

ANNUAL FINANCIAL REPORT
OF THE
CITY OF OTTUMWA, IOWA

FOR THE
FISCAL YEAR ENDED
JUNE 30, 2005

DEPARTMENT OF FINANCE

MICHAEL P. HEFFERNAN
DIRECTOR OF FINANCE

INTRODUCTORY SECTION

Anderson, Larkin & Co. P.C.

CITY OF OTTUMWA, IOWA

TABLE OF CONTENTS

JUNE 30, 2005

	<u>Page</u>
<u>Introductory Section</u>	
Table of Contents	I-III
Names of Principal Officials	IV
Organization Chart	V
Letter of Transmittal	VI-XII
Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting	XIII
<u>Financial Section</u>	
<u>Independent Auditor's Report</u>	1-2
<u>Management's Discussion and Analysis</u>	3-8
<u>Basic Financial Statements</u>	
	<u>Exhibit</u>
Government-Wide Financial Statements:	
Statement of Net Assets	1 9
Statement of Activities	2 10-11
Governmental Fund Financial Statements:	
Balance Sheet	3 12-13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	4 14
Statement of Revenues, Expenditures and Changes in Fund Balances	5 15-16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	6 17
Proprietary Fund Financial Statements:	
Statement of Net Assets	7 18
Reconciliation of the Statement of Net Assets – Proprietary Funds to the Statement of Net Assets	8 19
Statement of Revenues, Expenses and Changes in Fund Net Assets	9 20
Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds to the Statement of Activities	10 21
Statement of Cash Flows	11 22-23
Notes to Financial Statements	24-47
<u>Required Supplementary Information</u>	
Budgetary Comparison Schedule of Revenues, Expenses and Changes in Fund Balances – Budget and Actual – Governmental and Proprietary Funds	48-49
Notes to Required Supplementary Information – Budgetary Reporting	50
<u>Other Supplementary Information</u>	
	<u>Schedule</u>
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 51
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2 52

CITY OF OTTUMWA, IOWA

TABLE OF CONTENTS

JUNE 30, 2005

Page

Financial Section (Continued)

Combining and Individual Fund Statements and Schedules (Continued)

Nonmajor Special Revenue Funds:

Combining Balance Sheet 3 53-54

Combining Statement of Revenues, Expenditures and Changes in Fund Balances 4 55-56

Nonmajor Capital Projects Funds:

Combining Balance Sheet 5 57-58

Combining Statement of Revenues, Expenditures and Changes in Fund Balances 6 59-60

Nonmajor Permanent Funds:

Combining Balance Sheet 7 61

Combining Statement of Revenues, Expenditures and Changes in Fund Balances 8 62

Nonmajor Proprietary Funds:

Combining Statement of Net Assets 9 63

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets 10 64

Combining Statement of Cash Flows 11 65

Internal Service Funds:

Combining Balance Sheet 12 66

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets 13 67

Combining Statement of Cash Flows 14 68

Schedule of Expenditures of Federal Awards 15 69-70

Bond/Note Maturities 16 71-72

Statistical Section – Unaudited

Government-Wide Expenses by Function – Last Ten Fiscal Years - Unaudited 73

Government-Wide Revenues – Last Ten Fiscal Years - Unaudited 74

General Governmental Expenditures by Function and Transfers - General, Special Revenue and Debt Service - Last Ten Fiscal Years - Unaudited 75

General Revenues by Sources and Transfers - General, Special Revenue and Debt Service - Last Ten Fiscal Years - Unaudited 76

Property Tax Levies and Collections - Last Ten Fiscal Years - Unaudited 77

Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years - Unaudited 78

Property Tax Rates and Tax Levies, Direct and Overlapping Governments - Last Ten Fiscal Years - Unaudited 79

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita - Last Ten Fiscal Years - Unaudited 80

CITY OF OTTUMWA, IOWA

TABLE OF CONTENTS
JUNE 30, 2005

	<u>Page</u>
<u>Statistical Section - Unaudited (Continued)</u>	
Computation of Direct and Overlapping Debt - End of Year - Unaudited	81
Computation of Legal Debt Margin - End of Year - Unaudited	82
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures and Transfers - Last Ten Fiscal Years - Unaudited	83
Construction, Bank Deposits and Property Value - Last Ten Fiscal Years - Unaudited	84
Principal Taxpayers - Unaudited	85
Schedule of Insurance in Force - Unaudited	86-88
Miscellaneous Statistical Data - Unaudited	89-90
<u>Compliance Section</u>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	91-92
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance	93-94
Schedule of Findings and Questioned Costs	95-97

Anderson, Larkin & Co. P.C.

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 3, 2006
January 3, 2006
January 3, 2006

CITY CLERK

Ann Cullinan

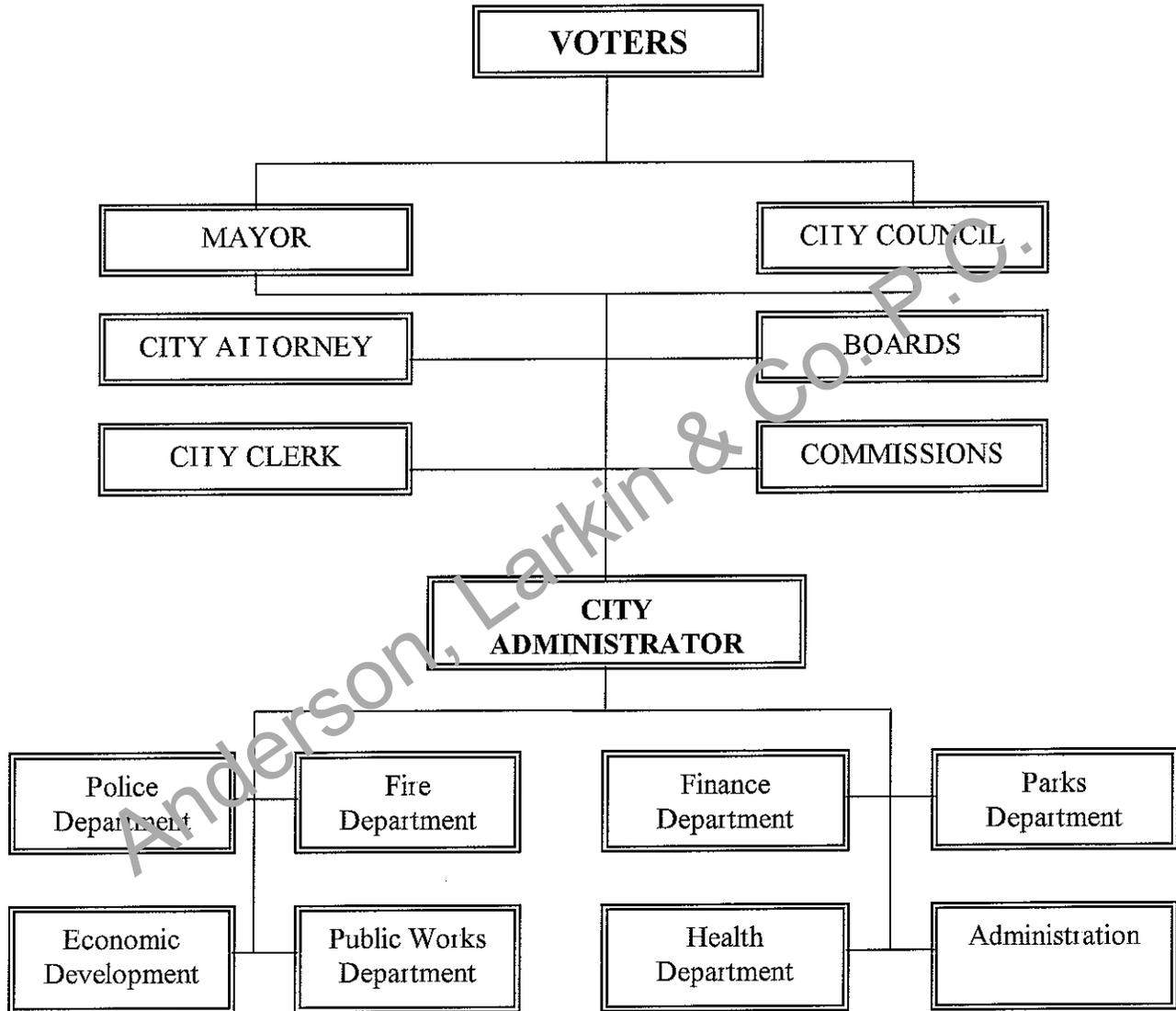
CITY ADMINISTRATOR

Steve Rasmussen

CITY ATTORNEY

Tom Kintigh

CITY OF OTTUMWA



September 2, 2005

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, 2005, 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, 2005, the City earned \$601,641* for all investments; an increase of \$36,622 from the prior year. The following table shows how this was allocated by Fund type for the fiscal year 2005:

<u>Fund Type</u>	<u>Amount</u>
General	\$ 103,147
Special Revenue	70,281
Capital Projects	268,133
Business-Type Activities	<u>160,080</u>
Total	<u>\$ 601,641</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 (excluding permanent funds) for the year:

#	Fund	Fund Balance July 1, 2004	Revenues*	Expenditures*	Fund Balance June 30, 2005
1	General	\$ 1,355,858	\$ 9,953,724	\$ 9,810,175	\$ 1,499,407
131	Airport	80,224	420,320	349,970	150,574
133	Library	140,897	554,148	491,354	203,691
135	Cemetery	66,653	333,539	336,995	63,197
110	Road Use Tax	747,391	3,325,194	3,523,634	548,951
121	Sales Tax	438,796	2,459,514	1,915,604	982,706
125	TIF	1,481,715	1,357,417	1,973,222	865,910
112	Employee Benefits	478,392	3,209,536	3,031,266	656,662
Var.	Other Special Revenue	1,031,242	2,604,148	2,211,712	1,423,678
313	Events Center	10,175,621	1,680,811	2,127,411	9,729,021
Var.	Other Capital Projects	1,463,644	2,948,382	2,075,705	2,336,321
200	Debt Service	81,708	4,010,462	3,889,074	203,096
	Totals	\$ <u>17,542,141</u>	\$ <u>32,857,195</u>	\$ <u>31,736,122</u>	\$ <u>18,663,214</u>

*Revenues and Expenditures include Other Financing Sources and Uses

The June 30, 2005 fund balances of \$18,663,214 include reserved amounts totaling \$16,272,404; \$151,787 is reserved for prepaid insurance; \$60,485 is reserved in the Cemetery for capital replacement, \$865,910 in the TIF fund is reserved for TIF improvements, \$982,706 in the sales tax fund is reserved for street and sewer repairs, \$548,180 is reserved for bond projects, \$12,020,342 in capital projects is reserved for construction, \$161,555 is reserved for insurance, \$656,662 is reserved for employee benefits, \$305,773 is reserved for retiree benefits; \$160,908 is reserved for endowments, \$203,096 is reserved for Debt Service and \$155,000 is reserved for interfund loans. Unreserved fund balances in these governmental funds totaled \$2,390,810 a decrease of \$17,308 or .7%.

The fund balances in the TIF and Event Center fund decreased due to spending down prior year's bond proceeds on construction projects. Other special revenue and other capital projects fund balances increased due to unexpended bond proceeds.

GOVERNMENTAL FUNDS - REVENUES BY SOURCE*

Revenue Category	Amount		Change from Prior Year	
	Fiscal Year 2005	Fiscal Year 2004	Amount	Percent
Property Taxes	\$ 8,733,713	\$ 7,763,239	\$ 970,474	12.5 %
TIF Revenues	1,001,705	1,016,560	(14,855)	(1.5)
Other City Taxes	3,266,126	3,099,586	166,540	5.4
Licenses and Permits	333,857	290,897	42,960	14.8
Intergovernmental	5,739,123	4,801,027	938,096	19.5
Charges for Services	3,634,744	3,448,546	186,198	5.4
Fines and Penalties	124,562	121,586	2,976	2.4
Money and Property	901,065	875,883	25,182	2.9
Bond Proceeds	2,335,000	-	2,335,000	100.0
Other Revenue	798,003	397,654	400,349	100.7
Totals	\$ <u>26,867,898</u>	\$ <u>21,814,978</u>	\$ <u>5,052,920</u>	<u>23.2</u> %

* Revenues Do Not Include Interfund Transfers and Permanent Funds are Excluded

Property taxes increased due to an increase in the property tax levy of \$.45 per \$1,000 taxable valuation (primarily for employee benefits) combined with 8.9% increase in taxable valuation.

Other City taxes increased due to higher local option sales tax of \$141,909.

Intergovernmental increased due to \$1,136,765 of Vision Iowa funds received for the Event Center.

Bond proceeds of \$2,335,000 are primarily for our bi-annual capital improvements program

Other revenue includes \$315,768 in donations from Bridge View Center, Inc. for the Event Center project.

GOVERNMENTAL FUNDS – EXPENDITURES BY FUNCTION*

<u>Function</u>	<u>Fiscal Year</u> <u>2005</u>	<u>Fiscal Year</u> <u>2004</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent of Total</u>
Public Safety	\$ 5,804,746	\$ 4,936,517	\$ 868,229	17.6 %
Public Works	4,843,503	4,687,689	155,814	3.3
Health and Social Services	380,350	309,280	71,070	22.9
Culture and Recreation	2,039,435	2,086,871	(47,436)	(2.3)
Community/Economic Development	533,369	804,823	(271,460)	(33.7)
General Government	2,442,322	2,085,900	357,132	17.1
Capital Projects	5,648,718	5,117,121	531,597	10.4
Debt Service	<u>3,871,559</u>	<u>3,390,528</u>	<u>473,031</u>	<u>13.9</u>
Totals	\$ <u>25,564,002</u>	\$ <u>23,426,025</u>	\$ <u>2,137,977</u>	<u>9.1 %</u>

*Expenditures Do Not Include Interfund Transfers and Permanent Funds are Excluded

Public Safety expenditures increased primarily due to purchasing a fire truck - \$344,283; higher pension costs - \$187,229 and health insurance costs - \$154,000 for police officers and firefighters.

Community/Economic Development expenditures decreased due to lower activity in Block Grant funds and a vacancy in the Planning and Development department.

General Government increased primarily due to an increase in retiree insurance costs of \$315,284.

DEBT ADMINISTRATION

The ratio of net General Obligation debt to 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 2005 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>17,332,972</u>	<u>2.4%</u>	\$ <u>693.37</u>

The City has a legal debt limit of 5% of actual value of \$719,008,888. The net debt of \$17,332,972 leaves a legal debt margin of \$18,617,472.

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

Total General Obligation Bonds outstanding at June 30, 2005, were \$17,536,068.

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, 2005 was \$9,223,000. 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 coverage and deductibles are 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, Before Depreciation)</u>		<u>Change</u>
	<u>Fiscal Year 2005</u>	<u>Fiscal Year 2004</u>	
Solid Waste	\$ 123,916	\$ 540,575	\$ (411,659)
Sewer Utility	785,121	1,115,517	(330,396)
Golf Course	62,961	33,832	29,129
Ottumwa Transit	(883,554)	(745,396)	(138,158)
Totals	\$ <u>93,444</u>	\$ <u>944,528</u>	\$ <u>(851,084)</u>

Solid Waste operating revenues decreased \$350,414 due primarily to lower tonnage of waste received at the landfill.

Sewer utility operating revenues decreased \$144,939, while operating costs continued to increase. The City Council adopted a new user charge ordinance that should increase sewer fees approximately 10%.

