

SCHOOL DISTRICT OF BELOIT

Beloit, Wisconsin

AUDITED FINANCIAL STATEMENTS

June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
School District of Beloit
Beloit, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District of Beloit (District) as of and for the year ended June 30, 2015, 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 entity'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 entity'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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Beloit, as of June 30, 2015, and the respective changes in financial position 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 (MD&A), Budgetary Comparison Information, the Schedule of Funding Progress for Postemployment Benefit Plans Other than Pensions, the Schedule of Net Pension Asset, and the Schedule of Employer Contributions, and related notes on pages 4-14 and 47-51 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 School District of Beloit's basic financial statements. The combining general fund financial statements, the combining nonmajor fund financial statements, and the agency fund schedule of changes in assets and liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*, and is also not a required part of the basic financial statements.

The combining general fund financial statements, the combining nonmajor fund financial statements, the agency fund schedule of changes in assets and liabilities and schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate 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 combining general fund financial statements, the combining nonmajor fund financial statements, the agency fund schedule of changes in assets and liabilities and schedule of expenditures of federal and state awards are 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 10, 2015 on our consideration of the School District of Beloit'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 School District of Beloit's internal control over financial reporting and compliance.

Wegner CPAs LLP

Wegner CPAs, LLP

Madison, Wisconsin

November 10, 2015, except for Management's Discussion and Analysis, as to which the date is January 5, 2016

SCHOOL DISTRICT OF BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

The discussion and analysis of the financial performance of the School District of Beloit (District) provides an overview of financial activities for the fiscal year ended June 30, 2015. The analysis focuses on school district financial performance as a whole. Efforts have been made to provide comparison to prior year data when such data is available. It should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The District's government-wide financial statements reflect the following:

- Total net position of the District increased to \$57,987,606 from \$44,526,754 or 30.23% at June 30, 2015. This increase is attributable to the related increase in capital assets due to referendum building project improvements.
- The Government Accounting Standards Board (GASB) issued Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27. Under GASB 68, the District is required to disclose the net pension asset on the statement of net position. As a result, an adjustment of \$13,497,209 was made to increase the June 30, 2014 net position of the governmental activities on the statement of activities based on the net pension asset balance.
- Total revenues increased to \$102,131,266 in fiscal year 2015, up from \$96,509,758 in fiscal year 2014, an increase of approximately 5.82%.
- Total expenses decreased to \$88,670,420 in fiscal year 2015, down from \$93,656,981 in the year ended June 30, 2014, a decrease of 5.32%.

The District's governmental fund financial statements reflect the following:

Total fund balances of the District's governmental funds decreased \$14,063,934 in fiscal year 2015. This decrease included a \$290,259 increase in the general fund, a \$14,795,042 decrease in the capital projects fund, and a \$440,849 increase in the nonmajor governmental funds.

Total governmental fund expenditures were \$116,642,171 including \$47,495,026 for direct instruction and \$24,930,758 to complete construction on referendum approved projects

The decrease in the District's capital projects fund balance is the result of the capital projects completed with referendum bond proceeds.

The fund balance for all governmental funds at June 30, 2015 was \$14,229,771. Of this amount, \$317,257 was nonspendable; 3,940,241 was restricted for debt service, capital projects, nutrition services and special revenues; and \$9,972,273 remains unassigned. Unassigned fund balance is maintained for adequate reserves primarily for working capital for cash flow purposes.

SCHOOL DISTRICT OF BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

FINANCIAL HIGHLIGHTS (continued)

The following events took place during fiscal year 2015:

- Cost increases in the amount of 2.564 million to implement or expand programs:
 - Dual Language Immersion classes were expanded to include both kindergarten and first grade
 - Changed eligibility for transportation services to include students in sixth through eighth grade
 - Before/after school programs at Morgan/McLenegan
 - Student house build program at Beloit Memorial High School
 - McNeel Intermediate School renovations
 - Scoreboards at Beloit Memorial High School
 - Mental health - Grant Funded
 - Police radios (district wide)
 - Security Cameras at Cunningham
 - Employee raises
 - 115 Trust
- The District made budget reductions of 7.039 million for the 2014-2015 year and 27.439 million over the past four years.
 - Budget reductions were made predominantly in staffing primarily through attrition and/or employee benefit changes.
 - 4k payments to centers (All day 4k moved to District buildings)
 - Staff wellness clinic health care savings
 - Staff health insurance network change
 - Staff prescription insurance change
 - Convert POTs lines to Centrex lines and disconnect unused lines
 - Reduce textbook purchases
 - Apple TV's instead of SMARTBoards in the new classrooms
 - Technology upgrades
 - Transportation Savings (1 tier to 2 tiers)
 - Server support transition to hosted for Skyward
 - Reduce the number of software licenses
 - Reduce in district mileage due to consolidation
 - Closure of Burdge Elementary (utilities)
 - Reduce leased space (Brother Dutton)
 - RCAA combined with BLA (moved RCAA to Wright building)
 - Transition secondary schools to central copy center
 - Reduce curriculum writing
 - Staff reductions through attrition
 - Tax savings: referendum direct material purchases
 - Prompt payment discounts
 - Life consortium changes

SCHOOL DISTRICT OF BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

FINANCIAL HIGHLIGHTS (continued)

- The District invested \$4,500,900 on energy efficiency measures including roof restoration, at Aldrich and Beloit Memorial, window replacement at Todd and Hackett, DDC controls at Aldrich and masonry restoration at Beloit Memorial High School, Todd, Wright and Cunningham, and boiler replacement at Robinson. The District anticipates estimated annual total savings of approximately \$283,000 in utility, operational and capital cost avoidance savings as a result of the project completed to date.
- The District has been able to complete \$7,996,111 worth of annual saving projects utilizing the energy efficiency revenue limit exemption at 10 of our facilities over the last four years (BMHS, Aldrich, McNeel, Burdge, Cunningham, Gaston, Hackett, Todd, Wright and Robinson). The District is saving approximately \$441,894 each year in estimated annual utility savings, operational savings and capital cost avoidance and these projects pay for their costs because of the guaranteed savings.
- The District completed construction of the new Fran Fruzen Intermediate School using community approved referendum funds. These projects were supported through a community endorsed referendum approved in the total amount of \$70,000,000 in April of 2012. Thank you to our taxpayers for allowing the District to build and renovate our facilities to meet the future needs of our students.
- The District's state aid membership increased by 39 full time equivalency due to increasing student enrollment trends.
- The District invested into its facilities with the following projects funded through operating dollars;
 - Flooring replacement projects throughout the district
 - HVAC
 - Painting
 - Bathroom renovation at Todd
 - Renovate Kolak bathroom for ADA
 - Completion of Gaston west addition
 - BMHS Career Center
 - Renovate McNeel Middle School to be an Intermediate School
- Security systems
 - Camera systems are being upgraded at Aldrich
 - The District replaced deadbolts with classroom intruder locks at Aldrich
 - The District installed secure vestibules at Beloit Memorial High School and Aldrich Intermediate School
 - Police radios for city wide communications
- Curb appeal
 - Landscaping projects are performed district wide
 - BMHS site development
 - Sidewalk replacement
- Special Projects
 - Aldrich kitchen and cafeteria renovations
 - BMHS Scoreboards
 - Completion of career and technical renovations
 - The District invested in our facilities using Revenue Limit Energy Exemption

SCHOOL DISTRICT OF BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the District's basic financial statements. Those basic financial statements are comprised of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains information supplementary to the basic financial statements

District-wide financial statements

District-wide financial statements report information about the School District of Beloit as a whole, using accounting methods similar to those used by private sector companies.

The *statement of net position* includes all the District's asset deferred inflows/outflows of resources, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the District is improving. To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered. The District does not have any proprietary funds and the fiduciary funds are not included in the statement of net position.

The *statement of activities* includes all revenues and expenses of the District, irrespective of when cash is actually received or paid out. The intent of the district-wide statements is to provide a snapshot of the District's net position and to provide an explanation of material changes that occurred since the prior year.

Fund financial statements

The *fund financial statements* provide detailed information about the District's significant funds rather than the School District of Beloit as a whole. A fund is an accounting entity with a self balancing set of accounts for recording assets, liabilities, revenues, and expenditures. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into two categories: governmental and fiduciary. Table 1 summarizes the various features of each of these funds.

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) cash and other financial assets that can readily be converted to cash and (2) the balances remaining at year-end that are available for funding future basic services. Governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or less financial resources to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information is provided that explains the relationship between them.
- *Fiduciary funds*—The District serves as a fiduciary for student organizations and the employee benefit trust fund. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

SCHOOL DISTRICT OF БЕЛОIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Table 1
Major Features of the District-wide and Fund Financial Statements

	District-wide	Fund Financial Statements	
	<u>Statements</u>	<u>Governmental</u>	<u>Fiduciary</u>
Scope	Entire district (except fiduciary funds).	The activities of the District that is not proprietary or fiduciary, such as instruction, support services, debt service, capital projects, nutrition service and community services.	The district acts as trustee or agent for another; eg other post employment trusts
Required Financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.
Type of asset deferred inflows/outflows of resources and liability information	All assets deferred inflows/outflows of resources 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 included.	All assets and liabilities, 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 when cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable.	All additions or deductions during the year, regardless of when cash is received and paid.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 23-45 of this report.

Other Information

Required supplementary information (RSI) includes a budget to actual comparison that provides readers with information about the accuracy with which management was able to project the District's revenues and expenditures. In addition, the RSI includes information concerning the District's other post employment benefits (OPEB) liability and certain details of the District's net pension asset.

SCHOOL DISTRICT OF BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

DISTRICT-WIDE FINANCIAL STATEMENTS

Statement of Net Position

The District ended its fiscal year with net position of \$58,249,600 of which \$42,359,661 was net investment in capital assets, \$1,143,247 was restricted for debt service, \$1,807,883 was restricted for school nutrition services, \$290,259 was restricted by contractual obligations, \$235,944 was restricted by donor specifications and \$12,412,606 was unrestricted net position. Unrestricted net position represents the deficiency of discretionary resources that can be used to fund general District operations.

