

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, 2012

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City of Fort Dodge, Iowa

Officials

<u>Name</u>	<u>Title</u> (After January 2012)	<u>Term Expires</u>
Matt Bemrich	Mayor	Dec 2013
Don Wilson	Mayor Pro Tem	Dec 2013
Barney Patterson	Council Member	Dec 2013
Andy Fritz	Council Member	Dec 2013
Dean Hill	Council Member	Dec 2015
David Flattery	Council Member	Dec 2013
Kim Alstott	Council Member	Dec 2013
Mark Taylor	Council Member	Dec 2013
David Fierke	City Manager	Indefinite
Jeff Nemmers	City Clerk	Indefinite
Dawn Siebken	Deputy City Clerk	Indefinite
Michelle Hefley	Treasurer	Indefinite
Mark Crimmins	City Attorney	Indefinite
	(Before January 2012)	
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
Dawn Siebken	Deputy City Clerk	Indefinite
Michelle Hefley	Treasurer Acting City Clerk	Indefinite Jul 2011
Maurice Breen	City Attorney	Passed Away (March 2011)
Mark Crimmins	Acting City Attorney	Indefinite

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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, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Fort Dodge's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the discretely presented Airport Authority component unit, each major fund, and the aggregate remaining fund information of the City of Fort Dodge at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

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

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

In accordance with Government Auditing Standards, we have also issued our reports dated March 6, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 67 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures, to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

March 6, 2013

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, 2012.

FINANCIAL HIGHLIGHTS

- The assets of the City of Fort Dodge exceeded its liabilities by \$77,854,056 at June 30, 2012.
- The City issued \$4,370,000 in general corporate purpose bonds, completely abated by water revenue, to pay the costs of constructing improvements to the municipal waterworks system, including the refunding of an outstanding Water Revenue Loan Anticipation Project Note previously issued in connection therewith. The City also issued a \$850,000 Urban Renewal Tax Increment Revenue Bond to pay for the construction of recreational trail improvements in connection with the Army Corp Rec Trail Project.
- The City had several ongoing construction projects during the fiscal year including water and sewer planning and design expenses for improvements to the Iowa Crossroads of Global Innovation Agricultural Park, continued expenses for Business Highway 20 corridor improvements, Airport runway improvements, trail project expenses, Cross-town connector expenses, Wraywood Drive improvements, and a partial renovation of City Hall.

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, 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, 2012

Governmental Activities

	FY2012	FY2011	Increase (Decrease)
Current Assets	\$ 24,259,951	\$ 27,957,159	\$ (3,697,208)
Restricted Assets	\$ 0	\$ 17,008	\$ (17,008)
Capital Assets	<u>\$ 62,667,497</u>	<u>\$ 59,150,726</u>	<u>\$ 3,516,771</u>
Total Assets	\$ 86,927,448	\$ 87,124,893	\$ (197,445)
Current Liabilities	\$ 15,051,088	\$ 15,171,962	\$ (120,874)
Long Term Liabilities	<u>\$ 36,565,982</u>	<u>\$ 34,538,901</u>	<u>\$ 2,027,081</u>
Total Liabilities	\$ 51,617,070	\$ 49,710,863	\$ 1,906,207
Net Assets:			
Invested in Capital Assets			
Net of related debt	\$ 27,515,997	\$ 26,038,726	\$ 1,477,271
Restricted	\$ 9,241,877	\$ 14,241,810	\$ (4,999,933)
Unrestricted	<u>\$ (1,447,496)</u>	<u>\$ (2,866,506)</u>	<u>\$ 1,419,010</u>
Total Net Assets	<u>\$ 35,310,378</u>	<u>\$ 37,414,030</u>	<u>\$ (2,103,652)</u>

Business Type Activities

	FY2012	FY2011	Increase (Decrease)
Current Assets	\$ 12,579,564	\$ 10,665,580	\$ 1,913,984
Restricted Assets	\$ 815,109	\$ 1,485,428	\$ (670,319)
Capital Assets	<u>\$ 72,875,151</u>	<u>\$ 71,227,595</u>	<u>\$ 1,647,556</u>
Total Assets	\$ 86,269,824	\$ 83,378,603	\$ 2,891,221
Current Liabilities	\$ 1,597,855	\$ 1,252,721	\$ 345,134
Long Term Liabilities	<u>\$ 42,128,291</u>	<u>\$ 44,655,669</u>	<u>\$ (2,527,378)</u>
Total Liabilities	\$ 43,726,146	\$ 45,908,390	\$ (2,182,244)
Net Assets:			
Invested in Capital Assets			
Net of related debt	\$ 31,098,692	\$ 30,264,595	\$ 834,097
Restricted	\$ 640,174	\$ 458,524	\$ 181,650
Unrestricted	<u>\$ 10,804,812</u>	<u>\$ 6,747,094</u>	<u>\$ 4,057,718</u>
Total Net Assets	<u>\$ 42,543,678</u>	<u>\$ 37,470,213</u>	<u>\$ 5,073,465</u>

	Total Net Assets		Increase (Decrease)
	FY2012	FY2011	
Current Assets	\$ 36,839,515	\$ 38,622,739	\$ (1,783,224)
Restricted Assets	\$ 815,109	\$ 1,502,436	\$ (687,327)
Capital Assets	<u>\$ 135,542,648</u>	<u>\$ 130,378,321</u>	<u>\$ 5,164,327</u>
Total Assets	\$ 173,197,272	\$ 170,503,496	\$ 2,693,776
Current Liabilities	\$ 16,648,943	\$ 16,424,683	\$ 224,260
Long Term Liabilities	<u>\$ 78,694,273</u>	<u>\$ 79,194,570</u>	<u>\$ (500,297)</u>
Total Liabilities	\$ 95,343,216	\$ 95,619,253	\$ (276,037)
Net Assets:			
Invested in Capital Assets			
Net of related debt	\$ 58,614,689	\$ 56,303,321	\$ 2,311,368
Restricted	\$ 10,101,189	\$ 10,128,627	\$ (27,438)
Unrestricted	<u>\$ 9,138,178</u>	<u>\$ 8,452,295</u>	<u>\$ 685,883</u>
Total Net Assets	<u>\$ 77,854,056</u>	<u>\$ 74,884,243</u>	<u>\$ 2,969,813</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 \$77,854,056 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 \$58,614,689. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Prior year comparison shows \$56,303,321, an increase of \$2,311,368.

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 \$10,101,189, a decrease of \$27,438 from the prior year.

The remaining balance, unrestricted net assets of \$9,138,178, 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 \$8,452,295, an increase of \$685,883. The following is a more detailed review of the years' operation.

**Statement of Activities
City of Fort Dodge
June 30, 2012**

Governmental Activities

	FY2012	FY2011	(Decrease)
Revenues:			
Program Revenues:			
Charges for service	1,860,756	1,554,669	306,087
Operating grants, contributions	3,007,785	3,233,308	(225,523)
Capital grants, contributions	2,375,267	1,765,922	609,345
General Revenues:			
Property tax	13,625,064	12,211,474	1,413,590
Other taxes	3,303,332	3,322,906	(19,574)
Interfund Transfers	(2,938,476)	1,057,158	(3,995,634)
Other	<u>1,636,210</u>	<u>2,562,823</u>	<u>(926,613)</u>
Total Revenues	22,869,938	25,708,260	(2,838,322)
Program Expenses:			
Public Safety	7,511,946	7,136,298	375,648
Public Works	5,424,886	4,850,030	574,856
Health and Social Services	308,213	360,046	(51,833)
Culture and Recreation	4,249,918	4,187,477	62,441
Comm & Econ Development	4,533,398	4,537,862	(4,464)
General Government	1,492,542	1,405,508	87,034
Debt Service	1,036,374	1,157,578	(121,204)
Capital Projects	<u>416,313</u>	<u>967,158</u>	<u>(550,845)</u>
Total Expenses	24,973,590	24,601,957	371,633
Increase (decrease) in net assets	(2,103,652)	1,106,303	(3,209,955)
Net assets at beginning of year	37,414,030	36,307,727	1,106,303
Net assets at end of year	35,310,378	37,414,030	(2,103,652)

Revenues for governmental funds were \$2,838,322 less in the current fiscal year as compared to the prior fiscal year. The major change in revenue was due to a decrease in interfund transfers. This decrease was due to the issuance of general obligation bonds used to pay off interim water debt.

**Statement of Activities
City of Fort Dodge
June 30, 2012**

Business Type Activities

	FY2012	FY2011	Increase (Decrease)
Revenues:			
Program Revenues:			
Charges for service	13,323,093	13,584,351	(261,258)
Operating grants, contributions	-	-	-
Capital grants, contributions	-	-	-
General Revenues:			
Interfund Transfers	2,939,576	(1,169,766)	4,109,342
Other	<u>115,705</u>	<u>547,409</u>	<u>(431,704)</u>
Total Revenues	16,378,374	12,961,994	3,416,380
Program Expenses:			
Water	3,979,209	3,739,338	239,871
Sewer	5,686,123	5,379,460	306,663
Storm water utility	-	-	-
Other non-major business type activities	<u>1,789,577</u>	<u>1,455,314</u>	<u>334,263</u>
Total Expenses	11,454,909	10,574,112	880,797
Increase in net assets	4,923,465	2,387,882	2,535,583
Net assets at beginning of year	37,620,213	35,082,331	2,537,882
Net assets at end of year	42,543,678	37,470,213	5,073,465

Revenues for business type activities increased by \$3,416,380 or 26.4% more than the previous fiscal year due to increased interfund transfers. GO bonds were issued to pay off water revenue bonds. Charges for services decreased \$261,258 or 1.9%, the result of a changing billing from quarterly to monthly from FY10 to FY11 which increased FY11 revenue.

Expenses increased \$880,797 from the prior year as a result of increased operational expenses.

**Statement of Activities
City of Fort Dodge
June 30, 2012**

Total Government and Business Type Activities

	FY2012	FY2011	Increase (Decrease)
Revenues:			
Program Revenues			
Charges for service	15,183,849	15,139,020	44,829
Operating grants, contributions	3,007,785	3,233,308	(225,523)
Capital grants, contributions	2,375,267	1,765,922	609,345
General Revenues:			
Property tax	13,625,064	12,211,474	1,413,590
Other taxes	3,303,332	3,322,906	(19,574)
Interfund Transfers	1,100	(112,608)	113,708
Other	<u>1,751,915</u>	<u>3,110,232</u>	<u>(1,358,317)</u>
Total Revenues	39,248,312	38,670,254	578,058
Program Expenses:			
Public Safety	7,511,946	7,136,298	375,648
Public Works	5,424,886	4,850,030	574,856
Health and Social Services	308,213	360,046	(51,833)
Culture and Recreation	4,249,918	4,187,477	62,441
Comm & Econ Development	4,533,398	4,537,862	(4,464)
General Government	1,492,542	1,405,508	87,034
Debt Service	1,036,374	1,157,578	(121,204)
Capital Projects	416,313	967,158	(550,845)
Water	3,979,209	3,739,338	239,871
Sewer	5,686,123	5,379,460	306,663
Storm water utility	-	-	-
Other non-major business type activities	<u>1,789,577</u>	<u>1,455,314</u>	<u>334,263</u>
Total Expenses	36,428,499	35,176,069	1,252,430
Increase in net assets	2,819,813	3,494,185	(674,372)
Net assets at beginning of year	74,884,243	71,390,058	5,920,266
Net assets at end of year	77,704,056	74,884,243	5,245,894

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 \$9,238,170 a decrease of \$3,612,873 from the prior year. Of this total amount (\$2,236,260) 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 \$2,047,674 an increase of \$226,651. This increase was due to several factors including increased property taxes, increased transfers from capital improvement funds, and increased building permits. The increased revenues were offset by increased salary expenses. The total general fund balance was \$2,127,578. 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 22.0% of total general fund expenditures (\$9,287,927), while total fund balance represents 22.9% of that same amount.

The Local Option Sales Tax Fund decreased \$1,661,042 as monies are were dispersed for infrastructure projects.

The Tax Increment Financing Fund maintained their negative balance. This deficit will be eliminated upon receipt of property taxes in future years. The increased deficit balance was due to additional interfund loans for various economic development and community improvements.

The Debt Service Fund ended the year with a fund balance of \$621,889 a decrease of \$317,645 from the prior year. The decrease was due to the debt repayment for multiple years of police car purchases.

The Construction Fund ended the year with a fund balance of \$1,211,335 an increase of \$690,478. The increase is due to reimbursements by the Local Option Sales Tax Fund for capital projects.

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 \$4,199,543, compared to an increase of \$340,985 from the previous fiscal year. This increase is due to GO bonds being received to pay off interim water financing.

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 \$380,251, compared to an

increase of \$1,009,045 in the previous fiscal year. Additional sewer expenses were incurred because of the sanitary sewer evaluation study (SSES).

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 debt service programs exceeded the amounts budgeted.

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 \$62,667,497 and \$72,875,151 respectively, for a combined total of \$135,542,648. See Note 3 to the financial statements for additional information regarding the City's capital assets.

Long-term Debt

At June 30, 2012, the City of Fort Dodge had \$35,151,500 of long-term debt outstanding in its governmental activities, compared to \$33,112,000 at June 30, 2011. This increase of \$2,039,500 is attributable to the both the issuance and repayment of debt. During the year, the City of Fort Dodge issued \$4,370,000 in General Obligation water abated bonds for improvements to the City's waterworks system and a \$850,000 Urban Renewal Tax Increment Revenue Bond to pay for recreational trail improvements. The City maintained its rating Aa3 from Moody's Investor Services. The City's statutory debt limit, which is limited to 5% of the assessed valuation, was \$49,690,621 of which the City has utilized 71%. The Golf Course Revenue Note (\$296,500) is not repayable from taxes and therefore not included in the statutory debt calculation.

Total long-term debt for business type activities was \$41,776,459 an increase of \$813,459 from the previous fiscal year which is attributable to both the issuance and repayment of debt.

