

FORT DODGE COMMUNITY SCHOOL DISTRICT  
FORT DODGE, IOWA

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

JUNE 30, 2007

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FORT DODGE COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2006 Election)		
Clark Fletcher	President	2006
Janice Merz	Vice President	2006
Stuart Cochrane	Board Member	2006
Brian Forsythe	Board Member	2006
Steve Schwendemann	Board Member	2007
Ernest Kersten	Board Member	2008
Jerry Schnurr	Board Member	2008
<u>Board of Education</u>		
(After September 2006 Election)		
Janice Merz	President	2009
Stuart Cochrane	Vice President	2009
Bill Kent	Board Member	2007
Steve Schwendemann	Board Member	2007
Jerry Schnurr	Board Member	2008
Ernest Kersten	Board Member	2008
Brian Forsythe	Board Member	2009
<u>School Officials</u>		
Linda J. Brock	Superintendent	2007
John W. Christensen, Jr.	District Secretary/Treasurer	2007
Rick A. Engel	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fort Dodge Community School District, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fort Dodge Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 2007 on our consideration of Fort Dodge Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 7 through 17 and 56 through 57 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fort Dodge Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
November 15, 2007

# Fort Dodge Community School District

## Management Discussion and Analysis

This section of the Fort Dodge Community School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2007. Since all activities are required to be reported on a full accrual basis, a comprehensive comparison to the prior year has been made as is required to provide comparison of key current year data to prior year data. (See table A-1 for comparison of the fiscal years.) Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

### **Financial Highlights**

- The District's financial status continued to improve in fiscal year 2007. Total net assets increased 8.58 percent or \$1.619 million over the course of the year. The Governmental Activities net assets increased 7.93 percent, with the business type activities net assets increasing 68.5 percent. Overall revenues were \$41.76 million, and expenses were \$40.141 million.
- During fiscal year 2007 the District completed the mechanical/electrical upgrade project at the Senior High School, which was funded by the General Fund in the form of additional allowable growth granted from the SBRC. The cost of the project was \$640,615. The district also spent \$54,770 on the Feelhaver condensing unit replacement project, \$39,990 on the Cooper fire alarm project, \$32,385 on the Feelhaver fire alarm project, \$47,018 on the Riverside fire alarm project, \$42,700 on the Phillips Middle School tuckpointing project, and \$38,965 on the Phillips Middle School wheelchair lift project from the Physical Plant and Equipment Fund. In the 2007 fiscal year \$1,205,104 was transferred from the Capital Projects Account to debt service to pay principal and interest on the sales tax revenue bonds.
- The district purchased property at 1001 South 18<sup>th</sup> Street, south of the Butler Elementary Building, in the amount of \$36,000 using the Capital Projects Fund. The house was removed and a parking lot was added to relieve the congestion around the building. The project will be completed in the 2007-2008 fiscal year.
- An increase in market interest rates resulted in the General Fund interest income increasing from \$236,501 in fiscal year 2006 to \$295,495 in fiscal year 2007. This is the third year of increasing interest earnings in the General Fund in the past several years. Total district interest earnings were \$444,675.
- The General Fund ending fund balance decreased from \$5.04 million in fiscal year 2006 to \$4.29 million in fiscal year 2007. Most of the reduction was because of the transfer to the Capital Projects Account of \$640,615 for the Senior High School mechanical/electrical upgrade project.
- The self insured dental internal service fund incurred a net gain of \$22,600. The District had a balance of \$110,945 at the end of the fiscal year, which is almost five months worth of reserves. The premium levels will need to be monitored for future years to maintain the necessary reserves.
- The District Statement of Net Assets indicates an unrestricted net balance of \$1,965,377 at the end of the 2007 fiscal year, which is down from \$2,793,611 at the end of the 2006 fiscal year. The revenues increased 3.62 percent, while the expenditures increased 6.56 percent. Please refer to Table A-2 for a breakdown of the revenues and expenditures.
- The FDCSD certified enrollment count taken on October 1, 2006, was 4,035.1. This count represents a reduction of 44.1 students from the prior year. There has been a net loss of 183.7 students in the last five years.
- The Special Education Deficit Balance increased from \$812,766 in fiscal 2006 to \$1,237,019 in the fiscal 2007 year. The district had increased transportation, tuition out, and salary and benefits costs. See Budgetary Highlights for further information on the deficit.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

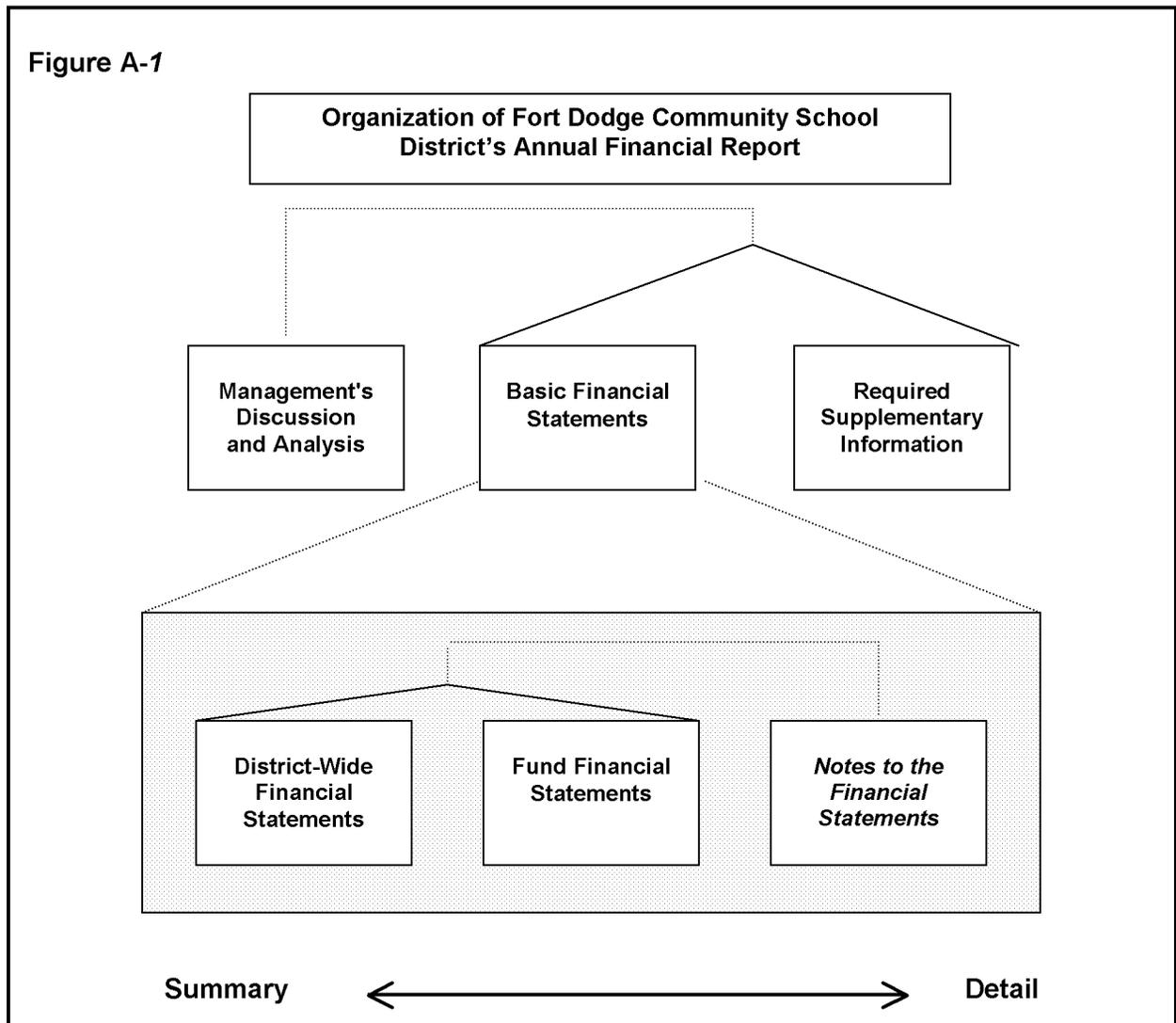


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

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

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

## **District-wide Statements**

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

The two district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's health or *position*.

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

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

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

## **Fund Financial Statements**

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

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *Governmental funds* - Most of the District's basic services are included in governmental funds, which generally focus on (1) *how cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds* - Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. —The District's *enterprise fund*, school nutrition (one type of proprietary fund), is the same as its business-type activities, but provides more detail and additional information, such as cash flows. —*Internal service funds* (the other kind of proprietary fund) are used to report activities that provide supplies and services for the District's other programs and activities. The District currently has two internal service funds which handle the Flexible Spending Account and the Self Funded Dental Account.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

**Table A-1**  
**Condensed Statement of Net Assets**

	Governmental		Business-type		Total		Percentage Change 2006-07
	Activities		Activities		School District		
	2006	2007	2006	2007	2006	2007	
Current and other assets	\$22,617,964	\$23,979,131	\$153,473	\$224,002	\$22,771,437	\$24,203,133	6.28%
Capital assets	\$16,796,502	\$16,575,609	\$110,927	\$132,331	\$16,907,429	\$16,707,940	-1.18%
<b>Total Assets</b>	<b>\$39,414,466</b>	<b>\$40,554,740</b>	<b>\$264,400</b>	<b>\$356,333</b>	<b>\$39,678,866</b>	<b>\$40,911,073</b>	<b>3.11%</b>
Long-term liabilities	\$6,466,066	\$5,519,993	\$0	\$0	\$6,466,066	\$5,519,993	-14.63%
Other liabilities	\$14,284,959	\$14,891,099	\$61,316	\$14,197	\$14,346,275	\$14,905,296	3.90%
<b>Total liabilities</b>	<b>\$20,751,025</b>	<b>\$20,411,092</b>	<b>\$61,316</b>	<b>\$14,197</b>	<b>\$20,812,341</b>	<b>\$20,425,289</b>	<b>-1.86%</b>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	\$13,501,502	\$14,325,609	\$110,927	\$132,331	\$13,612,429	\$14,457,940	6.21%
Restricted	\$2,460,485	\$4,062,467	\$0	\$0	\$2,460,485	\$4,062,467	65.11%
Unrestricted	\$2,701,454	\$1,755,572	\$92,157	\$209,805	\$2,793,611	\$1,965,377	-29.65%
<b>TOTAL NET ASSETS</b>	<b>\$18,663,441</b>	<b>\$20,143,648</b>	<b>\$203,084</b>	<b>\$342,136</b>	<b>\$18,866,525</b>	<b>\$20,485,784</b>	<b>8.58%</b>

The District's combined net assets were greater on June 30, 2007, than they were the year before--increasing 8.58% to \$20.49 million. (See Table A-1). Most of this improvement in the District's financial position came from its governmental activities, the net assets of which grew \$1.48 million to \$20.14 million. The net assets of the District's business-type activities increased 68.5% to \$.342 million.

