

SCHOOL DISTRICT OF BELOIT

Beloit, Wisconsin

AUDITED FINANCIAL STATEMENTS

June 30, 2016

CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis.....	4
Basic Financial Statements	
District-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities.....	15
Fund Financial Statements	
Balance Sheet—Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the District-Wide Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities.....	19
Statement of Fiduciary Net Position.....	20
Statement of Changes in Fiduciary Net Position	21
Notes to Financial Statements.....	22
Required Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual— General Fund.....	45
Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures.....	46
Schedule of Funding Progress	47
Schedule of Net Pension Liability	48
Schedule of Contributions	49

Notes to Required Supplementary Information	50
Other Supplementary Information	
Combining Balance Sheet—General Governmental Funds.....	52
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—General Governmental Funds	53
Combining Balance Sheet—Nonmajor Governmental Funds.....	54
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds	55
Agency Funds—Schedule of Changes in Assets and Liabilities	56
Schedule of Expenditures of Federal and State Awards.....	58
Notes to Schedules of Expenditures of Federal and State Awards	60
Summary Schedule of Prior Audit Findings.....	61
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 <i>Government Auditing Standards</i>	62
Independent Auditor's Report on Compliance for Each Major Federal and Each Major State Program and on Internal Control Over Compliance Required by OMB Circular A-133 and the <i>State Single Audit Guidelines</i>	64
Schedule of Findings and Questioned Costs.....	66



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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Janesville Office:

101 E. Milwaukee Street
Suite 425
Janesville, WI 53545
P: (608) 756-4020

Baraboo Office:

123 Second Street
P.O. Box 150
Baraboo, WI 53913
P: (608) 356-3966
F: (608) 356-2966

Milwaukee Office:

W229 N1433 Westwood Drive
Suite 105
Waukesha, WI 53186
P: (262) 522-7555
F: (262) 522-7550

Madison Office:

2110 Luann Lane
Madison, WI 53713
P: (608) 274-4020
F: (608) 274-0775

www.wegnercpas.com
info@wegnercpas.com
(888) 204-7665

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, 2016, 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 Liability, and the Schedule of Employer Contributions, and related notes on pages 4-14 and 46-51 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 December 10, 2016 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
December 10, 2016

SCHOOL DISTRICT OF BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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, 2016. 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 \$69,661,354 from \$57,987,606 or 20.13% at June 30, 2016. This increase is attributable to the related increase in capital assets due to referendum building project improvements.
- Total revenues increased to \$102,364,615 in fiscal year 2016, up from \$102,131,266 in fiscal year 2015, an increase of approximately 0.23%.
- Total expenses increased to \$90,690,861 in fiscal year 2016, up from \$88,670,420 in the year ended June 30, 2016, an increase of 2.28%.

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

Total fund balances of the District's governmental funds increased \$3,239,679 in fiscal year 2016. This increase included a \$3,031,777 increase in the general fund and a \$207,902 increase in the nonmajor governmental funds.

Total governmental fund expenditures were \$101,959,800 including \$52,172,710 for direct instruction and \$9,572,850 to complete facility renovations

The fund balance for all governmental funds at June 30, 2016 was \$17,469,450. Of this amount, \$231,309 was nonspendable; 3,799,677 was restricted for debt service, capital projects, nutrition services and special revenues; and \$13,438,464 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, 2016

FINANCIAL HIGHLIGHTS (continued)

Consistent with current state statutes and regulations an original budget is adopted in October following determination of official enrollment and certification of state aids. To balance the district's budget in 2015-16 the district implemented the following additional program initiatives or cost savings measures. Program initiatives that increased the district budget for 2015-16 fiscal year totaled \$2,147,498 and are as follows:

- 4th/5th Grade Addtl FTE at Fruzen
- Orchestra FTE at Fruzen
- Interns (Primary Grades only)
- Fruzen start-up expenses
- Aldrich Intermediate School reconfiguration renovations
- Increase daily sub rate
- Equity (Recruitment)
- Dual Language Immersion to Third Grade
- Salary Increase to employees of 1.62%
- Social Worker FTE for the district

Cost saving initiatives that reduced the district budget for the 2015-16 fiscal year totaled \$4,892,106 and are as follows:

- IT Staff (Partial Year)
- Wellness Coordinator .5 FTE
- Facility Service Position
- Five positions at BMHS
- Eliminate 115 plan
- Substitute budget restoration
- Hold 10%/20% HS back from school site budgets
- Closure of Morgan/McLenegan technology savings
- Closure of Morgan/McLenegan property service savings
- Align teacher support staff to student calendar
- Diagnostician
- Secretary FTE Intermediate School Reconfiguration
- Webmaster Addendums
- Change Insurance coverage provision – 95/5
- Counselor .5 FTE
- Media Para (McLenegan)
- Special Education Secretary
- Three FTE class size reduction

The District invested \$5,255,000 on energy efficiency projects. These projects included auditorium upgrades, boiler/terminal unit upgrades, domestic hot water upgrades, exterior lighting, LED lighting replacement, roof replacement at Aldrich, High School and McNeel, window replacement and window and door replacement. The District anticipates an estimated annual energy savings of approximately be \$226,153. These savings are in utility, operational and capital cost avoidance.

SCHOOL DISTRICT OF BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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 BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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; e.g. 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 25-45 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, 2016

DISTRICT-WIDE FINANCIAL STATEMENTS

Statement of Net Position

The District ended its fiscal year with net position of \$68,932,604 of which \$51,202,967 was net investment in capital assets, \$1,227,839 was restricted for debt service, \$1,977,194 was restricted for school nutrition services, \$212,111 was restricted by donor specifications, \$537,011 was restricted by contractual obligations, and \$13,775,482 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		
	2016	2015	% Change
ASSETS			
Current and other assets	\$ 31,070	\$ 36,535	-14.96%
Capital assets	119,085	114,587	3.93%
Total assets	150,155	151,122	-0.64%
DEFERRED OUTFLOWS			
Related to pension	25,476	6,180	312.23%
LIABILITIES			
Long-term liabilities	76,558	82,866	-7.61%
Other liabilities	19,960	16,449	21.34%
Total liabilities	96,518	99,315	-2.82%
DEFERRED INFLOWS			
Related to pension	10,181	-	
Net Position			
Net investment in capital assets	51,203	42,098	21.63%
Restricted	3,954	3,476	13.75%
Unrestricted	13,775	12,413	10.97%
Total Net Position	\$ 68,932	\$ 57,987	18.87%

SCHOOL DISTRICT OF BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

DISTRICT-WIDE FINANCIAL STATEMENTS (continued)

Changes in Net Position

Table 3 demonstrates that on a district-wide basis the District ended fiscal year 2016 with an increase in net position of \$10,945,004 compared to an increase of \$13,460,846 in fiscal year 2015. This increase is attributable to the growth in capital assets due to referendum building project improvements

The district received \$102,364,615 in revenue for the fiscal year 2016. The District relies primarily on general aids (62.97% of total governmental revenues), specific use private, state and federal grants (18.91%), and property taxes (15.23%) to fund governmental activities.

Individuals who directly participated or benefited from a program paid 1.62% 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 \$85,873,969. Operating grants include Title I, IDEA, Transportation Aid, Equalization Aid, and National School Lunch Programs.