OUTLOOK FOR 2005-2006

The City's taxable valuation for the 2005/2006 fiscal year increased 3.3%. Local Option Sales Tax revenue is increasing due partly to the completion of a Wal-Mart Super Center containing approximately 203,600 square feet and a new Menards Home Improvement Center 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 has been constructed in the 80-acre subdivision and more development will occur in the remaining out-lots. A new 8 Cinema Theatre has been constructed in a new six-lot subdivision containing ten acres located north of US Highway 34 and east of Quincy Avenue. 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 2007 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. Construction began in the summer of 2005 with an expected completion date of January 2007.

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, 2004. 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 eleven consecutive years (fiscal years ended 1994 through 2004). 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

Anderson, Larkin & Co. P.C.

FINANCIAL SECTION

Anderson, Larkin & Co. P.C.

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, 2005, 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 financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ottumwa, Iowa as of June 30, 2005, 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 2, 2005 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 8 and 48 through 50, 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 conducted 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, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 16, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO P.C

Ottumwa, Iowa
September 2, 2005

Anderson, Larkin & Co. P.C.

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, 2005. 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, 2005, by \$41.7 million (net assets). Of this amount, \$9.5 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 \$7.2 million.
- At the close of the current fiscal year, the City of Ottumwa's governmental funds reported combined ending fund balances of \$19.3 million, an increase of \$1.1 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 14.5 percent of the total general fund expenditures.
- Total general obligation debt decreased by \$0.9 million (4.8 percent) during the current fiscal year. The City issued \$2.4 million new bonds and retired \$3.3 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 through 11 of this report.

Statement of Net Assets for the Fiscal Year Ended June 30, 2005.

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, 2005 and 2004 follows:

	Net Assets at Year-end (in thousands)			June 30, 2004 Total Government
	June 30, 2005 Governmental Activities	June 30, 2005 Business-type Activities	June 30, 2005 Total Government	
Cash and investments	\$ 19,797.4	\$ 4,318.0	\$ 24,115.4	\$ 24,257.6
Other assets	12,992.1	912.8	13,904.9	13,152.5
Capital assets	<u>24,491.1</u>	<u>20,802.8</u>	<u>45,293.9</u>	<u>40,297.2</u>
Total assets	<u>57,280.6</u>	<u>26,033.6</u>	<u>83,314.2</u>	<u>77,707.3</u>
Other liabilities	12,662.2	944.4	13,606.6	13,464.6
Noncurrent liabilities	<u>16,690.1</u>	<u>11,352.3</u>	<u>28,042.4</u>	<u>29,746.3</u>
Total liabilities	<u>29,352.3</u>	<u>12,296.7</u>	<u>41,649.0</u>	<u>43,210.9</u>
Net assets:				
Invested in capital assets, net of related debt	19,610.0	10,829.8	30,439.8	23,309.1
Restricted	203.1	1,544.2	1,747.3	1,681.7
Unrestricted	<u>8,115.2</u>	<u>1,362.9</u>	<u>9,478.1</u>	<u>9,505.6</u>
Total net assets	\$ <u>27,928.3</u>	\$ <u>13,736.9</u>	\$ <u>41,665.2</u>	\$ <u>34,496.4</u>

Governmental Activities

Net assets increased in part due to capital assets increasing \$5.3 million for fiscal year 2005. A substantial portion of these capital assets were paid with Federal and State grants. Another reason for the increase is the reduction of debt balances.

Business-Type Activities

The net assets for business-type activities decreased \$273,280 or 2 percent.

Statement of Activities for the Fiscal year Ended June 30, 2005:

A summary version of the Statement of Activities follows:

Governmental and Proprietary Activities For Fiscal Years Ending June 30, 2005 and 2004 (in thousands)

	June 30, 2005			June 30, 2004 Total
	Governmental Activities	Business-type Activities	Total	
Revenues:				
Charges for services	\$ 5,477.8	\$ 5,478.0	\$ 10,955.8	\$ 10,884.9
Operating grants and contributions	2,908.6	238.6	3,147.2	3,396.5
Capital grants and contributions	2,830.5	519.2	3,349.7	1,845.7
General revenues:				
Property taxes	10,151.9	323.8	10,475.7	9,075.4
Other taxes	490.2	-	490.2	882.0
Local option sales tax	2,359.5	-	2,359.5	2,217.6
Investment income	195.0	153.7	348.7	270.9
Other	<u>138.3</u>	<u>-</u>	<u>138.3</u>	<u>141.0</u>
Total revenues	\$ <u>24,551.8</u>	\$ <u>6,713.3</u>	\$ <u>31,265.1</u>	\$ <u>28,714.0</u>

	June 30, 2005			June 30, 2004
	Governmental Activities	Business-type Activities	Total	Total
Expenses:				
General government	\$ 2,509.5	\$ -	\$ 2,509.5	\$ 2,190.5
Public safety	5,555.1	-	5,555.1	5,534.9
Public services	5,420.6	-	5,420.6	4,311.7
Culture and recreation	984.4	-	984.4	1,660.5
Community development	1,896.1	-	1,896.1	1,940.8
Interest on long-term debt	608.9	412.2	1,021.1	1,331.8
Solid waste	-	1,873.9	1,873.9	1,832.4
Sewer utility	-	3,220.7	3,220.7	3,046.8
Ottumwa Transit	-	1,058.5	1,058.5	944.1
Golf course	-	556.4	556.4	519.4
Total expenses	<u>16,974.6</u>	<u>7,121.7</u>	<u>24,096.3</u>	<u>23,312.9</u>
Transfers	(135.1)	135.1	-	-
Change in net assets	7,442.1	(273.3)	7,168.8	5,401.1
Beginning net assets	<u>20,486.2</u>	<u>14,010.2</u>	<u>34,496.4</u>	<u>29,095.3</u>
Ending net assets	\$ <u>27,928.3</u>	\$ <u>13,736.9</u>	\$ <u>41,665.2</u>	\$ <u>34,496.4</u>

Governmental Activities

Charges for services make up 22 percent of governmental revenues. Operating and capital grants, primarily due to street and airport projects, make up another 23 percent of governmental revenues. The remaining revenue comes from taxes, primarily property taxes (41 percent) and local option sales tax (10 percent).

Business-Type Activities

As expected charges for services is the primary revenue source for business-type activities. Sewer fees make up the largest portion (48 percent) of total revenues. Other significant items are landfill fees at 23 percent and Golf Course fees at 8 percent of total revenue. Both sewer and landfill fees decreased significantly due to lower volume levels.

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 28 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, State Road Use Tax, Employee Benefits, Local Option Sales Tax, Events 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 through 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 through 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 61 and 62 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 through 47 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 48 through 50 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 51 through 68 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 total budgeted expenditures were increased \$316,780. Most of the amendment was for Public Safety (police and fire) personal services and vehicle fuel/maintenance totaling \$248,000. Other increases included \$30,000 for Park Department weed mowing and \$30,000 for Community Development activities.

State Road Use Tax Fund: An amendment was made to increase expenditures for bridge maintenance (\$75,000) street lighting (\$70,000) and preventative maintenance (\$40,000).

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

Debt Service Fund: An amendment in the amount of \$104 was made to this fund.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2005, the City had invested \$45.3 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 through 38 of this report.

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

	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Land	\$ 4,789.0	\$ 3,611.0	\$ 195.2	\$ 195.2	\$ 4,984.2	\$ 3,806.2
Buildings	3,291.9	3,488.1	14,969.5	15,432.1	18,261.4	18,920.2
Improvements other than buildings	457.2	486.2	2,336.1	2,446.0	2,793.3	2,932.2
Machinery and equipment	2,606.1	2,214.7	2,317.9	2,608.2	4,954.0	4,822.9
Infrastructure	11,092.5	5,949.7	52.8	77.6	11,945.3	6,027.3
Construction in progress	<u>2,254.4</u>	<u>3,463.0</u>	<u>101.3</u>	<u>320.4</u>	<u>2,355.7</u>	<u>3,788.4</u>
Total	<u>\$ 24,491.1</u>	<u>\$ 19,217.7</u>	<u>\$ 20,802.8</u>	<u>\$ 21,079.5</u>	<u>\$ 45,293.9</u>	<u>\$ 40,297.2</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	\$ 19,217.7	\$ 21,079.5	\$ 40,297.2
Additions, net of disposals	6,353.4	1,057.0	7,410.4
Loss on disposal	(7.0)	-	(7.0)
Depreciation	<u>(1,073.0)</u>	<u>(1,333.7)</u>	<u>(2,406.7)</u>
Ending balance	<u>\$ 24,491.1</u>	<u>\$ 20,802.8</u>	<u>\$ 45,293.9</u>

Debt Administration

The amount of debt outstanding at fiscal year end was \$26.8 million as compared to \$28.4 million last fiscal year. New debt issued during the year amounted to \$2.4 million, while a total of \$4.0 million was retired. Of the total debt outstanding, \$17.5 million is backed by the full faith and credit of the City. The remaining \$9.2 million is backed by sewer revenue.

	Outstanding Debt at Year End (In Thousand's)	
	TOTAL	
	<u>2005</u>	<u>2004</u>
Governmental		
General obligation		
Abated by:		
Property taxes	\$ 4,140.1	\$ 3,554.6
Tax increment	2,826.0	3,340.0
Sales tax	9,720.0	10,655.0
Road use tax	-	6.8
Haz-Mat (SIRG)	100.0	-
Subtotals	<u>16,786.1</u>	<u>17,556.4</u>
Business-type		
General obligation		
Abated by:		
Solid waste	180.0	265.0
Golf course	570.0	605.0
Sewer revenue	<u>9,223.0</u>	<u>9,946.0</u>
Subtotals	<u>9,973.0</u>	<u>10,816.0</u>
Totals	<u>\$ 26,759.1</u>	<u>\$ 28,372.4</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 37 through 39 and 41 through 43 of the Notes to Financial Statements.

Economic Factors

Taxable sales increased approximately 6 percent this year. A significant portion of the increase is attributed to the completion of the new Menards store and other development in the Westgate TIF district.

During the current fiscal year, the unreserved fund balance in the general fund increased to \$1,389,407, an increase of \$33,549 over last year.

Next Year's Budget and Rates

Taxable values increased by 3.3 percent which provides the General fund a 1.2 percent increase in revenue. The total tax levy increased \$.16 per \$1,000 or .7 percent. Most of this increase in the tax levy is a direct result of increases to fire and police pension and health insurance rates exceeding the growth in taxable value (\$.95 per \$1,000, offset by a \$.79 decrease in the debt service levy).

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, 2005

	Primary Government			Component Units		Total Reporting Unit
	Governmental Activities	Business Type Activities	Total Primary Government	Hazardous Materials	10-15 Transit	
ASSETS						
Cash and cash equivalents	\$ 19,797,422	\$ 3,318,004	\$ 23,115,426	\$ 290,581	\$ 270,747	\$ 23,676,754
Investments	-	1,000,000	1,000,000	-	-	1,000,000
Receivables:						
Property taxes	10,661,936	344,296	11,006,232	-	-	11,006,232
Accounts	338,746	442,834	781,580	3,215	19,316	804,111
Other governments	1,568,092	107,221	1,675,313	-	-	1,675,313
Due from other funds	110,000	(110,000)	-	-	-	-
Internal balances	69,095	(62,454)	6,641	91	(6,732)	-
Inventory	23,201	32,866	56,067	-	-	56,067
Prepaid insurance	195,984	71,530	267,514	5,400	11,955	284,870
Deposit	25,000	-	25,000	-	-	25,000
Capital assets:						
Land	4,788,999	195,178	4,984,177	-	-	4,984,177
Buildings	10,542,024	23,337,708	33,879,732	-	-	33,879,732
Improvements other than buildings	844,254	4,096,239	4,940,493	-	-	4,940,493
Machinery and equipment	6,768,399	6,111,183	12,879,582	190,685	2,183,474	15,253,741
Infrastructure	11,681,882	877,498	12,559,380	-	-	12,559,380
Construction in progress	2,254,431	101,275	2,355,706	-	-	2,355,706
Less accumulated depreciation	(12,388,915)	(13,916,230)	(26,305,145)	(90,231)	(901,850)	(27,297,226)
Intangible assets	-	170,662	170,662	-	-	170,662
Less amortization	-	(84,119)	(84,119)	-	-	(84,119)
TOTAL ASSETS	\$ 57,280,550	\$ 26,033,691	\$ 83,314,241	\$ 390,741	\$ 1,576,911	\$ 85,290,893
LIABILITIES AND NET ASSETS						
LIABILITIES:						
Accounts payable	\$ 1,386,981	\$ 306,904	1,693,885	\$ 10,772	\$ 35,245	\$ 1,739,902
Wages and benefits payable	113,900	35,900	149,800	-	11,800	161,600
Accrued interest payable	70,662	37,231	107,892	-	-	107,892
Compensated absences	428,855	12,677	554,526	-	7,585	562,111
Unearned property tax revenue	10,443,219	317,704	10,780,223	-	-	10,780,223
Unearned revenue	218,632	72,928	291,560	-	-	291,560
Due to other governments	-	28,809	28,809	-	-	28,809
Accrued landfill costs:						
Closure	-	473,946	473,946	-	-	473,946
Post closure	-	905,365	905,365	-	-	905,365
Long-term liabilities:						
Portion due and payable within one year	2,637,278	871,593	3,508,871	-	-	3,508,871
Portion due and payable after one year	14,052,767	9,101,407	23,154,174	100,000	-	23,254,174
TOTAL LIABILITIES	29,352,294	12,296,757	41,649,051	110,772	54,630	41,814,453
NET ASSETS:						
Investment in capital assets, net of related debt	19,610,006	10,829,851	30,439,857	454	1,281,624	31,721,935
Restricted for:						
Capital/construction	-	309,196	309,196	-	-	309,196
Debt service	203,096	1,235,000	1,438,096	-	-	1,438,096
Unrestricted	8,115,154	1,362,887	9,478,041	288,515	240,657	10,007,213
TOTAL NET ASSETS	\$ 27,928,256	\$ 13,736,934	\$ 41,665,190	\$ 288,969	\$ 1,522,281	\$ 43,476,440

