

**CITY OF FORT DODGE, IOWA**

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

**YEAR ENDED JUNE 30, 2008**

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## City of Fort Dodge, Iowa

### Officials

<u>Name</u>	<u>Title</u> <b>(Before January 2008)</b>	<u>Term Expires</u>
Terry Lutz	Mayor	Dec 2009
Dan Payne	Mayor Pro Tem	Dec 2007
Jane Burleson	Council Member	Dec 2007
Cindy Litwiller	Council Member	Dec 2007
Curt Olson	Council Member	Dec 2007
Don Wilson	Council Member	Dec 2007
Matt Bemrich	Council Member	Dec 2009
Richard Inman	Council Member	Dec 2009
David Fierke	City Manager	Indefinite
Penny Clayton	City Clerk	Indefinite
Michelle Hefley	Deputy Clerk/Treasurer	Indefinite
Maurice Breen	City Attorney	Indefinite
<b>(After January 2008)</b>		
Terry Lutz	Mayor	Dec 2009
Cindy Litwiller	Mayor Pro Tem	Dec 2009
Matt Bemrich	Council Member	Dec 2009
Richard Inman	Council Member	Dec 2009
Curt Olson	Council Member	Dec 2009
Don Wilson	Council Member	Dec 2009
Dave Flattery	Council Member	Dec 2011
Dan Payne	Dean of the Council	Dec 2009
David Fierke	City Manager	Indefinite
Penny Clayton	City Clerk	Indefinite
Michelle Hefley	Treasurer	Indefinite
Maurice Breen	City Attorney	Indefinite

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fort Dodge, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Fort Dodge's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the discretely presented Airport Authority component unit, each major fund, and the aggregate remaining fund information of the City of Fort Dodge at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

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

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

In accordance with Government Auditing Standards, we have also issued our reports dated March 12, 2009 on our consideration of the City of Fort Dodge's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 63 through 66 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fort Dodge's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Information presented on Schedule 11 is also presented as required by the Federal Aviation Administration of the U.S. Department of Transportation to implement sections 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

March 12, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the City of Fort Dodge's Annual Financial Report offers a narrative overview and analysis of the financial activities of the City of Fort Dodge for the fiscal year ended June 30, 2008.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City of Fort Dodge exceeded its liabilities by \$61,007,653 at June 30, 2008.
- The City completed the construction of a Splashpad at Oleson Park.
- The City completed the expansion and renovation of the Harlan Rogers Sports Complex. This project is a \$6.3 million dollar partnership between the City, a private development group and the State of Iowa.
- The City began the construction of two new wells for the Water System.
- The City continued improvements and expansion of the Wastewater Treatment Plant to accommodate a large industrial user and future City growth.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

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

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

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

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

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

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

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

**Statement of Net Assets  
City of Fort Dodge  
June 30, 2008**

**Governmental Activities**

	<b>FY2008</b>	<b>FY2007</b>	<b>Increase (Decrease)</b>
<b>Current Assets</b>	\$ 29,841,732	\$ 26,633,791	\$ 3,207,941
<b>Restricted Assets</b>	\$ -	\$ -	\$ -
<b>Capital Assets</b>	<u>\$ 40,126,777</u>	<u>\$ 38,238,559</u>	<u>\$ 1,888,218</u>
<b>Total Assets</b>	\$ 69,968,509	\$ 64,872,350	\$ 5,096,159
<b>Current Liabilities</b>	\$ 12,431,545	\$ 12,822,125	\$ (390,580)
<b>Long Term Liabilities</b>	<u>\$ 17,501,198</u>	<u>\$ 12,272,704</u>	<u>\$ 5,228,494</u>
<b>Total Liabilities</b>	\$ 29,932,743	\$ 25,094,829	\$ 4,837,914
<b>Net Assets:</b>			
<b>Invested in Capital Assets</b>			
<b>Net of related debt</b>	\$ 23,725,277	\$ 25,657,059	\$ (1,931,782)
<b>Restricted</b>	\$ 7,010,924	\$ 9,699,694	\$ (2,688,770)
<b>Unrestricted</b>	<u>\$ 9,299,565</u>	<u>\$ 4,420,768</u>	<u>\$ 4,878,797</u>
<b>Total Net Assets</b>	<u>\$ 40,035,766</u>	<u>\$ 39,777,521</u>	<u>\$ 258,245</u>

**Business Type Activities**

	<b>FY2008</b>	<b>FY2007</b>	<b>Increase (Decrease)</b>
<b>Current Assets</b>	\$ 1,145,019	\$ 4,039,735	\$ (2,894,716)
<b>Restricted Assets</b>	\$ 684,476	\$ 857,906	\$ (174,430)
<b>Capital Assets</b>	<u>\$ 52,763,851</u>	<u>\$ 38,473,974</u>	<u>\$ 14,289,877</u>
<b>Total Assets</b>	\$ 54,593,346	\$ 43,371,615	\$ 11,221,731
<b>Current Liabilities</b>	\$ 1,268,680	\$ 4,395,504	\$ (3,126,824)
<b>Long Term Liabilities</b>	<u>\$ 32,352,779</u>	<u>\$ 19,532,182</u>	<u>\$ 12,820,597</u>
<b>Total Liabilities</b>	\$ 33,621,459	\$ 23,927,686	\$ 9,693,773
<b>Net Assets:</b>			
<b>Invested in Capital Assets</b>			
<b>Net of related debt</b>	\$ 20,644,535	\$ 16,519,061	\$ 4,125,474
<b>Restricted</b>	\$ -	\$ -	\$ -
<b>Unrestricted</b>	<u>\$ 327,352</u>	<u>\$ 2,924,868</u>	<u>\$ (2,597,516)</u>
<b>Total Net Assets</b>	<u>\$ 20,971,887</u>	<u>\$ 19,443,929</u>	<u>\$ 1,527,958</u>

	<b>Total Net Assets</b>		<b>Increase (Decrease)</b>
	<b>FY2008</b>	<b>FY2007</b>	
<b>Current Assets</b>	\$ 30,986,751	\$ 30,673,526	\$ 313,225
<b>Restricted Assets</b>	\$ 684,476	\$ 857,906	\$ (173,430)
<b>Capital Assets</b>	<u>\$ 92,890,628</u>	<u>\$ 76,712,533</u>	<u>\$16,178,095</u>
<b>Total Assets</b>	\$ 124,561,855	\$ 108,243,965	\$16,317,890
<b>Current Liabilities</b>	\$ 13,700,225	\$ 17,217,629	\$ (3,517,404)
<b>Long Term Liabilities</b>	<u>\$ 49,853,977</u>	<u>\$ 31,804,886</u>	<u>\$18,049,091</u>
<b>Total Liabilities</b>	\$ 63,554,202	\$ 49,022,515	\$14,531,687
<b>Net Assets:</b>			
<b>Invested in Capital Assets</b>			
<b>Net of related debt</b>	\$ 44,369,812	\$ 42,176,120	\$ 2,193,692
<b>Restricted</b>	\$ 7,010,924	\$ 9,699,694	\$ (2,688,770)
<b>Unrestricted</b>	<u>\$ 9,626,917</u>	<u>\$ 7,345,636</u>	<u>\$ 2,281,281</u>
<b>Total Net Assets</b>	<u>\$ 61,007,653</u>	<u>\$ 59,221,450</u>	<u>\$ 1,786,203</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Fort Dodge, assets exceeded liabilities by \$61,007,653 at the close of the most recent fiscal year.

The largest portion of the City's net assets is in capital assets (ie: land, buildings, machinery, equipment and infrastructure) less depreciation and related debt of \$44,369,812. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Prior year comparison shows \$42,176,120, an increase of \$2,193,692.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or legislation on how they can be used. The City has restricted net assets of \$7,010,924, this is a decrease of \$2,688,770 from the prior year.

The remaining balance, unrestricted net assets of \$9,626,917, may be used to meet the government's ongoing obligations to citizens and creditors without constraints established by debt covenants, legislation, or other legal requirements. Prior year comparison shows \$7,345,636, an increase of \$2,281,281 largely representing the proceeds of debt to finance capital projects.

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

**Statement of Activities  
City of Fort Dodge  
June 30, 2008**

**Governmental Activities**

	FY2008	FY2007	Increase (Decrease)
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for service	1,367,429	1,139,769	227,660
Operating grants, contributions	3,033,426	3,065,993	(32,567)
Capital grants, contributions	1,207,324	1,831,453	(624,129)
<b>General Revenues:</b>			-
Property tax	10,173,468	9,994,597	178,871
Other taxes	2,620,412	2,502,555	117,857
Interfund Transfers	(174,932)	596,745	(771,677)
Other	1,652,302	1,487,302	165,000
<b>Total Revenues</b>	19,879,429	20,618,414	(738,985)
<b>Program Expenses:</b>			
Public Safety	6,146,772	5,862,561	284,211
Public Works	5,593,445	5,161,936	431,509
Health and Social Services	525,247	915,212	(389,965)
Culture and Recreation	3,117,658	2,742,883	374,775
Comm & Econ Development	2,545,772	5,043,958	(2,498,186)
General Government	1,302,952	1,478,768	(175,816)
Debt Service	369,791	393,399	(23,608)
Capital Projects	19,547	27,653	(8,106)
<b>Total Expenses</b>	19,621,184	21,626,370	(2,005,186)
<b>Increase in net assets</b>	258,245	(1,007,956)	1,266,201
<b>Net assets at beginning of year</b>	39,777,521	40,785,477	(1,007,956)
<b>Net assets at end of year</b>	40,035,766	39,777,521	258,245

Revenues for governmental funds were \$738,985 less in the current fiscal year as compared to the prior fiscal year. While more revenue was generated from charges for services as a result of the re-evaluation of fee schedules during the budget process, overall revenues were decreased, in part due to a reduction in federal grant monies for improvements at the Airport.

Expenses had minor fluctuations, with the exception of Community and Economic Development program being significantly decreased due to the prior year issuance of \$3 million in urban renewal bonds as an incentive for expansion at a major industrial company.

**Statement of Activities  
City of Fort Dodge  
June 30, 2008**

**Business Type Activities**

	FY2008	FY2007	Increase (Decrease)
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for service	8,306,530	7,854,544	451,986
Operating grants, contributions		-	-
Capital grants, contributions	1,158,728	106,234	1,052,494
<b>General Revenues:</b>			
Interfund Transfers	49,932	(596,745)	646,677
Other	133,786	260,656	(126,870)
<b>Total Revenues</b>	<u>9,648,976</u>	<u>7,624,689</u>	<u>2,024,287</u>
<b>Program Expenses:</b>			
Water	3,302,437	2,931,088	371,349
Sewer	3,416,410	2,933,451	482,959
Other non-major business type activities	1,402,172	1,208,930	193,242
<b>Total Expenses</b>	<u>8,121,019</u>	<u>7,073,469</u>	<u>1,047,550</u>
<b>Increase in net assets</b>	1,527,957	551,220	976,737
<b>Net assets at beginning of year</b>	19,443,930	18,892,709	551,220
<b>Net assets at end of year</b>	20,971,887	19,443,929	1,527,957

Revenues for business type activities were \$2,024,287 or 26.55% more than the previous fiscal year due. Charges for services increased \$451,986 or 5.75%, the result of a rate increase in the solid waste collection fund. Capital grants increased due to an EDA grant to construct a sewer line to the agricultural park.

Expenses increased \$1,047,550 from the prior year as a result of increased operational expenses.

**Total Government and Business Type Activities  
City of Fort Dodge  
June 30, 2008**

	<b>FY2008</b>	<b>FY2007</b>	<b>Increase</b>
	<b>Total</b>	<b>Total</b>	<b>(Decrease)</b>
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for service	9,673,959	8,994,313	679,646
Operating grants, contributions	3,033,426	3,065,993	(32,567)
Capital grants, contributions	2,366,052	1,937,687	428,365
<b>General Revenues:</b>			-
Property tax	10,173,468	9,994,597	178,871
Other taxes	2,620,412	2,502,555	117,857
<b>Interfund Transfers</b>			-
<b>Other</b>	<u>1,786,088</u>	<u>1,747,958</u>	<u>38,130</u>
<b>Total Revenues</b>	29,528,405	28,243,103	1,285,302
			-
<b>Program Expenses:</b>			-
Public Safety	6,146,772	5,862,561	284,211
Public Works	5,593,445	5,161,936	431,509
Health and Social Services	525,247	915,212	(389,965)
Culture and Recreation	3,117,658	2,742,883	374,775
Comm & Econ Development	2,545,772	5,043,958	(2,498,186)
General Government	1,302,952	1,478,768	(175,816)
Debt Service	369,791	393,399	(23,608)
Capital Projects	19,547	27,653	(8,106)
Water	3,302,437	2,931,088	371,349
Sewer	3,416,410	2,933,451	482,959
Other non-major business type activities	<u>1,402,172</u>	<u>1,208,930</u>	<u>193,242</u>
<b>Total Expenses</b>	27,742,203	28,699,839	(957,636)
<b>Increase in net assets</b>	1,786,202	(456,736)	2,242,938
<b>Net assets at beginning of year</b>	59,221,451	59,678,186	(456,735)
<b>Net assets at end of year</b>	61,007,653	59,221,450	1,786,203

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

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

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$17,427,292, an increase of \$2,165,305 over the year prior. Of this total amount \$16,099,831, an increase of \$1,715,189, is in unreserved fund balance.

The General Fund is the primary operating fund of the City. At the end of the fiscal year, unreserved fund balance of the general fund was \$3,271,426 a decrease of \$81,844 as the result of a planned use of reserves. The total general fund balance is \$3,328,066. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 40.5% of total general fund expenditures (\$8,076,750), while total fund balance represents 41.2% of that same amount. This represents a decrease of approximately 1.5% as the result of a planned reduction in general fund balance.

