

CITY OF JANESVILLE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
& SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS

June 30, 2005

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City of Janesville

Officials

| <u>Name</u> | <u>Title</u> (Before January 2005) | <u>Term Expires</u> |
|-----------------------------|--|---------------------|
| James MacKay | Mayor | 12-31-05 |
| Scott Immerzeel | Mayor Pro tem | 12-31-05 |
| Rochelle Nielsen | Council Member | 12-31-07 |
| Mike Zwanziger | Council Member | 12-31-05 |
| Melodie Despard | Council Member | 12-31-07 |
| Doug Bettis | Council Member | 12-31-05 |
| (After January 2005) | | |
| James MacKay | Mayor | 12-31-05 |
| Scott Immerzeel | Mayor Pro tem | 12-31-05 |
| Rochelle Nielsen | Council Member | 12-31-07 |
| Mike Zwanziger | Council Member | 12-31-05 |
| Melodie Despard | Council Member | 12-31-07 |
| Doug Bettis | Council Member | 12-31-05 |
| Christine Murley | Clerk/Treasurer | Indefinite |
| Gary Boveia | Attorney | Indefinite |

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Janesville, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Janesville's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

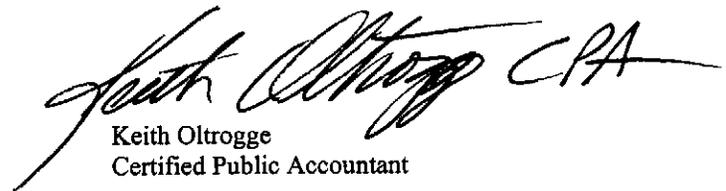
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2004.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to verify the distribution by fund of the total fund balance at July 1, 2004, as discussed in the preceding paragraph, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the City of Janesville as of and for the year ended June 30, 2005 on the basis of accounting described in Note 1. Also, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Janesville as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated December 21, 2005 on my consideration of the City of Janesville's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my 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 compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 19 through 20 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Janesville's basic financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge
Certified Public Accountant

December 21, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Janesville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2005 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 5.9% or \$35,712 from fiscal 2004 to fiscal 2005. Property tax increased \$8,773.
- Disbursements decreased 0.08%, or \$427, in fiscal 2005 from fiscal 2004.
- The City's total cash basis net assets increased 23.6%, or \$154,074 from June 30, 2004 to June 30, 2005. Of this amount, the assets of the governmental activities increased \$107,746 and the assets of the business type activities increased by \$46,328.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system and the solid waste collection. These activities are financed primarily by user charges.

Fund Financial Statements

The City has three kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and solid waste funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$562,076 to \$669,822. The analysis that follows focuses on the changes in cash balances for governmental activities.

| <u>Changes in Cash Basis Net Assets of Governmental Activities</u> | | <u>Year Ended June 30, 2005</u> |
|--|----|---|
| Receipts and transfers: | | |
| Program receipts: | | |
| Charges for service | \$ | 86,550 |
| Operating grants, contributions and restricted interest | | 168,550 |
| Capital grants, contributions and restricted interest | | 74,706 |
| General receipts: | | |
| Property tax | | 237,419 |
| Local option sales tax | | 70,736 |
| Unrestricted investment earnings | | 6,562 |
| Total receipts | \$ | <u>644,523</u> |
| Disbursements: | | |
| Public safety | \$ | 138,272 |
| Public works | | 60,507 |
| Health and social services | | - |
| Culture and recreation | | 128,101 |
| Community and economic development | | 7,019 |
| General government | | 98,537 |
| Debt service | | 15,515 |
| Capital projects | | 88,826 |
| Total disbursements | \$ | <u>536,777</u> |
| Increase in cash basis net assets | \$ | 107,746 |
| Cash basis net assets beginning of year | | <u>562,076</u> |
| Cash basis net assets end of year | \$ | <u>669,822</u> |

