

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, 2006

## TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-6
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	7-17
<b>BASIC FINANCIAL STATEMENTS</b>	
Exhibit	
District-Wide Financial Statements:	
A    Statement of Net Assets	20-21
B    Statement of Activities	22-25
Governmental Fund Financial Statements:	
C    Balance Sheet	26
D    Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	27
E    Statement of Revenues, Expenditures and Changes in Fund Balances	28-29
F    Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	30
Proprietary Fund Financial Statements:	
G    Statement of Net Assets	31
H    Statement of Revenues, Expenses, and Changes in Net Assets	32
I    Statement of Cash Flows	33-34
Internal Service Funds:	
J    Combining Statement of Net Assets	35
K    Combining Statement of Revenues, Expenses and Changes in Net Assets	36
L    Combining Statement of Cash Flows	37
Fiduciary Fund Financial Statements:	
M    Statement of Fiduciary Net Assets	38
N    Statement of Changes in Fiduciary Net Assets	39
Notes to Financial Statements	40-52
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund	54
Notes to Required Supplementary Information – Budgetary Reporting	55
<b>OTHER SUPPLEMENTARY INFORMATION:</b>	
Schedule	
Nonmajor Governmental Funds:	
1    Combining Balance Sheet	58-59
2    Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	60-63
3    Schedule of Changes in Special Revenue Fund, Student Activity Accounts	64-68
4    Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	69
5    Schedule of Expenditures of Federal Awards	70-71
<b>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</b>	<b>72-73</b>

TABLE OF CONTENTS  
(continued)

	Page
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	74-75
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	76-80

FORT DODGE COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2005 Election)		
Jerry Schnurr	President	2005
Clark 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>Board of Education</u>		
(After September 2005 Election)		
Clark Fletcher	President	2006
Janice Merz	Vice President	2006
Stuart Cochrane	Board Member	2006
Jeri Green	Board Member (Resigned May 12, 2006)	2006
Brian Forsythe	Board Member (Appointed May 22, 2006)	2006
Steve Schwendemann	Board Member	2007
Ernest Kersten	Board Member	2008
Jerry Schnurr	Board Member	2008
<u>School Officials</u>		
Linda J. Brock	Superintendent	2007
John W. Christensen, Jr.	District Secretary/Treasurer	2006
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, the 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, 2006, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Fort Dodge Community School District as of June 30, 2006, 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 November 1, 2006 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 55 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, 2005 (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 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  
November 1, 2006

# 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, 2006. 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 2006. Total net assets increased more than 16.21 percent or \$2.63 million over the course of the year. The Governmental Activities net assets increased 15.97 percent, with the business type activities net assets increasing 43 percent. Overall revenues were \$40.30 million, and expenses were \$37.67 million.
- During fiscal year 2006 the District completed a restroom remodeling project, a science wing project, a swimming pool filter project, and began the mechanical/electrical upgrade project at the Senior High School funded by the local option sales and services tax. The cost of the projects was \$664,939. The district spent \$90,994 on the Fair Oaks plumbing project, \$22,915 on the Cooper arches project, and \$26,600 on the Central Administration Building tuckpointing project from the Physical Plant and Equipment fund. The district also spent \$255,440 on the Riverside Elementary School asbestos removal and boiler project from the General Fund. In the 2006 fiscal year \$1,202,392 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 \$118,235 in fiscal year 2005 to \$236,501 in fiscal year 2006. This is the second year of increasing interest earnings in the General Fund in several years. Total district interest earnings were \$352,740.
- The General Fund ending fund balance decreased slightly from \$5.06 million in fiscal year 2005 to \$5.04 million in fiscal year 2006.
- The self insured dental internal service fund incurred a net gain of \$41,811. The District had a balance of \$88,345 at the end of the fiscal year, which is almost five months worth of reserves. The premium levels will need to be monitored for future years to maintain the necessary reserves.
- The District Statement of Net Assets indicates an unrestricted net balance of \$2,793,611 at the end of the 2006 fiscal year, which is up from \$2,464,944 at the end of the 2005 fiscal year. Two factors that would affect this increase would be an increase in the income surtax revenue recognized and a decrease in early retirement liabilities.
- The FDCSD certified enrollment count taken on September 20, 2005, was 4,079.2. This count represents a reduction of 11.3 students from the prior year. There has been a net loss of 253.6 students in the last five years.
- The Special Education Deficit Balance was increased from \$323,582 in fiscal 2005 to \$814,072 in the fiscal 2006 year. The district had increased transportation, tuition out, and salary and benefits costs. The number of special education teachers increased from 61 to 70 (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.

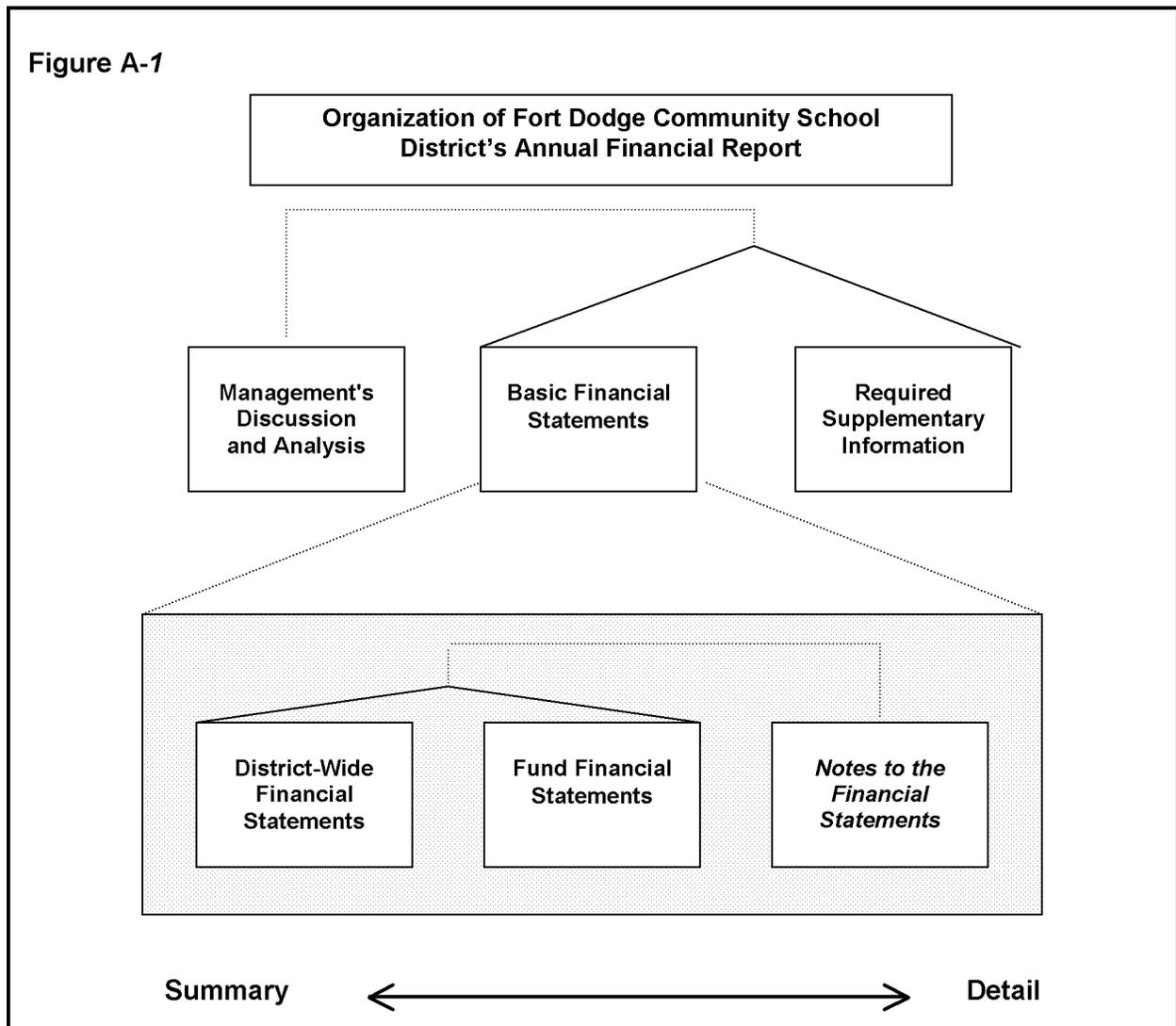


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents 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		Business-type		Total		Percentage Change 2005-06
	Activities		Activities		School District		
	2005	2006	2005	2006	2005	2006	
Current and other assets	\$21,269,487	\$22,617,964	\$91,654	\$153,473	\$21,361,141	\$22,771,437	6.60%
Capital assets	\$16,449,342	\$16,796,502	\$122,086	\$110,927	\$16,571,428	\$16,907,429	2.03%
<b>Total Assets</b>	<b>\$37,718,829</b>	<b>\$39,414,466</b>	<b>\$213,740</b>	<b>\$264,400</b>	<b>\$37,932,569</b>	<b>\$39,678,866</b>	4.60%
Long-term liabilities	\$7,311,921	\$6,466,066	\$35,337	\$0	\$7,347,258	\$6,466,066	-11.99%
Other liabilities	\$14,314,154	\$14,284,959	\$36,558	\$61,316	\$14,350,712	\$14,346,275	-0.03%
<b>Total liabilities</b>	<b>\$21,626,075</b>	<b>\$20,751,025</b>	<b>\$71,895</b>	<b>\$61,316</b>	<b>\$21,697,970</b>	<b>\$20,812,341</b>	-4.08%
<b>Net Assets</b>							
Invested in capital assets, net of related debt	\$12,164,342	\$13,501,502	\$122,086	\$110,927	\$12,286,428	\$13,612,429	10.79%
Restricted	\$1,483,227	\$2,460,485	\$0	\$0	\$1,483,227	\$2,460,485	65.89%
Unrestricted	\$2,445,185	\$2,701,454	\$19,759	\$92,157	\$2,464,944	\$2,793,611	13.33%
<b>TOTAL NET ASSETS</b>	<b>\$16,092,754</b>	<b>\$18,663,441</b>	<b>\$141,845</b>	<b>\$203,084</b>	<b>\$16,234,599</b>	<b>\$18,866,525</b>	16.21%