The District's improved financial position is the product of many factors. The various sources of tax revenue, grants, and charges for services exceeded related expenditures. The one percent local option sales tax funding the Capital Projects Fund has been especially helpful to the district. The \$1.956 million sales tax revenue received is exclusively used for capital projects which get expensed as depreciation over many years on the Statement of Activities.

Cash and pooled investments total \$10.625 million or 30% of total assets, up from 25.3% from fiscal 2006. \$3.82 million of these cash balances are needed at June 30th to fund District operations in July, August, and the first half of September, when there is very little state aid or property tax revenue. \$2.251 million of cash and investments is dedicated to future capital project investments. Infrastructure local option sales tax revenue and related long-term debt proceeds have exceeded construction costs so far. This cash will be used in renovation projects yet to be completed at the Senior High School. There will be additional funds to be used on other district projects after the High School renovations projects are completed, however, voter approval will be required for the expenditure of those funds.

U.S. Generally Accepted Accounting Principles (GAAP) requires that the property taxes certified in April (the lien date) for the upcoming fiscal year be accrued as a receivable and shown as unearned revenue liability. The future property tax receivable of \$11.077 million and related unearned revenue liability on the Statement of Net Assets result from this requirement. Net property and equipment (capital assets) of \$16.7 million represents 40.80% of total assets for the 2007 fiscal year compared with \$16.9 million and 42.6% of total assets for the 2006 fiscal year. Long term liabilities of \$5.52 million represents 27.0% of total liabilities for the 2007 fiscal year, compared with \$6.47 million, or 31.1%, for the 2006 fiscal year. It is noteworthy that almost all (90%) of the District's net assets are either invested in capital assets or are restricted for capital asset projects or other purposes, which is up from 86% from the 2006 fiscal year.

## Changes in Net Assets

Table A-2 recasts the Statement of Activities into a traditional revenue and expenses format. Unrestricted state aid accounts for 40.65% of total revenue and property tax accounts for 29.0% for the 2007 fiscal year compared with 39.8% and 31.7%, respectively, for the 2006 fiscal year. Specific categorical grants and contributions from state, federal, and private sources account for 14.9% of revenue for the 2007 fiscal year compared with 11.8% for the 2006 fiscal year. The local option sales tax dedicated to school infrastructure totals 4.7% for 2007 compared with 5.0% for the 2006 fiscal year. The charges for services, mainly tuition and student co-curricular activities, account for 7.46% for the 2007 fiscal year compared with 5.7% for the 2006 fiscal year. (See Figure A-3).

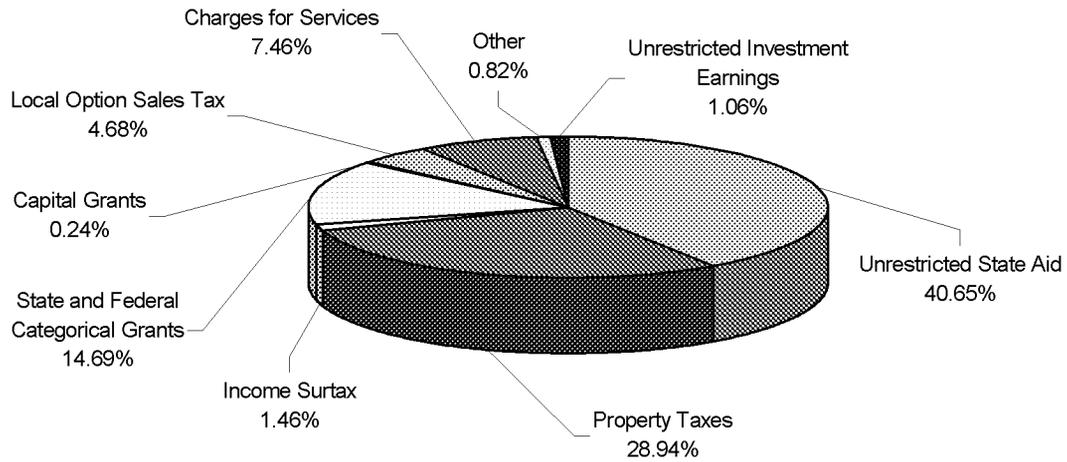
Of the District's expenses for 2007, 61.5% are predominately related to the instruction of students, compared with 60% for 2006. The support services, non-instructional programs, and unallocated depreciation categories account for 38.5% for 2007 compared with 40% of expenses for 2006. (See Figure A-4). These categories contain many line items directly supporting students and instruction, such as guidance, health, media, technology, improvement of instruction, and student transportation and food service program costs and depreciation expense not directly allocated to any functional area.

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

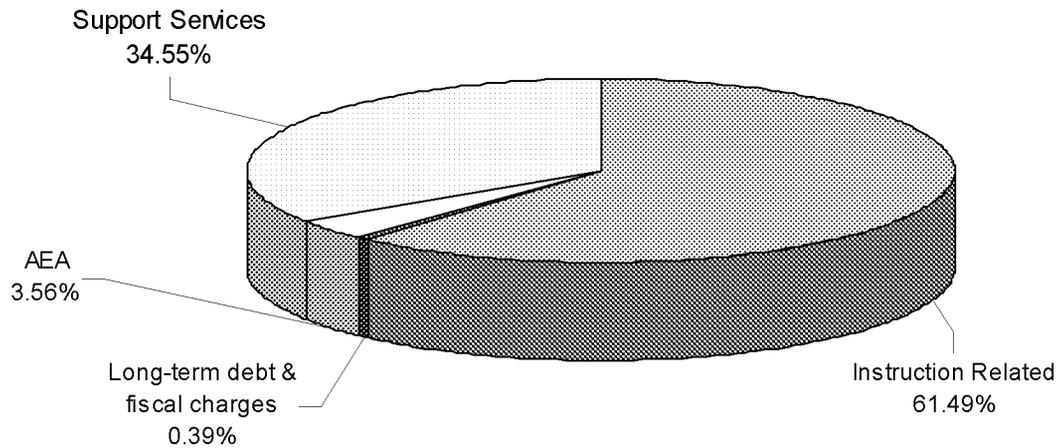
**Table A-2**  
**Changes in District's Net Assets**

	Governmental		Business-type		Total		Total % Change
	Activities		Activities		School District		
	2006	2007	2006	2007	2006	2007	
Revenues							
Program Revenues:							
Charges for services	2,208,228	2,299,016	744,036	816,050	\$2,952,264	\$3,115,066	5.51%
Operating Grants & Contributions	4,545,544	5,202,843	908,450	931,998	\$5,453,994	\$6,134,841	12.48%
Capital Grants & Contributions	0	100,000	0	0	\$0	\$100,000	100%
General Revenues:							
Property Taxes - General	11,975,235	11,291,529	0	0	\$11,975,235	11,291,529	-5.71%
Income Surtax	541,695	608,405	0	0	\$541,695	608,405	12.32%
Local Option Sales Tax	1,949,301	1,956,116	0	0	\$1,949,301	1,956,116	0.35%
Property Tax - Capital Outlay	790,976	793,056	0	0	\$790,976	793,056	0.26%
State formula aid	16,027,153	16,976,374	0	0	\$16,027,153	16,976,374	5.92%
Unrestricted Investment Earnings	347,945	436,920	4,795	7,755	\$352,740	\$444,675	26.06%
Other	260,661	341,082	0	0	\$260,661	341,082	30.85%
<b>Total Revenues</b>	<b>38,646,738</b>	<b>40,005,341</b>	<b>1,657,281</b>	<b>1,755,803</b>	<b>\$40,304,019</b>	<b>\$41,761,144</b>	<b>3.62%</b>
Expenses							
Instruction	22,596,742	24,685,058	0	0	22,596,742	24,685,058	9.24%
Student Services	1,676,128	1,724,735	0	0	1,676,128	1,724,735	2.90%
Instructional Staff Services	1,874,893	1,789,751	0	0	1,874,893	1,789,751	-4.54%
Administrative & Business	3,494,412	3,752,723	0	12,599	3,494,412	3,765,322	7.75%
Maintenance & Operations	3,043,608	2,914,438	0	0	3,043,608	2,914,438	-4.24%
Transportation	1,095,412	1,106,421	0	0	1,095,412	1,106,421	1.01%
Non-Instructional Programs	24,210	25,755	1,596,042	1,604,152	\$1,620,252	\$1,629,907	.60%
Facilities Acquisition	100,056	283,730	0	0	100,056	283,730	183.75%
Long-term debt and fiscal charges	208,226	155,937	0	0	208,226	155,937	-25.11%
AEA Flowthrough	1,333,850	1,430,875	0	0	1,333,850	1,430,875	7.27%
Depreciation (Unallocated)	628,514	655,711	0	0	628,514	655,711	4.33%
<b>Total Expenses</b>	<b>36,076,051</b>	<b>38,525,134</b>	<b>1,596,042</b>	<b>1,616,751</b>	<b>\$37,672,093</b>	<b>\$40,141,885</b>	<b>6.56%</b>
Excess (deficiency) before special item	\$2,570,687	\$1,480,207	\$61,239	\$139,052	\$2,631,926	\$1,619,259	-38.48%
Special item description	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
<b>Increase (decrease) in net assets</b>	<b>2,570,687</b>	<b>1,480,207</b>	<b>\$61,239</b>	<b>\$139,052</b>	<b>\$2,631,926</b>	<b>\$1,619,259</b>	<b>-38.48%</b>

**Figure A-3  
District Revenue  
Fiscal Year 2007**



**Figure A-4  
District Expenses  
Fiscal Year 2007**



**Governmental Activities**

Revenues for governmental activities were \$40 million, while expenses amounted to \$38.52 million for 2007 compared with \$38.64 million and \$36.08 million for 2006; the District does need to watch expenses to match as closely as possible with available revenues as the percentage increase in expenses was higher than the revenue percentage increase. The local option sales tax revenue of \$1.95 million contributed to the increase in net assets of the governmental activities. (See Table A-2). Most of the expenditures related to sales tax were capital assets and not expensed on the Statement of Activities except through current year depreciation expense.

