

ANNUAL FINANCIAL REPORT  
OF THE  
CITY OF OTTUMWA, IOWA

FOR THE  
FISCAL YEAR ENDED  
JUNE 30, 2004

DEPARTMENT OF FINANCE

MICHAEL P. HEFFERNAN  
DIRECTOR OF FINANCE

TAB

INTRODUCTORY SECTION

CITY OF OTTUMWA, IOWA

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COMPREHENSIVE ANNUAL REPORT  
CITY OF OTTUMWA, IOWA

MAYOR - COUNCIL

MAYOR

Dale M. Uehling

CITY COUNCIL

Tom Shepard  
Gerald Brees  
Frank Fisher  
Keith Caviness  
Frank Flanders

TERM EXPIRES

January 2, 2008  
January 2, 2008  
January 2, 2006  
January 2, 2006  
January 2, 2006

CITY CLERK

Ann Cullinan

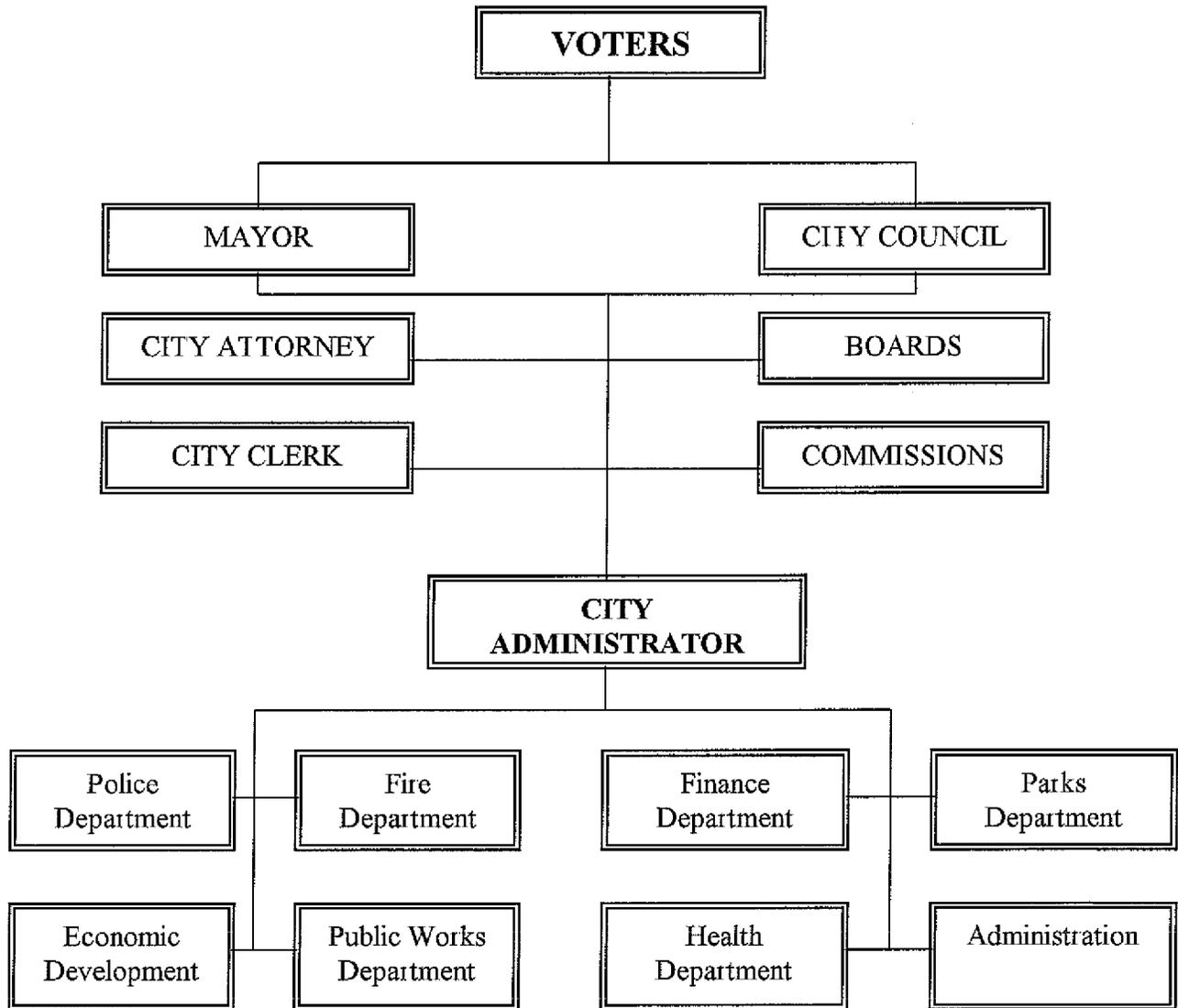
CITY ADMINISTRATOR

Steve Rasmussen

CITY ATTORNEY

Tom Kintigh

# CITY OF OTTUMWA



City  
Letterhead

September 10, 2004

To the Citizens, Honorable Mayor,  
Members of the City Council and  
City Administrator  
City of Ottumwa, Iowa

The Comprehensive Annual Financial Report of the City of Ottumwa, for the fiscal year ended June 30, 2004, is submitted herewith. This report was prepared by the City's Finance Department with the assistance of the accounting firm of Anderson, Larkin & Co. P.C. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The Comprehensive Annual Financial Report consists of four sections: (1) the Introductory Section contains the title page, the organizational chart, the table of contents and this letter of transmittal; (2) the Financial Section contains the opinion of the independent certified public accountants, Management's Discussion and Analysis and the financial exhibits for all City funds; (3) the Statistical Section contains financial and nonfinancial data for both prior and current fiscal years and (4) the Compliance Section contains reports required by the Single Audit Act.

#### ORGANIZATION AND OVERVIEW OF THE CITY

The City of Ottumwa operates under a Mayor-Council form of government with an appointed City Administrator. The City Council is comprised of five members. The Mayor and Council members are elected at large on a nonpartisan ballot for four-year staggered terms. The Council is responsible for policy-making. It also appoints the City Attorney and City Clerk and approves the Mayor's appointments to Advisory Boards and Commissions. Additionally, the City Council hires the City Administrator who is responsible for carrying out Council policies and administering City operations. The Mayor is the Chief Executive officer of the City.

Ottumwa is a city of 24,998 people, located on the Des Moines River approximately 90 miles southeast of Des Moines. Ottumwa is the largest city within a radius of 90 miles and serves as a trade center for Southeast Iowa and Northeast Missouri.

Founded in the 1840's, Ottumwa was incorporated in 1851 as the County seat of Wapello County. The City grew steadily through the 1960's when a series of industrial shut-downs caused reduction in population which stabilized during the 1980's.

Ottumwa is served by main lines of Amtrack, Burlington Northern and Sante Fe and the I and M Rail System Line Railroads. The Ottumwa Industrial Airport is located five miles north of the City. Charter flights are provided by Ottumwa Flying Service. US Highways 34 and 63 and Iowa Primary Highway 149 provide excellent highway transportation. Work is in progress on a four lane highway connecting Ottumwa to Burlington. The Ottumwa to Des Moines portion has recently been completed.

The area is served by one junior high, one senior high, one alternative vocational high school, one Christian school and nine elementary schools with total enrollment of approximately 4,900 students and employs 440 people. Indian Hills Community College, with an enrollment of approximately 3,800 students, provides 40 courses of study in vocational and technical areas and employs 368 people. Bachelors Degrees in Arts and Sciences are offered by Buena Vista College (Storm Lake) in conjunction with Indian Hills. Six other universities and colleges are located within a 60 mile commuting distance. Ottumwa and the surrounding portion of Southeastern Iowa are served by the Ottumwa Regional Health Center, an Iowa nonprofit corporation providing general acute care hospital services. Adjacent to the Ottumwa Regional Health Center is the Ottumwa Medical Clinic, a multi-specialty clinic, providing office space, a pharmacy and optical shop serving many of the specialists within the community. Ottumwa Regional Health Center has 235 beds providing general and skilled care. Medical personnel serving the community include: 54 M.D.'s, 3 D.O.'s, 8 D.C.'s, 2 DPM's and 15 dentists. Paramedical air and hospital based ground ambulance service is available. The total employment at the hospital, laboratory and clinic is approximately 950. Ottumwa Regional Foundation also has a 60 unit nursing home, an 81 unit independent retirement facility and a 34 unit assisted living facility employing a total of 96 people.

The City has 17 parks, a water recreation facility with four pools and two water slides, two other public swimming pools, and two 18 hole golf courses, providing every type of recreational activity including: ice skating, hiking, swimming, baseball, tennis, golf, boating, camping and picnicking. These facilities are used by over 250,000 people each year. Sixty-eight churches of all faiths serve the religious needs of the area.

For cultural interest, there are many fine programs through the Ottumwa Symphony, South Eastern Iowa Symphony, Ottumwa Municipal Band, Ottumwa Community Players and the Ottumwa Area Arts Council.

Ottumwa has a diversified industrial base and is the manufacturing center for Southeast Iowa. The John Deere Ottumwa Works has 853 employees engaged in manufacturing of agricultural implement equipment. Cargill, Inc., located in nearby Eddyville, employs 425 people at its corn milling and processing plant. Cargill Meat Solutions is the largest employer with 2,000 employees at its pork processing facility. More than 30 additional manufacturers provide from 3 to 250 jobs each.

#### ACCOUNTING SYSTEM AND BUDGETARY CONTROL

In evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. These internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits require estimates and judgments by management.

We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The accounting policies of the City conform to generally accepted accounting principles as they apply to governmental units.

The Governmental and Permanent funds are maintained on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded only when they are measurable and available for use; expenditures are recorded when the liability is incurred. The Proprietary funds of the City are maintained on an accrual basis of accounting. Under the accrual method of accounting, revenue is recognized when earned and expenses are recognized when incurred.

Budgetary control is maintained through the use of monthly management reports that compare actual expenditures and revenues against the budgeted amount, provide budget balances and the percentage of the budget used or attained.

## CASH MANAGEMENT

The City's Cash Management policies have been established pursuant to State Statutes and City Ordinance. Investments are allowed in U S Government Obligations, State Obligations, U S. Government Agency Obligations, Bank Certificates of Deposit or Repurchase Agreements collateralized by these securities and Prime Commercial paper or Bankers' acceptances. The City also invests in the Iowa Public Agency Investment Trust which is a statewide investment pool available to local agencies.

The majority of the City's investment activity is carried on by the City's investment pool. This pooled concept provides for greater investment earnings which are then allocated on a systematic basis. For the year ended June 30, 2004, the City earned \$565,019\* for all investments; a decrease of \$27,558 from the prior year. The following table shows how this was allocated by Fund type for the fiscal year 2004:

<u>Fund Type</u>	<u>Amount</u>
General	\$ 83,944
Special Revenue	59,547
Capital Projects	243,825
Business Activities	<u>177,703</u>
Total	<u>\$565,019</u>

\* Does not include Hazardous Materials and 10-15 Transit Funds (presented on discrete presentation basis)

## THE REPORTING ENTITY AND ITS SERVICES

This report includes all funds of the City.

The City provides a full range of municipal services. These services include public safety (Police and Fire), solid waste disposal, parks and recreation, planning and zoning, water and sewer, public improvements, airport, health and social services, mass transportation and general administrative services.

The Ottumwa Housing Authority and Ottumwa Water & Hydro are considered by the City to be substantially autonomous organizations and are, therefore, not included in this report. The City has two funds that are presented on discrete presentation basis. They are the Hazardous Materials (operated by the Ottumwa Fire Department) and 10-15 Transit (operated by the Ottumwa Transit Authority) funds. Both are the result of Chapter 28 e. agreements executed by County governments in Southeast Iowa. The City does the accounting, cash management and financial reporting for these 28 e. organizations, however, they operate autonomously from the City Council, thus they are presented discretely.

## FINANCIAL OVERVIEW

The following is a summary of the financial results of the Governmental funds for the year:

#	Fund	Fund Balance July 1, 2003	Revenues*	Expenditures*	Fund Balance June 30, 2004
1	General	\$ 1,326,971	\$ 9,086,627	\$ 9,057,740	\$ 1,355,858
131	Airport	63,595	407,233	390,604	80,224
133	Library	170,687	426,605	456,395	140,897
135	Cemetery	69,310	313,413	316,070	66,653
110	Road Use Tax	955,303	3,133,845	3,341,757	747,391
121	Sales Tax	-	2,317,605	1,878,809	438,796
125	TIF	2,119,068	1,865,509	2,502,862	1,481,715
112	Employee Benefits	503,677	2,841,040	2,866,325	478,392
Var	Other Special Revenue	693,764	2,043,426	1,805,056	932,134
313	Event Center	10,888,274	208,222	920,875	10,175,621
Var.	Other Capital Projects	2,449,232	1,395,697	2,282,177	1,562,752
200	Debt Service	97,737	3,386,582	3,402,611	81,708
	Totals	\$ <u>19,337,618</u>	\$ <u>27,425,804</u>	\$ <u>29,221,281</u>	\$ <u>17,542,141</u>

\*Revenues and Expenditures include Other Financing Sources and Uses

The June 30, 2004 fund balances of \$17,542,141 include reserved amounts totaling \$15,134,123; \$152,770 is reserved for prepaid insurance; \$63,724 is reserved in the Cemetery for capital replacement, \$1,481,715 in the TIF fund is reserved for TIF improvements, \$438,796 in the sales tax fund is reserved for street and sewer repairs, \$11,638,373 in capital projects is reserved for construction, \$202,020 is reserved for insurance, \$478,392 is reserved for employee benefits, \$343,474 is reserved for retiree benefits; \$153,101 is reserved for endowments, \$81,708 is reserved for Debt Service and \$100,000 is reserved for interfund loans. Unreserved fund balances in these governmental funds totaled \$2,408,018 a decrease of \$109,192 or 4.3%.

The fund balances in the TIF, Event Center and other capital projects funds decreased due to spending down prior year's bond proceeds on construction projects. The beginning fund balance in the Event Center Fund was increased \$155,382 due to a prior period adjustment. Not all of the conditions of the Vision Iowa grant had been met as of June 30, 2003, therefore, previously accrued items were removed from the books.

### GOVERNMENTAL FUNDS - REVENUES BY SOURCE\*

Revenue Category	Amount		Change from Prior Year	
	Fiscal Year 2004	Fiscal Year 2003	Amount	Percent
Property Taxes	\$ 7,763,239	\$ 7,468,786	\$ 294,453	3.94 %
TIF Revenues	1,016,560	1,020,475	(3,915)	(0.38)
Other City Taxes	3,099,586	3,186,409	(86,823)	(2.72)
Licenses and Permits	290,897	351,326	(60,429)	(17.20)
Intergovernmental	4,801,027	4,984,619	(183,592)	(3.68)
Charges for Services	3,448,546	2,772,857	675,689	24.37
Fines and Penalties	121,586	101,866	19,720	19.36
Money and Property	875,883	752,767	123,116	16.36
Bond Proceeds	-	15,613,100	(15,613,100)	(100.00)
Other Revenue	397,654	968,827	(571,173)	(58.96)
Totals	\$ <u>21,814,978</u>	\$ <u>37,221,032</u>	\$ <u>(15,406,054)</u>	<u>(41.39) %</u>

\* Revenues Do Not Include Interfund Transfers

Property taxes increased due to an increase in the property tax levy of \$ 54 per \$1,000 taxable valuation (primarily for employee benefits) combined with 1 7% decrease in taxable valuation.

Other City taxes decreased due to lower local option sales tax - \$37,457 and utility replacement tax - \$35,096.

Licenses and permits for the previous year were \$92,776 higher than June 30, 2002. The current year amount of \$290,897 is more typical than last year's figure.

Intergovernmental decreased due to a \$490,000 cut by the State of Iowa 509a funding for General Fund operations.

Charges for services include \$425,335 for Central Garage fuel and vehicle repairs previously included with Internal Service Funds.

Money and Property includes \$208,222 of investment income in the Event Center Fund, which is \$118,538 more than the previous year.

Other revenue for the previous year was \$659,738 higher than June 30, 2002. The current year amount of \$393,793 is more typical than last year's figure.

GOVERNMENTAL FUNDS – EXPENDITURES BY FUNCTION\*

<u>Function</u>	<u>Fiscal Year</u> <u>2004</u>	<u>Fiscal Year</u> <u>2003</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u> <u>of Total</u>
Public Safety	\$ 4,936,517	\$ 6,716,536	\$(1,780,019)	(26.50) %
Public Works	4,687,689	3,881,522	806,167	20.77
Health and Social Service	309,280	307,218	2,062	0.67
Culture and Recreation	2,086,871	2,030,666	56,205	2.77
Community/Economic Development	804,829	798,314	6,515	0.82
General Government	2,085,190	2,028,371	56,819	2.80
Capital Projects	5,117,121	6,146,659	(1,029,538)	(16.75)
Debt Service	<u>3,398,528</u>	<u>2,547,342</u>	<u>851,186</u>	<u>33.41</u>
Totals	<u>\$23,426,025</u>	<u>\$24,456,628</u>	<u>\$(1,030,603)</u>	<u>(4.21) %</u>

\*Expenditures Do Not Include Interfund Transfers

Public Safety expenditures for the previous year included sales tax payments to Wapello County totaling \$2,255,062 for the Joint Law Enforcement Center. Payments this year amounted to only \$120,063, a decrease of \$2,134,999 due to a change in the use of the local option sales tax. This decrease was offset by a \$350,000 increase in police and fire expenditures, mainly for wages and benefits.

Public Works expenditures increased for the following reasons:

- Central Garage expenditures were \$420,492. These were previously included with Internal Service Funds.
- An expanded Street Repair Program was implemented this year costing approximately \$400,000.
- Snow removal costs increased \$100,000.

Debt Service expenditures included \$834,468 for the first payment on the Event Center bonds being repaid with the local option sales tax.

## DEBT ADMINISTRATION

The ratio of net General Obligation debt is assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to Municipal Management, citizens and investors. This data for the City at the end of the 2004 fiscal year is as follows:

	<u>Amount</u>	<u>Ratio of Bonded Debt to Assessed Value</u>	<u>Bonded Debt Per Capita</u>
Net Bonded Debt	<u>\$18,344,708</u>	<u>2.81%</u>	<u>\$733.85</u>

The City has a legal debt limit of 5% of actual value of \$32,614,982. The net debt of \$18,344,707 leaves a legal debt margin of \$14,270,275.

The current General Obligation Bond rating by Moody's Investors Service is A3.

Total General Obligation Bonds outstanding at June 30, 2004, were \$18,426,415.

The City has three Sewer Revenues Capital Loan Notes outstanding with interest rates ranging from 3.74% to 4.37%. The original amount borrowed was \$15 million. The balance outstanding at June 30, 2004 was \$9,946,000. Principal payments are due annually through June 1, 2016.

## RISK MANAGEMENT

The City insures a majority of its property and liability coverage through the Iowa Community Action Pool (ICAP). Details of coverages and deductibles is covered in the statistical section of this report. The City's self funded health insurance is reinsured with individual stop loss limits set at \$100,000 and an aggregate stop loss limit set at 125% of total expected claims.

### ENTERPRISE FUNDS (Business Type Activities)

The City operates four enterprise funds: Solid Waste, Sewer Utility, Golf Course, and Ottumwa Transit.

These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The information below gives a general overview of the finances of the City's Enterprise funds.

<u>Enterprise Fund</u>	<u>Operating Income (Loss)</u>		<u>Change</u>
	<u>Before Depreciation</u>		
	<u>Fiscal Year</u> <u>2004</u>	<u>Fiscal Year</u> <u>2003</u>	
Solid Waste	\$ 540,575	\$ 238,252	\$ 302,323
Sewer Utility	1,115,517	1,111,327	4,190
Golf Course	33,832	16,363	17,469
Ottumwa Transit	<u>(745,396)</u>	<u>(529,653)</u>	<u>(215,743)</u>
Totals	\$ <u>944,528</u>	\$ <u>836,289</u>	\$ <u>108,239</u>

### OUTLOOK FOR 2004-2005

The City's taxable valuation for the 2004/2005 fiscal year increased 8.9%.

A Wal-Mart Super Center containing approximately 203,600 square feet and a new Menards Home Improvement Center have been constructed in a new shopping center located south of US Highway 34. The Menards Store is among the largest in size constructed in the State. A new strip mall containing 22,000 square feet is being constructed in the 80-acre subdivision and more development will occur in the remaining out-lots. The most recent new shopping center district began construction this summer. The six-lot subdivision contains ten acres and is located north of US Highway 34 and east of Quincy Avenue. A new 8 Cinema Theatre is currently under construction in the subdivision. Five additional lots are available for development.

The City Council is continuing a bi-annual capital improvement program emphasizing street repairs. The program was started in 1995 to take advantage of the rapid payout of City debt. The next planned bond issue is January 2005 for a total of \$2 million.

In April 2002, voters approved changing the use and extending the local option sales tax from July 1, 2003 until December 31, 2015. The tax will be used to finance the City and County portion of the Bridge View Events Center (\$11 million) with the remaining amount used for street and sewer repairs. The Bridge View Events Center is a \$20.5 million project being financed by the City of Ottumwa (\$10 million), Bridge View Center, Inc. (\$2 million), Wapello County (\$1 million payable \$100,000 annually for ten years), and Vision Iowa (\$7.5 million grant). The City of Ottumwa issued \$11 million of General Obligation bonds March 1, 2003. The City is using local option sales tax revenue to pay the debt service on the bonds.

## INDEPENDENT AUDIT

Chapter 11 of the Code of Iowa requires an annual audit to be performed. The independent public accounting firm of Anderson, Larkin and Co. P.C. was selected by the City. In addition to meeting the requirements set forth in Chapter 11, the audit also was designed to meet the Government Auditing Standards, issued by the Comptroller General of the United States. The auditor's report on the financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The compliance section includes additional reports required by OMB Circular A-133.

## CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to The City of Ottumwa, Iowa for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Ottumwa, Iowa has received a Certificate of Achievement for the last ten consecutive years (fiscal years ended 1994 through 2003). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

## ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to all members of the department who assisted and contributed to its preparation. I would like to thank the City Administrator and members of his staff for their assistance. I would like to thank the Mayor and Members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner. The cooperative assistance of the accounting firm of Anderson, Larkin & Co. P.C., Certified Public Accountants, also contributed significantly to the preparation of this report.

Respectfully submitted,

Michael P. Heffernan, CPA  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Ottumwa,  
Iowa

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Tab

FINANCIAL SECTION

A + L  
letterhead

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
Ottumwa, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ottumwa, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Ottumwa, Iowa's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ottumwa, Iowa as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated September 10, 2004 on our consideration of the City of Ottumwa, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 8 and 49 through 51, are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Ottumwa, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 16, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
September 10, 2004

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Ottumwa, Iowa, we offer readers of the City of Ottumwa's financial statements this narrative overview and analysis of the financial statements of the City of Ottumwa for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages VI to XIII of this report.

### Financial Highlights

- The assets of the City of Ottumwa exceeded its liabilities at the close of June 30, 2004, by \$34.6 million (net assets). Of this amount, \$9.6 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's net assets increased by \$5.4 million.
- At the close of the current fiscal year, the City of Ottumwa's governmental funds reported combined ending fund balances of \$18.2 million, a decrease of \$1.6 million as compared to the prior fiscal year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1.4 million, or 15.1 percent of the total general fund expenditures.
- Total general obligation debt decreased by \$2.6 million (12.4 percent) during the current fiscal year. The City did not issue any new bonds and retired \$2.6 million of existing bonds.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Ottumwa's basic financial statements. The City of Ottumwa's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The first several statements are highly condensed and present a government-wide view of the City's finances. The governmental activities of the City of Ottumwa include general government, police and fire protection, streets and public buildings operation and maintenance, and parks and recreation oriented activities. The major business-type activities of the City include a solid waste and sewer system. Included within others are a transit system, and a golf course. The City's two component units, Hazardous Materials and 10-15 Transit System, are also included. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

### Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Assets. The Statement of Net Assets presents information on all of the City of Ottumwa's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. For the first time, government activities reflect capital assets including infrastructure and long-term liabilities. Business activities have long reported capital assets and long-term liabilities.

The Statement of Activities is also included in the government-wide financial statements. The focus of the Statement of Activities is to show how the government's assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The government-wide statements include the Statement of Net Assets and the Statement of Activities and can be found on pages 9-11 of this report.

**Statement of Net Assets for the Fiscal Year Ended June 30, 2004.**

This section discusses and analyzes the significant differences between this and the prior fiscal year. A condensed version of the Statement of Net Assets as of June 30, 2004 and 2003 follows:

	Net Assets at Year-end (in thousands)			June 30, 2003 Total Government
	Governmental Activities	Business- type Activities	Total Government	
Cash and investments	\$ 19,160.5	\$ 5,097.1	\$ 24,257.6	\$ 26,971.6
Other assets	12,225.7	926.8	13,152.5	12,507.1
Capital assets	<u>19,217.7</u>	<u>21,079.5</u>	<u>40,297.2</u>	<u>36,251.7</u>
Total assets	<u>50,603.9</u>	<u>27,103.4</u>	<u>77,707.3</u>	<u>75,730.4</u>
Other liabilities	12,403.7	928.2	13,331.9	16,613.9
Noncurrent liabilities	<u>17,581.3</u>	<u>12,165.0</u>	<u>29,746.3</u>	<u>29,888.5</u>
Total liabilities	<u>29,985.0</u>	<u>13,093.2</u>	<u>43,078.2</u>	<u>46,502.4</u>
Net assets:				
Invested in capital assets, net of debt	13,045.6	10,263.5	23,309.1	18,646.9
Restricted	81.7	1,600.0	1,681.7	1,583.9
Unrestricted	<u>7,491.6</u>	<u>2,146.7</u>	<u>9,638.3</u>	<u>8,997.2</u>
Total net assets	\$ <u>20,618.9</u>	\$ <u>14,010.2</u>	\$ <u>34,629.1</u>	\$ <u>29,228.0</u>

**Governmental Activities**

Net assets increased in part due to capital assets increasing \$4.7 million for fiscal year 2004. A substantial portion of these capital assets were paid with Federal grants. Another reason for the increase is the reduction of debt balances.

**Business-Type Activities**

The net assets for business-type activities increased \$192,127 or 1.4 percent.

**Statement of Activities for the Fiscal year Ended June 30, 2004:**

A summary version of the Statement of Activities follows:

**Governmental and Proprietary Activities  
For Fiscal Years Ending June 30, 2004 and 2003  
(in thousands)**

	June 30, 2004			June 30, 2003
	Governmental Activities	Business- type Activities	Total	Total
Revenues:				
Charges for services	\$ 4,961.9	\$ 5,923.0	\$ 10,884.9	\$ 9,893.7
Operating grants and contributions	3,032.7	363.8	3,396.5	4,014.3
Capital grants and contributions	1,768.3	77.4	1,845.7	1,274.2
General revenues:				
Property taxes	8,779.8	295.6	9,075.4	8,783.8
Other taxes	882.0	-	882.0	931.3
Local option sales tax	2,217.6	-	2,217.6	2,255.1
Investment income	100.1	170.8	270.9	562.9
Other	<u>141.0</u>	<u>-</u>	<u>141.0</u>	<u>48.0</u>
Total revenues	<u>21,883.4</u>	<u>6,830.6</u>	<u>28,714.0</u>	<u>27,763.3</u>

	June 30, 2004			June 30, 2003
	Governmental Activities	Business- type Activities	Total	Total
Expenses:				
General government	2,190.5	-	2,190.5	2,346.6
Public safety	5,534.9	-	5,534.9	6,699.4
Public services	4,311.7	-	4,311.7	4,123.1
Culture and recreation	1,660.5	-	1,660.5	2,063.0
Community development	1,940.8	-	1,940.8	2,561.6
Interest on long-term debt	832.0	499.8	1,331.8	1,040.1
Solid waste	-	1,832.4	1,832.4	1,737.4
Sewer utility	-	3,046.8	3,046.8	2,929.5
Ottumwa Transit	-	944.1	944.1	674.1
Golf course	-	519.4	519.4	438.5
Total expenses	<u>16,470.4</u>	<u>6,842.5</u>	<u>23,312.9</u>	<u>24,613.3</u>
Transfers	(204.0)	204.0	-	-
Change in net assets	5,209.0	192.1	5,401.1	3,150.0
Beginning net assets	<u>15,409.9</u>	<u>13,818.1</u>	<u>29,228.0</u>	<u>26,078.0</u>
Ending net assets	\$ <u>20,618.9</u>	\$ <u>14,010.2</u>	\$ <u>34,629.1</u>	\$ <u>29,228.0</u>

### Governmental Activities

Charges for services make up 23 percent of governmental revenues. Operating and capital grants, primarily due to street and airport projects, make up another 22 percent of governmental revenues. The remaining revenue comes from taxes, primarily property taxes (40 percent) and local option sales tax (10 percent). Public safety expenses decreased significantly due to payments to Wapello County decreasing \$2 million due to the payoff of the Joint Law Center sales tax obligation.

### Business-Type Activities

As expected charges for services is the primary revenue source for business-type activities. Sewer fees make up the largest portion (49 percent) of total revenues. Other significant items are landfill fees at 28 percent and Golf Course fees at 8 percent of total revenue. All three categories experienced significant increases in revenue due to higher volume/activity levels. Likewise, expenditures increased accordingly.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to insure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers can better understand the long-term impact of the City's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Ottumwa maintains 29 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Local Option Sales Tax, State Road Use Tax, Tax Increment Financing, Employee Benefits, Event Center Construction, and Debt Service Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the report. The basic governmental fund financial statements can be found on pages 12-17.

### **Proprietary Funds**

The City of Ottumwa maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Sewer, Solid Waste, Golf Course and Transit System. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Ottumwa uses internal service funds to account for its payroll clearing, equipment purchasing and employee insurance functions. Because all of these services predominately benefit governmental rather than business type functions, they have been included with the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Solid Waste and Sewer Utility as these are considered major funds of the City. Data from the other two enterprise funds are combined into a single aggregate presentation. Individual fund data for each of the non-major enterprise funds is provided in the form of combining statements elsewhere in this report. All Internal Service funds are combined into a single aggregate presentation in the proprietary fund financial statements. Individual fund amounts for internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary financial statements can be found on pages 18-23 of this report.

### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected on the government-wide financial statements because the resources of those funds are not available to support the City of Ottumwa's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on pages 62-63 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the amounts provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-48 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including budget to actual comparisons for all budgetary funds. Required supplementary information can be found on pages 49-51 of this report.

The combining statements referred to earlier in connection with non-major special revenue, capital projects, and permanent funds (governmental), non-major enterprise funds, and internal service funds are presented immediately following the required supplementary information discussed above. Combining and individual fund statements and schedules can be found on pages 52-69 of this report.

### **Budgetary Highlights**

The City had one budget amendment during the fiscal year and that is our common practice. The following summarizes the impact of the amendment on the major governmental funds.

General Fund: The Health Department budget was increased \$3,000 for additional health insurance costs. Additional health insurance costs in other departments were offset by decreases in other expenditures.

**Local Option Sales Tax Fund:** An amendment was made for the June 30, 2003 State of Iowa settlement received in November offset by a payment to Wapello County for the Joint Law Enforcement Center in the amount of \$120,063.

**State Road Use Tax Fund:** An amendment was made to increase expenditures for street lighting (\$12,273) and snow removal (\$40,000).

**Tax Increment Fund:** An amendment was made to "re-budget" \$800,000 of construction expenditures that were not completed prior to June 30, 2003.

**Employee Benefits Fund:** No amendment was made to this fund

**Debt Service Fund:** An amendment was made to increase interest costs on the Event Center bonds sold after the original budget was certified.

**Capital Assets and Debt Administration**

**Capital Assets**

As of June 30, 2004, the City had invested \$40.3 million in capital assets as are reflected in the following table. This investment includes land, buildings, improvements, machinery and equipment. Infrastructure completed this year is included. However, the City has not completed the capitalization of infrastructure items constructed between 1980 and 2002. Additional information on the City of Ottumwa's capital assets can be found in notes on pages 35-38 of this report.

Capital Assets at Fiscal Year-End  
(Net of Depreciation)  
(In Thousand's)

	Governmental Activities		Business-Type Activities		Totals	
	2004	2003	2004	2003	2004	2003
Land	\$ 3,611.0	\$ 3,176.9	\$ 195.2	\$ 195.2	\$ 3,806.2	\$ 3,372.1
Buildings	3,488.1	3,684.2	15,432.1	16,079.2	18,920.2	19,763.4
Improvements other than buildings	486.2	432.7	2,446.0	2,051.5	2,932.2	2,484.2
Machinery and equipment	2,214.7	2,263.8	2,608.2	2,826.8	4,822.9	5,090.6
Infrastructure	5,949.7	744.4	77.6	23.5	6,027.3	767.9
Construction in progress	<u>3,468.0</u>	<u>4,223.5</u>	<u>320.4</u>	<u>550.0</u>	<u>3,788.4</u>	<u>4,773.5</u>
Total	<u>\$19,217.7</u>	<u>\$14,525.5</u>	<u>\$21,079.5</u>	<u>\$21,726.2</u>	<u>\$40,297.2</u>	<u>\$36,251.7</u>

The following table reconciles the changes in capital assets. Included with additions are construction in progress balances.

Change in Capital Assets  
(In Thousand's)

	Governmental Activities	Business- Type Activities	Total
Beginning Balance	\$ 14,525.5	\$ 21,726.2	\$ 36,251.7
Additions	5,499.7	918.5	6,418.2
Retirements	(85.0)	(42.9)	(127.9)
Depreciation	<u>(722.5)</u>	<u>(1,522.3)</u>	<u>(2,244.8)</u>
Ending balance	\$ <u>19,217.7</u>	\$ <u>21,079.5</u>	\$ <u>40,297.2</u>

**Debt Administration**

The amount of debt outstanding at fiscal year end was \$28.4 million as compared to \$31.6 million last fiscal year. No new debt was issued during the year, while a total of \$3.2 million was retired. Of the total debt outstanding, \$18.4 million is backed by the full faith and credit of the City. The remaining \$9.9 million is backed by sewer revenue.

	Outstanding Debt at Year End (In Thousand's)	
	TOTAL	
	<u>2004</u>	<u>2003</u>
Governmental		
General obligation		
Abated by:		
Property taxes	\$ 3,554.6	\$ 5,077.6
Tax increment	3,340.0	3,920.0
Sales tax	10,655.0	11,000.0
Road use tax	<u>6.8</u>	<u>19.7</u>
Subtotals	<u>17,556.4</u>	<u>20,017.3</u>
Business-type		
General obligation		
Abated by:		
Solid waste	265.0	345.0
Golf course	605.0	640.0
Sewer revenue	<u>9,946.0</u>	<u>10,640.0</u>
Subtotals	<u>10,816.0</u>	<u>11,625.0</u>
Totals	\$ <u>28,372.4</u>	\$ <u>31,642.3</u>

Moody's Investor Services continues to rate the City's general obligation bonds A3.

For more detailed information on the City's debt and amortization terms, please refer to pages 38-40 and 42-43 of the Notes to the Financial Statements.

**Economic Factors**

Taxable sales decreased approximately 1 percent this year. However, with the completion of the new Menards store and other development in the Westgate TIF district, sales are expected to rebound.

During the current fiscal year, the unreserved fund balance in the general fund increased to \$1,355,878, an increase of \$28,887 over last year.

**Next Year's Budget and Rates**

Taxable values increased by 8.9 percent which provides the General fund a 3.2 percent increase in revenue. The total tax levy increased \$.45 per \$1,000 or 2.1 percent. Most of this increase in the tax levy is a direct result of increases to fire and police pension, workers compensation and health insurance rates exceeding the growth in taxable value. In addition, voters approved a \$.27 per \$1,000 tax levy for Library support.

**Financial Information Contact**

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need financial information, please contact the Office of the Director of Finance/City Treasurer at City Hall, 105 East Third Street, Ottumwa, Iowa 52501-2904.

STATEMENT OF NET ASSETS  
JUNE 30, 2004

ASSETS	Primary Government			Component Units		Total Reporting Unit
	Governmental Activities	Business Type Activities	Total Primary Government	Hazardous Materials	10-15 Transit	
Cash and cash equivalents	\$ 19,160,506	\$ 4,097,094	\$ 23,257,600	\$ 177,780	\$ 341,097	\$ 23,776,477
Investments	-	1,000,000	1,000,000	-	-	1,000,000
Receivables:						
Property taxes	10,267,578	332,268	10,599,846	-	-	10,599,846
Accounts	347,253	457,527	804,780	-	20,969	825,749
Other governments	1,298,648	-	1,298,648	-	-	1,298,648
Internal balances	82,148	(74,227)	7,921	22	(7,943)	-
Inventory	31,221	33,900	65,121	-	-	65,121
Prepaid insurance	198,932	82,283	281,215	5,048	12,287	298,550
Capital assets:						
Land	3,611,004	195,178	3,806,182	-	-	3,806,182
Buildings	11,871,106	23,031,296	34,902,402	-	-	34,902,402
Improvements other than buildings	831,522	3,941,531	4,773,053	-	-	4,773,053
Machinery and equipment	6,069,200	5,837,433	11,906,633	190,685	2,106,423	14,203,741
Infrastructure	6,133,101	79,743	6,212,844	-	-	6,212,844
Construction in progress	3,467,954	320,403	3,788,357	-	-	3,788,357
Less accumulated depreciation	(12,766,235)	(12,326,086)	(25,092,321)	(80,583)	(748,835)	(25,921,739)
Intangible assets	-	170,662	170,662	-	-	170,662
Less amortization	-	(75,587)	(75,587)	-	-	(75,587)
<b>TOTAL ASSETS</b>	<b>\$ 50,603,938</b>	<b>\$ 27,103,418</b>	<b>\$ 77,707,356</b>	<b>\$ 292,952</b>	<b>\$ 1,723,998</b>	<b>\$ 79,724,306</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 1,226,894	\$ 243,969	\$ 1,470,863	\$ 2,961	\$ 21,708	\$ 1,495,530
Wages and benefits payable	392,000	110,200	502,200	5,200	30,600	538,000
Accrued interest payable	153,945	40,206	194,151	-	-	194,151
Compensated absences	422,888	117,320	540,208	-	7,500	547,708
Deferred property tax revenue	10,096,517	326,335	10,422,852	-	-	10,422,852
Deferred revenue	111,462	64,264	175,726	-	-	175,726
Due to other governments	-	25,865	25,865	-	-	25,865
Accrued landfill costs:						
Closure	-	443,680	443,680	-	-	443,680
Post closure	-	905,365	905,365	-	-	905,365
Long-term liabilities:						
Portion due and payable within one year	3,225,939	839,713	4,065,652	-	-	4,065,652
Portion due and payable after one year	14,355,414	9,976,287	24,331,701	-	-	24,331,701
<b>TOTAL LIABILITIES</b>	<b>29,985,059</b>	<b>13,093,204</b>	<b>43,078,263</b>	<b>8,161</b>	<b>59,806</b>	<b>43,146,230</b>
<b>NET ASSETS:</b>						
Investment in capital assets net of related debt	13,045,612	10,263,498	23,309,110	110,102	1,357,588	24,776,800
Restricted for:						
Capital/construction	-	365,000	365,000	-	-	365,000
Debt service	81,708	1,235,000	1,316,708	-	-	1,316,708
Unrestricted	7,491,559	2,146,716	9,638,275	174,689	306,604	10,119,568
<b>TOTAL NET ASSETS</b>	<b>\$ 20,618,879</b>	<b>\$ 14,010,214</b>	<b>\$ 34,629,093</b>	<b>\$ 284,791</b>	<b>\$ 1,664,192</b>	<b>\$ 36,578,076</b>

CITY OF OTTUMWA, IOWA

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 2,190,457	\$ 1,120,784	\$ 77,016	\$ -
Public safety	5,534,950	431,241	351,381	-
Public services	4,311,721	2,374,789	1,695,138	1,768,318
Culture and recreation	1,660,471	745,456	130,515	-
Community development	1,940,766	289,582	778,659	-
Interest on long-term debt	832,031	-	-	-
Total governmental activities	<u>16,470,396</u>	<u>4,961,852</u>	<u>3,032,709</u>	<u>1,768,318</u>
Business-type activities:				
Solid waste	1,832,411	1,916,403	-	-
Sewer utility	3,046,819	3,373,756	-	-
Other business-type activities	1,463,370	632,827	363,802	77,386
Interest on long-term debt	499,834	-	-	-
Total business-type activities	<u>6,842,434</u>	<u>5,922,986</u>	<u>363,802</u>	<u>77,386</u>
Total primary government	<u>\$ 23,312,830</u>	<u>\$ 10,884,838</u>	<u>\$ 3,396,511</u>	<u>\$ 1,845,704</u>
Component units:				
Hazardous materials	\$ 128,915	\$ 21,676	\$ 122,501	\$ -
10-15 transit	1,251,299	572,019	441,146	245,185
Total component units	<u>\$ 1,380,214</u>	<u>\$ 593,695</u>	<u>\$ 563,647</u>	<u>\$ 245,185</u>
General revenues:				
Taxes:				
Property taxes				
Local option taxes				
Other taxes				
Transfers				
Unrestricted investment income				
Miscellaneous				
Total general revenues				
Change in net assets				
Net assets - Beginning of year, as restated				
Net assets - End of year				

See Accompanying Notes to Financial Statements

Governmental Activities	Primary Government		Component Units		Total Reporting Unit
	Business-type Activities	Total	Hazardous Materials	10-15 Transit	
\$ (992,657)	\$ -	\$ (992,657)	\$ -	\$ -	\$ (992,657)
(4,752,328)	-	(4,752,328)	-	-	(4,752,328)
1,526,524	-	1,526,524	-	-	1,526,524
(784,500)	-	(784,500)	-	-	(784,500)
(872,525)	-	(872,525)	-	-	(872,525)
(832,031)	-	(832,031)	-	-	(832,031)
<u>(6,707,517)</u>	<u>-</u>	<u>(6,707,517)</u>	<u>-</u>	<u>-</u>	<u>(6,707,517)</u>
-	83,992	83,992	-	-	83,992
-	326,937	326,937	-	-	326,937
-	(389,355)	(389,355)	-	-	(389,355)
<u>-</u>	<u>(499,834)</u>	<u>(499,834)</u>	<u>-</u>	<u>-</u>	<u>(499,834)</u>
<u>-</u>	<u>(478,260)</u>	<u>(478,260)</u>	<u>-</u>	<u>-</u>	<u>(478,260)</u>
<u>(6,707,517)</u>	<u>(478,260)</u>	<u>(7,185,777)</u>	<u>-</u>	<u>-</u>	<u>(7,185,777)</u>
-	-	-	15,262	-	15,262
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,051</u>	<u>7,051</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>15,262</u>	<u>7,051</u>	<u>22,313</u>
8,779,797	295,587	9,075,384	-	-	9,075,384
2,217,605	-	2,217,605	-	-	2,217,605
881,983	-	881,983	-	-	881,983
(203,962)	203,962	-	-	-	-
100,052	170,838	270,890	3,204	6,294	280,388
141,041	-	141,041	-	42,793	183,834
<u>11,916,516</u>	<u>670,387</u>	<u>12,586,903</u>	<u>3,204</u>	<u>49,087</u>	<u>12,639,194</u>
5,208,999	192,127	5,401,126	18,466	56,138	5,475,730
<u>15,409,880</u>	<u>13,818,087</u>	<u>29,227,967</u>	<u>266,325</u>	<u>1,608,054</u>	<u>31,102,346</u>
\$ <u>20,618,879</u>	\$ <u>14,010,214</u>	\$ <u>34,629,093</u>	\$ <u>284,791</u>	\$ <u>1,664,192</u>	\$ <u>36,578,076</u>