Changes in Cash Basis Net Assets of Business Type Activities

| | Year Ended June 30, 2005 |
|---|--------------------------------|
| Receipts: | |
| Program receipts: | |
| Charges for service: | |
| Water | \$ 64,493 |
| Sewer | 86,572 |
| Solid waste | 63,116 |
| Utility deposits | 1,454 |
| General receipts: | |
| Unrestricted interest on investments | 332 |
| Total receipts | \$ 215,967 |
| Disbursements: | |
| Water | \$ 44,476 |
| Sewer | 65,144 |
| Solid waste | 59,309 |
| Utility deposits | 710 |
| Total disbursements | \$ 169,639 |
| Increase in cash balance | \$ 46,328 |
| Cash basis net assets beginning of year | 89,953 |
| Cash basis net assets end of year | \$ 136,281 |

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Janesville completed the year, its governmental funds reported a combined fund balance of \$669,822, an increase of \$107,746 above last year's total of \$562,076.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 2, 2005 and resulted in an increase in operating disbursements of \$154,585. The City had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

At June 30, 2005, the City had \$410,449 in bonds and other long-term debt, compared to \$439,882 last year, as shown below.

Outstanding Debt at Year-End

| | June 30, | |
|--------------------------|-------------------|-------------------|
| | 2005 | 2004 |
| General obligation bonds | \$ 173,000 | \$ 182,000 |
| Revenue notes | 190,000 | 200,000 |
| Capital lease | 47,449 | 57,882 |
| Total | <u>\$ 410,449</u> | <u>\$ 439,882</u> |

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Christine Murley, City Clerk, 227 Main Street, Janesville IA 50647.

Basic Financial Statements

City of Janesville

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2005

| | Program Receipts | | | |
|---|------------------|------------------------|--|--|
| | Disbursements | Charges for Service | Operating Grants, & Restricted Interest | Capital Grants, & Restricted Interest |
| Functions/Programs: | | | | |
| Governmental activities: | | | | |
| Public safety | \$ 138,272 | \$ 47,062 | \$ 25,847 | \$ - |
| Public works | 60,507 | 239 | 68,928 | - |
| Health and social services | - | - | - | - |
| Culture and recreation | 128,101 | 14,814 | 73,775 | - |
| Community and economic development | 7,019 | - | - | - |
| General government | 98,537 | 18,555 | - | - |
| Debt service | 15,515 | - | - | - |
| Capital projects | 88,826 | 5,880 | - | 74,706 |
| Total governmental activities | \$ 536,777 | \$ 86,550 | \$ 168,550 | \$ 74,706 |
| Business type activities: | | | | |
| Water | \$ 44,476 | \$ 64,493 | \$ - | \$ - |
| Sewer | 65,144 | 86,572 | - | - |
| Solid waste | 59,309 | 63,116 | - | - |
| Utility deposits | 710 | 1,454 | - | - |
| Total business type activities | \$ 169,639 | \$ 215,635 | \$ - | \$ - |
| Total | \$ 706,416 | \$ 302,185 | \$ 168,550 | \$ 74,706 |
| General Receipts: | | | | |
| Property tax levied for: | | | | |
| General purposes | | | | |
| Debt service | | | | |
| Local option sales tax | | | | |
| Unrestricted interest on investments | | | | |
| Total general receipts | | | | |
| Change in cash basis net assets | | | | |
| Cash basis net assets beginning of year | | | | |
| Cash basis net assets end of year | | | | |
| Cash Basis Net Assets | | | | |
| Restricted: | | | | |
| Debt service | | | | |
| Unrestricted | | | | |
| Total cash basis net assets | | | | |

See notes to financial statements.

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

| Governmental Activities | Business Type Activities | Total |
|----------------------------|-----------------------------|--------------------|
| \$ -65,363 | \$ - | \$ -65,363 |
| 8,660 | - | 8,660 |
| - | - | - |
| -39,512 | - | -39,512 |
| -7,019 | - | -7,019 |
| -79,982 | - | -79,982 |
| -15,515 | - | -15,515 |
| -8,240 | - | -8,240 |
| <u>\$ -206,971</u> | <u>\$ -</u> | <u>\$ -206,971</u> |
| | | |
| \$ - | \$ 20,017 | \$ 20,017 |
| - | 21,428 | 21,428 |
| - | 3,807 | 3,807 |
| - | 744 | 744 |
| <u>\$ -</u> | <u>\$ 45,996</u> | <u>\$ 45,996</u> |
| | | |
| \$ -206,971 | \$ 45,996 | \$ -160,975 |
| | | |
| \$ 221,843 | \$ - | \$ 221,843 |
| 15,576 | - | 15,576 |
| 70,736 | - | 70,736 |
| 6,562 | 332 | 6,894 |
| <u>\$ 314,717</u> | <u>\$ 332</u> | <u>\$ 315,049</u> |
| | | |
| \$ 107,746 | \$ 46,328 | \$ 154,074 |
| 562,076 | 89,953 | 652,029 |
| <u>\$ 669,822</u> | <u>\$ 136,281</u> | <u>\$ 806,103</u> |
| | | |
| \$ 11,094 | \$ 21,600 | \$ 32,694 |
| 658,728 | 114,681 | 773,409 |
| <u>\$ 669,822</u> | <u>\$ 136,281</u> | <u>\$ 806,103</u> |

