

**CITY OF FORT DODGE, IOWA**

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

**YEAR ENDED JUNE 30, 2011**

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## City of Fort Dodge, Iowa

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Matt Bemrich	Mayor	Dec 2013
David Flattery	Mayor Pro Tem	Dec 2011
Barney Patterson	Council Member	Dec 2013
Andy Fritz	Council Member	Dec 2013
Curt Olson	Council Member	Dec 2011
Don Wilson	Council Member	Dec 2011
Margy Halverson-Collins	Council Member	Dec 2011
Kelly Hindman	Council Member	Dec 2011
David Fierke	City Manager	Indefinite
Barb Barrick	City Clerk	Resigned (Nov 2010)
Dawn Siebken	Deputy City Clerk	Indefinite
Michelle Hefley	Treasurer	Indefinite
	Acting City Clerk	Jul 2011
Maurice Breen	City Attorney	Passed Away (March 2011)
Mark Crimmins	Acting City Attorney	Indefinite

# Cornwell, Frideres, Maher & Associates, P.L.C.

## Certified Public Accountants

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### Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fort Dodge, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Fort Dodge's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements of the W.H. Johnston Foundation have not been audited, and we were not engaged to audit the W.H. Johnston Foundations' financial statements as part of our audit of the City's basic financial statements. W.H. Johnston Foundations' financial activities are included in the City's basic financial statements as a discretely presented component unit and represent 63.0 percent, 63.0 percent, 57.5 percent and 47.1 percent of the assets, net assets, revenues and expenditures, respectively, of the City's aggregate discretely presented component units, prepared on the modified accrual basis of accounting.

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

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the W.H. Johnston Foundation's financial statements been audited, the financial statements of the discretely presented component units, other than the Airport Authority, present fairly, in all material respects, the assets, liabilities, and net assets of the modified cash discretely presented component units for the City of Fort Dodge, Iowa, as of June 30, 2011, and

their receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the discretely presented Airport Authority component unit, each major fund, and the aggregate remaining fund information of the City of Fort Dodge at June 30, 2011, 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 reports dated March 19, 2011, on our consideration of the City of Fort Dodge's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 67 through 71 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fort Dodge's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Information presented on Schedule 11 is also presented as required by the Federal Aviation Administration of the U.S. Department of Transportation to implement sections 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Cornwell, Frideres, Maher & Assoc., P.L.C.*

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

March 19, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Fort Dodge's Annual Financial Report offers a narrative overview and analysis of the financial activities of the City of Fort Dodge for the fiscal year ended June 30, 2011.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Fort Dodge exceeded its liabilities by \$74,884,243 at June 30, 2011.
- The City issued 4.5 million in general corporate purpose and refunding bonds to pay the costs of the cross-town connector project, trails project, IBP cleanup, airport projects, community and economic development, purchase of park equipment, and various other projects.
- The City had several ongoing construction projects during the fiscal year including, Wraywood Drive improvements, business 20 corridors improvements, and the trails project.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

*Other Supplementary Information* provides detailed information about the non-major governmental funds. In addition, the Schedule of Expenditures of Federal Awards, Schedule

of Expenditures of State Awards, Schedule of Passenger Facility Charges Collected and Expended provide details of various federal and state programs benefiting the City.

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

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

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

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

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

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

**Statement of Net Assets  
City of Fort Dodge  
June 30, 2011**

**Governmental Activities**

	<b>FY2011</b>	<b>FY2010</b>	<b>Increase (Decrease)</b>
<b>Current Assets</b>	\$ 27,957,159	\$ 27,391,956	\$ 565,203
<b>Restricted Assets</b>	\$ 17,008	\$ 17,438	\$ (430)
<b>Capital Assets</b>	<u>\$ 59,150,726</u>	<u>\$ 55,638,583</u>	<u>\$ 3,512,143</u>
<b>Total Assets</b>	\$ 87,124,893	\$ 83,047,977	\$ 4,076,916
<b>Current Liabilities</b>	\$ 15,171,962	\$ 13,797,791	\$ 1,374,171
<b>Long Term Liabilities</b>	<u>\$ 34,538,901</u>	<u>\$ 32,942,459</u>	<u>\$ 1,596,442</u>
<b>Total Liabilities</b>	\$ 49,710,863	\$ 46,740,250	\$ 2,970,613
<b>Net Assets:</b>			
<b>Invested in Capital Assets</b>			
<b>Net of related debt</b>	\$ 26,038,726	\$ 24,128,083	\$ 1,910,643
<b>Restricted</b>	\$ 14,241,810	\$ 1,775,776	\$ 12,466,034
<b>Unrestricted</b>	<u>\$ (2,866,506)</u>	<u>\$ 10,403,868</u>	<u>\$ (13,270,374)</u>
<b>Total Net Assets</b>	<u>\$ 37,414,030</u>	<u>\$ 36,307,727</u>	<u>\$ 1,106,303</u>

**Business Type Activities**

	<b>FY2011</b>	<b>FY2010</b>	<b>Increase (Decrease)</b>
<b>Current Assets</b>	\$ 10,665,580	\$ 12,995,849	\$ (2,330,269)
<b>Restricted Assets</b>	\$ 1,485,428	\$ 1,489,578	\$ (4,150)
<b>Capital Assets</b>	<u>\$ 71,227,595</u>	<u>\$ 69,356,813</u>	<u>\$ 1,870,782</u>
<b>Total Assets</b>	\$ 83,378,603	\$ 83,842,240	\$ (463,637)
<b>Current Liabilities</b>	\$ 1,252,721	\$ 1,899,055	\$ (646,334)
<b>Long Term Liabilities</b>	<u>\$ 44,655,669</u>	<u>\$ 46,860,854</u>	<u>\$ (2,205,185)</u>
<b>Total Liabilities</b>	\$ 45,908,390	\$ 48,759,909	\$ (2,851,519)
<b>Net Assets:</b>			
<b>Invested in Capital Assets</b>			
<b>Net of related debt</b>	\$ 30,264,595	\$ 22,774,542	\$ 7,490,053
<b>Restricted</b>	\$ 458,524	\$ -	\$ 458,524
<b>Unrestricted</b>	<u>\$ 6,747,094</u>	<u>\$ 12,307,789</u>	<u>\$ ( 5,560,695)</u>
<b>Total Net Assets</b>	<u>\$ 37,470,213</u>	<u>\$ 35,082,331</u>	<u>\$ 2,387,882</u>

	<b>Total Net Assets</b>		<b>Increase</b>
	<b>FY2011</b>	<b>FY2010</b>	<b>(Decrease)</b>
<b>Current Assets</b>	\$ 38,622,739	\$ 40,387,805	\$ (1,756,066)
<b>Restricted Assets</b>	\$ 1,502,436	\$ 1,507,016	\$ (4,580)
<b>Capital Assets</b>	<u>\$ 130,378,321</u>	<u>\$ 124,995,396</u>	<u>\$ 5,382,925</u>
<b>Total Assets</b>	\$ 170,503,496	\$ 166,890,217	\$ 3,613,279
<b>Current Liabilities</b>	\$ 16,424,683	\$ 15,696,846	\$ 727,837
<b>Long Term Liabilities</b>	<u>\$ 79,194,570</u>	<u>\$ 79,803,313</u>	<u>\$ (608,743)</u>
<b>Total Liabilities</b>	\$ 95,619,253	\$ 95,500,159	\$ 119,094
<b>Net Assets:</b>			
<b>Invested in Capital Assets</b>			
<b>Net of related debt</b>	\$ 56,303,321	\$ 46,902,625	\$ 9,400,696
<b>Restricted</b>	\$ 14,700,334	\$ 1,775,776	\$ 12,924,558
<b>Unrestricted</b>	<u>\$ 3,880,588</u>	<u>\$ 22,711,657</u>	<u>\$ (18,831,069)</u>
<b>Total Net Assets</b>	<u>\$ 74,884,243</u>	<u>\$ 71,390,058</u>	<u>\$ 3,494,185</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Fort Dodge, assets exceeded liabilities by \$74,884,243 at the close of the most recent fiscal year.

The largest portion of the City's net assets is in capital assets (i.e.: land, buildings, machinery, equipment and infrastructure) less depreciation and related debt of \$56,303,321. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Prior year comparison shows \$46,902,625, an increase of \$9,400,696.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or legislation on how they can be used. The City has restricted net assets of \$14,700,334, an increase of \$12,924,558 from the prior year.

The remaining balance, unrestricted net assets of \$3,880,588, may be used to meet the government's ongoing obligations to citizens and creditors without constraints established by debt covenants, legislation, or other legal requirements. Prior year comparison shows \$22,711,657, a decrease of \$18,831,069.

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

**Statement of Activities  
City of Fort Dodge  
June 30, 2011**

**Governmental Activities**

	<b>FY2011</b>	<b>FY2010</b>	<b>Increase (Decrease)</b>
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for service	1,554,669	1,203,282	351,387
Operating grants, contributions	3,233,308	2,994,008	239,300
Capital grants, contributions	1,765,922	2,497,535	(731,613)
<b>General Revenues:</b>			
Property tax	12,211,474	11,186,401	1,025,073
Other taxes	3,322,906	2,599,581	723,325
Interfund Transfers	1,057,158	(2,534,531)	3,591,689
Other	<u>2,562,823</u>	<u>3,445,835</u>	<u>(883,012)</u>
<b>Total Revenues</b>	<b>25,708,260</b>	<b>21,392,111</b>	<b>4,316,149</b>
<b>Program Expenses:</b>			
Public Safety	7,136,298	6,533,282	603,016
Public Works	4,850,030	6,176,856	(1,326,826)
Health and Social Services	360,046	323,897	36,149
Culture and Recreation	4,187,477	3,768,121	419,356
Comm & Econ Development	4,537,862	3,868,090	669,772
General Government	1,405,508	1,340,900	64,608
Debt Service	1,157,578	841,715	315,863
Capital Projects	<u>967,158</u>	<u>-</u>	<u>967,158</u>
<b>Total Expenses</b>	<b>24,601,957</b>	<b>22,852,861</b>	<b>1,749,096</b>
<b>Increase (decrease) in net assets</b>	<b>1,106,303</b>	<b>(1,460,750)</b>	<b>2,567,053</b>
<b>Net assets at beginning of year</b>	<b>36,307,727</b>	<b>37,768,477</b>	<b>(2,267,289)</b>
<b>Net assets at end of year</b>	<b>37,414,030</b>	<b>36,307,727</b>	<b>299,764</b>

Revenues for governmental funds were \$4,316,149 more in the current fiscal year as compared to the prior fiscal year.

**Statement of Activities  
City of Fort Dodge  
June 30, 2011**

**Business Type Activities**

	<b>FY2011</b>	<b>FY2010</b>	<b>Increase (Decrease)</b>
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for service	13,584,351	13,073,881	510,470
Operating grants, contributions	-	-	-
Capital grants, contributions	-	47,594	(47,594)
<b>General Revenues:</b>			
Interfund Transfers	(1,169,766)	2,290,248	(3,460,014)
Other	<u>547,409</u>	<u>37,512</u>	<u>509,897</u>
<b>Total Revenues</b>	<b>12,961,994</b>	<b>15,449,235</b>	<b>(2,487,241)</b>
 <b>Program Expenses:</b>			
Water	3,739,338	3,427,381	311,957
Sewer	5,379,460	4,689,622	689,838
Storm water utility	-	77,920	(77,920)
Other non-major business type activities	<u>1,455,314</u>	<u>1,331,423</u>	<u>123,891</u>
<b>Total Expenses</b>	<b>10,574,112</b>	<b>9,526,346</b>	<b>1,047,766</b>
 <b>Increase in net assets</b>	 <b>2,387,882</b>	 <b>5,922,889</b>	 <b>(3,535,007)</b>
 <b>Net assets at beginning of year</b>	 <b>35,082,331</b>	 <b>29,159,442</b>	 <b>8,187,555</b>
 <b>Net assets at end of year</b>	 <b>37,470,213</b>	 <b>35,082,331</b>	 <b>4,652,548</b>

Revenues for business type activities decreased by \$2,487,241 or 16.1% less than the previous fiscal year due. Charges for services increased \$510,470 or 3.9%, the result of a rate increase in both the water and sewer funds. Interfund transfers decreased as a result of general obligation bond proceeds being used for enterprise activities in fiscal year 2010.

Expenses increased \$1,047,766 from the prior year as a result of increased operational expenses.

**Statement of Activities  
City of Fort Dodge  
June 30, 2011**

**Total Government and Business Type Activities**

<b>Operating grants, contributions</b>	3,233,308	2,994,008	239,300
<b>Capital grants, contributions</b>	1,765,922	2,545,129	(779,207)
<b>General Revenues:</b>			
<b>Property tax</b>	12,211,474	11,186,401	1,025,073
<b>Other taxes</b>	3,322,906	2,599,581	723,325
<b>Interfund Transfers</b>	(112,608)	(244,283)	131,675
<b>Other</b>	<u>3,110,232</u>	<u>3,483,347</u>	<u>(373,115)</u>
<b>Total Revenues</b>	38,670,254	36,841,346	1,828,908
<b>Program Expenses:</b>			
<b>Public Safety</b>	7,136,298	6,533,282	603,016
<b>Public Works</b>	4,850,030	6,176,856	(1,326,826)
<b>Health and Social Services</b>	360,046	323,897	36,149
<b>Culture and Recreation</b>	4,187,477	3,768,121	419,356
<b>Comm &amp; Econ Development</b>	4,537,862	3,868,090	669,772
<b>General Government</b>	1,405,508	1,340,900	64,608
<b>Debt Service</b>	1,157,578	841,715	315,863
<b>Capital Projects</b>	967,158	-	967,158
<b>Water</b>	3,739,338	3,427,381	311,957
<b>Sewer</b>	5,379,460	4,689,622	689,838
<b>Storm water utility</b>	-	77,920	77,920
<b>Other non-major business type activities</b>	<u>1,455,314</u>	<u>1,331,423</u>	<u>123,891</u>
<b>Total Expenses</b>	35,176,069	32,379,207	2,952,702
<b>Increase in net assets</b>	3,494,185	4,462,139	(1,123,794)
<b>Net assets at beginning of year</b>	71,390,058	66,927,919	5,920,266
<b>Net assets at end of year</b>	74,884,243	71,390,058	4,796,472

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

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

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$12,851,043 a decrease of \$838,446 from the prior year. Of this total amount \$193,252, is in unreserved fund balance.

The General Fund is the primary operating fund of the City. At the end of the fiscal year, unreserved fund balance of the general fund was \$1,821,023 a decrease of \$326,681. This decrease was due to interest rate drops and increased gas prices, while maintaining services. The total general fund balance was \$1,899,880. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 20.1% of total general fund expenditures (\$9,056,943), while total fund balance represents 20.9% of that same amount.

The Local Option Sales Tax Fund increased \$1,281,104 as monies are committed for infrastructure projects that are not yet completed.

The Tax Increment Financing Fund maintained their negative balance. This deficit will be eliminated upon receipt of property taxes in future years.

The Urban Renewal Fund increased \$1,117,626 due repayment of interfund loans and sale of property.

The Debt Service Fund ended the year with a fund balance of \$939,534 a decrease of \$126,690 from the prior year.

The Construction Fund ended the year with a fund balance of \$520,857, a decrease of \$2,186,036. The decrease is due to expenditures related to several construction projects, some of which will be reimbursed by the Local Option Sales Tax Fund.