CITY OF OTTUMWA, IOWA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	<u>General</u>	<u>Special Revenue</u>			
		<u>Local Option Sales Tax</u>	<u>State Road Use Tax</u>	<u>Tax Increment Fund</u>	<u>Employee Benefits</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 1,805,149	\$ 151,755	\$ 827,057	\$ 1,580,141	\$ 421,468
Receivables:					
Property taxes	3,308,777	-	-	882,442	3,283,190
Accounts	227,512	-	21,301	-	-
Other governments	129,468	287,041	-	77,832	-
Due from other funds	2,165	-	60,294	-	-
Inventory	5,791	-	25,430	-	-
Prepaid insurance	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 5,478,862</b>	<b>\$ 438,796</b>	<b>\$ 934,082</b>	<b>\$ 2,540,415</b>	<b>\$ 3,704,658</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES:</u>					
Accounts payable	\$ 210,417	\$ -	\$ 76,215	\$ 21,641	\$ -
Wages and benefits payable	302,100	-	55,600	-	-
Compensated absences	336,305	-	54,876	-	-
Deferred property tax revenue	3,246,503	-	-	876,765	3,226,266
Deferred revenue	27,679	-	-	-	-
Due to other funds	-	-	-	160,294	-
<b>TOTAL LIABILITIES</b>	<b>4,123,004</b>	<b>-</b>	<b>186,691</b>	<b>1,058,700</b>	<b>3,226,266</b>
<u>FUND BALANCES:</u>					
Reserved for:					
Capital/construction	-	438,796	-	1,481,715	-
Prepaid insurance	-	-	-	-	-
Advances	-	-	-	-	-
Employee benefits	-	-	-	-	478,392
Endowments	-	-	-	-	-
Insurance	-	-	-	-	-
Debt service	-	-	-	-	-
Unreserved					
Reported in:					
General fund	1,355,858	-	-	-	-
Special revenue funds	-	-	747,391	-	-
<b>TOTAL FUND BALANCES</b>	<b>1,355,858</b>	<b>438,796</b>	<b>747,391</b>	<b>1,481,715</b>	<b>478,392</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,478,862</b>	<b>\$ 438,796</b>	<b>\$ 934,082</b>	<b>\$ 2,540,415</b>	<b>\$ 3,704,658</b>

See Accompanying Notes to Financial Statements

<u>Capital Projects Events Center</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 10,243,726	\$ 49,385	\$ 3,365,607	\$ 18,444,288
-	1,951,624	841,545	10,267,578
33,333	-	64,879	347,025
-	-	377,793	872,134
-	-	100,000	162,459
-	-	-	31,221
-	-	152,770	152,770
<u>\$ 10,277,059</u>	<u>\$ 2,001,009</u>	<u>\$ 4,902,594</u>	<u>\$ 30,277,475</u>
\$ 101,438	\$ 596	\$ 493,896	\$ 904,203
-	-	34,300	392,000
-	-	31,707	422,888
-	1,918,705	828,278	10,096,517
-	-	62,646	90,325
-	-	2,165	162,459
<u>101,438</u>	<u>1,919,301</u>	<u>1,452,992</u>	<u>12,068,392</u>
10,175,621	-	1,526,526	13,622,658
-	-	152,770	152,770
-	-	100,000	100,000
-	-	-	478,392
-	-	820,043	820,043
-	-	545,494	545,494
-	81,708	-	81,708
-	-	-	1,355,858
-	-	304,769	1,052,160
<u>10,175,621</u>	<u>81,708</u>	<u>3,449,602</u>	<u>18,209,083</u>
\$ <u>10,277,059</u>	\$ <u>2,001,009</u>	\$ <u>4,902,594</u>	\$ <u>30,277,475</u>

CITY OF OTTUMWA, IOWA

Exhibit 4

RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2004

Total governmental fund balances	\$ 18,209,083
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 funds. The cost of assets is \$31,983,887 and the accumulated depreciation is \$12,766,235.	19,217,652
Internal service funds are used by management to charge the costs of certain activities, such as health insurance, equipment purchasing and payroll services, to individual funds. The assets and liabilities of the Internal Service funds are included in the statement of net assets.	415,167
Certain assets are not available to pay for current period expenditures and, therefore, are not reported as assets in the governmental funds balance sheet.	426,514
Certain liabilities are not required to be paid for with current period expenditures and, therefore, are not reported as liabilities in the governmental funds balance sheet.	(21,412)
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(153,945)
Amounts paid and reported as expenses in the current fiscal year, but are reported as prepaid expenses in the statement of net assets	46,162
Amounts received and reported as revenues in the current fiscal year, but are reported as deferred revenue in the statement of net assets	(21,137)
Amounts due from and due to component units and due from proprietary funds as a result of internal service fund allocations related to the employee insurance fund.	82,148
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	<u>(17,581,353)</u>
Net assets of governmental activities	\$ <u>20,618,879</u>

See Accompanying Notes to Financial Statements

CITY OF OTTUMWA, IOWA

STATEMENT OF REVENUES  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2004.

	General	Special Revenue			Employee Benefits
		Local Option Sales Tax	State Road Use Tax	Tax Increment Fund	
<b>REVENUES:</b>					
Property tax	\$ 2 806 703	\$ -	\$ -	\$ 1,016,560	\$ 2 687 735
Other city tax	631 142	2 217 605	-	-	148 294
Licenses and permits	290 897	-	-	-	-
Intergovernmental	385,790	100 000	2 039 740	778 659	-
Use of money and property	206,436	-	2 607	34 916	5 011
Charges for service	2 596,748	-	463 457	-	-
Other fines	121 586	-	-	-	-
Miscellaneous	40,227	-	3,453	35,374	-
Total revenues	<u>7,079,529</u>	<u>2,317,605</u>	<u>2,509,257</u>	<u>1,865,509</u>	<u>2,841,040</u>
<b>EXPENDITURES:</b>					
Operating:					
Public safety	4,722 051	120 063	-	-	-
Public works	1,321,866	-	2 970 669	-	-
Health and social services	309,280	-	-	-	-
Culture and recreation	1 168,998	-	-	-	-
Community and economic development	305 889	-	-	149 414	-
General government	860,656	-	-	-	-
Capital outlay	310 073	-	153 308	1,576,449	-
Debt service	-	-	-	-	-
Total expenditures	<u>8,998,813</u>	<u>120,063</u>	<u>3,123,977</u>	<u>1,725,863</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(1 919,284)	2 197 542	(614,720)	139 646	2 841 040
Other financing sources (uses):					
Transfers in	2,007,098	-	624 588	-	-
Transfers out	<u>(58,927)</u>	<u>(1,758,746)</u>	<u>(217,780)</u>	<u>(776,999)</u>	<u>(2,866,325)</u>
Net change in fund balances	28 887	438 796	(207 912)	(637 353)	(25 285)
Fund balances - Beginning of year as restated	<u>1,326,971</u>	<u>-</u>	<u>955,303</u>	<u>2,119,068</u>	<u>503,677</u>
Fund balances - End of year	\$ <u>1,355,858</u>	\$ <u>438,796</u>	\$ <u>747,391</u>	\$ <u>1,481,715</u>	\$ <u>478,392</u>

<u>Capital Projects</u>		<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Events Center</u>	<u>Debt Service</u>		
\$ -	\$ 1,626,032	\$ 642,767	\$ 8,779,797
-	84,376	18,171	3,099,588
-	-	-	290,897
-	-	1,496,838	4,801,027
208,222	-	418,691	875,883
-	-	388,341	3,448,546
-	-	-	121,586
-	-	318,600	397,654
<u>208,222</u>	<u>1,710,408</u>	<u>3,283,408</u>	<u>21,814,978</u>
-	-	94,403	4,936,517
-	-	395,154	4,687,689
-	-	-	309,280
-	-	838,473	2,007,471
-	-	349,526	804,829
-	4,083	1,220,451	2,085,190
919,727	-	2,236,964	5,196,521
-	<u>3,400,528</u>	-	<u>3,400,528</u>
<u>919,727</u>	<u>3,404,611</u>	<u>5,134,971</u>	<u>23,428,025</u>
(711,505)	(1,694,203)	(1,851,563)	(1,613,047)
-	1,678,174	1,337,662	5,647,522
<u>(1,148)</u>	<u>-</u>	<u>(119,330)</u>	<u>(5,799,255)</u>
(712,653)	(16,029)	(633,231)	(1,764,780)
<u>10,888,274</u>	<u>97,737</u>	<u>4,082,833</u>	<u>19,973,863</u>
\$ <u>10,175,821</u>	\$ <u>81,708</u>	\$ <u>3,449,602</u>	\$ <u>18,209,083</u>

CITY OF OTTUMWA, IOWA

Exhibit 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE, 30, 2004

Net change in fund balances - total governmental funds \$ (1,764,780)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the detail of the two components.

Capital outlay	6,255,167
Depreciation expense	(807,461)

Expenses in the statement of revenues, expenditures and changes in fund balances shown as prepaid expenses or construction in progress in the statement of activities. (775,149)

Revenues in the statement of revenues, expenditures and changes in fund balances shown as deferred revenue in the statement of activities. 20,925

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements. 26,589

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts 2,482,282

Gross internal service fund transactions for activity with component units and proprietary funds related to the employee insurance fund.

Revenues	320,170
Expenses	(238,022)

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 governmental funds. 84,694

Loss on disposal of fixed assets is not recorded in the fund financial statements. (917)

Internal service funds are used by management to charge the costs of certain activities, such as health insurance, equipment purchasing and payroll services, to individual funds. The net revenue of the Internal Service Funds is reported with governmental activities net of the amount allocated to business-type activities and component units.

Change in net assets (394,499)

Change in net assets of governmental activities \$ 5,208,999

See Accompanying Notes to Financial Statements

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2004

	Business-Type Activities				Governmental
	Solid Waste	Sewer Utility	Nonmajor Proprietary Funds	Total Proprietary Funds	Internal Service Funds
<u>ASSETS</u>					
Current Assets:					
Cash and cash equivalents	\$ 2 137 488	\$ 1 595,532	\$ 364 074	\$ 4 097,094	\$ 716 218
Investments	-	1 000 000	-	1 000 000	-
Receivables:					
Accounts	148 723	295 582	13 222	457 527	228
Property taxes	-	-	332 268	332 268	-
Due from other funds	-	150 000	-	150 000	-
Inventory	-	-	33 900	33 900	-
Prepaid expenses	15,346	41,766	25,171	82,283	-
Total Current Assets	2 301 557	3 082 880	768 635	6 153 072	716 446
Capital Assets:					
Land	87 500	27 678	80 000	195 178	-
Buildings	908 950	21 400 735	721 611	23 031 296	-
Improvements other than buildings	1 977 641	1 117 198	846 692	3 941 531	-
Machinery and equipment	2 153 118	1 675 640	2 008 677	5 837 433	-
Infrastructure	-	79 743	-	79 743	-
Construction in progress	-	320 403	-	320 403	-
Less accumulated depreciation	(2,425,047)	(8,203,124)	(1,697,915)	(12,326,086)	-
Total Capital Assets	2 702 160	16 418 273	1 959,065	21 079 498	-
Other Assets:					
Intangible assets	-	170 662	-	170 662	-
Less Amortization	-	(75,587)	-	(75,587)	-
Total Other Assets	-	95,075	-	95,075	-
<b>TOTAL ASSETS</b>	<b>\$ 5,003,717</b>	<b>\$ 19,596,228</b>	<b>\$ 2,727,700</b>	<b>\$ 27,327,645</b>	<b>\$ 716,446</b>
<u>LIABILITIES AND NET ASSETS</u>					
Current Liabilities:					
Accounts payable	\$ 101,440	\$ 100 992	\$ 41 537	\$ 243 969	\$ 301 279
Wages and benefits payable	26 500	46 200	37 500	110 200	-
Accrued interest payable	1 260	36,634	2 312	40 206	-
Compensated absences payable	31 989	62 849	22 482	117 320	-
Deferred property tax revenue	-	-	326 335	326 335	-
Deferred revenue	-	-	64,264	64 264	-
Due to other governments	25 865	-	-	25 865	-
Due to other funds	-	-	150 000	150 000	-
Current portion of bonds payable	85 000	-	35 000	120 000	-
Current portion of notes payable	-	719,713	-	719,713	-
Total Current Liabilities	272,054	966,388	679,430	1,917,872	301,279
Long-term Liabilities:					
Accrued landfill costs:					
Closure	443 680	-	-	443 680	-
Post closure	905 365	-	-	905 365	-
Bonds payable:					
Long-term	180 000	-	570 000	750 000	-
Notes payable:					
Long-term	-	9,226,287	-	9,226,287	-
Total Long-term Liabilities	1,529,045	9,226,287	570,000	11,325,332	-
<b>TOTAL LIABILITIES</b>	<b>1,801,099</b>	<b>10,192,675</b>	<b>1,249,430</b>	<b>13,243,204</b>	<b>301,279</b>
<u>NET ASSETS:</u>					
Investment in capital assets, net of related debt	2,437 160	6 472 273	1 354,065	10 263 498	-
Reserved for:					
Health insurance	-	-	-	-	134 838
Debt service	-	1 235,000	-	1 235,000	-
Construction	-	365,000	-	365,000	-
Unreserved	765,458	1,331,280	124,205	2,220,943	280,329
<b>TOTAL NET ASSETS</b>	<b>3,202,618</b>	<b>9,403,553</b>	<b>1,478,270</b>	<b>14,084,441</b>	<b>415,167</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,003,717</b>	<b>\$ 19,596,228</b>	<b>\$ 2,727,700</b>	<b>\$ 27,327,645</b>	<b>\$ 716,446</b>

See Accompanying Notes to Financial Statements

CITY OF OTTUMWA, IOWA

Exhibit 8

RECONCILIATION OF THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2004

Ending fund balance - proprietary funds	\$ 14,084,441
Amounts reported for business-type activities in the statement of net assets are different because:	
Allocation of internal service funds loss increases due to other funds	<u>(74,227)</u>
Net assets of business-type activities	\$ <u>14,010,214</u>

See Accompanying Notes to Financial Statements

CITY OF OTTUMWA, IOWA

Exhibit 9

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2004

	<u>Business-Type Activities</u>				<u>Governmental</u>
	<u>Solid</u>	<u>Sewer</u>	<u>Nonmajor</u>	<u>Total</u>	<u>Activities</u>
	<u>Waste</u>	<u>Utility</u>	<u>Proprietary</u>		<u>Internal</u>
			<u>Funds</u>		<u>Service</u>
					<u>Funds</u>
Operating revenues:					
Charges for service	\$ 1,888,520	\$ 3,332,153	\$ 610,216	\$ 5,830,889	\$ 1,420,026
Miscellaneous	<u>27,883</u>	<u>41,603</u>	<u>20,572</u>	<u>90,058</u>	-
Total operating revenues	<u>1,916,403</u>	<u>3,373,756</u>	<u>630,788</u>	<u>5,920,947</u>	<u>1,420,026</u>
Operating expenses:					
Operations	1,499,149	2,185,692	1,228,433	4,913,274	1,792,847
Provision for post closure costs	(137,755)	-	-	(137,755)	-
Capital outlay	16,772	202,482	50,787	270,041	-
Depreciation	<u>444,451</u>	<u>747,652</u>	<u>209,613</u>	<u>1,401,716</u>	-
Total operating expenses	<u>1,822,617</u>	<u>3,135,826</u>	<u>1,488,833</u>	<u>6,447,276</u>	<u>1,792,847</u>
Operating income (loss)	93,786	237,930	(858,045)	(526,329)	(372,821)
Nonoperating revenue (expense):					
Interest income	67,842	96,584	6,412	170,838	8,769
Interest on long-term debt	(19,515)	(444,167)	(29,280)	(492,962)	-
Property taxes	-	-	295,587	295,587	-
Intergovernmental	-	-	441,188	441,188	-
Total nonoperating revenue (expense)	<u>48,327</u>	<u>(347,583)</u>	<u>713,907</u>	<u>414,651</u>	<u>8,769</u>
Income (loss) before operating transfers	142,113	(109,653)	(144,138)	(111,678)	(364,052)
Other financing sources (uses):					
Transfers in	478,620	2,935,000	15,827	3,429,447	237,000
Transfers out	<u>(500,135)</u>	<u>(2,520,000)</u>	<u>(31,280)</u>	<u>(3,051,415)</u>	<u>(526,175)</u>
Change in net assets	120,598	305,347	(159,591)	266,354	(653,227)
Net assets - Beginning of year, as restated	<u>3,082,020</u>	<u>9,098,206</u>	<u>1,637,861</u>	<u>13,818,087</u>	<u>1,068,394</u>
Net assets - End of year	\$ <u>3,202,618</u>	\$ <u>9,403,553</u>	\$ <u>1,478,270</u>	\$ <u>14,084,441</u>	\$ <u>415,167</u>

See Accompanying Notes to Financial Statements

CITY OF OTTUMWA, IOWA

Exhibit 10

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE, 30, 2004

Change in net assets - total business-type funds	\$ 266,354
Amounts reported for business-type activities in the statement of activities are different because:	
Expenses recorded in fund financial statements that are not expensed in the government wide financial statements	174,070
Internal service funds are used by management to charge the costs of certain activities, such as health insurance, equipment purchasing and payroll services, to individual funds. The net revenue of the Internal Service Funds is reported with business-type activities net of the amount allocated to governmental activities and component units.	
Change in net assets	<u>(248,297)</u>
Change in net assets of business-type activities	\$ <u>192,127</u>

See Accompanying Notes to Financial Statements

CITY OF OTTUMWA, IOWA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2004

	Solid Waste	Sewer Utility	Nonmajor Proprietary Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash received from operations	\$ 1,892,087	\$ 3,412,406	\$ 624,349
Cash paid to employees	(576,153)	(1,034,354)	(686,573)
Cash paid to suppliers	(879,862)	(1,334,678)	(589,102)
Cash used in operations activities	(1,456,015)	(2,369,032)	(1,275,675)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>436,072</u>	<u>1,043,374</u>	<u>(651,326)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
Property taxes	-	-	296,728
Intergovernmental	-	-	441,188
Transfers from other funds	478,620	2,935,000	15,827
Transfers to other funds	(500,135)	(2,520,000)	(31,280)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(21,515)</u>	<u>415,000</u>	<u>722,463</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Payment of long term debt:			
General obligation bonds	(80,000)	-	(35,000)
Notes payable	-	(694,000)	-
Payment of interest on long-term debt	(19,515)	(444,167)	(29,280)
Transfer of central garage net assets to road use tax fund	-	-	-
Additions to property and equipment	(289,691)	(336,740)	(120,053)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(389,206)</u>	<u>(1,474,907)</u>	<u>(184,333)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest income received	<u>67,842</u>	<u>96,584</u>	<u>6,411</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	93,193	80,051	(106,785)
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of year, as restated	<u>2,044,295</u>	<u>1,515,481</u>	<u>470,859</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of year	\$ <u>2,137,488</u>	\$ <u>1,595,532</u>	\$ <u>364,074</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>			
Operating income (loss)	\$ 93,786	\$ 237,930	\$ (858,045)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization expense	444,451	747,652	209,613
Provision for post closure costs	(137,755)	-	-
Changes in assets and liabilities:			
Decrease (increase) in receivables	(24,316)	38,650	(12,267)
Increase in inventory	-	-	(15,480)
Decrease (increase) in prepaid insurance	(1,456)	(5,750)	2,245
Increase in accounts payable	53,695	21,086	3,029
Increase in wages and benefits payable	6,800	10,800	9,500
Decrease in accrued interest payable	(366)	(2,557)	(128)
Increase (decrease) in compensated absences payable	4,372	(4,437)	4,379
Increase in deferred revenue	-	-	5,828
Decrease in due to other governments	(3,139)	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u>436,072</u>	\$ <u>1,043,374</u>	\$ <u>(651,326)</u>

See Accompanying Notes to Financial Statements

Total Enterprise Funds	Internal Service Funds
\$ <u>5,928,842</u>	\$ <u>1,420,026</u>
(2,297,080)	13,444
<u>(2,803,642)</u>	<u>(1,742,124)</u>
<u>(5,100,722)</u>	<u>(1,728,680)</u>
<u>828,120</u>	<u>(308,654)</u>
296,728	-
441,188	-
3,429,447	237,000
<u>(3,051,415)</u>	<u>(526,175)</u>
<u>1,115,948</u>	<u>(289,175)</u>
(115,000)	-
(694,000)	-
(492,962)	-
-	216,653
<u>(746,484)</u>	<u>-</u>
<u>(2,048,446)</u>	<u>216,653</u>
<u>170,837</u>	<u>8,769</u>
66,459	(372,407)
<u>4,030,635</u>	<u>1,088,625</u>
\$ <u>4,097,094</u>	\$ <u>716,218</u>
\$ (526,329)	\$ (372,821)
1,401,716	-
(137,755)	-
2,067	102
(15,480)	-
(4,961)	-
77,810	64,065
27,100	-
(3,051)	-
4,314	-
5,828	-
<u>(3,139)</u>	<u>-</u>
\$ <u>828,120</u>	\$ <u>(308,654)</u>

## CITY OF OTTUMWA, IOWA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ottumwa, Iowa is a political subdivision of the State of Iowa located in Wapello County. It was first incorporated in 1851 and 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 provides a broad range of governmental services to its citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. It also operates an airport, a water recreation park, a mass transportation system, a coliseum and a wide range of park and recreational facilities.

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

#### Reporting Entity

For financial reporting purposes, the City of Ottumwa, Iowa 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.

The financial statements present the City of Ottumwa, Iowa (primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The City handles the cash management and financial reporting of the two component units. In addition, city employees perform the duties at the direction of the respective boards.

