FORT DODGE COMMUNITY SCHOOL DISTRICT
FORT DODGE, IOWA

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

JUNE 30, 2009

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FORT DODGE COMMUNITY SCHOOL DISTRICT

OFFICIALS

Name	Title	Term Expires
	Board of Education	
	(Before September 2008 Election)	
Stuart Cochrane	President	2009
Ernest Kersten	Vice President	2008
Jerry Schnurr	Board Member	2008
Brian Forsythe	Board Member	2009
Janice Merz	Board Member	2009
Craig Jarrard	Board Member	2011
Bill Kent	Board Member	2011
	Board of Education	
	(After September 2008 Election)	
Stuart Cochrane	President	2009
Jerry Schnurr	Vice President	2011
Brian Forsythe	Board Member	2009
Janice Merz	Board Member	2009
Craig Jarrard	Board Member	2011
Bill Kent	Board Member	2011
Kevin Rogers	Board Member	2011
	School Officials	
Linda J. Brock	Superintendent	2010
John W. Christensen, Jr.	District Secretary/Treasurer	2009
Rick A. Engel	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fort Dodge Community School District, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of the District's officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fort Dodge Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 26, 2010 on our consideration of Fort Dodge Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 19 and 58 through 60 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fort Dodge Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
January 26, 2010

Fort Dodge Community School District

Management Discussion and Analysis

This section of the Fort Dodge Community School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2009. Since all activities are required to be reported on a full accrual basis, a comprehensive comparison to the prior year has been made as is required to provide comparison of key current year data to prior year data. (Please refer to table A-1 for comparison of the fiscal years.) Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's net assets in fiscal year 2009 increased 15.34 percent to $25.587 million. The Governmental Activities net assets increased 15.21 percent, while the business type activities net assets increased 23.09 percent. Overall revenues were $47.876 million, and expenses were $44.472 million. (See Table A-1)

- During fiscal year 2009 the District completed the Asbestos Removal Project at the Senior High School, which was funded by the General Fund in the form of additional allowable growth granted by the SBRC. The cost of the project was $92,078. The district also spent $56,035 on the Senior High Pool Bleacher Replacement Project and $787,506 on the Senior High School Cafeteria Project, funded by dollars from the Capital Projects Fund. The district also spent $1,034,599 on the Dodger Stadium Turf Replacement Project, funded by donations from the general public. At the end of the fiscal year the outstanding balance on the loan from the Capital Projects Fund to the Physical Plant and Equipment Fund was $327,500. As the pledges are paid to the district through the Physical Plant and Equipment Fund, the loan from the Capital Projects Fund is reduced and eventually will be paid off in its entirety.

- A continued decrease in market interest rates resulted in the General Fund interest income decreasing from $158,768 in fiscal year 2008 to $43,718 in fiscal year 2009. This is the second year in five years that interest earnings from the General Fund decreased. Total district interest earnings were $107,175. This is a reflection of the continuing worldwide economic downturn that began during the 2008 calendar year.

- The General Fund ending fund balance increased from $4.294 million in fiscal year 2008 to $4.650 million in fiscal year 2009. The fund balance grew by $.356 million mostly associated with a small increase in property taxes for cash reserve.

- The self insured dental internal service fund incurred a net loss of $34,202. The District had a balance of $95,404 at the end of the fiscal year, which is less than five months worth of reserves. The premium levels will need to be adjusted for future years to maintain the necessary reserves.

- The District Statement of Net Assets indicates an unrestricted net balance of $1.941 million at the end of the 2009 fiscal year, which is up from $1.752 million at the end of the 2008 fiscal year. This is a 10.78 % increase from the previous year.

- The district revenues increased 9.10 percent in the 2009 fiscal year compared to 5.08 percent in the 2008 fiscal year, while the district expenditures increased 5.42 percent in the 2009 fiscal year compared to 5.10 percent in the 2008 fiscal year. Please refer to Table A-2 for a breakdown of the revenues and expenditures.

- The Fort Dodge Community School District certified enrollment count taken on October 1, 2008, was 3,956.5. This count represents a reduction of 27 students from the prior year. There has been a net loss of 134 students in the last five years. The historic enrollment trend for the district has been downward, and according to the Iowa Department of Education estimates, it will continue downward.

- The Special Education Deficit Balance decreased from $684,814 in fiscal year 2008 to $570,134 in fiscal year 2009. The main reason for the reduction was the increase in special education revenues. See Budgetary Highlights for further information on the deficit.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *district-wide financial statements* (Statement of Net Assets and Statement of Activities) that provide both *short-term* and *long-term* information about the District's *overall* financial status.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements.

- The *governmental funds statements* tell how *basic* services like regular and special education were financed in the *short term* as well as what remains for future spending.

- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the district operates *like businesses,* such as food services.

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

Figure A-*1*

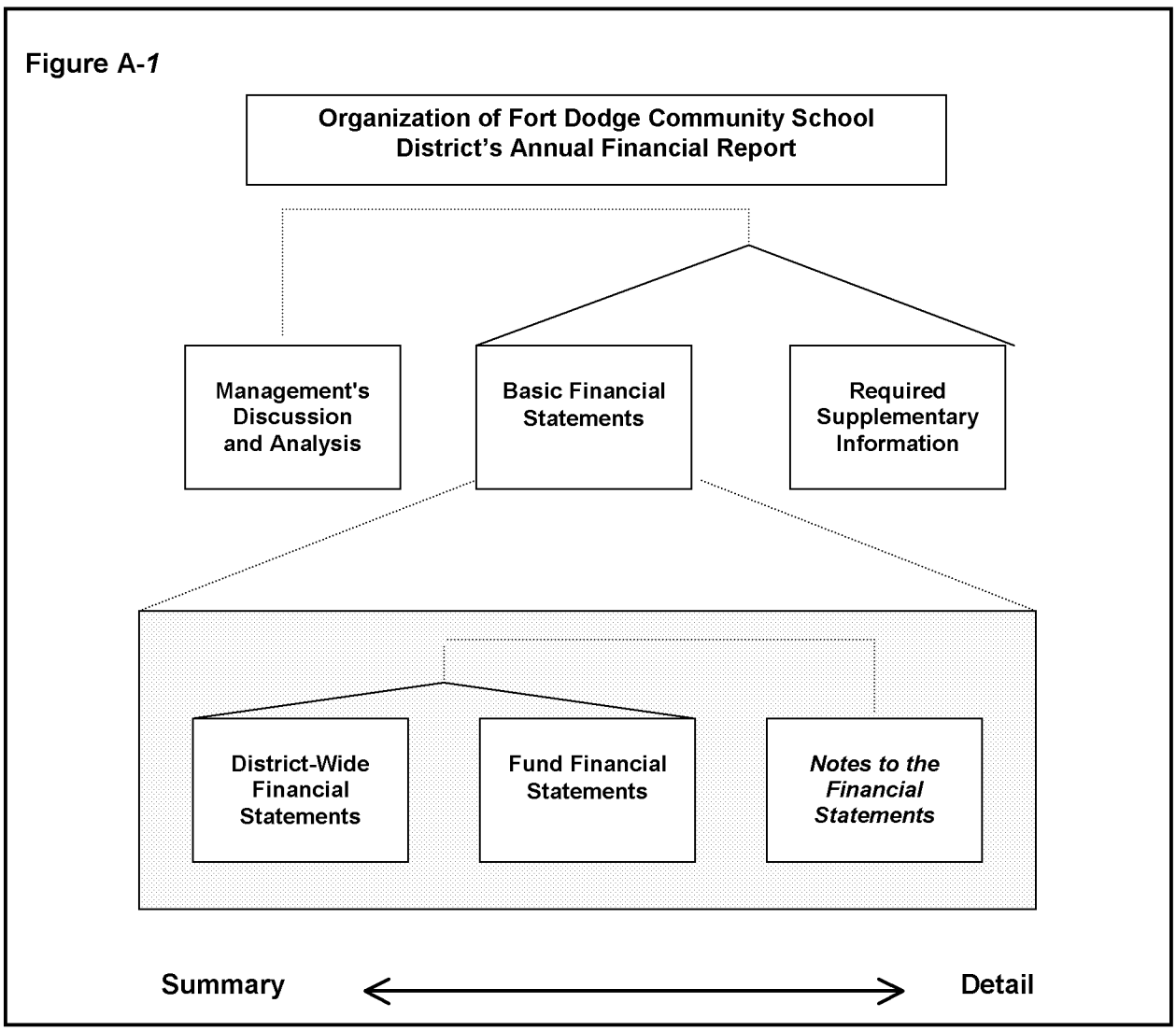

Figure A-2 on the next page summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure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

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

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

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

programs and activities. The District currently has two internal service funds which handle the Flexible Spending Account and the Self Funded Dental Account.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2008	2009	2008	2009	2008	2009	2008-09%
Current and other assets	$23,948,129	$29,420,129	$229,124	$352,525	$24,177,253	$29,772,654	23.14%
Capital assets	$16,997,726	$17,836,493	$160,339	$162,426	$17,158,065	$17,998,919	4.90%
Total Assets	**$40,945,855**	**$47,256,622**	**$389,463**	**$514,951**	**$41,335,318**	**$47,771,573**	15.57%
Long-term debt outstanding	$3,641,404	$4,079,862	$0	$0	$3,641,404	$4,079,862	12.04%
Other liabilities	$15,503,526	$18,059,497	$7,784	$45,122	$15,511,310	$18,104,619	16.72%
Total liabilities	**$19,144,930**	**$22,139,359**	**$7,784**	**$45,122**	**$19,152,714**	**$22,184,481**	15.83%
Net Assets							
Invested in capital assets, net of related debt	$16,997,726	$17,836,493	$160,339	$162,426	$17,158,065	$17,998,919	4.90%
Restricted	$3,272,163	$5,646,826	$0	$0	$3,272,163	$5,646,826	72.57%
Unrestricted	$1,531,036	$1,633,944	$221,340	$307,403	$1,752,376	$1,941,347	10.78%
TOTAL NET ASSETS	**$21,800,925**	**$25,117,263**	**$381,679**	**$469,829**	**$22,182,604**	**$25,587,092**	15.35%

The District's combined net assets were larger on June 30, 2009, than they were the year before--increasing 15.34% to $25.587 million. (See Table A-1). Most of this change in the District's financial position came from its governmental activities, the net assets of which grew $3.316 million to $25.117 million. The net assets of the District's business-type activities increased 23.09% to $.469 million.

