

**CITY OF FORT DODGE, IOWA**

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

**YEAR ENDED JUNE 30, 2007**

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## City of Fort Dodge, Iowa

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Terry Lutz	Mayor	Dec 2009
Dan Payne	Mayor Pro Tem	Dec 2007
Jane Burleson	Council Member	Dec 2007
Cindy Litwiller	Council Member	Dec 2007
Curt Olson	Council Member	Dec 2007
Don Wilson	Council Member	Dec 2007
Matt Bemrich	Council Member	Dec 2009
Richard Inman	Council Member	Dec 2009
David Haggard	Interim City Manager	Sep 2006
David Fierke	City Manager	Indefinite
Penny Clayton	City Clerk	Indefinite
Scott Hook	Deputy Clerk/Treasurer	Resigned August 2006
Michelle Hefley	Deputy Clerk/Treasurer	Indefinite
Maurice Breen	City Attorney	Indefinite

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fort Dodge, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Fort Dodge's management. Our responsibility is to express opinions on these 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, the discretely presented Airport Authority component unit, each major fund, and the aggregate remaining fund information of the City of Fort Dodge at June 30, 2007, 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.

As described in Note 1, the financial statements of the discretely presented component units, other than the Airport Authority, were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements of the discretely presented component units, other than the Airport Authority, present fairly, in all material respects, the assets, liabilities, and net assets of the modified cash discretely presented component units and their receipts and disbursements for the year then ended on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated June 4, 2008 on our consideration of the City of Fort Dodge'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.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 62 through 65 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 supplementary information. 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 the City of Fort Dodge'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, 2006 (none of which is presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 12, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Information presented on Schedule 12 is also presented as required by the Federal Aviation Administration of the U.S. Department of Transportation to implement sections 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990. 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.

Cornwell, Frideres, Maher & Associates, P.L.C  
Certified Public Accountants

June 4, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Fort Dodge's Annual Financial Report offers a narrative overview and analysis of the financial activities of the City of Fort Dodge for the fiscal year ended June 30, 2007.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Fort Dodge exceeded its liabilities by \$59,221,450 at June 30, 2007.
- The City extended the recreational trail along North 1<sup>st</sup> Street.
- The City continued the expansion and renovation of the Harlan Rogers Sports Complex. This project is a \$6.3 million dollar partnership between the City, a private development group and the State of Iowa.
- The City completed the improvements at the Water Plant.
- The City issued a \$3 million in Urban Renewal Revenue bonds to facilitate the expansion of a major industrial client, partnering with the State of Iowa who contributed \$3.5 million from its Iowa Values Fund, part of a total company investment of over \$20 million.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other required supplementary information as follows:

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

*Government-wide financial statements* consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the City as a whole and represent an overall view of the City's finances.

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

*Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

*Required Supplementary Information*, other than MD & A, provides information about the required budgetary comparison information.

*Other Supplementary Information* provides detailed information about the non-major governmental funds. In addition, the Schedule of Expenditures of Federal Awards, Schedule of Expenditures of State Awards, Schedule of Passenger Facility Charges Collected and Expended provide details of various federal and state programs benefiting the City.

## **REPORTING THE CITY AS A WHOLE**

### **The Statement of Net Assets and the Statement of Activities**

The government wide financial statements are designed to provide readers with a broad overview of the City of Fort Dodge's finances, in a manner similar to a private-sector business. The Statement of Net Assets presents information on all of the City's assets and liabilities. The Statement of Activities accounts for all of the current year's revenues and expenses regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private sector companies. These two statements report the City's net assets, which are the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors such as changes in the City's property tax base and the condition of the City's infrastructure are also important in making this determination.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into three kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax, grants, and local option sales tax finance most of these activities.
- **Business Type Activities** – This activity includes the water system, the sanitary sewer system, the City's solid waste department, parking system, and the Central Garage facility. These activities are financed primarily by user charges.
- **Component Unit** – This includes operations that are legally separate from the City but for which the City is financially accountable. The City's discretely presented component unit is the Fort Dodge Regional Airport.

**Statement of Net Assets  
City of Fort Dodge  
June 30, 2007**

**Governmental Activities**

	FY2007	FY2006	Increase (Decrease)
Current Assets	\$ 26,633,791	\$ 25,458,142	\$ 1,175,649
Restricted Assets	\$ -	\$ -	\$ -
Capital Assets	\$ 38,238,559	\$ 23,869,436	\$ 14,369,123
<b>Total Assets</b>	<b>\$ 64,872,350</b>	<b>\$ 49,327,578</b>	<b>\$ 15,544,772</b>
Current Liabilities	\$ 12,822,125	\$ 10,964,829	\$ 1,857,296
Long Term Liabilities	\$ 12,272,704	\$ 12,284,175	\$ (11,471)
<b>Total Liabilities</b>	<b>\$ 25,094,829</b>	<b>\$ 23,249,004</b>	<b>\$ 1,845,825</b>
<b>Net Assets:</b>			
<b>Invested in Capital Assets</b>			
Net of related debt	\$ 25,657,059	\$ 12,916,936	\$ 12,740,123
Restricted	\$ 9,699,694	\$ 7,737,560	\$ 1,962,134
Unrestricted	\$ 4,420,768	\$ 5,424,078	\$ (1,003,310)
<b>Total Net Assets</b>	<b>\$ 39,777,521</b>	<b>\$ 26,078,574</b>	<b>\$ 13,698,947</b>

**Business Type Activities**

	FY2007	FY2006	Increase (Decrease)
Current Assets	\$ 4,039,735	\$ 5,102,009	\$ (1,062,274)
Restricted Assets	\$ 857,906	\$ 709,830	\$ 148,076
Capital Assets	\$ 38,473,974	\$ 18,652,600	\$ 19,821,374
<b>Total Assets</b>	<b>\$ 43,371,615</b>	<b>\$ 24,464,439</b>	<b>\$ 18,907,176</b>
Current Liabilities	\$ 4,395,504	\$ 488,816	\$ 3,906,688
Long Term Liabilities	\$ 19,532,182	\$ 21,893,995	\$ (2,361,813)
<b>Total Liabilities</b>	<b>\$ 23,927,686</b>	<b>\$ 22,382,811</b>	<b>\$ 1,544,875</b>
<b>Net Assets:</b>			
<b>Invested in Capital Assets</b>			
Net of related debt	\$ 16,519,061	\$ (3,085,567)	\$ 19,604,628
Restricted	\$ -	\$ -	\$ -
Unrestricted	\$ 2,924,868	\$ 5,167,195	\$ (2,242,327)
<b>Total Net Assets</b>	<b>\$ 19,443,929</b>	<b>\$ 2,081,628</b>	<b>\$ 17,362,301</b>

### Total Net Assets

	FY2007	FY2006	Increase (Decrease)
<b>Current Assets</b>	\$ 30,673,526	\$ 30,560,151	\$ 113,375
<b>Restricted Assets</b>	\$ 857,906	\$ 709,830	\$ 148,076
<b>Capital Assets</b>	<u>\$ 76,712,533</u>	<u>\$ 42,522,036</u>	<u>\$ 34,190,497</u>
<b>Total Assets</b>	\$108,243,965	\$ 73,792,017	\$ 34,451,948
<b>Current Liabilities</b>	\$ 17,217,629	\$ 11,453,645	\$ 5,763,984
<b>Long Term Liabilities</b>	<u>\$ 31,804,886</u>	<u>\$ 34,178,170</u>	<u>\$ (2,373,284)</u>
<b>Total Liabilities</b>	\$ 49,022,515	\$ 45,631,815	\$ 3,390,700
<b>Net Assets:</b>			
<b>Invested in Capital Assets</b>			
<b>Net of related debt</b>	\$ 42,176,120	\$ 9,831,369	\$ 32,344,751
<b>Restricted</b>	\$ 9,699,694	\$ 7,737,560	\$ 1,962,134
<b>Unrestricted</b>	<u>\$ 7,345,636</u>	<u>\$ 10,591,273</u>	<u>\$ (3,245,637)</u>
<b>Total Net Assets</b>	<u>\$ 59,221,450</u>	<u>\$ 28,160,202</u>	<u>\$ 31,061,248</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Fort Dodge, assets exceeded liabilities by \$59,221,450 at the close of the most recent fiscal year.

The largest portion of the City's net assets is in capital assets (ie: land, buildings, machinery, equipment and infrastructure) less depreciation and related debt of \$42,812,640. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Prior year comparison shows \$9,831,369, an increase of \$32,344,751 primarily due to the first time inclusion of infrastructure retroactively reported to 1980.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or legislation on how they can be used. The City has restricted net assets of \$9,699,694, this is an increase of \$1,962,134 from the prior year.

The remaining balance, unrestricted net assets of \$7,345,636, may be used to meet the government's ongoing obligations to citizens and creditors without constraints established by debt covenants, legislation, or other legal requirements. Prior year comparison shows \$10,591,273, a decrease of \$3,245,637 largely representing the use of cash reserves to cash flow capital projects.

The following is a more detailed review of the years' operation.

**Statement of Activities  
City of Fort Dodge  
June 30, 2007**

**Governmental Activities**

	FY2007	FY2006	Increase (Decrease)
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for service	\$ 1,139,769	\$ 1,405,807	\$ (266,038)
Operating grants, contributions	\$ 3,065,993	\$ 2,898,981	\$ 167,012
Capital grants, contributions	\$ 1,831,453	\$ 2,300,239	\$ (468,786)
<b>General Revenues:</b>			
Property tax	\$ 9,994,597	\$ 10,073,428	\$ (78,831)
Other taxes	\$ 2,502,555	\$ 2,466,801	\$ 35,754
Interfund Transfers	\$ 596,745	\$ 374,950	\$ 221,795
Other revenues	\$ 1,487,302	\$ 1,529,387	\$ (42,085)
<b>Total Revenues</b>	<b>\$ 20,618,414</b>	<b>\$ 21,049,593</b>	<b>\$ (431,179)</b>
<b>Program Expenses:</b>			
Public Safety	\$ 5,862,561	\$ 5,455,021	\$ 407,540
Public Works	\$ 5,161,936	\$ 3,080,661	\$ 2,081,275
Health and Social Services	\$ 915,212	\$ 679,639	\$ 235,573
Culture and Recreation	\$ 2,742,883	\$ 2,559,277	\$ 183,606
Comm & Econ Development	\$ 5,043,958	\$ 1,085,949	\$ 3,958,009
General Government	\$ 1,478,768	\$ 1,448,527	\$ 30,241
Debt Service	\$ 393,399	\$ 413,850	\$ (20,451)
Capital Projects	\$ 27,653	\$ 186,866	\$ (159,213)
<b>Total Expenses</b>	<b>\$ 21,626,370</b>	<b>\$ 14,909,790</b>	<b>\$ 6,716,580</b>
<b>Increase in net assets</b>	<b>\$ (1,007,956)</b>	<b>\$ 6,139,803</b>	<b>\$ (7,147,759)</b>
<b>Net assets at beginning of year</b>	<b>\$ 40,785,477</b>	<b>\$ 19,938,773</b>	<b>\$ 20,846,704</b>
<b>Net assets at end of year</b>	<b>\$ 39,777,521</b>	<b>\$ 26,078,576</b>	<b>\$ 13,698,945</b>

Revenues for governmental funds were \$431,179 less in the current fiscal year as compared to the prior fiscal year. This is due in part to the receipt of a federal grant in FY2006 for the purchase of a 105' ladder truck for the Fire Department fleet. Expenses for the Public Works program were significantly higher in the current fiscal year due to the construction of new streets that facilitate economic development activities. Likewise, expenses for the Community and Economic Development program were increased due to the issuance of \$3 million in urban renewal bonds as an incentive for expansion at a major industrial company.

**Statement of Activities  
City of Fort Dodge  
June 30, 2007**

**Business Type Activities**

	FY2007	FY2006	Increase (Decrease)
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for service	\$ 7,854,544	\$ 7,797,269	\$ 57,275
Operating grants, contributions		\$ -	\$ -
Capital grants, contributions	\$ 106,234	\$ 49,066	\$ 57,168
<b>General Revenues:</b>			
Interfund Transfers	\$ (596,745)	\$ (374,950)	\$ (221,795)
Other	\$ 260,656	\$ 382,428	\$ (121,772)
<b>Total Revenues</b>	<b>\$ 7,624,689</b>	<b>\$ 7,853,813</b>	<b>\$ (229,124)</b>
<b>Program Expenses:</b>			
Water	\$ 2,931,088	\$ 2,904,568	\$ 26,520
Sewer	\$ 2,933,451	\$ 2,950,332	\$ (16,881)
Other non-major business type activities	\$ 1,208,930	\$ 1,185,277	\$ 23,653
<b>Total Expenses</b>	<b>\$ 7,073,469</b>	<b>\$ 7,040,177</b>	<b>\$ 33,292</b>
			\$ -
<b>Increase in net assets</b>	<b>\$ 551,220</b>	<b>\$ 813,636</b>	<b>\$ (262,416)</b>
<b>Net assets at beginning of year</b>	<b>\$ 18,892,709</b>	<b>\$ 1,267,992</b>	<b>\$ 17,624,717</b>
<b>Net assets at end of year</b>	<b>\$ 19,443,929</b>	<b>\$ 2,081,628</b>	<b>\$ 17,362,301</b>

Revenues for business type activities were \$229,124 less than the previous fiscal year due to an increase in interfund transfers. Expenses were virtually unchanged from the prior year, even with the negotiated employee contract increase of 2.75%.

