

ANNUAL FINANCIAL REPORT
OF THE
CITY OF OTTUMWA, IOWA

FOR THE
FISCAL YEAR ENDED
JUNE 30, 2008

DEPARTMENT OF FINANCE

MICHAEL P. HEFFERNAN
DIRECTOR OF FINANCE

INTRODUCTORY SECTION

CITY OF OTTUMWA, IOWA

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COMPREHENSIVE ANNUAL REPORT

CITY OF OTTUMWA, IOWA

MAYOR - COUNCIL

MAYOR

Dale M. Uehling

CITY COUNCIL

Keith Caviness
Mitch Niner
Gordon Aistrop
Shannon Addison
Bob Meyers

TERM EXPIRES

January 2, 2012
January 2, 2012
January 4, 2010
January 4, 2010
January 4, 2010

CITY CLERK

Ann Cullinan

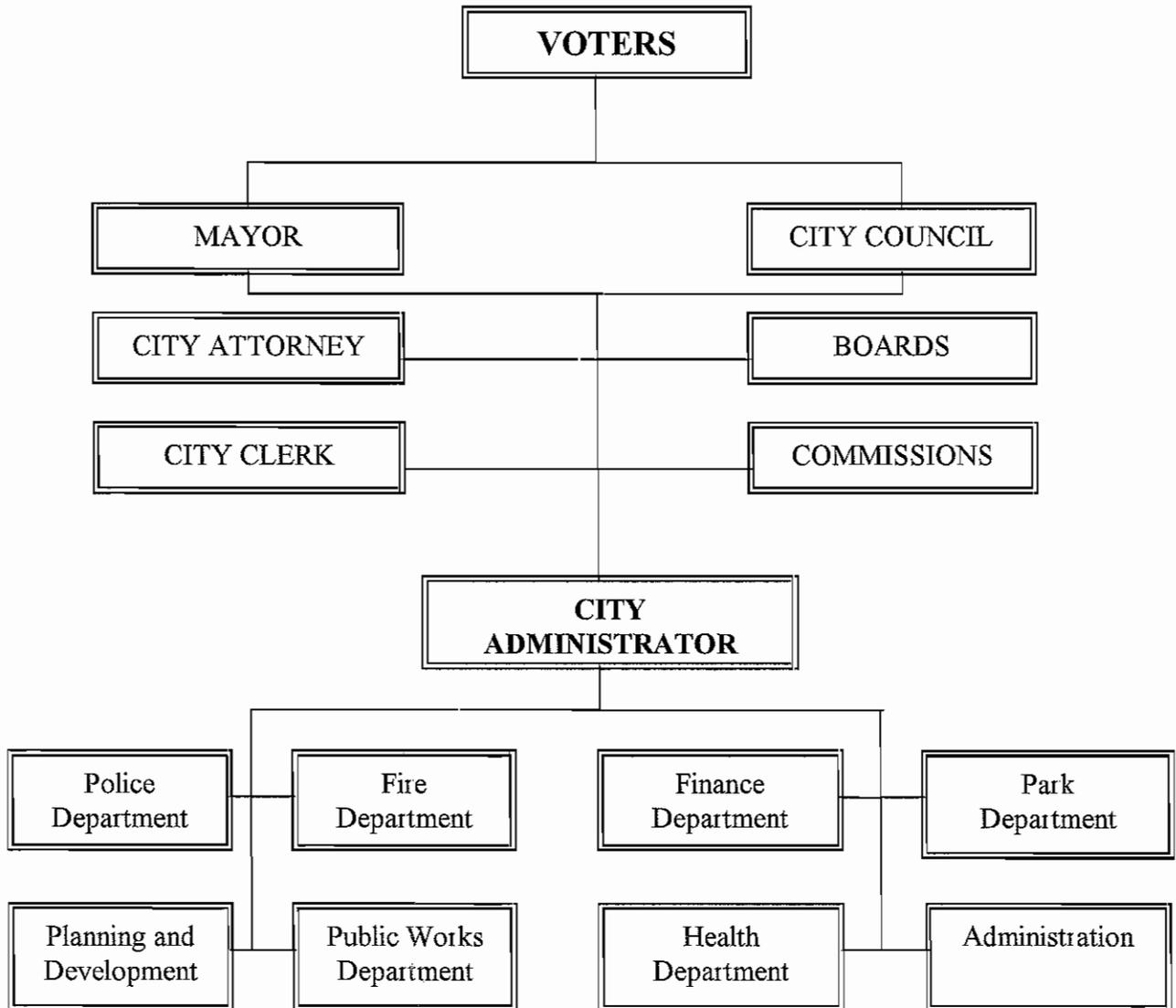
CITY ADMINISTRATOR

Joseph Helfenberger

CITY ATTORNEY

Tom Kintigh

CITY OF OTTUMWA



December 9, 2008

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

State law requires that every City with a population over 700 complete a set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2008.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive frame-work of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Anderson, Larkin & Co. P.C., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Ottumwa's financial statements for the year ended June 30, 2008. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Ottumwa, incorporated in 1851, is located in the southeastern part of the state. It currently occupies 16 square miles and serves a population of 24,998. The City of Ottumwa is empowered to levy a property tax on real property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation.

The City of Ottumwa has operated under the Mayor-Council form of government since 1988 with an appointed city administrator. Policy-making and legislative authority are vested in the City Council consisting of five members, all elected on a non-partisan basis. The Council appoints the city administrator, who in turn appoints the heads of the various departments. Council members serve four-year terms, with three and two members elected every two years. The mayor is elected for a two-year term. The mayor and council members are all elected at large.

The City of Ottumwa 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 is in charge of accounting, cash management and financial reporting for these 28 e organizations, however, they operate autonomously from the City Council, thus they are presented discretely.

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.

Ottumwa has a diversified industrial base and is the manufacturing center for Southeast Iowa. Cargill, Inc., located in nearby Eddyville, employs 600 people at its corn milling and processing plant. Please refer to the statistical section for more information on major employers in the City.

Public safety costs continue to increase and consume 82% of the net General Fund expenditures (property taxes). Expenses for Public Service have been increasing as well due in part to using local option sales tax to finance an expanded street repair program.

Long-term Financial Planning

The unreserved fund balance in the General Fund was 24% of General Fund revenue. The City Council does not have a formal policy on a targeted fund balance. The fund balance is expected to drop approximately \$100,000 due to new City Administrator initiatives.

Major Initiatives

The Bridge View Events Center opened on December 31, 2006. This is a \$23 million project financed from City of Ottumwa bonds (being repaid with sales tax revenue), private contributions, including a \$2 million endowment fund (managed by Bridge View Center, Inc., a 501(c)(3) not-for-profit corporation), and a \$7.5 million Vision Iowa Grant. The event center includes a 40,000 square foot exhibit hall, a 650 seat theatre/auditorium and meeting rooms.

The South Ottumwa Sewer Separation Project is under construction. Phase One of the project is now substantially complete as of June 30, 2008 and the cost was approximately \$9 million. Phase 2 is under construction and is estimated to cost \$8 million. Phase 3 is under final design and is estimated to cost \$10 million. We are also doing a study on north side sewers. Construction funding comes from a combination of STAG grants (earmarks) and Iowa Finance Authority State Revolving (SRF) loans. The SRF loans are being paid back with a combination of local option sales tax and sewer fee revenue. The Water Pollution Control Facility has recently completed a facilities plan. Several improvements identified in the plan will be financed by a \$3.4 million SRF loan.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Ottumwa for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2007. This was the fourteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance and administration department. I wish to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the city administrator, mayor and the City council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Ottumwa's finances.

Respectfully submitted,

Michael P. Heffernan, CPA
Director of Finance/City Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Ottumwa
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION

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, 2008, 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 auditing standards generally accepted in the United States of America 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, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our reports dated December 9, 2008, on our consideration of the City of Ottumwa, Iowa's internal control over financial reporting and on 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 important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 51 through 53, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 15, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
December 9, 2008

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, 2008. 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 VIII of this report.

Financial Highlights

- The assets of the City of Ottumwa exceeded its liabilities at the close of June 30, 2008, by \$81.8 million (net assets). Of this amount, \$13.2 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 \$4.7 million.
- At the close of the current fiscal year, the City of Ottumwa's governmental funds reported combined ending fund balances of \$13.0 million, an increase of \$1.2 million as compared to the prior fiscal year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2.4 million, or 23.7 percent of the total general fund expenditures.
- Total general obligation debt decreased by \$1.1 million (5.6 percent) during the current fiscal year. The City issued \$2.3 million new bonds and retired \$3.4 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 two 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 solid waste, sewer system and events center. Included within other business type activities 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. Starting with the adoption of GASB 34, governmental 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 as of June 30, 2008 and 2007:

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, 2008 and 2007 follows:

**Statement of Net Assets at Year-end
(In Thousands)**

	June 30, 2008			June 30, 2007		
	Governmental Activities	Business type Activities	Total Government	Governmental Activities	Business type Activities	Total Government
Cash and investments	\$ 14,014.6	\$ 5,044.7	\$ 19,059.3	\$ 12,684.7	\$ 6,438.0	\$ 19,122.7
Other assets	13,520.4	2,785.1	16,305.5	13,461.7	2,509.9	15,971.6
Capital assets	<u>36,909.3</u>	<u>52,031.5</u>	<u>88,940.8</u>	<u>37,112.4</u>	<u>49,408.5</u>	<u>86,520.9</u>
Total assets	<u>64,444.3</u>	<u>59,861.3</u>	<u>124,305.6</u>	<u>63,258.8</u>	<u>58,356.4</u>	<u>121,615.2</u>
Current liabilities	13,148.8	1,641.0	14,789.8	13,482.8	2,148.8	15,631.6
Noncurrent liabilities	<u>7,763.9</u>	<u>19,926.8</u>	<u>27,690.7</u>	<u>8,598.5</u>	<u>20,244.5</u>	<u>28,843.0</u>
Total liabilities	<u>20,912.7</u>	<u>21,567.8</u>	<u>42,480.5</u>	<u>22,081.3</u>	<u>22,393.3</u>	<u>44,474.6</u>
Net assets:						
Invested in capital assets, net of related debt	33,886.3	33,644.6	67,530.9	32,194.9	30,964.2	63,159.1
Restricted	1,000.4	95.0	1,095.4	982.3	95.0	1,077.3
Unrestricted	<u>8,644.9</u>	<u>4,553.9</u>	<u>13,198.8</u>	<u>8,000.3</u>	<u>4,903.9</u>	<u>12,904.2</u>
Total net assets	<u>\$ 43,531.6</u>	<u>\$ 38,293.5</u>	<u>\$ 81,825.1</u>	<u>\$ 41,177.5</u>	<u>\$ 35,963.1</u>	<u>\$ 77,140.6</u>

Governmental Activities

The net assets for governmental activities increased approximately \$2.4 million or 5.7 percent. The net assets increased due to lower than anticipated expenses and some capital grants on infrastructure projects.