The District's financial position is the product of many factors. The various sources of tax revenue, grants, and charges for services exceeded related expenditures. The one percent local option sales tax funding the Capital Projects Fund has been especially helpful to the district. The $4.061 million sales tax revenue received is exclusively used for capital projects, which will be expensed as depreciation over many years on the Statement of Activities.

Cash and pooled investments total $13.305 million or 27.9% of total assets, up from 23.4% from fiscal 2008. $4.606 million of these cash balances are needed to fund the District general operations in July, August, and the first half of September, when there is very little state aid or property tax revenue. $4.164 million of cash and investments is dedicated to future capital project investments. Infrastructure sales tax revenue and related long-term debt proceeds have exceeded construction costs thus far. This cash will be used in renovation projects yet to be completed at the Senior High School as well as other district projects now that the district passed a new Revenue Purpose Statement in September of 2008.

U.S. Generally Accepted Accounting Principles (GAAP) requires that the property taxes certified in April (the lien date) for the upcoming fiscal year be accrued as a receivable and shown as unearned revenue liability. The future property tax receivable of $13.480 million and related unearned revenue liability on the Statement of Net Assets result from this requirement. Net property and equipment (capital assets) of $17.999 million represents 37.68% of total assets for the 2009 fiscal year compared with $17.158 million and 41.51% of total assets for the 2008 fiscal year. It is noteworthy that almost all (92.4%) of the District's net assets are either invested in capital assets or are restricted for capital asset projects and other purposes, which is up from 92.1% from the 2008 fiscal year.

Changes in Statement of Activities

Table A-2 recasts the Statement of Activities into a traditional revenue and expenses format. Unrestricted state aid accounts for 37.12% of total revenue, and property tax accounts for 26.81% for the 2009 fiscal year, compared with 40.3% and 27.9% respectively for the 2008 fiscal year. Specific categorical grants and contributions from state, federal, and private sources account for 19.19% of revenue for the 2009 fiscal year compared with 16.8% for the 2008 fiscal year. The local option sales tax dedicated to school infrastructure totals 8.48% for 2009 compared with 4.6% for the 2008 fiscal year. The charges for services, mainly tuition and student co-curricular activities, account for 6.25% for the 2009 fiscal year compared with 7.10% for the 2008 fiscal year. (See Figure A-3).

Of the District's expenses for 2009, 61.45% are predominately related to the instruction of students, compared with 62.3% for 2008. The support services, non-instructional programs, facilities acquisition, and unallocated depreciation categories account for 38.55% for 2009 compared with 37.7% of expenses for 2008. (See Figure A-4). These categories contain many line items directly supporting students and instruction, such as guidance, health, media, technology, improvement of instruction, and student transportation and food service program costs and depreciation expense not directly allocated to any functional area.

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

Table A-2 Changes in District's Activities

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2008	2009	2008	2009	2008	2009	2008-09%
Revenues							
Program Revenues:							
Charges for services	2,323,350	2,259,665	765,983	731,955	$3,089,333	$2,991,620	-3.16%
Operating Grants & Contributions	6,023,054	7,793,068	996,472	1,107,176	$7,019,526	$8,900,244	26.79%
Capital Grants & Contributions	360,462	288,367	0	0	$360,462	$288,367	-20.00%
General Revenues:							
Property Taxes -General	11,453,968	12,030,541	0	0	$11,453,968	$12,030,541	5.03%
Income Surtax	1,004,492	807,337	0	0	$1,004,492	$682,423	-32.06%
Local Option Sales Tax	2,008,936	4,061,477	0	0	$2,008,936	$4,061,477	102.17%
Property Tax - Capital Outlay	802,698	682,423	0	0	$802,698	$807,337	0.58%
State formula aid	17,697,874	17,770,730	0	0	$17,697,874	$17,770,730	0.41%
Unrestricted Investment Earnings	285,560	84,085	5,661	2,268	$291,221	$86,353	-70.35%
Other	154,050	257,326			$154,050	$257,326	67.04%
Total Revenues	$42,114,444	$46,035,019	$1,768,116	$1,841,399	$43,882,560	$47,876,418	9.10%
Expenses	2008	2009	2008	2009	2008	2009	2008-09%
Instruction	26,278,762	27,328,550	0	0	$26,278,762	$27,328,550	3.99%
Student Services	1,811,705	1,945,881	0	0	$1,811,705	$1,945,881	7.41%
Instructional Staff Services	1,622,792	2,577,602	0	0	$1,622,792	$2,577,602	58.84%
Administrative & Business	3,786,616	3,944,250	50,154	56,426	$3,836,770	$4,000,676	4.27%
Maintenance & Operations	3,211,966	3,074,296	0	0	$3,211,966	$3,074,296	-4.29%
Transportation	1,190,841	1,004,210	0	0	$1,190,841	$1,004,210	-15.67%
Non-Instructional Programs	13,391	25,049	1,678,419	1,696,823	$1,691,810	$1,721,872	1.78%
Facilities Acquisition	298,271	529,517	0	0	$298,271	$529,517	77.53%
Long-term debt and fiscal charges	80,004	0	0	0	$80,004	$0	-100.00%
AEA Flowthrough	1,496,741	1,559,569	0	0	$1,496,741	$1,559,569	4.20%
Depreciation (Unallocated)	666,078	729,757	0	0	$666,078	$729,757	9.56%
Total Expenses	$40,457,167	$42,718,681	$1,728,573	$1,753,249	$42,185,740	$44,471,930	5.42%
Excess (deficiency) before special item	$1,657,277	$3,316,338	$39,543	$88,150	$1,696,820	$3,404,488	100.64%
Special item description	$0	$0	$0	$0	$0	$0	0.00%
Increase (decrease) in net assets	$1,657,277	$3,316,338	$39,543	$88,150	$1,696,820	$3,404,488	100.64%

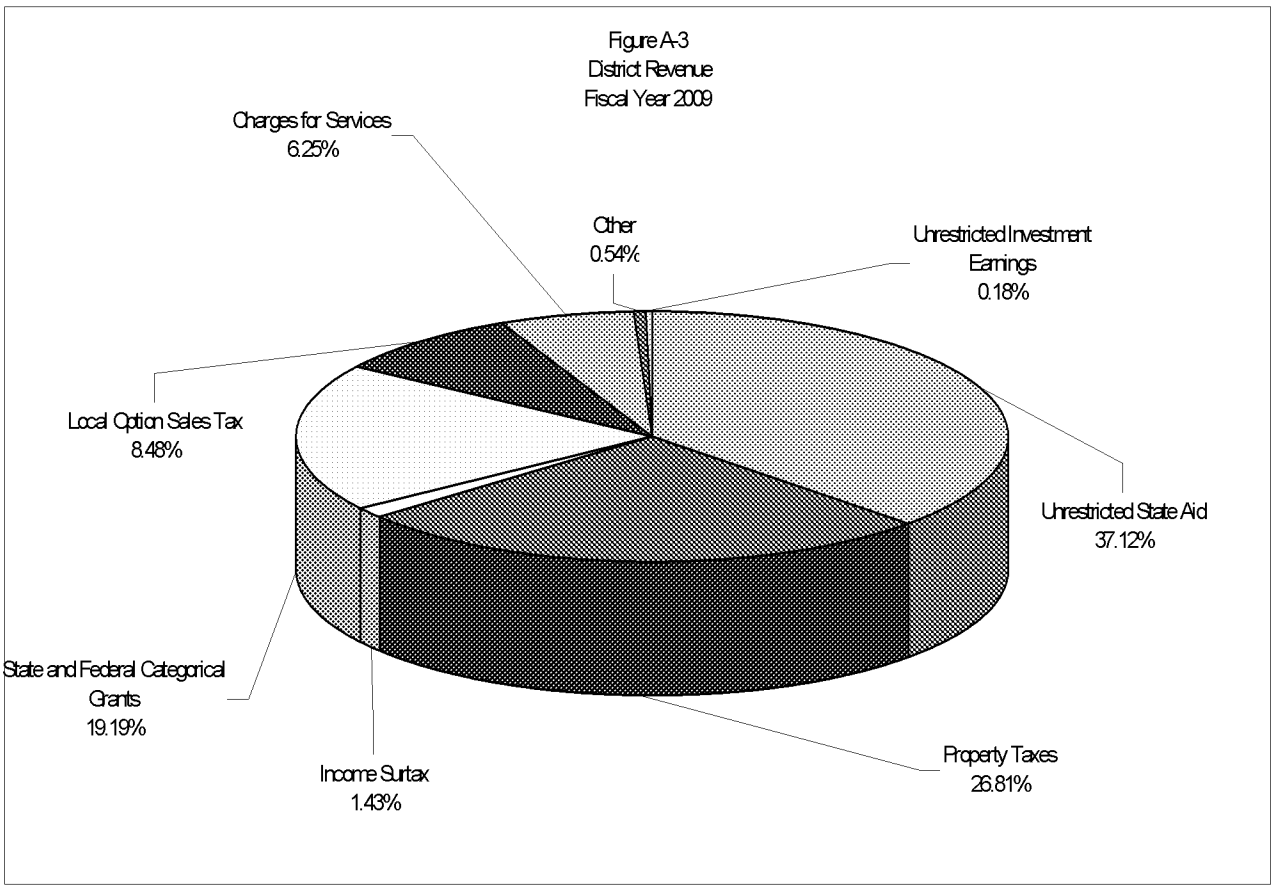
Figure A-3
District Revenue
Fiscal Year 2009
Charges for Services
6.25%
Other
0.54%
Unrestricted Investment
Earnings
0.18%
Local Option Sales Tax
8.48%
Unrestricted State Aid
37.12%
State and Federal Categorical
Grants
19.19%
Property Taxes
26.81%
Income Surtax
1.43%