For governmental activities, current assets and other assets decreased due to referendum and capital assets increased due the completion of referendum capital projects during the year. Long-term liabilities decreased as a result of normal debt payments.

Table 2
Condensed Statement of Net Position
(in thousands of dollars)

	Governmental Activities		
	2015	2014	% Change
ASSETS			
Current and other assets	\$ 36,535	\$ 51,860	-29.55%
Capital assets	114,587	92,924	23.31%
Total assets	151,122	144,784	4.38%
DEFERRED OUTFLOWS	6,180	1,515	307.92%
LIABILITIES			
Long-term liabilities	82,866	88,495	-6.36%
Other liabilities	16,449	13,278	23.88%
Total liabilities	99,315	101,773	-2.42%
Net Position			
Net investment in capital assets	42,098	30,459	38.21%
Restricted	3,476	17,520	-80.16%
Unrestricted	12,413	(3,453)	-459.48%
Total Net Position	\$ 57,987	\$ 44,526	30.23%

SCHOOL DISTRICT OF BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

DISTRICT-WIDE FINANCIAL STATEMENTS (continued)

Changes in Net Position

Table 3 demonstrates that on a district-wide basis the District ended fiscal year 2015 with an increase in net position of \$13,460,846 compared to an increase of \$2,852,776 in fiscal year 2014. This increase is attributable to the growth in capital assets due to referendum building project improvements

The district received \$102,131,266 in revenue for the fiscal year 2015. The District relies primarily on general aids (62.29% of total governmental revenues), specific use private, state and federal grants (19.63%), and property taxes (14.48%) to fund governmental activities.

Individuals who directly participated or benefited from a program paid 1.78% of the cost. General school and activity fees, admission to athletic events, open enrollment tuition and other fees are included as charges for services.

Federal and state governments subsidized certain programs with grants and awards of \$84,888,729. Operating grants include Title I, IDEA, Transportation Aid, Equalization Aid, and National School Lunch Programs.

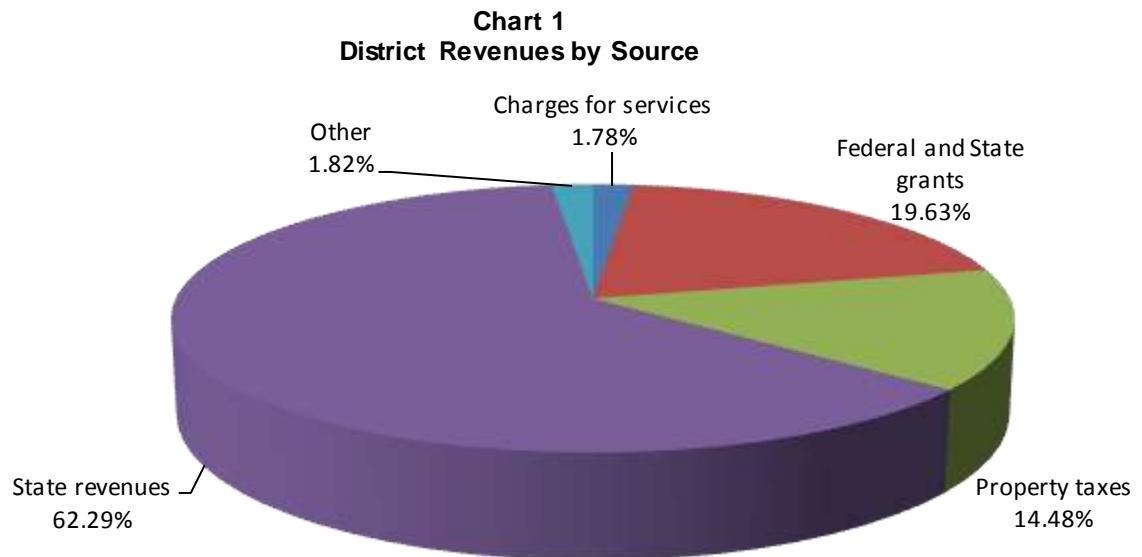
Table 3
Changes in Net Position from Operating Results
(in thousands of dollars)

REVENUES	Governmental Activities		
	2015	2014	% Change
Program revenues			
Charges for services	\$ 1,813	\$ 1,973	-8.11%
Federal and state grants	20,051	18,979	5.65%
General revenues			
Property taxes	14,788	13,890	6.47%
State revenues	63,620	60,629	4.93%
Other	1,859	1,039	78.92%
Total revenues	102,131	96,510	5.82%
EXPENSES			
Instruction	48,278	51,886	-6.95%
Pupil and instructional services	9,448	8,780	7.61%
Administration and finance	12,154	6,833	77.87%
Maintenance and operations	4,783	11,723	-59.20%
Pupil transportation	2,238	2,193	2.05%
Nutrition services	3,885	3,273	18.70%
Central services	1,645	3,230	-49.07%
Interest on debt	1,993	1,932	3.16%
Other	4,246	3,807	11.53%
Total expenses	88,670	93,657	-5.32%
Change in Net Position	\$ 13,461	\$ 2,853	371.82%

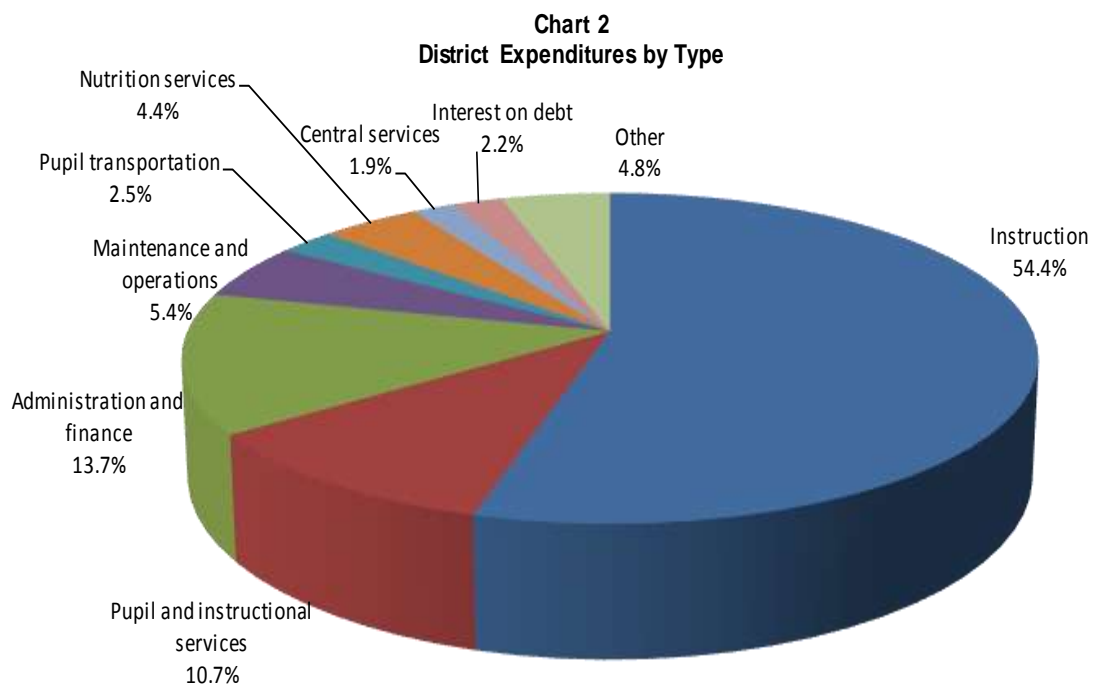
SCHOOL DISTRICT OF BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

DISTRICT-WIDE FINANCIAL STATEMENTS (continued)

The composition of District revenues by source is illustrated below in Chart 1.



The composition of District expenditures by type is illustrated below in chart 2.



SCHOOL DISTRICT OF BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

DISTRICT-WIDE FINANCIAL STATEMENTS (continued)

Table 4 presents the cost of district activities. The table reports each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost reflects the financial burden that was placed on the District's taxpayers by each of these functions.

The cost of all governmental activities this year was \$88,670,420. Individuals who directly participated or benefited from a program offering paid for \$1,813,040 of costs. Federal and state governments funding, along with other general contributions, subsidized certain programs with grants and contributions of \$20,050,795. The net cost of governmental activities \$66,806,585 was financed primarily by \$14,788,415 of property taxes and \$63,620,130 of state equalization aid.

Table 4
Net Cost of Governmental Activities
(in thousands of dollars)

	Total Cost of Services	Net Cost of Services
EXPENSES		
Instruction	\$ 48,278	\$ (31,360)
Pupil and instructional services	9,448	(9,173)
Administration and finance	12,154	(12,154)
Maintenance and operations	4,783	(4,783)
Pupil transportation	2,238	(2,177)
Nutrition services	3,885	614
Central services	1,645	(1,586)
Interest on debt	1,993	(1,993)
Other	4,246	(4,195)
Total expenses	<u>\$ 88,670</u>	<u>\$ (66,807)</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the District's financing requirements. Unassigned fund balances or lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The District completed the year with a total governmental fund balance of \$14,229,771 down from last year's ending fund balance of \$28,293,702. The overall decrease in fund balance is the result of \$24,930,758 of capital outlays which were funded with referendum bond proceeds. Unassigned fund balance is maintained for adequate reserves primarily for working capital for cash flow purposes. The District's unassigned fund balance was \$9,972,273.

The General Fund is the chief operating fund of the District. During the current fiscal year, the general fund saw a fund balance increase of \$290,259, compared to a decrease of \$2,198,209 in the prior year.

SCHOOL DISTRICT OF BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

GENERAL FUND BUDGETARY HIGHLIGHTS

While the District's original adopted budget for the general fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by \$4,231,885, the actual results for the year ended June 30, 2015 had revenues and other financing sources in excess of expenditures and other financing uses by \$290,259. The most significant budget changes included adjusting the budget for land purchases, capital expenditures for referendum related facility projects, modifications in state and federal grants to account for new or revised grant awards and adjusting the budget for an increased number of students utilizing the open enrollment option to attend other Districts whereby the District must transfer tuition

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had \$152,934,198 in capital assets, including land, buildings, furniture and equipment. Total accumulated depreciation on these assets was \$38,347,594. Asset acquisitions for governmental activities totaled \$24,930,758. The District recognized depreciation expense of \$2,881,934. Detailed information about capital assets can be found in Note 4 to the financial statements.