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

The Water fund, which accounts for the operation and maintenance of the City's water system, ended the current fiscal year with an increase in net assets of \$340,985, compared to an increase of \$17,325 increase from the previous fiscal year. This increase is due to increased water rates.

The Sewer fund, which accounts for the operation and maintenance of the City's wastewater system, ended the current year with an increase in net assets of \$1,009,045, compared to an increase of \$2,494,682 in the previous fiscal year. There were some additional maintenance expenses in this fiscal year.

## **BUDGETARY HIGHLIGHTS**

During the current fiscal year, the City of Fort Dodge amended the budget once to account for increased expenditures in operating, grant programs, capital equipment and construction projects. Actual expenses in the public safety, health and social services, community and economic development and debt service programs exceeded the amounts budgeted. We were without a city clerk for most of the fiscal year ended June 30, 2011 and we are confident that with a full time city clerk now hired, the budget will be monitored more closely.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets, including land, buildings and improvements, equipment and infrastructure represent the value of resources used to provide services to citizens. At fiscal year end, the City's investment in capital assets for governmental and business type activities (net of depreciation) totaled \$59,150,726 and \$71,227,595 respectively, for a combined total of \$130,378,321. See Note 3 to the financial statements for additional information regarding the City's capital assets.

### **Long-term Debt**

At June 30, 2011, the City of Fort Dodge had \$31,112,000 of long-term debt outstanding in its governmental activities, compared to \$31,510,510 at June 30, 2010. This decrease of \$398,510 is attributable to the both the issuance and repayment of debt. During the year, the City of Fort Dodge issued \$4,515,000 in General Obligation bonds for various capital projects. The City decreased its rating from Aa1 to Aa3 from Moody's Investor Services. The City's statutory debt limit, which is limited to 5% of the assessed valuation, was \$49,352,743 of which the City has utilized 67%. The Golf Course Revenue Note (\$342,000) is not repayable from taxes and therefore not included in the statutory debt calculation.

Total long-term debt for business type activities was \$40,963,000 a decrease of \$2,249,271 from the previous fiscal year attributable to repayment of debt.

## **ECONOMIC FACTORS**

For the upcoming fiscal year ending June 30, 2012, the City's taxable property valuation increased by \$17,499,660 or 2.9%. The tax levy rate will increase from \$18.44 in FY11 to \$19.93 in FY12, an increase of 8.08%. City officials would prefer to keep the tax levy rate flat in future years.

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

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

## **Basic Financial Statements**

City of Fort Dodge, Iowa  
Statement of Net Assets  
June 30, 2011

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 14,402,746	7,559,115	21,961,861
Receivables:			
Property tax:			
Delinquent	146,757	-	146,757
Succeeding year	12,561,218	-	12,561,218
Customer accounts	5,314	2,377,660	2,382,974
Accounts	174,397	-	174,397
Accrued interest	24,502	-	24,502
Due from other governments	525,938	406,416	932,354
Inventories	23,578	-	23,578
Prepaid expenses	51,935	24,369	76,304
Restricted assets:			
Cash and pooled investments	17,008	1,485,428	1,502,436
Capital assets (net of accumulated depreciation)	59,150,726	71,227,595	130,378,321
Bond issuance costs	40,774	298,020	338,794
<b>Total assets</b>	<u>87,124,893</u>	<u>83,378,603</u>	<u>170,503,496</u>
<b>Liabilities</b>			
Accounts payable	1,717,320	966,873	2,684,193
Salaries payable	468,142	94,675	562,817
Benefits payable	79,525	12,967	92,492
Interest payable	95,254	101,048	196,302
Deferred revenue:			
Succeeding year property tax	12,561,218	-	12,561,218
Other	250,503	6,075	256,578
Liabilities payable from restricted assets:			
Customer deposits	-	71,083	71,083

Exhibit A

Component Units		
<u>Airport Authority</u>	<u>Other (Modified Cash)</u>	<u>Total</u>
75,110	4,021,522	4,096,632
1,978	-	1,978
182,690	-	182,690
-	-	-
24,352	-	24,352
-	-	-
81,851	-	81,851
-	-	-
-	-	-
6,177,389	129,425	6,306,814
-	-	-
<u>6,543,370</u>	<u>4,150,947</u>	<u>10,694,317</u>
-	-	-
11,626	-	11,626
1,589	143	1,732
-	-	-
182,690	-	182,690
-	-	-
-	-	-

(continued)

City of Fort Dodge, Iowa  
Statement of Net Assets  
June 30, 2011

	Primary Government		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	
<b>Liabilities (continued)</b>			
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds/notes	2,825,000	-	2,825,000
Revenue bonds/notes payable	355,500	2,237,000	2,592,500
Interim financing	-	3,370,000	3,370,000
Compensated absences	755,140	250,176	1,005,316
Early retirement	33,849	2,189	36,038
Portion due or payable after one year:			
General obligation bonds/notes	26,170,000	-	26,170,000
Revenue bonds/notes payable	3,761,500	38,726,000	42,487,500
Bond premium	91,962	-	91,962
Compensated absences	262,333	-	262,333
Net OPEB liability	238,665	70,304	308,969
Early retirement	44,952	-	44,952
<b>Total liabilities</b>	<u>49,710,863</u>	<u>45,908,390</u>	<u>95,619,253</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	26,038,726	30,264,595	56,303,321
Restricted for:			
Nonexpendable:			
Parks Trust	25,000		25,000
Expendable:			
Debt service	1,165,725	-	1,165,725
Street improvements and repairs	3,312,031	-	3,312,031
Urban renewal	3,213,506	-	3,213,506
Major repairs and construction	520,857	-	520,857
Revenue note retirement	1,414,345	-	1,414,345
Water improvements	-	256,899	256,899
Sewer improvements	-	201,625	201,625
Other purposes	4,590,346	-	4,590,346
Unrestricted	(2,866,506)	6,747,094	3,880,588
<b>Total net assets</b>	<u>\$ 37,414,030</u>	<u>\$ 37,470,213</u>	<u>\$ 74,884,243</u>

See notes to financial statements.

Component Units		
<u>Airport Authority</u>	<u>Other (Modified Cash)</u>	<u>Total</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
38,431	-	38,431
9,251	-	9,251
-	-	-
<u>243,587</u>	<u>143</u>	<u>243,730</u>
6,177,389	129,425	6,306,814
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	683,243	683,243
122,394	3,338,136	3,460,530
<u>6,299,783</u>	<u>4,150,804</u>	<u>10,450,587</u>

City of Fort Dodge, Iowa  
Statement of Activities  
Year ended June 30, 2011

		Program Revenues		
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 7,136,298	331,922	137,063	404,614
Public works	4,850,030	35,270	2,557,119	1,405
Health and social services	360,046	-	273,439	-
Culture and recreation	4,187,477	1,071,896	185,995	144,546
Community and economic development	4,537,862	31,745	-	1,140,357
General government	1,405,508	83,836	15,043	-
Interest on long-term debt	1,157,578	-	-	-
Capital projects	967,158	-	64,649	75,000
Total governmental activities	24,601,957	1,554,669	3,233,308	1,765,922
Business type activities:				
Water	3,739,338	4,604,826	-	-
Sewer	5,379,460	6,642,070	-	-
Other non-major	1,455,314	2,337,455	-	-
Total business type activities	10,574,112	13,584,351	-	-
<b>Total primary government</b>	<b>\$ 35,176,069</b>	<b>15,139,020</b>	<b>3,233,308</b>	<b>1,765,922</b>
<b>Component Units:</b>				
Airport Authority	\$ 1,009,112	-	-	417,570
Other (modified cash)	301,093	6,277	201,225	-
<b>Total component units</b>	<b>\$ 1,310,205</b>	<b>6,277</b>	<b>201,225</b>	<b>417,570</b>
<b>General Revenues:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business Type Activities	Total	
(6,262,699)	-	(6,262,699)	-
(2,256,236)	-	(2,256,236)	-
(86,607)	-	(86,607)	-
(2,785,040)	-	(2,785,040)	-
(3,365,760)	-	(3,365,760)	-
(1,306,629)	-	(1,306,629)	-
(1,157,578)	-	(1,157,578)	-
(827,509)	-	(827,509)	-
<u>(18,048,058)</u>	<u>-</u>	<u>(18,048,058)</u>	<u>-</u>
-	865,488	865,488	-
-	1,262,610	1,262,610	-
-	882,141	882,141	-
-	3,010,239	3,010,239	-
<u>(18,048,058)</u>	<u>3,010,239</u>	<u>(15,037,819)</u>	<u>-</u>
-	-	-	(591,542)
-	-	-	<u>(93,591)</u>
-	-	-	<u>(685,133)</u>
8,514,363	-	8,514,363	179,231
2,639,586	-	2,639,586	-
1,057,525	-	1,057,525	-
3,322,906	-	3,322,906	-
344,014	26,572	370,586	559,070
2,218,809	520,837	2,739,646	358,984
1,057,158	(1,169,766)	(112,608)	112,608
<u>19,154,361</u>	<u>(622,357)</u>	<u>18,532,004</u>	<u>1,209,893</u>
1,106,303	2,387,882	3,494,185	524,760
<u>36,307,727</u>	<u>35,082,331</u>	<u>71,390,058</u>	<u>9,925,827</u>
<u>\$ 37,414,030</u>	<u>37,470,213</u>	<u>74,884,243</u>	<u>10,450,587</u>

City of Fort Dodge, Iowa  
Balance Sheet  
Governmental Funds  
June 30, 2011

Assets	<u>General</u>	Special Revenue		
		<u>Local Option Sales Tax</u>	<u>Tax Increment Financing</u>	<u>Urban Renewal</u>
Cash and pooled investments	\$ 1,897,034	2,558,586	1,655,329	362,817
Receivables:				
Property tax:				
Delinquent	73,379	-	7,486	-
Succeeding year	5,345,236	-	1,152,174	-
Accounts	169,040	-	-	-
Accrued interest	24,296	12	-	-
Due from other funds	227,441	-	-	2,850,689
Due from other governments	260,562	50,791	-	-
Inventories	23,578	-	-	-
Prepaid insurance	39,337	-	-	-
Prepaid expenses	15,942	-	-	-
	<u>\$ 8,075,845</u>	<u>2,609,389</u>	<u>2,814,989</u>	<u>3,213,506</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 211,906	302,207	7,275	-
Salaries payable	412,269	-	-	-
Benefits payable	-	-	-	-
Early retirement	-	-	-	-
Deferred revenue:				
Succeeding year property tax	5,345,236	-	1,152,174	-
Other	130,415	-	-	-
Due to other funds	76,139	-	3,000,689	-
Total liabilities	<u>6,175,965</u>	<u>302,207</u>	<u>4,160,138</u>	<u>-</u>
Fund balances:				
Nonspendable:				
Prepaid expenditures	55,279	-	-	-
Inventories	23,578	-	-	-
Parks Trust	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Street improvement and repairs	-	2,307,182	-	-
Urban renewal	-	-	-	3,213,506
Major repairs and construction	-	-	-	-
Employee benefits	-	-	-	-
Capital improvements	-	-	-	-
Other purposes	-	-	-	-
Unassigned	1,821,023	-	(1,345,149)	-
Total fund balances	<u>1,899,880</u>	<u>2,307,182</u>	<u>(1,345,149)</u>	<u>3,213,506</u>
	<u>\$ 8,075,845</u>	<u>2,609,389</u>	<u>2,814,989</u>	<u>3,213,506</u>

See notes to financial statements.

Exhibit C

Debt <u>Service</u>	<u>Capital Projects</u>  <u>Construction</u>	<u>Other Nonmajor Governmental</u>  <u>Funds</u>	<u>Total</u>
941,324	1,003,316	5,984,340	14,402,746
32,005	-	33,887	146,757
2,661,922	-	3,401,886	12,561,218
-	-	10,671	179,711
20	-	174	24,502
-	-	76,138	3,154,268
-	40,000	174,585	525,938
-	-	-	23,578
-	-	12,598	51,935
-	-	1,066	17,008
<u>3,635,271</u>	<u>1,043,316</u>	<u>9,695,345</u>	<u>31,087,661</u>
33,815	522,459	639,658	1,717,320
-	-	55,873	468,142
-	-	79,525	79,525
-	-	5,641	5,641
2,661,922	-	3,401,886	12,561,218
-	-	120,088	250,503
-	-	77,441	3,154,269
<u>2,695,737</u>	<u>522,459</u>	<u>4,380,112</u>	<u>18,236,618</u>
-	-	12,598	67,877
-	-	-	23,578
-	-	25,000	25,000
939,534	-	226,191	1,165,725
-	-	1,004,849	3,312,031
-	-	-	3,213,506
-	520,857	-	520,857
-	-	971,205	971,205
-	-	1,925,028	1,925,028
-	-	1,432,984	1,432,984
-	-	(282,622)	193,252
<u>939,534</u>	<u>520,857</u>	<u>5,315,233</u>	<u>12,851,043</u>
<u>3,635,271</u>	<u>1,043,316</u>	<u>9,695,345</u>	<u>31,087,661</u>

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

June 30, 2011

**Total governmental fund balances (page 21)** \$ 12,851,043

**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 in the governmental funds. The cost of assets is \$94,780,367 and the accumulated depreciation is \$35,629,641. 59,150,726

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

General obligation bonds payable	(29,046,187)
Hotel/motel tax revenue bonds payable	(1,225,000)
Other bonds and notes payable	(2,892,000)
Compensated absences	(1,017,473)
Accrued interest payable	(95,254)
Net OPEB liability	(238,665)
Early retirement	<u>(73,160)</u>

**Net Assets of Governmental Activities (Page 16)** \$ 37,414,030

See notes to financial statements.

City of Fort Dodge, Iowa  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year ended June 30, 2011

	<u>General</u>	Special Revenue		
		<u>Local Option Sales Tax</u>	<u>Tax Increment Financing</u>	<u>Urban Renewal</u>
Revenues:				
Property tax	\$ 5,416,892	-	-	-
Tax increment financing	-	-	1,057,524	-
Other city tax	457,107	3,322,906	-	-
Licenses and permits	303,300	-	-	-
Use of money and property	60,736	23,397	3,511	48,538
Intergovernmental	445,666	64,650	-	-
Charges for service	1,013,272	-	-	-
Miscellaneous	681,623	9,467	17,702	53,145
Total revenues	8,378,596	3,420,420	1,078,737	101,683
Expenditures:				
Operating:				
Public safety	4,841,286	-	-	-
Public works	405,662	-	-	-
Health and social services	2,717	-	-	-
Culture and recreation	2,306,366	-	-	-
Community and economic development	444,993	-	2,682,638	43,620
General government	1,055,919	-	-	-
Debt service	-	-	-	-
Capital projects	-	2,139,316	-	-
Total expenditures	9,056,943	2,139,316	2,682,638	43,620
Excess (deficiency) of revenues over (under) expenditures	(678,347)	1,281,104	(1,603,901)	58,063
Other financing sources (uses):				
Bond proceeds	-	-	1,938,471	-
Sale of capital assets	4,835	-	-	809,563
Operating transfers in	798,510	-	134,923	300,000
Operating transfers out	(445,389)	-	(501,654)	(50,000)
Total other financing sources (uses)	357,956	-	1,571,740	1,059,563
Net change in fund balances	(320,391)	1,281,104	(32,161)	1,117,626
Fund balances beginning of year, as restated	2,220,271	1,026,078	(1,312,988)	2,095,880
Fund balances end of year	\$ 1,899,880	\$ 2,307,182	\$ (1,345,149)	\$ 3,213,506
See notes to financial statements.				