Business-Type Activities

Net assets increased in part due to capital assets increasing \$2.6 million for fiscal year 2008. A substantial portion of these capital assets were paid with Federal and State grants.

Statement of Activities for the Fiscal Years Ended June 30, 2008 and 2007:

A summary version of the Statement of Activities follows:

**Governmental and Proprietary Activities
For Fiscal Years Ended June 30, 2008 and 2007
(In Thousands)**

	June 30, 2008			June 30, 2007		
	Governmental Activities	Business type Activities	Total Government	Governmental Activities	Business type Activities	Total Government
Revenues:						
Charges for services	\$ 6,187.9	\$ 7,367.1	\$ 13,555.0	\$ 5,253.2	\$ 6,310.4	\$ 11,563.6
Operating grants and contributions	2,987.9	666.4	3,654.3	3,156.7	651.1	3,807.8
Capital grants and contributions	642.5	1,918.5	2,561.0	1,050.6	6,621.5	7,672.1
General revenues:						
Property taxes	11,042.4	352.1	11,394.5	10,833.4	354.0	11,187.4
Local option sales tax	2,846.9	-	2,846.9	2,783.1	-	2,783.1
Other taxes	582.4	-	582.4	573.6	-	573.6
Investment income	389.6	267.1	656.7	362.7	258.0	620.7
Other	<u>17.4</u>	<u>219.5</u>	<u>236.9</u>	<u>49.1</u>	<u>102.3</u>	<u>151.4</u>
Total revenues	<u>\$ 24,697.0</u>	<u>\$ 10,790.7</u>	<u>\$ 35,487.7</u>	<u>\$ 24,062.4</u>	<u>\$ 14,297.3</u>	<u>\$ 38,359.7</u>

	June 30, 2008		June 30, 2007			
	Governmental Activities	Business type Activities	Total Government	Governmental Activities	Business type Activities	Total Government
Expenses:						
General government	\$ 2,477.9	\$ -	\$ 2,477.9	\$ 2,565.1	\$ -	\$ 2,565.1
Public safety	6,779.9	-	6,779.9	6,436.2	-	6,436.2
Public services	6,817.3	-	6,817.3	5,797.5	-	5,797.5
Culture and recreation	2,318.7	-	2,318.7	2,288.4	-	2,288.4
Community development	1,508.5	-	1,508.5	1,673.7	-	1,673.7
Interest on long-term debt	767.9	233.9	1,001.8	714.5	364.0	1,078.5
Solid waste	-	1,886.4	1,886.4	-	1,989.7	1,989.7
Sewer utility	-	4,315.3	4,315.3	-	3,674.6	3,674.6
Events center	-	1,755.0	1,755.0	-	1,160.8	1,160.8
Ottumwa Transit	-	1,364.4	1,364.4	-	1,222.7	1,222.7
Golf course	-	578.0	578.0	-	570.0	570.0
Total expenses	<u>20,670.2</u>	<u>10,133.0</u>	<u>30,803.2</u>	<u>19,475.4</u>	<u>8,981.8</u>	<u>28,457.2</u>
Excess of revenue over expenses	4,026.8	657.7	4,684.5	4,587.0	5,315.5	9,902.5
Transfers	<u>(1,672.7)</u>	<u>1,672.7</u>	<u>-</u>	<u>(5,563.4)</u>	<u>5,563.4</u>	<u>-</u>
Change in net assets	2,354.1	2,330.4	4,684.5	(976.4)	10,878.9	9,902.5
Beginning net assets	<u>41,177.5</u>	<u>35,963.1</u>	<u>77,140.6</u>	<u>42,153.9</u>	<u>25,084.2</u>	<u>67,238.1</u>
Ending net assets	\$ <u>43,531.6</u>	\$ <u>38,293.5</u>	\$ <u>81,825.1</u>	\$ <u>41,177.5</u>	\$ <u>35,963.1</u>	\$ <u>77,140.6</u>

Governmental Activities

Charges for services make up 25 percent of governmental revenues. The remaining revenue comes from taxes, primarily property taxes (45 percent) and local option sales tax (12 percent).

Business Type Activities

In most years charges for services is the primary revenue source for business type activities. Sewer fees make up the largest portion (40 percent) of total revenues. Other significant items are landfill fees at 18 percent and Golf Course fees at 6 percent of total revenue. Capital grants for sewer separation of \$1.9 million make up 18 percent of total revenue.

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, and the 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 27 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 balances for the General Fund, State Road Use Tax, Tax Increment Fund, Local Option Sales Tax, Employee Benefits, 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 found elsewhere in the report. The basic governmental fund financial statements can be found on pages 12 through 17.

Significant changes in fund balances are summarized below:

General Fund – Increased \$187,245 primarily due to staff vacancies and higher than anticipated investment income. The increase was partially offset by transfers to the Events Center Fund to operate Bridge View Events Center.

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, Events Center, 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, Sewer Utility and Events Center as these are considered major proprietary 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 found elsewhere in this report. The basic proprietary financial statements can be found on pages 18 through 23 of this report.

Significant changes in net assets are summarized below:

Sewer Utility – Increased \$2.8 million due to a combination of increased sewer fee revenue, CDBG grant and an EPA grant for the South Ottumwa Sewer Separation Project, partially offset by higher operating costs.

Events Center – Decreased \$465,000 primarily due to depreciation on the facility.

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 50 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. This required supplementary information can be found on pages 51 through 53 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 54 through 71 of this report.

Budgetary Highlights

The City had two budget amendments during the fiscal year. The following summarizes the impact of the amendments on the General Fund. The total budgeted expenditures were increased \$184,500 for fuel, grant and administrative costs. The amendments also included transfers to the Events Center Fund of \$50,000 to operate the Bridge View Events Center, and \$125,000 to operate Cedar Creek Golf Course.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2008, the City had invested \$88.9 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 also included. Additional information on the City of Ottumwa's capital assets can be found in notes on pages 34 through 38 of this report.

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

	Governmental Activities		Business Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Land	\$ 3,532.8	\$ 3,160.2	\$ 1,854.4	\$ 1,854.4	\$ 5,387.2	\$ 5,014.6
Buildings	3,492.5	3,302.0	32,505.8	33,666.6	35,998.3	36,968.6
Improvements other than buildings	755.1	856.2	3,159.9	2,371.6	3,915.0	3,227.8
Machinery and equipment	2,347.5	2,263.1	2,559.4	2,722.2	4,906.9	4,985.3
Infrastructure	25,309.2	25,957.5	10,317.0	1,369.4	35,626.2	27,326.9
Construction in progress	<u>1,472.2</u>	<u>1,573.4</u>	<u>1,635.0</u>	<u>7,424.3</u>	<u>3,107.2</u>	<u>8,997.7</u>
Total	\$ <u>36,909.3</u>	\$ <u>37,112.4</u>	\$ <u>52,031.5</u>	\$ <u>49,408.5</u>	\$ <u>88,940.8</u>	\$ <u>86,520.9</u>

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

Change in Capital Assets (In Thousand's)

	Governmental Activities	Business Type Activities	Total
Beginning Balance	\$ 37,112.4	\$ 49,408.5	\$ 86,520.9
Additions, net of disposals	2,886.0	5,178.3	8,064.3
Depreciation	<u>3,089.1</u>	<u>2,555.3</u>	<u>5,644.4</u>
Ending balance	\$ <u>36,909.3</u>	\$ <u>52,031.5</u>	\$ <u>88,940.8</u>

Debt Administration

The amount of debt outstanding at fiscal year end was \$25.6 million as compared to \$27.5 million last fiscal year. New debt issued during the year amounted to \$2.4 million, while a total of \$4.3 million was retired. Of the total debt outstanding, \$18.6 million is backed by the full faith and credit of the City. The remaining \$7.0 million is backed by sewer revenue.

	Outstanding Debt at Year End (In Thousand's)	
	Total	
	<u>2008</u>	<u>2007</u>
Governmental		
General obligation		
Abated by:		
Property taxes	\$ 4,400.0	\$ 5,932.0
Tax increment	2,800.0	2,666.5
Haz-Mat (SIRG)	45.0	65.0
Subtotals	<u>7,245.0</u>	<u>8,663.5</u>
Business type		
General obligation		
Abated by:		
Events center/Sales tax	6,780.0	7,785.0
Sewer utility/Sales tax	3,742.2	2,279.5
Solid waste	400.0	500.0
Golf course/Property taxes	445.0	490.0
Sewer revenue	<u>7,019.8</u>	<u>7,789.8</u>
Subtotals	<u>18,387.0</u>	<u>18,844.3</u>
Totals	<u>\$ 25,632.0</u>	<u>\$ 27,507.8</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 39 through 41 and 43 through 45 of the Notes to Financial Statements.

