

FORT DODGE COMMUNITY SCHOOL DISTRICT
FORT DODGE, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2005

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FORT DODGE COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2004 Election)		
Stuart Cochrane	President	2006
Jerry Schnurr	Vice President	2005
Jeri Green	Board Member	2004
Steve Schwendemann	Board Member	2004
Ernest Kersten	Board Member	2005
Janice Merz	Board Member	2006
Clark Fletcher	Board Member	2006
<u>Board of Education</u>		
(After September 2004 Election)		
Jerry Schnurr	President	2005
Clarke Fletcher	Vice President	2006
Ernest Kersten	Board Member	2005
Janice Merz	Board Member	2006
Stuart Cochrane	Board Member	2006
Steve Schwendemann	Board Member	2007
Jeri Green	Board Member	2007
<u>School Officials</u>		
Dr. D. A. Haggard	Superintendent	2005
John W. Christensen, Jr.	District Secretary/Director of Financial Services	2005
Rick A. Engel	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Fort Dodge Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Fort Dodge Community School District, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our 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 we 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. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Fort Dodge Community School District as of June 30, 2005, 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, we have also issued our report dated October 25, 2005 on our consideration of Fort Dodge Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 7 through 17 and 54 through 56 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fort Dodge Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
October 25, 2005

Fort Dodge Community School District

Management Discussion and Analysis

This section of the Fort Dodge Community School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2005. Since all activities are required to be reported on a full accrual basis, a comprehensive comparison to the prior year has been made as is required to provide comparison of key current year data to prior year data. (See table A-1 for comparison of the fiscal years.) Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's financial status continued to improve in fiscal year 2005. Total net assets increased more than 20.13 percent or \$2.72 million over the course of the year. The Governmental Activities net assets increased 20.35 percent, with the business type activities net assets decreasing .43 percent. Overall revenues were \$37.78 million, and expenses were \$35.07 million.
- During fiscal year 2005 the District completed a science wing and hallway remodeling project at the Senior High School funded by the local option sales and services tax. The cost of the project was \$1,221,619. The district also spent \$80,610 on asbestos removal at the Senior High School from the general fund. The district used the 03-04 carryover cash balance and the 04-05 allocation in the Capital Projects Fund for Senior High for the 2004-2005 Senior High remodeling project. The district also spent \$314,236 on the Cooper Elementary School window project and \$60,000 for the Dodger Stadium tuckpointing project funded by the Physical Plant and Equipment Fund. In the 2005 fiscal year \$1,207,595 was transferred from the Capital Projects account to debt service to pay principal and interest on the sales tax revenue bonds.
- An increase in market interest rates resulted in the General Fund interest income increasing from \$36,529 in fiscal year 2004 to \$118,235 in fiscal year 2005. This is the first year of increasing interest earnings in the General Fund in several years. Total district interest earnings were over \$190,000.
- The General Fund ending fund balance increased from \$3.69 million in fiscal year 2004 to \$5.06 million in fiscal year 2005.
- The self insured dental internal service fund incurred a net loss of \$10,851. The District had a balance of \$44,449 at the end of the fiscal year, which is almost four months worth of reserves. The premium levels will need to be adjusted for future years to maintain the necessary reserves.
- The District Statement of Net Assets indicates an unrestricted net balance of \$2,464,944 at the end of the 2005 fiscal year, which is up from \$715,861 at the end of the 2004 fiscal year. The reason for the increase was an increase in the General Fund fund balance, which was a result of the cash reserve levy and expenditure reductions in the fund, and the decrease in our liability for compensated absences (see Exhibit E and Note 6).
- The FDCSD certified enrollment count taken on September 20, 2004, was 4,090.5. This count represents a reduction of 79.4 students from the prior year. There has been a net loss of 195.8 students in the last five years.
- The Special Education Deficit Balance was reduced from \$252,659 in fiscal 2004 to \$5,745 in the fiscal 2005 year. The district was helped by the receipt of additional Federal Medicaid Funds that are allocated to special education. See Budgetary Highlights for further information on the deficit.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts--management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* (Statement of Net Assets and Statement of Activities) that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements.
- The *governmental funds statements* tell how *basic* services like regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the district operates *like businesses*, such as food services.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

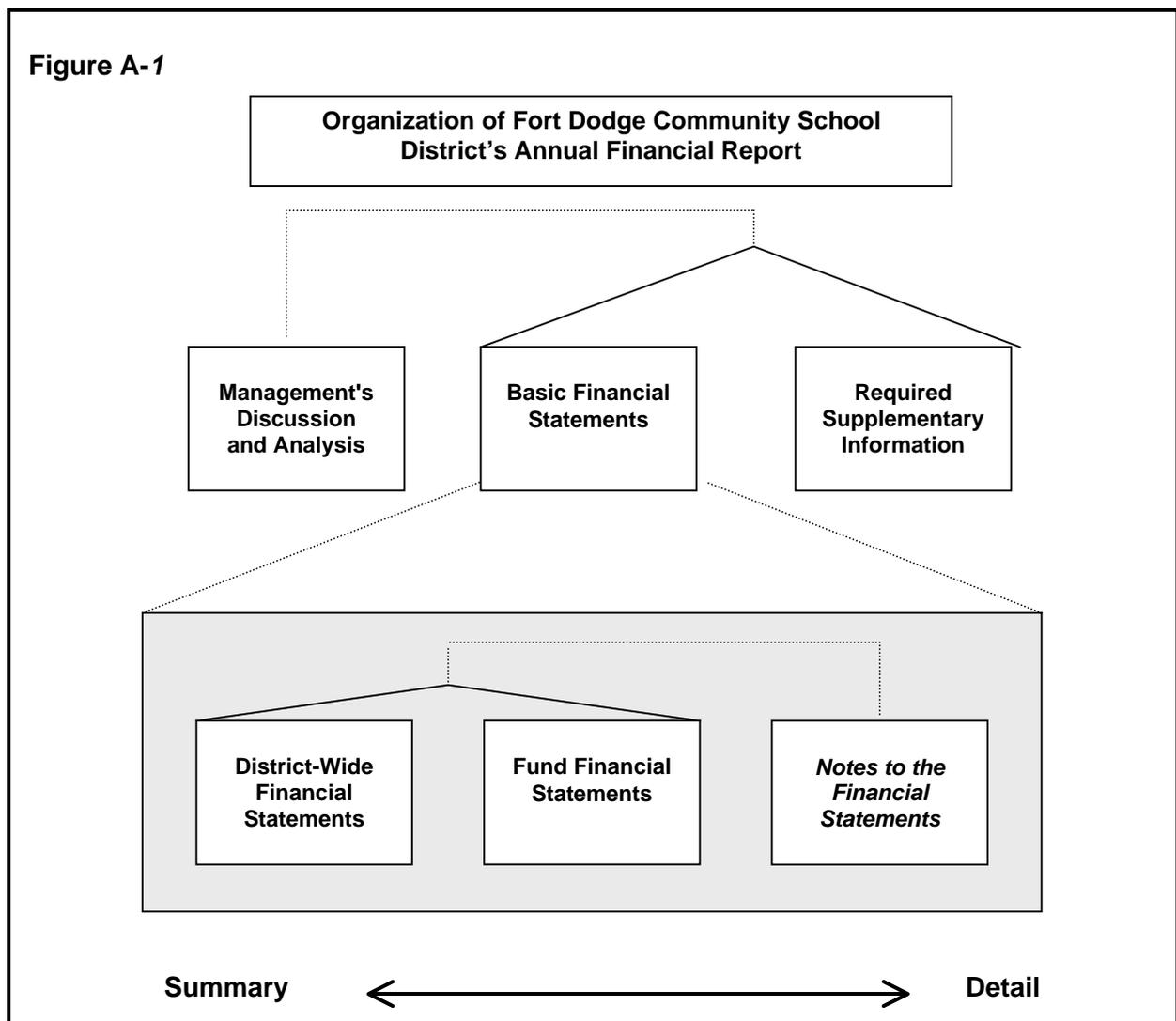


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2
Major Features of District-Wide and Fund Financial Statements**

	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses: school nutrition and the medical self insurance internal service fund included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
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	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 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 and payable	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

District-wide Statements

The district-wide 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 district-wide 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 health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-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 taxes and state aid finance most of these activities.
- *Business-type activities*—The District charges fees to help it cover the costs of certain services it provides. The District's food service program is 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 repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *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 funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *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 district-wide statements. —The District's *enterprise fund*, school nutrition (one type of proprietary fund), is the same as its business-type activities, but provides more detail and additional information, such as cash flows. —*Internal service funds* (the other kind of proprietary fund) are used to report activities that provide supplies and services for the District's other programs and activities. The District currently has two internal service funds which handle the Flexible Spending Account and the Self Funded Dental Account.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. Table A-1 below provides a comparison of the District's net assets as of June 30.

Table A-1
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Percentage Change 2004-05
	2004	2005	2004	2005	2004	2005	
	Current and other assets	\$21,048,414	\$21,269,487	\$116,806	\$91,654	\$21,165,220	
Capital assets	\$15,723,337	\$16,449,342	\$101,121	\$122,086	\$15,824,458	\$16,571,428	4.72%
Total Assets	\$36,771,751	\$37,718,829	\$217,927	\$213,740	\$36,989,678	\$37,932,569	2.55%
Long-term liabilities	\$8,881,280	\$7,311,921	\$46,277	\$35,337	\$8,927,557	\$7,347,258	-23.10%
Other liabilities	\$14,519,230	\$14,314,154	\$29,196	\$36,558	\$14,548,426	\$14,350,712	-4.11%
Total liabilities	\$23,400,510	\$21,626,075	\$75,473	\$71,895	\$23,475,983	\$21,697,970	-7.57%
Net Assets							
Invested in capital assets, net of related debt	\$10,493,337	\$12,164,342	\$101,121	\$122,086	\$10,594,458	\$12,286,428	15.97%
Restricted	\$2,203,376	\$1,483,227	\$0	\$0	\$2,203,376	\$1,483,227	-32.68%
Unrestricted	\$674,528	\$2,445,185	\$41,333	\$19,759	\$715,861	\$2,464,944	244.33%
TOTAL NET ASSETS	\$13,371,241	\$16,092,754	\$142,454	\$141,845	\$13,513,695	\$16,234,599	20.13%

The District's combined net assets were larger on June 30, 2005, than they were the year before--increasing 20.13% to \$16.23 million. (See Table A-1). Most of this improvement in the District's financial position came from its governmental activities, the net assets of which grew \$2.721 million to \$16.09 million. The net assets of the District's business-type activities decreased .43% to \$.142 million.