The Road Use Tax Fund is apportioned to the City from the state gasoline tax, vehicle registration fees and use tax on vehicle sales to be used solely for street related purposes. The City ended the fiscal year with a fund balance of \$995,006 a decrease in fund balance of \$97,956 from the previous year. Snow and ice removal is the most significant variable for this fund. Market demand for salt can become an issue during a particularly harsh winter. To that end, we bid salt in late summer to ensure availability and price. Fund balance represents 47% of total road use tax fund expenditures (\$2,320,923), a decrease of 6% from the prior year. Fund balance policy would indicate that we should be at 25%, future use of reserves is likely.

The Local Option Sales Tax Fund is comprised of revenues from the half cent local option sales tax to be used 100% for street and related infrastructure improvements. The half cent local option sales tax will sunset on June 20, 2009 and be replaced with a one cent local option sales tax. This new tax does not have a sunset clause. The capital improvement plan will fully utilize the tax on street improvements.

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

The Water fund, which accounts for the operation and maintenance of the City's water system, ended the current fiscal year with a decrease in net assets of \$35,773 from the previous fiscal year. The City of Fort Dodge began a well project for the water utility that consists of drilling one new Mississippian and one new Jordan well to replace obsolete wells

and ensure the availability of water for major industrial users and our residential customers. The Water Fund unrestricted balance at year end was \$1,776,865.

The Sewer fund, which accounts for the operation and maintenance of the City's wastewater system, ended the current year with an increase in net assets of \$583,214 as compared to the prior year. The Sewer fund unrestricted balance at year end was \$(3,016,686), pending the receipt of a drawdown from the State Revolving Fund and a grant reimbursement from the EDA for a major capital project. While we did not have revenues sufficient to meet the 110% debt service coverage requirement in 2008, a sewer rate study was done and new rates were approved by Council to cover future debt service requirements.

## **BUDGETARY HIGHLIGHTS**

During the current fiscal year, the City of Fort Dodge amended the budget once to account for increased expenditures in operating, grant programs, capital equipment and construction projects. Actual expenses in the Public Works, Community and Economic Development, Capital Projects and Business Type Programs had significant variances in final budget to actual comparisons due to project timing issues and a cautious approach to budget amendments to ensure compliance. However, actual expenses in Culture and Recreation exceeded final budget amounts by \$54,777 or 2% due to increased operational expenses in seasonal programs and facilities.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets, including land, buildings and improvements, equipment and infrastructure represent the value of resources used to provide services to citizens. At fiscal year end, the City's investment in capital assets for governmental and business type activities totaled \$69,968,508 and \$54,057,294 respectively, for a combined total of \$124,025,802. See Note 3 to the financial statements for additional information regarding the City's capital assets.

### **Long-term Debt**

At June 30, 2008, the City of Fort Dodge had \$16,401,500 of long-term debt outstanding in its governmental activities, compared to \$12,574,000 at June 30, 2007. This increase of \$3,827,500 is attributable to the both the issuance and repayment of debt. During the year, the City of Fort Dodge issued \$5,130,000 in General Obligation bonds for various capital projects. The City maintained its A1 rating from Moody's Investor Services. The City's statutory debt limit, which is limited to 5% of the assessed valuation, was \$48,400,357, of which the City has utilized 33%. The Golf Course Revenue Note (\$466,500) is not repayable from taxes and therefore not included in the statutory debt calculation.

Total long-term debt for business type activities was \$32,119,316, an increase of \$11,358,516 from the previous fiscal year attributable to debt issuance for a major capital project at the Sewage Treatment Plant and collection system improvements to the agricultural park.

## **ECONOMIC FACTORS**

For the upcoming fiscal year ending June 30, 2009, the City's assessed (100%) valuation increased \$9,623,184 (.99%) from the previous year and taxable property valuation decreased slightly, \$3,316,436 (.58%). The tax levy rate will decrease from \$16.99 in FY08 to \$16.45 in FY09, a decrease of 3.18%.

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

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

## **Basic Financial Statements**

City of Fort Dodge, Iowa  
Statement of Net Assets  
June 30, 2008

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 18,909,977	(403,680)	18,506,297
Receivables:			
Property tax:			
Delinquent	179,569	-	179,569
Succeeding year	9,762,360	-	9,762,360
Customer accounts	22,567	626,674	649,241
Accounts	346,557	-	346,557
Accrued interest	103,665	10,506	114,171
Due from other governments	430,829	-	430,829
Internal balances	-	536,052	536,052
Inventories	22,587	-	22,587
Prepaid expenses	45,976	16,937	62,913
Restricted assets:			
Cash and pooled investments	-	684,476	684,476
Capital assets (net of accumulated depreciation)	40,126,777	52,763,851	92,890,628
Bond issuance costs	17,645	358,530	376,175
<b>Total assets</b>	<u>69,968,509</u>	<u>54,593,346</u>	<u>124,561,855</u>
<b>Liabilities</b>			
Warrants issued in excess of cash balances	-	-	-
Accounts payable	1,873,114	965,386	2,838,500
Salaries payable	342,817	68,986	411,803
Benefits payable	50,699	38,488	89,187
Interest payable	45,658	85,001	130,659
Deferred revenue:			
Succeeding year property tax	9,780,812	-	9,780,812
Other	338,445	-	338,445
Liabilities payable from restricted assets:			
Customer deposits	-	110,819	110,819

Exhibit A

Component Units		
<u>Airport Authority</u>	<u>Other (Modified Cash)</u>	<u>Total</u>
-	4,092,320	4,092,320
3,200	-	3,200
200,640	-	200,640
-	-	-
-	859	859
496	-	496
-	-	-
-	-	-
-	-	-
-	-	-
6,152,925	128,781	6,281,706
-	-	-
<u>6,357,261</u>	<u>4,221,960</u>	<u>10,579,221</u>
138,180	-	138,180
604	-	604
8,882	574	9,456
1,239	-	1,239
-	-	-
200,640	-	200,640
-	-	-
-	-	-

(continued)

City of Fort Dodge, Iowa  
Statement of Net Assets  
June 30, 2008

	Primary Government		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	
<b>Liabilities (continued)</b>			
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds/notes	1,460,000	-	1,460,000
Revenue bonds/notes payable	329,500	2,086,000	2,415,500
Interim financing	-		-
Compensated absences	762,387	210,949	973,336
Early retirement	10,910	11,917	22,827
Portion due or payable after one year:			
General obligation bonds/notes	9,810,000	-	9,810,000
Revenue bonds/notes payable	4,802,000	30,033,316	34,835,316
Compensated absences	172,833	-	172,833
Early retirement	153,568	10,597	164,165
<b>Total liabilities</b>	<u>29,932,743</u>	<u>33,621,459</u>	<u>63,554,202</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	23,725,277	20,644,535	44,369,812
Restricted for:			
Debt service	972,164	-	972,164
Other purposes	6,038,760	-	6,038,760
Unrestricted	9,299,565	327,352	9,626,917
<b>Total net assets</b>	<u>\$ 40,035,766</u>	<u>\$ 20,971,887</u>	<u>61,007,653</u>

See notes to financial statements.

Exhibit A

Component Units		
<u>Airport Authority</u>	<u>Other (Modified Cash)</u>	<u>Total</u>
-	-	-
-	-	-
10,092	-	10,092
-	-	-
-	-	-
-	-	-
-	-	-
<u>359,637</u>	<u>574</u>	<u>360,211</u>
6,152,925	128,781	6,281,706
-	-	-
-	624,371	624,371
<u>(155,301)</u>	<u>3,468,234</u>	<u>3,312,933</u>
<u>5,997,624</u>	<u>4,221,386</u>	<u>10,219,010</u>

City of Fort Dodge, Iowa  
Statement of Activities  
Year ended June 30, 2008

		Program Revenues		
<b>Functions/Programs:</b>	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 6,146,772	421,584	55,996	73,626
Public works	5,593,445	9,687	2,632,637	15,994
Health and social services	525,247	-	356,163	51,227
Culture and recreation	3,117,658	929,939	(18,445)	384,647
Community and economic development	2,545,772	5,300	1,330	564,058
General government	1,302,952	(7,511)	5,745	-
Interest on long-term debt	369,791	-	-	-
Other debt service	-	8,430	-	-
Capital projects	19,547	-	-	117,772
Total governmental activities	<u>19,621,184</u>	<u>1,367,429</u>	<u>3,033,426</u>	<u>1,207,324</u>
Business type activities:				
Water	3,302,437	3,520,347	-	-
Sewer	3,416,410	2,965,928	-	1,158,728
Other non-major	1,402,172	1,820,255	-	-
Total business type activities	<u>8,121,019</u>	<u>8,306,530</u>	<u>-</u>	<u>1,158,728</u>
<b>Total primary government</b>	<u>\$ 27,742,203</u>	<u>9,673,959</u>	<u>3,033,426</u>	<u>2,366,052</u>
<b>Component Units:</b>				
Airport Authority	\$ 683,791	-	-	283,916
Other (modified cash)	504,401	3,625	183,464	-
<b>Total component units</b>	<u>\$ 1,188,192</u>	<u>3,625</u>	<u>183,464</u>	<u>283,916</u>
<b>General Revenues:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business Type Activities	Total	
(5,595,566)	-	(5,595,566)	-
(2,935,127)	-	(2,935,127)	-
(117,857)	-	(117,857)	-
(1,821,517)	-	(1,821,517)	-
(1,975,084)	-	(1,975,084)	-
(1,304,718)	-	(1,304,718)	-
(369,791)	-	(369,791)	-
8,430	-	8,430	-
98,225	-	98,225	-
<u>(14,013,005)</u>	<u>-</u>	<u>(14,013,005)</u>	<u>-</u>
-	217,910	217,910	-
-	708,246	708,246	-
-	418,083	418,083	-
-	1,344,239	1,344,239	-
<u>(14,013,005)</u>	<u>1,344,239</u>	<u>(12,668,766)</u>	<u>-</u>
-	-	-	(399,875)
-	-	-	(317,312)
-	-	-	(717,187)
8,837,630	-	8,837,630	-
1,335,838	-	1,335,838	-
1,021,219	-	1,021,219	-
1,599,193	-	1,599,193	-
456,349	133,786	590,135	-
1,195,953	-	1,195,953	-
(174,932)	49,932	(125,000)	125,000
<u>14,271,250</u>	<u>183,718</u>	<u>14,454,968</u>	<u>125,000</u>
258,245	1,527,957	1,786,202	(592,187)
<u>39,777,521</u>	<u>19,443,929</u>	<u>59,221,450</u>	<u>9,768,592</u>
<u>\$ 40,035,766</u>	<u>20,971,886</u>	<u>61,007,652</u>	<u>9,176,405</u>

City of Fort Dodge, Iowa  
Balance Sheet  
Governmental Funds  
June 30, 2008

Assets	<u>General</u>	<u>Special Revenue</u> Road Use <u>Tax</u>	<u>Capital Projects</u> <u>Construction</u>
Cash and pooled investments	\$ 3,751,257	1,081,228	2,886,955
Receivables:			
Property tax:			
Delinquent	90,202	-	-
Succeeding year	4,780,487	-	-
Accounts	268,839	-	-
Accrued interest	79,508	-	10,262
Due from other funds	-	-	-
Due from other governments	-	-	-
Inventories	22,587	-	-
Prepaid insurance	34,053	-	-
	\$ 9,026,933	1,081,228	2,897,217
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 197,025	41,799	272,351
Salaries payable	297,334	44,423	-
Benefits payable	-	-	-
Early retirement	-	-	-
Deferred revenue:			
Succeeding year property tax	4,780,487	-	-
Other	338,445	-	-
Due to other funds	85,576	-	-
Total liabilities	5,698,867	86,222	272,351
Fund balances:			
Reserved for:			
Prepaid expenditures	34,053	-	-
Inventories	22,587	-	-
Debt service	-	-	-
Unreserved, reported in:			
General fund	3,271,426	-	-
Special revenue funds	-	995,006	-
Capital projects fund	-	-	2,624,868
Total fund balances	3,328,066	995,006	2,624,868
	<b>\$ 9,026,933</b>	<b>1,081,228</b>	<b>2,897,219</b>

See notes to financial statements.

Exhibit C

Other Nonmajor Governmental	<u>Funds</u>	<u>Total</u>
	11,190,537	18,909,977
	89,367	179,569
	4,981,873	9,762,360
	100,285	369,124
	13,895	103,665
	298,657	298,657
	430,829	430,829
	-	22,587
	<u>11,923</u>	<u>45,976</u>
	<u>17,117,366</u>	<u>30,122,744</u>
	1,361,939	1,873,114
	1,060	342,817
	50,699	50,699
	10,910	10,910
	5,000,325	9,780,812
	-	338,445
	<u>213,081</u>	<u>298,657</u>
	<u>6,638,014</u>	<u>12,695,454</u>
	298,657	332,710
	-	22,587
	972,164	972,164
	-	3,271,426
	7,891,600	8,886,606
	<u>1,316,931</u>	<u>3,941,799</u>
	<u>10,479,352</u>	<u>17,427,292</u>
	<u>17,117,366</u>	<u>30,122,746</u>

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

June 30, 2008

**Total governmental fund balances (page 21)** \$ 17,427,292

**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 40,126,777

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

General obligation bonds payable	(11,252,355)
Hotel/motel tax revenue bonds payable	(1,445,000)
Other bonds and notes payable	(3,686,500)
Compensated absences	(935,220)
Accrued interest payable	(45,658)
Early retirement	<u>(153,568)</u>

**Net Assets of Governmental Activities (Page 16)** \$ 40,035,768

See notes to financial statements.