Economic Factors

Taxable sales increased approximately 2.3 percent this year.

During the current fiscal year, the unreserved fund balance in the general fund increased to \$2,431,102, an increase of \$187,094 over last year. This was due to a combination of vacant positions, higher investment income and some deferred capital items, offset by transfers to open and operate the Bridge View Events Center.

Next Year's Budget and Rates

Taxable values increased by 5.7 percent which increased the general fund revenue by \$220,273. The total tax levy decreased \$1.02 per \$1,000 or 4.6 percent.

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, 2008

ASSETS	Primary Government			Component Units		Total Reporting Unit
	Governmental Activities	Business Type Activities	Total Primary Government	Hazardous Materials	10-15 Transit	
Cash and cash equivalents	\$ 14,014,569	\$ 5,044,746	\$ 19,059,315	\$ 67,027	\$ 16,812	\$ 19,143,154
Receivables:						
Property taxes	11,351,889	379,465	11,731,354	-	-	11,731,354
Accounts	500,419	1,162,368	1,662,787	15,089	46,403	1,724,279
Other governments	1,217,604	552,499	1,770,103	2,512	-	1,772,615
Due from other funds	135,000	(135,000)	-	-	-	-
Inventory	58,892	45,055	103,947	-	-	103,947
Prepaid expenses	231,619	344,050	575,669	6,343	13,245	595,257
Deposit	25,000	-	25,000	-	-	25,000
Capital assets:						
Land	3,532,781	1,854,376	5,387,157	-	-	5,387,157
Buildings	11,404,916	44,137,402	55,542,318	204,082	35,318	55,781,718
Improvements other than buildings	1,380,652	5,688,911	7,069,563	-	-	7,069,563
Machinery and equipment	7,819,265	7,861,825	15,681,090	200,803	2,525,579	18,407,472
Infrastructure	54,185,883	10,699,614	64,885,497	-	-	64,885,497
Construction in progress	1,472,232	1,635,020	3,107,252	-	-	3,107,252
Less accumulated depreciation	(42,886,396)	(19,845,625)	(62,732,021)	(142,305)	(1,130,682)	(64,005,008)
Intangible assets	-	673,662	673,662	-	-	673,662
Less amortization	-	(237,119)	(237,119)	-	-	(237,119)
TOTAL ASSETS	\$ 64,444,325	\$ 59,861,249	\$ 124,305,574	\$ 353,551	\$ 1,506,675	\$ 126,165,800
LIABILITIES AND NET ASSETS						
LIABILITIES:						
Accounts payable	\$ 1,466,980	\$ 1,116,993	\$ 2,583,973	\$ 1,532	\$ 50,804	\$ 2,636,309
Wages and benefits payable	187,700	48,500	236,200	-	18,900	255,100
Accrued interest payable	64,131	17,501	81,632	599	-	82,231
Unearned property tax revenue	11,140,828	372,464	11,513,292	-	-	11,513,292
Unearned revenue	289,182	56,165	345,347	-	-	345,347
Due to other governments	-	29,347	29,347	-	-	29,347
Accrued landfill costs:						
Closure	-	830,590	830,590	-	-	830,590
Post closure	-	600,242	600,242	-	-	600,242
Long-term liabilities:						
Portion due and payable within one year:						
General obligation bonds/notes	2,250,000	2,393,808	4,643,808	20,000	-	4,663,808
Compensated absences	483,340	109,042	592,382	-	5,611	597,993
Portion due and payable after one year:						
General obligation bonds/notes	4,950,000	15,993,148	20,943,148	25,000	-	20,968,148
Compensated absences	80,547	-	80,547	-	-	80,547
TOTAL LIABILITIES	20,912,708	21,567,800	42,480,508	47,131	75,315	42,602,954
NET ASSETS:						
Investment in capital assets net of related debt	33,886,288	33,644,567	67,530,855	217,580	1,394,897	69,143,332
Restricted for:						
Debt service	248,017	95,000	343,017	-	-	343,017
Endowments:						
Nonexpendable	102,370	-	102,370	-	-	102,370
Expendable	38,493	-	38,493	-	-	38,493
Prepetual care	611,586	-	611,586	-	-	611,586
Unrestricted	8,644,863	4,553,882	13,198,745	88,840	36,463	13,324,048
TOTAL NET ASSETS	\$ 43,531,617	\$ 38,293,449	\$ 81,825,066	\$ 306,420	\$ 1,431,360	\$ 83,562,846

CITY OF OTTUMWA, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

<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	\$ 2,477,871	\$ 1,597,611	\$ 85,285	\$ -
Public safety	6,779,871	529,529	366,186	-
Public services	6,817,268	3,248,662	2,048,639	642,487
Culture and recreation	2,318,752	785,354	75,097	-
Community development	1,508,512	26,765	412,701	-
Interest on long-term debt	767,874	-	-	-
Total governmental activities	<u>20,670,148</u>	<u>6,187,921</u>	<u>2,987,908</u>	<u>642,487</u>
Business-type activities:				
Solid waste	1,886,420	1,942,251	-	-
Sewer utility	4,549,206	4,264,305	-	1,906,276
Events center	1,754,997	526,397	-	-
Other business-type activities	1,942,439	634,112	666,457	12,285
Total business-type activities	<u>10,133,062</u>	<u>7,367,065</u>	<u>666,457</u>	<u>1,918,561</u>
Total primary government	<u>\$ 30,803,210</u>	<u>\$ 13,554,986</u>	<u>\$ 3,654,365</u>	<u>\$ 2,561,048</u>
Component units:				
Hazardous materials	\$ 149,565	\$ 19,468	\$ 137,902	\$ -
10-15 transit	<u>2,106,820</u>	<u>890,338</u>	<u>835,603</u>	<u>163,602</u>
Total component units	<u>\$ 2,256,385</u>	<u>\$ 909,806</u>	<u>\$ 973,505</u>	<u>\$ 163,602</u>
General revenues:				
Taxes:				
Property taxes				
Local option taxes				
Other taxes				
Unrestricted investment income				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - Beginning of year				
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	
\$ (794,975)	\$ -	\$ (794,975)	\$ -	\$ -	\$ (794,975)
(5,884,156)	-	(5,884,156)	-	-	(5,884,156)
(877,480)	-	(877,480)	-	-	(877,480)
(1,458,301)	-	(1,458,301)	-	-	(1,458,301)
(1,069,046)	-	(1,069,046)	-	-	(1,069,046)
(767,874)	-	(767,874)	-	-	(767,874)
<u>(10,851,832)</u>	<u>-</u>	<u>(10,851,832)</u>	<u>-</u>	<u>-</u>	<u>(10,851,832)</u>
-	55,831	55,831	-	-	55,831
-	1,621,375	1,621,375	-	-	1,621,375
-	(1,228,600)	(1,228,600)	-	-	(1,228,600)
-	(629,585)	(629,585)	-	-	(629,585)
-	(180,979)	(180,979)	-	-	(180,979)
<u>(10,851,832)</u>	<u>(180,979)</u>	<u>(11,032,811)</u>	<u>-</u>	<u>-</u>	<u>(11,032,811)</u>
-	-	-	7,805	-	7,805
-	-	-	-	(217,277)	(217,277)
-	-	-	7,805	(217,277)	(209,472)
11,042,397	352,069	11,394,466	-	-	11,394,466
2,846,837	-	2,846,837	-	-	2,846,837
582,436	-	582,436	-	-	582,436
389,582	267,101	656,683	4,714	7,378	668,775
17,353	219,533	236,886	-	49,012	285,898
(1,672,687)	1,672,687	-	-	-	-
<u>13,205,918</u>	<u>2,511,390</u>	<u>15,717,308</u>	<u>4,714</u>	<u>56,390</u>	<u>15,778,412</u>
2,354,086	2,330,411	4,684,497	12,519	(160,887)	4,536,129
<u>41,177,531</u>	<u>35,963,038</u>	<u>77,140,569</u>	<u>293,901</u>	<u>1,592,247</u>	<u>79,026,717</u>
\$ <u>43,531,617</u>	\$ <u>38,293,449</u>	\$ <u>81,825,066</u>	\$ <u>306,420</u>	\$ <u>1,431,360</u>	\$ <u>83,562,846</u>

CITY OF OTTUMWA, IOWA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Special Revenue			
		State Road Use Tax	Tax Increment Fund	Local Option Sales Tax	Employee Benefits
ASSETS					
Cash and cash equivalents	\$ 2,435,662	\$ 847,483	\$ 200,703	\$ 931,455	\$ 741,358
Receivables:					
Property taxes	3,963,848	-	847,229	-	3,781,202
Accounts	199,433	5,528	-	-	-
Other governments	80,476	105,824	-	443,112	-
Due from other funds	137,554	-	-	-	-
Inventory	4,609	54,283	-	-	-
Prepaid insurance	-	-	-	-	-
Deposit	-	-	-	-	-
TOTAL ASSETS	\$ 6,821,582	\$ 1,013,118	\$ 1,047,932	\$ 1,374,567	\$ 4,522,560
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 190,528	\$ 181,690	\$ 7,310	\$ -	\$ -
Wages and benefits payable	144,100	26,300	-	-	-
Unearned property tax revenue	3,888,263	-	842,405	-	3,703,937
Deferred revenue	25,426	-	-	-	-
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES	4,248,317	207,990	849,715	-	3,703,937
FUND BALANCES:					
Reserved for:					
Capital/construction	-	-	198,217	1,374,567	-
Prepaid insurance	-	-	-	-	-
Advances	137,554	-	-	-	-
Employee benefits	-	-	-	-	818,623
Endowments	-	-	-	-	-
Prepetual care	-	-	-	-	-
Insurance	-	-	-	-	-
Inventory	4,609	54,283	-	-	-
Debt service	-	-	-	-	-
Unreserved:					
Reported in:					
General fund	2,431,102	-	-	-	-
Special revenue funds	-	750,845	-	-	-
TOTAL FUND BALANCES	2,573,265	805,128	198,217	1,374,567	818,623
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,821,582	\$ 1,013,118	\$ 1,047,932	\$ 1,374,567	\$ 4,522,560