CITY OF OTTUMWA, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

<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	\$ 2,509,520	\$ 1,211,156	\$ 43,136	\$ -
Public safety	5,555,083	412,673	655,933	-
Public services	5,420,568	2,480,828	1,883,957	1,693,746
Culture and recreation	984,361	746,392	30,502	-
Community development	1,896,101	626,742	295,084	1,136,765
Interest on long-term debt	608,882	-	-	-
Total governmental activities	<u>16,974,515</u>	<u>5,477,791</u>	<u>2,908,612</u>	<u>2,830,511</u>
Business-type activities:				
Solid waste	1,873,911	1,567,861	-	-
Sewer utility	3,220,681	3,235,025	-	89,657
Other business-type activities	1,614,840	675,081	238,629	429,500
Interest on long-term debt	412,208	-	-	-
Total business-type activities	<u>7,121,640</u>	<u>5,477,974</u>	<u>238,629</u>	<u>519,157</u>
Total primary government	\$ <u>24,096,155</u>	\$ <u>10,955,765</u>	\$ <u>3,147,241</u>	\$ <u>3,349,668</u>
Component units:				
Hazardous materials	\$ 129,531	\$ 13,824	\$ 122,501	\$ -
10-15 transit	1,524,892	690,834	581,746	63,298
Total component units	\$ <u>1,664,423</u>	\$ <u>704,658</u>	\$ <u>704,247</u>	\$ <u>63,298</u>
General revenues:				
Taxes:				
Property taxes				
Local option taxes				
Other taxes				
Transfers				
Unrestricted investment income				
Miscellaneous				
Loss on asset disposal				
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	
\$ (1,255,228)	\$ -	\$ (1,255,228)	\$ -	\$ -	\$ (1,255,228)
(4,486,477)	-	(4,486,477)	-	-	(4,486,477)
637,963	-	637,963	-	-	637,963
(207,467)	-	(207,467)	-	-	(207,467)
162,490	-	162,490	-	-	162,490
(608,882)	-	(608,882)	-	-	(608,882)
<u>(5,757,601)</u>	<u>-</u>	<u>(5,757,601)</u>	<u>-</u>	<u>-</u>	<u>(5,757,601)</u>
-	(306,050)	(306,050)	-	-	(306,050)
-	104,001	104,001	-	-	104,001
-	(271,623)	(271,623)	-	-	(271,623)
-	(412,208)	(412,208)	-	-	(412,208)
-	(885,880)	(885,880)	-	-	(885,880)
<u>(5,757,601)</u>	<u>(885,880)</u>	<u>(6,643,481)</u>	<u>-</u>	<u>-</u>	<u>(6,643,481)</u>
-	-	-	(3,206)	-	(3,206)
-	-	-	-	(189,014)	(189,014)
-	-	-	(3,206)	(189,014)	(192,220)
10,151,869	323,771	10,475,640	-	-	10,475,640
2,359,514	-	2,359,514	-	-	2,359,514
490,161	-	490,161	-	-	490,161
(135,145)	135,145	-	-	-	-
195,002	153,684	348,686	5,313	13,298	367,297
145,342	-	145,342	2,071	33,805	181,218
(7,031)	-	(7,031)	-	-	(7,031)
<u>13,199,712</u>	<u>612,600</u>	<u>13,812,312</u>	<u>7,384</u>	<u>47,103</u>	<u>13,866,799</u>
7,442,111	(273,280)	7,168,831	4,178	(141,911)	7,031,098
<u>20,486,145</u>	<u>14,010,214</u>	<u>34,496,359</u>	<u>284,791</u>	<u>1,664,192</u>	<u>36,445,342</u>
\$ <u>27,928,256</u>	\$ <u>13,736,934</u>	\$ <u>41,665,190</u>	\$ <u>288,969</u>	\$ <u>1,522,281</u>	\$ <u>43,476,440</u>

CITY OF OTTUMWA, IOWA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>General</u>	<u>Special Revenue</u>		
		<u>State Road Use Tax</u>	<u>Employee Benefits</u>	<u>Local Option Sales Tax</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,695,617	\$ 634,640	\$ 584,578	\$ 541,584
Receivables:				
Property taxes	3,434,172	-	3,835,271	-
Accounts	229,166	12,038	-	-
Other governments	57,442	-	-	441,122
Due from other funds	112,660	50,000	-	-
Inventory	4,335	18,866	-	-
Prepaid insurance	-	-	-	-
Deposit	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>5,533,392</u>	\$ <u>715,544</u>	\$ <u>4,419,849</u>	\$ <u>982,706</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 219,167	\$ 90,303	\$ -	\$ -
Wages and benefits payable	88,600	14,700	-	-
Compensated absences	336,576	61,590	-	-
Unearned property tax revenue	3,359,772	-	3,763,187	-
Unearned revenue	29,870	-	-	-
Due to other funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>4,033,985</u>	<u>166,593</u>	<u>3,763,187</u>	<u>-</u>
<u>FUND BALANCES:</u>				
Reserved for:				
Capital/construction	-	-	-	982,706
Prepaid insurance	-	-	-	-
Advances	110,000	-	-	-
Employee benefits	-	-	656,662	-
Endowments	-	-	-	-
Insurance	-	-	-	-
Debt service	-	-	-	-
Unreserved:				
Reported in:				
General fund	1,389,407	-	-	-
Special revenue funds	-	548,951	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>1,499,407</u>	<u>548,951</u>	<u>656,662</u>	<u>982,706</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>5,533,392</u>	\$ <u>715,544</u>	\$ <u>4,419,849</u>	\$ <u>982,706</u>

See Accompanying Notes to Financial Statements

Capital Projects		Nonmajor Governmental Funds	Total Governmental Funds
Events Center	Debt Service		
\$ 9,679,849	\$ 161,992	\$ 5,550,148	\$ 18,848,408
-	1,626,002	1,766,491	10,661,936
32,945	-	64,597	338,746
96,773	-	544,155	1,139,492
-	-	45,000	207,660
-	-	-	23,201
-	-	151,787	151,787
-	-	25,000	25,000
<u>\$ 9,809,567</u>	<u>\$ 1,787,994</u>	<u>\$ 8,147,178</u>	<u>\$ 31,396,230</u>
\$ 80,546	\$ 591	\$ 395,451	\$ 786,058
-	-	10,600	113,900
-	-	30,689	428,855
-	1,584,307	1,735,953	10,443,219
-	-	150,135	180,005
-	-	97,660	97,660
<u>80,546</u>	<u>1,584,998</u>	<u>2,420,488</u>	<u>12,049,697</u>
9,729,021	-	3,765,896	14,477,623
-	-	151,787	151,787
-	-	45,000	155,000
-	-	-	656,662
-	-	844,227	844,227
-	-	467,328	467,328
-	203,096	-	203,096
-	-	-	1,389,407
-	-	452,452	1,001,403
<u>9,729,021</u>	<u>203,096</u>	<u>5,726,690</u>	<u>19,346,533</u>
<u>\$ 9,809,567</u>	<u>\$ 1,787,994</u>	<u>\$ 8,147,178</u>	<u>\$ 31,396,230</u>

CITY OF OTTUMWA, IOWA

Exhibit 4

RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total governmental fund balances	\$ 19,346,533
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 \$36,879,989 and the accumulated depreciation is \$12,388,915.	24,491,074
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.	363,965
Certain assets are not available to pay for current period expenditures and, therefore, are not reported as assets in the governmental funds balance sheet.	428,600
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.	(15,874)
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.	(70,662)
Amounts paid and reported as expenses in the current fiscal year, but are reported as prepaid expenses in the statement of net assets.	44,197
Amounts received and reported as revenues in the current fiscal year, but are reported as unearned revenue in the statement of net assets.	(38,627)
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.	69,095
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>(16,690,045)</u>
Net assets of governmental activities	\$ <u>27,928,256</u>

CITY OF OTTUMWA, IOWA

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Special Revenue</u>		
		<u>State Road Use Tax</u>	<u>Employee Benefits</u>	<u>Local Option Sales Tax</u>
<u>REVENUES:</u>				
Property tax	\$ 3,057,980	\$ -	\$ 3,053,664	\$ -
Other city tax	653,170	-	147,230	2,359,514
Licenses and permits	333,857	-	-	-
Intergovernmental	356,843	2,079,041	-	100,000
Use of money and property	180,008	-	8,642	-
Charges for service	2,687,077	552,494	-	-
Other fines	124,562	-	-	-
Miscellaneous	45,392	5,912	-	-
Total revenues	<u>7,438,889</u>	<u>2,637,447</u>	<u>3,209,536</u>	<u>2,459,514</u>
<u>EXPENDITURES:</u>				
Operating:				
Public safety	5,487,846	-	-	-
Public works	1,324,625	1,131,599	-	-
Health and social services	326,938	-	-	-
Culture and recreation	1,127,262	-	-	-
Community and economic development	263,540	-	-	-
General government	105,049	-	-	-
Capital outlay	158,843	144,961	-	-
Debt service	-	-	-	-
Total expenditures	<u>9,596,103</u>	<u>3,306,560</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,157,214)</u>	<u>(669,113)</u>	<u>3,209,536</u>	<u>2,459,514</u>
Other financing sources (uses):				
Bond proceeds	350,000	-	-	-
Bond issue costs	-	-	-	-
Transfers in	2,164,835	687,747	-	-
Transfers out	<u>(214,072)</u>	<u>(217,074)</u>	<u>(3,031,266)</u>	<u>(1,915,604)</u>
Total other financing sources (uses)	<u>2,300,763</u>	<u>470,673</u>	<u>(3,031,266)</u>	<u>(1,915,604)</u>
Net change in fund balances	143,549	(198,440)	178,270	543,910
Fund balances - Beginning of year, as restated	<u>1,355,858</u>	<u>747,391</u>	<u>478,392</u>	<u>438,796</u>
Fund balances - End of year	\$ <u>1,499,407</u>	\$ <u>548,951</u>	\$ <u>656,662</u>	\$ <u>982,706</u>

See Accompanying Notes to Financial Statements

Capital Projects Events Center	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 1,821,107	\$ 1,802,667	\$ 9,735,418
-	83,270	22,942	3,266,126
-	-	-	333,857
1,136,765	-	2,066,474	5,739,123
222,156	-	518,897	929,703
-	-	407,844	3,647,415
-	-	-	124,562
<u>321,890</u>	-	<u>424,809</u>	<u>798,003</u>
<u>1,680,811</u>	<u>1,904,377</u>	<u>5,243,633</u>	<u>24,574,207</u>
-	-	316,900	5,804,746
-	-	357,279	4,843,503
-	-	53,412	380,350
-	-	910,173	2,033,435
-	-	269,829	533,369
-	2,400	1,534,873	2,442,322
2,127,411	-	3,217,503	5,648,718
-	<u>3,871,559</u>	-	<u>3,871,559</u>
<u>2,127,411</u>	<u>3,873,959</u>	<u>3,659,969</u>	<u>25,564,002</u>
<u>(446,600)</u>	<u>(1,961,532)</u>	<u>(1,416,336)</u>	<u>(989,795)</u>
-	-	1,985,000	2,335,000
-	-	(31,799)	(31,799)
-	2,090,970	1,148,764	6,092,316
-	-	(890,256)	(6,268,272)
-	<u>2,090,970</u>	<u>2,211,709</u>	<u>2,127,245</u>
(446,600)	121,388	795,373	1,137,450
<u>10,175,621</u>	<u>81,708</u>	<u>4,931,317</u>	<u>18,209,083</u>
\$ <u>9,729,021</u>	\$ <u>203,096</u>	\$ <u>5,726,690</u>	\$ <u>19,346,533</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, 2005

Net change in fund balances - Total governmental funds \$ 1,137,450

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	7,566,946
Depreciation expense	(1,072,969)

In the Statement of Activities, the loss on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources (7,031)

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 (1,215,488)

Revenues in the statement of revenues, expenditures and changes in fund balances shown as unearned revenue in the statement of activities (17,490)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements 2,084

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. 891,308

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 88,821

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 change in net assets of the Internal Service Funds is reported with governmental activities net of the amount allocated to business-type activities and component units 68,480

Change in net assets of governmental activities \$ 7,442,111

CITY OF OTTUMWA, IOWA

Exhibit 7

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2005

	Business-Type Activities				Governmental
	Solid Waste	Sewer Utility	Nonmajor Proprietary Funds	Total Proprietary Funds	Internal Service Funds
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 1,995,290	\$ 1,009,082	\$ 313,632	\$ 3,318,004	\$ 949,014
Investments	-	1,000,000	-	1,000,000	-
Receivables:					
Accounts	159,914	280,848	2,072	442,834	-
Property taxes	-	-	344,296	344,296	-
Due from other funds	-	150,000	-	150,000	-
Due from other governments	-	100,683	6,538	107,221	-
Inventory	-	-	32,866	32,866	-
Prepaid expenses	14,461	33,805	23,264	71,530	-
Total Current Assets	<u>2,169,665</u>	<u>2,574,418</u>	<u>722,668</u>	<u>5,466,751</u>	<u>949,014</u>
Capital Assets:					
Land	87,500	27,678	80,000	195,178	-
Buildings	908,950	21,400,735	1,028,023	23,337,708	-
Improvements other than buildings	2,110,936	1,117,198	868,105	4,096,239	-
Machinery and equipment	2,206,718	1,793,865	2,110,600	6,111,183	-
Infrastructure	-	877,498	-	877,498	-
Construction in progress	33,410	67,865	-	101,275	-
Less accumulated depreciation	<u>(2,863,587)</u>	<u>(9,104,069)</u>	<u>(1,348,674)</u>	<u>(13,916,230)</u>	-
Total Capital Assets	<u>2,483,927</u>	<u>16,180,770</u>	<u>2,138,154</u>	<u>20,802,851</u>	-
Other Assets:					
Intangible assets	-	170,662	-	170,662	-
Less accumulated amortization	-	(84,119)	-	(84,119)	-
Total Other Assets	-	<u>86,543</u>	-	<u>86,543</u>	-
TOTAL ASSETS	\$ 4,653,592	\$ 18,841,731	\$ 2,860,822	\$ 26,356,145	\$ 949,014
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts payable	\$ 64,910	\$ 168,189	\$ 73,805	\$ 306,904	\$ 585,049
Wages and benefits payable	8,000	14,300	13,600	35,900	-
Accrued interest payable	863	34,184	2,183	37,230	-
Compensated absences payable	35,023	65,358	25,290	125,671	-
Unearned property tax revenue	-	-	337,004	337,004	-
Unearned revenue	-	-	72,928	72,928	-
Due to other governments	28,809	-	-	28,809	-
Due to other funds	-	-	260,000	260,000	-
Current portion of bonds payable	85,000	-	40,000	125,000	-
Current portion of notes payable	-	746,593	-	746,593	-
Total Current Liabilities	<u>222,605</u>	<u>1,028,624</u>	<u>824,810</u>	<u>2,076,039</u>	<u>585,049</u>
Long-term Liabilities:					
Accrued landfill costs:					
Closure	473,946	-	-	473,946	-
Post closure	905,365	-	-	905,365	-
Bonds payable:					
Long-term	95,000	-	530,000	625,000	-
Notes payable:					
Long-term	-	8,476,407	-	8,476,407	-
Total Long-term Liabilities	<u>1,474,311</u>	<u>8,476,407</u>	<u>530,000</u>	<u>10,480,718</u>	-
TOTAL LIABILITIES	1,696,916	9,505,031	1,354,810	12,556,757	585,049
NET ASSETS:					
Investment in capital assets net of related debt	2,303,927	6,957,770	1,568,154	10,829,851	-
Reserved for:					
Prepaid expenses	14,461	33,805	23,264	71,530	-
Advancement	-	150,000	-	150,000	-
Health insurance	-	-	-	-	57,940
Debt service	-	1,235,000	-	1,235,000	-
Construction	-	309,196	-	309,196	-
Unreserved	<u>638,288</u>	<u>650,929</u>	<u>(85,406)</u>	<u>1,203,811</u>	<u>306,025</u>
TOTAL NET ASSETS	2,956,676	9,336,700	1,506,012	13,799,388	363,965
TOTAL LIABILITIES AND NET ASSETS	\$ 4,653,592	\$ 18,841,731	\$ 2,860,822	\$ 26,356,145	\$ 949,014

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, 2005

Ending fund balance - Proprietary funds	\$ 13,799,388
Amounts reported for business-type activities in the statement of net assets are different because:	
Allocation of internal service funds income decreases due to other funds	<u>(62,454)</u>
Net assets of business-type activities	\$ <u>13,736,934</u>

Anderson, Larkin & Co. P.C.