Discretely Presented Component Units: The component units' columns in the combined financial statements include the financial data of the City's component units. They are each reported in separate columns to emphasize that they are legally separate from the City. Separate financial statements of these two component units may be obtained from the City's finance department.

Hazardous Materials: The Hazardous Materials component unit includes all operations of the Hazardous Materials response team operated by the Ottumwa Fire Department, under the authority of the Southeast Iowa Response Group Board consisting of eleven county supervisors from Wapello County and ten nearby counties. The elected City officials are financially accountable for the organization.

10-15 Transit: The 10-15 Transit component unit operates the bus service to various agencies and individuals provided in the ten county Area 15 under the authority of the 10-15 Transit Board consisting of ten county supervisors from Wapello County and nine surrounding counties. The elected City officials are financially accountable for the organization.

#### 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.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed 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 that are imposed by management, but 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 that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

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

The City reports the following major governmental funds:

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

Special Revenue Funds:

The Local Option Tax Fund is used to account for the 1% sales tax started in Wapello County on July 1, 1998.

The State Road Use Tax Fund is used to account for State Road Use Tax allocated to the City to be used to maintain and improve the City streets.

The Tax Increment Fund is used to account for Tax Increment financing for the Westgate Economic Development Urban Renewal Area and the Airport Urban Renewal Project Area.

The Employee Benefits Fund is used to account for property taxes assessed for employee benefits.

Capital Projects Funds:

The Events Center Fund is used to account for the construction and maintenance of the Bridge View Events Center.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Funds:

The Debt Service Fund is used to account for the City's general obligation debt.

The City's major proprietary funds are as follows:

Enterprise:

Solid Waste – to account for the operation and maintenance of the recycling center and Ottumwa - Wapello County Landfill Facility.

Sewer Utility – to account for the operation and maintenance of the sanitary sewer treatment plant, collection lines and debt service on revenue bonds.

Measurement Focus and Basis of Accounting

The accounting and reporting policies of the City included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. All applicable GASB Statements have been implemented including GASB Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, which the City was required to implement effective fiscal year ended June 30, 2003. The accompanying financial statements present the government and its component units (legally separate entities for which the City is financially accountable). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The Government-wide and the 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 tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the 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.

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.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 nonoperating 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 nonoperating revenues and expenses.

Governmental Fund Types

General Fund

General Fund accounts for the financial resources of the City that are not accounted for in any other fund. Principal sources of revenue are property taxes, state shared revenues, licenses and permits and charges for services. Primary expenditures are for police and fire protection, general administration and parks.

Special Revenue Funds

Special Revenue Funds account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds. Funds included in this category are:

Airport - to account for all operations of the industrial airport under guidance of the Airport Advisory Board.

Library - to account for all operations of the Public Library under guidance of the Library Board

Cemetery - to account for operations of the Ottumwa, Calvary and Jewish Cemeteries under guidance of the Cemetery Board of Trustees.

Emergency - to account for the special 27¢ tax levy.

State Road Use Tax - to account for State Road Use Tax allocated to the City to be used to maintain and improve the City streets.

Special Grants - to account for miscellaneous grants including pass through state grants.

Community Development Block Grants - to account for monies received to rehabilitate and maintain declining areas.

Employee Benefits - to account for property taxes assessed for employee benefits.

Tax Increment Fund - tax increment financing for the Westgate Economic Development Urban Renewal Area and Airport Urban Renewal Project Area.

Local Option Sales Tax - to account for the 1% sales tax started in Wapello County on July 1, 1998.

Risk Management - to account for the City's property and casualty insurance coverages.

Library Bequest - to account for donations to the Library designated for purposes other than general operations.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Police Bequest - to account for donations and service fees to the Police Department designated for purposes other than general operations.

Park Bequest - to account for donations, grants and expenses of the Trees Forever Committee.

Historic Preservation Committee - to account for grant and related items with or concerning the Historic Preservation Commission.

Police Grants - to account for police block grants required to be accounted for separately.

Fire Bequest - to account for donations received to purchase thermal imaging cameras and other items for the Fire Department.

Retiree Insurance - to account for medical and life insurance costs of City retirees.

Debt Service Fund

Debt Service Fund accounts for the payment of principal and interest on the City's general obligation debt.

Capital Project Funds

Capital Project Funds account for financial resources to be used for the acquisition and construction of capital facilities and other fixed assets with the exception of those that are financed by special assessments or by enterprise fund monies. Capital projects for enterprise fund activities are accounted for in the Capital Project Funds when these projects are financed through the issuance of general obligation bonds, revenue bonds, intergovernmental revenues or major private donations.

Sidewalks and Curbs - to account for bonds issued, assessments and construction costs for sidewalks assessed to property owners.

Airport Projects - to account for airport improvements.

Streets - to account for bond proceeds and construction costs of street projects.

Trail System - to account for donations and grants for construction of recreation trails.

Levee Projects - to account for bond proceeds for levee repair projects.

Derelict Building Demolition - to account for bond proceeds and costs to remove derelict buildings, the City housing program and other capital improvements.

Events Center - to account for bonds issued and cost to construct an events center in Ottumwa.

Proprietary Fund Types

Enterprise Funds

Enterprise Funds are used to account for operations which are intended to be self-supporting primarily through user charges. Included in this category are:

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Solid Waste - to account for the operation and maintenance of the recycling center and Ottumwa-Wapello County Landfill facility.

Sewer Utility - to account for the operation and maintenance of the sanitary sewer treatment plant, collection lines and debt service on revenue bonds.

Golf Course - to account for the operation and maintenance of the Cedar Creek Golf Course.

Ottumwa Transit - to account for the operation of the City Public Transit System.

Internal Service Funds

Internal Service Funds are used to account for the operation of the Payroll Clearing, Equipment Purchasing and Employee Insurance Funds. Charges are made to other City departments to support these activities, including equipment replacement.

Fiduciary Fund Types

Agency Funds

Agency Funds are used to account for assets held by the City in a trustee capacity. Funds included in this category are:

Trust Funds:

Cemetery Memorial - to account for the collection of contributions for floral decoration on lots, Fry bequests and Hall bequests.

Cemetery Perpetual Care - to account for the collection of a portion of cemetery lot sales designated for perpetual care.

Budgetary Accounting

In accordance with the Code of Iowa, the City Council annually adopts a budget on substantially the same basis used for financial reporting following required public notice and hearing for all funds. The City budgets capital items and debt principal in the proprietary funds. In addition, depreciation is not budgeted in the proprietary funds. Amendments to the budget are considered and reviewed throughout the fiscal year. Amendments are subject to departmental review and by justification of the City Administrator. The budget is formally amended by the City Council following the required public notice and hearing. Annual appropriated budgets are adopted for all City funds. All annual appropriations lapse at fiscal year end.

Formal and legal budgetary control is based upon nine major classes of expenditures, 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. Expenditures may not exceed the overall appropriation for the City. Management may transfer appropriations within each function.

The City Administrator presents the annual budget to the City Council for consideration no later than January 31. The Council holds hearings with the public prior to the budget being adopted. By March 15, the adopted budget is certified to the County Auditor who, in turn, certifies the City budget to the Iowa Department of Management.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

This budget is effective July 1 and becomes the appropriations for the fiscal year. Strong emphasis is placed on monitoring of budgets especially by major classifications such as personal services, commodities and contractual services and capital outlay. Monthly reports are prepared for each activity and program in order to assure that program expenditures do not exceed budgeted amounts.

Deposits and Investments

The City maintains one primary demand deposit account through which the City's cash resources are processed. These deposits are invested on a short-term basis with interest allocated to the respective funds in proportion to each funds' average cash balance during the fiscal year.

The City's deposits, in banks, at June 30, 2004, were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the City or City's agent in the City's name or by a multiple financial institution collateral pool 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 and the Treasurer of the State of Iowa; 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 are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all category 1 which means the investments are insured or registered, or the securities are held by the City or its agent in the City's name.

The City's investments in mutual funds and annuities are reported at fair value.

In addition, the City had investments in the Iowa Public Agency Investment Trust with a carrying and fair value of \$5,000,000 at June 30, 2004, that are not subject to risk categorization. The fair value of the position in the Iowa Public Agency Investment Trust is the same as the value of the Iowa Public Agency Investment trust shares. The Agency is a 28c organization and the board of directors is responsible for oversight.

Cash and pooled investments are considered "cash and cash equivalents" for statement of cash flows purposes. Certificates of deposit and U.S. Treasury Bills with maturities in excess of 397 days are considered investments for statement of cash flows purposes. Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City's investments at June 30, 2004, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Cash and Pooled Investments:</u>		
Savings accounts	\$ 1,553,408	\$ 1,553,408
Time deposits	9,196,709	9,196,709
Iowa Public Agency Investment Trust	<u>5,000,000</u>	<u>5,000,000</u>
Total pooled funds	15,750,117	15,750,117
Cash on hand	4,295	4,295
Checking	(262,907)	(262,907)
Time deposits	7,718,316	7,718,316
Savings accounts	<u>47,779</u>	<u>47,779</u>
Net cash and pooled investments	\$ <u>23,257,600</u>	\$ <u>23,257,600</u>
 <u>Other Investments:</u>		
Time deposits	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>
Total investments	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>

Receivables

The City has recorded several types of receivables on its balance sheet from sources around the State of Iowa, including the state and federal governments, through grant agreements. The risk of loss on receivables is the balance owed at the time of default. No allowance for bad debts is considered necessary.

Property Tax Receivable

Property tax in Governmental and Proprietary Funds is accounted for using the accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2004 and unpaid taxes. The succeeding year property tax receivable represents 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 the 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, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2003.

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.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due from and Due to Other Funds

During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2004, 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.

Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. It consists of parts and supplies in the Central Garage Fund and merchandise and concessions at The Beach Ottumwa and Cedar Creek Golf Course.

Capital Assets

Governmental Funds: Capital outlays are recorded as expenditures in the governmental fund financial statements and as assets on the government-wide financial statements to the extent the City's capitalization threshold is met. Depreciation on capital assets has been recorded over the estimated useful lives using the straight-line method.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair market value on the date donated.

Proprietary Fund Types: Capital outlays of the proprietary funds are recorded as capital assets on both the fund basis and the government-wide basis. Capital assets are stated at cost or estimated original cost based on independent consultant studies, net of accumulated depreciation. Donated capital assets are recorded at their fair value at the date of receipt. Repairs and maintenance are charged to expense when incurred. When capital assets are sold or retired, the cost of the assets and the related accumulated depreciation are eliminated and a gain or loss is recognized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

Depreciation has been provided over the estimated useful lives using the straight-line method as follows:

Buildings and structures	15 to 50 Years
Other improvements	8 to 50 Years
Vehicles	5 to 15 Years
Other equipment	5 to 20 Years

Certain property is being acquired by the City under lease purchase contracts. The lease contracts have been capitalized and the obligation is reflected in the financial statements in the appropriate fund.

Property and equipment acquired by capitalized leases are depreciated over their estimated useful lives.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Deferred Revenue

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

Deferred revenue in 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 they are levied.

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 and proprietary fund financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities

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

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

Fund Equity

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

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information.

Interfund Transaction

Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as operating transfers and are reported as other financing sources (uses) in the Governmental Fund Types.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonrecurring or nonroutine transfers of equity between funds are recorded as equity transfers and, accordingly, are reported as additions or deductions from balances of Governmental Fund Types.

Intangible Assets

Intangible assets, primarily bond-related costs, are amortized on the straight-line method over the life of the related bond issue.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 2: CAPITAL ASSETS

A summary of changes in the capital assets during the fiscal year is as follows:

	<u>Balance</u> <u>Beginning of</u> <u>Year</u>	<u>Additions/</u> <u>Transfers In</u>	<u>Deletions/</u> <u>Transfers Out</u>	<u>Balance</u> <u>End</u> <u>of Year</u>
By type:				
Land	\$ 3,176,873	\$ 434,131	\$ -	\$ 3,611,004
Buildings and structures	11,871,106	-	-	11,871,106
Other improvements	739,122	92,400	-	831,522
Machinery and equipment	5,790,228	363,948	(84,976)	6,069,200
Infrastructure	768,413	5,364,688	-	6,133,101
Construction in progress	<u>4,223,551</u>	<u>4,269,407</u>	<u>(5,025,004)</u>	<u>3,467,954</u>
	26,569,293	10,524,574	(5,109,980)	31,983,887
Less accumulated depreciation	<u>(12,043,748)</u>	<u>(807,461)</u>	<u>84,974</u>	<u>(12,766,235)</u>
Total	\$ <u>14,525,545</u>	\$ <u>9,717,113</u>	\$ <u>(5,025,006)</u>	\$ <u>19,217,652</u>
By function and activity:				
General government:				
City Clerk	\$ 10,373	\$ -	\$ -	\$ 10,373
Finance	49,080	-	-	49,080
City Hall	2,925,180	-	-	2,925,180
Risk management	1,537	-	-	1,537
Public information	<u>47,099</u>	<u>-</u>	<u>-</u>	<u>47,099</u>
Total general government	<u>3,033,269</u>	<u>-</u>	<u>-</u>	<u>3,033,269</u>
Public safety:				
Police	543,298	-	-	543,298
Fire	2,242,745	24,279	-	2,267,024
Health and inspection	98,248	-	-	98,248
Animal control	<u>12,313</u>	<u>13,974</u>	<u>-</u>	<u>26,287</u>
Total public safety	<u>2,896,604</u>	<u>38,253</u>	<u>-</u>	<u>2,934,857</u>
Highways and streets:				
Traffic maintenance	283,623	43,516	(26,505)	300,634
Electric/traffic light maintenance	87,306	6,918	-	94,224
Engineering	78,387	-	-	78,387
Street maintenance	1,814,814	153,226	(41,111)	1,926,929
Snow/ice maintenance	121,811	-	-	121,811
Street cleaning	263,183	-	-	263,183
Street projects (including sidewalks)	508,997	1,940,122	-	2,449,119
Parking	<u>704,367</u>	<u>-</u>	<u>-</u>	<u>704,367</u>
Total highways and streets	<u>3,862,488</u>	<u>2,143,782</u>	<u>(67,616)</u>	<u>5,938,654</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 2: CAPITAL ASSETS (Continued)

	<u>Balance Beginning of Year</u>	<u>Additions/ Transfers In</u>	<u>Deletions/ Transfers Out</u>	<u>Balance End of Year</u>
<u>By function and activity: (Continued)</u>				
Culture and recreation:				
Library	1,257,457	79,400	-	1,336,857
Coliseum	1,329,082	-	-	1,329,082
Parks	1,192,426	98,805	-	1,291,231
The Beach	3,346,023	13,000	-	3,359,023
Trails	111,915	-	-	111,915
Events center	16,667	434,131	-	450,798
Total culture and recreation	<u>7,253,570</u>	<u>625,336</u>	<u>-</u>	<u>7,878,906</u>
Cemetery	<u>535,225</u>	<u>-</u>	<u>(17,360)</u>	<u>517,865</u>
Airport	<u>2,346,002</u>	<u>1,847,186</u>	<u>-</u>	<u>4,193,188</u>
Construction in progress	<u>4,223,551</u>	<u>4,269,407</u>	<u>(5,025,004)</u>	<u>3,467,954</u>
TIF projects	<u>163,501</u>	<u>1,600,610</u>	<u>-</u>	<u>1,764,111</u>
Downtown Step One	<u>275,163</u>	<u>-</u>	<u>-</u>	<u>275,163</u>
Land - No designation	<u>1,979,920</u>	<u>-</u>	<u>-</u>	<u>1,979,920</u>
Total governmental assets	<u>\$ 26,569,293</u>	<u>\$ 10,524,574</u>	<u>\$ (5,109,980)</u>	<u>\$ 31,983,887</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 2: CAPITAL ASSETS (Continued)

	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>	<u>Machinery and Equipment</u>	<u>Infra- structure</u>	<u>Construction in Progress</u>	<u>Total</u>
By function and activity							
General Government:							
City clerk	\$ -	\$ -	\$ -	\$ 10,373	\$ -	\$ -	\$ 10,373
Finance	-	-	-	49,080	-	-	49,080
City hall	-	2,925,180	-	-	-	-	2,925,180
Risk management	-	-	-	1,537	-	-	1,537
Public information	-	-	-	47,099	-	-	47,099
Total general government	-	2,925,180	-	108,089	-	-	3,033,269
Public safety:							
Police	-	-	-	543,298	-	-	543,298
Fire	-	950,868	65,291	1,250,865	-	-	2,267,024
Health and inspection	-	-	-	98,248	-	-	98,248
Animal control	-	-	-	26,287	-	-	26,287
Total public safety	-	950,868	65,291	1,918,698	-	-	2,934,857
Highway and streets:							
Traffic maintenance	-	134,900	-	165,734	-	-	300,634
Electric/traffic light maintenance	-	-	-	94,224	-	-	94,224
Engineering	-	-	-	78,387	-	-	78,387
Street maintenance	56,240	367,120	31,900	1,471,669	-	-	1,926,929
Snow/ice maintenance	-	63,679	-	58,132	-	-	121,811
Street cleaning	-	-	-	263,183	-	-	263,183
Street projects (including sidewalks)	-	-	-	-	2,449,119	-	2,449,119
Parking	653,718	39,754	-	10,895	-	-	704,367
Total highways and streets	709,958	605,453	31,900	2,142,224	2,449,119	-	5,938,654
Culture and recreation:							
Library	-	1,038,222	104,127	194,508	-	-	1,336,857
Coliseum	-	1,329,082	-	-	-	-	1,329,082
Parks	-	256,957	409,815	624,459	-	-	1,291,231
The Beach	283,421	2,458,704	82,232	534,666	-	-	3,359,023
Trails	-	-	-	-	111,915	-	111,915
Events center	450,798	-	-	-	-	-	450,798
Total culture and recreation	734,219	5,082,965	596,174	1,353,633	111,915	-	7,878,906
Cemetery	26,000	227,005	138,157	126,703	-	-	517,865
Airport	-	1,949,379	-	419,853	1,823,956	-	4,193,188
Construction in progress	-	-	-	-	-	3,467,954	3,467,954
TIF projects	16,000	-	-	-	1,748,111	-	1,764,111
Downtown Step One	144,907	130,256	-	-	-	-	275,163
Land - No designation	1,979,920	-	-	-	-	-	1,979,920
Total governmental assets	\$ 3,611,004	\$ 11,871,106	\$ 831,522	\$ 6,069,200	\$ 6,133,101	\$ 3,467,954	\$ 31,983,887

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 2: CAPITAL ASSETS (Continued)

A summary of property, plant and equipment at June 30, 2004, is as follows:

	<u>Business Type</u>	<u>Governmental Activities</u>
Land	\$ 195,178	\$ 3,611,004
Buildings	23,031,296	11,871,106
Improvements other than buildings	3,941,531	831,522
Machinery and equipment	5,837,433	6,069,200
Infrastructure	79,743	6,133,101
Construction in progress	<u>320,403</u>	<u>3,467,954</u>
Total cost	33,405,584	31,983,887
Less accumulated depreciation	<u>(12,326,086)</u>	<u>(12,766,235)</u>
Book value	\$ <u>21,079,498</u>	\$ <u>19,217,652</u>

No interest cost was capitalized for the year ended June 30, 2004.

NOTE 3: LONG-TERM DEBT

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

<u>June 30,</u>	<u>General Obligations</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total*</u>
2005	\$ 3,325,321	\$ 257,983	\$ 3,583,304
2006	1,763,301	191,056	1,954,357
2007	1,824,276	169,291	1,993,567
2008	1,753,525	144,604	1,898,129
2009	1,735,000	128,382	1,863,382
2010	1,780,000	127,784	1,907,784
2011	1,850,000	113,038	1,963,038
2012	1,600,000	95,615	1,695,615
2013	1,370,000	71,587	1,441,587
2014	1,295,000	63,951	1,358,951
2015	65,000	7,894	72,894
2016	<u>65,000</u>	<u>3,988</u>	<u>68,988</u>
 Total	 \$ <u>18,426,423</u>	 \$ <u>1,375,173</u>	 \$ <u>19,801,596</u>

\* Part of these payments will come from sources other than the debt service tax levy.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 3: LONG-TERM DEBT (Continued)

The following is a summary of bond/note transactions for the year ended June 30, 2004, and details of bonds/notes payable at June 30, 2004:

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount Originally Issued</u>
<u>General Obligation Bonds/Notes:</u>			
General Obligation Bonds - Series 1994A	February 1, 1994	2.80-4.375	\$ 2,085,000
General Obligation Bonds - Series 1994B	February 1, 1994	4.40-5.125	2,715,000
General Obligation Capital Loan Note A	October 1, 1998	3.65-3.90	715,000
General Obligation Capital Loan Note - Series 1999	September 1, 1999	4.96	60,000
General Obligation Bonds - Series 2001A	March 1, 2001	3.60	3,025,000
General Obligation Bonds - Series 2001C	November 1, 2001	3.40-4.30	600,000
General Obligation Capital Loan Note - Series 2002A	February 28, 2002	5.11	110,000
General Obligation Bonds - Series 2002	August 1, 2002	2.00-4.00	1,500,000
General Obligation Bonds - Series 2003	March 1, 2003	3.00-4.25	11,000,000
General Obligation Bonds - Series 2002D	December 1, 2002	2.00-4.00	1,100,000
General Obligation Bonds - Series 2002E	December 1, 2002	1.70-2.00	1,750,000
General Obligation Bonds - Series 2002B	August 1, 2002	3.91	285,000
General Obligation Note - Army Reserve Building	March 1, 1996	7.25	388,500
<u>Proprietary Fund Debt:</u>			
General Obligation Bonds - Series 1992C	November 1, 1992	3.00-5.80	920,000
General Obligation Bonds - Series 2001B	March 1, 2001	4.40-4.90	700,000

Grand Total

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Paid During Year</u>	<u>Balance End of Year</u>	<u>Interest Expense</u>	<u>Interest Due and Unpaid</u>
\$ 205,000	\$ -	\$ 205,000	\$ -	\$ 8,969	\$ -
2,090,000	-	225,000	1,865,000	102,720	-
155,000	-	155,000	-	6,045	-
19,700	-	12,900	6,800	816	-
1,075,000	-	515,000	560,000	38,700	-
600,000	-	55,000	545,000	23,020	-
60,000	-	60,000	-	3,066	-
1,500,000	-	100,000	1,400,000	91,777	-
11,000,000	-	345,000	10,655,000	488,497	-
1,100,000	-	-	1,100,000	34,995	-
1,750,000	-	700,000	1,050,000	49,350	-
260,000	-	53,000	207,000	9,534	-
<u>202,582</u>	<u>-</u>	<u>34,959</u>	<u>167,623</u>	<u>14,064</u>	<u>-</u>
<u>20,017,282</u>	<u>-</u>	<u>2,460,859</u>	<u>17,556,423</u>	<u>871,553</u>	<u>-</u>
345,000	-	80,000	265,000	19,515	-
<u>640,000</u>	<u>-</u>	<u>35,000</u>	<u>605,000</u>	<u>29,280</u>	<u>-</u>
<u>985,000</u>	<u>-</u>	<u>115,000</u>	<u>870,000</u>	<u>48,795</u>	<u>-</u>
\$ <u>21,002,282</u>	\$ <u>-</u>	\$ <u>2,575,859</u>	\$ <u>18,426,423</u>	\$ <u>920,348</u>	\$ <u>-</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 4: EMPLOYEE RETIREMENT SYSTEMS

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

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 Street, Urbandale, Iowa 50322

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate may not be less than 17% of earnable compensation. Contribution requirements are established by state statute. The City's contributions to MFPRSI for the years ended June 30, 2004, 2003 and 2002 are as follows:

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Percentage Invested</u>
2004	560,959	100%
2003	439,962	100%
2002	426,787	100%

Iowa Public Employees Retirement System

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.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll except for police and fire employees. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 are as follows:

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Percentage Invested</u>
2004	321,139	100%
2003	300,690	100%
2002	287,295	100%

NOTE 5: OTHER EMPLOYEE BENEFITS

The City, on January 1, 1983, adopted a self-funding health plan for all City employees including those that have retired. Claims are handled through a third party administrator. The cost of the health and life insurance is shared by the City and the covered employees.