<u>Debt Service</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
\$ 211,787	\$ 7,120,065	\$ 12,488,513
1,911,921	847,689	11,351,889
-	295,458	500,419
-	161,495	790,907
-	-	137,554
-	-	58,892
-	179,748	179,748
-	25,000	25,000
<u>\$ 2,123,708</u>	<u>\$ 8,629,455</u>	<u>\$ 25,532,922</u>
\$ -	\$ 494,078	\$ 873,606
-	17,300	187,700
1,875,691	830,532	11,140,828
-	259,721	285,147
-	2,554	2,554
<u>1,875,691</u>	<u>1,604,185</u>	<u>12,489,835</u>
-	3,920,524	5,493,308
-	179,748	179,748
-	-	137,554
-	-	818,623
-	313,929	313,929
-	611,586	611,586
-	1,220,882	1,220,882
-	-	58,892
248,017	-	248,017
-	-	2,431,102
-	778,601	1,529,446
<u>248,017</u>	<u>7,025,270</u>	<u>13,043,087</u>
\$ <u>2,123,708</u>	\$ <u>8,629,455</u>	\$ <u>25,532,922</u>

CITY OF OTTUMWA, IOWA

Exhibit 4

RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total governmental fund balances	\$ 13,043,087
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 \$79,795,729 and the accumulated depreciation is \$42,886,396	36,909,333
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.	1,005,395
Certain assets are not available to pay for current period expenditures and, therefore, are not reported as assets in the governmental funds balance sheet.	426,697
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.	(23,979)
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.	(64,131)
Amounts paid and reported as expenses in the current fiscal year, but are reported as prepaid expenses in the statement of net assets.	51,871
Amounts received and reported as revenues in the current fiscal year, but are reported as unearned revenue in the statement of net assets.	(4,035)
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.	(48,734)
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>(7,763,887)</u>
Net assets of governmental activities	\$ <u>43,531,617</u>

CITY OF OTTUMWA, IOWA

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Special Revenue			Employee Benefits
		State Road Use Tax	Tax Increment Fund	Local Option Sales Tax	
REVENUES:					
Property tax	\$ 3,599,705	\$ -	\$ 829,266	\$ -	\$ 3,885,433
Other city tax	582,436	-	-	2,846,837	-
Licenses and permits	315,127	-	-	-	-
Intergovernmental	442,629	2,243,214	283,000	100,000	-
Use of money and property	346,918	70	-	-	27,220
Charges for service	3,062,476	711,183	-	-	-
Other fines	260,188	-	-	-	-
Miscellaneous	33,244	12,178	219	-	-
Total revenues	<u>8,642,723</u>	<u>2,966,645</u>	<u>1,112,485</u>	<u>2,946,837</u>	<u>3,912,653</u>
EXPENDITURES:					
Operating:					
Public safety	5,644,586	-	-	-	-
Public works	1,572,682	3,997,981	-	-	-
Health and social services	429,633	-	-	-	-
Culture and recreation	1,079,105	-	-	-	-
Community and economic development	278,651	-	126,886	-	-
General government	1,064,405	-	-	-	-
Bond issue costs	-	-	-	-	-
Capital outlay	172,202	334,482	485,416	-	-
Debt service	-	-	-	-	-
Total expenditures	<u>10,241,264</u>	<u>4,332,463</u>	<u>612,302</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,598,541)</u>	<u>(1,365,818)</u>	<u>500,183</u>	<u>2,946,837</u>	<u>3,912,653</u>
Other financing sources (uses):					
Issuance of debt	-	-	-	-	-
Transfers in	2,609,055	1,611,727	132,980	-	-
Transfers out	(823,269)	(229,500)	(1,210,599)	(3,164,733)	(3,888,434)
Total other financing sources (uses)	<u>1,785,786</u>	<u>1,382,227</u>	<u>(1,077,619)</u>	<u>(3,164,733)</u>	<u>(3,888,434)</u>
Net change in fund balances	187,245	16,409	(577,436)	(217,896)	24,219
Fund balances - Beginning of year	<u>2,386,020</u>	<u>788,719</u>	<u>775,653</u>	<u>1,592,463</u>	<u>794,404</u>
Fund balances - End of year	\$ <u>2,573,265</u>	\$ <u>805,128</u>	\$ <u>198,217</u>	\$ <u>1,374,567</u>	\$ <u>818,623</u>

<u>Debt Service</u>	Nonmajor Governmental • Funds	Total Governmental Funds
\$ 1 865 175	\$ 862,818	\$ 11,042,397
-	-	3,429,273
-	-	315,127
-	561,552	3,630,395
-	749,004	1,123,212
-	477,837	4,251,496
-	-	260,188
21,765	425,177	492,583
<u>1,886,940</u>	<u>3,076,388</u>	<u>24,544,671</u>
-	232,899	5,877,485
-	400,008	5,970,671
-	92,398	522,031
-	1,045,347	2,124,452
-	35,278	440,815
-	1,255,743	2,320,148
-	13,212	13,212
-	1,234,099	2,226,199
<u>2,919,905</u>	-	<u>2,919,905</u>
<u>2,919,905</u>	<u>4,308,984</u>	<u>22,414,918</u>
<u>(1,032,965)</u>	<u>(1,232,596)</u>	<u>2,129,753</u>
-	680 000	680,000
2 266 079	2,540 125	9,159,966
<u>(1,229,000)</u>	<u>(185,234)</u>	<u>(10,730,769)</u>
<u>1,037,079</u>	<u>3,034,891</u>	<u>(890,803)</u>
4,114	1 802 295	1 238 950
<u>243,903</u>	<u>5,222,975</u>	<u>11,804,137</u>
\$ <u>248,017</u>	\$ <u>7,025,270</u>	\$ <u>13,043,087</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, 2008

Net change in fund balances - Total governmental funds	\$ 1,238,950
Amounts reported for governmental activities in the statement of activities are different because:	
<p>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:</p>	
Capital outlay	2,992,395
Depreciation expense	(3,089,146)
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.	(92,036)
Revenues in the statement of revenues, expenditures and changes in fund balances shown as unearned revenue in the statement of activities	12,722
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements	139,528
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	1,418,488
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	(56,650)
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.	<u>(210,165)</u>
Change in net assets of governmental activities	\$ <u>2,354,086</u>

CITY OF OTTUMWA, IOWA

Exhibit 7

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Business-Type Activities					Governmental
	Solid Waste	Sewer Utility	Events Center	Nonmajor Proprietary Funds	Total Proprietary Funds	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,789,903	\$ 2,457,083	\$ 476,224	\$ 321,536	\$ 5,044,746	\$ 1,526,056
Receivables:						
Accounts	167,936	892,222	53,490	1,239	1,114,887	-
Property taxes	-	-	-	379,465	379,465	-
Due from other governments	-	432,947	-	119,552	552,499	-
Inventory	-	-	-	45,055	45,055	-
Prepaid expenses	17,375	46,527	250,000	30,148	344,050	-
Total current assets	<u>1,975,214</u>	<u>3,828,779</u>	<u>779,714</u>	<u>896,995</u>	<u>7,480,702</u>	<u>1,526,056</u>
Noncurrent assets:						
Capital assets:						
Land	87,500	42,228	1,644,648	80,000	1,854,376	-
Buildings	957,698	21,455,702	20,655,017	1,088,985	44,137,402	-
Improvements other than buildings	3,081,753	1,636,725	76,871	893,562	5,688,911	-
Machinery and equipment	2,227,836	2,055,386	866,970	2,711,633	7,861,825	-
Infrastructure	-	10,397,614	302,000	-	10,699,614	-
Construction in progress	12,810	1,587,048	35,162	-	1,635,020	-
Less accumulated depreciation	(3,708,654)	(12,125,670)	(1,124,138)	(2,887,163)	(19,845,625)	-
Total Capital Assets	<u>2,658,943</u>	<u>25,049,033</u>	<u>22,456,530</u>	<u>1,867,017</u>	<u>52,031,523</u>	<u>-</u>
Other assets:						
Intangible assets	-	273,662	400,000	-	673,662	-
Less accumulated amortization	-	(117,119)	(120,000)	-	(237,119)	-
Total other assets	<u>-</u>	<u>156,543</u>	<u>280,000</u>	<u>-</u>	<u>436,543</u>	<u>-</u>
Total noncurrent assets	<u>2,658,943</u>	<u>25,205,576</u>	<u>22,736,530</u>	<u>1,867,017</u>	<u>52,468,066</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 4,634,157</u>	<u>\$ 29,034,355</u>	<u>\$ 23,516,244</u>	<u>\$ 2,764,012</u>	<u>\$ 59,948,768</u>	<u>\$ 1,526,056</u>
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable	\$ 55,359	\$ 702,622	\$ 269,610	\$ 89,402	\$ 1,116,993	\$ 520,661
Wages and benefits payable	11,600	22,300	-	14,600	48,500	-
Accrued interest payable	-	17,501	-	-	17,501	-
Compensated absences payable	32,747	60,865	-	15,430	109,042	-
Unearned property tax revenue	-	-	-	372,464	372,464	-
Unearned revenue	-	-	-	56,165	56,165	-
Due to other governments	29,347	-	-	-	29,347	-
Due to other funds	-	-	-	135,000	135,000	-
Current portion of bonds payable	-	-	-	45,000	45,000	-
Current portion of notes payable	200,000	1,193,808	1,035,000	-	2,428,808	-
Total current liabilities	<u>329,053</u>	<u>1,997,096</u>	<u>1,304,610</u>	<u>728,061</u>	<u>4,358,820</u>	<u>520,661</u>
Long-term liabilities:						
Accrued landfill costs:						
Closure	830,590	-	-	-	830,590	-
Post closure	600,242	-	-	-	600,242	-
Bonds payable:						
Long-term	-	-	-	400,000	400,000	-
Notes payable:						
Long-term	200,000	9,568,149	5,745,000	-	15,513,149	-
Total long-term liabilities	<u>1,630,832</u>	<u>9,568,149</u>	<u>5,745,000</u>	<u>400,000</u>	<u>17,343,981</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,959,885</u>	<u>11,565,245</u>	<u>7,049,610</u>	<u>1,128,061</u>	<u>21,702,801</u>	<u>520,661</u>
NET ASSETS:						
Investment in capital assets net of related debt	2,258,943	14,287,078	15,676,530	1,422,017	33,644,568	-
Restricted for:						
Health insurance	-	-	-	-	-	577,850
Debt service	-	95,000	-	-	95,000	-
Unrestricted	415,329	3,087,032	790,104	213,934	3,716,295	427,545
TOTAL NET ASSETS	<u>2,674,272</u>	<u>17,469,110</u>	<u>16,466,634</u>	<u>1,635,951</u>	<u>38,245,967</u>	<u>1,005,395</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,634,157</u>	<u>\$ 29,034,355</u>	<u>\$ 23,516,244</u>	<u>\$ 2,764,012</u>	<u>\$ 59,948,768</u>	<u>\$ 1,526,056</u>