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

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

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2006	2007	2006-07%	2006	2007	2006-07%
Instruction	\$22,596,742	\$24,685,058	9.24%	\$17,674,164	\$19,060,525	7.84%
Pupil & Instructional Services	\$3,551,021	\$3,514,486	-1.03%	\$3,200,793	\$3,215,976	0.47%
Administrative & Business	\$3,494,412	\$3,752,723	7.39%	\$3,494,412	\$3,752,723	7.39%
Maintenance & Operations	\$3,043,608	\$2,914,438	-4.24%	\$3,012,268	\$2,873,300	-4.61%
Transportation	\$1,095,412	\$1,106,421	1.01%	\$1,016,364	\$1,037,238	2.05%
L-T Debt & Fiscal Charges	\$208,226	\$155,937	-25.11%	\$208,226	\$155,937	-25.11%
Other	\$2,086,630	\$2,396,071	14.83%	\$716,052	\$827,576	15.57%
<b>TOTAL</b>	<b>\$36,076,051</b>	<b>\$38,525,134</b>	<b>6.79%</b>	<b>\$29,322,279</b>	<b>\$30,923,275</b>	<b>5.46%</b>

- The cost of all governmental activities this year was \$38.52 million.
- Some of the cost (\$2.30 million) was financed by users of the District's programs.
- The federal and state governments and private contributors subsidized certain programs with grants and contributions of \$5.30 million.
- Most of the District's costs (\$30.9 million), however, were financed by District taxpayers and the taxpayers of our state.
- The net cost portion of governmental activities was financed with \$12.08 million in property taxes, \$.608 million in income surtax, \$16.98 million in unrestricted state aid, \$1.956 million in local option sales taxes, and \$.778 million in interest and miscellaneous income.

### **Business - Type Activities**

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

- Business-type activity revenues exceeded expenses for the second time in five years. During the 2007 fiscal year the amount of excess revenue was \$139,052 compared to \$61,239 for the 2006 fiscal year. Revenues did rise 5.94% to \$1,755,803, while expenses rose only 1.2% to \$1,616,751.
- During the 2006-2007 fiscal year the district outsourced the food service employees to Taher, Inc., for the first time, and it has worked well for the district.
- Lunch prices remained the same from the previous year.
- Beginning with the 2006-07 fiscal year, the district outsourced the food service employees to Taher, Inc., the district's food service management company. Because we no longer charge wages and benefits paid to salaries and benefits but to purchased services, we can't make a true comparison with the 2005-06 and the 2006-07 fiscal years. The amount that was charged to wages in the 2005-06 fiscal year is now part of the purchased services. Purchased services for the 2006-07 year were \$692,625 compared with salaries, benefits, and purchased services for the 2005-06 year, which were \$789,841. Taken together, this is a decrease of 12.2%. Supplies for the 2006-07 fiscal year were \$852,477, and for the 2005-06 year they were \$746,669, an increase of 14.17%. As you can see, the increase in supplies was nearly offset by the reduction in purchased services. There will be a true comparison for next year's report because that will be the second year of outsourcing employees.

## **Financial Analysis of the District's Funds**

The financial performance of the District as a whole is reflected in its governmental funds as well. (Refer to the Governmental Funds Balance Sheet and Statement of Revenue, Expenditures.) As the District completed the year, its governmental funds reported combined fund balances of \$8.416 million—9.01 percent higher than the prior year's ending fund balance of \$7.721 million.

As a whole the District's governmental funds had more revenues and other financing sources than expenditures in 2006, thereby contributing to the increase in total fund balance. The debt service used a part of the fund balance to make payments to the sinking fund for bond payments. This was by design in order to reduce the balance in the fund required by the paying agent.

The business-type activity fund (School Nutrition) showed a net gain of \$139,052, the second year in a row in which this Fund has realized a net gain. The meal and milk counts were up over the previous year. The food cost per meal and benefits were reduced over the previous year. Employee absenteeism was down from the previous year, thus reducing the substitute costs.

## **Budgetary Highlights**

- The District levied \$825,000 for cash reserve in the 2007 fiscal year--up from \$712,000 in the 2006 fiscal year--this is an increase of 15.9%. The cash reserve amount will vary based on the District's needs, especially depending on the special education deficit, the amount requested from the School Budget Review Committee for asbestos and safety projects, and the District's requirements for sufficient cash balances for cash flow needs.
- Budgeted expenditures include both unspent spending authority from the prior year and general fund revenues.

In May, the District formally amended its budget in a board action to bring it into compliance with state government regulations. However, because of the account changes that were necessary to upload the Certified Annual Report to the state Department of Education that were completed after the amendment was approved, the instructional expenditures area of the budget was overspent. This meant that the certified budget was exceeded in the instructional expenditures. This will be watched carefully in the future.

- The District's budget versus actual results was within acceptable management planning parameters. The final revenue variance was a positive \$1,389,501 for the 2007 fiscal year compared with \$1,165,456 for the 2006 fiscal year, an increase of \$224,045 or 19.22%. The final expenditure variance was a positive \$1,046,500 for the 2007 fiscal year compared with \$706,080 for the 2006 fiscal year, an increase of \$340,420 or 48.2%.
- The Special Education deficit balance increased from \$812,766 in the 2006 fiscal year to \$1,237,019 in the 2007 fiscal year. Factors affecting the deficit balance were an increase in the cost for tuition out students, increase in the number of teachers and cost of salaries and benefits for teaching staff, and the increase in transportation costs.

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

## **Capital Asset and Debt Administration**

### **Capital Assets**

By the end of 2007, the District had invested \$16.71 million (net accumulated depreciation of \$16.445 million dollars) in a broad range of capital assets, including school buildings, athletic facilities, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holding, and textbooks. This amount represents a net 1.1% decrease from last year. (More detailed information

about capital assets can be found in Note 5 to the financial statements). Total depreciation expense for the year was \$1.108 million.

During the 2007 fiscal year the District completed the electrical/mechanical renovation at the Senior High School Building, which cost \$640,615 and was funded by general fund cash reserve dollars with additional allowable growth granted by School Budget Review Committee. The District also spent \$255,738 from the Physical Plant and Equipment Fund for the fire alarm projects at Cooper, Feelhaver, and Riverside elementary schools, and the Phillips Middle School tuckpointing and wheelchair lift projects.

The District's five older elementary school buildings currently average 57 years of age. New school construction needs will need to be examined in the future.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total School District</b>		<b>Total Percentage Change</b>
	2006	2007	2006	2007	2006	2007	2006-07
	Land	483,811	519,811	0	0	483,811	519,811
Construction In Progress	317,316	0		0	317,316	0	-100.00%
Buildings	14,331,060	14,588,620	0	0	14,331,060	14,588,620	1.80%
Improvements other than buildings	288,561	271,733	0	0	288,561	271,733	-5.83%
Equipment & Furniture	1,375,754	1,195,445	110,927	132,331	1,486,681	1,327,776	-10.69%
<b>TOTAL</b>	<b>\$16,796,502</b>	<b>\$16,575,609</b>	<b>\$110,927</b>	<b>\$132,331</b>	<b>\$16,907,429</b>	<b>\$16,707,940</b>	<b>-1.18%</b>

### Long-Term Liabilities

At year end the District had \$5.520 million in general obligation bonds and other long-term obligations outstanding—a decrease of 14.64 % from last year as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.)

	<b>Governmental Activities</b>		<b>Total Percentage Change</b>
	2006	2007	2006-07
	General Obligation Bonds*	3,295,000	2,250,000
Other Liabilities	3,171,066	3,269,993	3.10%
<b>TOTAL</b>	<b>\$6,466,066</b>	<b>\$5,519,993</b>	<b>-14.64%</b>

\* Financed with sales taxes

- The District retired \$1.045 million of its general obligation bonds in 2007.
- There are no current plans to issue additional debt in 2008.
- The district increased its other long-term liabilities by \$98,927 during the year. This increase was made up of a reduction in early retirement liabilities and an increase in compensated absence liabilities.

### **Bond Ratings**

The District does not have a General Obligation Bond Rating from Moody's for fiscal year 2006 because the District does not have any general obligation bonds outstanding. The outstanding bonds are Sales Tax Revenue Bonds. If the District were to issue general obligation bonds, it would at that time go for a Moody's rating. The city of Fort Dodge, Iowa, has an A-1 rating; the District's financial advisor indicates that with the District's financial condition, it would probably have an A-2 Bond rating.