The District's combined net assets were greater on June 30, 2006 than they were the year before--increasing 16.21% to \$18.86 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 \$2.57 million to \$18.66 million. The net assets of the District's business-type activities increased 43% to \$.203 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 \$1.949 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 \$10.045 million or 25.3% of total assets, up from 23.1% from fiscal 2005. \$7.2 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. \$1.388 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 \$10.882 million and related unearned revenue liability on the Statement of Net Assets result from this requirement. Net property and equipment (capital assets) of \$16.9 million represents 42.61% of total assets for the 2006 fiscal year compared with \$16.6 million and 43.7% of total assets for the 2005 fiscal year. Long term debt of \$6.47 million represents 31.1% of total liabilities for the 2006 fiscal year compared with \$7.35 million or 33.9% for the 2005 fiscal year. It is noteworthy that almost all (79.5%) of the District's net assets are either invested in capital assets or are restricted for capital asset projects.

## Changes in Net Assets

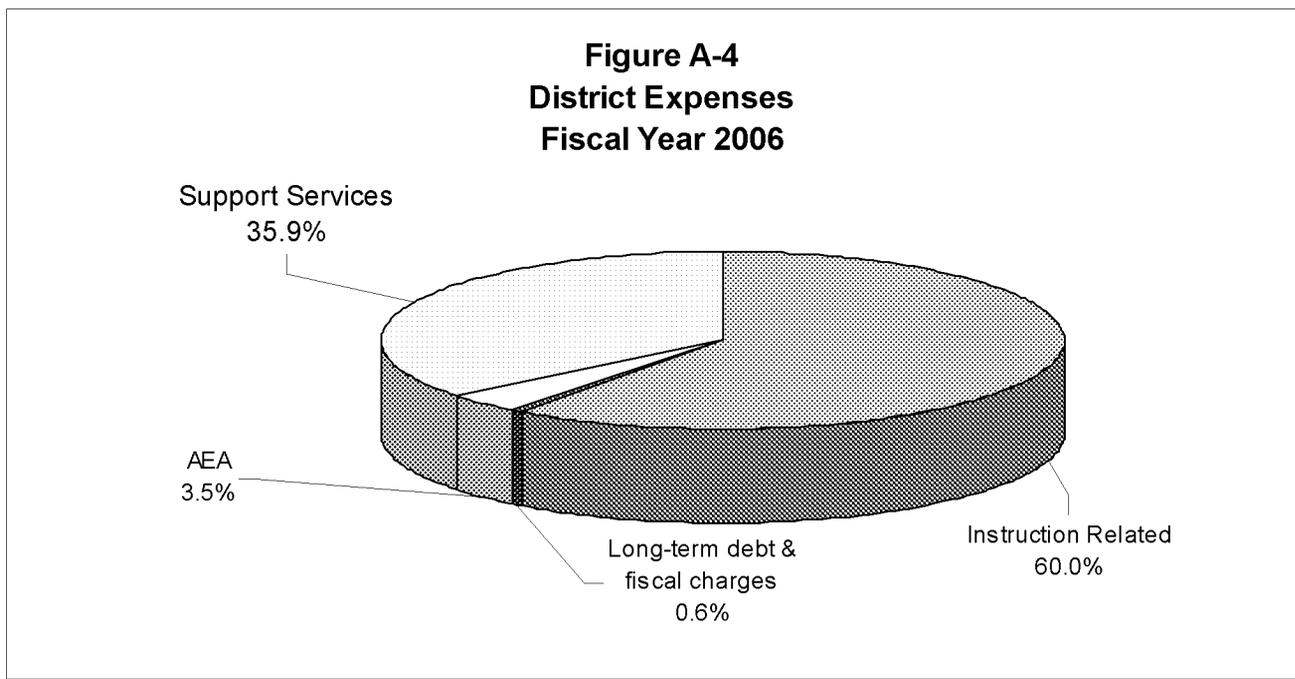
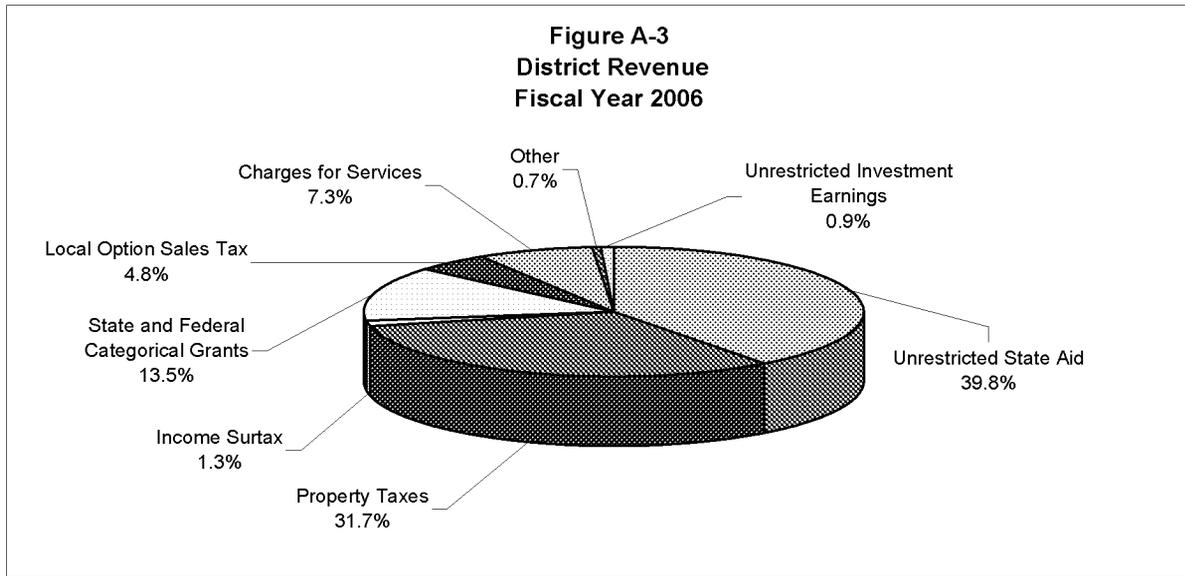
Table A-2 recasts the Statement of Activities into a traditional revenue and expenses format. Unrestricted state aid accounts for 39.8% of total revenue and property tax accounts for 31.7% for the 2006 fiscal year compared with 43.5% and 33.5% respectively for the 2005 fiscal year. Specific categorical grants and contributions from state, federal, and private sources account for 11.8% of revenue for the 2006 fiscal year compared with 12.3% for the 2005 fiscal year. The local option sales tax dedicated to school infrastructure totals 5.0% for 2006 compared with 4.6% for the 2005 fiscal year. The charges for services, mainly tuition and student co-curricular activities, account for 5.7% for the 2006 fiscal year compared with 5.3% for the 2005 fiscal year. (See Figure A-3).