CITY OF OTTUMWA, IOWA

Exhibit 8

RECONCILIATION OF THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Ending fund balance - Proprietary funds	\$ 38,245,967
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>47,482</u>
Net assets of business-type activities	\$ <u>38,293,449</u>

CITY OF OTTUMWA, IOWA

Exhibit 9

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	Business-Type Activities				Total	Governmental
	Solid Waste	Sewer Utility	Events Center	Nonmajor Proprietary Funds		Internal Service Funds
Operating revenues:						
Charges for service	\$ 1 942 251	\$ 4 264 305	\$ 526 397	\$ 634 112	\$ 7 367 065	\$ 2 235 084
Miscellaneous	<u>37,953</u>	<u>65,878</u>	<u>2,672</u>	<u>705</u>	<u>107,208</u>	<u>-</u>
Total operating revenues	<u>1,980,204</u>	<u>4,330,183</u>	<u>529,069</u>	<u>634,817</u>	<u>7,474,273</u>	<u>2,235,084</u>
Operating expenses:						
Operations	1 445 115	3 066 329	1 120 911	1 555 825	7,188,180	2,425,395
Provision for closure costs	30,612	-	-	-	30 612	-
Depreciation	<u>404,331</u>	<u>1,230,866</u>	<u>634,040</u>	<u>379,707</u>	<u>2,648,944</u>	<u>-</u>
Total operating expenses	<u>1,880,058</u>	<u>4,297,195</u>	<u>1,754,951</u>	<u>1,935,532</u>	<u>9,867,736</u>	<u>2,425,395</u>
Operating income (loss)	100,146	32,988	(1,225,882)	(1 300 715)	(2 393 463)	(190 311)
Nonoperating revenue (expense):						
Interest income	85,284	124,180	52 356	5 281	267 101	48 120
Donations	-	-	112 325	-	112 325	-
Interest on long-term debt	-	(233 935)	-	-	(233,935)	-
Property taxes	-	-	-	352 069	352 069	-
Intergovernmental	-	<u>1,906,276</u>	-	<u>678,742</u>	<u>2,585,018</u>	<u>-</u>
Total nonoperating revenue (expense)	<u>85,284</u>	<u>1,796,521</u>	<u>164,681</u>	<u>1,036,092</u>	<u>3,082,578</u>	<u>48,120</u>
Income (loss) before transfers	185 430	1 829,509	(1,061,201)	(264,623)	689,115	(142,191)
Transfers in	-	2 186,100	1,429 338	277 496	3 892 934	404 800
Transfers out	<u>(127,267)</u>	<u>(1,260,000)</u>	<u>(832,980)</u>	<u>-</u>	<u>(2,220,247)</u>	<u>(506,684)</u>
Change in net assets	58 163	2 755 609	(464 843)	12,873	2,361,802	(244 075)
Net assets - Beginning of year	<u>2,616,109</u>	<u>14,713,501</u>	<u>16,931,477</u>	<u>1,623,078</u>	<u>35,884,165</u>	<u>1,249,470</u>
Net assets - End of year	\$ <u>2,674,272</u>	\$ <u>17,469,110</u>	\$ <u>16,466,634</u>	\$ <u>1,635,951</u>	\$ <u>38,245,967</u>	\$ <u>1,005,395</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, 2008

Change in net assets - Total business-type funds	\$ 2,361,802
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.	<u>(31,391)</u>
Change in net assets of business-type activities	\$ <u>2,330,411</u>

CITY OF OTTUMWA, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	<u>Solid Waste</u>	<u>Sewer Utility</u>	<u>Events Center</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Cash received from operations	\$ 1,981,578	\$ 3,823,415	\$ 809,712
Cash paid to employees	(599,643)	(1,339,278)	-
Cash paid to suppliers	(866,930)	(1,912,568)	(1,353,336)
Cash used in operations	(1,466,573)	(3,251,846)	(1,353,336)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>515,005</u>	<u>571,569</u>	<u>(543,624)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Property taxes	-	-	-
Intergovernmental	-	1,906,276	-
Donations	-	-	112,325
Transfers from other funds	-	2,186,100	1,429,338
Transfers to other funds	(127,267)	(1,260,000)	(832,980)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(127,267)</u>	<u>2,832,376</u>	<u>708,683</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Issuance of long-term debt	-	1,702,631	-
Payment of long-term debt:			
General obligation bonds	(100,000)	(179,000)	(1,005,000)
Notes payable	-	(831,000)	-
Payment of interest on long-term debt	-	(233,935)	-
Additions to property and equipment	(687,819)	(4,188,608)	(342,893)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(787,819)</u>	<u>(3,729,912)</u>	<u>(1,347,893)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Investment maturities	1,000,000	400,000	-
Interest income received	85,284	124,180	52,356
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,085,284</u>	<u>524,180</u>	<u>52,356</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	685,203	198,213	(1,130,478)
CASH AND CASH EQUIVALENTS - Beginning of year	<u>1,104,700</u>	<u>2,258,870</u>	<u>1,606,702</u>
CASH AND CASH EQUIVALENTS - End of year	\$ <u>1,789,903</u>	\$ <u>2,457,083</u>	\$ <u>476,224</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>			
Operating income (loss)	\$ 100,146	\$ 32,988	\$ (1,225,882)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization expense	404,331	1,230,866	634,040
Provision for closure costs adjustment	30,612	-	-
Changes in assets and liabilities:			
Decrease (increase) in receivables	(3,755)	(625,797)	280,643
Decrease in inventory	-	-	-
Decrease (increase) in prepaid expenses	66	(2,925)	-
Decrease in due from other funds	-	75,000	-
Decrease (increase) in due from other governments	5,129	44,029	-
Increase (decrease) in accounts payable	14,082	(178,981)	(232,425)
Increase (decrease) in wages and benefits payable	2,500	4,000	-
Decrease in accrued interest payable	(28,341)	(13,073)	-
Increase (decrease) in compensated absences payable	(5,763)	5,462	-
Decrease in unearned revenue	-	-	-
Decrease in due to other funds	-	-	-
Decrease in due to other governments	(4,002)	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u>515,005</u>	\$ <u>571,569</u>	\$ <u>(543,624)</u>

See Accompanying Notes to Financial Statements

Nonmajor Proprietary Funds	Total Enterprise Funds	Internal Service Funds
\$ 585,320	\$ 7,200,025	\$ 2,235,084
(827,323)	(2,766,244)	34,162
<u>(756,965)</u>	<u>(4,889,799)</u>	<u>(2,477,221)</u>
(1,584,288)	(7,656,043)	(2,443,059)
<u>(998,968)</u>	<u>(456,018)</u>	<u>(207,975)</u>
353,201	353,201	-
678,742	2,585,018	-
-	112,325	-
277,496	3,892,934	404,800
-	<u>(2,220,247)</u>	<u>(506,684)</u>
<u>1,309,439</u>	<u>4,723,231</u>	<u>(101,884)</u>
-	1,702,631	-
(45,000)	(1,329,000)	-
-	(831,000)	-
-	(233,935)	-
<u>(16,928)</u>	<u>(5,236,248)</u>	<u>-</u>
<u>(61,928)</u>	<u>(5,927,552)</u>	<u>-</u>
-	1,400,000	-
<u>5,281</u>	<u>267,101</u>	<u>48,120</u>
<u>5,281</u>	<u>1,667,101</u>	<u>48,120</u>
253,824	6,762	(261,739)
<u>67,712</u>	<u>5,037,984</u>	<u>1,787,795</u>
\$ <u>321,536</u>	\$ <u>5,044,746</u>	\$ <u>1,526,056</u>
\$ (1,300,715)	\$ (2,393,463)	\$ (190,311)
379,708	2,648,945	-
-	30,612	-
20,647	(328,262)	-
18,164	18,164	-
(313)	(3,172)	-
-	75,000	-
(59,030)	(9,872)	-
36,662	(360,662)	(17,664)
(200)	6,300	-
-	(41,414)	-
(7,776)	(8,077)	-
(11,114)	(11,114)	-
(75,000)	(75,000)	-
-	(4,002)	-
\$ <u>(998,967)</u>	\$ <u>(456,017)</u>	\$ <u>(207,975)</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ottumwa, Iowa is a political subdivision of the State of Iowa located in Wapello County. It was first incorporated in 1851 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Manager form of government with the Mayor and Council members elected on a non-partisan basis. The City provides 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.