### **Factors Bearing on the District's Future**

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

- Even though the District is the twenty-third largest in the state in terms of students, it has one of the lowest ratios of taxable property value per student. This tends to raise property tax levies per thousand dollars of valuation to the higher end. Local property tax sensitivity has developed. In order to develop an effective education budget, the District needs to rely partially on the property tax levy.
- The average age of the District's five older elementary schools is 57 years. In order to deliver a modern education program using new technology, and in order to control maintenance and safety costs, new elementary schools need to be built. In 1999 the citizens of the District voted for a 10 year local option sales tax for school infrastructure. That program or another school infrastructure funding mechanism needs to continue past 2009.
- The District's primary source of revenue is the State of Iowa's school aid formula. The allowable growth in aid to schools was only 4% for fiscal year 2007. Costs of providing a quality education program are rising faster than 4%. Teacher settlements alone over the past several years are in the 5.0% range. Future allowable growth increases need to be higher.
- More than 81 percent of the general fund budget is salaries and benefits. Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably, arbitrated settlements are higher than current levels of allowable growth in funding. Education budgets are then squeezed. A solution needs to be found.
- One of the key elements of the Iowa State school aid formula is certified enrollment. The last five years enrollment has decreased 4.35%. When enrollment drops it means less state aid. Stability or even increases in enrollment are critical to maintaining a solid financial picture.
- In 2001 two important legislative acts were passed into law which affects public school education. The federal government passed "*No Child Left Behind*," and Iowa passed the "*Student Achievement and Teacher Quality Act*." The District is currently working through the various requirements of these laws. While the intent of this legislation is sound, additional costs and unfunded mandates may develop.

### **Contacting the District's Financial Management**

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

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## Basic Financial Statements

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 10,461,841	\$ 163,441	\$ 10,625,282
Receivables:			
Property tax:			
Current year	259,763	-	259,763
Succeeding year	11,077,000	-	11,077,000
Income surtax	574,292	-	574,292
Accrued interest	9,765	-	9,765
Accounts	41,798	44,389	86,187
Due from other governments	1,552,917	-	1,552,917
Inventories	-	16,172	16,172
Prepaid expenses	1,755	-	1,755
Capital assets, net of accumulated depreciation (note 5)	16,575,609	132,331	16,707,940
<b>Total assets</b>	<b>40,554,740</b>	<b>356,333</b>	<b>40,911,073</b>
<b>Liabilities</b>			
Accounts payable	543,781	10,776	554,557
Salaries and benefits payable	3,244,982	-	3,244,982
Due to other governments	15,397	-	15,397
Accrued interest payable	9,939	-	9,939
Deferred revenue:			
Succeeding year property tax	11,077,000	-	11,077,000
Other	-	3,421	3,421
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	67,115	-	67,115
Bonds payable	1,095,000	-	1,095,000
Compensated absences	423,521	-	423,521
Portion due after one year:			
Early retirement	23,884	-	23,884
Bonds payable	1,155,000	-	1,155,000
Compensated absences	2,755,473	-	2,755,473
<b>Total liabilities</b>	<b>20,411,092</b>	<b>14,197</b>	<b>20,425,289</b>

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 14,325,609	\$ 132,331	\$ 14,457,940
Restricted for:			
Management levy	970,697	-	970,697
Other special revenue purposes	429,405	-	429,405
Debt service	90,000	-	90,000
Capital projects	2,572,365	-	2,572,365
Unrestricted	<u>1,755,572</u>	<u>209,805</u>	<u>1,965,377</u>
Total net assets	<u>\$ 20,143,648</u>	<u>\$ 342,136</u>	<u>\$ 20,485,784</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 14,699,631	\$ 1,111,768	\$ 1,348,937	\$ -
Special instruction	6,810,641	-	1,889,827	-
Other instruction	3,174,786	1,146,110	127,891	-
	<u>24,685,058</u>	<u>2,257,878</u>	<u>3,366,655</u>	<u>-</u>
Support services:				
Student services	1,724,735	-	133,195	-
Instructional staff services	1,789,751	-	165,315	-
Administration services	3,752,723	-	-	-
Operation and maintenance of plant services	2,914,438	41,138	-	-
Transportation services	1,106,421	-	69,183	-
	<u>11,288,068</u>	<u>41,138</u>	<u>367,693</u>	<u>-</u>
Non-instructional programs	<u>25,755</u>	<u>-</u>	<u>37,620</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	283,730	-	-	100,000
Long-term debt interest and fiscal charges	155,937	-	-	-
AEA flowthrough	1,430,875	-	1,430,875	-
Depreciation (unallocated) *	655,711	-	-	-
	<u>2,526,253</u>	<u>-</u>	<u>1,430,875</u>	<u>100,000</u>
Total governmental activities	<u>38,525,134</u>	<u>2,299,016</u>	<u>5,202,843</u>	<u>100,000</u>

Net (Expense) Revenue  
and Changes in Net Assets

---

Governmental Activities	Business-Type Activities	Total
\$ (12,238,926)	\$ -	\$ (12,238,926)
(4,920,814)	-	(4,920,814)
(1,900,785)	-	(1,900,785)
(19,060,525)	-	(19,060,525)
(1,591,540)	-	(1,591,540)
(1,624,436)	-	(1,624,436)
(3,752,723)	-	(3,752,723)
(2,873,300)	-	(2,873,300)
(1,037,238)	-	(1,037,238)
(10,879,237)	-	(10,879,237)
11,865	-	11,865
(183,730)	-	(183,730)
(155,937)	-	(155,937)
-	-	-
(655,711)	-	(655,711)
(995,378)	-	(995,378)
(30,923,275)	-	(30,923,275)

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Business-Type Activities:				
Support services:				
Food service operations	\$ 12,599	\$ -	\$ -	\$ -
Non-instructional programs:				
Food service operations	1,604,152	816,050	931,998	-
Total business-type activities	1,616,751	816,050	931,998	-
Total	\$ 40,141,885	\$ 3,115,066	\$ 6,134,841	\$ 100,000

General Revenues:

Property tax levied for:

    General purposes  
    Capital outlay  
Income surtax  
Local option sales and services tax  
Unrestricted state grants  
Unrestricted investment earnings  
Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

\* = This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

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Governmental Activities	Business-Type Activities	Total
\$ -	\$ (12,599)	\$ (12,599)
-	143,896	143,896
-	131,297	143,896
(30,923,275)	131,297	(30,791,978)
\$ 11,291,529	\$ -	\$ 11,291,529
793,056	-	793,056
608,405	-	608,405
1,956,116	-	1,956,116
16,976,374	-	16,976,374
436,920	7,755	444,675
341,082	-	341,082
32,403,482	7,755	32,411,237
1,480,207	139,052	1,619,259
18,663,441	203,084	18,866,525
\$ 20,143,648	\$ 342,136	\$ 20,485,784

FORT DODGE COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2007

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and pooled investments	\$ 6,468,342	\$ 2,251,093	\$ 1,671,261	\$ 10,390,696
Receivables:				
Property tax:				
Current year	226,436	-	33,327	259,763
Succeeding year	10,080,000	-	997,000	11,077,000
Income surtax	574,292	-	-	574,292
Accrued interest	-	9,765	-	9,765
Interfund receivable (note 3)	69,320	-	-	69,320
Accounts	41,798	-	-	41,798
Due from other governments	1,241,410	311,507	-	1,552,917
Inventories	-	-	-	-
Prepaid expenses	1,755	-	-	1,755
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ <u>18,703,353</u>	\$ <u>2,572,365</u>	\$ <u>2,701,588</u>	\$ <u>23,977,306</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2007

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Excess of warrants issued over bank balance	\$ -	\$ -	\$ 50,719	\$ 50,719
Accounts payable	500,606	-	28,411	529,017
Salaries and benefits payable	3,238,713	-	6,269	3,244,982
Due to other governments	15,397	-	-	15,397
Interfund payable (note 3)	-	-	69,320	69,320
Deferred revenue:				
Succeeding year property tax	10,080,000	-	997,000	11,077,000
Other	574,292	-	-	574,292
<b>Total liabilities</b>	<b>14,409,008</b>	<b>-</b>	<b>1,151,719</b>	<b>15,560,727</b>
<b>Fund balance:</b>				
Reserved for:				
Prepaid expenses	1,755	-	-	1,755
State grants	28,839	-	-	28,839
Debt service	-	-	99,939	99,939
Unreserved:				
Reported in nonmajor Special Revenue Funds	-	-	1,449,930	1,449,930
Undesignated	4,263,751	2,572,365	-	6,836,116
<b>Total fund balances</b>	<b>4,294,345</b>	<b>2,572,365</b>	<b>1,549,869</b>	<b>8,416,579</b>
<b>Total liabilities and fund balances</b>	<b>\$ 18,703,353</b>	<b>\$ 2,572,365</b>	<b>\$ 2,701,588</b>	<b>\$ 23,977,306</b>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2007

Total fund balances of governmental funds	\$ 8,416,579
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	16,575,609
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	574,292
The Internal Service Fund net assets are directly related to the Governmental Funds due to the types of services provided and are, therefore, included in the District-wide statement of net assets under governmental activities.	107,100
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(9,939)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(5,519,993)</u>
Net assets of governmental activities	<u>\$ 20,143,648</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2007

