

Janesville Consolidated School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2012

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Independent Auditor's Report

To the Board of Education of
Janesville Consolidated School District:

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 Janesville Consolidated School District, Janesville, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. 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 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.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Janesville Consolidated School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated February 21, 2013 on my consideration of Janesville Consolidated School District's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 37 through 39 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 which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Janesville Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in my 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Keith Oltrogge
Certified Public Accountant

February 21, 2013

Janesville Consolidated School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2012

Janesville Consolidated School District 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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,228,866 in fiscal 2011 to \$3,516,740 in fiscal 2012, while General Fund expenditures increased from \$3,556,272 in fiscal 2011 to \$3,662,507 in fiscal 2012. The District's General Fund balance decreased from \$434,131 in fiscal 2011 to \$393,364 in fiscal 2012, a 9.4% decrease.
- The increase in General Fund revenues was attributable to an increase in local and state sources in fiscal 2012. The increase in expenditures was due primarily to an increase in the support services.
- The District's solvency ratio has decreased from 9.5% at June 30, 2011 to 8.7% at June 30, 2012. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

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 District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Janesville Consolidated School District as a whole and present an overall view of the District'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 Janesville Consolidated School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Janesville Consolidated School District acts solely as an agent or custodian for the benefit of those outside of the District.

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 District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Janesville Consolidated School District Annual Financial Report

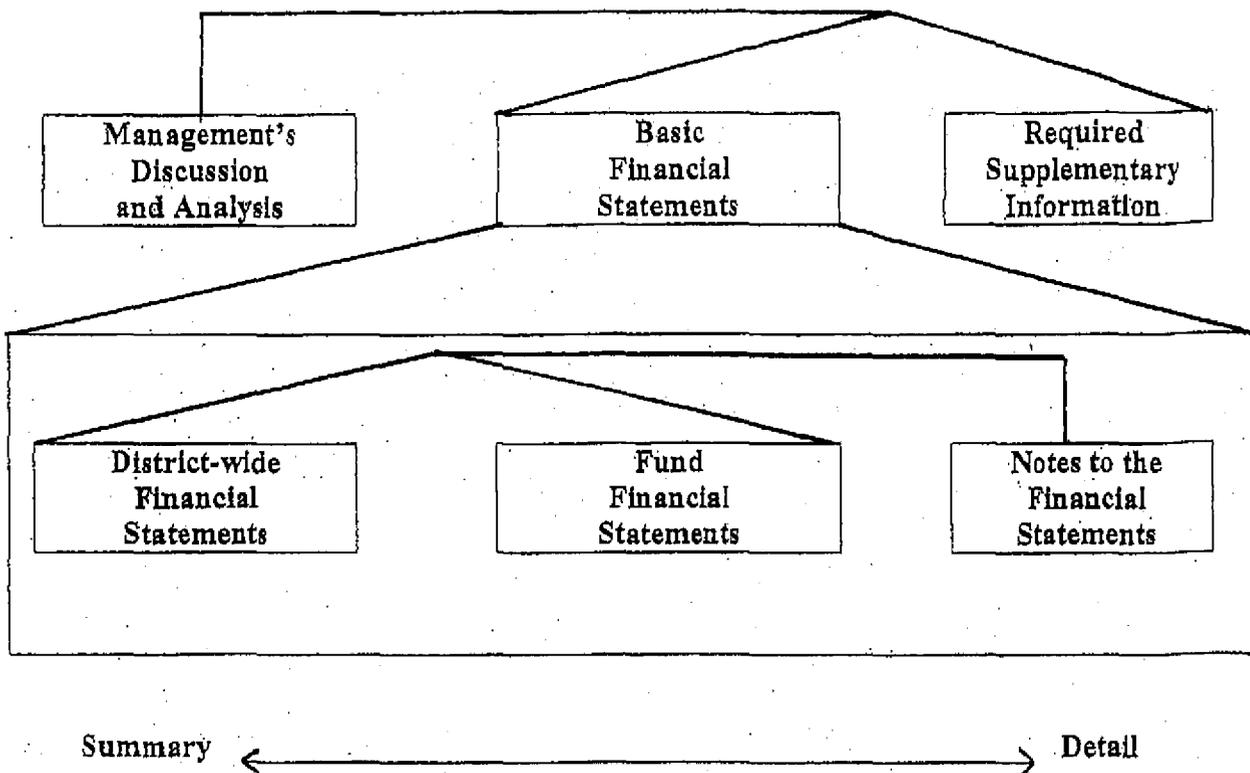


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2
Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in fund net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's School Nutrition program and Childhood Development program are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Childhood Development Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s net assets at June 30, 2012 compared to June 30, 2011.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Current and other assets	\$2,896,412	\$3,766,993	\$133,795	\$138,094	\$3,030,207	\$3,905,087	-22.4%
Capital assets	3,646,558	2,482,661	11,506	13,421	3,658,064	2,496,082	46.6%
Total assets	\$6,542,970	\$6,249,654	\$145,301	\$151,515	\$6,688,271	\$6,401,169	4.5%
Long-term liabilities	\$2,651,155	\$1,852,057	\$-	-	\$2,651,155	\$1,852,057	43.1%
Other liabilities	1,962,009	2,492,942	22,128	22,366	1,984,137	2,515,308	-21.1%
Total liabilities	\$4,613,164	\$4,344,999	\$22,128	\$22,366	\$4,635,292	\$4,367,365	6.1%
Net assets:							
Invested in capital assets, net of related debt	\$1,089,009	\$14,904	\$11,506	\$13,421	\$1,100,515	\$28,325	3,785.3%
Restricted	591,547	1,625,494	-	-	591,547	1,625,494	-63.6%
Unrestricted	254,947	272,634	105,970	107,351	360,917	379,985	-5.0%
Total net assets	\$1,935,503	\$1,913,032	\$117,476	\$120,772	\$2,052,979	\$2,033,804	0.9%

The District’s combined net assets increased 0.9%, or \$19,175, from the prior year. The largest portion of the District’s net assets is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net assets decreased approximately \$1,033,900, or 63.6% over the prior year. The decrease was primarily due to expenditures for facilities acquisitions of the Capital Projects Funds.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$19,000, or 5%. This reduction in unrestricted net assets was primarily a result in the increase in expenditures exceeded the revenue in the General Fund.