The District's improved financial position is the product of many factors. The various sources of tax revenue, grants, and charges for services exceeded related expenditures. The one percent local option sales tax funding the Capital Projects Fund has been especially helpful to the district. The \$1.670 million sales tax revenue received is exclusively used for capital projects which get expensed as depreciation over many years on the Statement of Activities.

Cash and pooled investments total \$8.788 million or 23.1% of total assets, down from 23.5% from fiscal 2004. \$6.97 million of these cash balances are needed at June 30th to fund District operations in July, August, and the first half of September when there is very little state aid or property tax revenue. \$1.181 million of cash and investments is dedicated to future capital project investments. Infrastructure local option sales tax revenue and related long-term debt proceeds have exceeded construction costs so far. This cash will be used in renovation projects yet to be completed at the Senior High School. There will be additional funds to be used on other district projects after the High School renovations projects are completed, however, voter approval will be required for the expenditure of those funds.

U.S. Generally Accepted Accounting Principles (GAAP) requires that the property taxes certified in April (the lien date) for the upcoming fiscal year be accrued as a receivable and shown as unearned revenue liability. The future property tax receivable of \$11.072 million and related unearned revenue liability on the Statement of Net Assets result from this requirement. Net property and equipment (capital assets) of \$16.6 million represents 43.7% of total assets for the 2005 fiscal year compared with \$16.3 and 42.8% of total assets for the 2004 fiscal year. Long term debt of \$7.35 million represents 33.9% of total liabilities for the 2005 fiscal year compared with \$8.9 million or 38.0% for the 2004 fiscal year. It is noteworthy that almost all (84%) of the District's net assets are either invested in capital assets or are restricted for capital asset projects.

Changes in Net Assets

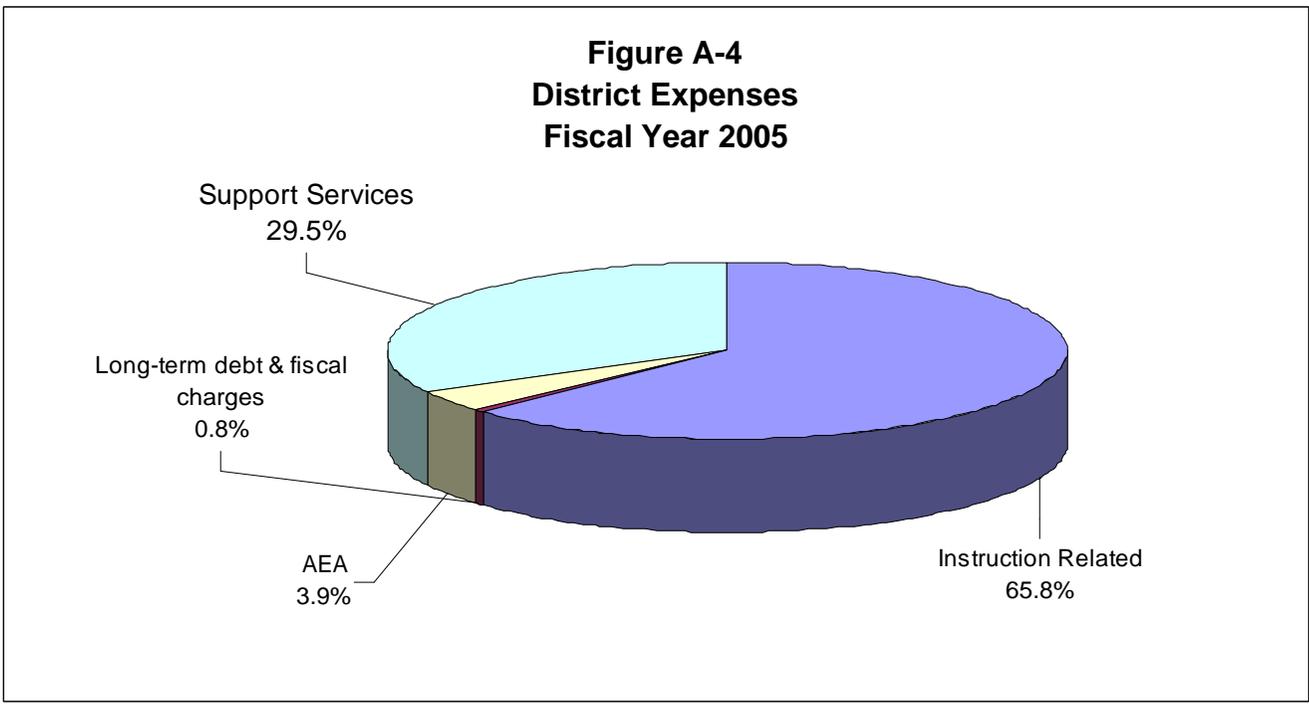
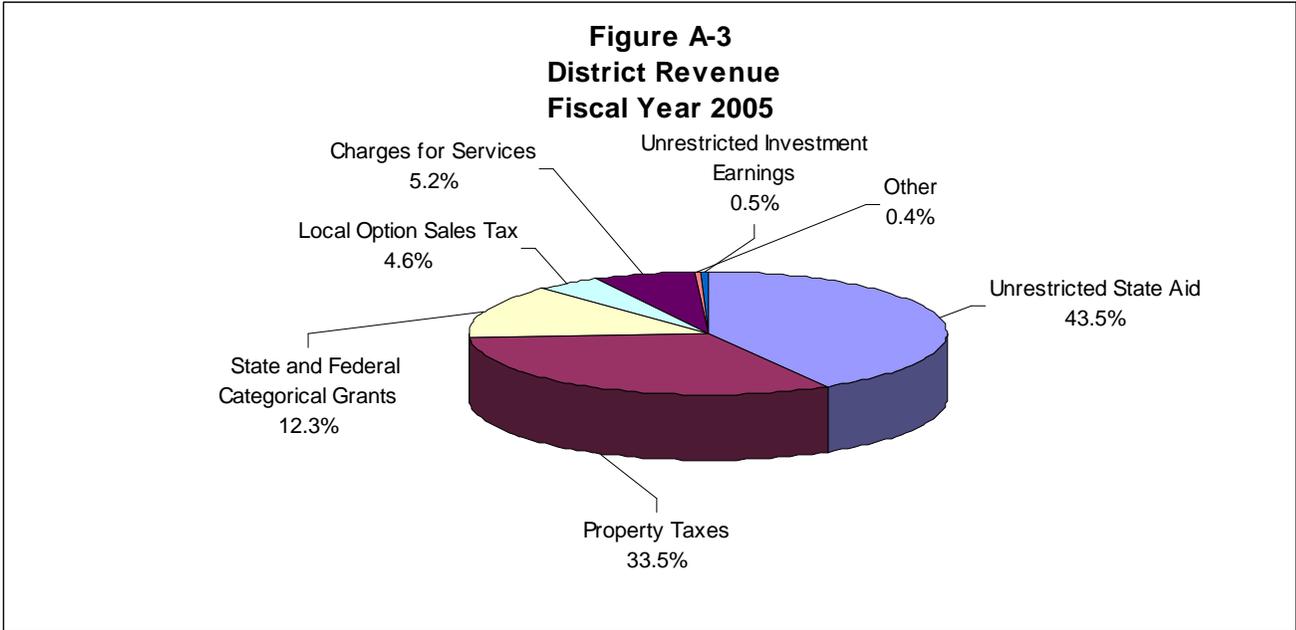
Table A-2 recasts the Statement of Activities into a traditional revenue and expenses format. Unrestricted state aid accounts for 43.5% of total revenue and property tax accounts for 33.5% for the 2005 fiscal year compared with 42.4% and 33.6% respectively for the 2004 fiscal year. Specific categorical grants and contributions from state, federal, and private sources account for 12.3% of revenue for the 2005 fiscal year compared with 13% for the 2004 fiscal year. The local option sales tax dedicated to school infrastructure totals 4.6% for 2005 compared with 4.9% for the 2004 fiscal year. The charges for services, mainly tuition and student co-curricular activities, account for 5.24% for the 2005 fiscal year compared with 5.3% for the 2004 fiscal year. (See Figure A-3).

Of the District's expenses for 2005, 65.8% are predominately related to the instruction of students, compared with 66.4% for 2004. The support services, non-instructional programs, and unallocated depreciation categories account for 34.3% for 2005 compared with 33.6% of expenses for 2004. (See Figure A-4). These categories contain many line items directly supporting students and instruction, such as guidance, health, media, technology, improvement of instruction, and student transportation and food service program costs and depreciation expense not directly allocated to any functional area.

Operations and maintenance and building administration are also significant in the support services area. The State of Iowa by formula funds local school districts for the services of area education agencies and then pays these dollars directly to the agency.

