

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, 2010

TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-6
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	7-19
BASIC FINANCIAL STATEMENTS	
Exhibit	
District-Wide Financial Statements:	
A Statement of Net Assets	22-23
B Statement of Activities	24-27
Governmental Fund Financial Statements:	
C Balance Sheet	28-29
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	30
E Statement of Revenues, Expenditures and Changes in Fund Balances	31-32
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	33
Proprietary Fund Financial Statements:	
G Statement of Net Assets	34
H Statement of Revenues, Expenses and Changes in Net Assets	35
I Statement of Cash Flows	36-37
Internal Service Funds:	
J Combining Statement of Net Assets	38
K Combining Statement of Revenues, Expenses and Changes in Net Assets	39
L Combining Statement of Cash Flows	40
Fiduciary Fund Financial Statements:	
M Statement of Fiduciary Net Assets	41
N Statement of Changes in Fiduciary Net Assets	42
Notes to Financial Statements	43-57
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund	60
Notes to Required Supplementary Information – Budgetary Reporting	61
Schedule of Funding Progress for the Retiree Health Plan	62
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	64
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	65-66
3 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	67-71
4 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	72-73
5 Schedule of Expenditures of Federal Awards	74-75
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	76-77

TABLE OF CONTENTS
(continued)

	Page
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	78-79
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	80-86

FORT DODGE COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2009 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
<u>Board of Education</u>		
(After September 2009 Election)		
Stuart Cochrane	President	2013
Jerry Schnurr	Vice President	2011
Craig Jarrard	Board Member	2011
Bill Kent	Board Member	2011
Kevin Rogers	Board Member	2011
Brian Forsythe	Board Member	2013
Janice Merz	Board Member	2013
<u>School Officials</u>		
Linda J. Brock	Superintendent	2010
John W. Christensen, Jr.	District Secretary/Treasurer	2010
Rick A. Engel	Attorney	2010

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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2011 on our consideration of Fort Dodge Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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 60 through 62 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 five years ended June 30, 2009 (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 is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 as a whole.

Oskaloosa, Iowa
January 19, 2011

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, 2010. 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 2010 increased 3.90 percent to \$26.583 million. The Governmental Activities net assets increased 3.70 percent, while the business type activities net assets increased 15.25 percent. (See Table A-1) Overall revenues were \$46.031 million, and expenses were \$45.036 million.
- During fiscal year 2010 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 \$52,683. The District also spent \$1,359,247 on the Senior High School Kitchen and Music Area Renovation Project, \$494,101 on the Dodger Stadium Tennis Courts Resurfacing Project, and \$158,086 on the Central Administration Building Roof Project funded by dollars from the Capital Projects Fund. 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 \$285,000 for the Dodger Stadium Turf Replacement Project. 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 low level in market interest rates resulted in the General Fund interest income increasing slightly from \$43,718 in fiscal year 2009 to \$49,811 in fiscal year 2010. This is the first year in five years that interest earnings from the General Fund increased. Total District interest earnings were \$112,260. This low level of interest earnings is a reflection of the continuing worldwide economic downturn that began during the 2008 calendar year.
- The General Fund ending fund balance increased from \$4.650 million in fiscal year 2009 to \$4.913 million in fiscal year 2010. The net assets grew by \$.263 million, which is mostly associated with a small increase in property taxes for cash reserve.
- The self insured dental internal service fund incurred a net gain of \$4,376. The District had a balance of \$99,780 at the end of the fiscal year, which is right at 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 -\$0.206 million at the end of the 2010 fiscal year, which is down from \$1.941 million at the end of the 2009 fiscal year. This is a 110.61 percent decrease from the previous year. This is due primarily to the increase in early retirement liabilities.
- The District revenues decreased 3.90 percent in the 2010 fiscal year compared to a 9.10 percent increase in the 2009 fiscal year, while the District expenditures increased 1.27 percent in the 2010 fiscal year compared to 5.42 percent in the 2009 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, 2009, was 3,816.8. This count represents a reduction of 140 students from the prior year. There has been a net loss of 262 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 \$570,134 in fiscal year 2009 to \$238,065 in fiscal year 2010. The main reason for the reduction was the increase in special education revenues from the federal government through the ARRA Funds. See Budgetary Highlights for further information on the deficit.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

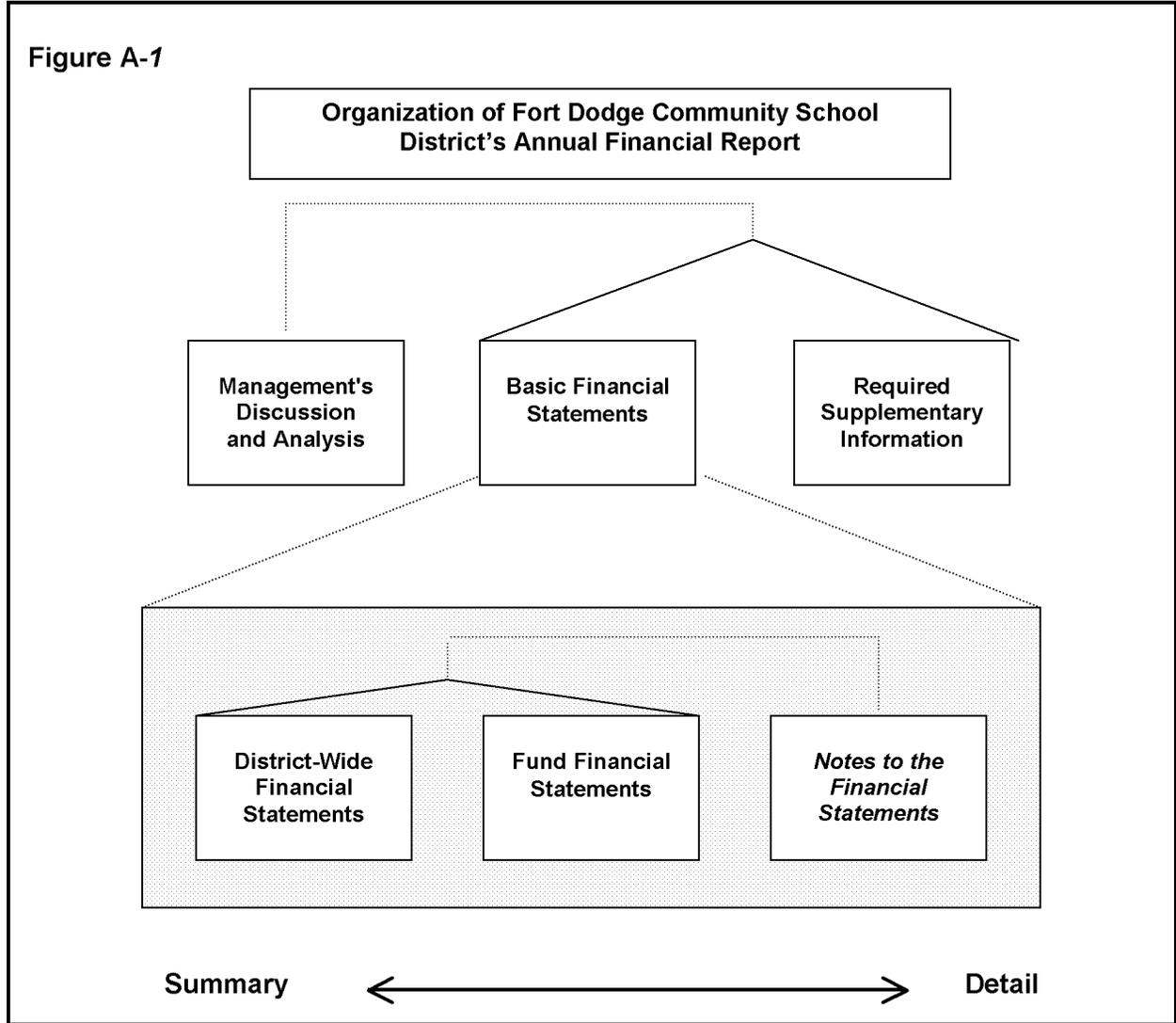


Figure A-2 on the next page summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure 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, and changes in fund net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

	Governmental		Business-type		Total		Percentage
	Activities		Activities		School District		Change
	2009	2010	2009	2010	2009	2010	2009-10%
Current and other assets	\$29,420,129	\$30,698,806	\$352,525	\$509,218	\$29,772,654	\$31,208,024	4.82%
Capital assets	\$17,836,493	\$19,370,712	\$162,426	\$156,766	\$17,998,919	\$19,527,478	8.49%
Total Assets	\$47,256,622	\$50,069,518	\$514,951	\$665,984	\$47,771,573	\$50,735,502	6.20%
Long-term debt outstanding	\$4,079,862	\$5,602,772	\$0	\$0	\$4,079,862	\$5,602,772	37.33%
Other liabilities	\$18,059,497	\$18,425,311	\$45,122	\$124,477	\$18,104,619	\$18,549,788	2.46%
Total liabilities	\$22,139,359	\$24,028,083	\$45,122	\$124,477	\$22,184,481	\$24,152,560	8.87%
Net Assets							
Invested in capital assets, net of related debt	\$17,836,493	\$19,370,712	\$162,426	\$156,766	\$17,998,919	\$19,527,478	8.49%
Restricted	\$5,646,826	\$6,876,853	\$0	\$0	\$5,646,826	\$6,876,853	21.78%
Unrestricted	\$1,633,944	-\$206,130	\$307,403	\$384,741	\$1,941,347	\$178,611	-90.80%
TOTAL NET ASSETS	\$25,117,263	\$26,041,435	\$469,829	\$541,507	\$25,587,092	\$26,582,942	3.89%