The City provides certain health care and life insurance benefits for retired employees. Substantially, all of the City employees hired prior to February 22, 1993 may become eligible for those benefits if they reach normal retirement age while working for the City. There are currently 138 retirees covered. The costs of retiree health care and life insurance benefits are recognized as expenses as insurance premiums are paid. For 2004, those costs for the City totaled \$739,308. The retiree pays a portion of the cost of the benefit.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 5: OTHER EMPLOYEE BENEFITS (Continued)

All full-time City employees accumulate vacation hours for subsequent use or payment upon termination, death or retirement. The maximum vacation accumulation is limited to one and one-half (two and one-half for fire fighters) the amount earned in one year. Any unused vacation accumulation is payable upon termination, death or retirement.

All full-time City employees accumulate sick leave hours for subsequent use. No accumulation of sick leave is payable upon termination, death or retirement, except for those employees who continue under the retirement plan in effect prior to July 1, 1990. Upon retirement, employees under this plan, receive one-half of unused sick leave, up to a maximum of \$5,000.

<u>Business – Type Funds</u>	<u>Vacation</u>	<u>Sick Leave</u>	<u>Total</u>
<u>Enterprise Funds:</u>			
Solid waste	\$ 31,989	\$ -	\$ 31,989
Sewer utility	51,849	11,000	62,849
Golf course	9,925	-	9,925
Ottumwa transit	<u>12,557</u>	<u>-</u>	<u>12,557</u>
Total Enterprise Funds	<u>106,320</u>	<u>11,000</u>	<u>117,320</u>
 <u>Government Funds</u>			
<u>Special Revenue Funds:</u>			
Airport	4,276	-	4,276
Library	13,826	-	13,826
Cemetery	13,058	-	13,058
State road use tax	54,876	-	54,876
Risk management	<u>547</u>	<u>-</u>	<u>547</u>
Total Special Revenue Funds	<u>86,583</u>	<u>-</u>	<u>86,583</u>
 <u>General</u>	 <u>299,805</u>	 <u>36,500</u>	 <u>336,305</u>
Total Governmental Funds	<u>386,388</u>	<u>36,500</u>	<u>422,888</u>
Total – All funds	\$ <u>492,708</u>	\$ <u>47,500</u>	\$ <u>540,208</u>

NOTE 6: OTHER NOTES PAYABLE

During the year ended June 30, 1993, the City entered into an agreement with the Iowa Finance Authority to borrow \$4,476,000 with the issuance of a Sewer Revenue Capital Loan Note (Phase 1 of a 3 phase project). The note calls for annual principal payments beginning June 1, 1995 with interest due semiannually at the rate of 4.37% with final maturity on June 1, 2014.

During the year ended June 30, 1995, the City entered into another agreement with the Iowa Finance Authority to borrow \$3,966,000 with the issuance of a Sewer Revenue Capital Loan Note (Phase 2 of a 3 phase project). The note calls for annual principal payments beginning June 1, 1996 with interest due semiannually at the rate of 3.74% with final maturity on June 1, 2015.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 6: OTHER NOTES PAYABLE (Continued)

During the year ended June 30, 1996, the City borrowed on a note from US Bank, N.A., to build a building at the Ottumwa Airport. The loan totaling \$150,000 calls for monthly payments of \$1,843, including interest at the rate of 8.28%.

During the year ended June 30, 1996, the City entered into an agreement with the Iowa Finance Authority to borrow \$6,558,000 with the issuance of a Sewer Revenue Capital Loan Note (Phase 3 of a 3 phase project). The note calls for annual principal payments beginning June 1, 1998, with interest due at the rate of 4.19% with final maturity on June 1, 2016.

The following is a summary of note transactions for the year ended June 30, 2004:

<u>Description</u>	<u>Interest Rate</u>	<u>Balance Beginning of Year</u>	<u>Proceeds During Year</u>	<u>Payments During Year</u>	<u>Balance End of Year</u>	<u>Interest Expense</u>
<u>Governmental Funds:</u>						
Special Revenue Funds:						
Building (Lunco)	8.28	\$ 44,353	\$ -	\$ 19,423	\$ 24,930	\$ 2,659
<u>Business - Type Funds:</u>						
Sewer Utility:						
Phase 1	4.37	2,921,000	-	212,000	2,709,000	129,108
Phase 2	3.74	2,717,000	-	183,000	2,534,000	102,974
Phase 3	4.19	5,002,000	-	299,000	4,703,000	212,085
Total enterprise funds		<u>10,640,000</u>	-	<u>694,000</u>	<u>9,946,000</u>	<u>444,167</u>
Total		<u>\$10,684,353</u>	<u>\$ -</u>	<u>\$713,423</u>	<u>\$9,970,930</u>	<u>\$446,826</u>

The following table summarizes the principal and interest due on the City's other notes payable:

<u>Year</u>	<u>Business - Type Funds</u>			<u>Governmental Funds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 723,000	\$ 415,186	\$ 1,138,186	\$20,618	\$1,501	\$22,119
2006	751,000	384,989	1,135,989	4,312	105	4,417
2007	784,000	353,618	1,137,618	-	-	-
2008	816,000	320,863	1,136,863	-	-	-
2009	848,000	286,768	1,134,768	-	-	-
2010	884,000	251,332	1,135,332	-	-	-
2011	920,000	214,383	1,134,383	-	-	-
2012	957,000	175,924	1,132,924	-	-	-
2013	998,000	135,917	1,133,917	-	-	-
2014	1,038,000	94,194	1,132,194	-	-	-
2015	741,000	50,789	791,789	-	-	-
2016	<u>486,000</u>	<u>20,605</u>	<u>506,605</u>	-	-	-
	<u>\$9,946,000</u>	<u>\$2,704,568</u>	<u>\$12,650,568</u>	<u>\$24,930</u>	<u>\$1,606</u>	<u>\$26,536</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 7: INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued a total of \$27,800,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. At June 30, 2004, the outstanding balance of industrial revenue bonds is \$18,450,000. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City

NOTE 8: INTEREST EXPENSE

Interest expense for the year ended June 30, 2004, is summarized below:

<u>Fund</u>	General Obligation Bonds	Other Notes	<u>Total</u>
Debt service	\$ 886,769	\$ -	\$ 886,769
Airport	14,064	2,659	16,723
Solid waste	19,515	-	19,515
Sewer utility	-	<u>444,167</u>	<u>444,167</u>
Totals	\$ <u>920,348</u>	\$ <u>446,826</u>	\$ <u>1,367,174</u>

NOTE 9: CONSTRUCTION CONTRACT COMMITMENTS

Prior to June 30, 2004, the City had signed several construction contracts that are summarized below:

Total commitments	\$ 4,737,970
Less amounts paid or accrued	<u>3,043,422</u>
Remaining commitments	\$ <u>1,694,548</u>

A significant portion of these commitments are for street, sewer and airport projects, Westgate TIF improvements and the Events Center and are financed by general obligation bonds and FAA Grants

NOTE 10: INTERNAL SERVICE NET ASSETS

The following is a summary of the changes in the internal service funds equity for the year ended June 30, 2004:

	<u>Central Garage</u>	<u>Equipment Purchasing</u>	<u>Group Health</u>	<u>Total</u>
Net assets - Beginning of year, as restated	\$ 216,653	\$ 352,851	\$ 498,890	\$ 1,068,394
Net loss	<u>(216,653)</u>	<u>(72,522)</u>	<u>(364,052)</u>	<u>(653,227)</u>
Net assets - End of year	\$ <u>-</u>	\$ <u>280,329</u>	\$ <u>134,838</u>	\$ <u>415,167</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 11: RESERVED NET ASSETS

Reserved net assets for the business-type funds consisted of the following at June 30, 2004:

<u>Fund</u>	<u>Description</u>	
Sewer Sinking	Debt service	\$ 95,000
Sewer Reserve	Debt service	<u>1,140,000</u>
		<u>\$ 1,235,000</u>

NOTE 12: CLOSURE AND POST CLOSURE CARE COST

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The landfill is very large and the City expects it to remain in operation for another 50 to 60 years. The state and federal regulations require individual cells to be monitored for 30 years after closure. The \$1,349,045 reported as landfill closure and post closure care liability at June 30, 2004, represents the cumulative amount reported to date based on the use of 90% of the estimated capacity of the cell the City is currently using (which was recently expanded). The City will recognize the remaining cost of closure and post closure care, which was estimated to be \$143,406 as of June 30, 2004, as the estimated capacity is filled. Actual cost may be higher or lower due to inflation, changes in technology, or changes in regulations. As future cells are developed in the landfill, the related closure and post closure costs will be accounted for and accrued over the respective operating lives of each cell. The following table summarizes the estimated liability and funds set aside for closure and post closure costs:

	<u>Closure</u>	<u>Post Closure</u>	<u>Total</u>
Balance, July 1, 2003	\$ 387,000	\$ 1,099,800	\$ 1,486,800
Fiscal year 2004 costs adjusted	<u>56,680</u>	<u>(194,435)</u>	<u>(137,755)</u>
Balance, June 30, 2004	\$ <u>443,680</u>	\$ <u>905,365</u>	\$ <u>1,349,045</u>

NOTE 13: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The 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.

NOTE 14: SELF INSURED HEALTH CARE

The City of Ottumwa maintains a self-funded health insurance plan for City employees. This plan is funded by the City and is administered by a third party. The City pays the administrator a monthly fixed fee for various claim administration services. The City carries specific stop-loss and aggregate stop-loss insurance against catastrophic losses. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. The following is a summary of claims and changes in the liability for the year.

	<u>Year Ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
Liability - Beginning of year	\$ 130,528	\$ 108,298
Payments and accruals	(1,805,082)	(1,416,551)
Estimated claims incurred	<u>1,792,847</u>	<u>1,438,781</u>
Liability - End of year	\$ <u>118,293</u>	\$ <u>130,528</u>

The above liabilities are included in accounts payable on the balance sheet.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 15: SEWER UTILITY FUND

The combining statement of net assets for the Sewer Utility Fund is as follows:

	<u>Sewer Utility</u>	<u>Sewer Sinking</u>	<u>Sewer Reserve</u>	<u>Sewer Construction</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and pooled investments	\$ 995,532	\$ 95,000	\$ 140,000	\$ 365,000	\$ 1,595,532
Other investments	-	-	1,000,000	-	1,000,000
Other assets	<u>17,000,696</u>	-	-	-	<u>17,000,696</u>
Total assets	\$ <u>17,996,228</u>	\$ <u>95,000</u>	\$ <u>1,140,000</u>	\$ <u>365,000</u>	\$ <u>19,596,228</u>
<u>LIABILITIES AND NET ASSETS</u>					
<u>Liabilities</u>	\$ <u>10,192,675</u>	\$ -	\$ -	\$ -	\$ <u>10,192,675</u>
<u>Net Assets:</u>					
Investment in capital assets net of related debt	6,472,273	-	-	-	6,472,273
Retained earnings:					
Reserved:					
Debt service	-	95,000	1,140,000	-	1,235,000
Construction	-	-	-	365,000	365,000
Unreserved	<u>1,331,280</u>	-	-	-	<u>1,331,280</u>
Total net assets	<u>7,803,553</u>	<u>95,000</u>	<u>1,140,000</u>	<u>365,000</u>	<u>9,403,553</u>
Total liabilities and net assets	\$ <u>17,996,228</u>	\$ <u>95,000</u>	\$ <u>1,140,000</u>	\$ <u>365,000</u>	\$ <u>19,596,228</u>

The combining statement of revenues, expenses and changes in net assets for the Sewer Utility Fund is as follows:

	<u>Sewer Utility</u>	<u>Sewer Sinking</u>	<u>Sewer Reserve</u>	<u>Sewer Construction</u>	<u>Sewer Improvement</u>	<u>Total</u>
Operating revenues	\$ 3,373,756	\$ -	\$ -	\$ -	\$ -	\$ 3,373,756
Operating expenses	<u>3,135,826</u>	-	-	-	-	<u>3,135,826</u>
Operating income	237,930	-	-	-	-	237,930
Nonoperating expenses	<u>(347,583)</u>	-	-	-	-	<u>(347,583)</u>
Loss before operating transfers	(109,653)	-	-	-	-	(109,653)
Operating transfers in	1,310,000	1,140,000	-	365,000	120,000	2,935,000
Operating transfers out	<u>(1,250,000)</u>	<u>(1,140,000)</u>	-	-	<u>(120,000)</u>	<u>(2,520,000)</u>
Change in net assets	(59,653)	-	-	365,000	-	305,347
Net assets at beginning of year	<u>7,863,206</u>	<u>95,000</u>	<u>1,140,000</u>	-	-	<u>9,098,206</u>
Net assets at end of year	\$ <u>7,803,553</u>	\$ <u>95,000</u>	\$ <u>1,140,000</u>	\$ <u>365,000</u>	\$ -	\$ <u>9,403,553</u>

Schedule of sewer rates/Customer census

Rate of Usage:

First 200 cubic feet	\$7.00
Next 3800 cubic feet	\$3.03 per 100 cubic feet
Over 4000 cubic feet	\$3.17 per 100 cubic feet

The Sewer Funds had 9672 meters in service at June 30, 2004.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 16: INTERFUND RECEIVABLES AND PAYABLES

The balances of interfund receivables and payable in the fund financial statements at June 30, 2004 were:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General	\$ 2,165	\$ -
Special revenue:		
Emergency	-	2,165
Road use tax	60,294	-
Tax increment	-	160,294
Capital projects:		
Street projects	100,000	-
Proprietary:		
Golf course	-	150,000
Sewer utility	<u>150,000</u>	<u>-</u>
	<u>\$ 312,459</u>	<u>\$ 312,459</u>

NOTE 17: PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2004, it was discovered that the retiree health insurance fund had been presented as a nonmajor special revenue fund and in combination with an internal service fund in the previously issued financial statements. This resulted in the following changes in the fund balance as of June 30, 2003.

	<u>Fund Balance</u>
As previously reported June 30, 2003	\$ 671,368
Adjustments:	
Remove fund balance from nonmajor internal service funds	(172,478)
As restated June 30, 2003	\$ <u>498,890</u>

During the year ended June 30, 2004, it was discovered that payables and receivables related to the Events Center project had been recorded in the previous year financial statements, but because the project had not met Vision Iowa requirements as of June 30, 2003, the removal of these balances is necessary. This resulted in the following changes in fund balance.

	<u>Fund Balance</u>
As previously reported June 30, 2003	\$ 10,732,891
Adjustments:	
Remove receivables and payables related to Events Center per agreement requirements	<u>155,383</u>
As restated June 30, 2003	\$ <u>10,888,274</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 17: PRIOR PERIOD ADJUSTMENTS (Continued)

During the year ended June 30, 2004, it was discovered that accrued interest payable and deferred revenue had been mistakenly omitted from the funds listed below for the year ended June 30, 2003. This resulted in the following changes in net assets as of June 30, 2003.

	<u>Solid Waste</u>	<u>Sewer Utility</u>	<u>Golf Course</u>
As previously reported June 30, 2003	\$ 3,083,646	\$ 9,137,397	\$ 297,352
Adjustments:			
Record deferred revenue	-	-	(58,436)
Record accrued interest	<u>(1,626)</u>	<u>(39,191)</u>	<u>(2,440)</u>
As restated June 30, 2003	\$ <u>3,082,020</u>	\$ <u>9,098,206</u>	\$ <u>236,476</u>

**REQUIRED SUPPLEMENTAL INFORMATION**

CITY OF OTTUMWA, IOWA

BUDGETARY COMPARISON SCHEDULE OF  
REVENUES, EXPENSES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
GOVERNMENTAL AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2004

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
<u>REVENUES:</u>			
Property tax	\$ 8,779,797	\$ 295,587	\$ 9,075,384
Other city tax	3,099,588	-	3,099,588
Licenses and permits	290,897	-	290,897
Intergovernmental	4,801,027	441,188	5,242,215
Use of money and property	875,883	170,838	1,046,721
Charges for service	3,448,546	5,830,889	9,279,435
Other fines	121,586	-	121,586
Miscellaneous	<u>397,654</u>	<u>90,058</u>	<u>487,712</u>
Total revenues	<u>21,814,978</u>	<u>6,828,560</u>	<u>28,643,538</u>
<u>EXPENSES:</u>			
Current:			
Public safety	4,936,517	-	4,936,517
Public works	4,687,689	-	4,687,689
Health and social services	309,280	-	309,280
Culture and recreation	2,007,471	-	2,007,471
Community and economic development	804,829	-	804,829
General government	2,085,190	-	2,085,190
Capital projects	5,196,521	-	5,196,521
Debt service	3,400,528	-	3,400,528
Business-type activities	-	<u>6,940,238</u>	<u>6,940,238</u>
Total expenses	<u>23,428,025</u>	<u>6,940,238</u>	<u>30,368,263</u>
Excess (deficiency) of revenues over (under) expenses	(1,613,047)	(111,678)	(1,724,725)
Other financing sources (uses):			
Transfers in	5,647,522	3,429,447	8,199,969
Transfers out	<u>(5,799,255)</u>	<u>(3,051,415)</u>	<u>(8,870,670)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenses and other financing uses	(1,764,780)	266,354	(2,395,426)
Fund balance - Beginning of year, as restated	<u>19,973,863</u>	<u>13,818,087</u>	<u>30,238,188</u>
Fund balance - End of year	\$ <u>18,209,083</u>	\$ <u>14,084,441</u>	\$ <u>27,842,762</u>

See Accompanying Independent Auditor's Report

<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Original</u>	<u>Final</u>	<u>Actual</u>
		<u>Variance</u>
\$ 8,069,200	\$ 8,069,200	\$ 1,006,184
3,756,947	3,877,010	(777,422)
435,413	435,413	(144,516)
11,877,632	9,080,939	(3,838,724)
773,102	773,102	273,619
10,625,883	10,625,883	(1,346,448)
-	-	121,586
<u>388,938</u>	<u>388,938</u>	<u>98,774</u>
<u>35,927,115</u>	<u>33,250,485</u>	<u>(4,606,947)</u>
4,938,256	5,058,319	121,802
3,167,660	4,817,660	129,971
306,486	309,486	206
2,016,243	2,016,243	8,772
933,051	933,051	128,222
1,124,304	2,259,804	174,614
14,703,646	8,653,646	3,457,125
3,506,940	3,546,440	145,912
<u>12,524,532</u>	<u>13,164,055</u>	<u>6,223,817</u>
<u>43,221,118</u>	<u>40,758,704</u>	<u>10,390,441</u>
(7,294,003)	(7,508,219)	5,783,494
6,491,828	9,271,828	(1,071,859)
<u>(6,191,828)</u>	<u>(6,191,828)</u>	<u>2,678,842</u>
(6,994,003)	(4,428,219)	7,390,477
<u>23,340,566</u>	<u>23,340,566</u>	<u>6,897,622</u>
\$ <u>16,346,563</u>	\$ <u>18,912,347</u>	\$ <u>14,288,099</u>

CITY OF OTTUMWA, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the accrual basis 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 accrual basis 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 or fund type. 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, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted disbursements by \$2,462,414. This budget amendment is reflected in the final budgeted amounts.