Debt Service	Capital Projects	Other Nonmajor Governmental	Total
	Construction	Funds	
2,637,998	-	2,640,363	10,695,253
-	-	-	1,057,524
-	-	1,588	3,781,601
-	-	-	303,300
160,678	15,838	31,317	344,015
-	-	4,262,399	4,772,715
-	-	238,095	1,251,367
40	94,648	763,267	1,619,892
<u>2,798,716</u>	<u>110,486</u>	<u>7,937,029</u>	<u>23,825,667</u>
-	-	2,477,815	7,319,101
-	-	2,931,303	3,336,965
-	-	337,385	340,102
-	-	1,153,572	3,459,938
-	-	1,563,623	4,734,874
-	-	325,503	1,381,422
3,654,596	-	187,992	3,842,588
-	4,260,116	208,610	6,608,042
<u>3,654,596</u>	<u>4,260,116</u>	<u>9,185,803</u>	<u>31,023,032</u>
(855,880)	(4,149,630)	(1,248,774)	(7,197,365)
46,590	2,227,302	275,000	4,487,363
-	-	-	814,398
682,600	-	931,477	2,847,510
-	(263,708)	(529,601)	(1,790,352)
<u>729,190</u>	<u>1,963,594</u>	<u>676,876</u>	<u>6,358,919</u>
(126,690)	(2,186,036)	(571,898)	(838,446)
<u>1,066,224</u>	<u>2,706,893</u>	<u>5,887,131</u>	<u>13,689,489</u>
<u>939,534</u>	<u>520,857</u>	<u>5,315,233</u>	<u>12,851,043</u>

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

Year ended June 30, 2011

**Net Change in Fund Balances - Total Governmental Funds** \$ (838,446)  
**(Page 24)**

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Capital outlay	\$ 6,720,579	
Depreciation expense	<u>(3,208,436)</u>	3,512,143

Proceeds from issuing long-term debt liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In addition, interest is accrued on outstanding debt in the Statement of Activities, whereas in the governmental funds interest expenditures are reported only when due. Current year issues exceeded repayments as follows:

Long-term debt issued	(4,487,362)	
Long-term debt principal repaid	2,913,500	
Accrued interest	3,814	
Bond issuance costs	<u>(2,303)</u>	(1,572,351)

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

Year ended June 30, 2011

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:

Bond premium	11,035	
Compensated absences	34,601	
Other postemployment benefits	(76,737)	
Early retirement	<u>36,058</u>	
		4,957

**Change in Net Assets of Governmental Activities (Page 19)**

**\$ 1,106,303**

See notes to financial statements.

City of Fort Dodge, Iowa  
Statement of Net Assets  
Proprietary Funds  
June 30, 2011

Exhibit G

	Enterprise Funds			<u>Totals</u>
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Other Nonmajor Proprietary Funds</u>	
<b>Assets</b>				
Cash and pooled investments	\$ 1,307,640	1,937,450	4,314,025	7,559,115
Accounts receivable	600,554	1,416,237	360,869	2,377,660
Restricted assets:				
Cash and pooled investments	631,493	782,852	71,083	1,485,428
Prepaid insurance	6,257	5,271	5,887	17,415
Prepaid expenses	6,954	-	-	6,954
Due from other governments	17,310	17,310	371,796	406,416
Bond issuance costs	51,794	246,226	-	298,020
Capital assets (net of accumulated depreciation)	<u>18,492,588</u>	<u>49,811,140</u>	<u>2,923,867</u>	<u>71,227,595</u>
<b>Total assets</b>	<u>21,114,590</u>	<u>54,216,486</u>	<u>8,047,527</u>	<u>83,378,603</u>
<b>Liabilities</b>				
Accounts payable	59,225	798,561	109,087	966,873
Salaries payable	56,649	17,589	20,437	94,675
Compensated absences	151,001	77,278	21,897	250,176
Benefits payable	7,752	2,412	2,803	12,967
Deferred revenue		-	6,075	6,075
Early retirement	2,189	-	-	2,189
Payable from restricted net assets:				
Bonds, notes and loans payable	3,743,000	1,864,000	-	5,607,000
Customer deposits	-	-	71,083	71,083
Interest payable	15,434	85,614	-	101,048
Long-term liabilities:				
Bonds, notes and loans payable	5,987,000	32,739,000	-	38,726,000
Net OPEB liability	<u>33,302</u>	<u>12,951</u>	<u>24,051</u>	<u>70,304</u>
<b>Total liabilities</b>	<u>10,055,552</u>	<u>35,597,405</u>	<u>255,433</u>	<u>45,908,390</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt	8,762,588	15,208,140	2,923,867	26,894,595
Restricted for:				
Revenue note retirement	631,493	782,852	-	1,414,345
Water improvements	256,899			256,899
Sewer improvements	-	201,625		201,625
Unrestricted	<u>1,408,058</u>	<u>2,426,464</u>	<u>4,868,227</u>	<u>8,904,374</u>
<b>Total net assets</b>	<u>\$ 11,059,038</u>	<u>18,619,081</u>	<u>7,792,094</u>	<u>37,470,213</u>

See notes to financial statements.

City of Fort Dodge, Iowa  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
For the Year ended June 30, 2011

Exhibit H

	Enterprise Funds			<u>Totals</u>
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Other Nonmajor Proprietary Funds</u>	
Operating revenues:				
Charges for services	\$ 4,135,952	6,596,005	2,249,696	12,981,653
Miscellaneous	<u>468,874</u>	<u>46,065</u>	<u>87,759</u>	<u>602,698</u>
Total operating revenues	<u>4,604,826</u>	<u>6,642,070</u>	<u>2,337,455</u>	<u>13,584,351</u>
Operating expenses:				
Business type activities:				
Cost of sales and services	2,973,793	3,035,819	1,319,714	7,329,326
Amortization	4,317	15,853	-	20,170
Depreciation	<u>490,837</u>	<u>1,167,057</u>	<u>135,600</u>	<u>1,793,494</u>
Total operating expenses	<u>3,468,947</u>	<u>4,218,729</u>	<u>1,455,314</u>	<u>9,142,990</u>
Operating income	<u>1,135,879</u>	<u>2,423,341</u>	<u>882,141</u>	<u>4,441,361</u>
Non-operating revenues (expenses):				
Interest and investment revenue	11,957	7,635	6,980	26,572
Interest expense	(211,945)	(1,160,731)	-	(1,372,676)
Contributed capital	-	-	149,041	149,041
Loss on disposal of assets	(58,446)	-	-	(58,446)
Miscellaneous revenues	<u>-</u>	<u>-</u>	<u>371,796</u>	<u>371,796</u>
Total non-operating revenue (expenses)	<u>(258,434)</u>	<u>(1,153,096)</u>	<u>527,817</u>	<u>(883,713)</u>
Net income before transfers	877,445	1,270,245	1,409,958	3,557,648
Operating transfers in	-	-	77,000	77,000
Operating transfers out	<u>(536,460)</u>	<u>(261,200)</u>	<u>(449,106)</u>	<u>(1,246,766)</u>
Change in net assets	340,985	1,009,045	1,037,852	2,387,882
Net assets beginning of year	<u>10,718,053</u>	<u>17,610,036</u>	<u>6,754,242</u>	<u>35,082,331</u>
Net assets end of year	<u>\$ 11,059,038</u>	<u>18,619,081</u>	<u>7,792,094</u>	<u>37,470,213</u>

See notes to financial statements.

City of Fort Dodge, Iowa  
Statement of Cash Flows  
Proprietary Funds  
For the Year ended June 30, 2011

Exhibit I

	Enterprise Funds			Total
	Water Utility	Sewer Utility	Other Nonmajor Proprietary Funds	
<b>Cash Flows From Operating Activities</b>				
Receipts from customers	\$ 4,198,987	5,912,303	2,217,866	12,329,156
Payments to suppliers and employees	(2,983,177)	(4,421,222)	(1,319,918)	(8,724,317)
Other receipts	28,768	850,758	7,312	886,838
Net cash provided (used) by operating activities	<u>1,244,578</u>	<u>2,341,839</u>	<u>905,260</u>	<u>4,491,677</u>
<b>Cash Flows From Noncapital Financing Activities</b>				
Transfers to other funds	(536,460)	(261,200)	(447,106)	(1,244,766)
Transfers from other funds	-	-	75,000	75,000
Net cash provided (used) in noncapital financing activities	<u>(536,460)</u>	<u>(261,200)</u>	<u>(372,106)</u>	<u>(1,169,766)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Proceeds from capital debt	-	31,729	-	31,729
Purchase of capital assets	-	(2,934,948)	(787,774)	(3,722,722)
Principal paid on capital debt	(361,000)	(1,920,000)	-	(2,281,000)
Contributed capital	-	-	149,041	149,041
Interest paid on capital debt	(212,862)	(319,152)	-	(532,014)
Net cash (used) by capital and related financing activities	<u>(573,862)</u>	<u>(5,142,371)</u>	<u>(638,733)</u>	<u>(6,354,966)</u>
<b>Cash Flows From Investing Activities</b>				
Interest and dividends	11,963	7,643	6,983	26,589
Net cash provided by investing activities	<u>11,963</u>	<u>7,643</u>	<u>6,983</u>	<u>26,589</u>
Net increase (decrease) in cash and cash equivalents	146,219	(3,054,089)	(98,596)	(3,006,466)
Cash and cash equivalents beginning of year	<u>1,792,914</u>	<u>5,774,391</u>	<u>4,483,704</u>	<u>12,051,009</u>
Cash and cash equivalents end of year	<u>\$ 1,939,133</u>	<u>2,720,302</u>	<u>4,385,108</u>	<u>9,044,543</u>

(continued)

City of Fort Dodge, Iowa  
Statement of Cash Flows  
Proprietary Funds  
For the Year ended June 30, 2011

Exhibit I

	Enterprise Funds			<u>Total</u>
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Other Nonmajor Proprietary Funds</u>	
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>				
Operating income	\$ 1,135,879	2,423,341	882,141	4,441,361
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	490,837	1,167,057	135,600	1,793,494
Amortization expense	4,317	15,853	-	20,170
Change in assets and liabilities:				
Receivables, net	(377,071)	120,993	(172,677)	(428,755)
Prepaid expenses	(2,311)	109,906	723	108,318
Consumer deposits	-	-	(16,515)	(16,515)
Accounts and other payables	(19,302)	(657,650)	60,982	(615,970)
Other postemployment benefits	12,229	8,515	9,633	30,377
Deferred revenue	-	-	1,211	1,211
Accrued expenses	-	-	4,162	4,162
Net cash provided (used) by operating activities	\$ 1,244,578	\$ 3,188,015	\$ 905,260	5,337,853
<b>Reconciliation of cash and cash equivalents at year end to specific assets included in the statement of net assets:</b>				
<b>Current assets:</b>				
Cash and pooled investments	\$ 1,307,640	1,937,450	4,314,025	7,559,115
<b>Noncurrent assets:</b>				
Cash and pooled investments	631,493	782,852	71,083	1,485,428
<b>Cash and cash equivalents at year end</b>	<b>\$ 1,939,133</b>	<b>2,720,302</b>	<b>4,385,108</b>	<b>9,044,543</b>

See notes to financial statements.

City of Fort Dodge, Iowa  
Statement of Fiduciary Net Assets and Liabilities  
Fiduciary Funds  
June 30, 2011

Exhibit J

	Trust Funds <u>          </u> Coleman <u>Water &amp; Sewer</u>
<u>Assets</u>	
Cash	\$ 420
Receivables:	
Accounts	<u>1,058</u>
Total assets	<u>\$ 1,478</u>
 <u>Liabilities</u>	
Accounts payable	<u>\$ 369</u>
 <u>Net Assets</u>	
Held in trust	<u>1,109</u>
Total liabilities and net assets	<u>\$ 1,478</u>

See notes to financial statements.

City of Fort Dodge, Iowa  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year ended June 30, 2011

Exhibit K

	Trust Funds
	<u>Coleman</u>
	<u>Water &amp; Sewer</u>
Additions:	
Fees collected	\$ 5,009
Interest	-
Donations	-
	<u>5,009</u>
Deductions:	
Fees remitted	<u>4,953</u>
Change in net assets	56
Net assets - Beginning of year	<u>1,053</u>
Net assets - End of year	<u><u>\$ 1,109</u></u>

See notes to financial statements.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

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

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

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

A. Reporting Entity

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

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

Discretely Presented Component Units

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

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

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

Details of these component units are as follows:

	W.H. Johnston Foundation	Blanden Charitable Foundation	Total
Cash and pooled investments	\$ 2,613,904	1,353,651	3,967,555
Other assets	---	183,392	183,392
Payroll taxes payable	---	(143)	(143)
Net assets	<u>\$ 2,613,904</u>	<u>1,536,900</u>	<u>4,150,804</u>
Operating grants, contributions and restricted interest	\$ 439,365	319,081	648,605
Charges for services	---	6,277	3,644
Program expenses	<u>(141,743)</u>	<u>(159,350)</u>	<u>(354,026)</u>
Net change	297,622	166,080	298,223
Beginning net assets	<u>2,316,282</u>	<u>1,370,892</u>	<u>3,687,174</u>
Ending net assets	<u>\$ 2,613,904</u>	<u>1,536,900</u>	<u>4,150,804</u>

Complete financial statements for these foundations can be obtained from their respective administrative offices in Fort Dodge, Iowa. The W.H. Johnston Foundation's records were not audited for the year ended June 30, 2011.

Jointly Governed Organizations

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

Related Organizations

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

B. Basis of Presentation

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

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

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

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

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

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

The City reports the following major governmental funds:

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

Special Revenue:

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for street improvements and repairs and associated sanitary sewer, storm sewer, and water main improvements and repairs in conjunction with street improvements and repairs.

The Tax Increment Financing Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal projects.

The Urban Renewal Fund is used to account for resources used in community and economic development projects.

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

Capital Projects:

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

The City reports the following major proprietary funds:

Enterprise:

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

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

The City also reports fiduciary funds which focus on net assets and changes in net assets. The Trust Funds are utilized to account for income collected by the City's Utilities for a rural area outside of the city limits.

C. Measurement Focus and Basis of Accounting

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

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

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

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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

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

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

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2011 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2010.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

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

Due from and Due to Other Funds – During the course of its operations, the City had several transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2011, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	39 years
Improvements other than buildings	15-20 years
Vehicles	3-20 years
Equipment	6-10 years
Infrastructure	15-50 years
Intangibles	5-20 years

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

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

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

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

Subsequent Events – Subsequent events have been evaluated through March 19, 2011, which is the date the financial statements were available to be issued.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the public safety, health and social services, community and economic development, and debt service functions.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City's investments at June 30, 2011 (at fair value) are as follows:

Type

U.S. Treasury securities	\$ 3,144,809
GNMA securities	<u>9,463</u>
Total	\$ <u>3,154,272</u>

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,673,206 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

The City also invested its excess cash in money market savings accounts and certificates of deposit during the year ended June 30, 2011.