Figure A-4 shows the change in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

**Figure A-4
Changes in Net Assets**

	Governmental Activities		Business Type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-2012
Revenues:							
Program revenues:							
Charges for service	\$390,575	\$324,639	\$198,403	\$180,846	\$588,978	\$505,485	16.5%
Operating grants, contribution and restricted interest	527,537	568,588	42,177	46,656	569,714	615,244	-7.4%
Capital grants, contributions and restricted interest	-	24,975	-	-	-	24,975	-100%
General revenues:							
Property tax	1,400,387	1,290,250	-	-	1,400,387	1,290,250	8.5%
Statewide sales, service and use tax	292,819	256,389	-	-	292,819	256,389	14.2%
Unrestricted state grants	1,568,860	1,360,486	-	-	1,568,860	1,360,486	15.3%
Unrestricted investment earnings	7,176	7,246	142	84	7,318	7,330	-0.2%
Other	54,055	17,740	-	-	54,055	17,740	204.7%
Total revenues	\$4,241,409	\$3,850,313	\$240,722	\$227,586	\$4,482,131	\$4,077,899	9.9%
Program expenses:							
Governmental activities:							
Instruction	\$2,937,627	\$2,923,864	\$98,941	\$69,532	\$3,036,568	\$2,993,396	1.4%
Support services	1,006,518	820,097	-	-	1,006,518	820,097	22.7%
Non-instructional programs	-	1,209	144,644	125,952	144,644	127,161	13.7%
Other expenses	269,139	269,228	-	-	269,139	269,228	-
Total expenses	\$4,213,284	\$4,014,398	\$243,585	\$195,484	\$4,456,869	\$4,209,882	5.9%
Change in net assets	\$28,125	-\$164,085	-\$2,863	\$32,102	\$25,262	-\$131,983	19.1%

In fiscal year 2012, property tax and unrestricted state grants account for 70% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.9% of business type activities revenue.

The District's total revenues were approximately \$4.4 million, of which approximately \$4.2 million was for governmental activities and less than \$0.2 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9.9% increase in revenues and a 5.9% increase in expenses. Property tax increased approximately \$110,000. The increase in expenses is related to an increase in support services expenses.

Governmental Activities

Revenues for governmental activities were \$4,241,409 and expenses were \$4,213,284. In a difficult budget year, the District was able to balance the budget by trimming expenses to match revenues.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change	2012	2011	Change
			2011-2012			2011-2012
Instruction	\$2,937,627	\$2,923,864	0.5%	\$2,056,500	\$2,076,076	-1.0%
Support Services	1,006,518	820,097	22.7%	969,533	774,658	25.2%
Non-instructional programs	-	1,209	-100%	-	1,209	-100%
Other expenses	269,139	269,228	-0.3%	269,139	244,253	-0.3%
Totals	\$4,213,284	\$4,014,398	5.0%	\$3,295,172	\$3,096,196	6.4%

- The cost financed by users of the District’s programs was \$588,978.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$569,714.
- The net cost of governmental activities was financed with \$1,693,206 in property and other taxes and \$1,568,860 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$240,722 and expenses were \$243,585. The District’s business type activities include the School Nutrition Fund and the Childhood Development Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Janesville Consolidated School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$948,272, well below last year’s ending fund balances of \$1,939,004.

However, the primary reason for the decrease is due to the expenditure of the revenue bond proceeds received in 2011.

Governmental Fund Highlights

- The District’s deteriorating General Fund financial position is the result of many factors. Decreases during the year in local taxes and Federal grants resulted in only a slight increase in revenue. The District’s increase in General Fund expenditures required the District to use carryover fund balance to meet its financial obligations during the year.
- The District has been trying to maintain its General Fund by controlling classroom budgets, reducing travel and field trips, and reducing staff slightly where possible.
- The General Fund balance decreased from \$439,785 to \$393,364, due in part to the increase in expenditures in the support services.
- The Capital Projects Fund balance decreased due to the expenditure revenue bond issuance of \$1,375,000. The District ended fiscal 2012 with a balance of \$353,523, a decrease of \$969,346.
- The Special Revenue – Management Fund balance increased from \$148,633 to \$171,099, a 15.1% increase.

Proprietary Fund Highlights

- School Nutrition Fund net assets increased from \$40,526 at June 30, 2011 to \$43,991 at June 30, 2012, representing an increase of approximately 8.5%.
- Childhood Development Fund net assets decreased from \$80,246 at June 30, 2011 to \$73,485 at June 30, 2012 due to an increase in the cost of services.

BUDGETARY HIGHLIGHTS

The District’s receipts were \$36,392 more than budgeted receipts, a variance of 0.8%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

The Districts total expenditures were less than budgeted, due primarily to the District’s budget for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District’s certified budget should always exceed actual expenditures for the year.

In spite of the District’s budgetary practice, the certified budget was exceeded in the instruction, functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$3.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 46.6% from last year. More detailed information about the District’s capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$203,935.

The original cost of the District’s capital assets was \$6.82 million. Governmental funds account for \$6.80 million, with the remainder of \$0.02 million accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6
Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$18,751	\$18,751	\$-	\$-	\$18,751	\$18,751	-
Construction in process	-	218,634	-	-	-	218,634	-100%
Buildings	2,831,462	1,845,819	-	-	2,831,462	1,845,819	53.4%
Improvements other than buildings	151,138	104,018	-	-	151,138	104,018	45.3%
Furniture and equipment	645,207	295,439	11,506	13,421	656,713	308,860	112.6%
Totals	\$3,646,558	\$2,482,661	\$11,506	\$13,421	\$3,658,064	\$2,496,082	46.6%

Long-Term Debt

At June 30, 2012, the District had \$2,557,549 in long-term debt outstanding. This represents an increase of approximately 3.6% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$9 million.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2012	2011	2011-2012
Revenue bonds	\$2,325,000	\$2,445,000	-4.9%
Capital Leases	232,549	22,757	921.8%
	<u>\$2,557,549</u>	<u>\$2,467,757</u>	<u>3.6%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Reduction in federal and state funding continues to present challenges for the district's budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's 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 Steven Gray, Superintendent, Janesville Consolidated School, 505 Barrick Road, Janesville IA 50647.

Basic Financial Statements

Janesville Consolidated School District

Statement of Net Assets

June 30, 2012

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 1,226,198	\$ 133,075	\$ 1,359,273
Receivables:			
Property tax:			
Delinquent	6,388	-	6,388
Succeeding year	1,435,653	-	1,435,653
Accounts	1,302	720	2,022
Due from other governments	226,871	-	226,871
Capital assets, net of accumulated depreciation	3,646,558	11,506	3,658,064
Total Assets	\$ 6,542,970	\$ 145,301	\$ 6,688,271
Liabilities			
Accounts payable	\$ 88,662	\$ 11	\$ 88,673
Salaries and benefits payable	264,712	14,580	279,292
Accrued interest payable	8,172	-	8,172
Deferred revenue-succeeding year property tax	1,435,653	-	1,435,653
Deferred revenue-other	164,810	7,537	172,347
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	120,000	-	120,000
Accrued vacations	3,646	-	3,646
Early retirement	37,101	-	37,101
Capital lease	75,125	-	75,125
Portion due after one year:			
Early retirement	37,102	-	37,102
Capital lease	157,424	-	157,424
Revenue bonds payable	2,205,000	-	2,205,000
Net OPEB liability	15,757	-	15,757
Total Liabilities	\$ 4,613,164	\$ 22,128	\$ 4,635,292
Net Assets			
Invested in capital assets, net of related debt	\$ 1,089,009	\$ 11,506	\$ 1,100,515
Restricted for:			
Categorical funding	84,819	-	84,819
Management levy purposes	96,896	-	96,896
Student activities	25,942	-	25,942
Debt service	4,344	-	4,344
Capital projects	379,546	-	379,546
Unrestricted	254,947	105,970	360,917
Total Net Assets	\$ 1,935,503	\$ 117,476	\$ 2,052,979