Of the District's expenses for 2006, 60.0% are predominately related to the instruction of students, compared with 65.8% for 2005. The support services, non-instructional programs, and unallocated depreciation categories account for 40.0% for 2006 compared with 34.2% of expenses for 2005. (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		
	2005	2006	2005	2006	2005	2006	
Revenues							
Program Revenues:							
Charges for services	1,896,299	2,208,228	765,454	744,036	\$2,661,753	\$2,952,264	10.91%
Operating Grants & Contributions	4,431,482	4,545,544	866,375	908,450	\$5,297,857	\$5,453,994	2.95%
Capital Grants & Contributions	0	0	0	0	\$0	\$0	0.00%
General Revenues:							
Property Taxes - General	11,317,375	11,975,235	0	0	\$11,317,375	\$11,975,235	5.81%
Income Surtax	0	541,695	0	0		\$541,695	100.00%
Local Option Sales Tax	1,670,939	1,949,301	0	0	\$1,670,939	\$1,949,301	16.66%
Property Tax - Capital Outlay	789,596	790,976	0	0	\$789,596	\$790,976	0.17%
State formula aid	15,735,920	16,027,153	0	0	\$15,735,920	\$16,027,153	1.85%
Unrestricted Investment Earnings	187,622	347,945	2,588	4,795	\$190,210	\$352,740	85.45%
Other	125,323	260,661	0	0	\$125,323	\$260,661	107.99%
Total Revenues	\$36,154,556	\$38,646,738	\$1,634,417	\$1,657,281	\$37,788,973	\$40,304,019	6.66%
Expenses							
Instruction	21,989,010	22,596,742	0	0	\$21,989,010	\$22,596,742	2.76%
Student Services	1,227,542	1,676,128	0	0	\$1,227,542	\$1,676,128	36.54%
Instructional Staff Services	1,506,657	1,874,893	0	0	\$1,506,657	\$1,874,893	24.44%
Administrative & Business	2,812,121	3,494,412	0	0	\$2,812,121	\$3,494,412	24.26%
Maintenance & Operations	2,443,822	3,043,608	0	0	\$2,443,822	\$3,043,608	24.54%
Transportation	913,548	1,095,412	0	0	\$913,548	\$1,095,412	19.91%
Non-Instructional Programs	50,297	24,210	1,635,026	1,596,042	\$1,685,323	\$1,620,252	-3.86%
Facilities Acquisition	326,249	100,056	0	0	\$326,249	\$100,056	-69.33%
Long-term debt and fiscal charges	258,428	208,226	0	0	\$258,428	\$208,226	-19.43%
AEA Flowthrough	1,307,783	1,333,850	0	0	\$1,307,783	\$1,333,850	1.99%
Depreciation (Unallocated)	597,586	628,514	0	0	\$597,586	\$628,514	5.18%
Total Expenses	\$33,433,043	\$36,076,051	\$1,635,026	\$1,596,042	\$35,068,069	\$37,672,093	7.43%
Excess (deficiency) before special item	\$2,721,513	\$2,570,687	(\$609)	\$61,239	\$2,720,904	\$2,631,926	-3.27%
Special item description	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
Increase (decrease) in net assets	\$2,721,513	\$2,570,687	(\$609)	\$61,239	\$2,720,904	\$2,631,926	-3.27%



**Governmental Activities**

Revenues for governmental activities were \$38.64 million while expenses amounted to \$36.08 million for 2006 compared with \$36.15 million and \$33.43 million for 2005; the District does need to watch expenses to match as closely as possible with available revenues as the percentage increase in expenses was higher than the revenue percentage increase. The local option sales tax revenue of \$1.95 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
	2005	2006	2005-06%	2005	2006	2005-06%
Instruction	\$21,989,010	\$22,596,742	2.76%	\$17,291,209	\$17,674,164	2.21%
Pupil & Instructional Services	\$2,734,199	\$3,551,021	29.87%	\$2,556,483	\$3,200,793	25.20%
Administrative & Business	\$2,812,121	\$3,494,412	24.26%	\$2,812,121	\$3,494,412	24.26%
Maintenance & Operations	\$2,443,822	\$3,043,608	24.54%	\$2,406,957	\$3,012,268	25.15%
Transportation	\$913,548	\$1,095,412	19.91%	\$836,223	\$1,016,364	21.54%
L-T Debt & Fiscal Charges	\$258,428	\$208,226	-19.43%	\$258,428	\$208,226	-19.43%
Other	\$2,281,915	\$2,086,630	-8.56%	\$943,841	\$716,052	-24.13%
<b>TOTAL</b>	<b>\$33,433,043</b>	<b>\$36,076,051</b>	<b>-7.91%</b>	<b>\$27,105,262</b>	<b>\$29,322,279</b>	<b>8.18%</b>

- The cost of all governmental activities this year was \$36.08 million.
- Some of the cost (\$2.2 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 \$4.54 million.
- Most of the District's costs (\$29.3 million), however, were financed by District taxpayers and the taxpayers of our state.
- The net cost portion of governmental activities was financed with \$12.76 million in property taxes, \$.54 million in Income Surtax, \$16.02 million in unrestricted state aid, \$1.95 million in local option sales taxes, and \$.608 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 revenues exceeded expenses for the first time in four years. During the 2006 fiscal year the amount of excess revenue was \$61,239 compared to a loss of \$609 for the 2005 fiscal year. Revenues did rise 1.39% to \$1,657,281, while expenses fell 2.4% to \$1,596,042. The District has turned the corner.
- Lunch prices remained the same as last year.
- Salaries and benefits costs decreased .8% from \$696,042 to \$690,366, even though the district paid out over \$35,000 in severance pay as the employees were outsourced to the Food Service Management Company. However, the purchased services cost increased 5.2% from \$131,631 to \$138,480, and the supplies cost decreased 5.4% from \$790,528 to \$747,832. The reductions in the salaries and benefits and supplies were enough to offset the increase in purchased services.

**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 \$7,721 million--11.43 percent higher than the prior year's ending fund balance of \$6,929 million.

All of the District's governmental funds had more revenues and other financing sources than expenditures in 2006, 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) showed a net gain of \$61,239 for the first time in four years in 2006. The meal and milk counts were up over the previous year. The food cost per meal and benefits were reduced over the previous year. Employee absenteeism was down from the previous year, thus reducing the substitute costs.

### **Budgetary Highlights**

- The District levied \$712,000 for cash reserve in the 2006 fiscal year--down from \$1,100,135 in the 2005 fiscal year--this is a decrease of 35.3%. The district levied part of the funds for the Senior High School asbestos project from 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 and safety 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, because of the account changes that were necessary to upload the Certified Annual Report to the state Department of Education that were completed after the amendment was approved, the support services expenditures area of the budget was overspent. This meant that the certified budget was exceeded in the support services expenditures. This will be watched carefully in the future.

- The District's budget versus actual results was within acceptable management planning parameters. The final variance was a positive \$706,080 compared to the previous year's deficit of \$428,147. This deficit was caused by a one-time GAAP conversion which added two months of additional expenditures to the 2005 fiscal year.
- The Special Education deficit balance increased from \$323,582 in the 2005 fiscal year to \$814,072 in the 2006 fiscal year. Factors affecting the deficit balance were an increase in number and cost for tuition out students, increase in the number of teachers and cost of salaries and benefits for teaching staff, and the increase in transportation costs.

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 2006, the District had invested \$16.91 million (net accumulated depreciation of 15.76 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 2.1% increase 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 \$1,182 million.

During the 2006 fiscal year the District continued with renovations at the Senior High School Building, which cost \$664,939 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 \$255,440 from the General Fund for asbestos and boiler work at Riverside School during the 2006 fiscal year and \$49,515 from the Physical Plant and Equipment Fund for the arches project at Cooper Elementary School and tuckpointing at the Central Administration Building.

The District's five older elementary school buildings currently average 62 years of age. New school construction needs will need to be examined in the future.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total School District</b>		<b>Total Percentage Change</b>
	2005	2006	2005	2006	2005	2006	2005-06
	Land	483,811	483,811	0	0	483,811	483,811
Construction In Progress	0	317,316		0		317,316	100.00%
Buildings	14,216,245	14,331,060	0	0	14,216,245	14,331,060	0.81%
Improvements other than buildings	216,663	288,561	0	0	216,663	288,561	33.18%
Equipment & Furniture	1,532,623	1,375,754	122,086	110,927	1,654,709	1,486,681	-10.15%
<b>TOTAL</b>	<b>\$16,449,342</b>	<b>\$16,796,502</b>	<b>\$122,086</b>	<b>\$110,927</b>	<b>\$16,571,428</b>	<b>\$16,907,429</b>	<b>2.03%</b>

### Long-Term Debt

At year end the District had \$6.466 million in general obligation bonds and other long-term obligations outstanding—a decrease of 11.98 % 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.)

	<b>Governmental Activities</b>		<b>Total Percentage Change</b>
	2005	2006	2005-06
	General Obligation Bonds*	4,285,000	3,295,000
Other Liabilities	3,062,258	3,171,795	+03.58%
<b>TOTAL</b>	<b>\$7,347,258</b>	<b>\$6,466,795</b>	<b>-11.98%</b>

\* Financed with sales taxes

- The District retired \$.990 million of its general obligation bonds in 2006.
- There are no current plans to issue additional debt in 2007.
- The district increased its long-term liabilities (other liabilities) \$109,537 during the year. This increase was made up of a reduction in early retirement liabilities and an increase in compensated absence liabilities.

### **Bond Ratings**

The District does not have a General Obligation Bond Rating from Moody's for fiscal year 2006 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-fourth 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 62 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. The allowable growth in aid to schools was only 4% for fiscal year 2006. 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 5.85%. 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, Central Administration Building, 104 South 17<sup>th</sup> Street, Fort Dodge, Iowa, 50501, Phone number: 515-574-5644, Fax number: 515-574-5322, or [jachristensen@fort-dodge.k12.ia.us](mailto:jachristensen@fort-dodge.k12.ia.us) for e-mail.