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

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

(3) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b><u>Primary Government</u></b>				
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,500,617	-	-	3,500,617
Construction in progress	16,661,914	5,640,884	(15,366,552)	6,936,246
Works of art	<u>28,509</u>	<u>-</u>	<u>-</u>	<u>28,509</u>
Total capital assets not being depreciated	<u>20,191,040</u>	<u>5,640,884</u>	<u>(15,366,552)</u>	<u>10,465,372</u>
Capital assets being depreciated:				
Buildings	13,950,590	-	-	13,950,590
Improvements other than buildings	8,118,126	-	-	8,118,126
Machinery, equipment and vehicles	7,831,897	646,623	(52,197)	8,426,323
Infrastructure	<u>37,968,135</u>	<u>15,851,821</u>	<u>-</u>	<u>53,819,956</u>
Total capital assets being depreciated	<u>67,868,748</u>	<u>16,498,444</u>	<u>(52,197)</u>	<u>84,314,995</u>
Less accumulated depreciation for:				
Buildings	8,243,518	200,664	-	8,444,182
Improvements other than buildings	990,824	383,631	-	1,374,455
Machinery, equipment and vehicles	5,821,750	468,462	(52,197)	6,238,015
Infrastructure	<u>17,365,113</u>	<u>2,207,876</u>	<u>-</u>	<u>19,572,989</u>
Total accumulated depreciation	<u>32,421,205</u>	<u>3,260,633</u>	<u>(52,197)</u>	<u>35,629,641</u>
Total capital assets being depreciated, net	<u>35,447,543</u>	<u>13,237,811</u>	<u>-</u>	<u>48,685,354</u>
Governmental activities capital assets, net	<u>\$ 55,638,583</u>	<u>18,878,695</u>	<u>(15,366,552)</u>	<u>59,150,726</u>

City of Fort Dodge, Iowa  
Notes to Financial Statements

June 30, 2011

Capital assets activity for the year ended June 30, 2011 was as follows:

<b><u>Business type activities</u></b>	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 52,941	-	-	52,941
Construction in progress	<u>17,975,167</u>	<u>3,063,850</u>	<u>(799,612)</u>	<u>20,239,405</u>
Total capital assets not being depreciated	<u>18,028,108</u>	<u>3,063,850</u>	<u>(799,612)</u>	<u>20,292,346</u>
Capital assets being depreciated:				
Buildings	5,802,186	-	-	5,802,186
Machinery and equipment	2,934,905	-	(159,952)	2,774,953
Infrastructure	<u>56,818,264</u>	<u>1,400,038</u>	-	<u>58,218,302</u>
Total capital assets being depreciated	<u>65,555,355</u>	<u>1,400,038</u>	<u>(159,952)</u>	<u>66,795,441</u>
Less accumulated depreciation for:				
Buildings	4,057,512	110,405	-	4,167,917
Machinery and equipment	2,327,163	211,713	(159,952)	2,378,924
Infrastructure	<u>7,841,975</u>	<u>1,471,376</u>	-	<u>9,313,351</u>
Total accumulated depreciation	<u>14,226,650</u>	<u>1,793,494</u>	<u>(159,952)</u>	<u>15,860,192</u>
Total capital assets being depreciated, net	<u>51,328,705</u>	<u>(393,456)</u>	-	<u>50,935,249</u>
Business type activities capital assets, net	<u>\$ 69,356,813</u>	<u>2,670,394</u>	<u>(799,612)</u>	<u>71,227,595</u>

City of Fort Dodge, Iowa  
Notes to Financial Statements  
June 30, 2011

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

Governmental activities:	
Public safety	\$ 207,674
Public works, which includes the depreciation of general infrastructure assets	1,972,512
Culture and recreation	1,058,562
Community and economic development	8,016
General government	<u>13,869</u>
Total depreciation expense – governmental activities	\$ <u>3,260,633</u>
Business type activities:	
Water	\$ 490,837
Sewer	1,167,057
Non-major business type activities	<u>135,600</u>
Total depreciation expense – business type activities	\$ <u>1,793,494</u>

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

<b><u>Discretely presented component unit</u></b>	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 2,139,288	-	-	2,139,288
Construction in progress	<u>-</u>	<u>327,592</u>	<u>-</u>	<u>327,592</u>
Total capital assets not being depreciated	<u>2,139,288</u>	<u>327,592</u>	<u>-</u>	<u>2,466,880</u>
Capital assets being depreciated:				
Buildings	539,815	-	-	539,815
Machinery and equipment	1,705,377	22,393	-	1,727,770
Infrastructure	<u>3,534,567</u>	<u>62,140</u>	<u>-</u>	<u>3,596,707</u>
Total capital assets being depreciated	<u>5,779,759</u>	<u>84,533</u>	<u>-</u>	<u>5,864,292</u>
Less accumulated depreciation for:				
Buildings	58,467	21,504	-	79,971
Machinery and equipment	962,137	76,132	-	1,038,269
Infrastructure	<u>582,536</u>	<u>206,900</u>	<u>-</u>	<u>789,436</u>
Total accumulated depreciation	<u>1,603,140</u>	<u>304,536</u>	<u>-</u>	<u>1,907,676</u>
Total capital assets being depreciated, net	<u>4,176,619</u>	<u>(220,003)</u>	<u>-</u>	<u>3,956,616</u>
Business type activities capital assets, net	<u>\$ 6,315,907</u>	<u>107,589</u>	<u>-</u>	<u>6,423,496</u>
Total depreciation expense – airport authority				\$ 293,980
– other				<u>10,556</u>
				<u>\$ 304,536</u>

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

**(4) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes:					
General and corporate purpose	\$ 27,045,000	4,515,000	2,565,000	28,995,000	2,825,000
Revenue notes	4,465,500	-	348,500	4,117,000	355,500
Compensated absences	1,052,074	799,051	795,221	1,055,904	755,140
Net OPEB liability	161,928	76,737	-	238,665	-
Early Retirement	114,960	-	36,159	78,801	33,849
Total	<u>\$ 32,839,462</u>	<u>5,390,788</u>	<u>3,744,880</u>	<u>34,485,370</u>	<u>3,969,489</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Business type activities:					
Revenue bonds/notes:					
Water	\$ 6,721,000	-	361,000	6,360,000	373,000
Sewer	36,491,271	31,729	1,920,000	34,603,000	1,864,000
Compensated absences	231,820	270,572	252,216	250,176	250,176
Net OPEB liability	39,927	30,377	-	70,304	-
Early retirement	6,836	-	4,647	2,189	2,189
Total	<u>\$ 43,490,854</u>	<u>332,678</u>	<u>2,537,863</u>	<u>41,285,669</u>	<u>2,489,365</u>

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

Bonded Debt

General obligation bonds/notes:

Eight issues of unmatured general obligation bonds/notes, totaling \$28,995,000, are outstanding at June 30, 2011. General obligation bonds bear interest with rates ranging from .4% to 5.38% and mature in varying annual amounts ranging from \$160,000 to \$1,110,000, with the final maturities due in the year ending June 30, 2024.

Revenue bonds/notes:

Eleven issues of unmatured revenue bonds/notes, totaling \$45,080,000 are outstanding at June 30, 2011. These bonds/notes bear interest at rates of 3.00% to 4.75% and mature in varying annual amounts ranging from \$12,000 to \$1,822,000, with the final maturities due in the year ending June 30, 2028.

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

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

During the year ended June 30, 2011, the City was in compliance with the revenue bond/note provisions.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay \$34,603,000 in sewer revenue notes with various issue dates. Proceeds from the notes provided financing for wastewater net revenue and are payable through 2028. Annual principal and interest on the notes are expected to require less than 90 percent of net revenues. The total principal and interest remaining to be paid on the notes is \$43,585,975. For the current year, principle and interest paid and total customer net revenues (operating revenues plus depreciation expense) were \$2,234,555 and \$2,600,123, respectively.

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$6,360,000 in water revenue notes issued in 2003 and 2004. Proceeds from the notes provided financing for water improvement projects. The notes are payable solely from water net revenue and are payable through 2025. Annual interest and principle on the notes are expected to require less than 90 percent of net revenues. The total principle and interest remaining to be paid on the notes is \$7,901,150. For the current year, principle and interest paid and total customer net revenues (operating revenues plus depreciation expense) were \$572,945 and \$1,631,033, respectively.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

Details of bond/notes payable at June 30, 2011 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2011</u>
Governmental activities:						
General obligation bonds/notes:						
Corporate purpose	May 28, 2003	2.00-3.50%	June 30, 2014	185,000-235,000	\$ 2,050,000	\$ 680,000
Corporate purpose	Dec. 1, 2004	3.20%	June 30, 2015	175,000-515,000	3,800,000	1,950,000
Corporate purpose	June 15, 2008	2.40-4.00%	June 30, 2020	100,000-825,000	5,130,000	4,390,000
Corporate purpose	April 21, 2009	1.80-2.75%	June 30, 2014	205,000-230,000	1,080,000	665,000
Corporate purpose	June 15, 2009	2.00-5.38%	June 30, 2024	535,000-800,000	8,950,000	7,965,000
Corporate purpose	April 1, 2010	2.00-3.25%	June 30, 2020	890,000-1,110,000	9,825,000	8,935,000
Corporate purpose	June 29, 2011	.40-2.55%	June 30, 2021	160,000-225,000	1,920,000	1,920,000
Urban renewal Refunding Bond	Aug 26,2010	1.00-3.00%	June 30, 2022	215,000-250,000	2,595,000	2,490,000
Revenue notes:						
Hotel/motel tax revenue note	June 1, 2003	3.00-4.15%	June 30, 2023	60,000-130,000	1,700,000	1,225,000
Urban renewal tax increment revenue bond	Dec. 17, 2003	1.60-4.50%	Dec. 1, 2013	20,000-40,000	400,000	100,000
Golf course revenue note	Jan. 13, 2006	3.95-4.75%	Dec. 1, 2025	18,000-58,500	56,000	342,000
Urban renewal tax increment revenue bond	Nov. 16, 2006	4.75%	Dec. 1, 2022	180,000-260,000	3,000,000	<u>2,450,000</u>
Total Government activities						<u>33,112,000</u>
Business type activities:						
Revenue bonds/notes:						
Sewer revenue CW9809R	Sept. 30, 1999	3.92%	Dec. 1, 2021	9,000-17,000	243,597	157,000
Sewer revenue CW9116R	Sept. 30, 1999	3.92%	Dec. 1, 2021	385,000-713,000	10,142,403	6,518,000
Sewer revenue CW0118R	Sept. 30, 2002	3.00%	Dec. 1, 2021	54,000-71,000	1,331,000	676,000
Sewer revenue CW0304R	Dec. 20, 2001	3.00%	June 30, 2023	146,000-242,000	3,705,000	2,478,000
Sewer revenue CS192361	Dec. 27, 2007	3.00%	June 30, 2019	627,316-1,360,000	20,417,505	24,774,000
Water revenue DW030224R	Dec. 12, 2003	3.00%	Dec. 1, 2024	130,000-229,000	3,500,000	2,658,000
Water revenue	June 1, 2004	3.00%	Dec. 1, 2024	133,000-318,000	5,133,000	<u>3,702,000</u>
Total business type activities						<u>40,963,000</u>
Total						<u>\$ 74,075,000</u>

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

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

Year Ending <u>June 30,</u>	General Obligation		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,825,000	884,106	3,709,106
2013	2,870,000	823,008	3,693,008
2014	2,935,000	743,540	3,678,540
2015	3,025,000	662,868	3,687,868
2016-2020	13,660,000	2,034,002	15,694,002
2021-2024	<u>3,680,000</u>	<u>401,850</u>	<u>4,081,850</u>
Total	<u>\$ 28,995,000</u>	<u>5,549,374</u>	<u>34,544,374</u>

Year Ending <u>June 30,</u>	Revenue			<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2012	\$ 2,592,500	1,393,612	3,986,112	7,695,218
2013	2,680,500	1,309,843	3,990,343	7,683,351
2014	2,746,500	1,223,025	3,969,525	7,648,065
2015	2,811,000	1,135,156	3,946,156	7,634,024
2016-2020	15,317,500	4,469,293	19,786,793	35,480,795
2021-2025	13,614,000	2,934,628	16,548,628	20,630,478
2026-2028	<u>5,318,000</u>	<u>1,461,204</u>	<u>6,779,204</u>	<u>6,779,204</u>
Total	<u>\$ 45,080,000</u>	<u>13,926,761</u>	<u>59,006,761</u>	<u>93,551,135</u>

As of June 30, 2011 the general obligation debt issued by the City did not exceed its legal debt margin computed as follows:

Actual valuation	<u>\$ 987,054,857</u>
Debt limit - 5% of total actual valuation	49,352,743
Debt applicable to debt limit:	
General obligation, tax increment financing and revenue bonded debt outstanding	<u>(33,112,000)</u>
Legal debt margin	<u>\$ 16,240,743</u>

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

Other Than Bonded Debt

Early Retirement

The City offered a one-time early retirement incentive effective July 1, 2003 and ending December 15, 2003 to any employee who had a combination of age and years of service with the City equaling a minimum of 74 years. The employee must sign a statement of intent to participate in this program with their last day of employment prior to March 15, 2004. All participating employees are eligible for individual medical coverage at no cost to them until they reach the age of eligibility for Medicare. Early retirement expenditures for the year ended June 30, 2011 totaled \$40,806.

Interim Financing

The City has authorized an interim financing loan for up to \$3.37 million to finance the construction of improvements and extensions to the Municipal Waterworks System. This interim loan has an interest rate of 3.25% with an original maturity date of December 1, 2009. The city obtained an extension to April 1, 2012 due to project not yet being completed. This interim financing will be repaid upon issuance of revenue bonds. As of June 30, 2011 \$3,370,000 has been advanced to the City of Fort Dodge.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

**(5) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Tax Increment Financing	\$ 84,923
	Capital Projects:	
	Capital Improvements	129,587
	Enterprise:	
	Water	175,000
	Sewer	225,000
	Solid Waste	120,000
	Parking Meter	45,000
	Storm Water Utility	<u>19,000</u>
		<u>798,510</u>
Special Revenue:		
Hotel/Motel Tax	General	<u>71,980</u>
SSMID	Special Revenue:	
	Tax Increment Financing	<u>22,297</u>
Urban Renewal	Special Revenue:	
	Tax Increment Financing	<u>300,000</u>
Tax Increment Financing	General	84,923
	Special Revenue:	
	Urban Renewal	<u>50,000</u>
		<u>134,923</u>
Debt Service:		
Debt Service	Special Revenue:	
	Tax Increment Financing	94,434
	Enterprise:	
	Water	351,360
	Storm Water Utility	<u>236,806</u>
		<u>682,600</u>

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

Golf Course Sinking	Capital Projects: Capital Improvements	<u>60,714</u>
Harlan Rogers Sinking	General	<u>129,915</u>
Capital Projects: Capital Improvements	General	158,571
	Special Revenue:	
	Road Use	7,700
	Hotel/Motel Tax	4,600
	Enterprise:	
	Water	10,100
	Sewer	11,200
	Solid Waste	3,000
	Parking Meter	300
	Component unit:	
	Airport	<u>1,100</u>
		<u>196,571</u>
Vision Iowa Trail Plan	Capital Projects: Capital Improvements	300,000
	Construction	<u>150,000</u>
		<u>450,000</u>
Component unit: Airport	Capital Projects: Construction	<u>113,708</u>
Enterprise: Parking meter	Special Revenue: SSMID	<u>2,000</u>
Central garage	Special Revenue: Road Use	25,000
	Enterprise:	
	Sewer	25,000
	Solid Waste	<u>25,000</u>
		<u>75,000</u>
		<u>\$ 3,038,218</u>

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

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

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue:		
Hotel/Motel Tax	General	\$ 19,038
Debt Service:		
Harlan Rogers Sinking	General	38,062
Capital Projects:		
Capital Improvements	General	19,038
General	Special Revenue:	
	TIF	150,000
General	Capital Projects:	
	Capital Improvements	77,441
Special Revenue:	Special Revenue:	
Urban Renewal	TIF	<u>2,850,689</u>
		<u>\$ 3,154,268</u>

**(7) Pension and Retirement Benefits**

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

Most regular plan members are required to contribute 4.50% of their annual salary and the City is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$372,273, \$353,903, and \$328,230 respectively, equal to the required contributions for each year.