	General	Capital Projects	Nonmajor Governmental Funds	Total
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 11,104,673	\$ 1,956,116	\$ 1,544,502	\$ 14,605,291
Tuition	1,003,395	-	-	1,003,395
Other	810,844	98,456	1,149,168	2,058,468
Intermediate sources	39,655	-	-	39,655
State sources	20,248,918	-	1,418	20,250,336
Federal sources	1,915,599	-	100,000	2,015,599
Total revenues	<u>35,123,084</u>	<u>2,054,572</u>	<u>2,795,088</u>	<u>39,972,744</u>
<b>Expenditures:</b>				
Current:				
Instruction	<u>23,355,947</u>	-	1,116,767	<u>24,472,714</u>
Support services:				
Student services	1,738,220	-	-	1,738,220
Instructional staff services	1,701,395	2,250	105,697	1,809,342
Administration services	3,460,953	-	257,976	3,718,929
Operation and maintenance of plant services	2,662,863	-	215,225	2,878,088
Transportation services	858,810	-	236,377	1,095,187
	<u>10,422,241</u>	<u>2,250</u>	<u>815,275</u>	<u>11,239,766</u>
Non-instructional programs	<u>25,755</u>	-	-	<u>25,755</u>
Other expenditures:				
Facilities acquisition	-	304,194	598,283	902,477
Long term debt:				
Principal	-	-	1,045,000	1,045,000
Interest and fiscal charges	-	-	160,488	160,488
AEA flowthrough	1,430,875	-	-	1,430,875
	<u>1,430,875</u>	<u>304,194</u>	<u>1,803,771</u>	<u>3,538,840</u>
Total expenditures	<u>35,234,818</u>	<u>306,444</u>	<u>3,735,813</u>	<u>39,277,075</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(111,734)</u>	<u>1,748,128</u>	<u>(940,725)</u>	<u>695,669</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2007

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Other financing sources (uses):				
Interfund transfers in (note 4)	\$ 4,113	\$ 640,615	\$ 1,209,214	\$ 1,853,942
Interfund transfers out (note 4)	(640,615)	(1,205,104)	(8,223)	(1,853,942)
Total other financing sources (uses)	<u>(636,502)</u>	<u>(564,489)</u>	<u>1,200,991</u>	<u>-</u>
Net change in fund balances	(748,236)	1,183,639	260,266	695,669
Fund balances beginning of year	<u>5,042,581</u>	<u>1,388,726</u>	<u>1,289,603</u>	<u>7,720,910</u>
Fund balances end of year	<u>\$ 4,294,345</u>	<u>\$ 2,572,365</u>	<u>\$ 1,549,869</u>	<u>\$ 8,416,579</u>

See notes to financial statements.

## FORT DODGE COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ 695,669

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 868,875	
Depreciation expense	<u>(1,089,768)</u>	(220,893)

Income surtax revenue not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 32,597

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 1,045,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 4,551

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (98,927)

The increase in the Internal Service Fund balance reflects an overcharge to governmental activities for the services provided. Expenses in the statement of activities are adjusted to reflect this overcharge. 22,210

Change in net assets of governmental activities \$ 1,480,207

See notes to financial statements.

## FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2007

	Nonmajor Enterprise Fund	Internal Service Funds
	<u>Fund</u>	<u>Funds</u>
Assets		
Cash and cash equivalents	\$ 163,441	\$ 121,864
Accounts receivable	44,389	-
Inventories	16,172	-
Capital assets, net of accumulated depreciation	132,331	-
Total assets	<u>356,333</u>	<u>121,864</u>
Liabilities		
Accounts payable	10,776	14,764
Deferred revenues:		
Other	3,421	-
Total liabilities	<u>14,197</u>	<u>14,764</u>
Net Assets		
Invested in capital assets	132,331	-
Unrestricted	<u>209,805</u>	<u>107,100</u>
Total net assets	<u>\$ 342,136</u>	<u>\$ 107,100</u>

See notes to financial statements.

## FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2007

	Nonmajor Enterprise Fund	Internal Service Funds
	<u>          </u>	<u>          </u>
Operating revenues:		
Local sources:		
Charges for services	\$ 816,050	\$ 313,441
Operating expenses:		
Support services:		
Food service operations:		
Purchased services	3,452	-
Other	9,147	-
	<u>12,599</u>	<u>-</u>
Non-instructional programs:		
Food service operations:		
Salaries	29,386	-
Benefits	10,672	-
Purchased services	692,605	-
Supplies	852,477	-
Depreciation	19,012	-
	<u>1,604,152</u>	<u>-</u>
Internal service operations:		
Purchased services	-	295,198
Total expenses	<u>1,616,751</u>	<u>295,198</u>
Operating income (loss)	<u>(800,701)</u>	<u>18,243</u>
Non-operating revenues:		
Interest on investments	7,755	3,967
State sources	19,768	-
Federal sources	912,230	-
Total non-operating revenues	<u>939,753</u>	<u>3,967</u>
Change in net assets	139,052	22,210
Net assets beginning of year	<u>203,084</u>	<u>84,890</u>
Net assets end of year	<u>\$ 342,136</u>	<u>\$ 107,100</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2007

	Nonmajor Enterprise Fund	Internal Service Funds
	<u>          </u>	<u>          </u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 697,295	\$ -
Cash received from contributions	-	230,966
Cash received from miscellaneous operating activities	71,326	82,475
Cash payments to employees for services	(40,058)	-
Cash payments to suppliers for goods or services	<u>(1,524,626)</u>	<u>(302,093)</u>
Net cash provided by (used by) operating activities	<u>(796,063)</u>	<u>11,348</u>
Cash flows from non-capital financing activities:		
State grants received	19,768	-
Federal grants received	<u>834,289</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>854,057</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(40,416)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>7,755</u>	<u>3,967</u>
Net increase in cash and cash equivalents	25,333	15,315
Cash and cash equivalents beginning of year	<u>138,108</u>	<u>106,549</u>
Cash and cash equivalents end of year	<u>\$ 163,441</u>	<u>\$ 121,864</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2007

	Nonmajor Enterprise Fund	Internal Service Funds
	<u>          </u>	<u>          </u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (800,701)	\$ 18,243
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Depreciation	19,012	-
Commodities used	77,941	-
(Increase) in accounts receivable	(44,389)	-
(Increase) in inventories	(807)	-
(Decrease) in accounts payable	(44,079)	(6,895)
(Decrease) in deferred revenues	<u>(3,040)</u>	<u>-</u>
Net cash provided by (used by) operating activities	<u>\$ (796,063)</u>	<u>\$ 11,348</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$77,941 of federal commodities.

See notes to financial statements.

## FORT DODGE COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
June 30, 2007

	<u>Self-funded Dental Plan</u>	<u>Flex Benefit Plan</u>	<u>Total (Memorandum Only)</u>
 Assets			
Cash and pooled investments	\$ <u>119,784</u>	\$ <u>2,080</u>	\$ <u>121,864</u>
 Liabilities			
Accounts payable	<u>8,839</u>	<u>5,925</u>	<u>14,764</u>
 Net Assets			
Unrestricted	\$ <u><u>110,945</u></u>	\$ <u><u>(3,845)</u></u>	\$ <u><u>107,100</u></u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 INTERNAL SERVICE FUNDS  
 Year Ended June 30, 2007

	Self-funded Dental Plan	Flex Benefit Plan	Total (Memorandum Only)
Operating revenues:			
Local sources:			
Insurance contributions	\$ 230,966	\$ -	\$ 230,966
Flex contributions	-	82,475	82,475
Total operating revenues	230,966	82,475	313,441
Operating expenses:			
Non-instructional programs:			
Premiums/administration	212,240	-	212,240
Flex benefits	-	82,958	82,958
Total operating expenses	212,240	82,958	295,198
Operating income (loss)	18,726	(483)	18,243
Non-operating revenues:			
Interest	3,874	93	3,967
Changes in net assets	22,600	(390)	22,210
Net assets beginning of year	88,345	(3,455)	84,890
Net assets end of year	\$ 110,945	\$ (3,845)	\$ 107,100

See notes to financial statements.

## FORT DODGE COMMUNITY SCHOOL DISTRICT

 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 Year Ended June 30, 2007

	Self-funded Dental Plan	Flex Benefit Plan	Total (Memorandum Only)
Cash flows from operating activities:			
Cash received from contributions	\$ 230,966	\$ -	\$ 230,966
Cash received from miscellaneous operating activities	-	82,475	82,475
Cash payments for premiums	(194,871)	-	(194,871)
Cash payments for services	(24,264)	(82,958)	(107,222)
Net cash used by operating activities	<u>11,831</u>	<u>(483)</u>	<u>11,348</u>
Cash flows from investing activities:			
Interest on investments	<u>3,874</u>	<u>93</u>	<u>3,967</u>
Net increase (decrease) in cash and cash equivalents	15,705	(390)	15,315
Cash and cash equivalents beginning of year	<u>104,079</u>	<u>2,470</u>	<u>106,549</u>
Cash and cash equivalents end of year	<u>\$ 119,784</u>	<u>\$ 2,080</u>	<u>\$ 121,864</u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	\$ 18,726	\$ (483)	\$ 18,243
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
(Decrease) in accounts payable	<u>(6,895)</u>	<u>-</u>	<u>(6,895)</u>
Net cash used by operating activities	<u>\$ 11,831</u>	<u>\$ (483)</u>	<u>\$ 11,348</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2007

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>323,340</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>323,340</u></u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year Ended June 30, 2007

	<u>Private Purpose</u>	<u>Trust</u>
	<u>Scholarship</u>	
Additions:		
Local sources:		
Gifts and contributions	\$	8,489
Interest		<u>14,787</u>
Total additions		<u>23,276</u>
Deductions:		
Instruction		
Scholarships awarded		<u>22,520</u>
Change in net assets		756
Net assets beginning of year		<u>322,584</u>
Net assets end of year	\$	<u><u>323,340</u></u>
See notes to financial statements.		

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies

Fort Dodge Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten.

Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Fort Dodge, Iowa, and agricultural territory in Webster County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Webster County Assessor's Conference Board.