This page intentionally left blank

## Basic Financial Statements

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 9,907,472	\$ 138,108	\$ 10,045,580
Receivables:			
Property tax:			
Current year	221,211	-	221,211
Succeeding year	10,882,000	-	10,882,000
Income surtax	541,695	-	541,695
Accrued interest	10,085	-	10,085
Due from other governments	1,049,475	-	1,049,475
Inventories	-	15,365	15,365
Prepaid expenses	6,026	-	6,026
Capital assets, net of accumulated depreciation (note 5)	16,796,502	110,927	16,907,429
<b>Total assets</b>	<b>39,414,466</b>	<b>264,400</b>	<b>39,678,866</b>
<b>Liabilities</b>			
Accounts payable	302,293	54,855	357,148
Salaries and benefits payable	3,069,694	-	3,069,694
Accrued interest payable	14,490	-	14,490
Deferred revenue:			
Succeeding year property tax	10,882,000	-	10,882,000
Other	16,482	6,461	22,943
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	182,983	-	182,983
Bonds payable	1,045,000	-	1,045,000
Compensated absences	348,198	-	348,198
Portion due after one year:			
Early retirement	108,872	-	108,872
Bonds payable	2,250,000	-	2,250,000
Notes payable	2,531,013	-	2,531,013
<b>Total liabilities</b>	<b>20,751,025</b>	<b>61,316</b>	<b>20,812,341</b>

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2006

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 13,501,502	\$ 110,927	\$ 13,612,429
Restricted for:			
Management levy	631,233	-	631,233
Other special revenue purposes	354,693	-	354,693
Debt service	85,833	-	85,833
Capital projects	1,388,726	-	1,388,726
Unrestricted	<u>2,701,454</u>	<u>92,157</u>	<u>2,793,611</u>
Total net assets	<u>\$ 18,663,441</u>	<u>\$ 203,084</u>	<u>\$ 18,866,525</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental Activities:			
Instruction:			
Regular instruction	\$ 14,312,150	\$ 1,053,186	\$ 832,302
Special instruction	5,295,132	20,198	1,769,952
Other instruction	2,989,460	1,103,504	143,436
	<u>22,596,742</u>	<u>2,176,888</u>	<u>2,745,690</u>
Support services:			
Student services	1,676,128	-	217,206
Instructional staff services	1,874,893	-	133,022
Administration services	3,494,412	-	-
Operation and maintenance of plant services	3,043,608	31,340	-
Transportation services	1,095,412	-	79,048
	<u>11,184,453</u>	<u>31,340</u>	<u>429,276</u>
Non-instructional programs	<u>24,210</u>	<u>-</u>	<u>36,728</u>
Other expenditures:			
Facilities acquisition	100,056	-	-
Long-term debt interest and fiscal charges	208,226	-	-
AEA flowthrough	1,333,850	-	1,333,850
Depreciation (unallocated) *	628,514	-	-
	<u>2,270,646</u>	<u>-</u>	<u>1,333,850</u>
Total governmental activities	<u>36,076,051</u>	<u>2,208,228</u>	<u>4,545,544</u>
Business-Type Activities:			
Support services:			
Food service operations	43,393	-	-
Non-instructional programs:			
Food service operations	1,552,649	744,036	908,450
	<u>1,596,042</u>	<u>744,036</u>	<u>908,450</u>
Total	<u>\$ 37,672,093</u>	<u>\$ 2,952,264</u>	<u>\$ 5,453,994</u>

Net (Expense) Revenue  
and Changes in Net Assets

---

Governmental Activities	Business-Type Activities	Total
\$ (12,426,662)	\$ -	\$ (12,426,662)
(3,504,982)	-	(3,504,982)
(1,742,520)	-	(1,742,520)
(17,674,164)	-	(17,674,164)
(1,458,922)	-	(1,458,922)
(1,741,871)	-	(1,741,871)
(3,494,412)	-	(3,494,412)
(3,012,268)	-	(3,012,268)
(1,016,364)	-	(1,016,364)
(10,723,837)	-	(10,723,837)
12,518	-	12,518
(100,056)	-	(100,056)
(208,226)	-	(208,226)
-	-	-
(628,514)	-	(628,514)
(936,796)	-	(936,796)
(29,322,279)	-	(29,322,279)
-	(43,393)	(43,393)
-	99,837	99,837
-	56,444	56,444
(29,322,279)	56,444	(29,265,835)

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2006

Functions/Programs

---

General Revenues:

Property tax levied for:

General purposes

Capital outlay

Income surtax

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

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
\$ 11,975,235	\$ -	\$ 11,975,235
790,976	-	790,976
541,695	-	541,695
1,949,301	-	1,949,301
16,027,153	-	16,027,153
347,945	4,795	352,740
260,661	-	260,661
31,892,966	4,795	31,897,761
2,570,687	61,239	2,631,926
16,092,754	141,845	16,234,599
\$ 18,663,441	\$ 203,084	\$ 18,866,525

## FORT DODGE COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2006

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and pooled investments	\$ 6,954,769	\$ 2,846,154	\$ 9,800,923
Receivables:			
Property tax:			
Current year	185,397	35,814	221,211
Succeeding year	9,487,000	1,395,000	10,882,000
Income surtax	541,695	-	541,695
Accrued interest	-	10,085	10,085
Interfund receivable (note 3)	105,925	-	105,925
Due from other governments	897,448	152,027	1,049,475
Prepaid expenses	6,026	-	6,026
	<u>18,178,260</u>	<u>4,439,080</u>	<u>22,617,340</u>
Total assets	\$ <u>18,178,260</u>	\$ <u>4,439,080</u>	\$ <u>22,617,340</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 43,559	\$ 243,000	\$ 286,559
Salaries and benefits payable	3,063,425	6,269	3,069,694
Interfund payable (note 3)	-	100,000	100,000
Deferred revenue:			
Succeeding year property tax	9,487,000	1,395,000	10,882,000
Other	541,695	16,482	558,177
Total liabilities	<u>13,135,679</u>	<u>1,760,751</u>	<u>14,896,430</u>
Fund balance:			
Reserved for:			
Prepaid expenses	6,026	-	6,026
Debt service	-	100,323	100,323
Unreserved:			
Reported in nonmajor Special Revenue Funds	-	1,189,280	1,189,280
Undesignated	5,036,555	1,388,726	6,425,281
Total fund balances	<u>5,042,581</u>	<u>2,678,329</u>	<u>7,720,910</u>
Total liabilities and fund balances	\$ <u>18,178,260</u>	\$ <u>4,439,080</u>	\$ <u>22,617,340</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, 2006

Total fund balances of governmental funds	\$ 7,720,910
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.	16,796,502
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	541,695
The Internal Service Fund net assets are directly related to the Governmental Funds due to the types of services provided and are, therefore, included in the District-wide statement of net assets under governmental activities.	84,890
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.	(14,490)
Long-term liabilities, including bonds payable, early retirement and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(6,466,066)</u>
Net assets of governmental activities	<u>\$ 18,663,441</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, 2006

	General	Nonmajor Governmental Funds	Total
<b>Revenues:</b>			
Local sources:			
Local tax	\$ 10,775,686	\$ 3,939,826	\$ 14,715,512
Tuition	901,333	-	901,333
Other	568,704	1,259,373	1,828,077
Intermediate sources	2,150	-	2,150
State sources	18,834,213	1,849	18,836,062
Federal sources	1,818,330	-	1,818,330
Total revenues	<u>32,900,416</u>	<u>5,201,048</u>	<u>38,101,464</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular instruction	13,880,653	337,117	14,217,770
Special instruction	5,265,338	-	5,265,338
Other instruction	2,089,107	900,352	2,989,459
	<u>21,235,098</u>	<u>1,237,469</u>	<u>22,472,567</u>
Support services:			
Student services	1,676,128	-	1,676,128
Instructional staff services	1,610,718	264,175	1,874,893
Administration services	3,351,262	104,646	3,455,908
Operation and maintenance of plant services	2,741,337	306,037	3,047,374
Transportation services	836,973	156,779	993,752
	<u>10,216,418</u>	<u>831,637</u>	<u>11,048,055</u>
Non-instructional programs	<u>24,210</u>	-	<u>24,210</u>
Other expenditures:			
Facilities acquisition	-	1,232,599	1,232,599
Long term debt:			
Principal	-	990,000	990,000
Interest and fiscal charges	-	212,495	212,495
AEA flowthrough	1,333,850	-	1,333,850
	<u>1,333,850</u>	<u>2,435,094</u>	<u>3,768,944</u>
Total expenditures	<u>32,809,576</u>	<u>4,504,200</u>	<u>37,313,776</u>
Excess (deficiency) of revenues over (under) expenditures	<u>90,840</u>	<u>696,848</u>	<u>787,688</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2006

	General	Nonmajor Governmental Funds	Total
Other financing sources (uses):			
Sale of equipment	\$ 3,579	\$ -	\$ 3,579
Interfund transfers in (note 4)	-	1,311,120	1,311,120
Interfund transfers out (note 4)	(108,728)	(1,202,392)	(1,311,120)
Total other financing sources (uses)	(105,149)	108,728	3,579
Net change in fund balances	(14,309)	805,576	791,267
Fund balances beginning of year	5,056,890	1,872,753	6,929,643
Fund balances end of year	\$ 5,042,581	\$ 2,678,329	\$ 7,720,910

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, 2006

Net change in fund balances - total governmental funds \$ 791,267

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:

Expenditures for capital assets	\$ 1,513,441	
Depreciation expense	<u>(1,166,281)</u>	347,160

Income surtax revenue not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 541,695

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 990,000

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. 4,269

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. (144,145)

The increase in the Internal Service Fund balance reflects an overcharge to governmental activities for the services provided. Expenses in the statement of activities are adjusted to reflect this overcharge. 40,441

Change in net assets of governmental activities \$ 2,570,687

See notes to financial statements.

## FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2006

	Nonmajor Enterprise Fund	Internal Service Funds
	<u>          </u>	<u>          </u>
Assets		
Cash and cash equivalents	\$ 138,108	\$ 106,549
Inventories	15,365	-
Capital assets, net of accumulated depreciation	110,927	-
Total assets	<u>264,400</u>	<u>106,549</u>
Liabilities		
Accounts payable	54,855	15,734
Interfund payables	-	5,925
Deferred revenue:		
Other	6,461	-
Total liabilities	<u>61,316</u>	<u>21,659</u>
Net Assets		
Invested in capital assets	110,927	-
Unrestricted	<u>92,157</u>	<u>84,890</u>
Total net assets	<u>\$ 203,084</u>	<u>\$ 84,890</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, 2006

	Nonmajor Enterprise Fund	Internal Service Funds
	<u>          </u>	<u>          </u>
Operating revenues:		
Local sources:		
Charges for services	\$ 744,036	\$ 303,886
Operating expenses:		
Support services:		
Food service operations:		
Salaries	22,910	-
Benefits	10,034	-
Purchased services	6,062	-
Supplies	1,163	-
Other	3,224	-
	<u>43,393</u>	<u>-</u>
Non-instructional programs:		
Food service operations:		
Salaries	454,453	-
Benefits	167,633	-
Purchased services	167,755	-
Supplies	746,669	-
Depreciation	16,139	-
	<u>1,552,649</u>	<u>-</u>
Internal service operations:		
Purchased services	-	267,319
Total expenses	<u>1,596,042</u>	<u>267,319</u>
Operating income (loss)	<u>(852,006)</u>	<u>36,567</u>
Non-operating revenues:		
Interest on investments	4,795	3,874
State sources	20,078	-
Federal sources	888,372	-
Total non-operating revenues	<u>913,245</u>	<u>3,874</u>
Change in net assets	61,239	40,441
Net assets beginning of year	<u>141,845</u>	<u>44,449</u>
Net assets end of year	<u>\$ 203,084</u>	<u>\$ 84,890</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2006

	Nonmajor Enterprise Fund	Internal Service Funds
	<u>          </u>	<u>          </u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 715,946	\$ 217,887
Cash received from miscellaneous operating activities	33,226	85,999
Cash payments to employees for services	(690,367)	(198,612)
Cash payments to suppliers for goods or services	<u>(807,432)</u>	<u>(112,134)</u>
Net cash used by operating activities	<u>(748,627)</u>	<u>(6,860)</u>
Cash flows from non-capital financing activities:		
State grants received	20,078	-
Federal grants received	802,646	-
Increase in due to other funds	<u>-</u>	<u>2,925</u>
Net cash provided by non-capital financing activities	<u>822,724</u>	<u>2,925</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(4,980)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>4,795</u>	<u>3,874</u>
Net increase (decrease) in cash and cash equivalents	73,912	(61)
Cash and cash equivalents beginning of year	<u>64,196</u>	<u>106,610</u>
Cash and cash equivalents end of year	<u>\$ 138,108</u>	<u>\$ 106,549</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2006

	Nonmajor Enterprise Fund	Internal Service Funds
	<u>          </u>	<u>          </u>
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating income (loss)	\$ (852,006)	\$ 36,567
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation	16,139	-
Commodities used	85,726	-
Decrease in accounts receivable	7,772	-
Decrease in inventories	4,321	-
Increase (decrease) in accounts payable	27,394	(12,943)
(Decrease) in deferred revenues	(2,636)	-
(Decrease) in compensated absences payable	(35,337)	-
(Decrease) in incurred but not reported claims	<u>          -</u>	<u>          (30,484)</u>
Net cash used by operating activities	<u>\$ (748,627)</u>	<u>\$ (6,860)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$85,726 of federal commodities.

See notes to financial statements.

## FORT DODGE COMMUNITY SCHOOL DISTRICT

 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 June 30, 2006

	<u>Self-funded Dental Plan</u>	<u>Flex Benefit Plan</u>	<u>Total (Memorandum Only)</u>
Assets			
Cash and pooled investments	\$ <u>104,079</u>	\$ <u>2,470</u>	\$ <u>106,549</u>
Liabilities			
Accounts payable	15,734	-	15,734
Interfund payable (note 3)	-	5,925	5,925
Total liabilities	<u>15,734</u>	<u>5,925</u>	<u>21,659</u>
Net Assets			
Unrestricted	\$ <u><u>88,345</u></u>	\$ <u><u>(3,455)</u></u>	\$ <u><u>84,890</u></u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES NET ASSETS  
 INTERNAL SERVICE FUNDS  
 Year Ended June 30, 2006

	Self-funded Dental Plan	Flex Benefit Plan	Total (Memorandum Only)
Operating revenues:			
Local sources:			
Insurance contributions	\$ 217,887	\$ -	\$ 217,887
Flex contributions	-	85,999	85,999
Total operating revenues	217,887	85,999	303,886
Operating expenses:			
Non-instructional programs:			
Premiums/administration	179,689	-	179,689
Flex benefits	-	87,630	87,630
Total operating expenses	179,689	87,630	267,319
Operating income (loss)	38,198	(1,631)	36,567
Non-operating revenues:			
Interest	3,613	261	3,874
Changes in net assets	41,811	(1,370)	40,441
Net assets beginning of year	46,534	(2,085)	44,449
Net assets end of year	\$ 88,345	\$ (3,455)	\$ 84,890

See notes to financial statements.

## FORT DODGE COMMUNITY SCHOOL DISTRICT

 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 Year Ended June 30, 2006

	Self-funded <u>Dental Plan</u>	Flex Benefit <u>Plan</u>	Total (Memorandum Only)
Cash flows from operating activities:			
Cash received from contributions	\$ 217,887	\$ -	\$ 217,887
Cash received from miscellaneous operating activities	-	85,999	85,999
Cash payments for premiums	(198,612)	-	(198,612)
Cash payments for services	(24,504)	(87,630)	(112,134)
Net cash used by operating activities	<u>(5,229)</u>	<u>(1,631)</u>	<u>(6,860)</u>
Cash flows from non-capital financing activities:			
Increase in due to other funds	<u>-</u>	<u>2,925</u>	<u>2,925</u>
Cash flows from investing activities:			
Interest on investments	<u>3,613</u>	<u>261</u>	<u>3,874</u>
Net increase (decrease) in cash and cash equivalents	(1,616)	1,555	(61)
Cash and cash equivalents beginning of year	<u>105,695</u>	<u>915</u>	<u>106,610</u>
Cash and cash equivalents end of year	<u>\$ 104,079</u>	<u>\$ 2,470</u>	<u>\$ 106,549</u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	\$ 38,198	\$ (1,631)	\$ 36,567
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Decrease in accounts payable	(12,943)	-	(12,943)
(Decrease) in health claims incurred but not reported	(30,484)	-	(30,484)
Net cash used by operating activities	<u>\$ (5,229)</u>	<u>\$ (1,631)</u>	<u>\$ (6,860)</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2006

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>322,584</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>322,584</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, 2006

	Private Purpose Trust	
	Scholarship	
Additions:		
Local sources:		
Gifts and contributions	\$ 11,362	
Interest	16,079	
Total additions	27,441	
Deductions:		
Support services:		
Scholarships awarded	32,338	
Change in net assets	(4,897)	
Net assets beginning of year	327,481	
Net assets end of year	\$ 322,584	
See notes to financial statements.		

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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 attributed to the acquisition, construction, or improvement of those assets.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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 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 general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating 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, 2006

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, 2006

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. 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 in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the 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, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

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, 2006

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, unearned registration fees, and unearned meal revenues.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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. Sick leave accumulates up to 150 days for all employee service groups. 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, 2006. 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, 2006, expenditures/expenses in the support services and other expenditures functions exceeded the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2006 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, 2006

Note 2. Cash and Pooled Investments (continued)

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
MBIA Guaranteed Investment Contracts	\$ 850,000
Iowa Schools Joint Investment Trust, Diversified Portfolio	<u>100,672</u>
	<u>\$ 950,672</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 rated Aaa by Moody’s Investors Service.