The District's combined net assets were larger on June 30, 2010, than they were the year before--increasing 3.90% to \$26.583 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 \$.924 million to \$26.041 million. The net assets of the District's business-type activities increased 15.25% to \$.542 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 \$2.536 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 \$14.432 million or 28.4% of total assets, up from 27.8% from fiscal 2009. \$7.558 million of these cash balances are needed at June 30th of each year to fund the district general fund operations in July, August, and the first half of September, when there is very little state aid or property tax revenue. \$4.970 million of cash and investments is dedicated to future capital project investments. Infrastructure SAVE 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 and construction of a new middle 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 \$14.285 million and related unearned revenue liability on the Statement of Net Assets result from this requirement. Net property and equipment (capital assets) of \$19.527 million represents 38.50% of total assets for the 2010 fiscal year compared with \$17.999 million and 37.67% of total assets for the 2009 fiscal year. It is noteworthy that almost all (99.3%) 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 92.4% from the 2009 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 37.73% of total revenue, and property tax accounts for 30.27% for the 2010 fiscal year, compared with 37.12% and 26.81%, respectively, for the 2009 fiscal year. Specific categorical grants and contributions from state, federal, and private sources account for 20.84% of revenue for the 2010 fiscal year compared with 19.19% for the 2009 fiscal year. The local option sales tax dedicated to school infrastructure totals 5.51% for 2010 compared with 8.48% for the 2009 fiscal year. The charges for services, mainly tuition and student co-curricular activities, account for 6.26% for the 2010 fiscal year compared with 6.25% for the 2009 fiscal year. (See Figure A-3).

Of the District's expenses for 2010, 62.37% are predominately related to the instruction of students, compared with 61.45% for 2009. The support services, non-instructional programs, facilities acquisition, and unallocated depreciation categories account for 37.63% for 2010 compared with 38.55% of expenses for 2009. (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.

	Governmental		Business-type		Total		Percentage
	Activities		Activities		School District		
	2009	2010	2009	2010	2009	2010	2009-10%
Revenues							
Program Revenues:							
Charges for services	2,259,665	2,184,970	731,955	700,488	\$2,991,620	\$2,885,458	-3.55%
Operating Grants & Contributions	7,793,068	8,328,936	1,107,176	1,129,067	\$8,900,244	\$9,458,003	6.27%
Capital Grants & Contributions	288,367	130,000	0	3,840	\$288,367	\$133,840	-53.59%
General Revenues:							
Property Taxes -General	12,030,541	12,561,345	0	0	\$12,030,541	\$12,561,345	4.41%
Income Surtax	682,423	537,731	0	0	\$682,423	\$537,731	-21.20%
Local Option Sales Tax	4,061,477	2,536,509	0	0	\$4,061,477	\$2,536,509	-37.55%
Property Tax - Capital Outlay	807,337	818,293	0	0	\$807,337	\$818,293	1.36%
State formula aid	17,770,730	16,675,746	0	0	\$17,770,730	\$16,675,746	-6.16%
Unrestricted Investment Earnings	84,085	100,379	2,268	2,491	\$86,353	\$102,870	19.13%
Other	257,326	321,869		0	\$257,326	\$321,869	25.08%
Total Revenues	\$46,035,019	\$44,195,778	\$1,841,399	\$1,835,886	\$47,876,418	\$46,031,664	-3.85%
Expenses							
Instruction	27,328,550	28,090,953	0	0	\$27,328,550	\$28,090,953	2.79%
Student Services	1,945,881	1,950,853	0	0	\$1,945,881	\$1,950,853	0.26%
Instructional Staff Services	2,577,602	2,462,322	0	0	\$2,577,602	\$2,462,322	-4.47%
Administrative & Business	3,944,250	3,990,588	56,426	54,438	\$4,000,676	\$4,045,026	1.11%
Maintenance & Operations	3,074,296	3,041,546	0	0	\$3,074,296	\$3,041,546	-1.07%
Transportation	1,004,210	1,037,477	0	0	\$1,004,210	\$1,037,477	3.31%
Non-Instructional Programs	25,049	35,181	1,696,823	1,709,770	\$1,721,872	\$1,744,951	1.34%
Facilities Acquisition	529,517	135,135	0	0	\$529,517	\$135,135	-74.48%
AEA Flowthrough	1,559,569	1,744,044	0	0	\$1,559,569	\$1,744,044	11.83%
Depreciation (Unallocated)	729,757	783,507	0	0	\$729,757	\$783,507	7.37%
Total Expenses	\$42,718,681	\$43,271,606	\$1,753,249	\$1,764,208	\$44,471,930	\$45,035,814	1.27%
Excess (deficiency) before							
special item	\$3,316,338	\$924,172	\$88,150	\$71,678	\$3,404,488	\$995,850	-70.75%
Special item description	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
Increase (decrease) in net assets	\$3,316,338	\$924,172	\$88,150	\$71,678	\$3,404,488	\$995,850	-70.75%

Figure A3
District Revenue
Fiscal Year 2010

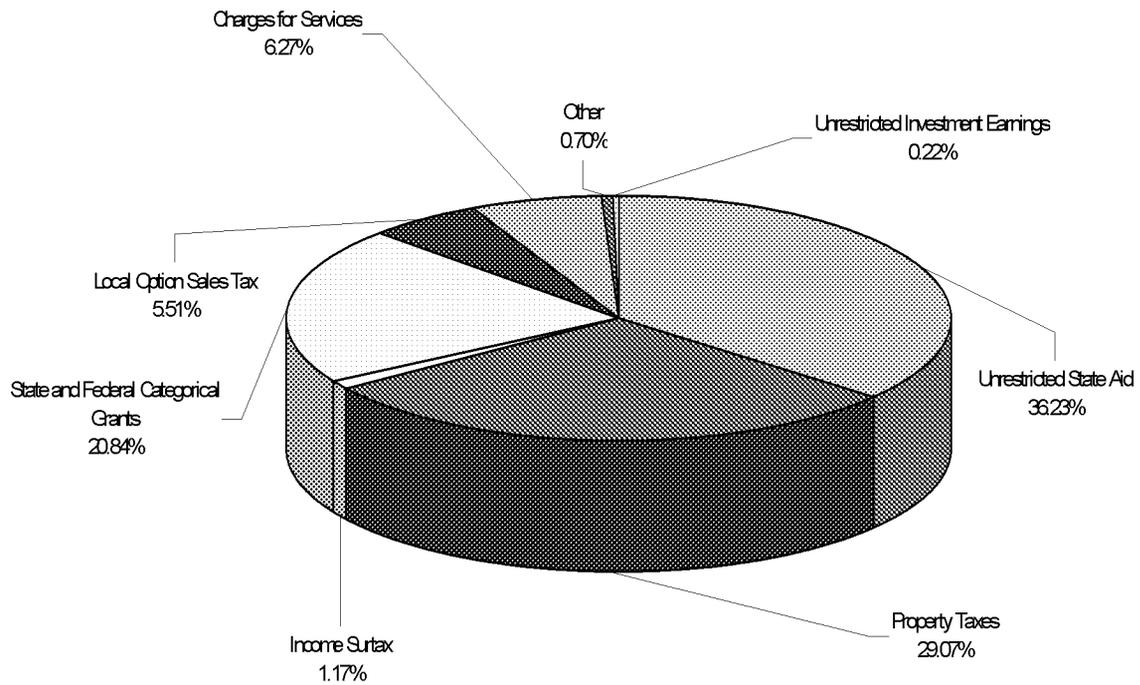
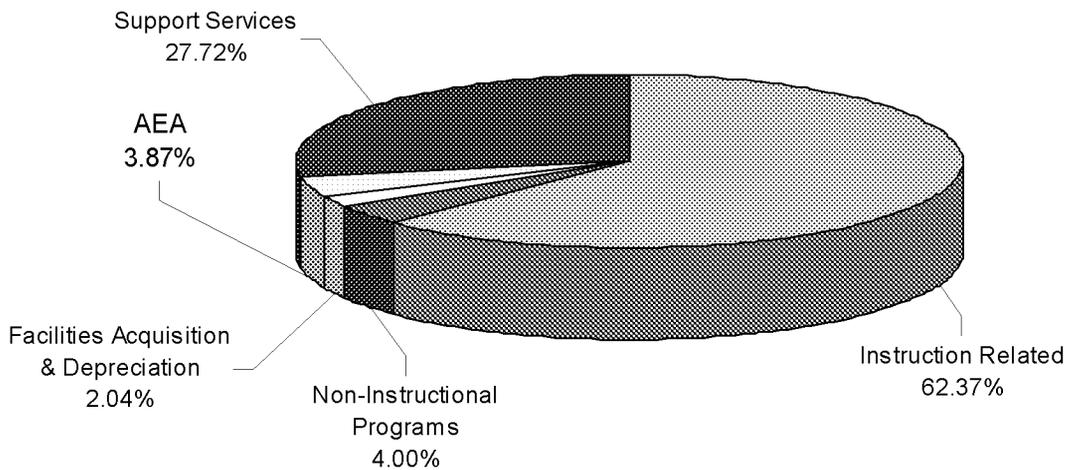