Table 5
Capital Assets
(in thousands of dollars)

	2015	2014
Land and construction in progress	\$ 6,354	\$ 8,240
Buildings and improvements	129,141	106,025
Furniture and equipment	17,440	14,177
Accumulated depreciation	<u>(38,348)</u>	<u>(35,518)</u>
Net capital assets	<u><u>\$ 114,587</u></u>	<u><u>\$ 92,924</u></u>

Long-term Debt

At June 30, 2015, the District had \$69,586,774 in general obligation debt outstanding. Debt of the District is secured by a tax levy adopted by the school board at the time of issuance. Wisconsin statutes require that the first property tax receipts be segregated for annual debt service payments. Detailed information about the District's long-term obligations is presented in Note 5 to the financial statements.

Table 6
Outstanding Long-term Obligations
(in thousands of dollars)

	2015	2014
General obligation debt	\$ 69,587	\$ 72,813
Capital leases	1,799	2,999
Other postemployment benefits	11,388	12,597
Compensated absences	<u>92</u>	<u>86</u>
Net long-term obligations	<u><u>\$ 82,866</u></u>	<u><u>\$ 88,495</u></u>

SCHOOL DISTRICT OF BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

FACTORS BEARING ON THE DISTRICT'S FUTURE

Currently known circumstances that will impact the District's financial status in the future are:

- The District has increased its margin of debt substantially due to its April 2012 approved referendum in the amount of \$70,000,000.
- The District has decreased its Other Post Employment Benefit (OPEB) liability substantially due to its redesign of future employee benefit offerings. (Language was deleted here)
- Estimated preliminary budget shortfalls are projected into the foreseeable future based on funding trends as compared to expenditure trends.
- The District continues to implement energy efficiency measures and renewable energy products.
- The District continues to proactively budget for preventive building maintenance and capital projects for safe, secure and efficient buildings using a comprehensive master facility plan that has been developed for predictable facility project budgeting. The District addresses facility needs through operational funds and revenue limit energy exemption tool
- The District must transfer to other school districts, tuition under the open enrollment option, historical trends depict a pattern of an increasing number of students utilizing the open enrollment option.
- Private charter and voucher schools are expanding and/or growing and are primarily publicly funded

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Janelle Marotz, CPA, CSRM, SFO, Assistant Superintendent of Business Services at (608) 361-4015 or jmarotz@sdb.k12.wi.us.

Additional information about the District and its services can also be found on the District's website at <http://www.sdb.k12.wi.us>.

SCHOOL DISTRICT OF BELOIT
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities
ASSETS	
Cash and investments	\$ 22,423,258
Accounts receivable	3,848,528
Inventories	84,693
Prepaid expenses	232,564
Net pension asset	7,465,263
Capital assets not being depreciated	6,353,541
Capital assets being depreciated, net	108,233,063
Total assets	151,123,423
DEFERRED OUTFLOWS OF RESOURCES	
Pension-expected vs actual experience	1,082,231
Pension-expected vs. actual investment income	3,615,041
Pension-contributions after measurement date	1,482,389
Total deferred outflows of resources	6,179,661
LIABILITIES	
Accounts payable and other current liabilities	13,780,993
Due to other fund	998,465
Accrued interest	505,245
Unearned revenues	62,327
Long-term debt	
Due within one year	4,642,055
Due in more than one year	66,744,291
Other postemployment benefits	11,387,941
Accrued compensated absences	91,570
Unamortized debt premium	1,102,597
Total liabilities	99,315,484
NET POSITION	
Net investment in capital assets	42,097,661
Restricted for	
Debt service	1,143,247
Nutrition service	1,807,883
Contractual obligations	290,259
Donor restricted	235,944
Unrestricted (deficit)	12,412,606
Total net position	\$ 57,987,600

See accompanying notes to financial statements.

SCHOOL DISTRICT OF BELOIT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

		Program Revenues		Net (Expenses)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
GOVERNMENTAL ACTIVITIES:				
Instruction				
Regular instruction	\$ 32,310,526	\$ 1,557,123	\$ 9,784,451	\$ (20,968,952)
Vocational instruction	1,814,391	-	97,153	(1,717,238)
Physical instruction	1,910,738	-	-	(1,910,738)
Special education instruction	8,495,496	15,444	5,261,521	(3,218,531)
Other instruction	3,746,741	46,811	155,076	(3,544,854)
Total instruction	48,277,892	1,619,378	15,298,201	(31,360,313)
Support services				
Pupil services	5,599,352	-	-	(5,599,352)
Instructional staff services	3,848,828	-	275,445	(3,573,383)
Administrative services	12,153,828	-	-	(12,153,828)
Operation and maintenance of plant	4,783,338	-	-	(4,783,338)
Pupil transportation	2,237,910	42,647	18,390	(2,176,873)
Nutrition services	3,885,457	100,344	4,399,590	614,477
Central services	1,645,051	-	59,169	(1,585,882)
Insurance and judgments	1,006,125	-	-	(1,006,125)
Other support services	3,239,603	50,671	-	(3,188,932)
Interest on debt	1,993,036	-	-	(1,993,036)
Total support services	40,392,528	193,662	4,752,594	(35,446,272)
Total school district	\$ 88,670,420	\$ 1,813,040	\$ 20,050,795	\$ (66,806,585)
GENERAL REVENUES:				
TAXES:				
Property taxes, levied for general purposes				9,675,023
Property taxes, levied for debt service				5,113,392
Other taxes				24,236
FEDERAL AND STATE AID NOT RESTRICTED				
General (equalization aid)				63,620,130
Other				1,217,804
Interest and investment earnings				39,699
Gain on disposal of capital assets				354,647
Miscellaneous				222,500
Change in Net Position				13,460,846
Net Position—beginning of year, as restated				44,526,754
Net Position—end of year				\$ 57,987,600

See accompanying notes to financial statements.

SCHOOL DISTRICT OF BELOIT
BALANCE SHEET—GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 18,697,205	\$ 3,726,053	\$ 22,423,258
Accounts receivable	3,840,633	7,895	3,848,528
Due from other governments	2,253,036	229,477	2,482,513
Due from other funds	284,244	-	284,244
Inventory	42,356	42,337	84,693
Prepaid expenses	232,564	-	232,564
Total assets	\$ 25,350,038	\$ 4,005,762	\$ 29,355,800
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 2,486,163	\$ 20,827	\$ 2,506,990
Accrued salaries and wages	6,639,403	566	6,639,969
Payroll taxes and withholdings	982,691	-	982,691
Due to other funds	999,563	283,146	1,282,709
Self insurance claims payable	1,661,109	-	1,661,109
Self insurance premiums	1,990,234	-	1,990,234
Unearned revenues	53,423	8,904	62,327
Total liabilities	14,812,586	313,443	15,126,029
FUND BALANCES			
Nonspendable	274,920	42,337	317,257
Restricted	290,259	3,649,982	3,940,241
Unassigned	9,972,273	-	9,972,273
Total fund balances	10,537,452	3,692,319	14,229,771
Total liabilities and fund balances	\$ 25,350,038	\$ 4,005,762	\$ 29,355,800

See accompanying notes to financial statements.

SCHOOL DISTRICT OF BELOIT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE DISTRICT-WIDE STATEMENT OF NET POSITION
June 30, 2015

Total fund balances - governmental funds \$ 14,229,771

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds:

Cost of capital assets	\$ 152,934,198
Accumulated depreciation	<u>(38,347,594)</u>

Net capital assets 114,586,604

The net pension asset is not an available resource and, therefore, is not reported in the funds. 7,465,263

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of;

Bonds and notes payable	(71,386,346)
Accrued interest payable	(505,245)
Compensated absences	(91,570)
Deferred outflows related to pension	6,179,661
Other postemployment benefits	(11,387,941)
Unamortized debt premium	<u>(1,102,597)</u>

Total long-term debt liabilities (78,294,038)

Total net position - governmental activities \$ 57,987,600

See accompanying notes to financial statements.

SCHOOL DISTRICT OF BELOIT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 9,698,760	\$ -	\$ 5,113,392	\$ 14,812,152
Local	500,887	6,637	481,063	988,587
Interdistrict payments	1,267,671	-	35,678	1,303,349
Intermediate sources	25,444	-	8,759	34,203
State	72,130,737	-	83,448	72,214,185
Federal	7,880,678	-	4,261,796	12,142,474
Other sources	281,669	-	60,544	342,213
Total revenues	91,785,846	6,637	10,044,680	101,837,163
EXPENDITURES				
Instruction				
Regular instruction	31,610,338	-	4,223	31,614,561
Vocational instruction	1,756,330	-	-	1,756,330
Physical instruction	1,890,498	-	10,887	1,901,385
Special education instruction	8,481,511	-	-	8,481,511
Other instruction	3,441,315	-	299,924	3,741,239
Total instruction	47,179,992	-	315,034	47,495,026
Support services				
Pupil services	5,594,596	-	-	5,594,596
Instructional staff services	3,834,224	-	-	3,834,224
General administrative services	1,269,602	-	-	1,269,602
Building administrative services	4,048,314	-	-	4,048,314
Business administrative services	12,187,924	-	3,824,578	16,012,502
Central services	1,295,458	-	-	1,295,458
Insurance and judgments	1,006,125	-	-	1,006,125
Other support services	4,590,589	-	-	4,590,589
Total support services	33,826,832	-	3,824,578	37,651,410
Capital outlay	10,016,358	14,801,224	113,176	24,930,758
Debt service				
Principal	1,135,637	-	3,226,027	4,361,664
Interest and fees	67,398	-	2,135,915	2,203,313
Total expenditures	92,226,217	14,801,224	9,614,730	116,642,171
Excess (deficiency) of revenues over (under) expenditures	(440,371)	(14,794,587)	429,950	(14,805,008)
Other financing sources (uses)				
Long term debt issued	-	-	-	-
Proceeds from sale of fixed assets	741,074	-	-	741,074
Transfers in (out)	(10,444)	(455)	10,899	-
Total other financing sources	730,630	(455)	10,899	741,074
Net change in fund balances	290,259	(14,795,042)	440,849	(14,063,934)
Fund balances—beginning of year	10,247,193	14,795,042	3,251,470	28,293,705
Fund balances—end of year	\$ 10,537,452	\$ -	\$ 3,692,319	\$ 14,229,771

See accompanying notes to financial statements.