**Total Government and Business Type Activities**  
**City of Fort Dodge**  
**June 30, 2007**

	FY2007	FY2006	Increase (Decrease)
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for service	\$ 8,994,313	\$ 9,203,076	\$ (208,763)
Operating grants, contributions	\$ 3,065,993	\$ 2,898,981	\$ 167,012
Capital grants, contributions	\$ 1,937,687	\$ 2,349,305	\$ (411,618)
<b>General Revenues:</b>			
Property tax	\$ 9,994,597	\$ 10,073,428	\$ (78,831)
Other taxes	\$ 2,502,555	\$ 2,466,801	\$ 35,754
Interfund Transfers			
Other	\$ 1,747,958	\$ 1,911,815	\$ (163,857)
<b>Total Revenues</b>	<b>\$ 28,243,103</b>	<b>\$ 28,903,406</b>	<b>\$ (660,303)</b>
<b>Program Expenses:</b>			
Public Safety	\$ 5,862,561	\$ 5,455,021	\$ 407,540
Public Works	\$ 5,161,936	\$ 3,080,661	\$ 2,081,275
Health and Social Services	\$ 915,212	\$ 679,639	\$ 235,573
Culture and Recreation	\$ 2,742,883	\$ 2,559,279	\$ 183,604
Comm & Econ Development	\$ 5,043,958	\$ 1,085,949	\$ 3,958,009
General Government	\$ 1,478,768	\$ 1,448,527	\$ 30,241
Debt Service	\$ 393,399	\$ 413,850	\$ (20,451)
Capital Projects	\$ 27,653	\$ 186,866	\$ (159,213)
Water	\$ 2,931,088	\$ 2,904,568	\$ 26,520
Sewer	\$ 2,933,451	\$ 2,950,332	\$ (16,881)
Other non-major business type activities	\$ 1,208,930	\$ 1,185,277	\$ 23,653
<b>Total Expenses</b>	<b>\$ 28,699,839</b>	<b>\$ 21,949,969</b>	<b>\$ 6,749,870</b>
<b>Increase in net assets</b>	<b>\$ (456,736)</b>	<b>\$ 6,953,437</b>	<b>\$ (7,410,173)</b>
<b>Net assets at beginning of year</b>	<b>\$ 59,678,186</b>	<b>\$ 21,206,765</b>	<b>\$ 38,471,421</b>
<b>Net assets at end of year</b>	<b>\$ 59,221,450</b>	<b>\$ 28,160,202</b>	<b>\$ 31,061,248</b>

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

The financial reporting focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information may be useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$15,261,987, an increase of \$765,605 over the year prior. Of this total amount \$14,384,642, an increase of \$501,172, is in unreserved fund balance. This increase is attributable in part to the reduction in employee health insurance costs as a result of a change to the health benefit program and in part due to the accumulation of local option sales tax for a major project.

The General Fund is the primary operating fund of the City. At the end of the fiscal year, unreserved fund balance of the general fund was \$3,353,270 a decrease of \$293,918 as the result of a planned use of reserves. The total general fund balance is \$3,439,208. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 42% of total general fund expenditures (\$8,044,646), while total fund balance represents 43% of that same amount. This represents a decrease of approximately 6% as the result of a planned reduction in general fund balance.

The Road Use Tax Fund is apportioned to the City from the state gasoline tax, vehicle registration fees and use tax on vehicle sales to be used solely for street related purposes. The City ended the fiscal year with a fund balance of \$1,092,962, an increase in fund balance of \$90,163 from the previous year. Snow and ice removal is the most significant variable for this fund. Market demand for salt can become an issue during a particularly harsh winter. To that end, we bid salt in late summer to ensure availability and price. Fund balance represents 53% of total road use tax fund expenditures (\$2,065,313), an increase of 4% over the prior year.

The Local Option Sales Tax Fund is comprised of revenues from the half cent local option sales tax to be used 100% for street and related infrastructure improvements. The tax will sunset on June 20, 2009. It is anticipated that a referendum will be submitted to the voters for possible collection of a one cent local option sales tax. At fiscal year end the fund balance was \$3,184,554. A street improvement plan is being drafted that will fully utilize the available funds in the near future.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Water fund, which accounts for the operation and maintenance of the City's water system, ended the current fiscal year with an increase in net assets of \$356,840 above the

previous fiscal year. The City of Fort Dodge completed the final stage of an automation upgrade at the water plant. The Water Fund balance at year end was \$2,083,434.

The Sewer fund, which accounts for the operation and maintenance of the City's wastewater system, ended the current year with a decrease in net assets of \$47,041 as compared to the prior year. The Sewer fund balance at year end was \$1,356,690. A sewer rate study is being conducted to provide sufficient revenues to cover the debt service requirements.

## **BUDGETARY HIGHLIGHTS**

During the current fiscal year, the City of Fort Dodge amended the budget once to account for increased expenditures in operating, grant programs, capital equipment and construction projects. Actual expenses in the Public Works, Community and Economic Development, Debt Service, Capital Projects and Business Type Programs had significant variances in final budget to actual comparisons due to project timing issues and a cautious approach to budget amendments to ensure compliance.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets, including land, buildings and improvements, equipment and infrastructure represent the value of resources used to provide services to citizens. At fiscal year end, the City's investment in capital assets for governmental and business type activities totaled \$64,872,350 and \$43,371,615 respectively, for a combined total of \$108,243,965. See Note 3 to the financial statements for additional information regarding the City's capital assets.

### **Long-term Debt**

At June 30, 2007, the City of Fort Dodge had \$12,574,000 of long-term debt outstanding in its governmental activities, compared to \$10,930,000 at June 30, 2006. This increase of \$1,644,000 is attributable to the both the issuance and repayment of debt. There were no changes to the City's credit rating. The City's statutory debt limit, which is limited to 5% of the assessed valuation, was \$47,424,206, of which the City has utilized 26.5%.

Total long-term debt for business type activities was \$20,760,800 a decrease of \$977,367 from the previous fiscal year attributable to debt repayment.

During the year, the City of Fort Dodge issued \$3,000,000 in Urban Renewal Tax Revenue Bonds for an economic development incentive for a major industrial company.

## **ECONOMIC FACTORS**

For the upcoming fiscal year ending June 30, 2008, the City's assessed (100%) valuation decreased \$3,268,567 (.003%) from the previous year and taxable property valuation increased slightly (1.14%). The tax levy rate will increase from \$16.98 in FY07 to \$16.99 in FY08. An increase of .0006%.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

These financial statements are designed to provide a general overview of the City's finances and operating activities for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to: City Clerk, City of Fort Dodge, 819 1<sup>st</sup> Avenue South, Fort Dodge, IA 50501 or call (515) 576-4551.

## **Basic Financial Statements**

City of Fort Dodge, Iowa  
Statement of Net Assets  
June 30, 2007

	Primary Government		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	
<b>Assets</b>			
Cash and pooled investments	\$ 15,565,407	3,453,852	19,019,259
Receivables:			
Property tax:			
Delinquent	263,366	-	263,366
Succeeding year	10,085,108	-	10,085,108
Customer accounts	22,567	467,307	489,874
Accounts	263,955	-	263,955
Accrued interest	85,102	2,861	87,963
Due from other governments	232,019	-	232,019
Inventories	19,858	-	19,858
Prepaid expenses	77,661	17,015	94,676
Restricted assets:			
Cash and pooled investments	-	857,906	857,906
Capital assets (net of accumulated depreciation)	38,238,559	38,473,974	76,712,533
Bond issuance costs	18,748	98,700	117,448
<b>Total assets</b>	<u>64,872,350</u>	<u>43,371,615</u>	<u>108,243,965</u>
<b>Liabilities</b>			
Warrants issued in excess of cash balances	-	-	-
Accounts payable	754,014	1,531,743	2,285,757
Salaries payable	322,567	57,366	379,933
Benefits payable	29,825	28,112	57,937
Interest payable	40,862	57,616	98,478
Deferred revenue:			
Succeeding year property tax	10,085,108	-	10,085,108
Other	150,083	-	150,083
Liabilities payable from restricted assets:			
Customer deposits		124,394	124,394

Exhibit A

Component Units		
<u>Airport Authority</u>	<u>Other (Modified Cash)</u>	<u>Total</u>
-	4,401,943	4,401,943
4,282	-	4,282
191,604	-	191,604
-	-	-
-	10,689	10,689
174	-	174
-	-	-
-	-	-
-	-	-
5,532,215	127,143	5,659,358
-	-	-
<u>5,728,275</u>	<u>4,539,775</u>	<u>10,268,050</u>
285,315	-	285,315
1,585	-	1,585
8,539	1,077	9,616
1,123	-	1,123
-	-	-
191,604	-	191,604
-	-	-
-	-	-

(continued)

City of Fort Dodge, Iowa  
Statement of Net Assets  
June 30, 2007

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
<b>Liabilities (continued)</b>			
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds/notes	1,155,000	-	1,155,000
Revenue bonds/notes payable	147,500	1,237,000	1,384,500
Interim financing	-	1,194,113	1,194,113
Notes payable	7,500	-	7,500
Compensated absences	118,207	152,022	270,229
Early retirement	11,459	13,138	24,597
Portion due or payable after one year:			
General obligation bonds/notes	6,140,000	-	6,140,000
Revenue bonds/notes payable	5,131,500	19,523,800	24,655,300
Notes payable	-	-	-
Compensated absences	800,380	-	800,380
Early retirement	200,824	8,382	209,206
<b>Total liabilities</b>	25,094,829	23,927,686	49,022,515
<b>Net Assets</b>			
Invested in capital assets, net of related debt	25,657,059	16,519,061	42,176,120
Restricted for:			
Debt service	779,826	-	779,826
Other purposes	8,919,868	-	8,919,868
Unrestricted	4,420,768	2,924,868	7,345,636
<b>Total net assets</b>	\$ 39,777,521	\$ 19,443,929	59,221,450

See notes to financial statements.

Component Units		
<u>Airport Authority</u>	<u>Other (Modified Cash)</u>	<u>Total</u>
-	-	-
-	-	-
-	-	-
10,215	-	10,215
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>498,381</u>	<u>1,077</u>	<u>499,458</u>
5,532,215	127,143	5,659,358
-	-	-
-	424,447	424,447
(302,321)	3,987,108	3,684,787
<u>5,229,894</u>	<u>4,538,698</u>	<u>9,768,592</u>

City of Fort Dodge, Iowa  
Statement of Activities  
Year ended June 30, 2007

		Program Revenues		
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 5,862,561	273,799	71,460	366,304
Public works	5,161,936	85,237	2,192,975	1,625
Health and social services	915,212	-	357,163	404,409
Culture and recreation	2,742,883	659,825	433,667	350,823
Community and economic development	5,043,958	2,800	-	666,983
General government	1,478,768	108,658	10,728	-
Interest on long-term debt	393,399	-	-	-
Other debt service	-	9,450	-	-
Capital projects	27,653	-	-	41,309
Total governmental activities	<u>21,626,370</u>	<u>1,139,769</u>	<u>3,065,993</u>	<u>1,831,453</u>
Business type activities:				
Water	2,931,088	3,472,082	-	-
Sewer	2,933,451	2,954,234	-	106,234
Other non-major	1,208,930	1,428,228	-	-
Total business type activities	<u>7,073,469</u>	<u>7,854,544</u>	<u>-</u>	<u>106,234</u>
<b>Total primary government</b>	<u>\$ 28,699,839</u>	<u>8,994,313</u>	<u>3,065,993</u>	<u>1,937,687</u>
<b>Component Units:</b>				
Airport Authority	\$ 668,608	-	-	1,253,920
Other (modified cash)	521,702	929	753,324	-
<b>Total component units</b>	<u>\$ 1,190,310</u>	<u>929</u>	<u>753,324</u>	<u>1,253,920</u>
<b>General Revenues:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets beginning of year - as restated (note 13)				
Net assets end of year				

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business Type Activites	Total	
(5,150,998)	-	(5,150,998)	-
(2,882,099)	-	(2,882,099)	-
(153,640)	-	(153,640)	-
(1,298,568)	-	(1,298,568)	-
(4,374,175)	-	(4,374,175)	-
(1,359,382)	-	(1,359,382)	-
(393,399)	-	(393,399)	-
9,450	-	9,450	-
13,656	-	13,656	-
<u>(15,589,155)</u>	<u>-</u>	<u>(15,589,155)</u>	<u>-</u>
-	540,994	540,994	-
-	127,017	127,017	-
-	219,298	219,298	-
-	887,309	887,309	-
<u>(15,589,155)</u>	<u>887,309</u>	<u>(14,701,846)</u>	<u>-</u>
-	-	-	585,312
-	-	-	232,551
-	-	-	<u>817,863</u>
8,618,368	-	8,618,368	173,482
1,376,229	-	1,376,229	-
924,879	-	924,879	-
1,577,676	-	1,577,676	-
588,081	260,656	848,737	11,551
899,221	-	899,221	314,211
596,745	(596,745)	-	-
<u>14,581,199</u>	<u>(336,089)</u>	<u>14,245,110</u>	<u>499,244</u>
(1,007,956)	551,220	(456,736)	1,317,107
<u>40,785,477</u>	<u>18,892,709</u>	<u>59,678,186</u>	<u>8,451,485</u>
<u>\$ 39,777,521</u>	<u>19,443,929</u>	<u>59,221,450</u>	<u>9,768,592</u>

City of Fort Dodge, Iowa  
Balance Sheet  
Governmental Funds  
June 30, 2007

<b>Assets</b>	<u>General</u>	<u>Health and Life Insurance</u>	<u>Special Revenue Local Option Sales Tax</u>
Cash and pooled investments	\$ 3,426,656	1,771,875	3,184,554
Receivables:			
Property tax:			
Delinquent	128,857	36,568	-
Succeeding year	4,863,911	1,391,319	-
Accounts	285,576	-	-
Accrued interest	76,350	1,468	-
Due from other funds	30,000	-	-
Due from other governments	-	-	-
Inventories	19,858	-	-
Prepaid insurance	66,080	-	-
	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 8,897,288</b>	<b>3,201,230</b>	<b>3,184,554</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 134,853	138,545	23,694
Salaries payable	262,560	-	-
Benefits payable	-	-	-
Early retirement	-	11,459	-
Deferred revenue:			
Succeeding year property tax	4,863,911	1,391,319	-
Other	131,522	-	-
Due to other funds	65,234	-	-
Total liabilities	<hr/> 5,458,080	<hr/> 1,541,323	<hr/> 23,694
Fund balances:			
Reserved for:			
Prepaid expenditures	66,080	-	-
Inventories	19,858	-	-
Debt service	-	-	-
Unreserved, reported in:			
General fund	3,353,270	-	-
Special revenue funds	-	1,659,907	3,160,860
Capital projects fund	-	-	-
Total fund balances	<hr/> 3,439,208	<hr/> 1,659,907	<hr/> 3,160,860
<b>Total liabilities and fund balances</b>	<b>\$ 8,897,288</b>	<b>3,201,230</b>	<b>3,184,554</b>

See notes to financial statements.