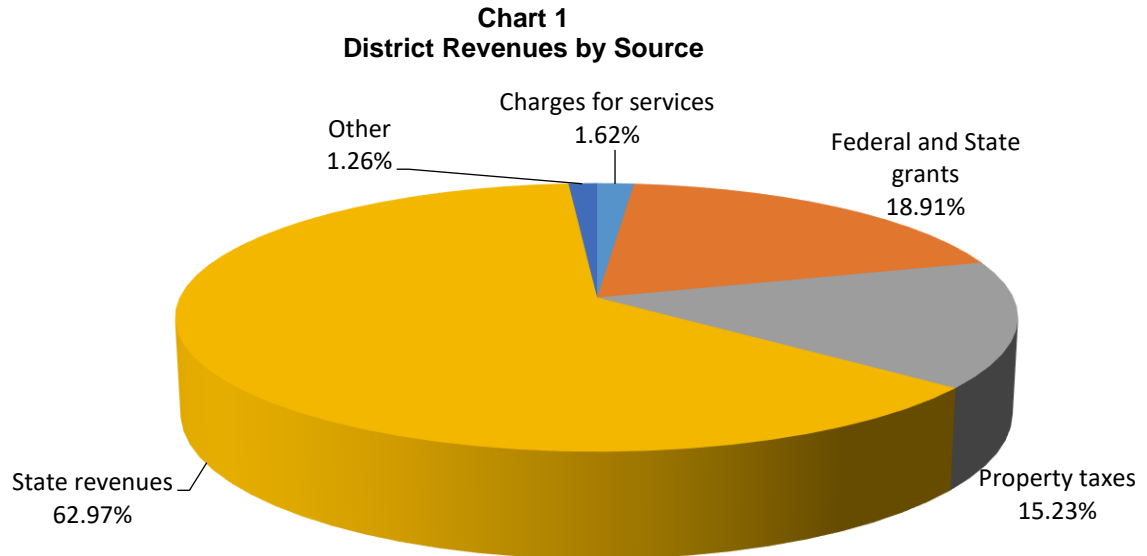
Table 3
Changes in Net Position from Operating Results
(in thousands of dollars)

REVENUES	Governmental Activities		
	2016	2015	% Change
Program revenues			
Charges for services	\$ 1,663	\$ 1,813	-8.27%
Federal and state grants	19,362	20,051	-3.44%
General revenues			
Property taxes	15,587	14,788	5.40%
State revenues	64,459	63,620	1.32%
Other	1,294	1,859	-30.39%
Total revenues	102,365	102,131	0.23%
EXPENSES			
Instruction	52,409	48,278	8.56%
Pupil and instructional services	10,192	9,448	7.87%
Administration and finance	6,753	12,154	-44.44%
Maintenance and operations	8,136	4,783	70.10%
Pupil transportation	2,196	2,238	-1.88%
Nutrition services	3,810	3,885	-1.93%
Central services	2,863	1,645	74.04%
Interest on debt	1,965	1,993	-1.40%
Other	3,096	4,246	-27.08%
Total expenses	91,420	88,670	3.10%
Change in Net Position	\$ 10,945	\$ 13,461	-18.69%

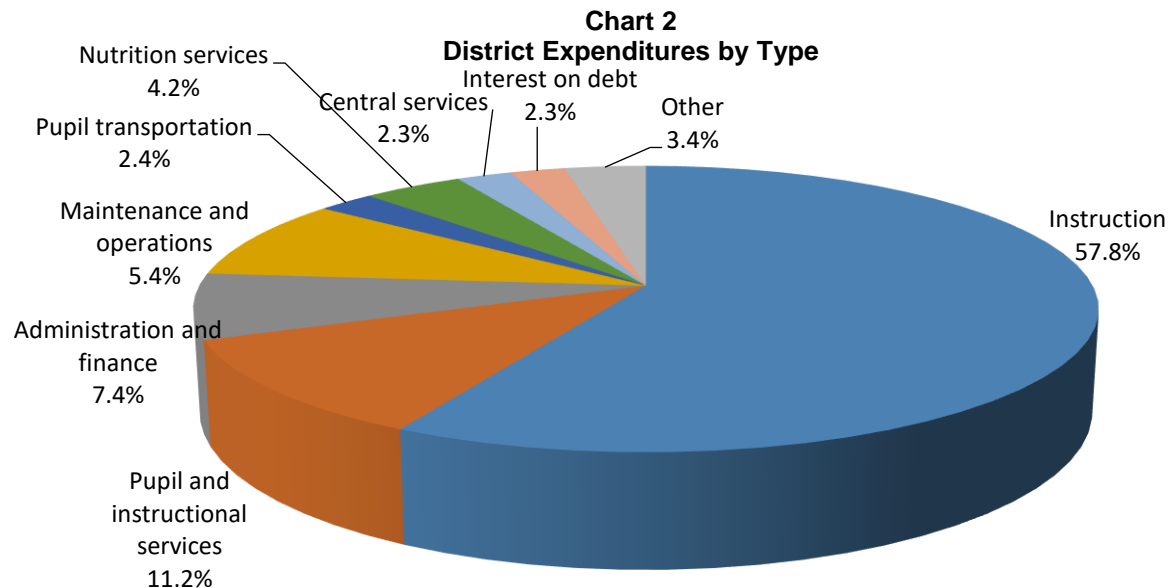
SCHOOL DISTRICT OF BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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, 2016

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 \$91,419,611. Individuals who directly participated or benefited from a program offering paid for \$1,662,737 of costs. Federal and state governments funding, along with other general contributions, subsidized certain programs with grants and contributions of \$19,361,524. The net cost of governmental activities \$70,395,350 was financed primarily by \$15,586,902 of property taxes and \$64,459,054 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	\$ 52,409	\$ (36,637)
Pupil and instructional services	10,192	(9,889)
Administration and finance	6,753	(6,753)
Maintenance and operations	8,136	(8,136)
Pupil transportation	2,196	(2,133)
Nutrition services	3,810	894
Central services	2,863	(2,705)
Interest on debt	1,965	(1,965)
Other	3,096	(3,072)
Total expenses	<u>\$ 91,420</u>	<u>\$ (70,396)</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 \$17,469,450 up from last year's ending fund balance of \$14,229,771. The overall increase in fund balance is the result of savings from the district self-funded health insurance plan as well as unspent budgeted salaries. Unassigned fund balance is maintained for adequate reserves primarily for working capital for cash flow purposes. The District's unassigned fund balance was \$13,438,464.

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 \$3,031,777, compared to an increase of \$290,259 in the prior year.

SCHOOL DISTRICT OF BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

GENERAL FUND BUDGETARY HIGHLIGHTS

While the District's adopted budget for the general fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources, the actual results for the year ended June 30, 2016 had revenues and other financing sources in excess of expenditures and other financing uses by \$3,031,777. The most significant budget changes included modifications in state and federal grants to account for new or revised grant awards.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had \$158,267,556 in capital assets, including land, buildings, furniture and equipment. Total accumulated depreciation on these assets was \$39,182,837. Asset acquisitions for governmental activities totaled \$9,497,272. The District recognized depreciation expense of \$2,300,543. Detailed information about capital assets can be found in Note 4 to the financial statements.