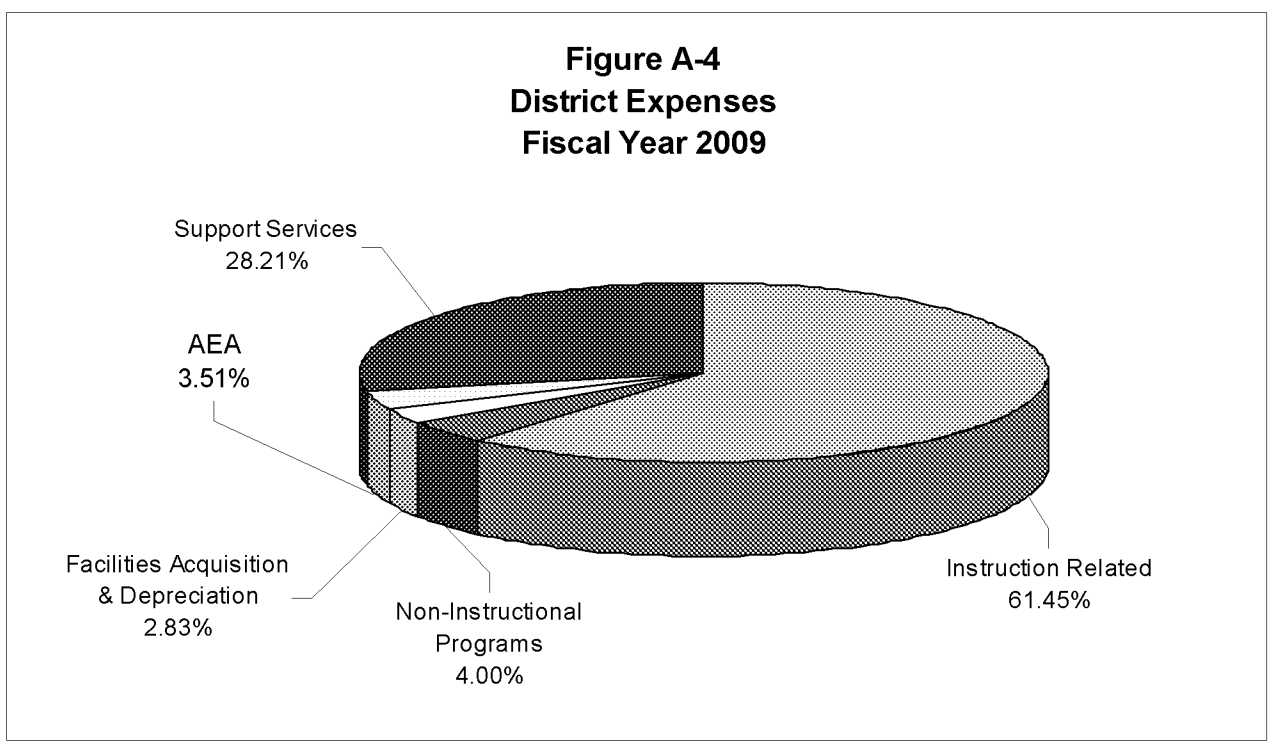
Figure A-4
District Expenses
Fiscal Year 2009
Support Services
28.21%
AEA
3.51%
Facilities Acquisition
& Depreciation
2.83%
Non-Instructional
Programs
4.00%
Instruction Related
61.45%

Governmental Activities

Revenues for governmental activities were $46.035 million, while expenses amounted to $42.719 million for 2009, compared with $42.114 million and $40.457 million for 2008. The District does need to watch expenses to match as closely as possible with available revenues, even though the percentage increase in expenses (5.41 percent) was lower than the revenue percentage increase (9.10 percent). The reason for this change is a one time increase in sales tax revenue and federal stimulus funds that will disappear after the 2011 fiscal year. The local option sales tax revenue of $4.061 million contributed to the increase in net assets of the governmental activities. (See Table A-2). Most of the expenditures related to sales tax were capital assets and not expensed on the Statement of Activities except through current year depreciation expense.

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

Table A-3 - Cost of Seven Major District Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2008	2009	2008-09%	2008	2009	2008-09%
Instruction	26,278,762	27,328,550	3.99%	20,019,565	19,745,462	-1.37%
Pupil & Instructional Svcs	3,434,497	4,523,483	31.71%	2,985,902	3,746,449	25.47%
Adminstrative & Business	3,786,616	3,944,250	4.16%	3,786,616	3,944,250	4.16%
Maintenance & Operations	3,211,966	3,074,296	-4.29%	3,168,627	3,074,296	-2.98%
Transportation	1,190,841	1,004,210	-15.67%	1,115,348	889,195	-20.28%
L-T Debt & Fiscal Charges	80,004	0	-100.00%	80,004	0	-100.00%
Other	2,474,481	2,843,892	14.93%	594,239	977,929	64.57%
TOTAL	**$40,457,167**	**$42,718,681**	**5.59%**	**$ 31,750,301**	**$32,377,581**	**1.98%**

- The cost of all governmental activities this year was $42.718 million.
- Some of the cost ($2.259 million) was financed by users of the District's programs.
- The federal and state governments and private contributors subsidized certain programs with grants and contributions of $8.1 million.
- Most of the District's costs ($32.377 million), however, were financed by District taxpayers and the taxpayers of our state.
- The net cost portion of governmental activities was financed with $12.837 million in property taxes, $.682 million in Income Surtax, $17.70 million in unrestricted state aid, $4.061 million in local option sales taxes, and $.341 million in interest and miscellaneous income.

Business - Type Activities

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

- Business-type activity revenues exceeded expenses for the fourth time in six years. During the 2009 fiscal year the amount of excess revenue was $88,150 compared to $39,543 for the 2008 fiscal year. Revenues did rise 4.14% to $1,841,399, while expenses rose 1.42% to $1,753,249.
- During the 2006-2007 fiscal year the district outsourced the food service employees to Taher, Inc. We have completed the third year under this arrangement, and it has worked well for the district.
- Lunch prices did not increase for the second year.
- Purchased services for the 2009 year were $776,318 compared with $732,663 for the 2008 year, an increase of 5.96%. This category now includes the cost of personnel, as

these services are now outsourced. Supplies for the 2009 fiscal year were $904,219 compared with the 2008 year for which they were $928,511, a decrease of 2.62%. The decrease was due to the decrease in milk and bread products.

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds as well. (Refer to the Statement of Revenues, Expenditures and Changes in Fund Balances–Governmental Funds.) As the District completed the year, its governmental funds reported combined fund balances of $10.481 million—39.22% higher than the prior year's ending fund balance of $7.528 million. The biggest reason for the increase is that the district received additional $2.052 million in sales tax revenues because of the increase from one-half cent to one cent during the 2009 fiscal year.

In 2009 the enterprise fund (School Nutrition) showed a net gain of $88,150. This was the fourth year in a row for gains in the School Nutrition Fund. This increase was much greater than the previous year, since the food cost per meal and benefits decreased over the previous year. This was due in large part because of the decrease in dairy and bread products and the dramatic decrease in the cost of fuel during the fiscal year.

Budgetary Highlights

- The District levied $1,650,000 for cash reserve in the 2009 fiscal year--up from $1,285,000 in the 2008 fiscal year--this is an increase of 28.40%. The cash reserve amount will vary based on the District's needs, especially depending on the special education deficit, the amount requested from the School Budget Review Committee for asbestos and safety projects, and the District's requirements for sufficient cash balances for cash flow needs.

- Budgeted expenditures include both unspent spending authority from the prior year and general fund revenues.

  In May, the District formally amended its budget in a board action to bring it into compliance with state government regulations. However, the district did exceed the amounts in the instructional and the other expenditures functions. This will be watched carefully in the future.

- The District's budget versus actual results was within acceptable management planning parameters. The final revenue variance was a positive $3,987,418 for the 2009 fiscal year compared with $1,699,962 for the 2008 fiscal year, an increase of $2,287,456 or 134.55%. The final expenditure variance was a negative ($1,200,367) for the 2009 fiscal year compared with $1,153,992 for the 2008 fiscal year, a decrease of $2,354,359 or 204.00%. The budget for Capital Projects was only $982,680 for the 2009 fiscal year; however the district had sufficient funds on hand and decided to complete several projects not considered when the certified budget was developed.

- The Special Education deficit balance decreased to $570,134 in the 2009 fiscal year from $684,814 in the 2008 fiscal year. Factors affecting the reduction of the deficit balance were an increase in special education state revenues (per pupil cost), increase in student tuition in revenue, and a large increase in Medicaid funding. There were increases in the expenditures, such as salaries and student tuition out, but these increases were more than offset by the total increase in revenues.