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

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate based upon an actuarially determined normal contribution rate, cannot be less than 17% of earnable compensation. Contribution rates are established by state statute. The City's contribution to the Plan for the years ended June 30, 2011, 2010 and 2009 were \$727,683, \$585,370, and \$623,728 respectively, which met the required minimum contribution for each year.

- C. Effective June 28, 2010, the City adopted a Vantagecare Retirement Health Savings Plan (the Plan). Covered plan members are all non-union employees. Participation is mandatory for all employees in the covered group. A participant is eligible to receive benefits from the Plan at retirement. The Plan provides eligible participants reimbursement of all medical expenses eligible under IRC Section 213. The City will make mandatory contributions of accrued leave consisting of 100% of accrued sick leave and 50% of accrued vacation leave at the time of the covered member's retirement. The City's contribution to the Plan for the years ended June 30, 2011 and 2010 were \$54,617 and \$0, respectively.

**(8) Risk Management**

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

City of Fort Dodge, Iowa  
Notes to Financial Statements

June 30, 2011

**(09) Deficit Balances**

As of June 30, 2011, funds with deficit balances were as follows:

Special Revenue, Tax Increment Financing	\$ (1,345,149)
Special Revenue, Employee Flex Spending	(9,484)
Special Revenue, Foster Grandparents	(3,807)
Special Revenue, City Grants	(241,281)
Special Revenue, Drug Arrest	(2,235)
Capital Projects Fund, Harlan Rogers Complex	(25,815)

The deficit balances are a result of costs exceeding the revenues. The deficit in the Tax Increment Financing fund will be eliminated upon collection of tax increment financing revenues. The deficit in the Employee Flex Spending will be eliminated upon receipt of funds from employees. The deficits in the Foster Grandparents, and City Grants will be eliminated upon receipt of grant proceeds. The deficits in the Drug Arrest and Harlan Rogers Complex accounts will be eliminated upon transfer of funds.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

**(10) Operating Leases**

The City of Fort Dodge has entered into an operating lease agreement with De Lage Landen Financial Services for two copy machines. The lease is for 36 months commencing March 31, 2010.

During the year ended June 30, 2011 the City disbursed \$5,654 for this lease.

Future minimum payments are as follows:

2012	\$ 5,654
2013	<u>4,240</u>
Total	\$ <u>9,894</u>

**(11) Subsequent Events**

In January 2012, the City authorized issuing \$850,000 Urban Renewal Tax Increment Revenue Note, for the purpose of paying the cost to that extent of an Urban Renewal Project consisting of constructing recreation trail improvements in connection with the Army Corps Recreational Trail Project.

In January 2012, the City authorized entering into a loan agreement not to exceed \$5,840,000 for the purpose of paying the cost, to that extent, of acquiring vehicles for the police department and constructing improvements to the municipal waterworks system, including the refunding of outstanding Water Revenue Loan Agreement Anticipation Project Note previously issued in connection therewith.

In March, 2012, the City authorized issuing a \$3.0 million planning and design loan at zero percent interest for the purpose of paying for engineering fees for Ag Park Sewer Improvements.

**(12) Pending Litigation**

There is pending litigation against the City of Fort Dodge that could result in a potential loss of approximately \$120,000 plus attorney fees if not successfully defended. City officials believe they will be successful in defending this action.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

**(13) Related Parties**

The City had business transactions between the City and City officials totaling \$41,814 during the year ended June 30, 2011.

**(14) Other Postemployment Benefits (OPEB)**

Plan Description - The City of Fort Dodge operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 187 active and 38 retired members in the plan. Employees must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by First Administrators, Inc. The dental benefit is administered by Delta Dental of Iowa. 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. There is no subsidy or OPEB liability associated with the dental benefit. Benefits terminate upon attaining Medicare eligibility.

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

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost is calculated based on the annual required contribution of the City (ARC), 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.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

The following table shows the components of the City's annual OPEB cost for June 30, 2010, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 140,610
Interest on net OPEB obligation	5,185
Adjustment to annual required contribution	<u>(9,667)</u>
Annual OPEB cost (expense)	136,128
Contributions made	<u>(25,308)</u>
Increase in net OPEB obligation	110,820
Net OPEB obligation – beginning of year	<u>207,400</u>
Net OPEB obligation – end of year	<u>318,220</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 plans actual contributions for the year ended June 30, 2011.

For the fiscal year 2011, the City contributed \$ 25,308 to the medical plan. Plan members receiving benefits contributed \$151,680, or 85.7% of the premium costs.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 128,086	19.5%	\$ 207,400
6/30/2011	136,128	18.6%	318,220

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011 the actuarial accrued liability was \$1,397,329, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,397,329. The covered payroll (annual payroll of active employees covered by the plan) was \$9,013,137 and the ratio of the UAAL to the covered payroll was 15.50%.

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 assumption about future employment, mortality, and the healthcare 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 to include techniques that are 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 included a 2.50% discount rate based on the City's funding policy. The projected annual medical trend rate is 6%.

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 IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

**(15) Restatement of Beginning Fund Balances**

The beginning balances of eight governmental funds were restated to correctly reflect the beginning balances after combining the FICA/IPERS, Health and Life Insurance, Workers Comp Insurance and Unemployment Insurance funds into a new fund called Employee Benefits and the Police Retirement and Fire Retirement funds into a new fund called Police & Fire Retirement.

	<u>FICA/IPERS</u>	<u>Health and Life Insurance</u>	<u>Workers Comp Insurance</u>	<u>Unemployment Insurance</u>	<u>Employee Benefits</u>
Balances June 30, 2010, as previously reported	\$ 199,774	966,218	66,462	104,591	-
Adjustments	<u>(199,774)</u>	<u>(966,218)</u>	<u>(66,462)</u>	<u>(104,591)</u>	<u>1,337,045</u>
Balances July 1, 2010, as restated	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,337,045</u>

	<u>Police Retirement</u>	<u>Fire Retirement</u>	<u>Police &amp; Fire Retirement</u>
Balances June 30, 2010, as previously reported	\$ 135,090	59,953	-
Adjustments	<u>(135,090)</u>	<u>(59,953)</u>	<u>195,043</u>
Balances July 1, 2010, as restated	<u>\$ -</u>	<u>-</u>	<u>195,043</u>

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2011

**(16) Accounting change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 31, 2011. The effect of fund type reclassification is as follows:

	<u>General</u>	<u>Special Revenue Emergency Levy</u>
Balances June 30, 2010, as previously reported	\$ 2,218,130	2,141
Changes in fund type classification per implementation of GASB Statement No. 54	<u>2,141</u>	<u>(2,141)</u>
Balances July 1, 2010, as restated	<u><u>\$ 2,220,271</u></u>	<u><u>-</u></u>

**(17) Construction Commitments**

At June 30, 2011, the City had the following commitments with respect to unfinished capital projects:

	<u>Remaining Construction Commitment</u>
Vision Iowa Trails Project	\$ 6,600,000
Cross-town Connector	573,000
Highway 20/5 <sup>th</sup> Ave Phase B	253,000
Highway 20/5 <sup>th</sup> Ave Phase C	1,370,000
Wastewater Treatment Rehab	800,000
N. 7 <sup>th</sup> St/Wraywood Drive	1,230,000
Jordan/Mississippian Wells	75,000

## **Required Supplementary Information**

City of Fort Dodge, Iowa  
 Budgetary Comparison Schedule of  
 Receipts, Disbursements and Changes in Balances  
 Budget and Actual (Cash Basis)  
 All Governmental Funds, Proprietary Funds, and the Airport Authority  
 Required Supplementary Information  
 Year ended June 30, 2011

	Governmental <u>Fund Types</u>	Proprietary Fund Type - <u>Enterprise</u>	Component Unit - Airport <u>Authority</u>	<u>Total</u>
<b>Receipts:</b>				
Property tax	\$ 10,698,116	-	179,705	10,877,821
Tax increment financing	1,066,817	-	-	1,066,817
Other city tax	3,999,640	-	-	3,999,640
Licenses and permits	309,172	-	-	309,172
Use of money and property	215,732	26,591	181,696	424,019
Intergovernmental	4,683,171	886,839	538,207	6,108,217
Charges for service	1,351,249	12,128,191	50,719	13,530,159
Special assessments	13,245	-	-	13,245
Miscellaneous	4,031,202	202,173	113,464	4,346,839
Total receipts	<u>26,368,344</u>	<u>13,243,794</u>	<u>1,063,791</u>	<u>40,675,929</u>
<b>Disbursements:</b>				
Public safety	7,334,940	-	-	7,334,940
Public works	3,167,402	-	564,269	3,731,671
Health and social services	338,628	-	-	338,628
Culture and recreation	3,399,459	-	-	3,399,459
Community and economic development	2,486,443	-	-	2,486,443
General government	1,309,499	-	-	1,309,499
Debt service	4,167,658	-	-	4,167,658
Capital projects	8,678,710	-	421,646	9,100,356
Business type activities	-	14,962,221	-	14,962,221
Total disbursements	<u>30,882,739</u>	<u>14,962,221</u>	<u>985,915</u>	<u>46,830,875</u>
Excess (deficiency) of receipts over (under) disbursements	(4,514,395)	(1,718,427)	77,876	(6,154,946)
Other financing sources, net	<u>5,544,520</u>	<u>(1,138,037)</u>	<u>112,608</u>	<u>4,406,483</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,030,125	(2,856,464)	190,484	(1,748,463)
Balances beginning of year	<u>13,420,099</u>	<u>12,051,007</u>	<u>(115,374)</u>	<u>25,355,732</u>
Balances end of year	<u>\$ 14,450,224</u>	<u>9,194,543</u>	<u>75,110</u>	<u>23,719,877</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to
<u>Original</u>	<u>Final</u>	Actual
		<u>Variance</u>
10,468,402	10,468,402	409,419
1,032,863	1,042,863	23,954
3,625,286	4,176,973	(177,333)
309,700	291,800	17,372
221,100	260,600	163,419
2,866,000	6,689,652	(581,435)
13,666,500	14,384,084	(853,925)
-	-	13,245
692,100	3,746,655	600,184
<u>32,881,951</u>	<u>41,061,029</u>	<u>(385,100)</u>
4,905,300	7,288,800	(46,140)
3,793,200	3,803,890	72,219
5,300	306,617	(32,011)
3,386,400	3,572,400	172,941
831,500	2,422,500	(63,943)
1,146,900	1,322,300	12,801
3,978,400	3,979,850	(187,808)
4,575,000	15,020,000	5,919,644
<u>12,716,700</u>	<u>17,921,664</u>	<u>2,959,443</u>
<u>35,338,700</u>	<u>55,638,021</u>	<u>8,807,146</u>
(2,456,749)	(14,576,992)	8,422,046
<u>2,830,000</u>	<u>14,253,000</u>	<u>(9,846,517)</u>
373,251	(323,992)	(1,424,471)
<u>20,924,151</u>	<u>25,355,732</u>	<u>-</u>
<u>21,297,402</u>	<u>25,031,740</u>	<u>(1,424,471)</u>

City of Fort Dodge, Iowa  
 Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2010

	Governmental Funds			Proprietary Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis	Enterprise		
				Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 26,368,344	(2,542,677)	23,825,667	13,243,794	887,966	14,131,760
Expenditures/Expenses	30,882,739	140,293	31,023,032	14,962,221	(4,388,109)	10,574,112
Net	(4,514,395)	(2,682,970)	(7,197,365)	(1,718,427)	5,276,075	3,557,648
Other financing sources (uses) (net)	5,544,520	814,399	6,358,919	(1,138,037)	(31,729)	(1,169,766)
Beginning fund balances	13,420,099	269,390	13,689,489	12,051,007	23,031,324	35,082,331
Ending fund balances	\$ 14,450,224	(1,599,181)	12,851,043	9,194,543	28,275,670	37,470,213

	Component Unit		
	Airport		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 1,063,791	7,551	1,071,342
Expenses	985,915	24,297	1,010,212
Net	77,876	(16,746)	61,130
Beginning fund balance	(115,374)	6,354,027	6,238,653
Ending fund balance	\$ (37,498)	6,337,281	6,299,783

See accompanying independent auditor's report.

City of Fort Dodge, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2011

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Funds, the Capital Projects Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, two budget amendments increased budgeted receipts by \$8,179,078, budgeted disbursements by \$20,299,321 and other financing sources by \$11,423,000. These budget amendments are reflected in the final budgeted amounts.

The City of Fort Dodge prepares its budget on the cash basis. The Budgetary Comparison Schedule is a comparison of the cash basis receipts and disbursements with the budget adopted and amended by the City Council. During the year ended June 30, 2011, disbursements in the public safety, health and social services, community and economic development and debt service functions exceeded the amounts budgeted.

City of Fort Dodge, Iowa

Schedule of Funding Progress For The

Retiree Health Plan

Required Supplementary Information

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>( a )</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>( b )</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>( c )</u>	<u>Value as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>(b-a)/c)</u>
2009	Jul 1, 2008	---	\$1,380,817	\$1,380,817	0.00%	\$ 8,463,663	16.31%
2010	Jul 1, 2008	---	1,380,817	1,380,817	0.00%	8,724,593	15.83%
2011	Jul 1, 2008	---	1,397,329	1,397,329	0.00%	9,013,137	15.50%

See Note 15 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**

City of Fort Dodge, Iowa  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2011

	Special Revenue			
	Road use Tax	Employee Flex Spending	Historical Preservation	Employee Benefits
<b>Assets</b>				
Cash and pooled investments	\$ 1,308,445	(12,055)	808	1,115,807
Receivables:				
Property tax:				
Delinquent	-	-	-	23,099
Succeeding year	-	-	-	2,414,672
Accounts	-	2,571	-	-
Accrued interest	-	-	-	-
Due from other governments	17,310	-	-	-
Inventories	-	-	-	-
Prepaid insurance	-	-	-	12,512
Prepaid expenses	805	-	-	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<b>\$ 1,326,560</b>	<b>(9,484)</b>	<b>808</b>	<b>3,566,090</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 233,452	-	201	130,351
Salaries payable	53,650	-	-	-
Benefits payable	-	-	-	31,709
Early Retirement	-	-	-	5,641
Deferred revenue:				
Succeeding year property tax	-	-	-	2,414,672
Other	34,609	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<b>\$ 321,711</b>	<b>-</b>	<b>201</b>	<b>2,582,373</b>
Fund balances:				
Nonspendable:				
Prepaid expenditures	-	-	-	12,512
Parks Trust	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Street improvement and repairs	1,004,849	-	-	-
Employee benefits	-	-	-	971,205
Capital improvements	-	-	-	-
Other purposes	-	-	607	-
Unassigned	-	(9,484)	-	-
Total fund balances	<b>1,004,849</b>	<b>(9,484)</b>	<b>607</b>	<b>983,717</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,326,560</b>	<b>(9,484)</b>	<b>808</b>	<b>3,566,090</b>

See accompanying independent auditor's report.