City of Fort Dodge, Iowa  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year ended June 30, 2008

	<u>General</u>	<u>Special Revenue Road Use Tax</u>
Revenues:		
Property tax	\$ 4,946,138	-
Tax increment financing	-	-
Other city tax	736,553	-
Licenses and permits	334,673	-
Use of money and property	68,055	-
Intergovernmental	295,260	2,252,976
Charges for service	735,215	-
Miscellaneous	586,876	-
Total revenues	<u>7,702,770</u>	<u>2,252,976</u>
Expenditures:		
Operating:		
Public safety	4,108,811	-
Public works	262,462	2,320,923
Health and social services	87,701	-
Culture and recreation	1,994,730	-
Community and economic development	569,758	-
General government	1,053,288	-
Debt service	-	-
Capital projects	-	-
Total expenditures	<u>8,076,750</u>	<u>2,320,923</u>
Excess (deficiency) of revenues over (under) expenditures	(373,980)	(67,947)
Other financing sources (uses):		
Bond proceeds	-	-
Sale of capital assets	11,897	-
Operating transfers in	582,386	-
Operating transfers out	(331,446)	(30,009)
Total other financing sources (uses)	<u>262,837</u>	<u>(30,009)</u>
Net change in fund balances	(111,143)	(97,956)
Fund balances beginning of year	<u>3,439,209</u>	<u>1,092,962</u>
Fund balances end of year	<u>\$ 3,328,066</u>	<u>995,006</u>
See notes to financial statements.		

Exhibit E

<u>Capital Projects</u>	Other Nonmajor Governmental	
<u>Construction</u>	<u>Funds</u>	<u>Total</u>
-	4,466,315	9,412,453
-	1,021,218	1,021,218
-	1,609,362	2,345,915
-	-	334,673
35,525	353,775	457,355
26,200	1,444,470	4,018,906
-	313,043	1,048,258
<u>7,151</u>	<u>809,676</u>	<u>1,403,703</u>
<u>68,876</u>	<u>10,017,859</u>	<u>20,042,481</u>
-	2,246,764	6,355,575
-	2,588,207	5,171,592
-	437,364	525,065
-	901,701	2,896,431
-	2,010,642	2,580,400
-	257,912	1,311,200
-	1,633,892	1,633,892
<u>879,997</u>	<u>1,489,974</u>	<u>2,369,971</u>
<u>879,997</u>	<u>11,566,456</u>	<u>22,844,126</u>
(811,121)	(1,548,597)	(2,801,645)
3,429,000	1,700,983	5,129,983
-	-	11,897
-	755,017	1,337,403
<u>(729,000)</u>	<u>(421,880)</u>	<u>(1,512,335)</u>
<u>2,700,000</u>	<u>2,034,120</u>	<u>4,966,948</u>
1,888,879	485,523	2,165,303
<u>735,988</u>	<u>9,993,830</u>	<u>15,261,989</u>
<u>2,624,867</u>	<u>10,479,353</u>	<u>17,427,292</u>

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

Year ended June 30, 2008

**Net Change in Fund Balances - Total Governmental Funds** \$ 2,165,303  
**(Page 24)**

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

Capital outlays to purchase or construct capital assets are reported in the governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlay and depreciation expense for the year are as follows:

Capital outlay	\$ 4,155,864	
Depreciation expense	<u>(2,267,646)</u>	1,888,218

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

Long-term debt issued	(5,130,000)	
Long-term debt principal repaid	1,310,000	
Accrued interest	(4,796)	
Bond issuance costs	<u>(1,103)</u>	
		(3,825,899)

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

Year ended June 30, 2008

Decrease in compensated absences expenses reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds	(16,633)
Decrease in early retirement expenses reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds	<u>47,256</u>
<b>Change in Net Assets of Governmental Activities (Page 19)</b>	<u><u>\$ 258,245</u></u>

See notes to financial statements.

City of Fort Dodge, Iowa  
Statement of Net Assets  
Proprietary Funds  
June 30, 2008

Exhibit G

	Enterprise Funds			<u>Totals</u>
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Other Nonmajor Proprietary Funds</u>	
<b>Assets</b>				
Cash and pooled investments	\$ 1,404,070	(3,263,228)	1,455,478	(403,680)
Accounts receivable	243,072	223,915	159,687	626,674
Interest receivable	4,484	4,191	1,831	10,506
Restricted assets:				
Cash and pooled investments	483,962	89,695	110,819	684,476
Prepaid insurance	6,250	5,119	5,568	16,937
Due from other governments		536,052		536,052
Bond issuance costs	64,745	293,785	-	358,530
Capital assets (net of accumulated depreciation)	16,459,504	35,054,070	1,250,277	52,763,851
<b>Total assets</b>	18,666,087	32,943,599	2,983,660	54,593,346
<b>Liabilities</b>				
Accounts payable	211,584	723,701	30,101	965,386
Salaries payable	36,771	15,359	16,856	68,986
Compensated absences	116,351	81,733	12,865	210,949
Benefits payable	21,056	13,342	4,090	38,488
Early retirement	9,069	-	2,848	11,917
Payable from restricted net assets:				
Bonds, notes and loans payable	288,000	1,798,000	-	2,086,000
Customer deposits	-	-	110,819	110,819
Interest payable	18,040	66,961	-	85,001
Long-term liabilities:				
Bonds, notes and loans payable	7,072,000	22,961,316	-	30,033,316
Early retirement	10,597	-	-	10,597
<b>Total liabilities</b>	7,783,468	25,660,412	177,579	33,621,459
<b>Net assets</b>				
Invested in capital assets, net of related debt	9,099,504	10,294,754	1,250,277	20,644,535
Restricted for:				
Prepaid expenditures	6,250	5,119	5,568	16,937
Unrestricted	1,776,865	(3,016,686)	1,550,236	310,415
<b>Total net assets</b>	\$ 10,882,619	7,283,187	2,806,081	20,971,887

See notes to financial statements.

City of Fort Dodge, Iowa  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
For the Year ended June 30, 2008

Exhibit H

	Enterprise Funds			<u>Totals</u>
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Other Non-Major Proprietary Funds</u>	
Operating revenues:				
Charges for services	\$ 3,250,515	2,924,718	1,759,756	7,934,989
Miscellaneous	<u>269,832</u>	<u>41,210</u>	<u>60,500</u>	<u>371,542</u>
Total operating revenues	<u>3,520,347</u>	<u>2,965,928</u>	<u>1,820,256</u>	<u>8,306,531</u>
Operating expenses:				
Business type activities:				
Cost of sales and services	2,587,314	2,161,195	1,297,738	6,046,247
Amortization	4,317	15,853	-	20,170
Depreciation	<u>447,538</u>	<u>526,467</u>	<u>104,434</u>	<u>1,078,439</u>
Total operating expenses	<u>3,039,169</u>	<u>2,703,515</u>	<u>1,402,172</u>	<u>7,144,856</u>
Operating income	<u>481,178</u>	<u>262,413</u>	<u>418,084</u>	<u>1,161,675</u>
Non-operating revenues (expenses):				
Interest and investment revenue	55,079	58,455	20,251	133,785
Intergovernmental revenue	-	1,158,728	-	1,158,728
Interest expense	<u>(263,268)</u>	<u>(712,895)</u>	<u>-</u>	<u>(976,163)</u>
Total non-operating revenue (expenses)	<u>(208,189)</u>	<u>504,288</u>	<u>20,251</u>	<u>316,350</u>
Net income before transfers	272,989	766,701	438,335	1,478,025
Transfers in (out)	<u>(308,762)</u>	<u>(183,487)</u>	<u>542,181</u>	<u>49,932</u>
Change in net assets	(35,773)	583,214	980,516	1,527,957
Net assets beginning of year	<u>10,918,393</u>	<u>6,699,975</u>	<u>1,825,562</u>	<u>19,443,930</u>
Net assets end of year	<u>\$ 10,882,620</u>	<u>7,283,189</u>	<u>2,806,078</u>	<u>20,971,887</u>

See notes to financial statements.

City of Fort Dodge, Iowa  
Statement of Cash Flows  
Proprietary Funds  
For the Year ended June 30, 2008

Exhibit I

	Business-Type Activities			<u>Total</u>
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Other Nonmajor Proprietary Funds</u>	
<b>Cash Flows From Operating Activities</b>				
Receipts from customers	\$ 3,446,924	2,934,271	1,831,451	8,212,646
Payments to suppliers and employees	(2,407,348)	(2,829,967)	(1,371,917)	(6,609,232)
Other receipts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>1,039,576</u>	<u>104,304</u>	<u>459,534</u>	<u>1,603,414</u>
<b>Cash Flows From Noncapital Financing Activities</b>				
Transfers to other funds	(309,194)	(183,487)	(138,626)	(631,307)
Transfers from other funds	<u>-</u>	<u>-</u>	<u>680,807</u>	<u>680,807</u>
Net cash provided (used) in noncapital financing activities	<u>(309,194)</u>	<u>(183,487)</u>	<u>542,181</u>	<u>49,500</u>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Proceeds from capital debt	561,988	11,364,350	-	11,926,338
Purchases of capital assets	(224,636)	(14,817,825)	(325,854)	(15,368,315)
Principal paid on capital debt	(1,049,788)	(728,000)	-	(1,777,788)
Interest paid on capital debt	(265,073)	(683,705)	-	(948,778)
Intergovernmental Receipts	-	622,676	-	622,676
Other receipts (payments)	<u>-</u>	<u>(264,147)</u>	<u>-</u>	<u>(264,147)</u>
Net cash (used) by capital and related financing activities	<u>(977,509)</u>	<u>(4,506,651)</u>	<u>(325,854)</u>	<u>(5,810,014)</u>
<b>Cash Flows From Investing Activities</b>				
Interest and dividends	<u>51,725</u>	<u>55,611</u>	<u>18,802</u>	<u>126,138</u>
Net cash provided by investing activities	<u>51,725</u>	<u>55,611</u>	<u>18,802</u>	<u>126,138</u>
Net increase (decrease) in cash and cash equivalents	(195,402)	(4,530,223)	694,663	(4,030,962)
Cash and cash equivalents beginning of year	<u>2,083,434</u>	<u>1,356,690</u>	<u>871,634</u>	<u>4,311,758</u>
Cash and cash equivalents end of year	<u>\$ 1,888,032</u>	<u>(3,173,533)</u>	<u>1,566,297</u>	<u>280,796</u>

(continued)

City of Fort Dodge, Iowa  
Statement of Cash Flows  
Proprietary Funds  
For the Year ended June 30, 2008

Exhibit I

	Business-Type Activities			<u>Total</u>
	<u>Water Utility</u>	<u>Sewer Utility</u>	Other Nonmajor Proprietary <u>Funds</u>	
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>				
Operating income	\$ 481,178	262,413	418,084	1,161,675
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	447,538	526,467	104,434	1,078,439
Amortization expense	4,317	15,853	-	20,170
Change in assets and liabilities:				
Receivables, net	(73,423)	(31,657)	(54,986)	(160,066)
Prepaid expenses	255	(43)	(134)	78
Consumer deposits	-	-	(13,575)	(13,575)
Accounts and other payables	<u>179,711</u>	<u>(668,729)</u>	<u>5,711</u>	<u>(483,307)</u>
Net cash provided (used) by operating activities	<u>\$ 1,039,576</u>	<u>104,304</u>	<u>459,534</u>	<u>1,603,414</u>
 <b>Reconciliation of cash and cash equivalents at year end to specific assets included in the statement of net assets:</b>				
<b>Current assets:</b>				
Cash and pooled investments	\$ 1,404,070	(3,263,228)	1,455,478	(403,680)
<b>Noncurrent assets:</b>				
Cash and pooled investments	<u>483,962</u>	<u>89,695</u>	<u>110,819</u>	<u>684,476</u>
<b>Cash and cash equivalents at year end</b>	<u>\$ 1,888,032</u>	<u>(3,173,533)</u>	<u>1,566,297</u>	<u>280,796</u>

See notes to financial statements.

City of Fort Dodge, Iowa  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2008

Exhibit J

	<u>Trust Funds</u> Coleman <u>Water &amp; Sewer</u>
<u>Assets</u>	
Cash	\$ 2,480
Receivables:	
Accounts	<u>1,065</u>
 Total assets	 <u>\$ 3,545</u>
 <u>Liabilities</u>	
Accounts payable	<u>\$ 2,439</u>
 <u>Net Assets</u>	
Held in trust	<u>1,106</u>
 Total liabilities and net assets	 <u>\$ 3,545</u>

See notes to financial statements.

City of Fort Dodge, Iowa  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year ended June 30, 2008

Exhibit K

	<u>Trust Funds</u> Coleman <u>Water &amp; Sewer</u>
Additions: Fees collected	\$ 4,788
Interest	
Donations	<u>-</u>
	<u>4,788</u>
Deductions: Fees remitted	<u>4,748</u>
 Change in net assets	40
Net assets - Beginning of year	<u>1,065</u>
Net assets - End of year	<u>\$ 1,105</u>

See notes to financial statements.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

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

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

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

**A. Reporting Entity**

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

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

Discretely Presented Component Units

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

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

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

Details of these component units are as follows:

	W.H. Johnston <u>Foundation</u>	Blanden Charitable <u>Foundation</u>	<u>Total</u>
Cash and pooled investments	\$ 2,525,296	1,528,103	4,053,399
Other assets	---	168,561	168,561
Payroll taxes payable	---	(574)	(574)
Net assets	<u>\$ 2,525,296</u>	<u>1,696,090</u>	<u>4,221,386</u>
	=====	=====	=====
Operating grants, contributions and restricted interest	\$ 92,628	90,836	183,464
Charges for services	---	3,625	3,625
Program expenses	<u>(145,805)</u>	<u>(358,596)</u>	<u>(504,401)</u>
Net change	(53,177)	(264,135)	(317,312)
Beginning net assets	<u>2,578,473</u>	<u>1,960,225</u>	<u>4,538,698</u>
Ending net assets	<u>\$ 2,525,296</u>	<u>1,696,090</u>	<u>4,221,386</u>
	=====	=====	=====

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

Jointly Governed Organizations

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

Related Organizations

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

B. Basis of Presentation

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

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

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

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

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is utilized to account for the revenues from road use taxes and the applicable expenditures for road construction and maintenance.

Capital Projects:

The Construction account is used to account for major repairs and construction for governmental activities including recreation activities and larger street projects.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

The City reports the following major proprietary funds:

Enterprise:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2008 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2007.

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

Due from and Due to Other Funds – During the course of its operations, the City had several transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2008, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

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

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

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

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

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amount budgeted in the culture and recreation function.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City's investments at June 30, 2008 (at fair value) are as follows:

<u>Type</u>	
U.S. Treasury securities	\$ 4,099,750
GNMA securities	<u>22,859</u>
Total	\$ 4,122,609 =====

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,556,628 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

The City also invested its excess cash in money market savings accounts and certificates of deposit during the year ended June 30, 2008.