SCHOOL DISTRICT OF BELOIT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Net change in fund balances—total governmental funds		\$ (14,063,934)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlay reported in governmental fund statements	\$ 24,930,758	
Depreciation expense reported in the statement of activities	(2,881,934)	
Net book value of assets disposed of	(386,427)	
	<u>21,662,397</u>	
Repayment of long-term debt principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.		
Bonds and notes	3,226,028	
Capital leases	1,200,000	
	<u>4,426,028</u>	
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Decrease in accrued interest payable	19,910	
Amortization of premium	65,459	
Net decrease in other postemployment benefits	1,208,711	
Net decrease in pension expense	147,715	
Net increase in compensated absences	(5,440)	
	<u>1,436,355</u>	
Change in net position of governmental activities		<u>\$ 13,460,846</u>

See accompanying notes to financial statements.

SCHOOL DISTRICT OF BELOIT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2015

	<u>Private Purpose Trust</u>	<u>Employee Benefit Trust</u>	<u>Student Activity Agency</u>
ASSETS			
Cash and investments	\$ 502	\$ 914,550	\$ 94,538
Accounts receivable	-	607	-
Due from other funds	-	998,465	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>\$ 502</u></u>	<u><u>\$ 1,913,622</u></u>	<u><u>\$ 94,538</u></u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 8,384
Due to student organizations	-	-	85,683
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	-	-	94,067
NET POSITION			
Restricted	<u>502</u>	<u>1,913,622</u>	<u>471</u>
Total liabilities and Net Position	<u><u>\$ 502</u></u>	<u><u>\$ 1,913,622</u></u>	<u><u>\$ 94,538</u></u>

See accompanying notes to financial statements.

SCHOOL DISTRICT OF BELOIT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2015

	<u>Private Purpose Trust</u>	<u>Employee Benefit Trust</u>
ADDITIONS		
Gifts	\$ 502	\$ -
Contributions to employee benefit trust	-	2,270,680
Investment earnings	-	58,725
	<hr/>	<hr/>
Total additions	502	2,329,405
DEDUCTIONS		
Other postemployment benefits	-	2,208,840
	<hr/>	<hr/>
Total deductions	-	2,208,840
	<hr/>	<hr/>
Change in net position	502	120,565
Net Position—beginning of year	-	1,793,057
	<hr/>	<hr/>
Net Position—end of year	<u>\$ 502</u>	<u>\$ 1,913,622</u>

See accompanying notes to financial statements.

SCHOOL DISTRICT OF БЕLOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District of Beloit (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 accounting and financial reporting principles.

Effective July 1, 2014, the District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27. GASB Statement No. 68 defines the pension liability as the difference between the total pension liability and the value of assets set aside to pay benefits. A description of the pension plan and the impact on the financial statements of the District is provided on page 36.

Reporting Entity

The School District of Beloit operates as a unified school district under Chapter 120 of the Wisconsin Statutes. The District is governed by a seven member elected school board and is fiscally independent with taxing and borrowing powers. The District provides elementary, secondary, vocational, and special education services for pre-kindergarten through grade 12.

As discussed in the detail below, the financial reporting entity consists of the primary government, and organizations for which the primary government is financially accountable. All of the accounts of the District comprise the primary government.

This report includes all of the funds of the District. The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. If a primary government appoints a voting majority of an organization's officials or if the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or to impose specific financial burdens on, the primary government, the primary government is financially accountable for those organizations. An organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. The report does not contain any component units.

Basis of Presentation

District-wide Financial Statements

The statement of net position and statement of activities present financial information about the District's governmental activities. They include all funds of the District except for fiduciary funds. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely on fees and charges for support. The District does not report any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not allocate indirect expenses. Program revenues include 1) recipients who use, or directly benefit from goods and services, and

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including the fiduciary funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on the major governmental funds; each is displayed in a separate column. All remaining funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

General Fund

The general fund includes the general operating fund and the special education fund of the District and is always classified as a major fund. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund

Capital projects fund is used to account for financial resources of the District to be used for capital expenditures related to buildings and sites.

The District reports the following nonmajor governmental funds:

Debt Service Fund

Debt service fund is used to account for financial resources to be used for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

Special Revenue Funds

Special revenue funds are used to account and report the proceeds of specific revenue sources (other than major capital projects) that are restricted or committed to expenditures for specific purposes. The District reports the School Nutrition Services Fund, the Special Revenue Gift Fund and the Co-operative Program Fund as special revenue funds.

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Additionally, the District reports the following fund types:

Private-Purpose Trust Fund

Private-purpose trust fund is used to account for resources legally held in trust for student scholarships.

Employee Benefit Trust Fund

Employee benefit trust fund is used to account for resources legally held in trust for the District's postemployment health insurance benefits.

Agency Fund

The District used the agency fund to account cash belonging to student activity/organizations.

Measurement Focus and Basis of Accounting

The district-wide and fiduciary fund statements (excluding the agency funds) are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred regardless of the timing of the related cash flows.

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 tax is levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 90 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, and compensated absences are recorded only when payment is due. 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 funds, 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 resources to such programs, followed by general revenues.

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and Investments

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

The District may invest available cash balances, other than debt services 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 governmental investment pool.

Receivables and Payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. The current portion of lending/borrowing arrangements between funds is identified as due to/from other funds. The noncurrent portion of outstanding balances between funds is reported as advances to/from other funds.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. The District does not have any advances between funds.

Property taxes are recognized as revenues in the year for which they are budgeted. Under the Wisconsin Statutes, Rock County purchases the outstanding property taxes of the District in August of each year. The statutory guarantee assures the District full collection of all property taxes within sixty days of its year end, and hence, the availability of these funds to finance expenditures of the fiscal year for which the taxes were levied. Property taxes are levied in November on the assessed value as of the prior January 1, and are due in full by January 31, or in installments with the last payment due in July.

Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided in the governmental funds since it is believed that the amount of such allowance would not be material to the financial statements.

Inventory and Prepaid Items

Inventories are recorded at cost based on the first-in, first-out method using the consumption method of accounting. Inventories in the governmental fund types are recorded as expenditures when consumed rather than when purchased. Donated United States Department of Agriculture (USDA) commodities are recorded as revenues and assets in the school nutrition services at the fair value when originally donated by USDA. When used by the schools, the commodities are expensed and the related assets are reduced. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the district-wide and the fund financial statements.

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets are reported at historical cost or estimated historical cost. The District capitalizes all assets over \$5,000. Donated assets are recorded at the estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 - 65
Furniture and equipment	5 - 30

Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Three items that meet this criterion, expected vs. actual experience of the pension plan, expected vs. actual investment income of the pension plan and contributions after measurement date, relate to the allocation of the pension activity resulting from the implementation of GASB Statement 68. The District has \$6,179,661 in deferred outflows as of June 30, 2015.

In addition to liabilities, the balance sheet will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has no qualifying deferred inflows as of June 30, 2015.

Compensated Absences

Employees may accumulate a total of 120 days of paid leave. Retiring employees will receive a cash payout for up to 60 days of paid leave earned in excess 60 accrued days at the time of his/her retirement at a value to be determined by the district. The current value will be \$100.00 per day.

Compensated absences are reported on the government-wide financial statements. The District accrued the vacation which it deems probable of payout. For governmental fund financial statements, the unpaid compensated absences are not expected to be paid using expendable available resources and, therefore, the liability is not reported.

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

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension

For purposes of measuring the net pension asset, deferred outflows of resources related to pensions, and 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.

Long-Term Obligations

In the district-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditures for claims and judgments are only reported in the governmental funds if it has matured. Claims and judgments are recorded in the district-wide statements as expense when the related liabilities are incurred. There were not significant claims or judgments at year end.

Net Position

In the district-wide financial statements, equity is classified as net position and displayed in three components:

Net Investment in Capital Assets—Consists of capital assets including restricted capital assets, net of accumulated depreciation less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets plus unspent proceeds.

Restricted Net Position—Consists of net position with constraints placed on use by 1) external groups such as creditors, grantors, or contributors, or 2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position—All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance

Governmental fund equity is classified as fund balance. In the fund financial statements, fund balance is presented in five possible categories:

Nonspendable—Amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. This classification includes inventories, prepaid items, assets held for resale, and long term receivables.

Restricted—Constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed—Resources that can only be used for specific purposes as the result of a formal action, the approval of a resolution to commit net position, by the District's highest level of decision-making authority. Any changes in the constraints imposed require the same formal action of the District that originally created the commitment. The Board of Education is the highest level of decision-making authority.

Assigned—Resources that are neither restricted nor committed for which the District has stated intended use as established by the Board of Education. Under the District's adopted policy, the Finance Committee may assign amounts for specific purposes at the recommendation of the Director of Business Services.

Unassigned—Resources that are available for any purpose. Unassigned fund balance is for working capital for cash flow purposes and to reduce the need for short term borrowing. Unassigned amounts are only reported in the general fund.

Minimum Fund Balance Policy

It is the District's policy to maintain a minimum year-end balance of unassigned resources of at least 18% of the anticipated General Fund expenditure budget for the subsequent fiscal year, to be available as working capital for cash-flow purposes and to reduce the need for short term borrowing.

Any amount under 14% of the fund balance, as of year-end shall provoke a consideration by the Board to consider use of surplus funds to replenish the reserve.

Use of Restricted Resources

The District considers restricted amounts to be spent first when both restricted and unrestricted net position are available unless there are legal constraints that prohibit doing this. Additionally, the District considers amounts to be spent first out of committed amounts, then assigned and lastly unassigned amounts of restricted fund balance when expenditures are made.