These financial statements present the City of Ottumwa, Iowa (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of 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 government-wide 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. The City handles all of the accounting, budgeting, payroll, treasury management and administrative functions 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. The City handles all of the accounting, budgeting, payroll, treasury management and administrative functions 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 activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements but are not eliminated in the process of consolidation. 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 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 which can be removed or modified.

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

Fund Financial Statements

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

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:

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.

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

Local Option Sales Tax - to account for the 1% sales tax.

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

Debt Service Funds:

Debt Service Fund - to account for the payment of interest and principal on the City's general obligation long-term debt.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (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

Events Center – to account for the operation and maintenance of the Bridge View Events Center facility (a Vision Iowa project).

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

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:

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.

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

Local Option Sales Tax - to account for the 1% sales tax.

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

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

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

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.

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

Risk Management - to account for the City's property and casualty insurance coverage, and Iowa Code Chapter 411 medical coverage for fire fighters and police officers.

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.

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

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

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

Historic Preservation - to account for grants 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)

Governmental Fund Types (Continued)

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 Projects 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.

Park Projects - to account for bond proceeds, donations and grants for construction of recreation trails and other park projects.

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

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

Debt Service Funds

Debt Service Fund – to account for the payment of principal and interest on the City's general obligation debt

Permanent Funds:

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

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

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.

Events Center – to account for the operation and maintenance of the Bridge View Events Center facility.

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

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

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Types (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.

Budgets and 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 required public notice and hearing. Annual appropriated budgets are adopted for all City funds. All 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.

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

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, 2008, 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 had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

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

Cash and pooled investments are considered "cash and cash equivalents" for statement of cash flows purposes even though they may still be subject to credit risk, concentration risk, or custodial credit risk. 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 cash and investments at June 30, 2008, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Cash and Pooled Investments:</u>		
Savings accounts	\$ 453,522	\$ 453,522
Time deposits	17,020,819	17,020,819
FHLB (AAA rated)	<u>743,325</u>	<u>728,850</u>
Total pooled funds	18,217,666	18,203,191
Cash on hand	4,605	4,605
Checking	83,774	83,774
Time deposits	718,439	718,439
Annuity	19,774	19,879
Savings accounts	<u>15,057</u>	<u>15,057</u>
Net cash and pooled investments	\$ <u>19,059,315</u>	\$ <u>19,044,945</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, 2008 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March 2007.

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, 2008, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments

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

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. It consists of parts and supplies in the Central Garage 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 acquired after July 1, 1980 (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 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
Infrastructure	15 to 30 Years

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

Deferred Revenue

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

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

Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 expenditures.

Fund Equity

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

Interfund Transactions

Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as 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 are amortized on the straight-line method over the life of the respective expenditure.

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

Capital assets activity for the year ended June 30, 2008 was as follows:

	<u>Balance Beginning of Year</u>	<u>Additions/ Transfers In</u>	<u>Deletions/ Transfers Out</u>	<u>Balance End of Year</u>
Governmental Activities:				
By type:				
Capital assets not being depreciated:				
Land	\$ 3,160,206	\$ 372,575	\$ -	\$ 3,532,781
Construction in progress	<u>1,573,373</u>	<u>894,532</u>	<u>995,673</u>	<u>1,472,232</u>
Total capital assets not being depreciated	<u>4,733,579</u>	<u>1,267,107</u>	<u>995,673</u>	<u>5,005,013</u>
Capital assets being depreciated:				
Buildings	10,970,854	434,062	-	11,404,916
Improvements other than buildings	1,380,652	-	-	1,380,652
Machinery and equipment	7,355,661	786,238	322,634	7,819,265
Infrastructure	<u>52,786,363</u>	<u>1,399,520</u>	<u>-</u>	<u>54,185,883</u>
	<u>72,493,530</u>	<u>2,619,820</u>	<u>322,634</u>	<u>74,790,716</u>
Less accumulated depreciation:				
Buildings	(7,668,856)	(243,565)	-	(7,912,421)
Improvements other than buildings	(524,466)	(101,113)	-	(625,579)
Machinery and equipment	(5,092,586)	(696,605)	(317,476)	(5,471,715)
Infrastructure	<u>(26,828,818)</u>	<u>(2,047,863)</u>	<u>-</u>	<u>(28,876,681)</u>
	<u>(40,114,726)</u>	<u>(3,089,146)</u>	<u>(317,476)</u>	<u>(42,886,396)</u>
Total capital assets being depreciated, net	<u>32,378,804</u>	<u>(469,326)</u>	<u>5,158</u>	<u>31,904,320</u>
Governmental activities capital assets, net	\$ <u>37,112,383</u>	\$ <u>797,781</u>	\$ <u>1,000,831</u>	\$ <u>36,909,333</u>
By function and activity:				
General government:				
City clerk	\$ 10,373	\$ -	\$ -	\$ 10,373
Finance	62,555	42,047	-	104,602
City hall	3,132,603	-	-	3,132,603
Risk management	1,537	-	-	1,537
Public information	<u>47,099</u>	<u>-</u>	<u>-</u>	<u>47,099</u>
Total general government	<u>3,254,167</u>	<u>42,047</u>	<u>-</u>	<u>3,296,214</u>
Public safety:				
Police	743,798	77,226	20,244	800,780
Fire	2,872,940	25,333	124,788	2,773,485
Health and inspection	94,475	12,689	20,416	86,748
Animal control	<u>26,287</u>	<u>-</u>	<u>-</u>	<u>26,287</u>
Total public safety	<u>3,737,500</u>	<u>115,248</u>	<u>165,448</u>	<u>3,687,300</u>
Highways and streets:				
Traffic maintenance	470,564	-	-	470,564
Electric/traffic light maintenance	407,553	15,842	-	423,395
Engineering	73,007	-	-	73,007
Street maintenance	2,250,320	214,603	96,114	2,368,809
Snow/ice maintenance	143,169	-	-	143,169
Street cleaning	281,283	137,704	-	418,987
Street projects (including sidewalks)	33,321,548	817,427	-	34,138,975
Parking	<u>1,303,092</u>	<u>-</u>	<u>-</u>	<u>1,303,092</u>
Total highways and streets	<u>38,250,536</u>	<u>1,185,576</u>	<u>96,114</u>	<u>39,339,998</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	1,450,315	-	-	1,450,315
Parks	2,081,755	89,673	9,650	2,161,778
Senior citizens center	131,316	-	-	131,316
The Beach	3,565,725	-	-	3,565,725
Trails	111,915	91,767	-	203,682
Total culture and recreation	<u>7,341,026</u>	<u>181,440</u>	<u>9,650</u>	<u>7,512,816</u>
Cemetery	<u>647,559</u>	<u>35,421</u>	<u>11,422</u>	<u>671,558</u>
Airport	<u>8,093,691</u>	<u>1,432,663</u>	<u>40,000</u>	<u>9,486,354</u>
Construction in progress	<u>1,573,373</u>	<u>894,532</u>	<u>995,673</u>	<u>1,472,232</u>
Levee	<u>168,580</u>	<u>-</u>	<u>-</u>	<u>168,580</u>
TIF projects	<u>11,905,594</u>	<u>-</u>	<u>-</u>	<u>11,905,594</u>
Downtown Step One	<u>275,163</u>	<u>-</u>	<u>-</u>	<u>275,163</u>
Land - No designation	<u>1,979,920</u>	<u>-</u>	<u>-</u>	<u>1,979,920</u>
Total governmental activities	<u>\$ 77,227,109</u>	<u>\$ 3,886,927</u>	<u>\$ 1,318,307</u>	<u>\$ 79,795,729</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	-	-	-	104,602	-	-	104,602
City hall	-	2,925,180	-	-	207,423	-	3,132,603
Risk management	-	-	-	1,537	-	-	1,537
Public information	-	-	-	47,099	-	-	47,099
Total general government	-	2,925,180	-	163,611	207,423	-	3,296,214
Public safety:							
Police	-	-	-	800,780	-	-	800,780
Fire	-	983,243	65,291	1,614,148	110,803	-	2,773,485
Health and inspection	-	-	-	86,748	-	-	86,748
Animal control	-	-	-	26,287	-	-	26,287
Total public safety	-	983,243	65,291	2,527,963	110,803	-	3,687,300
Highways and streets:							
Traffic maintenance	-	134,900	-	165,734	169,930	-	470,564
Electric/traffic light maintenance	-	-	-	194,105	229,290	-	423,395
Engineering	-	-	-	73,007	-	-	73,007
Street maintenance	56,240	367,120	31,900	1,913,549	-	-	2,368,809
Snow/ice maintenance	-	63,679	-	79,490	-	-	143,169
Street cleaning	-	-	-	418,987	-	-	418,987
Street projects (including sidewalks)	-	-	-	-	34,138,975	-	34,138,975
Parking	653,718	39,754	-	10,895	598,725	-	1,303,092
Total highways and streets	709,958	605,453	31,900	2,855,767	35,136,920	-	39,339,998
Culture and recreation:							
Library	-	1,038,222	104,127	272,482	35,484	-	1,450,315
Parks	-	256,957	515,644	701,850	687,327	-	2,161,778
Senior citizens center	-	-	-	-	131,316	-	131,316
The Beach	283,421	2,458,704	278,859	544,741	-	-	3,565,725
Trails	-	-	-	-	203,682	-	203,682
Total culture and recreation	283,421	3,753,883	898,630	1,519,073	1,057,809	-	7,512,816
Cemetery	26,000	268,484	146,032	184,851	46,191	-	671,558
Airport	372,575	2,738,417	70,219	568,000	5,737,143	-	9,486,354
Construction in progress	-	-	-	-	-	1,472,232	1,472,232
Levee	-	-	168,580	-	-	-	168,580
TIF projects	16,000	-	-	-	11,889,594	-	11,905,594
Downtown Step One	144,907	130,256	-	-	-	-	275,163
Land - No designation	1,979,920	-	-	-	-	-	1,979,920
Total governmental activities	\$ 3,532,781	\$ 11,404,916	\$ 1,380,652	\$ 7,819,265	\$ 54,185,883	\$ 1,472,232	\$ 79,795,729