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

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

**(3) Capital Assets**

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Primary Government</b>				
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,374,860	27,500	---	2,402,360
Construction in progress	5,131,432	3,434,650	442,569	8,123,513
Works of art	<u>28,509</u>	---	---	<u>28,509</u>
Total capital assets not being depreciated	<u>7,534,801</u>	<u>3,462,150</u>	<u>442,569</u>	<u>10,554,382</u>
Capital assets being depreciated:				
Buildings	13,271,481	442,569	---	13,714,050
Improvements other than buildings	771,241	---	---	771,241
Machinery, equipment and vehicles	6,679,749	420,454	59,785	7,040,418
Infrastructure	<u>34,974,541</u>	<u>273,260</u>	---	<u>35,247,801</u>
Total capital assets being depreciated	<u>55,697,012</u>	<u>1,136,283</u>	<u>59,785</u>	<u>56,773,510</u>
Less accumulated depreciation for:				
Buildings	7,640,623	201,263	---	7,841,886
Improvements other than buildings	249,592	44,660	---	294,252
Machinery, equipment and vehicles	4,667,073	398,638	59,785	5,005,926
Infrastructure, road network	<u>12,435,966</u>	<u>1,623,085</u>	---	<u>14,059,051</u>
Total accumulated depreciation	<u>24,993,254</u>	<u>2,267,646</u>	<u>59,785</u>	<u>27,201,115</u>
Total capital assets being depreciated, net	<u>30,703,758</u>	<u>(1,131,363)</u>	---	<u>29,572,395</u>
Governmental activities capital assets, net	<u>\$ 38,238,559</u>	<u>2,330,787</u>	<u>442,569</u>	<u>40,126,777</u>

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 52,941	---	---	52,941
Construction in progress	<u>3,261,932</u>	<u>15,023,493</u>	---	<u>18,285,425</u>
Total capital assets not being depreciated	<u>3,314,873</u>	<u>15,023,493</u>	---	<u>18,338,366</u>
Capital assets being depreciated:				
Buildings	5,731,170	---	---	5,731,170
Machinery and equipment	2,495,018	101,444	---	2,596,462
Infrastructure	<u>36,783,545</u>	<u>243,379</u>	---	<u>37,026,924</u>
Total capital assets being depreciated	<u>45,009,733</u>	<u>344,823</u>	---	<u>45,354,556</u>
Less accumulated depreciation for:				
Buildings	3,608,277	189,652	---	3,797,929
Machinery and equipment	1,842,266	177,345	---	2,019,611
Infrastructure	<u>4,400,089</u>	<u>711,442</u>	---	<u>5,111,531</u>
Total accumulated depreciation	<u>9,850,632</u>	<u>1,078,439</u>	---	<u>10,929,071</u>
Total capital assets being depreciated, net	<u>35,159,101</u>	<u>(733,616)</u>	---	<u>34,425,485</u>
Business type activities capital assets, net	\$ 38,473,974	14,289,877	---	52,763,851
	=====	=====	=====	=====

City of Fort Dodge, Iowa  
Notes to Financial Statements

June 30, 2008

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

Governmental activities:	
Public safety	\$ 154,890
Public works, which includes the depreciation of general infrastructure assets	1,816,844
Culture and recreation	292,431
General government	<u>3,481</u>
Total depreciation expense – governmental activities	\$ 2,267,646 =====
Business type activities:	
Water	\$ 447,538
Sewer	526,467
Non-major business type activities	<u>104,434</u>
Total depreciation expense – business type activities	\$ 1,078,439 =====

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

	Balance Beginning of Year	<u>Increases</u>	<u>Decreases</u>	Balance End of Year
<b>Discretely presented component units:</b>				
Capital assets not being depreciated:				
Land	\$ 2,139,288	---	---	2,139,288
Construction in progress	<u>831,545</u>	<u>813,229</u>	<u>1,179,069</u>	<u>465,705</u>
Total capital assets not being depreciated	<u>2,970,833</u>	<u>813,229</u>	<u>1,179,069</u>	<u>2,604,993</u>
Capital assets being depreciated:				
Buildings	176,653	363,162	---	579,815
Machinery and equipment	1,672,770	---	---	1,672,770
Infrastructure	<u>1,685,304</u>	<u>815,907</u>	<u>---</u>	<u>2,501,211</u>
Total capital assets being depreciated	<u>3,534,727</u>	<u>1,179,069</u>	<u>---</u>	<u>4,713,796</u>
Less accumulated depreciation for:				
Buildings	6,389	12,863	---	19,252
Machinery and equipment	741,504	78,644	---	820,148
Infrastructure	<u>98,309</u>	<u>111,463</u>	<u>---</u>	<u>209,772</u>
Total accumulated depreciation	<u>846,202</u>	<u>202,970</u>	<u>---</u>	<u>1,049,172</u>
Total capital assets being depreciated, net	<u>2,688,525</u>	<u>976,099</u>	<u>---</u>	<u>3,664,624</u>
Component units capital assets, net	\$ 5,659,358	1,789,328	1,179,069	6,296,617
	=====	=====	=====	=====
Total depreciation expense – airport authority				\$ 192,519
– other				<u>10,451</u>
				\$ 202,970
				=====

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

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

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning <u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	Balance End <u>of Year</u>	Due Within <u>One Year</u>
Governmental activities:					
General obligation bonds/notes:					
General and corporate purpose	\$ 7,295,000	5,130,000	1,155,000	11,270,000	1,460,000
Revenue notes	5,279,000	-	147,500	5,131,500	329,500
Note payable	7,500	-	7,500	-	-
Compensated absences	918,587	799,674	783,041	935,220	762,387
Early Retirement	212,283	28,695	76,500	164,478	58,308
Total	<u>\$ 13,712,370</u>	<u>5,958,369</u>	<u>2,169,541</u>	<u>17,501,198</u>	<u>2,610,195</u>

	Balance Beginning <u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	Balance End <u>of Year</u>	Due Within <u>One Year</u>
Business type activities:					
Revenue bonds/notes:					
Water	\$ 7,847,800	11,200	499,000	7,360,000	288,000
Sewer	12,913,000	12,574,316	728,000	24,759,316	1,798,000
Compensated absences	152,022	268,654	209,727	210,949	210,949
Early retirement	21,520	14,263	14,269	21,514	11,917
Total	<u>\$ 20,934,342</u>	<u>12,868,433</u>	<u>1,450,996</u>	<u>32,351,779</u>	<u>2,308,866</u>

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

Bonded Debt

General obligation bonds/notes:

Four issues of unmatured general obligation bonds/notes, totaling \$11,270,000, are outstanding at June 30, 2008. General obligation bonds bear interest with rates ranging from 2.00% to 4.50% and mature in varying annual amounts ranging from \$105,000 to \$825,000, with the final maturities due in the year ending June 30, 2020.

Revenue bonds/notes:

Twelve issues of unmatured revenue bonds/notes, totaling \$37,250,816 are outstanding at June 30, 2008. These bonds/notes bear interest at rates of 3.00% to 4.75% and mature in varying annual amounts ranging from \$9,000 to \$1,360,000, with the final maturities due in the year ending June 30, 2025.

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

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

During the year ended June 30, 2008, the City was not in compliance with the revenue bond/note provisions for the sewer revenue notes.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay \$28,146,316 in sewer revenue notes with various issue dates. Proceeds from the notes provided financing for wastewater net revenue and are payable through 2023. Annual principal and interest on the notes are expected to require less than 90 percent of net revenues. The total principal and interest remaining to be paid on the notes is \$37,230,837. For the current year, principle and interest paid and total customer net revenues were 1,315,963 and \$1,045,942 respectively.

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$8,6333,000 in water revenue notes issued in 2003 and 2004. Proceeds from the notes provided financing for water improvement projects. The notes are payable solely from water net revenue and are payable through 2024. Annual interest and principle on the notes are expected to require less than 90 percent of net revenues. The total principle and interest remaining to be paid on the notes is \$9,406,530. For the current year, principle and interest paid and total customer net revenues were \$733,504 and \$1,107,705 respectively.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

Details of bond/notes payable at June 30, 2008 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2008</u>
Governmental activities:						
General obligation bonds/notes:						
Corporate purpose	June 1, 1999	4.15-4.50%	June 30, 2014	\$190,000-540,000	\$ 5,300,000	\$ 1,595,000
Corporate purpose	May 28, 2003	2.00-3.50%	June 30, 2014	185,000-235,000	2,050,000	1,300,000
Corporate purpose	June 15, 2008	2.40-4.00%	June 30, 2020	100,000-825,000	5,130,000	5,130,000
Corporate purpose	Dec. 1, 2004	3.20%	June 30, 2015	175,000-515,000	3,800,000	3,245,000
Revenue notes:						
Hotel/motel tax revenue note	June 1, 2003	3.00-4.15%	June 30, 2023	60,000-130,000	1,700,000	1,445,000
Urban renewal tax increment revenue bond	Dec. 17, 2003	1.60-4.50%	Dec. 1, 2013	20,000-40,000	400,000	220,000
Golf course revenue note	Jan. 13, 2006	3.95-4.75%	Dec. 1, 2025	18,000-58,500	56,000	466,500
Urban renewal tax increment revenue bond	Nov. 16, 2006	4.75%	Dec. 1, 2022	180,000-260,000	3,000,000	<u>3,000,000</u>
Total Government activities						<u>16,401,500</u>
Business type activities:						
Revenue bonds/notes:						
Sewer revenue CS192361	Dec. 27, 2007	3.00%	June 30, 2019	\$627,316-1,360,000	\$ 12,574,316	\$ 12,574,316
Sewer revenue CW8906R	Dec. 4, 1989	3.00%	June 30, 2011	90,000-115,000	1,500,000	330,000
Sewer revenue CW9809R	Sept. 30, 1999	3.92%	Dec. 1, 2021	9,000-17,000	243,597	189,000
Sewer revenue CW9116R	Sept. 30, 1999	3.92%	Dec. 1, 2021	385,000-713,000	10,142,403	7,868,000
Sewer revenue CW0118R	Sept. 30, 2002	3.00%	Dec. 1, 2021	54,000-71,000	1,331,000	825,000
Sewer revenue CW0304R	Dec. 20, 2001	3.00%	June 30, 2023	146,000-242,000	3,705,000	2,973,000
Water revenue DW030224R	Dec. 12, 2003	3.00%	Dec. 1, 2024	130,000-229,000	3,500,000	3,098,000
Water revenue	June 1, 2004	3.00%	Dec. 1, 2024	133,000-318,000	5,133,000	<u>4,262,000</u>
Total business type activities						<u>32,119,316</u>
Total						<u>\$ 48,520,816</u>

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

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

Year Ending June 30,	General Obligation		
	Principal	Interest	Total
2009	1,460,000	389,923	1,849,923
2010	1,015,000	347,300	1,362,300
2011	1,110,000	313,987	1,423,987
2012	1,210,000	276,955	1,486,955
2013	1,030,000	238,915	1,268,915
2014-2018	4,520,000	649,280	5,169,280
2019-2020	925,000	41,000	966,000
Total	<u>\$ 11,270,000</u>	<u>2,257,360</u>	<u>13,527,360</u>

Year Ending June 30,	Revenue			Total
	Principal	Interest	Total	
2009	2,415,500	1,247,093	3,662,593	5,512,516
2010	2,546,500	1,164,569	3,711,069	5,073,369
2011	2,629,500	1,078,409	3,707,909	5,131,896
2012	2,592,500	991,068	3,583,568	5,070,523
2013	2,680,500	902,633	3,583,133	4,852,048
2014-2018	14,526,000	3,096,674	17,622,674	22,791,954
2019-2023	8,782,316	873,525	9,655,841	10,621,841
2024-2025	1,078,000	32,580	1,110,580	1,110,580
Total	<u>\$ 37,250,816</u>	<u>9,386,551</u>	<u>46,637,367</u>	<u>60,164,727</u>

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

Actual valuation	<u>\$ 968,007,136</u>
Debt limit - 5% of total actual valuation	48,400,357
Debt applicable to debt limit:	
General obligation, tax increment financing and revenue bonded debt outstanding	<u>(16,401,500)</u>
Legal debt margin	<u>\$ 31,998,857</u>

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

Other Than Bonded Debt

Early Retirement

The City offered a one-time early retirement incentive effective July 1, 2003 and ending December 15, 2003 to any employee who had a combination of age and years of service with the City equaling a minimum of 74 years. The employee must sign a statement of intent to participate in this program with their last day of employment prior to March 15, 2004. All participating employees are eligible for individual medical coverage at no cost to them until they reach the age of eligibility for Medicare. Early retirement expenditures for the year ended June 30, 2008 totaled \$90,769.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

**(5) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	TIF	\$ 1,800
	Emergency	153,193
	Enterprise:	
	Water	150,000
	Sewer	150,000
	Solid Waste	80,000
	Parking Meter	35,000
	Storm Water Utility	12,393
Special Revenue:		
Hotel/Motel Tax	General	78,079
SSMID	Special Revenue:	
	TIF	28,006
TIF	Special Revenue:	
	Urban Renewal	42,530
Urban Renewal	Special Revenue:	
	TIF	53,551
Debt Service:		
Harlan Rogers Sinking	General	145,935
Debt Service	Special Revenue:	
	TIF	51,200
	Enterprise:	
	Water	126,360
Golf Course Sinking	Capital Improvements	60,000

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

Capital Projects:		
Capital Improvements	General	107,432
	Special Revenue:	
	Road Use	7,709
	Hotel/Motel Tax	4,600
	Enterprise:	
	Water	10,102
	Sewer	11,187
	Solid Waste	3,043
	Parking Meter	283
Rogers Sports Complex	Special Revenue:	
	Hotel/Motel Tax	25,000
Component Unit:	Capital projects:	
Airport	Construction fund	125,000
Enterprise:	Capital projects:	
Storm Sewer	Construction fund	604,000
Central garage	Special Revenue:	
	Road Use	22,300
Parking meter	SSMID	2,000
Central garage	Enterprise:	
	Water	22,300
	Sewer	22,300
	Solid Waste	<u>22,300</u>
		\$ 2,157,603
		=====

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

City of Fort Dodge, Iowa  
Notes to Financial Statements  
June 30, 2008

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

The detail of interfund receivables and payables at June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue:		
Hotel/Motel Tax	General	\$ 21,398
Debt Service:		
Harlan Rogers Sinking	General	42,780
Capital Projects		
Capital Improvements	General	21,398
Urban Renewal	Special Revenue:	
	TIF	<u>213,081</u>
		\$ 298,657
		=====

**(7) Pension and Retirement Benefits**

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

Most regular plan members are required to contribute 3.90% of their annual salary and the City is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$302,428, \$274,666, and \$290,712 respectively, equal to the required contributions for each year.