City of Fort Dodge, Iowa  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2011

	Special Revenue			
	Special Assessment	Police & Fire <u>Retirement</u>	Community <u>Development</u>	Emergency <u>Shelter</u>
<b>Assets</b>				
Cash and pooled investments	111,423	55,266	137,020	1
Receivables:				
Property tax:				
Delinquent	-	8,978	-	-
Succeeding year	-	938,573	-	-
Accounts	-	-	-	-
Accrued interest	-	-	50	-
Due from other governments	-	-	79,675	-
Inventories	-	-	-	-
Prepaid insurance	-	-	-	-
Prepaid expenses	-	-	-	-
Due from other funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<b>111,423</b>	<b>1,002,817</b>	<b>216,745</b>	<b>1</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	-	75	40,007	-
Salaries payable	-	-	-	-
Benefits payable	-	47,816	-	-
Early Retirement	-	-	-	-
Deferred revenue:				
Succeeding year property tax	-	938,573	-	-
Other	-	-	-	-
Interfund payable	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	-	986,464	40,007	-
Fund balances:				
Nonspendable:				
Prepaid expenditures	-	-	-	-
Parks Trust	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Street improvement and repairs	-	-	-	-
Employee benefits	-	-	-	-
Capital improvements	-	-	-	-
Other purposes	111,423	16,353	176,738	1
Unassigned	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	111,423	16,353	176,738	1
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total liabilities and fund balances</b>	<b>111,423</b>	<b>1,002,817</b>	<b>216,745</b>	<b>1</b>

See accompanying independent auditor's report.

Schedule 1

Special Revenue					
<u>Hotel/ Motel Tax</u>	<u>SSMID</u>	<u>Library Memorial</u>	<u>RSVP</u>	<u>Foster Grandparents</u>	<u>Other Contributions</u>
246,124	793,825	63,389	14,033	14,022	1,099
-	1,810	-	-	-	-
-	48,641	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
86	-	-	-	-	-
-	-	-	100	25	-
<u>19,038</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>265,248</u>	<u>844,276</u>	<u>63,389</u>	<u>14,133</u>	<u>14,047</u>	<u>1,099</u>
22,009	3,771	-	1,227	17,854	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	48,641	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>22,009</u>	<u>52,412</u>	<u>-</u>	<u>1,227</u>	<u>17,854</u>	<u>-</u>
86	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
243,153	791,864	63,389	12,906	-	1,099
-	-	-	-	(3,807)	-
<u>243,239</u>	<u>791,864</u>	<u>63,389</u>	<u>12,906</u>	<u>(3,807)</u>	<u>1,099</u>
<u>265,248</u>	<u>844,276</u>	<u>63,389</u>	<u>14,133</u>	<u>14,047</u>	<u>1,099</u>

City of Fort Dodge, Iowa  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2010

	Special Revenue			
	<u>DARE</u>	<u>City Grants</u>	<u>Congregate Meals</u>	<u>Drug Arrest</u>
<b>Assets</b>				
Cash and pooled investments	\$ 12,031	(239,276)	5,643	(2,235)
Receivables				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Inventories	-	-	-	-
Prepaid insurance	-	-	-	-
Prepaid expenses	-	-	-	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<b>\$ 12,031</b>	<b>(239,276)</b>	<b>5,643</b>	<b>(2,235)</b>
 <b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	2,005	-	-
Salaries payable	-	-	2,223	-
Benefits payable	-	-	-	-
Early Retirement	-	-	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Interfund Payable	-	-	-	-
Total liabilities	<b>\$ -</b>	<b>2,005</b>	<b>2,223</b>	<b>-</b>
Fund balances:				
Nonspendable:				
Prepaid expenditures	-	-	-	-
Parks Trust	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Street improvement and repairs	-	-	-	-
Employee benefits	-	-	-	-
Capital improvements	-	-	-	-
Other purposes	12,031	-	3,420	-
Unassigned	-	(241,281)	-	(2,235)
Total fund balances	<b>12,031</b>	<b>(241,281)</b>	<b>3,420</b>	<b>(2,235)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 12,031</b>	<b>(239,276)</b>	<b>5,643</b>	<b>(2,235)</b>

See accompanying independent auditor's report.

Schedule 1

<u>Debt Service</u>		<u>Capital Projects</u>				<u>Permanent Fund</u>	
<u>Golf Course</u>	<u>Harlan Rogers Sinking</u>	<u>Harlan Rogers Complex</u>	<u>Capital Improvements</u>	<u>Vision Iowa Trail Plan</u>	<u>Oleson Park Bandshell</u>	<u>Eva Patterson Parks Trust</u>	<u>Total</u>
5,027	183,102	(25,815)	1,720,565	438,333	12,758	25,000	5,984,340
-	-	-	-	-	-	-	33,887
-	-	-	-	-	-	-	3,401,886
-	-	-	8,100	-	-	-	10,671
-	-	-	124	-	-	-	174
-	-	-	77,600	-	-	-	174,585
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	12,598
-	-	-	136	-	-	-	1,066
-	38,062	-	19,038	-	-	-	76,138
<u>5,027</u>	<u>221,164</u>	<u>(25,815)</u>	<u>1,825,563</u>	<u>438,333</u>	<u>12,758</u>	<u>25,000</u>	<u>9,695,345</u>
-	-	-	66,763	121,943	-	-	639,658
-	-	-	-	-	-	-	55,873
-	-	-	-	-	-	-	79,525
-	-	-	-	-	-	-	5,641
-	-	-	-	-	-	-	3,401,886
-	-	-	85,479	-	-	-	120,088
-	-	-	77,441	-	-	-	77,441
-	-	-	229,683	121,943	-	-	4,380,112
-	-	-	-	-	-	-	12,598
-	-	-	-	-	-	25,000	25,000
5,027	221,164	-	-	-	-	-	226,191
-	-	-	-	-	-	-	1,004,849
-	-	-	-	-	-	-	971,205
-	-	-	1,595,880	316,390	12,758	-	1,925,028
-	-	-	-	-	-	-	1,432,984
-	-	(25,815)	-	-	-	-	(282,622)
<u>5,027</u>	<u>221,164</u>	<u>(25,815)</u>	<u>1,595,880</u>	<u>316,390</u>	<u>12,758</u>	<u>25,000</u>	<u>5,315,233</u>
<u>5,027</u>	<u>221,164</u>	<u>(25,815)</u>	<u>1,825,563</u>	<u>438,333</u>	<u>12,758</u>	<u>25,000</u>	<u>9,695,345</u>

City of Fort Dodge, Iowa  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Governmental Funds  
Year ended June 30, 2011

	Special Revenue			
	Road Use Tax	Employee Flex Spending	Historical Preservation	Employee Benefits
Revenues:				
Property tax	\$ -	-	-	2,025,417
Other city tax	-	-	-	-
Use of money and property	-	-	-	18,908
Intergovernmental	2,527,951	-	7,764	-
Charges for service	-	-	-	-
Miscellaneous	-	60,229	6,958	169,356
Total revenues	<u>2,527,951</u>	<u>60,229</u>	<u>14,722</u>	<u>2,213,681</u>
Expenditures:				
Operating:				
Public safety	-	-	-	1,179,924
Public works	2,327,958	-	-	600,550
Health and social services	-	-	-	58,666
Culture and recreation	-	-	-	446,404
Community and economic development	-	-	-	120,957
General government	-	66,992	19,708	160,508
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	<u>2,327,958</u>	<u>66,992</u>	<u>19,708</u>	<u>2,567,009</u>
Excess (deficiency) of revenues over (under) expenditures	<u>199,993</u>	<u>(6,763)</u>	<u>(4,986)</u>	<u>(353,328)</u>
Other financing sources (uses):				
Bond proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(32,700)	-	-	-
Total other financing sources (uses)	<u>(32,700)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	167,293	(6,763)	(4,986)	(353,328)
Fund balances beginning of year, as restated	<u>837,556</u>	<u>(2,721)</u>	<u>5,593</u>	<u>1,337,045</u>
Fund balances end of year	<u>\$ 1,004,849</u>	<u>(9,484)</u>	<u>607</u>	<u>983,717</u>

See accompanying independent auditor's report.

	Special Revenue			
	Special Assessment	Police & Fire Retirement	Community Development	Emergency Shelter
Revenues:				
Property tax	-	566,163	-	-
Other city tax	-	-	-	-
Use of money and property	1,574	4,075	957	-
Intergovernmental	-	-	904,539	-
Charges for service	-	-	-	-
Miscellaneous	13,245	-	99,049	-
Total revenues	<u>14,819</u>	<u>570,238</u>	<u>1,004,545</u>	<u>-</u>
Expenditures:				
Operating:				
Public safety	-	748,928	-	-
Public works	-	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	944,131	-
General government	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	<u>-</u>	<u>748,928</u>	<u>944,131</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,819</u>	<u>(178,690)</u>	<u>60,414</u>	<u>-</u>
Other financing sources (uses):				
Bond proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	14,819	(178,690)	60,414	-
Fund balances beginning of year, as restated	<u>96,604</u>	<u>195,043</u>	<u>116,324</u>	<u>1</u>
Fund balances end of year	<u>111,423</u>	<u>16,353</u>	<u>176,738</u>	<u>1</u>

See accompanying independent auditor's report.

Schedule 2

Special Revenue					
<u>Hotel/ Motel Tax</u>	<u>SSMID</u>	<u>Library Memorial</u>	<u>RSVP</u>	<u>Foster Grandparents</u>	<u>Other Contributions</u>
-	48,783	-	-	-	-
-	-	-	-	-	-
-	2,086	-	-	-	-
-	-	-	30,031	190,949	-
-	-	-	-	-	-
1,713	-	71,178	4,288	1,715	-
<u>1,713</u>	<u>50,869</u>	<u>71,178</u>	<u>34,319</u>	<u>192,664</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	27,451	197,995	-
44,184	-	61,959	-	-	-
-	27,150	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>44,184</u>	<u>27,150</u>	<u>61,959</u>	<u>27,451</u>	<u>197,995</u>	<u>-</u>
<u>(42,471)</u>	<u>23,719</u>	<u>9,219</u>	<u>6,868</u>	<u>(5,331)</u>	<u>-</u>
-	-	-	-	-	-
71,980	22,297	-	-	-	-
(4,600)	(2,000)	-	-	-	-
<u>67,380</u>	<u>20,297</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
24,909	44,016	9,219	6,868	(5,331)	-
<u>218,330</u>	<u>747,848</u>	<u>54,170</u>	<u>6,038</u>	<u>1,524</u>	<u>1,099</u>
<u>243,239</u>	<u>791,864</u>	<u>63,389</u>	<u>12,906</u>	<u>(3,807)</u>	<u>1,099</u>

City of Fort Dodge, Iowa  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Governmental Funds  
Year ended June 30, 2011

	Special Revenue			
	<u>DARE</u>	<u>City Grants</u>	<u>Congregate Meals</u>	<u>Drug Arrest</u>
Revenues:				
Property tax	\$ -	-	-	-
Other city tax	-	-	-	-
Use of money and property	-	-	2	-
Intergovernmental	-	239,377	47,606	11,565
Charges for service	-	-	-	-
Miscellaneous	60	-	-	-
Total revenues	<u>60</u>	<u>239,377</u>	<u>47,608</u>	<u>11,565</u>
Expenditures:				
Operating:				
Public safety	-	-	-	6,197
Public works	-	-	-	-
Health and social services	-	-	53,273	-
Culture and recreation	-	10,048	-	-
Community and economic development	-	471,385	-	-
General government	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	<u>-</u>	<u>481,433</u>	<u>53,273</u>	<u>6,197</u>
Excess (deficiency) of revenues over (under) expenditures	<u>60</u>	<u>(242,056)</u>	<u>(5,665)</u>	<u>5,368</u>
Other financing sources (uses):				
Bond proceeds	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	60	(242,056)	(5,665)	5,368
Fund balances beginning of year	<u>11,971</u>	<u>775</u>	<u>9,085</u>	<u>(7,603)</u>
Fund balances end of year	<u>\$ 12,031</u>	<u>(241,281)</u>	<u>3,420</u>	<u>(2,235)</u>

See accompanying independent auditor's report.

Debt Service		Capital Projects				Permanent Fund	
Golf Course	Harlan Sinking	Harlan Rogers Complex	Capital Improvements	Vision Iowa Trail Plan	Oleson Park Bandshell	Eva Patterson Parks Trust	Totals
-	-	-	-	-	-	-	2,640,363
-	1,588	-	-	-	-	-	1,588
-	3,200	-	332	-	183	-	31,317
-	-	-	302,617	-	-	-	4,262,399
-	-	-	238,095	-	-	-	238,095
-	-	-	260,476	75,000	-	-	763,267
-	4,788	-	801,520	75,000	183	-	7,937,029
-	-	-	542,766	-	-	-	2,477,815
-	-	-	2,795	-	-	-	2,931,303
-	-	-	-	-	-	-	337,385
-	-	-	590,977	-	-	-	1,153,572
-	-	-	-	-	-	-	1,563,623
-	-	-	78,295	-	-	-	325,503
60,747	127,245	-	-	-	-	-	187,992
-	-	-	-	208,610	-	-	208,610
60,747	127,245	-	1,214,833	208,610	-	-	9,185,803
(60,747)	(122,457)	-	(413,313)	(133,610)	183	-	(1,248,774)
-	-	-	275,000	-	-	-	275,000
60,714	129,915	-	196,571	450,000	-	-	931,477
-	-	-	(490,301)	-	-	-	(529,601)
60,714	129,915	-	(18,730)	450,000	-	-	676,876
(33)	7,458	-	(432,043)	316,390	183	-	(571,898)
5,060	213,706	(25,815)	2,027,923	-	12,575	25,000	5,887,131
5,027	221,164	(25,815)	1,595,880	316,390	12,758	25,000	5,315,233

City of Fort Dodge, Iowa  
Statement of Net Assets  
Nonmajor Proprietary Funds  
June 30, 2011

	Enterprise Funds			
	Parking Meter	Solid Waste	Recycling	Storm Water Utility
<b>Assets</b>				
Cash and pooled investments	\$ 255,763	558,742	61,723	3,056,214
Accounts receivable	21,269	243,825	-	93,763
Due from other governments	-	-	-	371,796
Prepaid insurance	153	5,734	-	-
Restricted assets:				
Cash and cash equivalents	-	-	-	-
Capital assets (net of accumulated depreciation)	90,412	95,188	-	2,115,839
<b>Total assets</b>	<u>367,597</u>	<u>903,489</u>	<u>61,723</u>	<u>5,637,612</u>
<b>Liabilities</b>				
Accounts payable	521	26,552	-	78,306
Salaries payable	1,163	19,274	-	-
Compensated absences	-	21,897	-	-
Early retirement	-	-	-	-
Benefits payable	159	2,644	-	-
Deferred Revenue	6,075	-	-	-
Payable from restricted assets:				
Consumer deposits	-	-	-	-
Long-term liabilities:				
Net OPEB liability	3,700	20,351	-	-
<b>Total liabilities</b>	<u>11,618</u>	<u>90,718</u>	<u>-</u>	<u>78,306</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt	90,412	95,188	-	2,115,839
Restricted for:				
Prepaid expenditures	153	5,734	-	-
Unrestricted	265,414	711,849	61,723	3,443,467
<b>Total net assets</b>	<u>\$ 355,979</u>	<u>812,771</u>	<u>61,723</u>	<u>5,559,306</u>

See accompanying independent auditor's report.

