
| Investment earnings            | 4,026             | 3,029             |
|                                | <u>4,026</u>      | <u>3,029</u>      |
| Total nonoperating revenues    |                   |                   |
| Change in net assets           | (75,524)          | (7,538)           |
| Net assets - beginning of year | <u>370,128</u>    | <u>377,666</u>    |
| Net assets - end of year       | <u>\$ 294,604</u> | <u>\$ 370,128</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>2005</u>         | <u>2004</u>       |
|--|---------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                     |                   |
| Cash received from user charges  | \$ 1,548,617        | \$ 1,446,748      |
| Cash received from other government payments   | 1,058,408           | 936,287           |
| Cash received from interest earnings   | 4,026               | 3,029             |
| Cash payments to employees for services  | (1,273,779)         | (1,095,116)       |
| Cash payments for utilities and other purchased services   | (36,355)            | (78,066)          |
| Cash payments to suppliers for goods and services  | (1,459,253)         | (1,110,740)       |
| Cash payments for other operating expenses   | <u>(42,749)</u>     | <u>(5,465)</u>    |
| Net cash provided by (used in) operating activities  | <u>(201,085)</u>    | <u>96,677</u>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                     |                   |
| Cash payments for acquisition of capital assets  | <u>(17,539)</u>     | <u>(64,250)</u>   |
| Net cash used in investing activities  | <u>(17,539)</u>     | <u>(64,250)</u>   |
| Net increase (decrease) in cash and investments  | (218,624)           | 32,427            |
| Cash and investments - beginning of year   | <u>335,442</u>      | <u>303,015</u>    |
| Cash and investments - end of year   | <u>\$ 116,818</u>   | <u>\$ 335,442</u> |
| <b>RECONCILIATION OF OPERATING INCOME TO<br/>NET CASH USED BY OPERATING ACTIVITIES:</b>            |                     |                   |
| Operating loss   | \$ (75,524)         | \$ (7,538)        |
| Adjustments to reconcile operating loss to net<br>cash provided by (used in) operating activities: |                     |                   |
| Depreciation   | 28,218              | 21,272            |
| Changes in assets and liabilities:   |                     |                   |
| Accounts receivable  | 65                  | 2                 |
| Due from other governments   | (5,281)             | 2,615             |
| Due from other funds   | 733                 | 4,463             |
| Accounts payable   | (141,937)           | 46,511            |
| Accrued payroll  | 7,323               | 24,536            |
| Deferred revenue   | <u>(14,682)</u>     | <u>4,816</u>      |
| Net cash provided by (used in) operating activities  | <u>\$ (201,085)</u> | <u>\$ 96,677</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, 2005

|                                    | <u>Agency<br/>Funds</u> | <u>Private-<br/>Purpose<br/>Trust</u> |
|------------------------------------|-------------------------|---------------------------------------|
| <b>ASSETS</b>                      |                         |                                       |
| Cash and cash equivalents          | \$ 686,879              | \$ 132,957                            |
| Inventory and other current assets | <u>2,455</u>            |                                       |
| Total assets                       | <u>689,334</u>          | <u>132,957</u>                        |
| <b>LIABILITIES</b>                 |                         |                                       |
| Accounts payable                   | 6,889                   |                                       |
| Due to grantor agencies            | 59,397                  |                                       |
| Due to student groups:             |                         |                                       |
| High school                        | 371,064                 |                                       |
| Middle school                      | 144,733                 |                                       |
| Elementary school                  | <u>107,251</u>          |                                       |
| Total liabilities                  | <u>689,334</u>          |                                       |
| <b>NET ASSETS</b>                  |                         |                                       |
| Reserved for educator scholarships |                         | 422                                   |
| Reserved for student scholarships  |                         | 1,516                                 |
| Reserved for endowment             |                         | <u>131,019</u>                        |
| Total net assets                   | <u>\$</u>               | <u>\$ 132,957</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>2005</u>           | <u>2004</u>       |
| <b>ADDITIONS</b>                       |                       |                   |
| Interest earnings on scholarship funds | \$ 4,437              | \$ 2,292          |
| Gain on sale of investments            |                       | 2,639             |
| Gifts                                  |                       | <u>2,000</u>      |
| Total additions                        | <u>4,437</u>          | <u>6,931</u>      |
| <b>DEDUCTIONS</b>                      |                       |                   |
| Loss on sale of investments            | 7,217                 |                   |
| Investment fees                        | 75                    | 50                |
| Payments of scholarships               | <u>5,750</u>          | <u>12,250</u>     |
| Total deductions                       | <u>13,042</u>         | <u>12,300</u>     |
| Change in net assets                   | (8,605)               | (5,369)           |
| Net assets - beginning                 | <u>141,562</u>        | <u>146,931</u>    |
| Net assets - ending                    | <u>\$ 132,957</u>     | <u>\$ 141,562</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 three 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 2004 tax levy is used to finance operations of the District's fiscal year ended June 30, 2005. 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<br/>Threshold</u> | <u>Depreciation<br/>Method</u> | <u>Estimated<br/>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 bank and investment 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, 2005, \$-0- of the district's bank balance of \$1,131,444 was exposed to custodial credit risk.