ECONOMIC FACTORS

For the upcoming fiscal year ending June 30, 2013, the City's taxable property valuation increased by \$21,013,336 or 3.5%. The tax levy rate stayed consistent at \$19.92 from FY12 to FY13. City officials would prefer to keep a flat tax levy rate in future years but recognize that many City costs are mandatorily imposed that are outside their control.

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 1st 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, 2012

	Primary Government		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	
Assets			
Cash and pooled investments	\$ 11,077,209	8,055,393	19,132,602
Receivables:			
Property tax:			
Delinquent	170,407	-	170,407
Succeeding year	12,960,639	-	12,960,639
Customer accounts	5,085	2,240,644	2,245,729
Accounts	159,881	-	159,881
Accrued interest	19,737	-	19,737
Due from other governments	1,204,112	488,631	1,692,743
Due from other funds	(1,500,000)	1,500,000	-
Inventories	28,132	-	28,132
Prepaid expenses	71,373	17,046	88,419
Restricted assets:			
Cash and pooled investments	-	815,109	815,109
Capital assets (net of accumulated depreciation)	62,667,497	72,875,151	135,542,648
Bond issuance costs	63,376	277,850	341,226
Total assets	<u>86,927,448</u>	<u>86,269,824</u>	<u>173,197,272</u>
Liabilities			
Accounts payable	1,061,649	1,281,643	2,343,292
Salaries payable	174,617	33,131	207,748
Benefits payable	32,862	5,381	38,243
Interest payable	98,325	95,410	193,735
Deferred revenue:			
Succeeding year property tax	12,960,639	-	12,960,639
Other	722,996	7,355	730,351
Liabilities payable from restricted assets:			
Customer deposits	-	174,935	174,935

Exhibit A

Component Units		
<u>Airport Authority</u>	<u>Other (Modified Cash)</u>	<u>Total</u>
-	3,569,164	3,569,164
2,617	-	2,617
215,399	-	215,399
-	-	-
9,649	-	9,649
-	-	-
1,919,250	-	1,919,250
-	-	-
-	-	-
-	-	-
9,330,339	136,046	9,466,385
-	-	-
<u>11,477,254</u>	<u>3,705,210</u>	<u>15,182,464</u>
1,939,772	-	1,939,772
4,230	-	4,230
681	-	681
-	-	-
215,399	-	215,399
-	-	-
-	-	-

(continued)

City of Fort Dodge, Iowa
Statement of Net Assets
June 30, 2012

	Primary Government		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	
Liabilities (continued)			
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds/notes	2,970,000	-	2,970,000
Revenue bonds/notes payable	483,500	2,307,000	2,790,500
Compensated absences	811,283	276,824	1,088,107
Early retirement	32,653	-	32,653
Portion due or payable after one year:			
General obligation bonds/notes	27,570,000	-	27,570,000
Revenue bonds/notes payable	4,128,000	39,469,459	43,597,459
Bond premium	80,927	-	80,927
Compensated absences	217,760	-	217,760
Net OPEB liability	254,632	75,008	329,640
Early retirement	17,227	-	17,227
Total liabilities	<u>51,617,070</u>	<u>43,726,146</u>	<u>95,343,216</u>
Net Assets			
Invested in capital assets, net of related debt	27,515,997	31,098,692	58,614,689
Restricted for:			
Nonexpendable:			
Parks Trust	25,000	-	25,000
Expendable:			
Debt service	846,642	-	846,642
Street improvements and repairs	1,570,306	-	1,570,306
Urban renewal	3,052,366	-	3,052,366
Major repairs and construction	1,884,758	-	1,884,758
Revenue note retirement	-	640,174	640,174
Water improvements	-	859,312	859,312
Other purposes	1,222,631	-	1,222,631
Unrestricted	(807,322)	9,945,500	9,138,178
Total net assets	<u>\$ 35,310,378</u>	<u>42,543,678</u>	<u>77,854,056</u>

See notes to financial statements.

Component Units		
<u>Airport Authority</u>	<u>Other (Modified Cash)</u>	<u>Total</u>
-	-	-
-	-	-
30,538	-	30,538
-	-	-
-	-	-
-	-	-
9,869	-	9,869
-	-	-
<u>2,200,489</u>	<u>-</u>	<u>2,200,489</u>
9,330,339	136,046	9,466,385
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	1,560,973	1,560,973
(53,574)	2,008,191	1,954,617
<u>9,276,765</u>	<u>3,705,210</u>	<u>12,981,975</u>

City of Fort Dodge, Iowa
Statement of Activities
Year ended June 30, 2012

		Program Revenues		
Functions/Programs:	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Primary Government:				
Governmental activities:				
Public safety	\$ 7,511,946	654,729	220,266	140,397
Public works	5,424,886	20,076	2,420,927	145,036
Health and social services	308,213	-	264,865	-
Culture and recreation	4,249,918	1,080,639	98,918	451,327
Community and economic development	4,533,398	31,650	-	219,466
General government	1,492,542	73,662	2,809	-
Interest on long-term debt	1,036,374	-	-	-
Capital projects	416,313	-	-	1,419,041
Total governmental activities	24,973,590	1,860,756	3,007,785	2,375,267
Business type activities:				
Water	3,979,209	4,510,806	-	-
Sewer	4,408,212	6,408,030	-	-
Other non-major	1,789,577	2,404,257	-	-
Total business type activities	10,176,998	13,323,093	-	-
Total primary government	\$ 35,150,588	15,183,849	3,007,785	2,375,267
Component Units:				
Airport Authority	\$ 745,889	-	-	3,229,576
Other (modified cash)	399,878	4,619	735,263	-
Total component units	\$ 1,145,767	4,619	735,263	3,229,576
General Revenues:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted investment earnings				
Miscellaneous				
Loss on disposal of capital assets				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets beginning of year, as restated				
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	
(6,496,554)	-	(6,496,554)	-
(2,838,847)	-	(2,838,847)	-
(43,348)	-	(43,348)	-
(2,619,034)	-	(2,619,034)	-
(4,282,282)	-	(4,282,282)	-
(1,416,071)	-	(1,416,071)	-
(1,036,374)	-	(1,036,374)	-
1,002,728	-	1,002,728	-
<u>(17,729,782)</u>	<u>-</u>	<u>(17,729,782)</u>	<u>-</u>
-	531,597	531,597	-
-	1,999,818	1,999,818	-
-	614,680	614,680	-
<u>-</u>	<u>3,146,095</u>	<u>3,146,095</u>	<u>-</u>
<u>(17,729,782)</u>	<u>3,146,095</u>	<u>(14,583,687)</u>	<u>-</u>
-	-	-	2,483,687
<u>-</u>	<u>-</u>	<u>-</u>	<u>340,004</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,823,691</u>
9,664,010	-	9,664,010	164,728
2,771,523	-	2,771,523	-
1,189,531	-	1,189,531	-
3,303,332	-	3,303,332	-
326,937	28,327	355,264	128,999
1,309,273	88,244	1,397,517	328,779
-	(866)	-	-
<u>(2,938,476)</u>	<u>2,939,576</u>	<u>1,100</u>	<u>(1,100)</u>
<u>15,626,130</u>	<u>3,055,281</u>	<u>18,681,411</u>	<u>621,406</u>
(2,103,652)	6,201,376	4,097,724	3,445,097
<u>37,414,030</u>	<u>37,620,213</u>	<u>75,034,243</u>	<u>9,536,878</u>
<u>\$ 35,310,378</u>	<u>43,821,589</u>	<u>79,131,967</u>	<u>12,981,975</u>

City of Fort Dodge, Iowa
Balance Sheet
Governmental Funds
June 30, 2012

Assets	<u>General</u>	Special Revenue	
		Local Option <u>Sales Tax</u>	Tax Increment <u>Financing</u>
Cash and pooled investments	\$ 2,003,451	1,200,572	21,969
Receivables:			
Property tax:			
Delinquent	80,308	-	3,637
Succeeding year	5,484,501	-	1,187,417
Accounts	150,074	-	-
Accrued interest	19,619	-	-
Due from other funds	209,205	-	-
Due from other governments	188,909	28,193	99,381
Inventories	28,132	-	-
Prepaid insurance	39,751	-	-
Prepaid expenses	12,021	-	-
	<u>\$ 8,215,971</u>	<u>1,228,765</u>	<u>1,312,404</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 173,539	99,075	895
Salaries payable	153,231	-	-
Benefits payable	-	-	-
Early retirement	-	-	-
Deferred revenue:			
Succeeding year property tax	5,484,501	-	1,187,417
Other	194,944	483,550	-
Due to other funds	82,178	-	4,431,680
Total liabilities	<u>6,088,393</u>	<u>582,625</u>	<u>5,619,992</u>
Fund balances:			
Nonspendable:			
Prepaid expenditures	51,772	-	-
Inventories	28,132	-	-
Parks Trust	-	-	-
Restricted for:			
Debt service	-	-	-
Street improvement and repairs	-	646,140	-
Urban renewal	-	-	-
Major repairs and construction	-	-	-
Employee benefits	-	-	-
Capital improvements	-	-	-
Other purposes	-	-	-
Unassigned	2,047,674	-	(4,307,588)
Total fund balances	<u>2,127,578</u>	<u>646,140</u>	<u>(4,307,588)</u>
	<u>\$ 8,215,971</u>	<u>1,228,765</u>	<u>1,312,404</u>

See notes to financial statements.

Exhibit C

Debt Service	Capital Projects Capital Improvements	Other Nonmajor Governmental Funds	Total
584,607	1,357,883	5,908,727	11,077,209
37,282	-	49,180	170,407
2,724,495	-	3,564,226	12,960,639
-	10,444	4,448	164,966
-	118	-	19,737
-	20,548	2,843,310	3,073,063
-	-	887,629	1,204,112
-	-	-	28,132
-	-	18,620	58,371
-	981	-	13,002
<u>3,346,384</u>	<u>1,389,974</u>	<u>13,276,140</u>	<u>28,769,638</u>
-	74,932	713,208	1,061,649
-	-	21,386	174,617
-	-	32,862	32,862
-	-	5,642	5,642
2,724,495	-	3,564,226	12,960,639
-	44,502	-	722,996
-	59,205	-	4,573,063
<u>2,724,495</u>	<u>178,639</u>	<u>4,337,324</u>	<u>19,531,468</u>
-	-	18,620	70,392
-	-	-	28,132
-	-	25,000	25,000
621,889	-	224,753	846,642
-	-	924,166	1,570,306
-	-	3,052,366	3,052,366
-	-	1,884,758	1,884,758
-	-	794,707	794,707
-	1,211,335	768,161	1,979,496
-	-	1,222,631	1,222,631
-	-	23,654	(2,236,260)
<u>621,889</u>	<u>1,211,335</u>	<u>8,938,816</u>	<u>9,238,170</u>
<u>3,346,384</u>	<u>1,389,974</u>	<u>13,276,140</u>	<u>28,769,638</u>

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

June 30, 2012

Total governmental fund balances (page 21) \$ 9,238,170

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 \$101,199,483 and the accumulated depreciation is \$38,531,986. 62,667,497

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	(30,557,551)
Hotel/motel tax revenue bonds payable	(1,145,000)
Other bonds and notes payable	(3,466,500)
Compensated absences	(1,029,043)
Accrued interest payable	(98,325)
Net OPEB liability	(254,632)
Early retirement	<u>(44,238)</u>

Net Assets of Governmental Activities (Page 16) \$ 35,310,378

See notes to financial statements.

City of Fort Dodge, Iowa
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Governmental Funds
Year ended June 30, 2012

	<u>General</u>	<u>Special Revenue</u>		<u>Debt Service</u>
		<u>Local Option Sales Tax</u>	<u>Tax Increment Financing</u>	
Revenues:				
Property tax	\$ 5,594,678	-	-	2,768,504
Tax increment financing	-	-	1,189,531	-
Other city tax	523,794	3,303,332	-	-
Licenses and permits	529,018	-	-	-
Use of money and property	82,217	32,412	1,373	144,298
Intergovernmental	179,814	-	-	-
Charges for service	1,091,048	-	-	-
Miscellaneous	736,720	1,332	-	-
Total revenues	<u>8,737,289</u>	<u>3,337,076</u>	<u>1,190,904</u>	<u>2,912,802</u>
Expenditures:				
Operating:				
Public safety	4,990,080	-	-	-
Public works	269,734	-	-	-
Health and social services	1,684	-	-	-
Culture and recreation	2,339,271	-	-	-
Community and economic development	448,865	-	4,064,811	-
General government	1,238,293	-	-	-
Debt service	-	-	-	4,060,224
Capital projects	-	1,577,574	-	-
Total expenditures	<u>9,287,927</u>	<u>1,577,574</u>	<u>4,064,811</u>	<u>4,060,224</u>
Excess (deficiency) of revenues over (under) expenditures	(550,638)	1,759,502	(2,873,907)	(1,147,422)
Other financing sources (uses):				
Bond proceeds	-	-	850,000	-
Sale of capital assets	4,232	-	-	-
Operating transfers in	1,199,021	-	-	836,577
Operating transfers out	(424,917)	(3,420,544)	(1,188,532)	(6,800)
Total other financing sources (uses)	<u>778,336</u>	<u>(3,420,544)</u>	<u>(338,532)</u>	<u>829,777</u>
Net change in fund balances	227,698	(1,661,042)	(3,212,439)	(317,645)
Fund balances (deficit) beginning of year, as restated	<u>1,899,880</u>	<u>2,307,182</u>	<u>(1,095,149)</u>	<u>939,534</u>
Fund balances (deficit) end of year	<u>\$ 2,127,578</u>	<u>\$ 646,140</u>	<u>\$ (4,307,588)</u>	<u>621,889</u>
See notes to financial statements.				