City of Janesville

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds**

As of and for the year ended June 30, 2005

| | Special Revenue | | |
|--|-----------------|-----------------|--------------------|
| | General | Road Use Tax | Special Library |
| Receipts: | | | |
| Property tax | \$ 167,462 | \$ - | \$ - |
| Other city tax | 22,194 | - | - |
| Licenses and permits | 1,345 | - | - |
| Use of money and property | 12,542 | - | 835 |
| Intergovernmental | 6,859 | 68,928 | 62,406 |
| Charges for service | 157 | - | 743 |
| Miscellaneous | 25,771 | 239 | 1,742 |
| Total receipts | \$ 236,330 | \$ 69,167 | \$ 65,726 |
| Disbursements: | | | |
| Operating: | | | |
| Public safety | \$ 84,709 | \$ - | \$ - |
| Public works | 4,069 | 56,438 | - |
| Health and social services | - | - | - |
| Culture and recreation | 55,016 | - | 57,855 |
| Community and economic development | 7,019 | - | - |
| General government | 98,537 | - | - |
| Debt service | - | - | - |
| Capital projects | - | - | - |
| Total disbursements | \$ 249,350 | \$ 56,438 | \$ 57,855 |
| Excess (deficiency) of receipts over (under) disbursements | \$ -13,020 | \$ 12,729 | \$ 7,871 |
| Other financing sources (uses): | | | |
| Operating transfers in | \$ 45,757 | \$ 8,624 | \$ - |
| Operating transfers out | - | - | - |
| Total other financing sources (uses) | \$ 45,757 | \$ 8,624 | \$ - |
| Net change in cash balances | \$ 32,737 | \$ 21,353 | \$ 7,871 |
| Cash balances beginning of year | 256,448 | 46,847 | 47,673 |
| Cash balances end of year | \$ 289,185 | \$ 68,200 | \$ 55,544 |
| Cash Basis Fund Balances | | | |
| Reserved: | | | |
| Debt service | \$ - | \$ - | \$ - |
| Unreserved: | | | |
| General fund | 289,185 | - | - |
| Special revenue funds | - | 68,200 | 55,544 |
| Capital projects fund | - | - | - |
| Total cash basis fund balances | \$ 289,185 | \$ 68,200 | \$ 55,544 |

See notes to financial statements.

| Capital Projects | Other Non-Major Governmental Funds | Total |
|---------------------|---|-------------------|
| \$ - | \$ 69,957 | \$ 237,419 |
| 35,368 | 17,684 | 75,246 |
| - | - | 1,345 |
| 1,500 | 4,203 | 19,080 |
| 74,706 | 25,847 | 238,746 |
| - | 7,263 | 8,163 |
| 4,380 | 32,392 | 64,524 |
| <u>\$ 115,954</u> | <u>\$ 157,346</u> | <u>\$ 644,523</u> |
| | | |
| \$ - | \$ 53,563 | \$ 138,272 |
| - | - | 60,507 |
| - | - | - |
| - | 15,230 | 128,101 |
| - | - | 7,019 |
| - | - | 98,537 |
| - | 15,515 | 15,515 |
| 88,826 | - | 88,826 |
| <u>\$ 88,826</u> | <u>\$ 84,308</u> | <u>\$ 536,777</u> |
| <u>\$ 27,128</u> | <u>\$ 73,038</u> | <u>\$ 107,746</u> |
| | | |
| \$ - | \$ - | \$ 54,381 |
| - | -54,381 | -54,381 |
| <u>\$ -</u> | <u>\$ -54,381</u> | <u>\$ -</u> |
| | | |
| \$ 27,128 | \$ 18,657 | \$ 107,746 |
| 42,384 | 168,724 | 562,076 |
| <u>\$ 69,512</u> | <u>\$ 187,381</u> | <u>\$ 669,822</u> |
| | | |
| \$ - | \$ 11,094 | \$ 11,094 |
| - | - | 289,185 |
| - | 176,287 | 300,031 |
| 69,512 | - | 69,512 |
| <u>\$ 69,512</u> | <u>\$ 187,381</u> | <u>\$ 669,822</u> |

