

**SCHOOL DISTRICT OF JANESVILLE**  
Janesville, Wisconsin

**BASIC FINANCIAL STATEMENTS**  
and  
**INDEPENDENT AUDITOR'S REPORT**

For the Year Ended June 30, 2017



**SCHOOL DISTRICT OF JANESVILLE**  
Janesville, Wisconsin

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Janesville, Wisconsin

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
School District of Janesville  
Janesville, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District of Janesville (the "district") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the district's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the district as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Special Education Fund, and the Debt Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 4 to 13), Schedule of District's Proportionate Share of the Net Pension Liability (Asset) and District Contributions (page 67), Schedule of Changes in the Total Pension Liability and Related Ratios (page 68), Schedule of Other Postemployment Benefits Contributions (page 69), Schedule of Changes in the Net Other Postemployment Benefits Liability and Related Ratios (page 70), and Schedule of Charter School Authorizer Operating Costs (page 71) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the district's basic financial statements. The supplemental financial information beginning on page 73 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2017, on our consideration of the district's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the district's internal control over financial reporting and compliance.

Madison, Wisconsin  
November 22, 2017

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

School District of Janesville  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

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, 2017, as required by Governmental Accounting Standards Board Statement No. 34.

FINANCIAL HIGHLIGHTS

- The General Fund Balance remained constant with the 2015-2016 balance.
- The District deposited an additional \$654,000 into Fund 46. Fund 46 now has \$1.424M available for future capital expenditures beginning in fiscal 2019-2020.
- New financial rules, primarily related to the disclosure and presentation of certain retirement items, were required and adopted in fiscal 2016-2017. These new requirements made certain comparisons to prior year amounts meaningless.

OVERVIEW OF FINANCIAL STATEMENTS

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

**District-wide Statements**

- The district-wide statements are the *statement of net position* and *statement of activities*. These statements present an aggregate view of the district's finances using accounting methods similar to those used by private-sector companies. Both statements distinguish functions that are supported principally by property taxes and intergovernmental revenues, called *governmental activities*, from functions that are intended to recover all or a significant portion of costs through user fees and charges (*business type activities*).
- The *statement of net position* presents information on all of the district's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in the net position may serve as a useful indicator of whether its financial position is improving or deteriorating, respectively.
- The *statement of activities* presents information showing how the district's net position changed during the year. This statement reports the cost of government functions and how those functions were financed for the fiscal year.
- The district-wide financial statements are shown on pages 14 - 16 of this report.



## Fund Financial Statements

- A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The district, like other governmental entities, uses fund accounting to demonstrate compliance with finance-related legal requirements. Fund statements generally report operations in more detail than the district-wide statements and provide information that may be useful in evaluating a district's near-term financing requirements.
- There are two fund financial statements, the *balance sheet* and the *statement of revenues and expenditures and changes in fund balance*. Generally, fund statements focus on near-term inflows and outflows of spendable resources and their impact on fund balance.
- Because the focus of fund financial statements is narrower than that of the district-wide statements, it is useful to make comparison between the information presented. By doing so, readers may better understand the long-term implications of the government's near-term financial decisions. A reconciliation to facilitate this comparison is provided either at the bottom of the governmental funds statement or as a separate statement.
- The district has three kinds of funds: *governmental, proprietary and fiduciary*. *Governmental funds* include the district's permanent funds (general, special education and debt service) and individual capital project funds as needed. The district has one *proprietary fund*, the food service fund. The *fiduciary funds* for the district are an agency fund for student and parent organizations, an Employee Benefit trust fund and a trust fund serving scholarship recipients.
- Financial information is presented separately on both the *balance sheet* and the *statement of revenues, expenditures and changes in fund balance* for the general fund and debt service fund as these are considered to be major funds. Data for the special education fund has been consolidated under the general fund heading, since this fund does not meet the GASB definition of a special revenue fund. The governmental fund financial statements are on pages 17 - 25 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 26 - 28 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 29 - 30 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 31.

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

Major Features of the District-wide and Fund Financial Statements

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

## FINANCIAL ANALYSIS

### The District as a Whole

Due to the new accounting regulations, the District's combined net position decreased by 13.6% to \$79,429,547. The net position of governmental activities decreased by \$12.06M or 13.5%. The net position of the food service program decreased slightly by \$0.4M or 18.8%.

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

	Governmental Activities		Business-type Activities		Total		% Change
	2017	2016	2017	2016	2017	2016	
Current Assets	\$ 41,421,534	\$ 38,836,105	\$ 1,762,666	\$ 1,779,343	\$ 43,184,200	\$ 40,615,448	6.3%
Noncurrent Assets	126,947,752	130,371,600	463,114	404,639	127,410,866	130,776,239	-2.6%
Deferred Outflows of Resources	34,209,342	38,130,659	726,768	886,692	34,936,110	39,017,351	-10.5%
Total Assets and Deferred Outflows	202,578,628	207,338,364	2,952,548	3,070,674	205,531,176	210,409,038	-2.3%
Current Liabilities	23,373,884	22,537,233	203,781	180,339	23,577,665	22,717,572	3.8%
Noncurrent Liabilities	86,612,126	79,977,736	470,804	168,372	87,082,930	80,146,108	8.7%
Deferred Inflows of Resources	15,086,111	15,254,069	354,923	354,719	15,441,034	15,608,788	-1.1%
Total Liabilities and Deferred Inflows	125,072,121	117,769,038	1,029,508	703,430	126,101,629	118,472,468	6.4%
Net Position	\$ 77,506,507	\$ 89,569,326	\$ 1,923,040	\$ 2,367,244	\$ 79,429,547	\$ 91,936,570	-13.6%
Net Investment in Capital Assets	\$ 80,716,050	\$ 77,946,771	\$ 463,114	\$ 404,639	\$ 81,179,164	\$ 78,351,410	3.6%
Restricted	2,060,928	2,818,058	1,459,926	1,962,605	3,520,854	4,780,663	-26.4%
Unrestricted	(5,270,471)	8,804,497	-	-	(5,270,471)	8,804,497	-159.9%
Total Net Position	\$ 77,506,507	\$ 89,569,326	\$ 1,923,040	\$ 2,367,244	\$ 79,429,547	\$ 91,936,570	-13.6%

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. Capital assets also included more improvements to the infrastructure of the District's computer system along with new computer hardware and software upgrades.

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

Additional portions 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 assets of the various other funds.

Changes in Net Position: Table 2 shows the changes in net position for the fiscal years ending 2017 and 2016, respectively. As demonstrated, general revenues are the primary source of funding governmental activities at 83.1%, while program revenues provide almost the entire source of funding for business-type activities.

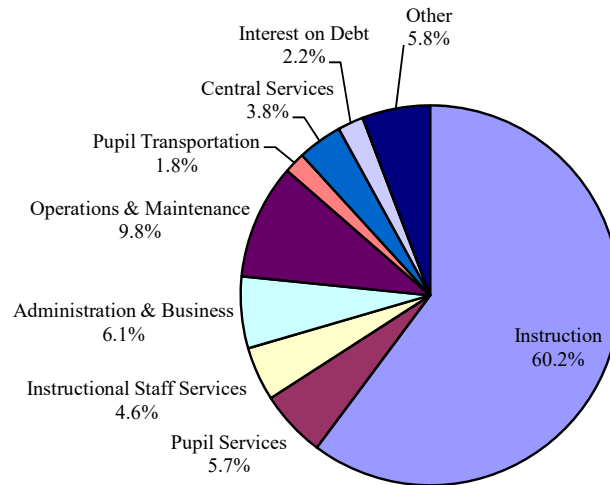
**Table 2**  
**Changes in Net Position**  
**For the Year Ending June 30**

	Governmental		Business-type		Total		Total	
	Activities	%	Activities	%		%		%
	2017		2017		2017		2016	
<b>Revenues:</b>								
Program Revenues								
Charges for Services	\$ 7,638,652	5.9%	\$ 1,221,563	23.5%	\$ 8,860,215	6.6%	\$ 6,713,008	5.3%
Operating Grants & Contributions	14,180,657	11.0%	3,965,481	76.5%	18,146,138	13.5%	16,741,846	13.1%
General Revenues								
Property Taxes	37,051,543	28.6%			37,051,543	27.5%	35,985,339	28.1%
General State Aid	67,784,841	52.4%			67,784,841	50.4%	66,751,743	52.2%
Other	2,734,342	2.1%	1,352	0.0%	2,735,694	2.0%	1,671,629	1.3%
Total Revenues	<u>\$ 129,390,035</u>	<u>100.0%</u>	<u>\$ 5,188,396</u>	<u>100.0%</u>	<u>\$ 134,578,431</u>	<u>100.0%</u>	<u>\$ 127,863,565</u>	<u>100.0%</u>
<b>Expenses:</b>								
Instruction	\$ 78,592,546	60.2%			\$ 78,592,546	58.0%	\$ 75,337,816	58.4%
Pupil Services	7,516,487	5.7%			7,516,487	5.5%	7,124,085	5.5%
Instructional Staff Services	6,021,774	4.6%			6,021,774	4.4%	4,854,050	3.8%
Administration & Business	7,924,544	6.1%			7,924,544	5.8%	7,869,994	6.1%
Operations & Maintenance	12,825,285	9.8%			12,825,285	9.4%	11,118,762	8.6%
Pupil Transportation	2,319,246	1.8%			2,319,246	1.7%	2,063,207	1.6%
Central Services	4,945,979	3.8%			4,945,979	3.6%	5,610,450	4.4%
Interest on Debt	2,905,907	2.2%			2,905,907	2.1%	2,925,914	2.3%
Other	7,572,335	5.8%	5,281,758	100.0%	12,854,093	9.5%	11,980,564	9.3%
Total Expenses	<u>\$ 130,624,103</u>	<u>100.0%</u>	<u>\$ 5,281,758</u>	<u>100.0%</u>	<u>\$ 135,905,861</u>	<u>100.0%</u>	<u>\$ 128,884,842</u>	<u>100.0%</u>
Change in Net Position	<u>\$ (1,234,068)</u>		<u>\$ (93,362)</u>		<u>\$ (1,327,430)</u>		<u>\$ (1,021,277)</u>	

Governmental Activities: Property taxes are levied for two purposes - general and debt. About 24.2% of the levy was used for long-term interest and debt retirement.