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

Capital Asset and Debt Administration

Capital Assets

By the end of 2009, the District had invested $17.998 million (net accumulated depreciation of $17.963 million) in a broad range of capital assets, including school buildings, athletic facilities, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holding, and textbooks. This amount represents a net 4.9% increase from last year. (More detailed information about capital assets can be found in Note 5 to the financial statements). Total depreciation expense for the year was $1.008 million.

During fiscal year 2009 the District completed the Asbestos Removal Project at the Senior High School, which was funded by the General Fund in the form of additional allowable growth granted by the SBRC. The cost of the project was $92,078. The district also spent $56,035 for the Senior High Pool Bleachers Replacement Project, $787,506 on the Senior High Cafeteria Project funded by dollars from the Capital Projects Fund. The district also spent $1,034,599 on the Dodger Stadium Turf Replacement Project funded by donations from the general public. At the end of the fiscal year the outstanding balance on the loan from the Capital Projects Fund to the Physical Plant and Equipment Fund was $327,500.00. As the pledges are paid to the district through the Physical Plant and Equipment Fund the loan from the Capital Projects Fund is reduced and eventually will be paid off in its entirety.

During the 2009 fiscal year the district received a comprehensive ten-year facilities action plan in which DLR Group evaluated district facilities and prioritized projects and budget constraints. This was necessitated because of the age of the district's five older elementary school buildings and middle schools. This study produced a plan of action for the district's physical plant well into the 21st century.

Table A-4
Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2008	2009	2008	2009	2008	2009	2008-09
Land	519,811	519,811	0	0	519,811	519,811	0.00%
Construction In Progress	557,589	204,065	0	0	557,589	204,065	-63.40%
Buildings	14,302,208	15,643,222	0	0	14,302,208	15,643,222	9.38%
Improvements other than buildings	340,490	306,620	0	0	340,490	306,620	-9.95%
Equipment & Furniture	1,277,628	1,162,775	160,339	162,426	1,437,967	1,325,201	-7.84%
TOTAL	$16,997,726	$17,836,493	$160,339	$162,426	$17,158,065	$17,998,919	4.90%

Long–Term Liabilities

At year end the District had $4.079 million in long-term obligations outstanding—an increase of 12.04% from last year, as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements. Note 7 to the financial statements explains Other Post Employment Benefits (OPEB) that affected the district beginning in the 2009 fiscal year.

Table A-5
District's Outstanding Long-Term Liabilities

	Governmental Activities		Total Percentage Change
	2008	2009	2008-09
Early Retirement & Other Compensated Absences	3,641,404	3,925,862	**7.81%**
Net OPEB Liabilities	0	154,000	**100.00%**
TOTAL	**$3,641,404**	**$4,079,862**	**12.04%**

- The District increased its Early Retirement and Other Compensated Absences liability $284,458 during the year and added the OPEB liability of $154,000 for a total increase of $438,458.

Bond Ratings

The District does not have a General Obligation Bond Rating from Moody's or Standard and Poor's for fiscal year 2009 because the District does not have any general obligation bonds outstanding. If the District were to issue general obligation bonds, it would at that time go for a Moody's or Standard and Poor's rating. The city of Fort Dodge, Iowa, has a Moody's A-1 rating; the District's financial advisor indicates that with the District's financial condition, it would probably have a Moody's A-2 rating or a Standard and Poor's A rating.

Factors Bearing on the District's Future

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

- Even though the District is the twenty-fifth largest in the state in terms of students, it has one of the lowest ratios of taxable property value per student. This tends to raise property tax levies per thousand dollars of valuation to the higher end. Local property tax sensitivity has developed. In order to develop an effective education budget, the District needs to rely partially on the property tax levy.

- The age of the District's five older elementary schools and middle schools is a concern to the district. In order to deliver a modern education program using new technology and in order to control maintenance and safety costs, new elementary schools and middle schools will need to be carefully examined and either replaced or added on to and updated. In 2008 the legislature adopted a statewide one cent sales tax for school infrastructure, which replaced the county-wide one half cent voted for the 10-year period that expired in July, 2009. This new school infrastructure funding mechanism will be in place until 2029 and will help the district provide for its long-term facility needs. The district also completed a comprehensive building feasibility study to address these needs. The district has developed its building priority needs and will explore the options in 2010 and beyond.

- The District's primary source of revenue is the state of Iowa school aid formula. The allowable growth to schools was only 4% for fiscal year 2009. Costs of providing a quality education program are rising faster than 4%. Teacher settlements alone over the past several years are in the 4.5% - 5.0% range. If future allowable growth increases do not keep pace with expenditures, the district will have to make the necessary re-alignments in its educational delivery system to come into line with allowable growth.

- More than 81 percent of the general fund budget is salaries and benefits. Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably, arbitrated settlements are higher than current levels of allowable growth in funding. Education budgets are then squeezed. A solution needs to be found.

- The District's unspent budget authority has been in decline for the past three years. This bears watching, since a dramatic reduction will lead to staff layoffs, and this will certainly impact the education that the district can deliver to its patrons.

- One of the key elements of the state of Iowa school aid formula is certified enrollment. Enrollment has decreased 3.38% during the last five years. When enrollment drops it means less state aid. Stability or even increases in enrollment are critical to maintaining a solid financial picture.

- In 2001 two important legislative acts were passed into law which affects public school education. The federal government passed *"No Child Left Behind,"* and Iowa passed the *"Student Achievement and Teacher Quality Act."* The District is currently working through the various requirements of these laws. While the intent of this legislation is sound, additional costs and unfunded mandates may develop.

Contacting the District's Financial Management

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

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Basic Financial Statements

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	$ 12,967,748	$ 337,697	$ 13,305,445
Receivables:			
Property tax:			
Current year	238,044	-	238,044
Succeeding year	13,480,309	-	13,480,309
Income surtax	788,521	-	788,521
Accounts	21,043	6,934	27,977
Due from other governments	1,922,615	-	1,922,615
Inventories	-	7,894	7,894
Prepaid expenses	1,849	-	1,849
Capital assets, net of accumulated depreciation (note 5)	17,836,493	162,426	17,998,919
Total assets	47,256,622	514,951	47,771,573
Liabilities			
Accounts payable	988,084	32,270	1,020,354
Salaries and benefits payable	3,530,479	-	3,530,479
Due to other governments	55,109	-	55,109
Deferred revenue:			
Succeeding year property tax	13,480,309	-	13,480,309
Other	5,516	12,852	18,368
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	376,288	-	376,288
Compensated absences	376,181	-	376,181
Portion due after one year:			
Early retirement	210,651	-	210,651
Compensated absences	2,962,742	-	2,962,742
Net OPEB liability	154,000	-	154,000
Total liabilities	22,139,359	45,122	22,184,481

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	$ 17,836,493	$ 162,426	$ 17,998,919
Restricted for:			
Categorical funding	262,031	-	262,031
Management levy	178,897	-	178,897
Other special revenue purposes	355,351	-	355,351
Capital projects	4,850,547	-	4,850,547
Unrestricted	1,633,944	307,403	1,941,347
Total net assets	$ 25,117,263	$ 469,829	$ 25,587,092

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	$ 16,053,987	$ 1,249,750	$ 3,208,689	$ -
Special instruction	7,441,136	-	2,045,343	-
Other instruction	3,833,427	965,494	113,812	-
	27,328,550	2,215,244	5,367,844	-
Support services:				
Student services	1,945,881	-	505,185	-
Instructional staff services	2,577,602	-	271,849	-
Administration services	3,944,250	-	-	-
Operation and maintenance of plant services	3,074,296	-	-	-
Transportation services	1,004,210	44,421	70,594	-
	12,546,239	44,421	847,628	-
Non-instructional programs	25,049	-	18,027	-
Other expenditures:				
Facilities acquisition	529,517	-	-	288,367
Long-term debt interest and fiscal charges	-	-	-	-
AEA flowthrough	1,559,569	-	1,559,569	-
Depreciation (unallocated) *	729,757	-	-	-
	2,818,843	-	1,559,569	288,367
Total governmental activities	42,718,681	2,259,665	7,793,068	288,367
Business-Type Activities:				
Support services:				
Administration services	51,094	-	-	-
Operation and maintenance of plant services	5,332	-	-	-
	56,426	-	-	-

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
$ (11,595,548)	$ -	$ (11,595,548)
(5,395,793)	-	(5,395,793)
(2,754,121)	-	(2,754,121)
(19,745,462)	-	(19,745,462)
(1,440,696)	-	(1,440,696)
(2,305,753)	-	(2,305,753)
(3,944,250)	-	(3,944,250)
(3,074,296)	-	(3,074,296)
(889,195)	-	(889,195)
(11,654,190)	-	(11,654,190)
(7,022)	-	(7,022)
(241,150)	-	(241,150)
-	-	-
-	-	-
(729,757)	-	(729,757)
(970,907)	-	(970,907)
(32,377,581)	-	(32,377,581)
-	(51,094)	(51,094)
-	(5,332)	(5,332)
-	(56,426)	(56,426)