Janesville Consolidated School District

Statement of Activities

Year Ended June 30, 2012

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,178,328	\$ 184,038	\$ 487,698	\$ -
Special instruction	426,325	5,379	35,370	-
Other instruction	332,974	167,690	952	-
	<u>\$ 2,937,627</u>	<u>\$ 357,107</u>	<u>\$ 524,020</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 45,952	\$ -	\$ 1,840	\$ -
Instructional staff services	45,956	-	-	-
Administration services	501,688	-	-	-
Operation and maintenance of plant services	238,974	-	-	-
Transportation services	173,948	33,468	1,677	-
	<u>\$ 1,006,518</u>	<u>\$ 33,468</u>	<u>\$ 3,517</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 18,033	\$ -	\$ -	\$ -
Long-term debt interest	103,131	-	-	-
AEA flow-through	147,975	-	-	-
	<u>\$ 269,139</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Total Governmental Activities	 <u>\$ 4,213,284</u>	 <u>\$ 390,575</u>	 <u>\$ 527,537</u>	 <u>\$ -</u>
Business Type Activities:				
Instruction:				
Childhood development	\$ 98,941	\$ 91,727	\$ -	\$ -
Non-Instructional Programs:				
Food service operations	128,532	89,678	42,177	-
Childhood development	16,112	16,998	-	-
	<u>\$ 243,585</u>	<u>\$ 198,403</u>	<u>\$ 42,177</u>	<u>\$ -</u>
 Total Business Type Activities	 <u>\$ 243,585</u>	 <u>\$ 198,403</u>	 <u>\$ 42,177</u>	 <u>\$ -</u>
 Total	 <u>\$ 4,456,869</u>	 <u>\$ 588,978</u>	 <u>\$ 569,714</u>	 <u>\$ -</u>

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-1,506,592	\$	-	\$ -1,506,592
	-385,576		-	-385,576
	-164,332		-	-164,332
\$	-2,056,500	\$	-	\$ -2,056,500
\$	-44,112	\$	-	\$ -44,112
	-45,956		-	-45,956
	-501,688		-	-501,688
	-238,974		-	-238,974
	-138,803		-	-138,803
\$	-969,533	\$	-	\$ -969,533
\$	-18,033	\$	-	\$ -18,033
	-103,131		-	-103,131
	-147,975		-	-147,975
\$	-269,139	\$	-	\$ -269,139
\$	-3,295,172	\$	-	\$ -3,295,172
\$	-	\$	-7,214	\$ -7,214
	-		3,323	3,323
	-		886	886
\$	-	\$	-3,005	\$ -3,005
\$	-3,295,172	\$	-3,005	\$ -3,298,177

Janesville Consolidated School District

Statement of Activities

Year Ended June 30, 2012

	Program Revenues		
	Operating	Capital	
	Grants,	Grants,	
	Contributions	Contributions	
	and	and	
	Restricted	Restricted	
Expenses	Interest	Interest	
	Charges		
	for		
	Services		

General Revenues:

Property Tax Levied For:
 General purposes
 Capital outlay
Statewide sales, service and use tax
Unrestricted state grants
Unrestricted investment earnings
Other general revenues

Total General Revenues

Change in net assets
Net assets beginning of year
Prior period adjustment

Adjusted net assets beginning of year

Net Assets End of Year

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ 1,299,158	\$ -	\$ 1,299,158
101,229	-	101,229
292,819	-	292,819
1,568,860	-	1,568,860
7,176	142	7,318
54,055	-	54,055
<u>3,323,297</u>	<u>142</u>	<u>3,323,439</u>
\$ 28,125	\$ -2,863	\$ 25,262
\$ 1,913,032	\$ 120,772	\$ 2,033,804
-5,654	-433	-6,087
<u>\$ 1,907,378</u>	<u>\$ 120,339</u>	<u>\$ 2,027,717</u>
<u>\$ 1,935,503</u>	<u>\$ 117,476</u>	<u>\$ 2,052,979</u>

Janesville Consolidated School District

Balance Sheet
Governmental Funds

June 30, 2012

	General	Capital Projects	Special Revenue Management Levy	Non-Major Funds	Total
Assets					
Cash and Pooled Investments	\$ 673,551	\$ 299,688	\$ 222,556	\$ 30,403	\$ 1,226,198
Receivables:					
Property Tax:					
Delinquent	5,277	518	593	-	6,388
Succeeding year	1,155,198	184,955	95,500	-	1,435,653
Accounts	40	-	-	1,262	1,302
Due from other funds	5,697	35,000	-	-	40,697
Due from other governments	172,174	54,697	-	-	226,871
Total Assets	\$ 2,011,937	\$ 574,858	\$ 318,649	\$ 31,665	\$ 2,937,109
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 85,903	\$ 1,380	\$ -	\$ 1,379	\$ 88,662
Salaries and benefits payable	212,662	-	52,050	-	264,712
Due to other funds	-	35,000	-	-	35,000
Deferred Revenue:					
Succeeding year property tax	1,155,198	184,955	95,500	-	1,435,653
Other	164,810	-	-	-	164,810
Total Liabilities	\$ 1,618,573	\$ 221,335	\$ 147,550	\$ 1,379	\$ 1,988,837
Fund Balances:					
Restricted for:					
Categorical funding	\$ 84,819	\$ -	\$ -	\$ -	\$ 84,819
Debt services	-	-	-	4,344	4,344
Management levy purposes	-	-	171,099	-	171,099
Student activities	-	-	-	25,942	25,942
School infrastructure	-	379,546	-	-	379,546
Unassigned	308,545	-26,023	-	-	282,522
Total Fund Balance	\$ 393,364	\$ 353,523	\$ 171,099	\$ 30,286	\$ 948,272
Total Liabilities and Fund Balances	\$ 2,011,937	\$ 574,858	\$ 318,649	\$ 31,665	\$ 2,937,109