Exhibit C

Tax Incremental Financing	Other Nonmajor Governmental Funds	Total
1,749,727	5,432,595	15,565,407
22,845	75,096	263,366
989,210	2,840,668	10,085,108
	946	286,522
	7,284	85,102
	65,234	95,234
	232,019	232,019
	-	19,858
-	11,581	77,661
<u>2,761,782</u>	<u>8,665,423</u>	<u>26,710,277</u>
4,800	452,123	754,015
	60,007	322,567
	29,825	29,825
	-	11,459
989,210	2,840,668	10,085,108
	18,560	150,082
30,000	-	95,234
<u>1,024,010</u>	<u>3,401,183</u>	<u>11,448,290</u>
-	11,581	77,661
-	-	19,858
-	779,826	779,826
-	-	3,353,270
1,737,772	2,896,428	9,454,967
-	1,576,405	1,576,405
<u>1,737,772</u>	<u>5,264,240</u>	<u>15,261,987</u>
<u>2,761,782</u>	<u>8,665,423</u>	<u>26,710,277</u>

Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Assets

June 30, 2007

**Total governmental fund balances (page 21)** \$ 15,261,987

**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 38,238,559

Long-term liabilities, accrued interest and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:

General obligation bonds payable	(7,276,252)
Hotel/motel tax revenue bonds payable	(1,515,000)
Other bonds and notes payable	(3,771,500)
Compensated absences	(918,587)
Accrued interest payable	(40,862)
Early retirement	<u>(200,824)</u>

**Net Assets of Governmental Activities (Page 16)** \$ 39,777,521

See notes to financial statements.

City of Fort Dodge, Iowa  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year ended June 30, 2007

	<u>General</u>	<u>Special</u>
		Health and Life Insurance
Revenues:		
Property tax	\$ 4,936,024	1,482,647
Tax increment financing	-	-
Other city tax	675,008	-
Licenses and permits	323,123	-
Use of money and property	227,148	92,244
Intergovernmental	159,329	-
Charges for service	815,140	-
Miscellaneous	414,899	125,305
Total revenues	<u>7,550,671</u>	<u>1,700,196</u>
Expenditures:		
Operating:		
Public safety	4,055,910	792,388
Public works	274,036	329,470
Health and social services	95,595	35,924
Culture and recreation	1,930,677	171,914
Community and economic development	481,179	64,337
General government	1,207,249	140,666
Debt service	-	-
Capital projects	-	-
Total expenditures	<u>8,044,646</u>	<u>1,534,699</u>
Excess (deficiency) of revenues over (under) expenditures	(493,975)	165,497
Other financing sources (uses):		
Bond proceeds	-	-
Operating transfers in	504,312	-
Operating transfers out	(289,141)	-
Total other financing sources (uses)	<u>215,171</u>	<u>-</u>
Net change in fund balances	(278,804)	165,497
Fund balances beginning of year - as restated (note 13)	<u>3,718,012</u>	<u>1,494,410</u>
Fund balances end of year	<u>\$ 3,439,208</u>	<u>1,659,907</u>
See notes to financial statements.		

Revenue		Other	
Local	Tax Increment	Nonmajor	
Option	Financing	Governmental	
<u>Sales Tax</u>		<u>Funds</u>	<u>Total</u>
-	-	2,890,737	9,309,408
-	924,879	-	924,879
1,577,676	-	2,546	2,255,230
-	-	-	323,123
-	53,369	215,325	588,086
-	87,000	3,630,921	3,877,250
-	-	348,994	1,164,134
-	27,658	1,029,844	1,597,706
<u>1,577,676</u>	<u>1,092,906</u>	<u>8,118,367</u>	<u>20,039,816</u>
-	-	1,780,246	6,628,544
561,974	-	2,286,254	3,451,734
-	-	749,563	881,082
-	-	572,712	2,675,303
-	3,542,490	1,042,802	5,130,808
-	-	152,789	1,500,704
-	-	1,699,934	1,699,934
-	-	902,847	902,847
<u>561,974</u>	<u>3,542,490</u>	<u>9,187,147</u>	<u>22,870,956</u>
1,015,702	(2,449,584)	(1,068,780)	(2,831,140)
-	3,000,000	-	3,000,000
-	130,000	718,512	1,352,824
-	(162,465)	(304,473)	(756,079)
-	<u>2,967,535</u>	<u>414,039</u>	<u>3,596,745</u>
1,015,702	517,951	(654,741)	765,605
<u>2,145,158</u>	<u>1,219,821</u>	<u>5,918,981</u>	<u>14,496,382</u>
<u>3,160,860</u>	<u>1,737,772</u>	<u>5,264,240</u>	<u>15,261,987</u>

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances - Governmental Funds to the Statement of Activities

Year ended June 30, 2007

**Net Change in Fund Balances - Total Governmental Funds** \$ 765,605  
**(Page 24)**

**Amounts reported for governmental activities in the  
statement of activities are different because:**

Capital outlays to purchase or construct capital assets are reported in the 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 outlay and depreciation expense for the year are as follows:

Capital outlay	\$ 1,908,485	
Depreciation expense	<u>(2,246,265)</u>	(337,780)

The issuance of long-term debt provides current financial resources to governmental funds while repayment of the principal of long-term debt consumes current financial resources. These transactions have no effect on the change in net assets in the statement of activities. In addition, interest is accrued on outstanding debt in the statement of activities whereas in the governmental funds an interest expenditure is reported only when due. The following is a detail of the net effect on these differences in the treatment of long-term debt and related items:

Long-term debt issued	(3,000,000)	
Long-term debt principal repaid	1,371,000	
Accrued interest	(8,362)	
Bond issuance costs	<u>(1,103)</u>	
		(1,638,465)

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances - Governmental Funds to the Statement of Activities

Year ended June 30, 2007

Increase in compensated absences expenses reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds 157,648

Decrease in early retirement expenses reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds 45,036

**Change in Net Assets of Governmental Activities (Page 19) \$ (1,007,956)**

See notes to financial statements.

City of Fort Dodge, Iowa  
Statement of Net Assets  
Proprietary Funds  
June 30, 2007

Exhibit G

	Enterprise Funds			<u>Totals</u>
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Other Nonmajor Proprietary Funds</u>	
<b>Assets</b>				
Cash and pooled investments	\$ 1,614,557	1,092,055	747,240	3,453,852
Accounts receivable	169,217	192,258	105,832	467,307
Interest receivable	1,131	1,348	382	2,861
Restricted assets:				
Cash and pooled investments	468,877	264,635	124,394	857,906
Prepaid insurance	6,505	5,076	5,434	17,015
Bond issuance costs	69,062	29,638	-	98,700
Capital assets (net of accumulated depreciation)	<u>16,682,406</u>	<u>20,762,712</u>	<u>1,028,856</u>	<u>38,473,974</u>
<b>Total assets</b>	<u>19,011,755</u>	<u>22,347,722</u>	<u>2,012,138</u>	<u>43,371,615</u>
<b>Liabilities</b>				
Accounts payable	78,862	1,421,684	31,197	1,531,743
Salaries payable	31,878	12,435	13,053	57,366
Compensated absences	84,326	59,122	8,574	152,022
Benefits payable	15,654	9,623	2,835	28,112
Early retirement	9,474	-	3,664	13,138
Due to other funds	-	-	-	-
Payable from restricted net assets:				
Bonds, notes and loans payable	499,000	1,932,113	-	2,431,113
Customer deposits	-	-	124,394	124,394
Interest payable	19,845	37,771	-	57,616
Long-term liabilities:				
Bonds, notes and loans payable	7,348,800	12,175,000	-	19,523,800
Early retirement	<u>5,523</u>	<u>-</u>	<u>2,859</u>	<u>8,382</u>
<b>Total liabilities</b>	<u>8,093,362</u>	<u>15,647,748</u>	<u>186,576</u>	<u>23,927,686</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt	8,834,606	6,655,599	1,028,856	16,519,061
Restricted for:				
Prepaid expenditures	6,505	5,076	5,434	17,015
Unrestricted	<u>2,077,282</u>	<u>39,299</u>	<u>791,272</u>	<u>2,907,853</u>
<b>Total net assets</b>	<u>\$ 10,918,393</u>	<u>6,699,974</u>	<u>1,825,562</u>	<u>19,443,929</u>

See notes to financial statements.

City of Fort Dodge, Iowa  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
For the Year ended June 30, 2007

Exhibit H

	Enterprise Funds			<u>Totals</u>
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Other Non-Major Proprietary Funds</u>	
Operating revenues:				
Charges for services	\$ 3,433,879	2,939,603	1,422,326	7,795,808
Miscellaneous	<u>38,203</u>	<u>14,630</u>	<u>5,902</u>	<u>58,735</u>
Total operating revenues	<u>3,472,082</u>	<u>2,954,233</u>	<u>1,428,228</u>	<u>7,854,543</u>
Operating expenses:				
Business type activities:				
Cost of sales and services	2,207,479	1,935,171	1,118,750	5,261,400
Amortization	4,317	1,853	-	6,170
Depreciation	<u>459,694</u>	<u>520,693</u>	<u>90,180</u>	<u>1,070,567</u>
Total operating expenses	<u>2,671,490</u>	<u>2,457,717</u>	<u>1,208,930</u>	<u>6,338,137</u>
Operating income	<u>800,592</u>	<u>496,516</u>	<u>219,298</u>	<u>1,516,406</u>
Non-operating revenues (expenses):				
Interest and investment revenue	120,278	110,980	29,399	260,657
Intergovernmental revenue	#####	106,234	-	106,234
Interest expense	<u>(259,598)</u>	<u>(475,734)</u>	<u>-</u>	<u>(735,332)</u>
Total non-operating revenue (expenses)	<u>(139,320)</u>	<u>(258,520)</u>	<u>29,399</u>	<u>(368,441)</u>
Net income before transfers	661,272	237,996	248,697	1,147,965
Transfers in (out)	<u>(304,432)</u>	<u>(285,037)</u>	<u>(7,276)</u>	<u>(596,745)</u>
Change in net assets	356,840	(47,041)	241,421	551,220
Net assets beginning of year - as restated (note 13)	<u>10,561,553</u>	<u>6,747,015</u>	<u>1,584,141</u>	<u>18,892,709</u>
Net assets end of year	<u>\$ 10,918,393</u>	<u>6,699,974</u>	<u>1,825,562</u>	<u>19,443,929</u>

See notes to financial statements.

City of Fort Dodge, Iowa  
Statement of Cash Flows  
Proprietary Funds  
For the Year ended June 30, 2007

Exhibit I

	Business-Type Activities			Total
	Water Utility	Sewer Utility	Other Nonmajor Proprietary Funds	
<b>Cash Flows From Operating Activities</b>				
Receipts from customers	\$ 3,446,922	2,932,997	1,469,262	7,849,181
Payments to suppliers and employees	(2,255,126)	(517,438)	(1,198,611)	(3,971,175)
Other receipts	38,203	14,630	5,902	58,735
Net cash provided (used) by operating activities	1,229,999	2,430,189	276,553	3,936,741
<b>Cash Flows From Noncapital Financing Activities</b>				
Transfers to other funds	(304,432)	(285,037)	(114,676)	(704,145)
Transfers from other funds	-	-	107,400	107,400
Net cash provided (used) in noncapital financing activities	(304,432)	(285,037)	(7,276)	(596,745)
<b>Cash Flows From Capital and Related Financing Activities</b>				
Proceeds from capital debt	213,812	1,196,934	-	1,410,746
Purchases of capital assets	(586,440)	(3,246,337)	(248,083)	(4,080,860)
Principal paid on capital debt	(481,000)	(713,000)	-	(1,194,000)
Interest paid on capital debt	(261,156)	(493,654)	-	(754,810)
Intergovernmental Receipts	56,133	106,234	-	162,367
Other receipts (payments)	-	(109,055)	-	(109,055)
Net cash (used) by capital and related financing activities	(1,058,651)	(3,258,878)	(248,083)	(4,565,612)
<b>Cash Flows From Investing Activities</b>				
Interest and dividends	135,308	127,315	32,873	295,496
Net cash provided by investing activities	135,308	127,315	32,873	295,496
Net increase (decrease) in cash and cash equivalents	2,224	(986,411)	54,067	(930,120)
Cash and cash equivalents beginning of year	2,081,210	2,343,101	817,567	5,241,878
Cash and cash equivalents end of year	\$ 2,083,434	1,356,690	871,634	4,311,758

(continued)

City of Fort Dodge, Iowa  
Statement of Cash Flows  
Proprietary Funds  
For the Year ended June 30, 2007

Exhibit I

	Business-Type Activities			<u>Total</u>
	<u>Water Utility</u>	<u>Sewer Utility</u>	Other Nonmajor Proprietary <u>Funds</u>	
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>				
Operating income	\$ 800,592	496,516	219,298	1,516,406
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	459,694	520,693	90,180	1,070,567
Amortization expense	4,317	1,853	-	6,170
Change in assets and liabilities:				
Receivables, net	13,043	(6,606)	(7,939)	(1,502)
Prepaid expenses	3,239	(3,898)	(1,849)	(2,508)
Consumer deposits	-	-	(20,678)	(20,678)
Accounts and other payables	(50,886)	1,421,631	(2,459)	1,368,286
Net cash provided (used) by operating activities	\$ 1,229,999	2,430,189	276,553	3,936,741
 <b>Reconciliation of cash and cash equivalents at year end to specific assets included in the statement of net assets:</b>				
<b>Current assets:</b>				
Cash and pooled investments	\$ 1,614,557	1,092,055	747,240	3,453,852
<b>Noncurrent assets:</b>				
Cash and pooled investments	468,877	264,635	124,394	857,906
<b>Cash and cash equivalents at year end</b>	\$ 2,083,434	1,356,690	871,634	4,311,758

See notes to financial statements.

City of Fort Dodge, Iowa  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2007

Exhibit J

	<u>Trust Funds</u>
	<u>Coleman Water &amp; Sewer</u>
<u>Assets</u>	
Cash	\$ 2,282
Receivables:	
Accounts	<u>1,056</u>
 Total assets	 <u>\$ 3,338</u>
 <u>Liabilities</u>	
Accounts payable	<u>\$ 2,273</u>
 <u>Net Assets</u>	
Held in trust	<u>1,065</u>
 Total liabilities and net assets	 <u>\$ 3,338</u>

See notes to financial statements.

City of Fort Dodge, Iowa  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year ended June 30, 2007

Exhibit K

Trust  
Funds  
Coleman  
Water & Sewer

Additions:

Fees collected	\$ <u>4,786</u>
----------------	-----------------

Deductions:

Fees remitted	<u>4,621</u>
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Change in net assets	165
Net assets - Beginning of year	<u>900</u>
Net assets - End of year	<u><u>\$ 1,065</u></u>

See notes to financial statements.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2007

**(1) Summary of Significant Accounting Policies**

The City of Fort Dodge is a political subdivision of the State of Iowa located in Webster County. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Manager form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Fort Dodge provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. It also operates the airport and provides water, sewer and sanitation utilities.

The financial statements of the City of Fort Dodge have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the City of Fort Dodge has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Fort Dodge (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2007

Discretely Presented Component Units

The Fort Dodge Municipal Airport Authority (Authority) was established pursuant to Chapter 330A of the Code of Iowa to operate the City's airport facility. The Authority is governed by a five member board appointed by the Fort Dodge City Council who serve at the pleasure of the City Council. The City annually provides significant operating subsidies to the Authority. In accordance with criteria set by the Governmental Accounting Standards Board, the Authority meets the definition of a component unit which should be discretely presented. The Authority is accounted for as a Governmental Fund in these financial statements.