Table A-2
Changes in District's Net Assets

	Governmental		Business-type		Total		Total % Change
	Activities		Activities		School District		
	2004	2005	2004	2005	2004	2005	
Revenues							
Program Revenues:							
Charges for services	1,883,946	1,896,299	790,395	765,454	\$2,674,341	\$2,661,753	-0.47%
Operating Grants & Contributions	4,652,992	4,431,482	816,136	866,375	\$5,469,128	\$5,297,857	-3.13%
Capital Grants & Contributions	0	0	0	0	\$0	\$0	0.00%
General Revenues:							
Property Taxes - General	11,144,519	11,317,375	0	0	\$11,144,519	\$11,317,375	1.55%
Local Option Sales Tax	1,762,766	1,670,939	0	0	\$1,762,766	\$1,670,939	-5.21%
Property Tax - Capital Outlay	809,712	789,596	0	0	\$809,712	\$789,596	-2.48%
State formula aid	15,073,788	15,735,920	0	0	\$15,073,788	\$15,735,920	4.39%
Unrestricted Investment Earnings	103,738	187,622	1,145	2,588	\$104,883	\$190,210	81.35%
Other	121,940	125,323	0	0	\$121,940	\$125,323	2.77%
Total Revenues	\$35,553,401	\$36,154,556	\$1,607,676	\$1,634,417	\$37,161,077	\$37,788,973	1.69%
Expenses							
Instruction	22,458,653	21,989,010	0	0	\$22,458,653	\$21,989,010	-2.09%
Student Services	1,205,766	1,227,542	0	0	\$1,205,766	\$1,227,542	1.81%
Instructional Staff Services	1,368,431	1,506,657	0	0	\$1,368,431	\$1,506,657	10.10%
Administrative & Business	2,739,220	2,812,121	0	0	\$2,739,220	\$2,812,121	2.66%
Maintenance & Operations	2,684,587	2,443,822	0	0	\$2,684,587	\$2,443,822	-8.97%
Transportation	896,513	913,548	0	0	\$896,513	\$913,548	1.90%
Non-Instructional Programs	49,272	50,297	1,642,178	1,635,026	\$1,691,450	\$1,685,323	-3.6%
Facilities Acquisition	268,811	326,249	0	0	\$268,811	\$326,249	21.37%
Long-term debt and fiscal charges	308,677	258,428	0	0	\$308,677	\$258,428	-16.28%
AEA Flowthrough	1,314,054	1,307,783	0	0	\$1,314,054	\$1,307,783	-0.48%
Depreciation (Unallocated)	536,673	597,586	0	0	\$536,673	\$597,586	11.35%
Total Expenses	\$33,830,657	\$33,433,043	\$1,642,178	\$1,635,026	\$35,472,835	\$35,068,069	-1.14%
Excess (deficiency) before special item	\$1,722,744	\$2,721,513	(\$34,502)	(\$609)	\$1,688,242	\$2,720,904	61.17%
Special item description	(\$175,295)	\$0	\$0	\$0	(\$175,295)	\$0	-100.00%
Increase (decrease) in net assets	\$1,547,449	\$2,721,513	(\$34,502)	(\$609)	\$1,512,947	\$2,720,904	79.84%



Governmental Activities

Revenues for governmental activities were \$36.15 million while expenses amounted to \$33.43 million for 2005 compared with \$35.55 million and \$33.83 million for 2004; the District did a good job trimming expenses to match available revenues. The local option sales tax revenue of \$1.67 million contributed to the increase in net assets of the governmental activities. (See Table A-2). Most of the expenditures related to sales tax were capital assets and not expensed on the Statement of Activities except through current year depreciation expense.

Table A-3 presents the cost of seven major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, long-term debt and fiscal charges, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

**Table A-3
Total & Net Cost of District's Governmental Activities**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2004	2005	2004-05%	2004	2005	2004-05%
Instruction	22,458,653	21,989,010	-2.09%	17,516,707	17,291,209	-1.29%
Pupil & Instructional Services	2,574,197	2,734,199	6.22%	2,420,028	2,556,483	5.64%
Administrative & Business	2,492,631	2,812,121	2.66%	2,492,631	2,812,121	12.82%
Maintenance & Operations	2,684,587	2,443,822	-8.97%	2,657,248	2,406,957	-9.42%
Transportation	896,513	913,548	1.90%	830,800	836,223	0.65%
L-T Debt & Fiscal Charges	308,677	258,428	-16.28%	308,677	258,428	-16.28%
Other	2,415,399	2,281,915	5.22%	1,067,628	943,841	-11.59%
TOTAL	\$33,830,657	\$33,433,043	-1.18%	\$27,293,719	\$27,105,262	-0.69%

- The cost of all governmental activities this year was \$33.43 million.
- Some of the cost (\$1.9 million) was financed by users of the District's programs.
- The federal and state governments and private contributors subsidized certain programs with grants and contributions of \$4.4 million.
- Most of the District's costs (\$29.8 million), however, were financed by District taxpayers and the taxpayers of our state.
- The net cost portion of governmental activities was financed with \$12.10 million in property taxes, \$15.7 million in unrestricted state aid, \$1.67 million in local option sales taxes, and \$3.15 million in interest and miscellaneous income.

Business - Type Activities

Revenues of the District's business-type activities (school food and nutrition services) were comprised of charges for the daily lunch and breakfasts, and federal and state reimbursements.

- Business-type activity expenses exceeded revenues for the third year in a row. During the 2005 fiscal year the amount was \$609 compared to \$34,502 for the 2004 fiscal year. Revenues did rise 1.66% to \$1,634,417, while expenses fell .0043% to \$1,635,026. The gap is narrowing.
- Lunch prices remained the same as last year.
- Salaries and benefits costs decreased 6.44% from \$744,023 to \$696,042 with the bulk of the decrease coming in benefits; however, the purchased services cost decreased 5.1% from \$138,764 to \$131,631 and the supplies cost increased 6.0% from \$745,750 to \$790,528. The reductions in the salaries and benefits and purchased services were enough to offset the increase in supplies.

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds as well. (Refer to the Governmental Funds Balance Sheet and Statement of Revenue, Expenditures.) As the District completed the year, its governmental funds reported combined fund balances of \$6,929 million, 6.65 percent higher than the prior year's ending fund balance of \$6,496 million.

Most of the District's governmental funds had more revenues and other financing sources than expenditures in 2005, thereby contributing to the increase in total fund balance. The debt service used a part of the fund balance to make payments to the sinking fund for bond payments. This was by design in order to reduce the balance in the fund required by the paying agent.

The business-type activity fund (School Nutrition) deteriorated further in 2005, with another net loss of \$609 coupled with the previous year's loss of \$34,602, although the reduction was significantly less in the 2005 fiscal year. The early release days at the high school reduced the meal count by approximately 500 meals per day, along with the associated reimbursements that would accompany them. The staff by letter of agreement does not work on the Wednesday early release days, but there are six early out Thursdays during the year for which the staff is paid for the entire day.

Budgetary Highlights

- The District petitioned the School Budget Review Committee to change from the cash basis of budgeting to the GAAP basis of budgeting in May of 2005 and was granted permission to make the switch, so the district is now on the GAAP basis of budgeting. The SBRC granted additional allowable growth of \$3,083,304 for this purpose. The SBRC also granted additional allowable growth for the special education deficit in the amount of \$317,837. This amount goes back to the 1996 fiscal year when the district converted to the GAAP basis of accounting but did not convert to the GAAP basis of budgeting, and thus could not use this amount of additional deficit until it converted to the GAAP basis of budgeting.
- The District levied \$1,226,488 for cash reserve in the 2005 fiscal year--up from \$1,100,135 in the 2004 fiscal year--this is an increase of 11.5%. The district levied the additional funds for the Senior High School asbestos project for the previous year. The cash reserve amount will vary based on the District's needs, especially depending on the special education deficit, the amount requested from the School Budget Review Committee for asbestos projects, and the District's requirements for sufficient cash balances for cash flow needs.
- Budgeted expenditures include both unspent spending authority from the prior year and general fund revenues.

In May, the District formally amended its budget in a board action to bring it into compliance with state government regulations; however, the District made a technical error in the other expenditures area of the budget and thus overspent the certified budget in the other expenditures. This will be watched carefully in the future.

- The District's budget versus actual results was within acceptable management planning parameters. However, because of the Cash to GAAP conversion for budgeting purposes, the final variance was (428,147). This is a one-time conversion with the addition of two months of expenditures to the fiscal year.

See the Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances-Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund in the Required Supplementary Information section.

Capital Asset and Debt Administration

Capital Assets

By the end of 2005, the District had invested \$16.57 million (net accumulated depreciation of 14.66 million dollars) in a broad range of capital assets including school buildings, athletic facilities, maintenance and administrative

buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holding, and textbooks. This amount represents a net 3% decrease from last year. (More detailed information about capital assets can be found in Note 5 to the financial statements). Total depreciation expense for the year was \$1.234 million.

During the 2005 fiscal year the District continued with renovations at the Senior High School Building, which cost \$1,226,619 and are funded with sales tax revenue made possible by the passage of the one-half cent Local Option Sales and Services Tax in March of 1999 by the voters of the District. The District also spent \$80,610 from the General Fund for asbestos work at the Senior High School during the 2005 fiscal year and \$314,236 from the Physical Plant and Equipment Fund for the door and window project at Cooper Elementary School.

The District's five older elementary school buildings currently average fifty-five years of age. New school construction needs will need to be examined in the future.

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2004	2005	2004	2005	2004	2005	2004-05
	Land	483,811	483,811	0	0	483,811	483,811
Buildings	13,133,784	14,216,245	0	0	13,133,784	14,216,245	8.24%
Improvements other than buildings	229,202	216,663	0	0	229,202	216,663	-5.47%
Equipment & Furniture	1,942,900	1,532,623	101,121	122,086	2,044,021	1,654,709	-19.05%
TOTAL	\$15,789,697	\$16,449,342	\$101,121	\$122,086	\$15,890,818	\$16,571,428	4.28%

Long-Term Debt

At year-end the District had \$7.347 million in general obligation bonds and other long-term obligations outstanding—a decrease of 17.7 % from last year as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.)

	Governmental Activities		Total Percentage Change
	2004	2005	2004-05
General Obligation Bonds*	5,230,000	4,285,000	-18.07%
Other Liabilities	3,697,557	3,062,258	-17.18%
TOTAL	\$8,927,557	\$7,347,258	-17.70%

* Financed with sales taxes

- The District retired \$.945 million of its general obligation bonds in 2005.
- There are no current plans to issue additional debt in 2006.
- The district reduced its long-term liabilities (other liabilities) \$635,299 during the year. This reduction was \$333,737 in early retirement liabilities and \$301,562 in compensated absence liabilities.

Bond Ratings

The District does not have a General Obligation Bond Rating from Moody's for fiscal year 2005 because the District does not have any general obligation bonds outstanding. The outstanding bonds are Sales Tax Revenue Bonds. If the District were to issue general obligation bonds, it would at that time go for a Moody's rating. The city of Fort Dodge, Iowa, has an A-1 rating; the District's financial advisor indicates that with the District's financial condition, it would probably have an A-2 Bond rating.