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

**Expense Breakout for Fiscal Year 2016-17**



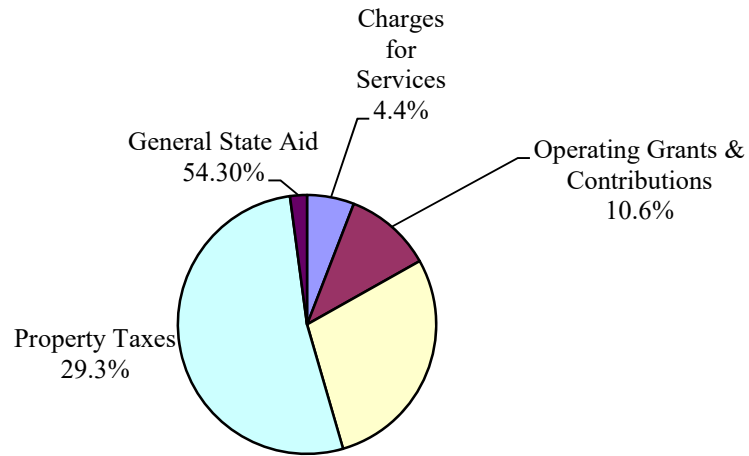
The net cost of providing services is shown in table 3. Net cost is the total cost of the service less any user fees generated by the activities or any intergovernmental aid or gifts received for specific programs. The net cost shows the reliance on general revenues of the district, primarily state aid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

**Table 3  
Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2017		2017	
Instruction	\$	78,592,546	\$	58,588,820
Pupil Services		7,516,487		7,511,067
Instructional Staff Services		6,021,774		5,629,684
Administration & Business		7,924,544		7,924,544
Operations & Maintenance		12,825,285		12,571,525
Pupil Transportation		2,319,246		2,291,687
Central Services		4,945,979		4,945,979
Interest on Debt		2,905,907		(200,109)
Other		7,572,335		9,541,597
<b>Total Expenses</b>	<b>\$</b>	<b>130,624,103</b>	<b>\$</b>	<b>108,804,794</b>

Program revenues offset 16.7%, or about \$21.8 million of costs. The largest category of program revenue comes from grants and contributions totaling about \$14.2 million. The largest single source of program revenue comes from the State of Wisconsin as aid for special education.

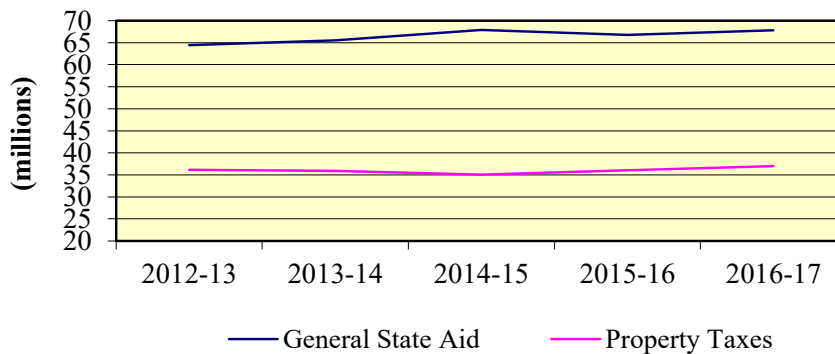
### Fiscal 2016-17 Revenue by Source - Governmental Activities



General revenues consist primarily of General State aid and property taxes. A \$1M increase in General State aid received by the District and a \$1M increase in the net property tax levy led to an overall increase in general revenue as demonstrated by Table 4.

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

	2012-13	2013-14	2014-15	2015-16	2016-17
<b>General State Aid</b>	64.4	65.5	67.9	66.8	67.8
<b>Property Taxes</b>	36.2	35.9	35.1	36.0	37.0



Business-type activities: The largest source of revenue for the food service program comes from the sale of food and beverages. The District provides a breakfast and lunch program at all sites with minimal services at the remote charter schools and ala carte services at all middle and high schools. The district had 47.5% of students who registered qualify for free or reduced meals in 2016-2017

Overall, the food service fund had a planned deficit of \$93K for 2016-17. To reduce the overall fund balance, the food service department continued with an aggressive capital replacement program in 2016-2017. Meal prices were kept at the same level as the prior year.

### Governmental Funds

Fund accounting is required by the Wisconsin Department of Public Instruction. It is also the required method for budget adoption and levy certification. A slight \$.3M increase (9.7%) in total governmental fund balance increased the balance to \$25.4M.

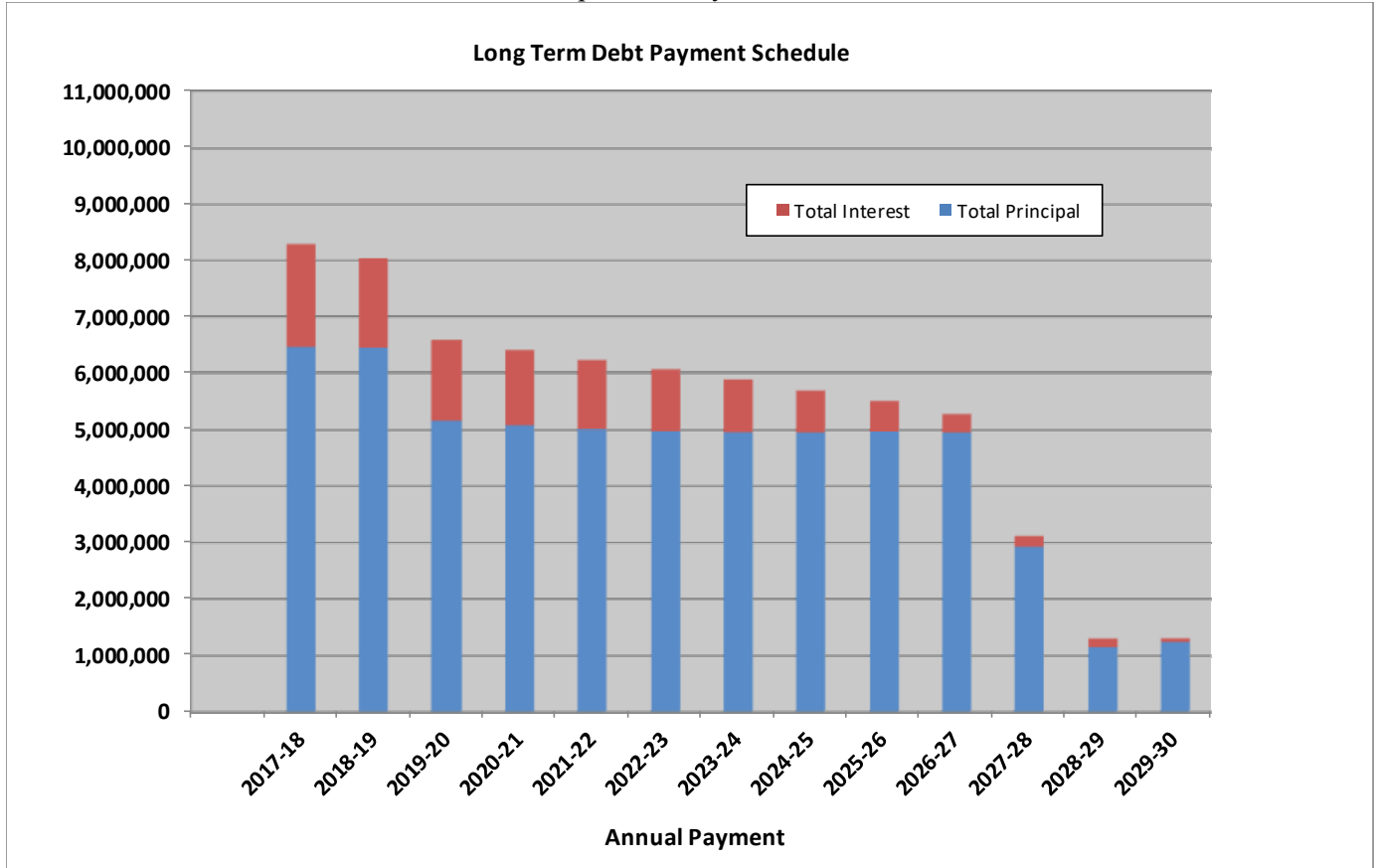
- At June 30, 2017 the General Fund balance totaled \$22.8 million, representing 19.9% of general expenditures or 2.4 months of operations. The District's policy on general fund balance indicates a reasonable fund balance designated for cash flow should be 17% to 23% of general and special education fund budgeted expenditures for the ensuing fiscal year, a reserve for at least 10% of the expected dental claims cost for the ensuing fiscal year and to limit the use of unassigned fund balance to funding the district's Other Post-Retirement Benefits (OPEB) liability, reducing the district's property tax levy, or one-time expenditures. By policy, between \$19.5 million and \$26.4 million should be available to meet the needs of the 2016-2017 budgeted expenditures.
- General fund revenue was nearly at the final budgeted amount.
- General fund expenditures came in at \$0.4 million, or 2.5%, under budget. Budget variances for the General and Special Revenue funds can be viewed on page 23 of this report.
- The Special Education fund is used to account for all revenue and expenditures associated with the special education program, including any federal and state funding. Because outside funding is insufficient to cover the cost of the program, funds are transferred from the General Fund as an operating transfer. The transfer of \$11.8 million, increased by 6.7% from the prior year, represents 63.5% of the total expenditures as compared to 65% the previous year.
- The Debt Service fund balance had a minimal decrease this year. Its fund balance will fluctuate from year to year because the fund balance must be sufficient to meet the amount of any scheduled debt payments that are due prior to February 15 of the subsequent year. The typical debt service schedule requires interest payments in the fall and principal and interest payments in the spring of each year.

### Fiduciary Funds

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

Long-term Debt

Debt of the District is secured by an irrevocable tax levy adopted by the school board at the time of issuance. The maximum legal debt limit is set by state statutes and detailed in Note 9 to the financial statements. At the end of the current fiscal year, the School District of Janesville had general obligation debt of \$58.4 million. Current debt obligations have retirements running through March 2030. The District's current debt is 15.1% of the maximum permitted by law.



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



### Factors Bearing on the District's Future

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

- Any increases or decreases in the District's population would likely affect student enrollment, which is a huge factor in the determination of revenue caps, employment levels and other critical factors. The current population is anticipated to remain fairly flat in the near future.
- The economic stability of the Janesville area.
- Due to a retirement, the District hired a new Superintendent for the 2017-2018 school year.