Exhibit E

Capital Projects	Other Nonmajor Governmental	Total
<u>Capital Improvements</u>	<u>Funds</u>	<u>Total</u>
-	3,542,518	11,905,700
-	-	1,189,531
1,510	4,529	3,833,165
-	-	529,018
244	66,393	326,937
237,840	4,597,352	5,015,006
240,690	-	1,331,738
258,929	641,689	1,638,670
<u>739,213</u>	<u>8,852,481</u>	<u>25,769,765</u>
220,665	2,211,303	7,422,048
33,837	3,352,436	3,656,007
-	299,814	301,498
270,430	553,088	3,162,789
128,722	791,196	5,433,594
-	280,088	1,518,381
-	190,095	4,250,319
530,516	4,082,965	6,191,055
<u>1,184,170</u>	<u>11,760,985</u>	<u>31,935,691</u>
(444,957)	(2,908,504)	(6,165,926)
4,613,914	-	5,463,914
-	23,383	27,615
110,030	5,330,772	7,476,400
<u>(4,663,532)</u>	<u>(710,551)</u>	<u>(10,414,876)</u>
<u>60,412</u>	<u>4,643,604</u>	<u>2,553,053</u>
(384,545)	1,735,100	(3,612,873)
<u>1,595,880</u>	<u>7,203,716</u>	<u>12,851,043</u>
<u>1,211,335</u>	<u>8,938,816</u>	<u>9,238,170</u>

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

Year ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds \$ (3,612,873)
 (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	\$ 6,987,932	
Depreciation expense	<u>(3,471,161)</u>	3,516,771

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	(5,490,000)	
Long-term debt principal repaid	3,450,500	
Accrued interest	(3,071)	
Bond issuance costs	<u>22,602</u>	
		(2,019,969)

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

Year ended June 30, 2012

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	(11,570)	
Other postemployment benefits	(15,967)	
Early retirement	<u>28,921</u>	
		<u>12,419</u>
Change in Net Assets of Governmental Activities (Page 19)		<u>\$ (2,103,652)</u>

See notes to financial statements.

City of Fort Dodge, Iowa
Statement of Net Assets
Proprietary Funds
June 30, 2012

Exhibit G

	Enterprise Funds			<u>Totals</u>
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Other Nonmajor Proprietary Funds</u>	
Assets				
Cash and pooled investments	\$ 2,419,607	1,086,403	4,549,383	8,055,393
Accounts receivable	700,900	1,089,033	450,711	2,240,644
Restricted assets:	-	-		
Cash and pooled investments	369,208	270,966	174,935	815,109
Prepaid insurance	6,255	5,200	3,388	14,843
Prepaid expenses	2,203	-	-	2,203
Due from other governments	14,295	14,296	460,040	488,631
Due from other funds	-	1,500,000	-	1,500,000
Bond issuance costs	47,477	230,373	-	277,850
Capital assets (net of accumulated depreciation)	<u>19,474,550</u>	<u>50,611,244</u>	<u>2,789,357</u>	<u>72,875,151</u>
Total assets	<u>23,034,495</u>	<u>54,807,515</u>	<u>8,427,814</u>	<u>86,269,824</u>
Liabilities				
Accounts payable	644,423	592,020	45,200	1,281,643
Salaries payable	18,791	6,775	7,565	33,131
Compensated absences	173,534	73,191	30,099	276,824
Benefits payable	3,043	1,104	1,234	5,381
Deferred revenue	-	-	7,355	7,355
Payable from restricted net assets:		-		
Bonds, notes and loans payable	383,000	1,924,000	-	2,307,000
Customer deposits	-	-	174,935	174,935
Interest payable	14,489	80,921	-	95,410
Long-term liabilities:	-	-		
Bonds, notes and loans payable	6,503,104	32,966,355	-	39,469,459
Net OPEB liability	<u>35,530</u>	<u>13,817</u>	<u>25,661</u>	<u>75,008</u>
Total liabilities	<u>7,775,914</u>	<u>35,658,183</u>	<u>292,049</u>	<u>43,726,146</u>
Net assets				
Invested in capital assets, net of related debt	12,588,446	15,720,889	2,789,357	31,098,692
Restricted for:				
Revenue note retirement	369,208	270,966	-	640,174
Water improvements	859,312	-	-	859,312
Unrestricted	<u>1,441,615</u>	<u>3,157,477</u>	<u>5,346,408</u>	<u>9,945,500</u>
Total net assets	<u>\$ 15,258,581</u>	<u>19,149,332</u>	<u>8,135,765</u>	<u>42,543,678</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, 2012

Exhibit H

	Enterprise Funds			<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	Other	
	<u>Utility</u>	<u>Utility</u>	Nonmajor Proprietary <u>Funds</u>	
Operating revenues:				
Charges for services	\$ 4,054,881	6,316,975	2,316,144	12,688,000
Miscellaneous	<u>455,925</u>	<u>91,055</u>	<u>88,113</u>	<u>635,093</u>
Total operating revenues	<u>4,510,806</u>	<u>6,408,030</u>	<u>2,404,257</u>	<u>13,323,093</u>
Operating expenses:				
Business type activities:				
Cost of sales and services	3,285,901	2,061,349	1,610,456	6,957,706
Amortization	4,317	15,853	-	20,170
Depreciation	<u>489,104</u>	<u>1,227,265</u>	<u>179,121</u>	<u>1,895,490</u>
Total operating expenses	<u>3,779,322</u>	<u>3,304,467</u>	<u>1,789,577</u>	<u>8,873,366</u>
Operating income	<u>731,484</u>	<u>3,103,563</u>	<u>614,680</u>	<u>4,449,727</u>
Non-operating revenues (expenses):				
Interest and investment revenue	12,980	6,374	8,973	28,327
Interest expense	(199,887)	(1,103,745)	-	(1,303,632)
Sanitary sewer evaluation study	-	(1,277,911)	-	(1,277,911)
Loss on disposal of assets	-	-	(866)	(866)
Miscellaneous revenues	-	-	<u>88,244</u>	<u>88,244</u>
Total non-operating revenue (expenses)	<u>(186,907)</u>	<u>(2,375,282)</u>	<u>96,351</u>	<u>(2,465,838)</u>
Net income before transfers	544,577	728,281	711,031	1,983,889
Operating transfers in	4,358,702	129,370	201,627	4,689,699
Operating transfers out	<u>(703,736)</u>	<u>(477,400)</u>	<u>(568,987)</u>	<u>(1,750,123)</u>
Change in net assets	4,199,543	380,251	343,671	4,923,465
Net assets beginning of year, as restated	<u>11,059,038</u>	<u>18,769,081</u>	<u>7,792,094</u>	<u>37,620,213</u>
Net assets end of year	<u>\$ 15,258,581</u>	<u>19,149,332</u>	<u>8,135,765</u>	<u>42,543,678</u>

See notes to financial statements.

City of Fort Dodge, Iowa
Statement of Cash Flows
Proprietary Funds
For the Year ended June 30, 2012

Exhibit I

	Enterprise Funds			<u>Total</u>
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Other Nonmajor Proprietary Funds</u>	
Cash Flows From Operating Activities				
Receipts from customers	\$ 4,283,625	6,644,179	2,407,384	13,335,188
Payments to suppliers and employees	(2,715,945)	(3,561,073)	(1,746,573)	(8,023,591)
Other receipts	<u>129,850</u>	<u>94,069</u>	<u>82,263</u>	<u>306,182</u>
Net cash provided (used) by operating activities	<u>1,697,530</u>	<u>3,177,175</u>	<u>743,074</u>	<u>5,617,779</u>
Cash Flows From Noncapital Financing Activities				
Advances to other funds, net of advance repayments	-	(1,500,000)	-	(1,500,000)
Transfers to other funds	(703,736)	(477,400)	(568,987)	(1,750,123)
Transfers from other funds	<u>4,358,702</u>	<u>129,370</u>	<u>201,627</u>	<u>4,689,699</u>
Net cash provided (used) in noncapital financing activities	<u>3,654,966</u>	<u>(1,848,030)</u>	<u>(367,360)</u>	<u>1,439,576</u>
Cash Flows From Capital and Related Financing Activities				
Proceeds from capital debt	899,104	2,151,355	-	3,050,459
Purchase of capital assets	(1,471,066)	(2,027,369)	(45,477)	(3,543,912)
Principal paid on capital debt	(3,743,000)	(1,864,000)	-	(5,607,000)
Interest paid on capital debt	<u>(200,832)</u>	<u>(1,108,438)</u>	<u>-</u>	<u>(1,309,270)</u>
Net cash (used) by capital and related financing activities	<u>(4,515,794)</u>	<u>(2,848,452)</u>	<u>(45,477)</u>	<u>(7,409,723)</u>
Cash Flows From Investing Activities				
Interest and dividends	<u>12,980</u>	<u>6,374</u>	<u>8,973</u>	<u>28,327</u>
Net cash provided by investing activities	<u>12,980</u>	<u>6,374</u>	<u>8,973</u>	<u>28,327</u>
Net increase (decrease) in cash and cash equivalents	849,682	(1,512,933)	339,210	(324,041)
Cash and cash equivalents beginning of year, as restated	<u>1,939,133</u>	<u>2,870,302</u>	<u>4,385,108</u>	<u>9,194,543</u>
Cash and cash equivalents end of year	<u>\$ 2,788,815</u>	<u>1,357,369</u>	<u>4,724,318</u>	<u>8,870,502</u>

(continued)

City of Fort Dodge, Iowa
Statement of Cash Flows
Proprietary Funds
For the Year ended June 30, 2012

Exhibit I

	Enterprise Funds			<u>Total</u>
	<u>Water Utility</u>	<u>Sewer Utility</u>	Other Nonmajor Proprietary <u>Funds</u>	
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income	\$ 731,484	3,103,563	614,680	4,449,727
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	489,104	1,227,265	179,121	1,895,490
Amortization expense	4,317	15,853	-	20,170
Change in assets and liabilities:		-		
Receivables, net	(100,346)	327,204	(89,842)	137,016
Prepaid expenses	4,753	71	2,499	7,323
Due from other governments	3,015	3,014	-	6,029
Consumer deposits	-	-	103,852	103,852
Accounts and other payables	583,009	(206,541)	(63,887)	312,581
Salaries and benefits payable	(42,567)	(12,122)	(14,441)	(69,130)
Compensated absences	22,533	(4,087)	8,202	26,648
Other postemployment benefits	2,228	866	1,610	4,704
Deferred revenue	-	-	1,280	1,280
Net cash provided (used) by operating activities	\$ 1,697,530	4,455,086	743,074	6,895,690
 Reconciliation of cash and cash equivalents at year end to specific assets included in the statement of net assets:				
Current assets:				
Cash and pooled investments	\$ 2,419,607	1,086,403	4,549,383	8,055,393
Noncurrent assets:				
Cash and pooled investments	369,208	270,966	174,935	815,109
Cash and cash equivalents at year end	\$ 2,788,815	1,357,369	4,724,318	8,870,502

See notes to financial statements.

City of Fort Dodge, Iowa
Statement of Fiduciary Net Assets and Liabilities
Fiduciary Funds
June 30, 2012

Exhibit J

	Trust Funds <u> </u> Coleman <u>Water & Sewer</u>
<u>Assets</u>	
Cash	\$ 383
Receivables:	
Accounts	<u>1,079</u>
Total assets	<u>\$ 1,462</u>
 <u>Liabilities</u>	
Accounts payable	<u>\$ 383</u>
 <u>Net Assets</u>	
Held in trust	<u>1,079</u>
Total liabilities and net assets	<u>\$ 1,462</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, 2012

Exhibit K

	Trust Funds <u>Coleman Water & Sewer</u>
Additions:	
Fees collected	\$ <u>4,701</u>
Deductions:	
Fees remitted	<u>4,731</u>
Change in net assets	(30)
Net assets - Beginning of year	<u>1,109</u>
Net assets - End of year	<u><u>\$ 1,079</u></u>

See notes to financial statements.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2012

(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, 2012

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, 2012

Details of these component units are as follows:

	W.H. Johnston Foundation	Blanden Charitable Foundation	Total
Cash and pooled investments	\$ 1,754,611	1,760,974	3,515,585
Other assets	---	189,625	189,625
Net assets	<u>\$ 1,754,611</u>	<u>1,950,599</u>	<u>3,705,210</u>
Operating grants, contributions and restricted interest	\$ 220,399	642,975	863,374
Charges for services	---	4,619	4,619
Program expenses	<u>(165,983)</u>	<u>(233,895)</u>	<u>(399,878)</u>
Net change	54,416	413,699	468,115
Beginning net assets	<u>1,700,195</u>	<u>1,536,900</u>	<u>3,237,095</u>
Ending net assets	<u>\$ 1,754,611*</u>	<u>1,950,599</u>	<u>3,705,210</u>

*The ending net assets of the W.H. Johnston Foundation does not include \$904,823 of cash and pooled investments that are assets of the City of Fort Dodge per a 28E agreement between the City of Fort Dodge and the W.H Johnston Foundation. This amount is included as a liability of funds held in custody of others of the W.H Johnston Foundation.

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

Jointly Governed Organizations

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

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2012

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, 2012

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary and fiduciary funds, even though the later 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 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 Capital Improvement 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, 2012

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, 2012

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, 2012

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, 2012 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2011.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2012

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, 2012, 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, 2012

<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, 2012

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, 2012. 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, 2012

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 6, 2013, 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, 2012, disbursements exceeded the amount budgeted in the debt service functions.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2012 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, 2012 (at fair value) are as follows:

<u>Type</u>	
U.S. Treasury securities	\$ 3,198,831
GNMA securities	<u>9,242</u>
Total	\$ <u>3,208,073</u>

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2012

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of 1,779,663 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, 2012.