Table 5
Capital Assets
(in thousands of dollars)

	<u>2016</u>	<u>2015</u>
Land	\$ 6,429	\$ 6,354
Buildings and improvements	134,245	129,141
Furniture and equipment	17,593	17,440
Accumulated depreciation	<u>(39,183)</u>	<u>(38,348)</u>
Net capital assets	<u><u>\$ 119,084</u></u>	<u><u>\$ 114,587</u></u>

Long-term Debt

At June 30, 2016, the District had \$66,844,613 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)

	<u>2016</u>	<u>2015</u>
General obligation debt	\$ 66,845	\$ 69,587
Capital leases	-	1,799
Other postemployment benefits	9,632	11,388
Compensated absences	<u>81</u>	<u>92</u>
Net long-term obligations	<u><u>\$ 76,558</u></u>	<u><u>\$ 82,866</u></u>

SCHOOL DISTRICT OF BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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.
- 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. The District addresses facility needs through operational funds and revenue limit energy exemption tool.
- The District continues to provide 21st Century learning tools in the classroom. The District entered into a four year Apple lease agreement to refresh the 1:1 devices.
- 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:

Jamie Merath, Executive Director of Business Services at (608) 361-4015 or jmerath@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, 2016

	Governmental Activities
ASSETS	
Cash and investments	\$ 23,232,605
Accounts receivable	3,595,448
Due from other governments	4,011,883
Inventories	197,623
Prepaid expenses	33,686
Capital assets not being depreciated	6,429,118
Capital assets being depreciated, net	112,655,601
Total assets	150,155,964
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension	25,475,938
LIABILITIES	
Accounts payable and other current liabilities	12,142,814
Due to other fund	907,726
Accrued interest	483,077
Unearned revenues	551,255
Net pension liability	4,837,894
Long-term debt	
Due within one year	4,262,394
Due in more than one year	62,582,219
Other postemployment benefits	9,632,359
Accrued compensated absences	81,155
Unamortized debt premium	1,037,139
Total liabilities	96,518,032
DEFERRED INFLOW OF RESOURCES	
Related to pension	10,181,266
NET POSITION	
Net investment in capital assets	51,202,967
Restricted for	
Debt service	1,227,839
Nutrition service	1,977,194
Contractual obligations	537,011
Donor restricted	212,111
Unrestricted	13,775,482
Total net position	\$ 68,932,604

See accompanying notes to financial statements.

SCHOOL DISTRICT OF BELOIT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

		Program Revenues		Net (Expenses)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
GOVERNMENTAL ACTIVITIES:				
Instruction				
Regular instruction	\$ 36,336,580	\$ 1,471,740	\$ 9,082,397	\$ (25,782,443)
Vocational instruction	1,678,916	-	88,602	(1,590,314)
Physical instruction	1,890,141	-	-	(1,890,141)
Special education instruction	8,618,249	14,078	4,949,354	(3,654,817)
Other instruction	3,885,363	48,628	116,959	(3,719,776)
Total instruction	52,409,249	1,534,446	14,237,312	(36,637,491)
Support services				
Pupil services	5,865,551	-	-	(5,865,551)
Instructional staff services	4,326,333	-	303,374	(4,022,959)
Administrative services	6,752,670	-	-	(6,752,670)
Operation and maintenance of plant	8,135,638	-	-	(8,135,638)
Pupil transportation	2,195,866	29,630	33,111	(2,133,125)
Nutrition services	3,809,905	73,802	4,630,460	894,357
Central services	2,862,667	-	157,267	(2,705,400)
Insurance and judgments	871,441	-	-	(871,441)
Other support services	2,225,771	24,859	-	(2,200,912)
Interest on debt	1,964,520	-	-	(1,964,520)
Total support services	39,010,362	128,291	5,124,212	(33,757,859)
Total school district	\$ 91,419,611	\$ 1,662,737	\$ 19,361,524	\$ (70,395,350)
GENERAL REVENUES:				
TAXES:				
Property taxes, levied for general purposes				10,109,782
Property taxes, levied for debt service				5,477,120
Other taxes				22,503
FEDERAL AND STATE AID NOT RESTRICTED				
General (equalization aid)				64,459,054
Other				2,053,391
Interest and investment earnings				42,444
Loss on disposal of capital assets				(994,360)
Miscellaneous				170,420
Change in Net Position				10,945,004
Net Position—beginning of year				57,987,600
Net Position—end of year				\$ 68,932,604

See accompanying notes to financial statements.

SCHOOL DISTRICT OF BELOIT
BALANCE SHEET—GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 19,813,254	\$ 3,419,351	\$ 23,232,605
Accounts receivable	3,590,377	5,071	3,595,448
Due from other governments	3,327,145	684,738	4,011,883
Due from other funds	282,041	-	282,041
Inventory	97,079	100,544	197,623
Prepaid expenses	33,686	-	33,686
Total assets	\$ 27,143,582	\$ 4,209,704	\$ 31,353,286
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,382,928	\$ 19,013	\$ 1,401,941
Accrued salaries and wages	6,724,173	434	6,724,607
Payroll taxes and withholdings	965,980	20	966,000
Due to other funds	907,176	282,591	1,189,767
Self insurance claims payable	1,246,312	-	1,246,312
Self insurance premiums	1,803,954	-	1,803,954
Unearned revenues	543,830	7,425	551,255
Total liabilities	13,574,353	309,483	13,883,836
FUND BALANCES			
Nonspendable	130,765	100,544	231,309
Restricted	537,011	3,799,677	4,336,688
Unassigned	12,901,453	-	12,901,453
Total fund balances	13,569,229	3,900,221	17,469,450
Total liabilities and fund balances	\$ 27,143,582	\$ 4,209,704	\$ 31,353,286

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, 2016

Total fund balances - governmental funds	\$ 17,469,450
--	---------------

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	\$ 158,267,556
Accumulated depreciation	<u>(39,182,837)</u>

Net capital assets	119,084,719
--------------------	-------------

The net pension liability is not an available resource and, therefore, is not reported in the funds.	(4,837,894)
--	-------------

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	(66,844,613)
Accrued interest payable	(483,077)
Compensated absences	(81,155)
Deferred outflows related to pension	25,475,938
Deferred inflows related to pension	(10,181,266)
Other postemployment benefits	(9,632,359)
Unamortized debt premium	<u>(1,037,139)</u>

Total long-term debt liabilities	<u>(62,783,671)</u>
----------------------------------	---------------------

Total net position - governmental activities	<u>\$ 68,932,604</u>
--	----------------------

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, 2016

	General Fund	Nonmajor Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 10,132,285	\$ 5,477,120	\$ 15,609,405
Local	692,988	371,379	1,064,367
Interdistrict payments	1,130,406	37,417	1,167,823
Intermediate sources	18,078	1,101	19,179
State	73,047,883	88,836	73,136,719
Federal	7,500,996	4,532,951	12,033,947
Other sources	327,535	60,674	388,209
Total revenues	92,850,171	10,569,478	103,419,649
EXPENDITURES			
Instruction			
Regular instruction	36,186,874	4,112	36,190,986
Vocational instruction	1,612,657	-	1,612,657
Physical instruction	1,878,813	2,056	1,880,869
Special education instruction	8,611,328	-	8,611,328
Other instruction	3,636,114	240,756	3,876,870
Total instruction	51,925,786	246,924	52,172,710
Support services			
Pupil services	5,860,889	707	5,861,596
Instructional staff services	4,308,009	-	4,308,009
General administrative services	1,457,903	-	1,457,903
Building administrative services	4,138,884	-	4,138,884
Business administrative services	10,383,434	3,816,666	14,200,100
Central services	1,918,134	-	1,918,134
Insurance and judgments	871,441	-	871,441
Other support services	756,195	47,427	803,622
Total support services	29,694,889	3,864,800	33,559,689
Capital outlay	8,829,285	743,565	9,572,850
Debt service			
Principal	1,876,744	3,470,911	5,347,655
Interest and fees	57,611	2,055,207	2,112,818
Total expenditures	92,384,315	10,381,407	102,765,722
Excess of revenues over expenditures	465,856	188,071	653,927
Other financing sources (uses)			
Long term debt issued	805,922	-	805,922
Proceeds from sale of fixed assets	1,765,991	13,839	1,779,830
Transfers in (out)	(5,992)	5,992	-
Total other financing sources	2,565,921	19,831	2,585,752
Net change in fund balances	3,031,777	207,902	3,239,679
Fund balances—beginning of year	10,537,452	3,692,319	14,229,771
Fund balances—end of year	\$ 13,569,229	\$ 3,900,221	\$ 17,469,450