### Contacting the District's Financial Management

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

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**STATEMENT OF NET POSITION**

As of June 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and investments	\$ 27,443,708	\$ 1,194,546	\$ 28,638,254
Accounts receivable	33,767	138	33,905
Taxes receivable	10,130,062		10,130,062
Due from other governments	2,231,742	558,277	2,790,019
Due from employee benefit trust fund	627,536		627,536
Due from agency funds	13,080		13,080
Other current assets	941,639	9,705	951,344
Total current assets	<u>41,421,534</u>	<u>1,762,666</u>	<u>43,184,200</u>
Noncurrent assets			
Bond origination discount	62,549		62,549
Accumulated amortization of bond discount	(20,847)		(20,847)
Capital assets:			
Land	1,329,333		1,329,333
Site improvements	5,638,636		5,638,636
Buildings and building improvements	179,130,362		179,130,362
Furniture and equipment	22,944,248	975,479	23,919,727
	209,042,579	975,479	210,018,058
Less accumulated depreciation	<u>(82,136,529)</u>	<u>(512,365)</u>	<u>(82,648,894)</u>
Total capital assets	<u>126,906,050</u>	<u>463,114</u>	<u>127,369,164</u>
Total noncurrent assets	<u>126,947,752</u>	<u>463,114</u>	<u>127,410,866</u>
Total assets	<u>168,369,286</u>	<u>2,225,780</u>	<u>170,595,066</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension charges - WRS	29,480,238	693,566	30,173,804
Deferred pension charges - supplemental pension	35,368		35,368
Deferred other postemployment benefits (OPEB) charges	2,415,180	33,202	2,448,382
Deferred amount on refunding	2,753,635		2,753,635
Accumulated amortization of deferred amount on refunding	<u>(475,079)</u>		<u>(475,079)</u>
Total deferred outflows of resources	<u>34,209,342</u>	<u>726,768</u>	<u>34,936,110</u>
Total assets and deferred outflows of resources	<u>202,578,628</u>	<u>2,952,548</u>	<u>205,531,176</u>

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

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 1,754,870	\$ 37,078	\$ 1,791,948
Accrued liabilities	13,670,470	88,142	13,758,612
Due to employee benefit trust fund		1,388	1,388
Accrued interest	614,538		614,538
Deferred revenue	569,412	77,173	646,585
Current portion of long-term liabilities	<u>6,764,594</u>		<u>6,764,594</u>
Total current liabilities	<u>23,373,884</u>	<u>203,781</u>	<u>23,577,665</u>
Noncurrent liabilities			
Net WRS pension liability	3,652,027	85,919	3,737,946
Total supplemental pension liability	525,874		525,874
Net other postemployment benefits (OPEB) liability	27,996,956	384,885	28,381,841
Long-term liabilities, less current portion	<u>54,437,269</u>		<u>54,437,269</u>
Total non-current liabilities	<u>86,612,126</u>	<u>470,804</u>	<u>87,082,930</u>
Total liabilities	<u>109,986,010</u>	<u>674,585</u>	<u>110,660,595</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension credits - WRS	<u>15,086,111</u>	<u>354,923</u>	<u>15,441,034</u>
Total deferred inflows of resources	<u>15,086,111</u>	<u>354,923</u>	<u>15,441,034</u>
Total liabilities and deferred inflows of resources	<u>125,072,121</u>	<u>1,029,508</u>	<u>126,101,629</u>
<b>NET POSITION</b>			
Net investment in capital assets	80,716,050	463,114	81,179,164
Restricted for:			
Debt service	314,071		314,071
Food service		1,459,926	1,459,926
Capital improvements	1,424,010		1,424,010
Community service	11,767		11,767
Special projects	311,080		311,080
Unrestricted	<u>(5,270,471)</u>		<u>(5,270,471)</u>
Total net position	<u>\$ 77,506,507</u>	<u>\$ 1,923,040</u>	<u>\$ 79,429,547</u>

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2017

Functions/ Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Government Activities	Business Type Activities	Total
<b>Governmental activities:</b>						
Instruction:						
Regular instruction	\$ 49,789,032	\$ 5,757,843	\$ 8,355,472	\$ (35,675,717)	\$	\$ (35,675,717)
Vocational instruction	3,672,885	6,122	787,587	(2,879,176)		(2,879,176)
Special education instruction	20,006,488	224,761	4,231,996	(15,549,731)		(15,549,731)
Other instruction	5,124,141	237,214	402,731	(4,484,196)		(4,484,196)
Total instruction	78,592,546	6,225,940	13,777,786	(58,588,820)		(58,588,820)
Support services:						
Pupil services	7,516,487	5,420		(7,511,067)		(7,511,067)
Instructional staff services	6,021,774	16,778	375,312	(5,629,684)		(5,629,684)
General administration services	1,229,943			(1,229,943)		(1,229,943)
School administration services	5,308,823			(5,308,823)		(5,308,823)
Business services	1,385,778			(1,385,778)		(1,385,778)
Operations and maintenance	12,825,285	253,760		(12,571,525)		(12,571,525)
Pupil transportation services	2,319,246		27,559	(2,291,687)		(2,291,687)
Internal services	168,773			(168,773)		(168,773)
Central services	4,945,979			(4,945,979)		(4,945,979)
Insurance	880,782	315,137		(565,645)		(565,645)
Community services	46,613	41,430		(5,183)		(5,183)
Other support services	814,504	780,187		(34,317)		(34,317)
Interest	2,905,907			(2,905,907)		(2,905,907)
Depreciation and amortization - unallocated	5,661,663			(5,661,663)		(5,661,663)
Total support services	52,031,557	1,412,712	402,871	(50,215,974)		(50,215,974)
Total governmental activities	130,624,103	7,638,652	14,180,657	(108,804,794)		(108,804,794)
<b>Business-type activities:</b>						
School food service program	5,281,758	1,221,563	3,965,481		(94,714)	(94,714)
Total school district	\$ 135,905,861	\$ 8,860,215	\$ 18,146,138	(108,804,794)	(94,714)	(108,899,508)
<b>General revenues:</b>						
Property taxes:						
General purposes				28,087,908		28,087,908
Debt services				8,963,635		8,963,635
Federal and state aid not restricted to specific purposes:						
Debt services						
General				67,784,841		67,784,841
Other				2,715,962		2,715,962
Interest and investment earnings				18,380	1,352	19,732
Total general revenues				107,570,726	1,352	107,572,078
Change in net position				(1,234,068)	(93,362)	(1,327,430)
Net position - beginning of year (as previously reported)				89,569,326	2,367,244	91,936,570
Prior period adjustment (See Note 20)				(10,828,751)	(350,842)	(11,179,593)
Net position - beginning of year (as restated)				78,740,575	2,016,402	80,756,977
Net position - end of year				\$ 77,506,507	\$ 1,923,040	\$ 79,429,547

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2017

	General	Debt Service	Other Government Funds	Total Government Funds
<b>ASSETS</b>				
Cash and investments	\$ 25,780,771	\$ 306,129	\$ 1,356,811	\$ 27,443,711
Accounts receivable	33,767			33,767
Taxes receivable	10,130,062			10,130,062
Due from other governmental funds		911,980	400,000	1,311,980
Due from agency funds	13,080			13,080
Due from employee benefit trust fund	627,536			627,536
Due from other governments	2,231,742			2,231,742
Inventories and other current assets	941,639			941,639
Total assets	\$ 39,758,597	\$ 1,218,109	\$ 1,756,811	\$ 42,733,517
<b>LIABILITIES</b>				
Accounts payable	\$ 1,744,916		\$ 9,954	\$ 1,754,870
Accrued salaries and related items	11,922,053			11,922,053
Due to other governmental funds	1,311,980			1,311,980
Other current liabilities	2,028,329	289,500		2,317,829
Total liabilities	17,007,278	289,500	9,954	17,306,732
<b>FUND BALANCES</b>				
Non-spendable	927,432			927,432
Committed for self insurance	100,000			100,000
Restricted for debt service retirement		928,609		928,609
Restricted for capital improvements			1,424,010	1,424,010
Restricted for community service			11,767	11,767
Restricted for special projects			311,080	311,080
Assigned	1,262,580			1,262,580
Unassigned	20,461,307			20,461,307
Total fund balances	22,751,319	928,609	1,746,857	25,426,785
Total liabilities and fund balances	\$ 39,758,597	\$ 1,218,109	\$ 1,756,811	\$ 42,733,517

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

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

June 30, 2017

Total fund balances - governmental funds		\$ 25,426,785
Total net position reported for governmental activities in the statement of net position are different from the amount reported above as total governmental funds fund balance because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Amounts reported for governmental activities in the statement of net position:		
Governmental capital assets	\$ 209,042,579	
Governmental accumulated depreciation	<u>(82,136,529)</u>	126,906,050
Bond origination discounts are not financial resources and therefore are not reported as assets in governmental funds. Amounts reported for governmental activities in the statement of net position:		
Governmental bond origination discount	\$ 62,549	
Governmental accumulated amortization	<u>(20,847)</u>	41,702
Deferred amounts on refunding are not financial resources and therefore are not reported as assets in governmental funds. Amounts reported for governmental activities in the statement of net position:		
Governmental deferred amount on refunding	\$ 2,753,632	
Governmental accumulated amortization	<u>(475,079)</u>	2,278,553
The district's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to their participation in WRS are not recorded in the governmental funds but are recorded in the Statement of Net Position.		
		10,742,100
The district's net other postemployment benefits (OPEB) liability and deferred inflows of resources are not reported in the governmental funds but are in the Statement of Net Position		
		(25,581,776)
The district's net pension liability and deferred outflows of resources related to the supplemental pension benefits are not reported in the governmental funds but are in the Statement of Net Position		
		(490,506)
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	\$ (58,380,000)	
Premium on refunded bonds payable	(2,817,063)	
Accrued interest on bonds payable	(614,538)	
Vested employee benefits	<u>(4,800)</u>	(61,816,401)
Total net position - governmental activities		<u>\$ 77,506,507</u>

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Other Government Funds</u>	<u>Total Government Funds</u>
<b>Revenues</b>				
Local sources	\$ 30,787,436	\$ 8,966,096	\$ 444,160	\$ 40,197,692
Interdistrict sources	3,974,032			3,974,032
Intermediate sources	7,092			7,092
State sources	76,833,802		844	76,834,646
Federal sources	7,054,776			7,054,776
Other	<u>1,044,254</u>		<u>40,956</u>	<u>1,085,210</u>
Total revenues	<u>119,701,392</u>	<u>8,966,096</u>	<u>485,960</u>	<u>129,153,448</u>
<b>Expenditures</b>				
Instruction:				
Regular instruction	43,225,982		132,438	43,358,420
Vocational instruction	3,443,688		12,039	3,455,727
Special instruction	18,788,288		6,870	18,795,158
Other instruction	<u>4,704,406</u>		<u>191,073</u>	<u>4,895,479</u>
Total instruction	<u>70,162,364</u>		<u>342,420</u>	<u>70,504,784</u>
Support service:				
Pupil services	7,131,133		31,754	7,162,887
Instructional staff services	5,771,233		32,350	5,803,583
General administration services	1,186,958			1,186,958
School administration services	5,051,705		751	5,052,456
Business services	1,047,572		2,951	1,050,523
Operations and maintenance of plant	15,416,069		31,398	15,447,467
Pupil transportation	2,316,826		2,470	2,319,296
Internal services	169,874			169,874
Central services	4,843,218			4,843,218
Insurance	880,782			880,782
Community service			46,613	46,613
Other support services	<u>618,169</u>		<u>9,286</u>	<u>627,455</u>
Total support services	<u>\$ 44,433,539</u>	<u>\$</u>	<u>\$ 157,573</u>	<u>\$ 44,591,112</u>