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

B. Basis of Presentation

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

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

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

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

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

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

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

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

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

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

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Asset Class	Amount
Land	\$ 1,000
Buildings	25,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	1,000

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

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

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

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

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

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and severance benefits payable to employees. Severance benefits accumulate up to 120 days for most employee service groups and is applicable for employees hired prior to July 1, 2006. A liability is recorded when incurred in the District-wide 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 based 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 District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

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

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

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

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the instruction function exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District'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.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 2. Cash and Pooled Investments (continued)

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

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
MBIA Guaranteed Investment Contracts	\$ 850,000
Iowa Schools Joint Investment Trust, Diversified Portfolio	<u>67</u>
	<u>\$ 850,067</u>

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

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

Note 3. Interfund Receivables/Payables

A summary of the interfund receivables and payables is as follows:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General	Special Revenue, Student Activity	<u>\$ 69,320</u>

These balances arise due to transactions between funds in the normal course of business throughout the school year and represent the amounts which had not yet been repaid.

In addition to the above noted receivables/payables, the District approved and repaid \$575,000 in short-term financing loans from the General Fund to the Special Revenue, Physical Plant and Equipment Levy.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

Note 4. Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Special Revenue: Management Levy	\$ 4,113
Special Revenue: Physical Plant and Equipment Levy		4,110
Capital Projects	General Fund	640,615
Debt Service	Capital Projects	<u>1,205,104</u>
Total		<u>\$ 1,853,942</u>

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

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 5. Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 483,811	\$ 36,000	\$ -	\$ 519,811
Construction in progress	317,316	394,264	711,580	-
Total capital assets not being depreciated	<u>801,127</u>	<u>430,264</u>	<u>711,580</u>	<u>519,811</u>
Capital assets being depreciated:				
Buildings	24,950,501	896,443	-	25,846,944
Improvements other than buildings	336,547	-	-	336,547
Furniture and equipment	6,360,208	253,748	423,589	6,190,367
Total capital assets being depreciated	<u>31,647,256</u>	<u>1,150,191</u>	<u>423,589</u>	<u>32,373,858</u>
Less accumulated depreciation for:				
Buildings	10,619,441	638,883	-	11,258,324
Improvements other than buildings	47,986	16,828	-	64,814
Furniture and equipment	4,984,454	434,057	423,589	4,994,922
Total accumulated depreciation	<u>15,651,881</u>	<u>1,089,768</u>	<u>423,589</u>	<u>16,318,060</u>
Total capital assets being depreciated, net	<u>15,995,375</u>	<u>60,423</u>	<u>-</u>	<u>16,055,798</u>
Governmental activities capital assets, net	<u>\$ 16,796,502</u>	<u>\$ 490,687</u>	<u>\$ 711,580</u>	<u>\$ 16,575,609</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 219,806	\$ 40,416	\$ -	\$ 260,222
Less accumulated depreciation	108,879	19,012	-	127,891
Business-type activities capital assets, net	<u>\$ 110,927</u>	<u>\$ 21,404</u>	<u>\$ -</u>	<u>\$ 132,331</u>

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

Governmental activities:

    Instruction:

Regular	\$ 122,115
Special	56,558
Other	26,654

    Support services:

Student support	14,584
Instructional staff	15,180
Administration	31,202
Operation and maintenance of plant services	24,147
Transportation	143,617

434,057

    Unallocated depreciation

655,711

Total governmental activities depreciation expense

\$ 1,089,768

Business-type activities:

Food service operations	<u>\$ 19,012</u>
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FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 6. Long-Term Liabilities

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

	Early Retirement	School Infrastructure Local Option Sales and Services Tax Revenue Bonds	Compensated Absences	Total
Balance beginning of year	\$ 291,855	\$ 3,295,000	\$ 2,879,211	\$ 6,466,066
Additions	-	-	735,353	735,353
Reductions	200,856	1,045,000	435,570	1,681,426
Balance end of year	<u>\$ 90,999</u>	<u>\$ 2,250,000</u>	<u>\$ 3,178,994</u>	<u>\$ 5,519,993</u>
Due within one year	<u>\$ 67,115</u>	<u>\$ 1,095,000</u>	<u>\$ 423,521</u>	<u>\$ 1,585,636</u>

Early Retirement

The District offered a voluntary early retirement plan to its certified employees until June 30, 2005. Eligible employees must have been at least age fifty-five and employees must have completed ten years of continuous service to the District.

The early retirement incentive for the prior years consisted of continuation of single group health insurance at the rate of the last year of employment for sixty months or until the employee reached age 65, which ever came first. The cost of this insurance to the District for the year ended June 30, 2007, is fixed at \$534 per month for teachers and \$504 per month for all other employees.

At June 30, 2007, the District has obligations to 20 participants with a total liability of \$90,999. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$200,856. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 6. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2008	5.25 - 5.30 %	\$ 1,095,000	\$ 105,097	\$ 1,200,097
2009	5.30 - 5.35	1,155,000	46,403	1,201,403
		\$ 2,250,000	\$ 151,500	\$ 2,401,500

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006, and 2005.

Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$1,235,622, \$1,165,674, and \$1,086,579, respectively, equal to the required contributions for each year.

Note 8. Risk Management

Self-Funded Dental Insurance Plan

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

Monthly payments of service fees and plan contributions to the Fort Dodge Community School District Employee Group Dental Plan are recorded as expenditures from the General and School Nutrition funds. Under the administrative services agreement, weekly payments of service fees and claims processed are paid to Delta Dental Plan of Iowa from the Fort Dodge Community School District Employee Group Dental Plan Fund as an Internal Service Fund. The District's contributions to the fund for the year ended June 30, 2007 were \$230,966.

The Internal Service Fund, Self-Funded Dental Plan reserve was \$110,945 at June 30, 2007.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 8. Risk Management (continued)

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,430,875 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Construction Commitments

The District entered into various contracts totaling \$243,388, including change orders, for various projects. As of June 30, 2007, work on these projects had not begun.

Note 11. Contingencies

The District is involved in two cases currently before the Iowa Civil Rights Commission alleging discriminatory hiring practices. The District is vigorously defending both cases and the District's insurance carrier has afforded coverage.

Note 12. Financial Condition

The District's Special Revenue, Physical Plant and Equipment Levy Fund, reported as a nonmajor governmental fund, had an unreserved, undesignated deficit balance of \$41,171 at June 30, 2007. In addition, the nonmajor Internal Service Fund, Flex Benefit Plan had an unreserved, undesignated net assets deficit of \$3,845 at June 30, 2007.

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Required Supplementary Information

FORT DODGE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances –  
 Budget and Actual – All Governmental Funds  
 and Proprietary Fund  
 Required Supplementary Information  
 Year Ended June 30, 2007

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds - Actual	Fund - Actual		Original	Final	
<b>REVENUES:</b>						
Local sources	\$ 17,667,154	\$ 823,805	\$ 18,490,959	\$ 17,593,136	\$ 17,593,136	\$ 897,823
Intermediate sources	39,655	-	39,655	3,000	3,000	36,655
State sources	20,250,336	19,768	20,270,104	20,013,399	20,013,399	256,705
Federal sources	2,015,599	912,230	2,927,829	2,729,511	2,729,511	198,318
<b>Total revenues</b>	<b>39,972,744</b>	<b>1,755,803</b>	<b>41,728,547</b>	<b>40,339,046</b>	<b>40,339,046</b>	<b>1,389,501</b>
<b>EXPENDITURES:</b>						
Instruction	24,472,714	-	24,472,714	23,485,609	23,781,400	(691,314)
Support services	11,239,766	12,599	11,252,365	11,225,880	12,070,745	818,380
Non-instructional programs	25,755	1,604,152	1,629,907	1,678,186	1,783,930	154,023
Other expenditures	3,538,840	-	3,538,840	3,388,263	4,304,251	765,411
<b>Total expenditures</b>	<b>39,277,075</b>	<b>1,616,751</b>	<b>40,893,826</b>	<b>39,777,938</b>	<b>41,940,326</b>	<b>1,046,500</b>
Excess (deficiency) of revenues over (under) expenditures	695,669	139,052	834,721	561,108	(1,601,280)	2,436,001
Other financing sources, net	-	-	-	(7,000)	(7,000)	7,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures	695,669	139,052	834,721	554,108	(1,608,280)	2,443,001
Balance beginning of year	7,720,910	203,084	7,923,994	8,911,258	8,911,258	(987,264)
Balance end of year	<u>\$ 8,416,579</u>	<u>\$ 342,136</u>	<u>\$ 8,758,715</u>	<u>\$ 9,465,366</u>	<u>\$ 7,302,978</u>	<u>\$ 1,455,737</u>

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
June 30, 2007

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$2,162,388.

During the year ended June 30, 2007, expenditures in the instruction function exceeded the amount budgeted.

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## Other Supplementary Information

## FORT DODGE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2007

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Assets					
Cash and pooled investments	\$ 1,054,997	\$ 516,325	\$ -	\$ 99,939	\$ 1,671,261
Receivables:					
Property tax:					
Current year	16,208	-	17,119	-	33,327
Succeeding year	272,000	-	725,000	-	997,000
Total assets	\$ <u>1,343,205</u>	\$ <u>516,325</u>	\$ <u>742,119</u>	\$ <u>99,939</u>	\$ <u>2,701,588</u>
Liabilities and Fund Equity					
Liabilities:					
Excess of warrants issued over bank balances	\$ -	\$ -	\$ 50,719	\$ -	\$ 50,719
Accounts payable	3,240	17,600	7,571	-	28,411
Salaries and benefits payable	6,269	-	-	-	6,269
Interfund payable	-	69,320	-	-	69,320
Deferred revenue:					
Succeeding year property tax	272,000	-	725,000	-	997,000
Total liabilities	281,509	86,920	783,290	-	1,151,719
Fund equity:					
Fund balances:					
Reserved for:					
Debt service	-	-	-	99,939	99,939
Unreserved:					
Undesignated	1,061,696	429,405	(41,171)	-	1,449,930
Total fund equity	1,061,696	429,405	(41,171)	99,939	1,549,869
Total liabilities and fund equity	\$ <u>1,343,205</u>	\$ <u>516,325</u>	\$ <u>742,119</u>	\$ <u>99,939</u>	\$ <u>2,701,588</u>