CITY OF OTTUMWA, IOWA

Exhibit 9

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

	<u>Business-Type Activities</u>				<u>Governmental</u>
	<u>Solid</u>	<u>Sewer</u>	<u>Nonmajor</u>	<u>Total</u>	<u>Internal</u>
	<u>Waste</u>	<u>Utility</u>	<u>Proprietary</u>		<u>Service</u>
			<u>Funds</u>		<u>Funds</u>
Operating revenues:					
Charges for service	\$ 1,561,949	\$ 3,182,172	\$ 661,490	\$ 5,405,611	\$ 1,828,076
Miscellaneous	4,040	46,645	9,906	60,591	-
Total operating revenues	<u>1,565,989</u>	<u>3,228,817</u>	<u>671,396</u>	<u>5,466,202</u>	<u>1,828,076</u>
Operating expenses:					
Operations	1,399,401	2,443,696	1,338,342	5,181,439	1,779,435
Provision for closure costs	30,266	-	-	30,266	-
Capital outlay	7,406	-	153,647	161,053	-
Depreciation	436,838	776,985	119,875	1,333,698	-
Total operating expenses	<u>1,873,911</u>	<u>3,220,681</u>	<u>1,611,864</u>	<u>5,706,456</u>	<u>1,779,435</u>
Operating income (loss)	(307,922)	8,136	(940,468)	(1,240,254)	48,641
Nonoperating revenue (expense):					
Interest income	78,095	70,538	1,050	153,683	7,195
Interest on long-term debt	(15,115)	(415,184)	-	(430,299)	-
Property taxes	-	-	323,771	323,771	-
Intergovernmental	-	68,657	668,129	757,786	-
Total nonoperating revenue (expense)	<u>62,980</u>	<u>(274,989)</u>	<u>996,950</u>	<u>804,941</u>	<u>7,195</u>
Income (loss) before operating transfers	(244,942)	(246,853)	56,482	(435,313)	55,836
Operating transfers:					
Transfers in	557,755	2,755,804	-	3,313,559	329,500
Transfers out	(558,755)	(2,575,804)	(28,740)	(3,163,299)	(303,804)
Change in net assets	(245,942)	(66,853)	27,742	(285,053)	81,532
Net assets - Beginning of year, as restated	<u>3,202,618</u>	<u>9,403,553</u>	<u>1,478,270</u>	<u>14,084,441</u>	<u>282,433</u>
Net assets - End of year	<u>\$ 2,956,676</u>	<u>\$ 9,336,700</u>	<u>\$ 1,506,012</u>	<u>\$ 13,799,388</u>	<u>\$ 363,965</u>

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, 2005

Change in net assets - Total business-type funds \$ (285,053)

Amounts reported for business-type activities in the statement of activities are different because:

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 change in net assets of the Internal Service Funds is reported with business-type activities net of the amount allocated to governmental activities and component units

11,773

Change in net assets of business-type activities \$ (273,280)

Anderson, Larkin & Co. P.C.

CITY OF OTTUMWA, IOWA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

	<u>Solid Waste</u>	<u>Sewer Utility</u>	<u>Nonmajor Proprietary Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Cash received from operations	\$ 1,554,798	\$ 3,142,868	\$ 684,672
Cash paid to employees	(630,637)	(1,144,314)	(825,055)
Cash paid to suppliers	(824,734)	(1,256,065)	(542,946)
Cash used in operations	<u>(1,455,371)</u>	<u>(2,400,379)</u>	<u>(1,368,001)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>99,427</u>	<u>742,489</u>	<u>(683,329)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Property taxes	-	-	322,412
Intergovernmental	-	-	668,129
Transfers from other funds	557,755	2,755,804	-
Transfers to other funds	<u>(558,755)</u>	<u>(2,575,804)</u>	<u>(28,740)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,000)</u>	<u>180,000</u>	<u>961,801</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Payment of long-term debt:			
General obligation bonds	(85,000)	-	(35,000)
Notes payable	-	(723,000)	-
Payment of interest on long-term debt	(15,115)	(415,184)	-
Additions to property and equipment	<u>(218,605)</u>	<u>(441,293)</u>	<u>(298,964)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(318,720)</u>	<u>(1,579,477)</u>	<u>(333,964)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest income received	<u>78,095</u>	<u>70,538</u>	<u>5,050</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(142,198)	(586,450)	(50,442)
<u>CASH AND CASH EQUIVALENTS - Beginning of year</u>	<u>2,137,488</u>	<u>1,595,532</u>	<u>364,074</u>
<u>CASH AND CASH EQUIVALENTS - End of year</u>	\$ <u>1,995,290</u>	\$ <u>1,009,082</u>	\$ <u>313,632</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>			
Operating income (loss)	\$ (307,922)	\$ 8,136	\$ (940,468)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization expense	436,838	776,985	119,875
Provision for closure costs	30,266	-	-
Changes in assets and liabilities:			
Decrease (increase) in receivables	(11,191)	14,734	11,150
Decrease in inventory	-	-	1,034
Decrease in prepaid insurance	885	7,961	1,907
Increase due from other governments	-	(100,683)	(6,538)
Increase (decrease) in accounts payable	(36,530)	67,197	32,268
Decrease in wages and benefits payable	(18,500)	(31,900)	(23,900)
Decrease in accrued interest payable	(397)	(2,450)	(129)
Increase in compensated absences payable	3,034	2,509	2,808
Increase in unearned revenue	-	-	8,664
Increase in due to other funds	-	-	110,000
Increase in due to other governments	2,944	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u>99,427</u>	\$ <u>742,489</u>	\$ <u>(683,329)</u>

See Accompanying Notes to Financial Statements

Total Enterprise Funds	Internal Service Funds
\$ <u>5,382,338</u>	\$ <u>1,828,304</u>
(2,600,006)	186,565
<u>(2,623,745)</u>	<u>(1,814,964)</u>
<u>(5,223,751)</u>	<u>(1,628,399)</u>
<u>158,587</u>	<u>199,905</u>
322,412	-
668,129	-
3,313,559	329,500
<u>(3,163,299)</u>	<u>(303,804)</u>
<u>1,140,801</u>	<u>25,696</u>
(120,000)	-
(723,000)	-
(430,299)	-
<u>(958,862)</u>	<u>-</u>
<u>(2,232,161)</u>	<u>-</u>
<u>153,683</u>	<u>7,195</u>
(779,090)	232,796
<u>4,097,094</u>	<u>716,218</u>
\$ <u>3,318,004</u>	\$ <u>949,314</u>
\$ (1,240,254)	\$ 48,641
1,333,698	-
30,266	-
14,693	228
1,034	-
10,753	-
(107,221)	-
62,935	151,036
(74,300)	-
(2,976)	-
8,351	-
8,664	-
110,000	-
2,944	-
\$ <u>158,587</u>	\$ <u>199,905</u>

Anderson, Larkin & Co. P.C.

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 numerous 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, and a wide range of parks 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 attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted net assets – consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources 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 nonmajor funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax revenues and 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 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 Employee Benefits Fund is used to account for property taxes assessed for employee benefits.

Local Option Sales Tax Fund is used to account for sales tax for the Events Center and street and sewer repairs.

Capital Projects Funds:

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

Debt Service Funds:

The Debt Service Fund is used to account for the payment of interest and principal on the City's general obligation debt.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major proprietary funds:

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 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 sales 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 judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from 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.

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 are 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.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Types

General Fund

The 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.

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 Financing - 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.

Risk Management - to account for the City's property and casualty insurance coverage, and workers compensation claims for fire fighters and police officers.

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

Other Bond Projects - to account for monies received for miscellaneous development projects.

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

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire Bequest - to account for donations and grants received to purchase items for the Fire Department

Retiree Health 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 Projects Funds

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

Airport Projects - to account for airport improvements.

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

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

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

Events Center - to account for bonds issued and costs 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:

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

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

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2005, 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; 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 \$5,500,000 at June 30, 2005, 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

The City's investments at June 30, 2005, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Cash and Pooled Investments:</u>		
Savings accounts	\$ 1,772,675	\$ 1,772,675
Time deposits	8,544,443	8,544,443
Iowa Public Agency Investment Trust	<u>5,500,000</u>	<u>5,500,000</u>
Total pooled funds	15,817,118	15,817,118
Cash on hand	4,295	4,295
Checking	(445,690)	(445,690)
Time deposits	7,653,261	7,653,261
Annuity	19,774	19,774
Savings accounts	<u>66,668</u>	<u>66,668</u>
Net cash and pooled investments	\$ <u>23,115,426</u>	\$ <u>23,115,426</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>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, Including Tax Increment Financing

Property tax, including tax increment financing 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, 2005 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 that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred (shown as unearned) 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2004.

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.

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, 2005, 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

Inventories are 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.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

<u>Asset Class</u>	<u>Amount</u>
Buildings and other improvements	\$ 25,000
Machinery and equipment	5,000
Infrastructure	25,000

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

Buildings	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.

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.

Unearned 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. Unearned 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. Unearned revenue consists of unspent grant proceeds, as well as delinquent property tax receivable and other receivables not collected within 60 days after year end.

Unearned 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.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2005. 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 other financing uses.

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 Transactions

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.

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	\$ 3,611,004	\$ 1,177,995	\$ -	\$ 4,788,999
Buildings	11,871,106	-	1,329,082	10,542,024
Improvements other than buildings	831,522	12,732	-	844,254
Machinery and equipment	6,069,200	827,438	128,239	6,768,399
Infrastructure	6,133,101	5,548,781	-	11,681,882
Construction in progress	<u>3,467,954</u>	<u>3,961,213</u>	<u>5,174,736</u>	<u>2,254,431</u>
	31,983,887	11,528,159	6,672,057	36,879,989
Less accumulated depreciation	<u>(12,766,235)</u>	<u>(1,072,969)</u>	<u>(1,450,289)</u>	<u>(12,388,915)</u>
Total	\$ <u>19,217,652</u>	\$ <u>10,455,190</u>	\$ <u>5,181,768</u>	\$ <u>24,491,074</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	80,001	-	623,299
Fire	2,267,024	480,580	17,841	2,729,763
Health and inspection	98,248	-	20,230	78,018
Animal control	<u>26,287</u>	<u>-</u>	<u>-</u>	<u>26,287</u>
Total public safety	<u>2,934,857</u>	<u>560,581</u>	<u>38,071</u>	<u>3,457,367</u>
Highways and streets:				
Traffic maintenance	300,634	-	-	300,634
Electric/traffic light maintenance	94,224	55,000	-	149,224
Engineering	78,387	-	-	78,387
Street maintenance	1,926,929	172,203	38,697	2,060,435
Snow/ice maintenance	121,811	-	-	121,811
Street cleaning	263,183	-	-	263,183
Street projects (including sidewalks)	2,449,119	1,542,650	-	3,991,769
Parking	<u>704,367</u>	<u>-</u>	<u>-</u>	<u>704,367</u>
Total highways and streets	<u>5,938,654</u>	<u>1,769,853</u>	<u>38,697</u>	<u>7,669,810</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	1,336,857	6,453	-	1,343,310
Coliseum	1,329,082	-	1,329,082	-
Parks	1,291,231	45,934	51,471	1,285,694
The Beach	3,359,023	-	-	3,359,023
Trails	111,915	-	-	111,915
Events center	450,798	1,177,995	-	1,628,793
Total culture and recreation	<u>7,878,906</u>	<u>1,230,382</u>	<u>1,380,553</u>	<u>7,728,735</u>
Cemetery	<u>517,865</u>	-	-	<u>517,865</u>
Airport	<u>4,193,188</u>	<u>1,365,466</u>	-	<u>5,558,654</u>
Construction in progress	<u>3,467,954</u>	<u>2,961,213</u>	<u>5,174,736</u>	<u>2,254,431</u>
TIF projects	<u>1,764,111</u>	<u>2,640,664</u>	-	<u>4,404,775</u>
Downtown Step One	<u>275,163</u>	-	-	<u>275,163</u>
Land - No designation	<u>1,979,920</u>	-	-	<u>1,979,920</u>
Total governmental assets	\$ <u>31,983,887</u>	\$ <u>11,528,159</u>	\$ <u>6,632,057</u>	\$ <u>36,879,989</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	-	-	-	623,299	-	-	623,299
Fire	-	950,868	65,291	1,713,603	-	-	2,729,763
Health and inspection	-	-	-	78,018	-	-	78,018
Animal control	-	-	-	26,287	-	-	26,287
Total public safety	-	950,868	65,291	2,441,207	-	-	3,457,367
Highway and streets:							
Traffic maintenance	-	134,900	-	165,724	-	-	300,634
Electric/traffic light maintenance	-	-	-	149,224	-	-	149,224
Engineering	-	-	-	78,387	-	-	78,387
Street maintenance	56,240	367,120	31,900	1,605,175	-	-	2,060,435
Snow/ice maintenance	-	63,679	-	58,132	-	-	121,811
Street cleaning	-	-	-	263,183	-	-	263,183
Street projects (including sidewalks)	-	-	-	-	3,991,770	-	3,991,769
Parking	653,718	39,754	-	10,895	-	-	704,367
Total highways and streets	709,958	605,453	31,900	2,330,730	3,991,770	-	7,669,810
Culture and recreation:							
Library	-	1,038,222	104,127	200,961	-	-	1,343,310
Parks	-	256,957	422,547	606,190	-	-	1,285,694
The Beach	283,421	2,458,704	82,232	534,666	-	-	3,359,023
Trails	-	-	-	-	111,915	-	111,915
Events center	1,628,793	-	-	-	-	-	1,628,793
Total culture and recreation	1,912,214	3,753,883	608,906	1,341,817	111,915	-	7,728,735
Cemetery	26,000	227,005	138,157	126,703	-	-	517,865
Airport	-	1,949,379	-	419,853	3,189,422	-	5,558,654
Construction in progress	-	-	-	-	-	2,254,431	2,254,431
TIF projects	16,000	-	-	-	4,388,775	-	4,404,775
Downtown Step One	144,907	130,256	-	-	-	-	275,163
Land - No designation	1,979,920	-	-	-	-	-	1,979,920
Total governmental assets	\$ 4,788,999	\$ 10,542,024	\$ 844,254	\$ 6,768,399	\$ 11,681,882	\$ 2,254,431	\$ 36,879,989

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 2: CAPITAL ASSETS (Continued)

A summary of property, plant and equipment at June 30, 2005, is as follows:

	<u>Business Type</u>	<u>Governmental Activities</u>
Land	\$ 195,178	\$ 4,788,999
Buildings	23,337,708	10,542,024
Improvements other than buildings	4,096,239	844,254
Machinery and equipment	6,111,183	6,768,399
Infrastructure	877,498	11,681,882
Construction in progress	<u>101,275</u>	<u>2,254,431</u>
Total cost	34,719,081	36,879,989
Less accumulated depreciation	<u>(13,916,230)</u>	<u>(12,388,915)</u>
Book value	\$ <u>20,802,851</u>	\$ <u>24,491,074</u>

No interest cost was capitalized for the year ended June 30, 2005.