Disclosures

As of June 30, 2005, the district had the following investments:

| <u>Investments</u>                                 | <u>Maturities</u>  | <u>Fair Value</u>    |
|--|--------------------|----------------------|
| Investment in State Treasurer's<br>Investment Pool | Less than 6 months | \$ 4,231,823         |
| Wisconsin Investment Series<br>Cooperative         | Less than 6 months | 25,623,495           |
| Johnson Bank                                       | Less than 6 months | <u>137,541</u>       |
|  |                    | <u>\$ 29,992,859</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, 2005, are as follows:

| Fund                   | Due From            | Due To              |
|------------------------|---------------------|---------------------|
| General fund           | \$ 32,292           | \$ 1,611,775        |
| Community service fund |                     | 32,292              |
| Special revenue funds  | 1,611,775           |                     |
|                        | <u>\$ 1,644,067</u> | <u>\$ 1,644,067</u> |

**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  | \$ 2,262,473        |
| Special revenue fund  | 706,235             |
| Debt service fund   | 765,301             |
| Capital projects fund                                       | 2,275,315           |
| Community service fund                                      | 519                 |
| Non-expendable trust -<br>reserved for scholarship programs | 131,019             |
| Expendable trust fund                                       | 1,938               |
|   | <u>\$ 6,142,800</u> |

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 6 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2005, were as follows:

|   | Beginning<br>Balance        | Increases            | Decreases                   | Ending<br>Balance    |
|---|-----------------------------|----------------------|-----------------------------|----------------------|
| <b>Governmental activities:</b>   |                             |                      |                             |                      |
| Capital assets not being depreciated:                                       |                             |                      |                             |                      |
| Sites (land)  | \$ 1,189,633                | \$ 140,111           | \$                          | \$ 1,329,744         |
| Site improvements   | 687,457                     |                      |                             | 687,457              |
| Work in progress  | <u>                    </u> | 14,537,140           | <u>                    </u> | 14,537,140           |
| Total sites and site improvements<br>not being depreciated                  | <u>1,877,090</u>            | <u>14,677,251</u>    | <u>                    </u> | <u>16,554,341</u>    |
| Capital assets being depreciated:   |                             |                      |                             |                      |
| Site improvements   | 1,824,782                   | 103,897              | 47,502                      | 1,881,177            |
| Buildings and building improvements   | 84,357,219                  | 1,385,013            |                             | 85,742,232           |
| Furniture and equipment   | <u>8,701,982</u>            | <u>1,612,978</u>     | <u>117,338</u>              | <u>10,197,622</u>    |
| Total capital assets being depreciated                                      | <u>94,883,983</u>           | <u>3,101,888</u>     | <u>164,840</u>              | <u>97,821,031</u>    |
| Less accumulated depreciation for:  |                             |                      |                             |                      |
| Site improvements   | (664,242)                   | (89,458)             | (47,502)                    | (706,198)            |
| Buildings and building improvements   | (20,888,619)                | (1,285,125)          |                             | (22,173,744)         |
| Furniture and equipment   | <u>(4,034,562)</u>          | <u>(956,419)</u>     | <u>(105,809)</u>            | <u>(4,885,172)</u>   |
| Total accumulated depreciation  | <u>(25,587,423)</u>         | <u>(2,331,002)</u>   | <u>(153,311)</u>            | <u>(27,765,114)</u>  |
| Total capital assets being depreciated,<br>net of accumulated depreciation  | <u>69,296,560</u>           | <u>770,886</u>       | <u>11,529</u>               | <u>70,055,917</u>    |
| Governmental activities capital assets,<br>net of accumulated depreciation  | <u>\$ 71,173,650</u>        | <u>\$ 15,448,137</u> | <u>\$ 11,529</u>            | <u>\$ 86,610,258</u> |
| <b>Business-type activities:</b>  |                             |                      |                             |                      |
| Capital assets being depreciated:   |                             |                      |                             |                      |
| Furniture and equipment   | \$ 458,067                  | \$ 17,539            | \$                          | \$ 475,606           |
| Less accumulated depreciation   | <u>(261,707)</u>            | <u>(28,218)</u>      | <u>                    </u> | <u>(289,925)</u>     |
| Business-type activities capital assets,<br>net of accumulated depreciation | <u>\$ 196,360</u>           | <u>\$ (10,679)</u>   | <u>\$</u>                   | <u>\$ 185,681</u>    |