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, 2016

Net change in fund balances—total governmental funds		\$ 3,239,679
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	\$ 9,572,850	
Depreciation expense reported in the statement of activities	(2,300,543)	
Net book value of assets disposed of	(2,774,190)	
		4,498,117
Bond, note and capital lease proceeds are reported as financing sources in governmental funds and contribute to the change in fund balance. In the statement of net position issuing debt increases long term liabilities and does not affect the statement of activities.		(805,922)
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	3,470,911	
State trust fund loans	-	
TEACH loans	-	
Capital leases	1,876,744	
		5,347,655
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	22,165	
Additions to premium on debt issuance	-	
Additions to debt issuance costs	-	
Amortization of issuance costs	-	
Amortization of premium	65,459	
Net decrease in other postemployment benefits	1,755,582	
Net decrease in pension expense	(3,188,146)	
Net decrease in compensated absences	10,415	
		(1,334,525)
Change in net position of governmental activities		<u>\$ 10,945,004</u>

See accompanying notes to financial statements.

SCHOOL DISTRICT OF BELOIT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

	<u>Private Purpose Trust</u>	<u>Employee Benefit Trust</u>	<u>Student Activity Agency</u>
ASSETS			
Cash and investments	\$ 504	\$ 2,071,672	\$ 82,946
Due from other funds	<u>-</u>	<u>907,176</u>	<u>-</u>
Total assets	<u><u>\$ 504</u></u>	<u><u>\$ 2,978,848</u></u>	<u><u>\$ 82,946</u></u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 5,118
Due to student organizations	<u>-</u>	<u>-</u>	<u>77,828</u>
Total liabilities	-	-	<u><u>\$ 82,946</u></u>
NET POSITION			
Restricted	<u>504</u>	<u>2,978,848</u>	
Total liabilities and Net Position	<u><u>\$ 504</u></u>	<u><u>\$ 2,978,848</u></u>	

See accompanying notes to financial statements.

SCHOOL DISTRICT OF BELOIT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2016

	<u>Private Purpose Trust</u>	<u>Employee Benefit Trust</u>
ADDITIONS		
Contributions to employee benefit trust	\$ -	\$ 2,893,970
Investment earnings	<u>2</u>	<u>23,125</u>
Total additions	2	2,917,095
DEDUCTIONS		
Other postemployment benefits	<u>-</u>	<u>1,859,001</u>
Change in net position	2	1,058,094
Net Position—beginning of year	<u>502</u>	<u>1,920,754</u>
Net Position—end of year	<u><u>\$ 504</u></u>	<u><u>\$ 2,978,848</u></u>

See accompanying notes to financial statements.

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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.

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, 2016

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 fund:

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.

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, 2016

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, 2016

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, 2016

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. The District has deferred outflows as of June 30, 2016 related to pension activity.

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 deferred inflows as of June 30, 2016 related to pension activity.

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 БЕLOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016

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 БЕЛОIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

NOTE 2—CASH AND INVESTMENTS

As of June 30, 2016, cash and investments consist of the following:

	Fair Value	Carrying Value	Risk
Cash on hand	\$ 92	\$ 92	
Deposits with financial institutions	25,100,003	24,198,941	Custodial
Associated Trust	1,188,694	1,188,694	Credit and interest rate
	<u>\$ 26,288,789</u>	<u>\$ 25,387,727</u>	

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

Statement of net position	
Governmental activities	\$ 23,232,605
Statement of fiduciary net position	
Private Purpose Trust	504
Employee benefit trust	2,071,672
Agency fund	82,946
	<u>\$ 25,387,727</u>

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2—CASH AND INVESTMENTS (continued)

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.
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.

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2—CASH AND INVESTMENTS

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, 2016, all investments have a maturity of 12 months or less.

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, 2016, none of the District's deposits with financial institutions were uninsured or uncollateralized. The District's fair value for demand deposits of \$25,100,003 was collateralized.

Concentration of Credit Risk

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

Fair Value

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Associated Trust	\$ 1,188,694	\$ -	\$ -	\$ 1,188,694

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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	\$ 282,591
Employee Benefit Trust	General fund	907,176
		<u>\$ 1,189,767</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, 2016 represent transfer in/out between all funds:

<u>Transferred to</u>	<u>Transferred from</u>	<u>Amount</u>
Co-operative Program	General Fund	\$ 5,992
Special education fund	General Fund	7,879,757
		<u>\$ 7,885,749</u>

NOTE 4—CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 6,353,541	\$ 75,577	\$ -	\$ 6,429,118
Capital assets being depreciated				
Building and improvements	126,716,451	7,528,886	-	134,245,337
Equipment	19,864,206	1,968,386	4,239,491	17,593,101
Total capital assets being depreciated	146,580,657	9,497,272	4,239,491	151,838,438
Less accumulated depreciation	38,347,595	2,300,543	1,465,301	39,182,837
Total capital assets being depreciated-net	108,233,062	7,196,729	2,774,190	112,655,601
Governmental activity capital assets-net	<u>\$114,586,603</u>	<u>\$ 7,272,306</u>	<u>\$ 2,774,190</u>	<u>\$ 119,084,719</u>

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 4—CAPITAL ASSETS (continued)

Depreciation expense for governmental activities for the year ended June 30, 2016 was charged to functions as follows:

Regular instruction	\$ 145,594
Vocational instruction	66,259
Physical instruction	9,272
Special education instruction	6,921
Other instruction	8,493
Pupil services	3,955
Instructional staff services	18,324
Administrative services	15,936
Operation and maintenance of plant	975,819
Nutrition services	105,437
Central services	<u>944,533</u>
Total depreciation:	<u>\$ 2,300,543</u>

NOTE 5—LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended June 30, 2016 was as follows:

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Due Within One Year
G.O. Bonds	\$65,440,000	-	\$ (3,165,000)	\$ 62,275,000	\$ 3,255,000
Qualified Zone					
Academy Bonds	1,498,818	-	(178,875)	1,319,943	190,429
Qualified Zone					
Academy Lease	239,437	-	(33,348)	206,089	33,348
Qualified Energy					
Conservation Bond	2,215,000	-	-	2,215,000	-
G.O. Note	<u>193,519</u>	<u>-</u>	<u>(93,688)</u>	<u>99,831</u>	<u>54,867</u>
Total general obligation debt	69,586,774	-	(3,470,911)	66,115,863	3,533,644
Capital lease	1,799,572	805,922	(1,876,744)	728,750	728,750
Compensated absences	<u>91,570</u>	<u>-</u>	<u>(10,415)</u>	<u>81,155</u>	<u>-</u>
Total long-term liabilities	<u>\$71,477,916</u>	<u>805,922</u>	<u>\$ (5,358,070)</u>	<u>\$ 66,925,768</u>	<u>\$ 4,262,394</u>

Total long-term debt interest paid and expensed (including accrual) for the year ended June 30, 2016 was \$2,112,817 and \$2,135,947, 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.