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

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate based upon an actuarially determined normal contribution rate, cannot be less than 17% of earnable compensation. Contribution rates are established by state statute. The City's contribution to the Plan for the years ended June 30, 2008, 2007 and 2006 were \$802,709, \$858,946, and \$847,042 respectively, which met the required minimum contribution for each year.

**(8) Risk Management**

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

**(9) Construction Commitments**

At June 30, 2008, the City had the following commitments with respect to unfinished capital projects:

	<u>Remaining Construction Commitment</u>	<u>Contract Amount</u>
North 32 <sup>nd</sup> Street	\$ 5,951,200	\$ 6,464,828
Airport Improvements	423,686	889,391
Wastewater Treatment Plant	2,148,970	19,986,284
Oleson Park projects	175,271	1,452,016
2008 Asphalt Resurfacing	2,163,492	2,262,937
2008 PCC Projects	162,077	223,085
Rolling Hills Project	<u>478,408</u>	<u>478,408</u>
 Total	 \$ 11,503,104 =====	 \$ 31,756,949 =====

The City has also committed to two additional projects for which bids were issued subsequent to June 30, 2008. The total amount of projects approved was \$3,680,143 which will be paid from bond proceeds.

**(10) Deficit Balances**

As of June 30, 2008, funds with deficit balances were as follows:

Special Revenue, Employee Flex Spending	\$ (3,957)
Special Revenue, Workmens Comp Insurance	(6,945)

The deficit balances are a result of costs exceeding the expenses. The deficit in the Employee Flex Spending will be eliminated upon receipt of funds from employees. The deficit in the workers comp insurance will be eliminated upon receipt of property taxes. In addition, the Sewer Enterprise Fund had an unrestricted deficit fund balance of \$3,016,686 at June 30, 2008. This deficit was a result of construction costs not yet reimbursed and will be eliminated upon receipt of grants or additional loan proceeds.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

**(11) Operating Leases**

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

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

The amount paid to the Webster County Conservation Board during the year ended June 30, 2008 was \$7,247 for the prior fiscal year net income.

The lease has a supplement which states that the City of Fort Dodge will pay to the Webster County Conservation Board fifty percent (50%) of the gross cart shed rentals or \$3,000, whichever is less. The amount paid during the year ended June 30, 2007 for cart shed rent was \$6,000 for the prior fiscal year.

Lakeside Municipal Golf Course has entered into an operating lease for twenty-eight 2006 Yamaha golf carts. This lease is for 48 months commencing April 25, 2006. During the year ended June 30, 2008 the Golf Course disbursed \$17,976 for this lease.

Future minimum payments are as follows:

2009	\$ 17,976
2010	<u>46,984</u>
	\$ 64,960
	=====

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2008

**(12) Related Parties**

The City had business transactions between the City and City officials totaling \$1,734,914 during the year ended June 30, 2008.

**(13) Subsequent Event**

The City of Fort Dodge had some major flooding in June 2008. Subsequently, this area has been declared a presidential disaster area. The City will be receiving substantial monies from FEMA to assist in repairing the damage to city property.

**Required Supplementary Information**

City of Fort Dodge, Iowa  
 Budgetary Comparison Schedule of  
 Receipts, Disbursements and Changes in Balances  
 Budget and Actual (Cash Basis)  
 All Governmental Funds, Proprietary Funds, and the Airport Authority  
 Required Supplementary Information  
 Year ended June 30, 2008

	Governmental Fund Types	Proprietary Fund Type - Enterprise	Component Unit - Airport Authority	Total
<b>Receipts:</b>				
Property tax	\$ 9,196,971	-	187,436	9,384,407
Tax increment financing	1,031,892	-	-	1,031,892
Other city tax	2,749,318	-	-	2,749,318
Licenses and permits	419,296	-	-	419,296
Use of money and property	597,769	126,141	177,040	900,950
Intergovernmental	4,467,139	622,676	283,916	5,373,731
Charges for service	1,040,654	8,061,909	40,355	9,142,918
Special assessments	-	-	-	-
Miscellaneous	660,919	150,304	638,534	1,449,757
Total receipts	<u>20,163,958</u>	<u>8,961,030</u>	<u>1,327,281</u>	<u>30,452,269</u>
<b>Disbursements:</b>				
Public safety	6,401,559	-	-	6,401,559
Public works	4,717,771	-	490,931	5,208,702
Health and social services	597,627	-	-	597,627
Culture and recreation	2,786,467	-	-	2,786,467
Community and economic development	2,056,613	-	-	2,056,613
General government	1,252,204	-	-	1,252,204
Debt service	1,801,903	-	-	1,801,903
Capital projects	2,011,069	-	814,214	2,825,283
Business type activities	-	24,142,131	-	24,142,131
Total disbursements	<u>21,625,213</u>	<u>24,142,131</u>	<u>1,305,145</u>	<u>47,072,489</u>
Excess (deficiency) of receipts over (under) disbursements	(1,461,255)	(15,181,101)	22,136	(16,620,220)
Other financing sources, net	<u>5,050,788</u>	<u>11,150,139</u>	<u>125,000</u>	<u>16,200,927</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	3,589,533	(4,030,962)	147,136	(419,293)
Balances beginning of year	<u>15,280,101</u>	<u>4,311,757</u>	<u>(285,316)</u>	<u>19,306,542</u>
Balances end of year	<u>\$ 18,869,634</u>	<u>280,795</u>	<u>(138,180)</u>	<u>19,012,249</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
<u>Original</u>	<u>Final</u>	<u>Actual</u> <u>Variance</u>
9,287,502	9,287,502	96,905
989,210	989,210	42,682
2,258,573	2,366,811	382,507
321,945	321,945	97,351
442,575	442,575	458,375
6,277,237	6,477,237	(1,103,506)
10,707,947	10,953,366	(1,810,448)
38,000	38,000	(38,000)
8,850,121	8,850,121	(7,400,364)
<u>39,173,110</u>	<u>39,726,767</u>	<u>(9,274,498)</u>
5,939,588	6,527,026	125,467
5,055,837	6,861,837	1,653,135
571,027	672,039	74,412
2,643,388	2,731,690	(54,777)
2,250,597	2,451,597	394,984
1,433,522	1,520,874	268,670
1,849,303	1,849,303	47,400
2,335,785	3,499,880	674,597
<u>17,191,082</u>	<u>25,433,623</u>	<u>1,291,492</u>
<u>39,270,129</u>	<u>51,547,869</u>	<u>4,475,380</u>
(97,019)	(11,821,102)	(4,799,118)
<u>8,855,000</u>	<u>13,764,196</u>	<u>2,436,731</u>
8,757,981	1,943,094	(2,362,387)
<u>17,097,966</u>	<u>17,097,966</u>	<u>2,208,576</u>
<u><u>25,855,947</u></u>	<u><u>19,041,060</u></u>	<u><u>(153,811)</u></u>

City of Fort Dodge, Iowa  
 Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2008

	Governmental Funds			Proprietary Funds		
	Enterprise					
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 20,163,958	-	20,042,481	8,961,030	638,014	9,599,044
Expenditures/Expenses	21,625,213	-	22,844,126	24,142,131	(16,021,112)	8,121,019
Net	(1,461,255)	(1,340,390)	(2,801,645)	(15,181,101)	16,659,126	1,478,025
Other financing sources (uses) (net)	5,050,788	(83,840)	4,966,948	11,150,139	(11,100,207)	49,932
Beginning fund balances	15,280,101	(18,112)	15,261,989	4,311,757	15,132,173	19,443,930
Ending fund balances	\$ 18,869,634	(1,442,342)	17,427,292	280,795	20,691,092	20,971,887

	Component Unit		
	Airport		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 1,327,281	425,883	1,753,164
Expenses	1,305,145	(636,537)	668,608
Net	22,136	1,062,420	1,084,556
Beginning fund balance	(285,316)	285,316	
Ending fund balance	\$ (263,180)	1,347,736	1,084,556

See accompanying independent auditor's report.

City of Fort Dodge, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2008

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

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

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

The City of Fort Dodge prepares its budget on the cash basis. The Budgetary Comparison Schedule is a comparison of the cash basis receipts and disbursements with the budget adopted and amended by the City Council. During the year ended June 30, 2008, disbursements in the culture and recreation function exceeded the amounts budgeted.

## **Other Supplementary Information**

City of Fort Dodge, Iowa  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2008

	Special Revenue			
	Health and Life Insurance	Local Option Sales Tax	Tax Increment Financing	Employee Flex Spending
<b>Assets</b>				
Cash and pooled investments	\$ 1,772,831	\$ 3,305,859	\$ 2,057,697	(3,957)
Receivables:				
Property tax:				
Delinquent	21,940		12,172	-
Succeeding year	1,139,245		1,027,964	-
Accounts	-			-
Accrued interest	6,319			-
Due from other governments	-			-
Inventories	-			-
Prepaid insurance				
Due from other funds	-	-	-	-
	\$ 2,940,335	3,305,859	3,097,833	(3,957)
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 100,034	\$ 480,270	\$ 333,763	-
Salaries payable				-
Benefits payable	-			-
Early Retirement	10,910			
Deferred revenue:				
Succeeding year property tax	1,139,245		1,027,964	-
Other				
Due to other funds	-	-	213,081	-
Total liabilities	1,250,189	480,270	1,574,808	-
Fund equity:				
Fund balances:				
Reserved for:				
Prepaid expenditures	-			-
Debt service	-			-
Unreserved reported in:				
Special revenue funds	1,690,146	2,825,589	1,523,025	(3,957)
Capital projects fund	-	-	-	-
Total fund balances	1,690,146	2,825,589	1,523,025	(3,957)
	\$ 2,940,335	3,305,859	3,097,833	(3,957)

See accompanying independent auditor's report.

Special Revenue							
Historical Preservation	FICA/IPERS	Workers Comp Insurance	Unemployment Insurance	Special Assessment	Police Retirement	Fire Retirement	Community Development
605	195,714	(22,072)	137,738	92,099	156,870	86,308	210,299
-	11,170	4,986	399	-	7,260	5,106	-
-	530,383	125,732	32,568	-	337,059	250,151	-
-	-	-	-	-	-	-	-
-	229	-	325	308	732	521	2,368
-	-	-	-	-	-	-	39,766
-	-	-	-	-	-	-	-
-	-	11,923	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>605</u>	<u>737,496</u>	<u>120,569</u>	<u>171,030</u>	<u>92,407</u>	<u>501,921</u>	<u>342,086</u>	<u>252,433</u>
-	28,786	1,782	570	-	12,152	10,450	15,076
-	-	-	-	-	-	-	-
-	25,686	-	-	-	13,676	11,337	-
-	-	-	-	-	-	-	-
-	530,383	125,732	32,568	-	337,059	250,151	-
-	-	-	-	-	-	-	-
-	<u>584,855</u>	<u>127,514</u>	<u>33,138</u>	<u>-</u>	<u>362,887</u>	<u>271,938</u>	<u>15,076</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
605	152,641	(6,945)	137,892	92,407	139,034	70,148	237,357
-	-	-	-	-	-	-	-
<u>605</u>	<u>152,641</u>	<u>(6,945)</u>	<u>137,892</u>	<u>92,407</u>	<u>139,034</u>	<u>70,148</u>	<u>237,357</u>
<u>605</u>	<u>737,496</u>	<u>120,569</u>	<u>171,030</u>	<u>92,407</u>	<u>501,921</u>	<u>342,086</u>	<u>252,433</u>

(continued)

City of Fort Dodge, Iowa  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2008

	Special Revenue		
	Emergency Fund	Emergency Shelter	Urban Renewal
<b>Assets</b>			
Cash and pooled investments	\$ -	1	124,818
Receivables:			
Property tax:			
Delinquent	2,667	-	-
Succeeding year	144,658	-	-
Accounts	-	-	-
Accrued interest	-	-	417
Due from other governments	-	-	-
Inventories	-	-	-
Prepaid insurance			
Interfund Receivable	-	-	213,081
	-	-	213,081
<b>Total assets</b>	<b>\$ 147,325</b>	<b>1</b>	<b>338,316</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	-	-
Salaries payable	-	-	-
Benefits payable	-	-	-
Early Retirement			
Deferred revenue:			
Succeeding year property tax	144,658	-	-
Other			
Interfund payable	-	-	-
Total liabilities	144,658	-	-
Fund equity:			
Fund balances:			
Reserved for:			
Prepaid expenditures	-	-	213,081
Debt service	-	-	-
Unreserved reported in:			
Special revenue funds	2,667	1	125,235
Capital projects fund	-	-	-
Total fund balances	2,667	1	338,316
<b>Total liabilities and fund balances</b>	<b>\$ 147,325</b>	<b>1</b>	<b>338,316</b>

See accompanying independent auditor's report.