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1. Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes. The budgeted amounts presented include amendments adopted during the year. Transfers between functions and changes to the overall budget must be approved and amended by a resolution from the Board of Education. Appropriations lapse at year end unless specifically carried over.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures.

NOTE 2—CASH AND INVESTMENTS

As of June 30, 2015, cash and investments consist of the following:

	Fair Value	Carrying Value	Risk
Cash on hand	\$ 1,820	\$ 1,820	
Deposits with financial institutions	23,019,257	22,257,678	Custodial
Investments	1,173,350	1,173,350	Credit and interest rate
	<u>\$ 24,194,427</u>	<u>\$ 23,432,848</u>	

The District's cash and investments are reported in the financial statements as follows:

Statement of net position	
Governmental activities	\$ 22,423,258
Statement of fiduciary net position	
Private Purpose Trust	502
Employee benefit trust	914,550
Agency fund	94,538
	<u>\$ 23,432,848</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation. To limit credit risk, the District is limited to investments authorized by Wisconsin State Statute 66.0603 including the following:

1. Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association which is authorized to transact business in the state if the time deposits mature in not more than three years.

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2—CASH AND INVESTMENTS (continued)

2. Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board, or other instrumentality of the federal government.
3. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state, as well as bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, the University of Wisconsin Hospitals and Clinics Authority, a local cultural arts district, or the Wisconsin Aerospace Authority.
4. Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's corporation, Moody's investors service, or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
5. Securities of an open-end management investment company or investment trust, with certain limitations:
 - a. Bonds or securities issued under the authority of the municipality.
 - b. The local government pooled-investment fund as established under Section 25.50 of the Wisconsin Statutes; the state of Wisconsin local government investment fund (LGIP)
 - c. Agreements in which a public depository agrees to repay funds advanced to it by the District, plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government.
 - d. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
 - e. Repurchase agreements with public depositories, with certain conditions.

A school district may invest funds that are held in trust solely to provide any of the following benefits in the same manner as is authorized for investments under section 881.01:

- a. Postemployment health care benefits provided either separately or through a defined benefit pension plan.
- b. Other postemployment benefits provided separately from a defined pension plan.

The District's investment policy minimizes credit risk by limiting investments to the safest type of securities. All investments shall be planned to avoid loss of capital from credit risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the District's investments will decrease as a result of an increase in interest rates. The longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the maturity of any security to no more than seven years from the date of purchase or in accordance with state statutes. The District's policy is that all investment transactions shall be planned to avoid loss of capital from market risk. As of June 30, 2015, all investments have a maturity of 12 months or less.

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2—CASH AND INVESTMENTS (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the District would not be able to recover the value of investments that are in the possession of another party. The District's investment policy requires any amount above the FDIC coverage limit to be collateralized.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000. Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. Due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations. The District investment policy requires collateral for any deposits in excess of the FDIC coverage limit. As of June 30, 2015 \$2,535,591 of the District's deposits with financial institutions was uninsured and uncollateralized. The District's fair value for demand deposits of \$19,983,666 was collateralized.

Concentration of Credit Risk

No District investment represents 5% or more of the total investments.

NOTE 3—INTERFUND ADVANCES AND TRANSFERS

The following is a schedule of interfund receivables and payables, including any overdrafts on pooled cash and investment accounts:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor funds	\$ 283,146
Employee Benefit Trust	General fund	<u>998,465</u>
		<u><u>\$ 1,281,611</u></u>

For the statement of net position, interfund balances which are owed within the governmental activities are netted and eliminated.

The following balances as of June 30, 2015 represent transfer in/out between all funds:

<u>Transferred to</u>	<u>Transferred from</u>	<u>Amount</u>
Co-operative Program	General Fund	\$ 10,899
Special education fund	General Fund	<u>7,655,720</u>
		<u><u>\$ 7,666,619</u></u>

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE4—CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Adjustment	Additions	Retirements	Ending Balance
Capital assets not being depreciated					
Land	\$ 6,535,404	\$ -	\$ 80,137	262,000	\$ 6,353,541
Construction in progress	1,639,708	(1,639,708)	-	-	-
Total capital assets not being depreciated	8,175,112	(1,639,708)	80,137	262,000	6,353,541
Capital assets being depreciated					
Building and improvements	103,612,418	1,639,708	23,901,457	12,450	129,141,133
Equipment	16,654,357	-	949,163	163,996	17,439,524
Total capital assets being depreciated	120,266,775	1,639,708	24,850,620	176,446	146,580,657
Less accumulated depreciation	35,517,679	-	2,881,934	52,019	38,347,594
Total capital assets being depreciated-net	84,749,096	1,639,708	21,968,686	124,427	108,233,063
Governmental activity capital assets-net	<u>\$ 92,924,208</u>	<u>\$ -</u>	<u>\$ 22,048,823</u>	<u>\$ 386,427</u>	<u>\$ 114,586,604</u>

Depreciation expense for governmental activities for the year ended June 30, 2015 was charged to functions as follows:

Regular instruction	\$ 695,965
Vocational instruction	58,061
Physical instruction	9,353
Special education instruction	13,985
Other instruction	5,502
Pupil services	4,756
Instructional staff services	14,604
Administrative services	12,234
Operation and maintenance of plant	1,627,961
Nutrition services	89,920
Central services	349,593
Total depreciation:	<u>\$ 2,881,934</u>

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5—LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Due Within One Year
G.O. Bonds	\$68,350,000	\$ -	\$ (2,910,000)	\$ 65,440,000	\$ 3,165,000
Qualified Zone					
Academy Bonds	1,677,693	-	(178,875)	1,498,818	190,429
Qualified Zone					
Academy Lease	272,785	-	(33,348)	239,437	33,348
Qualified Energy					
Conservation Bond	2,215,000	-	-	2,215,000	-
G.O. Note	297,324	-	(103,805)	193,519	53,278
Total general obligation debt	72,812,802	-	(3,226,028)	69,586,774	3,442,055
Capital lease	2,999,572	-	(1,200,000)	1,799,572	1,200,000
Compensated absences	86,130	5,440	-	91,570	-
Total long-term liabilities	<u>\$75,898,504</u>	<u>\$ 5,440</u>	<u>\$ (4,426,028)</u>	<u>\$ 71,477,916</u>	<u>\$ 4,642,055</u>

Total long-term debt interest paid and expensed (including accrual) for the year ended June 30, 2015 was \$2,135,947 and \$2,116,011, respectively.

All general obligation debt is secured by the full faith and credit and taxing powers of the District. Long-term debt will be retired by future property tax levies and resources accumulated in the Debt Service Fund.

The 2014 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,278,887,918. Wisconsin State Statute 67.03 limits total general obligation indebtedness of the District to ten percent of the equalized value of taxable property within the District's jurisdiction. The legal debt limit, as of June 30, 2015 was as follows:

Debt limit (10% of \$1,278,887,918)	\$ 127,887,792
Less: long-term debt applicable to debt margin:	<u>69,586,774</u>
Margin of indebtedness:	<u>\$ 58,301,018</u>

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5—LONG-TERM OBLIGATIONS (continued)

General obligation debt at June 30, 2015 is comprised of the following individual issues:

Description	Issue Date	Interest Rate (%)	Date of Maturity	Original Amounts	Balance 6/30/2015
G.O. refunding bonds	3/8/2010	2.65 - 5.90%	10/1/2028	\$ 6,270,000	\$ 6,000,000
G.O. refunding bonds	9/17/2012	2.00 - 3.00%	4/1/2029	10,000,000	8,810,000
G.O. school improvement bond	1/7/2013	2.00 - 3.00%	4/1/2032	57,785,000	50,630,000
Qualified Zone Academy Bond	12/28/2009	0.00%	9/15/2024	1,785,000	1,190,000
Qualified Zone Academy Bond	8/23/2004	0.00%	8/23/2018	1,000,000	308,818
Qualified Zone Academy Lease	12/28/2005	0.00%	12/28/2020	574,000	239,437
Qualified Energy Conservation Bond	9/16/2012	4.75%	4/1/2032	2,215,000	2,215,000
G.O. Note	6/24/2014	2.97%	12/24/2018	297,324	193,519
					<u>\$ 69,586,774</u>

Debt service requirements to maturity on general obligation debt as follows:

Year Ended June 30	Principal	Interest	Total
2016	\$ 3,442,055	\$ 2,049,351	\$ 5,491,407
2017	3,533,644	1,958,371	5,492,015
2018	3,645,312	1,863,295	5,508,607
2019	3,775,360	1,763,816	5,539,176
2020	3,753,902	1,654,165	5,408,067
2021-2025	20,422,697	6,511,651	26,934,348
2026-2030	22,240,000	3,549,098	25,789,098
2031-2032	8,810,000	542,675	9,352,675
	<u>\$ 69,622,970</u>	<u>\$ 19,892,423</u>	<u>\$ 89,515,393</u>

The District has a \$1,000,000 Qualified Zone Academy Bond and a \$574,000 Qualified Zone Academy Lease with principal payments made annually into escrow accounts. The District is required to make principal payments of \$838,250 and \$500,214, respectively, over the term of the bond and lease into escrow accounts. The escrow accounts earn interest on the payments and pay the full \$1,000,000 and \$574,000 of the bond and lease, respectively. The District amortizes the earnings on the escrow accounts on a straight-line over the life of the bond and lease and records interest income and debt payments on these amounts.

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 6—LEASE AGREEMENTS, AS LESSOR

The District leases copiers under non-cancelable leases. Total costs related to these leases was \$4,102 for the year ended June 30, 2015.

The future minimum lease payment expected for these leases are as follows:

Year Ending June 30,	Copiers	Total
2016	4,102	4,102
	<u>\$ 4,102</u>	<u>\$ 4,102</u>

NOTE 7—UNEARNED REVENUE

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the components of unearned revenue reported in the governmental funds were as follows:

	Unearned
Donation for Career Advocate	\$ 53,423
Student meal deposits	8,904
	<u>\$ 62,327</u>

NOTE 8— EMPLOYEE'S RETIREMENT SYSTEM

General Information about the Pension 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 1200 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.

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.

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.