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, 2012

(3) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

<u>Primary Government</u>	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,500,617	-	(1,098,257)	2,402,360
Construction in progress	6,936,246	7,360,792	(498,505)	13,798,533
Works of art	<u>28,509</u>	<u>-</u>	<u>-</u>	<u>28,509</u>
Total capital assets not being depreciated	<u>10,465,372</u>	<u>7,360,792</u>	<u>(1,596,762)</u>	<u>16,229,402</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	8,426,323	541,117	(568,816)	8,398,624
Infrastructure	<u>53,819,956</u>	<u>682,785</u>	<u>-</u>	<u>54,502,741</u>
Total capital assets being depreciated	<u>84,314,995</u>	<u>1,223,902</u>	<u>(568,816)</u>	<u>84,970,081</u>
Less accumulated depreciation for:				
Buildings	8,444,182	200,661	-	8,644,843
Improvements other than buildings	1,374,455	382,807	-	1,757,262
Machinery, equipment and vehicles	6,238,015	507,890	(568,816)	6,177,089
Infrastructure	<u>19,572,989</u>	<u>2,379,803</u>	<u>-</u>	<u>21,952,792</u>
Total accumulated depreciation	<u>35,629,641</u>	<u>3,471,161</u>	<u>(568,816)</u>	<u>38,531,986</u>
Total capital assets being depreciated, net	<u>48,685,354</u>	<u>(2,247,259)</u>	<u>-</u>	<u>46,438,095</u>
Governmental activities capital assets, net	<u>\$ 59,150,726</u>	<u>5,113,533</u>	<u>(1,596,762)</u>	<u>62,667,497</u>

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2012

Capital assets activity for the year ended June 30, 2012 was as follows:

<u>Business type activities</u>	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 52,941	-	(866)	52,075
Construction in progress	<u>20,239,405</u>	<u>3,409,184</u>	<u>(17,624,044)</u>	<u>6,024,545</u>
Total capital assets not being depreciated	<u>20,292,346</u>	<u>3,409,184</u>	<u>(17,624,910)</u>	<u>6,076,620</u>
Capital assets being depreciated:				
Buildings	5,802,186	17,702,039		23,504,225
Machinery and equipment	2,774,953	81,728	(79,327)	2,777,354
Infrastructure	<u>58,218,302</u>	<u>-</u>	<u>(26,819)</u>	<u>58,191,483</u>
Total capital assets being depreciated	<u>66,795,441</u>	<u>17,783,767</u>	<u>(106,146)</u>	<u>84,473,062</u>
Less accumulated depreciation for:				
Buildings	4,167,917	185,139	-	4,353,056
Machinery and equipment	2,378,924	215,190	(68,059)	2,526,055
Infrastructure	<u>9,313,351</u>	<u>1,508,888</u>	<u>(26,819)</u>	<u>10,795,420</u>
Total accumulated depreciation	<u>15,860,192</u>	<u>1,909,217</u>	<u>(94,878)</u>	<u>17,674,531</u>
Total capital assets being depreciated, net	<u>50,935,249</u>	<u>15,874,550</u>	<u>(11,268)</u>	<u>66,798,531</u>
Business type activities capital assets, net	<u>\$ 71,227,595</u>	<u>19,283,734</u>	<u>(17,636,178)</u>	<u>72,875,151</u>

City of Fort Dodge, Iowa
Notes to Financial Statements

June 30, 2012

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

Governmental activities:	
Public safety	\$ 200,163
Public works, which includes the depreciation of general infrastructure assets	2,157,137
Culture and recreation	1,098,082
Community and economic development	8,017
General government	<u>7,762</u>
Total depreciation expense – governmental activities	\$ <u>3,471,161</u>
Business type activities:	
Water	\$ 489,104
Sewer	1,240,992
Non-major business type activities	<u>179,121</u>
Total depreciation expense – business type activities	\$ <u>1,909,217</u>

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2012

Discretely presented component unit	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>327,592</u>	<u>3,327,804</u>	<u>(78,850)</u>	<u>3,576,546</u>
Total capital assets not being depreciated	<u>2,466,880</u>	<u>3,327,804</u>	<u>(78,850)</u>	<u>5,715,834</u>
Capital assets being depreciated:				
Buildings	539,815	78,850	-	618,665
Machinery and equipment	1,727,770	17,135	-	1,744,905
Infrastructure	<u>3,596,707</u>	<u>-</u>	<u>-</u>	<u>3,596,707</u>
Total capital assets being depreciated	<u>5,864,292</u>	<u>95,985</u>	<u>-</u>	<u>5,960,277</u>
Less accumulated depreciation for:				
Buildings	79,971	19,342	-	99,313
Machinery and equipment	1,038,269	74,512	-	1,112,781
Infrastructure	<u>789,436</u>	<u>208,196</u>	<u>-</u>	<u>997,632</u>
Total accumulated depreciation	<u>1,907,676</u>	<u>302,050</u>	<u>-</u>	<u>2,209,726</u>
Total capital assets being depreciated, net	<u>3,956,616</u>	<u>(206,065)</u>	<u>-</u>	<u>3,750,551</u>
Business type activities capital assets, net	<u>\$ 6,423,496</u>	<u>3,121,739</u>	<u>(78,850)</u>	<u>9,466,385</u>
Total depreciation expense – airport authority				\$ 291,536
– other				<u>10,514</u>
				<u>\$ 302,050</u>

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2012

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning <u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	Balance End <u>of Year</u>	Due Within <u>One Year</u>
Governmental activities:					
General obligation bonds/notes:					
General and corporate purpose	\$ 28,995,000	4,640,000	3,095,000	30,540,000	2,970,000
Revenue notes	4,117,000	850,000	355,500	4,611,500	483,500
Compensated absences	1,055,904	728,283	755,144	1,029,043	811,283
Net OPEB liability	238,665	15,967	-	254,632	-
Early Retirement	<u>78,801</u>	<u>4,928</u>	<u>33,849</u>	<u>49,880</u>	<u>32,653</u>
Total	<u>\$ 34,485,370</u>	<u>6,239,178</u>	<u>4,239,493</u>	<u>36,485,055</u>	<u>4,297,436</u>

	Balance Beginning <u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	Balance End <u>of Year</u>	Due Within <u>One Year</u>
Business type activities:					
Revenue bonds/notes:					
Water	\$ 6,360,000	899,104	373,000	6,886,104	383,000
Sewer	34,603,000	2,151,355	1,864,000	34,890,355	1,924,000
Compensated absences	250,176	276,824	250,176	276,824	276,824
Net OPEB liability	70,304	4,704	-	75,008	-
Early retirement	<u>2,189</u>	<u>-</u>	<u>2,189</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 41,285,669</u>	<u>3,331,987</u>	<u>2,489,365</u>	<u>42,128,291</u>	<u>2,583,824</u>

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2012

Bonded Debt

General obligation bonds/notes:

Eight issues of unmatured general obligation bonds/notes, totaling \$30,540,000, are outstanding at June 30, 2012. General obligation bonds bear interest with rates ranging from .4% to 5.38% and mature in varying annual amounts ranging from \$100,000 to \$1,110,000, with the final maturities due in the year ending June 30, 2027.

Revenue bonds/notes:

Twelve issues of unmatured revenue bonds/notes, totaling \$43,337,500 are outstanding at June 30, 2012. These bonds/notes bear interest at rates of 1.60% to 4.75% and mature in varying annual amounts ranging from \$9,000 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, 2012, the City was in compliance with the revenue bond/note provisions.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2012

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay \$35,839,505 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 \$40,694,610. For the current year, principle and interest paid and total customer net revenues (operating revenues plus depreciation expense) were \$2,289,215 and \$2,998,770, respectively.

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$8,633,000 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 \$7,228,735. For the current year, principle and interest paid and total customer net revenues (operating revenues plus depreciation expense) were \$558,205 and \$1,224,905, respectively.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2012

Details of bond/notes payable at June 30, 2012 are as follows:

Governmental activities:	Date of <u>Issue</u>	Interest <u>Rates</u>	Final <u>Due Date</u>	Annual <u>Payments</u>	Amount Originally <u>Issued</u>	Outstanding <u>June 30, 2012</u>
General obligation bonds/notes:						
Corporate purpose	May 28, 2003	2.00-3.50%	June 30, 2014	185,000-235,000	\$ 2,050,000	\$ 460,000
Corporate purpose	Dec. 1, 2004	3.20%	June 30, 2015	175,000-515,000	3,800,000	1,485,000
Corporate purpose	June 15, 2008	2.40-4.00%	June 30, 2020	100,000-825,000	5,130,000	4,075,000
Corporate purpose	April 21, 2009	1.80-2.75%	June 30, 2014	205,000-230,000	1,080,000	450,000
Corporate purpose	June 15, 2009	2.00-5.38%	June 30, 2024	535,000-800,000	8,950,000	7,635,000
Corporate purpose	April 1, 2010	2.00-3.25%	June 30, 2020	890,000-1,110,000	9,825,000	8,030,000
Corporate purpose	June 29, 2011	.40-2.55%	June 30, 2021	160,000-225,000	1,920,000	1,760,000
Corporate purpose	June 26, 2012	1.00-2.50%	June 30, 2027	100,000-855,000	4,370,000	4,370,000
Urban renewal Refunding Bond	Aug 26,2010	1.00-3.00%	June 30, 2022	215,000-250,000	2,595,000	2,275,000
Revenue notes:						
Hotel/motel tax revenue note	June 1, 2003	3.00-4.15%	June 30, 2023	60,000-130,000	1,700,000	1,145,000
Urban renewal tax increment revenue bond	Dec. 17, 2003	1.60-4.50%	Dec. 1, 2013	20,000-40,000	400,000	60,000
Golf course revenue note	Jan. 13, 2006	3.95-4.75%	Dec. 1, 2025	18,000-58,500	56,000	296,500
Urban renewal tax increment revenue bond	Nov. 16, 2006	4.75%	Dec. 1, 2022	180,000-260,000	3,000,000	<u>2,260,000</u>
Urban renewal tax increment revenue bond	Jan. 20, 2012	3.98%	June 1, 2019	110,000-135,000	850,000	<u>850,000</u>
Total Government activities						<u>35,151,500</u>
Business type activities:						
Revenue bonds/notes:						
Sewer revenue CW9809R	Sept. 30, 1999	3.92%	Dec. 1, 2021	9,000-17,000	243,597	145,000
Sewer revenue CW9116R	Sept. 30, 1999	3.92%	Dec. 1, 2021	385,000-713,000	10,142,403	6,033,000
Sewer revenue CW0118R	Sept. 30, 2002	3.00%	Dec. 1, 2021	54,000-71,000	1,331,000	623,000
Sewer revenue CW0304R	Dec. 20, 2001	3.00%	June 30, 2023	146,000-242,000	3,705,000	2,303,000
Sewer revenue CS192361	Dec. 27, 2007	3.00%	June 30, 2019	627,316-1,822,000	20,417,505	23,635,000
Water revenue DW030224R	Dec. 12, 2003	3.00%	Dec. 1, 2024	130,000-229,000	3,500,000	2,502,000
Water revenue	June 1, 2004	3.00%	Dec. 1, 2024	133,000-318,000	5,133,000	<u>3,485,000</u>
Total business type activities						<u>38,726,000</u>
Total						<u>\$ 73,877,500</u>

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2012

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

Year Ending	General Obligation		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>			
2013	2,970,000	980,019	3,950,019
2014	3,035,000	902,268	3,937,268
2015	3,125,000	816,343	3,941,343
2016	2,915,000	723,198	3,638,198
2017	2,995,000	634,383	3,629,383
2018-2022	11,445,000	1,741,228	13,186,228
2023-2024	<u>4,055,000</u>	<u>352,700</u>	<u>4,407,700</u>
Total	<u>30,540,000</u>	<u>6,150,139</u>	<u>36,690,139</u>

Year Ending	Revenue			<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
<u>June 30,</u>				
2013	2,790,500	1,344,775	4,135,275	4,135,275
2014	2,861,500	1,253,579	4,115,079	4,115,079
2015	2,926,000	1,161,133	4,087,133	4,087,133
2016	3,026,500	1,066,253	4,092,753	4,092,753
2017	3,119,500	968,025	4,087,525	4,087,525
2018-2022	16,458,500	3,294,813	19,753,313	19,753,313
2023-2027	10,333,000	1,123,680	11,456,680	11,456,680
2028	<u>1,822,000</u>	<u>54,810</u>	<u>1,876,810</u>	<u>1,876,810</u>
Total	<u>\$ 43,337,500</u>	<u>10,267,068</u>	<u>53,604,568</u>	<u>53,604,568</u>

As of June 30, 2012 the general obligation debt issued by the City did not exceed its legal debt margin computed as follows:

Actual valuation	<u>\$ 993,812,416</u>
Debt limit - 5% of total actual valuation	49,690,621
Debt applicable to debt limit:	
General obligation, tax increment financing and revenue bonded debt outstanding	<u>(35,151,500)</u>
Legal debt margin	<u>\$ 14,539,121</u>

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2012

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, 2012 totaled \$36,038.

Interim Financing

The City has authorized a State Revolving Loan Fund Planning and Design Loan for \$1,400,000 to finance the Ag-Park Extension Project-Drinking Water. As of June 30, 2012, \$899,104 has been drawn down on this loan.

The City has authorized a State Revolving Loan Fund Planning and Design Loan for \$1,600,000 to finance the Ag-Park Extension Project – Clean Water. As of June 30, 2012, \$1,016,554 has been drawn down on this loan.