City of Janesville

**Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets –
Governmental Funds
As of and for the year ended June 30, 2005**

| | |
|--|-------------------|
| Total governmental funds cash balances (page 10) | \$ 669,822 |
| <i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i> | |
| None | <u>-</u> |
| Cash basis net assets of governmental activities (page 9) | \$ 669,822 |
| Net change in cash balances (page 10) | \$ 107,746 |
| <i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i> | |
| None | <u>-</u> |
| Change in cash balance of governmental activities (page 9) | \$ 107,746 |

City of Janesville

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2005

| | Water | Sewer | Enterprise Solid Waste |
|--|-----------|------------|------------------------------|
| Operating receipts: | | | |
| Charges for service | \$ 64,206 | \$ 86,399 | \$ 63,075 |
| Operating disbursements: | | | |
| Business type activities | \$ 44,476 | \$ 45,144 | \$ 59,309 |
| Excess (deficiency) of operating receipts over (under) operating disbursements | \$ 19,730 | \$ 41,255 | \$ 3,766 |
| Non-operating receipts (disbursements): | | | |
| Licenses and permits | \$ 50 | \$ 35 | \$ - |
| Interest on investments | - | 332 | - |
| Miscellaneous | 237 | 138 | 41 |
| Debt service | - | -20,000 | - |
| Total non-operating receipts (disbursements) | \$ 287 | \$ -19,495 | \$ 41 |
| Net change in cash balances | \$ 20,017 | \$ 21,760 | \$ 3,807 |
| Cash balances beginning of year | 11,999 | 19,976 | 28,461 |
| Cash balances end of year | \$ 32,016 | \$ 41,736 | \$ 32,268 |
| Cash Basis Fund Balances | | | |
| Reserved for debt service | \$ - | \$ - | \$ - |
| Unreserved | 32,016 | 41,736 | 32,268 |
| Total cash basis fund balances | \$ 32,016 | \$ 41,736 | \$ 32,268 |

See notes to financial statements.

| Funds | | | |
|-------|---------------|------------------|------------|
| | Sewer Reserve | Utility Deposits | Total |
| \$ | - | \$ - | \$ 213,680 |
| \$ | - | \$ 710 | \$ 149,639 |
| \$ | - | \$ -710 | \$ 64,041 |
| \$ | - | \$ - | \$ 85 |
| | - | - | 332 |
| | - | 1,454 | 1,870 |
| | - | - | -20,000 |
| \$ | - | \$ 1,454 | \$ -17,713 |
| \$ | - | \$ 744 | \$ 46,328 |
| | 21,600 | 7,917 | 89,953 |
| \$ | 21,600 | \$ 8,661 | \$ 136,281 |
| \$ | 21,600 | \$ - | \$ 21,600 |
| | - | 8,661 | 114,681 |
| \$ | 21,600 | \$ 8,661 | \$ 136,281 |

City of Janesville

Reconciliation of the Statement of Cash
 Receipts, Disbursements and Changes in Cash Balances
 to the Statement of Activities and Net Assets –
 Proprietary Funds
 As of and for the year ended June 30, 2005

| | |
|---|-------------------|
| Total enterprise funds cash balances (page 12) | \$ 136,281 |
| <i>Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:</i> | |
| None | <u>-</u> |
| Cash basis net assets of business type activities (page 9) | <u>\$ 136,281</u> |
| Net change in cash balances (page 12) | \$ 46,328 |
| <i>Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:</i> | |
| None | <u>-</u> |
| Change in cash balance of business type activities (page 9) | <u>\$ 46,328</u> |

City of Janesville

Notes to Financial Statements

June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Janesville is a political subdivision of the State of Iowa located in Black Hawk and Bremer Counties. It was first incorporated in 1926 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, and solid waste utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Janesville has included all funds, organizations, agencies, board, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Bremer County Assessor's Conference Board, Bremer County Joint E911 Service Board, Black Hawk County Assessor's Conference Board and Black Hawk County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Special Library Fund is used to account for all resources and uses in the operations of the library.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Solid Waste Fund accounts for the operation and maintenance of the City's garbage service.