Schedule 1

Special Revenue						
<u>Hotel/ Motel Tax</u>	<u>SSMID</u>	<u>Library Memorial</u>	<u>RSVP</u>	<u>Foster Grandparents</u>	<u>Other Contributions</u>	<u>Drug Arrest</u>
172,632	681,728	33,937	13,727	(2,114)	1,099	9,919
-	1,023	-	-	-	-	-
-	49,979	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	14,289	-	-
-	-	-	-	-	-	-
21,398	-	-	-	-	-	-
<u>194,030</u>	<u>732,730</u>	<u>33,937</u>	<u>13,727</u>	<u>12,175</u>	<u>1,099</u>	<u>9,919</u>
-	2,284	-	317	6,336	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	49,979	-	-	-	-	-
-	-	-	-	-	-	-
-	<u>52,263</u>	-	<u>317</u>	<u>6,336</u>	-	-
21,398	-	-	-	-	-	-
-	-	-	-	-	-	-
172,632	680,467	33,937	13,410	5,839	1,099	9,919
-	-	-	-	-	-	-
<u>172,632</u>	<u>680,467</u>	<u>33,937</u>	<u>13,410</u>	<u>5,839</u>	<u>1,099</u>	<u>9,919</u>
<u>172,632</u>	<u>732,730</u>	<u>33,937</u>	<u>13,727</u>	<u>12,175</u>	<u>1,099</u>	<u>9,919</u>

(continued)

City of Fort Dodge, Iowa  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2008

	Special Revenue		
	DARE	City Grants	Congregate Meals
<b>Assets</b>			
Cash and pooled investments	\$ 11,994	8,780	9,109
Receivables			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	-	-	-
Accrued interest	-	-	-
Due from other governments	-		6,316
Inventories	-	-	-
Prepaid insurance			
Interfund Receivable	-	-	-
	-	-	-
<b>Total assets</b>	<b>\$ 11,994</b>	<b>8,780</b>	<b>15,425</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	3,907	-
Salaries payable	-	-	1,060
Benefits payable	-	-	-
Early Retirement			
Deferred revenue:			
Succeeding year property tax	-	-	-
Other			
Interfund Payable	-	-	-
Total liabilities	-	3,907	1,060
Fund equity:			
Fund balances:			
Reserved for:			
Prepaid expenditures	-	-	-
Debt service	-	-	-
Unreserved reported in:			
Special revenue funds	11,994	4,873	14,365
Capital projects fund	-	-	-
Total fund balances	11,994	4,873	14,365
<b>Total liabilities and fund balances</b>	<b>\$ 11,994</b>	<b>8,780</b>	<b>15,425</b>

See accompanying independent auditor's report.

Schedule 1

Debt Service			Capital Projects			Permanent Fund		Total
Debt Service	Golf Course	Harlan Rogers Sinking	Harlan Rogers Complex	Capital Improvements	Oleson Park Bandshell	Eva Patterson Parks Trust		
788,781	8,608	138,260	(78,122)	1,394,192	(142,386)	25,583	\$ 11,190,537	
22,644		-	-	-	-		89,367	
1,344,134		-	-	-	-		4,981,873	
-		-	-	285	100,000		100,285	
2,214		462	-	-	-		13,895	
-		-	124,748	-	245,710		430,829	
-		-	-	-	-		-	
-		42,780	-	21,398	-	-	11,923	
<u>2,157,773</u>	<u>8,608</u>	<u>181,502</u>	<u>46,626</u>	<u>1,415,875</u>	<u>203,324</u>	<u>25,583</u>	<u>\$ 17,091,783</u>	
31,585		-	56,058	138,033	140,536		1,361,939	
-		-	-	-	-		1,060	
-		-	-	-	-		50,699	
-		-	-	-	-		10,910	
1,344,134		-	-	18,452	-		5,000,325	
-		-	-	-	-		-	
-		-	-	-	-		213,081	
<u>1,375,719</u>	<u>-</u>	<u>-</u>	<u>56,058</u>	<u>156,485</u>	<u>140,536</u>	<u>-</u>	<u>6,638,014</u>	
-		42,780	-	21,398	-	-	298,657	
782,054	8,608	181,502	-	-	-		972,164	
-		-	-	-	-		-	
-		(42,780)	-	-	-		7,891,600	
-		-	(9,432)	1,237,992	62,788	25,583	1,316,931	
<u>782,054</u>	<u>8,608</u>	<u>181,502</u>	<u>(9,432)</u>	<u>1,259,390</u>	<u>62,788</u>	<u>25,583</u>	<u>10,457,954</u>	
<u>2,157,773</u>	<u>8,608</u>	<u>181,502</u>	<u>46,626</u>	<u>1,415,875</u>	<u>203,324</u>	<u>25,583</u>	<u>\$ 17,095,968</u>	

City of Fort Dodge, Iowa  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Governmental Funds  
Year ended June 30, 2008

	Special Revenue			
	<u>Health and Life Insurance</u>	<u>Local Option Sales Tax</u>	<u>Tax Increment Financing</u>	<u>Employee Flex Spending</u>
Revenues:				
Property tax	\$ 1,398,179			-
Tax increment financing collections	-		1,021,218	-
Other city tax	-	1,599,193		-
Use of money and property	68,947	114,519	47,295	-
Intergovernmental			1,330	-
Charges for service	-			-
Miscellaneous	132,259	100	38,700	35,568
Total revenues	<u>1,599,385</u>	<u>1,713,812</u>	<u>1,108,543</u>	<u>35,568</u>
Expenditures:				
Operating:				
Public safety	822,803			-
Public works	327,341	2,049,083		-
Health and social services	38,597			-
Culture and recreation	222,521			-
Community and economic development	43,806		1,101,263	-
General government	114,078			40,232
Debt service	-			-
Capital projects	-	-	-	-
Total expenditures	<u>1,569,146</u>	<u>2,049,083</u>	<u>1,101,263</u>	<u>40,232</u>
Excess (deficiency) of revenues over (under) expenditure:	<u>30,239</u>	<u>(335,271)</u>	<u>7,280</u>	<u>(4,664)</u>
Other financing sources (uses):				
Bond proceeds	-			-
Operating transfers in	-		42,530	-
Operating transfers out	-	-	(134,557)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(92,027)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	30,239	(335,271)	(84,747)	(4,664)
Fund balances beginning of year	<u>1,659,907</u>	<u>3,160,860</u>	<u>1,607,772</u>	<u>707</u>
Fund balances end of year	<u>\$ 1,690,146</u>	<u>2,825,589</u>	<u>1,523,025</u>	<u>(3,957)</u>

See accompanying independent auditor's report.

Special Revenue							
Historical Preservation	FICA/IPERS	Workers Comp Insurance	Unemployment Insurance	Special Assessment	Police Retirement	Fire Retirement	Community Development
-	523,221	157,937	40,765	-	468,818	348,121	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	4,619	262	4,243	3,436	6,895	10,193	8,864
-	-	-	-	-	-	-	516,852
-	-	-	-	-	-	-	-
-	8,259	27,640	-	-	-	-	164,466
-	<u>536,099</u>	<u>185,839</u>	<u>45,008</u>	<u>3,436</u>	<u>475,713</u>	<u>358,314</u>	<u>690,182</u>
-	67,418	118,610	-	-	443,353	346,934	-
-	173,140	32,753	9,095	-	-	-	-
-	21,478	4,212	-	-	-	-	-
-	148,623	31,350	11,173	-	-	-	-
-	52,660	7,955	-	-	-	-	708,879
69	43,955	9,358	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
69	<u>507,274</u>	<u>204,238</u>	<u>20,268</u>	<u>-</u>	<u>443,353</u>	<u>346,934</u>	<u>708,879</u>
(69)	<u>28,825</u>	<u>(18,399)</u>	<u>24,740</u>	<u>3,436</u>	<u>32,360</u>	<u>11,380</u>	<u>(18,697)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(69)	28,825	(18,399)	24,740	3,436	32,360	11,380	(18,697)
674	<u>123,816</u>	<u>11,454</u>	<u>113,152</u>	<u>88,970</u>	<u>106,675</u>	<u>58,768</u>	<u>256,055</u>
605	<u>152,641</u>	<u>(6,945)</u>	<u>137,892</u>	<u>92,406</u>	<u>139,035</u>	<u>70,147</u>	<u>237,358</u>

(continued)

City of Fort Dodge, Iowa  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Governmental Funds  
Year ended June 30, 2008

	Special Revenue			
	Emergency <u>Fund</u>	Emergency <u>Shelter</u>	Urban <u>Renewal</u>	Hotel/ <u>Motel Tax</u>
Revenues:				
Property tax	\$ 153,994	-	-	-
Tax increment financing collections	-	-	-	-
Other city tax	-	-	-	-
Use of money and property	-	-	7,601	-
Intergovernmental	-	-	-	-
Charges for service	-	-	-	-
Miscellaneous	-	-	-	43,156
Total revenues	<u>153,994</u>	<u>-</u>	<u>7,601</u>	<u>43,156</u>
Expenditures:				
Operating:				
Public safety	-	-	-	-
Public works	-	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	-	-	39,929
Community and economic development	-	-	15,704	-
General government	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>15,704</u>	<u>39,929</u>
Excess (deficiency) of revenues over (under) expenditure:	<u>153,994</u>	<u>-</u>	<u>(8,103)</u>	<u>3,227</u>
Other financing sources (uses):				
Bond proceeds	-	-	-	-
Operating transfers in	-	-	53,551	78,079
Operating transfers out	<u>(153,193)</u>	<u>-</u>	<u>(42,530)</u>	<u>(29,600)</u>
Total other financing sources (uses)	<u>(153,193)</u>	<u>-</u>	<u>11,021</u>	<u>48,479</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	801	-	2,918	51,707
Fund balances beginning of year	<u>1,865</u>	<u>1</u>	<u>335,398</u>	<u>142,323</u>
Fund balances end of year	<u>\$ 2,666</u>	<u>1</u>	<u>338,316</u>	<u>194,030</u>

See accompanying independent auditor's report.

Schedule 2

Special Revenue						
<u>Library Memorial</u>	<u>SSMID</u>	<u>RSVP</u>	<u>Foster Grandparents</u>	<u>Other Contributions</u>	<u>Drug Arrest</u>	
-	49,611	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	18,694	-	-	-	-	-
-	-	30,475	217,246	-	-	15,328
-	-	-	-	-	-	-
<u>55,589</u>	<u>1,177</u>	<u>6,692</u>	<u>2,720</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>55,589</u>	<u>69,482</u>	<u>37,167</u>	<u>219,966</u>	<u>-</u>	<u>-</u>	<u>15,328</u>
-	-	-	-	-	-	28,847
-	-	-	-	-	-	-
-	-	36,666	207,138	-	-	-
49,279	-	-	-	-	-	-
-	33,169	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>49,279</u>	<u>33,169</u>	<u>36,666</u>	<u>207,138</u>	<u>-</u>	<u>-</u>	<u>28,847</u>
<u>6,310</u>	<u>36,313</u>	<u>501</u>	<u>12,828</u>	<u>-</u>	<u>-</u>	<u>(13,519)</u>
-	-	-	-	-	-	-
-	28,006	-	-	-	-	-
-	(2,000)	-	-	-	-	-
-	<u>26,006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
6,310	62,319	501	12,828	-	-	(13,519)
<u>27,627</u>	<u>618,149</u>	<u>12,908</u>	<u>(6,989)</u>	<u>1,099</u>	<u>-</u>	<u>23,438</u>
<u>33,937</u>	<u>680,468</u>	<u>13,409</u>	<u>5,839</u>	<u>1,099</u>	<u>-</u>	<u>9,919</u>

(continued)

City of Fort Dodge, Iowa  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Governmental Funds  
Year ended June 30, 2008

	Special Revenue		
	<u>DARE</u>	City <u>Grants</u>	Congregate <u>Meals</u>
Revenues:			
Property tax	\$ -	-	-
Tax increment financing collections	-	-	-
Other city tax	-	-	-
Use of money and property	-	-	21
Intergovernmental	-	89,906	86,302
Charges for service	-	-	-
Miscellaneous	20	-	-
Total revenues	20	89,906	86,323
Expenditures:			
Operating:			
Public safety	-	-	-
Public works	-	-	-
Health and social services	-	31,464	87,466
Culture and recreation	-	7,838	-
Community and economic development	-	47,206	-
General government	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	-	86,508	87,466
Excess (deficiency) of revenues over (under) expenditure:	20	3,398	(1,143)
Other financing sources (uses):			
Bond proceeds	-	-	-
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	20	3,398	(1,143)
Fund balances beginning of year	11,974	1,476	15,509
Fund balances end of year	\$ 11,994	4,874	14,366

See accompanying independent auditor's report.