Factors Bearing on the District's Future

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

- Even though the District is the twenty-third largest in the state in terms of students, it has one of the lowest ratios of taxable property value per student. This tends to raise property tax levies per thousand dollars of valuation to the higher end. Local property tax sensitivity has developed. In order to develop an effective education budget, the District needs to rely partially on the property tax levy.
- The average age of the District's five older elementary schools is 55 years. In order to deliver a modern education program using new technology, and in order to control maintenance and safety costs, new elementary schools need to be built. In 1999 the citizens of the District voted for a 10 year local option sales tax for school infrastructure. That program or another school infrastructure funding mechanism needs to continue past 2009.
- The District's primary source of revenue is the State of Iowa's school aid formula. Because of the tight state budgets, the allowable growth in aid to schools was only 4% for fiscal year 2005. Costs of providing a quality education program are rising faster than 4%. Teacher settlements alone over the past several years are in the 4.5% range. Future allowable growth increases need to be higher.
- More than 82 percent of the general fund budget is salaries and benefits. Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably, arbitrated settlements are higher than current levels of allowable growth in funding. Education budgets are then squeezed. A solution needs to be found.
- One of the key elements of the Iowa State school aid formula is certified enrollment. The last five years enrollment has decreased 4.5%. When enrollment drops it means less state aid. Stability or even increases in enrollment are critical to maintaining a solid financial picture.
- In 2001 two important legislative acts were passed into law which affects public school education. The federal government passed "*No Child Left Behind*" and Iowa passed the "*Student Achievement and Teacher Quality Act*." The District is currently working through the various requirements of these laws. While the intent of this legislation is sound, additional costs and unfunded mandates may develop.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John W. Christensen, Jr., Board Secretary/Director of Financial Services, Fort Dodge Community School District, Arey Education Center, 104 South 17th Street, Fort Dodge, Iowa, 50501, Phone number: 515-574-5644, Fax number: 515-574-5322, or jchristensen@fort-dodge.k12.ia.us for e-mail.

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Basic Financial Statements

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 8,724,089	\$ 64,196	\$ 8,788,285
Receivables:			
Property tax:			
Current year	233,805	-	233,805
Succeeding year	11,072,000	-	11,072,000
Accounts	156,426	7,772	164,198
Due from other governments	956,662	-	956,662
Pledges receivable	30,000	-	30,000
Inventories	-	19,686	19,686
Prepaid expenses	96,505	-	96,505
Capital assets, net of accumulated depreciation (note 5)	16,449,342	122,086	16,571,428
	<hr/>	<hr/>	<hr/>
Total assets	37,718,829	213,740	37,932,569
Liabilities			
Accounts payable	304,198	27,461	331,659
Salaries and benefits payable	2,858,713	-	2,858,713
Accrued interest payable	18,759	-	18,759
Incurred but not reported claims	30,484	-	30,484
Deferred revenue:			
Succeeding year property tax	11,072,000	-	11,072,000
Other	30,000	9,097	39,097
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	315,339	-	315,339
School infrastructure local option sales and services tax bonds payable	990,000	-	990,000
Compensated absences	328,373	-	328,373
Portion due after one year:			
Early retirement	282,613	-	282,613
School infrastructure local option sales and services tax bonds payable	3,295,000	-	3,295,000
Compensated absences	2,100,596	35,337	2,135,933
	<hr/>	<hr/>	<hr/>
Total liabilities	21,626,075	71,895	21,697,970

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 12,164,342	\$ 122,086	\$ 12,286,428
Restricted for:			
Other special revenue purposes	220,116	-	220,116
Debt service	81,667	-	81,667
Capital projects	1,181,444	-	1,181,444
Unrestricted	<u>2,445,185</u>	<u>19,759</u>	<u>2,464,944</u>
Total net assets	<u>\$ 16,092,754</u>	<u>\$ 141,845</u>	<u>\$ 16,234,599</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental Activities:			
Instruction:			
Regular instruction	\$ 13,493,547	\$ 896,895	\$ 823,697
Special instruction	5,607,100	-	1,862,917
Other instruction	2,888,363	962,539	151,753
	<u>21,989,010</u>	<u>1,859,434</u>	<u>2,838,367</u>
Support services:			
Student services	1,227,542	-	177,716
Instructional staff services	1,506,657	-	-
Administration services	2,812,121	-	-
Operation and maintenance of plant services	2,443,822	36,865	-
Transportation services	913,548	-	77,325
	<u>8,903,690</u>	<u>36,865</u>	<u>255,041</u>
Non-instructional programs	<u>50,297</u>	<u>-</u>	<u>30,291</u>
Other expenditures:			
Facilities acquisition	326,249	-	-
Long-term debt interest and fiscal charges	258,428	-	-
AEA flowthrough	1,307,783	-	1,307,783
Depreciation (unallocated) *	597,586	-	-
	<u>2,490,046</u>	<u>-</u>	<u>1,307,783</u>
Total governmental activities	33,433,043	1,896,299	4,431,482
Business-Type Activities:			
Non-instructional programs:			
Food service operations	<u>1,635,026</u>	<u>765,454</u>	<u>866,375</u>
Total	<u>\$ 35,068,069</u>	<u>\$ 2,661,753</u>	<u>\$ 5,297,857</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (11,772,955)	\$ -	\$ (11,772,955)
(3,744,183)	-	(3,744,183)
(1,774,071)	-	(1,774,071)
(17,291,209)	-	(17,291,209)
(1,049,826)	-	(1,049,826)
(1,506,657)	-	(1,506,657)
(2,812,121)	-	(2,812,121)
(2,406,957)	-	(2,406,957)
(836,223)	-	(836,223)
(8,611,784)	-	(8,611,784)
(20,006)	-	(20,006)
(326,249)	-	(326,249)
(258,428)	-	(258,428)
-	-	-
(597,586)	-	(597,586)
(1,182,263)	-	(1,182,263)
(27,105,262)	-	(27,105,262)
-	(3,197)	(3,197)
(27,105,262)	(3,197)	(27,108,459)

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Capital outlay

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year, as restated (note 13)

Net assets end of year

* = This amount excludes the depreciation that is included
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ 11,317,375	\$ -	\$ 11,317,375
789,596	-	789,596
1,670,939	-	1,670,939
15,735,920	-	15,735,920
187,622	2,588	190,210
125,323	-	125,323
29,826,775	2,588	29,829,363
2,721,513	(609)	2,720,904
13,371,241	142,454	13,513,695
\$ 16,092,754	\$ 141,845	\$ 16,234,599

FORT DODGE COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and pooled investments	\$ 6,972,686	\$ 1,644,793	\$ 8,617,479
Receivables:			
Property tax:			
Current year	205,662	28,143	233,805
Succeeding year	9,268,000	1,804,000	11,072,000
Interfund receivable (note 3)	108,000	-	108,000
Accounts	104,026	52,400	156,426
Due from other governments	663,869	292,793	956,662
Pledges receivable	-	30,000	30,000
Prepaid expenses	3,780	92,725	96,505
	<u>17,326,023</u>	<u>3,944,854</u>	<u>21,270,877</u>
Total assets	\$ <u>17,326,023</u>	\$ <u>3,944,854</u>	\$ <u>21,270,877</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 148,689	\$ 126,832	\$ 275,521
Salaries and benefits payable	2,852,444	6,269	2,858,713
Interfund payable	-	105,000	105,000
Deferred revenue:			
Succeeding year property tax	9,268,000	1,804,000	11,072,000
Other	-	30,000	30,000
Total liabilities	<u>12,269,133</u>	<u>2,072,101</u>	<u>14,341,234</u>
Fund balance:			
Reserved for:			
Prepaid expenses	3,780	92,725	96,505
State grants	25,379	-	25,379
Debt service	-	100,426	100,426
Unreserved:			
Reported in nonmajor Special Revenue Funds	-	498,158	498,158
Undesignated	5,027,731	1,181,444	6,209,175
Total fund balances	<u>5,056,890</u>	<u>1,872,753</u>	<u>6,929,643</u>
Total liabilities and fund balances	\$ <u>17,326,023</u>	\$ <u>3,944,854</u>	\$ <u>21,270,877</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2005

Total fund balances of governmental funds	\$	6,929,643
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		16,449,342
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.		(18,759)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(7,311,921)
The Internal Service Fund assets and liabilities are directly related to the Governmental Funds due to the types of services provided. The Internal Service Fund balances are therefore, included in the District-wide statement of net assets.		<u>44,449</u>
Net assets of governmental activities	\$	<u><u>16,092,754</u></u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General	Nonmajor Governmental Funds	Total
Revenues:			
Local sources:			
Local tax	\$ 10,631,294	\$ 3,134,555	\$ 13,765,849
Tuition	760,724	-	760,724
Other	416,243	1,000,653	1,416,896
State sources	18,247,627	1,449	18,249,076
Federal sources	1,953,405	-	1,953,405
Total revenues	<u>32,009,293</u>	<u>4,136,657</u>	<u>36,145,950</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	12,998,756	584,984	13,583,740
Special instruction	5,672,170	-	5,672,170
Other instruction	2,101,698	786,665	2,888,363
	<u>20,772,624</u>	<u>1,371,649</u>	<u>22,144,273</u>
Support services:			
Student services	1,227,542	-	1,227,542
Instructional staff services	1,475,001	31,656	1,506,657
Administration services	2,740,463	112,865	2,853,328
Operation and maintenance of plant services	2,382,064	125,670	2,507,734
Transportation services	696,509	226,248	922,757
	<u>8,521,579</u>	<u>496,439</u>	<u>9,018,018</u>
Non-instructional programs	<u>49,697</u>	<u>600</u>	<u>50,297</u>
Other expenditures:			
Facilities acquisition	-	1,993,757	1,993,757
Long term debt:			
Principal	-	945,000	945,000
Interest and fiscal charges	-	262,620	262,620
AEA flowthrough	1,307,783	-	1,307,783
	<u>1,307,783</u>	<u>3,201,377</u>	<u>4,509,160</u>
Total expenditures	<u>30,651,683</u>	<u>5,070,065</u>	<u>35,721,748</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,357,610</u>	<u>(933,408)</u>	<u>424,202</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Other financing sources (uses):			
Sale of equipment	\$ 8,606	\$ -	\$ 8,606
Interfund transfers in (note 4)	-	1,207,595	1,207,595
Interfund transfers out (note 4)	-	(1,207,595)	(1,207,595)
Total other financing sources (uses)	<u>8,606</u>	<u>-</u>	<u>8,606</u>
Net change in fund balances	1,366,216	(933,408)	432,808
Fund balances beginning of year	<u>3,690,674</u>	<u>2,806,161</u>	<u>6,496,835</u>
Fund balances end of year	<u>\$ 5,056,890</u>	<u>\$ 1,872,753</u>	<u>\$ 6,929,643</u>

See notes to financial statements.