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 5—LONG-TERM OBLIGATIONS (continued)

The 2015 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,348,677,955. 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, 2016 was as follows:

Debt limit (10% of \$1,348,677,955)	\$ 134,867,796
Less: long-term debt applicable to debt margin:	<u>66,115,863</u>
Margin of indebtedness:	<u><u>\$ 68,751,933</u></u>

General obligation debt at June 30, 2016 is comprised of the following individual issues:

Description	Issue Date	Interest Rate (%)	Date of Maturity	Original Amounts	Balance 6/30/2016
G.O. refunding bonds	3/8/2010	2.65 - 5.90%	10/1/2028	\$ 6,270,000	\$ 5,715,000
G.O. refunding bonds	9/17/2012	2.00 - 3.00%	4/1/2029	10,000,000	8,295,000
G.O. school improvement bond	1/7/2013	2.00 - 3.00%	4/1/2032	57,785,000	48,265,000
Qualified Zone Academy Bond	12/28/2009	0.00%	9/15/2024	1,785,000	1,071,000
Qualified Zone Academy Bond	8/23/2004	0.00%	8/23/2018	1,000,000	248,943
Qualified Zone Academy Lease	12/28/2005	0.00%	12/28/2020	574,000	206,089
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	<u>99,831</u>
					<u><u>\$ 66,115,863</u></u>

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

Year Ended June 30	Principal	Interest	Total
2017	\$ 3,533,644	\$ 1,958,371	\$ 5,492,015
2018	3,629,024	1,863,295	5,492,319
2019	3,627,348	1,763,816	5,391,164
2020	3,742,348	1,654,165	5,396,513
2021	3,857,348	1,540,044	5,397,392
2022-2026	20,860,349	5,945,473	26,805,822
2027-2031	22,270,000	2,900,345	25,170,345
Thereafter	<u>4,595,802</u>	<u>217,563</u>	<u>4,813,365</u>
	<u><u>\$ 66,115,863</u></u>	<u><u>\$ 17,843,072</u></u>	<u><u>\$ 83,958,935</u></u>

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 5—LONG-TERM OBLIGATIONS (continued)

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.

NOTE 6—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:

	<u>Unearned</u>
Donation for	
BMHS Auditorium Renovation	\$ 543,830
Student meal deposits	<u>7,425</u>
	<u>\$ 551,255</u>

NOTE 7— 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 БЕLOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7— 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.

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 \$2,863,638 in contributions from the employer.

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

At June 30, 2016, School District of Beloit reported a liability of \$4,837,894 for its proportionate share of the net pension liability. The net pension asset was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. The District reported a deferred outflow of \$3,384,801 for change in assumption between the actuarial valuation date and the measurement date. School District of Beloit's proportion of the net pension liability 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, 2015, School District of Beloit's proportion was 0.29772012%, which was a decrease of 0.00620627% from its proportion measured as of December 31, 2014. For the year ended June 30, 2016, School District of Beloit recognized pension expense of \$5,769,836.

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7— EMPLOYEE’S RETIREMENT SYSTEM (continued)

At June 30, 2016, 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	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 835,495	\$ (10,181,266)
Changes in assumptions	3,384,801	-
Net differences between projected and actual earnings on pension plan investments	19,863,114	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	192,086	-
Employer contributions subsequent to the measurement date	1,200,442	-
Total	<u>\$ 25,475,938</u>	<u>\$ (10,181,266)</u>

\$1,200,442 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 in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 6,312,739	\$ (2,463,885)
2017	6,312,739	(2,463,885)
2018	6,312,739	(2,463,885)
2019	5,227,988	(2,463,885)
2020	109,291	(325,726)
	<u>\$ 24,275,496</u>	<u>\$ (10,181,266)</u>

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7— EMPLOYEE'S RETIREMENT SYSTEM (continued)

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

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset)	December 31, 2015
Actuarial Cost Method:	Entry age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

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

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

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.

SCHOOL DISTRICT OF БЕЛОIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7— EMPLOYEE'S RETIREMENT SYSTEM (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Core Fund Asset Class	Current Asset Allocation	Target Asset Allocation	Long-Term Expected Nominal Rate of Return	Long-Term Expected Real Rate of Return
U.S. equities	27%	23%	7.6%	4.7%
International equities	24.5	22	8.5	5.6
Fixed income	27.5	37	4.4	1.6
Inflation sensitive assets	10	20	4.2	1.4
Real estate	7	7	6.5	3.6
Private equity/debt	7	7	9.4	6.5
Multi-asset	4	4	6.7	3.8
Total core fund	107%	120%	7.4%	4.5%
<u>Variable Fund Asset Class</u>				
U.S. equities	70%	70%	7.6%	4.7%
International equities	30	30	8.5	5.6
Total variable fund	100%	100%	7.9%	5.0%

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 3.57%. 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 to changes in the discount rate. The following presents School District of Beloit's proportionate share of the net pension liability 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 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%)
The District's proportionate share of net pension liability	\$ 33,933,082	\$ 4,837,894	\$ (17,885,966)

SCHOOL DISTRICT OF БЕЛОIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7—EMPLOYEE'S RETIREMENT SYSTEM (continued)

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/>.

NOTE 8—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, 2016.

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, 2016, the District has reported a liability of \$1,246,312, which represents reported and unreported claims which were incurred on or before June 30, 2016, 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	\$ 1,661,109	\$ 1,246,312	\$ 1,661,109	\$ 1,246,312

NOTE 9—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 1, 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, 2016 the District contributed \$2,890,855 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 БЕЛОIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 9—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	\$ 1,426,690
Interest on net OPEB obligation	455,518
Adjustment to annual required contribution	<u>(746,935)</u>
Annual OPEB cost (expense)	1,135,273
OPEB payments made	<u>(2,890,855)</u>
Increase in net OPEB obligation	(1,755,582)
Net OPEB obligation - beginning of year	<u>11,387,941</u>
Net OPEB obligation - end of year	<u><u>\$ 9,632,359</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, 2016 and the preceding two years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	1,135,273	254.64%	9,632,359
6/30/2015	1,104,343	209.45%	11,387,941
6/30/2014	1,107,177	188.54%	12,596,652

Funded Status and Funding Progress. As of July 1, 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, 2016

NOTE 9—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 1, 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 1, 2014 was 30 years.

NOTE 10—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 11—GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide statement of net position at June 30, 2016 consist of the following:

Net investment in capital assets	\$ 51,202,967
Restricted	
Program specific	537,011
Debt service	1,227,839
Nutrition services	1,977,194
Donor restricted	<u>212,111</u>
Total restricted	3,954,155
Unrestricted	<u>13,775,482</u>
Total governmental activities net position	<u><u>\$ 68,932,604</u></u>

SCHOOL DISTRICT OF BELOIT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 12—GOVERNMENTAL FUND BALANCE

Governmental fund balances reported on the statement of revenues, expenditures, and changes in fund balances at June 30, 2016 include the following:

Nonspendable	
Inventory	\$ 197,623
Prepaid expenses	<u>33,686</u>
Total nonspendable fund balance	231,309
Restricted	
Program specific	537,011
Debt service	1,710,916
Donor restricted	212,111
Nutrition services	<u>1,876,650</u>
Total restricted	4,336,688
Unassigned	<u>12,901,453</u>
Total governmental fund balance	<u><u>\$ 17,469,450</u></u>

NOTE 13—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 14—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.