Janesville Consolidated School District

**Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets**

June 30, 2012

Total fund balances of governmental funds (page 16)	\$ 948,272
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	3,646,558
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-8,172
Long-term liabilities, including bonds payable, accrued vacations, early retirement and other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>-2,651,155</u>
Net assets of governmental activities (page 13)	<u>\$ 1,935,503</u>

Janesville Consolidated School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2012

	General	Capital Projects	Special Revenue Management Levy	Non-Major Funds	Total
Revenues:					
Local Sources:					
Local tax	\$ 1,184,080	\$ 394,048	\$ 115,078	\$ -	\$ 1,693,206
Tuition	159,950	-	-	-	159,950
Other	121,540	1,909	664	167,743	291,856
Intermediate sources	-	-	-	-	-
State sources	2,010,234	106	121	-	2,010,461
Federal sources	85,936	-	-	-	85,936
Total Revenues	\$ 3,561,740	\$ 396,063	\$ 115,863	\$ 167,743	\$ 4,241,409
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 1,937,136	\$ 314,999	\$ 52,050	\$ -	\$ 2,304,185
Special instruction	426,325	-	-	-	426,325
Other instruction	169,471	-	-	170,828	340,299
	\$ 2,532,932	\$ 314,999	\$ 52,050	\$ 170,828	\$ 3,070,809
Support Services:					
Student services	\$ 45,952	\$ -	\$ -	\$ -	\$ 45,952
Instructional staff services	45,956	-	-	-	45,956
Administration services	479,134	-	-	-	479,134
Operation and maintenance of plant services	194,619	-	41,347	-	235,966
Transportation services	155,939	16,000	-	-	171,939
	\$ 921,600	\$ 16,000	\$ 41,347	\$ -	\$ 978,947
Other Expenditures:					
Facilities acquisition	\$ -	\$ 1,007,898	\$ -	\$ -	\$ 1,007,898
Long-Term Debt:					
Principal	-	-	-	225,207	225,207
Interest, fees and discounts	-	-	-	116,304	116,304
AEA flow-through	147,975	-	-	-	147,975
	\$ 147,975	\$ 1,007,898	\$ -	\$ 341,511	\$ 1,497,384
Total Expenditures	\$ 3,602,507	\$ 1,338,897	\$ 93,397	\$ 512,339	\$ 5,547,140
Excess (deficiency) of revenues over (under) expenditures	\$ -40,767	\$ -942,834	\$ 22,466	\$ -344,596	\$ -1,305,731

Janesville Consolidated School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2012

	General	Capital Projects	Special Revenue Management Levy	Non-Major Funds	Total
Other Financing Sources (Uses):					
Capital lease	\$ -	\$ 314,999	\$ -	\$ -	\$ 314,999
Operating transfers in (out)	-	-341,511	-	341,511	-
Total other financing sources (uses)	\$ -	\$ -26,512	\$ -	\$ 341,511	\$ 314,999
Net change in fund balances	\$ -40,767	\$ -969,346	\$ 22,466	\$ -3,085	\$ -990,732
Fund balances beginning of year	\$ 439,785	\$ 1,322,869	\$ 148,633	\$ 33,371	\$ 1,944,658
Prior period adjustment	-5,654	-	-	-	-5,654
Adjusted fund balances beginning of year	\$ 434,131	\$ 1,322,869	\$ 148,633	\$ 33,371	\$ 1,939,004
Fund Balances End of Year	\$ 393,364	\$ 353,523	\$ 171,099	\$ 30,286	\$ 948,272

Janesville Consolidated School District

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities**

Year Ended June 30, 2012

Net change in fund balances – total governmental funds (page 19) \$ -990,732

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 1,365,917	
Depreciation expense	<u>-202,020</u>	1,163,897

Proceeds from issuing long term liabilities provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceed repayments, are as follows:

Issued	\$ -314,999	
Repaid	<u>225,207</u>	-89,792

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

13,173

Some expenses reported in the Statements of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds as follows:

Accrued vacations	\$ 4,616	
Early retirement	-62,953	
Other postemployment benefits	<u>-10,084</u>	-68,421

Change in Net Assets of Governmental Activities (page 15) \$ 28,125

Janesville Consolidated School District

Statement of Net Assets
Proprietary Funds

June 30, 2012

	Hot Lunch	Childhood Development	Total
Assets			
Cash and cash equivalents	\$ 45,710	\$ 87,365	\$ 133,075
Accounts receivable	20	700	720
Capital assets, net of accumulated depreciation	11,506	-	11,506
Total Assets	\$ 57,236	\$ 88,065	\$ 145,301
Liabilities			
Accounts payable	\$ 11	\$ -	\$ 11
Due to other funds	5,697	-	5,697
Salaries and benefits payable	-	14,580	14,580
Deferred revenue	7,537	-	7,537
Total Liabilities	\$ 13,245	\$ 14,580	\$ 27,825
Net Assets			
Invested in capital assets, net of related debt	\$ 11,506	\$ -	\$ 11,506
Unrestricted	32,485	73,485	105,970
Total Net Assets	\$ 43,991	\$ 73,485	\$ 117,476

Janesville Consolidated School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year Ended June 30, 2012

	Hot Lunch	Childhood Development	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 89,678	\$ 108,725	\$ 198,403
Operating expenses:			
Instruction:			
Other instruction:			
Salaries	\$ -	\$ 74,362	\$ 74,362
Benefits	-	19,430	19,430
Supplies	-	5,149	5,149
	\$ -	\$ 98,941	\$ 98,941
Non-instructional programs:			
Operations:			
Salaries	\$ 4,141	\$ 10,504	\$ 14,645
Benefits	651	2,173	2,824
Supplies	120,780	813	121,593
Purchased services	1,045	2,622	3,667
Depreciation	1,915	-	1,915
	\$ 128,532	\$ 16,112	\$ 144,644
Total operating expenses	\$ 128,532	\$ 115,053	\$ 243,585
Operating income (loss)	\$ -38,854	\$ -6,328	\$ -45,182
Non-operating revenues:			
State sources	\$ 1,099	\$ -	\$ 1,099
Federal sources	41,078	-	41,078
Interest income	142	-	142
Total non-operating revenues	\$ 42,319	\$ -	\$ 42,319
Change in net assets	\$ 3,465	\$ -6,328	\$ -2,863
Net assets beginning of year	\$ 40,526	\$ 80,246	\$ 120,772
Prior period adjustment	-	-433	-433
Adjusted net assets, beginning of year	\$ 40,526	\$ 79,813	\$ 120,339
Net Assets End of Year	\$ 43,991	\$ 73,485	\$ 117,476