Depreciation expense was charged to governmental functions as follows:

|   |                     |
|---|---------------------|
| Regular instruction                             | \$ 108,517          |
| Vocational instruction                          | 133,174             |
| Special education instruction                   | 10,001              |
| Other instruction                               | 35,629              |
| Depreciation not charged to a specific function | <u>2,043,681</u>    |
| Total depreciation for governmental activities  | <u>\$ 2,331,002</u> |

**SCHOOL DISTRICT OF JANESVILLE**  
Janesville, Wisconsin

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**NOTE 7 - LONG-TERM OBLIGATIONS**

Long-term obligations of the district are as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u>         | <u>Reductions</u>       | <u>Ending<br/>Balance</u> | <u>Amounts<br/>Due within<br/>One Year</u> |
|--|------------------------------|--------------------------|-------------------------|---------------------------|--|
| <b>Governmental activities:</b>                            |                              |                          |                         |                           |  |
| Bonds and notes payable                                    |                              |                          |                         |                           |  |
| Capital projects   | \$ 27,450,000                | \$ 6,990,000             | \$ 3,025,000            | \$ 31,415,000             | \$ 3,050,000                               |
| Capital leases   | 306,592                      |                          | 108,993                 | 197,599                   | 112,308                                    |
| Other notes payable  | <u>230,392</u>               |                          | <u>48,781</u>           | <u>181,611</u>            | <u>51,964</u>                              |
| <br>Total bonds and notes payable                          | <br><u>27,986,984</u>        | <br><u>6,990,000</u>     | <br><u>3,182,774</u>    | <br><u>31,794,210</u>     | <br><u>3,214,272</u>                       |
| <br>Other liabilities                                      |                              |                          |                         |                           |  |
| Vested employee benefits                                   | 7,250,481                    | 3,927,535                | 1,532,415               | 9,645,601                 |  |
| Prior service liability,<br>Wisconsin Retirement Fund      | <u>14,553,884</u>            | <u>751,796</u>           | <u>369,799</u>          | <u>14,935,881</u>         |  |
| <br>Total other liabilities                                | <br><u>21,804,365</u>        | <br><u>4,679,331</u>     | <br><u>1,902,214</u>    | <br><u>24,581,482</u>     |  |
| <br>Total governmental activities<br>long-term liabilities | <br><u>\$ 49,791,349</u>     | <br><u>\$ 11,669,331</u> | <br><u>\$ 5,084,988</u> | <br><u>\$ 56,375,692</u>  | <br><u>\$ 3,214,272</u>                    |
| <br><b>Business type activities:</b>                       |                              |                          |                         |                           |  |
| Bonds and notes payable                                    | NONE                         |                          |                         |                           |  |
| Capital leases   | NONE                         |                          |                         |                           |  |



**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 \$1,123,815. Total interest incurred during the year aggregated \$1,365,073

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, 2005, is comprised of the following individual issues:

| Description                     | Issue Date | Interest Rate(%) | Date of Maturity | Balance June 30, 2005 |
|---------------------------------|------------|------------------|------------------|-----------------------|
| Notes and bonds awarded to:     |            |                  |                  |                       |
| Everen Securities, Inc.         | 10/15/95   | 5.0 - 7.5        | 03/01/15         | \$ 7,175,000          |
| Harris Trust & Savings Bank     | 10/01/97   | 4.0 - 6.5        | 03/01/12         | 2,300,000             |
| Harris Trust & Savings Bank     | 10/15/98   | 3.8 - 5.4        | 03/01/13         | 2,400,000             |
| Everen Securities, Inc.         | 12/15/98   | 4.0 - 4.375      | 04/01/10         | 3,250,000             |
| Morgan, Keegan, & Company, Inc. | 05/15/04   | 3.5 - 4.25       | 03/01/19         | 9,300,000             |
| Legg Mason Wood Walker          | 01/01/05   | 3.0 - 4.0        | 03/01/13         | <u>6,990,000</u>      |
| Total general obligation debt   |            |                  |                  | <u>\$ 31,415,000</u>  |