In addition, there are two legally, tax-exempt foundations that are component units of the City of Fort Dodge. These foundations act primarily as fund-raising organizations to supplement the resources that are available to the City in support of its programs. Although the City does not control the timing or amount of receipts from these foundations, the majority of resources, or income thereon, that these foundations hold and invest are restricted to the activities of the City by the donors. Because the restricted resources held by these foundations can only be used by, or for the benefit of, the City, these foundations are considered component units of the City of Fort Dodge and are discretely presented in the City's financial statements.

Both of these tax-exempt foundations' records are prepared on the modified cash basis of accounting. Under that basis, assets recognized are cash and marketable securities, and no liabilities are recognized. The only non-cash transactions recognized are gifts of stock and the subsequent increase or decrease in market value. The modified cash basis differs from accounting principles generally accepted in the United States of America primarily because promises to give, accrued investment income and accounts payable are not included in these financial statements. No modifications have been made to the foundations' financial information in the City's reporting entity for these differences.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2007

Details of these component units are as follows:

	W.H. Johnston Foundation	Blanden Charitable Foundation	Total
Cash and pooled investments	\$ 2,578,473	1,823,470	4,401,943
Other assets	---	137,832	137,832
Payroll taxes payable	---	(1,077)	(1,077)
Net assets	<u>\$ 2,578,473</u>	<u>1,960,225</u>	<u>4,538,698</u>
Operating grants, contributions and restricted interest	\$ 359,232	394,092	753,324
Charges for services	---	929	929
Program expenses	<u>(158,048)</u>	<u>(363,654)</u>	<u>(521,702)</u>
Net change	201,184	31,367	232,551
Beginning net assets	<u>2,377,289</u>	<u>1,928,858</u>	<u>4,306,147</u>
Ending net assets	<u>\$ 2,578,473</u>	<u>1,960,225</u>	<u>4,538,698</u>

Complete financial statements for these foundations can be obtained from their respective administrative offices in Fort Dodge, Iowa.

Jointly Governed Organizations

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2007

Related Organizations

Financial statements for the Municipal Housing Agency of the City of Fort Dodge, Iowa are not included in this report as it is not a component unit of the City. The Municipal Housing Agency is governed by its own Board of Trustees who are appointed by the Council and is subject to an independent audit.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Assets presents the City'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 attributable to the acquisition, construction, or improvement of those assets.

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

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2007

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Health and Life Insurance Fund is utilized to account for health and life insurance benefits paid for governmental employees from property taxes.

The Local Option Sales Tax Fund is utilized to account for the revenues from the tax authorized by referendum and used for infrastructure repairs and improvements.

The Tax Increment Financing Revenues Fund is used to account for revenues from the tax authorized by the ordinance in the urban renewal district and used to pay for improvements, administration and debt payments on projects within the urban renewal area.

City of Fort Dodge, Iowa  
Notes to Financial Statements

June 30, 2007

The City reports the following major proprietary funds:

Enterprise:

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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 City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements 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 are reported as other financing sources.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2007

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block 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 City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary funds of the City 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 City's enterprise funds 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 City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most City funds are pooled and invested. Interest earned on investments is allocated to the funds on a systematic basis, or as provided by law. Investments are stated at cost which approximates fair value and non-negotiable certificates of deposit are stated at cost.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2007

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) 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 twelve months.

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2006 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2007 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2006.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided. The City utilizes the direct write-off method for uncollectible accounts which is not materially different from the allowance for method.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2007

Due from and Due to Other Funds – During the course of its operations, the City had several transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2007, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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 – Governmental fund inventories of materials and supplies are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue bonds/notes are classified as restricted assets since their use is restricted by applicable bond/note indentures. Other restricted assets include donations restricted for specific purposes and customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Capital Assets – Capital assets, which include property, equipment and vehicles, works of art, infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land, buildings and improvements	\$ 25,000
Equipment and vehicles	5,000
Infrastructure	50,000

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2007

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	39 years
Improvements other than buildings	15-20 years
Vehicles	3-20 years
Equipment	6-10 years
Infrastructure	15-50 years

Bond Issuance Costs – Bond issuance costs associated with revenue bonds are deferred and amortized over the term of the bonds using the bond outstanding method which approximates the interest method.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent 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, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2007

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the statement of net assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – 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. Designations of fund balance represent tentative management plans that are subject to change.

Estimates and Assumptions – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

E. Budgets and Budgetary Accounting

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

City of Fort Dodge, Iowa  
Notes to Financial Statements

June 30, 2007

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City's investments at June 30, 2007 are as follows:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Treasury securities	\$ 6,136,613	6,111,246
GNMA securities	<u>19,174</u>	<u>23,091</u>
Total	<u>\$ 6,155,787</u>	<u>6,134,337</u>

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2007

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,498,256 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

The City also invested its excess cash in money market savings accounts and certificates of deposit during the year ended June 30, 2007.

Interest rate risk – The City’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 City.

Credit risk – The City’s investment in the Iowa Public Agency Investment Trust is unrated.

City of Fort Dodge, Iowa  
Notes to Financial Statements

June 30, 2007

**(3) Capital Assets**

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year (As restated note 13)	<u>Increases</u>	<u>Decreases</u>	Balance End of Year
<b>Primary Government</b>				
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,338,860	36,000	---	2,374,860
Construction in progress	5,500,158	1,291,279	1,660,005	5,131,432
Works of art	<u>28,509</u>	<u>---</u>	<u>---</u>	<u>28,509</u>
Total capital assets not being depreciated	<u>7,867,527</u>	<u>1,327,279</u>	<u>1,660,005</u>	<u>7,534,801</u>
Capital assets being depreciated:				
Buildings	12,849,216	658,765	236,500	13,271,481
Improvements other than buildings	546,133	225,108	---	771,241
Machinery, equipment and vehicles	6,228,939	503,355	52,545	6,679,749
Infrastructure	<u>34,120,556</u>	<u>853,985</u>	<u>---</u>	<u>34,974,541</u>
Total capital assets being depreciated	<u>53,744,844</u>	<u>2,241,213</u>	<u>289,045</u>	<u>55,697,012</u>
Less accumulated depreciation for:				
Buildings	7,670,133	197,893	227,403	7,640,623
Improvements other than buildings	212,436	37,156	---	249,592
Machinery, equipment and vehicles	4,304,694	414,924	52,545	4,667,073
Infrastructure, road network	<u>10,848,771</u>	<u>1,587,195</u>	<u>---</u>	<u>12,435,966</u>
Total accumulated depreciation	<u>23,036,034</u>	<u>2,237,168</u>	<u>279,948</u>	<u>24,993,254</u>
Total capital assets being depreciated, net	<u>30,708,810</u>	<u>4,045</u>	<u>9,097</u>	<u>30,703,758</u>
Governmental activities capital assets, net	<u>\$ 38,576,337</u>	<u>1,331,324</u>	<u>1,669,102</u>	<u>38,238,559</u>

City of Fort Dodge, Iowa  
Notes to Financial Statements

June 30, 2007

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year (As restated note 13)	<u>Increases</u>	<u>Decreases</u>	Balance End of Year
<b>Business type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 52,941	---	---	52,941
Construction in progress	<u>6,342,557</u>	<u>3,777,293</u>	<u>6,857,918</u>	<u>3,261,932</u>
Total capital assets not being depreciated	<u>6,395,498</u>	<u>3,777,293</u>	<u>6,857,918</u>	<u>3,314,873</u>
Capital assets being depreciated:				
Buildings	5,731,170	---	---	5,731,170
Machinery and equipment	2,290,630	303,567	99,179	2,495,018
Infrastructure	<u>29,925,627</u>	<u>6,857,918</u>	<u>---</u>	<u>36,783,545</u>
Total capital assets being depreciated	<u>37,947,427</u>	<u>7,161,485</u>	<u>99,179</u>	<u>45,009,733</u>
Less accumulated depreciation for:				
Buildings	3,418,625	189,652	---	3,608,277
Machinery and equipment	1,769,103	172,342	99,179	1,842,266
Infrastructure	<u>3,691,516</u>	<u>708,573</u>	<u>---</u>	<u>4,400,089</u>
Total accumulated depreciation	<u>8,879,244</u>	<u>1,070,567</u>	<u>99,179</u>	<u>9,850,632</u>
Total capital assets being depreciated, net	<u>29,068,183</u>	<u>6,090,918</u>	<u>---</u>	<u>35,159,101</u>
Business type activities capital assets, net	<u>\$ 35,463,681</u>	<u>9,868,211</u>	<u>6,857,918</u>	<u>38,473,974</u>

City of Fort Dodge, Iowa  
Notes to Financial Statements

June 30, 2007

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
Public safety	\$ 143,052
Public works, which includes the depreciation of general infrastructure assets	1,801,899
Culture and recreation	289,047
General government	<u>3,170</u>
Total depreciation expense – governmental activities	<u>\$ 2,237,168</u>
Business type activities:	
Water	\$ 459,694
Sewer	520,693
Non-major business type activities	<u>90,180</u>
Total depreciation expense – business type activities	<u>\$ 1,070,567</u>



City of Fort Dodge

Notes to Financial Statements

June 30, 2007

**(4) Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	<u>Increases</u>	<u>Decreases</u>	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes:					
General and corporate purpose	\$ 8,510,000	-	1,215,000	7,295,000	1,155,000
Revenue notes	2,420,000	3,000,000	141,000	5,279,000	147,500
Note payable	22,500	-	15,000	7,500	7,500
Compensated absences	1,076,235	607,034	764,682	918,587	118,207
Early Retirement	255,440	34,327	77,484	212,283	11,459
Total	<u>\$ 12,284,175</u>	<u>3,641,361</u>	<u>2,213,166</u>	<u>13,712,370</u>	<u>1,439,666</u>

	Balance Beginning of Year	<u>Increases</u>	<u>Decreases</u>	Balance End of Year	Due Within One Year
Business type activities:					
Revenue bonds/notes:					
Water	\$ 8,114,988	213,812	481,000	7,847,800	499,000
Sewer	13,623,179	2,821	713,000	12,913,000	738,000
Compensated absences	114,569	229,622	192,169	152,022	152,022
Early retirement	41,259	-	19,739	21,520	13,138
Total	<u>\$ 21,893,995</u>	<u>446,255</u>	<u>1,405,908</u>	<u>20,934,342</u>	<u>1,402,160</u>

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2007

Bonded Debt

General obligation bonds/notes:

Four issues of unmatured general obligation bonds/notes, totaling \$7,295,000, are outstanding at June 30, 2007. General obligation bonds bear interest with rates ranging from 2.00% to 4.60% and mature in varying annual amounts ranging from \$175,000 to \$625,000, with the final maturities due in the year ending June 30, 2015.

Revenue bonds/notes:

Twelve issues of unmatured revenue bonds/notes, totaling \$26,039,800 are outstanding at June 30, 2007. These bonds/notes bear interest at rates of 3.00% to 4.75% and mature in varying annual amounts ranging from \$9,000 to \$713,000, with the final maturities due in the year ending June 30, 2025.

The resolutions providing for the issuance of the revenue bonds/notes include the following provisions:

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate hotel and motel tax revenue, sewer and water bond sinking accounts for the purpose of making the bond/note principal and interest payments when due.
- (c) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds/notes falling due in the same year.

During the year ended June 30, 2007, the City was not in compliance with the revenue bond/note provisions.

City of Fort Dodge

Notes to Financial Statements

June 30, 2007

Details of bond/notes payable at June 30, 2007 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2007</u>
Governmental activities:						
General obligation bonds/notes:						
Corporate purpose	June 1, 1999	4.15-4.45%	June 30, 2008	\$190,000-540,000	\$ 5,300,000	\$ 2,105,000
Corporate purpose	May 28,2003	2.00-3.50%	June 30, 2014	185,000-235,000	2,050,000	1,495,000
Refunding bond	May 28,2004	1.10-2.35%	June 30, 2008	260,000-625,000	2,950,000	260,000
Corporate purpose	Dec. 1, 2004	3.20%	June 30, 2015	175,000-515,000	3,800,000	3,435,000
Revenue notes:						
Hotel/motel tax revenue note	June 1, 2003	3.00-4.15%	June 30, 2023	60,000-130,000	1,700,000	1,515,000
Urban renewal tax increment revenue bond	Dec. 17, 2003	1.60-4.50%	Dec. 1, 2013	20,000-40,000	400,000	260,000
Golf course revenue note	Jan. 13, 2006	3.95-4.75%	Dec. 1, 2025	18,000-58,500	56,000	504,000
Urban renewal tax increment revenue bond	Nov. 16, 2006	4.75%	Dec. 1, 2022	180,000-260,000	3,000,000	<u>3,000,000</u>
Total Government activities						<u>12,574,000</u>
Business type activities:						
Revenue bonds/notes:						
Water revenue	June 1, 1998	4.30-4.37%	June 30, 2008	\$200,000-220,000	\$ 1,800,000	\$ 220,000
Sewer revenue CW8906R	Dec. 4, 1989	5.02%	June 30, 2011	90,000-115,000	1,500,000	430,000
Sewer revenue CW9809R	Sept. 30, 1999	3.92%	Dec. 1, 2021	9,000-17,000	243,597	199,000
Sewer revenue CW9116R	Sept. 30, 1999	3.92%	Dec. 1, 2021	385,000-713,000	10,142,403	8,284,000
Sewer revenue CW0118R	Sept. 30, 2002	3.00%	Dec. 1, 2021	54,000-79,000	1,331,000	872,000
Sewer revenue CW0304R	Dec. 20, 2001	3.00%	June 30, 2023	146,000-235,000	3,705,000	3,128,000
Water revenue DW030224R	Dec. 12, 2003	3.00%	Dec. 1, 2024	130,000-229,000	3,500,000	3,236,000
Water revenue	June 1, 2004	3.00%	Dec. 1, 2024	133,000-270,000	5,133,000	<u>4,391,800</u>
Total business type activities						<u>20,760,800</u>
Total						<u>\$ 33,334,800</u>

City of Fort Dodge

Notes to Financial Statements

June 30, 2007

A summary of the annual bond/note principal and interest requirements to maturity by type of bond/note is as follows:

Year Ending June 30,	General Obligation		
	Principal	Interest	Total
2008	\$ 1,155,000	255,631	1,410,631
2009	1,155,000	216,740	1,371,740
2010	825,000	174,430	999,430
2011	865,000	145,867	1,010,867
2012	895,000	115,695	1,010,695
2013-2015	<u>2,400,000</u>	<u>154,780</u>	<u>2,554,780</u>
Total	<u>\$ 7,295,000</u>	<u>1,063,143</u>	<u>8,358,143</u>

Year Ending June 30,	Revenue			Total
	Principal	Interest	Total	
2008	\$ 1,384,500	691,354	2,075,854	3,486,485
2009	1,384,500	646,682	2,031,182	3,402,922
2010	1,535,500	608,743	2,144,243	3,143,673
2011	1,582,500	567,959	2,150,459	3,161,326
2012	1,507,500	527,714	2,035,214	3,045,909
2013-2016	6,413,500	1,701,818	8,115,318	10,670,098
2017-2021	8,794,000	1,107,192	9,901,192	9,901,192
2022-2025	<u>3,437,800</u>	<u>126,453</u>	<u>3,564,253</u>	<u>3,564,253</u>
Total	<u>\$ 26,039,800</u>	<u>5,977,915</u>	<u>32,017,715</u>	<u>40,375,858</u>

As of June 30, 2007 the general obligation debt issued by the City did not exceed its legal debt margin computed as follows:

Actual valuation	<u>\$ 946,605,956</u>
Debt limit - 5% of total actual valuation	47,330,298
Debt applicable to debt limit:	
General obligation, tax increment financing and revenue bonded debt outstanding	<u>(12,574,000)</u>
Legal debt margin	<u>\$ 34,756,298</u>

City of Fort Dodge, Iowa  
Notes to Financial Statements

June 30, 2007

Other Than Bonded Debt

Note payable:

Year Ending June 30,	MidAmerican Energy		
	Principal	Interest	Total
2008	\$ 7,500	---	7,500
Total	\$ 7,500	---	7,500
	=====	=====	=====

Early Retirement

The City offered a one-time early retirement incentive effective July 1, 2003 and ending December 15, 2003 to any employee who had a combination of age and years of service with the City equaling a minimum of 74 years. The employee must sign a statement of intent to participate in this program with their last day of employment prior to March 15, 2004. All participating employees are eligible for individual medical coverage at no cost to them until they reach the age of eligibility for Medicare. Early retirement expenditures for the year ended June 30, 2007 totaled \$97,223.

Interim Financing

The City has authorized an interim financing loan for up to \$2.2 million to finance the planning and design of sewer improvement projects. This interim loan has a zero percent interest rate for three years. This interim financing will be repaid upon issuance of revenue bonds. As of June 30, 2007 \$1,194,113 has been advanced to the City of Fort Dodge.

City of Fort Dodge, Iowa  
Notes to Financial Statements

June 30, 2007

**(5) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	TIF	\$ 40,000
	Emergency	75,445
	Enterprise:	
	Water	150,000
	Sewer	150,000
	Solid Waste	80,000
	Parking Meter	5,000
	Capital Improvements	3,867
Special Revenue:		
Hotel/Motel Tax	General	72,176
SSMID	Special Revenue:	
	TIF	28,185
TIF	Special Revenue:	
	Urban Renewal	130,000
Debt Service:		
Harlan Rogers Sinking	General	131,762
Debt Service	Special Revenue:	
	TIF	94,280
	Enterprise:	
	Water	215,480
Golf Course Sinking	Capital Improvements	50,331

City of Fort Dodge, Iowa  
Notes to Financial Statements

June 30, 2007

Capital Projects:		
Capital Improvements	General	85,208
	Special Revenue:	
	Road Use	7,709
	Hotel/Motel Tax	4,600
	Enterprise:	
	Water	10,102
	Sewer	11,187
	Solid Waste	3,043
	Parking Meter	283
Construction Fund	Special Revenue:	
	Road Use	4,171
Enterprise:		
Central garage	Special Revenue:	
	Road Use	26,350
Parking meter	SSMID	2,000
Central garage	Enterprise:	
	Water	26,350
	Sewer	26,350
	Solid Waste	26,350
Water	Enterprise:	
	Sewer	<u>97,500</u>
		<u>\$ 1,557,724</u>

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

City of Fort Dodge, Iowa  
Notes to Financial Statements  
June 30, 2007

**(6) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue: Hotel/Motel Tax	General	\$ 16,311
Debt Service: Harlan Rogers Sinking	General	32,612
Capital Projects Capital Improvements	General	16,311
General	Special Revenue: TIF	30,000
		<u>\$ 95,234</u>

**(7) Pension and Retirement Benefits**

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2007

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$274,666, \$290,712, and \$259,890 respectively, equal to the required contributions for each year.

- B. The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104<sup>th</sup> St., Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate based upon an actuarially determined normal contribution rate, cannot be less than 17% of earnable compensation. Contribution rates are established by state statute. The City's contribution to the Plan for the years ended June 30, 2007, 2006 and 2005 were \$858,946, \$847,042, and \$717,547 respectively, which met the required minimum contribution for each year.

**(8) Risk Management**

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2007

**(9) Construction Commitments**

At June 30, 2007, the City had the following commitments with respect to unfinished capital projects:

	<u>Remaining Construction Commitment</u>	<u>Contract Amount</u>
Harlan Rogers Concessions	\$ 654,097	\$ 2,196,212
Airport Runway Improvements	35,810	716,179
Waste Water Treatment Plant	7,450,450	10,294,200
Ag Sewer Line	86,219	389,500
2007 HMA Overlay	410,169	410,169
2007 PCC Projects	28,441	68,644
20 <sup>th</sup> Ave. North Traffic Signals	109,420	109,420
Fire Station Addition	<u>154,672</u>	<u>381,245</u>
 Total	 \$ 8,929,278 =====	 \$ 14,565,569 =====

The City has also committed to two additional projects for which bids were issued subsequent to June 30, 2007. The total amount of projects approved was \$4,816,000 which will be paid from bond proceeds and local contributions.

**(10) Deficit Balances**

As of June 30, 2007, funds with deficit balances were as follows:

Capital Projects, Harlan Rogers Complex	\$ (190,503)
Special Revenue, Foster Grandparents Account	(6,989)

The deficit balances are a result of costs exceeding the expenses. The deficit in the Harlan Rogers Complex will be eliminated upon issuance of bonds. The deficit in the Foster Grandparents Account will be eliminated upon receipt of federal funds.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2007

**(11) Operating Leases**

The City of Fort Dodge has entered into a lease agreement with the Webster County Conservation Board to lease land that the golf course is situated on. This lease is for a term of ninety-nine years commencing August 25, 1970.

This lease states in part that "For the rent of said premises the City hereby agrees to pay the said County twenty-five percent (25%) of the net profit from golf course operations or \$1.00 per year, whichever is greater. Net profit is defined as gross receipts less maintenance and operating costs and less capitalization for future replacement and/or additions or improvements to the golf course facility. Said rental is to be paid promptly without previous demand as follows: at the conclusion of the operation year after an audit has been made of the net profit from the golf course operation."

The amount paid to the Webster County Conservation Board during the year ended June 30, 2007 was \$1,363 for the prior fiscal year net income.

The lease has a supplement which states that the City of Fort Dodge will pay to the Webster County Conservation Board fifty percent (50%) of the gross cart shed rentals or \$3,000, whichever is less. The amount paid during the year ended June 30, 2007 for cart shed rent was \$3,000 for the prior fiscal year.

Lakeside Municipal Golf Course has entered into an operating lease for twenty-eight 2006 Yamaha golf carts. This lease is for 48 months commencing April 25, 2006. During the year ended June 30, 2007 the Golf Course disbursed \$17,976 for this lease.

Future minimum payments are as follows:

2008	\$ 17,976
2009	17,976
2010	<u>46,984</u>
	<u>\$ 82,936</u>

City of Fort Dodge, Iowa  
Notes to Financial Statements

June 30, 2007

**(12) Related Parties**

The City had business transactions between the City and City officials totaling \$1,697,703 during the year ended June 30, 2007.

**(13) Restatement of Beginning Balances**

The government-wide financial statements report the City's governmental and business type activities. Beginning net assets for both governmental and business type activities have been restated to include infrastructure at July 1, 2006 not previously recorded.

Primary Government:	<u>Total</u>
Governmental Activities:	
Net assets, June 30, 2006 as previously reported	\$ 26,078,574
Capital assets	<u>14,706,901</u>
Net assets, July 1, 2006 as restated	<u>40,785,475</u>
	=====
Business Type Activities:	
Net assets, June 30, 2006 as previously reported	2,081,628
Capital assets	<u>16,811,081</u>
Net assets, July 1, 2006 as restated	<u>18,892,709</u>
	=====

**Required Supplementary Information**

City of Fort Dodge, Iowa  
 Budgetary Comparison Schedule of  
 Receipts, Disbursements and Changes in Balances  
 Budget and Actual (Cash Basis)  
 All Governmental Funds, Proprietary Funds, and the Airport Authority  
 Required Supplementary Information  
 Year ended June 30, 2007

	Governmental Fund Types	Proprietary Fund Type - Enterprise	Component Unit - Airport Authority	Total
Receipts:				
Property tax	\$ 8,997,453	-	172,598	9,170,051
Tax increment financing	909,054	-	-	909,054
Other city tax	2,611,391	-	-	2,611,391
Licenses and permits	266,092	-	-	266,092
Use of money and property	643,433	295,496	174,544	1,113,473
Intergovernmental	4,586,433	46,966	1,565,955	6,199,354
Charges for service	1,146,698	7,757,864	33,909	8,938,471
Special assessments	8,745	-	-	8,745
Miscellaneous	1,250,396	150,052	148,662	1,549,110
Total receipts	<u>20,419,695</u>	<u>8,250,378</u>	<u>2,095,668</u>	<u>30,765,741</u>
Disbursements:				
Public safety	6,403,945	-	-	6,403,945
Public works	3,541,756	-	517,012	4,058,768
Health and social services	853,197	-	-	853,197
Culture and recreation	2,638,150	-	-	2,638,150
Community and economic development	5,039,065	-	-	5,039,065
General government	1,547,452	-	-	1,547,452
Debt service	1,843,170	-	-	1,843,170
Capital projects	1,107,848	-	1,421,638	2,529,486
Business type activities	-	9,777,864	-	9,777,864
Total disbursements	<u>22,974,583</u>	<u>9,777,864</u>	<u>1,938,650</u>	<u>34,691,097</u>
Excess (deficiency) of receipts over (under) disbursements	(2,554,888)	(1,527,486)	157,018	(3,925,356)
Other financing sources, net	<u>3,813,377</u>	<u>597,368</u>	<u>-</u>	<u>4,410,745</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,258,489	(930,118)	157,018	485,389
Balances beginning of year	<u>14,306,915</u>	<u>5,241,878</u>	<u>(442,334)</u>	<u>19,106,459</u>
Balances end of year	<u>\$ 15,565,404</u>	<u>4,311,760</u>	<u>(285,316)</u>	<u>19,591,848</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
<u>Original</u>	<u>Final</u>	<u>Actual</u>
		<u>Variance</u>
9,156,236	9,156,236	13,815
780,000	780,000	129,054
2,260,990	2,280,990	330,401
309,470	309,470	(43,378)
301,700	404,428	709,045
5,542,297	7,017,214	(817,860)
9,352,218	9,550,218	(611,747)
7,500	7,500	1,245
<u>2,639,100</u>	<u>2,672,027</u>	<u>(1,122,917)</u>
<u>30,349,511</u>	<u>32,178,083</u>	<u>(1,412,342)</u>
6,289,851	6,770,123	366,178
5,240,568	5,338,024	1,279,256
878,629	1,137,753	284,556
2,508,278	2,639,105	955
2,316,243	5,860,243	821,178
1,443,771	1,678,521	131,069
3,824,057	3,970,998	2,127,828
3,836,375	4,686,468	2,156,982
<u>5,982,732</u>	<u>15,368,822</u>	<u>5,590,958</u>
<u>32,320,504</u>	<u>47,450,057</u>	<u>12,758,960</u>
(1,970,993)	(15,271,974)	11,346,618
-	<u>12,490,829</u>	<u>(8,080,084)</u>
(1,970,993)	(2,781,145)	3,266,534
<u>19,106,459</u>	<u>19,106,459</u>	-
<u>17,135,466</u>	<u>16,325,314</u>	<u>3,266,534</u>

City of Fort Dodge, Iowa  
 Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2007

	Governmental Funds			Proprietary Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis	Enterprise		
				Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 20,419,695	-	20,039,816	8,250,378	(28,944)	8,221,434
Expenditures/Expenses	<u>22,974,583</u>	<u>-</u>	<u>22,870,956</u>	<u>9,777,864</u>	<u>(2,704,395)</u>	<u>7,073,469</u>
Net	(2,554,888)	(276,252)	(2,831,140)	(1,527,486)	2,675,451	1,147,965
Other financing sources (uses) (net)	3,813,377	(216,632)	3,596,745	597,368	(1,194,113)	(596,745)
Beginning fund balances	<u>14,306,915</u>	<u>189,467</u>	<u>14,496,382</u>	<u>5,241,878</u>	<u>13,650,831</u>	<u>18,892,709</u>
Ending fund balances	<u>\$ 15,565,404</u>	<u>(303,417)</u>	<u>15,261,987</u>	<u>4,311,760</u>	<u>15,132,169</u>	<u>19,443,929</u>

	Component Unit		
	Airport		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 2,095,668	(342,504)	1,753,164
Expenses	<u>1,938,650</u>	<u>(1,270,042)</u>	<u>668,608</u>
Net	157,018	927,538	1,084,556
Beginning fund balance	<u>(442,334)</u>	<u>4,587,672</u>	<u>4,145,338</u>
Ending fund balance	<u>\$ (285,316)</u>	<u>5,515,210</u>	<u>5,229,894</u>

See accompanying independent auditor's report.

City of Fort Dodge, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2007

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

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Funds, the Capital Projects Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, one budget amendment increased budgeted receipts by \$1,828,572 budgeted disbursements by \$5,129,553 and other financing sources by \$12,490,829. These budget amendments are reflected in the final budgeted amounts.

The City of Fort Dodge prepares its budget on the cash basis. The Budgetary Comparison Schedule is a comparison of the cash basis receipts and disbursements with the budget adopted and amended by the City Council.