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest
Business-Type Activities (continued):				
Non-instructional programs:				
Food service operations	$ 1,696,823	$ 731,955	$ 1,107,176	$ -
Total business-type activities	1,753,249	731,955	1,107,176	-
Total	$ 44,471,930	$ 2,991,620	$ 8,900,244	$ 288,367
General Revenues:				
Property tax levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
$ -	$ 142,308	$ 142,308
-	85,882	85,882
(32,377,581)	85,882	(32,291,699)
$ 12,030,541	$ -	$ 12,030,541
807,337	-	807,337
682,423	-	682,423
4,061,477	-	4,061,477
17,770,730	-	17,770,730
84,085	2,268	86,353
257,326	-	257,326
35,693,919	2,268	35,696,187
3,316,338	88,150	3,404,488
21,800,925	381,679	22,182,604
$ 25,117,263	$ 469,829	$ 25,587,092

FORT DODGE COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and pooled investments	$ 7,263,147	$ 4,164,246	$ 1,425,942	$ 12,853,335
Receivables:				
Property tax:				
Current year	211,779	-	26,265	238,044
Succeeding year	11,956,036	-	1,524,273	13,480,309
Income surtax	788,521	-	-	788,521
Interfund receivable (note 3)	111,043	327,500	52,500	491,043
Accounts	17,293	-	3,750	21,043
Due from other governments	1,301,037	621,578	-	1,922,615
Prepaid expenses	1,849	-	-	1,849
Total assets	$ 21,650,705	$ 5,113,324	$ 3,032,730	$ 29,796,759
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 619,055	$ 262,777	$ 82,048	$ 963,880
Salaries and benefits payable	3,524,210	-	6,269	3,530,479
Due to other governments	55,109	-	-	55,109
Interfund payable (note 3)	52,500	-	438,543	491,043
Deferred revenue:				
Succeeding year property tax	11,956,036	-	1,524,273	13,480,309
Other	794,037	-	-	794,037
Total liabilities	17,000,947	262,777	2,051,133	19,314,857
Fund balance:				
Reserved for:				
Categorical funding	262,031	-	-	262,031
Prepaid expenses	1,849	-	-	1,849
Unreserved, reported in:				
General fund	4,385,878	-	-	4,385,878
Special revenue funds	-	-	981,597	981,597
Capital projects fund	-	4,850,547	-	4,850,547
Total fund balances	4,649,758	4,850,547	981,597	10,481,902
Total liabilities and fund balances	$ 21,650,705	$ 5,113,324	$ 3,032,730	$ 29,796,759

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2009

Total fund balances of governmental funds	$ 10,481,902
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.	17,836,493
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	788,521
The Internal Service Fund net assets are directly related to the Governmental Funds due to the types of services provided and are, therefore, included in the District-wide statement of net assets under governmental activities.	90,209
Long-term liabilities, including early retirement and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(4,079,862)
Net assets of governmental activities	$ 25,117,263

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	General	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	$ 12,103,120	$ 4,061,477	$ 1,406,316	$ 17,570,913
Tuition	1,147,876	-	-	1,147,876
Other	431,423	33,673	1,252,718	1,717,814
Intermediate sources	25,979	-	-	25,979
State sources	22,639,957	-	1,173	22,641,130
Federal sources	2,910,717	-	-	2,910,717
Total revenues	39,259,072	4,095,150	2,660,207	46,014,429
Expenditures:				
Current:				
Instruction	25,468,867	-	1,377,773	26,846,640
Support services:				
Student services	1,967,015	-	-	1,967,015
Instructional staff services	2,415,254	-	152,186	2,567,440
Administration services	3,769,687	7,179	88,469	3,865,335
Operation and maintenance of plant services	2,847,239	-	217,692	3,064,931
Transportation services	873,803	-	95,138	968,941
	11,872,998	7,179	553,485	12,433,662
Non-instructional programs	25,049	-	-	25,049
Other expenditures:				
Facilities acquisition	-	1,303,762	912,967	2,216,729
AEA flowthrough	1,559,569	-	-	1,559,569
	1,559,569	1,303,762	912,967	3,776,298
Total expenditures	38,926,483	1,310,941	2,844,225	43,081,649
Excess (deficiency) of revenues over (under) expenditures	332,589	2,784,209	(184,018)	2,932,780

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	General	Capital Projects	Nonmajor Governmental Funds	Total
Other financing sources (uses):				
Sale of equipment	$ 20,590	$ -	$ -	$ 20,590
Interfund transfers in (note 4)	2,494	-	17,461	19,955
Interfund transfers out (note 4)	-	-	(19,955)	(19,955)
Total other financing sources (uses)	23,084	-	(2,494)	20,590
Net change in fund balances	355,673	2,784,209	(186,512)	2,953,370
Fund balances beginning of year	4,294,085	2,066,338	1,168,109	7,528,532
Fund balances end of year	$ 4,649,758	$ 4,850,547	$ 981,597	$ 10,481,902

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Net change in fund balances - total governmental funds		$ 2,953,370
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Expenditures for capital assets	$ 1,822,121	
Depreciation expense	(983,354)	838,767
The decrease in the Internal Service Fund balance reflects and undercharge to governmental activities for the services provided. Expenses in the statement of activities are adjusted to reflect this undercharge.		(37,341)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement	(438,591)	
Compensated absences	154,133	
Net OPEB liability	(154,000)	(438,458)
Change in net assets of governmental activities		$ 3,316,338

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	School Nutrition	Internal Service Funds
Assets		
Cash and cash equivalents	$ 337,697	$ 114,413
Accounts receivable	6,934	-
Inventories	7,894	-
Capital assets, net of accumulated depreciation (note 5)	162,426	-
Total assets	514,951	114,413
Liabilities		
Accounts payable	32,270	24,204
Deferred revenue	12,852	-
Total liabilities	45,122	24,204
Net Assets		
Invested in capital assets	162,426	-
Unrestricted	307,403	90,209
Total net assets	$ 469,829	$ 90,209

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	School Nutrition	Internal Service Funds
Operating revenues:		
Local sources:		
Charges for services	$ 731,955	$ 335,842
Operating expenses:		
Support services:		
Food service operations:		
Salaries	25,235	-
Benefits	10,340	-
Purchased services	6,580	-
Supplies	2,000	-
Other	12,271	-
	56,426	-
Non-instructional programs:		
Food service operations:		
Purchased services	769,738	-
Supplies	902,219	-
Depreciation	24,866	-
	1,696,823	-
Internal Service operations:		
Purchased services	-	373,963
Total expenses	1,753,249	373,963
Operating loss	(1,021,294)	(38,121)
Non-operating revenues:		
Interest on investments	2,268	780
State sources	19,789	-
Federal sources	1,087,387	-
Total non-operating revenues	1,109,444	780
Change in net assets	88,150	(37,341)
Net assets beginning of year	381,679	127,550
Net assets end of year	$ 469,829	$ 90,209

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	School Nutrition	Internal Service Funds
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	$ 697,661	$ 240,258
Cash received from miscellaneous operating activities	40,688	95,584
Cash payments to employees for services	(35,575)	(233,824)
Cash payments to suppliers for goods or services	(1,527,353)	(121,935)
Net cash used by operating activities	(824,579)	(19,917)
Cash flows from non-capital financing activities:		
State grants received	19,789	-
Federal grants received	952,356	-
Net cash provided by non-capital financing activities	972,145	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(26,953)	-
Cash flows from investing activities:		
Interest on investments	2,268	780
Net increase (decrease) in cash and cash equivalents	122,881	(19,137)
Cash and cash equivalents beginning of year	214,816	133,550
Cash and cash equivalents end of year	$ 337,697	$ 114,413

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	School Nutrition	Internal Service Funds
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (1,021,294)	$ (38,121)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	24,866	-
Commodities used	135,031	-
(Increase) in accounts receivable	(2,002)	-
Decrease in inventories	1,482	-
Increase in accounts payable	28,942	18,204
Increase in deferred revenue	8,396	-
Net cash used by operating activities	$ (824,579)	$ (19,917)

Non-cash investing, capital and financing activities:
During the year ended June 30, 2009, the District received $135,031 of federal commodities.

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2009

	Self-funded Dental Plan	Flex Benefit Plan	Total (Memorandum Only)
Assets			
Cash and pooled investments	$ 113,608	$ 805	$ 114,413
Liabilities			
Accounts payable	18,204	6,000	24,204
Net Assets			
Unrestricted	$ 95,404	$ (5,195)	$ 90,209

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2009

	Self-funded Dental Plan	Flex Benefit Plan	Total (Memorandum Only)
Operating revenues:			
Local sources:			
Insurance contributions	$ 240,258	$ -	$ 240,258
Flex contributions	-	95,584	95,584
Total operating revenues	240,258	95,584	335,842
Operating expenses:			
Non-instructional programs:			
Premium/administration	275,219	-	275,219
Flex benefits	-	98,744	98,744
Total operating expenses	275,219	98,744	373,963
Operating loss	(34,961)	(3,160)	(38,121)
Non-operating revenues:			
Interest	759	21	780
Change in net assets	(34,202)	(3,139)	(37,341)
Net assets beginning of year	129,606	(2,056)	127,550
Net assets end of year	$ 95,404	$ (5,195)	$ 90,209

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2009

	Self-funded Dental Plan	Flex Benefit Plan	Total (Memorandum Only)
Cash flows from operating activities:			
Cash received from contributions	$ 240,258	$ -	$ 240,258
Cash received from miscellaneous operating activities	-	95,584	95,584
Cash payments for claims	(233,824)	-	(233,824)
Cash payments for services	(23,191)	(98,744)	(121,935)
Net cash used by operating activities	(16,757)	(3,160)	(19,917)
Cash flows from investing activities:			
Interest on investments	759	21	780
Net decrease in cash and cash equivalents	(15,998)	(3,139)	(19,137)
Cash and cash equivalents beginning of year	129,606	3,944	133,550
Cash and csh equivalents end of year	$ 113,608	$ 805	$ 114,413
Reconciliation of operating loss to net cash used by operating activies:			
Operating loss	$ (34,961)	$ (3,160)	$ (38,121)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Increase in accounts payable	18,204	-	18,204
Net cash used by operating activities	$ (16,757)	$ (3,160)	$ (19,917)

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2009

	Private Purpose Trust Scholarship
Assets:	
Cash and pooled investments	$ 319,762
Liabilities:	
None	-
Net assets:	
Reserved for scholarships	$ 319,762

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2009

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	$ 4,061
Interest	20,043
Total additions	24,104
Deductions:	
Support services:	
Scholarships awarded	30,564
Change in net assets	(6,460)
Net assets beginning of year	326,222
Net assets end of year	$ 319,762

See notes to financial statements.