The City has authorized a State Revolving Loan Fund Planning and Design Loan for \$3,000,000 to finance the Sanitary Needs Project. As of June 30, 2012, \$1,134,801 has been drawn down on this loan.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2012

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Hotel/Motel Tax	\$ 66,000
	Capital Projects:	
	Capital Improvements	187,945
	Enterprise:	
	Water	316,876
	Sewer	441,200
	Solid Waste	105,000
	Parking Meter	65,000
	Storm Water Utility	<u>17,000</u>
		<u>1,199,021</u>
Special Revenue:		
Hotel/Motel Tax	General	<u>81,203</u>
SSMID	Special Revenue:	
	Tax Increment Financing	<u>23,020</u>
Road Use	General	25,762
	Capital Projects:	
	Capital Improvements	<u>934</u>
		<u>26,696</u>
Employee Flex Spending	Special Revenue:	
	Employee Benefits	<u>3,985</u>
City Grants	General	23
	Special Revenue:	
	Tax Increment Financing	<u>271,758</u>
		<u>271,781</u>
Drug Arrest	General	<u>23,904</u>

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2012

Debt Service:		
Debt Service	Special Revenue:	
	Tax Increment Financing	248,571
	Enterprise:	
	Water	351,760
	Storm Water Utility	<u>236,246</u>
		<u>836,577</u>
Golf Course Sinking	Capital Projects:	
	Capital Improvements	<u>60,800</u>
Harlan Rogers Sinking	General	<u>148,354</u>
Capital Projects:		
Capital Improvements	General	74,203
	Special Revenue:	
	Road Use	7,700
	Other Contributions	1,099
	City Grants	1,628
	Enterprise:	
	Water	10,100
	Sewer	11,200
	Solid Waste	3,000
	Component unit:	
	Airport	<u>1,100</u>
		<u>110,030</u>
Construction	Special Revenue:	
	Local Option Sales Tax	3,420,544
	Tax Increment Financing	320,183
	Enterprise:	
	Storm Water	<u>117,741</u>
		<u>3,858,468</u>
Harlan Rogers Complex	Harlan Rogers Sinking	<u>25,815</u>
Oleson Park	General	<u>15,000</u>

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2012

Vision Iowa	Special Revenue:	
	Tax Increment Financing	325,000
	Capital Projects:	
	Construction	200,000
	City Grants	<u>266,746</u>
		<u>791,746</u>
Enterprise:		
Water	General	14,788
	Capital Projects:	
	Capital Improvements	<u>4,343,914</u>
		<u>4,358,702</u>
Sewer	General	16,792
	Special Revenue:	
	Special Assessments	<u>112,578</u>
		<u>129,370</u>
Solid Waste	General	<u>18,737</u>
Storm Water	General	6,151
	Capital Projects:	
	Capital Improvements	12,239
	Debt Service:	
	Debt Service	<u>6,800</u>
		<u>25,190</u>
Ambulance	Capital Projects:	
	Capital Improvements	<u>57,700</u>
Storm Water	Special Revenue:	
	Road Use Tax	25,000
	Enterprise:	
	Water	25,000
	Sewer	25,000
	Solid Waste	<u>25,000</u>
		<u>100,000</u>
Total		\$ <u>12,166,099</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, 2012

(6) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2012 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue: Hotel/Motel Tax	General	\$ 20,548
Debt Service: Harlan Rogers Sinking	General	41,082
Capital Projects: Capital Improvements	General	20,548
General	Special Revenue: TIF	150,000
General	Capital Projects: Capital Improvements	59,205
Special Revenue: Urban Renewal	Special Revenue: TIF	2,781,680
Enterprise: Special Revenue: Sewer	TIF	<u>1,500,000</u>
		<u>\$ 4,573,063</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, 2012

Most regular plan members are required to contribute 5.38% of their annual salary and the City is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$457,841, \$372,273, and \$353,903, 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 104th 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, 2012, 2011 and 2010 were \$958,338, \$727,683, and \$585,370 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, 2012 and 2011 were \$44,556 and \$54,617, 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, 2012

(9) Construction Commitments

As of June 30, 2012, the City had the following commitments with respect to unfinished capital projects:

	<u>Remaining Construction Commitment</u>
Vision Iowa Trails Project	\$ 3,623,000
Cross-town Connector	5,599,000
Highway 20/5 th Ave Phase B	55,000
Highway 20/5 th Ave Phase C	150,000
Wraywood Drive	32,000
N 3 rd St Bridge Repair	300,000
4 th Ave N Storm Sewer	345,000
Feelhaver St. Reconstruction	899,000
6 th Ave NW Reconstruction	348,000
Menards Traffic Signal	504,000
10 th Ave N Resurfacing	288,000
G Street Reconstruction	282,000
City Hall Remodeling	169,000
Ag Park Water and Sewer Planning and Design	1,205,000
Water Plant Electrical Upgrade	493,000
10 th Ave N. Storm SW Sewer Phase II	138,000
Water Tower Painting Rehab	433,000
Sanitary SW Immediate Needs	3,100,000

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2012

(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, 2012 the City disbursed \$5,654 for this lease.

Future minimum payments are as follows:

2013	\$ <u>4,240</u>
------	-----------------

(11) Subsequent Events

In November of 2012, the City approved issuing \$23.5 M in Sewer Revenue Bonds and \$16.2 M in Water Revenue Bonds for the purpose of constructing improvements to the Iowa Crossroads of Global Innovation Agricultural Park.

(12) Contingencies

There is also included in deferred revenue approximately \$480,000 of grant funds that may have to be returned to the State of Iowa as one construction project did not meet certain guidelines. City officials are pursuing options to apply these funds to another construction project that will meet the required guidelines. As of the date of the audit report, this matter has not been resolved, but City and State officials believe this option will be successful.

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2012

(13) Related Parties

The City had business transactions between the City and City officials totaling \$32,494 during the year ended June 30, 2012.

(14) Other Postemployment Benefits (OPEB)

Plan Description - The City of Fort Dodge operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees and retirees and their spouses. There are 172 active and 27 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 rate 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 which, 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, 2012

The following table shows the components of the City’s annual OPEB cost for June 30, 2012, the amount actually contributed to the plan and changes in the City’s net OPEB obligation:

Annual required contribution	\$ 149,217
Interest on net OPEB obligation	6,112
Adjustment to annual required contribution	<u>(10,000)</u>
Annual OPEB cost (expense)	145,329
Contributions made	<u>(50,293)</u>
Increase in net OPEB obligation	95,036
Net OPEB obligation – beginning of year	<u>244,471</u>
Net OPEB obligation – end of year	\$ <u>339,507</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. 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, 2012.

For the fiscal year 2012, the City contributed \$ 50,293 to the medical plan. Plan members receiving benefits contributed \$128,133 or 71.8% 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, 2012 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%	244,471
6/30/2012	145,329	18.5%	339,507

City of Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2012

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2012 the actuarial accrued liability was \$1,367,450 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,367,450. The covered payroll (annual payroll of active employees covered by the plan) was \$9,543,529 and the ratio of the UAAL to the covered payroll was 14.33%.

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, for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents 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, 2010 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 94 Group Annuity Mortality Table Projected to 2000, 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, 2010 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2010.

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, 2012

(15) Restatement of Beginning Fund Balances

The beginning balances of two governmental funds and one enterprise funds were restated to correctly reflect the beginning balances for interfund and intrafund transfers not recorded in the prior year.

	<u>TIF</u>	<u>Urban Renewal</u>	<u>Sewer</u>
Balances June 30, 2011, as previously reported	\$ (1,345,149)	3,213,506	18,619,081
Adjustments	<u>250,000</u>	<u>(250,000)</u>	<u>150,000</u>
Balances July 1, 2011, as restated	<u>\$ (1,095,149)</u>	<u>2,963,506</u>	<u>18,769,081</u>

(16) Deficit Balances

As of June 30, 2012, funds with deficit balances were as follows:

Special Revenue, Tax Increment Financing	\$ (4,307,588)
Special Revenue, Employee Flex Spending	(3,291)
Special Revenue, Community Development	(18,690)

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 deficit in Community Development will be eliminated upon sale of property.

Required Supplementary Information

City of Fort Dodge, Iowa
 Budgetary Comparison Schedule of
 Receipts, Disbursements and Changes in Balances
 Budget and Actual (Cash Basis)
 All Governmental Funds, Proprietary Funds, and the Airport Authority
 Required Supplementary Information
 Year ended June 30, 2012

	Governmental Fund Types	Proprietary Fund Type - Enterprise	Component Unit - Airport Authority	Total
Receipts:				
Property tax	\$ 11,874,868	-	164,089	12,038,957
Tax increment financing	1,093,998	-	-	1,093,998
Other city tax	4,009,790	-	-	4,009,790
Licenses and permits	585,756	-	-	585,756
Use of money and property	112,577	28,327	190,841	331,745
Intergovernmental	4,841,087	-	1,392,177	6,233,264
Charges for service	1,438,593	13,335,267	13,541	14,787,401
Special assessments	-	1,638	-	1,638
Miscellaneous	1,477,321	305,746	139,986	1,923,053
Total receipts	<u>25,433,990</u>	<u>13,670,978</u>	<u>1,900,634</u>	<u>41,005,602</u>
Disbursements:				
Public safety	7,573,807	-	-	7,573,807
Public works	3,847,375	-	537,196	4,384,571
Health and social services	319,851	-	-	319,851
Culture and recreation	3,437,833	-	-	3,437,833
Community and economic development	1,629,227	-	-	1,629,227
General government	1,599,622	-	-	1,599,622
Debt service	4,644,510	-	-	4,644,510
Capital projects	9,786,762	-	2,054,334	11,841,096
Business type activities	-	18,485,051	-	18,485,051
Total disbursements	<u>32,838,987</u>	<u>18,485,051</u>	<u>2,591,530</u>	<u>53,915,568</u>
Excess (deficiency) of receipts over (under) disbursements	(7,404,997)	(4,814,073)	(690,896)	(12,909,966)
Other financing sources, net	<u>4,025,440</u>	<u>4,490,033</u>	<u>(1,100)</u>	<u>8,514,373</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(3,379,557)	(324,040)	(691,996)	(4,395,593)
Balances beginning of year	<u>14,450,224</u>	<u>9,194,543</u>	<u>75,110</u>	<u>23,719,877</u>
Balances end of year	<u>\$ 11,070,667</u>	<u>8,870,503</u>	<u>(616,886)</u>	<u>19,324,284</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
<u>Original</u>	<u>Final</u>	<u>Actual</u> <u>Variance</u>
11,591,736	11,591,736	447,221
1,152,174	1,152,174	(58,176)
4,590,184	4,590,184	(580,394)
282,350	492,350	93,406
236,510	236,510	95,235
3,579,101	5,521,601	711,663
14,679,543	14,719,543	67,858
-	-	1,638
<u>1,109,165</u>	<u>1,279,165</u>	<u>643,888</u>
<u>37,220,763</u>	<u>39,583,263</u>	<u>1,422,339</u>
7,436,074	7,791,074	217,267
4,190,452	4,694,452	309,881
344,352	349,852	30,001
3,252,950	3,524,250	86,417
2,029,419	5,485,319	3,856,092
1,541,608	1,736,608	136,986
4,100,587	4,425,087	(219,423)
10,117,000	13,839,000	1,997,904
<u>21,118,407</u>	<u>25,439,907</u>	<u>6,954,856</u>
<u>54,130,849</u>	<u>67,285,549</u>	<u>13,369,981</u>
(16,910,086)	(27,702,286)	14,792,320
<u>9,611,602</u>	<u>16,961,602</u>	<u>(8,447,229)</u>
(7,298,484)	(10,740,684)	6,345,091
<u>31,169,840</u>	<u>31,169,840</u>	<u>(7,449,963)</u>
<u>23,871,356</u>	<u>20,429,156</u>	<u>(1,104,872)</u>

City of Fort Dodge, Iowa
 Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2012

	Governmental Funds			Proprietary Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis	Enterprise		
				Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 25,433,990	335,775	25,769,765	13,670,978	(231,314)	13,439,664
Expenditures/Expenses	<u>32,838,987</u>	<u>(903,296)</u>	<u>31,935,691</u>	<u>18,485,051</u>	<u>(8,307,187)</u>	<u>10,177,864</u>
Net	(7,404,997)	1,239,071	(6,165,926)	(4,814,073)	8,075,873	3,261,800
Other financing sources (uses) (net)	4,025,440	(1,472,387)	2,553,053	4,490,033	(1,550,457)	2,939,576
Beginning fund balances	<u>14,450,224</u>	<u>(1,599,181)</u>	<u>12,851,043</u>	<u>9,194,543</u>	<u>28,425,670</u>	<u>37,620,213</u>
Ending fund balances	<u>\$ 11,070,667</u>	<u>(1,832,497)</u>	<u>9,238,170</u>	<u>8,870,503</u>	<u>34,951,086</u>	<u>43,821,589</u>

	Component Unit		
	Airport		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 1,916,483	1,823,335	3,739,818
Expenses	<u>2,608,479</u>	<u>(1,845,643)</u>	<u>762,836</u>
Net	(691,996)	3,668,978	2,976,982
Beginning fund balance	<u>75,110</u>	<u>6,224,673</u>	<u>6,299,783</u>
Ending fund balance	<u>\$ (616,886)</u>	<u>9,893,651</u>	<u>9,276,765</u>

See accompanying independent auditor's report.

City of Fort Dodge, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2012

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Funds, the Capital Projects Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, one budget amendment increased budgeted receipts by \$2,362,500, budgeted disbursements by \$13,154,700 and other financing sources by \$7,350,000. 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, 2012, disbursements in the 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>
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%
2012	Jul 1, 2010	---	1,367,450	1,367,450	0.00%	9,543,529	14.33%

See Note 14 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.