The Sewer Reserve Fund is maintained for the sewer revenue bond.

The Utility Deposit Fund accounts for the receipt and disbursement of utility deposits.

C. Measurement Focus and Basis of Accounting

The City of Janesville maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2 – CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NOTE 3 – BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds, revenue notes and capital lease are as follows:

| Year Ending June 30, | General Obligation Bonds | | Revenue Notes | | Capital Lease | | Totals | |
|----------------------------|--------------------------|-----------------|------------------|-----------------|-----------------|----------------|------------------|------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2006 | \$10,000 | \$6,107 | \$10,000 | \$9,500 | \$10,976 | \$2,467 | \$30,976 | \$18,074 |
| 2007 | 10,000 | 5,754 | 15,000 | 9,000 | 11,547 | 1,897 | 36,547 | 16,651 |
| 2008 | 11,000 | 5,401 | 10,000 | 8,250 | 12,147 | 1,296 | 33,147 | 14,947 |
| 2009 | 11,000 | 5,013 | 15,000 | 7,750 | 12,779 | 664 | 38,779 | 13,427 |
| 2010 | 11,000 | 4,624 | 15,000 | 7,000 | - | - | 26,000 | 11,624 |
| 2011 | 12,000 | 4,236 | 15,000 | 6,250 | - | - | 27,000 | 10,486 |
| 2012 | 12,000 | 3,812 | 15,000 | 5,500 | - | - | 27,000 | 9,312 |
| 2013 | 12,000 | 3,389 | 20,000 | 4,750 | - | - | 32,000 | 8,139 |
| 2014 | 13,000 | 2,965 | 20,000 | 3,750 | - | - | 33,000 | 6,715 |
| 2015 | 13,000 | 2,506 | 20,000 | 2,750 | - | - | 33,000 | 5,256 |
| 2016 | 14,000 | 2,047 | 20,000 | 1,750 | - | - | 34,000 | 3,797 |
| 2017 | 14,000 | 1,553 | 15,000 | 750 | - | - | 29,000 | 2,303 |
| 2018 | 15,000 | 1,059 | - | - | - | - | 15,000 | 1,059 |
| 2019 | 15,000 | 530 | - | - | - | - | 15,000 | 530 |
| | \$173,000 | \$48,996 | \$190,000 | \$67,000 | \$47,449 | \$6,324 | \$410,449 | \$122,320 |

NOTE 4 – PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.169% and 9.23%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2005 was \$11,438.

NOTE 5 – COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid.

Sick leave is payable when used or upon retirement. If paid upon retirement, the employee is entitled to a cash payment of one-half the total accumulated hours of sick leave, up to a maximum of \$300.

NOTE 6 – INTER-FUND TRANSFERS

The detail of inter-fund transfers for the year ended June 30, 2005 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------|----------------------|------------------|
| General Fund | Special Revenue: | |
| | Employee Benefits | \$ 45,757 |
| Special Revenue | Special Revenue: | |
| Road Use Tax | Employee Benefits | 8,624 |
| | | <u>\$ 54,381</u> |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 7 – RISK MANAGEMENT