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

	General	Debt Service	Other Government Funds	Total Government Funds
Debt service:				
Principal	\$	\$ 7,045,000	\$	\$ 7,045,000
Interest		2,388,694		2,388,694
Total debt service		9,433,694		9,433,694
Total expenditures	114,595,903	9,433,694	499,993	124,529,590
Excess of revenues over (under) expenditures	5,105,489	(467,598)	(14,033)	4,623,858
Other financing sources (uses)				
Payments to other institutions	(4,238,596)			(4,238,596)
Other	(122,665)			(122,665)
Refunding bonds issued		37,735,000		37,735,000
Payment to refunded bond escrow agent		(40,328,635)		(40,328,635)
Bond premium		2,946,016		2,946,016
Bond issuance costs		(352,381)		(352,381)
Operating transfers in (out)	(653,340)		653,340	
Net other financing sources (uses)	(5,014,601)		653,340	(4,361,261)
Net change in fund balances	90,888	(467,598)	639,307	262,597
Fund balances - beginning of year	22,660,431	1,396,207	1,107,550	25,164,188
Fund balances - end of year	<u>\$ 22,751,319</u>	<u>\$ 928,609</u>	<u>\$ 1,746,857</u>	<u>\$ 25,426,785</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, 2017

Net change in fund balances - total governmental funds \$ 262,597

Amounts reported for governmental activities in the statement of activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

Capital outlay reported in governmental fund statements	\$ 2,712,661	
Depreciation expense reported in the statement of activities	<u>(6,055,216)</u>	
Amount by which capital outlays are less than depreciation in the current period:		(3,342,555)

Fixed asset disposals in current year	(500,979)	
Accumulated depreciation on fixed asset disposals	<u>422,813</u>	
Loss on disposal of fixed assets		(78,166)

Deferred amount on refunding is reported in the governmental funds as expenditures. However, for governmental activities, this amount is shown in the statement of net position and allocated over the life of the bond as annual amortization expense in the statement of activities.

Deferred amount on refunding in the current year is:	2,753,635
The amount amortized in the current year is:	(475,079)

Discounts on bond refunding are reported in the governmental funds as expenditures. However, for governmental activities, these costs are shown in the statement of net position and allocated over the life of the bond as annual amortization expense in the statement of activities.

The amount amortized in the current year is:	(3,127)
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Premiums received on bond refunding are reported as revenue in the governmental funds, but are capitalized and amortized over the life of the bonds in the statement of net position and the statement of activities.

The amount of premium received in the current year is:	(2,946,016)
The amount amortized in the current year is:	236,587

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

Changes in the districts proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to WRS for the current year are not reported in the governmental funds but are reported in the statement of activities.	\$ (4,893,958)
Vested employee benefits - longevity is 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 - longevity paid in current year	1,440
Changes in the district's total pension liability and deferred outflows of resources related to the supplemental pension benefits for the year are not reported in the governmental funds but are reported in the statement of activities.	113,359
Changes in the district's net other postemployment benefits liability and deferred outflows of resources for the current year are not reported in the governmental funds but are reported in the statement of activities.	(61,159)
Principal proceeds from bond and notes payable issuance is reported in the governmental funds as revenue, but is reported as an increase in long-term debt in the statement of net position and does not affect the statement of activities.	
The amount of long-term debt proceeds in the current year is:	(37,735,000)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.	
The amount of long-term debt principal payments in the current year is:	44,620,000
In governmental funds, interest payments on outstanding long-term debt are reported as an expenditure when paid. In the statement of activities, interest is reported as incurred.	
The amount of interest paid during the current period	\$ 2,388,694
The amount of interest accrued during the current period	<u>(2,075,320)</u>
Interest paid is more than interest accrued by:	<u>313,374</u>
Change in net position - governmental activities	<u>\$ (1,234,068)</u>

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 28,083,990	\$ 28,083,990	\$ 28,087,908	\$ 3,918
Other local sources	1,517,950	2,233,015	2,699,528	466,513
Interdistrict sources	3,476,600	3,964,315	3,972,382	8,067
Intermediate sources		5,420	5,420	
State sources	72,704,144	72,684,302	72,691,157	6,855
Federal sources	4,516,329	4,702,302	4,203,467	(498,835)
Other sources	434,350	1,027,381	1,038,890	11,509
Total revenues	<u>110,733,363</u>	<u>112,700,725</u>	<u>112,698,752</u>	<u>(1,973)</u>
Expenditures				
Instruction:				
Regular instruction	43,591,284	43,594,389	43,225,982	368,407
Vocational instruction	3,389,817	3,432,901	3,443,688	(10,787)
Special instruction	5,087,413	4,995,868	4,986,295	9,573
Other instruction	4,342,219	4,448,571	4,704,406	(255,835)
Total instruction	<u>56,410,733</u>	<u>56,471,729</u>	<u>56,360,371</u>	<u>111,358</u>
Support services:				
Pupil services	4,866,044	4,797,050	4,687,960	109,090
Instructional staff services	4,899,710	4,984,049	4,850,765	133,284
General administration services	1,040,188	1,171,995	1,182,404	(10,409)
School administration services	4,845,267	5,067,873	5,051,705	16,168
Business services	959,231	990,419	976,324	14,095
Operations and maintenance of plant	14,571,371	15,354,566	15,403,949	(49,383)
Pupil transportation	979,593	1,016,276	1,012,037	4,239
Internal services	132,794	132,566	169,874	(37,308)
Central services	4,709,516	4,919,867	4,813,786	106,081
Insurance	896,928	880,382	880,782	(400)
Other support services	38,572	630,769	618,169	12,600
Total support services	<u>37,939,214</u>	<u>39,945,812</u>	<u>39,647,755</u>	<u>298,057</u>
Total expenditures	<u>94,349,947</u>	<u>96,417,541</u>	<u>96,008,126</u>	<u>409,415</u>
Excess of revenues over expenditures	<u>16,383,416</u>	<u>16,283,184</u>	<u>16,690,626</u>	<u>407,442</u>
Other financing uses				
Payments to other institutions	(4,670,078)	(4,016,352)	(4,028,049)	(11,697)
Other	(105,000)	(123,521)	(121,797)	1,724
Transfers to other funds	(11,608,338)	(12,244,605)	(12,449,892)	(205,287)
Total other financing uses	<u>(16,383,416)</u>	<u>(16,384,478)</u>	<u>(16,599,738)</u>	<u>(215,260)</u>
Net change in fund balance		(101,294)	90,888	192,182
Fund balance - beginning of year	<u>22,660,431</u>	<u>22,660,431</u>	<u>22,660,431</u>	
Fund balance - end of year	<u>\$ 22,660,431</u>	<u>\$ 22,559,137</u>	<u>\$ 22,751,319</u>	<u>\$ 192,182</u>

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable (Unfavorable)
<b>Revenues</b>				
Interdistrict sources	\$	\$ 1,650	\$ 1,650	\$
Intermediate sources			1,672	1,672
State sources	4,126,116	4,142,644	4,142,645	1
Federal sources	3,718,744	3,922,069	2,851,309	(1,070,760)
Other sources		5,364	5,364	
Total revenues	<u>7,844,860</u>	<u>8,071,727</u>	<u>7,002,640</u>	<u>(1,069,087)</u>
<b>Expenditures</b>				
Instruction:				
Special instruction	<u>14,022,730</u>	<u>14,650,259</u>	<u>13,801,993</u>	<u>848,266</u>
Total instruction	<u>14,022,730</u>	<u>14,650,259</u>	<u>13,801,993</u>	<u>848,266</u>
Support services:				
Pupil services	2,502,613	2,468,856	2,443,173	25,683
Instructional staff services	908,415	1,126,823	920,468	206,355
General administration services	25,000	6,076	4,554	1,522
Business services	30,000	63,806	71,248	(7,442)
Operations and maintenance of plant	21,500	32,575	12,120	20,455
Pupil transportation	1,249,100	1,323,259	1,304,789	18,470
Central services	<u>23,500</u>	<u>37,620</u>	<u>29,432</u>	<u>8,188</u>
Total support services	<u>4,760,128</u>	<u>5,059,015</u>	<u>4,785,784</u>	<u>273,231</u>
Total expenditures	<u>18,782,858</u>	<u>19,709,274</u>	<u>18,587,777</u>	<u>1,121,497</u>
Excess of expenditures over revenues	<u>(10,937,998)</u>	<u>(11,637,547)</u>	<u>(11,585,137)</u>	<u>52,410</u>
<b>Other financing sources (uses)</b>				
Payments to other institutions	(417,000)	(262,784)	(210,547)	52,237
Other		(868)	(868)	
Transfers from other funds	<u>11,354,998</u>	<u>11,901,199</u>	<u>11,796,552</u>	<u>(104,647)</u>
Total other financing sources	<u>10,937,998</u>	<u>11,637,547</u>	<u>11,585,137</u>	<u>(52,410)</u>
Net change in fund balance				
Fund balance - beginning of year				
Fund balance - end of year	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

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

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 8,963,635	\$ 8,963,635	\$ 8,963,635	\$
Other local sources	1,135	1,135	2,461	1,326
Total revenues	8,964,770	8,964,770	8,966,096	1,326
Expenditures				
Debt service:				
Principal	7,045,000	7,045,000	7,045,000	
Interest	2,388,695	2,388,695	2,388,694	1
Total debt service	9,433,695	9,433,695	9,433,694	1
Total expenditures	9,433,695	9,433,695	9,433,694	1
Excess of expenditures over revenues	(468,925)	(468,925)	(467,598)	1,327
Other financing sources (uses)				
Refunding bonds issued		37,735,000	37,735,000	
Payment to refunded bond escrow agent		(40,328,635)	(40,328,635)	
Bond premium		2,946,016	2,946,016	
Bond issuance costs		(352,381)	(352,381)	
Net other financing uses				
Net change in fund balance	(468,925)	(468,925)	(467,598)	1,327
Fund balance - beginning of year	1,396,207	1,396,207	1,396,207	
Fund balance - end of year	\$ 927,282	\$ 927,282	\$ 928,609	\$ 1,327