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 2: CAPITAL ASSETS (Continued)

	Balance Beginning of Year	Additions/ Transfers In	Deletions/ Transfers Out	Balance End of Year			
Business type activities:							
By type:							
Capital assets not being depreciated:							
Land	\$ 1,854,376	\$ -	\$ -	\$ 1,854,376			
Construction in progress	7,424,355	4,554,262	10,343,597	1,635,020			
Total capital assets not being depreciated	9,278,731	4,554,262	10,343,597	3,489,396			
Capital assets being depreciated:							
Buildings	44,103,928	33,474	-	44,137,402			
Improvements other than buildings	4,613,023	1,075,888	-	5,688,911			
Machinery and equipment	7,531,047	660,371	329,593	7,861,825			
Infrastructure	1,497,196	9,202,418	-	10,699,614			
	57,745,194	10,972,151	329,593	68,387,752			
Less accumulated depreciation:							
Buildings	(10,437,349)	(1,194,222)	-	(11,631,571)			
Improvements other than buildings	(2,241,432)	(287,557)	-	(2,528,989)			
Machinery and equipment	(4,808,863)	(818,559)	(325,027)	(5,302,395)			
Infrastructure	(127,746)	(254,924)	-	(382,670)			
	(17,615,390)	(2,555,262)	(325,027)	(19,845,625)			
Total capital assets being depreciated net	40,129,804	8,416,889	4,566	48,542,127			
Business type activities capital assets net	\$ 49,408,535	\$ 12,971,151	\$ 10,348,163	\$ 52,031,523			
By function and activity:							
Solid waste	\$ 5,470,029	\$ 1,163,072	\$ 278,314	\$ 6,354,787			
Sewer utility	26,154,513	9,484,421	51,279	35,587,655			
Events center	23,237,775	307,731	-	23,545,506			
Transit	3,193,334	16,927	-	3,210,261			
Golf course	1,543,919	-	-	1,543,919			
Construction in progress	7,424,355	4,554,262	10,343,597	1,635,020			
Total business type	\$ 67,023,925	\$ 15,526,413	\$ 10,673,190	\$ 71,877,148			
	<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							
Solid waste	\$ 87,500	\$ 957,698	\$ 3,081,753	\$ 2,227,836	\$ -	\$ -	\$ 6,354,787
Sewer utility	42,228	21,455,702	1,636,725	2,055,386	10,397,614	-	35,587,655
Events center	1,644,648	20,655,017	76,871	866,970	302,000	-	23,545,506
Transit	-	894,130	-	2,316,131	-	-	3,210,261
Golf course	80,000	174,855	893,562	395,502	-	-	1,543,919
Construction in progress	-	-	-	-	-	1,635,020	1,635,020
Total business type assets	\$ 1,854,376	\$ 44,137,402	\$ 5,688,911	\$ 7,861,825	\$ 10,699,614	\$ 1,635,020	\$ 71,877,148

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 2: CAPITAL ASSETS (Continued)

A summary of property, plant and equipment at June 30, 2008, was as follows:

	<u>Business Type</u>	<u>Governmental Activities</u>
Capital assets not being depreciated:		
Land	\$ 1,854,376	\$ 3,532,781
Construction in progress	<u>1,635,020</u>	<u>1,472,232</u>
Total capital assets not being depreciated	<u>3,489,396</u>	<u>5,005,013</u>
Capital assets being depreciated:		
Buildings	44,137,402	11,404,916
Improvements other than buildings	5,688,911	1,380,652
Machinery and equipment	7,861,825	7,819,265
Infrastructure	<u>10,699,614</u>	<u>54,185,883</u>
	68,387,752	74,790,716
Less accumulated depreciation	<u>(19,845,625)</u>	<u>(42,886,396)</u>
Total capital assets being depreciated, net	<u>48,542,127</u>	<u>31,904,320</u>
Total capital assets, net	\$ <u>52,031,523</u>	\$ <u>36,909,333</u>

No interest cost was capitalized for the year ended June 30, 2008

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

Government activities:	
General government	\$ 71,605
Public safety	253,098
Public services	1,873,770
Culture and recreation	297,139
Community development	<u>593,534</u>
Total depreciation expense - Governmental activities	\$ <u>3,089,146</u>
Business type activities	
Solid waste	\$ 404,331
Sewer utility	1,230,866
Events center	634,040
Other business type activities	<u>379,707</u>
Total depreciation/amortization expense - Business type activities	\$ <u>2,648,944</u>

Discretely presented component units

	<u>Balance Beginning of Year</u>	<u>Additions/ Transfers In</u>	<u>Deletions/ Transfers Out</u>	<u>Balance End of Year</u>
By type:				
Capital assets not being depreciated:	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated:				
Buildings	239,400	-	-	239,400
Machinery and equipment	<u>2,521,168</u>	<u>292,738</u>	<u>87,524</u>	<u>2,726,382</u>
	<u>2,760,568</u>	<u>292,738</u>	<u>87,524</u>	<u>2,965,782</u>
Less accumulated depreciation:				
Buildings	(13,147)	(12,559)	-	(25,706)
Machinery and equipment	<u>(1,024,691)</u>	<u>(288,718)</u>	<u>(66,129)</u>	<u>(1,247,280)</u>
	<u>(1,037,838)</u>	<u>(301,277)</u>	<u>(66,129)</u>	<u>(1,272,986)</u>
Total assets being depreciated, net	<u>1,722,730</u>	<u>(8,539)</u>	<u>21,395</u>	<u>1,692,796</u>
Total discretely presented component units capital assets, net	\$ <u>1,722,730</u>	\$ <u>(8,539)</u>	\$ <u>21,395</u>	\$ <u>1,692,796</u>
By function and activity:				
Hazard materials	\$ 394,767	\$ 10,118	\$ -	\$ 404,885
10-15 transit	<u>2,365,801</u>	<u>282,620</u>	<u>87,524</u>	<u>2,560,897</u>
Total discretely presented component units	\$ <u>2,760,568</u>	\$ <u>292,738</u>	\$ <u>87,524</u>	\$ <u>2,965,782</u>
Total depreciation expense - Discretely presented component units				\$ <u>301,277</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 3: LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes	\$ 8,598,488	\$ 680,000	\$ 2,078,488	\$ 7,200,000	\$ 2,350,000
Compensated Absences	<u>472,971</u>	<u>563,887</u>	<u>472,971</u>	<u>563,887</u>	<u>483,340</u>
Total	\$ <u>9,071,459</u>	\$ <u>1,243,887</u>	\$ <u>2,551,459</u>	\$ <u>7,763,887</u>	\$ <u>2,833,340</u>
Business type activities:					
General obligation bonds/notes	\$ 11,054,537	\$ 1,641,611	\$ 1,329,000	\$ 11,367,148	\$ 1,758,066
Revenue notes	7,789,788	61,020	831,000	7,019,808	1,013,808
Compensated Absences	<u>117,119</u>	<u>109,042</u>	<u>117,119</u>	<u>109,042</u>	<u>109,042</u>
Total	\$ <u>18,961,444</u>	\$ <u>1,811,673</u>	\$ <u>2,277,119</u>	\$ <u>18,495,998</u>	\$ <u>2,880,916</u>
Component unit:					
General obligation bonds	\$ <u>65,000</u>	\$ <u>-</u>	\$ <u>20,000</u>	\$ <u>45,000</u>	\$ <u>20,000</u>

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

<u>June 30,</u>	General Obligations		
	<u>Principal</u>	<u>Interest</u>	<u>Total*</u>
2009	4,128,066	\$ 403,051	\$ 4,531,117
2010	2,930,000	338,475	3,268,475
2011	2,715,000	293,347	3,008,347
2012	2,090,000	244,773	2,334,773
2013	1,875,000	202,908	2,077,908
2014	1,815,000	177,122	1,992,122
2015	610,000	102,365	712,365
2016	625,000	79,027	704,027
2017	235,000	54,721	289,721
2018	240,000	47,671	287,671
2019	250,000	40,471	290,471
2020	255,000	33,061	288,061
2021	265,000	25,321	290,321
2022	275,000	17,371	292,371
2023	285,000	9,121	294,121
2024	19,082	572	19,654
Total	\$ <u>18,612,148</u>	\$ <u>2,069,377</u>	\$ <u>20,681,525</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 LIABILITIES (Continued)

The following is a summary of bond/note transactions for the year ended June 30, 2008, and details of bonds/notes payable at June 30, 2008:

<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 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 2002D	December 1, 2002	2.00-4.00	1,100,000
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 Bonds - Series 2005A	December 1, 2005	3.25-3.50	500,000
General Obligation Bonds - Series 2006	October 30, 2006	4.00	2,600,000
General Obligation Bonds - Series 2007	January 1, 2007	3.65	2,110,000
General Obligation Note - Series 2008A	February 1, 2008	4.25	250,000
General Obligation Note - Series 2008B	February 1, 2008	3.50	430,000
General Obligation Note - Army Reserve Building	March 1, 1996	7.25	388,500
<u>Proprietary Fund Debt:</u>			
General Obligation Bonds - Series 2001B	March 1, 2001	4.40-4.90	700,000
General Obligation Bonds - Series 2003	March 1, 2003	3.00-4.25	11,000,000
General Obligation Note - Clean Water Project Phase 1	October 1, 2006	3.00	4,500,000
General Obligation Note - Series 2007A	June 1, 2007	3.65	500,000
General Obligation Note - Clean Water Project Phase 2	June 4, 2008	3.00	5,800,000
<u>Component Unit Debt:</u>			
General Obligation Bonds - Series 2005	February 1, 2005	2.15-2.90	2,435,000
Grand Total			