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>
2006	\$ 2,758,301	\$ 265,339	\$ 3,023,640
2007	2,964,276	203,611	3,167,887
2008	1,853,491	152,704	2,006,195
2009	1,835,000	133,982	1,968,982
2010	1,880,000	130,684	2,010,684
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>17,536,068</u>	\$ <u>1,242,393</u>	\$ <u>18,778,461</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, 2005, and details of bonds/notes payable at June 30, 2005:

<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 1994B	February 1, 1994	4.40-5.125	2,715,000
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 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 Bonds - Series 2005	February 1, 2005	2.15-2.90	2,435,000
General Obligation Note - Army Reserve Building	March 1, 1990	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>
\$ 1,865,000	\$ -	\$ 235,000	\$ 1,630,000	\$ 92,595	\$ -
6,800	-	6,800	-	168	-
560,000	-	560,000	-	20,160	-
545,000	-	60,000	485,000	21,150	-
1,400,000	-	150,000	1,250,000	48,060	-
10,655,000	-	935,000	9,720,000	380,448	-
1,100,000	-	115,000	985,000	34,876	-
1,050,000	-	1,050,000	-	21,000	-
207,000	-	56,000	151,000	7,546	-
-	2,435,000	-	2,435,000	-	-
<u>167,623</u>	<u>-</u>	<u>37,555</u>	<u>120,068</u>	<u>11,484</u>	<u>-</u>
<u>17,556,423</u>	<u>2,435,000</u>	<u>3,205,355</u>	<u>16,786,068</u>	<u>637,487</u>	<u>-</u>
265,000	-	85,000	180,000	15,115	-
<u>605,000</u>	<u>-</u>	<u>35,000</u>	<u>570,000</u>	<u>27,740</u>	<u>-</u>
<u>870,000</u>	<u>-</u>	<u>120,000</u>	<u>750,000</u>	<u>42,855</u>	<u>-</u>
\$ <u>18,426,423</u>	\$ <u>2,435,000</u>	\$ <u>3,325,355</u>	\$ <u>17,536,068</u>	\$ <u>680,342</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, 2005, 2004 and 2003 are as follows:

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Percentage Invested</u>
2005	\$743,985	100%
2004	560,959	100%
2003	439,962	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, 2005, 2004 and 2003 are as follows:

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Percentage Invested</u>
2005	\$337,568	100%
2004	321,139	100%
2003	300,690	100%

The City's contributions were equal to the required contributions for each year.

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 134 retirees covered. The costs of retiree health care and life insurance benefits are recognized as expenses as insurance premiums are paid. For 2005, those costs for the City totaled \$1,025,468. 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	\$ 35,023	\$ -	\$ 35,023
Sewer utility	54,358	11,000	65,358
Golf course	11,213	-	11,213
Transit	14,077	-	14,077
Total Enterprise Funds	<u>114,671</u>	<u>11,000</u>	<u>125,671</u>
 <u>Governmental Funds</u>			
<u>Special Revenue Funds:</u>			
Airport	5,457	-	5,457
Library	13,235	-	13,235
Cemetery	11,609	-	11,609
State road use tax	61,590	-	61,590
Risk management	388	-	388
Total Special Revenue Funds	<u>92,279</u>	<u>-</u>	<u>92,279</u>
 <u>General</u>	 <u>305,576</u>	 <u>31,000</u>	 <u>336,576</u>
Total Governmental Funds	<u>397,855</u>	<u>31,000</u>	<u>428,855</u>
Total – All funds	<u>\$ 512,526</u>	<u>\$ 42,000</u>	<u>\$ 554,526</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 a rate of 8.28%

During the year ended June 30, 1996, the City entered into an agreement with the Iowa Finance Authority to borrow \$6,588,000 with the issuance of a Sewer Revenue Capital Loan Note (Phase 3 of a 3 phase project). The note calls for annual 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, 2005:

<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>						
<u>Special Revenue Funds:</u>						
Building (Lunco)	8.28%	\$ 24,930	\$ -	\$ 20,953	\$ 3,977	\$ 1,165
<u>Business – Type Funds:</u>						
<u>Sewer Utility:</u>						
Phase 1	4.37%	2,709,000	-	222,000	2,487,000	119,738
Phase 2	3.74%	2,534,000	-	191,000	2,343,000	96,040
Phase 3	4.19%	4,703,000	-	310,000	4,393,000	199,406
Total enterprise funds		9,946,000	-	723,000	9,223,000	415,184
Total		\$ 9,970,930	\$ -	\$ 743,953	\$ 9,226,977	\$ 416,349

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>
2006	\$ 751,000	\$ 384,989	\$ 1,135,989	\$ 3,977	\$ 75	\$ 4,052
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	486,000	20,605	506,605	-	-	-
	<u>\$ 9,223,000</u>	<u>\$ 2,289,382</u>	<u>\$ 11,512,382</u>	<u>\$ 3,977</u>	<u>\$ 75</u>	<u>\$ 4,052</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 8: INTEREST EXPENSE

Interest expense for the year ended June 30, 2005, is summarized below:

<u>Fund</u>	<u>General Obligation Bonds</u>	<u>Other Notes</u>	<u>Total</u>
Debt service	\$ 653,743	\$ -	\$ 653,743
Airport	11,484	1,165	12,649
Solid waste	15,115	-	15,115
Sewer utility	-	415,184	415,184
Totals	\$ <u>680,342</u>	\$ <u>416,349</u>	\$ <u>1,096,691</u>

NOTE 9: CONSTRUCTION CONTRACT COMMITMENTS

Prior to June 30, 2005, the City had signed several construction contracts that are summarized below:

Total commitments	\$ 17,225,675
Less amounts paid or accrued	<u>(2,539,129)</u>
Remaining commitments	\$ <u>14,686,546</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 FUNDS NET ASSETS

The following is a summary of the changes in the internal service funds equity for the year ended June 30, 2005:

	<u>Equipment Purchasing</u>	<u>Group Health</u>	<u>Total</u>
Net assets - Beginning of year, as restated	\$ 280,329	\$ 2,104	\$ 282,433
Net income	<u>25,696</u>	<u>55,836</u>	<u>81,532</u>
Net assets - End of year	\$ <u>306,025</u>	\$ <u>57,940</u>	\$ <u>363,965</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, 2005:

<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 \$1,379,311 reported as landfill closure and post closure care liability at June 30, 2005, represents the cumulative amount reported to date based on the use of 95% 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 \$113,140 as of June 30, 2005, 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, 2004	\$ 443,680	\$ 905,365	\$ 1,349,045
Fiscal year 2005 costs adjusted	<u>30,266</u>	<u>-</u>	<u>30,266</u>
Balance, June 30, 2005	\$ <u>473,946</u>	\$ <u>905,365</u>	\$ <u>1,379,311</u>

NOTE 13: RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 509 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 13: RISK MANAGEMENT (Continued)

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2005 were \$323,588.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured, on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting 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</u> <u>June 30, 2005</u>
Liability - Beginning of year, as restated	\$ 251,027
Payments and accruals	(1,752,189)
Estimated claims incurred	<u>1,779,435</u>
Liability - End of year	\$ <u>278,273</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>
ASSETS					
Cash and pooled investments	\$ 453,544	\$ 95,000	\$ 140,000	\$ 320,538	\$ 1,009,082
Other investments	-	-	1,000,000	-	1,000,000
Other assets	<u>16,832,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,832,649</u>
Total assets	\$ <u>17,286,193</u>	\$ <u>95,000</u>	\$ <u>1,140,000</u>	\$ <u>320,538</u>	\$ <u>18,841,731</u>
LIABILITIES AND NET ASSETS					
Liabilities	\$ <u>9,493,689</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>11,342</u>	\$ <u>9,505,031</u>
Net Assets:					
Investment in capital assets net of related debt	6,957,770	-	-	-	6,957,770
Retained earnings:					
Reserved:					
Prepaid expenses	33,805	-	-	-	33,805
Advancement	150,000	-	-	-	150,000
Debt service	-	95,000	1,140,000	-	1,235,000
Construction	-	-	-	309,196	309,196
Unreserved	<u>650,929</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>650,929</u>
Total net assets	<u>7,792,504</u>	<u>95,000</u>	<u>1,140,000</u>	<u>309,196</u>	<u>9,336,700</u>
Total liabilities and net assets	\$ <u>17,286,193</u>	\$ <u>95,000</u>	\$ <u>1,140,000</u>	\$ <u>320,538</u>	\$ <u>18,841,731</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	\$ 3,228,817	\$ -	\$ -	\$ -	\$ -	\$ 3,228,817
Operating expenses	<u>3,220,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,220,681</u>
Operating income	8,136	-	-	-	-	8,136
Nonoperating income (expenses)	<u>(254,989)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(254,989)</u>
Loss before operating transfers	(246,853)	-	-	-	-	(246,853)
Operating transfers in	1,495,804	1,140,000	-	-	120,000	2,755,804
Operating transfers out	<u>(1,260,000)</u>	<u>(1,140,000)</u>	<u>-</u>	<u>(55,804)</u>	<u>(120,000)</u>	<u>(2,575,804)</u>
Change in net assets	(11,049)	-	-	(55,804)	-	(66,853)
Net assets at beginning of year	<u>7,803,553</u>	<u>95,000</u>	<u>1,140,000</u>	<u>365,000</u>	<u>-</u>	<u>9,403,553</u>
Net assets at end of year	\$ <u>7,792,504</u>	\$ <u>95,000</u>	\$ <u>1,140,000</u>	\$ <u>309,196</u>	\$ <u>-</u>	\$ <u>9,336,700</u>

Schedule of sewer rates/ Customer census

Rate of Usage:	
Base charge	\$8 11
Each 100 cubic foot unit	\$2 94

The Sewer Funds had 9699 meters in service at June 30, 2005

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, 2005 were:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General	\$ 112,660	\$ -
Special revenue:		
Emergency	-	2,660
State road use tax	50,000	-
Tax increment	-	95,000
Capital projects:		
Street projects	45,000	-
Proprietary:		
Golf course	-	260,000
Sewer utility	<u>150,000</u>	<u>-</u>
	<u>\$ 357,660</u>	<u>\$ 357,660</u>

NOTE 17: PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2005, it was discovered that insurance claims that were incurred but not yet paid as of June 30, 2004 had not been included in accounts payable related to the employee insurance fund. This resulted in the following changes in fund balance as of June 30, 2004

	<u>Fund Balance</u>
As previously reported June 30, 2004	\$ 134,838
Adjustments:	
Record insurance claims incurred but not paid	<u>(132,734)</u>
As restated June 30, 2004	<u>\$ 2,104</u>

REQUIRED SUPPLEMENTARY INFORMATION

Anderson, Larkin & Co. P.C.

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, 2005

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
<u>REVENUES:</u>			
Property tax	\$ 9,735,418	\$ 323,771	\$ 10,059,189
Other city tax	3,266,126	-	3,266,126
Licenses and permits	333,857	-	333,857
Intergovernmental	5,739,123	757,786	6,496,909
Use of money and property	929,703	153,583	1,083,386
Charges for service	3,647,415	5,405,611	9,053,026
Other fines	124,562	-	124,562
Miscellaneous	798,003	60,591	858,594
Total revenues	<u>24,574,207</u>	<u>6,701,442</u>	<u>31,275,649</u>
<u>EXPENSES:</u>			
Current:			
Public safety	5,804,746	-	5,804,746
Public works	4,843,503	-	4,843,503
Health and social services	380,350	-	380,350
Culture and recreation	2,039,435	-	2,039,435
Community and economic development	533,369	-	533,369
General government	2,442,322	-	2,442,322
Capital projects	5,648,718	-	5,648,718
Debt service	3,871,559	-	3,871,559
Business-type activities	-	7,136,755	7,136,755
Total expenses	<u>25,564,002</u>	<u>7,136,755</u>	<u>32,700,757</u>
Excess (deficiency) of revenues over (under) expenses	(989,795)	(435,313)	(1,425,108)
Other financing sources (uses):			
Proceeds from debt	2,335,000	-	2,335,000
Debt issue costs	(31,799)	-	(31,799)
Transfers in	6,092,316	3,313,559	9,405,875
Transfers out	<u>(6,268,272)</u>	<u>(3,163,299)</u>	<u>(9,431,571)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenses and other financing uses	1,137,450	(285,053)	852,397
Fund balance - Beginning of year	<u>18,209,083</u>	<u>14,084,441</u>	<u>32,293,524</u>
Fund balance - End of year	\$ <u>19,346,533</u>	\$ <u>13,799,388</u>	\$ <u>33,145,921</u>

See Accompanying Independent Auditor's Report

<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
<u>Original</u>	<u>Final</u>	
\$ 8,615,824	\$ 8,615,824	\$ 1,443,365
3,897,199	3,897,199	(631,073)
505,600	505,600	(171,743)
7,529,600	8,951,380	(2,454,471)
781,000	781,000	302,386
11,744,883	11,929,883	(2,876,857)
16,000	16,000	108,562
413,347	534,347	324,247
<u>33,503,453</u>	<u>35,231,233</u>	<u>(3,955,584)</u>
5,693,405	6,086,405	281,659
4,902,914	5,057,914	214,411
319,926	428,706	108,356
2,002,114	2,081,114	41,679
954,999	984,999	451,630
2,517,878	2,717,878	275,556
7,016,970	7,381,970	1,733,252
4,014,583	4,114,687	143,128
10,664,320	12,007,420	4,870,665
<u>38,087,109</u>	<u>40,761,093</u>	<u>8,060,336</u>
(4,583,656)	(5,529,860)	4,104,752
3,516,000	4,146,000	(1,811,000)
-	-	(31,799)
7,299,146	7,448,250	1,957,625
<u>(7,299,146)</u>	<u>(7,448,250)</u>	<u>(1,983,321)</u>
(1,067,656)	(1,383,860)	2,236,257
<u>20,878,401</u>	<u>20,878,401</u>	<u>11,415,123</u>
\$ <u>19,810,745</u>	\$ <u>19,494,541</u>	\$ <u>13,651,380</u>

CITY OF OTTUMWA, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2005

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the modified 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 modified accrual basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund 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 Funds 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 increased budgeted disbursements by \$2,673,984. This budget amendment is reflected in the final budgeted amounts.

Anderson, Larkin & Co., P.C.

OTHER SUPPLEMENTARY INFORMATION

Anderson, Larkin & Co. P.C.