Figure A-4
District Expenses
Fiscal Year 2010



Governmental Activities

Revenues for governmental activities were \$44.195 million, while expenses amounted to \$43.271 million for 2010, compared with \$46.035 million and \$42.718 million for 2009. The District does need to watch expenses to match as

closely as possible with available revenues--the percentage increase in expenses (1.26 percent) was higher than the revenue percentage decrease (3.58 percent). The reason for this change is a decrease in sales tax revenue and the 10 percent across the board cut in state revenues. (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 & Net Cost of Governmental Activities					
	Total Cost		Percentage	Net Cost		Percentage
	of Services		Change	of Services		Change
	2009	2010	2009-10%	2009	2010	2009-10%
Instruction	27,328,550	28,090,953	2.79%	19,745,462	20,372,793	3.18%
Pupil & Instructional Svcs	4,523,483	4,413,175	-2.44%	3,746,449	3,510,462	-6.30%
Administrative & Business	3,944,250	3,990,588	1.17%	3,944,250	3,990,588	1.17%
Maintenance & Operations	3,074,296	3,041,546	-1.07%	3,074,296	2,978,354	-3.12%
Transportation	1,004,210	1,037,477	3.31%	889,195	971,815	9.29%
Other	2,843,892	2,697,867	-5.13%	977,929	803,688	-17.82%
TOTAL	\$42,718,681	\$43,271,606	1.29%	\$ 32,377,581	\$32,627,700	0.77%

- The cost of all governmental activities this year was \$43.271 million.
- Some of the cost (\$2.185 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 \$8.459 million.
- Most of the District's costs (\$32.628 million), however, were financed by District taxpayers and the taxpayers of our state.
- The net cost portion of governmental activities was financed with \$13.379 million in property taxes, \$.537 million in income surtax, \$16.675 million in unrestricted state aid, \$2.536 million in local option sales taxes, and \$.422 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 fifth time in seven years. During the 2010 fiscal year the amount of excess revenue was \$71,678 compared to \$88,150 for the 2009 fiscal year. Revenues did decrease .30% to \$1,835,886, while expenses rose .60% to \$1,764,208.
- During the 2006-2007 fiscal year the District outsourced the food service employees to Taher, Inc. We have completed the fourth year under this arrangement, and it continues to work well for the district.
- Lunch prices did not increase for the third year.
- Purchased services for the 2010 year were \$793,556 compared with \$776,318 for the 2009 year, an increase of 2.22%. This category now includes the cost of personnel, as these services are now outsourced. Supplies for the 2010 fiscal year were \$893,706 compared with the 2009 year for which they were \$904,219, a decrease of 1.16%. The decrease was due in part to the decrease in milk and bread products and a few less serving days.

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 \$11.491 million—9.62% higher than the prior year's ending fund balance of \$10.481 million. The biggest reason for the increase is that the district received some additional ARRA funds for the general fund and saved much of the sales tax revenues for future expenditures.

In 2010 the enterprise fund (School Nutrition) showed a net gain of \$71,678. This was the fifth year in a row for gains in the School Nutrition Fund. This increase was somewhat less than the previous year (\$88,150). The biggest reason for the overall reduction was the enrollment had declined, reducing the revenue from local sources (sale of lunch tickets) by \$31,467 from the 2009 fiscal year, and a slight increase in overall expenditures.

Budgetary Highlights

- The District levied \$2,001,000 for cash reserve in the 2010 fiscal year--up from \$1,650,000 in the 2009 fiscal year--this is an increase of 21.27%. 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 certified budget in a board action to bring it into compliance with state government regulations. The District did not exceed the amounts in any of the expenditures functions.

- The District's budget versus actual results was within acceptable management planning parameters given the fact that the district had to absorb a 10 percent across-the-board cut in state revenues. The final revenue variance was a negative (\$2,991,921) for the 2010 fiscal year compared with positive \$3,987,418 for the 2009 fiscal year, a decrease of \$6,979,339. The final expenditure variance was a positive \$3,344,294 for the 2010 fiscal year compared with a minus (\$1,210,486) for the 2009 fiscal year, an increase of \$4,554,780.
- The special education deficit balance decreased to \$238,065 in the 2010 fiscal year from \$570,134 in the 2009 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, a large increase in Medicaid funding, and some one time federal ARRA funds. There were decreases in the expenditures, such as salaries and benefits, and increases in other areas, such as student tuition out, but these increases were more than offset by the total increase in revenues.
- See the Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances-Budget and Actual – All Governmental Funds and Proprietary Fund in the Required Supplementary Information section.

Capital Asset and Debt Administration

Capital Assets

By the end of 2010, the District had invested \$19.527 million (net accumulated depreciation of \$18.587 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 8.5% 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 \$1.154 million.

During fiscal year 2010 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 \$52,683. The District also spent \$1,359,247 on the Senior High Kitchen and Music Area Renovation Project, \$494,101 on the Dodger Stadium Tennis Courts Resurfacing Project, and \$158,086 on the Central Administration Building Roof 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 \$285,000. 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 2010 fiscal year the District embarked on the replacement of a new middle school and also commissioned a new master plan for the Senior High School. These two projects were necessitated because of physical conditions at the two existing middle schools and needed upgrades at the Senior High School. These changes will upgrade the district's physical plant well into the 21st century for the Senior High and Middle School.

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Percentage
	2009	2010	2009	2010	2009	2010	2009-10%
Land	519,811	529,811	0	0	519,811	529,811	1.92%
Construction In Progress	204,065	0	0	0	204,065	0	-100.00%
Buildings	15,643,222	16,950,625	0	0	15,643,222	16,950,625	8.36%
Improvements other than buildings	306,620	389,039	0	0	306,620	389,039	26.88%
Equipment & Furniture	1,162,775	1,501,237	162,426	156,766	1,325,201	1,658,003	25.11%
TOTAL	\$17,836,493	\$19,370,712	\$162,426	\$156,766	\$17,998,919	\$19,527,478	8.49%

Long-Term Liabilities

At year end the District had \$5.603 million in long-term obligations outstanding—an increase of 37.33% from last year, as shown in Table A-5. (More detailed information about the District’s long-term liabilities is presented in Note 6. Note 7 to the financial statements explains Other Post Employment Benefits—OPEB—that affected the District beginning in the 2009 fiscal year.)

	Governmental Activities		Total Percentage Change
	2009	2010	2009-10%
Early Retirement & Other Compensated Absences	3,925,862	5,294,772	34.87%
Net OPEB Liabilities	154,000	308,000	100.00%
TOTAL	\$4,079,862	\$5,602,772	37.33%

- The District increased its Early Retirement and Other Compensated Absences liability \$1,368,910 during the year and increased the OPEB liability by \$154,000 for a total increase of \$1,522,910.

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 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 has 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 2010. 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 realignments in its educational delivery system to come into line with allowable growth.
- More than 80 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 had been in decline for the past three years. It has increased during the 2010 fiscal year and is projected to increase again for the 2011 fiscal year. It will then drop off because the one-time funding of Federal Funds will end. 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 6.43% 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, 2010

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 13,936,731	\$ 495,388	\$ 14,432,119
Receivables:			
Property tax:			
Current year	181,380	-	181,380
Succeeding year	14,285,727	-	14,285,727
Income surtax	680,925	-	680,925
Interfund receivable (payable)	1,954	(1,954)	-
Accounts	6,388	3,908	10,296
Due from other governments	1,603,564	-	1,603,564
Inventories	-	11,876	11,876
Prepaid expenses	2,137	-	2,137
Capital assets, net of accumulated depreciation (note 5)	19,370,712	156,766	19,527,478
Total assets	50,069,518	665,984	50,735,502
Liabilities			
Accounts payable	423,444	102,481	525,925
Salaries and benefits payable	3,142,921	-	3,142,921
Due to other governments	550,848	-	550,848
Deferred revenue:			
Succeeding year property tax	14,285,727	-	14,285,727
Other	22,371	21,996	44,367
Long-term liabilities (notes 6 and 7):			
Portion due within one year:			
Early retirement	484,376	-	484,376
Compensated absences	768,571	-	768,571
Portion due after one year:			
Early retirement	1,232,576	-	1,232,576
Compensated absences	2,809,249	-	2,809,249
Net OPEB liability	308,000	-	308,000
Total liabilities	24,028,083	124,477	24,152,560