**OTHER SUPPLEMENTAL INFORMATION**

CITY OF OTTUMWA, IOWA

Schedule 1

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2004

<u>ASSETS</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Cash and cash equivalents	\$ 1,127,765	\$ 1,570,900	\$ 666,942	\$ 3,365,607
Receivables:				
Property taxes	841,545	-	-	841,545
Accounts	64,879	-	-	64,879
Other governments	148,267	229,526	-	377,793
Due from other funds	-	100,000	-	100,000
Prepaid insurance	<u>152,770</u>	<u>-</u>	<u>-</u>	<u>152,770</u>
 TOTAL ASSETS	 \$ <u>2,335,226</u>	 \$ <u>1,900,426</u>	 \$ <u>666,942</u>	 \$ <u>4,902,594</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 156,222	\$ 337,674	\$ -	\$ 493,896
Wages and benefits payable	34,300	-	-	34,300
Compensated absences	31,707	-	-	31,707
Deferred property tax revenue	828,278	-	-	828,278
Deferred revenue	62,646	-	-	62,646
Due to other funds	<u>2,165</u>	<u>-</u>	<u>-</u>	<u>2,165</u>
 TOTAL LIABILITIES	 <u>1,115,318</u>	 <u>337,674</u>	 <u>-</u>	 <u>1,452,992</u>
 <u>FUND BALANCES:</u>				
Reserved for:				
Capital/construction	63,774	1,462,752	-	1,526,526
Prepaid insurance	152,770	-	-	152,770
Advances	-	100,000	-	100,000
Endowments	153,101	-	666,942	820,043
Insurance	545,494	-	-	545,494
Unreserved, undesignated	<u>304,769</u>	<u>-</u>	<u>-</u>	<u>304,769</u>
 TOTAL FUND BALANCES	 <u>1,219,908</u>	 <u>1,562,752</u>	 <u>666,942</u>	 <u>3,449,602</u>
 TOTAL LIABILITIES AND FUND BALANCES	 \$ <u>2,335,226</u>	 \$ <u>1,900,426</u>	 \$ <u>666,942</u>	 \$ <u>4,902,594</u>

See Accompanying Independent Auditor's Report

## CITY OF OTTUMWA, IOWA

Schedule 2

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN  
FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2004

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
<u>REVENUES:</u>				
Property tax	\$ 642,767	\$ -	\$ -	\$ 642,767
Other city tax	18,171	-	-	18,171
Intergovernmental	397,761	1,099,077	-	1,496,838
Use of money and property	363,870	35,003	19,818	418,691
Charges for service	372,805	657	14,879	388,341
Miscellaneous	235,640	82,960	-	318,600
Total revenues	<u>2,031,014</u>	<u>1,217,697</u>	<u>34,697</u>	<u>3,283,408</u>
<u>EXPENDITURES:</u>				
Operating:				
Public safety	53,740	40,663	-	94,403
Public works	390,604	4,550	-	395,154
Culture and recreation	838,473	-	-	838,473
Community and economic development	349,526	-	-	349,526
General government	1,220,451	-	-	1,220,451
Capital outlay	-	2,236,964	-	2,236,964
Total expenditures	<u>2,852,794</u>	<u>2,282,177</u>	<u>-</u>	<u>5,134,971</u>
Excess (deficiency) of revenues over (under) expenditures	(821,780)	(1,064,480)	34,697	(1,851,563)
Other financing sources (uses):				
Transfers in	1,159,662	178,000	-	1,337,662
Transfers out	<u>(115,330)</u>	<u>-</u>	<u>(4,000)</u>	<u>(119,330)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	222,552	(886,480)	30,697	(633,231)
Fund balance - Beginning of year	<u>997,356</u>	<u>2,449,232</u>	<u>636,245</u>	<u>4,082,833</u>
Fund balance - End of year	\$ <u>1,219,908</u>	\$ <u>1,562,752</u>	\$ <u>666,942</u>	\$ <u>3,449,602</u>

See Accompanying Independent Auditor's Report

CITY OF OTTUMWA, IOWA

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2004

<u>ASSETS</u>	<u>Airport</u>	<u>Emergency</u>	<u>Library</u>	<u>Cemetery</u>	<u>Special Grants</u>	<u>Block Grants</u>
Cash and cash equivalents	\$ 80,373	\$ -	\$ 180,013	\$ 92,121	\$ -	\$ -
Receivables:						
Property taxes	-	119,068	224,916	109,086	-	-
Accounts	1,368	-	-	-	-	62,646
Other governments	360	-	-	150	12,127	133,674
Prepaid insurance	<u>14,971</u>	<u>-</u>	<u>1,631</u>	<u>2,703</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>97,072</u>	\$ <u>119,068</u>	\$ <u>406,560</u>	\$ <u>204,060</u>	\$ <u>12,127</u>	\$ <u>196,320</u>
 <u>LIABILITIES AND FUND BALANCES</u>						
<u>LIABILITIES:</u>						
Accounts payable	\$ 5,172	\$ -	\$ 16,587	\$ 6,888	\$ 12,127	\$ 33,600
Wages and benefits payable	7,400	-	14,700	10,300	-	-
Compensated absences	4,276	-	13,826	13,058	-	-
Deferred property tax revenue	-	116,903	220,550	107,161	-	-
Deferred revenue	-	-	-	-	-	62,646
Due to other funds	<u>-</u>	<u>2,165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>16,848</u>	<u>119,068</u>	<u>265,663</u>	<u>137,407</u>	<u>12,127</u>	<u>96,246</u>
 <u>FUND BALANCES:</u>						
Reserved for:						
Capital/construction	-	-	-	63,774	-	-
Prepaid insurance	14,971	-	1,631	2,703	-	-
Endowments	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Unreserved	<u>65,253</u>	<u>-</u>	<u>139,266</u>	<u>176</u>	<u>-</u>	<u>100,074</u>
TOTAL FUND BALANCES	<u>80,224</u>	<u>-</u>	<u>140,897</u>	<u>66,653</u>	<u>-</u>	<u>100,074</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>97,072</u>	\$ <u>119,068</u>	\$ <u>406,560</u>	\$ <u>204,060</u>	\$ <u>12,127</u>	\$ <u>196,320</u>

<u>Risk Management</u>	<u>Fire Bequest</u>	<u>Police Grants</u>	<u>Retiree Health Insurance</u>	<u>Library Bequest</u>	<u>Park Bequest</u>	<u>Police Bequest</u>	<u>Historic Preservation</u>	<u>Total</u>
\$ 216,980	\$ 17,954	\$ 247	\$ 403,040	\$ 95,697	\$ 5,329	\$ 33,689	\$ 2,322	\$ 1,127,765
269,407	-	-	-	119,068	-	-	-	841,545
865	-	-	-	-	-	-	-	64,879
-	-	-	-	-	-	400	1,556	148,267
<u>133,465</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,770</u>
<u>\$ 620,717</u>	<u>\$ 17,954</u>	<u>\$ 247</u>	<u>\$ 403,040</u>	<u>\$ 214,765</u>	<u>\$ 5,329</u>	<u>\$ 34,089</u>	<u>\$ 3,878</u>	<u>\$ 2,335,226</u>
\$ 18,189	\$ -	\$ 247	\$ 59,566	\$ 2,189	\$ -	\$ 108	\$ 1,549	\$ 156,222
1,900	-	-	-	-	-	-	-	34,300
547	-	-	-	-	-	-	-	31,707
264,596	-	-	-	119,068	-	-	-	828,278
-	-	-	-	-	-	-	-	62,646
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,165</u>
<u>285,232</u>	<u>-</u>	<u>247</u>	<u>59,566</u>	<u>121,257</u>	<u>-</u>	<u>108</u>	<u>1,549</u>	<u>1,115,318</u>
-	-	-	-	-	-	-	-	63,774
133,465	-	-	-	-	-	-	-	152,770
-	17,954	-	-	93,508	5,329	33,981	2,329	153,101
202,020	-	-	343,474	-	-	-	-	545,494
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>304,769</u>
<u>335,485</u>	<u>17,954</u>	<u>-</u>	<u>343,474</u>	<u>93,508</u>	<u>5,329</u>	<u>33,981</u>	<u>2,329</u>	<u>1,219,908</u>
<u>\$ 620,717</u>	<u>\$ 17,954</u>	<u>\$ 247</u>	<u>\$ 403,040</u>	<u>\$ 214,765</u>	<u>\$ 5,329</u>	<u>\$ 34,089</u>	<u>\$ 3,878</u>	<u>\$ 2,335,226</u>

CITY OF OTTUMWA, IOWA

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
YEAR ENDED JUNE 30, 2004

	<u>Airport</u>	<u>Emergency</u>	<u>Library</u>	<u>Cemetery</u>	<u>Special Grants</u>	<u>Block Grants</u>
<u>REVENUES:</u>						
Property tax	\$ -	\$ 102,211	\$ 217,501	\$ 95,927	\$ -	\$ -
Other city taxes	-	5,639	-	-	-	-
Intergovernmental	51,854	-	20,759	-	38,000	272,785
Use of money and property	313,019	-	3,233	34,336	-	-
Charges for service	-	-	15,304	120,478	-	-
Miscellaneous	<u>9,358</u>	<u>-</u>	<u>75,252</u>	<u>8,706</u>	<u>-</u>	<u>9,344</u>
Total revenues	<u>374,231</u>	<u>107,850</u>	<u>332,049</u>	<u>259,447</u>	<u>38,000</u>	<u>282,129</u>
<u>EXPENDITURES:</u>						
Operating:						
Public safety	-	-	-	-	-	-
Public works	390,604	-	-	-	-	-
Culture and recreation	-	-	456,395	316,070	-	-
Community and economic development	-	-	-	-	38,000	300,105
General government	-	-	-	-	-	-
Total expenditures	<u>390,604</u>	<u>-</u>	<u>456,395</u>	<u>316,070</u>	<u>38,000</u>	<u>300,105</u>
Excess (deficiency) of revenues over (under) expenditures	(16,373)	107,850	(124,346)	(56,623)	-	(17,976)
Other financing sources (uses):						
Transfers in	33,002	-	94,556	53,966	-	78,138
Transfers out	<u>-</u>	<u>(107,850)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing	16,629	-	(29,790)	(2,657)	-	60,162
Fund balance - Beginning of year	<u>63,595</u>	<u>-</u>	<u>170,687</u>	<u>69,310</u>	<u>-</u>	<u>39,912</u>
Fund balance - End of year	\$ <u>80,224</u>	\$ <u>-</u>	\$ <u>140,897</u>	\$ <u>66,653</u>	\$ <u>-</u>	\$ <u>100,074</u>

Risk Management	Fire Bequest	Police Grants	Retiree Health Insurance	Library Bequest	Park Bequest	Police Bequest	Historic Preservation	Total
\$ 227,128	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 642,767
12,532	-	-	-	-	-	-	-	18,171
-	4,607	-	-	-	-	-	9,756	397,761
4,655	389	-	6,443	1,089	76	630	-	363,870
-	-	-	237,023	-	-	-	-	372,805
-	7,649	-	3,861	108,122	3,000	8,622	1,726	235,640
<u>244,315</u>	<u>12,645</u>	<u>-</u>	<u>247,327</u>	<u>109,211</u>	<u>3,076</u>	<u>9,252</u>	<u>11,482</u>	<u>2,031,014</u>
-	32,578	9,883	-	-	-	11,279	-	53,740
-	-	-	-	-	-	-	-	390,604
-	-	-	-	63,708	2,300	-	-	838,473
-	-	-	-	-	-	-	11,421	349,526
244,120	-	-	976,331	-	-	-	-	1,220,451
<u>244,120</u>	<u>32,578</u>	<u>9,883</u>	<u>976,331</u>	<u>63,708</u>	<u>2,300</u>	<u>11,279</u>	<u>11,421</u>	<u>2,852,794</u>
195	(19,933)	(9,883)	(729,004)	45,503	776	(2,027)	61	(821,780)
-	-	-	900,000	-	-	-	-	1,159,662
<u>(7,480)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(115,330)</u>
(7,285)	(19,933)	(9,883)	170,996	45,503	776	(2,027)	61	222,552
<u>342,770</u>	<u>37,887</u>	<u>9,883</u>	<u>172,478</u>	<u>48,005</u>	<u>4,553</u>	<u>36,008</u>	<u>2,268</u>	<u>997,356</u>
\$ <u>335,485</u>	\$ <u>17,954</u>	\$ <u>-</u>	\$ <u>343,474</u>	\$ <u>93,508</u>	\$ <u>5,329</u>	\$ <u>33,981</u>	\$ <u>2,329</u>	\$ <u>1,219,908</u>

CITY OF OTTUMWA, IOWA  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2004

<u>ASSETS</u>	<u>Sidewalks</u>	<u>Airport Projects</u>	<u>Street Projects</u>
Cash and cash equivalents	\$ 175,102	\$ 31,404	\$ 1,155,088
Receivables:			
Other governments	544	116,524	12,780
Advances to other funds	<u>-</u>	<u>-</u>	<u>100,000</u>
TOTAL ASSETS	\$ <u>175,646</u>	\$ <u>147,928</u>	\$ <u>1,267,868</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Accounts payable	\$ <u>-</u>	\$ <u>32,045</u>	\$ <u>196,386</u>
 <u>Fund Balances:</u>			
Reserved:			
Construction	175,646	115,883	971,482
Interfund loans	<u>-</u>	<u>-</u>	<u>100,000</u>
TOTAL FUND BALANCES	<u>175,646</u>	<u>115,883</u>	<u>1,071,482</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>175,646</u>	\$ <u>147,928</u>	\$ <u>1,267,868</u>

See Accompanying Independent Auditor's Report

Schedule 5

<u>Derelict Buildings</u>	<u>Trail Projects</u>	<u>Levee Repairs</u>	<u>Total</u>
\$ 103,702	\$ 15,804	\$ 89,800	\$ 1,570,900
99,678	-	-	229,526
<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
\$ <u>203,380</u>	\$ <u>15,804</u>	\$ <u>89,800</u>	\$ <u>1,900,426</u>
\$ <u>104,272</u>	\$ <u>-</u>	\$ <u>4,971</u>	\$ <u>337,674</u>
99,108	15,804	84,829	1,462,752
<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
<u>99,108</u>	<u>15,804</u>	<u>84,829</u>	<u>1,562,752</u>
\$ <u>203,380</u>	\$ <u>15,804</u>	\$ <u>89,800</u>	\$ <u>1,900,426</u>

CITY OF OTTUMWA, IOWA

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
YEAR ENDED JUNE 30, 2004

	<u>Sidewalks</u>	<u>Airport Projects</u>	<u>Street Projects</u>	<u>Derelict Buildings</u>
<u>REVENUES:</u>				
Intergovernmental	\$ -	\$ 790,332	\$ 308,745	\$ -
Use of money and property	3,440	1,017	30,546	-
Charges for service	-	-	-	657
Miscellaneous	<u>5,164</u>	<u>14,831</u>	<u>22,466</u>	<u>40,499</u>
Total revenues	<u>8,604</u>	<u>806,180</u>	<u>361,757</u>	<u>41,156</u>
<u>EXPENDITURES:</u>				
Operating:				
Public safety	-	-	-	-
Public works	4,550	-	-	-
Capital outlay	<u>-</u>	<u>877,958</u>	<u>1,109,794</u>	<u>249,212</u>
Total expenditures	<u>4,550</u>	<u>877,958</u>	<u>1,109,794</u>	<u>249,212</u>
Excess (deficiency) of revenues over (under) expenditures	4,054	(71,778)	(748,037)	(208,056)
Other financing sources:				
Transfers in	<u>-</u>	<u>-</u>	<u>178,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	4,054	(71,778)	(570,037)	(208,056)
Fund balance - Beginning of year	<u>171,592</u>	<u>187,661</u>	<u>1,641,519</u>	<u>307,164</u>
Fund balance - End of year	\$ <u>175,646</u>	\$ <u>115,883</u>	\$ <u>1,071,482</u>	\$ <u>99,108</u>

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<u>Trail Projects</u>	<u>Levee Repairs</u>	<u>Total</u>
\$ -	\$ -	\$ 1,099,077
-	-	35,003
-	-	657
-	-	<u>82,960</u>
<u>-</u>	<u>-</u>	<u>1,217,697</u>
-	40,663	40,663
-	-	4,550
-	-	<u>2,236,964</u>
<u>-</u>	<u>40,663</u>	<u>2,282,177</u>
-	(40,663)	(1,064,480)
<u>-</u>	<u>-</u>	<u>178,000</u>
-	(40,663)	(886,480)
<u>15,804</u>	<u>125,492</u>	<u>2,449,232</u>
\$ <u>15,804</u>	\$ <u>84,829</u>	\$ <u>1,562,752</u>

CITY OF OTTUMWA, IOWA

Schedule 7

COMBINING BALANCE SHEET  
NONMAJOR PERMANENT FUNDS  
JUNE 30, 2004

	<u>Cemetery Perpetual Care</u>	<u>Cemetery Memorial</u>	Total Nonmajor Permanent <u>Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ <u>551,376</u>	\$ <u>115,566</u>	\$ <u>666,942</u>
TOTAL ASSETS	\$ <u>551,376</u>	\$ <u>115,566</u>	\$ <u>666,942</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>FUND BALANCES:</u>			
Reserved for:			
Endowments	\$ <u>551,376</u>	\$ <u>115,566</u>	\$ <u>666,942</u>
TOTAL FUND BALANCES	<u>551,376</u>	<u>115,566</u>	<u>666,942</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>551,376</u>	\$ <u>115,566</u>	\$ <u>666,942</u>

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CITY OF OTTUMWA, IOWA

Schedule 8

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR PERMANENT FUNDS  
YEAR ENDED JUNE 30, 2004

	<u>Cemetery Perpetual Care</u>	<u>Cemetery Memorial</u>	<u>Total Nonmajor Permanent Funds</u>
<u>REVENUES:</u>			
Interest income	\$ -	\$ 19,818	\$ 19,818
Charges for service	14,879	-	14,879
Total revenues	<u>14,879</u>	<u>19,818</u>	<u>34,697</u>
Other financing uses:			
Transfers out	<u>-</u>	<u>(4,000)</u>	<u>(4,000)</u>
Excess of revenues over expenses and other financing uses	<u>14,879</u>	<u>15,818</u>	<u>30,697</u>
Fund balance - Beginning of year	<u>536,497</u>	<u>99,748</u>	<u>636,245</u>
Fund balance - End of year	\$ <u>551,376</u>	\$ <u>115,566</u>	\$ <u>666,942</u>

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## CITY OF OTTUMWA, IOWA

Schedule 9

COMBINING STATEMENT OF NET ASSETS  
NONMAJOR PROPRIETARY FUNDS  
JUNE 30, 2004

	<u>Transit</u>	<u>Golf Course</u>	<u>Total Nonmajor Proprietary Funds</u>
<u>ASSETS</u>			
Current Assets:			
Cash and cash equivalents	\$ 343,861	\$ 20,213	\$ 364,074
Receivables:			
Accounts	4,256	8,966	13,222
Property taxes	332,268	-	332,268
Inventory	-	33,900	33,900
Prepaid expenses	21,139	4,032	25,171
Total Current Assets	<u>701,524</u>	<u>67,111</u>	<u>768,635</u>
Capital Assets:			
Land	-	80,000	80,000
Buildings	546,756	174,855	721,611
Improvements other than buildings	-	846,692	846,692
Machinery and equipment	1,571,618	437,059	2,008,677
Less accumulated depreciation	<u>(1,148,075)</u>	<u>(549,840)</u>	<u>(1,697,915)</u>
Total Capital Assets	<u>970,299</u>	<u>988,766</u>	<u>1,959,065</u>
TOTAL ASSETS	<u>\$ 1,671,823</u>	<u>\$ 1,055,877</u>	<u>\$ 2,727,700</u>
<u>LIABILITIES AND NET ASSETS</u>			
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable	\$ 9,419	\$ 32,118	\$ 41,537
Wages and benefits payable	19,700	17,800	37,500
Accrued interest payable	-	2,312	2,312
Compensated absences payable	12,557	9,925	22,482
Deferred property tax revenue	326,335	-	326,335
Deferred revenue	-	64,264	64,264
Due to other funds	-	150,000	150,000
Current portion of bonds payable	-	35,000	35,000
Total Current Liabilities	<u>368,011</u>	<u>311,419</u>	<u>679,430</u>
Long-term Liabilities:			
Bonds payable:			
Long-term	-	570,000	570,000
Total Long-term Liabilities	<u>-</u>	<u>570,000</u>	<u>570,000</u>
TOTAL LIABILITIES	<u>368,011</u>	<u>881,419</u>	<u>1,249,430</u>
<u>NET ASSETS:</u>			
Invested in net assets, net of related debt	970,299	383,766	1,354,065
Unreserved	<u>333,513</u>	<u>(209,308)</u>	<u>124,205</u>
TOTAL NET ASSETS	<u>1,303,812</u>	<u>174,458</u>	<u>1,478,270</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,671,823</u>	<u>\$ 1,055,877</u>	<u>\$ 2,727,700</u>

See Accompanying Independent Auditor's Report

CITY OF OTTUMWA, IOWA

Schedule 10

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2004

	<u>Transit</u>	<u>Golf Course</u>	<u>Total Nonmajor Proprietary Funds</u>
Operating revenues:			
Charges for service	\$ 93,213	\$ 517,003	\$ 610,216
Miscellaneous	10,996	9,576	20,572
Total operating revenues	<u>104,209</u>	<u>526,579</u>	<u>630,788</u>
Operating expenses:			
Operations	772,219	456,214	1,228,433
Capital outlay	37,835	12,952	50,787
Depreciation	134,028	75,585	209,613
Total operating expenses	<u>944,082</u>	<u>544,751</u>	<u>1,488,833</u>
Operating loss	(839,873)	(18,172)	(858,045)
Nonoperating revenue:			
Interest income	5,525	887	6,412
Interest on long-term debt	-	(29,280)	(29,280)
Property taxes	295,587	-	295,587
Intergovernmental	441,188	-	441,188
Loss before operating transfers	(97,573)	(46,565)	(144,138)
Other financing sources (uses):			
Transfers in	-	15,827	15,827
Transfers out	-	(31,280)	(31,280)
Change in net assets	(97,573)	(62,018)	(159,591)
Net assets - Beginning of year, as restated	<u>1,401,385</u>	<u>236,476</u>	<u>1,637,861</u>
Net assets - End of year	\$ <u>1,303,812</u>	\$ <u>174,458</u>	\$ <u>1,478,270</u>