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2007

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 752,163	\$ -	\$ 792,339	\$ -	\$ 1,544,502
Other	69,075	1,076,066	4,027	-	1,149,168
State sources	701	-	717	-	1,418
Federal sources	-	-	100,000	-	100,000
Total revenues	821,939	1,076,066	897,083	-	2,795,088
Expenditures:					
Current:					
Instruction	115,413	1,001,354	-	-	1,116,767
Support services:					
Instructional staff services	34,777	-	70,920	-	105,697
Administration services	249,568	-	8,408	-	257,976
Operation and maintenance of plant services	172,080	-	43,145	-	215,225
Transportation services	103,270	-	133,107	-	236,377
Other expenditures:					
Facilities acquisition	-	-	598,283	-	598,283
Long term debt:					
Principal	-	-	-	1,045,000	1,045,000
Interest and fiscal charges	-	-	-	160,488	160,488
Total expenditures	675,108	1,001,354	853,863	1,205,488	3,735,813
Excess (deficiency) of revenues over (under) expenditures	146,831	74,712	43,220	(1,205,488)	(940,725)
Other financing sources (uses):					
Interfund transfers in	-	-	4,110	1,205,104	1,209,214
Interfund transfers out	(8,223)	-	-	-	(8,223)
Total other financing sources (uses)	(8,223)	-	4,110	1,205,104	1,200,991

FORT DODGE COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2007

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Excess (deficiency) of revenues over (under) expenditures and other financing uses	\$ 138,608	\$ 74,712	\$ 47,330	\$ (384)	\$ 260,266
Fund balances beginning of year	923,088	354,693	(88,501)	100,323	1,289,603
Fund balances end of year	\$ 1,061,696	\$ 429,405	\$ (41,171)	\$ 99,939	\$ 1,549,869

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
Council	\$ 679	\$ 2,230	\$ 2,493	\$ 416
Activity Club	74,436	34,865	1,540	107,761
Video Club	(163)	50	-	(113)
Radio Club	(373)	-	-	(373)
Birdseye Book Club	9,240	2,092	2,462	8,870
Professional Development	2,744	-	-	2,744
Magazines	2,792	-	-	2,792
Porter Fund	1,386	7,645	8,457	574
Student Flowers	(103)	375	269	3
District-wide Start School	2,555	-	2,432	123
Community Holiday Party	2	-	-	2
Speak Camp	227	-	-	227
Bus Garage Pop Money	3,321	1,190	775	3,736
Activity Class of 1973 Scholarship	519	-	-	519
HS Girls Tennis Fundraiser	73	8,428	8,266	235
HS Cross Country Fundraiser	195	7,445	6,503	1,137
Computer Media	(395)	1,155	1,201	(441)
Dodger Diner	163	2,243	2,420	(14)
Drama Club	7,639	1,763	756	8,646
Debate Club	(723)	9,300	9,160	(583)
Speech Club	(489)	18,271	9,136	8,646
Vocal Music	4,671	4,833	5,837	3,667
Band Club	12,449	18,833	15,730	15,552
Coed Cross Country	2,000	3,402	5,402	-
HS Boys Basketball	-	8,350	8,350	-
HS Football	-	15,801	15,801	-
HS Boys Soccer	5,000	2,216	2,216	5,000
HS Boys Baseball	1	14,951	14,951	1
HS Boys Track	2,587	5,348	7,504	431
HS Boys Tennis	-	2,280	2,280	-
HS Boys Golf	-	2,874	2,874	-
HS Boys Swimming	1,500	4,154	5,332	322
HS Wrestling	1,000	10,500	11,500	-
HS Girls Basketball	-	12,172	12,172	-
HS Volleyball	-	6,839	6,839	-
HS Girls Soccer	5,000	6,128	6,478	4,650
HS Girls Softball	216	11,306	11,522	-
HS Girls Track	2,855	5,107	6,953	1,009
HS Girls Tennis	-	3,712	3,712	-
HS Girls Golf	164	2,800	2,964	-

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
HS Girls Swimming	\$ 1,500	\$ 5,471	\$ 5,471	\$ 1,500
HS Activity	(165,360)	78,981	-	(86,379)
Cap and Gown	4,762	421	5,657	(474)
Concessions	189	-	-	189
Wrestling	4,351	9,286	12,581	1,056
PEP Bus	-	-	-	-
Key Club	310	-	-	310
Girls Swim Fundraiser	1,897	875	1,592	1,180
Student PCCL	50,062	55,700	57,713	48,049
Senior Dinner Dance	394	3,078	2,595	877
Centel Pay Phone	5,178	6,605	54	11,729
Girls Track Fundraiser	929	3,087	2,549	1,467
Musical Club	8,293	9,951	17,156	1,088
VICA	996	1,451	1,355	1,092
French Club	2,773	-	618	2,155
Spanish Club	6,048	67	56	6,059
German Club	1,263	42,231	42,560	934
FS Club	1,333	1,449	1,329	1,453
Cheerleaders	7,843	48,302	44,444	11,701
Student Senate	5,723	10,270	8,938	7,055
Yearbook	8,971	40,719	42,445	7,245
Newspaper	4,439	6,714	6,739	4,414
SADD	937	3,507	4,226	218
Fishing Club	44	-	-	44
Klass Club	14	-	-	14
Huseman All State	3,045	3,750	1,224	5,571
Advanced Placement	3,386	-	-	3,386
FCY PCCL	7,705	9,322	11,417	5,610
DECA	794	4,078	3,807	1,065
National Honor Society	89	-	957	(868)
Activity Tickets	32,530	-	32,530	-
Class of 2002	223	-	-	223
Class of 2003	223	-	-	223
Class of 2004	183	-	-	183
Class of 2005	223	-	-	223
Junior Citizen	120	729	453	396
Orchestra Club	1,742	104	751	1,095
Booster Club	(26)	-	-	(26)
Friskies	-	-	-	-
Art Festival	-	583	436	147

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
Sports Season Pass	\$ -	-	-	-
Tournaments	8,603	74,044	81,971	676
Football Fundraisers	3,453	36,592	36,020	4,025
Girls Basketball Fundraisers	11,635	9,909	8,329	13,215
Boys Basketball Fundraisers	5,094	12,408	12,802	4,700
Orchestra Trip	430	152	-	582
Jamar Funds	711	-	-	711
Baseball Fundraisers	3,114	15,778	17,628	1,264
Volleyball Fundraisers	3,684	3,215	1,236	5,663
Driver Education Club	-	-	-	-
IMC Coper	428	113	123	418
Start School	-	-	-	-
Multi-Cultural Club	9	-	-	9
Science Club Fundraisers	681	-	-	681
Softball Fundraisers	1,442	12,911	9,781	4,572
Dodger Senate	8,553	-	-	8,553
Dodger Communication Committee	250	-	-	250
Drill Team	(1,131)	4,521	3,778	(388)
Science Club	(21)	-	-	(21)
Weight Room	27	410	247	190
English Club Donut Account	158	-	-	158
Math Prize	4,166	2,114	2,612	3,668
Art Club	871	700	720	851
Scoreboard Advertising	10,845	13,692	9,815	14,722
Boys Swim Fundraiser	191	2,794	2,394	591
Girls Soccer Fundraiser	882	1,399	2,234	47
Boys Soccer Fundraiser	1,847	3,452	3,750	1,549
Boys Golf Fundraiser	1,246	465	1,218	493
Boys Tennis Fundraiser	1,075	1,131	875	1,331
Boys Track Fundraiser	-	-	-	-
Freshman Academy	-	1,205	1,333	(128)
Phillips Middle School:				
Vocal Music	8,858	13,105	15,747	6,216
Instrumental	6,702	7,671	10,001	4,372
Phillips Orchestra	1,210	314	75	1,449
Boys Basketball	-	4,613	4,613	-
Football Fundraiser	25,563	7,457	6,872	26,148
Boys Track	-	3,549	3,549	-
Boys Wrestling	391	4,603	4,994	-
Girls Basketball	-	4,186	4,186	-

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Phillips Middle School (continued):				
Girls Volleyball	\$ 931	\$ 3,089	\$ 4,020	\$ -
Girls Track	270	3,852	4,122	-
PCCL	101	8,071	7,256	916
Activities	(11,821)	-	6,893	(18,714)
Yearbook	2,756	10,650	9,814	3,592
7th Red	(154)	1,174	1,281	(261)
7th White	1,235	12,904	11,750	2,389
7th Blue	529	7,651	7,858	322
8th Red	3,074	10,019	11,516	1,577
8th White	-	-	-	-
8th Blue	1,869	7,429	6,819	2,479
Magazine Fundraisers	-	-	-	-
Start School	2,084	-	-	2,084
Cross Country	-	1,824	1,824	-
Allsport Machine	4,734	39,991	24,875	19,850
Juice Machine	(187)	1,986	3,082	(1,283)
S Larsen	1,232	661	1,177	716
Student Planner	2,131	1,897	4,239	(211)
Wrestling Fundraiser	303	-	-	303
Participation Fees	-	8,695	8,568	127
Softball	195	198	361	32
BD Classes Income	314	-	101	213
Fair Oakes Middle School:				
Vocal Music	4,889	11,574	13,748	2,715
Instrumental	1,469	505	1,779	195
Activities	(3,698)	-	-	(3,698)
PCCL	3,014	2,617	1,729	3,902
Yearbook	4,041	3,534	4,999	2,576
6th Red	1,818	4,390	4,369	1,839
6th Blue	390	6,638	5,748	1,280
6th Gold	1,611	6,584	5,741	2,454
5th Red	2,010	6,717	6,996	1,731
5th Blue	2,336	8,464	8,436	2,364
5th Gold	534	9,730	9,174	1,090
Juice Machine	4,009	4,247	5,380	2,876
Pencil Sales	799	371	351	819
Mile of Pennies	2,394	396	-	2,790
Student Planner	6,248	3,501	8,578	1,171
Book Fair	-	2,237	1,434	803

FORT DODGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary Schools (continued):				
Butler PCCL	\$ 870	\$ 1,284	\$ 2,043	\$ 111
Butler Activity	2,518	21,455	9,315	14,658
Cooper PCCL	3,931	1,971	3,814	2,088
Cooper Activities	18,863	9,028	10,805	17,086
Cooper Library Club	391	-	-	391
Duncombe PCCL	251	1,433	1,478	206
Duncombe Reading Supplement	280	-	-	280
Feelhaver PCCL	1,075	1,280	1,075	1,280
Feelhaver Activities	6,472	8,354	8,127	6,699
Hillcrest PCCL	1,166	1,516	1,285	1,397
Hillcrest Activities	6,480	5,335	3,685	8,130
Riverside PCCL	1,262	544	961	845
Riverside School Council	3,500	-	-	3,500
Riverside Activities	6,540	3,103	2,237	7,406
Alternative PCCL	4,373	1,275	1,668	3,980
Other PCCL	-	-	-	-
Other Activities	-	-	-	-
<b>Total</b>	<b>\$ 354,693</b>	<b>\$ 1,076,066</b>	<b>\$ 1,001,354</b>	<b>\$ 429,405</b>

See accompanying independent auditor's report.