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 19,370,712	\$ 156,766	\$ 19,527,478
Restricted for:			
Categorical funding (note 11)	868,469	-	868,469
Other special revenue purposes	343,006	-	343,006
Capital projects	5,665,378	-	5,665,378
Unrestricted	<u>(206,130)</u>	<u>384,741</u>	<u>178,611</u>
Total net assets	<u>\$ 26,041,435</u>	<u>\$ 541,507</u>	<u>\$ 26,582,942</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular instruction	\$ 16,565,946	\$ 1,187,794	\$ 3,014,428	\$ -
Special instruction	7,457,744	-	2,472,940	-
Other instruction	4,067,263	933,984	109,014	-
	<u>28,090,953</u>	<u>2,121,778</u>	<u>5,596,382</u>	<u>-</u>
Support services:				
Student services	1,950,853	-	641,755	-
Instructional staff services	2,462,322	-	260,958	-
Administration services	3,990,588	-	-	-
Operation and maintenance of plant services	3,041,546	63,192	-	-
Transportation services	1,037,477	-	65,662	-
	<u>12,482,786</u>	<u>63,192</u>	<u>968,375</u>	<u>-</u>
Non-instructional programs	<u>35,181</u>	<u>-</u>	<u>20,135</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	135,135	-	-	130,000
AEA flowthrough	1,744,044	-	1,744,044	-
Depreciation (unallocated) *	783,507	-	-	-
	<u>2,662,686</u>	<u>-</u>	<u>1,744,044</u>	<u>130,000</u>
Total governmental activities	<u>43,271,606</u>	<u>2,184,970</u>	<u>8,328,936</u>	<u>130,000</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (12,363,724)	\$ -	\$ (12,363,724)
(4,984,804)	-	(4,984,804)
(3,024,265)	-	(3,024,265)
(20,372,793)	-	(20,372,793)
(1,309,098)	-	(1,309,098)
(2,201,364)	-	(2,201,364)
(3,990,588)	-	(3,990,588)
(2,978,354)	-	(2,978,354)
(971,815)	-	(971,815)
(11,451,219)	-	(11,451,219)
(15,046)	-	(15,046)
(5,135)	-	(5,135)
-	-	-
(783,507)	-	(783,507)
(788,642)	-	(788,642)
(32,627,700)	-	(32,627,700)

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
Business-Type Activities:				
Support services:				
Food service operations	\$ 54,438	\$ -	\$ -	\$ -
Non-instructional programs:				
Food service operations	1,709,770	700,488	1,129,067	3,840
Total business-type activities	1,764,208	700,488	1,129,067	3,840
Total	\$ 45,035,814	\$ 2,885,458	\$ 9,458,003	\$ 133,840

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

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ -	\$ (54,438)	\$ (54,438)
-	123,625	123,625
-	69,187	69,187
(32,627,700)	69,187	(32,558,513)
\$ 12,561,345	\$ -	\$ 12,561,345
818,293	-	818,293
537,731	-	537,731
2,536,509	-	2,536,509
16,675,746	-	16,675,746
100,379	2,491	102,870
321,869	-	321,869
33,551,872	2,491	33,554,363
924,172	71,678	995,850
25,117,263	469,829	25,587,092
\$ 26,041,435	\$ 541,507	\$ 26,582,942

FORT DODGE COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 7,558,325	\$ 4,970,368	\$ 1,298,277	\$ 13,826,970
Receivables:				
Property tax:				
Current year	160,815	-	20,564	181,379
Succeeding year	12,192,098	-	2,093,629	14,285,727
Income surtax	680,925	-	-	680,925
Interfund receivable (note 3)	167,753	280,301	58,550	506,604
Accounts	6,387	-	-	6,387
Due from other governments	1,117,217	486,346	-	1,603,563
Prepaid expenses	2,137	-	-	2,137
	<hr/>			
Total assets	<u>\$ 21,885,657</u>	<u>\$ 5,737,015</u>	<u>\$ 3,471,020</u>	<u>\$ 31,093,692</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 324,455	\$ -	\$ 19,489	\$ 343,944
Salaries and benefits payable	3,142,921	-	-	3,142,921
Due to other governments	550,848	-	-	550,848
Interfund payable (note 3)	58,200	-	446,450	504,650
Deferred revenue:				
Succeeding year property tax	12,192,098	-	2,093,629	14,285,727
Other	703,296	71,637	-	774,933
Total liabilities	<u>16,971,818</u>	<u>71,637</u>	<u>2,559,568</u>	<u>19,603,023</u>
Fund balances:				
Reserved for:				
Categorical funding (note 11)	868,469	-	-	868,469
Prepaid expenses	2,137	-	-	2,137
Unreserved, reported in:				
General fund	4,043,233	-	-	4,043,233
Special revenue funds	-	-	911,452	911,452
Capital projects fund	-	5,665,378	-	5,665,378
Total fund balances	<u>4,913,839</u>	<u>5,665,378</u>	<u>911,452</u>	<u>11,490,669</u>
Total liabilities and fund balances	<u>\$ 21,885,657</u>	<u>\$ 5,737,015</u>	<u>\$ 3,471,020</u>	<u>\$ 31,093,692</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2010

Total fund balances of governmental funds	\$ 11,490,669
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.	19,370,712
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	680,925
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 statement of net assets under governmental activities.	101,901
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(5,602,772)</u>
Net assets of governmental activities	<u>\$ 26,041,435</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 12,502,486	\$ 2,536,509	\$ 1,511,871	\$ 16,550,866
Tuition	1,062,901	-	-	1,062,901
Other	474,297	42,935	1,022,930	1,540,162
Intermediate sources	14,810	130,000	-	144,810
State sources	20,007,894	-	1,182	20,009,076
Federal sources	4,981,956	-	-	4,981,956
Total revenues	<u>39,044,344</u>	<u>2,709,444</u>	<u>2,535,983</u>	<u>44,289,771</u>
Expenditures:				
Current:				
Instruction	25,338,705	-	1,267,628	26,606,333
Support services:				
Student services	1,933,935	-	-	1,933,935
Instructional staff services	2,352,576	-	88,398	2,440,974
Administration services	3,683,862	4,923	66,123	3,754,908
Operation and maintenance of plant services	2,758,918	-	225,380	2,984,298
Transportation services	950,032	-	730,502	1,680,534
	<u>11,679,323</u>	<u>4,923</u>	<u>1,110,403</u>	<u>12,794,649</u>
Non-instructional programs	31,340	-	3,840	35,180
Other expenditures:				
Facilities acquisition	-	1,889,690	224,711	2,114,401
AEA flowthrough	1,744,044	-	-	1,744,044
	<u>1,744,044</u>	<u>1,889,690</u>	<u>224,711</u>	<u>3,858,445</u>
Total expenditures	<u>38,793,412</u>	<u>1,894,613</u>	<u>2,606,582</u>	<u>43,294,607</u>
Excess (deficiency) of revenues over (under) expenditures	<u>250,932</u>	<u>814,831</u>	<u>(70,599)</u>	<u>995,164</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	General	Capital Projects	Nonmajor	Total
Other financing sources (uses):				
Sale of equipment	\$ 13,603	\$ -	\$ -	\$ 13,603
Interfund transfers in (note 4)	1,148	-	1,602	2,750
Interfund transfers out (note 4)	(1,602)	-	(1,148)	(2,750)
Total other financing sources (uses)	13,149	-	454	13,603
Net change in fund balances	264,081	814,831	(70,145)	1,008,767
Fund balances beginning of year	4,649,758	4,850,547	981,597	10,481,902
Fund balances end of year	\$ 4,913,839	\$ 5,665,378	\$ 911,452	\$ 11,490,669

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, 2010

Net change in fund balances - total governmental funds \$ 1,008,767

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	\$ 2,662,333	
Depreciation expense	<u>(1,128,114)</u>	1,534,219

The decrease in the Internal Service Fund balance reflects an undercharge to governmental activities for the services provided. Expenses in the statement of activities are adjusted to reflect this undercharge. (107,596)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 11,692

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	(1,130,013)	
Compensated absences	(238,897)	
Net OPEB liability	<u>(154,000)</u>	<u>(1,522,910)</u>

Change in net assets of governmental activities \$ 924,172

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2010

	<u>School Nutrition</u>	<u>Internal Service Funds</u>
Assets		
Cash and cash equivalents	\$ 495,388	\$ 109,764
Receivables:		
Accounts receivable	3,908	-
Interfund receivables (note 3)	3,840	-
Inventories	11,876	-
Capital assets, net of accumulated depreciation (note 5)	<u>156,766</u>	<u>-</u>
Total assets	<u>671,778</u>	<u>109,764</u>
Liabilities		
Accounts payable	102,481	7,863
Interfund payables (note 3)	5,794	-
Deferred revenue	<u>21,996</u>	<u>-</u>
Total liabilities	<u>130,271</u>	<u>7,863</u>
Net Assets		
Invested in capital assets	156,766	-
Unrestricted	<u>384,741</u>	<u>101,901</u>
Total net assets	<u>\$ 541,507</u>	<u>\$ 101,901</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2010