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8— EMPLOYEE’S RETIREMENT SYSTEM (continued)

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>
2005	2.6%	7%
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$2,815,492 in contributions from the employer.

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8— EMPLOYEE’S RETIREMENT SYSTEM (continued)

Contribution rates as of June 30, 2015 are:

Employee Category	Employee	Employer
General (including teachers)	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

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

At June 30, 2015, School District of Beloit reported an asset of \$7,465,264 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. School District of Beloit’s proportion of the net pension asset was based on School District of Beloit’s share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, School District of Beloit’s proportion was 0.30392639%, which was a decrease of 0.01039313% from its proportion measured as of December 31, 2013. For the year ended June 30, 2015, School District of Beloit recognized pension expense of \$2,929,522.

At June 30, 2015, School District of Beloit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 1,082,231
Net differences between projected and actual earnings on pension plan investments	3,615,041
Employer contributions subsequent to the measurement date	<u>1,482,389</u>
Total	<u>\$ 6,179,661</u>

\$1,482,389 reported as deferred outflows related to pension resulting from School District of Beloit’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2016. Other amounts reported as

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8— EMPLOYEE’S RETIREMENT SYSTEM (continued)

deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	<u>Deferred Outflows of Resources</u>
2015	\$ 962,588
2016	962,588
2017	962,588
2018	962,588
2019	846,920

Actuarial assumptions. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2013
Measurement Date of Net Pension Liability (Asset)	December 31, 2014
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% - 5.8%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

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 for each major asset class are summarized in the following table:

SCHOOL DISTRICT OF БЕЛОIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8— EMPLOYEE'S RETIREMENT SYSTEM (continued)

Year	Core Fund Adjustment	Variable Fund Adjustment
2005	2.6%	7%
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25

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

Sensitivity of School District of Beloit's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents School District of Beloit's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what School District of Beloit'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 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
School District of Beloit's proportionate share of the net pension liability (asset)	\$ 21,060,794	\$ (7,465,264)	\$ (29,993,991)

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://legis.wisconsin.gov/lab/> and reference report number 15-11. The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of the Wisconsin Statutes. The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9—SELF-FUNDED INSURANCE PROGRAM

On December 1, 1983, the District established a self-funded health and dental benefit plan for its employees. The plan administrators are responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The plan reports on a fiscal year ending June 30, 2015.

As part of the health care coverage of the plan, the District purchases stop-loss coverage, which pays claims in excess of \$250,000 per individual and/or 125% of the annual estimated claims as provided by Prairie States and Restat. The District has no stop-loss coverage for dental care coverage of the plan.

At June 30, 2015, the District has reported a liability of \$1,661,109, which represents reported and unreported claims which were incurred on or before June 30, 2015, but are not paid by the District as of that date. This amount consists of claims reported to the District by the plan administrator, claims reported to the plan administrator but not the District and claims which were not yet reported to either the plan administrator or the District. The unpaid claim liability was computed on a best estimate basis, and was determined by an actuary.

	Beginning Balance	Claims IBNR	Claim Payments	Ending Balance
Estimated claims outstanding	\$ 2,453,899	\$ 1,661,109	\$ 2,453,899	\$ 1,661,109

NOTE 10—OTHER POST-EMPLOYMENT BENEFITS

The District provides other post-employment benefits (OPEB) for its employees through a single-employer retiree plan that provides postemployment health insurance benefits to eligible employees and their spouses. There are approximately 669 active and 140 retired members in the plan as of July 01, 2014, the date of the latest actuarial valuation. Benefits and eligibility are established and amended by the Board of Education.

Funding Policy. There is no requirement for any employee or employer contributions for funding of the plan. The employer makes all contributions, and for the year ended June 30, 2015 the District contributed \$2,313,053 to the School District of Beloit Post-Employment Benefits Trust.

Annual OPEB Cost and Net OPEB Obligation. The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 10—OTHER POST-EMPLOYMENT BENEFITS (continued)

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Annual required contribution	\$ 1,426,691
Interest on net OPEB obligation	503,866
Adjustment to annual required contribution	<u>(826,214)</u>
Annual OPEB cost (expense)	1,104,343
OPEB payments made	<u>(2,313,053)</u>
Increase in net OPEB obligation	(1,208,710)
Net OPEB obligation - beginning of year	<u>12,596,651</u>
Net OPEB obligation - end of year	<u><u>\$ 11,387,941</u></u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2015 and the preceding two years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 1,104,343	209.45%	\$ 11,387,941
6/30/2014	1,107,177	188.54%	12,596,652
6/30/2013	1,872,932	182.14%	13,576,962

Funded Status and Funding Progress. As of July 01, 2014, the most recent actuarial valuation date, the District's actuarial accrued liability (AAL) for benefits was \$18,529,694 and the actuarial value of assets was \$1,962,546 resulting in an unfunded actuarial accrued liability (UAAL) of \$16,567,148. The annual payroll for active employees covered by the plan in the actuarial valuation for the 2014-15 fiscal year was \$54,279,461 for a ratio of the UAAL to covered payroll of 30.52%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 10—OTHER POST-EMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 01, 2014 actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return and healthcare cost trend rates ranging from 5.50 percent to 8.50 percent. The UAAL is being amortized on a level dollar basis. The remaining amortization period at July 01, 2014 was 30 years.

NOTE 11—LIMITATION OF SCHOOL DISTRICT REVENUES

Wisconsin Statutes limit the amount of revenues that school districts may derive from general school aids and property taxes unless a higher amount is approved by a referendum. The annual revenue increase from these sources is limited to an allowable per member increase which is determined by the legislature. 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.

NOTE 12—GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide statement of net position at June 30, 2015 consist of the following:

Net investment in capital assets	\$ 42,097,661
Restricted	
Debt service	1,143,247
Nutrition services	1,807,883
Contractual obligations	290,259
Donor restricted	<u>235,944</u>
Total restricted	3,477,333
Unrestricted	<u>12,412,606</u>
Total governmental activities net position	<u><u>\$ 57,987,600</u></u>

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 13—GOVERNMENTAL FUND BALANCE

Governmental fund balances reported on the statement of revenues, expenditures, and changes in fund balances at June 30, 2015 include the following:

Governmental Fund Balances	
Nonspendable	
Inventory	\$ 84,693
Prepaid expenses	<u>232,564</u>
Total nonspendable fund balance	317,257
Restricted	
Debt service	1,648,492
Donor restricted	235,944
Contractual obligations	290,259
Nutrition services	<u>1,765,546</u>
Total restricted	3,940,241
Unassigned	<u>9,972,273</u>
Total governmental fund balance	<u><u>\$ 14,229,771</u></u>

NOTE 14—RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; error and omissions; and workers' compensation. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded insurance coverage in any of the last three years. There were not significant reductions in coverage compared to the prior year.

NOTE 15—COMMITMENTS AND CONTINGENCIES

From time to time the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the District's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position.

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 16—PRIOR PERIOD ADJUSTMENT

The Government Accounting Standards Board (GASB) issued Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27. Under GASB 68, the District is required to disclose the net pension asset on the statement of net position. As a result, an adjustment of \$13,497,209 was made to increase the June 30, 2014 net position of the governmental activities on the statement of activities based on the net pension asset balance and the related deferred outflows of resources balances as of June 30, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF BELOIT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES BUDGET AND ACTUAL—GENERAL FUND
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 9,691,526	\$ 9,699,731	\$ 9,698,760	\$ (971)
Local	401,122	482,184	500,887	18,703
Interdistrict payments	1,259,665	1,285,901	1,267,671	(18,230)
State	70,040,688	70,375,226	69,164,687	(1,210,539)
Federal	5,580,289	5,753,423	5,595,207	(158,216)
Other sources	200,691	248,226	281,331	33,105
Total revenues	87,173,981	87,844,691	86,508,543	(1,336,148)
EXPENDITURES				
Instruction				
Regular instruction	34,470,058	34,024,478	31,679,993	2,344,485
Vocational instruction	1,775,192	1,950,598	1,809,955	140,643
Physical instruction	2,084,973	2,098,482	1,893,089	205,393
Other instruction	3,680,080	3,700,176	3,441,315	258,861
Total instruction	42,010,303	41,773,734	38,824,352	2,949,382
Support services				
Pupil services	3,780,523	4,176,150	3,414,452	761,698
Instructional staff services	3,807,741	4,010,336	3,345,140	665,196
General administrative services	1,270,931	1,339,149	1,270,360	68,789
Building administrative services	4,112,548	4,144,953	4,052,495	92,458
Business administrative services	16,588,120	20,232,742	20,113,758	118,984
Central services	2,469,356	2,573,235	2,250,714	322,521
Insurance and judgments	983,859	1,030,574	1,006,125	24,449
Debt Services	1,200,001	1,203,068	1,203,035	33
Other support services	76,234	118,124	83,099	35,025
Total support services	34,289,313	38,828,331	36,739,178	2,089,153
Non-program transactions				
Interfund transfers	7,907,332	8,397,771	7,666,164	731,607
Instructional Service Payments	3,462,168	3,557,168	3,523,465	33,703
Other non-program transactions	6,000	266,325	206,199	60,126
Total non-program transactions	11,375,500	12,221,264	11,395,828	825,436
Total expenditures	87,675,116	92,823,329	86,959,358	5,863,971
Excess of revenues over expenditures	(501,135)	(4,978,638)	(450,815)	4,527,823
Other financing sources (uses)				
Proceeds from sale of capital assets	501,135	746,753	741,074	(5,679)
Total other financing sources (uses)	501,135	746,753	741,074	(5,679)
Net change in fund balances	-	(4,231,885)	290,259	4,522,144
Fund balances—beginning of year	10,247,193	10,247,193	10,247,193	-
Fund balances—end of year	<u>\$ 10,247,193</u>	<u>\$ 6,015,308</u>	<u>\$ 10,537,452</u>	<u>\$ 4,522,144</u>

See accompanying notes to required supplementary information.