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, 2016

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes	\$ 10,129,782	\$ 10,109,782	\$ 10,132,285	\$ 22,503
Local	404,361	510,557	692,988	182,431
Interdistrict payments	1,187,920	1,187,920	1,130,406	(57,514)
State	70,295,347	71,031,415	70,163,627	(867,788)
Federal	5,391,738	5,462,663	5,439,898	(22,765)
Other sources	201,563	269,364	327,535	58,171
Total revenues	87,610,711	88,571,701	87,886,739	(684,962)
EXPENDITURES				
Instruction				
Regular instruction	33,868,569	33,990,400	32,066,588	1,923,812
Vocational instruction	1,779,048	1,785,336	1,679,225	106,111
Physical instruction	1,999,091	2,001,877	1,878,813	123,064
Other instruction	3,758,795	3,753,195	3,595,808	157,387
Total instruction	41,405,503	41,530,808	39,220,434	2,310,374
Support services				
Pupil services	3,358,615	3,732,376	3,628,980	103,396
Instructional staff services	4,028,895	4,471,742	3,819,549	652,193
General administrative services	1,310,386	1,432,428	1,458,873	(26,445)
Building administrative services	4,189,940	4,218,146	4,159,358	58,788
Business administrative services	16,577,613	16,618,071	16,709,990	(91,919)
Central services	2,939,904	2,969,484	2,487,852	481,632
Insurance and judgments	862,477	895,890	871,441	24,449
Debt Services	1,927,502	1,933,502	1,934,355	(853)
Other support services	173,820	173,820	141,616	32,204
Total support services	35,369,152	36,445,459	35,212,014	1,233,445
Non-program transactions				
Interfund transfers	8,453,059	8,453,059	7,885,749	567,310
Instructional Service Payments	3,963,346	3,963,346	4,255,523	(292,177)
Other non-program transactions	211,281	88,606	47,233	41,373
Total non-program transactions	12,627,686	12,505,011	12,188,505	316,506
Total expenditures	89,402,341	90,481,278	86,620,953	3,860,325
Excess of revenues over expenditures	(1,791,630)	(1,909,577)	1,265,786	3,175,363
Other financing sources				
Proceeds from sale of capital assets	1,791,630	1,791,630	1,765,991	(25,639)
Total other financing sources	1,791,630	1,791,630	1,765,991	(25,639)
Net change in fund balances	-	(117,947)	3,031,777	3,149,724
Fund balances—beginning of year	10,537,452	10,537,452	10,537,452	-
Fund balances—end of year	<u>\$ 10,537,452</u>	<u>\$ 10,419,505</u>	<u>\$ 13,569,229</u>	<u>\$ 3,149,724</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, 2016

SOURCES/ INFLOWS OF RESOURCES:

Actual General Fund Operating revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 87,886,739
Reclassification: Special Education Fund revenues are included in the General Fund, required for GAAP reporting	<u>4,963,432</u>
General Fund revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds	<u>\$ 92,850,171</u>

USES/ OUTFLOWS OF RESOURCES:

Actual general fund expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 86,620,953
Reclassifications: Special Education Fund expenditures are included in the General Fund, required for GAAP reporting	12,843,189
Interfund transfers are included in other financing uses in the General Fund, as required for GAAP reporting	<u>(7,885,749)</u>
General Fund expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance- Governmental Funds	<u>\$ 91,578,393</u>

See accompanying notes to required supplementary information.

SCHOOL DISTRICT OF BELOIT
SCHEDULE OF FUNDING PROGRESS
Year Ended June 30, 2016

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%

See accompanying notes to required supplementary information.

SCHOOL DISTRICT OF BELOIT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS

	2015	2014
The District's proportion of the net pension liability	0.297720%	0.303926%
The District's proportionate share of the net pension liability	\$ 4,837,894	\$ (7,465,264)
The District's covered-employee payroll	\$ 42,044,113	\$ 40,219,358
The District's proportionate share as a percentage of covered payroll	11.51%	18.56%
Plan fiduciary net position as a percentage of the total pension liability	98.20%	102.74%

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

See accompanying notes to required supplementary information.

SCHOOL DISTRICT OF BELOIT
SCHEDULE OF CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
Last 10 Fiscal Years*

	2015	2014
Contractually required contributions	\$ 2,863,638	\$ 2,815,492
Contributions in relation to the contractually required contributions	\$ 2,863,638	\$ 2,815,492
The District's covered-employee payroll	\$ 42,044,113	\$ 40,219,358
Contributions as a percentage of covered-employee payroll	6.81%	7.00%

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

See accompanying notes to required supplementary information.

SCHOOL DISTRICT OF BELOIT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

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

The following general fund functions had an excess of actual expenditures over appropriations for the year ended June 30, 2016.

<u>Function</u>	<u>Excess Expenditures</u>
General administrative services	(26,445)
Business administrative services	(91,919)
Instructional Service Payments	(292,177)

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. The District reported a deferred outflow of \$3,384,801 for change in assumptions.

OTHER SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF BELOIT
COMBINING BALANCE SHEET—GENERAL GOVERNMENTAL FUNDS
June 30, 2016

	General Operating Fund	Special Education Fund	Total General Fund
ASSETS			
Cash and investments	\$ 11,076,895	\$ 8,736,359	\$ 19,813,254
Accounts receivable	3,304,347	286,030	3,590,377
Due from other governments	3,327,145	-	3,327,145
Due from other funds	7,886,599	(7,604,558)	282,041
Inventory	97,079	-	97,079
Prepaid expenses	33,686	-	33,686
Total assets	\$ 25,725,751	\$ 1,417,831	\$ 27,143,582
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,306,322	\$ 76,606	\$ 1,382,928
Accrued salaries and wages	5,382,983	1,341,190	6,724,173
Payroll taxes and withholdings	965,945	35	965,980
Due to other funds	907,176	-	907,176
Self insurance premiums	1,246,312	-	1,246,312
Self insurance claims payable	1,803,954	-	1,803,954
Unearned revenues	543,830	-	543,830
Total liabilities	12,156,522	1,417,831	13,574,353
FUND BALANCES			
Nonspendable	130,765	-	130,765
Restricted	537,011	-	537,011
Unassigned	12,901,453	-	12,901,453
Total fund balances	13,569,229	-	13,569,229
Total liabilities and fund balances	\$ 25,725,751	\$ 1,417,831	\$ 27,143,582