## **Other Supplementary Information**

City of Fort Dodge, Iowa  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2007

	Special Revenue		
	Road Use Tax	Employee Flex Spending	Historical Preservation
<b>Assets</b>			
Cash and pooled investments	\$ 1,163,952	707	674
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	-	-	-
Accrued interest	987	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
Inventories	-	-	-
Prepaid insurance	-	-	-
	\$ 1,164,939	707	674
<b>Total assets</b>			
 <b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 35,315	-	-
Salaries payable	36,662	-	-
Benefits payable	-	-	-
Deferred revenue:			
Succeeding year property tax	-	-	-
Other	-	-	-
Due to other funds	-	-	-
Total liabilities	71,977	-	-
Fund equity:			
Fund balances:			
Reserved for:			
Prepaid expenditures	-	-	-
Debt service	-	-	-
Unreserved reported in:			
Special revenue funds	1,092,962	707	674
Capital projects fund	-	-	-
Total fund balances	1,092,962	707	674
	\$ 1,164,939	707	674
<b>Total liabilities and fund balances</b>			

See accompanying independent auditor's report.

Special Revenue						
<u>FICA/IPERS</u>	<u>Workers Comp Insurance</u>	<u>Unemployment Insurance</u>	<u>Special Assessment</u>	<u>Police Retirement</u>	<u>Fire Retirement</u>	<u>Community Development</u>
177,454	15,590	113,449	88,897	127,431	76,005	194,858
9,422	2,963	-	-	12,620	9,099	-
490,109	120,984	-	-	450,425	326,170	-
-	-	-	-	-	-	-
160	13	93	73	144	310	3,808
-	-	-	-	-	-	-
-	-	-	-	-	-	79,794
-	-	-	-	-	-	-
-	11,581	-	-	-	-	-
<u>677,145</u>	<u>151,131</u>	<u>113,542</u>	<u>88,970</u>	<u>590,620</u>	<u>411,584</u>	<u>278,460</u>
40,560	18,693	390	-	16,760	13,582	22,406
22,660	-	-	-	-	-	-
-	-	-	-	16,760	13,065	-
490,109	120,984	-	-	450,425	326,170	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>553,329</u>	<u>139,677</u>	<u>390</u>	<u>-</u>	<u>483,945</u>	<u>352,817</u>	<u>22,406</u>
-	11,581	-	-	-	-	-
-	-	-	-	-	-	-
123,816	(127)	113,152	88,970	106,675	58,767	256,054
-	-	-	-	-	-	-
<u>123,816</u>	<u>11,454</u>	<u>113,152</u>	<u>88,970</u>	<u>106,675</u>	<u>58,767</u>	<u>256,054</u>
<u>677,145</u>	<u>151,131</u>	<u>113,542</u>	<u>88,970</u>	<u>590,620</u>	<u>411,584</u>	<u>278,460</u>

(continued)

City of Fort Dodge, Iowa  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2007

	Special Revenue		
	Emergency Fund	Emergency Shelter	Urban Renewal
<b>Assets</b>			
Cash and pooled investments	\$ -	1	206,521
Receivables:			
Property tax:			
Delinquent	1,865	-	-
Succeeding year	145,706	-	-
Accounts	-	-	-
Accrued interest	-	-	223
Due from other funds	-	-	-
Due from other governments	-	-	-
Inventories	-	-	-
Prepaid insurance	-	-	-
	-	-	-
<b>Total assets</b>	<b>\$ 147,571</b>	<b>1</b>	<b>206,744</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	-	1,346
Salaries payable	-	-	-
Benefits payable	-	-	-
Deferred revenue:			
Succeeding year property tax	145,706	-	-
Other	-	-	-
Due to other funds	-	-	-
Total liabilities	145,706	-	1,346
Fund equity:			
Fund balances:			
Reserved for:			
Prepaid expenditures	-	-	-
Debt service	-	-	-
Unreserved reported in:			
Special revenue funds	1,865	1	205,398
Capital projects fund	-	-	-
Total fund balances	1,865	1	205,398
<b>Total liabilities and fund balances</b>	<b>\$ 147,571</b>	<b>1</b>	<b>206,744</b>

See accompanying independent auditor's report.

Special Revenue						
<u>Hotel/ Motel Tax</u>	<u>SSMID</u>	<u>Library Memorial</u>	<u>RSVP</u>	<u>Foster Grandparents</u>	<u>Other Contributions</u>	<u>Drug Arrest</u>
126,097	617,512	27,627	13,078	6,408	1,099	31,270
-	5,317	-	-	-	-	-
-	49,718	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
16,311	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>142,408</u>	<u>672,547</u>	<u>27,627</u>	<u>13,078</u>	<u>6,408</u>	<u>1,099</u>	<u>31,270</u>
85	4,680	-	170	13,397	-	7,832
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	49,718	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>85</u>	<u>54,398</u>	<u>-</u>	<u>170</u>	<u>13,397</u>	<u>-</u>	<u>7,832</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
142,323	618,149	27,627	12,908	(6,989)	1,099	23,438
-	-	-	-	-	-	-
<u>142,323</u>	<u>618,149</u>	<u>27,627</u>	<u>12,908</u>	<u>(6,989)</u>	<u>1,099</u>	<u>23,438</u>
<u>142,408</u>	<u>672,547</u>	<u>27,627</u>	<u>13,078</u>	<u>6,408</u>	<u>1,099</u>	<u>31,270</u>

(continued)

City of Fort Dodge, Iowa  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2007

	Special Revenue		
	<u>DARE</u>	<u>City Grants</u>	<u>Congregate Meals</u>
<b>Assets</b>			
Cash and pooled investments	\$ 11,974	(76,920)	8,013
Receivables			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	-	-	-
Accrued interest	-	-	-
Due from other funds	-	-	-
Due from other governments	-	144,044	8,181
Inventories	-	-	-
Prepaid insurance	-	-	-
	-	-	-
<b>Total assets</b>	<b>\$ 11,974</b>	<b>67,124</b>	<b>16,194</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	65,648	-
Salaries payable	-	-	685
Benefits payable	-	-	-
Deferred revenue:			
Succeeding year property tax	-	-	-
Other	-	-	-
Due to other funds	-	-	-
Total liabilities	-	65,648	685
Fund equity:			
Fund balances:			
Reserved for:			
Prepaid expenditures	-	-	-
Debt service	-	-	-
Unreserved reported in:			
Special revenue funds	11,974	1,476	15,509
Capital projects fund	-	-	-
Total fund balances	11,974	1,476	15,509
<b>Total liabilities and fund balances</b>	<b>\$ 11,974</b>	<b>67,124</b>	<b>16,194</b>

See accompanying independent auditor's report.

Schedule 1

Debt Service		Capital Projects				
Debt Service	Harlan Rogers Sinking	Harlan Rogers Complex	Construction	Capital Improvements	Oleson Park Bandshell	Total
595,359	117,491	(76,121)	735,385	743,838	384,946	\$ 5,432,595
33,810	-	-	-	-	-	75,096
1,257,556	-	-	-	-	-	2,840,668
-	-	-	-	946	-	946
458	96	-	603	-	316	7,284
-	32,612	-	-	16,311	-	65,234
-	-	-	-	-	-	232,019
-	-	-	-	-	-	-
-	-	-	-	-	-	11,581
<u>1,887,183</u>	<u>150,199</u>	<u>(76,121)</u>	<u>735,988</u>	<u>761,095</u>	<u>385,262</u>	<u>\$ 8,665,423</u>
-	-	114,382	-	96,877	-	452,123
-	-	-	-	-	-	60,007
-	-	-	-	-	-	29,825
-	-	-	-	-	-	-
1,257,556	-	-	-	-	-	2,840,668
-	-	-	-	18,560	-	18,560
-	-	-	-	-	-	-
<u>1,257,556</u>	<u>-</u>	<u>114,382</u>	<u>-</u>	<u>115,437</u>	<u>-</u>	<u>3,401,183</u>
629,627	150,199	-	-	-	-	11,581
-	-	-	-	-	-	779,826
-	-	-	-	-	-	2,896,428
-	-	(190,503)	735,988	645,658	385,262	1,576,405
<u>629,627</u>	<u>150,199</u>	<u>(190,503)</u>	<u>735,988</u>	<u>645,658</u>	<u>385,262</u>	<u>5,264,240</u>
<u>1,887,183</u>	<u>150,199</u>	<u>(76,121)</u>	<u>735,988</u>	<u>761,095</u>	<u>385,262</u>	<u>\$ 8,665,423</u>

City of Fort Dodge, Iowa  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Governmental Funds  
Year ended June 30, 2007

	Special Revenue		
	Road Use Tax	Employee Flex Spending	Historical Preservation
Revenues:			
Property tax	\$ -	-	-
Other city tax	-	-	-
Use of money and property	986	-	-
Intergovernmental	2,192,720	-	10,500
Charges for service	-	-	-
Miscellaneous	-	38,177	1,005
Total revenues	<u>2,193,706</u>	<u>38,177</u>	<u>11,505</u>
Expenditures:			
Operating:			
Public safety	94	-	-
Public works	2,065,219	-	-
Health and social services	-	-	-
Culture and recreation	-	-	-
Community and economic development	-	-	-
General government	-	35,037	1,641
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	<u>2,065,313</u>	<u>35,037</u>	<u>1,641</u>
Excess (deficiency) of revenues over (under) expenditures	<u>128,393</u>	<u>3,140</u>	<u>9,864</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(38,230)	-	-
Total other financing sources (uses)	<u>(38,230)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	90,163	3,140	9,864
Fund balances beginning of year	<u>1,002,799</u>	<u>(2,433)</u>	<u>(9,190)</u>
Fund balances end of year	<u>\$ 1,092,962</u>	<u>707</u>	<u>674</u>

See accompanying independent auditor's report.

Special Revenue						
<u>FICA/IPERS</u>	<u>Workers Comp Insurance</u>	<u>Unemployment Insurance</u>	<u>Special Assessment</u>	<u>Police Retirement</u>	<u>Fire Retirement</u>	<u>Community Development</u>
382,016	120,136	8,074	-	511,667	368,906	-
-	-	-	-	-	-	-
11,871	853	(1,113)	4,704	8,327	6,463	9,825
-	-	-	-	-	-	579,983
-	-	-	-	-	-	-
8,409	3,340	-	-	-	-	232,861
<u>402,296</u>	<u>124,329</u>	<u>6,961</u>	<u>4,704</u>	<u>519,994</u>	<u>375,369</u>	<u>822,669</u>
59,954	92,129	-	-	503,338	388,311	-
174,030	31,809	7,621	-	-	-	-
22,613	4,089	-	-	-	-	-
146,791	30,445	14,901	-	-	-	-
46,285	7,725	-	-	-	-	825,820
45,018	9,088	10,044	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>494,691</u>	<u>175,285</u>	<u>32,566</u>	<u>-</u>	<u>503,338</u>	<u>388,311</u>	<u>825,820</u>
<u>(92,395)</u>	<u>(50,956)</u>	<u>(25,605)</u>	<u>4,704</u>	<u>16,656</u>	<u>(12,942)</u>	<u>(3,151)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(92,395)	(50,956)	(25,605)	4,704	16,656	(12,942)	(3,151)
<u>216,211</u>	<u>62,410</u>	<u>138,757</u>	<u>84,266</u>	<u>90,019</u>	<u>71,709</u>	<u>259,205</u>
<u>123,816</u>	<u>11,454</u>	<u>113,152</u>	<u>88,970</u>	<u>106,675</u>	<u>58,767</u>	<u>256,054</u>

(continued)

City of Fort Dodge, Iowa  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Governmental Funds  
Year ended June 30, 2007

	Special Revenue		
	Emergency Fund	Emergency Shelter	Urban Renewal
Revenues:			
Property tax	\$ 75,843	-	-
Other city tax	-	-	-
Use of money and property	-	-	18,878
Intergovernmental	-	-	-
Charges for service	-	-	-
Miscellaneous	-	-	-
Total revenues	75,843	-	18,878
Expenditures:			
Operating:			
Public safety	-	-	-
Public works	-	-	-
Health and social services	-	-	-
Culture and recreation	-	-	-
Community and economic development	-	-	148,831
General government	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	-	-	148,831
Excess (deficiency) of revenues over (under) expenditures	75,843	-	(129,953)
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(75,445)	-	(130,000)
Total other financing sources (uses)	(75,445)	-	(130,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	398	-	(259,953)
Fund balances beginning of year	1,467	1	465,351
Fund balances end of year	\$ 1,865	1	205,398

See accompanying independent auditor's report.

Schedule 2

Special Revenue						
<u>Hotel/ Motel Tax</u>	<u>Library Memorial</u>	<u>SSMID</u>	<u>RSVP</u>	<u>Foster Grandparents</u>	<u>Other Contributions</u>	<u>Drug Arrest</u>
-	-	50,412	-	-	-	-
-	-	-	-	-	-	-
-	-	21,615	-	-	-	-
-	-	-	31,160	202,285	-	18,418
-	-	-	-	-	-	-
497	44,279	18	5,000	210	-	-
<u>497</u>	<u>44,279</u>	<u>72,045</u>	<u>36,160</u>	<u>202,495</u>	<u>-</u>	<u>18,418</u>
-	-	-	-	-	-	89,427
-	-	-	-	-	-	-
-	-	-	33,779	208,553	-	-
12,444	46,339	-	-	-	-	-
-	-	14,141	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>12,444</u>	<u>46,339</u>	<u>14,141</u>	<u>33,779</u>	<u>208,553</u>	<u>-</u>	<u>89,427</u>
<u>(11,947)</u>	<u>(2,060)</u>	<u>57,904</u>	<u>2,381</u>	<u>(6,058)</u>	<u>-</u>	<u>(71,009)</u>
72,176	-	28,185	-	-	-	-
<u>(4,600)</u>	<u>-</u>	<u>(2,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>67,576</u>	<u>-</u>	<u>26,185</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
55,629	(2,060)	84,089	2,381	(6,058)	-	(71,009)
<u>86,694</u>	<u>29,687</u>	<u>534,060</u>	<u>10,527</u>	<u>(931)</u>	<u>1,099</u>	<u>94,447</u>
<u>142,323</u>	<u>27,627</u>	<u>618,149</u>	<u>12,908</u>	<u>(6,989)</u>	<u>1,099</u>	<u>23,438</u>

(continued)

City of Fort Dodge, Iowa  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Governmental Funds  
Year ended June 30, 2007

	Special Revenue		
	<u>DARE</u>	<u>City Grants</u>	<u>Congregate Meals</u>
Revenues:			
Property tax	\$ -	-	-
Other city tax	-	-	-
Use of money and property	-	-	47
Intergovernmental	-	402,831	96,492
Charges for service	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>-</u>	<u>402,831</u>	<u>96,539</u>
Expenditures:			
Operating:			
Public safety	-	-	-
Public works	-	-	-
Health and social services	-	384,033	89,944
Culture and recreation	-	6,054	-
Community and economic development	-	-	-
General government	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	<u>-</u>	<u>390,087</u>	<u>89,944</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>12,744</u>	<u>6,595</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>-</u>	<u>12,744</u>	<u>6,595</u>
Fund balances beginning of year	<u>11,974</u>	<u>(11,268)</u>	<u>8,914</u>
Fund balances end of year	<u>\$ 11,974</u>	<u>1,476</u>	<u>15,509</u>

See accompanying independent auditor's report.