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

**SCHOOL DISTRICT OF JANESVILLE**  
Janesville, Wisconsin

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
As of June 30, 2017

<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 1,194,546
Accounts receivable	138
Due from other governments	558,277
Inventories and prepaid items	<u>9,705</u>
Total current assets	<u>1,762,666</u>
Noncurrent assets	
Property and equipment	975,479
Less accumulated depreciation	<u>(512,365)</u>
Total noncurrent assets	<u>463,114</u>
Total assets	<u>2,225,780</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred pension charges - WRS	693,566
Deferred other postemployment benefits (OPEB) charges	<u>33,202</u>
Total deferred outflows of resources	<u>726,768</u>
Total assets and deferred outflows of resources	<u>2,952,548</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	37,078
Accrued payroll	88,142
Due to employee benefit trust fund	1,388
Deferred revenue	<u>77,173</u>
Total current liabilities	<u>203,781</u>
Noncurrent liabilities	
Net WRS pension liability	85,919
Net other postemployment benefits (OPEB) liability	<u>384,885</u>
Total noncurrent liabilities	<u>470,804</u>
Total liabilities	<u>674,585</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred pension credits - WRS	<u>354,923</u>
Total deferred inflows of resources	<u>354,923</u>
Total liabilities and deferred inflows of resources	<u>1,029,508</u>
<b>NET POSITION</b>	
Net investment in capital assets	463,114
Restricted for food service programs	<u>1,459,926</u>
Total net position	<u>\$ 1,923,040</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 NET POSITION - PROPRIETARY FUNDS

For the Year Ended June 30, 2017

Revenues:	
Food sales	\$ 1,221,562
Intermediate sources	15,355
State sources	118,943
Federal sources	3,471,815
Federal commodities	365,082
Other revenue	<u>                    </u>
Total revenues	<u>5,192,757</u>
Operating expenses:	
Salaries and wages	1,655,244
Employer paid benefits	333,036
Pension expense	216,404
OPEB expense	34,523
Purchased services	110,121
Supplies, food, and materials	2,745,255
Other	106,224
Depreciation	<u>86,664</u>
Total operating expenses	<u>5,287,471</u>
Operating income	<u>(94,714)</u>
Nonoperating revenues:	
Investment earnings	<u>1,352</u>
Total nonoperating revenues	<u>1,352</u>
Change in net position	<u>(93,362)</u>
Net position - beginning of year	2,367,244
Prior period adjustment (see Note 20)	<u>(350,842)</u>
Net position - beginning of year (as restated)	<u>2,016,402</u>
Net position - end of year	<u>\$ 1,923,040</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, 2017

### CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from user charges	\$ 1,224,526
Cash received from other government payments	3,567,144
Cash received from interest earnings	1,352
Cash payments to other funds	(2,740)
Cash payments to employees for services	(2,120,014)
Cash payments for utilities and other purchased services	(110,121)
Cash payments to suppliers for goods and services	<u>(2,454,845)</u>
Net cash provided by operating activities	<u>105,302</u>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Cash payments for acquisition of capital assets	<u>(151,198)</u>
Net cash used in investing activities	<u>(151,198)</u>
Change in cash and cash equivalents	(45,896)
Cash and cash equivalents - beginning of year	<u>1,240,442</u>
Cash and cash equivalents - end of year	<u>\$ 1,194,546</u>

### RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Change in net position	\$ (93,362)
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Loss on disposal of capital assets	6,059
Depreciation	86,664
Changes in assets and liabilities:	
Accounts receivable	(138)
Due from other governments	(38,990)
Inventories and prepaid items	9,909
Net WRS pension liability and related deferred outflows/inflows	110,877
Net OPEB liability and related deferred outflows	841
Accounts payable	9,870
Accrued payroll	7,475
Due to other funds	(2,740)
Deferred revenue	<u>8,837</u>
Net cash provided by operating activities	<u>\$ 105,302</u>

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



# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## STATEMENTS OF FIDUCIARY NET POSITION

As of June 30, 2017

	<u>Agency Funds</u>	<u>Employee Benefit Trust Fund</u>	<u>Private- Purpose Trust</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 192,839	\$ 4,701,334	\$ 82,405
Investments			157,046
Due from other funds		<u>1,388</u>	
Total assets	<u>192,839</u>	<u>4,702,722</u>	<u>239,451</u>
<b>LIABILITIES</b>			
Due to student organizations	179,759		
Due to other funds	<u>13,080</u>	<u>627,536</u>	
Total liabilities	<u>192,839</u>	<u>627,536</u>	
<b>NET POSITION</b>			
Nonspendable			109,021
Restricted		<u>4,075,186</u>	<u>130,430</u>
Total net position	<u>\$</u>	<u>\$ 4,075,186</u>	<u>\$ 239,451</u>

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2017

	<u>Employee Benefit Trust Fund</u>	<u>Private- Purpose Trust</u>
<b>ADDITIONS</b>		
Contributions	\$ 2,559,165	\$
Investment earnings	30,234	13,051
Gifts	<u>                    </u>	<u>19,614</u>
Total additions	<u>2,589,399</u>	<u>32,665</u>
<b>DEDUCTIONS</b>		
Payments of scholarships		14,314
Other post retirement benefits expense	<u>1,889,116</u>	<u>                    </u>
Total deductions	<u>1,889,116</u>	<u>14,314</u>
Change in net position	700,283	18,351
Net position - beginning of year	<u>3,374,903</u>	<u>221,100</u>
Net position - end of year	<u>\$ 4,075,186</u>	<u>\$ 239,451</u>

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

#### A. REPORTING ENTITY

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

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

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

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

#### B. BASIS OF PRESENTATION

##### *District-Wide Statements*

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

#### *Fund Financial Statements*

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

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

The district reports the following major governmental funds:

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

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

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

#### D. ASSETS, LIABILITIES, AND FUND BALANCE

##### *Deposits and Investments*

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

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

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

##### *Property Tax Levy*

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

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2016 tax levy is used to finance operations of the district's fiscal year ended June 30, 2017. All property taxes are considered due on January 1, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30 and are available to pay current liabilities.

#### *Accounts Receivable*

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

#### *Other Assets*

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

#### *Due to/Due from Other Funds*

The amounts reported on the governmental funds balance sheets as due to and due from other funds represent amounts due between different funds and results from the use of a central checking account reported in the general fund. All interfund balances are expected to be repaid within one year. Eliminations have been made for amounts due to and due from within the same fund type for reporting in the Statement of Net Position. See Note 5 for a detailed description of the interfund balances and transfers as of June 30, 2017.

#### *Capital Assets*

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

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

#### *Pensions*

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

For purposes of measuring the net supplemental pension liability, deferred pension charges, and the related pension expense, information about the plan has been determined on the same basis as they are reported by the actuarial valuation. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

#### *Other Postemployment Benefits (OPEB)*

For purposes of measuring the net other postemployment benefits liability, deferred OPEB charges, and the related OPEB expense, information about the employee benefit trust fund net position and additions to/deductions from the employee benefit trust fund net position have been determined on the same basis as reported by the employee benefit trust fund. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.



# 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 school year employed, accumulating to a maximum vested amount of 130 days. Clerical employees earn 12 days of sick pay for each calendar year employed, accumulating up to 120 days, and custodial and food service employees earn 12 days of sick pay for each calendar year employed, accumulating up to 130 days. Administrators and administrative support staff earn up to 12 days per year, cumulative to a maximum of the number of contract days worked in a year.

#### *Bond Premiums*

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

#### *Bond Origination Discounts*

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

#### *Deferred Inflows and Outflows of Resources*

Deferred inflows of resources represent an acquisition of net position that applies to future periods, and is therefore deferred until that time. A deferred amount on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The district also recognizes deferred inflows of resources related to pensions.

Deferred outflows of resources represent a consumption of net position that applies to a future period, and is therefore deferred until that time. The district recognizes deferred outflows of resources related to pensions and other postemployment benefits.

# 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)

#### *Net Position*

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

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

#### *Fund Balance*

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

#### *State and Federal Aids*

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

#### E. ESTIMATES

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

# 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

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

Differences between the governmental funds statement of revenues, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories. The reconciling amounts shown in the columns on pages 21 and 22 represent:

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

### NOTE 3 - CASH AND INVESTMENTS

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

The districts cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of six months or less from the date of acquisition.

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

Deposits: As of June 30, 2017, deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for demand deposits and time deposits. In addition, the state of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per entity above the amount provided by the FDIC. However, due to the relatively small size of the State Guarantee Fund in relation to the total coverage, total recovery of losses may not be available. As of June 30, 2017, \$8,753,171 of the district's bank balance of \$9,404,177 was uninsured. The district's bank balances are uncollateralized.

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

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

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

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

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

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

As of June 30, 2017, the district had the following governmental activity investments:

<u>Investments</u>	<u>Maturities</u>		
Investment in State Treasurer's Investment Pool	Less than 6 months	\$	337
Wisconsin Investment Series Cooperative	Less than 2 years		20,127,216
Chase Bank High Interest Savings	Less than 3 months		<u>67,005</u>
		\$	<u>20,194,558</u>

### NOTE 4 - FAIR VALUE MEASUREMENTS

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

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

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

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

Investments required to be measured at fair value on a recurring basis at June 30, 2017, under GASB #72, *Fair Value Measurement and Application*, segregated by fair value hierarchy, are summarized below (Level 1, 2, and 3 inputs are defined above):

	Fair Value Measurements Using Input Type			Total
	Level 1	Level 2	Level 3	
Governmental activities				
Pooled investments	\$	\$	\$ 755,230	\$ 755,230
Business-Type activities				
Pooled investments	\$	\$	\$ 754,792	\$ 754,792
Private-Purpose Trust Funds				
Pooled investments	\$	\$	\$ 38,737	\$ 38,737
Money market funds		36,447		36,447
Corporate stock	20,362			20,362
Mutual funds	136,684			136,684
Total private-purpose trust fund investments measured at fair value	\$ 157,046	\$ 36,447	\$ 38,737	\$ 232,230
Employee Benefit Trust Funds				
Pooled investments	\$	\$	\$ 502,269	\$ 502,269

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

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

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

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

There have been no changes in the methodologies used at June 30, 2017. The methods prescribed may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the district believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

### NOTE 5 - INTERFUND BALANCES/TRANSFERS

Individual fund interfund receivable and payable balances at June 30, 2017, are as follows:

Fund	Due from other funds	Due to other funds
General fund	\$ 640,616	\$ 1,311,980
Fiduciary funds	1,388	640,616
Food service fund		1,388
Debt service fund	911,980	
Other governmental funds	400,000	
	<u>\$ 1,953,984</u>	<u>\$ 1,953,984</u>

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

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. There was only one such transfer for the year ended June 30, 2017, which was to transfer \$653,340 from the general fund to the capital improvement fund as authorized by the board.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 6 - EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS

The following individual funds had an excess of actual expenditures over budget for the year ended June 30, 2017:

<u>Fund</u>	<u>Excess Expenditures</u>
General fund	
Other financing uses	\$ 215,260
Special education fund	
Other financing uses	52,410