CITY OF OTTUMWA, IOWA

Schedule 1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

<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	\$ 2,742,007	\$ 2,124,822	\$ 683,319	\$ 5,550,148
Receivables:				
Property taxes	1,766,491	-	-	1,766,491
Accounts	64,597	-	-	64,597
Other governments	334,942	209,213	-	544,155
Due from other funds	-	45,000	-	45,000
Prepaid insurance	151,787	-	-	151,787
Deposit	25,000	-	-	25,000
	<u>5,084,824</u>	<u>2,379,035</u>	<u>683,319</u>	<u>8,147,178</u>
TOTAL ASSETS	\$ 5,084,824	\$ 2,379,035	\$ 683,319	\$ 8,147,178
 <u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 352,737	\$ 42,714	\$ -	\$ 395,451
Wages and benefits payable	10,600	-	-	10,600
Compensated absences	30,689	-	-	30,689
Unearned property tax revenue	1,735,953	-	-	1,735,953
Unearned revenue	150,135	-	-	150,135
Due to other funds	97,660	-	-	97,660
	<u>2,377,774</u>	<u>42,714</u>	<u>-</u>	<u>2,420,488</u>
TOTAL LIABILITIES	2,377,774	42,714	-	2,420,488
 <u>FUND BALANCES:</u>				
Reserved for:				
Capital/construction	1,474,575	2,291,321	-	3,765,896
Prepaid insurance	151,787	-	-	151,787
Advances	-	45,000	-	45,000
Endowments	160,908	-	683,319	844,227
Insurance	467,328	-	-	467,328
Unreserved, undesignated	452,452	-	-	452,452
	<u>2,707,050</u>	<u>2,336,321</u>	<u>683,319</u>	<u>5,726,690</u>
TOTAL FUND BALANCES	2,707,050	2,336,321	683,319	5,726,690
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,084,824	\$ 2,379,035	\$ 683,319	\$ 8,147,178

CITY OF OTTUMWA, IOWA

Schedule 2

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN
FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
<u>REVENUES:</u>				
Property tax	\$ 1,802,667	\$ -	\$ -	\$ 1,802,667
Other city tax	22,942	-	-	22,942
Intergovernmental	567,812	1,498,662	-	2,066,474
Use of money and property	441,960	48,299	28,638	518,897
Charges for service	395,173	-	12,671	407,844
Miscellaneous	407,388	17,421	-	424,809
Total revenues	<u>3,637,942</u>	<u>1,564,382</u>	<u>41,309</u>	<u>5,243,633</u>
<u>EXPENDITURES:</u>				
Operating:				
Public safety	306,556	10,344	-	316,900
Public works	349,570	7,700	-	357,279
Health and social services	53,412	-	-	53,412
Culture and recreation	910,173	-	-	910,173
Community and economic development	269,829	-	-	269,829
General government	1,534,873	-	-	1,534,873
Capital outlay	1,191,650	2,025,853	-	3,217,503
Total expenditures	<u>4,616,063</u>	<u>2,043,906</u>	<u>-</u>	<u>6,659,969</u>
Excess (deficiency) of revenues over (under) expenditures	(978,121)	(479,524)	41,309	(1,416,336)
Other financing sources (uses):				
Bond proceeds	601,000	1,384,000	-	1,985,000
Bond issue costs	-	(31,799)	-	(31,799)
Transfers in	1,148,764	-	-	1,148,764
Transfers out	<u>(865,324)</u>	<u>-</u>	<u>(24,932)</u>	<u>(890,256)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(93,681)	872,677	16,377	795,373
Fund balance - Beginning of year	<u>2,800,731</u>	<u>1,463,644</u>	<u>666,942</u>	<u>4,931,317</u>
Fund balance - End of year	\$ <u>2,707,050</u>	\$ <u>2,336,321</u>	\$ <u>683,319</u>	\$ <u>5,726,690</u>

CITY OF OTTUMWA, IOWA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2005

<u>ASSETS</u>	<u>Airport</u>	<u>Emergency</u>	<u>Library</u>	<u>Cemetery</u>	<u>Special Grants</u>	<u>Block Grants</u>	<u>Tax Increment Fund</u>
Cash and cash equivalents	\$ 147 012	\$ -	\$ 216 011	\$ 77 918	\$ -	\$ 88 133	\$ 976 764
Receivables:							
Property taxes	-	122 961	228 128	113 059	-	-	677 956
Accounts	2 427	-	-	-	-	62 118	-
Other governments	-	-	-	-	8 849	25 934	212 142
Prepaid insurance	13 817	-	1 848	2 712	-	-	-
Deposit	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 163,256	\$ 122,961	\$ 445,987	\$ 193,689	\$ 8,849	\$ 176,185	\$ 1,866,862
 <u>LIABILITIES AND FUND BALANCES</u>							
<u>LIABILITIES:</u>							
Accounts payable	\$ 5 125	\$ -	\$ 3 921	\$ 4 918	\$ 8 849	\$ 215	\$ 238 253
Wages and benefits payable	2 100	-	4 600	3 300	-	-	-
Compensated absences	5 457	-	13 235	11 609	-	-	-
Unearned property tax revenue	-	120 301	220 540	110 665	-	-	667 699
Unearned revenue	-	-	-	-	-	62 118	-
Due to other funds	-	2,660	-	-	-	-	95,000
TOTAL LIABILITIES	12,682	122,961	242,296	130,492	8,849	62,333	1,000,952
 <u>FUND BALANCES:</u>							
Reserved for:							
Capital/construction	-	-	-	60 485	-	-	865 910
Prepaid insurance	13 817	-	1 843	2 712	-	-	-
Endowments	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Unreserved	136,757	-	201,843	-	-	113,852	-
TOTAL FUND BALANCES	150,574	-	203,691	63,197	-	113,852	865,910
TOTAL LIABILITIES AND FUND BALANCES	\$ 163,256	\$ 122,961	\$ 445,987	\$ 193,689	\$ 8,849	\$ 176,185	\$ 1,866,862

<u>Risk Management</u>	<u>Other Bond Projects</u>	<u>Fire Bequest</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>
\$ 160 457	\$ 546 661	\$ 13 931	\$ 361 821	\$ 115 984	\$ 4 487	\$ 30 499	\$ 2,329	\$ 2 742 007
279 159	1 727	-	-	343 501	-	-	-	1 766 491
52	-	-	-	-	-	-	-	64 597
-	88 017	-	-	-	-	-	-	334 942
133 410	-	-	-	-	-	-	-	151 787
<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
<u>\$ 598,078</u>	<u>\$ 636,405</u>	<u>\$ 13,931</u>	<u>\$ 361,821</u>	<u>\$ 459,485</u>	<u>\$ 4,487</u>	<u>\$ 30,499</u>	<u>\$ 2,329</u>	<u>\$ 5,084,824</u>
\$ 28 878	\$ 208	\$ -	\$ 56 048	\$ 6 193	\$ -	\$ 129	\$ -	\$ 352,737
600	-	-	-	-	-	-	-	10 600
388	-	-	-	-	-	-	-	30 689
273 247	-	-	-	343 501	-	-	-	731 953
-	88 017	-	-	-	-	-	-	150 135
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,660</u>
<u>303,113</u>	<u>88,225</u>	<u>-</u>	<u>56,048</u>	<u>349,694</u>	<u>-</u>	<u>129</u>	<u>-</u>	<u>2,377,774</u>
-	548,180	-	-	-	-	-	-	1 474 575
133 410	-	-	-	-	-	-	-	151 787
-	-	13 931	-	109 791	4 487	30 370	2 329	160 908
161 555	-	-	305 773	-	-	-	-	467 328
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>452,452</u>
<u>294,965</u>	<u>548,180</u>	<u>13,931</u>	<u>305,773</u>	<u>109,791</u>	<u>4,487</u>	<u>30,370</u>	<u>2,329</u>	<u>2,707,050</u>
<u>\$ 598,078</u>	<u>\$ 636,405</u>	<u>\$ 13,931</u>	<u>\$ 361,821</u>	<u>\$ 459,485</u>	<u>\$ 4,487</u>	<u>\$ 30,499</u>	<u>\$ 2,329</u>	<u>\$ 5,084,824</u>

Anderson Larkin & Co. P.C.

CITY OF OTTUMWA IOWA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2005

	<u>Airport</u>	<u>Emergency</u>	<u>Library</u>	<u>Cemetery</u>	<u>Special Grants</u>	<u>Block Grants</u>	<u>Tax Increment Fund</u>
REVENUES:							
Property tax	\$ -	\$ 112,700	\$ 331,504	\$ 106,319	\$ -	\$ -	\$ 1,001,705
Other city taxes	-	5,434	5,433	-	-	-	-
Intergovernmental	-	-	30,503	-	52,105	159,170	195,084
Use of money and property	373,176	-	3,992	12,321	-	-	34,483
Charges for service	-	-	12,044	116,432	-	-	-
Miscellaneous	7,389	-	84,235	20,467	-	28,068	20,145
Total revenues	<u>380,565</u>	<u>118,134</u>	<u>467,711</u>	<u>255,539</u>	<u>52,105</u>	<u>187,238</u>	<u>1,251,417</u>
EXPENDITURES:							
Operating:							
Public safety	-	-	-	-	-	-	-
Public works	349,570	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-	-
Culture and recreation	-	-	491,354	336,995	-	-	-
Community and economic development	400	-	-	-	52,105	173,460	43,864
General government	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	1,191,650
Total expenditures	<u>349,970</u>	<u>-</u>	<u>491,354</u>	<u>336,995</u>	<u>52,105</u>	<u>173,460</u>	<u>1,235,514</u>
Excess (deficiency) of revenues over (under) expenditures	30,595	118,134	(23,643)	(81,456)	-	13,778	15,903
Other financing sources (uses):							
Bond proceeds	-	-	-	-	-	-	106,000
Transfers in	39,755	-	80,437	78,000	-	-	-
Transfers out	-	(118,134)	-	-	-	-	(737,708)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	70,350	-	62,794	(3,456)	-	13,778	(615,805)
Fund balance - Beginning of year	<u>80,224</u>	<u>-</u>	<u>140,897</u>	<u>66,653</u>	<u>-</u>	<u>100,074</u>	<u>1,481,715</u>
Fund balance - End of year	<u>\$ 150,574</u>	<u>\$ -</u>	<u>\$ 203,691</u>	<u>\$ 63,197</u>	<u>\$ -</u>	<u>\$ 113,852</u>	<u>\$ 865,910</u>

Anderson Larkin & Co. P.C.

Risk Management	Other Bond Projects	Fire Bequest	Retiree Health Insurance	Library Bequest	Park Bequest	Police Bequest	Historic Preservation	Total
\$ 250,439	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,802,667
12,075	-	-	-	-	-	-	-	22,942
-	-	130,950	-	-	-	-	-	567,812
5,177	-	332	10,021	1,580	107	771	-	441,960
-	550	-	266,147	-	-	-	-	395,173
-	27,369	1,946	127,746	81,387	200	8,436	-	407,388
<u>267,691</u>	<u>27,919</u>	<u>133,228</u>	<u>403,914</u>	<u>82,967</u>	<u>307</u>	<u>9,207</u>	<u>-</u>	<u>3,637,942</u>
150,043	6,444	137,251	-	-	-	12,818	-	306,556
-	-	-	-	-	-	-	-	349,570
-	53,412	-	-	-	-	-	-	53,412
-	13,991	-	-	66,684	1,149	-	-	910,173
-	-	-	-	-	-	-	-	2,99,829
243,258	-	-	1,291,615	-	-	-	-	1,334,873
-	-	-	-	-	-	-	-	191,650
<u>393,301</u>	<u>73,847</u>	<u>137,251</u>	<u>1,291,615</u>	<u>66,684</u>	<u>1,149</u>	<u>12,818</u>	<u>-</u>	<u>4,616,063</u>
(125,610)	(45,928)	(4,023)	(887,701)	16,283	(842)	(3,611)	-	(978,121)
-	495,000	-	-	-	-	-	-	601,000
94,572	-	-	850,000	-	-	-	-	1,148,764
<u>(9,482)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(865,324)</u>
(40,520)	449,072	(4,023)	(37,701)	16,283	(842)	(3,611)	-	(93,681)
<u>335,485</u>	<u>99,108</u>	<u>17,954</u>	<u>343,477</u>	<u>93,508</u>	<u>5,329</u>	<u>33,981</u>	<u>2,329</u>	<u>2,800,731</u>
\$ <u>294,965</u>	\$ <u>548,180</u>	\$ <u>13,931</u>	\$ <u>305,773</u>	\$ <u>109,791</u>	\$ <u>4,487</u>	\$ <u>30,370</u>	\$ <u>2,329</u>	\$ <u>2,707,050</u>

CITY OF OTTUMWA, IOWA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2005

<u>ASSETS</u>	<u>Sidewalks</u>	<u>Airport Projects</u>	<u>Street Projects</u>
Cash and cash equivalents	\$ 175,981	\$ 121,889	\$ 1,611,289
Receivables:			
Other governments	54	23,668	185,491
Due from to other funds	<u>-</u>	<u>-</u>	<u>45,000</u>
TOTAL ASSETS	\$ <u>176,035</u>	\$ <u>145,557</u>	\$ <u>1,841,780</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Accounts payable	\$ <u>-</u>	\$ <u>2,335</u>	\$ <u>40,379</u>
TOTAL LIABILITIES	<u>-</u>	<u>2,335</u>	<u>40,379</u>
 <u>FUND BALANCES:</u>			
Reserved:			
Construction	176,035	143,222	1,756,401
Advances	<u>-</u>	<u>-</u>	<u>45,000</u>
TOTAL FUND BALANCES	<u>176,035</u>	<u>143,222</u>	<u>1,801,401</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>176,035</u>	\$ <u>145,557</u>	\$ <u>1,841,780</u>

Schedule 5

<u>Trail Projects</u>	<u>Levee Repairs</u>	<u>Total</u>
\$ 16,178	\$ 199,485	\$ 2,124,822
-	-	209,213
-	-	<u>45,000</u>
\$ <u>16,178</u>	\$ <u>199,485</u>	\$ <u>2,379,035</u>
\$ -	\$ -	\$ <u>42,714</u>
-	-	<u>42,714</u>
16,178	199,485	2,291,321
-	-	45,000
<u>16,178</u>	<u>199,485</u>	<u>2,336,321</u>
\$ <u>16,178</u>	\$ <u>199,485</u>	\$ <u>2,379,035</u>

Anderson, Larkin & Co. P.C.

CITY OF OTTUMWA, IOWA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2005

	<u>Sidewalks</u>	<u>Airport Projects</u>	<u>Street Projects</u>
REVENUES:			
Intergovernmental	\$ -	\$ 1,253,346	\$ 245,316
Use of money and property	4,057	2,183	41,685
Miscellaneous	<u>4,041</u>	<u>-</u>	<u>13,380</u>
Total revenues	<u>8,098</u>	<u>1,255,529</u>	<u>300,381</u>
EXPENDITURES:			
Operating:			
Public safety	-	-	-
Public works	7,709	-	-
Capital outlay	<u>-</u>	<u>1,323,690</u>	<u>702,163</u>
Total expenditures	<u>7,709</u>	<u>1,323,690</u>	<u>702,163</u>
Excess (deficiency) of revenues over (under) expenditures	389	(68,161)	(401,782)
Other financing sources (uses):			
Bond proceeds	-	95,500	1,163,500
Bond issue costs	<u>-</u>	<u>-</u>	<u>(31,799)</u>
Total other financing sources (uses)	<u>-</u>	<u>95,500</u>	<u>1,131,701</u>
Excess of revenues and other financing sources over expenditures and other financing uses	389	27,339	729,919
Fund balance - Beginning of year	<u>175,646</u>	<u>115,883</u>	<u>1,071,482</u>
Fund balance - End of year	\$ <u>176,035</u>	\$ <u>143,222</u>	\$ <u>1,801,401</u>

Schedule 6

<u>Trail Projects</u>	<u>Levee Repairs</u>	<u>Total</u>
\$ -	\$ -	\$ 1,498,662
374	-	48,299
<u>-</u>	<u>-</u>	<u>17,421</u>
<u>374</u>	<u>-</u>	<u>1,564,382</u>
-	10,344	10,344
-	-	7,709
<u>-</u>	<u>-</u>	<u>2,025,853</u>
<u>-</u>	<u>10,344</u>	<u>2,043,906</u>
374	(10,344)	(479,524)
-	125,000	1,384,000
<u>-</u>	<u>-</u>	<u>(31,799)</u>
<u>-</u>	<u>125,000</u>	<u>1,352,201</u>
374	114,656	872,677
<u>15,804</u>	<u>61,829</u>	<u>1,463,644</u>
\$ <u>16,178</u>	\$ <u>199,485</u>	\$ <u>2,336,321</u>

Anderson, Larkin & Co. P.C.