	<u>School Nutrition</u>	<u>Internal Service Funds</u>
Operating revenues:		
Local sources:		
Charges for services	\$ <u>700,488</u>	\$ <u>339,703</u>
Operating expenses:		
Support services:		
Internal service operations:		
Benefits	-	303,261
Purchased services	<u>-</u>	<u>25,525</u>
	<u>-</u>	<u>328,786</u>
Food service operations:		
Salaries	26,282	-
Benefits	11,106	-
Purchased services	3,515	-
Other	<u>13,535</u>	<u>-</u>
	<u>54,438</u>	<u>-</u>
Non-instructional programs:		
Food service operations:		
Purchased services	790,041	-
Supplies	893,706	-
Depreciation	<u>26,023</u>	<u>-</u>
	<u>1,709,770</u>	<u>-</u>
Total operating expenses	<u>1,764,208</u>	<u>328,786</u>
Operating income (loss)	<u>(1,063,720)</u>	<u>10,917</u>
Non-operating revenues:		
Interest on investments	2,491	775
Compensation for loss of capital assets	3,840	-
State sources	17,088	-
Federal sources	<u>1,111,979</u>	<u>-</u>
Total non-operating revenues	<u>1,135,398</u>	<u>775</u>
Change in net assets	71,678	11,692
Net assets beginning of year	<u>469,829</u>	<u>90,209</u>
Net assets end of year	<u>\$ 541,507</u>	<u>\$ 101,901</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2010

	School Nutrition	Internal Service Funds
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 705,552	\$ -
Cash received from miscellaneous operating activities	3,266	339,703
Cash payments to employees for services	(31,594)	-
Cash payments to suppliers for goods or services	<u>(1,521,547)</u>	<u>(345,127)</u>
Net cash used by operating activities	<u>(844,323)</u>	<u>(5,424)</u>
Cash flows from non-capital financing activities:		
State grants received	17,088	-
Federal grants received	<u>998,958</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>1,016,046</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(20,363)	-
Compensation for loss of capital assets	<u>3,840</u>	<u>-</u>
	<u>(16,523)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>2,491</u>	<u>775</u>
Net increase (decrease) in cash and cash equivalents	157,691	(4,649)
Cash and cash equivalents beginning of year	<u>337,697</u>	<u>114,413</u>
Cash and cash equivalents end of year	<u>\$ 495,388</u>	<u>\$ 109,764</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2010

	<u>School Nutrition</u>	<u>Internal Service Funds</u>
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating income (loss)	\$ (1,063,720)	\$ 10,917
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation	26,023	-
Commodities used	113,021	-
(Increase) decrease in accounts receivable	3,026	-
(Increase) in interfund receivables	(3,840)	-
(Increase) in inventories	(3,982)	-
Increase (decrease) in accounts payable	70,211	(16,341)
Increase in salaries and interfund payables	5,794	-
Increase in deferred revenue	<u>9,144</u>	<u>-</u>
Net cash used by operating activities	<u>\$ (844,323)</u>	<u>\$ (5,424)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$113,021 of federal commodities.

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2010

	<u>Self-funded Dental Plan</u>	<u>Flex Benefit Plan</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ <u>107,643</u>	\$ <u>2,121</u>	\$ <u>109,764</u>
Liabilities			
Accounts payable	<u>7,863</u>	-	<u>7,863</u>
Net Assets			
Unrestricted	\$ <u><u>99,780</u></u>	\$ <u><u>2,121</u></u>	\$ <u><u>101,901</u></u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2010

	Self-funded Dental Plan	Flex Benefit Plan	Total
Operating revenues:			
Local sources:			
Insurance contributions	\$ 255,374	\$ -	\$ 255,374
Flex contributions	-	84,329	84,329
Total operating revenues	255,374	84,329	339,703
Operating expenses:			
Non-instructional programs:			
Premium/administration	251,594	-	251,594
Flex benefits	-	77,192	77,192
Total operating expenses	251,594	77,192	328,786
Operating income	3,780	7,137	10,917
Non-operating revenues:			
Interest	596	179	775
Change in net assets	4,376	7,316	11,692
Net assets beginning of year	95,404	(5,195)	90,209
Net assets end of year	\$ 99,780	\$ 2,121	\$ 101,901

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2010

	Self-funded Dental Plan	Flex Benefit Plan	Total
Cash flows from operating activities:			
Cash received from contributions	\$ 255,374	\$ -	\$ 255,374
Cash received from miscellaneous operating activities	-	84,329	84,329
Cash payments for claims	(236,410)	-	(236,410)
Cash payments for services	(25,525)	(83,192)	(108,717)
Net cash provided by (used by) operating activities	<u>(6,561)</u>	<u>1,137</u>	<u>(5,424)</u>
Cash flows from investing activities:			
Interest on investments	<u>596</u>	<u>179</u>	<u>775</u>
Net increase (decrease) in cash and cash equivalents	(5,965)	1,316	(4,649)
Cash and cash equivalents beginning of year	<u>113,608</u>	<u>805</u>	<u>114,413</u>
Cash and cash equivalents end of year	<u>\$ 107,643</u>	<u>\$ 2,121</u>	<u>\$ 109,764</u>
Reconciliation of operating income to net cash provided by (used by) operating activities:			
Operating income	\$ 3,780	\$ 7,137	\$ 10,917
Adjustments to reconcile operating income to net cash provided by (used by) operating activities:			
(Decrease) in accounts payable	<u>(10,341)</u>	<u>(6,000)</u>	<u>(16,341)</u>
Net cash provided by (used by) operating activities	<u>\$ (6,561)</u>	<u>\$ 1,137</u>	<u>\$ (5,424)</u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2010

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>328,426</u>
Liabilities:	
None	<u>-</u>
Net Assets:	
Reserved for scholarships	\$ <u><u>328,426</u></u>

See notes to financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2010

		<u>Private Purpose Trust</u>
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 19,386	
Interest	<u>8,615</u>	
Total additions		<u>28,001</u>
Deductions:		
Support services:		
Scholarships awarded		<u>19,337</u>
Change in net assets		8,664
Net assets beginning of year		<u>319,762</u>
Net assets end of year	\$	<u><u>328,426</u></u>
See notes to financial statements.		

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

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, 2010, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. These amounts have been eliminated from the District-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.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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
Intangibles	100,000
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.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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, 2010. 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, 2010 consists of \$6,876,853.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 2. Cash and Pooled Investments (continued)

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>5,777</u>

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:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General	Enterprise, School Nutrition	\$ 5,794
	Special Revenue, Student Activity	160,811
	Special Revenue, Management	1,148
Special Revenue, Student Activity	General	58,200
	Special Revenue, Management	350
Capital Projects	Special Revenue, Physical Plant and Equipment Levy	280,301
Enterprise, School Nutrition	Special Revenue, Management	<u>3,840</u>
Total		<u>\$ 510,444</u>

The balances between the General, Student Activity, and School Nutrition Funds 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.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 3. Interfund Receivables/Payables (continued)

In addition to the above noted receivables/payables, the District approved and repaid \$250,000 and \$175,000 in short-term financing loans from the General Fund and the Capital Projects Fund, respectively, to the Special Revenue, Physical Plant and Equipment Levy Fund.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue, Student Activity	General	\$ 1,602
General	Special Revenue, Management	<u>1,148</u>
Total		<u>\$ 2,750</u>

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

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 519,811	\$ 10,000	\$ -	\$ 529,811
Construction in progress	204,065	1,563,109	1,767,174	-
Total capital assets not being depreciated	<u>723,876</u>	<u>1,573,109</u>	<u>1,767,174</u>	<u>529,811</u>
Capital assets being depreciated:				
Buildings	28,242,179	2,064,118	-	30,306,297
Improvements other than buildings	426,636	109,211	-	535,847
Furniture and equipment	6,231,463	683,069	530,800	6,383,732
Total capital assets being depreciated	<u>34,900,278</u>	<u>2,856,398</u>	<u>530,800</u>	<u>37,225,876</u>
Less accumulated depreciation for:				
Buildings	12,598,957	756,715	-	13,355,672
Improvements other than buildings	120,016	26,792	-	146,808
Furniture and equipment	5,068,688	344,607	530,800	4,882,495
Total accumulated depreciation	<u>17,787,661</u>	<u>1,128,114</u>	<u>530,800</u>	<u>18,384,975</u>
Total capital assets being depreciated, net	<u>17,112,617</u>	<u>1,728,284</u>	<u>-</u>	<u>18,840,901</u>
Governmental activities capital assets, net	<u>\$ 17,836,493</u>	<u>\$ 3,301,393</u>	<u>\$ 1,767,174</u>	<u>\$ 19,370,712</u>
Business-type activities:				
Furniture and equipment	\$ 338,183	\$ 20,363	\$ -	\$ 358,546
Less accumulated depreciation	175,757	26,023	-	201,780
Business-type activities capital assets, net	<u>\$ 162,426</u>	<u>\$ (5,660)</u>	<u>\$ -</u>	<u>\$ 156,766</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 5. Capital Assets (continued)

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

Governmental activities:

Instruction:

Regular	\$ 136,158
Special	61,281
Other	35,264

Support services:

Student support	16,915
Instructional staff	21,349
Administration	32,841
Operation and maintenance of plant services	26,101
Transportation	14,698

344,607

Unallocated depreciation

783,507

Total governmental activities depreciation expense

\$ 1,128,114

Business-type activities:

Food service operations	\$ <u><u>26,023</u></u>
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FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 586,939	\$ 1,577,964	\$ 447,951	\$ 1,716,952	\$ 484,376
Compensated absences	3,338,923	886,927	648,030	3,577,820	768,571
Net OPEB liability	154,000	154,000	-	308,000	-
Total	<u>\$ 4,079,862</u>	<u>\$ 2,618,891</u>	<u>\$ 1,095,981</u>	<u>\$ 5,602,772</u>	<u>\$ 1,252,947</u>

Early Retirement

The District offered a voluntary early retirement plan to all employees for the year ended June 30, 2010.

Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to five years continued participation on the District's health insurance plan at the current single rate fixed at the time of retirement, or the monetary equivalent. Early retirement benefits will be paid beginning in July following the start of retirement.

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, 2010, the District had obligations to 65 participants with a total liability of \$1,716,952. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$447,951. 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 prospectively 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.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

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, 2010, 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
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	188,000
Contributions made	<u>34,000</u>
Increase in net OPEB obligation	154,000
Net OPEB obligation beginning of year	<u>154,000</u>
Net OPEB obligation end of year	<u><u>\$ 308,000</u></u>

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, 2010.

For the year ended June 30, 2010, the District contributed \$34,000 to the medical plan.

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, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 188,000	18.1%	\$ 308,000

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$2,090,000 actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,090,000 covered payroll (annual payroll of active employees covered by the plan) was approximately \$23,638,991, and the ratio of the UAAL to covered payroll was 8.8%. As of June 30, 2010, there were no trust fund assets.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

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, 2007 and applying the termination factors used in the IPERS Actuarial Valuation Report as of June 30, 2007.

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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$1,560,072, \$1,507,025, and \$1,389,897, respectively, equal to the required contributions for each year.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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, 2010 were \$255,374.

The Internal Service Fund, Self-Funded Dental Plan reserve was \$99,780 at June 30, 2010.

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 \$1,744,044 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 11. Categorical Funding

The District's fund balance reserved for categorical funding at June 30, 2010 is comprised of the following programs:

Program	Amount
Returning dropouts and dropout prevention	318,482
Salary improvement program	201,386
Professional development for model core curriculum	111,890
Voluntary preschool	93,587
Professional development	61,216
Market factor incentives	38,393
Talented and gifted	29,067
Teacher development academy	\$ <u>14,448</u>
Total	\$ <u><u>868,469</u></u>

Note 12. Contingent Liability

The District entered into a real estate contract on April 4, 2010, for the purchase of sixty acres of land at \$25,000/acre. The District committed \$10,000 in earnest money, with the final balance contingent upon a survey of the parcel purchased to determine the actual acreage within the parcel.

Note 13. Subsequent Events

On September 13, 2010, the District entered into a construction contract totaling \$795,750 for an addition to Butler Elementary School.

Note 14. Financial Condition

The District's Governmental Activities had an unrestricted net assets deficit of \$206,130 at June 30, 2010. In addition, the District's Special Revenue, Physical Plant and Equipment Levy Fund, reported as a nonmajor governmental fund, had an unreserved, undesignated deficit balance of \$214,668 at June 30, 2010.

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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, 2010

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds - Actual	Fund - Actual		Original	Final	
REVENUES:						
Local sources	\$ 19,153,929	\$ 706,819	\$ 19,860,748	\$ 21,866,894	\$ 21,866,894	\$ (2,006,146)
Intermediate sources	144,810	-	144,810	15,000	15,000	129,810
State sources	20,009,076	17,088	20,026,164	24,326,065	24,326,065	(4,299,901)
Federal sources	4,981,956	1,111,979	6,093,935	2,909,619	2,909,619	3,184,316
Total revenues	44,289,771	1,835,886	46,125,657	49,117,578	49,117,578	(2,991,921)
EXPENDITURES/EXPENSES:						
Instruction	26,606,333	-	26,606,333	27,146,187	27,146,187	539,854
Support services	12,794,649	54,438	12,849,087	12,675,906	13,243,650	394,563
Non-instructional programs	35,180	1,709,770	1,744,950	1,754,520	1,822,973	78,023
Other expenditures	3,858,445	-	3,858,445	3,771,631	6,190,299	2,331,854
Total expenditures/expenses	43,294,607	1,764,208	45,058,815	45,348,244	48,403,109	3,344,294
Excess (deficiency) of revenues over (under) expenditures/ expenses	995,164	71,678	1,066,842	3,769,334	714,469	352,373
Other financing sources, net	13,603	-	13,603	2,500	2,500	11,103
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	1,008,767	71,678	1,080,445	3,771,834	716,969	363,476
Balance beginning of year	10,481,902	469,829	10,951,731	9,803,064	9,803,064	1,148,667
Balance end of year	<u>\$ 11,490,669</u>	<u>\$ 541,507</u>	<u>\$ 12,032,176</u>	<u>\$ 13,574,898</u>	<u>\$ 10,520,033</u>	<u>\$ 1,512,143</u>

See accompanying independent auditor's report.

FORT DODGE COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2010

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$3,054,865.

During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2010

Year Ended June 30,	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)
2009	July 1, 2008	\$ -	\$ 2,090	\$ 2,090	0.0%	\$ 24,221	8.6%
2010	July 1, 2008	-	2,090	2,090	0.0%	23,639	8.8%

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, 2010

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Assets				
Cash and pooled investments	\$ 779,037	\$ 458,749	\$ 60,491	\$ 1,298,277
Receivables:				
Property tax:				
Current year	9,415	-	11,149	20,564
Succeeding year	1,250,004	-	843,625	2,093,629
Interfund receivable	-	58,550	-	58,550
Total assets	\$ 2,038,456	\$ 517,299	\$ 915,265	\$ 3,471,020
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 13,482	\$ 6,007	\$ 19,489
Interfund payable	5,338	160,811	280,301	446,450
Deferred revenue:				
Succeeding year property tax	1,250,004	-	843,625	2,093,629
Total liabilities	1,255,342	174,293	1,129,933	2,559,568
Fund balances:				
Unreserved:				
Undesignated	783,114	343,006	(214,668)	911,452
Total fund balances	783,114	343,006	(214,668)	911,452
Total liabilities and fund balances	\$ 2,038,456	\$ 517,299	\$ 915,265	\$ 3,471,020

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, 2010

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 694,208	\$ -	\$ 817,663	\$ 1,511,871
Other	61,812	848,509	112,609	1,022,930
State sources	552	-	630	1,182
Total revenues	<u>756,572</u>	<u>848,509</u>	<u>930,902</u>	<u>2,535,983</u>
Expenditures:				
Current:				
Instruction	405,172	862,456	-	1,267,628
Support services:				
Instructional staff services	41,221	-	47,177	88,398
Administration services	59,798	-	6,325	66,123
Operation and maintenance of plant services	140,427	-	84,953	225,380
Transportation services	87,688	-	642,814	730,502
Non instructional programs	3,840	-	-	3,840
Other expenditures:				
Facilities acquisition	-	-	224,711	224,711
Total expenditures	<u>738,146</u>	<u>862,456</u>	<u>1,005,980</u>	<u>2,606,582</u>
Excess (deficiency) of revenues over (under) expenditures	18,426	(13,947)	(75,078)	(70,599)
Other financing sources (uses):				
Interfund transfers in	-	1,602	-	1,602
Interfund transfers out	(1,148)	-	-	(1,148)
Total other financing sources (uses)	<u>(1,148)</u>	<u>1,602</u>	<u>-</u>	<u>454</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Net change in fund balances	\$ 17,278	\$ (12,345)	\$ (75,078)	\$ (70,145)
Fund balances beginning of year	765,836	355,351	(139,590)	981,597
Fund balances end of year	\$ 783,114	\$ 343,006	\$ (214,668)	\$ 911,452

