

November 28, 2018

To the Board of Education
School District of Janesville

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District of Janesville (the "district") for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 30, 2018. Professional standards also require that we communicate to you the following information related to our audit:

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the district are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2018. We noted no transactions entered into by the district during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the district's financial statements were:

- Management's estimate of the net other postemployment benefits (OPEB) liability, deferred outflows of resources, and deferred inflows of resources is based on actuarially determined amounts. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.



- Management's estimate of the net supplemental pension liability, deferred outflows of resources, and deferred inflows of resources is based on actuarially determined amounts. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the district's proportionate share of the net pension asset, deferred outflows of resources, and deferred inflows of resources pertaining to their participation in the Wisconsin Retirement System (WRS) cost-sharing multiple-employer defined benefit pension plan is based on information provided by WRS, which engages an independent actuary to study the plan. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosures of the district's participation in the WRS cost-sharing multiple-employer defined benefit pension plan in Note 10 to the financial statements, due to the significant impact this plan could have on future district financial statements.
- The disclosures of supplemental pension benefits in Note 14 to the financial statements, due to the significant future liability they will add to the district financial statements.
- The disclosures of OPEB in Note 15 to the financial statements, due to the significant future liability they will add to the district financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes the uncorrected misstatement(s) of the financial statements. Management has determined that its effects is(are) immaterial to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 28, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Matters

We applied certain limited procedures to the Management’s Discussion and Analysis, Budgetary comparison schedules, the Schedule of District’s Proportionate Share of the Net Pension Liability (Asset) and District Contributions - WRS, the Schedule of Changes in the Total Pension Liability and Related Ratios - Supplemental Pension, the Schedule of Other Postemployment Benefits Contributions, the Schedule of Changes in the Net Other Postemployment Benefits Liability and Related Ratios, and the Schedule of Charter School Authorizer Operating Costs, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

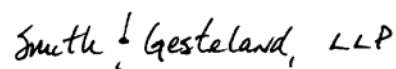
We were engaged to report on other supplemental information, which accompany the financial statements but are not RSI. With respect to the other supplemental information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplemental information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the district’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Education and management of the district and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



SMITH & GESTELAND, LLP
Madison, Wisconsin

School District of Janesville
Passed Journal Entries
For the Year Ended June 30, 2018

1 To record capital lease being treated as operating lease (PBC)

| | | |
|------------------------------|-------------------|-------------------|
| Dr. Capital Assets (NBV) | 269,267.42 | |
| Dr. Depreciation Expense | 153,867.10 | |
| Dr. Interest Expense | 25,199.23 | |
| Dr. Net Position | 30,951.00 | |
| Cr. Capital Lease Obligation | | 298,346.71 |
| Cr. Rent Expense | | 180,938.04 |
| | <u>479,284.75</u> | <u>479,284.75</u> |

2 To record capital lease being treated as operating lease

| | | |
|------------------------------|------------------|------------------|
| Dr. Capital Assets (NBV) | 4,875.00 | |
| Dr. Depreciation Expense | 2,340.00 | |
| Dr. Interest Expense | 1,557.57 | |
| Dr. Net Position | 1,328.28 | |
| Cr. Capital Lease Obligation | | 6,335.73 |
| Cr. Rent Expense | | 3,765.12 |
| | <u>10,100.85</u> | <u>10,100.85</u> |

3 To adjust payroll liabilities to actual per schedule

| | | |
|----------------------------|------------------|------------------|
| Dr. Insurance Expense | 13,098.00 | |
| Cr. Life Insurance Payable | | 13,098.00 |
| | <u>13,098.00</u> | <u>13,098.00</u> |