Schedule 3

Enterprise Funds				
<u>Lakeside Beverage</u>	<u>Harlan Rogers Beverage</u>	<u>Central Garage</u>	<u>Consumer Deposits</u>	<u>Total</u>
15,638	3,707	362,238	-	4,314,025
-	-	2,012	-	360,869
-	-	-	-	371,796
-	-	-	-	5,887
-	-	-	71,083	71,083
-	-	622,428	-	2,923,867
<u>15,638</u>	<u>3,707</u>	<u>986,678</u>	<u>71,083</u>	<u>8,047,527</u>
-	-	3,708	-	109,087
-	-	-	-	20,437
-	-	-	-	21,897
-	-	-	-	-
-	-	-	-	2,803
-	-	-	-	6,075
-	-	-	71,083	71,083
-	-	-	-	24,051
-	-	3,708	71,083	255,433
-	-	622,428	-	2,923,867
-	-	-	-	5,887
<u>15,638</u>	<u>3,707</u>	<u>360,542</u>	<u>-</u>	<u>4,862,340</u>
<u>15,638</u>	<u>3,707</u>	<u>982,970</u>	<u>-</u>	<u>7,792,094</u>

City of Fort Dodge, Iowa  
Combining Schedule of Revenues, Expenses, and Changes in Net Assets  
Nonmajor Proprietary Funds  
For the Year ended June 30, 2011

	Enterprise Funds		
	Parking Meter	Solid Waste	Recycling
Operating revenues:			
Charges for services	\$ 79,285	1,553,771	248
Miscellaneous	160	12,452	-
Total operating revenues	<u>79,445</u>	<u>1,566,223</u>	<u>248</u>
Operating expenses:			
Business type activities:			
Cost of sales and services	66,708	910,863	-
Depreciation	8,314	55,518	-
Total operating expenses	<u>75,022</u>	<u>966,381</u>	<u>-</u>
Operating income (loss)	<u>4,423</u>	<u>599,842</u>	<u>248</u>
Nonoperating revenues:			
Interest and investment revenue	3,604	3,376	-
Contributed capital	-	-	-
Miscellaneous revenues	-	-	-
Total nonoperating revenue	<u>3,604</u>	<u>3,376</u>	<u>-</u>
Net income (loss) before transfers	<u>8,027</u>	<u>603,218</u>	<u>248</u>
Operating transfers in	2,000	-	-
Operating transfers out	<u>(45,300)</u>	<u>(148,000)</u>	<u>-</u>
Change in net assets	<u>(35,273)</u>	<u>455,218</u>	<u>248</u>
Net assets beginning of year	<u>391,252</u>	<u>357,553</u>	<u>61,475</u>
Net assets end of year	<u>\$ 355,979</u>	<u>812,771</u>	<u>61,723</u>

See accompanying independent auditor's report.

Enterprise Funds				
<u>Storm Water Utility</u>	<u>Lakeside Beverage</u>	<u>Harlan Rogers Beverage Account</u>	<u>Central Garage</u>	<u>Total</u>
546,111	63,245	7,036	-	2,249,696
-	-	-	75,147	87,759
<u>546,111</u>	<u>63,245</u>	<u>7,036</u>	<u>75,147</u>	<u>2,337,455</u>
162,667	60,690	8,780	110,006	1,319,714
48,344	-	-	23,424	135,600
<u>211,011</u>	<u>60,690</u>	<u>8,780</u>	<u>133,430</u>	<u>1,455,314</u>
<u>335,100</u>	<u>2,555</u>	<u>(1,744)</u>	<u>(58,283)</u>	<u>882,141</u>
-	-	-	-	6,980
149,041	-	-	-	149,041
<u>371,796</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>371,796</u>
<u>520,837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>527,817</u>
855,937	2,555	(1,744)	(58,283)	1,409,958
-	-	-	75,000	77,000
(255,806)	-	-	-	(449,106)
<u>600,131</u>	<u>2,555</u>	<u>(1,744)</u>	<u>16,717</u>	<u>1,037,852</u>
<u>4,959,175</u>	<u>13,083</u>	<u>5,451</u>	<u>966,253</u>	<u>6,754,242</u>
<u>5,559,306</u>	<u>15,638</u>	<u>3,707</u>	<u>982,970</u>	<u>7,792,094</u>

City of Fort Dodge, Iowa  
Combining Schedule of Cash Flows  
Nonmajor Proprietary Funds  
For the Year ended June 30, 2011

	Business-Type Activities		
	Parking Meter	Solid Waste	Recycling
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 77,684	1,420,218	248
Payments to suppliers and employees	(64,652)	(906,132)	-
Other receipts	-	7,312	-
Net cash provided (used) by operating activities	13,032	521,398	248
<b>Cash flows from noncapital financing activities</b>			
Transfers to other funds	(43,300)	(148,000)	-
Transfers from other funds	-	-	-
Net cash provided (used) in noncapital financing activities	(43,300)	(148,000)	-
<b>Cash flows from capital and related financing activities</b>			
Purchases of capital assets	-	-	-
Contributed capital	-	-	-
Net cash provided (used) by capital and related financing activities	-	-	-
<b>Cash flows from investing activities</b>			
Interest and dividends	3,606	3,377	-
Net cash provided by investing activities	3,606	3,377	-
Net increase (decrease) in cash and cash equivalents	(26,662)	376,775	248
Cash and cash equivalents - beginning of year	282,425	181,967	61,475
Cash and cash equivalents - end of year	\$ 255,763	558,742	61,723

See accompanying independent auditor's report.

Business-Type Activities					
<u>Storm Water Utility</u>	<u>Lakeside Beverage</u>	<u>Harlan Rogers Beverage</u>	<u>Central Garage</u>	<u>Consumer Deposits</u>	<u>Total</u>
514,391	63,245	7,036	74,644	60,400	2,217,866
(94,211)	(60,690)	(8,780)	(108,538)	(76,915)	(1,319,918)
-	-	-	-	-	7,312
<u>420,180</u>	<u>2,555</u>	<u>(1,744)</u>	<u>(33,894)</u>	<u>(16,515)</u>	<u>905,260</u>
(255,806)	-	-	-	-	(447,106)
-	-	-	75,000	-	75,000
<u>(255,806)</u>	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>(372,106)</u>
(787,774)	-	-	-	-	(787,774)
149,041	-	-	-	-	149,041
<u>(638,733)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(638,733)</u>
-	-	-	-	-	6,983
-	-	-	-	-	6,983
(474,359)	2,555	(1,744)	41,106	(16,515)	(98,596)
<u>3,530,573</u>	<u>13,083</u>	<u>5,451</u>	<u>321,132</u>	<u>87,598</u>	<u>4,483,704</u>
<u>3,056,214</u>	<u>15,638</u>	<u>3,707</u>	<u>362,238</u>	<u>71,083</u>	<u>4,385,108</u>

(continued)

City of Fort Dodge, Iowa  
Combining Schedule of Cash Flows  
Nonmajor Proprietary Funds  
For the Year ended June 30, 2011

	Business-Type Activities		
	Parking Meter	Solid Waste	Recycling
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ 4,423	599,842	248
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	8,314	55,518	-
Change in assets and liabilities:			
Receivables, net	(1,761)	(138,693)	-
Prepaid expenses	2	52	-
Consumer deposits	-	-	-
Accounts and other payables	(633)	(7,640)	-
Other postemployment benefits	1,482	8,151	-
Deferred revenue	1,211	-	-
Accrued expenses	(6)	4,168	-
Net cash provided (used) by operating activities	\$ 13,032	521,398	248
 <b>Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:</b>			
Current assets:			
Cash and pooled investments	\$ 255,763	558,742	61,723
Noncurrent assets:			
Restricted cash and pooled investments	-	-	-
Cash and cash equivalents at year end	\$ 255,763	558,742	61,723

See accompanying independent auditor's report.

Business-Type Activities					
<u>Storm Water Utility</u>	<u>Lakeside Beverage</u>	<u>Harlan Rogers Beverage</u>	<u>Central Garage</u>	<u>Consumer Deposits</u>	<u>Total</u>
335,100	2,555	(1,744)	(58,283)	-	882,141
48,344	-	-	23,424	-	135,600
(31,720)	-	-	(503)	-	(172,677)
	-	-	669	-	723
	-	-	-	(16,515)	(16,515)
68,456	-	-	799	-	60,982
	-	-	-	-	9,633
	-	-	-	-	1,211
-	-	-	-	-	4,162
<u>420,180</u>	<u>2,555</u>	<u>(1,744)</u>	<u>(33,894)</u>	<u>(16,515)</u>	<u>905,260</u>
3,056,214	15,638	3,707	362,238	-	4,314,025
-	-	-	-	71,083	71,083
<u>3,056,214</u>	<u>15,638</u>	<u>3,707</u>	<u>362,238</u>	<u>71,083</u>	<u>4,385,108</u>

City of Fort Dodge, Iowa

Bond Maturities - General Obligation Bonds

June 30, 2011

General Obligation Bonds

Year Ending June 30,	<u>Corporate Purpose</u> <u>Issued May 28, 2003</u>		<u>Corporate Purpose</u> <u>Issued December 1, 2004</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2012	3.30 %	\$ 220,000	3.20 %	\$ 465,000
2013	3.40	225,000	3.20	480,000
2014	3.50	235,000	3.20	490,000
2015		-	3.20	515,000
2016		-		-
2017		-		-
2018		-		-
2019		-		-
2020		-		-
Total		<u>\$ 680,000</u>		<u>\$ 1,950,000</u>

Year Ending June 30,	<u>Corporate Purpose</u> <u>Issued June 15, 2009</u>		<u>Corporate Purpose</u> <u>Issued April 1, 2010</u>	
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>
2012	2.90 %	\$ 330,000	2.00 %	\$ 905,000
2013	3.25	520,000	3.00	925,000
2014	3.55	535,000	3.00	940,000
2015	3.88	500,000	3.00	960,000
2016	4.12	585,000	3.00	980,000
2017	4.30	595,000	3.00	1,005,000
2018	4.30	615,000	3.00	1,040,000
2019	4.63	640,000	3.13	1,070,000
2020	4.75	665,000	3.25	1,110,000
2021	5.00	695,000		-
2022	5.20	725,000		-
2023	5.25	760,000		-
2024	5.38	800,000		-
Total		<u>\$ 7,965,000</u>		<u>\$ 8,935,000</u>

See accompanying independent auditor's report.

Year Ending June 30,	Corporate Purpose Issued June 15, 2008		Corporate Purpose Issued April 21, 2009		Total
	Interest Rates	Amount	Interest Rates	Amount	
2012	3.00 %	\$ 315,000	2.25 %	\$ 215,000	\$ 2,825,000
2013	3.15	105,000	2.50	220,000	2,870,000
2014	3.25	100,000	2.75	230,000	2,935,000
2015	3.40	650,000		-	3,025,000
2016	3.60	735,000		-	2,710,000
2017	3.75	765,000		-	2,785,000
2018	3.90	795,000		-	2,880,000
2019	4.00	825,000		-	2,965,000
2020	4.00	100,000		-	2,320,000
Total		<u>\$ 4,390,000</u>		<u>\$ 665,000</u>	<u>28,995,000</u>

  

Year Ending June 30,	Corporate Purpose Issued June 29, 2011		Urban Renewal Refunding Issued August 26, 2010		Total
	Interest Rate	Amount	Interest Rate	Amount	
2012	0.40 %	\$ 160,000	1.00 %	\$ 215,000	\$ 2,825,000
2013	0.60	175,000	1.00	220,000	2,870,000
2014	0.80	180,000	1.25	225,000	2,935,000
2015	1.10	180,000	1.55	220,000	3,025,000
2016	1.40	185,000	1.85	225,000	2,710,000
2017	1.70	195,000	2.10	225,000	2,785,000
2018	1.95	200,000	2.35	230,000	2,880,000
2019	2.15	205,000	2.50	225,000	2,965,000
2020	2.35	215,000	2.70	230,000	2,320,000
2021	2.55	225,000	2.90	225,000	1,145,000
2022		-	3.00	250,000	975,000
2023		-		-	760,000
2024		-		-	800,000
Total		<u>\$ 1,920,000</u>		<u>\$ 2,490,000</u>	<u>28,995,000</u>

City of Fort Dodge, Iowa  
Bond Maturities - Revenue Bonds  
June 30, 2011

Year Ending June 30,	Sewer Bond Issue Issued Sep 30, 1999			Sewer Bond Issue Issued Sep 30, 1999			Sewer Bond Issue Issued Dec 20, 2002		
	Interest		Amount	Interest		Amount	Interest		Amount
	Rates			Rates			Rates		
2012	3.92	%	\$ 12,000	3.92	%	\$ 485,000	3.00	%	\$ 175,000
2013	3.92		12,000	3.92		505,000	3.00		180,000
2014	3.92		13,000	3.92		524,000	3.00		185,000
2015	3.92		13,000	3.92		545,000	3.00		191,000
2016	3.92		14,000	3.92		566,000	3.00		196,000
2017	3.92		14,000	3.92		588,000	3.00		202,000
2018	3.92		15,000	3.92		611,000	3.00		208,000
2019	3.92		15,000	3.92		635,000	3.00		215,000
2020	3.92		16,000	3.92		660,000	3.00		221,000
2021	3.92		16,000	3.92		686,000	3.00		228,000
2022	3.92		17,000	3.92		713,000	3.00		235,000
2023			-			-	3.00		242,000
2024			-			-			-
2025			-			-			-
2026			-			-			-
2027			-			-			-
2028			-			-			-
	Total		<u>\$ 157,000</u>			<u>\$ 6,518,000</u>			<u>\$ 2,478,000</u>

See accompanying independent auditor's report.

City of Fort Dodge, Iowa  
 Bond Maturities - Revenue Bonds  
 June 30, 2011

Year Ending June 30,	<u>Sewer Bond Issue</u>			<u>Water Bond Issue</u>			<u>Water Bond Issue</u>		
	<u>Issued June 30, 2002</u>			<u>Issued Dec 12, 2003</u>			<u>Issued June 1, 2004</u>		
	Interest			Interest			Interest		
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>			
2012	3.00 %	\$ 53,000	3.00 %	\$ 156,000	3.00 %	\$ 217,000			
2013	3.00	54,000	3.00	160,000	3.00	223,000			
2014	3.00	56,000	3.00	165,000	3.00	230,000			
2015	3.00	58,000	3.00	170,000	3.00	237,000			
2016	3.00	59,000	3.00	175,000	3.00	244,000			
2017	3.00	61,000	3.00	180,000	3.00	251,000			
2018	3.00	63,000	3.00	186,000	3.00	259,000			
2019	3.00	65,000	3.00	191,000	3.00	266,000			
2020	3.00	67,000	3.00	197,000	3.00	274,000			
2021	3.00	69,000	3.00	203,000	3.00	283,000			
2022	3.00	71,000	3.00	209,000	3.00	291,000			
2023		-	3.00	215,000	3.00	300,000			
2024		-		222,000	3.00	309,000			
2025		-		229,000	3.00	318,000			
<b>Total</b>		<u>\$ 676,000</u>		<u>\$ 2,658,000</u>		<u>\$ 3,702,000</u>			

<u>Sewer Bond Issue</u>			<u>Hotel/Motel Tax Revenue Bond</u>			<u>Golf Course Revenue Note</u>		
<u>Issued December 27, 2007</u>			<u>Issued June 1, 2003</u>			<u>Issued Jan 13, 2006</u>		
Interest			Interest			Interest		
<u>Rates</u>		<u>Amount</u>	<u>Rates</u>		<u>Amount</u>	<u>Rates</u>		<u>Amount</u>
3.00 %	\$	1,139,000	4.00 %	\$	80,000	4.45-4.50 %		\$ 45,500
3.00		1,173,000	4.00		85,000	4.50-4.55		48,500
3.00		1,208,000	3.60		85,000	4.55-4.60		50,500
3.00		1,244,000	3.75		90,000	4.60-4.65		53,000
3.00		1,282,000	3.85		95,000	4.65-4.70		55,500
3.00		1,320,000	3.95		100,000	4.70-4.75		58,500
3.00		1,360,000	4.00		105,000	4.75		30,500
3.00		1,400,000	4.00		105,000			-
3.00		1,442,000	4.05		110,000			-
3.00		1,486,000	4.10		115,000			-
3.00		1,530,000	4.15		125,000			-
3.00		1,576,000	4.15		130,000			-
3.00		1,624,000			-			-
3.00		1,672,000			-			-
3.00		1,722,000			-			-
3.00		1,774,000			-			-
3.00		1,822,000			-			-
		<u>\$ 24,774,000</u>			<u>\$ 1,225,000</u>			<u>\$ 342,000</u>

See accompanying independent auditor's report.