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, 2010

Account	Balance Beginning of Year	Revenues and other Financing Sources	Expenditures	Balance End of Year
High School:				
Council	\$ 525	\$ 2,464	\$ 2,671	\$ 318
Activity Club	132,896	8,405	6,875	134,426
Video Club	132	-	-	132
Radio Club	(373)	373	-	-
Birdseye Book Club	7,625	5,929	6,809	6,745
Professional Development	2,744	-	-	2,744
Magazines	2,792	-	-	2,792
Porter Fund	(2,766)	5,584	6,390	(3,572)
Student Flowers	(136)	883	556	191
District-wide Start School	1,627	1,488	-	3,115
Community Holiday Party	2	-	-	2
Speak Camp	227	-	70	157
Bus Garage Pop Money	3,871	1,190	1,286	3,775
Activity Class of 1973 Scholarship	700	-	700	-
HS Girls Tennis Fundraiser	1,984	6,408	4,994	3,398
HS Cross Country Fundraiser	114	3,987	3,315	786
Computer Media	(372)	301	-	(71)
Dodger Diner	1,095	2,156	1,853	1,398
Bridges Tipp	600	-	367	233
Bridges Fundraiser	4,131	1,764	1,954	3,941
Kayla Jones Scholarship	1,000	-	-	1,000
Drama Club	6,846	1,196	977	7,065
Debate Club	(6,310)	794	4,406	(9,922)
Speech Club	4,430	-	2,448	1,982
Vocal Music	2,685	1,501	1,158	3,028
Band Club	20,740	18,083	11,963	26,860
Coed Cross Country	-	2,447	2,447	-
HS Boys Basketball	-	8,002	8,002	-
HS Football	-	23,708	23,708	-
HS Boys Soccer	7,573	2,547	5,120	5,000
HS Boys Baseball	1	21,524	21,524	1
HS Boys Track	-	15,395	11,237	4,158
HS Boys Tennis	-	3,107	3,107	-
HS Boys Golf	-	4,138	4,138	-
HS Boys Swimming	2,426	2,135	3,061	1,500
HS Boys Bowling	3,500	1,583	3,398	1,685
HS Wrestling	-	13,748	13,748	-
HS Girls Basketball	-	8,694	8,694	-
HS Volleyball	-	12,947	12,947	-

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2010

Account	Balance Beginning of Year	Revenues and other Financing Sources	Expenditures	Balance End of Year
High School (continued):				
HS Girls Soccer	-	6,800	4,393	2,407
HS Girls Softball	\$ -	\$ 13,279	\$ 13,279	\$ -
HS Girls Track	-	17,044	12,886	4,158
HS Girls Tennis	-	3,416	3,416	-
HS Girls Golf	574	2,899	3,473	-
HS Girls Swimming	-	3,962	3,962	-
HS Girls Bowling	1,488	1,930	3,033	385
HS Activity	(56,040)	7,609	-	(48,431)
Cap and Gown	2,288	5,495	4,403	3,380
Concessions	189	-	-	189
Wrestling	(1,799)	11,185	18,247	(8,861)
Key Club	310	-	310	-
Girls Swim Fundraiser	2,232	2,303	3,751	784
Student PCCL	1,189	34,309	30,078	5,420
Senior Dinner Dance	182	2,380	2,118	444
Centel Pay Phone	1,594	2,909	5,679	(1,176)
Girls Track Fundraiser	1,367	6,674	2,243	5,798
Musical Club	(2,021)	9,784	6,670	1,093
VICA	718	487	600	605
French Club	983	-	457	526
Spanish Club	2,694	765	586	2,873
German Club	(278)	1,967	1,010	679
FS Club	1,020	505	1,525	-
Cheerleaders	(3,014)	71,729	63,613	5,102
Student Senate	7,184	1,399	8,583	-
Yearbook	(2,264)	34,762	38,120	(5,622)
Newspaper	1,596	6,872	6,719	1,749
SADD	1,043	-	-	1,043
Fishing Club	44	-	44	-
Klass Club	14	-	14	-
Huseman All State	10,708	50	7,413	3,345
Advanced Placement	3,386	-	-	3,386
FCY PCCL	4,965	13,447	10,993	7,419
DECA	356	3,466	2,759	1,063
Activity Tickets	-	-	-	-
Class of 2002	223	-	-	223

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2010

Account	Balance Beginning of Year	Revenues and other Financing Sources	Expenditures	Balance End of Year
High School (continued):				
Class of 2003	223	-	-	223
Class of 2004	183	-	-	183
Class of 2005	223	-	-	223
Junior Citizen	\$ 404	\$ 997	\$ 1,112	\$ 289
Orchestra Club	939	-	939	-
Art Festival	611	-	-	611
Marketing Grant	(303)	303	-	-
Sports Season Pass	-	-	-	-
Tournaments	9,037	74,950	68,802	15,185
Football Fundraisers	3,168	30,011	27,277	5,902
Girls Basketball Fundraisers	4,578	8,519	10,133	2,964
Boys Basketball Fundraisers	2,517	4,776	7,236	57
Orchestra Trip	1,334	2,545	1,552	2,327
Jamar Funds	711	-	-	711
Baseball Fundraisers	2,289	21,455	22,253	1,491
Volleyball Fundraisers	10,467	7,861	6,425	11,903
IMC Coper	418	-	418	-
Multi-Cultural Club	9	-	9	-
Science Club Fundraisers	681	-	-	681
Softball Fundraisers	(2,608)	19,890	12,648	4,634
Dodger Senate	8,553	6,182	-	14,735
Dodger Communication Committee	250	-	250	-
Drill Team	1,324	3,046	3,205	1,165
Science Club	(21)	21	-	-
Weight Room	190	-	56	134
English Club Donut Account	158	-	-	158
Math Prize	4,517	868	1,285	4,100
Art Club	101	1,006	-	1,107
Scoreboard Advertising	12,592	12,484	17,694	7,382
Boys Swim Fundraiser	2,454	1,577	1,590	2,441
Girls Soccer Fundraiser	3,055	2,178	2,635	2,598
Boys Soccer Fundraiser	1,849	-	643	1,206
Boys Golf Fundraiser	(1,048)	380	502	(1,170)

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2010

Account	Balance Beginning of Year	Revenues and other Financing Sources	Expenditures	Balance End of Year
Boys Soccer Fundraiser	1,849	-	643	1,206
Boys Golf Fundraiser	(1,048)	380	502	(1,170)
Boys Tennis Fundraiser	596	1,025	1,531	90
Boys Track Fundraiser	43	-	256	(213)
Freshman Academy	3,709	-	1,281	2,428
Girls Bowling Fundraiser	91	20	-	111
Boys Bowling Fundraiser	-	20	-	20
Phillips Middle School:				
Vocal Music	\$ 5,943	\$ 6,856	\$ 8,323	\$ 4,476
Instrumental	3,147	4,391	4,192	3,346
Phillips Orchestra	1,199	100	-	1,299
Boys Basketball	-	7,754	7,754	-
Football Fundraiser	21,211	2,920	9,964	14,167
Boys Track	-	3,652	3,652	-
Boys Wrestling	-	1,095	1,095	-
Girls Basketball	-	2,865	2,865	-
Girls Volleyball	-	2,233	2,033	200
Girls Track	-	4,378	2,789	1,589
PCCL	336	4,123	4,378	81
Activities	(25,236)	-	2,027	(27,263)
Yearbook	1,935	9,325	12,160	(900)
7th Red	(90)	6,322	5,224	1,008
7th White	1,950	12,156	14,212	(106)
7th Black	35	11,223	8,718	2,540
8th Red	1,357	8,381	7,500	2,238
8th Blue	2,402	9,839	8,560	3,681
Start School	2,084	-	-	2,084
Cross Country	-	2,036	2,036	-
Allsport Machine	3,134	7,547	11,355	(674)
Juice Machine	56	-	-	56
S Larsen	819	2,815	2,204	1,430
Student Planner	2,173	539	2,817	(105)
Wrestling Fundraiser	303	625	-	928
Participation Fees	5	-	-	5
Softball	969	-	316	653
BD Classes Income	305	-	187	118
Postive Behavior Support	2,531	4,709	3,485	3,755
E-Pals	195	-	-	195

FORT DODGE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2010

Account	Balance Beginning of Year	Revenues and other Financing Sources	Expenditures	Balance End of Year
Fair Oakes Middle School:				
Vocal Music	\$ 6,263	\$ 178	\$ 2,826	\$ 3,615
Instrumental	688	602	141	1,149
Activities	(2,850)	1,035	1,000	(2,815)
PCCL	3,155	1,449	3,811	793
Yearbook	5,641	3,405	3,065	5,981
6th Red	584	5,536	4,994	1,126
6th Blue	825	6,716	6,993	548
6th Gold	1,019	4,330	4,374	975
5th Red	1,561	5,633	6,424	770
5th Blue	1,119	4,673	5,708	84
5th Gold	(421)	6,646	6,021	204
Juice Machine	(1,396)	2,717	1,136	185
Pencil Sales	734	-	-	734
Mile of Pennies	3,322	2,143	3,421	2,044
Student Planner	245	1,500	425	1,320
Book Fair	156	1,701	1,655	202
Elementary:				
Butler PCCL	954	1,851	2,541	264
Butler Activity	2,354	1,005	597	2,762
Cooper PCCL	1,683	2,414	3,610	487
Cooper Library Club	391	-	-	391
Cooper Activities	22,722	3,329	9,265	16,786
Cooper School Shop N Share	427	562	800	189
Duncombe PCCL	83	1,992	2,008	67
Duncombe Reading Supplement	1,280	-	850	430
Feelhaver PCCL	885	1,983	1,502	1,366
Feelhaver Activities	6,156	7,407	9,408	4,155
Hillcrest PCCL	2,146	631	1,108	1,669
Hillcrest Activities	5,850	1,585	5,123	2,312
Riverside PCCL	386	883	1,465	(196)
Riverside School Council	1,442	-	303	1,139
Riverside Activities	1,172	2,383	2,495	1,060
Alternative PCCL	2,889	1,786	2,083	2,592
Total	\$ 355,351	\$ 850,111	\$ 862,456	\$ 343,006