Janesville Consolidated School District

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2012

	Hot Lunch	Childhood Development	Total
Cash flows from operating activities:			
Cash received from daycare and preschool fees	\$ -	\$ 108,025	\$ 108,025
Cash received from sale of lunches and breakfasts	93,921	-	93,921
Cash paid to employees for services	-8,378	-100,753	-109,131
Cash paid to suppliers for goods or services	-121,634	-9,017	-130,651
Net cash provided (used) by operating activities	<u>\$ -36,091</u>	<u>\$ -1,745</u>	<u>\$ -37,836</u>
Cash flows from non-capital financing activities:			
State grants received	\$ 1,099	\$ -	\$ 1,099
Federal grants received	31,724	-	31,724
Net cash provided by non-capital financing activities	<u>\$ 32,823</u>	<u>\$ -</u>	<u>\$ 32,823</u>
Cash flows from investing activities:			
Interest on investments	\$ 142	\$ -	\$ 142
Net increase (decrease) in cash and cash equivalents	\$ -3,126	\$ -1,745	\$ -4,871
Cash and cash equivalents beginning of year	48,836	89,110	137,946
Cash and Cash Equivalents End of Year	<u>\$ 45,710</u>	<u>\$ 87,365</u>	<u>\$ 133,075</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating income (loss)	\$ -38,854	\$ -6,328	\$ -45,182
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Commodities used	9,353	-	9,353
Depreciation	1,915	-	1,915
(Increase)/Decrease in accounts receivable	128	-700	-572
Increase/(Decrease) in salaries and benefits payable	-905	5,283	4,378
Increase in deferred revenue	4,115	-	4,115
(Decrease) in due to other funds	-2,680	-	-2,680
(Decrease) in accounts payable	-9,163	-	-9,163
Net Cash Provided (Used) by Operating Activities	<u>\$ -36,091</u>	<u>\$ -1,745</u>	<u>\$ -37,836</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$9,353 of federal commodities.

Janesville Consolidated School District

Statement of Fiduciary Net Assets
Fiduciary Fund

June 30, 2012

	Private Purpose Trust <u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 275,568
Total assets	<u>\$ 275,568</u>
Liabilities	<u>\$ -</u>
Net Assets	
Reserved for scholarships	<u>\$ 275,568</u>

See notes to financial statements.

Janesville Consolidated School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
Year Ended June 30, 2012

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 5,237
Deductions:	
Support services:	
Scholarships awarded	\$ 8,000
Change in net assets	\$ -2,763
Net assets beginning of year	<u>278,331</u>
Net Assets End of Year	<u>\$ 275,568</u>

Janesville Consolidated School District

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

Janesville Consolidated School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Janesville, Iowa and portions of the predominately agricultural territories in Bremer and Black Hawk Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Janesville Consolidated School District has included all funds, organizations, agencies, boards, commissions and authorities. The District 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 District are such that exclusion would cause the District'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 District 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 District. Janesville Consolidated School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in two jointly governed organizations that provide services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Bremer and Black Hawk Counties Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally 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 service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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 two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues 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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are 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 expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Special Revenue – Management Fund is used to account for all resources used in early retirement benefits and the district insurance policies.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Childhood Development Fund. These funds are used to account for the food service and daycare operations of the District.

The District also reports fiduciary funds, which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as 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. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. 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 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balance.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking, is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

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

During the year ended June 30, 2012, expenditures in the instruction, functional area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 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 District 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 Board of Education; 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.

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust as follows:

Total	<u>Amortized Cost</u> <u>\$382,429</u>
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The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk – The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) **Due From and Due to Other funds**

The detail of inter-fund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Enterprise – Hot Lunch Fund	\$ 5,697
Statewide Sales, Services and Use Tax	Physical Plant & Equipment Levy	35,000
		<u>\$ 40,697</u>

The Enterprise – Hot Lunch Fund is repaying the General Fund for Salaries and Benefits. The Physical Plant and Equipment Levy owes the Statewide Sales, Services and Use Tax Fund for a short term loan. The balances will be repaid by June 30, 2013.

(4) **Interfund Transfers**

Transfer to	Transfer from	Amount
Debt Service	Statewide Sales, Services and Use Tax	\$ 235,321
Debt Service	Physical Plant and Equipment Levy	106,190
		<u>\$ 341,511</u>

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

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 18,751	\$ -	\$ -	\$ 18,751
Construction in process	218,634	-	218,634	-
Total capital assets not being depreciated	<u>\$ 237,385</u>	<u>\$ -</u>	<u>\$ 218,634</u>	<u>\$ 18,751</u>
Capital assets being depreciated:				
Buildings	\$ 3,012,989	\$ 1,081,621	\$ -	\$ 4,094,610
Improvements other than buildings	313,326	56,692	-	370,018
Furniture and equipment	1,912,164	446,238	41,699	2,316,703
Total capital assets being depreciated	<u>\$ 5,238,479</u>	<u>\$ 1,584,551</u>	<u>\$ 41,699</u>	<u>\$ 6,781,331</u>
Less accumulated depreciation for:				
Buildings	\$ 1,167,170	\$ 95,978	\$ -	\$ 1,263,148
Improvements other than buildings	209,308	9,572	-	218,880
Furniture and equipment	1,616,725	96,470	41,699	1,671,496
Total accumulated depreciation	<u>\$ 2,993,203</u>	<u>\$ 202,020</u>	<u>\$ 41,699</u>	<u>\$ 3,153,524</u>
Total capital assets being depreciated, net	<u>\$ 2,245,276</u>	<u>\$ 1,382,531</u>	<u>\$ -</u>	<u>\$ 3,627,807</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,482,661</u>	<u>\$ 1,382,531</u>	<u>\$ 218,634</u>	<u>\$ 3,646,558</u>
	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 22,976	\$ -	\$ -	\$ 22,976
Less accumulated depreciation	9,555	1,915	-	11,470
Business Type Activities Capital Assets, Net	<u>\$ 13,421</u>	<u>\$ 1,915</u>	<u>\$ -</u>	<u>\$ 11,506</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 176,237
Other	5,357

Support services:

Operation and maintenance of plant	2,417
Transportation	18,009

Total Depreciation Expense – Governmental Activities \$ 202,020

Business Type Activities:

Food service operations	\$ 1,915
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(6) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Accrued vacations	\$ 8,262	\$ -	\$ 4,616	\$ 3,646	\$ 3,646
Revenue bonds	2,445,000	-	120,000	2,325,000	120,000
Early retirement	11,250	111,304	48,351	74,203	37,101
Capital Leases	22,757	314,999	105,207	232,549	75,125
Net OPEB liability	5,673	10,084	-	15,757	-
	<u>\$ 2,492,942</u>	<u>\$ 436,387</u>	<u>\$ 278,174</u>	<u>\$ 2,651,155</u>	<u>\$ 235,872</u>

Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must be at least fifty-five and must have completed ten years of service to the District. The eligible employee will receive a cash payment of \$1,250 per year of consecutive certified employment to the District. The payout will be divided into three equal payments to be made annually for three years with the first on July 20, 2012.