FORT DODGE COMMUNITY 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, 2005

Net change in fund balances - total governmental funds \$ 432,808

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, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

	Capital outlays	\$ 1,943,937	
	Depreciation expense	<u>(1,217,932)</u>	726,005

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 945,000

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, however, interest expense is recognized as the interest accrues, regardless of when it is due. 4,192

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 624,359

The decrease in the Internal Service Fund balance reflects an undercharge to governmental activities for the services provided. Expenses in the statement of activities are adjusted to reflect this undercharge. (10,851)

Change in net assets of governmental activities \$ 2,721,513

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2005

	Nonmajor Enterprise Fund	Internal Service Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 64,196	\$ 106,610
Accounts receivable	7,772	-
Inventories	19,686	-
Capital assets, net of accumulated depreciation (note 5)	122,086	-
Total assets	<u>213,740</u>	<u>106,610</u>
Liabilities		
Accounts payable	27,461	28,677
Interfund payables	-	3,000
Incurred but not reported claims	-	30,484
Deferred revenue:		
Other	9,097	-
Long-term liabilities:		
Portion due in more than one year:		
Compensated absences	35,337	-
Total liabilities	<u>71,895</u>	<u>62,161</u>
Net Assets		
Invested in capital assets, net of related debt	122,086	-
Unrestricted	19,759	44,449
Total net assets	<u>\$ 141,845</u>	<u>\$ 44,449</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2005

	Nonmajor Enterprise Fund	Internal Service Funds
	<u> </u>	<u> </u>
Operating revenues:		
Local sources:		
Charges for services	\$ 765,454	\$ 275,964
	<u> </u>	<u> </u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	487,533	-
Benefits	208,509	-
Purchased services	131,631	-
Supplies	790,529	-
Depreciation	16,074	-
Other	750	-
	<u>1,635,026</u>	<u> </u>
Internal service operations:		
Purchased services	-	288,825
	<u>1,635,026</u>	<u>288,825</u>
Operating loss	<u>(869,572)</u>	<u>(12,861)</u>
Non-operating revenues:		
Interest on investments	2,588	2,010
State sources	19,996	-
Federal sources	846,379	-
Total non-operating revenues	<u>868,963</u>	<u>2,010</u>
Change in net assets	(609)	(10,851)
Net assets beginning of year	<u>142,454</u>	<u>55,300</u>
Net assets end of year	<u>\$ 141,845</u>	<u>\$ 44,449</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2005

	Nonmajor Enterprise Fund	Internal Service Funds
	<u> </u>	<u> </u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 732,012	\$ 202,420
Cash received from miscellaneous operating activities	75,120	76,544
Cash payments to employees for services	(696,042)	(176,479)
Cash payments to suppliers for goods or services	<u>(858,941)</u>	<u>(105,588)</u>
Net cash used in operating activities	<u>(747,851)</u>	<u>(3,103)</u>
Cash flows from non-capital financing activities:		
State grants received	19,996	-
Federal grants received	766,725	-
Increase in due to other funds	<u>-</u>	<u>3,000</u>
Net cash provided by non-capital financing activities	<u>786,721</u>	<u>3,000</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(37,039)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>2,588</u>	<u>2,010</u>
Net increase in cash and cash equivalents	4,419	1,907
Cash and cash equivalents beginning of year	<u>59,777</u>	<u>104,703</u>
Cash and cash equivalents end of year	<u>\$ 64,196</u>	<u>\$ 106,610</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2005

	Nonmajor Enterprise Fund	Internal Service Funds
	<u> </u>	<u> </u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (869,572)	\$ (12,861)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	16,074	-
Commodities used	79,654	-
Decrease in accounts receivable	32,581	-
(Increase) in inventories	(3,010)	-
Increase (decrease) in accounts payable	(1,735)	6,607
Increase in deferred revenues	9,097	-
(Decrease) in compensated absences payable	(10,940)	-
Increase in incurred but not reported claims	<u> -</u>	<u> 3,151</u>
Net cash used in operating activities	<u>\$ (747,851)</u>	<u>\$ (3,103)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$79,654 of federal commodities.

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

June 30, 2005

	<u>Self-funded Dental Plan</u>	<u>Flex Benefit Plan</u>	<u>Total (Memorandum Only)</u>
Assets			
Cash and pooled investments	\$ 105,695	\$ 915	\$ 106,610
Liabilities			
Accounts payable	28,677	-	28,677
Interfund payable	-	3,000	3,000
Health claims incurred but not reported	30,484	-	30,484
Total liabilities	<u>59,161</u>	<u>3,000</u>	<u>62,161</u>
Net Assets			
Unrestricted	<u>\$ 46,534</u>	<u>\$ (2,085)</u>	<u>\$ 44,449</u>

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2005

	<u>Self-funded Dental Plan</u>	<u>Flex Benefit Plan</u>	<u>Total (Memorandum Only)</u>
Operating revenues:			
Local sources:			
Insurance contributions	\$ 202,420	\$ -	\$ 202,420
Flex contributions	-	76,544	76,544
Total operating revenues	<u>202,420</u>	<u>76,544</u>	<u>278,964</u>
Operating expenses:			
Non-instructional programs:			
Premiums/administration	213,286	-	213,286
Flex benefits	-	78,539	78,539
Total operating expenses	<u>213,286</u>	<u>78,539</u>	<u>291,825</u>
Operating loss	(10,866)	(1,995)	(12,861)
Non-operating revenues:			
Interest	<u>1,940</u>	<u>70</u>	<u>2,010</u>
Changes in net assets	(8,926)	(1,925)	(10,851)
Net assets beginning of year	<u>55,460</u>	<u>(160)</u>	<u>55,300</u>
Net assets end of year	<u>\$ 46,534</u>	<u>\$ (2,085)</u>	<u>\$ 44,449</u>

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2005

	Self-funded Dental Plan	Flex Benefit Plan	Total (Memorandum Only)
Cash flows from operating activities:			
Cash received from contributions	\$ 202,420	\$ -	\$ 202,420
Cash received from miscellaneous operating activities	-	76,544	76,544
Cash payments for premiums	(176,479)	-	(176,479)
Cash payments for services	(23,420)	(82,168)	(105,588)
Net cash provided by (used in) operating activities	<u>2,521</u>	<u>(5,624)</u>	<u>(3,103)</u>
Cash flows from non-capital financing activities:			
Increase in due to other funds	-	3,000	3,000
Cash flows from investing activities:			
Interest on investments	1,940	70	2,010
Net increase (decrease) in cash and cash equivalents	4,461	(2,554)	1,907
Cash and cash equivalents beginning of year	101,234	3,469	104,703
Cash and cash equivalents end of year	<u>\$ 105,695</u>	<u>\$ 915</u>	<u>\$ 106,610</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	\$ (10,866)	\$ (1,995)	\$ (12,861)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Increase in accounts payable	10,236	(3,629)	6,607
Increase in health claims incurred but not reported	3,151	-	3,151
Net cash provided by (used in) operating activities	<u>\$ 2,521</u>	<u>\$ (5,624)</u>	<u>\$ (3,103)</u>

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2005

		Private Purpose Trust
		<u>Scholarship</u>
Assets:		
Cash and pooled investments	\$	327,481
Liabilities:		
None		<u>-</u>
Net assets:		
Reserved for scholarships	\$	<u><u>327,481</u></u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2005

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 10,000	
Interest	<u>16,809</u>	
Total additions		<u>26,809</u>
Deductions:		
Support services:		
Scholarships awarded		<u>20,145</u>
Change in net assets		6,664
Net assets beginning of year		<u>320,817</u>
Net assets end of year	\$	<u><u>327,481</u></u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies

Fort Dodge Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. 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 Fort Dodge, Iowa, and the predominate agricultural territory in Webster County. 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, Fort Dodge Community 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. Fort Dodge Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides 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 Webster County Assessor's Conference Board.

The District also approves the appointment of a voting majority of the Fort Dodge Community School District Foundation Board, which is considered a related organization.

B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund 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 nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three 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 that are attributed to the acquisition, construction, or improvement of those assets.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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 that are 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 that are 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 that are 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 District-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 other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the main 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 expenses, including instructional, support and other costs.

The District's proprietary funds include the Enterprise, School Nutrition Fund, which is used to account for the food service operations of the District; the Internal Service, Self-funded Dental Plan, which used to account for the District's self-funded dental insurance plan; and the Internal Service, Flex Plan, which is used to account for the District's employee flexible benefits plan.

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 with restrictions of income earned to be used to benefit individuals through scholarship awards.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the 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 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.

All 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 fund is 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.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and 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 that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. 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 to the County Auditor by April 15 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 District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

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.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-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 repairs 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	\$ 1,000
Buildings	25,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	1,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenses 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 collectible 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, the succeeding year 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, pledged receivables that will not be received until future years, and unspent federal grant proceeds.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and severance benefits payable to employees. Accumulated sick leave varies between 105 and 120 days, depending on the employee's service group. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the District-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 Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-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 Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the other expenditures function exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

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

The 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.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 2. Cash and Pooled Investments (continued)

At June 30, 2005, the District had investments as follows:

	<u>Value</u>
MBIA Guaranteed Investment Contracts	\$ 850,000
Iowa Schools Joint Investment Trust, Diversified Portfolio	<u>100,427</u>
	<u>\$ 950,427</u>

The investments in the Iowa Schools Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in MBIA Guaranteed Investment Contracts are valued at fair value.

Interest rate risk – The District’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit Risk – The investments in the Iowa Schools Joint Investment Trust and MBIA Guaranteed Investment Contracts were both rated Aaa by Moody’s Investors Service.