Debt Service			Capital Projects				Totals
Debt Service	Golf Course	Harlan Sinking	Harlan Rogers Complex	Construction	Capital Improvements	Oleson Park Bandshell	
1,373,683	-	-	-	-	-	-	2,890,737
-	-	2,546	-	-	-	-	2,546
64,184	-	7,912	-	40,619	-	20,154	215,325
-	-	-	80,657	-	15,875	-	3,630,921
-	9,450	-	-	-	339,544	-	348,994
-	-	-	180,842	64,778	409,118	41,310	1,029,844
<u>1,437,867</u>	<u>9,450</u>	<u>10,458</u>	<u>261,499</u>	<u>105,397</u>	<u>764,537</u>	<u>61,464</u>	<u>8,118,367</u>
-	-	-	-	-	646,993	-	1,780,246
-	-	-	-	-	7,575	-	2,286,254
-	-	-	-	-	6,552	-	749,563
-	-	-	-	-	315,738	-	572,712
-	-	-	-	-	-	-	1,042,802
-	-	-	-	-	51,961	-	152,789
1,512,648	59,781	127,505	-	-	-	-	1,699,934
-	-	-	700,873	159,579	-	42,395	902,847
<u>1,512,648</u>	<u>59,781</u>	<u>127,505</u>	<u>700,873</u>	<u>159,579</u>	<u>1,028,819</u>	<u>42,395</u>	<u>9,187,147</u>
<u>(74,781)</u>	<u>(50,331)</u>	<u>(117,047)</u>	<u>(439,374)</u>	<u>(54,182)</u>	<u>(264,282)</u>	<u>19,069</u>	<u>(1,068,780)</u>
309,760	50,331	131,762	-	4,171	122,127	-	718,512
-	-	-	-	-	(54,198)	-	(304,473)
<u>309,760</u>	<u>50,331</u>	<u>131,762</u>	<u>-</u>	<u>4,171</u>	<u>67,929</u>	<u>-</u>	<u>414,039</u>
234,979	-	14,715	(439,374)	(50,011)	(196,353)	19,069	(654,741)
<u>394,648</u>	<u>-</u>	<u>135,484</u>	<u>248,871</u>	<u>785,999</u>	<u>842,011</u>	<u>366,193</u>	<u>5,918,981</u>
<u>629,627</u>	<u>-</u>	<u>150,199</u>	<u>(190,503)</u>	<u>735,988</u>	<u>645,658</u>	<u>385,262</u>	<u>5,264,240</u>

City of Fort Dodge, Iowa  
Statement of Net Assets  
Nonmajor Proprietary Funds  
June 30, 2007

	Enterprise Funds	
	Parking Meter	Solid Waste
<b>Assets</b>		
Cash and pooled investments	\$ 252,853	202,565
Accounts receivable	21,691	84,141
Interest receivable	207	175
Prepaid insurance	29	5,405
Restricted assets:		
Cash and cash equivalents	-	-
Capital assets (net of accumulated depreciation)	127,208	260,124
<b>Total assets</b>	401,988	552,410
<b>Liabilities</b>		
Accounts payable	1,552	26,238
Salaries payable	743	12,310
Compensated absences	-	8,574
Early retirement	102	3,562
Benefits payable	-	2,835
Payable from restricted assets:		
Consumer deposits	-	-
Long-term liabilities:		
Early retirement	-	2,859
<b>Total liabilities</b>	2,397	56,378
<b>Net assets</b>		
Invested in capital assets, net of related debt	127,208	260,124
Restricted for:		
Prepaid expenditures	29	5,405
Unrestricted	272,354	230,503
<b>Total net assets</b>	\$ 399,591	496,032

See accompanying independent auditor's report.

Enterprise Funds				
<u>Recycling</u>	<u>Beverage</u>	<u>Central Garage</u>	<u>Consumer Deposits</u>	<u>Total</u>
152,975	17,357	121,490	-	747,240
-	-	-	-	105,832
-	-	-	-	382
-	-	-	-	5,434
-	-	-	124,394	124,394
-	-	641,524	-	1,028,856
<u>152,975</u>	<u>17,357</u>	<u>763,014</u>	<u>124,394</u>	<u>2,012,138</u>
1,132	-	2,275	-	31,197
-	-	-	-	13,053
-	-	-	-	8,574
-	-	-	-	3,664
-	-	-	-	2,835
-	-	-	124,394	124,394
-	-	-	-	2,859
<u>1,132</u>	<u>-</u>	<u>2,275</u>	<u>124,394</u>	<u>186,576</u>
-	-	641,524	-	1,028,856
-	-	-	-	5,434
<u>151,843</u>	<u>17,357</u>	<u>119,215</u>	<u>-</u>	<u>791,272</u>
<u>151,843</u>	<u>17,357</u>	<u>760,739</u>	<u>-</u>	<u>1,825,562</u>

City of Fort Dodge, Iowa  
Combining Schedule of Revenues, Expenses, and Changes in Net Assets  
Nonmajor Proprietary Funds  
For the Year ended June 30, 2007

	Enterprise Funds	
	Parking Meter	Solid Waste
Operating revenues:		
Charges for services	\$ 103,269	891,821
Miscellaneous	<u>2,081</u>	<u>3,821</u>
Total operating revenues	<u>105,350</u>	<u>895,642</u>
Operating expenses:		
Business type activities:		
Cost of sales and services	57,445	602,314
Depreciation	<u>15,391</u>	<u>52,582</u>
Total operating expenses	<u>72,836</u>	<u>654,896</u>
Operating income (loss)	<u>32,514</u>	<u>240,746</u>
Nonoperating revenues:		
Interest and investment revenue	<u>13,786</u>	<u>15,613</u>
Total nonoperating revenue	<u>13,786</u>	<u>15,613</u>
Net income (loss) before transfers	46,300	256,359
Transfers in (out)	<u>(3,283)</u>	<u>(109,393)</u>
Change in net assets	43,017	146,966
Net assets beginning of year	<u>356,574</u>	<u>349,066</u>
Net assets end of year	<u>\$ 399,591</u>	<u>496,032</u>

See accompanying independent auditor's report.

Enterprise Funds			
<u>Recycling</u>	<u>Beverage</u>	<u>Central Garage</u>	<u>Total</u>
107,107	232,344	87,785	1,422,326
-	-	-	5,902
<u>107,107</u>	<u>232,344</u>	<u>87,785</u>	<u>1,428,228</u>
125,467	235,946	97,578	1,118,750
-	-	22,207	90,180
<u>125,467</u>	<u>235,946</u>	<u>119,785</u>	<u>1,208,930</u>
<u>(18,360)</u>	<u>(3,602)</u>	<u>(32,000)</u>	<u>219,298</u>
-	-	-	29,399
-	-	-	29,399
(18,360)	(3,602)	(32,000)	248,697
-	-	105,400	(7,276)
(18,360)	(3,602)	73,400	241,421
<u>170,203</u>	<u>20,959</u>	<u>687,339</u>	<u>1,584,141</u>
<u>151,843</u>	<u>17,357</u>	<u>760,739</u>	<u>1,825,562</u>

City of Fort Dodge, Iowa  
Combining Schedule of Cash Flows  
Nonmajor Proprietary Funds  
For the Year ended June 30, 2007

	Business-Type Activities	
	Parking Meter	Solid Waste
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ 98,575	888,576
Payments to suppliers and employees	(55,712)	(608,998)
Other receipts	2,081	3,821
Net cash provided (used) by operating activities	44,944	283,399
<b>Cash flows from noncapital financing activities</b>		
Transfers to other funds	(5,283)	(109,393)
Transfers from other funds	2,000	-
Net cash provided (used) in noncapital financing activities	(3,283)	(109,393)
<b>Cash flows from capital and related financing activities</b>		
Purchases of capital assets	(24,489)	(223,594)
Net cash provided (used) by capital and related financing activities	(24,489)	(223,594)
<b>Cash flows from investing activities</b>		
Interest and dividends	15,437	17,437
Net cash provided by investing activities	15,437	17,437
Net increase (decrease) in cash and cash equivalents	32,609	(32,151)
Cash and cash equivalents - beginning of year	220,244	234,716
Cash and cash equivalents - end of year	\$ 252,853	202,565

See accompanying independent auditor's report.

Business-Type Activities				
<u>Recycling</u>	<u>Beverage</u>	<u>Central Garage</u>	<u>Consumer Deposits</u>	<u>Total</u>
107,107	232,344	87,785	54,875	1,469,262
(124,335)	(235,946)	(98,067)	(75,554)	(1,198,612)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,902</u>
<u>(17,228)</u>	<u>(3,602)</u>	<u>(10,282)</u>	<u>(20,679)</u>	<u>276,552</u>
-	-	-	-	(114,676)
-	-	105,400	-	107,400
-	-	105,400	-	(7,276)
-	-	-	-	(248,083)
-	-	-	-	(248,083)
-	-	-	-	32,874
-	-	-	-	32,874
(17,228)	(3,602)	95,118	(20,679)	54,067
<u>170,203</u>	<u>20,959</u>	<u>26,372</u>	<u>145,073</u>	<u>817,567</u>
<u>152,975</u>	<u>17,357</u>	<u>121,490</u>	<u>124,394</u>	<u>871,634</u>

(continued)

City of Fort Dodge, Iowa  
Combining Schedule of Cash Flows  
Nonmajor Proprietary Funds  
For the Year ended June 30, 2007

	Business-Type Activities	
	Parking Meter	Solid Waste
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>		
Operating income (loss)	\$ 32,514	240,746
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	15,391	52,582
Change in assets and liabilities:		
Receivables, net	(4,694)	(3,245)
Prepaid expenses	-	(1,849)
Consumer deposits	-	-
Accounts and other payables	1,733	(4,835)
Accrued expenses	-	-
Net cash provided (used) by operating activities	\$ 44,944	283,399
 <b>Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:</b>		
Current assets:		
Cash and pooled investments	\$ 252,853	202,565
Noncurrent assets:		
Restricted cash and pooled investments	-	-
Cash and cash equivalents at year end	\$ 252,853	202,565

See accompanying independent auditor's report.

Business-Type Activities				
<u>Recycling</u>	<u>Beverage</u>	<u>Central Garage</u>	<u>Consumer Deposits</u>	<u>Total</u>
(18,360)	(3,602)	(32,000)	-	219,298
-	-	22,207	-	90,180
-	-	-	-	(7,939)
-	-	-	-	(1,849)
-	-	-	(20,678)	(20,678)
1,132	-	(489)	-	(2,459)
-	-	-	-	-
<u>(17,228)</u>	<u>(3,602)</u>	<u>(10,282)</u>	<u>(20,678)</u>	<u>276,553</u>
152,975	17,357	121,490	-	747,240
-	-	-	124,394	124,394
<u>152,975</u>	<u>17,357</u>	<u>121,490</u>	<u>124,394</u>	<u>871,634</u>

Bond Maturities - General Obligation Bonds

June 30, 2007

General Obligation Bonds

Year Ending June 30,	<u>Corporate Purpose</u> <u>Issued May 28, 2003</u>		<u>Corporate Purpose</u> <u>Issued June 1, 1999</u>		<u>Total</u>
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	
2008	2.00 %	195,000	4.375 %	510,000	1,155,000
2009	2.50	200,000	4.45	540,000	1,155,000
2010	3.05	205,000	4.50	190,000	825,000
2011	3.15	215,000	4.50	200,000	865,000
2012	3.30	220,000	4.50	210,000	895,000
2013	3.40	225,000	4.50	220,000	925,000
2014	3.50	235,000	4.60	235,000	960,000
Total		<u>\$ 1,495,000</u>		<u>\$ 2,105,000</u>	

  

Year Ending June 30,	<u>Refunding Bonds</u> <u>Issued May 28, 2003</u>		<u>Corporate Purpose</u> <u>Issued December 1, 2004</u>		<u>Total</u>
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	
2008	2.35 %	260,000	3.20 %	190,000	1,155,000
2009	-	-	3.20	415,000	1,155,000
2010	-	-	3.20	430,000	825,000
2011	-	-	3.20	450,000	865,000
2012	-	-	3.20	465,000	895,000
2013	-	-	3.20	480,000	925,000
2014	-	-	3.20	490,000	960,000
2015	-	-	3.20	515,000	515,000
Total		<u>\$ 260,000</u>		<u>\$ 3,435,000</u>	<u>7,295,000</u>

See accompanying independent auditor's report.

City of Fort Dodge, Iowa  
 Bond Maturities - Revenue Bonds  
 June 30, 2007

Revenue Bonds	Water Revenue Bond		Sewer Bond Issue	
	Issued June 1, 1998		Issued Dec 4, 1989	
Year Ending	Interest		Interest	
June 30,	Rates	Amount	Rates	Amount
2008	4.375 %	220,000	5.02 %	100,000
2009		-	5.02	105,000
2010		-	5.02	110,000
2011		-	5.02	115,000
Total		<u>\$ 220,000</u>		<u>\$ 430,000</u>

  

Year Ending	Sewer Bond Issue		Sewer Bond Issue	
	Issued Sep 30, 1999		Issued Sep 30, 1999	
June 30,	Interest		Interest	
June 30,	Rates	Amount	Rates	Amount
2008	3.92 %	10,000	3.92 %	416,000
2009	3.92	10,000	3.92	433,000
2010	3.92	11,000	3.92	450,000
2011	3.92	11,000	3.92	467,000
2012	3.92	12,000	3.92	485,000
2013	3.92	12,000	3.92	505,000
2014	3.92	13,000	3.92	524,000
2015	3.92	13,000	3.92	545,000
2016	3.92	14,000	3.92	566,000
2017	3.92	14,000	3.92	588,000
2018	3.92	15,000	3.92	611,000
2019	3.92	15,000	3.92	635,000
2020	3.92	16,000	3.92	660,000
2021	3.92	16,000	3.92	686,000
2022	3.92	17,000	3.92	713,000
2023		-		-
Total		<u>\$ 199,000</u>		<u>\$ 8,284,000</u>

See accompanying independent auditor's report.