Capital Lease – Computers

The District entered into a Capital Lease with Apple to purchase computers on June 15, 2012 for \$314,998.65. Annual lease payments will be \$82,450.16 with a 3.15% interest rate over the next three years.

Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2009			
	Interest Rates	Principal	Interest	Total
2013	3.1%	\$120,000	\$36,995	\$156,995
2014	3.4%	125,000	33,275	158,275
2015	3.7%	130,000	29,025	159,025
2016	3.9%	135,000	24,215	159,215
2017	4.1%	140,000	18,950	158,950
2018	4.3%	145,000	13,210	158,210
2019	4.5%	155,000	6,975	161,975
		<u>\$950,000</u>	<u>\$162,645</u>	<u>\$1,112,645</u>

The District pledged future statewide sales, services and use tax revenues to repay the \$1,295,000 of bonds issued in May 2009. The bonds were issued for the purpose of refinancing the 2006 Local Option Sales and Services Tax Bonds. The bonds are payable solely from the proceeds of the statewide sales, service and use tax revenues received by the District and are payable through 2019. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 50 percent of the statewide sales, service and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,112,645. For the current year \$120,000 principal and \$40,354 interest was paid on the bonds and total statewide sales, service and use tax revenues were \$292,819.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$129,500 of School statewide sales, services and use tax revenues currently on hand shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The District did comply with this revenue bond provisions during the year ended June 30, 2012.

Year Ending June 30,	Bond Issue of March 15, 2011			
	Interest Rates	Principal	Interest	Total
2013	3.70%	\$-	\$61,072	\$61,072
2014	3.70%	-	61,073	61,073
2015	3.70%	-	61,072	61,072
2016	3.70%	-	61,073	61,073
2017	3.70%	-	61,072	61,072
2018	3.70%	-	61,073	61,073
2019	3.70%	-	61,072	61,072
2020	3.70%	130,000	61,073	191,073
2021	3.90%	135,000	56,262	191,262
2022	4.20%	140,000	50,998	190,998
2023	4.35%	145,000	45,117	190,117
2024	4.50%	155,000	38,810	193,810
2025	4.60%	160,000	31,835	191,835
2026	4.70%	170,000	24,475	194,475
2027	4.80%	175,000	16,485	191,485
2028	4.90%	165,000	8,085	173,085
		<u>\$1,375,000</u>	<u>\$760,647</u>	<u>\$2,135,647</u>

The District pledged future statewide sales, service and use tax revenues to repay the \$1,375,000 of bonds issued in March 2011. The bonds were issued for the purpose of refinancing a portion of the costs of the school remodeling. The bonds are payable solely from the proceeds of the statewide sales, service and use tax revenues received by the District and are payable through 2028. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 75% of the statewide sales, service and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,135,647. For the current year, no principal and \$73,966 of interest was paid on the bonds.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$137,500 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District did comply with these revenue bond provisions during the year ended June 30, 2012.

During the year ended June 30, 2012, the District made principal, interest and fee payments totaling \$341,511 under the agreements.

(7) Pension and Retirement Benefits

The District 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 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered payroll for the years ended June 30, 2012. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$135,200, \$113,818, and \$100,875, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 24 active members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligations:

Annual required contribution	\$ 10,688
Interest on net OPEB obligation	142
Adjustment to annual required contribution	-746
Annual OPEB cost	<u>\$ 10,084</u>
Contributions made	-
Increase in net OPEB obligation	<u>\$ 10,084</u>
Net OPEB obligation beginning of year	<u>5,673</u>
Net OPEB obligation end of year	<u>\$ 15,757</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$174,369 to the medical plan. Plan members eligible for benefits contributed \$21,141, or 10.8% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$9,513	70.0%	\$2,856
June 30, 2011	\$9,494	66.3%	\$5,673
June 30, 2012	\$10,084	0.0%	\$15,757

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$96,906, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$96,906. The covered payroll (annual payroll of active employees covered by the plan) was \$1,280,275 and the ratio of the UAAL to covered payroll was 7.6%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions – 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 the health care cost trend. 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 in the section following the Notes to 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.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the 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 designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$199.13 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

Janesville Consolidated School District 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 District 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.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$147,975 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Gifted and Talented Programs	\$ 27,975
Dropout Prevention	21,963
Beginning Teacher Mentoring	1,643
Teacher Salary Supplement	18,054
Market Factor 07	2,118
At Risk	1,918
Core Curriculum	9,987
Market Factor 08	1,161
Total	<u>\$ 84,819</u>

(12) Subsequent Events

The District has evaluated subsequent events through February 21, 2013 which is the date that the financial statements were available to be issued.

(13) Prior Period Adjustment

The District made a \$5,654 prior period adjustment to the General Fund and a \$433 adjustment to the Childhood Development Fund.

Required Supplementary Information

Janesville Consolidated School District

**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund**

Required Supplementary Information

Year Ended June 30, 2012

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 2,145,012	\$ 198,545
Intermediate sources	-	-
State sources	2,010,461	1,099
Federal sources	85,936	41,078
Total Receipts	<u>\$ 4,241,409</u>	<u>\$ 240,722</u>
Disbursements:		
Instruction	\$ 3,070,809	\$ 98,941
Support services	978,947	-
Non-instructional programs	-	144,644
Other expenditures	1,497,384	-
Total Disbursements	<u>\$ 5,547,140</u>	<u>\$ 243,585</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	\$ -1,305,731	\$ -2,863
Other financing sources, net	<u>314,999</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	<u>\$ -990,732</u>	<u>\$ -2,863</u>
Balances beginning of year	\$ 1,944,658	\$ 120,772
Prior period adjustment	-5,654	-433
Adjusted balances beginning of year	<u>\$ 1,939,004</u>	<u>\$ 120,339</u>
Balances End of Year	<u>\$ 948,272</u>	<u>\$ 117,476</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts	Final To Actual Variance
\$	2,343,557	\$ 2,235,019	\$ 108,538
	-	-	-
	2,011,560	2,055,720	-44,160
	127,014	155,000	-27,986
\$	4,482,131	\$ 4,445,739	\$ 36,392
\$	3,169,750	\$ 2,711,172	\$ -458,578
	978,947	1,134,000	155,053
	144,644	290,000	145,356
	1,497,384	1,699,419	202,035
\$	5,790,725	\$ 5,834,591	\$ 43,866
\$	-1,308,594	\$ -1,388,852	\$ 80,258
	314,999	25,000	289,999
\$	-993,595	\$ -1,363,852	\$ 370,257
\$	2,065,430	\$ 2,110,193	\$ -44,763
	-6,087	-	-6,087
\$	2,059,343	\$ 2,110,193	\$ -50,850
\$	1,065,748	\$ 746,341	\$ 319,407

Janesville Consolidated School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2012

This 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 Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2012, expenditures in the instruction function exceeded the amount budgeted.