SCHOOL DISTRICT OF BELOIT
EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS
AND GAAP REVENUES AND EXPENDITURES
Year Ended June 30, 2014

SOURCES/ INFLOWS OF RESOURCES:

General Fund

Actual General Fund Operating revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 86,508,543
Reclassification: Special Education Fund revenues are included in the General Fund, required for GAAP reporting	<u>5,277,303</u>
General Fund revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds	<u><u>\$ 91,785,846</u></u>

USES/ OUTFLOWS OF RESOURCES:

Actual general fund expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 86,959,358
Reclassifications: Special Education Fund expenditures are included in the General Fund, required for GAAP reporting	12,933,023
Interfund transfers are included in other financing uses in the General Fund, as required for GAAP reporting	<u>(7,666,164)</u>
General Fund expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance- Governmental Funds	<u><u>\$ 92,226,217</u></u>

See accompanying notes to required supplementary information.

SCHOOL DISTRICT OF BELOIT
SCHEDULE OF FUNDING PROGRESS
Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
7/1/2014	\$ 1,962,546	\$ 18,529,694	\$ 16,567,148	10.6%	\$ 54,279,461	30.52%
7/1/2012	2,261,664	26,177,339	23,915,675	9.5%	67,102,280	35.64%
7/1/2011	1,226,915	44,627,603	43,400,688	2.8%	71,532,817	60.67%
7/1/2009	2,364,274	48,918,632	46,554,358	5.1%	72,923,651	63.84%

See accompanying notes to required supplementary information.

SCHOOL DISTRICT OF BELOIT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION ASSET
 Wisconsin Retirement System
 Last 10 Fiscal Years

	2015
School District of Beloit's proportion of the net pension liability (asset)	0.303926%
School District of Beloit's proportionate share of the net pension liability (asset)	(7,465,264)
School District of Beloit's covered-employee payroll	40,219,358
School District of Beloit's proportionate share as a percentage of covered payroll	18.56%
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year

SCHEDULE OF CONTRIBUTIONS
 Wisconsin Retirement System
 Last 10 Fiscal Years

Contractually required contributions	2,815,492
Contributions in relation to the contractually required contributions	2,815,492
Contribution deficiency (excess)	-
School District of Beloit's covered-employee payroll	40,219,358
Contributions as a percentage of covered-employee payroll	7.00%

See accompanying notes to required supplementary information.

SCHOOL DISTRICT OF BELOIT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

NOTE 1—BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting as described in Note 1 to the financial statements. Reported budget amounts are as amended by School Board resolution. Budgets are adopted at the function level in the general fund and at the fund level for all other funds. Appropriations lapse at year end unless specifically carried over.

Excess Expenditures Over Appropriations

No general fund functions had an excess of actual expenditures over appropriations for the year ended June 30, 2015.

NOTE 2—FUNDING PROGRESS DATA

The data presented in the Schedule of Funding Progress was taken from the reports issued by the actuary.

The District is required to present information for the pension and other postemployment benefit plans for the three most recent actuarial studies. Duplicate information for intervening years is not repeated.

NOTE 3—NET PENSION ASSETS AND CONTRIBUTIONS

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

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

OTHER SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF BELOIT
COMBINING BALANCE SHEET—GENERAL GOVERNMENTAL FUNDS
June 30, 2015

	General Operating Fund	Special Education Fund	Total General Fund
ASSETS			
Cash and investments	\$ 10,079,930	\$ 8,617,275	\$ 18,697,205
Accounts receivable	3,495,760	344,873	3,840,633
Due from other governments	2,253,036	-	2,253,036
Due from other funds	7,888,802	(7,604,558)	284,244
Inventory	42,356	-	42,356
Prepaid expenses	232,564	-	232,564
Total assets	\$ 23,992,448	\$ 1,357,590	\$ 25,350,038
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 2,451,083	\$ 35,080	\$ 2,486,163
Accrued salaries and wages	5,316,893	1,322,510	6,639,403
Payroll taxes and withholdings	982,691	-	982,691
Due to other funds	999,563	-	999,563
Self insurance premiums	1,661,109	-	1,661,109
Self insurance claims payable	1,990,234	-	1,990,234
Unearned revenues	53,423	-	53,423
Total liabilities	13,454,996	1,357,590	14,812,586
FUND BALANCES			
Nonspendable	274,920	-	274,920
Restricted	290,259	-	290,259
Unassigned	9,972,273	-	9,972,273
Total fund balances	10,537,452	-	10,537,452
Total liabilities and fund balances	\$ 23,992,448	\$ 1,357,590	\$ 25,350,038

SCHOOL DISTRICT OF BELOIT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—GENERAL GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General Operating Fund	Special Education Fund	Total General Fund
REVENUES			
Taxes	\$ 9,698,760	\$ -	\$ 9,698,760
Local	500,887	-	500,887
Interdistrict payments	1,267,671	-	1,267,671
Intermediate sources	-	25,444	25,444
State	69,164,687	2,966,050	72,130,737
Federal	5,595,207	2,285,471	7,880,678
Other sources	281,331	338	281,669
Total revenues	86,508,543	5,277,303	91,785,846
EXPENDITURES			
Instruction			
Regular instruction	31,608,784	1,554	31,610,338
Vocational instruction	1,756,330	-	1,756,330
Physical instruction	1,890,498	-	1,890,498
Special education instruction	-	8,481,511	8,481,511
Other instruction	3,441,315	-	3,441,315
Total instruction	38,696,927	8,483,065	47,179,992
Support services			
Pupil services	3,411,723	2,182,873	5,594,596
Instructional staff services	3,267,652	566,572	3,834,224
General administrative services	1,269,602	-	1,269,602
Building administrative services	4,048,314	-	4,048,314
Business administrative services	11,327,781	860,143	12,187,924
Central services	1,295,458	-	1,295,458
Insurance and judgments	1,006,125	-	1,006,125
Other support services	3,812,763	777,826	4,590,589
Total support services	29,439,418	4,387,414	33,826,832
Capital Outlay	9,953,814	62,544	10,016,358
Debt service			
Principal	1,135,637	-	1,135,637
Interest and fees	67,398	-	67,398
Total expenditures	79,293,194	12,933,023	92,226,217
Excess (deficiency) of revenues over (under) expenditures	7,215,349	(7,655,720)	(440,371)
Other financing sources (uses)			
Proceeds from sale of fixed assets	741,074	-	741,074
Transfers in (out)	(7,666,164)	7,655,720	(10,444)
Total other financing sources (uses)	(6,925,090)	7,655,720	730,630
Net change in fund balances	290,259	-	290,259
Fund balances—beginning of year	10,247,193	-	10,247,193
Fund balances—end of year	<u>\$ 10,537,452</u>	<u>\$ -</u>	<u>\$ 10,537,452</u>

SCHOOL DISTRICT OF BELOIT
COMBINING BALANCE SHEET—NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Debt Service	Special Revenue	School Nutrition Services	Co-operative Program	
ASSETS					
Cash and investments	\$ 1,648,492	\$ 251,713	\$ 1,818,627	\$ 7,221	\$ 3,726,053
Accounts receivable	-	-	3,838	4,057	7,895
Due from other governments	-	-	229,477	-	229,477
Inventory	-	-	42,337	-	42,337
Total assets	<u>\$ 1,648,492</u>	<u>\$ 251,713</u>	<u>\$ 2,094,279</u>	<u>\$ 11,278</u>	<u>\$ 4,005,762</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ 12,231	\$ 6,515	\$ 2,081	\$ 20,827
Accrued salaries and wages	-	-	566	-	566
Due to other funds	-	3,538	270,411	9,197	283,146
Unearned revenue	-	-	8,904	-	8,904
Total liabilities	-	15,769	286,396	11,278	313,443
FUND BALANCES					
Nonspendable	-	-	42,337	-	42,337
Restricted	1,648,492	235,944	1,765,546	-	3,649,982
Total fund balances	<u>1,648,492</u>	<u>235,944</u>	<u>1,807,883</u>	<u>-</u>	<u>3,692,319</u>
Total liabilities and fund balances	<u>\$ 1,648,492</u>	<u>\$ 251,713</u>	<u>\$ 2,094,279</u>	<u>\$ 11,278</u>	<u>\$ 4,005,762</u>

SCHOOL DISTRICT OF BELOIT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	Special Revenue funds				Total Nonmajor Governmental Funds
	Debt Service	Special Revenue	School Nutrition Services	Co-operative Program	
REVENUES					
Taxes	\$ 5,113,392	\$ -	\$ -	\$ -	\$ 5,113,392
Local	67,136	253,251	158,302	2,374	481,063
Interdistrict payments within Wisconsin	-	-	-	35,678	35,678
Intermediate sources	-	-	-	8,759	8,759
State	-	-	83,448	-	83,448
Federal	-	-	4,261,796	-	4,261,796
Other sources	60,544	-	-	-	60,544
Total revenues	<u>5,241,072</u>	<u>253,251</u>	<u>4,503,546</u>	<u>46,811</u>	<u>10,044,680</u>
EXPENDITURES					
Current:					
Instruction					
Regular instruction	-	4,223	-	-	4,223
Vocational instruction	-	180	-	10,707	10,887
Other instruction	-	259,100	-	40,824	299,924
Total instruction	-	263,503	-	51,531	315,034
Support services					
Business administrative services	500	22,362	3,795,537	6,179	3,824,578
Total support services	500	22,362	3,795,537	6,179	3,824,578
Capital Outlay	-	74,774	38,402	-	113,176
Debt service					
Principal	3,226,027	-	-	-	3,226,027
Interest and fees	2,135,915	-	-	-	2,135,915
Total expenditures	<u>5,362,442</u>	<u>360,639</u>	<u>3,833,939</u>	<u>57,710</u>	<u>9,614,730</u>
Excess (deficiency) of revenues over (under) expenditures	(121,370)	(107,388)	669,607	(10,899)	429,950
Other financing sources					
Transfers in	-	-	-	10,899	10,899
Net change in fund balances	(121,370)	(107,388)	669,607	-	440,849
Fund balances—beginning of year	<u>1,769,862</u>	<u>343,332</u>	<u>1,138,276</u>	<u>-</u>	<u>3,251,470</u>
Fund balances—end of year	<u>\$ 1,648,492</u>	<u>\$ 235,944</u>	<u>\$ 1,807,883</u>	<u>\$ -</u>	<u>\$ 3,692,319</u>