Note 1. Summary of Significant Accounting Policies

Fort Dodge Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Fort Dodge, Iowa, and agricultural territory in Webster County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been repaid or received as of June 30, 2009, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. These amounts have been eliminated from the Government-wide 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 – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Asset Class	Amount
Land	$ 1,000
Buildings	25,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and severance benefits payable to employees. Severance benefits accumulate up to 120 days for most employee service groups and is applicable for employees hired prior to July 1, 2006. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2009 consists of $5,646,826.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the instruction and other expenditures functions exceeded the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2009 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.

Note 2. Cash and Pooled Investments (continued)

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

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	$ 234

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

Note 3. Interfund Receivables/Payables

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

Due to	Due from	Amount
General	Special Revenue, Student Activity	$ 111,043
Special Revenue, Student Activity	General	52,500
Capital Projects	Special Revenue, Physical Plant and Equipment Levy	327,500
Total		$ 491,043

The balances between the General and Student Activity Fund are due to transactions between funds in the normal course of business throughout the school year and represent the amounts which had not yet been repaid.

The balance between the Capital Projects and Special Revenue, Physical Plant and Equipment Levy Fund is due to a short-term loan made on June 28, 2008 and extended on June 22, 2009. The Fort Dodge Education Foundation has pledged to cover this loan with amounts donated from the Fort Dodge community residents and businesses.

In addition to the above noted receivables/payables, the District approved and repaid $125,000 in short-term financing loans from the General Fund to the Special Revenue, Physical Plant and Equipment Levy.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Management Levy	$ 2,494
Special Revenue:		
Student Activity		6,351
Physical Plant and Equipment Levy		11,110
Total		$ 19,955

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

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 519,811	$ -	$ -	$ 519,811
Construction in progress	557,589	660,937	1,014,461	204,065
Total capital assets not being depreciated	1,077,400	660,937	1,014,461	723,876
Capital assets being depreciated:				
Buildings	26,205,278	2,036,901	-	28,242,179
Improvements other than buildings	426,636	-	-	426,636
Furniture and equipment	6,298,809	138,744	206,090	6,231,463
Total capital assets being depreciated	32,930,723	2,175,645	206,090	34,900,278
Less accumulated depreciation for:				
Buildings	11,903,070	695,887	-	12,598,957
Improvements other than buildings	86,146	33,870	-	120,016
Furniture and equipment	5,021,181	253,597	206,090	5,068,688
Total accumulated depreciation	17,010,397	983,354	206,090	17,787,661
Total capital assets being depreciated, net	15,920,326	1,192,291	-	17,112,617
Governmental activities capital assets, net	$ 16,997,726	$ 1,853,228	$ 1,014,461	$ 17,836,493

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	$ 311,230	$ 26,953	$ -	$ 338,183
Less accumulated depreciation	150,891	24,866	-	175,757
Business-type activities capital assets, net	$ 160,339	$ 2,087	$ -	$ 162,426

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

Governmental activities:	
Instruction:	
Regular	$ 62,320
Special	28,841
Other	15,115
Support services:	
Student support	7,787
Instructional staff	10,163
Administration	15,301
Operation and maintenance of plant services	12,132
Transportation	101,938
	253,597
Unallocated depreciation	729,757
Total governmental activities depreciation expense	$ 983,354
Business-type activities:	
Enterprise operations	$ 24,866

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	$ 148,348	$ 488,702	$ 50,111	$ 586,939	$ 376,288
Compensated absences	3,493,056	778,242	932,375	3,338,923	376,181
Net OPEB liability	-	154,000	-	154,000	-
Total	$ 3,641,404	$ 1,420,944	$ 982,486	$ 4,079,862	$ 752,469

Early Retirement

The District offered an early retirement plan to all employees for the year ended June 30, 2009. Eligible employees had to be at least 55 years of age and completed a minimum of 10 years of consecutive service with the District. Employees had to complete a timely filed application to be approved by the Board of Education.

The incentive for full-time employees was up to two years of paid single health insurance. For part-time staff, the incentive was a lump sum payment of $5,000.

The early retirement incentives for prior years consisted of various different plans. Details of these plans are available upon request of District management.

At June 30, 2009, the District had obligations to 22 participants with a total liability of $586,939. Actual early retirement expenditures for the year ended June 30, 2009 totaled $50,111. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Note 7. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 494 active and 33 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Alliance Select. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	$	179,000
Interest on net OPEB obligation		9,000
Annual OPEB cost		188,000
Contributions made		34,000
Increase in net OPEB obligation		154,000
Net OPEB obligation beginning of year		-
Net OPEB obligation end of year	$	154,000

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the District contributed 34,000 to the medical plan.

Note 7. Other Postemployment Benefits (OPEB) (continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$ 188,000	18.1%	$ 154,000

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was $2,090,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $2,090,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately $24,220,684, and the ratio of the UAAL to covered payroll was 8.6%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced .5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Valuation Report as of June 30, 2008.

Projected claim costs of the medical plan are $2,122 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were $1,507,025, $1,389,897, and $1,235,622, respectively, equal to the required contributions for each year.

Note 9. Risk Management

Self-Funded Dental Insurance Plan

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

Monthly payments of service fees and plan contributions to the Fort Dodge Community School District Employee Group Dental Plan are recorded as expenditures from the General and School Nutrition funds. Under the administrative services agreement, weekly payments of service fees and claims processed are paid to Delta Dental Plan of Iowa from the Fort Dodge Community School District Employee Group Dental Plan Fund as an Internal Service Fund. The District's contributions to the fund for the year ended June 30, 2009 were $240,258.

The Internal Service Fund, Self-Funded Dental Plan reserve was $95,404 at June 30, 2009.

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

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled $1,559,569 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Construction Commitments

The District has entered into various contracts totaling $1,299,000 for various projects. As of June 30, 2009, costs of $204,065 had been incurred against the contracts. The balance of $1,094,935 remaining at June 30, 2009 will be paid as work on the project progresses.

Note 12. Subsequent Event

On July 13, 2009, the District approved a contract totaling $430,000 for tennis court renovations.

Note 13. Financial Condition

The District's Special Revenue, Physical Plant and Equipment Levy Fund, reported as a nonmajor governmental fund, had an unreserved, undesignated deficit balance of $139,590 at June 30, 2009. In addition, the nonmajor Internal Service Fund, Flex Benefit Plan had an unreserved, undesignated net assets deficit of $5,195 at June 30, 2009.

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Required Supplementary Information

FORT DODGE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds
and Proprietary Fund
Required Supplementary Information
Year Ended June 30, 2009

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	$ 20,436,603	$ 734,223	$ 21,170,826	$ 19,112,606	$ 2,058,220
Intermediate sources	25,979	-	25,979	30,000	(4,021)
State sources	22,641,130	19,789	22,660,919	22,052,047	608,872
Federal sources	2,910,717	1,087,387	3,998,104	2,673,757	1,324,347
Total revenues	46,014,429	1,841,399	47,855,828	43,868,410	3,987,418
EXPENDITURES/EXPENSES:					
Instruction	26,846,640	-	26,846,640	26,677,630	(169,010)
Support services	12,433,662	56,426	12,490,088	12,635,517	145,429
Non-instructional programs	25,049	1,696,823	1,721,872	1,755,572	33,700
Other expenditures	3,776,298	-	3,776,298	2,565,812	(1,210,486)
Total expenditures/expenses	43,081,649	1,753,249	44,834,898	43,634,531	(1,200,367)
Excess (deficiency) of revenues over (under) expenditures/ expenses	2,932,780	88,150	3,020,930	233,879	2,787,051
Other financing sources, net	20,590	-	20,590	2,500	18,090
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	2,953,370	88,150	3,041,520	236,379	2,805,141
Balance beginning of year	7,528,532	381,679	7,910,211	7,023,048	887,163
Balance end of year	$ 10,481,902	$ 469,829	$ 10,951,731	$ 7,259,427	$ 3,692,304

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2009

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

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

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

During the year ended June 30, 2009, expenditures in the instruction and other expenditures functions exceeded the amounts budgeted.