Note 3. Interfund Receivables/Payables

During the year ended June 30, 2005, the District approved \$150,000 in short-term loans from the General Fund to the Special Revenue, Physical Plant and Equipment Levy Fund, of which \$75,000 was repaid prior to year end. The district also approved a short-term loan from the General Fund to the Internal Service, Flex Benefit Plan Fund, of which none was repaid prior to year end. Additionally, the District has a prior year loan outstanding due to the General Fund from the Special Revenue, Physical Plant and Equipment Levy Fund of \$30,000 at June 30, 2005. A summary of the total interfund receivables and payables arising from interfund loans is as follows:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General	Special Revenue, Physical Plant and Equipment Levy	\$ 105,000
	Internal Service, Flex Benefit Plan	<u>3,000</u>
Total		<u>\$ 108,000</u>

In addition to the above noted interfund loan balances, the District approved and repaid \$525,000 in short-term financing loans from the General Fund to the Special Revenue, Physical Plant and Equipment Levy Fund.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 4. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects, Fund	\$ <u>1,207,595</u>

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

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	<u>Balance Beginning of Year, as restated (note 13)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 483,811	\$ -	\$ -	\$ 483,811
Capital assets being depreciated:				
Buildings	22,553,534	1,667,508	-	24,221,042
Improvements other than buildings	250,779	-	-	250,779
Furniture and equipment	6,489,181	276,429	698,032	6,067,578
Total capital assets being depreciated	<u>29,293,494</u>	<u>1,943,937</u>	<u>698,032</u>	<u>30,539,399</u>
Less accumulated depreciation for:				
Buildings	9,419,750	585,047	-	10,004,797
Improvements other than buildings	21,577	12,539	-	34,116
Furniture and equipment	4,612,641	620,346	698,032	4,534,955
Total accumulated depreciation	<u>14,053,968</u>	<u>1,217,932</u>	<u>698,032</u>	<u>14,573,868</u>
Total capital assets being depreciated, net	<u>15,239,526</u>	<u>726,005</u>	-	<u>15,965,531</u>
Governmental activities capital assets, net	<u>\$ 15,723,337</u>	<u>\$ 726,005</u>	<u>\$ -</u>	<u>\$ 16,449,342</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 188,386	\$ 37,039	\$ 10,599	\$ 214,826
Less accumulated depreciation	<u>87,265</u>	<u>16,074</u>	<u>10,599</u>	<u>92,740</u>
Business-type activities capital assets, net	<u>\$ 101,121</u>	<u>\$ 20,965</u>	<u>\$ -</u>	<u>\$ 122,086</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

 Instruction:

 Regular

\$ 290,080

 Special

121,129

 Support services:

 Administration

60,931

 Operation and maintenance of plant services

34,895

 Transportation

113,311

620,346

Unallocated depreciation

597,586

Total governmental activities depreciation expense

\$ 1,217,932

Business-type activities:

 Food service operations

\$ 16,074

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Early Retirement	School Infrastructure Local Option Sales and Services Tax Revenue	Compensated Absences	Total
Balance beginning of year	\$ 931,689	\$ 5,230,000	\$ 2,765,868	\$ 8,927,557
Additions	189,050	-	100,141	289,191
Reductions	522,787	945,000	401,703	1,869,490
Balance end of year	<u>\$ 597,952</u>	<u>\$ 4,285,000</u>	<u>\$ 2,464,306</u>	<u>\$ 7,347,258</u>
Due within one year	<u>\$ 315,339</u>	<u>\$ 990,000</u>	<u>\$ 328,373</u>	<u>\$ 1,633,712</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for the year ended June 30, 2005, consists of continuation of single group health insurance at the rate of the last year of employment for sixty months or until the employee reaches age 65, which ever comes first. The current cost of this insurance to the District for the year ended June 30, 2005, is \$534 per month for teachers and \$504 per month for all other employees. Early retirement benefits paid during the year ended June 30, 2005, totaled \$522,787. Early retirement is recorded as a long-term liability of the Governmental Activities and Business-type Activities in the District-wide financial statements, and as a long-term liability of the Nonmajor Enterprise Fund.

Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2006	5.15 - 5.20 %	\$ 990,000	\$ 212,495	\$ 1,202,495
2007	5.20 - 5.25	1,045,000	160,488	1,205,488
2008	5.25 - 5.30	1,095,000	105,097	1,200,097
2009	5.30 - 5.35	1,155,000	46,403	1,201,403
Total		<u>\$ 4,285,000</u>	<u>\$ 524,483</u>	<u>\$ 4,809,483</u>

The District retired \$945,000 of bonds during the year ended June 30, 2005.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 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 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$1,086,579, \$1,120,655, and \$1,153,387 respectively, equal to the required contributions for each year.

Note 8. Risk Management

Fort Dodge Community School District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, vision and prescription drugs.

In July 2004, ISEBA converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the Association had their deficit recovery assessment included in their annual premium for the 2004-2005 and 2005-2006 plan years. The deficit recovery is equal to 2% of the annual premium. The total amount of the deficit recoveries of current members is estimated to be \$2.2 million. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2005 were \$4,818,271.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

Fort Dodge Community 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.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 8. Risk Management (continued)

Self-Funded Dental Insurance Plan

The District began a self-funded insurance plan during the year ended June 30, 2000. The plan is funded by contributions from the District and is administered through a service agreement with Delta Dental Plan of Iowa. The agreement is not subject to automatic renewal provisions. The District assumes liability for claims up to the individual stop loss limitation of 125 percent of projected claims paid, determined by multiplying the number of enrolled participants as of month end by the applicable monthly aggregate attachment point (\$12.00 for single plans and \$43.00 for family plans).

Monthly payments of service fees and plan contributions to the Fort Dodge Community School District Employee Group Dental Plan are recorded as expenditures from the General and School Nutrition funds. Under the administrative services agreement, weekly payments of service fees and claims processed are paid to Delta Dental Plan of Iowa from the Fort Dodge Community School District Employee Group Dental Plan Fund as an Internal Service Fund. The District's contributions to the fund for the year ended June 30, 2005 was \$202,420.

The Internal Service Fund, Self-Funded Dental Plan reserve was \$46,534 at June 30, 2005. The incurred but not reported claims liability of \$30,484 reported in the plan at June 30, 2005 represents incurred but not yet reported losses for the current year, and is based on GASB Statement Numbers 10 and 17, which require that a liability for claims be reported.

The change in the incurred but not reported and unpaid claims liability for the year ended June 30, 2005 is as follows:

Balance beginning of year	\$ 27,333
Incurred claims and claim adjustments	179,630
Payment of claims	<u>(176,479)</u>
Balance end of year	<u>\$ 30,484</u>

Note 9. 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 \$1,307,783 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Construction Commitments

The District entered into contracts totaling \$556,194 for various projects. At June 30, 2005, \$360,775 of the contracts were completed and paid, and \$16,893 was recorded in accounts payable. The remaining amounts of the contracts will be paid as work on the projects progresses.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 11. Contingent Liability

The District is involved in one ongoing investigation concerning a civil rights violation claim. The outcome of this investigation cannot be determined at this time.

Note 12. Financial Condition

The District's Special Revenue, Physical Plant and Equipment Levy Fund, reported as a nonmajor governmental fund, had an unreserved, undesignated deficit balance of \$102,274 at June 30, 2005.

Note 13. Restatement of Beginning Balances

During the year ended June 30, 2005, the district made several adjustments to their capital asset listing to correct valuation amounts that had been incorrectly recorded in prior years. The net result of these corrections was a prior year overstatement of capital asset valuations of \$66,360. The effects of this restatement of valuation had the following effects on the various financial statement components:

	Net Assets, Governmental Activities	Capital Assets, Net
	<u> </u>	<u> </u>
Balance as reported on June 30, 2004	\$ 13,437,601	\$ 15,789,697
Asset valuation adjustment	<u>(66,360)</u>	<u>(66,360)</u>
Balance as restated on July 1, 2004	<u>\$ 13,371,241</u>	<u>\$ 15,723,337</u>

Required Supplementary Information

FORT DODGE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
 Budget and Actual (14-month Conversion Basis) – All Governmental Funds
 and Proprietary Fund
 Required Supplementary Information
 Year Ended June 30, 2005

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 16,745,869	\$ 808,395	\$ 17,554,264	\$ 17,072,685	\$ 17,072,685	\$ 481,579
Intermediate sources	-	-	-	3,000	3,000	(3,000)
State sources	18,401,744	19,996	18,421,740	18,104,760	18,104,760	316,980
Federal sources	2,292,104	846,379	3,138,483	2,332,547	2,332,547	805,936
Total revenues	37,439,717	1,674,770	39,114,487	37,512,992	37,512,992	1,601,495
EXPENDITURES/EXPENSES:						
Instruction	25,136,959	-	25,136,959	22,443,864	26,067,864	930,905
Support services	9,322,812	-	9,322,812	9,392,664	10,527,664	1,204,852
Non-instructional programs	600	1,592,702	1,593,302	1,572,919	1,867,919	274,617
Other expenditures	4,597,521	-	4,597,521	4,284,807	1,759,000	(2,838,521)
Total expenditures/ expenses	39,057,892	1,592,702	40,650,594	37,694,254	40,222,447	(428,147)
Excess (deficiency) of revenues over (under) expenditures/ expenses	(1,618,175)	82,068	(1,536,107)	(181,262)	(2,709,455)	1,173,348
Other financing sources, net	8,606	-	8,606	2,000	2,000	6,606
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(1,609,569)	82,068	(1,527,501)	(179,262)	(2,707,455)	1,179,954
Balance beginning of year	8,539,212	59,777	8,598,989	9,695,010	9,695,010	(1,096,021)
Balance end of year	\$ 6,929,643	\$ 141,845	\$ 7,071,488	\$ 9,515,748	\$ 6,987,555	\$ 83,933

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2005

	Governmental Funds		
	14-month	Accrual	Modified
	Conversion	Adjust-	Accrual
	Basis	ments	Basis
Revenues	\$ 37,439,717	\$ (1,293,767)	\$ 36,145,950
Expenditures	39,057,892	(3,336,144)	35,721,748
Net	(1,618,175)	2,042,377	424,202
Other financing sources (uses)	8,606	-	8,606
Beginning fund balances	8,539,212	(2,042,377)	6,496,835
Ending fund balances	<u>\$ 6,929,643</u>	<u>\$ -</u>	<u>\$ 6,929,643</u>
	Proprietary Fund		
	Enterprise		
	14-month	Accrual	
	Conversion	Adjust-	Accrual
	Basis	ments	Basis
Revenues	\$ 1,674,770	\$ (40,353)	\$ 1,634,417
Expenses	1,592,702	42,324	1,635,026
Net	82,068	(82,677)	(609)
Beginning net assets	59,777	82,677	142,454
Ending net assets	<u>\$ 141,845</u>	<u>\$ -</u>	<u>\$ 141,845</u>

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2005

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 the cash basis. Encumbrances are not recognized on the basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. 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 at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2005, the District changed the budget from the cash basis to the modified accrual basis to better match fiscal expenditures to the budget document. The change requires that the District include the prior year accruals as budgeted expenditures in the current year to avoid bypassing the budget for that amount of expenditures. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$2,528,193.

During the year ended June 30, 2005, disbursements in the other expenditures function exceeded the amount budgeted.