The City of Janesville is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

City of Janesville

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2005

| | Governmental Funds Actual | Proprietary Funds Actual |
|--|---------------------------------|--------------------------------|
| Receipts: | | |
| Property tax | \$ 237,419 | \$ - |
| Other city tax | 75,246 | - |
| Licenses and permits | 1,345 | 85 |
| Use of money and property | 19,080 | 332 |
| Intergovernmental | 238,746 | - |
| Charges for service | 8,163 | 213,680 |
| Miscellaneous | 64,524 | 1,870 |
| Total receipts | <u>\$ 644,523</u> | <u>\$ 215,967</u> |
| Disbursements: | | |
| Public safety | \$ 138,272 | \$ - |
| Public works | 60,507 | - |
| Health and social services | - | - |
| Culture and recreation | 128,101 | - |
| Community and economic development | 7,019 | - |
| General government | 98,537 | - |
| Debt service | 15,515 | - |
| Capital projects | 88,826 | - |
| Business type activities | - | 169,639 |
| Total disbursements | <u>\$ 536,777</u> | <u>\$ 169,639</u> |
| Excess (deficiency) of receipts over (under) disbursements | \$ 107,746 | \$ 46,328 |
| Balances beginning of year | <u>562,076</u> | <u>89,953</u> |
| Balances end of year | <u>\$ 669,822</u> | <u>\$ 136,281</u> |

See accompanying independent auditor's report.

| Net | Budgeted Amounts | | Final to Net Variance |
|-------------------|-------------------|---------------------|--------------------------|
| | Original | Final | |
| \$ 237,419 | \$ 227,349 | \$ 227,349 | \$ 10,070 |
| 75,246 | 69,898 | 70,198 | 5,048 |
| 1,430 | 1,265 | 1,265 | 165 |
| 19,412 | 18,468 | 18,318 | 1,094 |
| 238,746 | 155,030 | 278,415 | -39,669 |
| 221,843 | 226,210 | 228,310 | -6,467 |
| 66,394 | 40,650 | 47,400 | 18,994 |
| <u>\$ 860,490</u> | <u>\$ 738,870</u> | <u>\$ 871,255</u> | <u>\$ -10,765</u> |
| | | | |
| \$ 138,272 | \$ 206,334 | \$ 175,997 | \$ 37,725 |
| 60,507 | 203,311 | 126,357 | 65,850 |
| - | - | - | - |
| 128,101 | 173,130 | 207,020 | 78,919 |
| 7,019 | 7,550 | 7,550 | 531 |
| 98,537 | 78,525 | 117,325 | 18,788 |
| 15,515 | 15,516 | 15,516 | 1 |
| 88,826 | - | 185,437 | 96,611 |
| 169,639 | 271,040 | 274,789 | 105,150 |
| <u>\$ 706,416</u> | <u>\$ 955,406</u> | <u>\$ 1,109,991</u> | <u>\$ 403,575</u> |
| | | | |
| \$ 154,074 | \$ -216,536 | \$ -238,736 | \$ 392,810 |
| 652,029 | 518,536 | 642,346 | 9,683 |
| <u>\$ 806,103</u> | <u>\$ 302,000</u> | <u>\$ 403,610</u> | <u>\$ 402,493</u> |

City of Janesville

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$154,585. The budget amendment is reflected in the final budgeted amounts.

Other Supplementary Information

City of Janesville

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Non-major Governmental Funds

As of and for the year ended June 30, 2005

| | Debt Service | Urban Renewal Tax Increment | Employee Benefits |
|--|-----------------|--------------------------------------|----------------------|
| Receipts: | | | |
| Property tax | \$ 15,576 | \$ - | \$ 54,381 |
| Other city tax | - | - | - |
| Use of money and property | - | - | - |
| Intergovernmental | - | - | - |
| Charges for service | - | - | - |
| Miscellaneous | - | - | - |
| Total receipts | \$ 15,576 | \$ - | \$ 54,381 |
| Disbursements: | | | |
| Operating: | | | |
| Public safety | \$ - | \$ - | \$ - |
| Public works | - | - | - |
| Health and social services | - | - | - |
| Culture and recreation | - | - | - |
| General government | - | - | - |
| Debt service | 15,515 | - | - |
| Total disbursements | \$ 15,515 | \$ - | \$ - |
| Excess (deficiency) of receipts over (under) disbursements | \$ 61 | \$ - | \$ 54,381 |
| Other financing uses: | | | |
| Operating transfers out | - | - | -54,381 |
| Net change in cash balances | \$ 61 | \$ - | \$ - |
| Cash balances beginning of year | 11,033 | 59,816 | 211 |
| Cash balances end of year | \$ 11,094 | \$ 59,816 | \$ 211 |
| Cash Basis Fund Balances | | | |
| Unreserved: | | | |
| Special revenue funds | \$ - | \$ 59,816 | \$ 211 |
| Debt service | 11,094 | - | - |
| Total cash basis fund balances | \$ 11,094 | \$ 59,816 | \$ 211 |