City of Fort Dodge, Iowa  
 Bond Maturities - Revenue Bonds  
 June 30, 2011

Schedule 7

Year Ending June 30,	Urban Renewal Tax Increment Revenue Bond Issued Dec 17, 2003			Urban Renewal Tax Increment Revenue Bond Issued Nov. 15, 2006			Total
	Interest Rates		Amount	Interest Rates		Amount	
2012	4.10 %	\$	40,000.00	4.75 %	\$	190,000.00	2,592,500
2013	4.30		40,000	4.75		200,000	2,680,500
2014	4.50		20,000	4.75		210,000	2,746,500
2015			-	4.75		210,000	2,811,000
2016			-	4.75		220,000	2,906,500
2017			-	4.75		220,000	2,994,500
2018			-	4.75		230,000	3,067,500
2019			-	4.75		230,000	3,122,000
2020			-	4.75		240,000	3,227,000
2021			-	4.75		240,000	3,326,000
2022			-	4.75		260,000	3,451,000
2023			-			-	2,463,000
2024			-			-	2,155,000
2025			-			-	2,219,000
2026			-			-	1,722,000
2027			-			-	1,774,000
2028			-			-	1,822,000
Total		\$	<u>100,000</u>		\$	<u>2,450,000</u>	<u>45,080,000</u>

See accompanying independent auditor's report.

City of Fort Dodge, Iowa

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

For the Last Nine Years

	Modified Accrual Basis			
	2011	2010	2009	2008
<b>Revenues:</b>				
Property tax	\$ 10,695,253	9,495,874	9,065,686	9,412,453
Tax increment financing revenue	1,057,524	994,554	960,077	1,021,218
Other city tax	3,781,601	3,246,525	2,471,570	2,345,915
Licenses and permits	303,300	282,277	366,910	334,673
Use of money and property	344,015	372,350	420,807	457,355
Intergovernmental	4,772,715	5,332,928	3,364,048	4,018,906
Charges for service	1,251,367	965,547	1,006,957	1,048,258
Miscellaneous	1,619,892	3,227,905	1,629,822	1,403,703
<b>Total</b>	<b>\$ 23,825,667</b>	<b>23,917,960</b>	<b>19,285,877</b>	<b>20,042,481</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety	\$ 7,319,101	6,462,486	6,127,327	6,355,575
Public works	3,336,965	3,438,283	7,653,552	5,171,592
Health & social services	340,102	347,086	434,575	525,065
Culture and recreation	3,459,938	3,330,371	3,188,913	2,896,431
Community and economic development	4,734,874	4,201,872	3,821,149	2,580,400
General government	1,381,422	1,279,686	1,491,143	1,311,200
Debt service	3,842,588	3,429,197	3,195,141	1,633,892
Capital projects	6,608,042	12,542,416	5,159,378	2,369,971
<b>Total</b>	<b>\$ 31,023,032</b>	<b>35,031,397</b>	<b>31,071,178</b>	<b>22,844,126</b>

See accompanying independent auditor's report.

Schedule 8

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
9,309,408	9,405,843	9,136,224	9,245,696	9,225,579
924,879	904,267	855,994	793,770	929,184
2,255,230	2,216,986	1,930,077	2,187,327	1,899,524
323,123	321,063	282,112	371,137	248,503
588,086	488,171	380,335	318,211	359,425
3,877,250	4,460,365	4,401,764	5,384,061	5,572,705
1,164,134	1,097,362	1,083,195	1,006,126	1,124,480
<u>1,597,706</u>	<u>1,724,939</u>	<u>1,351,395</u>	<u>1,158,090</u>	<u>1,318,532</u>
<u>20,039,816</u>	<u>20,618,996</u>	<u>19,421,096</u>	<u>20,471,479</u>	<u>20,683,187</u>
6,628,544	5,750,697	5,477,040	5,365,446	5,461,031
3,451,734	3,625,199	3,846,806	3,534,608	3,884,687
881,082	679,639	569,898	635,244	327,035
2,675,303	3,069,638	2,433,376	2,410,541	2,872,845
5,130,808	2,113,794	2,669,361	3,066,341	2,988,154
1,500,704	1,465,795	1,464,206	1,358,687	1,356,574
1,699,934	1,949,432	1,736,407	3,638,927	3,191,147
<u>902,847</u>	<u>2,170,993</u>	<u>2,974,408</u>	<u>3,066,222</u>	<u>2,096,862</u>
<u>22,870,956</u>	<u>20,825,187</u>	<u>21,171,502</u>	<u>23,076,016</u>	<u>22,178,335</u>

City of Fort Dodge, Iowa  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2011

Schedule 9

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Justice:			
Byrne Memorial Justice Assistance	16.738	2010-DJ-BX-0960	\$ 3,671
Community Oriented Policing Services	10.710	2010-UMUX0096	<u>48,973</u>
U.S. Department of Transportation:			
Airport Improvement Program	20.106	3-19-0035-22	62,134
Airport Improvement Program	20.106	3-19-0035-24	7,440
Airport Improvement Program	20.106	3-19-0035-25	249,202
			<u>318,776</u>
Corporation for National and Community Service:			
Foster Grandparents	94.011	08SFNIA002	199,110
Retired Senior Volunteer Program	94.002	08SRNIA009	<u>13,732</u>
U.S. Department of Housing and Urban Development:			
Economic Development Initiative	14.251	B-09-SP-IA-0117	131,180
Economic Development Initiative	14.251	B-08-SP-IA-0100	98,000
			<u>229,180</u>
U.S. Department of Homeland Security:			
Assistance to Firefighters	97.044	EMW-2009-FV-00638	<u>247,500</u>
Total Direct			<u>1,060,942</u>
Indirect:			
U.S. Department of Health and Human Services:			
Elderbridge Agency on Aging:			
Special programs for the Aging - Title IIIC	93.045	FY 2011	<u>31,121</u>
Nutrition Services			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Formula grants for other than	20.509	18-0029-269-11	290,319
Urbanized Anear	20.509	ICB CY10	3,288
Urbanized Anear	20.509	ICB CY11	4,883
Urbanized Anear	20.509	TF - 2011	3,639
			<u>302,129</u>

(continued)

City of Fort Dodge, Iowa  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2011

Schedule 9

<u>Grantor/Program</u> (continued)	<u>CFDA</u> <u>Number</u>	Agency or <u>Pass-Through</u> <u>Number</u>	<u>Program</u> <u>Expenditures</u>
Indirect (continued):			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	08-NSP-007	631,668
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance	97.036	EM-1727	2,461
Disaster Grants - Public Assistance	97.036	EM-1763	267,611
Disaster Grants - Public Assistance	96.036	EM-1928	361,956
			632,028
Buffer Zone Protection Program	97.078	2009 BZPP	101,314
U.S. Department of Justice:			
Webster County:			
ARRA - Edward Byrne Memorial Justice Assistance Program	16.738	2009 SB-B9-2646	17,805
Bullet Proof Partnership Grant	16.607	FY 2011	1,514
Total Indirect			1,717,579
Total			\$ 2,778,521

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

See accompanying independent auditor's report.

## Schedule of Expenditures of State Awards

Year ended June 30, 2011

<u>Grantor/Program</u>	<u>Program Expenditures</u>
Department of Transportation:	
Airport Infrastructure #12362	\$ 9,645
Airport Infrastructure #11415	49,488
Airport Infrastructure #11377	15,487
Air Service Development Program	<u>34,764</u>
	<u>109,384</u>
Iowa Commission on Volunteer Service:	
RSVP	<u>15,888</u>
Library:	
Open Access Grant	6,658
Enrich Iowa Grant	<u>6,188</u>
	<u>12,846</u>
Iowa Department of Economic Development:	
REAP 08-R4-RW	<u>11,276</u>
Iowa Department of Public Safety:	
Governor's Traffic Safety Bureau FY 2011	<u>20,142</u>
 Total	 <u><u>\$ 169,536</u></u>

See accompanying independent auditor's report.

Schedule of Passenger Facility Charges Collected and Expended

Year Ended June 30, 2011

	Quarter Ended <u>9-30-10</u>	Quarter Ended <u>12-31-10</u>	Quarter Ended <u>3-31-11</u>	Quarter Ended <u>6-30-11</u>	Total Period Ended <u>6-30-11</u>
Charges collected:					
PFC revenue received	\$ 9,499	10,434	7,810	9,430	37,173
Charges expended:					
Expenditures on approved PFC projects	\$ -	-	-	-	-

See accompanying independent auditor's report.

# Cornwell, Frideres, Maher & Associates, P.L.C.

## Certified Public Accountants

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

To the Honorable Mayor and  
Members of the City Council:

#### Compliance

We have audited the compliance of the City of Fort Dodge with the compliance requirements described in the *Passenger Facility Charge Audit Guide*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended June 30, 2011. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of The City of Fort Dodge's management. Our responsibility is to express an opinion on The City of Fort Dodge's compliance based on our audit.

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

In our opinion, The City of Fort Dodge complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended June 30, 2011.

## Internal Control Over Compliance

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

A deficiency in 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.

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 that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*Cornwell, Frideres, Maher & Assoc., P.L.C.*

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

March 19, 2012

# Cornwell, Frideres, Maher & Associates, P.L.C.

## Certified Public Accountants

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

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

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component units, except for the W.H. Johnston Foundation, each major fund and the aggregate remaining fund information of the City of Fort Dodge, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon March 19, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Fort Dodge's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, describe in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. (Items II-A-10 and II-B-10) A *significant deficiency* is a deficiency, or a 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.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

*Cornwell, Frideres, Maher & Assoc., P.L.C.*

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

March 19, 2012

# Cornwell, Frideres, Maher & Associates, P.L.C.

## Certified Public Accountants

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Independent Auditor's Report on Compliance  
with Requirements that Could have a Direct and Material Effect  
on Each Major Program and Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

### Compliance

We have audited the compliance of the City of Fort Dodge, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Fort Dodge's major federal programs for the year ended June 30, 2011. The City of Fort Dodge's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of the City of Fort Dodge's management. Our responsibility is to express an opinion on the City of Fort Dodge's compliance based on our audit.

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

In our opinion, the City of Fort Dodge complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2011.

## Internal Control Over Compliance

The management of the City of Fort Dodge is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Fort Dodge's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Fort Dodge's internal control over compliance.

A deficiency in 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.

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 that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*Cornwell, Frideres, Maher & Assoc., P.L.C.*

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

March 19, 2012

City of Fort Dodge, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

- (a) A qualified opinion was issued on the discretely presented component units. Unqualified opinions were issued on the rest of the reporting units.
- (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 the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were CFDA Numbers 14.228 Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii, 97.044 Assistance to Fire Fighters, 97.036 Disaster Grants – Public Assistance, and 20.106 Airport Improvement Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Fort Dodge did not qualify as a low-risk auditee.

City of Fort Dodge, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

**SIGNIFICANT DEFICIENCIES:**

II-A-11 - Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP). The City of Fort Dodge does not have an internal control system designed to provide for the preparation of the financial statements, including accompanying footnotes and statements of cash flows, as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in and Audit*, requires us to communicate this matter to those charged with governance.

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

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

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

Conclusion – Response accepted.

City of Fort Dodge, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

II-B-11 - Monthly Clerks Reports – During the audit, it was noted that the monthly clerk’s reports were not prepared timely.

Recommendation – The City should implement procedures to ensure that the monthly clerk’s reports are prepared on a timely basis, so that management can review their cash balances on timely basis.

Response – We have reviewed our procedures, shifted responsibilities and as of the audit report date, the monthly clerk’s reports are now being prepared timely.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

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

City of Fort Dodge, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

IV-A-11- Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the public safety, health and social services, community and economic development and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – We were without a City Clerk for the majority of this fiscal year. We are confident with a full time Clerk the budget will be monitored more closely in the future.

Conclusion – Response accepted.

IV-B-11 - Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-11 - Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Fort Dodge, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

IV-D-11 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Nancy Rork, Employee Spouse owns Rork's Northwest Furnace	Repairs	\$7498
Matt Bemrich, Mayor Part-Owner of Bemrich Electric	Airport Lighting Library Computer Repairs City Repairs	1767 640 515
Robert Patterson, Council Member Part-Owner of Midstate Plumbing & Heating, Inc.	Airport Repairs Library Repairs City Repairs	468 1948 28981

The transactions with Rork's Northwest Furnace appear to represent a conflict of interest as they were awarded without competitive bids.

The transactions with Bemrich Electric with the airport and library bonds do not appear to represent a conflict of interest as they were awarded by administrative agencies. The City repairs do not represent a conflict of interest as the total amount was less than \$1,500 during the fiscal year.

The transactions with Midstate Plumbing & Heating, Inc. with the airport and library boards do not appear to represent a conflict of interest as they were awarded by administrative agencies. Of the City transactions, \$18,333 were awarded with competitive bids, therefore, they do not appear to represent conflicts of interest. However, \$10,648 do appear to represent conflicts of interest as they were awarded without competitive bids.

City of Fort Dodge, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Recommendation – City officials should review their procedures to insure they are in compliance with the Code of Iowa.

Response – We have reviewed our procedures. The transactions with Midstate Plumbing & Heating, Inc. that were not awarded by competitive bid were entered into before the audit report was issued for the prior year. The transactions with Rork’s Northwest Furnace were overlooked this year as the employee has no decision making authority.

Conclusion – Response accepted.

- IV-E-11 Bond Coverage – Sure bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-11 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- IV-H-11 Revenue Bonds and Notes – No instances of non-compliance with the water and wastewater revenue note provisions were noted.
- IV-I-11 Financial Condition – The Special Revenue Funds, Tax Increment Financing, Employee Flex Spending, Foster Grandparents, City Grants and Drug Arrest accounts had deficit balances of \$1,345,149, \$9,484, \$3,807, \$241,281 and \$2,235 respectively at June 30, 2011. The Capital Projects Fund, Harlan Rogers Complex account had a deficit balance of \$25,815 at June 30, 2011.

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

Response – See note 10 to the financial statements to see how City officials plan to eliminate these deficits.

Conclusion – Response accepted.

City of Fort Dodge, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

IV-J-11 Inactive Accounts – It was noted that there were several funds that have been inactive for several years.

Recommendation – City officials should review these funds to see if they can be closed out.

Response – We will do this.

Conclusion – Response accepted.