Note 3. Interfund Receivables/Payables

During the year ended June 30, 2006, the District approved \$100,000 in short-term loans from the General Fund to the Special Revenue, Physical Plant and Equipment Levy Fund. 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. 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	\$ 100,000
	Internal Service, Flex Benefit Plan	<u>5,925</u>
Total		<u>\$ 105,925</u>

In addition to the above noted interfund loan balances, the District approved and repaid \$425,000 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, 2006

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Physical Plant and Equipment Levy	General	\$ 108,728
Debt Service	Capital Projects	<u>1,202,392</u>
Total		<u>\$ 1,311,120</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, 2006 is as follows:

	<u>Balance Beginning of Year</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
Construction in progress	-	317,316	-	317,316
Total capital assets not being depreciated	<u>483,811</u>	<u>317,316</u>	-	<u>801,127</u>
Capital assets being depreciated:				
Buildings	24,221,042	729,459	-	24,950,501
Improvements other than buildings	250,779	85,768	-	336,547
Furniture and equipment	6,067,578	380,898	88,268	6,360,208
Total capital assets being depreciated	<u>30,539,399</u>	<u>1,196,125</u>	<u>88,268</u>	<u>31,647,256</u>
Less accumulated depreciation for:				
Buildings	10,004,797	614,644	-	10,619,441
Improvements other than buildings	34,116	13,870	-	47,986
Furniture and equipment	4,534,955	537,767	88,268	4,984,454
Total accumulated depreciation	<u>14,573,868</u>	<u>1,166,281</u>	<u>88,268</u>	<u>15,651,881</u>
Total capital assets being depreciated, net	<u>15,965,531</u>	<u>29,844</u>	<u>88,268</u>	<u>15,907,107</u>
Governmental activities capital assets, net	<u>\$ 16,449,342</u>	<u>\$ 347,160</u>	<u>\$ -</u>	<u>\$ 16,796,502</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 214,826	\$ 4,980	\$ -	\$ 219,806
Less accumulated depreciation	92,740	16,139	-	108,879
Business-type activities capital assets, net	<u>\$ 122,086</u>	<u>\$ (11,159)</u>	<u>\$ -</u>	<u>\$ 110,927</u>

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

Governmental activities:

    Instruction:

        Regular

\$ 245,682

        Special

90,985

    Support services:

        Administration

59,718

        Operation and maintenance of plant services

39,722

        Transportation

101,660

537,767

Unallocated depreciation

628,514

Total governmental activities depreciation expense

\$ 1,166,281

Business-type activities:

    Food service operations

\$ 16,139

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Early Retirement	School Infrastructure Local Option Sales and Services Tax Revenue Bonds	Compensated Absences	Total
Balance beginning of year	\$ 597,952	\$ 4,285,000	\$ 2,464,306	\$ 7,347,258
Additions	27,213	-	812,004	839,217
Reductions	333,310	990,000	397,099	1,720,409
Balance end of year	<u>\$ 291,855</u>	<u>\$ 3,295,000</u>	<u>\$ 2,879,211</u>	<u>\$ 6,466,066</u>
Due within one year	<u>\$ 182,983</u>	<u>\$ 1,045,000</u>	<u>\$ 348,198</u>	<u>\$ 1,576,181</u>

Early Retirement

The District offered a voluntary early retirement plan to its certified employees until June 30, 2004. Eligible employees must have been at least age fifty-five and employees must have completed ten years of continuous service to the District. The early retirement incentive for the prior years consisted of continuation of single group health insurance at the rate of the last year of employment for sixty months or until the employee reached age 65, which ever came first. The cost of this insurance to the District for the year ended June 30, 2006, is fixed at \$534 per month for teachers and \$504 per month for all other employees.

At June 30, 2006, the District has obligations to 27 participants with a total liability of \$291,855. Actual early retirement expenditures for the year ended June 30, 2006 totaled \$333,310. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 6. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2006 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
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>\$ 3,295,000</u>	<u>\$ 311,988</u>	<u>\$ 3,606,988</u>

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, 2006, 2005, and 2004 were \$1,165,674, \$1,086,579, and \$1,120,655 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.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 8. Risk Management (continued)

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, 2006 were \$5,334,523.

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.

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, 2006 were \$217,887.

The Internal Service Fund, Self-Funded Dental Plan reserve was \$88,345 at June 30, 2006.

The change in the incurred but not reported and unpaid claims liability for the year ended June 30, 2006 is as follows:

Balance beginning of year	\$	30,484
Incurred claims and claim adjustments		168,128
Payment of claims		<u>(198,612)</u>
Balance end of year	\$	<u><u>-</u></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 \$1,333,850 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 10. Construction Commitments

The District entered into various contracts totaling \$683,884, including \$3,655 in change orders, for various projects. As of June 30, 2006, costs of \$317,616 had been incurred against the contracts. The balance of \$366,268 remaining at June 30, 2006 will be paid as work on the projects progresses.

Note 11. Contingent Liability

The District is involved in one ongoing investigation concerning a workers' compensation 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 \$88,501 at June 30, 2006. In addition, the nonmajor Internal Service Fund, Flex Benefit Plan had an unreserved, undesignated net assets deficit of \$3,455 at June 30, 2006.

Required Supplementary Information

FORT DODGE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –  
 Budget and Actual – All Governmental Funds  
 and Proprietary Fund  
 Required Supplementary Information  
 Year Ended June 30, 2006

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>REVENUES:</b>						
Local sources	\$ 17,444,922	\$ 748,831	\$ 18,193,753	\$ 17,284,151	\$ 17,284,151	\$ 909,602
Intermediate sources	2,150	-	2,150	3,000	3,000	(850)
State sources	18,836,062	20,078	18,856,140	18,826,508	18,826,508	29,632
Federal sources	1,818,330	888,372	2,706,702	2,479,630	2,479,630	227,072
<b>Total revenues</b>	<b>38,101,464</b>	<b>1,657,281</b>	<b>39,758,745</b>	<b>38,593,289</b>	<b>38,593,289</b>	<b>1,165,456</b>
<b>EXPENDITURES/EXPENSES:</b>						
Instruction	22,472,567	-	22,472,567	23,245,356	23,743,601	1,271,034
Support services	11,048,055	43,393	11,091,448	9,937,052	10,592,629	(498,819)
Non-instructional programs	24,210	1,552,649	1,576,859	1,694,286	1,721,033	144,174
Other expenditures	3,768,944	-	3,768,944	2,823,249	3,558,635	(210,309)
<b>Total expenditures</b>	<b>37,313,776</b>	<b>1,596,042</b>	<b>38,909,818</b>	<b>37,699,943</b>	<b>39,615,898</b>	<b>706,080</b>
Excess (deficiency) of revenues over (under) expenditures/ expenses	787,688	61,239	848,927	893,346	(1,022,609)	1,871,536
Other financing sources, net	3,579	-	3,579	1,501	1,501	2,078
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	791,267	61,239	852,506	894,847	(1,021,108)	1,873,614
Balance beginning of year	6,929,643	141,845	7,071,488	9,295,327	9,295,327	(2,223,839)
Balance end of year	\$ <u>7,720,910</u>	\$ <u>203,084</u>	\$ <u>7,923,994</u>	\$ <u>10,190,174</u>	\$ <u>8,274,219</u>	\$ <u>(350,225)</u>

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
June 30, 2006

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 internal service, 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 accrual basis. Encumbrances are not recognized on the 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 functions, 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 by fund. 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, the District adopted one budget amendment increasing budgeted expenditures or expenses by \$1,915,955.

During the year ended June 30, 2006, expenditures/expenses in the support services and other expenditures functions exceeded the amounts budgeted.

This page intentionally left blank

Other Supplementary Information

FORT DODGE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2006

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Assets				
Cash and pooled investments	\$ 907,623	\$ 378,993	\$ 26,750	\$ 100,323
Receivables:				
Property tax:				
Current year	21,734	-	14,080	-
Succeeding year	679,000	-	716,000	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 1,608,357	\$ 378,993	\$ 756,830	\$ 100,323
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ 7,818	\$ 29,331	\$ -
Salaries and benefits payable	6,269	-	-	-
Interfund payable	-	-	100,000	-
Deferred revenue:				
Succeeding year property tax	679,000	-	716,000	-
Other	-	16,482	-	-
Total liabilities	685,269	24,300	845,331	-
Fund equity:				
Fund balances:				
Reserved for:				
Debt service	-	-	-	100,323
Unreserved:				
Undesignated	923,088	354,693	(88,501)	-
Total fund equity	923,088	354,693	(88,501)	100,323
Total liabilities and fund equity	\$ 1,608,357	\$ 378,993	\$ 756,830	\$ 100,323

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ 1,432,465	\$ 2,846,154
-	35,814
-	1,395,000
10,085	10,085
<u>152,027</u>	<u>152,027</u>
<u>\$ 1,594,577</u>	<u>\$ 4,439,080</u>
\$ 205,851	\$ 243,000
-	6,269
-	100,000
-	1,395,000
-	16,482
<u>205,851</u>	<u>1,760,751</u>
-	100,323
<u>1,388,726</u>	<u>2,578,006</u>
<u>1,388,726</u>	<u>2,678,329</u>
<u>\$ 1,594,577</u>	<u>\$ 4,439,080</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2006