See accompanying independent auditor's report.

| Special Revenue | | | | | | | |
|-----------------|---------------------------|------------------|------------------|---------------------------|------------------------------|-------|------------|
| Special Events | Summer Recreation Program | Asset Forfeiture | First Responders | Volunteer Fire Department | Park Expansion & Improvement | Total | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 69,957 |
| - | - | - | - | - | 17,684 | - | 17,684 |
| 1,450 | 2,300 | - | 84 | 369 | - | - | 4,203 |
| - | - | - | 1,425 | 24,422 | - | - | 25,847 |
| - | 7,263 | - | - | - | - | - | 7,263 |
| - | 1,315 | - | 11,091 | 19,986 | - | - | 32,392 |
| \$ 1,450 | \$ 10,878 | \$ - | \$ 12,600 | \$ 44,777 | \$ 17,684 | \$ - | \$ 157,346 |
| \$ - | \$ - | \$ 446 | \$ 17,426 | \$ 35,691 | \$ - | \$ - | \$ 53,563 |
| - | - | - | - | - | - | - | - |
| 1,000 | 9,439 | - | - | - | 4,791 | - | 15,230 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 15,515 |
| \$ 1,000 | \$ 9,439 | \$ 446 | \$ 17,426 | \$ 35,691 | \$ 4,791 | \$ - | \$ 84,308 |
| \$ 450 | \$ 1,439 | \$ -446 | \$ -4,826 | \$ 9,086 | \$ 12,893 | \$ - | \$ 73,038 |
| - | - | - | - | - | - | - | -54,381 |
| \$ 450 | \$ 1,439 | \$ -446 | \$ -4,826 | \$ 9,086 | \$ 12,893 | \$ - | \$ 18,657 |
| 389 | 4,791 | 1,438 | 18,663 | 43,685 | 28,698 | - | 168,724 |
| \$ 839 | \$ 6,230 | \$ 992 | \$ 13,837 | \$ 52,771 | \$ 41,591 | \$ - | \$ 187,381 |
| \$ 839 | \$ 6,230 | \$ 992 | \$ 13,837 | \$ 52,771 | \$ 41,591 | \$ - | \$ 176,287 |
| - | - | - | - | - | - | - | 11,094 |
| \$ 839 | \$ 6,230 | \$ 992 | \$ 13,837 | \$ 52,771 | \$ 41,591 | \$ - | \$ 187,381 |

City of Janesville
Schedule of Indebtedness
Year ended June 30, 2005

| <u>Obligation</u> | <u>Date of Issue</u> | <u>Interest Rates</u> | <u>Amount Originally Issued</u> |
|---|----------------------|-----------------------|---|
| General obligation bond: Water utility | March 1, 1999 | 3.53% | <u>\$225,000</u> |
| Revenue bond: Sewer | May 12, 1978 | 5.00% | <u>\$364,000</u> |
| Capital lease: Fire truck | December 8, 1998 | 5.2% | <u>\$102,804</u> |

See accompanying independent auditor's report.

| Balance Beginning of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid | Interest Due and Unpaid |
|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|-------------------------------|
| \$182,000 | \$- | \$9,000 | \$173,000 | \$6,425 | \$- |
| \$200,000 | \$- | \$10,000 | \$190,000 | \$10,000 | \$- |
| \$57,882 | \$- | \$10,433 | \$47,449 | \$3,010 | \$- |