The 2004 equalized valuation of the district as certified by the Wisconsin Department of Revenue is \$3,378,995,081. The legal debt limit and margin of indebtedness as of June 30, 2005, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

|   |                       |
|---|-----------------------|
| Debt limit (10% of \$3,378,995,081)             | \$ 337,899,508        |
| Deduct long-term debt applicable to debt margin | <u>31,415,000</u>     |
| Margin of indebtedness                          | <u>\$ 306,484,508</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, 2005, follows:

| Year Ended<br>June 30 | Principal            | Interest            | Total                |
|-----------------------|----------------------|---------------------|----------------------|
| 2006                  | \$ 3,050,000         | \$ 1,365,827        | \$ 4,415,827         |
| 2007                  | 3,200,000            | 1,194,188           | 4,394,188            |
| 2008                  | 2,775,000            | 1,057,763           | 3,832,763            |
| 2009                  | 2,900,000            | 912,388             | 3,812,388            |
| 2010                  | 3,025,000            | 789,850             | 3,814,850            |
| 2011 - 2015           | <u>16,465,000</u>    | <u>2,935,300</u>    | <u>19,400,300</u>    |
|                       | <u>\$ 31,415,000</u> | <u>\$ 8,255,316</u> | <u>\$ 39,670,316</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, 2004, was \$55,225,859. The total required contribution for the year ended December 31, 2004, was \$6,130,070, which consisted of \$3,037,422 or 5.5% of payroll from the employer and \$3,092,648 or 5.6% of payroll from employees. Total contributions for the years ending June 30, 2005 and 2004, were \$6,276,269 and \$6,003,373, respectively, equal to the required contributions for each year. Effective for 2004, rates were increased to 5.8% for employees and 5.7% 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 \$187,513 for the year ended June 30, 2005.

The district leases space for its Charter School under three separate operating leases. One is for the first floor, has a 3% annual increase in base rent, and a monthly payment of \$5,361. 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 third floor and has a monthly payment of \$1,575. This lease ends July, 2005. Subsequent to year end, the district leased the entire third floor with a monthly payment of \$3,245. This lease ends June, 2006, but there is an option to renew at that time for five additional years. Rent expense under these leases was \$137,342 for the year ended June 30, 2005.

Future minimum lease payments under these leases are as follows:

| Year ended June 30 |                   |
|--------------------|-------------------|
| 2006               | \$ 167,181        |
| 2007               | 130,235           |
| 2008               | 132,283           |
| 2009               | <u>15,496</u>     |
|                    | <u>\$ 445,195</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,<br><u>2005</u> |
|--------------------------------------|-------------------------|
| 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, 2005:

| Year ended June 30                          |                   |
|---|-------------------|
| 2006  | \$ 116,700        |
| 2007  | 59,468            |
| 2008  | 18,588            |
| 2009  | <u>9,294</u>      |
| Total minimum lease payments                | 204,050           |
| Less amount representing interest           | <u>6,451</u>      |
| Present value of net minimum lease payments | <u>\$ 197,599</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, are responsible for the approval, processing, and payment of claims, after which they bill the district for reimbursement. The district is also responsible for a monthly administrative fee. 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 \$175,000 per individual, with \$1,000,000 of lifetime maximum coverage. For the year ended June 30, 2005, there were no claims subject to stop-loss coverage.

At June 30, 2005, the district has reported an estimated liability of \$1,525,048 which represents reported and unreported claims which were incurred on or before June 30, 2005, but were not paid by the district as of that date.

Reported and unreported claims:

| Estimated<br>Liability Balance<br>July 1, 2004 | Current Year Claims<br>and Changes In<br>Estimates | Claim<br>Payments | Estimated<br>Liability Balance<br>June 30, 2005 |
|--|--|-------------------|---|
| \$ 1,700,124                                   | \$ 15,070,306                                      | \$ 15,245,382     | \$ 1,525,048                                    |

# 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, 2005, there was \$1,675,931 of encumbrances outstanding.

The district stop-loss year end is August 31, 2005, at which time one individual was subject to stop-loss coverage.