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Revenues:				
Local sources:				
Local tax	\$ 1,199,549	\$ -	\$ 790,976	\$ -
Other	58,001	1,034,929	78,997	-
State sources	1,127	-	722	-
Total revenues	<u>1,258,677</u>	<u>1,034,929</u>	<u>870,695</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	336,804	-	313	-
Other instruction	-	900,352	-	-
Support services:				
Instructional staff services	55,632	-	208,543	-
Administration services	97,066	-	7,441	-
Operation and maintenance of plant services	191,606	-	114,431	-
Transportation services	127,522	-	29,257	-
Other expenditures:				
Facilities acquisition	-	-	605,665	-
Long term debt:				
Principal	-	-	-	990,000
Interest and fiscal charges	-	-	-	212,495
Total expenditures	<u>808,630</u>	<u>900,352</u>	<u>965,650</u>	<u>1,202,495</u>
Excess (deficiency) of revenues over (under) expenditures	450,047	134,577	(94,955)	(1,202,495)
Other financing sources (uses):				
Interfund transfers in	-	-	108,728	1,202,392
Interfund transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>108,728</u>	<u>1,202,392</u>

	<u>Capital Projects</u>		<u>Total</u>
\$	1,949,301	\$	3,939,826
	87,446		1,259,373
	-		1,849
	<u>2,036,747</u>		<u>5,201,048</u>
	-		337,117
	-		900,352
	-		264,175
	139		104,646
	-		306,037
	-		156,779
	626,934		1,232,599
	-		990,000
	-		212,495
	<u>627,073</u>		<u>4,504,200</u>
	1,409,674		696,848
	-		1,311,120
	<u>(1,202,392)</u>		<u>(1,202,392)</u>
	<u>(1,202,392)</u>		<u>108,728</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2006

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Excess (deficiency) of revenues over (under) expenditures and other financing uses	\$ 450,047	\$ 134,577	\$ 13,773	\$ (103)
Fund balances beginning of year	473,041	220,116	(102,274)	100,426
Fund balances end of year	\$ 923,088	\$ 354,693	\$ (88,501)	\$ 100,323

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ 207,282	\$ 805,576
<u>1,181,444</u>	<u>1,872,753</u>
<u>\$ 1,388,726</u>	<u>\$ 2,678,329</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
Council	\$ 1,030	\$ 1,823	\$ 2,174	\$ 679
Activity Club	57,371	18,726	1,661	74,436
Video Club	2,261	-	2,424	(163)
Radio Club	(398)	25	-	(373)
Birdseye Book Club	9,283	1,457	1,500	9,240
Professional Development	2,744	-	-	2,744
Magazines	2,792	-	-	2,792
Porter Fund	760	9,827	9,201	1,386
Student Flowers	61	750	914	(103)
District-wide Start School	2,808	-	253	2,555
Community Holiday Party	2	-	-	2
Speak Camp	227	-	-	227
Bus Garage Pop Money	2,910	1,646	1,235	3,321
Activity Class of 1973 Scholarship	519	-	-	519
HS Girls Tennis Fundraiser	73	2,175	2,175	73
HS Cross Country Fundraiser	33	1,706	1,544	195
Computer Media	-	2,372	2,767	(395)
Dodger Diner	-	2,105	1,942	163
Drama Club	6,612	4,700	3,673	7,639
Debate Club	(8,000)	12,797	5,520	(723)
Speech Club	(3,847)	7,540	4,182	(489)
Vocal Music	6,477	2,886	4,692	4,671
Band Club	5,787	23,850	17,188	12,449
Coed Cross Country	4,208	1,133	3,341	2,000
HS Boys Basketball	2,482	8,673	11,155	-
HS Football	5,602	35,363	40,965	-
HS Boys Soccer	10,106	5,778	10,884	5,000
HS Boys Baseball	1	10,154	10,154	1
HS Boys Track	1,024	7,909	6,346	2,587
HS Boys Tennis	-	3,377	3,377	-
HS Boys Golf	-	5,415	5,415	-
HS Boys Swimming	671	2,555	1,726	1,500
HS Wrestling	3,019	14,079	16,098	1,000
HS Girls Basketball	-	6,413	6,413	-
HS Volleyball	-	6,868	6,868	-
HS Girls Soccer	9,557	203	4,760	5,000
HS Girls Softball	(1)	6,020	5,803	216
HS Girls Track	2,538	5,970	5,653	2,855
HS Girls Tennis	-	3,419	3,419	-
HS Girls Golf	688	2,804	3,328	164

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
HS Girls Swimming	\$ 2,217	\$ 2,133	\$ 2,850	\$ 1,500
HS Activity	(233,134)	67,774	-	(165,360)
Cap and Gown	1,861	3,759	858	4,762
Concessions	139	50	-	189
Wrestling	1,463	23,107	20,219	4,351
PEP Bus	-	-	-	-
Key Club	310	-	-	310
Girls Swim Fundraiser	941	1,406	450	1,897
Student PCCL	64,973	59,922	74,833	50,062
Senior Dinner Dance	417	3,145	3,168	394
Centel Pay Phone	3,362	5,063	3,247	5,178
Girls Track Fundraiser	(16)	4,084	3,139	929
Musical Club	2,749	18,513	12,969	8,293
VICA	1,225	1,172	1,401	996
French Club	2,856	1,718	1,801	2,773
Spanish Club	6,112	500	564	6,048
German Club	838	1,742	1,317	1,263
FS Club	1,245	2,630	2,542	1,333
Cheerleaders	(10,528)	39,720	21,349	7,843
Student Senate	4,025	7,713	6,015	5,723
Yearbook	4,302	39,213	34,544	8,971
Newspaper	2,928	7,952	6,441	4,439
SADD	143	5,409	4,615	937
Fishing Club	44	-	-	44
Klass Club	14	-	-	14
Huseman All State	11,279	-	8,234	3,045
Advanced Placement	3,030	2,210	1,854	3,386
FCY PCCL	9,119	7,171	8,585	7,705
DECA	753	3,091	3,050	794
National Honor Society	939	7,336	8,186	89
Activity Tickets	-	32,530	-	32,530
Class of 2002	223	-	-	223
Class of 2003	223	-	-	223
Class of 2004	183	-	-	183
Class of 2005	223	-	-	223
Junior Citizen	291	709	880	120
Orchestra Club	1,742	-	-	1,742
Booster Club	(26)	-	-	(26)
Friskies	-	-	-	-
Sports Season Pass	16,925	-	16,925	-

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
Tournaments	\$ 22,173	\$ 80,972	\$ 94,542	\$ 8,603
Football Fundraisers	5,217	40,582	42,346	3,453
Girls Basketball Fundraisers	10,196	9,721	8,282	11,635
Boys Basketball Fundraisers	310	18,981	14,197	5,094
Orchestra Trip	324	196	90	430
Jamar Funds	711	-	-	711
Baseball Fundraisers	(3,680)	17,439	10,645	3,114
Volleyball Fundraisers	2,169	4,709	3,194	3,684
Driver Education Club	-	-	-	-
IMC Coper	428	-	-	428
Start School	-	-	-	-
Multi-Cultural Club	9	-	-	9
Science Club Fundraisers	681	-	-	681
Softball Fundraisers	8,501	3,437	10,496	1,442
Dodger Senate	8,553	-	-	8,553
Dodger Communication Committee	250	-	-	250
Drill Team	854	2,816	4,801	(1,131)
Science Club	(21)	-	-	(21)
Weight Room	27	-	-	27
English Club Donut Account	158	-	-	158
Math Prize	4,209	1,167	1,210	4,166
Art Club	135	1,100	364	871
Scoreboard Advertising	6,163	9,477	4,795	10,845
Boys Swim Fundraiser	188	1,926	1,923	191
Girls Soccer Fundraiser	981	1,216	1,315	882
Boys Soccer Fundraiser	23	6,501	4,677	1,847
Boys Golf Fundraiser	575	2,321	1,650	1,246
Boys Tennis Fundraiser	845	1,150	920	1,075
Boys Track Fundraiser	(112)	112	-	-
Phillips Middle School:				
Vocal Music	5,480	14,580	11,202	8,858
Instrumental	2,749	11,057	7,104	6,702
Phillips Orchestra	-	1,366	156	1,210
Boys Basketball	-	4,536	4,536	-
Football Fundraiser	15,480	15,984	5,901	25,563
Boys Track	767	2,845	3,612	-
Boys Wrestling	1,346	3,100	4,055	391
Girls Basketball	957	4,453	5,410	-
Girls Volleyball	755	2,228	2,052	931
Girls Track	866	2,019	2,615	270