Other Supplementary Information

<u>Capital Projects</u>	<u>Total</u>
\$ 940,199	\$ 1,644,793
-	28,143
-	1,804,000
-	52,400
292,793	292,793
-	92,725
-	30,000
<u>\$ 1,232,992</u>	<u>\$ 3,944,854</u>

\$ 51,548	\$ 126,832
-	6,269
-	105,000
-	1,804,000
-	30,000
<u>51,548</u>	<u>2,072,101</u>

-	100,426
-	92,725
<u>1,181,444</u>	<u>1,679,602</u>
<u>1,181,444</u>	<u>1,872,753</u>
<u>\$ 1,232,992</u>	<u>\$ 3,944,854</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Revenues:				
Local sources:				
Local tax	\$ 674,791	\$ -	\$ 788,825	\$ -
Other	36,990	883,465	16,937	-
State sources	678	-	771	-
Total revenues	<u>712,459</u>	<u>883,465</u>	<u>806,533</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	491,900	-	93,084	-
Other instruction	-	786,665	-	-
Support services:				
Instructional staff services	31,656	-	-	-
Administration services	106,920	-	5,945	-
Operation and maintenance of plant services	96,526	-	29,144	-
Transportation services	91,650	-	134,598	-
Non instructional programs	600	-	-	-
Other expenditures:				
Facilities acquisition	-	-	724,363	-
Long term debt:				
Principal	-	-	-	945,000
Interest and fiscal charges	-	-	-	262,620
Total expenditures	<u>819,252</u>	<u>786,665</u>	<u>987,134</u>	<u>1,207,620</u>
Excess (deficiency) of revenues over (under) expenditures	(106,793)	96,800	(180,601)	(1,207,620)
Other financing sources (uses):				
Interfund transfers in	-	-	-	1,207,595
Interfund transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,207,595</u>

	<u>Capital Projects</u>	<u>Total</u>
\$	1,670,939	\$ 3,134,555
	63,261	1,000,653
	-	1,449
	<u>1,734,200</u>	<u>4,136,657</u>
	-	584,984
	-	786,665
	-	31,656
	-	112,865
	-	125,670
	-	226,248
	-	600
	1,269,394	1,993,757
	-	945,000
	-	262,620
	<u>1,269,394</u>	<u>3,800,671</u>
	464,806	(933,408)
	-	1,207,595
	<u>(1,207,595)</u>	<u>(1,207,595)</u>
	<u>(1,207,595)</u>	<u>-</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2005

	<u>Special Revenue</u>			
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	\$ (106,793)	\$ 96,800	\$ (180,601)	\$ (25)
Fund balances beginning of year	<u>579,834</u>	<u>123,316</u>	<u>78,327</u>	<u>100,451</u>
Fund balances end of year	<u>\$ 473,041</u>	<u>\$ 220,116</u>	<u>\$ (102,274)</u>	<u>\$ 100,426</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ (742,789)	\$ (933,408)
<u>1,924,233</u>	<u>2,806,161</u>
<u>\$ 1,181,444</u>	<u>\$ 1,872,753</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
Council	\$ 1,668	\$ 1,755	\$ 2,393	\$ 1,030
Activity Club	149,629	(87,779)	4,479	57,371
Video Club	3,984	-	1,723	2,261
Radio Club	(187)	126	337	(398)
Birdseye Book Club	8,177	1,433	327	9,283
Professional Book Club	(50)	50	-	-
Professional Development	2,744	-	-	2,744
Magazines	2,792	-	-	2,792
Porter Fund	(2,307)	8,653	5,586	760
Student Flowers	(63)	1,371	1,247	61
District-wide Start School	5,093	(2,285)	-	2,808
Community Holiday Party	2	-	-	2
Speak Camp	977	(750)	-	227
Bus Garage Pop Money	2,200	1,780	1,070	2,910
Activity Class of 1973 Scholarship	519	-	-	519
HS Girls Tennis Fundraiser	-	2,384	2,311	73
HS Cross Country Fundraiser	-	1,443	1,410	33
Drama Club	4,494	4,198	2,080	6,612
Debate Club	(12,475)	15,029	10,554	(8,000)
Speech Club	(5,467)	5,336	3,716	(3,847)
Vocal Music	5,409	2,164	1,096	6,477
Band Club	1,310	25,434	20,957	5,787
Coed Cross Country	(2,090)	8,745	2,447	4,208
HS Boys Basketball	365	9,440	7,323	2,482
HS Football	15,679	3,660	13,737	5,602
HS Boys Soccer	(4,814)	19,643	4,723	10,106
HS Boys Baseball	(8,433)	24,030	15,596	1
HS Boys Track	(6,273)	17,863	10,566	1,024
HS Boys Tennis	(1,389)	4,416	3,027	-
HS Boys Golf	(1,418)	6,552	5,134	-
HS Boys Swimming	(813)	6,013	4,529	671
HS Wrestling	1,278	12,285	10,544	3,019
HS Girls Basketball	(813)	6,614	5,801	-
HS Volleyball	(2,036)	10,784	8,748	-
HS Girls Soccer	(3,563)	17,054	3,934	9,557
HS Girls Softball	(8,095)	22,060	13,966	(1)
HS Girls Track	(3,039)	13,110	7,533	2,538
HS Girls Tennis	(3,924)	7,665	3,741	-
HS Girls Golf	(2,826)	6,177	2,663	688
HS Girls Swimming	(372)	5,313	2,724	2,217

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
HS Activity	\$ (209,166)	\$ (23,818)	\$ 150	\$ (233,134)
Cap and Gown	(1,690)	4,427	876	1,861
Concessions	89	50	-	139
Wrestling	1,286	9,230	9,053	1,463
PEP Bus	(5)	5	-	-
Key Club	310	-	-	310
Girls Swim Fundraiser	810	1,131	1,000	941
Student PCCL	48,690	61,566	45,283	64,973
Senior Dinner Dance	87	3,246	2,916	417
Centel Pay Phone	2,189	3,923	2,750	3,362
Girls Track Fundraiser	50	1,361	1,427	(16)
Musical Club	4,189	9,574	11,014	2,749
VICA	594	2,478	1,847	1,225
French Club	2,744	2,330	2,218	2,856
Spanish Club	5,978	334	200	6,112
German Club	1,495	27,938	28,595	838
FS Club	1,649	1,637	2,041	1,245
Cheerleaders	(2,111)	26,571	34,988	(10,528)
Student Senate	2,716	10,138	8,829	4,025
Yearbook	(3,995)	37,668	29,371	4,302
Newspaper	1,115	6,250	4,437	2,928
SADD	143	-	-	143
Fishing Club	44	-	-	44
Klass Club	14	-	-	14
Huseman All State	9,169	3,500	1,390	11,279
Advanced Placement	3,575	914	1,459	3,030
FCY PCCL	9,152	6,388	6,421	9,119
DECA	1,446	4,469	5,162	753
National Honor Society	2,196	4,836	6,093	939
Activity Tickets	50	(50)	-	-
Class of 2002	223	-	-	223
Class of 2003	223	-	-	223
Class of 2004	183	-	-	183
Class of 2005	223	-	-	223
Junior Citizen	182	423	314	291
Orchestra Club	1,592	150	-	1,742
Booster Club	(26)	-	-	(26)
Friskies	-	-	-	-
CIML Art Festival	(107)	107	-	-
Sports Season Pass	7,231	13,500	3,806	16,925

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
Tournaments	\$ 11,701	\$ 106,711	\$ 96,239	\$ 22,173
Football Fundraisers	1,417	37,238	33,438	5,217
Girls Basketball Fundraisers	8,906	6,400	5,110	10,196
Boys Basketball Fundraisers	848	3,273	3,811	310
Orchestra Trip	187	137	-	324
Jamar Funds	711	-	-	711
Baseball Fundraisers	2,009	11,291	16,980	(3,680)
Volleyball Fundraisers	935	4,526	3,292	2,169
Driver Education Club	-	371	371	-
IMC Coper	429	118	119	428
Start School	(40)	40	-	-
Randall Funds	-	-	-	-
Multi-Cultural Club	9	-	-	9
Science Club Fundraisers	1,260	-	579	681
Softball Fundraisers	(449)	14,552	5,602	8,501
Dodger Senate	8,553	-	-	8,553
Dodger Communication Committee	250	-	-	250
Drill Team	369	5,791	5,306	854
Science Club	(21)	-	-	(21)
Weight Room	27	-	-	27
English Club Donut Account	158	-	-	158
Math Prize	3,668	799	258	4,209
Art Club	281	-	146	135
Scoreboard Advertising	2,212	7,605	3,654	6,163
Boys Swim Fundraiser	88	100	-	188
Girls Soccer Fundraiser	875	456	350	981
Boys Soccer Fundraiser	(183)	6,507	6,301	23
Boys Golf Fundraiser	-	880	305	575
Boys Tennis Fundraiser	-	845	-	845
Boys Track Fundraiser	-	670	782	(112)
Phillips Middle School:				
Vocal Music	11,507	8,485	14,512	5,480
Instrumental	2,294	6,398	5,943	2,749
Boys Basketball	(9,247)	15,636	6,389	-
Football Fundraiser	(3,599)	25,062	5,983	15,480
Boys Track	(375)	1,857	715	767
Boys Wrestling	(1,672)	5,442	2,424	1,346
Girls Basketball	(9,714)	16,769	6,098	957
Girls Volleyball	(1,888)	5,541	2,898	755
Girls Track	(1,918)	5,926	3,142	866

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Phillips Middle School (continued):				
PCCL	\$ (3,175)	\$ 6,713	\$ 5,184	\$ (1,646)
Activities	(15,863)	10,319	-	(5,544)
Yearbook	2,140	10,470	10,700	1,910
7th Red	368	-	146	222
7th White	-	-	-	-
7th Blue	1,372	1,174	1,549	997
8th Red	(344)	5,716	5,928	(556)
8th White	-	-	-	-
8th Blue	1,930	9,814	9,944	1,800
Magazine Fundraisers	(1,468)	736	-	(732)
Start School	2,093	-	-	2,093
Cross Country	(621)	3,026	2,246	159
Allsport Machine	4,461	14,824	17,915	1,370
Juice Machine	(49)	3,215	2,253	913
Student Planner	1,384	4,969	6,155	198
Wrestling Fundraiser	23	-	(280)	303
Participation Fees	(31)	31	-	-
Softball	204	338	428	114
BD Classes Income	-	362	-	362
Fair Oakes Middle School:				
Vocal Music	3,534	10,282	11,137	2,679
Instrumental	-	416	50	366
Activities	(3,397)	-	-	(3,397)
PCCL	1,080	1,822	1,530	1,372
Yearbook	5,046	3,671	3,485	5,232
6th Red	(101)	7,612	7,234	277
6th Blue	324	(648)	(324)	-
6th Gold	2,751	6,554	4,718	4,587
5th Red	2,648	(5,294)	(2,646)	-
5th Blue	647	11,704	9,457	2,894
5th Gold	750	12,277	12,042	985
Juice Machine	3,466	7,146	6,115	4,497
Pencil Sales	849	201	360	690
Start School	(80)	80	-	-
Mile of Pennies	35	(35)	-	-
Student Planner	7,939	6,917	4,865	9,991
Elementary Schools:				
Butler PCCL	1,026	1,464	1,680	810
Butler Activity	7,239	6,434	6,215	7,458
Cooper PCCL	2,783	2,631	1,917	3,497