City of Janesville
Bond, Note and Capital Lease Maturities
June 30, 2005

| Year Ending June 30, | General Obligation Bond | | Revenue Bond | | Capital Lease | |
|-------------------------|-------------------------|------------------|---------------------|------------------|--------------------|-----------------|
| | Water Utility | | Sewer | | Fire Truck | |
| | Issued Mar 1, 1999 | | Issued May 12, 1978 | | Issued Dec 8, 1998 | |
| | Interest Rate | Amount | Interest Rate | Amount | Interest Rate | Amount |
| 2006 | 3.53% | \$10,000 | 5.0% | \$10,000 | 5.2% | \$10,976 |
| 2007 | 3.53% | 10,000 | 5.0% | 15,000 | 5.2% | 11,547 |
| 2008 | 3.53% | 11,000 | 5.0% | 10,000 | 5.2% | 12,147 |
| 2009 | 3.53% | 11,000 | 5.0% | 15,000 | 5.2% | 12,779 |
| 2010 | 3.53% | 11,000 | 5.0% | 15,000 | - | - |
| 2011 | 3.53% | 12,000 | 5.0% | 15,000 | - | - |
| 2012 | 3.53% | 12,000 | 5.0% | 15,000 | - | - |
| 2013 | 3.53% | 12,000 | 5.0% | 20,000 | - | - |
| 2014 | 3.53% | 13,000 | 5.0% | 20,000 | - | - |
| 2015 | 3.53% | 13,000 | 5.0% | 20,000 | - | - |
| 2016 | 3.53% | 14,000 | 5.0% | 20,000 | - | - |
| 2017 | 3.53% | 14,000 | 5.0% | 15,000 | - | - |
| 2018 | 3.53% | 15,000 | - | - | - | - |
| 2019 | 3.53% | 15,000 | - | - | - | - |
| | | <u>\$173,000</u> | | <u>\$190,000</u> | | <u>\$47,449</u> |

City of Janesville

Schedule of Receipts By Source and Disbursements By Function –
All Governmental Funds

For the Last Two Years

| | 2005 | 2004 (Unaudited) |
|------------------------------------|------------|---------------------|
| Receipts: | | |
| Property tax | \$ 237,419 | \$ 228,646 |
| Tax increment financing collection | - | 129 |
| Other city tax | 75,246 | 59,372 |
| Licenses and permits | 1,345 | 1,345 |
| Use of money and property | 19,080 | 17,112 |
| Intergovernmental | 238,746 | 240,621 |
| Charges for service | 8,163 | 12,130 |
| Miscellaneous | 64,524 | 49,456 |
| | <hr/> | <hr/> |
| Total | \$ 644,523 | \$ 608,811 |
| | <hr/> | <hr/> |
| Disbursements: | | |
| Operating: | | |
| Public safety | \$ 138,272 | \$ 153,386 |
| Public works | 60,507 | 81,026 |
| Health and social services | - | 735 |
| Culture and recreation | 128,101 | 123,727 |
| Community and economic development | 7,019 | 8,613 |
| General government | 98,537 | 76,172 |
| Debt service | 15,515 | 15,838 |
| Capital projects | 88,826 | 77,707 |
| | <hr/> | <hr/> |
| Total | \$ 536,777 | \$ 537,204 |
| | <hr/> | <hr/> |

**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**

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 Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Janesville, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated December 21, 2005. My report expressed an unqualified opinion on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Janesville's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of Janesville's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item I-A-05 is a material weakness.

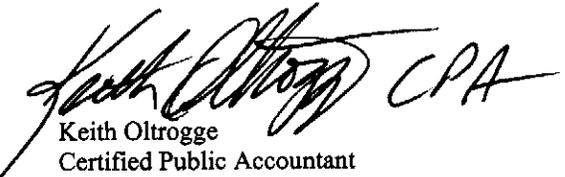
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Janesville's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Janesville and other parties to whom the City of Janesville may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Janesville during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

 CPA
Keith Oltrogge
Certified Public Accountant

December 21, 2005

City of Janesville
Schedule of Findings
Year ended June 30, 2005

Part I – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties – During my review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the City's financial statements. I noted that one individual in the City Clerk's office has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation – I realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel.

Response – We are currently reviewing operating procedures and duty assignments to obtain appropriate segregation of duties and maximize internal controls.

Conclusion – Response accepted.

City of Janesville
Schedule of Findings
Year ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

- II-A-05 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- II-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted.
- II-C-05 Questionable Disbursements – I noted no disbursements that would not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-05 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-E-05 Business Transactions – No business transactions between the City and City officials or employees were noted.
- II-F-05 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-05 Council Minutes – No transactions were found that I believe should have been approved in the Council minutes but were not.
- II-H-05 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.