### NOTE 7 - FUND BALANCES

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

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

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

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

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

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

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



# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 7 - FUND BALANCES (continued)

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

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

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 8 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2017, were as follows:

	Beginning Balance	Increases	Decreases	Reclass	Ending Balance
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Sites (land)	\$ 1,329,333	\$	\$	\$	\$ 1,329,333
Site improvements	703,841				703,841
Work in progress	241,605			(241,605)	
Total sites and site improvements not being depreciated	2,274,779			(241,605)	2,033,174
Capital assets being depreciated:					
Site improvements	4,315,729	642,555	23,489		4,934,795
Buildings and building improvements	177,820,602	1,068,155		241,605	179,130,362
Furniture and equipment	22,419,787	1,001,951	477,490		22,944,248
Total capital assets being depreciated	204,556,118	2,712,661	500,979	241,605	207,009,405
Less accumulated depreciation for:					
Site improvements	(2,216,191)	(202,526)	(13,017)		(2,405,700)
Buildings and building improvements	(57,256,247)	(4,274,382)			(61,530,629)
Furniture and equipment	(17,031,688)	(1,578,308)	(409,796)		(18,200,200)
Total accumulated depreciation	(76,504,126)	(6,055,216)	(422,813)		(82,136,529)
Total capital assets being depreciated, net of accumulated depreciation	128,051,992	(3,342,555)	78,166	241,605	124,872,876
Governmental activities capital assets, net of accumulated depreciation	\$ 130,326,771	\$ (3,342,555)	\$ 78,166	\$	\$ 126,906,050
<b>Business-type activities:</b>					
Capital assets being depreciated:					
Property and equipment	\$ 1,075,845	\$ 151,198	\$ 251,564	\$	\$ 975,479
Less accumulated depreciation	(671,206)	(86,664)	(245,505)		(512,365)
Business-type activities capital assets, net of accumulated depreciation	\$ 404,639	\$ 64,534	\$ 6,059	\$	\$ 463,114
Depreciation expense was charged to governmental functions as follows:					
Regular instruction	\$ 251,842				
Vocational instruction	70,860				
Special education instruction	26,383				
Other instruction	44,468				
Depreciation not charged to a specific function	5,661,663				
Total depreciation for governmental activities	\$ 6,055,216				

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 9 - LONG-TERM OBLIGATIONS

Long-term obligations of the district as of June 30, 2017 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
Bonds and notes payable					
Capital projects	\$ 65,265,000	\$ 37,735,000	\$ 44,620,000	\$ 58,380,000	\$ 6,465,000
Total bonds payable	<u>65,265,000</u>	<u>37,735,000</u>	<u>44,620,000</u>	<u>58,380,000</u>	<u>6,465,000</u>
Other liabilities					
Vested employee benefits					
Longevity	6,240		1,440	4,800	1,300
Bond premium	<u>107,634</u>	<u>2,946,016</u>	<u>236,587</u>	<u>2,817,063</u>	<u>298,294</u>
Total other liabilities	<u>113,874</u>	<u>2,946,016</u>	<u>238,027</u>	<u>2,821,863</u>	<u>299,594</u>
Total governmental activities long-term liabilities	<u>\$ 65,378,874</u>	<u>\$ 40,681,016</u>	<u>\$ 44,858,027</u>	<u>\$ 61,201,863</u>	<u>\$ 6,764,594</u>
<b>Business type activities:</b>					
Bonds and notes payable	NONE				
Capital leases	NONE				

Total interest paid during the year aggregated \$2,388,694. Total interest incurred during the year aggregated \$2,075,320.

#### General Obligation Debt

All general obligation debt is secured by the full faith and credit and taxing powers of the district. General obligation debt at June 30, 2017, is comprised of the following individual issues:

Description	Issue Date	Interest Rate (%)	Date of Maturity	Balance June 30, 2017
Notes and bonds awarded to:				
Harris N.A.	05/01/07	4.0 - 4.5	03/01/27	\$ 2,000,000
UBS Securities, LLC	07/15/08	4.0 - 4.625	03/01/28	4,350,000
Stern Brothers & Company	11/01/10	1.70 - 5.3	03/01/30	12,190,000
Stern Brothers & Company	12/18/13	1.10 - 3.0	03/01/19	2,465,000
Cede & Co	08/31/16	1.50 - 4.0	03/01/28	<u>37,375,000</u>
Total general obligation debt				<u>\$ 58,380,000</u>

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 9 - LONG-TERM OBLIGATIONS (continued)

On August 31, 2016, the district issued \$37,735,000 in general obligation refunding bonds with interest rates ranging from 1.5% to 4.0% for the purpose of advance refunding the callable maturities (2019-2027) of the district's general obligation school building bonds dated May 1, 2007 and the callable maturities (2020-2028) of the district's general obligation school building bonds dated July 15, 2008. This resulted in deferred amount on refunding of \$2,753,635, which represents the difference between the reacquisition price and the net carrying amount of the refunded bonds. The net proceeds of \$40,328,635 (after payment of underwriting fees, insurance, and other costs) were used to purchase United States Treasury Obligations State and Local Government Series. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the 2007 and 2008 bonds. As a result, the refunded portion of the 2007 and 2008 bonds are considered to be defeased and the liability for those bonds has been removed from the district's government-wide statement of net position. The district completed the advance refunding to reduce its total debt service payments. As of June 30, 2017, \$37,575,000 of the defeased debt remains outstanding.

Subsequent to year-end, the district issued \$14,475,000 of general obligation refunding bonds dated July 13, 2017, for the purpose of energy efficient improvements to various schools throughout the district. The bonds bear interest at rates ranging from 2.0% to 3.0% and mature at various dates through March 1, 2027.

The 2016 equalized valuation of the district as certified by the Wisconsin Department of Revenue is \$3,865,376,126. The legal debt limit and margin of indebtedness as of June 30, 2017, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$3,865,376,126)	\$ 386,537,613
Deduct long-term debt applicable to debt margin	<u>58,380,000</u>
Margin of indebtedness	<u>\$ 328,157,613</u>

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 9 - LONG-TERM OBLIGATIONS (continued)

Aggregate cash flow requirements for the retirement of long-term principal and interest on June 30, 2017, follows:

Year Ended June 30	Principal	Interest	Total
2018	\$ 6,465,000	\$ 1,843,614	\$ 8,308,614
2019	6,450,000	1,603,564	8,053,564
2020	5,185,000	1,401,345	6,586,345
2021	5,105,000	1,305,475	6,410,475
2022	5,025,000	1,207,970	6,232,970
2023 - 2027	24,825,000	3,684,118	28,509,118
2028 - 2030	<u>5,325,000</u>	<u>409,745</u>	<u>5,734,745</u>
	<u>\$ 58,380,000</u>	<u>\$ 11,455,831</u>	<u>\$ 69,835,831</u>

### NOTE 10 - EMPLOYEE PENSION PLANS

#### Defined Benefit Plan

##### *Plan Description*

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

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

##### *Vesting*

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 10 - EMPLOYEE PENSION PLANS (continued)

#### *Benefits Provided*

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

#### *Post-retirement Adjustments*

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2007	3.0%	10.0%
2008	6.6%	0.0%
2009	-2.1%	-42.0%
2010	-1.3%	22.0%
2011	-1.2%	11.0%
2012	-7.0%	-7.0%
2013	-9.6%	9.0%
2014	4.7%	25.0%
2015	2.9%	2.0%
2016	0.5%	-5.0%

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 10 - EMPLOYEE PENSION PLANS (continued)

#### *Contributions*

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting January 1, 2016, the Executives and Elected Officials category was merged into the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. During the district's reporting period, the WRS recognized \$4,590,966 in contributions from the employer.

Contribution rates as of June 30, 2017, are:

	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives, and elected officials)	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

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

At June 30, 2017, the district reported a liability of \$3,737,946 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The district's proportion of the net pension liability was based on the district's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the district's proportion was 0.45350278%, which was a decrease of 0.00243543% from its proportion measured as of December 31, 2015. For the year ended June 30, 2017, the district recognized pension expense of \$9,595,798.

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**NOTE 10 - EMPLOYEE PENSION PLANS (continued)**

At June 30, 2017, the district reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,425,279	\$ 11,755,516
Net differences between projected and actual earnings on pension plan investments	22,291,828	3,685,518
Changes in assumptions	3,908,167	
Changes in proportion and differences between employer contributions and proportionate share of contributions	198,903	
Employer contributions subsequent to the measurement date	<u>2,349,627</u>	
 Total	 <u>\$ 30,173,804</u>	 <u>\$ 15,441,034</u>

\$2,349,627 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction on the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2018	\$ 9,690,014	\$ 4,674,497
2019	9,690,014	4,674,497
2020	8,109,342	4,674,497
2021	327,169	1,417,543
2022	7,638	



# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 10 - EMPLOYEE PENSION PLANS (continued)

#### *Actuarial Assumptions*

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2015
Measurement date of net pension liability	December 31, 2016
Actuarial cost method	Entry age
Asset valuation method	Fair market value
Long-term expected rate of return	7.2%
Discount rate	7.2%
Salary increases:	
Inflation	3.2%
Seniority/merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 - 2014. The total pension liability for December 31, 2016, is based upon a roll-forward of the liability calculated from the December 31, 2015, actuarial valuation.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 10 - EMPLOYEE PENSION PLANS (continued)

#### *Long-term Expected Return on Plan Assets*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of the December 31, 2016, measurement date for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Destination Target Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
<b>Core Fund</b>				
Global equities	50.0%	45.0%	8.3%	5.4%
Fixed income	24.5%	37.0%	4.2%	1.4%
Inflation sensitive assets	15.5%	20.0%	4.3%	1.5%
Real estate	8.0%	7.0%	6.5%	3.6%
Private equity/debt	8.0%	7.0%	9.4%	6.5%
Multi-asset	4.0%	4.0%	6.6%	3.7%
Total Core Fund	110.0%	120.0%	7.4%	4.5%
<b>Variable Fund</b>				
U.S. equities	70.0%	70.0%	7.6%	4.7%
International equities	30.0%	30.0%	8.5%	5.6%
Total Variable Fund	100.0%	100.0%	7.9%	5.0%

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

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 10 - EMPLOYEE PENSION PLANS (continued)

#### *Single Discount Rate*

A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### *Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

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

Asset Class	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
District's proportionate share of the net pension liability (asset)	\$ 49,175,072	\$ 3,737,946	\$ (31,250,700)

#### *Pension Plan Fiduciary Net Position*

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

#### Defined Contribution Plans

The district offers a 403(b) plan and a 457 plan to employees who meet certain eligibility requirements. Employees may defer limited amounts of compensation under these plans. There are no employer matching contributions for these plans.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 11 - OPERATING LEASES, AS LESSEE

The district, as lessee, leases a number of copiers through March 2020. The lease calls for monthly payments of \$15,078. Rent expense under this lease was \$180,936 for the year ended June 30, 2017.