See Accompanying Independent Auditor's Report

CITY OF OTTUMWA, IOWA

Schedule 11

COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2004

	<u>Transit</u>	<u>Golf Course</u>	<u>Total Nonmajor Proprietary Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Cash received from operations	\$ <u>100,908</u>	\$ <u>523,441</u>	\$ <u>624,349</u>
Cash paid to employees	(442,655)	(243,918)	(686,573)
Cash paid to suppliers	<u>(368,528)</u>	<u>(220,574)</u>	<u>(589,102)</u>
Cash used in operations activities	<u>(811,183)</u>	<u>(464,492)</u>	<u>(1,275,675)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(710,275)</u>	<u>58,949</u>	<u>(651,326)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Property taxes	296,728	-	296,728
Intergovernmental	441,188	-	441,188
Transfers from other funds	-	15,827	15,827
Transfers to other funds	-	<u>(31,280)</u>	<u>(31,280)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>737,916</u>	<u>(15,453)</u>	<u>722,463</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Payment of long term debt:			
General obligation bonds	-	(35,000)	(35,000)
Payment of interest on long-term debt	-	(29,280)	(29,280)
Additions to property and equipment	<u>(81,453)</u>	<u>(38,600)</u>	<u>(120,053)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(81,453)</u>	<u>(102,880)</u>	<u>(184,333)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest income received	<u>5,525</u>	<u>886</u>	<u>6,411</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(48,287)	(58,498)	(106,785)
<u>CASH AND CASH EQUIVALENTS - Beginning of year, as restated</u>	<u>392,148</u>	<u>78,711</u>	<u>470,859</u>
<u>CASH AND CASH EQUIVALENTS - End of year</u>	\$ <u>343,861</u>	\$ <u>20,213</u>	\$ <u>364,074</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED</u>			
Operating loss	\$ (839,873)	\$ (18,172)	\$ (858,045)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	134,028	75,585	209,613
Changes in assets and liabilities:			
Increase in receivables	(3,301)	(8,966)	(12,267)
Increase in inventory	-	(15,480)	(15,480)
Decrease (increase) in prepaid insurance	4,081	(1,836)	2,245
Increase (decrease) in accounts payable	(10,821)	13,850	3,029
Increase in wages and benefits payable	5,000	4,500	9,500
Decrease in accrued interest payable	-	(128)	(128)
Increase in compensated absences payable	611	3,768	4,379
Increase in deferred revenue	-	<u>5,828</u>	<u>5,828</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u>(710,275)</u>	\$ <u>58,949</u>	\$ <u>(651,326)</u>

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CITY OF OTTUMWA, IOWA

Schedule 12

COMBINING BALANCE SHEET  
INTERNAL SERVICE FUNDS  
JUNE 30, 2004

	<u>Payroll</u>	<u>Equipment</u>	<u>Employee</u>	<u>Total</u>
	<u>Clearing</u>	<u>Purchasing</u>	<u>Insurance</u>	
 <u>ASSETS</u>				
Current Assets:				
Cash and cash equivalents	\$ 119,761	\$ 343,326	\$ 253,131	\$ 716,218
Accounts receivable	<u>228</u>	<u>-</u>	<u>-</u>	<u>228</u>
 TOTAL ASSETS	 <u>\$ 119,989</u>	 <u>\$ 343,326</u>	 <u>\$ 253,131</u>	 <u>\$ 716,446</u>
 <u>LIABILITIES AND NET ASSETS</u>				
<u>CURRENT LIABILITIES:</u>				
Accounts payable	\$ <u>119,989</u>	\$ <u>62,997</u>	\$ <u>118,293</u>	\$ <u>301,279</u>
 <u>NET ASSETS:</u>				
Retained earnings:				
Restricted	-	-	134,838	134,838
Unrestricted	<u>-</u>	<u>280,329</u>	<u>-</u>	<u>280,329</u>
 TOTAL NET ASSETS	 <u>-</u>	 <u>280,329</u>	 <u>134,838</u>	 <u>415,167</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 119,989</u>	 <u>\$ 343,326</u>	 <u>\$ 253,131</u>	 <u>\$ 716,446</u>

See Accompanying Independent Auditor's Report

CITY OF OTTUMWA, IOWA

Schedule 13

COMBINING STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN  
FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
JUNE 30, 2004

	<u>Central Garage</u>	<u>Equipment Purchasing</u>	<u>Employee Insurance</u>	<u>Total</u>
<u>OPERATING REVENUES:</u>				
Charges for service and other operating revenues	\$ <u>      -</u>	\$ <u>      -</u>	\$ <u>1,420,026</u>	\$ <u>1,420,026</u>
<u>EXPENSES:</u>				
Operations	<u>      -</u>	<u>      -</u>	<u>1,792,847</u>	<u>1,792,847</u>
Operating loss	<u>      -</u>	<u>      -</u>	<u>(372,821)</u>	<u>(372,821)</u>
Nonoperating revenue:				
Interest income	<u>      -</u>	<u>      -</u>	<u>8,769</u>	<u>8,769</u>
Loss before operating transfers	<u>      -</u>	<u>      -</u>	<u>(364,052)</u>	<u>(364,052)</u>
Operating Transfers:				
Transfers in	<u>      -</u>	<u>237,000</u>	<u>      -</u>	<u>237,000</u>
Transfers out	<u>(216,653)</u>	<u>(309,522)</u>	<u>      -</u>	<u>(526,175)</u>
Change in net assets	<u>(216,653)</u>	<u>(72,522)</u>	<u>(364,052)</u>	<u>(653,227)</u>
Net assets - Beginning of year, as restated	<u>216,653</u>	<u>352,851</u>	<u>498,890</u>	<u>1,068,394</u>
Net assets - End of year	\$ <u>      -</u>	\$ <u>280,329</u>	\$ <u>134,838</u>	\$ <u>415,167</u>

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CITY OF OTTUMWA, IOWA

Schedule 14

COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2004

	<u>Central Garage</u>	<u>Payroll Clearing</u>	<u>Equipment Purchasing</u>	<u>Employee Insurance</u>	<u>Total Nonmajor Internal Service Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>					
Cash received from operations	\$ -	\$ -	\$ -	\$ 1,420,026	\$ 1,420,026
Cash paid to employees	-	13,444	-	-	13,444
Cash paid to suppliers	-	-	21,199	(1,763,323)	(1,742,124)
Cash used in operations activities	-	13,444	21,199	(1,763,323)	(1,728,680)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	-	13,444	21,199	(343,297)	(308,654)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>					
Transfers from other funds	-	-	237,000	-	237,000
Transfers to other funds	(216,653)	-	(309,522)	-	(526,175)
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	(216,653)	-	(72,522)	-	(289,175)
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</u>					
Transfer of central garage net assets to road use tax fund	216,653	-	-	-	216,653
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>					
Interest income received	-	-	-	8,769	8,769
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	13,444	(51,323)	(334,528)	(372,407)
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of year as restated	-	106,317	394,649	587,659	1,088,625
<u>CASH AND CASH EQUIVALENTS</u> - End of year	\$ -	\$ 119,761	\$ 343,326	\$ 253,131	\$ 716,218
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>					
Operating loss	\$ -	\$ -	\$ -	\$ (372,821)	\$ (372,821)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:					
Changes in assets and liabilities:					
Decrease in receivables	-	102	-	-	102
Increase in accounts payable	-	13,342	21,199	29,524	64,065
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ -	\$ 13,444	\$ 21,199	\$ (343,297)	\$ (308,654)

## CITY OF OTTUMWA, IOWA

Schedule 15

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND OTHER NONFEDERAL AWARDS  
YEAR ENDED JUNE 30, 2004

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<u>Expenditures of Federal Awards</u>			
<u>Direct:</u>			
Department of Transportation:			
Airport Improvement Program	20 106	19007307	\$ 31,372
FAA Grant Parallel Taxiway	20 106	3-19007309-2002	699,572
FAA Grant Parallel Taxiway	20 106	3-19007310-2004	62,322
			<u>793,266</u>
Department of Justice:			
Local Law Enforcement Block Grants Program	16 592	Various	12,100
Department of Economic Development:			
Parking Ramp Grant	11 300	05-01-03554	666,307
Total Expenditures of Direct Federal Awards			<u>1,471,673</u>
<u>Indirect:</u>			
Department of Housing and Urban Development:			
Community Development Block Grants:			
First Time Home Buyers Grant	14 219	Various	262,623
Department of Transportation:			
Federal Transit Admin Nonurban Capital Assist	20 509	11-43-04	188,851
Federal Transit Admin Nonurban Capital Assist	20 509	11-12-15	245,185
			<u>434,036</u>
Federal Transit Admin Nonurban Operating	20 513	11-71-13	174,681
Federal Transit Admin Nonurban Operating	20 513	30-09-00	77,386
			<u>252,067</u>
TEA-21 Albia Road West	20 205	STP-U5825(624)-70-90	308,745
Transportation Federal Aid Enhancement Program	20 205	STP-A-34-7(55)-22-90	112,352
			<u>421,097</u>
Traffic Safety Grant	20 600	PAP-04-163	9,691
Traffic Safety Grant	20 600	PAP-04-04	16,426
Traffic Safety Grant	20 600	PAP-03-02	170
			<u>26,287</u>
Department of Justice:			
Drug Task Force	16 579	03A-0213	148,662
COPS OT Grant	16 710	2003OMWX0175	15,164
Department of Economic Development:			
Homeless Shelter Operations Grant	14 231	03-ES-002	35,968
Department of Health & Human Services:			
FEMA	83 554	EMW-2002-FG-05272	21,442
Lead Grant	93 003	5884L03	7,180
Total Expenditures of Indirect Federal Awards			<u>1,624,526</u>
Total Expenditures of Federal Awards			<u>\$ 3,096,199</u>

CITY OF OTTUMWA, IOWA

Schedule 15 (Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND OTHER NONFEDERAL AWARDS  
YEAR ENDED JUNE 30, 2004

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Other Expenditures</u>
<u>Expenditures of Other Nonfederal Awards:</u>			
Iowa Department of Transportation:			
Commercial Service Vertical Infrastructure Grant		CSV1-OTM(20)-91-90	\$ <u>45,576</u>
State Historical Society Grant		CLG 20-03.009	1,556
State Historical Society Grant		CLG 20-13	<u>9,756</u>
			<u>11,312</u>
Gavi Grant			<u>5,189</u>
Total Expenditures of Other Nonfederal Awards			\$ <u>62,077</u>

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

CITY OF OTTUMWA, IOWA

BOND/NOTE MATURITIES  
JUNE 30, 2004

General Obligation Bonds/Notes

Year Ending June 30,	<u>Essential Corporate Purpose Issued November 1, 1992</u>		<u>Refunding Issue B Issued February 1, 1994</u>		<u>2002 Series Issued December 1, 2002</u>		<u>2001 Series Issued November 1, 2001</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2005	5.60 %	\$ 85,000	4.60 %	\$ 235,000	2.00 %	\$ 1,050,000	3.40 %	\$ 60,000
2006	5.70	85,000	4.80	245,000	-	-	3.40	60,000
2007	5.80	95,000	4.90	250,000	-	-	3.60	65,000
2008	-	-	5.00	260,000	-	-	3.80	65,000
2009	-	-	5.10	275,000	-	-	4.00	70,000
2010	-	-	5.125	290,000	-	-	4.10	70,000
2011	-	-	5.125	310,000	-	-	4.20	75,000
2012	-	-	-	-	-	-	4.30	80,000
<b>Total</b>		<b>\$ <u>265,000</u></b>		<b>\$ <u>1,865,000</u></b>		<b>\$ <u>1,050,000</u></b>		<b>\$ <u>545,000</u></b>

General Obligation Bonds/Notes

Year Ending June 30,	<u>1999 Series Capital Loan Note Issued September 1, 1999</u>		<u>2002 Series Issued December 1, 2002</u>		<u>2001 Series Issued March 1, 2001</u>		<u>2001 Series Issued March 1, 2001</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2005	4.96 %	\$ 6,800	2.00 %	\$ 115,000	3.60 %	\$ 560,000	4.40 %	\$ 35,000
2006	-	-	2.40	120,000	-	-	4.40	40,000
2007	-	-	2.75	125,000	-	-	4.40	40,000
2008	-	-	3.05	130,000	-	-	4.40	45,000
2009	-	-	3.30	135,000	-	-	4.40	45,000
2010	-	-	3.50	115,000	-	-	4.40	50,000
2011	-	-	3.75	115,000	-	-	4.50	50,000
2012	-	-	3.85	120,000	-	-	4.60	55,000
2013	-	-	4.00	125,000	-	-	4.70	55,000
2014	-	-	-	-	-	-	4.75	60,000
2015	-	-	-	-	-	-	4.80	65,000
2016	-	-	-	-	-	-	4.90	65,000
<b>Total</b>		<b>\$ <u>6,800</u></b>		<b>\$ <u>1,100,000</u></b>		<b>\$ <u>560,000</u></b>		<b>\$ <u>605,000</u></b>

See Accompanying Independent Auditor's Report

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 General Obligation Bonds/Notes
 

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2002 Series Issued August 1, 2002		Series 2002 Issued August 1, 2002	
Interest Rates	Amount	Interest Rates	Amount
2.50 %	\$ 150,000	3.91 %	\$ 56,000
2.80	160,000	3.91	58,000
3.10	165,000	3.91	61,000
3.40	170,000	3.91	32,000
3.60	175,000		-
3.80	185,000		-
3.90	195,000		-
4.00	200,000		-
	<u>\$ 1,400,000</u>		<u>\$ 207,000</u>

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 General Obligation Bonds/Notes
 

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Army Reserve Building Issued March 1, 1996		Series 2003 Issued March 1, 2003		Total
Interest Rates	Amount	Interest Rates	Amount	
7.25 %	\$ 37,521	3.00 %	\$ 935,000	\$ 3,325,321
7.25	40,301	3.00	955,000	1,763,301
7.25	43,276	3.00	980,000	1,824,276
7.25	46,525	3.00	1,005,000	1,753,525
	-	3.35	1,035,000	1,735,000
	-	3.65	1,070,000	1,780,000
	-	3.90	1,105,000	1,850,000
	-	4.00	1,145,000	1,600,000
	-	4.125	1,190,000	1,370,000
	-	4.25	1,235,000	1,295,000
	-		-	65,000
	-		-	65,000
	<u>\$ 167,623</u>		<u>\$ 10,655,000</u>	<u>\$ 18,426,423</u>

Tab

**STATISTICAL SECTION - UNAUDITED**

CITY OF OTTUMWA, IOWA

GOVERNMENT-WIDE EXPENSES BY FUNCTION  
LAST TEN FISCAL YEARS - UNAUDITED

<u>Fiscal Year</u>	<u>Public Safety</u>	<u>Public Services</u>	<u>Culture and Recreation</u>		
2003 *	\$ 6,699,430	\$ 4,123,123	\$ 2,062,987		
2004	5,534,950	4,311,721	1,660,471		
	<u>Community Development</u>	<u>General Government</u>	<u>Interest on Long-Term Debt</u>		
2003 *	\$ 2,561,699	\$ 2,346,559	\$ 568,582		
2004	1,940,766	2,190,457	832,031		
	<u>Solid Waste</u>	<u>Sewer Utility</u>	<u>Ottumwa Transit</u>	<u>Golf Course</u>	<u>Total</u>
2003 *	\$ 1,737,438	\$ 3,400,967 **	\$ 674,118	\$ 438,497	\$ 24,613,400
2004	1,832,411	3,508,450 **	944,082	557,491	23,312,830

\* Fiscal year 2003 is the first year of government-wide statements.

\*\* Includes interest on sewer debt.

CITY OF OTTUMWA, IOWA

GOVERNMENT-WIDE REVENUES  
LAST TEN FISCAL YEARS - UNAUDITED

<u>Fiscal Year</u>	<u>Program Revenues</u>		
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
2003 *	\$ 9,893,766	\$ 4,014,227	\$ 1,274,248
2004	10,884,838	3,396,511	1,845,704

	<u>General Revenue</u>			
	<u>Taxes</u>	<u>Unrestricted Investment Income</u>	<u>Miscellaneous</u>	<u>Total</u>
2003 *	\$ 11,970,218	\$ 562,852	\$ 48,019	\$ 27,763,330
2004	12,174,972	270,890	141,041	28,713,956

\* Fiscal year 2003 is the first year of government-wide statements.

CITY OF OTTUMWA, IOWA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION AND  
TRANSFERS GENERAL, SPECIAL REVENUE AND DEBT SERVICE  
LAST TEN FISCAL YEARS  
UNAUDITED

<u>Fiscal Year</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Social Services</u>	<u>Culture and Recreation</u>	<u>Community and Economic Development</u>
2003 *	\$ 6,688,272	\$ 3,622,490	\$ 307,218	\$ 2,030,066	\$ 709,986
2004	4,895,854	4,683,139	309,280	2,007,471	804,829
	<u>General Government</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Transfers</u>	<u>Total</u>
2003 *	\$ 2,028,371	\$ 2,547,342	\$ 3,844,276	\$ 3,948,455	\$ 25,726,476
2004	2,081,107	3,400,528	2,039,830	5,794,107	26,016,145

\* Fiscal year 2003 is the first year for expenditure reporting by function

CITY OF OTTUMWA, IOWA

GENERAL REVENUES BY SOURCES AND TRANSFERS  
GENERAL, SPECIAL REVENUE AND DEBT SERVICE  
LAST TEN FISCAL YEARS  
UNAUDITED

<u>Years</u>	<u>Property Taxes*</u>	<u>Utility** Replacement Tax</u>	<u>Local Option** Sales Tax</u>	<u>Other City Taxes</u>	<u>Licenses and Permits</u>	<u>Inter Governmental Revenues</u>
1994-95	\$ 6,536,601	\$ -	\$ -	\$ 256,278	\$ 200,700	\$ 3,913,331
1995-96	6,801,955	-	-	276,406	195,055	3,462,299
1996-97	7,310,320	-	-	305,296	243,857	4,334,310
1997-98	7,454,215	-	-	309,568	217,805	3,334,080
1998-99	7,844,915	-	1,670,055	324,446	224,858	4,072,977
1999-2000	8,123,490	-	1,941,996	350,684	250,656	4,744,552
2000-01	7,631,333	417,131	2,087,011	424,900	219,632	3,632,107
2001-02	7,765,565	407,679	2,024,652	433,879	258,550	3,555,071
2002-03	8,489,261	473,392	2,255,062	457,955	351,326	3,588,777
2003-04	8,779,799	438,296	2,217,605	443,685	290,897	3,701,950

<u>Years</u>	<u>Charges for Service</u>	<u>Fines and Forfeitures</u>	<u>Use of Money and Property</u>	<u>Miscellaneous Revenues</u>	<u>Transfers</u>	<u>Total</u>
1994-95	\$ 975,785	\$ 45,874	\$ 482,010	\$ 181,524	\$ 1,979,674	\$ 14,571,777
1995-96	516,013	57,323	444,439	173,518	2,137,655	14,064,663
1996-97	931,618	90,943	476,994	176,532	2,046,595	15,916,465
1997-98	1,101,523	92,184	475,891	200,605	2,189,522	15,375,393
1998-99	1,023,985	104,229	506,497	485,856	2,676,375	18,934,193
1999-2000	1,040,457	95,011	584,228	366,814	3,074,904	20,572,792
2000-01	980,514	91,412	687,462	383,283	3,354,152	19,908,937
2001-02	1,259,125	105,959	584,603	217,095	3,231,286	19,843,464
2002-03	1,527,671	101,866	586,465	852,017	4,186,000	22,869,792
2003-04	3,195,987	121,586	606,397	310,833	4,587,522	24,694,557

\* Includes TIF taxes

\*\* Shown separately due to the size compared to other City taxes.

CITY OF OTTUMWA, IOWA

PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
UNAUDITED

<u>Collection Year</u>	<u>Total *</u> <u>Tax Levy</u>	<u>Total *</u> <u>Collection</u>	<u>Percentage of Levy Collected</u>
1994-95**	\$ 7,124,127	\$ 7,032,058	98.7 %
1995-96**	7,317,041	7,223,136	98.7
1996-97**	7,784,785	7,679,344	98.6
1997-98**	7,961,847	7,895,196	99.2
1998-99**	8,300,351	8,313,113	100.2
1999-2000	8,601,679	8,580,966	99.8
2000-01	8,472,776	8,497,100	100.3
2001-02***	8,666,561	8,623,560	99.5
2002-03***	9,170,034	9,298,092	101.4
2003-04***	9,532,395	9,498,223	99.6

\* Includes TIF taxes

\*\* The state reduced funding of the Homestead Credit which resulted in a \$126,000 reduction of property tax payments to the City

\*\*\* Includes Utility Replacement Taxes

CITY OF OTTUMWA, IOWA

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY\*  
LAST TEN FISCAL YEARS  
UNAUDITED

Collection Years	Real Property*		Personal Property (Taxed as Real Property)	
	Taxable Value	Assessed Value	Taxable Value	Assessed Value
1994-95	\$ 314,310,447	\$ 411,372,638	\$ 24,478,133	\$ 24,478,133
1995-96	309,107,192	408,349,695	22,918,382	22,918,382
1996-97	323,710,908	476,568,532	20,085,800	20,085,800
1997-98	325,156,105	476,920,606	19,831,800	19,831,800
1998-99	349,112,869	534,651,197	15,201,872	15,201,872
1999-2000	360,471,964	535,224,220	14,361,933	14,361,933
2000-01	359,012,877	543,093,199	9,721,204	9,721,204
2001-02	369,729,654	548,363,185	5,676,572	5,676,572
2002-03	364,785,704	580,755,659	1,915,937	1,915,537
2003-04	372,427,254	588,611,127	-	-

Collection Years	Utilities		Total*		Assessed to Actual Value
	Taxable Value	Assessed Value	Taxable Value	Assessed Value	
1994-95	\$ 25,885,660	\$ 25,885,660	\$ 364,674,240	\$ 461,736,431	79 %
1995-96	32,865,697	33,809,314	364,891,271	465,077,391	78
1996-97	31,171,600	31,213,500	374,968,308	527,867,832	71
1997-98	29,864,300	29,864,300	374,852,205	526,616,706	71
1998-99	33,045,667	33,074,571	397,360,408	582,927,640	68
1999-2000	33,306,137	33,306,137	408,140,034	582,892,290	70
2000-01	30,777,982	30,777,982	399,512,063	583,592,385	68
2001-02	30,861,780	30,861,780	406,268,006	584,901,537	69
2002-03	31,441,152	31,468,225	398,142,393	614,139,421	65
2003-04	32,585,914	32,585,914	405,013,168	621,197,041	65

\* Does not include captured TIF increment. Captured TIF increment for 2003-2004 amounted to \$24.0 million taxable (\$31.1 million assessed value).