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary Schools (continued):				
Cooper Activities	\$ 9,615	\$ 13,116	\$ 7,217	\$ 15,514
Cooper Library Club	224	25	-	249
Duncombe PCCL	128	1,324	1,246	206
Duncombe Reading Supplement	280	-	-	280
Feelhaver PCCL	971	1,344	1,462	853
Feelhaver Activities	5,293	7,860	6,590	6,563
Hillcrest PCCL	744	775	694	825
Hillcrest Activities	5,264	2,922	1,974	6,212
Riverside PCCL	1,253	2,671	2,440	1,484
Riverside School Council	3,500	-	-	3,500
Riverside Activities	5,034	4,906	4,507	5,433
Alternative PCCL	4,114	2,048	2,123	4,039
Other PCCL	(30)	30	-	-
Other Activities	(35)	35	-	-
Total	\$ 123,316	\$ 883,465	\$ 786,665	\$ 220,116

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 13,765,849	\$ 13,674,420	\$ 13,706,899	\$ 12,378,385
Tuition	760,724	807,623	796,272	626,864
Other	1,416,896	1,298,584	1,298,152	1,377,940
Intermediate sources	-	-	2,732	64,671
State sources	18,249,076	17,636,368	18,447,589	17,623,626
Federal sources	1,953,405	2,132,989	1,509,534	1,388,583
Total revenues	<u>\$ 36,145,950</u>	<u>\$ 35,549,984</u>	<u>\$ 35,761,178</u>	<u>\$ 33,460,069</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 13,583,740	\$ 12,956,341	\$ 13,456,577	\$ 13,622,668
Special instruction	5,672,170	6,792,894	6,892,050	6,652,332
Other instruction	2,888,363	1,923,084	2,013,006	2,093,847
Support services:				
Student services	1,227,542	1,205,766	1,377,115	1,150,313
Instructional staff services	1,506,657	1,368,431	1,337,267	1,359,852
Administration services	2,853,328	2,395,974	2,423,483	2,511,897
Operation and maintenance of plant services	2,507,734	2,660,832	2,637,642	2,469,832
Transportation services	922,757	785,824	992,980	981,170
Central and other support services	-	246,589	279,943	-
Non-instructional programs	50,297	49,272	37,088	73,435
Other expenditures:				
Facilities acquisition	1,993,757	699,535	1,438,681	4,663,133
Long-term debt:				
Principal	945,000	895,000	840,000	790,000
Interest and fiscal charges	262,620	312,962	364,783	412,932
AEA flowthrough	1,307,783	1,314,054	1,401,552	1,380,489
Total expenditures	<u>\$ 35,721,748</u>	<u>\$ 33,606,558</u>	<u>\$ 35,492,167</u>	<u>\$ 38,161,900</u>

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2005

Grantor / Program	CFDA Number	Grant Number	Expenditures
Direct:			
U. S. Department of Education:			
Twenty-First Century Community Learning Centers	84.287	FY 05	\$ <u>158,321</u>
Fund for the Improvement of Education	84.215	FY 05	<u>37,239</u>
			<u>195,560</u>
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (non-cash)	10.550	FY 05	<u>79,654</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 05	164,568
National School Lunch Program	10.555	FY 05	<u>602,157</u>
			<u>766,725</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	2313-G-04	52,948
Title 1 Grants to Local Educational Agencies	84.010	2313-GC-05	125,125
Title 1 Grants to Local Educational Agencies	84.010	2313-G-05	<u>651,414</u>
			<u>829,487</u>
Innovative Education Program Strategies	84.298	FY 05	<u>26,902</u>
Vocational Education - Basic Grants to States	84.048	FY 05	<u>63,800</u>
Improving Teacher Quality State Grants	84.367	FY 04	55,462
Improving Teacher Quality State Grants	84.367	FY 05	<u>263,572</u>
			<u>319,034</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 05	<u>30,291</u>
Special Education State Improvement Grants for Children with Disabilities	84.323	FY 04	<u>14,400</u>
Grants for State Assessments and Related Activities	84.369	FY 04	22,173
Grants for State Assessments and Related Activities	84.369	FY 05	<u>24,996</u>
			<u>47,169</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2005

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect (continued):			
U. S. Department of Education (continued):			
Iowa Central Community College:			
Special Education - Grants to States	84.027	FY 04	\$ 11,153
Special Education - Grants to States	84.027	FY 05	<u>256,014</u>
			<u>267,167</u>
Iowa Public Television:			
Fund for the Improvement of Education	84.215	FY 05	<u>25,000</u>
			<u>1,623,250</u>
Webster County Department of Human Services:			
Medical Assistance Program	93.778	FY 05	<u>10,319</u>
Total			<u>\$ 2,675,508</u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Fort Dodge Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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
Fort Dodge Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Fort Dodge Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 25, 2005. We conducted our 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 our audit, we considered Fort Dodge Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no material weaknesses during the course of our audit.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fort Dodge Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Fort Dodge Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
October 25, 2005

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

To the Board of Education of
Fort Dodge Community School District:

Compliance

We have audited the compliance of Fort Dodge Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Fort Dodge Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Fort Dodge Community School District's management. Our responsibility is to express an opinion on Fort Dodge Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U. S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fort Dodge Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Fort Dodge Community School District's compliance with those requirements.

In our opinion, Fort Dodge Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Fort Dodge Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Fort Dodge Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Fort Dodge Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no material weaknesses during the course of our audit.

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

Oskaloosa, Iowa
October 25, 2005

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Fort Dodge Community School District did not qualify as a low-risk auditee.

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

Part II: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

II-A-05 Financial Condition – The District’s Special Revenue, Student Activity Fund had several individual accounts with deficit balances as of June 30, 2005. The District’s Special Revenue, Physical Plant and Equipment Levy Fund had a deficit balance of \$102,274 at June 30, 2005. In addition, the Internal Services, Flex Benefits Plan had a deficit net assets balance of \$2,085 at June 30, 2005.

Recommendation – The District should continue to monitor these situations and investigate alternatives to eliminate the deficits.

Response – We are working on this at this time and will review disbursement approval methods for the Student Activity accounts. The Flex Benefit plan deficit is due to timing differences and will be resolved.

Conclusion – Response accepted.

II-B-05 Travel Allowances – We noted an employee travel allowance had not been reported as compensation in accordance with IRS requirements.

Recommendation – Amounts received by employees as a stated allowance should be reported as additional compensation since it is not considered an “accountable” plan by IRS regulations. To avoid the problem, the employee could be reimbursed for incurred expenses reported. This is considered an “accountable” plan and is not reported as additional compensation, but requires that the District keep supporting documentation for all travel disbursements.

Response – We will review our procedures and change the method of reporting as necessary.

Conclusion – Response accepted.

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

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

Reportable Conditions (continued):

- II-C-05 Fundraiser Controls – We noted inadequate fundraiser controls over two tested fundraisers. We noted that the final approval/summary sheet for one fundraiser had not been turned in as of October 25, 2005. We noted that the final financial report for another fundraiser was not completed accurately. We also noted that approval was after the fundraiser had already taken place. In addition, actual revenues turned in to the District were \$4,410 less than expected revenues based on the related invoice. This amount was later turned into the District five months after it was received by the sponsor in response to District inquiry.

Recommendation – The District should enforce more stringent fundraiser controls, including proper approvals, accounting for all associated receipts and disbursements, and timely completion of a profit/loss summary, including tying all sales to receipts and deposits, recording the purpose for all disbursements, and completing a profit analysis. If an organization fails to accurately and timely complete a final financial report, the District should consider limiting further fundraisers until the report is completed. Also, all money should be turned in to the District in a timely manner.

Response – We currently have requirements for approvals for all fundraisers. We will communicate the need for tighter controls to all applicable personnel. We will stress the importance of timely remittances of collections to all sponsors.

Conclusion – Response accepted.

- II-D-05 Disbursement Support – We noted one disbursement made out of forty tested that was supported only with a credit card statement. We also noted one disbursement that lacked supporting documentation.

Recommendation – All disbursements made by the District should require proper support such as an invoice or other documentation noting public purpose for the disbursement.

Response – We will require proper support prior to making any disbursements in the future.

Conclusion – Response accepted.

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

No matters were reported.

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-05 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.
- IV-B-05 Certified Budget – Expenditures for the year ended June 30, 2005, exceeded the amount budgeted in the other expenditures function.
- Recommendation – The 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 – We amended our budget during the year. However, we made a technical error on the amendment which will not be repeated in the future.
- Conclusion – Response accepted.
- IV-C-05 Questionable Expenditures – Except as previously noted in item II-E-05, no expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- IV-D-05 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.
- IV-E-05 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-F-05 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 that the coverage is adequate for current operations.
- IV-G-05 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-H-05 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-I-05 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.
- IV-J-05 Certified Annual Report – The Certified Annual Report was not timely filed with the Department of Education. However, we noted no significant deficiencies in the amounts reported.
- Recommendation – The District should file the Certified Annual Report in a timely manner in the future.
- Response – This was an oversight on our part for this year. We will timely file the Certified Annual Report in the future.
- Conclusion – Response accepted.

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2005

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-K-05 National School Meal Programs – We noted that the District’s claim for reimbursement for the September/October period included snacks served under the “free,” “reduced,” and “paid” classifications. However, all snacks claimed for reimbursement qualified for the “free” reimbursement amount. The total underclaim for reimbursement was \$935.

Recommendation – The District should contact the Department of Education and file an amended claim for reimbursement for that time period.

Response – We will take the appropriate steps necessary to file an amended claim for reimbursement.

Conclusion – Response accepted.

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