<u>Sewer Bond Issue</u>		<u>Hotel/Motel Tax Revenue Bond</u>	
<u>Issued Dec 20, 2002</u>		<u>Issued June 1, 2003</u>	
Interest		Interest	
<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
3.00 %	155,000	3.80 %	70,000
3.00	160,000	4.00	70,000
3.00	165,000	4.00	75,000
3.00	170,000	4.00	75,000
3.00	175,000	4.00	80,000
3.00	180,000	4.00	85,000
3.00	185,000	3.60	85,000
3.00	191,000	3.75	90,000
3.00	196,000	3.85	95,000
3.00	202,000	3.95	100,000
3.00	208,000	4.00	105,000
3.00	215,000	4.00	105,000
3.00	221,000	4.05	110,000
3.00	228,000	4.10	115,000
3.00	235,000	4.15	125,000
3.00	242,000	4.15	130,000
	<u>\$ 3,128,000</u>		<u>\$ 1,515,000</u>

(continued)

City of Fort Dodge, Iowa  
 Bond Maturities - Revenue Bonds  
 June 30, 2007

Year Ending June 30,	Sewer Bond Issue Issued June 30, 2002		Water Bond Issue Issued Dec 12, 2003	
	Interest Rates	Amount	Interest Rates	Amount
2008	3.00 %	57,000	3.00 %	138,000
2009	3.00	59,000	3.00	142,000
2010	3.00	61,000	3.00	147,000
2011	3.00	63,000	3.00	151,000
2012	3.00	65,000	3.00	156,000
2013	3.00	67,000	3.00	160,000
2014	3.00	69,000	3.00	165,000
2015	3.00	71,000	3.00	170,000
2016	3.00	73,000	3.00	175,000
2017	3.00	75,000	3.00	180,000
2018	3.00	73,000	3.00	186,000
2019	3.00	79,000	3.00	191,000
2020	3.00	60,000	3.00	197,000
2021	-	-	3.00	203,000
2022	-	-	3.00	209,000
2023	-	-	3.00	215,000
2024	-	-	3.00	222,000
2025	-	-	3.00	229,000
	Total	<u>\$ 872,000</u>		<u>\$ 3,236,000</u>

See accompanying independent auditor's report.

<u>Water Bond Issue</u>		<u>Golf Course Revenue Note</u>	
<u>Issued June 1, 2004</u>		<u>Issued Jan 13, 2006</u>	
Interest		Interest	
<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
3.00 %	141,000	4.05-4.15 %	37,500
3.00	146,000	4.15-4.25	39,500
3.00	255,000	4.25-4.35	41,500
3.00	257,000	4.35-4.45	43,500
3.00	259,000	4.45-4.50	45,500
3.00	261,000	4.50-4.55	48,500
3.00	263,000	4.55-4.60	50,500
3.00	265,000	4.60-4.65	53,000
3.00	268,000	4.65-4.70	55,500
3.00	270,000	4.70-4.75	58,500
3.00	279,000	4.75	30,500
3.00	287,000		-
3.00	296,000		-
3.00	304,000		-
3.00	313,000		-
3.00	333,000		-
3.00	194,800		-
-	-		-
	<u>\$ 4,391,800</u>		<u>\$ 504,000</u>

(continued)

City of Fort Dodge, Iowa  
 Bond Maturities - Revenue Bonds  
 June 30, 2007

Schedule 7

Year Ending June 30,	Urban Renewal Tax Increment Revenue Bond Issued Dec 17, 2003		Urban Renewal Tax Increment Revenue Bond Issued Nov. 15, 2006		Total
	Interest Rates	Amount	Interest Rates	Amount	
2008	2.75 %	40,000	0 %	-	1,384,500
2009	3.15	40,000	4.75	180,000	1,384,500
2010	3.45	40,000	4.75	180,000	1,535,500
2011	3.80	40,000	4.75	190,000	1,582,500
2012	4.10	40,000	4.75	190,000	1,507,500
2013	4.30	40,000	4.75	200,000	1,558,500
2014	4.50	20,000	4.75	210,000	1,584,500
2015		-	4.75	210,000	1,608,000
2016		-	4.75	220,000	1,662,500
2017		-	4.75	220,000	1,707,500
2018		-	4.75	230,000	1,737,500
2019		-	4.75	230,000	1,757,000
2020		-	4.75	240,000	1,800,000
2021		-	4.75	240,000	1,792,000
2022		-	4.75	260,000	1,872,000
2023		-		-	920,000
2024		-		-	416,800
2025		-		-	229,000
Total		<u>\$ 260,000</u>	Total	<u>\$ 3,000,000</u>	<u>\$ 26,039,800</u>

See accompanying independent auditor's report.

City of Fort Dodge, Iowa  
Notes Maturities - Notes Payable  
June 30, 2007

Schedule 8

Notes Payable

Year Ending <u>June 30,</u>	MidAmerican Energy Issued July 1998	
	<u>Interest Rates</u>	<u>Total and Amount</u>
2008	- %	<u>7,500</u>
Total		<u>\$ 7,500</u>

See accompanying independent auditor's report.

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

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
<b>Revenues:</b>				
Property tax	\$ 9,309,408	\$ 9,405,843	\$ 9,136,224	\$ 9,245,696
Tax increment financing revenue	924,879	904,267	855,994	793,770
Other city tax	2,255,230	2,216,986	1,930,077	2,187,327
Licenses and permits	323,123	321,063	282,112	371,137
Use of money and property	588,086	488,171	380,335	318,211
Intergovernmental	3,877,250	4,460,365	4,401,764	5,384,061
Charges for service	1,164,134	1,097,362	1,083,195	1,013,187
Miscellaneous	<u>1,597,706</u>	<u>1,724,939</u>	<u>1,351,395</u>	<u>1,158,090</u>
 Total	 <u>\$ 20,039,816</u>	 <u>\$ 20,618,996</u>	 <u>\$ 19,421,096</u>	 <u>20,471,479</u>
 <b>Expenditures:</b>				
Operating:				
Public safety	\$ 6,628,544	\$ 5,750,697	\$ 5,477,040	\$ 5,365,446
Public works	3,451,734	3,625,199	3,846,806	3,534,608
Health & social services	881,082	679,639	569,898	635,244
Culture and recreation	2,675,303	3,069,638	2,433,376	2,410,541
Community and economic development	5,130,808	2,113,794	2,669,361	3,066,341
General government	1,500,704	1,465,795	1,464,206	1,358,687
Debt service	1,699,934	1,949,432	1,736,407	3,638,927
Capital projects	<u>902,847</u>	<u>2,170,993</u>	<u>2,974,408</u>	<u>3,066,222</u>
 Total	 <u>\$ 22,870,956</u>	 <u>\$ 20,825,187</u>	 <u>\$ 21,171,502</u>	 <u>\$ 23,076,016</u>

See accompanying independent auditor's report.

City of Fort Dodge, Iowa  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2007

Schedule 10

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
Direct:			
Department of Homeland Security:			
Assistance to Firefighters	97.044	EMW-2005-FG-08459	\$ 344,199
Assistance to Firefighters	97.044	EMW-2005-FP-01815	<u>19,060</u>
			<u>363,259</u>
U.S. Department of Transportation:			
Airport Improvement Program	20.106	3-19-0035-21	560,587
Airport Improvement Program	20.106	3-19-0035-22	<u>733,568</u>
			<u>1,294,155</u>
Corporation for National and Community Service:			
Foster Grandparents	94.011	05SFNIA003	<u>202,285</u>
Retired Senior Volunteer Program	94.002	05SRNIA007	<u>13,569</u>
Department of Housing and Urban Development:			
Economic Development Initiative	14.246	B-05-SP-IA-0072	187,332
Economic Development Initiative	14.246	B-05-SP-IA-0073	223,384
Economic Development Initiative	14.246	B-06-SP-IA-0282	<u>25,876</u>
			<u>436,592</u>
Total Direct			<u>2,309,860</u>
Indirect:			
Department of Health and Human Services:			
Elderbridge Agency on Aging: Congregate Meal Program	93.045	---	<u>90,442</u>

(continued)

City of Fort Dodge, Iowa  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2007

Schedule 10

<u>Grantor/Program</u> (continued)	<u>CFDA</u> <u>Number</u>	<u>Agency or</u> <u>Pass-Through</u> <u>Number</u>	<u>Program</u> <u>Expenditures</u>
Indirect (continued):			
Department of Housing and Urban Development:			
Iowa Department of Economic Development			
Community Development Block Grant/ States Program	14.228	05-CF-014	396,786
Iowa Department of Economic Development			
Community Development Block Grant/ States Program	14.228	06-HSG-039	152,078
			548,864
Department of Transportation:			
Iowa Department of Transportation:			
Transit Assistance Program	20.509	18-4028-050-07	224,412
Transit Assistance Program	20.509	18-0028-269-06	24,446
Transit Assistance Program	20.509	18-0027-269-05	5,985
Transit Assistance Program	20.509	ICB CY06	7,500
Transit Assistance Program	20.509	ICB CY07	532
Transit Assistance Program	20.509	TF-2007	1,946
			264,821
New Freedom Program	20.521	57-X002-269-06	914
Department of Labor:			
Elderbridge Agency on Aging:			
Senior Internship	17.235	---	13,256
Total Indirect			918,297
Total			\$ 3,228,157

City of Fort Dodge, Iowa  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2007

Schedule 10

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Fort Dodge and is presented on the accrual or modified accrual basis of accounting. The information of 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 the amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

## Schedule of Expenditures of State Awards

Year ended June 30, 2007

<u>Grantor/Program</u>	<u>Program Expenditures</u>
Department of Transportation:	
Airport Infrastructure	\$ 62,477
Iowa Commission on Volunteer Service:	
RSVP	16,938
Library:	
Open Access Grant	8,195
Enrich Iowa Grant	7,680
	<u>15,875</u>
Iowa Department of Economic Development:	
Community Attraction and Tourism Program 03-CAT-006	<u>416,131</u>
Iowa Department of Natural Resources:	
REAP	<u>87,000</u>
Total	<u>\$ 598,421</u>

See accompanying independent auditor's report.

Schedule of Passenger Facility Charges Collected and Expended

Year Ended June 30, 2007

	Quarter Ended <u>9-30-06</u>	Quarter Ended <u>12-31-06</u>	Quarter Ended <u>3-31-07</u>	Quarter Ended <u>6-30-07</u>	Total Period Ended <u>6-30-07</u>
Charges collected:					
PFC revenue received	\$ 3,617	8,478	5,996	5,985	24,076
Charges expended:					
Expenditures on approved PFC projects	\$ -	-	-	-	-

See accompanying independent auditor's report.

Independent Auditor's Report on Compliance  
With Requirements Applicable to the Passenger Facility Charge Program  
and on Internal Control Over Compliance

To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the compliance of the City of Fort Dodge with the compliance requirements described in the *Passenger Facility Charge Audit Guide*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended June 30, 2007. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of The City of Fort Dodge's management. Our responsibility is to express an opinion on The City of Fort Dodge's compliance based on our audit.

We conducted our audit compliance in accordance with 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 the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about The City of Fort Dodge's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of The City of Fort Dodge's compliance with those requirements.

In our opinion, The City of Fort Dodge complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended June 30, 2007.

## Internal Control Over Compliance

The management of The City of Fort Dodge is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered The City of Fort Dodge's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Fort Dodge's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City of Fort Dodge's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Fort Dodge's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of officials, employees and citizens of the City of Fort Dodge, and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

June 4, 2008

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Fort Dodge, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated June 4, 2008. We conducted our audit in accordance with the 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 the City of Fort Dodge's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fort Dodge's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Fort Dodge's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Fort Dodge's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Fort Dodge's financial statements that is more than inconsequential will not be prevented or detected by the City of Fort Dodge's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Fort Dodge's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fort Dodge's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance 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 the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. 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.

The City of Fort Dodge's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Fort Dodge's responses and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Fort Dodge and other parties to whom the City of Fort Dodge 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 the City of Fort Dodge 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.

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

June 4, 2008

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 Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the compliance of the City of Fort Dodge, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2007. The City of Fort Dodge'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 its major federal programs is the responsibility of the City of Fort Dodge's management. Our responsibility is to express an opinion on the City of Fort Dodge'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 the City of Fort Dodge's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Fort Dodge's compliance with those requirements.

In our opinion, the City of Fort Dodge complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2007.

## Internal Control Over Compliance

The management of the City of Fort Dodge is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Fort Dodge'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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Fort Dodge's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City of Fort Dodge's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Fort Dodge's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Fort Dodge and other parties to whom the City of Fort Dodge 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.

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

June 4, 2008

City of Fort Dodge, Iowa  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2007

**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 noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were CFDA Numbers 14.216 – Economic Development Initiative and 20.106 – Airport Improvement Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Fort Dodge qualified as a low-risk auditee.

City of Fort Dodge, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Part IV: Other Findings Related to Statutory Reporting:**

IV-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted.

IV-B-07 Questionable Disbursements – No disbursements 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-07 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-07 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Terry Lutz, Mayor Owner McClure Engineering	Professional Fees	\$ 1,294,793
Eldon Rossow, Contracted City Engineer – Owner Mer Engineering	Professional Fees	402,910

City of Fort Dodge, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

In accordance with Chapter 362.5(5) of the Code of Iowa, the transactions with the Mayor and contracted City Engineer do not appear to represent conflicts of interest as the contacts were awarded through competitive qualifications criteria.

- IV-E-07 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-07 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- IV-H-07 Revenue Bonds and Notes – The City's wastewater treatment system did not maintain net revenues of 110% of the principal and interest due on the sewer revenue bond as stated in the loan agreement.

Recommendation – The City should consult legal counsel concerning this matter.

Response – We have increased our sewer rates and this should resolve this matter.

Conclusion – Response accepted.

- IV-I-07 Financial Condition – The Capital Projects Fund, Harlan Rogers Complex and Special Revenue Fund, Foster Grandparents Account had deficit balances of \$190,503 and \$6,989 respectively at June 30, 2007.

Recommendation – The City should investigate alternatives to eliminate this deficit.

Response – As detailed in notes to financial statements, these deficits will be eliminated upon receipt of bond proceeds or federal funds.

Conclusion – Response accepted.

City of Fort Dodge, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

IV-J-07 Administrative Agency – It was noted that there may be some public funds held by an administrative agency of the City of Fort Dodge that are not accounted for, deposited or invested pursuant to Chapters 12B, 12C and 384.6 of the Code of Iowa.

Recommendation – The City should consult legal council for disposition of this matter.

Response – We have consulted with our City attorney and we are working on this matter.

Conclusion – Response accepted.

IV-K-07 TIF Debt Certification – It was noted during the course of our audit that TIF debt was certified, but the cash balances on hand at July 1, 2006 were not credited against total outstanding TIF debt.

Recommendation – When completing the next fiscal year's TIF debt certification, City officials should decertify TIF debt for cash balances on hand at July 1, 2006.

Response – We will do this.

Conclusion – Response accepted.