SCHOOL DISTRICT OF BELOIT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—GENERAL GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	General Operating Fund	Special Education Fund	Total General Fund
REVENUES			
Taxes	\$ 10,132,285	\$ -	\$ 10,132,285
Local	692,988	-	692,988
Interdistrict payments	1,130,406	-	1,130,406
Intermediate sources	-	18,078	18,078
State	70,163,627	2,884,256	73,047,883
Federal	5,439,898	2,061,098	7,500,996
Other sources	327,535	-	327,535
Total revenues	87,886,739	4,963,432	92,850,171
EXPENDITURES			
Instruction			
Regular instruction	36,185,970	904	36,186,874
Vocational instruction	1,612,657	-	1,612,657
Physical instruction	1,878,813	-	1,878,813
Special education instruction	-	8,611,328	8,611,328
Other instruction	3,595,808	40,306	3,636,114
Total instruction	43,273,248	8,652,538	51,925,786
Support services			
Pupil services	3,628,980	2,231,909	5,860,889
Instructional staff services	3,686,602	621,407	4,308,009
General administrative services	1,457,903	-	1,457,903
Building administrative services	4,138,884	-	4,138,884
Business administrative services	9,616,198	767,236	10,383,434
Central services	1,918,134	-	1,918,134
Insurance and judgments	871,441	-	871,441
Other support services	188,849	567,346	756,195
Total support services	25,506,991	4,187,898	29,694,889
Capital Outlay	8,826,532	2,753	8,829,285
Debt service			
Principal	1,876,744	-	1,876,744
Interest and fees	57,611	-	57,611
Total expenditures	79,541,126	12,843,189	92,384,315
Excess (deficiency) of revenues over (under) expenditures	8,345,613	(7,879,757)	465,856
Other financing sources (uses)			
Long term debt issued	805,922	-	805,922
Proceeds from sale of fixed assets	1,765,991	-	1,765,991
Transfers in (out)	(7,885,749)	7,879,757	(5,992)
Total other financing sources (uses)	(5,313,836)	7,879,757	2,565,921
Net change in fund balances	3,031,777	-	3,031,777
Fund balances—beginning of year	10,537,452	-	10,537,452
Fund balances—end of year	\$ 13,569,229	\$ -	\$ 13,569,229

SCHOOL DISTRICT OF BELOIT
COMBINING BALANCE SHEET—NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Debt Service	Special Revenue	School Nutrition Services	Co-operative Program	
ASSETS					
Cash and investments	\$ 1,707,916	\$ 231,299	\$ 1,472,738	\$ 7,398	\$ 3,419,351
Accounts receivable	3,000	-	1,377	694	5,071
Due from other governments	-	-	683,633	1,105	684,738
Inventory	-	-	100,544	-	100,544
Total assets	<u>\$ 1,710,916</u>	<u>\$ 231,299</u>	<u>\$ 2,258,292</u>	<u>\$ 9,197</u>	<u>\$ 4,209,704</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ 16,052	\$ 2,961	\$ -	\$ 19,013
Accrued salaries and wages	-	140	294	-	434
Payroll taxes and withholdings	-	13	7	-	20
Due to other funds	-	2,983	270,411	9,197	282,591
Unearned revenue	-	-	7,425	-	7,425
Total liabilities	-	19,188	281,098	9,197	309,483
FUND BALANCES					
Nonspendable	-	-	100,544	-	100,544
Restricted	1,710,916	212,111	1,876,650	-	3,799,677
Total fund balances	<u>1,710,916</u>	<u>212,111</u>	<u>1,977,194</u>	<u>-</u>	<u>3,900,221</u>
Total liabilities and fund balances	<u>\$ 1,710,916</u>	<u>\$ 231,299</u>	<u>\$ 2,258,292</u>	<u>\$ 9,197</u>	<u>\$ 4,209,704</u>

SCHOOL DISTRICT OF BELOIT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	Special Revenue funds				Total Nonmajor Governmental Funds
	Debt Service	Special Revenue	School Nutrition Services	Co-operative Program	
REVENUES					
Taxes	\$ 5,477,120	\$ -	\$ -	\$ -	\$ 5,477,120
Local	50,748	218,874	91,647	10,110	371,379
Interdistrict payments within Wisconsin	-	-	-	37,417	37,417
Intermediate sources	-	-	-	1,101	1,101
State	-	-	88,836	-	88,836
Federal	-	-	4,532,951	-	4,532,951
Other sources	60,674	-	-	-	60,674
Total revenues	5,588,542	218,874	4,713,434	48,628	10,569,478
EXPENDITURES					
Instruction					
Regular instruction	-	4,112	-	-	4,112
Vocational instruction	-	365	-	1,691	2,056
Other instruction	-	197,379	-	43,377	240,756
Total instruction	-	201,856	-	45,068	246,924
Support services					
Pupil services	-	707	-	-	707
Business administrative services	-	15,697	3,791,417	9,552	3,816,666
Other support services	-	-	47,427	-	47,427
Total support services	-	16,404	3,838,844	9,552	3,864,800
Capital Outlay	-	24,447	719,118	-	743,565
Debt service					
Principal	3,470,911	-	-	-	3,470,911
Interest and fees	2,055,207	-	-	-	2,055,207
Total expenditures	5,526,118	242,707	4,557,962	54,620	10,381,407
Excess (deficiency) of revenues over (under) expenditures	62,424	(23,833)	155,472	(5,992)	188,071
Other financing sources					
Proceeds from sale of capital assets	-	-	13,839	-	13,839
Transfers in	-	-	-	5,992	5,992
Total other financing sources (uses)	-	-	13,839	5,992	19,831
Net change in fund balances	62,424	(23,833)	169,311	-	207,902
Fund balances—beginning of year	1,648,492	235,944	1,807,883	-	3,692,319
Fund balances—end of year	<u>\$ 1,710,916</u>	<u>\$ 212,111</u>	<u>\$ 1,977,194</u>	<u>\$ -</u>	<u>\$ 3,900,221</u>

SCHOOL DISTRICT OF BELOIT
AGENCY FUNDS—SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2016

	Student Activity Fund			
	Balance 7/1/2015	Additions	Deductions	Balance 6/30/2016
ASSETS				
Cash and investments	\$ 94,538	\$ 111,595	\$ 123,187	\$ 82,946
Total assets	<u>\$ 94,538</u>	<u>\$ 111,595</u>	<u>\$ 123,187</u>	<u>\$ 82,946</u>
LIABILITIES				
Accounts payable	\$ 8,855	\$ 5,118	\$ 8,855	\$ 5,118
Due to student organizations				
Elementary Schools	5,582	991	1,000	5,573
Middle School	18,655	29,633	34,240	14,048
High School	61,446	75,853	79,092	58,207
Total liabilities	<u>\$ 94,538</u>	<u>\$ 111,595</u>	<u>\$ 123,187</u>	<u>\$ 82,946</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, 2016