SCHOOL DISTRICT OF BELOIT
AGENCY FUNDS—SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2015

	Student Activity Fund		
	Balance 7/1/2014	Additions	Balance 6/30/2015
ASSETS			
Cash and investments	\$ 87,224	\$ 120,929	\$ 94,538
Total assets	<u>\$ 87,224</u>	<u>\$ 120,929</u>	<u>\$ 94,538</u>
LIABILITIES			
Accounts payable	\$ 4,527	\$ 8,855	\$ 8,855
Due to student organizations			
Elementary Schools	5,926	5,820	5,582
Middle School	12,790	20,675	18,655
High School	63,981	85,579	61,446
Total liabilities	<u>\$ 87,224</u>	<u>\$ 120,929</u>	<u>\$ 94,538</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
AND OTHER AUDITORS' REPORTS**

SCHOOL DISTRICT OF BELOIT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2015

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Accrued or (Deferred) Revenue at 7/1/2014	Receipts	Expenditures	Accrued or (Deferred) Revenue at 6/30/2015
Department of Agriculture					
Pass-through programs from Wisconsin Department of Public Instruction					
Fresh Fruit and Vegetable Program	10.582	\$ 39,285	\$ 154,144	\$ 168,051	\$ 53,192
Child Nutrition Cluster					
School Breakfast Program	10.553	143,710	1,196,560	1,096,607	43,757
National School Lunch Program	10.555	316,314	2,877,961	2,659,387	97,740
National School Lunch Program - Food Commodities	10.555	-	223,669	223,669	-
Summer Food Service Program for Children	10.559	52,419	131,283	113,653	34,789
Total Child Nutrition Cluster		512,443	4,429,473	4,093,316	176,286
Total Department of Agriculture		551,728	4,583,617	4,261,367	229,478
Department of Education					
Pass-through programs from Wisconsin Department of Public Instruction					
Title I, Part A Cluster					
Title I Grants to Local Educational Agencies	84.010	751,326	3,174,949	3,023,445	599,822
Special Education Cluster (IDEA)					
Special Education--Grants to States (IDEA, Part B)	84.027	363,045	1,849,809	1,802,314	315,550
Pass-through CESA #11					
Special Education--Grants to States (IDEA, Part B)	84.027	-	10,000	10,000	-
Total Special Education--Grants to States (IDEA, Part B)		363,045	1,859,809	1,812,314	315,550
Special Education--Preschool Grants (IDEA Preschool)	84.173	30,239	84,199	66,721	12,761
Total Special Education Cluster (IDEA)		393,284	1,944,008	1,879,035	328,311
Career and Technical Education - Basic Grants to States	84.048	39,988	129,061	97,152	8,079
Safe and Drug-Free Schools and Communities					
National Programs	84.184	16,691	29,611	15,505	2,585
Education for Homeless Children and Youth	84.196	14,334	54,499	48,374	8,209
Twenty-First Century Community Learning Centers	84.287	58,044	467,601	481,739	72,182
Transition to Teaching	84.350	23,516	-	-	23,516
English Language Acquisition State Grants	84.365	29,878	139,111	127,254	18,021
Improving Teacher Quality State Grants	84.367	92,138	520,358	534,550	106,330
Total Department of Education		1,419,199	6,459,198	6,207,054	1,167,055
Department of Health and Human Services					
Pass-through Wisconsin Department of Public Instruction					
Cooperative Agreements to Promote Adolescent Health	93.079	-	6,472	6,837	365
through School-based HIV/STD Prevention and School-Based Surveillance					
Pregnancy Assistance Fund Program	93.500	18,764	89,699	91,147	20,212
Pass-through Wisconsin Medicaid and Badgercare Programs					
Medical Assistance Program	93.778	83,669	1,087,822	1,007,445	3,292
Total Department of Health and Human Services		102,433	1,183,993	1,105,429	23,869
Total Federal Programs		\$ 2,073,360	\$ 12,226,808	\$ 11,573,850	\$ 1,420,402

SCHOOL DISTRICT OF BELOIT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2015

State Grantor/ Program Title	State Identifying Number	Accrued or (Deferred) Revenue at 7/1/2014	Receipts	Expenditures	Accrued or (Deferred) Revenue at 6/30/2015
Wisconsin Department of Public Instruction					
Special Education and School Age Parents	255.101	\$ -	\$ 2,900,005	\$ 2,900,005	\$ -
State School Lunch Aid	255.102	-	34,217	34,217	-
Common School Fund Library Aid	255.103	-	275,445	275,445	-
Bilingual/Bicultural Aid	255.106	-	155,076	155,076	-
General Transportation Aid for Public School Pupils	255.107	-	18,390	18,390	-
Equalization Aid and Special Adjustment Aid	255.201	1,087,861	63,591,188	63,620,130	1,116,803
High Cost Special Education Aid	255.210	-	66,045	66,045	-
School Breakfast Program	255.344	-	49,232	49,232	-
Mentoring Grants for Initial Educators	255.301	13,229	13,229	20,187	20,187
Student Achievement Guarantee in Education	255.504	-	3,398,092	3,398,092	-
High Poverty Aid	255.926	-	427,527	427,527	-
WI Partnership Childhood Fitness	255.938	-	2,000	2,000	-
Educator Effectiveness Grant	255.940	49,840	99,840	50,000	-
Per Pupil Adjustment Aid	255.945	-	1,096,275	1,096,275	-
Career and Technical Education Incentive Grants	255.950	-	48,000	48,000	-
Total Wisconsin Department of Public Instruction		1,150,930	72,174,561	72,160,621	1,136,990
Wisconsin Department of Revenue					
Exempt Computer Aid		53,273	52,273	52,300	53,300
Total State Programs		<u>\$ 1,204,203</u>	<u>\$ 72,226,834</u>	<u>\$ 72,212,921</u>	<u>\$ 1,190,290</u>

SCHOOL DISTRICT OF BELOIT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2015

NOTE 1—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the District under programs of the federal government and state agencies for the year ended June 30, 2015. The information in this schedule is presented in accordance with requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and the *State Single Audit Guidelines*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Specifically, debt service expenditures, as well as expenditures related to claims and judgments, and compensated absences are recorded only when payment is due. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Costs Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The Wisconsin Department of Public Instruction uses the federal CFDA numbers as the pass-through entity identifying numbers.

NOTE 3—FOOD DONATION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2015, there were no commodities in inventory at the District.

NOTE 4—OVERSIGHT AGENCIES

The District's federal oversight agency for audit is the U.S. Department of Education. The District's state cognizant agency is the Wisconsin Department of Public Instruction.

NOTE 5—ELIGIBLE COSTS FOR SPECIAL EDUCATION

Eligible costs for special education under project 011 were \$10,302,599 for the year ended June 30, 2015.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education
School District of Beloit
Beloit, Wisconsin

We have audited 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District of Beloit (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise School District of Beloit's basic financial statements, and have issued our report thereon dated November 10, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered School District of Beloit's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of School District of Beloit's internal control. Accordingly, we do not express an opinion on the effectiveness of School District of Beloit's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant* deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charge with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify and deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether School District of Beloit's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are

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required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2015-1.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
November 10, 2015



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND
MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133 AND THE *STATE SINGLE AUDIT GUIDELINES*

To the Board of Education
School District of Beloit
Beloit, Wisconsin

Report on Compliance for Each Major Federal and Major State Program

We have audited School District of Beloit's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of School District of Beloit's major federal and major state programs for the year ended June 30, 2015. School District of Beloit's major federal and major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of School District of Beloit's major federal and major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines*. Those standards, OMB Circular A-133, and the *Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or major state program occurred. An audit includes examining, on a test basis, evidence about School District of Beloit's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and major state program. However, our audit does not provide a legal determination of School District of Beloit's compliance.

Opinion on Each Major Federal and Major State Program

In our opinion, School District of Beloit complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and major state programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 or the *State Single Audit Guidelines* and which are

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described in the accompanying schedule of findings and questioned costs as item 2015-1. Our opinion on each major federal and major state program is not modified with respect to these matters.

School District of Beloit's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. School District of Beloit's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of School District of Beloit is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered School District of Beloit's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of School District of Beloit's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
November 10, 2015

SCHOOL DISTRICT OF BELOIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No
Identification of major programs:	

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555 84.367	Child Nutrition Cluster Improving Teacher Quality State Grants

Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	No

State Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Modified

SCHOOL DISTRICT OF BELOIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Any audit findings disclosed that are required to be reported in accordance with the *State Single Audit Guidelines*? Yes

Identification of state major programs:

State Identifying Number	Name of State Program
255.101	Special Education & School Age Parents
255.201	Equalization Aid and Special Adjustment Aid
255.926	High Poverty Aid
255.945	Per Pupil Aid

Section II—Financial Statement Findings

No matters were reported

Section III—Federal and State Award Findings and Questioned Costs

Questioned
Costs

2015-1 Special Education & School Age Parents—State Identifying Number
255.101

Condition: The District transported three special education students without proper documentation in the student's IEP.

Criteria: The District may only transport those students with transportation in their IEP on special education transportation routes.

Cause: Failure to review IEPs periodically to ensure that transportation services are current.

Effect: The District may not be properly compensated for transporting special education students. none

Recommendation: We recommend that that District implement procedures to ensure that all students receiving special education transportation have it properly documented in their IEP.

Views of Responsible Officials and Planned Corrective Actions: The District understands the importance of complete IEP documentation. All students receiving specialized transportation services will have on file an annually updated transportation request form. A new transportation request form will also be required for any student whose transportation needs change during the term of the current IEP. This will be monitored during district office review of IEPs submitted by case managers and information transmitted to the district's transportation provider accordingly. This process will help to ensure full compliance with DPI requirements of complete documentation of specialized services received by students.

SCHOOL DISTRICT OF BELOIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Section IV—Other Issues

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No

Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue, or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines* :

Department of Public Instruction No

Was a management letter or other document conveying audit comments issued as a result of this audit? No

Name and signature of partner



Scott R. Haumersen, CPA

Date of report November 10, 2015