CITY OF OTTUMWA, IOWA

Schedule 7

COMBINING BALANCE SHEET
NONMAJOR PERMANENT FUNDS
JUNE 30, 2005

	<u>Cemetery Perpetual Care</u>	<u>Cemetery Memorial</u>	<u>Total Nonmajor Permanent Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ <u>564,047</u>	\$ <u>119,272</u>	\$ <u>683,319</u>
TOTAL ASSETS	\$ <u>564,047</u>	\$ <u>119,272</u>	\$ <u>683,319</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>FUND BALANCES:</u>			
Reserved for: Endowments	\$ <u>564,047</u>	\$ <u>119,272</u>	\$ <u>683,319</u>
TOTAL FUND BALANCES	<u>564,047</u>	<u>119,272</u>	<u>683,319</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>564,047</u>	\$ <u>119,272</u>	\$ <u>683,319</u>

Anderson, Larkin & Co. P.C.

CITY OF OTTUMWA, IOWA

Schedule 8

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
YEAR ENDED JUNE 30, 2005

	<u>Cemetery Perpetual Care</u>	<u>Cemetery Memorial</u>	<u>Total Nonmajor Permanent Funds</u>
<u>REVENUES:</u>			
Interest income	\$ 20,772	\$ 7,866	\$ 28,638
Charges for service	<u>12,671</u>	<u>-</u>	<u>12,671</u>
Total revenues	<u>33,443</u>	<u>7,866</u>	<u>41,309</u>
Other financing uses:			
Transfers out	<u>(20,772)</u>	<u>(4,160)</u>	<u>(24,932)</u>
Excess of revenues over expenses and other financing uses	12,671	3,706	16,377
Fund balance - Beginning of year	<u>55,376</u>	<u>115,566</u>	<u>666,942</u>
Fund balance - End of year	\$ <u>64,047</u>	\$ <u>119,272</u>	\$ <u>683,319</u>

Anderson, Larkin & Co. P.C.

CITY OF OTTUMWA, IOWA

Schedule 9

COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2005

<u>ASSETS</u>	<u>Transit</u>	<u>Golf Course</u>	<u>Total Nonmajor Proprietary Funds</u>
Current Assets:			
Cash and cash equivalents	\$ 203,288	\$ 110,344	\$ 313,632
Receivables:			
Accounts	2,072	-	2,072
Property taxes	344,296	-	344,296
Other government	6,538	-	6,538
Inventory	-	32,866	32,866
Prepaid expenses	20,125	3,139	23,264
Total Current Assets	<u>576,319</u>	<u>146,349</u>	<u>722,668</u>
Capital Assets:			
Land	-	80,000	80,000
Buildings	853,168	174,855	1,028,023
Improvements other than buildings	-	868,105	868,105
Machinery and equipment	1,671,911	438,656	2,110,600
Less accumulated depreciation	<u>(1,336,076)</u>	<u>(612,498)</u>	<u>(1,948,574)</u>
Total Capital Assets	<u>1,189,036</u>	<u>949,118</u>	<u>2,138,154</u>
TOTAL ASSETS	\$ <u>1,765,355</u>	\$ <u>1,095,467</u>	\$ <u>2,860,822</u>
 <u>LIABILITIES AND NET ASSETS</u>			
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts payable	\$ 33,680	\$ 40,125	\$ 73,805
Wages and benefits payable	8,700	4,900	13,600
Accrued interest payable	-	2,183	2,183
Compensated absences payable	14,077	11,213	25,290
Unearned property tax revenue	337,004	-	337,004
Unearned revenue	-	72,928	72,928
Due to other funds	-	260,000	260,000
Current portion of bonds payable	-	40,000	40,000
Total Current Liabilities	<u>393,461</u>	<u>431,349</u>	<u>824,810</u>
Long-term Liabilities:			
Bonds payable:			
Long-term	-	530,000	530,000
Total Long-term Liabilities	<u>-</u>	<u>530,000</u>	<u>530,000</u>
TOTAL LIABILITIES	<u>393,461</u>	<u>961,349</u>	<u>1,354,810</u>
 <u>NET ASSETS:</u>			
Invested in net assets, net of related debt	1,189,036	379,118	1,568,154
Reserved for:			
Prepaid expenses	20,125	3,139	23,264
Unreserved	<u>162,733</u>	<u>(248,139)</u>	<u>(85,406)</u>
TOTAL NET ASSETS	<u>1,371,894</u>	<u>134,118</u>	<u>1,506,012</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,765,355</u>	\$ <u>1,095,467</u>	\$ <u>2,860,822</u>

CITY OF OTTUMWA, IOWA

Schedule 10

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

	<u>Transit</u>	<u>Golf Course</u>	<u>Total Nonmajor Proprietary Funds</u>
Operating revenues:			
Charges for service	\$ 121,985	\$ 539,505	\$ 661,490
Miscellaneous	<u>5,664</u>	<u>4,242</u>	<u>9,906</u>
Total operating revenues	<u>127,649</u>	<u>543,747</u>	<u>671,396</u>
Operating expenses:			
Operations	868,516	469,325	1,338,342
Capital outlay	142,687	10,960	153,647
Depreciation	<u>45,314</u>	<u>74,561</u>	<u>119,875</u>
Total operating expenses	<u>1,056,517</u>	<u>555,347</u>	<u>1,611,864</u>
Operating loss	(928,868)	(11,600)	(940,468)
Nonoperating revenue:			
Interest income	5,050	-	5,050
Property taxes	323,771	-	323,771
Intergovernmental	<u>668,129</u>	<u>-</u>	<u>668,129</u>
Income (loss) before operating transfers	68,082	(11,600)	56,482
Other financing uses:			
Transfers out	<u>-</u>	<u>(28,740)</u>	<u>(28,740)</u>
Change in net assets	68,082	(40,340)	27,742
Net assets - Beginning of year	<u>1,303,812</u>	<u>174,458</u>	<u>1,478,270</u>
Net assets - End of year	\$ <u>1,371,894</u>	\$ <u>134,118</u>	\$ <u>1,506,012</u>

CITY OF OTTUMWA, IOWA

Schedule 11

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

	<u>Transit</u>	<u>Golf Course</u>	<u>Total Nonmajor Proprietary Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Cash received from operations	\$ 123,295	\$ 561,377	\$ 684,672
Cash paid to employees	(553,371)	(271,684)	(825,055)
Cash paid to suppliers	(442,037)	(100,909)	(542,946)
Cash used in operations	(995,408)	(372,593)	(1,368,001)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(872,113)</u>	<u>188,784</u>	<u>(683,329)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Property taxes	322,412	-	322,412
Intergovernmental	668,129	-	668,129
Transfers to other funds	-	(28,740)	(28,740)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>990,541</u>	<u>(28,740)</u>	<u>961,801</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Payment of long term debt:			
General obligation bonds	-	(35,000)	(35,000)
Additions to property and equipment	(264,051)	(34,913)	(298,964)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(264,051)</u>	<u>(69,913)</u>	<u>(333,964)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest income received	5,050	-	5,050
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(140,573)	90,131	(50,442)
<u>CASH AND CASH EQUIVALENTS - Beginning of year</u>	<u>343,861</u>	<u>20,213</u>	<u>364,074</u>
<u>CASH AND CASH EQUIVALENTS - End of year</u>	\$ <u>203,288</u>	\$ <u>110,344</u>	\$ <u>313,632</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>			
Operating loss	\$ (928,868)	\$ (11,600)	\$ (940,468)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	45,314	74,561	119,875
Changes in assets and liabilities:			
Decrease in receivables	2,184	8,966	11,150
Decrease in inventory	-	1,034	1,034
Decrease in prepaid insurance	1,014	893	1,907
Increase in due from other governments	(6,538)	-	(6,538)
Increase in accounts payable	24,261	8,007	32,268
Decrease in wages and benefits payable	(11,000)	(12,900)	(23,900)
Decrease in accrued interest payable	-	(129)	(129)
Increase in compensated absences payable	1,520	1,288	2,808
Increase in unearned revenue	-	8,664	8,664
Increase in due to other funds	-	110,000	110,000
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u>(872,113)</u>	\$ <u>188,784</u>	\$ <u>(683,329)</u>

CITY OF OTTUMWA, IOWA

Schedule 12

COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
JUNE 30, 2005

	<u>Payroll</u> <u>Clearing</u>	<u>Equipment</u> <u>Purchasing</u>	<u>Employee</u> <u>Insurance</u>	<u>Total</u>
<u>ASSETS</u>				
Current Assets:				
Cash and cash equivalents	\$ <u>306,326</u>	\$ <u>306,025</u>	\$ <u>336,663</u>	\$ <u>949,014</u>
TOTAL ASSETS	\$ <u>306,326</u>	\$ <u>306,025</u>	\$ <u>336,663</u>	\$ <u>949,014</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>CURRENT LIABILITIES:</u>				
Accounts payable	\$ <u>306,326</u>	\$ <u>-</u>	\$ <u>278,723</u>	\$ <u>585,049</u>
<u>NET ASSETS:</u>				
Retained earnings:				
Restricted	-	-	57,940	57,940
Unrestricted	-	306,025	-	306,025
TOTAL NET ASSETS	-	306,025	57,940	363,965
TOTAL LIABILITIES AND NET ASSETS	\$ <u>306,326</u>	\$ <u>306,025</u>	\$ <u>336,663</u>	\$ <u>949,014</u>

Anderson, Larkin & Co., P.C.

CITY OF OTTUMWA, IOWA

Schedule 13

COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN
FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2005

	<u>Equipment Purchasing</u>	<u>Employee Insurance</u>	<u>Total</u>
<u>OPERATING REVENUES:</u>			
Charges for service and other operating revenues	\$ -	\$ 1,828,076	\$ 1,828,076
<u>EXPENSES:</u>			
Operations	-	1,779,435	1,779,435
Operating income	-	48,641	48,641
Nonoperating revenue:			
Interest income	-	7,195	7,195
Income before operating transfers	-	55,836	55,836
Operating transfers:			
Transfers in	329,500	-	329,500
Transfers out	(303,804)	-	(303,804)
Change in net assets	25,696	55,836	81,532
Net assets - Beginning of year, as restated	280,329	2,104	282,433
Net assets - End of year	\$ 306,025	\$ 57,940	\$ 363,965

Anderson, Larkin & Co. P.C.

CITY OF OTTUMWA, IOWA

Schedule 14

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2005

	Payroll Clearing	Equipment Purchasing	Employee Insurance	Total Nonmajor Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from operations	\$ -	\$ -	\$ 1,828,304	\$ 1,828,304
Cash paid to employees	186,565	-	-	186,565
Cash paid to suppliers	-	(62,997)	(1,751,967)	(1,814,964)
Cash provided (used) by operations	186,565	(62,997)	(1,751,967)	(1,628,399)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	186,565	(62,997)	76,337	199,905
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers from other funds	-	329,500	-	329,500
Transfers to other funds	-	(303,804)	-	(303,804)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	-	25,696	-	25,696
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income received	-	-	7,195	7,195
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	86,565	(37,301)	83,532	232,796
CASH AND CASH EQUIVALENTS - Beginning of year	119,761	343,326	253,131	716,218
CASH AND CASH EQUIVALENTS - End of year	\$ 306,326	\$ 306,025	\$ 336,663	\$ 949,014
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income	\$ -	\$ -	\$ 48,641	\$ 48,641
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Changes in assets and liabilities:				
Decrease in receivables	228	-	-	228
Increase (decrease) in accounts payable	186,337	(62,997)	27,696	151,036
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 186,565	\$ (62,997)	\$ 76,337	\$ 199,905

CITY OF OTTUMWA, IOWA

Schedule 15

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

<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:			
FAA Grant Lighting/Crack Sealing	20 106	3-19-0073-11-2004	\$ 20,454
FAA Grant Parallel Taxiway	20 106	3-19-0073-10-2004	<u>1,232,892</u>
			<u>1,253,346</u>
Department of Justice:			
Local Law Enforcement Block Grants Program	16 592	Various	<u>24,665</u>
Total Expenditures of Direct Federal Awards			<u>1,278,011</u>
<u>Indirect:</u>			
Department of Housing and Urban Development:			
Community Development Block Grants:			
First Time Home Buyers Grant	14 219	Various	<u>159,170</u>
Department of Transportation:			
Federal Transit Admin Nonurban Capital Assist	20 509	A-18-X025	426,818
Federal Transit Admin Nonurban Capital Assist	20 509	A-18-X024	39,840
Federal Transit Admin Nonurban Capital Assist	20 509	11-12-15	<u>21,112</u>
			<u>487,770</u>
Capital Investment Assistance Project	20 500	IA-03-0098	160,000
Capital Investment Assistance Project	20 500	IA-03-0103	<u>12,000</u>
			<u>172,000</u>
Elderly Persons with Disabilities Project	20 513	IA-16-0029	<u>50,656</u>
Job Access/Reverse Commute Project	20 516	IA-37-X009	<u>25,000</u>
TEA-21 Albia Road	20 205	STP-U-5825(625)70-90	245,316
TEA-21 Iowa Avenue	20 205	STP-U-5825(626)70-90	<u>195,084</u>
			<u>440,400</u>
Traffic Safety Grant	20 600	PAP-05-04	11,645
Traffic Safety Grant	20 600	PAP-04-04	1,445
Alcohol Grant	20 600	PAP-04-163	2,309
Alcohol Grant	20 600	PAP-05-163	<u>14,036</u>
			<u>29,435</u>
Department of Justice:			
Drug Task Force	16 579	04A-0202	<u>183,336</u>
Department of Economic Development:			
Homeless Shelter Operations Grant	14 231	03-ES-002	<u>52,105</u>
Department of Health & Human Services:			
FEMA	83 554	EMW-2003-FG-02249	<u>130,950</u>
Lead Grant	93.003	5884L03	<u>3,591</u>
Total Expenditures of Indirect Federal Awards			<u>1,734,413</u>
Total Expenditures of Federal Awards			\$ <u>3,012,424</u>

CITY OF OTTUMWA, IOWA

Schedule 15 (Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

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/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.

Anderson, Larkin & Co. P.C.