Janesville Consolidated School District

**Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)**

Required Supplementary Information

June 30, 2012

Year Ended June 30,	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)
2010	July 1, 2009	-	\$101	\$101	-	\$989	10.3%
2011	July 1, 2009	-	\$100	\$100	-	\$1,301	7.7%
2012	July 1, 2009	-	\$97	\$97	-	\$1,280	7.6%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

Janesville Consolidated School District

Combining Balance Sheet
Non-Major Funds

June 30, 2012

Special Revenue

	Debt Service	Student Activity	Total
Assets			
Cash and pooled investments	\$ 4,344	\$ 26,059	\$ 30,403
Receivables:			
Accounts	-	1,262	1,262
Total Assets	\$ 4,344	\$ 27,321	\$ 31,665
Liabilities & Fund Equity			
Liabilities:			
Accounts payable	\$ -	\$ 1,379	\$ 1,379
Total Liabilities	\$ -	\$ 1,379	\$ 1,379
Fund Balance:			
Restricted for:			
Debt service	\$ 4,344	\$ -	\$ 4,344
Student activities	-	25,942	25,942
Total Fund Balance	\$ 4,344	\$ 25,942	\$ 30,286
Total Liabilities & Fund Equity	\$ 4,344	\$ 27,321	\$ 31,665

See accompanying independent auditor's report.

Janesville Consolidated School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Funds

Year Ended June 30, 2012

	<u>Special Revenue</u>		
	<u>Debt Service</u>	<u>Student Activity</u>	<u>Total</u>
Revenues:			
Local Sources:			
Other	\$ -	\$ 167,743	\$ 167,743
Total Revenues	\$ -	\$ 167,743	\$ 167,743
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ -	\$ 170,828	\$ 170,828
Other instruction	-	-	-
Other Expenditures:			
Long-term Debt:			
Principal	225,207	-	225,207
Interest	116,304	-	116,304
Total Expenditures	\$ 341,511	\$ 170,828	\$ 512,339
Excess (deficiency) of revenues over (under) expenditures	\$ -341,511	\$ -3,085	\$ -344,596
Other Financing Sources (Uses):			
Operating transfers in	\$ 341,511	\$ -	\$ 341,511
Excess (deficiency) of revenue and other financing sources over (under) expenditures and other financing (uses)	\$ -	\$ -3,085	\$ -3,085
Fund balances beginning of year	4,344	29,027	33,371
Fund Balances End of Year	\$ 4,344	\$ 25,942	\$ 30,286

See accompanying independent auditor's report.

Janesville Consolidated School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 291,229	\$ 8,459	\$ 299,688
Receivables:			
Property Tax:			
Delinquent	-	518	518
Succeeding year	-	184,955	184,955
Due from other governments	54,697	-	54,697
Due from other fund	35,000	-	35,000
Total Assets	\$ 380,926	\$ 193,932	\$ 574,858
Liabilities & Fund Equity			
Liabilities:			
Accounts payable	\$ 1,380	\$ -	\$ 1,380
Due to other funds	-	35,000	35,000
Deferred revenue:			
Succeeding year property tax	-	184,955	184,955
Total Liabilities	\$ 1,380	\$ 219,955	\$ 221,335
Fund Balances:			
Restricted for:			
School infrastructure	\$ 379,546	\$ -	\$ 379,546
Unrestricted	-	-26,023	-26,023
Total fund balances	\$ 379,546	\$ -26,023	\$ 353,523
Total Liabilities and Fund Balances	\$ 380,926	\$ 193,932	\$ 574,858

See accompanying independent auditor's report.

Janesville Consolidated School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts

Year Ended June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local Sources:			
Local tax	\$ 292,819	\$ 101,229	\$ 394,048
Other	1,832	77	1,909
State sources	-	106	106
Total Revenues	\$ 294,651	\$ 101,412	\$ 396,063
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ -	\$ 314,999	\$ 314,999
Support Services:			
Transportation	-	16,000	16,000
Other Expenditures:			
Facilities acquisition	969,181	38,717	1,007,898
Total Expenditures	\$ 969,181	\$ 369,716	\$ 1,338,897
Excess (deficiency) of revenues over (under) expenditures	\$ -674,530	\$ -268,304	\$ -942,834
Other Financing Sources (Uses):			
Capital lease proceeds	\$ -	\$ 314,999	\$ 314,999
Operating transfers in (out)	-235,321	-106,190	-341,511
Total other financing sources (uses)	\$ -235,321	\$ 208,809	\$ -26,512
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ -909,851	\$ -59,495	\$ -969,346
Fund balances beginning of year	1,289,397	33,472	1,322,869
Fund Balances End of Year	\$ 379,546	\$ -26,023	\$ 353,523

See accompanying independent auditor's report.

Janesville Consolidated School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2012

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra-Fund Transfer	Balance End of Year
Book Fair	\$ 37	\$ 3,058	\$ 3,007	\$ -	\$ 88
7-12 Secondary Account	190	3,219	2,509	-	900
12 th Grade	70	-	694	1,385	761
11 th Grade	664	1,931	2,061	153	687
10 th Grade	851	823	136	-1,538	-
9 th Grade	-	-	-	-	-
Choir/Band Trip	1,899	326	678	-	1,547
High School Student Council	535	1,996	2,258	1	274
Athletics	176	101,878	95,860	4	6,198
Musical	1,165	5,710	4,180	-1	2,694
Pop Machine	-198	3,467	2,974	-	295
Concession Stand	-	-	-	-	-
Interest	614	53	-	-1	666
Softball Complex	783	-	-	-	783
Publications	16,534	8,754	18,560	40	6,768
Band Resale	521	3,384	3,445	-	460
Honor Society	283	1,264	1,460	-	87
Junior High Student Council	11	-	-	-	11
Art Fund	1,655	796	1,248	-	1,203
MS Band	198	-	-	-	198
Swing Choir	-	-	-	-	-
Elementary Activities	2,876	14,020	15,779	-39	1,078
Miscellaneous	-394	17,064	15,929	-	741
Spanish Club	-	-	-	-	-
Technology Fund	550	-	-	-	550
Speech Club	7	-	50	-	-43
Revolving Fund	-	-	-	-4	-4
Total	\$ 29,027	\$ 167,743	\$ 170,828	\$ -	\$ 25,942