CITY OF OTTUMWA, IOWA

PROPERTY TAX RATES AND TAX LEVIES  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS  
UNAUDITED

<u>Year</u>	<u>City</u>	<u>School District</u>	<u>Area XV Community College</u>	<u>County Consolidated</u>	<u>Total</u>
1994-95	\$ 19 18352	\$ 16 27729	\$ 0.75338	\$ 9 40741	\$ 45 62160
1995-96	19.28352	16.52828	0.74986	8.85870	45.42036
1996-97	19.27290	16.88139	0.73167	8.68686	45.57282
1997-98	19.28066	17.02411	0.74019	8.52252	45.56748
1998-99	18.85580	17.47806	0.73072	8.65040	45.71498
1999-2000	18.66962	16.48600	0.76536	8.75254	44.67352
2000-01	18.67328	17.00859	0.77172	7.73695	44.19054
2001-02	18.87238	17.19651	0.74871	7.69327	44.51087
2002-03	20.44100	17.59096	0.77319	8.07974	46.88489
2003-04	20.98486	17.56405	0.79136	8.24169	47.58196

Dollars per \$1,000 of assessed value.

State law limits maximum tax rate for the General Fund to \$8.10 per thousand dollars of assessed valuation.

Limitation does not include debt service and pension requirements.

Taxes due July 1.

Taxes delinquent first half - October 1; second half - April 1

Penalties for delinquency: 1.5% per month.

Discount allowed: None.

Uncollected taxes handled as follows: Delinquent real estate tax list published in newspaper prior to May 16.

Tax sale date: First Monday in June.

Taxes collected by Wapello County and distributed to the City of Ottumwa in the proportion of its levy to all levies.

CITY OF OTTUMWA, IOWA

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE  
AND NET BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS  
UNAUDITED

<u>Levy Year</u>	<u>Population</u>	<u>Actual Value</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Actual Value</u>	<u>Net Bonded Debt Per Capita</u>
1994-95	24,488	\$ 461,736,431	\$ 8,840,000	\$ 27,135	\$ 8,812,865	.0191 to 1	\$ 359.89
1995-96	24,488	465,077,391	7,475,000	44,640	7,430,360	.0160 to 1	303.43
1996-97	24,488	527,867,832	9,275,000	112,931	9,162,069	.0174 to 1	374.15
1997-98	24,488	526,616,706	8,260,000	134,917	8,125,083	.0154 to 1	331.80
1998-99	24,488	582,927,640	9,185,000	142,208	9,042,792	.0155 to 1	369.27
1999-2000	24,488	582,892,290	7,349,600	145,182	7,204,418	.0124 to 1	294.20
2000-01	24,998	583,592,385	9,024,549	148,407	8,876,142	.0152 to 1	355.07
2001-02	24,998	612,833,828	7,641,031	157,431	7,483,600	.0122 to 1	299.37
2002-03	24,998	646,152,295	21,002,274	97,737	20,904,537	.0324 to 1	836.25
2003-04	24,998	652,299,634	18,426,415	81,708	18,344,707	.0281 to 1	733.85

CITY OF OTTUMWA, IOWA

COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
END OF YEAR  
UNAUDITED

<u>Name of</u> <u>Governmental Unit</u>	<u>Net Debt</u> <u>Outstanding</u>	<u>Percentage</u> <u>Applicable to</u> <u>Governmental</u> <u>Unit</u>	<u>City of Ottumwa</u> <u>Share of Debt</u>
City of Ottumwa	\$ <u>18,426,415</u>	100 00 %	\$ <u>18,426,415</u>
Ottumwa Community Schools	7,625,000	77 60	5,917,000
Area XV Community College*	-	10 45	-
Wapello County	<u>674,000</u>	52 94	<u>356,816</u>
Total overlapping debt	<u>8,299,000</u>		<u>6,273,816</u>
 Total direct and overlapping debt	 \$ <u>26,725,415</u>		 \$ <u>24,700,231</u>

\* Does not include \$10,390,000 of Jobs Training Program Bonds being repaid from Tax Increment Financing (TIF) revenues, or \$4,080,000 of Dormitory Revenue Bonds.

CITY OF OTTUMWA, IOWA

COMPUTATION OF LEGAL DEBT MARGIN  
END OF YEAR  
UNAUDITED

2003-2004 Actual Value:

Real estate	\$ 619,713,720 *
Utilities	<u>32,585,914</u>
Total	\$ <u>652,299,634</u>

Debt limit - 5% of actual valuation \$ 32,614,982

Amount of Debt Applicable to Debt Limit:

General bonded debt	\$ 18,426,415
Less balance in Debt Service Fund	<u>81,708</u>
Net bonded debt	<u>18,344,707</u>
Legal debt margin	\$ <u>14,270,275</u>

\* Includes captured TIF increment of \$31,102,593

CITY OF OTTUMWA, IOWA

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR  
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES AND TRANSFERS  
LAST TEN FISCAL YEARS  
UNAUDITED

<u>Year</u>	<u>Principal</u>	<u>Interest and Administration</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Ratio of Debt Services to General Expenditures</u>
1994-95	\$ 1,200,000	\$ 570,102	\$ 1,770,102	\$ 14,310,008	12.4 %
1995-96	1,365,000	531,681	1,896,681	14,810,961	12.8
1996-97	1,270,000	457,428	1,727,428	16,189,036	10.7
1997-98	1,220,000	567,445	1,787,445	15,260,171	11.7
1998-99	1,790,000	489,127	2,279,127	19,496,435	11.7
1999-2000	1,970,400	497,027	2,467,427	20,510,262	12.0
2000-01	2,278,734	367,137	2,645,871	20,109,170	13.2
2001-02	1,993,518	442,564	2,436,082	19,332,756	12.6
2002-03	2,168,749	363,486	2,532,235	25,726,476	9.8
2003-04	2,460,859	941,752	3,402,611	24,862,338	13.7

CITY OF OTTUMWA, IOWA

CONSTRUCTION, BANK DEPOSITS AND PROPERTY VALUE  
LAST TEN FISCAL YEARS  
UNAUDITED

Year Ending June 30,	City Building Permits Issued					
	New Residential		Commerical/Industrial		Total <sup>(1)</sup>	
	Number	Value	Number	Value	Number	Value
1995	321	\$ 5,203,920	20	\$ 8,328,082	341	\$ 13,532,002
1996	210	3,841,843	54	8,888,846	264	12,730,689
1997	254	4,561,005	38	8,965,391	292	13,526,396
1998	237	3,638,745	16	12,265,560	253	15,904,305
1999	226	2,989,278	62	9,261,502	288	12,250,780
2000	245	3,368,328	61	16,435,397	306	19,803,725
2001	230	3,159,581	60	9,681,976	290	12,841,557
2002	213	4,070,380	64	16,645,590	277	20,715,970
2003	239	4,316,376	69	23,243,099	308	27,559,475
2004	232	7,185,003	59	4,893,939	291	12,078,942

Year Ending June 30,	Bank Deposits <sup>(2)</sup>	Property Value*		
		Residential	Other	Total
1995	\$ 338,446,000	\$ 288,393,418	\$ 173,343,013	\$ 461,736,431
1996	342,386,000	290,403,703	174,673,688	465,077,391
1997	350,511,000	357,301,500	170,566,332	527,867,832
1998	347,348,000	357,210,500	169,406,206	526,616,706
1999	357,771,000	394,609,700	188,317,940	582,927,640
2000	360,155,000	392,230,051	190,662,239	582,892,290
2001	386,971,000	396,735,367	186,857,018	583,592,385
2002	381,194,000	399,832,820	185,068,717	584,901,537
2003	384,200,000	433,766,367	180,373,054	614,139,421
2004	437,518,000	435,800,256	185,396,785	621,197,041

<sup>(1)</sup> Includes new construction and remodeling.

<sup>(2)</sup> Combined deposits in US Bank/Ottumwa, Wells Fargo/Ottumwa, Hedrick Savings Bank/Ottumwa and South Ottumwa Savings Bank/Ottumwa.

\* Does not include captured TIF increment.

CITY OF OTTUMWA, IOWA

PRINCIPAL TAXPAYERS  
UNAUDITED

<u>Taxpayer</u>	<u>Type of Business</u>	<u>January 1, 2002 Taxable Value</u>	<u>Percentage of Total Taxable Value</u>
IES Electric	Electric Utility	\$ 18,425,560	4.30 %
Excel Corporation	Meat Packing Company	14,508,607	3.38
Developers Diversified Realty	Real Estate Development	12,082,730	2.82
Regional Retirement Center	Retirement Home	7,678,049	1.79
John Deere Ottumwa Works	Manufacturing	7,485,652	1.74
Mid American Energy	Gas and Electric Utility	6,816,177	1.59
Quest	Telephone Utility	5,812,098	1.35
Ottumwa Medical Clinic	Medical Clinic	5,505,783	1.28
Millard Refrigeration	Refrigerated Trucking	3,987,000	0.93
Dayton Hudson Corp.	Real Estate Development	3,503,795	0.82
Total		\$ <u>85,805,451</u>	
Ten largest taxpayers as percent of City's taxable valuation (\$429.0 Million)			<u>20.00 %</u>

Source: Wapello County Auditors Office

CITY OF OTTUMWA, IOWA

SCHEDULE OF INSURANCE IN FORCE  
JUNE 30, 2004  
UNAUDITED

<u>Type of Coverage and Name of Company</u>	<u>Policy Number</u>	<u>Policy Period</u>		<u>Details of Coverage</u>	<u>Co- Ins.</u>	<u>Liability Limits</u>	<u>Annual Premium</u>
		<u>From</u>	<u>To</u>				
Comprehensive General Liability - Iowa Community Assurance Pool	IP041931413 000014	03/15/04	03/15/05	Bodily and Personal Injury and Property Damage - \$2,500 Deductible		\$2,000,000	\$99,559
Skateboard Park - ICAP	IP041931413 000014	03/15/04	03/15/05	Bodily and Personal Injury and Property Damage - \$2,500 Deductible		\$2,000,000	Included Above
Auto Liability - ICAP	IP035931413 00014	03/15/04	03/15/05	Bodily Injury and Property Damage \$2,500 Deductible		\$2,000,000	\$61,486
Auto Physical Damage - ICAP	IP015911413 000014	03/15/04	03/15/05	Actual Cash Value of Physical Damage Including Comprehensive and Collision - \$5,000 Deductible			\$27,434
Public Officials Liability- ICAP	IP039931413 000014	03/15/04	03/15/05	Errors and Omissions - \$10,000 Deductible		\$200,000 Each Claim and Aggregate	\$13,362
Blanket Building and Property - ICAP	IP026931413 000014	03/15/04	03/15/05	Blanket Building and Personal Property - \$2,500 Deductible	90%	Replace- ment Cost	\$85,563
Public Employees Blanket Bond - Allied Mutual	BD7900570183	01/15/04	01/15/05	Blanket and Position Honesty and Performance		\$100,000	\$2,068
Law Enforcement Professional Liability - ICAP	IP040931413 00014	03/15/04	03/15/05	Police Professional - \$3,000 Deductible		\$2,000,000	\$24,572
Boiler - ICAP	MN834118003	03/15/04	03/15/05	Boilers - \$2,500 Deductible		Repair or Replacement	\$4,324
Computer Policy - ICAP	IPO26931413- 000014	03/15/04	03/15/05	Computers, Electronic Equipment - \$250 Deductible			Included Above
Mobile Property - ICAP	CP078953886- 01	03/15/04	03/15/05	ACV - \$100 Deductible			Included Above
Crime Coverage - ICAP	CP078953886- 01	03/15/04	03/15/05	Scheduled - \$1,000 Deductible		\$100,000	Included Above

CITY OF OTTUMWA, IOWA

SCHEDULE OF INSURANCE IN FORCE

JUNE 30, 2004

UNAUDITED

<u>Type of Coverage and Name of Company</u>	<u>Policy Number</u>	<u>Policy Period</u> <u>From</u> <u>To</u>		<u>Details of Coverage</u>	<u>Co- Ins.</u>	<u>Liability Limits</u>	<u>Annual Premium</u>
Treasurers Bond - American States	EX834895	09/04/04	09/04/05	Bond - Director of Finance - \$100,000			\$375
Control room - WPCF Flood - Auto Owners	4-0013-3459-0	06/01/04	06/01/05	\$500 Deductible		\$45,000	\$270
Dram Ins. - Golf - ICAP	0014	03/15/04	03/14/05			\$2,000,000	Included Above
<b>AIRPORT</b>							
Old Republic	GL60907	03/29/04	03/29/05	Commercial General Liability		\$5,000,000 Aggregate	\$4,070
<b>OTTUMWA PUBLIC LIBRARY</b>							
General Liability - ICAP	496	12/15/03	12/15/04	Bodily and Personal Injury and Property Damages		\$1,000,000	\$789
Blanket Building and Property - ICAP	496	12/15/03	12/15/04	Blanket Building and Property \$750 Deductible		Replacement Cost	\$2,259
Boiler - ICAP	496	12/15/03	12/15/04	Boilers		Repair or Replacement	\$510
<b>OTTUMWA TRANSIT AUTHORITY</b>							
Physical Damage - ICAP	IP015911413 000014	03/15/04	03/15/05	Transit - \$5,000 Deductible			Included Above
Liability - ICAP	IP015911413 000014	03/15/04	03/15/05	Transit - \$2,500 Deductible		\$2,000,000	Included Above
Uninsured Motorist - ICAP	IP015911413 000014	03/15/04	03/15/05	Transit - Bodily Injury - \$2,500 Deductible		\$2,000,000	Included Above
<b>SOLID WASTE COMMISSION</b>							
General Liability - ICAP	IP041931480 000118	03/19/04	03/19/05	\$2,500 Deductible		\$2,000,000	\$12,236
Public Officials - ICAP	IP039931480 000118	03/19/04	03/19/05	\$2,500 Deductible		\$2,000,000	Included Above
<b>SOUTHEAST IOWA RESPONSE GROUP</b>							
General Liability - ICAP	IP041921440 000114	12/31/03	12/31/04	Deductible NIL		\$5,000,000	\$4,453
Public Officials - ICAP	IP041921440 000114	12/31/03	12/31/04				\$1,670

CITY OF OTTUMWA, IOWA

SCHEDULE OF INSURANCE IN FORCE

JUNE 30, 2004

UNAUDITED

<u>Type of Coverage and Name of Company</u>	<u>Policy Number</u>	<u>Policy Period</u>		<u>Details of Coverage</u>	<u>Co- Ins.</u>	<u>Liability Limits</u>	<u>Annual Premium</u>
		<u>From</u>	<u>To</u>				
Auto Liability - ICAP	IP035921440 000114	12/31/03	12/31/04	Deductible NIL		\$5,000,000	\$983
Property - ICAP	IP015921440 000114	12/31/03	12/31/04	Actual Cash Value			\$1,536
Auto Physical Damage - ICAP	IP015921440 000114	12/31/03	12/31/04	\$500 Deductible			\$1,453
<b>10-15 TRANSIT</b>							
General Liability - ICAP	IP015931499 000147	09/30/04	09/30/05	\$2,500 Deductible		\$1,000,000	\$2,974
Auto Liability - ICAP	IP015931499 000147	09/30/04	09/30/05	Deductible NIL		\$1,000,000	\$37,975
Official's Liability - ICAP	IP015931499 000147	09/30/04	09/30/05	\$1,000 Deductible		\$1,000,000	\$573
Auto Physical Damage - ICAP	IP015931499 000147	09/30/04	09/30/05	Actual Value of Comprehensive and Collision - \$5,000 Deductible			\$579
Blanket Building and Property - ICAP	IP015931499 000147	09/30/04	09/30/05	Replacement Value \$250 Deductible			\$293

CITY OF OTTUMWA, IOWA  
MISCELLANEOUS STATISTICAL DATA  
UNAUDITED

<u>Date of Incorporation</u>	1851
<u>Form of Government</u>	Mayor - Council
<u>Area (square miles)</u>	16.374
<u>Number of Street Lights</u>	2,463
<u>Fire Protection:</u>	
Number of stations	2
Number of employees	33
<u>Police Protection:</u>	
Number of stations	1
Number of employees/officers	36
<u>Recreation:</u>	
Number of park areas	17
Number of acres	715.6
Number of playgrounds	14
Number of public golf courses	1
Number of water recreation parks (year-round indoor facility with two pools, outdoor wave pool, kiddie pool and play area and two water slides)	1
Number of tennis courts	17
Number of softball diamonds	8
Number of baseball diamonds	16
<u>Cemeteries:</u>	
Number of facilities	6
Number of acres	88
<u>Library:</u>	
Number of items in collection	64,262
<u>Number of City Employees (FTE's)</u>	244
<u>Elections:</u>	
Last general election	November 5, 2002
Registered voters	17,461
Number of votes cast	10,348
Percentage voting	59%
Last municipal election	November 4, 2003
Registered voters	16,371
Number of votes cast	5,370
Percentage voting	33%

CITY OF OTTUMWA, IOWA  
MISCELLANEOUS STATISTICAL DATA  
UNAUDITED

Population:

1910	22,012
1920	23,003
1930	28,075
1940	31,570
1950	33,631
1960	33,871
1970	30,213 *
1980	27,381
1990	24,488
2000	24,998

\* Annexation increased official census 603

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COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING

Honorable Mayor and Members  
of the City Council  
Ottumwa, Iowa

We have audited the financial statements of the government activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ottumwa, Iowa as of and for the year ended June 30, 2004, which collectively comprise the City of Ottumwa, Iowa's basic financial statements and have issued our report thereon dated September 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Ottumwa, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 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. Prior year statutory comments have all been resolved.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Ottumwa, Iowa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 Ottumwa, Iowa and other parties to whom the City of Ottumwa, Iowa may report. 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 Ottumwa, Iowa 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.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
September 10, 2004

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE

Honorable Mayor and Members  
of the City Council  
Ottumwa, Iowa

Compliance

We have audited the compliance of the City of Ottumwa, Iowa with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. The City of Ottumwa, Iowa'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 grants applicable to each of its major federal programs is the responsibility of the City of Ottumwa, Iowa's management. Our responsibility is to express an opinion on the City of Ottumwa, Iowa's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, 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 provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 Ottumwa, Iowa'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 Ottumwa, Iowa's compliance with those requirements.

In our opinion, the City of Ottumwa, Iowa complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control over Compliance

The management of the City of Ottumwa, Iowa 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 Ottumwa, Iowa'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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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 Ottumwa, Iowa and other parties to whom the City of Ottumwa, Iowa 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.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
September 10, 2004

CITY OF OTTUMWA, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2004

Part I: Summary of the Independent Auditor's Results

- a. Unqualified opinions were issued on the financial statements.
- b. No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- c. The audit did not disclose any noncompliance which is material to the financial statements.
- d. No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements.
- e. An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f. The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- g. Major programs were as follows:

CFDA Number

11.300	Parking Ramp Grant
20.106	Airport Improvement Program
20.205	Transportation Federal Aid Enhancement Program
20.509	Formula Grants for Other Than Urbanized Areas

- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. City of Ottumwa, Iowa qualifies as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

REPORTABLE CONDITIONS

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE

No matters were noted.

REPORTABLE CONDITIONS

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

CITY OF OTTUMWA, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2004

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-04 Official Depositories - A resolution naming official depositories has been approved by the City Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- IV-B-04 Certified Budget - Disbursements during the year ended June 30, 2004, did not exceed the amounts budgeted.
- IV-C-04 Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-D-04 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- IV-E-04 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>
Mike O'Hara, Cemetery Trustee O'Hara Hardware	Supplies	\$ 1,799
Dale Person, Inspection Board of Review, Hindman/Person Heating & Air Conditioning	Repairs	\$ 1,542
Patty Henderson, Library Board of Trustees Henderson's Body Shop	Repairs	\$ 5,503
Mark Lancaster, Airport Advisory Board Lancaster Oil Company	Fuel and Supplies	\$ 48,855

Cities can conduct up to \$1,500 of business with City officials during the year without it being considered a conflict of interest. Transactions exceeding that amount may represent conflicts of interest. The transactions with Lancaster Oil Company do not appear to represent a conflict of interest because they were entered into through competitive bidding.

- IV-F-04 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that coverage is adequate for current operations.
- IV-G-04 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-H-04 Deposits and Investments - Except as follows, 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.

Annuities - Investments in annuities were made during the year ended June 30, 2004. The City's deposit and investment policy does not specifically allow investments of this type.

Recommendation - The City's deposit and investment policy should be updated to include provisions for investing in annuities.

CITY OF OTTUMWA, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2004

Part IV: Other Findings Related to Required Statutory Reporting: (Continued)

Response – We will update our deposit and investment policy.

Conclusion – Response accepted

IV-I-04 Revenue Notes - The City complied with the covenant provisions of the Sewer Revenue Capital Loan Note.