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Phillips Middle School (continued):				
PCCL	\$ (1,646)	\$ 8,734	\$ 6,987	\$ 101
Activities	(5,544)	-	6,277	(11,821)
Yearbook	1,910	11,253	10,407	2,756
7th Red	222	1,324	1,700	(154)
7th White	-	13,943	12,708	1,235
7th Blue	997	4,019	4,487	529
8th Red	(556)	11,582	7,952	3,074
8th White	-	-	-	-
8th Blue	1,800	7,887	7,818	1,869
Magazine Fundraisers	(732)	732	-	-
Start School	2,093	-	9	2,084
Cross Country	159	1,620	1,779	-
Allsport Machine	1,370	11,518	8,154	4,734
Juice Machine	913	1,315	2,415	(187)
S Larsen	-	2,951	1,719	1,232
Student Planner	198	1,933	-	2,131
Wrestling Fundraiser	303	-	-	303
Participation Fees	-	-	-	-
Softball	114	362	281	195
BD Classes Income	362	-	48	314
Fair Oakes Middle School:				
Vocal Music	2,679	13,472	11,262	4,889
Instrumental	366	1,275	172	1,469
Activities	(3,397)	-	301	(3,698)
PCCL	1,372	3,398	1,756	3,014
Yearbook	5,232	4,022	5,213	4,041
6th Red	277	6,515	4,974	1,818
6th Blue	-	6,338	5,948	390
6th Gold	4,587	1,395	4,371	1,611
5th Red	-	8,325	6,315	2,010
5th Blue	2,894	9,241	9,799	2,336
5th Gold	985	8,060	8,511	534
Juice Machine	4,497	5,171	5,659	4,009
Pencil Sales	690	581	472	799
Mile of Pennies	-	2,394	-	2,394
Student Planner	9,991	316	4,059	6,248
Elementary Schools:				
Butler PCCL	810	1,525	1,465	870
Butler Activity	7,458	1,506	6,446	2,518
Cooper PCCL	3,497	3,567	3,133	3,931

FORT DODGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary Schools (continued):				
Cooper Activities	\$ 15,514	\$ 20,201	\$ 16,852	\$ 18,863
Cooper Library Club	249	142	-	391
Duncombe PCCL	206	1,329	1,284	251
Duncombe Reading Supplement	280	-	-	280
Feelhaver PCCL	853	1,362	1,140	1,075
Feelhaver Activities	6,563	10,283	10,374	6,472
Hillcrest PCCL	825	1,096	755	1,166
Hillcrest Activities	6,212	1,043	775	6,480
Riverside PCCL	1,484	1,381	1,603	1,262
Riverside School Council	3,500	-	-	3,500
Riverside Activities	5,433	3,068	1,961	6,540
Alternative PCCL	4,039	2,469	2,135	4,373
Other PCCL	-	-	-	-
Other Activities	-	-	-	-
 Total	 <u>\$ 220,116</u>	 <u>\$ 1,034,929</u>	 <u>\$ 900,352</u>	 <u>\$ 354,693</u>

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,			
	2006	2005	2004	2003
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 14,715,512	\$ 13,765,849	\$ 13,674,420	\$ 13,706,899
Tuition	901,333	760,724	807,623	796,272
Other	1,828,077	1,416,896	1,298,584	1,298,152
Intermediate sources	2,150	-	-	2,732
State sources	18,836,062	18,249,076	17,636,368	18,447,589
Federal sources	1,818,330	1,953,405	2,132,989	1,509,534
<b>Total revenues</b>	<b>\$ 38,101,464</b>	<b>\$ 36,145,950</b>	<b>\$ 35,549,984</b>	<b>\$ 35,761,178</b>
<b>Expenditures:</b>				
Instruction:				
Regular instruction	\$ 14,217,770	\$ 13,583,740	\$ 12,956,341	\$ 13,456,577
Special instruction	5,265,338	5,672,170	6,792,894	6,892,050
Other instruction	2,989,459	2,888,363	1,923,084	2,013,006
Support services:				
Student services	1,676,128	1,227,542	1,205,766	1,377,115
Instructional staff services	1,874,893	1,506,657	1,368,431	1,337,267
Administration services	3,455,908	2,853,328	2,395,974	2,423,483
Operation and maintenance of plant services	3,047,374	2,507,734	2,660,832	2,637,642
Transportation services	993,752	922,757	785,824	992,980
Central and other support services	-	-	246,589	279,943
Non-instructional programs	24,210	50,297	49,272	37,088
Other expenditures:				
Facilities acquisition	1,232,599	1,993,757	699,535	1,438,681
Long-term debt:				
Principal	990,000	945,000	895,000	840,000
Interest and fiscal charges	212,495	262,620	312,962	364,783
AEA flowthrough	1,333,850	1,307,783	1,314,054	1,401,552
<b>Total expenditures</b>	<b>\$ 37,313,776</b>	<b>\$ 35,721,748</b>	<b>\$ 33,606,558</b>	<b>\$ 35,492,167</b>

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2006

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (non-cash)	10.550	FY 06	\$ <u>85,726</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 06	164,089
National School Lunch Program	10.555	FY 06	<u>638,557</u>
			<u>802,646</u>
			<u>888,372</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	2313-GC-06	86,052
Title 1 Grants to Local Educational Agencies	84.010	2313-G-06	<u>719,151</u>
			<u>805,203</u>
State Grants for Innovative Programs	84.298	FY 06	<u>17,086</u>
Twenty-First Century Community Learning Centers	84.287	FY 06	<u>145,505</u>
Vocational Education - Basic Grants to States	84.048	FY 06	<u>68,127</u>
Improving Teacher Quality State Grants	84.367	FY 06	<u>265,133</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 06	<u>36,728</u>
Special Education State Improvement Grants for Children with Disabilities	84.323	FY 06	<u>2,827</u>
Grants for State Assessments and Related Activities	84.369	FY 06	<u>23,940</u>
Advanced Placement Program	84.330	FY 06	<u>416</u>
			<u>1,364,965</u>
Iowa Central Community College:			
Special Education - Grants to States	84.027	FY 06	<u>269,332</u>
Webster County Department of Human Services:			
Medical Assistance Program	93.778	FY 06	<u>233</u>
			<u>1,634,530</u>
Total			<u>\$ 2,522,902</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2006

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, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 1, 2006. 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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, 2006 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  
November 1, 2006

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, 2006. 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, 2006.

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  
November 1, 2006

FORT DODGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2006

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

- (a) Unqualified opinions were 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 no 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, 2006

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

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

II-A-06 Financial Condition – The District’s Special Revenue, Student Activity Fund had several individual accounts with deficit balances as of June 30, 2006. The District’s Special Revenue, Physical Plant and Equipment Levy Fund had a deficit balance of \$88,501 at June 30, 2006. In addition, the Internal Services, Flex Benefits Plan had a deficit net assets balance of \$3,455 at June 30, 2006.

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-06 Fundraiser Controls – We noted inadequate fundraiser controls over three tested fundraisers. We noted that one fundraiser paid \$130 of expenses directly from the cash collected. This practice understates both revenues and expenditures. We noted that the final approval/summary sheet for one fundraiser was turned in eight months after the fundraiser was completed. We noted that the final financial report for another fundraiser was not completed accurately. In addition, actual revenues turned in to the District were \$2,500 less than expected revenues based on the related invoice. This amount was later turned into the District in cash five months after it was received by the sponsor but only in response to District inquiry. This is the second year in a row that cash revenues have been turned in several months late for the same student organization.

Recommendation – The District should enforce more stringent fundraiser controls, including 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. We will also contact the individual and take the appropriate measures to prevent this in the future.

Conclusion – Response accepted.

FORT DODGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2006

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

Reportable Conditions (continued):

II-C-06    Receipt Handling/Recording – We noted in our testing of receipts that one receipt for \$500 was held by the District for four months prior to being deposited. We also noted two receipts of 22 specifically tested that were netted to expenditures when recorded. This practice bypasses the budgeting process by understating revenues and expenditures. In addition, we noted one receipt for \$12,889 recorded into the Special Revenue Fund, Management Levy but which would more properly have been recorded in the General Fund.

Recommendation – All receipts should be properly deposited in a timely and intact manner. All receipts should be properly coded to a revenue account to avoid bypassing the budget process. The District should reimburse the General Fund for the \$12,889 improperly recorded into the Management Fund.

Response – The untimely deposit was an oversight. We will stress the importance of timely deposits to all personnel. We will properly record and code all receipts into revenue accounts in the future. We will reimburse the General Fund for the receipt recorded into the Management Fund.

Conclusion – Response accepted.

FORT DODGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2006

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, 2006

Part IV: Other Findings Related to Statutory Reporting:

IV-A-06 Certified Budget – Disbursements for the year ended June 30, 2006, exceeded the amount budgeted in the support services and other expenditures functions.

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

Response – We will amend our budget before disbursements exceed the budget.

Conclusion – Response accepted.

IV-B-06 Questionable Expenditures – 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-C-06 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-D-06 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-06 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-F-06 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-06 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-06 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-I-06 Certified Annual Report – The Certified Annual Report was not certified to the Iowa Department of Education timely and we noted two differences in the amounts reported, one in the Capital Projects Fund and one in the School Nutrition, Enterprise Fund.

Recommendation – The Certified Annual Report should be filed in a timely manner in the future. The District should contact the Department of Education to resolve the difference noted.

Response – Due to the desire for accuracy, the Certified Annual Report was not submitted to the Department of Education on the Friday due date, but was filed one day late on the following Monday. We have contacted the Department of Education and all differences will be handled by adjustments to beginning balances for the 2007 fiscal year.

Conclusion – Response accepted.