Debt Service			Capital Projects			Permanent Fund		Totals
Debt Service	Golf Course	Harlan Sinking	Harlan Rogers Complex	Capital Improvements	Oleson Park Bandshell	Eva Patterson Parks Trust		
1,325,669	-	-	-	-	-	-	4,466,315	
-	-	-	-	-	-	-	1,021,218	
-	-	10,169	-	-	-	-	1,609,362	
41,429	-	5,755	-	-	11,002	-	353,775	
-	-	-	124,748	16,573	345,710	-	1,444,470	
-	8,430	-	-	304,613	-	-	313,043	
-	-	-	20,000	129,975	117,772	25,583	809,676	
<u>1,367,098</u>	<u>8,430</u>	<u>15,924</u>	<u>144,748</u>	<u>451,161</u>	<u>474,484</u>	<u>25,583</u>	<u>10,017,859</u>	
-	-	-	-	418,799	-	-	2,246,764	
-	-	-	-	(3,205)	-	-	2,588,207	
-	-	-	-	10,343	-	-	437,364	
-	-	-	-	390,988	-	-	901,701	
-	-	-	-	-	-	-	2,010,642	
-	-	-	-	50,220	-	-	257,912	
1,443,515	59,822	130,555	-	-	-	-	1,633,892	
-	-	-	688,676	4,340	796,958	-	1,489,974	
<u>1,443,515</u>	<u>59,822</u>	<u>130,555</u>	<u>688,676</u>	<u>871,485</u>	<u>796,958</u>	<u>-</u>	<u>11,566,456</u>	
<u>(76,417)</u>	<u>(51,392)</u>	<u>(114,631)</u>	<u>(543,928)</u>	<u>(420,324)</u>	<u>(322,474)</u>	<u>25,583</u>	<u>(1,548,597)</u>	
51,283	-	-	700,000	949,700	-	-	1,700,983	
177,560	60,000	145,935	25,000	144,356	-	-	755,017	
-	-	-	-	(60,000)	-	-	(421,880)	
<u>228,843</u>	<u>60,000</u>	<u>145,935</u>	<u>725,000</u>	<u>1,034,056</u>	<u>-</u>	<u>-</u>	<u>2,034,120</u>	
152,426	8,608	31,304	181,072	613,732	(322,474)	25,583	485,524	
<u>629,627</u>	<u>-</u>	<u>150,199</u>	<u>(190,503)</u>	<u>645,658</u>	<u>385,262</u>	<u>-</u>	<u>9,993,830</u>	
<u>782,053</u>	<u>8,608</u>	<u>181,503</u>	<u>(9,431)</u>	<u>1,259,390</u>	<u>62,788</u>	<u>25,583</u>	<u>10,479,354</u>	

City of Fort Dodge, Iowa  
Statement of Net Assets  
Nonmajor Proprietary Funds  
June 30, 2008

	Enterprise Funds		
	Parking Meter	Solid Waste	Recycling
<b>Assets</b>			
Cash and pooled investments	\$ 278,450	247,851	64,760
Accounts receivable	19,481	89,845	-
Interest receivable	931	900	-
Prepaid insurance	30	5,538	-
Restricted assets:			
Cash and cash equivalents	-	-	-
Capital assets (net of accumulated depreciation)	115,355	274,056	-
	<u>414,247</u>	<u>618,190</u>	<u>64,760</u>
<b>Total assets</b>			
	<u>414,247</u>	<u>618,190</u>	<u>64,760</u>
<b>Liabilities</b>			
Accounts payable	1,076	24,174	-
Salaries payable	913	15,943	-
Compensated absences	-	12,865	-
Early retirement	-	2,848	-
Benefits payable	128	3,962	-
Payable from restricted assets:			
Consumer deposits	-	-	-
Long-term liabilities:			
Early retirement	-	-	-
	<u>2,117</u>	<u>59,792</u>	<u>-</u>
<b>Total liabilities</b>			
	<u>2,117</u>	<u>59,792</u>	<u>-</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	115,355	274,056	-
Restricted for:			
Prepaid expenditures	30	5,538	-
Unrestricted	296,745	278,804	64,760
	<u>412,130</u>	<u>558,398</u>	<u>64,760</u>
<b>Total net assets</b>			
	<u>\$ 412,130</u>	<u>558,398</u>	<u>64,760</u>

See accompanying independent auditor's report.

Enterprise Funds					
<u>Lakeside Beverage</u>	<u>Harlan Rogers Beverage</u>	<u>Storm Water Utility</u>	<u>Central Garage</u>	<u>Consumer Deposits</u>	<u>Total</u>
16,530	6,157	676,467	165,263	-	1,455,478
-	-	49,316	1,045	-	159,687
-	-	-	-	-	1,831
-	-	-	-	-	5,568
-	-	-	-	110,819	110,819
-	-	240,945	619,921	-	1,250,277
<u>16,530</u>	<u>6,157</u>	<u>966,728</u>	<u>786,229</u>	<u>110,819</u>	<u>2,983,660</u>
-	-	1,337	3,514	-	30,101
-	-	-	-	-	16,856
-	-	-	-	-	12,865
-	-	-	-	-	2,848
-	-	-	-	-	4,090
-	-	-	-	110,819	110,819
-	-	-	-	-	-
-	-	1,337	3,514	110,819	177,579
-	-	240,945	619,921	-	1,250,277
-	-	-	-	-	5,568
<u>16,530</u>	<u>6,157</u>	<u>724,446</u>	<u>162,794</u>	<u>-</u>	<u>1,550,236</u>
<u>16,530</u>	<u>6,157</u>	<u>965,391</u>	<u>782,715</u>	<u>-</u>	<u>2,806,081</u>

City of Fort Dodge, Iowa  
Combining Schedule of Revenues, Expenses, and Changes in Net Assets  
Nonmajor Proprietary Funds  
For the Year ended June 30, 2008

	Enterprise Funds		
	Parking Meter	Solid Waste	Recycling
Operating revenues:			
Charges for services	\$ 107,068	922,543	19,149
Miscellaneous	120	5,195	-
Total operating revenues	<u>107,188</u>	<u>927,738</u>	<u>19,149</u>
Operating expenses:			
Business type activities:			
Cost of sales and services	59,947	701,302	106,233
Depreciation	11,853	68,544	-
Total operating expenses	<u>71,800</u>	<u>769,846</u>	<u>106,233</u>
Operating income (loss)	<u>35,388</u>	<u>157,892</u>	<u>(87,084)</u>
Nonoperating revenues:			
Interest and investment revenue	10,434	9,817	-
Total nonoperating revenue	<u>10,434</u>	<u>9,817</u>	<u>-</u>
Net income (loss) before transfers	45,822	167,709	(87,084)
Transfers in (out)	<u>(33,283)</u>	<u>(105,343)</u>	<u>-</u>
Change in net assets	12,539	62,366	(87,084)
Net assets beginning of year	<u>399,591</u>	<u>496,032</u>	<u>151,843</u>
Net assets end of year	<u>\$ 412,130</u>	<u>558,398</u>	<u>64,759</u>

See accompanying independent auditor's report.

Enterprise Funds				
Lakeside Beverage	Harlan Rogers Beverage Account	Storm Water Utility	Central Garage	Total
234,757	4,157	472,082		1,759,756
-	5,000	-	50,185	60,500
<u>234,757</u>	<u>9,157</u>	<u>472,082</u>	<u>50,185</u>	<u>1,820,256</u>
235,583	3,001	95,865	95,807	1,297,738
-	-	2,434	21,603	104,434
<u>235,583</u>	<u>3,001</u>	<u>98,299</u>	<u>117,410</u>	<u>1,402,172</u>
<u>(826)</u>	<u>6,156</u>	<u>373,783</u>	<u>(67,225)</u>	<u>418,084</u>
-	-	-	-	20,251
-	-	-	-	20,251
<u>(826)</u>	<u>6,156</u>	<u>373,783</u>	<u>(67,225)</u>	<u>438,335</u>
-	-	591,607	89,200	542,181
<u>(826)</u>	<u>6,156</u>	<u>965,390</u>	<u>21,975</u>	<u>980,516</u>
<u>17,357</u>	<u>-</u>	<u>-</u>	<u>760,739</u>	<u>1,825,562</u>
<u>16,531</u>	<u>6,156</u>	<u>965,390</u>	<u>782,714</u>	<u>2,806,078</u>

City of Fort Dodge, Iowa  
Combining Schedule of Cash Flows  
Nonmajor Proprietary Funds  
For the Year ended June 30, 2008

	Business-Type Activities		
	Parking Meter	Solid Waste	Recycling
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 109,398	922,034	19,150
Payments to suppliers and employees	(60,228)	(698,021)	(107,365)
Other receipts			-
Net cash provided (used) by operating activities	49,170	224,013	(88,215)
<b>Cash flows from noncapital financing activities</b>			
Transfers to other funds	(33,283)	(105,343)	-
Transfers from other funds	-	-	-
Net cash provided (used) in noncapital financing activities	(33,283)	(105,343)	-
<b>Cash flows from capital and related financing activities</b>			
Purchases of capital assets	-	(82,476)	-
Net cash provided (used) by capital and related financing activities	-	(82,476)	-
<b>Cash flows from investing activities</b>			
Interest and dividends	9,710	9,092	-
Net cash provided by investing activities	9,710	9,092	-
Net increase (decrease) in cash and cash equivalents	25,597	45,286	(88,215)
Cash and cash equivalents - beginning of year	252,853	202,565	152,975
Cash and cash equivalents - end of year	\$ 278,450	247,851	64,760

See accompanying independent auditor's report.

Business-Type Activities					
<u>Lakeside Beverage</u>	<u>Harlan Rogers Beverage</u>	<u>Storm Water Utility</u>	<u>Central Garage</u>	<u>Consumer Deposits</u>	<u>Total</u>
234,756	9,157	422,766	49,140	65,050	1,831,451
(235,583)	(3,000)	(94,528)	(94,567)	(78,625)	(1,371,917)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(827)</u>	<u>6,157</u>	<u>328,238</u>	<u>(45,427)</u>	<u>(13,575)</u>	<u>459,534</u>
-	-	-	-	-	(138,626)
<u>-</u>	<u>-</u>	<u>591,607</u>	<u>89,200</u>	<u>-</u>	<u>680,807</u>
<u>-</u>	<u>-</u>	<u>591,607</u>	<u>89,200</u>	<u>-</u>	<u>542,181</u>
-	-	(243,378)	-	-	(325,854)
<u>-</u>	<u>-</u>	<u>(243,378)</u>	<u>-</u>	<u>-</u>	<u>(325,854)</u>
-	-	-	-	-	18,802
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,802</u>
(827)	6,157	676,467	43,773	(13,575)	694,663
<u>17,357</u>	<u>-</u>	<u>-</u>	<u>121,490</u>	<u>124,394</u>	<u>871,634</u>
<u>16,530</u>	<u>6,157</u>	<u>676,467</u>	<u>165,263</u>	<u>110,819</u>	<u>1,566,297</u>

(continued)

City of Fort Dodge, Iowa  
Combining Schedule of Cash Flows  
Nonmajor Proprietary Funds  
For the Year ended June 30, 2008

	Business-Type Activities		
	Parking Meter	Solid Waste	Recycling
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ 35,388	157,892	(87,084)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	11,853	68,544	-
Change in assets and liabilities:			
Receivables, net	2,210	(5,704)	(1,131)
Prepaid expenses	(1)	(133)	-
Consumer deposits	-	-	-
Accounts and other payables	(280)	3,414	-
Accrued expenses	-	-	-
Net cash provided (used) by operating activities	\$ 49,170	224,013	(88,215)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:</b>			
Current assets:			
Cash and pooled investments	\$ 278,450	247,851	64,760
Noncurrent assets:			
Restricted cash and pooled investments	-	-	-
Cash and cash equivalents at year end	\$ 278,450	247,851	64,760

See accompanying independent auditor's report.

<u>Business-Type Activities</u>					
<u>Lakeside Beverage</u>	<u>Harlan Rogers Beverage</u>	<u>Storm Water Utility</u>	<u>Central Garage</u>	<u>Consumer Deposits</u>	<u>Total</u>
(827)	6,157	373,783	(67,225)	-	418,084
-	-	2,434	21,603	-	104,434
-	-	(49,316)	(1,045)	-	(54,986)
-	-	-	-	-	(134)
-	-	-	-	(13,575)	(13,575)
-	-	1,337	1,240	-	5,711
-	-	-	-	-	-
<u>(827)</u>	<u>6,157</u>	<u>328,238</u>	<u>(45,427)</u>	<u>(13,575)</u>	<u>459,534</u>
16,530	6,157	676,467	165,263	-	1,455,478
-	-	-	-	110,819	110,819
<u>16,530</u>	<u>6,157</u>	<u>676,467</u>	<u>165,263</u>	<u>110,819</u>	<u>1,566,297</u>

Bond Maturities - General Obligation Bonds

June 30, 2008

General Obligation Bonds

Year Ending June 30,	<u>Corporate Purpose</u> <u>Issued May 28, 2003</u>		<u>Corporate Purpose</u> <u>Issued June 1, 1999</u>		<u>Total</u>
	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	
2009	2.50 %	\$ 200,000	4.45 %	\$ 540,000	1,460,000
2010	3.05	205,000	4.50	190,000	1,015,000
2011	3.15	215,000	4.50	200,000	1,110,000
2012	3.30	220,000	4.50	210,000	1,210,000
2013	3.40	225,000	4.50	220,000	1,030,000
2014	3.50	235,000	4.50	235,000	1,060,000
Total		<u>\$ 1,300,000</u>		<u>\$ 1,595,000</u>	

  

Year Ending June 30,	<u>Corporate Purpose</u> <u>Issued June 15, 2008</u>		<u>Corporate Purpose</u> <u>Issued December 1, 2004</u>		<u>Total</u>
	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>	
2009	2.40 %	\$ 305,000	3.20 %	\$ 415,000	1,460,000
2010	2.50	190,000	3.20	430,000	1,015,000
2011	2.80	245,000	3.20	450,000	1,110,000
2012	3.00	315,000	3.20	465,000	1,210,000
2013	3.15	105,000	3.20	480,000	1,030,000
2014	3.25	100,000	3.20	490,000	1,060,000
2015	3.40	650,000	3.20	515,000	1,165,000
2016	3.60	735,000	-	-	735,000
2017	3.75	765,000	-	-	765,000
2018	3.90	795,000	-	-	795,000
2019	4.00	825,000	-	-	825,000
2020	4.00	100,000	-	-	100,000
Total		<u>\$ 5,130,000</u>		<u>\$ 3,245,000</u>	<u>11,270,000</u>

See accompanying independent auditor's report.

City of Fort Dodge, Iowa  
Bond Maturities - Revenue Bonds  
June 30, 2008

<u>Revenue Bonds</u>	<u>Sewer Bond Issue</u>	
	<u>Issued December 4, 1989</u>	
<u>Year Ending</u>	<u>Interest</u>	
<u>June 30,</u>	<u>Rates</u>	<u>Amount</u>
2009	3.00 %	\$ 105,000
2010	3.00	110,000
2011	3.00	115,000
Total		<u>\$ 330,000</u>

<u>Year Ending</u>	<u>Sewer Bond Issue</u>		<u>Sewer Bond Issue</u>		<u>Sewer Bond Issue</u>	
	<u>Issued Sep 30, 1999</u>		<u>Issued Sep 30, 1999</u>		<u>Issued Dec 20, 2002</u>	
<u>June 30,</u>	<u>Interest</u>		<u>Interest</u>		<u>Interest</u>	
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
2009	3.92 %	\$ 10,000	3.92 %	\$ 433,000	3.00 %	\$ 160,000
2010	3.92	11,000	3.92	450,000	3.00	165,000
2011	3.92	11,000	3.92	467,000	3.00	170,000
2012	3.92	12,000	3.92	485,000	3.00	175,000
2013	3.92	12,000	3.92	505,000	3.00	180,000
2014	3.92	13,000	3.92	524,000	3.00	185,000
2015	3.92	13,000	3.92	545,000	3.00	191,000
2016	3.92	14,000	3.92	566,000	3.00	196,000
2017	3.92	14,000	3.92	588,000	3.00	202,000
2018	3.92	15,000	3.92	611,000	3.00	208,000
2019	3.92	15,000	3.92	635,000	3.00	215,000
2020	3.92	16,000	3.92	660,000	3.00	221,000
2021	3.92	16,000	3.92	686,000	3.00	228,000
2022	3.92	17,000	3.92	713,000	3.00	235,000
2023		-		-	3.00	242,000
Total		<u>\$ 189,000</u>		<u>\$ 7,868,000</u>		<u>\$ 2,973,000</u>

See accompanying independent auditor's report.