### 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 2004-2005 school year, 411 retirees were covered by the life insurance policy at a cost of \$26,638. 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 \$2,418,791 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, 2005, 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, 2005

|                                     | TEACH             | Special             | Totals              |                     |
|-------------------------------------|-------------------|---------------------|---------------------|---------------------|
|                                     | Grant             | Education           | 2005                | 2004                |
| <b>ASSETS</b>                       |                   |                     |                     |                     |
| Cash and investments                | \$ 706,355        | \$                  | \$ 706,355          | \$ 891,290          |
| Accounts receivable                 |                   | 224                 | 224                 |                     |
| Due from other funds                |                   | 1,611,775           | 1,611,775           | 1,652,138           |
| Due from other governments          |                   | 503,766             | 503,766             | 473,475             |
| Other current assets                |                   | 2,708               | 2,708               | 5,190               |
| Total assets                        | <u>\$ 706,355</u> | <u>\$ 2,118,473</u> | <u>\$ 2,824,828</u> | <u>\$ 3,022,093</u> |
| <b>LIABILITIES</b>                  |                   |                     |                     |                     |
| Accounts payable                    | \$ 120            | \$ 56,166           | \$ 56,286           | \$ 80,005           |
| Accrued salaries and related items  |                   | 1,599,480           | 1,599,480           | 1,580,303           |
| Due to other governments            |                   | 27,480              | 27,480              | 27,407              |
| Other current liabilities           |                   | 435,347             | 435,347             | 443,088             |
| Total liabilities                   | <u>120</u>        | <u>2,118,473</u>    | <u>2,118,593</u>    | <u>2,130,803</u>    |
| <b>FUND BALANCES</b>                |                   |                     |                     |                     |
| Reserved                            | <u>706,235</u>    |                     | <u>706,235</u>      | <u>891,290</u>      |
| Total fund balances                 | <u>706,235</u>    |                     | <u>706,235</u>      | <u>891,290</u>      |
| Total liabilities and fund balances | <u>\$ 706,355</u> | <u>\$ 2,118,473</u> | <u>\$ 2,824,828</u> | <u>\$ 3,022,093</u> |

**SCHOOL DISTRICT OF JANESVILLE**  
Janesville, Wisconsin

**SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
For the Year Ended June 30, 2005

|   | TEACH<br>Grant | Special<br>Education | Totals      |             |
|---|----------------|----------------------|-------------|-------------|
|   |                |                      | 2005        | 2004        |
| Revenues  |                |                      |             |             |
| Interdistrict sources   | \$             | \$ 211,844           | \$ 211,844  | \$ 134,476  |
| Intermediate sources  |                | 31,221               | 31,221      | 9,994       |
| State sources   |                | 3,980,557            | 3,980,557   | 4,105,537   |
| Federal sources   |                | 2,092,383            | 2,092,383   | 1,888,125   |
| Total revenues  |                | 6,316,005            | 6,316,005   | 6,138,132   |
| Expenditures  |                |                      |             |             |
| Instruction   | 56,663         | 11,985,922           | 12,042,585  | 11,915,522  |
| Support service   | 128,392        | 3,771,468            | 3,899,860   | 4,200,216   |
| Total expenditures  | 185,055        | 15,757,390           | 15,942,445  | 16,115,738  |
| Excess of revenues<br>over (under) expenditures   | (185,055)      | (9,441,385)          | (9,626,440) | (9,977,606) |
| Other financing sources(uses)   |                |                      |             |             |
| Operating transfers in  |                | 9,603,908            | 9,603,908   | 9,667,684   |
| Payments to other institutions  |                | (162,523)            | (162,523)   | (136,038)   |
| Net other financing<br>sources (uses)   |                | 9,441,385            | 9,441,385   | 9,531,646   |
| Excess of revenues and<br>other financing<br>sources over (under)<br>expenditures and<br>other financing uses | (185,055)      |                      | (185,055)   | (445,960)   |
| Fund balances, beginning of year  | 891,290        |                      | 891,290     | 1,337,250   |
| Fund balances, end of year  | \$ 706,235     | \$                   | \$ 706,235  | \$ 891,290  |

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**ANALYSIS OF LOCAL LEVY**

June 30, 2005

|                    | <u>2003 Taxes<br/>Receivable<br/>July 1, 2004</u> | <u>Total<br/>2004 Levy</u> | <u>Collections</u>   | <u>2004 Taxes<br/>Receivable<br/>June 30, 2005</u> |
|--------------------|---|----------------------------|----------------------|--|
| City of Janesville | \$ 7,602,455                                      | \$ 27,766,791              | \$ 27,032,862        | \$ 8,336,384                                       |
| Town of Harmony    | 1,876   | 6,787                      | 6,681                | 1,982  |
| Town of Janesville | 396,411   | 1,384,490                  | 1,354,223            | 426,678  |
| Town of La Prairie | 122,193   | 330,587                    | 329,487              | 123,293  |
| Town of Rock       | <u>437,776</u>                                    | <u>1,310,625</u>           | <u>1,319,695</u>     | <u>428,706</u>                                     |
|                    | <u>\$ 8,560,711</u>                               | <u>\$ 30,799,280</u>       | <u>\$ 30,042,948</u> | <u>\$ 9,317,043</u>                                |