The district leased space for its Charter School under an operating lease through June 30, 2017. The operating lease automatically extended for subsequent one year periods. Effective July 1, 2016, the lease called for monthly payments of \$11,016 and had a 2.5% annual escalator. Rent expense under this lease was \$42,990 through October 2016, at which time this property was gifted to the district by the owner of the property.

The district leases space for its TAGOS Academy under an operating lease through August 2020. That lease calls for monthly payments of \$11,665. Rent expense under this lease was \$139,977 for the year ended June 30, 2017.

The district leases a storage facility under an operating lease through August 2020. That lease calls for monthly payments of \$4,677. Rent expense under this lease was \$56,127 for the year ended June 30, 2017.

Future minimum lease payments under these leases are as follows:

Year ended June 30	
2018	\$ 380,611
2019	380,611
2020	332,105
2021	<u>32,684</u>
	<u>\$ 1,126,011</u>

### NOTE 12 - SELF-FUNDED DENTAL INSURANCE PROGRAM

On September 1, 1983, the district established a self-funded health and dental benefit plan for its employees. Effective July 1, 2015, the district is no longer self-funded for health insurance benefits, but remains self-funded for dental benefits. The plan administrator, Delta Dental, process and pay claims on behalf of the district. The district funds the program and pays all fees. The plan reports on a fiscal year ending August 31.

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

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

At June 30, 2017, the district has reported an estimated liability of \$45,000 which represents reported and unreported claims which were incurred on or before June 30, 2017, but were not paid by the district as of that date.

Reported and unreported claims:

Estimated Liability Balance July 1, 2016	Current Year Claims and Changes In Estimates	Claim Payments	Estimated Liability Balance June 30, 2017
<u>\$ 45,000</u>	<u>\$ 1,040,530</u>	<u>\$ 1,040,530</u>	<u>\$ 45,000</u>

**NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES**

Encumbrances Outstanding - Encumbrances for purchase orders, contracts and other commitments for expenditures are recognized by the district as a reservation of fund balance. On June 30, 2017, there were approximately \$2,105,500 of encumbrances outstanding.

**NOTE 14 - SUPPLEMENTAL PENSION PLAN**

The district provides a single-employer defined benefit supplemental pension benefit to eligible administrators. The district accounts for this plan under GASB #73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*. This benefit was discontinued for new hires effective March 1, 2006. Administrators hired before this date retained the benefit.

*Benefits Provided*

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 14 - SUPPLEMENTAL PENSION PLAN (continued)

#### *Contributions and Other Plan Information*

There is no legal or contractual maximum contribution rate. The district is currently funding the plan on a “pay-as-you-go” basis. During the reporting period, the district paid \$35,368 as benefits came due. Benefits are recognized when due and payable in accordance with the terms of the plan. At June 30, 2017 and 2016, the plan has no legally-required reserves or designations and no invested plan assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73 for payment of future benefits.

As of the June 30, 2016 (the date of the most recent actuarial valuation), the district had one retiree receiving benefits under the plan. There are no terminated members entitled to, but not yet receiving benefits. The district has six additional employees that were hired prior to the discontinuation of the plan that are expected to be eligible for benefits under the plan. As noted above, the district’s Board of Education previously closed this plan to new entrants, but the Board of Education maintains the right to amend the provisions of the plan, including employer and employee obligations to contribute to the plan.

#### *Net Supplemental Pension Liability, Pension Expense and Deferred Outflows of Resources Related to Pensions*

At June 30, 2017, the district reported a total pension liability of \$525,874. The total pension liability was measured as of June 30, 2016. For the year ended June 30, 2017, the district recognized a negative pension expense of \$77,991. The following presents the district’s changes in total pension liability for the year ended June 30, 2017:

	<u>Increase (Decrease)</u>
	<u>Total Pension</u>
	<u>Liability</u>
Balance at June 30, 2016	\$ 603,865
Changes for the year	
Service cost	25,768
Interest	16,696
Benefit payments	<u>(120,455)</u>
Balance at June 30, 2017	<u>\$ 525,874</u>

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 14 - SUPPLEMENTAL PENSION PLAN (continued)

At June 30, 2017, the district reported deferred outflows of resources related to the pension plan from the following sources:

	<u>Deferred Outflows of Resources</u>
Employer contributions subsequent to the measurement date	<u>\$ 35,368</u>

The above reported deferred outflows related to pension benefits resulting from the district's benefit payments made subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ended June 30, 2018.

#### *Actuarial Assumptions*

The total supplemental liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2016
Measurement date of total pension liability	June 30, 2016
Actuarial cost method	Entry age normal
Inflation	3.0%
Discount rate	3.0%
Salary increases	.2% - 5.6%, based on years of service
Mortality	WRS 2012-14 Experienced Mortality Rates - Healthy Lives Table

Actuarial assumptions are based upon WRS 2012-2014 Experience Retirement Rates. The discount rate is based on the Bond Buyer Go 20-Year AA Bond Index published by the Federal Reserve for the week at the beginning on the measurement period.

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**NOTE 14 - SUPPLEMENTAL PENSION PLAN (continued)**

*Sensitivity of the District's Total Pension Liability to Changes in the Discount Rate*

The following presents the district's total pension liability calculated using the discount rate of 3.0%, as well as what the district's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.0%) or 1-percentage point higher (4.0) than the current rate:

	1% Decrease to Discount Rate <u>(2.0%)</u>	Current Discount Rate <u>(3.0%)</u>	1% Increase to Discount Rate <u>(4.0%)</u>
District's total pension liability	\$ 546,760	\$ 525,874	\$ 505,515

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

The district maintains a single-employer defined benefit OPEB plan that is administered as a trust. The district accounts for OPEB under GASB #75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*.

*Benefits Provided*

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



# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

#### *Contributions and Other Plan Information*

The funding policy of the plan states that the employer will fund 100% of the contributions to the plan as determined by the actuarial valuation, including costs to administer the plan. There are no legal or contractual maximum contribution rates. During the year ended June 30, 2017, the plan recognized \$2,448,382 in contributions from the employer. At June 30, 2017 and 2016, the plan has no legally-required reserves or designations, other than the net position of \$4,075,186 and \$3,374,903, respectively.

As of the June 30, 2016 (the date of the most recent actuarial valuation), the district had 727 retirees receiving benefits under the plan. There are no terminated members entitled to, but not yet receiving benefits. The district had 1,155 employees in active service. The district's Board of Education maintains the right to amend the provisions of the plan, including employer and employee obligations to contribute to the plan.

#### *Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources Related to OPEB*

At June 30, 2017, the district reported a net OPEB liability of \$28,381,841. The OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2016. For the year ended June 30, 2017, the district recognized OPEB expense of \$2,510,382.

At June 30, 2017, the district reported deferred outflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>
Employer contributions subsequent to the measurement date	<u>\$ 2,448,382</u>

The above reported deferred outflows related to OPEB resulting from the district's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

#### *Single Discount Rate*

A single discount rate of 3.00% was used to measure the total OPEB liability. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Since assets are currently being held as cash and cash equivalents, the long-term expected rate of return on OPEB plan investments was based upon the 20-year AA municipal bond rate and applied to all periods of projected benefit payments to determine the total OPEB liability. A discount rate of 3.00% was used in calculating the district's OPEB liabilities (based upon all projected payments discounted at a long-term expected rate of return of 3.00%). This rate is equivalent to the Bond Buyer Go 20-year AA Bond Index published by the Federal Reserve for the week at the beginning on the measurement period.

#### *Actuarial Assumptions*

The total OPEB liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2016
Measurement date of net OPEB liability	June 30, 2016
Actuarial cost method	Entry age normal
Asset valuation method	Fair market value
Long-term expected rate of return	3.0%
Discount rate	3.0%
Salary increases	3.0%
Medical care trend	7.5% decreasing by 0.5% per year down to 6.5%, then by 0.1% per year down to 5.0%, and level thereafter
Mortality	WRS 2012-14 Experienced Mortality Rates - Healthy Lives Table
Termination	WRS 2012-14 Public School Withdrawal Experience Table

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

*Sensitivity of the District's Net OPEB liability to Changes in the Discount Rate and Health Care Trend Rate*

The following presents the net OPEB liability of the district calculated using the discount rate of 3.0%, as well as what the district's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.0%) or 1-percentage-point higher (4.0%) than the current rate:

	1% Decrease to Discount Rate <u>(2.0%)</u>	Current Discount Rate <u>(3.0%)</u>	1% Increase to Discount Rate <u>(4.0%)</u>
Net OPEB liability	<u>\$ 31,198,187</u>	<u>\$ 28,381,841</u>	<u>\$ 25,935,634</u>

The following presents the net OPEB liability of the district calculated using the trend rate of 7.5% graded down to 5.0%, as well as what the district's net OPEB liability would be if it was calculated using a trend rate that is 1-percentage-point lower (6.5% graded down to 4.0%) or 1-percentage-point higher (8.5% graded down to 6.0%) than the current rate:

	1% Decrease to Healthcare Trend Rate (6.5% <u>decreasing to 4.0%</u> )	Current Healthcare Trend Rate (7.5% <u>decreasing to 5.0%</u> )	1% Increase to Healthcare Trend Rate (8.5% <u>decreasing to 6.0%</u> )
Net OPEB liability	<u>\$ 26,363,399</u>	<u>\$ 28,381,841</u>	<u>\$ 30,692,326</u>

**NOTE 16 - OTHER EMPLOYEE BENEFIT AMOUNTS**

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

# **SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

### **NOTE 17 - BUDGETARY INFORMATION**

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

### **NOTE 18 - LIMITATION ON SCHOOL DISTRICT REVENUES**

Wisconsin statutes limit the amount of revenues that school districts may derive from general school aids and property taxes. The annual revenue increase from these sources is limited by statute or the CPI-adjusted dollar amount on the prior year per pupil amount unless a higher amount has been approved by a referendum.

This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

- A resolution of the school board or by a referendum prior to August 12, 1993.
- A referendum on or after August 12, 1993.

For the fiscal year ended June 30, 2017, the district did not exceed its revenue limit.

### **NOTE 19 - RISK MANAGEMENT**

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

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### NOTE 20 - PRIOR PERIOD ADJUSTMENT

The district recorded a prior period adjustment to restate beginning fund equity for the provisions of Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement established requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 and established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for such pensions that are provided to employees not administered through a trust. For the district, the supplemental pension plan meets the criteria for reporting under GASB Statement No. 73. The provisions of GASB Statement No. 73 are effective for financial statement periods beginning after June 15, 2016. Accounting changes adopted to conform to the provisions of GASB Statement No. 73 were applied retroactively by restating beginning net position, as required.