CITY OF OTTUMWA, IOWA

BOND/NOTE MATURITIES
JUNE 30, 2005

General Obligation Bonds/Notes

Year Ending June 30,	Essential Corporate Purpose Issued November 1, 1992		Refunding Issue B Issued February 1, 1994		2001 Series Issued November 1, 2001		2002 Series Issued August 1, 2002	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2006	5.70 %	\$ 85,000	4.80 %	\$ 245,000	3.40 %	\$ 60,000	2.80 %	\$ 160,000
2007	5.80	95,000	4.90	250,000	3.60	65,000	3.10	165,000
2008	-	-	5.00	260,000	3.80	65,000	3.40	170,000
2009	-	-	5.10	275,000	4.00	70,000	3.60	175,000
2010	-	-	5.125	290,000	4.10	70,000	3.80	185,000
2011	-	-	5.125	310,000	4.20	75,000	3.90	195,000
2012	-	-	-	-	4.30	80,000	4.00	200,000
Total		\$ 180,000		\$ 1,630,000		\$ 485,000		\$ 1,250,000

General Obligation Bonds/Notes

Year Ending June 30,	2002 Series Issued December 1, 2002		2001 Series Issued March 1, 2001		Army Reserve Building Issued March 1, 1996		Series 2003 Issued March 1, 2003	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2006	2.40 %	\$ 120,000	4.40 %	\$ 40,000	7.25 %	\$ 40,301	3.00 %	\$ 955,000
2007	2.75	125,000	4.40	40,000	7.25	43,276	3.00	980,000
2008	3.05	130,000	4.40	45,000	7.25	46,491	3.00	1,005,000
2009	3.30	135,000	4.40	45,000	-	-	3.35	1,035,000
2010	3.50	140,000	4.40	50,000	-	-	3.65	1,070,000
2011	3.75	145,000	4.50	50,000	-	-	3.90	1,105,000
2012	3.85	150,000	4.60	55,000	-	-	4.00	1,145,000
2013	4.00	155,000	4.70	55,000	-	-	4.125	1,190,000
2014	-	-	4.75	60,000	-	-	4.25	1,235,000
2015	-	-	4.80	65,000	-	-	-	-
2016	-	-	4.90	65,000	-	-	-	-
Total		\$ 985,000		\$ 570,000		\$ 130,068		\$ 9,720,000

See Accompanying Independent Auditor's Report

General Obligation Bonds/Notes

Series 2002 Issued August 1, 2002		Series 2005 Issued February 1, 2005	
Interest Rates	Amount	Interest Rates	Amount
3.91 %	\$ 58,000	2.15 %	\$ 995,000
3.91	61,000	2.30	1,140,000
3.91	32,000	2.50	100,000
	-	2.70	100,000
	-	2.90	100,000
	-		-
	-		-
	<u>151,000</u>		<u>2,435,000</u>
	\$ 151,000		\$ 2,435,000

General Obligation Bonds/Notes

Total
\$ 2,758,301
2,964,276
1,853,491
1,835,000
1,880,000
1,350,000
1,600,000
1,370,000
1,295,000
65,000
<u>65,000</u>
\$ <u>17,536,068</u>

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		
2005	5,555,083	5,420,568	984,361		
	<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		
2005	1,896,101	2,509,520	608,882		
	<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 **	914,082	557,491	23,312,830
2005	1,873,911	3,632,889 **	1,058,468	556,372	24,096,155

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

** Includes interest on sewer debt.

Anderson, Larkin & Co. P.C.

CITY OF OTTUMWA, IOWA

GOVERNMENT-WIDE REVENUES
LAST TEN FISCAL YEARS - UNAUDITED

Fiscal Year	Program Revenues			Total
	<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	
2005	10,955,765	3,147,241	3,349,668	

Fiscal Year	General Revenue			Total
	<u>Taxes</u>	<u>Unrestricted Investment Income</u>	<u>Miscellaneous</u>	
2003 *	\$ 11,970,218	\$ 562,852	\$ 48,019	\$ 27,763,330
2004	12,174,972	270,890	141,041	28,713,956
2005	13,325,315	348,686	168,314	31,264,986

* 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
2005	5,794,402	4,835,794	380,350	2,039,435	533,369

	<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	\$ 3,949,155	\$ 25,726,476
2004	2,081,107	3,400,528	2,039,830	5,791,107	26,016,145
2005	2,442,322	3,871,559	1,495,454	6,268,272	27,660,957

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

Anderson, Larkin & Co., P.C.

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>
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	258,500	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
2004-05	9,720,525	431,344	2,359,514	490,161	333,857	3,103,696

<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>
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
2004-05	3,647,415	124,562	659,248	458,692	6,092,316	27,421,330

* 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</u> <u>of Levy</u> <u>Collected</u>
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	9,298,032	101.4
2003-04***	9,532,395	9,498,223	99.6
2004-05***	10,516,987	10,475,640	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

Anderson, Larkin & Co. PC

CITY OF OTTUMWA, IOWA

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

<u>Collection Years</u>	<u>Real Property*</u>		<u>Personal Property (Taxed as Real Property)</u>	
	<u>Taxable Value</u>	<u>Assessed Value</u>	<u>Taxable Value</u>	<u>Assessed Value</u>
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	1,915,937
2003-04	372,427,254	588,611,127	-	-
2004-05	412,350,723	656,689,415	-	-

<u>Collection Years</u>	<u>Utilities</u>		<u>Total*</u>		<u>Assessed to Actual Value</u>
	<u>Taxable Value</u>	<u>Assessed Value</u>	<u>Taxable Value</u>	<u>Assessed Value</u>	
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	29,804,300	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	31,585,914	32,585,914	405,013,168	621,197,041	65
2004-05	23,644,303	32,594,022	440,995,026	689,283,437	64

* Does not include captured TIF increment. Captured TIF increment for 2004-2005 amounted to \$22.7 million taxable (\$29.7 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>
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
2004-05	21.43363	14 85095	0.75423	8.84240	45 88121

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>
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
2004-05	24,998	719,008,888	17,536,068	203,096	17,332,972	.0241 to 1	693.37

Anderson, Larkin & Co. P.C.

CITY OF OTTUMWA, IOWA

COMPUTATION OF DIRECT AND OVERLAPPING DEBT
END OF YEAR
UNAUDITED

<u>Name of Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to Governmental Unit</u>	<u>City of Ottumwa Share of Debt</u>
City of Ottumwa	\$ <u>17,536,068</u>	100.00 %	\$ <u>17,536,068</u>
Ottumwa Community Schools	7,100,000	79.57	5,649,470
Area XV Community College*	-	11.26	-
Wapello County	<u>360,000</u>	56.09	<u>201,924</u>
Total overlapping debt	<u>7,460,000</u>		<u>5,851,394</u>
 Total direct and overlapping debt	 \$ <u>24,996,068</u>		 \$ <u>23,387,462</u>

* Does not include \$10,905,000 of Jobs Training Program Bonds being repaid from Tax Increment Financing (TIF) revenues, or \$3,895,000 of Dormitory Revenue Bonds.

Anderson, Larkin & Co. P.C.

CITY OF OTTUMWA, IOWA

COMPUTATION OF LEGAL DEBT MARGIN

END OF YEAR

UNAUDITED

2004-2005 Actual Value:

Real estate	\$ 686,414,866 *
Utilities	<u>32,594,022</u>
Total	\$ <u>719,008,888</u>

Debt limit - 5% of actual valuation \$ 35,950,444

Amount of Debt Applicable to Debt Limit:

General bonded debt	\$ 17,536,068
Less balance in Debt Service Fund	<u>203,096</u>
Net bonded debt	<u>17,332,972</u>
Legal debt margin	\$ <u>18,617,472</u>

* Includes captured TIF increment of \$29,725,451

Anderson, Larkin & Co. P.C.

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>
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	19,322,750	12.6
2002-03	2,168,749	363,486	2,532,235	25,720,476	9.8
2003-04	2,460,859	941,752	3,402,611	26,016,145	13.1
2004-05	3,205,355	668,604	3,873,959	27,660,957	14.0

Anderson, Larkin & Co. P.C.

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		New Commercial/Industrial		Total ⁽¹⁾	
	Number	Value	Number	Value	Number	Value
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
2005	216	8,992,255	57	6,027,870	273	15,020,125

Year Ending June 30.	Bank Deposits ⁽²⁾	Property Value*		Total
		Residential	Other	
1996	\$ 342,386,000	\$ 290,403,703	\$ 174,673,688	\$ 465,077,391
1997	350,511,000	357,301,000	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
2005	380,748,000	462,607,771	226,675,666	689,283,437

⁽¹⁾ Includes new construction and remodeling.

⁽²⁾ 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>
Interstate Power & Light	Electric Utility	\$ 15,537,338	3.35 %
Excel Corporation	Meat Packing Company	15,311,476	3.30
WalMart Real Estate Business Trust	Discount Store	13,226,300	2.85
Developers Diversified Realty	Real Estate Development	11,362,295	2.45
Regional Retirement Center	Retirement Home	10,993,064	2.37
Menards	Home and Lumber Store	10,197,000	2.20
John Deere Ottumwa Works	Manufacturing	9,262,896	2.00
Mid American Energy	Gas and Electric Utility	6,757,471	1.46
Ottumwa Medical Clinic	Medical Clinic	6,595,731	1.42
Qwest	Telephone Company	4,868,179	1.05
Total		\$ 104,111,759	
Ten largest taxpayers as percent of City's taxable valuation (\$463.7 Million)			<u>22.45 %</u>

Source: Wapello County Auditors Office

Anderson, Larkin & Co., P.C.

CITY OF OTTUMWA, IOWA

SCHEDULE OF INSURANCE IN FORCE

JUNE 30, 2005

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	03/15/05	03/15/06	Bodily and Personal Injury and Property Damage - \$2,500 Deductible		\$2,000,000	\$89,430
Skateboard Park - ICAP	IP041931413 000014	03/15/05	03/15/06	Bodily and Personal Injury and Property Damage - \$2,500 Deductible		\$2,000,000	Included Above
Auto Liability - ICAP	IP035931413 000014	03/15/05	03/15/06	Bodily Injury and Property Damage - \$2,500 Deductible		\$2,000,000	\$60,678
Auto Physical Damage - ICAP	IP015911413 000014	03/15/05	03/15/06	Actual Cash Value of Physical Damage Including Comprehensive and Collision - \$5,000 Deductible			\$23,214
Public Officials Liability- ICAP	IP039931413 000014	03/15/05	03/15/06	Errors and Omissions - \$10,000 Deductible		\$200,000 Each Claim and Aggregate	\$14,236
Blanket Building and Property - ICAP	IP026931413 000014	03/15/05	03/15/06	Blanket Building and Personal Property - \$2,500 Deductible	90%	Replace- ment Cost	\$81,928
Public Employees Blanket Bond - Allied Mutual	BD7900570183	03/15/05	03/15/06	Blanket and Position Honesty and Performance		\$100,000	\$2,068
Law Enforcement Professional Liability - ICAP	IP040931413 000014	03/15/05	03/15/06	Police Professional - \$3,000 Deductible		\$2,000,000	\$23,200
Boiler - ICAP	MN834118003	03/15/05	03/15/06	Boilers - \$2,500 Deductible		Repair or Replacement	\$4,700
Computer Policy - ICAP	IPO26931413- 000014	03/15/05	03/15/06	Computers, Electronic Equipment - \$250 Deductible			Included Above
Mobile Property - ICAP	CP078953886- 01	03/15/05	03/15/06	ACV - \$100 Deductible			Included Above
Crime Coverage - ICAP	CP078953886- 01	03/15/05	03/15/06	Scheduled - \$1,000 Deductible		\$100,000	Included Above

CITY OF OTTUMWA, IOWA

SCHEDULE OF INSURANCE IN FORCE

JUNE 30, 2005

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>				
Treasurer's 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	06/15/05	06/15/06	\$500 Deductible		\$45,000	\$293
Dram Ins - Golf - ICAP	0014	03/15/05	03/14/06			\$2,000,000	Included Above
AIRPORT							
Old Republic	GL60907	03/29/05	03/29/06	Commercial General Liability		\$5,000,000 Aggregate	\$4,070
UST-Petroleum Marketers Mutual	8607544	09/10/04	09/10/05	Under Ground Storage Tank Deductible \$5,000		\$1,000,000	\$500
OTTUMWA PUBLIC LIBRARY							
General Liability - ICAP	496	12/15/04	12/15/05	Bodily and Personal Injury and Property Damages		\$1,000,000	\$894
Blanket Building and Property - ICAP	496	12/15/04	12/15/05	Blanket Building and Property \$750 Deductible		Replacement Cost	\$2,588
Boiler - ICAP	496	12/15/04	12/15/05	Boilers		Repair or Replacement	\$550
OTTUMWA TRANSIT AUTHORITY							
Physical Damage - ICAP	IP015911413 000014	03/15/05	03/15/06	Transit - \$5,000 Deductible			Included Above
Liability - ICAP	IP015911413 000014	03/15/05	03/15/06	Transit - \$2,500 Deductible		\$2,000,000	Included Above
Uninsured Motorist - ICAP	IP015911413 000014	03/15/05	03/15/06	Transit - Bodily Injury - \$2,500 Deductible		\$2,000,000	Included Above
SOLID WASTE COMMISSION							
General Liability - ICAP	IP041931480 000118	03/19/05	03/19/06	\$2,500 Deductible		\$2,000,000	\$11,209
Public Officials - ICAP	IP039931480 000118	03/19/05	03/19/06	\$2,500 Deductible		\$2,000,000	Included Above
SOUTHEAST IOWA RESPONSE GROUP							
General Liability - ICAP	IP041921440 000114	12/31/04	12/31/05	Deductible NIL		\$5,000,000	\$4,560

CITY OF OTTUMWA, IOWA

SCHEDULE OF INSURANCE IN FORCE

JUNE 30, 2005

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>				
Public Officials - ICAP	IP041921440 000114	12/31/04	12/31/05				\$2,101
Auto Liability - ICAP	IP035921440 000114	12/31/04	12/31/05	Deductible NIL		\$5,000,000	\$1,036
Property - ICAP	IP015921440 000114	12/31/04	12/31/05	Actual Cash Value			\$1,536
Auto Physical Damage - ICAP	IP015921440 000114	12/31/04	12/31/05	\$500 Deductible			\$1,566
10-15 TRANSIT							
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
DEPT. 856							
General Liability - ICAP	IPO 15931499 000147	09/30/04	09/30/05	\$2,500 Deductible		\$1,000,000	\$381
Auto Liability - ICAP	IPO 15931499 000147	09/30/04	09/30/05	\$2,500 Deductible		\$1,000,000	\$4,977
Public Officials - ICAP	IPO 15931499 000147	09/30/04	09/30/05	\$1,000 Deductible		\$1,000,000	\$73

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>	2,358
<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	19
Number of acres	533
Number of playgrounds	11
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	14
Number of softball diamonds	10
Number of baseball diamonds	10
<u>Cemeteries:</u>	
Number of facilities	6
Number of acres	88
<u>Library:</u>	
Number of items in collection	67,217
<u>Number of City Employees (FTE's)</u>	241
<u>Elections:</u>	
Last general election	November 9, 2004
Registered voters	17,202
Number of votes cast	7,528
Percentage voting	44%
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

Anderson, Larkin & Co. P.C.

COMPLIANCE SECTION

Anderson, Larkin & Co. P.C.

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

Honorable Mayor and Members
of the City Council
Ottumwa, Iowa

We have audited the accompanying 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, 2005, which collectively comprise the City of Ottumwa, Iowa's basic financial statements listed in the table of contents and have issued our report thereon dated September 2, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Ottumwa, Iowa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 caused by errors or fraud 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.

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 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 except for item IV-H-05

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

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 2, 2005

Anderson, Larkin & Co. P.C.

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, 2005. 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 grant agreements 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether 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, 2005.

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 grant agreements 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 grant agreements 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 2, 2005

Anderson, Larkin & Co. P.C.

CITY OF OTTUMWA, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

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 noted.
- 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

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, 2005

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-05 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, 2005.
- IV-B-05 Certified Budget - Disbursements during the year ended June 30, 2005, did not exceed the amounts budgeted.
- IV-C-05 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-D-05 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-E-05 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>
David Yeager, Fireman C & W Boiler	Repairs	\$ 2,110

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.

Recommendation – The City should take steps to comply with the Code of Iowa.

Response – There are only two companies that we are aware of that can do this work in Ottumwa. We either get verbal quotes or sealed bids depending on City guidelines. If it is an emergency situation, we use the first company available as these are boilers that can not be in a non-working condition and are regulated by the State of Iowa.

Conclusion – Response accepted.

- IV-F-05 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-05 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-H-05 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.

CITY OF OTTUMWA, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

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

Annuities – Investments in annuities were made during the year ended June 30, 2005. 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.

Response – We will update our deposit and investment policy

Conclusion – Response accepted.

IV-I-05 Revenue Notes - The City has complied with the Sewer Revenue Capital Loan Note provisions.

Anderson, Larkin & Co. P.C.