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
Required Supplementary Information
Year Ended June 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	$ -	$ 2,090,000	$ 2,090,000	0.0%	$ 24,220,684	8.6%

See note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

FORT DODGE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2009

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	$ 763,134	$ 427,879	$ 234,929	$ 1,425,942
Receivables:				
Property tax:				
Current year	11,119	-	15,146	26,265
Succeeding year	699,997	-	824,276	1,524,273
Interfund receivable	-	52,500	-	52,500
Accounts	-	3,750	-	3,750
Total assets	$ 1,474,250	$ 484,129	$ 1,074,351	$ 3,032,730
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 2,148	$ 17,735	$ 62,165	$ 82,048
Salaries and benefits payable	6,269	-	-	6,269
Interfund payable	-	111,043	327,500	438,543
Deferred revenue:				
Succeeding year property tax	699,997	-	824,276	1,524,273
Total liabilities	708,414	128,778	1,213,941	2,051,133
Fund balances:				
Unreserved:				
Undesignated	765,836	355,351	(139,590)	981,597
Total liabilities and fund balances	$ 1,474,250	$ 484,129	$ 1,074,351	$ 3,032,730

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	$ 599,643	$ -	$ 806,673	$ 1,406,316
Other	90,241	873,026	289,451	1,252,718
State sources	509	-	664	1,173
Total revenues	690,393	873,026	1,096,788	2,660,207
Expenditures:				
Current:				
Instruction	413,748	964,025	-	1,377,773
Support services:				
Instructional staff services	46,192	-	105,994	152,186
Administration services	75,100	-	13,369	88,469
Operation and maintenance of plant services	124,924	-	92,768	217,692
Transportation services	92,429	-	2,709	95,138
Other expenditures:				
Facilities acquisition	-	-	912,967	912,967
Total expenditures	752,393	964,025	1,127,807	2,844,225
Deficiency of revenues under expenditures	(62,000)	(90,999)	(31,019)	(184,018)
Other financing sources (uses):				
Interfund transfers in	-	6,351	11,110	17,461
Interfund transfers out	(19,955)	-	-	(19,955)
Total other financing sources (uses)	(19,955)	6,351	11,110	(2,494)
Net change in fund balances	(81,955)	(84,648)	(19,909)	(186,512)
Fund balances beginning of year	847,791	439,999	(119,681)	1,168,109
Fund balances end of year	$ 765,836	$ 355,351	$ (139,590)	$ 981,597

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2009

Account	Balance Beginning of Year	Revenues and Other Financing Sources	Expenditures	Balance End of Year
High School:				
Council	$ 731	$ 2,644	$ 2,850	$ 525
Activity Club	122,346	13,200	2,650	132,896
Video Club	112	20	-	132
Radio Club	(373)	-	-	(373)
Birdseye Book Club	7,139	3,551	3,065	7,625
Professional Development	2,744	-	-	2,744
Magazines	2,792	-	-	2,792
Porter Fund	574	4,905	8,245	(2,766)
Student Flowers	(136)	-	-	(136)
District-wide Start School	623	1,042	38	1,627
Community Holiday Party	2	-	-	2
Speak Camp	227	-	-	227
Bus Garage Pop Money	3,846	1,422	1,397	3,871
Activity Class of 1973 Scholarship	519	181	-	700
HS Girls Tennis Fundraiser	508	7,498	6,022	1,984
HS Cross Country Fundraiser	537	4,793	5,216	114
Computer Media	(1,197)	825	-	(372)
Dodger Diner	581	4,000	3,486	1,095
Bridges Tipp	600	-	-	600
Bridges Fundraiser	3,229	2,780	1,878	4,131
Kayla Jones Scholarship	1,000	-	-	1,000
Drama Club	12,168	1,411	6,733	6,846
Debate Club	(1,251)	6,584	11,643	(6,310)
Speech Club	6,965	4,158	6,693	4,430
Vocal Music	5,083	5,587	7,985	2,685
Band Club	20,337	19,277	18,874	20,740
Coed Cross Country	96	4,392	4,488	-
HS Boys Basketball	-	10,661	10,661	-
HS Football	-	21,273	21,273	-
HS Boys Soccer	7,500	7,181	7,108	7,573
HS Boys Baseball	1	14,622	14,622	1
HS Boys Track	-	11,613	11,613	-
HS Boys Tennis	-	4,383	4,383	-
HS Boys Golf	-	4,485	4,485	-
HS Boys Swimming	958	3,856	2,388	2,426
HS Boys Bowling	3,500	-	-	3,500
HS Wrestling	1,263	18,045	19,308	-
HS Girls Basketball	-	7,781	7,781	-
HS Volleyball	-	9,854	9,854	-
HS Girls Soccer	5,000	253	5,253	-

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2009

Account	Balance Beginning of Year	Revenues and Other Financing Sources	Expenditures	Balance End of Year
High School (continued):				
HS Girls Softball	$ -	$ 12,575	$ 12,575	$ -
HS Girls Track	-	7,993	7,993	-
HS Girls Tennis	-	2,516	2,516	-
HS Girls Golf	1,304	2,165	2,895	574
HS Girls Swimming	441	4,570	5,011	-
HS Girls Bowling	3,500	535	2,547	1,488
HS Activity	(57,683)	15,605	13,962	(56,040)
Cap and Gown	1,310	6,886	5,908	2,288
Concessions	189	-	-	189
Wrestling	2,591	14,251	18,641	(1,799)
Key Club	310	-	-	310
Girls Swim Fundraiser	2,121	1,686	1,575	2,232
Student PCCL	22,353	34,211	55,375	1,189
Senior Dinner Dance	1,110	3,086	4,014	182
Centel Pay Phone	2,380	1,900	2,686	1,594
Girls Track Fundraiser	1,675	3,463	3,771	1,367
Musical Club	153	6,479	8,653	(2,021)
VICA	854	1,381	1,517	718
French Club	1,443	-	460	983
Spanish Club	5,665	-	2,971	2,694
German Club	599	6,890	7,767	(278)
FS Club	1,138	546	664	1,020
Cheerleaders	2,139	46,312	51,465	(3,014)
Student Senate	5,990	7,876	6,682	7,184
Yearbook	3,938	37,773	43,975	(2,264)
Newspaper	3,056	8,096	9,556	1,596
SADD	109	1,086	152	1,043
Fishing Club	44	-	-	44
Klass Club	14	-	-	14
Huseman All State	12,338	4,050	5,680	10,708
Advanced Placement	3,386	-	-	3,386
FCY PCCL	4,895	13,257	13,187	4,965
DECA	991	1,211	1,846	356
National Honor Society	3,915	761	2,061	2,615
Activity Tickets	-	1,700	1,700	-
Class of 2002	223	-	-	223
Class of 2003	223	-	-	223
Class of 2004	183	-	-	183
Class of 2005	223	-	-	223

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2009

Account	Balance Beginning of Year	Revenues and Other Financing Sources	Expenditures	Balance End of Year
High School (continued):				
Junior Citizen	$ 536	$ 862	$ 994	$ 404
Orchestra Club	1,184	586	831	939
Booster Club	(26)	-	-	(26)
Art Festival	711	-	100	611
Marketing Grant	(303)	-	-	(303)
Sports Season Pass	-	1,150	1,150	-
Tournaments	1,882	77,099	69,944	9,037
Football Fundraisers	1,500	29,003	27,335	3,168
Girls Basketball Fundraisers	7,491	3,929	6,842	4,578
Boys Basketball Fundraisers	3,338	6,477	7,298	2,517
Orchestra Trip	664	698	28	1,334
Jamar Funds	711	-	-	711
Baseball Fundraisers	5,056	14,543	17,310	2,289
Volleyball Fundraisers	7,317	6,586	3,436	10,467
IMC Coper	418	-	-	418
Multi-Cultural Club	9	-	-	9
Science Club Fundraisers	681	-	-	681
Softball Fundraisers	8,098	30	10,736	(2,608)
Dodger Senate	8,553	-	-	8,553
Dodger Communication Committee	250	-	-	250
Drill Team	66	8,161	6,903	1,324
Science Club	(21)	-	-	(21)
Weight Room	190	-	-	190
English Club Donut Account	158	-	-	158
Math Prize	4,317	2,483	2,283	4,517
Art Club	101	-	-	101
Scoreboard Advertising	22,610	11,770	21,788	12,592
Boys Swim Fundraiser	2,444	922	912	2,454
Girls Soccer Fundraiser	389	4,556	1,890	3,055
Boys Soccer Fundraiser	1,969	-	120	1,849
Boys Golf Fundraiser	(412)	300	936	(1,048)
Boys Tennis Fundraiser	1,390	1,605	2,399	596
Boys Track Fundraiser	(1,973)	2,016	-	43
Freshman Academy	4,972	-	1,263	3,709
Girls Bowling Fundraiser	-	433	342	91

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2009

Account	Balance Beginning of Year	Revenues and Other Financing Sources	Expenditures	Balance End of Year
Phillips Middle School:				
Vocal Music	$ 7,406	$ 11,733	$ 13,196	$ 5,943
Instrumental	4,308	7,340	8,501	3,147
Phillips Orchestra	1,469	-	270	1,199
Boys Basketball	-	6,443	6,443	-
Football Fundraiser	12,500	16,599	7,888	21,211
Boys Track	-	3,222	3,222	-
Boys Wrestling	-	1,925	1,925	-
Girls Basketball	-	5,811	5,811	-
Girls Volleyball	-	4,091	4,091	-
Girls Track	-	3,974	3,974	-
PCCL	396	6,085	6,145	336
Activities	(17,725)	-	7,511	(25,236)
Yearbook	2,611	11,656	12,332	1,935
7th Red	(481)	3,274	2,883	(90)
7th White	878	12,324	11,252	1,950
7th Black	1,250	4,184	5,399	35
8th Red	86	8,833	7,562	1,357
8th Blue	2,119	7,519	7,236	2,402
Start School	2,084	-	-	2,084
Cross Country	-	2,127	2,127	-
Allsport Machine	8,874	10,215	15,955	3,134
Juice Machine	1,162	-	1,106	56
S Larsen	947	510	638	819
Student Planner	2,833	2,055	2,715	2,173
Wrestling Fundraiser	303	-	-	303
Participation Fees	161	-	156	5
Softball	433	818	282	969
BD Classes Income	305	-	-	305
Postive Behavior Support	-	3,816	1,285	2,531
E-Pals	-	866	671	195
Fair Oakes Middle School:				
Vocal Music	2,851	23,024	19,612	6,263
Instrumental	233	596	141	688
Activities	(2,210)	30	670	(2,850)
PCCL	3,542	2,375	2,762	3,155
Yearbook	4,921	4,115	3,395	5,641
6th Red	1,638	3,860	4,914	584
6th Blue	1,209	5,109	5,493	825