The district recorded a prior period adjustment to restate beginning fund equity for the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for other postemployment benefits (including medical insurance, dental insurance, and/or long-term care coverage) that are provided to employees through a trust. The provisions of GASB Statement No. 75 are effective for financial statement periods beginning after June 15, 2017, with earlier implementation encouraged. Accounting changes adopted to conform to the provisions of GASB Statement No. 75 were applied retroactively by restating beginning net position, as required.

### NOTE 21 - SUBSEQUENT EVENTS

The district has performed an evaluation of subsequent events requiring disclosure that have occurred after the statement of net position date but before the financial statements are issued or available to be issued. The district has evaluated its subsequent events through November 22, 2017, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

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

Wisconsin Retirement System

Last 10 Fiscal Years\*

	2016	2015	2014
District's proportion of the net pension liability (asset)	0.45350278%	0.45593821%	0.46092746%
District's proportionate share of the net pension liability (asset)	\$ 3,737,946	\$ 7,408,907	\$ (11,321,639)
District's covered-employee payroll	\$ 66,266,305	\$ 63,910,873	\$ 63,306,487
District's proportionate share of the net pension liability (asset) as a percentage of it's covered-employee payroll	5.64%	11.59%	-17.88%
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.12%	98.20%	102.74%
District's contractually required contributions	\$ 4,373,329	\$ 4,345,939	\$ 4,431,867
District contributions in relation to the contractually required contributions	\$ 4,373,329	\$ 4,345,939	\$ 4,431,867
Contribution deficiency (excess)	\$	\$	\$
District's covered-employee payroll	\$ 66,266,305	\$ 63,910,873	\$ 63,306,487
District's contributions as a percentage of covered-employee payroll	6.60%	6.80%	7.00%

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

*Notes to Required Supplementary Information:*

Significant actuarial assumptions and methods: See Note 10

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

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

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE TOTAL PENSION  
LIABILITY AND RELATED RATIOS**

Supplemental Pension

As of June 30

Last 10 Fiscal Years\*

	<u>2016</u>
Total pension liability	
Service cost	\$ 25,768
Interest on total pension liability	16,696
Benefit payments	<u>(120,455)</u>
Net change in total pension liability	(77,991)
Total pension liability - beginning	<u>603,865</u>
Total pension liability - ending	<u>\$ 525,874</u>
Covered - employee payroll	\$ 752,709
Total pension liability as percentage of covered-employee payroll	69.86%

\* The amounts presented for each year were determined based upon a June 30 measurement date. The information for the above years presented were the only available years of information.

*Notes to Required Supplementary Information:*

There are no assets accumulated in a trust that meets the criteria in GASB Statement No. 73, paragraph 4, to pay related benefits

Significant actuarial assumptions and methods: See Note 14

Changes of benefit terms: There were no changes of benefit terms.

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



**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS CONTRIBUTIONS**

As of June 30  
Last 10 Fiscal Years\*

	<u>2016</u>
District's actuarially determined contribution	\$ 1,886,832
District contributions in relation to the actuarially determined contributions	\$ 1,200,000
Contribution deficiency (excess)	\$ 686,832
District's covered-employee payroll	\$ 51,492,451
District's contributions as a percentage of covered-employee payroll	2.33%

\* The amounts presented for each year were determined based upon a June 30 measurement date. The information for the above years presented were the only available years of information.

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY AND RELATED RATIOS

As of June 30

Last 10 Fiscal Years\*

	<u>2016</u>
Total OPEB liability	
Service cost	\$ 1,586,736
Interest on total OPEB liability	932,396
Benefit payments	<u>(2,097,761)</u>
Net change in total OPEB liability	421,371
Total OPEB liability - beginning	<u>31,335,373</u>
Total OPEB liability - ending (a)	<u>31,756,744</u>
Plan fiduciary net position	
Contributions - employer	1,200,000
Net investment income	8,750
Benefit payments	<u>(2,097,761)</u>
Net change in plan fiduciary net position	(889,011)
Plan fiduciary net position - beginning	<u>4,263,914</u>
Plan fiduciary net position - ending (b)	<u>3,374,903</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 28,381,841</u>
Plan fiduciary net position as a percentage of the total OPEB liability	10.63%
Covered - employee payroll	\$ 51,492,451
Net OPEB liability as percentage of covered-employee payroll	55.12%

\* The amounts presented for each year were determined based upon a June 30 measurement date. The information for the above years presented were the only available years of information.

### *Notes to Required Supplementary Information:*

Significant actuarial assumptions and methods: See Note 15

Changes of benefit terms: There were no changes of benefit terms.

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

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHARTER SCHOOL AUTHORIZER OPERATING COSTS**

For the Year Ended June 30, 2017

Operating Activity	Charter School			
	Arise Virtual Academy	Rock River Charter School	Rock University High School	TAGOS Leadership Academy
Salaries	\$ 419,373	\$ 1,054,759	\$ 137,647	\$ 286,447
Benefits	112,667	341,249	36,955	117,560
Personal Services	2,881	8,365	504	850
Copier Image Costs	918	1,864	715	885
Services	53,695	3,555		
Pupil Transportation		6,600	3,735	1,472
Employee Travel	2,936	9,686	3,201	336
Postage	527	434	72	112
Telephone	546	1,122	630	1,504
General Supplies	2,221	20,791	2,471	3,630
Food	396	1,411	361	866
Apparel	1,245	939	280	705
Library Media	1,909	683	772	1,210
Software	1,487	2,304		
Non Capital Objects	3,277	25,177	1,730	
Rent		59,948		118,981
Capital Objects	554	3,975		
Student Dues and Fees		1,026	30	1,169
Unrestricted Indirect Cost	<u>103,294</u>	<u>218,465</u>	<u>32,469</u>	<u>91,984</u>
Totals	<u>\$ 707,926</u>	<u>\$ 1,762,353</u>	<u>\$ 221,572</u>	<u>\$ 627,711</u>

**OTHER SUPPLEMENTAL FINANCIAL INFORMATION**

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

**OTHER NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

June 30, 2017

	Special Revenue Fund	Capital Improvement Fund	Community Services Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 321,034	\$ 1,024,010	\$ 11,767	\$ 1,356,811
Due from other funds	<u>                    </u>	<u>400,000</u>	<u>                    </u>	<u>400,000</u>
Total assets	<u>\$ 321,034</u>	<u>\$ 1,424,010</u>	<u>\$ 11,767</u>	<u>\$ 1,756,811</u>
<b>LIABILITIES</b>				
Accounts payable	<u>\$ 9,954</u>	<u>                    </u>	<u>                    </u>	<u>\$ 9,954</u>
Total liabilities	<u>9,954</u>	<u>                    </u>	<u>                    </u>	<u>9,954</u>
<b>FUND BALANCES</b>				
Restricted	<u>311,080</u>	<u>1,424,010</u>	<u>11,767</u>	<u>1,746,857</u>
Total fund balances	<u>311,080</u>	<u>1,424,010</u>	<u>11,767</u>	<u>1,746,857</u>
Total liabilities and fund balances	<u>\$ 321,034</u>	<u>\$ 1,424,010</u>	<u>\$ 11,767</u>	<u>\$ 1,756,811</u>

**SCHOOL DISTRICT OF JANESVILLE**

Janesville, Wisconsin

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

For the Year Ended June 30, 2017

	Special Revenue Fund	Capital Improvement Fund	Community Services Fund	Total Nonmajor Governmental Funds
Revenues				
Local sources	\$ 402,730	\$	\$ 41,430	\$ 444,160
State sources	844			844
Other revenues	40,291	665		40,956
Total revenues	<u>443,865</u>	<u>665</u>	<u>41,430</u>	<u>485,960</u>
Expenditures				
Instruction:				
Regular instruction	132,438			132,438
Vocational instruction	12,039			12,039
Special instruction	6,870			6,870
Other instruction	191,073			191,073
Total instruction	<u>342,420</u>			<u>342,420</u>
Support services:				
Pupil services	31,754			31,754
Instructional staff services	32,350			32,350
Business services	2,951			2,951
Operations and maintenance	31,398			31,398
Pupil transportation	2,470			2,470
Community services			46,613	46,613
School administration services	751			751
Other support services	9,286			9,286
Total support services	<u>110,960</u>		<u>46,613</u>	<u>157,573</u>
Total expenditures	<u>453,380</u>		<u>46,613</u>	<u>499,993</u>
Excess of revenues over (under) expenditures	<u>(9,515)</u>	<u>665</u>	<u>(5,183)</u>	<u>(14,033)</u>
Other financing sources				
Operating transfers in		653,340		653,340
Net other financing sources		653,340		653,340
Net change in fund balances	(9,515)	654,005	(5,183)	639,307
Fund balances - beginning of year	320,595	770,005	16,950	1,107,550
Fund balances - end of year	<u>\$ 311,080</u>	<u>\$ 1,424,010</u>	<u>\$ 11,767</u>	<u>\$ 1,746,857</u>

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

Year Ended June 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 193,565	\$ 322,269	\$ 322,995	\$ 192,839
Total assets	<u>\$ 193,565</u>	<u>\$ 322,269</u>	<u>\$ 322,995</u>	<u>\$ 192,839</u>
<b>LIABILITIES</b>				
Due to other funds	\$ 7,004	\$ 6,076	\$	\$ 13,080
Due to student organizations:				
High school	131,161	247,614	249,796	128,979
Middle school	<u>55,400</u>	<u>68,579</u>	<u>73,199</u>	<u>50,780</u>
Total liabilities	<u>\$ 193,565</u>	<u>\$ 322,269</u>	<u>\$ 322,995</u>	<u>\$ 192,839</u>

# SCHOOL DISTRICT OF JANESVILLE

Janesville, Wisconsin

## ANALYSIS OF LOCAL LEVY

June 30, 2017

	2015 Taxes Receivable <u>July 1, 2016</u>	Total 2016 Levy	<u>Collections</u>	2016 Taxes Receivable <u>June 30, 2017</u>
City of Janesville	\$ 9,217,096	\$ 33,246,657	\$ 33,399,264	\$ 9,064,489
Town of Harmony	1,816	7,244	7,976	1,084
Town of Janesville	462,881	1,699,949	1,715,502	447,328
Town of La Prairie	124,109	436,969	440,889	120,189
Town of Rock	<u>472,698</u>	<u>1,578,805</u>	<u>1,577,443</u>	<u>474,060</u>
	<u>\$ 10,278,600</u>	<u>\$ 36,969,624</u>	<u>\$ 37,141,074</u>	<u>\$ 10,107,150</u>