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant ID	Accrued or (Deferred) Revenue at 7/1/2015	Receipts	Expenditures	Accrued or (Deferred) Revenue at 6/30/2016
Department of Agriculture						
Pass-through programs from Wisconsin Department of Public Instruction						
Fresh Fruit and Vegetable Program	10.582	A376-00000-530413	\$ 53,192	\$ 178,729	\$ 155,874	\$ 30,337
Child Nutrition Cluster						
School Breakfast Program	10.553	A546-00000-530413	43,757	1,145,657	1,291,494	189,594
National School Lunch Program	10.555	A547-00000-530413	97,740	2,444,531	2,751,418	404,627
National School Lunch Program - Food Commodities	10.555	A547-00000-530413	-	190,304	190,304	-
Summer Food Service Program for Children	10.559	A586-00000-530413	34,789	119,575	143,860	59,074
Total Child Nutrition Cluster			176,286	3,900,067	4,377,076	653,295
Total Department of Agriculture			229,478	4,078,796	4,532,950	683,632
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	A141-00000-530413	599,822	2,824,095	2,712,986	488,713
Special Education Cluster (IDEA)						
Special Education--Grants to States (IDEA, Part B)	84.027	A341-00000-530413	315,550	1,614,760	1,496,475	197,265
Special Education--Grants to States (IDEA, Part B)	84.027	A341-00000-530413	-	105,765	105,765	-
Total Special Education--Grants to States (IDEA, Part B)			315,550	1,720,525	1,602,240	197,265
Special Education--Preschool Grants (IDEA Preschool)	84.173	A347-00000-530413	12,761	85,332	96,745	24,174
Total Special Education Cluster (IDEA)			328,311	1,805,857	1,698,985	221,439
Career and Technical Education - Basic Grants to States	84.048	A400-00000-530413	8,079	88,821	88,603	7,861
School Safety National Activities	84.184	A592-00000-530413	2,585	2,585	-	-
Education for Homeless Children and Youth	84.196	A335-00000-530413	8,209	45,808	44,497	6,898
Twenty-First Century Community Learning Centers	84.287	A367-00000-530413	72,182	446,507	438,705	64,380
Transition to Teaching	84.350		23,516	43,134	19,618	-
English Language Acquisition State Grants	84.365	A391-00000-530413	18,021	137,813	136,629	16,837
Supporting Effective Instruction State Grant	84.367	A365-00000-530413	106,330	607,018	581,926	81,238
Total Department of Education			1,167,055	6,001,638	5,721,949	887,366
Department of Health and Human Services						
Pass-through Wisconsin Department of Public Instruction						
Cooperative Agreements to Promote Adolescent Health through School-based HIV/STD Prevention and School-Based Surveillance	93.079	A334-00000-530413	365	1,576	1,662	451
Pregnancy Assistance Fund Program	93.500	A591-00000-530413	20,212	57,836	49,360	11,736
Pass-through Wisconsin Medicaid and Badgercare Programs						
Medical Assistance Program	93.778		3,292	815,835	831,042	18,499
Total Department of Health and Human Services			23,869	875,247	882,064	30,686
Total Federal Programs			\$ 1,420,402	\$ 10,955,681	\$ 11,136,963	\$ 1,601,684

SCHOOL DISTRICT OF BELOIT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2016

State Grantor/ Program Title	State Identifying Number	Pass Through ID	Accrued or (Deferred) Revenue at 7/1/2015	Receipts	Expenditures	Accrued or (Deferred) Revenue at 6/30/2016
Wisconsin Department of Public Instruction						
Special Education and School Age Parents	255.101	530413-100	\$ -	\$ 2,728,746	\$ 2,728,746	\$ -
State School Lunch Aid	255.102	530413-107	-	40,308	40,308	-
Common School Fund Library Aid	255.103	530413-104	-	303,374	303,374	-
Bilingual/Bicultural Aid	255.106	530413-111	-	116,959	116,959	-
General Transportation Aid for Public School Pupils	255.107	530413-102	-	33,111	33,111	-
Equalization Aid and Special Adjustment Aid	255.201	530413-116	1,116,803	64,444,520	64,459,054	1,131,337
High Cost Special Education Aid	255.210	530413-119	-	155,510	155,510	-
School Breakfast Program	255.344	530413-108	-	48,528	48,528	-
Mentoring Grants for Initial Educators	255.301	530413-141	20,187	20,187	-	-
Student Achievement Guarantee in Education	255.504	530413-160	-	3,511,599	3,511,599	-
High Poverty Aid	255.926	530413-121	-	493,079	493,079	-
Educator Effectiveness Grant	255.940	530413-154	-	-	45,879	45,879
Per Pupil Adjustment Aid	255.945	530413-113	-	-	1,098,450	1,098,450
Career and Technical Education Incentive Grants	255.950	530413-151	-	34,316	34,316	-
Total Wisconsin Department of Public Instruction			1,136,990	71,930,237	73,068,913	2,275,666
Wisconsin Department of Revenue						
Exempt Computer Aid			53,300	53,300	57,976	57,976
Total State Programs			<u>\$ 1,190,290</u>	<u>\$ 71,983,537</u>	<u>\$ 73,126,889</u>	<u>\$ 2,333,642</u>

SCHOOL DISTRICT OF BELOIT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2016

NOTE 1—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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, 2016, 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 \$11,162,056 for the year ended June 30, 2016.

SCHOOL DISTRICT OF BELOIT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2016

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.

Result: This finding has been resolved.



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, 2016, 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, 2016.

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 an instance of noncompliance or other matter that is

Janesville Office:

101 E. Milwaukee Street
Suite 425
Janesville, WI 53545
P: (608) 756-4020

Baraboo Office:

123 Second Street
P.O. Box 150
Baraboo, WI 53913
P: (608) 356-3966
F: (608) 356-2966

Milwaukee Office:

W229 N1433 Westwood Drive
Suite 105
Waukesha, WI 53186
P: (262) 522-7555
F: (262) 522-7550

Madison Office:

2110 Luann Lane
Madison, WI 53713
P: (608) 274-4020
F: (608) 274-0775

www.wegnercpas.com
info@wegnercpas.com
(888) 204-7665

required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-001.

Response to Findings

School District of Beloit's response to the finding 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 the financial statements and, accordingly, we express no opinion on it.

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
December 10, 2016



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE 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 Compliance Supplement* and the *State Single Audit Guidelines* (the *Guidelines*) that could have a direct and material effect on School District of Beloit's major federal and its major state programs for the year ended June 30, 2016. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards 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 its 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *Guidelines*. Those standards, the Uniform Guidance, 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 program 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, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance or the *Guidelines* and which are described in the

Janesville Office:
101 E. Milwaukee Street
Suite 425
Janesville, WI 53545
P: (608) 756-4020

Baraboo Office:
123 Second Street
P.O. Box 150
Baraboo, WI 53913
P: (608) 356-3966
F: (608) 356-2966

Milwaukee Office:
W229 N1433 Westwood Drive
Suite 104
Waukesha, WI 53186
P: (262) 522-7555
F: (262) 522-7550

Madison Office:
2110 Luann Lane
Madison, WI 53713
P: (608) 274-4020
F: (608) 274-0775

www.wegnercpas.com
info@wegnercpas.com
(888) 204-7665

accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal and major state program is not modified with respect to this matter.

School District of Beloit's response to the noncompliance finding 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 program and its 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 program and its major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001, which we consider to be a significant deficiency.

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 the Uniform Guidance and the *Guidelines*. Accordingly, this report is not suitable for any other purpose.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
December 10, 2016

SCHOOL DISTRICT OF BELOIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

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 2 CFR 200.516(a)?	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

State Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
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 the <i>State Single Audit Guidelines</i> ?	Yes

SCHOOL DISTRICT OF BELOIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

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

Section II—Financial Statement Findings

No matters were reported

Section III—Federal and State Award Findings and Questioned Costs

	Questioned Costs
2016-001 Special Education & School Age Parents—State Identifying Number 255.101	
Condition: The District claimed salary and benefits of employees who were not properly licensed per DPI's special education licensing requirements.	
Criteria: Staff must be appropriately licensed for a special education work assignment listed in state statute in order for their salary and benefits to be eligible for aid.	
Cause: The District did not follow DPI's instructions regarding special education licensing requirements and allowable costs.	
Effect: The District may have charged disallowed costs to project 011.	Undetermined
Recommendation: The District should review DPI's report: <i>Valid Reporting and License Codes for Special Education Staff</i> .	
Views of Responsible Officials and Planned Corrective Actions: The District is currently in the process of looking at process management in the area of payroll. As the District develops more solid processes, the District will be able to identify special education licensing and allowable costs.	

SCHOOL DISTRICT OF BELOIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

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 Yes

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

December 10, 2016