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2009

Account	Balance Beginning of Year	Revenues and Other Financing Sources	Expenditures	Balance End of Year
Fair Oakes Middle School:				
6th Gold	$ 2,510	$ 3,909	$ 5,400	$ 1,019
5th Red	1,709	7,226	7,374	1,561
5th Blue	2,078	9,054	10,013	1,119
5th Gold	653	5,749	6,823	(421)
Juice Machine	1,339	2,559	5,294	(1,396)
Pencil Sales	1,010	300	576	734
Mile of Pennies	1,929	5,102	3,709	3,322
Student Planner	6,241	2,565	8,561	245
Book Fair	185	1,768	1,797	156
Elementary:				
Butler PCCL	328	2,748	2,122	954
Butler Activity	7,539	813	5,998	2,354
Cooper PCCL	1,463	3,529	3,309	1,683
Cooper Library Club	391	-	-	391
Cooper Activities	12,916	16,299	6,493	22,722
Cooper School Shop N Share	1,137	2,283	2,993	427
Duncombe PCCL	285	1,580	1,782	83
Duncombe Reading Supplement	1,280	-	-	1,280
Feelhaver PCCL	1,250	1,377	1,742	885
Feelhaver Activities	3,983	6,871	4,698	6,156
Hillcrest PCCL	2,447	705	1,006	2,146
Hillcrest Activities	7,958	2,170	4,278	5,850
Riverside PCCL	849	853	1,316	386
Riverside School Council	3,500	-	2,058	1,442
Riverside Activities	3,834	1,981	4,643	1,172
Alternative PCCL	3,668	1,061	1,840	2,889
Total	$ 439,999	$ 879,377	$ 964,025	$ 355,351

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FIVE YEARS

	Modified Accrual Basis Years Ended June 30,				
	2009	2008	2007	2006	2005
Revenues:					
Local sources:					
Local tax	$ 17,570,913	$ 15,044,903	$ 14,605,291	$ 14,715,512	$ 13,765,849
Tuition	1,147,876	1,118,721	1,003,395	901,333	760,724
Other	1,717,814	2,051,673	2,058,468	1,828,077	1,416,896
Intermediate sources	25,979	30	39,655	2,150	-
State sources	22,641,130	21,631,978	20,250,336	18,836,062	18,249,076
Federal sources	2,910,717	2,037,000	2,015,599	1,818,330	1,953,405
Total revenues	$ 46,014,429	$ 41,884,305	$ 39,972,744	$ 38,101,464	$ 36,145,950
Expenditures:					
Instruction	$ 26,846,640	$ 25,951,527	$ 24,472,714	$ 22,472,567	$ 22,144,273
Support services:					
Student services	1,967,015	1,802,069	1,738,220	1,676,128	1,227,542
Instructional staff services	2,567,440	1,692,107	1,809,342	1,874,893	1,506,657
Administration services	3,865,335	3,730,001	3,718,929	3,455,908	2,853,328
Operation and maintenance of plant services	3,064,931	3,215,165	2,878,088	3,047,374	2,507,734
Transportation services	968,941	1,243,037	1,095,187	993,752	922,757
Non-instructional programs	25,049	13,391	25,755	24,210	50,297
Other expenditures:					
Facilities acquisition	2,216,729	1,304,281	902,477	1,232,599	1,993,757
Long-term debt:					
Principal	-	2,250,000	1,045,000	990,000	945,000
Interest and fiscal charges	-	89,943	160,488	212,495	262,620
AEA flowthrough	1,559,569	1,496,741	1,430,875	1,333,850	1,307,783
Total expenditures	$ 43,081,649	$ 42,788,262	$ 39,277,075	$ 37,313,776	$ 35,721,748

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 09	$ 204,760
National School Lunch Program	10.555	FY 09	747,596
Food Donation (non-cash)	10.555	FY 09	135,031
			1,087,387
U. S. Department of Education:			
Iowa Department of Education:			
Title 1 Cluster Programs:			
Title 1 Grants to Local Educational Agencies	84.010	2313-G-09	936,302
Title 1 Grants to Local Educational Agencies, Recovery Act	84.389	FY 09	109,704
			1,046,006
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY 09	337,411
Reading First State Grants	84.357	FY 09	226,490
Twenty-First Century Community Learning Centers	84.287	FY 09	75,000
Career and Technical Education - Basic Grants to States	84.048	FY 09	57,742
Improving Teacher Quality State Grants	84.367	FY 09	271,670
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 09	18,027
Grants for State Assessments and Related Activities	84.369	FY 09	25,279
Special Education Cluster Programs:			
Special Education - Grants to States, Recovery Act	84.391	FY 09	139,113
Prairie Lakes Area Education Agency:			
Special Education - Grants to States	84.027	FY 09	256,374
			395,487
			2,453,112
Total			$ 3,540,499

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

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

See accompanying independent auditor's report.

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Fort Dodge Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 26, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We noted no material weaknesses in internal control during the course of our audit.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about Fort Dodge Community School District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

Oskaloosa, Iowa
January 26, 2010

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

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

Compliance

We have audited the compliance of Fort Dodge Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Fort Dodge Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Fort Dodge Community School District's management. Our responsibility is to express an opinion on Fort Dodge Community School District's compliance based on our audit.

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

In our opinion, Fort Dodge Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We noted no material weaknesses in internal control over major programs during the course of our audit.

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

Oskaloosa, Iowa
January 26, 2010

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

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

(a) Unqualified opinions were issued on the financial statements.

(b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.

(c) The audit did not disclose any non-compliance which is material to the financial statements.

(d) No material weaknesses in internal control over major programs was disclosed by the audit of the financial statements.

(e) An unqualified opinion was issued on compliance with requirements applicable to each major program.

(f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

(g) Major programs were as follows:
- Clustered programs:
  - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
  - CFDA Number 84.389 – Title I Grants to Local Educational Agencies, Recovery Act
- Clustered programs:
  - CFDA Number 84.027 – Special Education Grants to States
  - CFDA Number 84.391 –Special Education Grants to States, Recovery Act
- CFDA Number 84.394 – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act

(h) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

(i) Fort Dodge Community School District qualified as a low-risk auditee.

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

II-A-09 Financial Condition – The District's Special Revenue, Student Activity Fund had several individual accounts with deficit balances as of June 30, 2009. The District's Special Revenue, Physical Plant and Equipment Levy fund had a deficit balance of $139,590 at June 30, 2009. In addition, the Internal Services, Flex Benefits Plan had a deficit net assets balance of $5,195 at June 30, 2009.

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

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

Conclusion – Response accepted.

II-B-09 Disbursements – Out of forty disbursements tested, one was not supported by an invoice or receipt prior to a check being released for payment.

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

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

Conclusion – Response accepted.

II-C-09 Capital Assets – We noted in our testing of capital assets that the District did not reconcile the year end capital asset summary to the prior year capital asset summary. The difference noted was $81,400.

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

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

Conclusion – Response accepted.

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

Significant Deficiencies (continued):

II-D-09 Student Activity Fund – We noted in our testing of the Special Revenue Fund, Student Activity transactions that at least one account has a deficit balance due to poor purchasing and inventory controls. We noted that one club had an ending supplies inventory of at least $2,862 as well as an unsupportable amount of unsold fundraising cards estimated at $363. This club had a deficit balance of $3,014 at June 30, 2009.

Recommendation – The District should make all clubs aware of deficit balance situations and establish limits on deficit spending. All remaining inventory from purchases should be properly accounted for by each club. All fundraising supplies should be strictly controlled, and the District should consider allowing fundraisers only on a presold basis.

Response – We will look at this situation and make any necessary changes.

Conclusion – Response accepted.

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Significant Deficiency:

No matters were reported.

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

Part IV: Other Findings Related to Statutory Reporting:

IV-A-09 Certified Budget – Expenditures for the year ended June 30, 2009, exceeded the amount budgeted in the instruction and other expenditures functions.

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

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

Conclusion – Response accepted.

IV-B-09 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-09 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-09 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kevin Rogers, Board Member	Officiating	$ 750
Brian Forsythe, Board Member Owner of Hiway Truck Equipment	School supplies and equipment	$12,701

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with Board Member Rogers does not appear to represent a conflict of interest since the cumulative amount was less than $2,500 for the fiscal year. However, the transactions with Board Member Forsythe appear to violate Chapter 279.7A, since the cumulative amount was more than $2,500, and Chapter 301.28 of the Code of Iowa, which prohibits a director from acting as an agent for supplies or services.

Recommendation – The District should contact legal counsel to resolve this situation.

Response – This was an oversight on our part. We will properly resolve this situation in the future. However, there is a limited number of suppliers in our area for these types of supplies.

Conclusion – Response accepted.

IV-E-09 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-09 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

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

IV-G-09 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-I-09 Certified Annual Report – The Certified Annual Report was not certified to the Iowa Department of Education in a timely manner. However, we noted no significant deficiencies in the amounts reported.

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

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

Conclusion – Response accepted.

IV-J-09 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-K-09 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	$ -
Statewide sales and services tax revenue	4,061,477
Expenditures/transfers out:	
None	-
Ending balance	$ 4,061,477