Schedule 7

<u>Hotel/Motel Tax Revenue Bond</u>			<u>Sewer Bond Issue</u>		
<u>Issued June 1, 2003</u>			<u>Issued December 27, 2007</u>		
Interest			Interest		
<u>Rates</u>		<u>Amount</u>	<u>Rates</u>		<u>Amount</u>
4.00 %	\$	70,000	3.00 %	\$	1,042,000
4.00		75,000	3.00		1,073,000
4.00		75,000	3.00		1,106,000
4.00		80,000	3.00		1,139,000
4.00		85,000	3.00		1,173,000
3.60		85,000	3.00		1,208,000
3.75		90,000	3.00		1,244,000
3.85		95,000	3.00		1,282,000
3.95		100,000	3.00		1,320,000
4.00		105,000	3.00		1,360,000
4.00		105,000	3.00		627,316
4.05		110,000	-		-
4.10		115,000	-		-
4.15		125,000	-		-
4.15		130,000	-		-
		<u>\$ 1,445,000</u>			<u>\$ 12,574,316</u>

(continued)

City of Fort Dodge, Iowa  
Bond Maturities - Revenue Bonds  
June 30, 2008

Year Ending June 30,	Sewer Bond Issue Issued June 30, 2002			Water Bond Issue Issued Dec 12, 2003			Water Bond Issue Issued June 1, 2004		
	Interest		Amount	Interest		Amount	Interest		Amount
Rates		Rates			Rates				
2009	3.00 %	\$	48,000	3.00 %	\$	142,000	3.00 %	\$	146,000
2010	3.00		50,000	3.00		147,000	3.00		204,000
2011	3.00		51,000	3.00		151,000	3.00		210,000
2012	3.00		53,000	3.00		156,000	3.00		217,000
2013	3.00		54,000	3.00		160,000	3.00		223,000
2014	3.00		56,000	3.00		165,000	3.00		230,000
2015	3.00		58,000	3.00		170,000	3.00		237,000
2016	3.00		59,000	3.00		175,000	3.00		244,000
2017	3.00		61,000	3.00		180,000	3.00		251,000
2018	3.00		63,000	3.00		186,000	3.00		259,000
2019	3.00		65,000	3.00		191,000	3.00		266,000
2020	3.00		67,000	3.00		197,000	3.00		274,000
2021	3.00		69,000	3.00		203,000	3.00		283,000
2022	3.00		71,000	3.00		209,000	3.00		291,000
2023	-		-	3.00		215,000	3.00		300,000
2024	-		-	-		222,000	3.00		309,000
2025	-		-	-		229,000	3.00		318,000
Total		\$	<u>825,000</u>		\$	<u>3,098,000</u>		\$	<u>4,262,000</u>

See accompanying independent auditor's report.



City of Fort Dodge, Iowa  
 Bond Maturities - Revenue Bonds  
 June 30, 2008

Schedule 7

Year Ending June 30,	<u>Urban Renewal Tax Increment</u> <u>Revenue Bond Issued Dec 17, 2003</u>			<u>Urban Renewal Tax Increment</u> <u>Revenue Bond Issued Nov. 15, 2006</u>			<u>Total</u>
	Interest Rates		Amount	Interest Rates		Amount	
2009	3.15 %	\$	40,000	4.75 %	\$	180,000	2,415,500
2010	3.45		40,000	4.75		180,000	2,546,500
2011	3.80		40,000	4.75		190,000	2,629,500
2012	4.10		40,000	4.75		190,000	2,592,500
2013	4.30		40,000	4.75		200,000	2,680,500
2014	4.50		20,000	4.75		210,000	2,746,500
2015			-	4.75		210,000	2,811,000
2016			-	4.75		220,000	2,906,500
2017			-	4.75		220,000	2,994,500
2018			-	4.75		230,000	3,067,500
2019			-	4.75		230,000	2,349,316
2020			-	4.75		240,000	1,785,000
2021			-	4.75		240,000	1,840,000
2022			-	4.75		260,000	1,921,000
2023			-			-	887,000
2024			-			-	531,000
2025			-			-	547,000
Total		\$	<u>220,000</u>	Total	\$	<u>3,000,000</u>	<u>37,250,816</u>

See accompanying independent auditor's report.

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

For the Last Four Years

	Modified Accrual Basis			
	2008	2007	2006	2005
<b>Revenues:</b>				
Property tax	\$ 9,412,453	\$ 9,309,408	\$ 9,405,843	\$ 9,136,224
Tax increment financing revenue	1,021,218	924,879	904,267	855,994
Other city tax	2,345,915	2,255,230	2,216,986	1,930,077
Licenses and permits	334,673	323,123	321,063	282,112
Use of money and property	457,355	588,086	488,171	380,335
Intergovernmental	4,018,906	3,877,250	4,460,365	4,401,764
Charges for service	1,048,258	1,164,134	1,097,362	1,083,195
Miscellaneous	1,403,703	1,597,706	1,724,939	1,351,395
<b>Total</b>	<b><u>\$ 20,042,481</u></b>	<b><u>\$ 20,039,816</u></b>	<b><u>\$ 20,618,996</u></b>	<b><u>\$ 19,421,096</u></b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety	\$ 6,355,575	\$ 6,628,544	\$ 5,750,697	\$ 5,477,040
Public works	5,171,592	3,451,734	3,625,199	3,846,806
Health & social services	525,065	881,082	679,639	569,898
Culture and recreation	2,896,431	2,675,303	3,069,638	2,433,376
Community and economic development	2,580,400	5,130,808	2,113,794	2,669,361
General government	1,311,200	1,500,704	1,465,795	1,464,206
Debt service	1,633,892	1,699,934	1,949,432	1,736,407
Capital projects	2,369,971	902,847	2,170,993	2,974,408
<b>Total</b>	<b><u>\$ 22,844,126</u></b>	<b><u>\$ 22,870,956</u></b>	<b><u>\$ 20,825,187</u></b>	<b><u>\$ 21,171,502</u></b>

See accompanying independent auditor's report.

City of Fort Dodge, Iowa  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2008

Schedule 9

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Commerce	10.300	EDA-05-01-04360	\$ <u>1,667,580</u>
U.S. Department of Transportation:			
Airport Improvement Program	20.106	3-19-0035-22	34,019
Airport Improvement Program	20.106	3-19-0035-23	<u>442,419</u>
			<u>476,438</u>
Corporation for National and Community Service:			
Foster Grandparents	94.011	05SFNIA003	<u>201,750</u>
Retired Senior Volunteer Program	94.002	05SRNIA007	<u>13,569</u>
Department of Housing and Urban Development:			
Economic Development Initiative	14.246	B-05-SP-IA-0072	8,772
Economic Development Initiative	14.246	B-05-SP-IA-0073	24,616
Economic Development Initiative	14.246	B-06-SP-IA-0282	<u>207,470</u>
			<u>240,858</u>
Department of the Interior:			
National Park Service	15.929	19-04-ML-0020	<u>210,310</u>
Total Direct			<u>2,810,505</u>
Indirect:			
Department of Health and Human Services:			
Elderbridge Agency on Aging: Congregate Meal Program	93.045	---	<u>86,302</u>

(continued)

City of Fort Dodge, Iowa  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2008

Schedule 9

<u>Grantor/Program</u> (continued)	<u>CFDA</u> <u>Number</u>	<u>Agency or</u> <u>Pass-Through</u> <u>Number</u>	<u>Program</u> <u>Expenditures</u>
Indirect (continued):			
Department of Housing and Urban Development:			
Iowa Department of Economic Development Community Development Block Grant/ States Program	14.228	05-CF-014	36,440
Iowa Department of Economic Development Community Development Block Grant/ States Program	14.228	06-HSG-039	<u>251,969</u> <u>288,409</u>
Department of Homeland Security:			
FEMA Flood Disaster		EM-1727	<u>108,117</u>
Department of Transportation:			
Iowa Department of Transportation: Transit Assistance Program	20.509		300,759
Transit Assistance Program	20.509		<u>2,156</u> <u>302,915</u>
Environmental Protection Agency	66.458	PDCW0632	<u>358,434</u>
Department of Justice:			
Byrne Justice Assistance	16.580	2007-DJ-BY-1456	12,459
Total Indirect			<u>1,156,636</u>
Total			<u>\$ 3,967,141</u>

City of Fort Dodge, Iowa  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2008

Schedule 9

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

See accompanying independent auditor's report.

## Schedule of Expenditures of State Awards

Year ended June 30, 2008

<u>Grantor/Program</u>	<u>Program Expenditures</u>
Department of Transportation:	
Airport Infrastructure	\$ 222,130
Iowa Commission on Volunteer Service:	
RSVP	<u>16,938</u>
Library:	
Open Access Grant	8,966
Enrich Iowa Grant	<u>7,606</u>
	<u>16,572</u>
Iowa Department of Economic Development:	
Community Attraction and Tourism Program 03-CAT-006	<u>124,748</u>
Iowa Department of Natural Resources:	
REAP	35,400
Historical Site Preservation Grant	<u>100,000</u>
	<u>135,400</u>
Total	<u>\$ 515,788</u>

See accompanying independent auditor's report.

Schedule of Passenger Facility Charges Collected and Expended

Year Ended June 30, 2008

	Quarter Ended <u>9-30-07</u>	Quarter Ended <u>12-31-07</u>	Quarter Ended <u>3-31-08</u>	Quarter Ended <u>6-30-08</u>	Total Period Ended <u>6-30-08</u>
Charges collected:					
PFC revenue received	\$ 5,488	5,529	5,472	5,471	21,960
Charges expended:					
Expenditures on approved PFC projects	\$ -	-	-	-	-

See accompanying independent auditor's report.

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

To the Honorable Mayor and  
Members of the City Council:

Compliance

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

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

In our opinion, The City of Fort Dodge complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended June 30, 2008.

## Internal Control Over Compliance

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

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

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

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

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

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

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

March 12, 2009

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Fort Dodge, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon March 12, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Fort Dodge's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fort Dodge's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Fort Dodge's internal control over financial reporting.

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 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 a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Fort Dodge's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted

accounting principles such that there is more than a remote likelihood that a misstatement of the City of Fort Dodge's financial statements that is more than inconsequential will not be prevented or detected by the City of Fort Dodge's internal control. We consider the deficiency described in Part II of the accompanying schedule of findings and questioned costs to be a significant deficiency 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 that a material misstatement of the financial statements will not be prevented or detected by the City of Fort Dodge's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

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

March 12, 2009

Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the compliance of the City of Fort Dodge, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2008. The City of Fort Dodge's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of the City of Fort Dodge's management. Our responsibility is to express an opinion on the City of Fort Dodge's compliance based on our audit.

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

In our opinion, the City of Fort Dodge complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008.

## Internal Control Over Compliance

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

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

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

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

The City of Fort Dodge's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses and, accordingly, we express no opinion on them.

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

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

March 12, 2009

City of Fort Dodge, Iowa  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2008

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was 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 the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were CFDA Numbers 10.300 – Grants for Public Works and Development Facilities and 66.458 Capitalization Grants for Clean Water.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Fort Dodge qualified as a low-risk auditee.

City of Fort Dodge, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

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

**SIGNIFICANT DEFICIENCIES:**

II-A-08 - Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP). The City of Fort Dodge does not have an internal control system designed to provide for the preparation of the financial statements, including accompanying footnotes and statements of cash flows, as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in and Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with generally accepted accounting principles can be considered costly and ineffective. However, it is the responsibility of the City’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the time necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

City of Fort Dodge, Iowa  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2008

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

No material weaknesses in internal control over the major programs were noted.

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

IV-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the culture and recreation function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in sufficient amounts in the future, if applicable.

Conclusion – Response accepted.

IV-B-08 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-08 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Fort Dodge, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

IV-D-08 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Terry Lutz, Mayor Owner McClure Engineering	Professional Fees	\$ 1,207,005
Eldon Rossow, Contracted City Engineer – Owner Mer Engineering	Professional Fees	527,909

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

IV-E-08 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that the coverage is adequate for current operations.

IV-F-08 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-H-08 Revenue Bonds and Notes – The City's wastewater treatment system did not maintain net revenues of 110% of the principal and interest due on the sewer revenue bond as stated in the loan agreement.

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

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

Conclusion – Response accepted.

City of Fort Dodge, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

IV-I-08 Financial Condition – The Special Revenue Fund, Employee Flex Spending and Workmans Comp Insurance had deficit balances of \$3,957 and \$6,945 respectively at June 30, 2008. The Sewer Enterprise Fund had an unrestricted deficit fund balance of \$3,016,686 at June 30, 2008.

Recommendation – The City should investigate alternatives to eliminate these deficits.

Response – As detailed in notes to financial statements, these deficits will be eliminated upon receipt of bond proceeds, receipts from employees or property taxes.

Conclusion – Response accepted.

IV-J-08 Administrative Agency – It was noted that there may be some public funds held by an administrative agency of the City of Fort Dodge that are not accounted for, deposited or invested pursuant to Chapters 12B, 12C and 384.6 of the Code of Iowa.

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

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

Conclusion – Response accepted.