Supplementary Information

City of Fort Dodge, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

Schedule 1

	Special Revenue			
	Road use Tax	Employee Flex Spending	Historical Preservation	Employee Benefits
Assets				
Cash and pooled investments	\$ 994,644	(5,936)	4,648	951,581
Receivables:				
Property tax:				
Delinquent	-	-	-	35,544
Succeeding year	-	-	-	2,567,700
Accounts	-	2,645	-	1,803
Accrued interest	-	-	-	-
Due from other governments	14,295	-	-	-
Inventories	-	-	-	-
Prepaid insurance	-	-	-	18,620
Prepaid expenses	-	-	-	-
Due from other funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ 1,008,939	(3,291)	4,648	3,575,248
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 64,008	-	250	174,590
Salaries payable	20,765	-	-	-
Benefits payable	-	-	-	13,989
Early Retirement	-	-	-	5,642
Deferred revenue:				
Succeeding year property tax	-	-	-	2,567,700
Other	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>\$ 84,773</u>	<u> </u>	<u>250</u>	<u>2,761,921</u>
Fund balances:				
Nonspendable:				
Prepaid expenditures	-	-	-	18,620
Parks Trust	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Street improvement and repairs	924,166	-	-	-
Urban renewal	-	-	-	-
Employee benefits	-	-	-	794,707
Major repairs and construction	-	-	-	-
Capital improvements	-	-	-	-
Other purposes	-	-	4,398	-
Unassigned	-	(3,291)	-	-
Total fund balances	<u>924,166</u>	<u>(3,291)</u>	<u>4,398</u>	<u>813,327</u>
Total liabilities and fund balances	\$ 1,008,939	(3,291)	4,648	3,575,248

See accompanying independent auditor's report.

City of Fort Dodge, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue			
	Special Assessment	Police & Fire Retirement	Community Development	Emergency Shelter
Assets				
Cash and pooled investments	-	66,966	(18,070)	-
Receivables:				
Property tax:				
Delinquent	-	13,100	-	-
Succeeding year	-	946,303	-	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Inventories	-	-	-	-
Prepaid insurance	-	-	-	-
Prepaid expenses	-	-	-	-
Due from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>-</u>	<u>1,026,369</u>	<u>(18,070)</u>	<u>-</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	-	992	620	-
Salaries payable	-	-	-	-
Benefits payable	-	18,873	-	-
Early Retirement	-	-	-	-
Deferred revenue:				
Succeeding year property tax	-	946,303	-	-
Other	-	-	-	-
Interfund payable	-	-	-	-
Total liabilities	<u>-</u>	<u>966,168</u>	<u>620</u>	<u>-</u>
Fund balances:				
Nonspendable:				
Prepaid expenditures	-	-	-	-
Parks Trust	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Street improvement and repairs	-	-	-	-
Urban renewal	-	-	-	-
Employee benefits	-	-	-	-
Major repairs and construction	-	-	-	-
Capital improvements	-	-	-	-
Other purposes	-	60,201	(18,690)	-
Unassigned	-	-	-	-
Total fund balances	<u>-</u>	<u>60,201</u>	<u>(18,690)</u>	<u>-</u>
Total liabilities and fund balances	<u>-</u>	<u>1,026,369</u>	<u>(18,070)</u>	<u>-</u>

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>
192,001	826,389	135,480	-	17,599	-
-	536	-	-	-	-
-	50,223	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
20,548	-	-	-	-	-
<u>212,549</u>	<u>877,148</u>	<u>135,480</u>	<u>-</u>	<u>17,599</u>	<u>-</u>
10,968	7,608	-	-	1,587	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	50,223	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>10,968</u>	<u>57,831</u>	<u>-</u>	<u>-</u>	<u>1,587</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
201,581	819,317	135,480	-	-	-
-	-	-	-	16,012	-
<u>201,581</u>	<u>819,317</u>	<u>135,480</u>	<u>-</u>	<u>16,012</u>	<u>-</u>
<u>212,549</u>	<u>877,148</u>	<u>135,480</u>	<u>-</u>	<u>17,599</u>	<u>-</u>

City of Fort Dodge, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue				
	Urban Renewal	DARE	City Grants	Congregate Meals	Drug Arrest
Assets					
Cash and pooled investments	\$ 270,686	11,593	-	5,881	10,933
Receivables					
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	3,491	-
Inventories	-	-	-	-	-
Prepaid insurance	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Due from other funds	2,781,680	-	-	-	-
	<u>3,052,366</u>	<u>11,593</u>	<u>-</u>	<u>9,372</u>	<u>10,933</u>
Total assets	\$ 3,052,366	11,593	-	9,372	10,933
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	-	-	-	-	-
Salaries payable	-	-	-	621	-
Benefits payable	-	-	-	-	-
Early Retirement	-	-	-	-	-
Deferred revenue:					
Succeeding year property tax	-	-	-	-	-
Other	-	-	-	-	-
Interfund Payable	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>621</u>	<u>-</u>
Fund balances:					
Nonspendable:					
Prepaid expenditures	-	-	-	-	-
Parks Trust	-	-	-	-	-
Restricted for:					
Debt service	-	-	-	-	-
Street improvement and repairs	-	-	-	-	-
Urban renewal	3,052,366	-	-	-	-
Employee benefits	-	-	-	-	-
Major repairs and construction	-	-	-	-	-
Capital improvements	-	-	-	-	-
Other purposes	-	11,593	-	8,751	-
Unassigned	-	-	-	-	10,933
Total fund balances	<u>3,052,366</u>	<u>11,593</u>	<u>-</u>	<u>8,751</u>	<u>10,933</u>
Total liabilities and fund balances	\$ 3,052,366	11,593	-	9,372	10,933

See accompanying independent auditor's report.

Schedule 1

Debt Service		Capital Projects				Permanent Fund	Total
Golf Course	Harlan Rogers Sinking	Harlan Rogers Complex	Construction Construction	Vision Iowa Trail Plan	Oleson Park Bandshell	Eva Patterson Parks Trust	
5,027	178,644	-	1,920,385	301,646	13,630	25,000	5,908,727
-	-	-	-	-	-	-	49,180
-	-	-	-	-	-	-	3,564,226
-	-	-	-	-	-	-	4,448
-	-	-	-	-	-	-	-
-	-	-	344,625	525,218	-	-	887,629
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	18,620
-	-	-	-	-	-	-	-
-	41,082	-	-	-	-	-	2,843,310
<u>5,027</u>	<u>219,726</u>	<u>-</u>	<u>2,265,010</u>	<u>826,864</u>	<u>13,630</u>	<u>25,000</u>	<u>13,276,140</u>
-	-	-	380,252	60,333	12,000	-	713,208
-	-	-	-	-	-	-	21,386
-	-	-	-	-	-	-	32,862
-	-	-	-	-	-	-	5,642
-	-	-	-	-	-	-	3,564,226
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	380,252	60,333	12,000	-	4,337,324
-	-	-	-	-	-	-	18,620
-	-	-	-	-	-	25,000	25,000
5,027	219,726	-	-	-	-	-	224,753
-	-	-	-	-	-	-	924,166
-	-	-	-	-	-	-	3,052,366
-	-	-	-	-	-	-	794,707
-	-	-	1,884,758	-	-	-	1,884,758
-	-	-	-	766,531	1,630	-	768,161
-	-	-	-	-	-	-	1,222,631
-	-	-	-	-	-	-	23,654
<u>5,027</u>	<u>219,726</u>	<u>-</u>	<u>1,884,758</u>	<u>766,531</u>	<u>1,630</u>	<u>25,000</u>	<u>8,938,816</u>
<u>5,027</u>	<u>219,726</u>	<u>-</u>	<u>2,265,010</u>	<u>826,864</u>	<u>13,630</u>	<u>25,000</u>	<u>13,276,140</u>

City of Fort Dodge, Iowa
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Nonmajor Governmental Funds
Year ended June 30, 2012

Schedule 2

	Special Revenue			
	Road Use Tax	Employee Flex Spending	Historical Preservation	Employee Benefits
Revenues:				
Property tax	\$ -	-	-	2,516,504
Other city tax	-	-	-	-
Use of money and property	-	-	-	9,140
Intergovernmental	2,521,125	-	1,000	44,514
Charges for service	-	-	-	-
Miscellaneous	35	73,647	6,733	161,258
Total revenues	2,521,160	73,647	7,733	2,731,416
Expenditures:				
Operating:				
Public safety	-	-	-	1,254,120
Public works	2,595,839	-	-	756,597
Health and social services	-	-	-	47,177
Culture and recreation	-	-	-	493,500
Community and economic development	-	-	-	141,720
General government	-	71,439	3,942	204,707
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	2,595,839	71,439	3,942	2,897,821
Excess (deficiency) of revenues over (under) expenditure:	(74,679)	2,208	3,791	(166,405)
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Operating transfers in	26,696	3,985	-	-
Operating transfers out	(32,700)	-	-	(3,985)
Total other financing sources (uses)	(6,004)	3,985	-	(3,985)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(80,683)	6,193	3,791	(170,390)
Fund balances beginning of year, as restated	1,004,849	(9,484)	607	983,717
Fund balances end of year	\$ 924,166	(3,291)	4,398	813,327

See accompanying independent auditor's report.

City of Fort Dodge, Iowa
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Nonmajor Governmental Funds
Year ended June 30, 2012

	Special Revenue			
	Special <u>Assessment</u>	Police & Fire <u>Retirement</u>	Community <u>Development</u>	Emergency <u>Shelter</u>
Revenues:				
Property tax	\$ -	977,375	-	-
Other city tax	-	-	-	-
Use of money and property	1,155	2,753	201	-
Intergovernmental	-	-	209,240	-
Charges for service	-	-	-	-
Miscellaneous	-	-	75,363	-
Total revenues	<u>1,155</u>	<u>980,128</u>	<u>284,804</u>	<u>-</u>
Expenditures:				
Operating:				
Public safety	-	936,280	-	-
Public works	-	-	-	-
Health and social services	-	-	-	1
Culture and recreation	-	-	-	-
Community and economic development	-	-	480,232	-
General government	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	<u>-</u>	<u>936,280</u>	<u>480,232</u>	<u>1</u>
Excess (deficiency) of revenues over (under) expenditure:	<u>1,155</u>	<u>43,848</u>	<u>(195,428)</u>	<u>(1)</u>
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(112,578)	-	-	-
Total other financing sources (uses)	<u>(112,578)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(111,423)	43,848	(195,428)	(1)
Fund balances beginning of year, as restated	<u>111,423</u>	<u>16,353</u>	<u>176,738</u>	<u>1</u>
Fund balances end of year	<u>\$ -</u>	<u>60,201</u>	<u>(18,690)</u>	<u>-</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>
-	48,639	-	-	-	-
1,510	-	-	-	-	-
-	1,096	-	-	-	-
-	-	-	-	199,618	-
-	-	-	-	-	-
-	-	131,679	392	12,550	-
<u>1,510</u>	<u>49,735</u>	<u>131,679</u>	<u>392</u>	<u>212,168</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	13,298	192,349	-
-	-	59,588	-	-	-
58,371	45,302	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>58,371</u>	<u>45,302</u>	<u>59,588</u>	<u>13,298</u>	<u>192,349</u>	<u>-</u>
<u>(56,861)</u>	<u>4,433</u>	<u>72,091</u>	<u>(12,906)</u>	<u>19,819</u>	<u>-</u>
-	-	-	-	-	-
81,203	23,020	-	-	-	-
<u>(66,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,099)</u>
<u>15,203</u>	<u>23,020</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,099)</u>
(41,658)	27,453	72,091	(12,906)	19,819	(1,099)
<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>201,581</u>	<u>819,317</u>	<u>135,480</u>	<u>-</u>	<u>16,012</u>	<u>-</u>

City of Fort Dodge, Iowa
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Nonmajor Governmental Funds
Year ended June 30, 2012

	Special Revenue				
	Urban <u>Renewal</u>	<u>DARE</u>	City <u>Grants</u>	Congregate <u>Meals</u>	Drug <u>Arrest</u>
Revenues:					
Property tax	\$ -	-	-	-	-
Other city tax	-	-	-	-	-
Use of money and property	48,122	-	-	2	-
Intergovernmental	-	-	266,746	52,318	8,751
Charges for service	-	-	-	-	-
Miscellaneous	43,549	-	10,505	-	978
Total revenues	<u>91,671</u>	<u>-</u>	<u>277,251</u>	<u>52,320</u>	<u>9,729</u>
Expenditures:					
Operating:					
Public safety	-	438	-	-	20,465
Public works	-	-	-	-	-
Health and social services	-	-	-	46,989	-
Culture and recreation	-	-	-	-	-
Community and economic development	26,194	-	39,377	-	-
General government	-	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total expenditures	<u>26,194</u>	<u>438</u>	<u>39,377</u>	<u>46,989</u>	<u>20,465</u>
Excess (deficiency) of revenues over (under) expenditure:	<u>65,477</u>	<u>(438)</u>	<u>237,874</u>	<u>5,331</u>	<u>(10,736)</u>
Other financing sources (uses):					
Sale of capital assets	23,383	-	-	-	-
Operating transfers in	-	-	271,781	-	23,904
Operating transfers out	-	-	(268,374)	-	-
Total other financing sources (uses)	<u>23,383</u>	<u>-</u>	<u>3,407</u>	<u>-</u>	<u>23,904</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	88,860	(438)	241,281	5,331	13,168
Fund balances beginning of year, as restated	<u>2,963,506</u>	<u>12,031</u>	<u>(241,281)</u>	<u>3,420</u>	<u>(2,235)</u>
Fund balances end of year	<u>\$ 3,052,366</u>	<u>11,593</u>	<u>-</u>	<u>8,751</u>	<u>10,933</u>

See accompanying independent auditor's report.