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 SIX YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2010	2009	2008	2007
Revenues:				
Local sources:				
Local tax	\$ 16,550,866	\$ 17,570,913	\$ 15,044,903	\$ 14,605,291
Tuition	1,062,901	1,147,876	1,118,721	1,003,395
Other	1,540,162	1,717,814	2,051,673	2,058,468
Intermediate sources	144,810	25,979	30	39,655
State sources	20,009,076	22,641,130	21,631,978	20,250,336
Federal sources	4,981,956	2,910,717	2,037,000	2,015,599
Total revenues	\$ 44,289,771	\$ 46,014,429	\$ 41,884,305	\$ 39,972,744
Expenditures:				
Instruction	\$ 26,606,333	\$ 26,846,640	\$ 25,951,527	\$ 24,472,714
Support services:				
Student services	1,933,935	1,967,015	1,802,069	1,738,220
Instructional staff services	2,440,974	2,567,440	1,692,107	1,809,342
Administration services	3,754,908	3,865,335	3,730,001	3,718,929
Operation and maintenance				
of plant services	2,984,298	3,064,931	3,215,165	2,878,088
Transportation services	1,680,534	968,941	1,243,037	1,095,187
Non-instructional programs	35,180	25,049	13,391	25,755
Other expenditures:				
Facilities acquisition	2,114,401	2,216,729	1,304,281	902,477
Long-term debt:				
Principal	-	-	2,250,000	1,045,000
Interest and fiscal charges	-	-	89,943	160,488
AEA flowthrough	1,744,044	1,559,569	1,496,741	1,430,875
Total expenditures	\$ 43,294,607	\$ 43,081,649	\$ 42,788,262	\$ 39,277,075

See accompanying independent auditor's report.

<u>2006</u>	<u>2005</u>
\$ 14,715,512	\$ 13,765,849
901,333	760,724
1,828,077	1,416,896
2,150	-
18,836,062	18,249,076
<u>1,818,330</u>	<u>1,953,405</u>
<u>\$ 38,101,464</u>	<u>\$ 36,145,950</u>
\$ 22,472,567	\$ 22,144,273
1,676,128	1,227,542
1,874,893	1,506,657
3,455,908	2,853,328
3,047,374	2,507,734
993,752	922,757
24,210	50,297
1,232,599	1,993,757
990,000	945,000
212,495	262,620
<u>1,333,850</u>	<u>1,307,783</u>
<u>\$ 37,313,776</u>	<u>\$ 35,721,748</u>

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 10	\$ 200,674
National School Lunch Program	10.555	FY 10	769,708
National School Lunch Program (non-cash)	10.555	FY 10	113,021
Summer Food Service Program	10.559	FY 10	28,576
			<u>1,111,979</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	2313-G-10	1,017,730
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	219,408
			<u>1,237,138</u>
Career and Technical Education - Basic Grants to States	84.048	FY 09	3,516
Career and Technical Education - Basic Grants to States	84.048	FY 10	59,987
			<u>63,503</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 09	2,000
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 10	18,135
			<u>20,135</u>
Twenty-First Century Community Learning Centers	84.287	FY 10	75,000
Advanced Placement	84.330	FY 10	392
Reading First State Grants	84.357	FY 10	11,710
Improving Teacher Quality State Grants	84.367	FY 10	272,542
Grants for State Assessments and Related Activities	84.369	FY 10	24,759
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 10	1,825,877

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect (continued):			
U. S. Department of Education (continued):			
Prairie Lakes Area Education Agency:			
Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY 10	\$ 556,454
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 10	<u>254,381</u>
			<u>810,835</u>
 Total			 <u>\$ 5,453,870</u>

Basis of Presentation –

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

See accompanying independent auditor's report.

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

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

We have audited the 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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 19, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fort Dodge Community School District's internal control over financial reporting 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. No material weaknesses in internal controls over financial reporting were noted.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10, II-B-10, and II-C-10 to be significant deficiencies.

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, 2010 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 19, 2011

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, 2010. Fort Dodge Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Fort Dodge Community School District's management. Our responsibility is to express an opinion on Fort Dodge Community School District's compliance based on our audit.

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

In our opinion, Fort Dodge Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. No material weaknesses in internal controls over compliance with major programs were noted.

Fort Dodge Community School District's responses to the 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.

Oskaloosa, Iowa
January 19, 2011

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund – Education State Grants, Recovery Act
 - Clustered programs:
 - CFDA Number 84.027 – Special Education – Grants to States
 - CFDA Number 84.391 – ARRA – Special Education – Grants to States, 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, 2010

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

II-A-10 Financial Condition – The District’s governmental activities had an unrestricted net assets deficit of \$206,130 at June 30, 2010. The District’s Special Revenue, Student Activity Fund had several individual accounts with deficit balances as of June 30, 2010. The District’s Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund had a deficit balance of \$214,668 at June 30, 2010. We noted several expenditures from the PPEL Fund for snow removal, facilities rent, and maintenance that are not allowable from this fund per Chapter 298.3 of the Code of Iowa.

Recommendation – The District should continue to monitor these situations and investigate alternatives to eliminate the deficits. Only allowable expenditures should be paid from the PPEL Fund. The General Fund should reimburse the PPEL Fund \$49,670.75 for the unallowable expenditures during fiscal year 2010.

Response – We are working on this at this time and will review disbursement approval methods for the Student Activity accounts. We will make sure that future PPEL Fund expenditures are for allowable purposes and we will determine the feasibility of a transfer of \$49,670.75 from the General Fund to the PPEL Fund.

Conclusion – Response accepted.

II-B-10 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 \$99,000 for the current year, with a net difference of \$18,000 over the last two years.

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

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

Conclusion – Response accepted.

II-C-10 Student Activity Fund – We noted in our testing of Special Revenue, Student Activity Fund fundraising activities that one club did not prepare a fundraiser reconciliation. In our recalculations, the net profit margin was 8.5%. Three boxes of candy valued at \$179 to the District were reported by students as stolen. If properly accounted for, these lost sales would have increased the net profit margin to 32.6%.

Recommendation – Due to the amount of cash transactions and level of trust involved in accounting for Student Activity receipts, special attention should be given by District management and sponsors to educate all students and personnel as to the proper way to handle and account for fundraising activities. Strict controls should be adopted by the District as to fundraiser accounting requirements, inventory control, and responsibility for shortages. The District should consider a probationary period for clubs that do not properly handle and account for fundraising activities.

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

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

Significant Deficiencies (continued):

II-C-10 Student Activity Fund (continued)

Response – We are currently working on these situations and are developing a set of controls of student activities that we feel would relieve any situations such as described above.

Conclusion – Response accepted.

II-D-10 Employee Remuneration – We noted in our testing of payroll transactions that one employee was overpaid by \$1,016 in comparison to the employee’s contract.

Recommendation – The District should develop controls to test contract payments to insure that all employees are paid the approved amount. The District should seek reimbursement from the employee of the amount overpaid.

Response – We will be more careful with payroll calculations in the future and we will seek reimbursement from the employee.

Conclusion – Response accepted.

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

No matters were reported.

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-10 Certified Budget – Expenditures for the year ended June 30, 2010, did not exceed the amounts budgeted.
- IV-B-10 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-10 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-10 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jerry Schnurr, Board Vice President Owner of Schnurr, Fitzgerald and Kersten	Legal services	\$765
Kevin Rogers, Board Member	Officiating	\$208
Brian Forsythe, Board Member Owner of Hiway Truck Equipment	School supplies and equipment	\$3,600

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with Board Members Schnurr and Rogers do 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. Also, the transactions with Vice President Schnurr and with Board Member Forsythe appear to violate 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 these situations.

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

Conclusion – Response accepted.

- IV-E-10 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-10 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, 2010

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

IV-G-10 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education for October 1, 2009 was overstated by 9 students. The District’s certified enrollment count was overstated due to the inclusion of 9 students who did not attend school in fiscal year 2010.

Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

IV-H-10 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 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-J-10 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-K-10 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

FORT DODGE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

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

IV-L-10 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, 2010, the District's financial activity and other required information for the statewide sales and services tax revenue are as follows:

Beginning balance		\$	4,061,477
Statewide sales and services tax revenue			2,536,509
Expenditures/transfers out:			
School infrastructure:			
Land	\$	(10,000)	
Buildings		(813,397)	
Other improvements		<u>(109,211)</u>	<u>932,608</u>
Ending balance		\$	<u><u>5,665,378</u></u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation		Property Tax Dollars
Debt service levy	\$ 2.57100	\$	2,012,147
Physical plant and equipment levy	0.67000		524,362