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

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2007	2006	2005	2004
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 14,605,291	\$ 14,715,512	\$ 13,765,849	\$ 13,674,420
Tuition	1,003,395	901,333	760,724	807,623
Other	2,058,468	1,828,077	1,416,896	1,298,584
Intermediate sources	39,655	2,150	-	-
State sources	20,250,336	18,836,062	18,249,076	17,636,368
Federal sources	2,015,599	1,818,330	1,953,405	2,132,989
<b>Total revenues</b>	<b>\$ 39,972,744</b>	<b>\$ 38,101,464</b>	<b>\$ 36,145,950</b>	<b>\$ 35,549,984</b>
<b>Expenditures:</b>				
Instruction	\$ 24,472,714	\$ 22,472,567	\$ 22,144,273	\$ 21,672,319
Support services:				
Student services	1,738,220	1,676,128	1,227,542	1,205,766
Instructional staff services	1,809,342	1,874,893	1,506,657	1,368,431
Administration services	3,718,929	3,455,908	2,853,328	2,395,974
Operation and maintenance of plant services	2,878,088	3,047,374	2,507,734	2,660,832
Transportation services	1,095,187	993,752	922,757	785,824
Central and other support services	-	-	-	246,589
Non-instructional programs	25,755	24,210	50,297	49,272
Other expenditures:				
Facilities acquisition	902,477	1,232,599	1,993,757	699,535
Long-term debt:				
Principal	1,045,000	990,000	945,000	895,000
Interest and fiscal charges	160,488	212,495	262,620	312,962
AEA flowthrough	1,430,875	1,333,850	1,307,783	1,314,054
<b>Total expenditures</b>	<b>\$ 39,277,075</b>	<b>\$ 37,313,776</b>	<b>\$ 35,721,748</b>	<b>\$ 33,606,558</b>

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2007

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (non-cash)	10.550	FY 07	\$ <u>77,941</u>
Fresh Fruit and Vegetable Program	10.557	FY 07	<u>10,808</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 07	167,435
National School Lunch Program	10.555	FY 07	<u>656,046</u>
			<u>823,481</u>
			<u>912,230</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	2313-G-07	36,122
Title 1 Grants to Local Educational Agencies	84.010	2313-GC-07	10,120
Title 1 Grants to Local Educational Agencies	84.010	2313-G-07	<u>762,598</u>
			<u>808,840</u>
Reading First State Grants	84.357	FY 07	<u>191,400</u>
Even Start - State Educational Agencies	84.213	FY 07	<u>5,000</u>
State Grants for Innovative Programs	84.298	FY 07	<u>8,595</u>
Twenty-First Century Community Learning Centers	84.287	FY 07	<u>112,500</u>
Vocational Education - Basic Grants to States	84.048	FY 07	<u>61,073</u>
Improving Teacher Quality State Grants	84.367	FY 07	<u>263,029</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 07	<u>37,620</u>
Fund for the Improvement of Education	84.215	FY 07	<u>100,000</u>
Special Education State Improvement Grants for Children with Disabilities	84.323	FY 07	<u>2,850</u>
Grants for State Assessments and Related Activities	84.369	FY 07	<u>28,000</u>
Advanced Placement Program	84.330	FY 07	<u>159</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2007

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect (continued):			
U. S. Department of Education (continued):			
Prairie Lakes Area Education Agency:			
Special Education - Grants to States	84.027	FY 07	\$ <u>263,498</u>
			<u>1,882,564</u>
U. S. Department of Human Services:			
Webster County Department of Human Services:			
Medical Assistance Program	93.778	FY 07	<u>7,494</u>
Total			<u>\$ 2,802,288</u>

Basis of Presentation –

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

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Fort Dodge Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fort Dodge Community School District's internal control over financial reporting 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 Fort Dodge Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fort Dodge Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Fort Dodge Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Fort Dodge Community School District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We noted no material weaknesses during the course of our audit.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about Fort Dodge Community School District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Fort Dodge Community School District'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 District's responses, we did not audit Fort Dodge Community School District'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 Fort Dodge Community School District and other parties to whom Fort Dodge Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Oskaloosa, Iowa  
November 15, 2007

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

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

Compliance

We have audited the compliance of Fort Dodge Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Fort Dodge Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Fort Dodge Community School District's management. Our responsibility is to express an opinion on Fort Dodge Community School District's compliance based on our audit.

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

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

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in a District'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 District'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 District'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 the internal control over compliance would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We noted no material weaknesses during the course of our audit.

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

Oskaloosa, Iowa  
November 15, 2007

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

FORT DODGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

II-A-07 Financial Condition – The District’s Special Revenue, Student Activity Fund had several individual accounts with deficit balances as of June 30, 2007. The District’s Special Revenue, Physical Plant and Equipment Levy Fund had a deficit balance of \$41,171 at June 30, 2007. In addition, the Internal Services, Flex Benefits Plan had a deficit net assets balance of \$3,845 at June 30, 2007.

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

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

Conclusion – Response accepted.

II-B-07 Fundraiser Controls – We noted inadequate fundraiser controls over one fundraiser of three tested. We noted that the final approval/summary sheet for one fundraiser was turned in five months after the fundraiser was completed. In addition, actual revenues turned in to the District were at least \$650 less than expected revenues based on the related invoices and projected profit margin. This is the third year in a row that cash revenues have been short for a fundraiser related to a student organization. The District discovered an inventory of unsold fundraiser items upon further investigation of this matter. However, we were unable to determine the net effect on this specific fundraiser after examining the inventory items and comparing the items on hand to the items purchased for the fundraiser. The reconciliation included items sold for this fundraiser which were purchased for prior fundraisers.

Recommendation – The District should enforce more stringent fundraiser controls, including accounting for all associated receipts and disbursements and timely completion of a profit/loss summary, including tying all sales to receipts and deposits, recording the purpose for all disbursements, and completing a profit analysis. If an organization fails to accurately and timely complete a final financial report, the District should consider limiting further fundraisers until the report is completed. The District should educate all clubs on the importance of including any effects of ending fundraiser item inventories and any items given free. Inventories for fundraising should be discouraged or kept to a minimum.

Response – We currently have requirements for approvals for all fundraisers. We will communicate the need for tighter controls to all applicable personnel. We have contacted the individual responsible and have banned that individual from any further responsibility for the financial aspects of any future fundraisers.

Conclusion – Response accepted.

FORT DODGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

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

Significant Deficiencies (continued):

II-C-07 Capital Assets – We noted in our testing of capital assets that the District did not reconcile the year end capital asset summary to the prior year capital asset summary. The difference noted was \$59,758.

Recommendation – The District should have an employee reconcile the capital asset summary and all adjustments to the prior year summary. Any differences should be timely investigated and corrected.

Response – We will properly reconcile the capital asset summary to prior year totals.

Conclusion – Response accepted.

II-D-07 Disbursements – Out of forty disbursements tested, one was not supported by an invoice or receipt prior to a check being released for payment.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation prior to the check being released for payment.

Response – We will make sure that all future disbursements are properly supported prior to the check being released for payment.

Conclusion – Response accepted.

FORT DODGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2007

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Significant Deficiency:

No matters were reported.

FORT DODGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2007

Part IV: Other Findings Related to Statutory Reporting:

IV-A-07 Certified Budget – Expenditures for the year ended June 30, 2007, exceeded the amount budgeted in the instruction function.

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

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

Conclusion – Response accepted.

IV-B-07 Questionable Expenditures – No expenditures were noted that we believe 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 expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-07 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-07 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-07 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-07 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

FORT DODGE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

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

IV-H-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

IV-I-07 Certified Annual Report – The Certified Annual Report was not certified to the Iowa Department of Education in a timely manner. However, we noted no significant deficiencies in the amounts reported.

Recommendation – The Certified Annual report should be certified to the Department of Education in a timely manner in the future.

Response – We were aware that the report was not timely certified. We delayed certification to ensure the accuracy of the amounts reported by having all amounts audited prior to certification.

Conclusion – Response accepted.

IV-J-07 Travel Allowance – We noted that an employee receives a flat dollar travel allowance but the payments did not go through the District’s payroll process. We were unable to examine any supporting evidence explaining trip destination, purpose, and miles traveled.

Recommendation – All flat dollar travel allowances should go through the payroll process with the appropriate taxes withheld. Alternatively, the District could switch to a supported plan where the employees would be reimbursed for actual mileage reported.

Response – We will consider changing our procedures for travel allowances. The employee currently provides travel information on an annual calendar basis but was unable to find the documentation. We will consider requiring the information to be provided either monthly or quarterly.

Conclusion – Response accepted.