Debt Service		Capital Projects				Permanent Fund		
Golf Course	Harlan Rogers Sinking	Harlan Rogers Complex	Construction	Vision Iowa Trail Plan	Oleson Park Bandshell	Eva Patterson Parks Trust	Totals	
-	-	-	-	-	-	-	3,542,518	
-	3,019	-	-	-	-	-	4,529	
-	2,299	-	1,493	-	132	-	66,393	
-	-	-	541,620	752,420	-	-	4,597,352	
-	-	-	-	-	-	-	-	
-	-	-	-	125,000	-	-	641,689	
-	5,318	-	543,113	877,420	132	-	8,852,481	
-	-	-	-	-	-	-	2,211,303	
-	-	-	-	-	-	-	3,352,436	
-	-	-	-	-	-	-	299,814	
-	-	-	-	-	-	-	553,088	
-	-	-	-	-	-	-	791,196	
-	-	-	-	-	-	-	280,088	
60,800	129,295	-	-	-	-	-	190,095	
-	-	-	2,837,680	1,219,025	26,260	-	4,082,965	
60,800	129,295	-	2,837,680	1,219,025	26,260	-	11,760,985	
(60,800)	(123,977)	-	(2,294,567)	(341,605)	(26,128)	-	(2,908,504)	
-	-	-	-	-	-	-	23,383	
60,800	148,354	25,815	3,858,468	791,746	15,000	-	5,330,772	
-	(25,815)	-	(200,000)	-	-	-	(710,551)	
60,800	122,539	25,815	3,658,468	791,746	15,000	-	4,643,604	
-	(1,438)	25,815	1,363,901	450,141	(11,128)	-	1,735,100	
5,027	221,164	(25,815)	520,857	316,390	12,758	25,000	7,203,716	
5,027	219,726	-	1,884,758	766,531	1,630	25,000	8,938,816	

City of Fort Dodge, Iowa
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2012

	Enterprise Funds			
	<u>Parking Meter</u>	<u>Solid Waste</u>	<u>Recycling</u>	<u>Storm Water Utility</u>
Assets				
Cash and pooled investments	\$ 189,444	919,489	58,065	2,964,706
Accounts receivable	30,885	253,107	-	97,019
Due from other governments	-	-	-	460,040
Prepaid insurance	-	3,388	-	-
Restricted assets:				
Cash and cash equivalents	-	-	-	-
Capital assets (net of accumulated depreciation)	<u>81,232</u>	<u>43,050</u>	<u>-</u>	<u>2,037,458</u>
Total assets	<u>301,561</u>	<u>1,219,034</u>	<u>58,065</u>	<u>5,559,223</u>
Liabilities				
Accounts payable	1,133	25,082	-	15,000
Salaries payable	429	7,136	-	-
Compensated absences	-	30,099	-	-
Benefits payable	70	1,164	-	-
Deferred Revenue	7,355	-	-	-
Payable from restricted assets:				
Consumer deposits	-	-	-	-
Long-term liabilities:				
Net OPEB liability	<u>3,948</u>	<u>21,713</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>12,935</u>	<u>85,194</u>	<u>-</u>	<u>15,000</u>
Net assets				
Invested in capital assets, net of related debt	81,232	43,050	-	2,037,458
Restricted for:				
Prepaid expenditures	-	3,388	-	-
Unrestricted	<u>207,394</u>	<u>1,087,402</u>	<u>58,065</u>	<u>3,506,765</u>
Total net assets	<u>\$ 288,626</u>	<u>1,133,840</u>	<u>58,065</u>	<u>5,544,223</u>

See accompanying independent auditor's report.

Enterprise Funds					
<u>Ambulance</u>	<u>Lakeside Beverage</u>	<u>Harlan Rogers Beverage</u>	<u>Central Garage</u>	<u>Consumer Deposits</u>	<u>Total</u>
7,757	14,525	2,685	392,712	-	4,549,383
61,838	-	-	7,862	-	450,711
-	-	-	-	-	460,040
-	-	-	-	-	3,388
-	-	-	-	174,935	174,935
28,612	-	-	599,005	-	2,789,357
<u>98,207</u>	<u>14,525</u>	<u>2,685</u>	<u>999,579</u>	<u>174,935</u>	<u>8,427,814</u>
1,683	-	-	2,302	-	45,200
-	-	-	-	-	7,565
-	-	-	-	-	30,099
-	-	-	-	-	1,234
-	-	-	-	-	7,355
-	-	-	-	174,935	174,935
-	-	-	-	-	25,661
<u>1,683</u>	<u>-</u>	<u>-</u>	<u>2,302</u>	<u>174,935</u>	<u>292,049</u>
28,612	-	-	599,005	-	2,789,357
-	-	-	-	-	3,388
67,912	14,525	2,685	398,272	-	5,343,020
<u>96,524</u>	<u>14,525</u>	<u>2,685</u>	<u>997,277</u>	<u>-</u>	<u>8,135,765</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, 2012

	Enterprise Funds		
	Parking <u>Meter</u>	Solid <u>Waste</u>	<u>Recycling</u>
Operating revenues:			
Charges for services	\$ 163,781	1,458,184	142
Miscellaneous	105	3,423	-
Total operating revenues	<u>163,886</u>	<u>1,461,607</u>	<u>142</u>
Operating expenses:			
Business type activities:			
Cost of sales and services	158,691	981,478	3,800
Depreciation	8,314	52,138	-
Total operating expenses	<u>167,005</u>	<u>1,033,616</u>	<u>3,800</u>
Operating income (loss)	<u>(3,119)</u>	<u>427,991</u>	<u>(3,658)</u>
Non-operating revenues (expenses):			
Interest and investment revenue	1,632	7,341	-
Loss on disposal of assets	(866)	-	-
Miscellaneous revenues	-	-	-
Total nonoperating revenue	<u>766</u>	<u>7,341</u>	<u>-</u>
Net income (loss) before transfers	<u>(2,353)</u>	<u>435,332</u>	<u>(3,658)</u>
Operating transfers in	-	18,737	-
Operating transfers out	<u>(65,000)</u>	<u>(133,000)</u>	<u>-</u>
Change in net assets	<u>(67,353)</u>	<u>321,069</u>	<u>(3,658)</u>
Net assets beginning of year	<u>355,979</u>	<u>812,771</u>	<u>61,723</u>
Net assets end of year	<u>\$ 288,626</u>	<u>1,133,840</u>	<u>58,065</u>

See accompanying independent auditor's report.

Loss on disposal of assets

Schedule 4

Enterprise Funds					
<u>Storm Water Utility</u>	<u>Ambulance</u>	<u>Lakeside Beverage</u>	<u>Harlan Rogers Beverage Account</u>	<u>Central Garage</u>	<u>Total</u>
506,518	102,639	74,084	10,796	-	2,316,144
-	331	-	-	84,254	88,113
<u>506,518</u>	<u>102,970</u>	<u>74,084</u>	<u>10,796</u>	<u>84,254</u>	<u>2,404,257</u>
178,191	54,757	75,197	11,818	146,524	1,610,456
85,857	9,389	-	-	23,423	179,121
<u>264,048</u>	<u>64,146</u>	<u>75,197</u>	<u>11,818</u>	<u>169,947</u>	<u>1,789,577</u>
<u>242,470</u>	<u>38,824</u>	<u>(1,113)</u>	<u>(1,022)</u>	<u>(85,693)</u>	<u>614,680</u>
-	-	-	-	-	8,973
-	-	-	-	-	(866)
<u>88,244</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,244</u>
<u>88,244</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,351</u>
<u>330,714</u>	<u>38,824</u>	<u>(1,113)</u>	<u>(1,022)</u>	<u>(85,693)</u>	<u>711,031</u>
25,190	57,700	-	-	100,000	201,627
<u>(370,987)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(568,987)</u>
<u>(15,083)</u>	<u>96,524</u>	<u>(1,113)</u>	<u>(1,022)</u>	<u>14,307</u>	<u>343,671</u>
<u>5,559,306</u>	<u>-</u>	<u>15,638</u>	<u>3,707</u>	<u>982,970</u>	<u>7,792,094</u>
<u>5,544,223</u>	<u>96,524</u>	<u>14,525</u>	<u>2,685</u>	<u>997,277</u>	<u>8,135,765</u>

City of Fort Dodge, Iowa
Combining Schedule of Cash Flows
Nonmajor Proprietary Funds
For the Year ended June 30, 2012

	<u>Business-Type Activities</u>		
	<u>Parking</u>	<u>Solid</u>	
	<u>Meter</u>	<u>Waste</u>	<u>Recycling</u>
Cash flows from operating activities			
Receipts from customers	\$ 154,165	1,448,902	142
Payments to suppliers and employees	(157,221)	(984,656)	(3,800)
Other receipts	105	3,423	-
Net cash provided (used) by operating activities	<u>(2,951)</u>	<u>467,669</u>	<u>(3,658)</u>
Cash flows from noncapital financing activities			
Transfers to other funds	(65,000)	(133,000)	-
Transfers from other funds	-	18,737	-
Net cash provided (used) in noncapital financing activities	<u>(65,000)</u>	<u>(114,263)</u>	<u>-</u>
Cash flows from capital and related financing activities			
Purchases of capital assets	-	-	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities			
Interest and dividends	1,632	7,341	-
Net cash provided by investing activities	<u>1,632</u>	<u>7,341</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(66,319)	360,747	(3,658)
Cash and cash equivalents - beginning of year	<u>255,763</u>	<u>558,742</u>	<u>61,723</u>
Cash and cash equivalents - end of year	<u>\$ 189,444</u>	<u>919,489</u>	<u>58,065</u>

See accompanying independent auditor's report.

Business-Type Activities						
Storm Water Utility	Ambulance	Lakeside Beverage	Harlan Rogers Beverage	Central Garage	Consumer Deposits	Total
503,262	40,801	74,084	10,796	-	175,232	2,407,384
(241,497)	(53,074)	(75,197)	(11,818)	(147,930)	(71,380)	(1,746,573)
-	331	-	-	78,404	-	82,263
<u>261,765</u>	<u>(11,942)</u>	<u>(1,113)</u>	<u>(1,022)</u>	<u>(69,526)</u>	<u>103,852</u>	<u>743,074</u>
(370,987)	-	-	-	-	-	(568,987)
25,190	57,700	-	-	100,000	-	201,627
<u>(345,797)</u>	<u>57,700</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>(367,360)</u>
<u>(7,476)</u>	<u>(38,001)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,477)</u>
<u>(7,476)</u>	<u>(38,001)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,477)</u>
-	-	-	-	-	-	8,973
-	-	-	-	-	-	8,973
(91,508)	7,757	(1,113)	(1,022)	30,474	103,852	339,210
<u>3,056,214</u>	<u>-</u>	<u>15,638</u>	<u>3,707</u>	<u>362,238</u>	<u>71,083</u>	<u>4,385,108</u>
<u>2,964,706</u>	<u>7,757</u>	<u>14,525</u>	<u>2,685</u>	<u>392,712</u>	<u>174,935</u>	<u>4,724,318</u>

(continued)

City of Fort Dodge, Iowa
Combining Schedule of Cash Flows
Nonmajor Proprietary Funds
For the Year ended June 30, 2012

	Business-Type Activities		
	Parking Meter	Solid Waste	Recycling
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (3,119)	427,991	(3,658)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	8,314	52,138	-
Change in assets and liabilities:			
Receivables, net	(9,616)	(9,282)	-
Prepaid expenses	153	2,346	-
Consumer deposits	-	-	-
Accounts and other payables	612	(1,470)	-
Salaries and benefits payable	(823)	(13,618)	-
Compensated absences	-	8,202	-
Other postemployment benefits	248	1,362	-
Deferred revenue	1,280	-	-
Net cash provided (used) by operating activities	\$ (2,951)	467,669	(3,658)
 Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:			
Current assets:			
Cash and pooled investments	\$ 189,444	919,489	58,065
Noncurrent assets:			
Restricted cash and pooled investments	-	-	-
Cash and cash equivalents at year end	\$ 189,444	919,489	58,065

See accompanying independent auditor's report.

Business-Type Activities						
<u>Storm Water Utility</u>	<u>Ambulance</u>	<u>Lakeside Beverage</u>	<u>Harlan Rogers Beverage</u>	<u>Central Garage</u>	<u>Consumer Deposits</u>	<u>Total</u>
242,470	38,824	(1,113)	(1,022)	(85,693)	-	614,680
85,857	9,389	-	-	23,423	-	179,121
(3,256)	(61,838)	-	-	(5,850)	-	(89,842)
		-	-	-	-	2,499
		-	-	-	103,852	103,852
(63,306)	1,683	-	-	(1,406)	-	(63,887)
		-	-	-	-	(14,441)
-	-	-	-	-	-	8,202
		-	-	-	-	1,610
-	-	-	-	-	-	1,280
<u>261,765</u>	<u>(11,942)</u>	<u>(1,113)</u>	<u>(1,022)</u>	<u>(69,526)</u>	<u>103,852</u>	<u>743,074</u>
2,964,706	7,757	14,525	2,685	392,712	-	4,549,383
-	-	-	-	-	174,935	174,935
<u>2,964,706</u>	<u>7,757</u>	<u>14,525</u>	<u>2,685</u>	<u>392,712</u>	<u>174,935</u>	<u>4,724,318</u>

City of Fort Dodge, Iowa

Bond Maturities - General Obligation Bonds

June 30, 2012

General Obligation Bonds

Year Ending June 30,	Corporate Purpose Issued May 28, 2003		Corporate Purpose Issued December 1, 2004		Corporate Purpose Issued June 15, 2008	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2013	3.40 %	\$ 225,000	3.20 %	\$ 480,000	3.15 %	\$ 105,000
2014	3.50	235,000	3.20	490,000	3.25	100,000
2015	-	-	3.20	515,000	3.40	650,000
2016	-	-	-	-	3.60	735,000
2017	-	-	-	-	3.75	765,000
2018	-	-	-	-	3.90	795,000
2019	-	-	-	-	4.00	825,000
2020	-	-	-	-	4.00	100,000
Total		<u>\$ 460,000</u>		<u>\$ 1,485,000</u>	Total	<u>\$ 4,075,000</u>

Year Ending June 30,	Corporate Purpose Issued June 15, 2009		Corporate Purpose Issued June 29, 2011		Corporate Purpose Issued June 26, 2012	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2013	3.25 %	\$ 520,000	0.60 %	\$ 175,000	1.00 %	\$ 100,000
2014	3.55	535,000	0.80	180,000	1.00	100,000
2015	3.88	500,000	1.10	180,000	1.00	100,000
2016	4.12	585,000	1.40	185,000	1.00	205,000
2017	4.30	595,000	1.70	195,000	1.00	210,000
2018	4.30	615,000	1.95	200,000	1.50	215,000
2019	4.63	640,000	2.15	205,000	1.50	225,000
2020	4.75	665,000	2.35	215,000	1.75	230,000
2021	5.00	695,000	2.55	225,000	1.75	240,000
2022	5.20	725,000	-	-	2.00	250,000
2023	5.25	760,000	-	-	2.00	255,000
2024	5.38	800,000	-	-	2.25	265,000
2025	-	-	-	-	2.25	280,000
2026	-	-	-	-	2.50	840,000
2027	-	-	-	-	2.50	855,000
Total		<u>\$ 7,635,000</u>	Total	<u>\$ 1,760,000</u>	Total	<u>\$ 4,370,000</u>

See accompanying independent auditor's report.