Janesville Consolidated School District

**Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds**

For the Last Nine Years

	Modified Accrual Basis			
	2012	2011	2010	2009
Revenues:				
Local Sources:				
Local tax	\$ 1,693,206	\$ 1,546,639	\$ 1,550,266	\$ 1,486,626
Tuition	159,950	124,801	124,850	136,737
Other	291,856	222,449	214,180	245,609
State sources	2,010,461	1,765,918	1,438,228	1,730,143
Federal sources	85,936	188,131	276,175	141,138
Total	\$ 4,241,409	\$ 3,847,938	\$ 3,603,699	\$ 3,740,253
Expenditures:				
Instruction:				
Regular instruction	\$ 2,304,185	\$ 2,029,218	\$ 1,758,815	\$ 1,649,683
Special instruction	426,325	426,565	406,536	345,086
Other instruction	340,299	353,033	311,231	246,288
Support services:				
Student services	45,952	26,401	66,400	75,510
Instructional staff services	45,956	17,562	32,791	28,540
Administrative services	479,134	361,407	381,524	401,722
Operation and maintenance of plant services	235,966	242,654	231,165	214,769
Transportation services	171,939	181,171	131,435	141,034
Community service	-	1,209	326	-
Other expenditures:				
Facilities acquisition	1,007,898	662,467	441,274	179,246
Long-term debt:				
Principal	225,207	136,815	110,000	1,600,000
Interest and other charges	116,304	59,440	49,491	68,400
AEA flow-through	147,975	152,063	143,134	126,729
Total	\$ 5,547,140	\$ 4,650,005	\$ 4,064,122	\$ 5,077,007

See accompanying independent auditor's report.

Modified Accrual Basis					
2008	2007	2006	2005	2004	
1,428,595	\$ 1,365,558	\$ 1,293,783	\$ 1,216,625	\$ 1,185,948	
166,772	132,999	117,732	107,834	125,235	
234,050	294,063	249,477	292,773	248,434	
1,699,638	1,610,246	1,580,463	1,488,740	1,307,140	
102,976	96,770	55,451	66,830	87,318	
<u>3,632,031</u>	<u>\$ 3,499,636</u>	<u>\$ 3,296,906</u>	<u>\$ 3,172,802</u>	<u>\$ 2,954,075</u>	
1,559,627	\$ 1,573,567	\$ 1,452,592	\$ 1,492,098	\$ 1,546,863	
377,495	335,331	285,007	281,963	241,735	
175,580	174,201	206,118	222,993	151,924	
54,011	50,086	49,502	39,484	39,717	
26,036	29,506	38,679	44,197	43,323	
365,434	337,623	337,187	306,140	276,388	
246,267	228,308	243,661	204,484	206,824	
138,877	142,231	126,865	97,008	97,803	
100	-	-	-	73,872	
1,329,753	769,037	124,770	129,043	110,066	
20,612	19,649	42,207	19,699	18,850	
69,410	47,306	926	1,812	2,661	
119,377	112,250	107,248	100,227	98,044	
<u>4,482,579</u>	<u>\$ 3,819,095</u>	<u>\$ 3,014,762</u>	<u>\$ 2,939,148</u>	<u>\$ 2,878,070</u>	

**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 Board of Education of
Janesville Consolidated School District:

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 Janesville Consolidated School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 21, 2013. 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 Janesville Consolidated School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Janesville Consolidated School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Janesville Consolidated School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the 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 combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-12 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Janesville Consolidated School District'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. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. 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.

Janesville Consolidated School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Janesville Consolidated School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Janesville Consolidated School District and other parties to whom Janesville Consolidated School District may report. 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 Janesville Consolidated School District 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.


Keith Oltrogge
Certified Public Accountant

February 21, 2013

Janesville Consolidated School District

Schedule of Findings

Year Ended June 30, 2012

Part I – Findings Related to the General Purpose Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL WEAKNESSES:

I-A-12 Segregation of Duties

Finding - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that the same individual is responsible for preparation of checks and deposits, recording the transaction in the journals, and reconciling the bank statement.

Recommendation – With the limited number of personnel involved in accounting for Organization activity, an ideal system of segregation of accounting duties and functions cannot be achieved to assure adequate internal control over the safeguarding of assets and the reliability of financial records and reporting. This is not unusual in an organization of your size. Under these circumstances, the most effective controls lie in (1) the administration's and the Board's knowledge of the Organization's financial operations and (2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transactions.

Response – Every effort will be made to further evaluate and restructure accounting tasks limited by the number of employees available to perform said functions. Janesville Consolidated School has added a Finance Committee as a sub-committee of the school board that has improved internal control.

Conclusion – Response accepted.

Janesville Consolidated School District

Schedule of Findings

Year Ended June 30, 2012

Part I – Findings Related to the General Purpose Financial Statements (continued):

I-B-12 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District's financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is common control deficiency of most small Districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

Janesville Consolidated School District

Schedule of Findings

Year Ended June 30, 2012

Part II - Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget – Expenditures for the year ended June 30, 2012 exceed the certified budget amounts in the instruction function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-B-12 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-12 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-12 Business Transactions – Business transactions between the District and District officials or employees are as detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Todd Weidman, Spouse – Employee	Service	\$600
Sandi Carroll – Board Member	Catering	\$400

In accordance with an Attorney General’s opinion dated November 9, 1976, the above transactions do not appear to represent conflicts of interest.

II-E-12 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-F-12 Board Minutes – The minutes record was examined and appeared to give a condensed account of business transactions by the Board. No transactions were found that I believe should have been approved in the Board minutes but were not.

II-G-12 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-12 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

II-J-12 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely.

Janesville Consolidated School District

Schedule of Findings

Year Ended June 30, 2012

Part II - Other Findings Related to Required Statutory Reporting (continued):

II-K-12 Student Activity Fund – The Student Activity Fund includes an account which should have been reclassified by a residual equity transfer in prior years in order for the fund to conform to U.S. generally accepted accounting principles in accordance with Chapter 257.31(4) of the Code of Iowa. This account is the Miscellaneous Account.

Recommendation – The District should make a corrective transfer to account for this in the General Fund or another activity fund account.

Response – We will review this account and reallocate where necessary to other proper activities.

Conclusion – Response accepted.

II-L-12 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

Janesville Consolidated School District

Schedule of Findings

Year Ended June 30, 2012

Part II - Other Findings Related to Required Statutory Reporting (continued):

II-N-12 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, service and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	1,289,397
Revenues/transfers in:			
Sales tax revenues	\$	237,661	
Other local revenues		1,832	
School infrastructure supplemental amount		55,158	294,651
			<hr/>
		\$	1,584,048
Expenditures/transfers out:			
School infrastructure construction	\$	969,181	
Transfers to other funds:			
Debt service fund		235,321	1,204,502
			<hr/>
Ending balance		\$	<u>379,546</u>

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.95217	\$ 292,819
Physical plant and equipment levy	0.52899	68,245
Public educational and recreational levy	-	-

II-O-12 Deficit Balances – Two student activity accounts had a deficit balance at June 30, 2012.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return the accounts to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate the deficits in the student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.