Schedule 6

Year Ending June 30,	Corporate Purpose Issued April 21, 2009		Corporate Purpose Issued April 1, 2010	
	Interest Rates	Amount	Interest Rate	Amount
2013	2.50 %	\$ 220,000	3.00 %	\$ 925,000
2014	2.75	230,000	3.00	940,000
2015		-	3.00	960,000
2016		-	3.00	980,000
2017		-	3.00	1,005,000
2018		-	3.00	1,040,000
2019		-	3.13	1,070,000
2020		-	3.25	1,110,000
		<u>\$ 450,000</u>		<u>\$ 8,030,000</u>

Year Ending June 30,	Urban Renewal Refunding Issued August 26, 2010		Total
	Interest Rate	Amount	
2013	1.00 %	\$ 220,000	\$ 2,970,000
2014	1.25	225,000	3,035,000
2015	1.55	220,000	3,125,000
2016	1.85	225,000	2,915,000
2017	2.10	225,000	2,995,000
2018	2.35	230,000	3,095,000
2019	2.50	225,000	3,190,000
2020	2.70	230,000	2,550,000
2021	2.90	225,000	1,385,000
2022	3.00	250,000	1,225,000
2023		-	1,015,000
2024		-	1,065,000
2025		-	280,000
2026		-	840,000
2027		-	855,000
		<u>\$ 2,275,000</u>	<u>\$ 30,540,000</u>

City of Fort Dodge, Iowa
 Bond Maturities - Revenue Bonds
 June 30, 2012

Schedule 7

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		
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>\$ 145,000</u>			<u>\$ 6,033,000</u>			<u>\$ 2,303,000</u>

See accompanying independent auditor's report.

City of Fort Dodge, Iowa
 Bond Maturities - Revenue Bonds
 June 30, 2012

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>			
2013	3.00 %	\$ 54,000	3.00 %	\$ 160,000	3.00 %	\$ 223,000			
2014	3.00	56,000	3.00	165,000	3.00	230,000			
2015	3.00	58,000	3.00	170,000	3.00	237,000			
2016	3.00	59,000	3.00	175,000	3.00	244,000			
2017	3.00	61,000	3.00	180,000	3.00	251,000			
2018	3.00	63,000	3.00	186,000	3.00	259,000			
2019	3.00	65,000	3.00	191,000	3.00	266,000			
2020	3.00	67,000	3.00	197,000	3.00	274,000			
2021	3.00	69,000	3.00	203,000	3.00	283,000			
2022	3.00	71,000	3.00	209,000	3.00	291,000			
2023		-	3.00	215,000	3.00	300,000			
2024		-		222,000	3.00	309,000			
2025		-		229,000	3.00	318,000			
		-		-		-			
		-		-		-			
		-		-		-			
Total		<u>\$ 623,000</u>		<u>\$ 2,502,000</u>		<u>\$ 3,485,000</u>			

Schedule 7

<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 %	\$	1,173,000	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>\$ 23,635,000</u>			<u>\$ 1,145,000</u>			<u>\$ 296,500</u>

See accompanying independent auditor's report.

City of Fort Dodge, Iowa
 Bond Maturities - Revenue Bonds
 June 30, 2012

Year Ending June 30,	Urban Renewal Tax Increment Revenue Bond Issued Dec 17, 2003			Urban Renewal Tax Increment Revenue Bond Issued Nov. 15, 2006		
	Interest Rates		Amount	Interest Rates		Amount
2013	4.30 %	\$	40,000	4.75 %	\$	200,000
2014	4.50		20,000	4.75		210,000
2015			-	4.75		210,000
2016			-	4.75		220,000
2017			-	4.75		220,000
2018			-	4.75		230,000
2019			-	4.75		230,000
2020			-	4.75		240,000
2021			-	4.75		240,000
2022			-	4.75		260,000
2023			-			-
2024			-			-
2025			-			-
2026			-			-
2027			-			-
2028			-			-
Total		\$	<u>60,000</u>		\$	<u>2,260,000</u>

See accompanying independent auditor's report.

Schedule 7

<u>Urban Renewal Tax Increment</u>		
<u>Revenue Bond Issued Jan. 20, 2012</u>		
Interest		
<u>Rates</u>	<u>Amount</u>	<u>Total</u>
3.98 % \$	110,000	2,790,500
3.98	115,000	2,861,500
3.98	115,000	2,926,000
3.98	120,000	3,026,500
3.98	125,000	3,119,500
3.98	130,000	3,197,500
3.98	135,000	3,257,000
	-	3,227,000
	-	3,326,000
	-	3,451,000
	-	2,463,000
	-	2,155,000
	-	2,219,000
	-	1,722,000
	-	1,774,000
	-	1,822,000
	<u>\$ 850,000</u>	<u>43,337,500</u>

City of Fort Dodge, Iowa

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

For the Last Ten Years

	Modified Accrual Basis			
	2012	2011	2010	2009
Revenues:				
Property tax	\$ 11,905,700	10,695,253	9,495,874	9,065,686
Tax increment financing revenue	1,189,531	1,057,524	994,554	960,077
Other city tax	3,833,165	3,781,601	3,246,525	2,471,570
Licenses and permits	529,018	303,300	282,277	366,910
Use of money and property	326,937	344,015	372,350	420,807
Intergovernmental	5,015,006	4,772,715	5,332,928	3,364,048
Charges for service	1,331,738	1,251,367	965,547	1,006,957
Miscellaneous	1,638,670	1,619,892	3,227,905	1,629,822
Total	\$ 25,769,765	23,825,667	23,917,960	19,285,877
Expenditures:				
Operating:				
Public safety	\$ 7,422,048	7,319,101	6,462,486	6,127,327
Public works	3,656,007	3,336,965	3,438,283	7,653,552
Health & social services	301,498	340,102	347,086	434,575
Culture and recreation	3,162,789	3,459,938	3,330,371	3,188,913
Community and economic development	5,433,594	4,734,874	4,201,872	3,821,149
General government	1,518,381	1,381,422	1,279,686	1,491,143
Debt service	4,250,319	3,842,588	3,429,197	3,195,141
Capital projects	6,191,055	6,608,042	12,542,416	5,159,378
Total	\$ 31,935,691	31,023,032	35,031,397	31,071,178

See accompanying independent auditor's report.

Schedule 8

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
9,412,453	9,309,408	9,405,843	9,136,224	9,245,696	9,225,579
1,021,218	924,879	904,267	855,994	793,770	929,184
2,345,915	2,255,230	2,216,986	1,930,077	2,187,327	1,899,524
334,673	323,123	321,063	282,112	371,137	248,503
457,355	588,086	488,171	380,335	318,211	359,425
4,018,906	3,877,250	4,460,365	4,401,764	5,384,061	5,572,705
1,048,258	1,164,134	1,097,362	1,083,195	1,006,126	1,124,480
<u>1,403,703</u>	<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>20,042,481</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>
6,355,575	6,628,544	5,750,697	5,477,040	5,365,446	5,461,031
5,171,592	3,451,734	3,625,199	3,846,806	3,534,608	3,884,687
525,065	881,082	679,639	569,898	635,244	327,035
2,896,431	2,675,303	3,069,638	2,433,376	2,410,541	2,872,845
2,580,400	5,130,808	2,113,794	2,669,361	3,066,341	2,988,154
1,311,200	1,500,704	1,465,795	1,464,206	1,358,687	1,356,574
1,633,892	1,699,934	1,949,432	1,736,407	3,638,927	3,191,147
<u>2,369,971</u>	<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>22,844,126</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, 2012

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	\$ 12,500
Community Oriented Policing Services	16.710	2010-UMUX0096	<u>152,144</u>
U.S. Department of Transportation:			
Airport Improvement Program	20.106	3-19-0035-25	39,523
Airport Improvement Program	20.106	3-19-0035-25	<u>3,096,974</u>
			<u>3,136,497</u>
Corporation for National and Community Service:			
Foster Grandparents	94.011	08SFNIA002	<u>184,166</u>
Total Direct			<u>3,485,307</u>
Indirect:			
U.S. Department of Health and Human Services:			
Elderbridge Agency on Aging:			
Special programs for the Aging - Title IIIC			
Nutrition Services	93.045	FY 2012	<u>30,553</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Formula Grants for Other than Urbanized Areas	20.509	18-0030-269-1	291,307
Formula Grants for Other than Urbanized Areas	20.509	ICB CY11	2,617
Formula Grants for Other than Urbanized Areas	20.509	ICB CY12	1,692
Formula Grants for Other than Urbanized Areas	20.509	TF - 2011	<u>3,074</u>
			<u>298,690</u>
Federal Transit - Capital Investment Grants	20.500	04-0117-269-1	<u>160,511</u>
Highway Planning and Construction	20.500	STP-E-2690 (615)	<u>361,000</u>

(continued)

City of Fort Dodge, Iowa
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Schedule 9

<u>Grantor/Program</u> (continued)	<u>CFDA</u> <u>Number</u>	<u>Agency or</u> <u>Pass-Through</u> <u>Number</u>	<u>Program</u> <u>Expenditures</u>
Indirect (continued):			
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	<u>136,218</u>
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-1763	53,894
Disaster Grants - Public Assistance	96.036	EM-1928	<u>24,092</u>
			<u>77,986</u>
Buffer Zone Protection Program	97.078	2009 BZPP	<u>92,686</u>
Environmental Protection Agency:			
Iowa Finance Authority:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FY 2012	<u>899,104</u>
U.S. Department of Justice:			
Webster County:			
ARRA - Edward Byrne Memorial Justice Assistance Program			
	16.738	2009 SB-B9-2646	2,069
Edward Byrne Memorial Justice Assistance	16.738	009-DJBX-0156	<u>6,865</u>
			<u>8,934</u>
Bullet Proof Partnership Grant	16.607	FY 2012	<u>1,088</u>
Total Indirect			<u>2,066,770</u>
Total			<u>\$ 5,552,077</u>

Of the federal expenditures presented in this schedule, the City provided federal awards to subrecipients as follows:

<u>CFDA #</u>	<u>Program</u>	<u>Amount</u>
20.500	Federal Transit - Federal Transit Grants	160,511
20.509	Formula Grants for Other than Urbanized Areas	<u>298,690</u>
		<u>459,201</u>

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, 2012

<u>Grantor/Program</u>	<u>Program Expenditures</u>
Department of Transportation:	
Airport Infrastructure #13164	\$ 13,633
Airport Infrastructure #11415	68,529
Airport Infrastructure #12275	16,571
Air Service Development Program	<u>33,428</u>
	<u>132,161</u>
Iowa Department of Transportation:	
RISE Grant #2012-R-001	<u>241,621</u>
Library:	
Open Access Grant	4,118
Enrich Iowa Grant	<u>4,341</u>
	<u>8,459</u>
Iowa Department of Economic Development:	
Rebuild Iowa's Infrastructure (I-JOBS) # 11-DIR-07	<u>300,000</u>
Community Attraction and Tourism Program # 11-CAT-013	<u>658,167</u>
Iowa Department of Public Safety:	
Governor's Traffic Safety Bureau FY 2012	<u>30,771</u>
 Total	 <u><u>\$ 713,012</u></u>

See accompanying independent auditor's report.

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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, 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, 2012, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated March 6, 2013. 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

The management of the City of Fort Dodge is responsible for establishing and maintaining effective 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 our opinion on the effectiveness of the City of Fort Dodge's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Fort Dodge's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. 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 a deficiency in internal control over financial reporting, describe in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in 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.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as Item II-A-12 to be a significant weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

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

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

March 6, 2013

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, 2012. 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, 2012.

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

March 6, 2013

City of Fort Dodge, Iowa
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over 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 20.106 Airport Improvement Program and 66.468 Capitalization Grants for Drinking Water State Revolving Funds.
- (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, 2012

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- II-A-12 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 an 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, 2012

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.

Part IV: Other Findings Related to Statutory Reporting:

IV-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – This was an oversight this year as there was a debt payment due in June 2012 that was not budgeted.

Conclusion – Response accepted.

City of Fort Dodge, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting:

IV-B-12 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-12 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-12 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	\$5,377
Matt Bemrich, Mayor Part-Owner of Bemrich Electric	Airport Lighting Library Computer Repairs City Repairs	431 387 4,581
Robert Patterson, Council Member Part-Owner of Midstate Plumbing & Heating, Inc.	Library Repairs City Repairs	2,795 18,923

Some of 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 they were awarded with competitive bids.

City of Fort Dodge, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

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. The City repairs do not represent a conflict of interest as they were awarded with competitive bids.

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 Rork’s Northwest Furnace were overlooked at the beginning of this year as the employee has no decision making authority. After the audit was completed for the prior fiscal year, we changed our procedures to add this business to our related parties.

Conclusion – Response accepted.

IV-E-12 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-12 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-12 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-12 Revenue Bonds and Notes – No instances of non-compliance with the water and wastewater revenue note provisions were noted.

IV-I-12 Financial Condition – The Special Revenue Funds, Tax Increment Financing, Employee Flex Spending, and Community Development accounts had deficit balances of \$4,307,588, \$3,291, and \$18,690 respectively at June 30, 2012.

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

Response – See note 16 to the financial statements to see how City officials plan to eliminate these deficits.

Conclusion – Response accepted.