<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Issued</u> <u>During</u> <u>Year</u>	<u>Paid</u> <u>During</u> <u>Year</u>	<u>Balance</u> <u>End</u> <u>of Year</u>	<u>Interest</u> <u>Expense</u>	<u>Interest</u> <u>Due and</u> <u>Unpaid</u>
\$ 1,135,000	\$ -	\$ 260,000	\$ 875,000	\$ 57,775	\$ 3,731
360,000	-	65,000	295,000	14,730	1,022
925,000	-	170,000	755,000	34,715	2,411
740,000	-	130,000	610,000	25,850	1,858
32,000	-	32,000	-	626	361
235,000	-	80,000	155,000	6,480	-
415,000	-	100,000	315,000	22,486	1,080
2,600,000	-	245,000	2,355,000	104,000	7,850
2,110,000	-	950,000	1,160,000	100,435	3,057
-	250,000	-	250,000	10,625	4,310
-	430,000	-	430,000	15,050	5,884
<u>46,488</u>	<u>-</u>	<u>46,488</u>	<u>-</u>	<u>5,738</u>	<u>-</u>
<u>8,598,488</u>	<u>680,000</u>	<u>2,078,488</u>	<u>7,200,000</u>	<u>398,510</u>	<u>31,564</u>
490,000	-	45,000	445,000	22,680	1,725
7,785,000	-	1,005,000	6,780,000	294,080	22,017
2,279,537	1,343,545	179,000	3,444,082	61,281	8,425
500,000	-	100,000	400,000	18,250	-
-	298,066	-	298,066	-	400
<u>11,054,537</u>	<u>1,641,611</u>	<u>1,329,000</u>	<u>11,367,148</u>	<u>396,291</u>	<u>32,567</u>
<u>65,000</u>	<u>-</u>	<u>20,000</u>	<u>45,000</u>	<u>1,620</u>	<u>599</u>
\$ <u>19,718,025</u>	\$ <u>2,321,611</u>	\$ <u>3,427,488</u>	\$ <u>18,612,148</u>	\$ <u>796,421</u>	\$ <u>64,730</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 4: PENSION AND RETIREMENT BENEFITS

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

The City contributes to the Municipal Fire and Police Retirement System of Iowa (MFPRSI), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. MFPRSI provides retirement, disability and death benefits which are established by state statute to plan members and beneficiaries. MFPRSI 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, 2008, 2007 and 2006, which met or exceeded the required minimum contribution for each year, respectively, are as follows:

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Percentage Invested</u>
2008	\$ 1,086,329	100%
2007	\$ 833,351	100%
2006	\$ 828,847	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.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006, which met or exceeded the required minimum contribution for each year, respectively, are as follows:

<u>Fiscal Year</u>	<u>Required Contributions</u>	<u>Percentage Invested</u>
2008	\$ 379,908	100%
2007	\$ 354,026	100%
2006	\$ 339,838	100%

NOTE 5: OTHER EMPLOYEE BENEFITS

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

The City provides certain health care and life insurance benefits for retired employees. Substantially, all of the City employees hired prior to February 22, 1993 may become eligible for those benefits if they reach normal retirement age while working for the City. There are currently 126 retirees covered. The costs of retiree health care and life insurance benefits are recognized as expenses as insurance premiums are paid. For 2008, those costs for the City totaled \$639,721. Retirees pay a portion of the cost of the benefits.

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>Due Within One Year</u>
<u>Enterprise Funds:</u>				
Solid waste	\$ 32,747	\$ -	\$ 32,747	\$ 32,747
Sewer utility	60,865	-	60,865	60,865
Golf course	3,518	-	3,518	3,518
Transit	<u>11,912</u>	-	<u>11,912</u>	<u>11,912</u>
Total Enterprise Funds	<u>109,042</u>	<u>-</u>	<u>109,042</u>	<u>109,042</u>
 <u>Governmental Funds</u>				
<u>Special Revenue Funds:</u>				
Airport	7,760	-	7,760	7,760
Library	16,467	-	16,467	16,467
Cemetery	9,919	-	9,919	9,919
Block grants	849	-	849	849
State road use tax	<u>60,735</u>	<u>5,500</u>	<u>66,235</u>	<u>66,235</u>
Total Special Revenue Funds	95,730	5,500	101,230	101,230
 <u>General</u>	 <u>462,657</u>	 <u>-</u>	 <u>462,657</u>	 <u>382,110</u>
Total Governmental Funds	<u>558,387</u>	<u>5,500</u>	<u>563,887</u>	<u>483,340</u>
 Total – All funds	 \$ <u>667,429</u>	 \$ <u>5,500</u>	 \$ <u>672,929</u>	 \$ <u>592,382</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 3.00%, changed from the original rate of 4.37% on December 1, 2005, 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 3.00%, changed from the original rate of 3.74% on December 1, 2005, 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 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 semi-annually at the rate of 3.00%, changed from the original rate of 4.19% on December 1, 2006, with final maturity on June 1, 2016

During the year ended June 30, 2007, the City entered into an agreement with the Iowa Finance Authority in connection with the issuance of a Sewer Revenue Capital Loan Note for engineering, planning and design work related to the waste water plant and collection system Interest is calculated at 0.00%, on the first \$250,000, 3.00% on proceeds in excess of \$250,000 for up to three years, until the negotiations of the note are finalized Proceeds received during the fiscal year 2008 were \$61,020.

The following is a summary of note transactions for the year ended June 30, 2008:

<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>Business Type Funds:</u>						
Sewer Utility:						
Phase 1	3.00%	\$ 2,014,000	\$ -	\$ 252,000	\$ 1,762,000	\$ 61,427
Phase 2	3.00%	1,941,000	-	213,000	1,728,000	59,201
Phase 3	3.00%	3,715,000	-	366,000	3,349,000	113,308
Waste water plant improvements	0.00%	<u>119,788</u>	<u>61,020</u>	<u>-</u>	<u>180,808</u>	<u>-</u>
Total enterprise funds		<u>\$ 7,789,788</u>	<u>\$ 61,020</u>	<u>\$ 831,000</u>	<u>\$ 7,019,808</u>	<u>\$ 233,936</u>

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

<u>Fiscal Year</u>	<u>Business Type Funds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,013,808	\$ 246,700	\$ 1,260,508
2010	885,000	216,916	1,101,916
2011	921,000	185,832	1,106,832
2012	958,000	153,478	1,111,478
2013	998,000	119,822	1,117,822
2014	1,022,000	84,766	1,106,766
2015	732,000	48,222	780,222
2016	<u>490,000</u>	<u>20,406</u>	<u>510,406</u>
	<u>\$ 7,019,808</u>	<u>\$ 1,076,142</u>	<u>\$ 8,095,950</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 7: INTEREST EXPENSE

Interest expense for the year ended June 30, 2008 is summarized below:

<u>Fund</u>	General Obligation <u>Bonds</u>	Other <u>Notes</u>	<u>Total</u>
Debt service	\$ 735,140	\$ -	\$ 735,140
Sewer utility	-	<u>295,217</u>	<u>295,217</u>
Totals	\$ <u>735,140</u>	\$ <u>295,217</u>	\$ <u>1,030,357</u>

NOTE 8: CONSTRUCTION CONTRACT COMMITMENTS

Prior to June 30, 2008 the City had signed several construction contracts that are summarized below:

Total commitments	\$ 8,109,201
Less amounts paid or accrued	<u>(300,539)</u>
Remaining commitments	\$ <u>7,808,662</u>

A significant portion of these commitments are for street, sewer and airport projects, and Westgate TIF improvements and are financed by general obligation bonds and FAA Grants. The remaining balance at June 30, 2008 will be paid as work on the projects progress.

NOTE 9: INTERNAL SERVICE FUNDS NET ASSETS

The following is a summary of the changes in the internal service funds net assets for the year ended June 30, 2008:

	<u>Equipment Purchasing</u>	<u>Employee Insurance</u>	<u>Total</u>
Net assets - Beginning of year	\$ 529,429	\$ 720,041	\$ 1,249,470
Change in net assets	<u>(101,884)</u>	<u>(142,191)</u>	<u>(244,075)</u>
Net assets - End of year	\$ <u>427,545</u>	\$ <u>577,850</u>	\$ <u>1,005,395</u>

NOTE 10: DONOR RESTRICTED ENDOWMENTS

The City has received certain endowments for the maintenance of the Ottumwa Cemetery. The amount is reflected in net assets as restricted for permanent funds. Investment income (including appreciation) is approved for expenditure by its individual Board. At June 30, 2008, net appreciation of \$38,193 was available to be spent, of which \$38,193 is restricted to specific purposes.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 11: RESERVED NET ASSETS

Reserved net assets for the business type activities consisted of the following at June 30, 2008:

<u>Fund</u>	<u>Description</u>	<u>Total</u>
Sewer Sinking	Debt service	\$ <u>95,000</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 40 to 50 years. The state and federal regulations require individual cells to be monitored for 30 years after closure. The \$1,430,832 reported as landfill closure and post closure care liability at June 30, 2008, represents the cumulative amount reported to date based on the use of 60% 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 \$899,475 as of June 30, 2008, as the estimated capacity is filled. Actual costs 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, 2007	\$ 800,025	\$ 600,195	\$ 1,400,220
Fiscal year 2008 costs adjusted	<u>30,565</u>	<u>47</u>	<u>30,612</u>
Balance, June 30, 2008	\$ <u>830,590</u>	\$ <u>600,242</u>	\$ <u>1,430,832</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 563 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 200 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 contributions to the Pool for the year ended June 30, 2008 were \$437,741.

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 \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 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. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2008, no liability has been recorded in the City's financial statements. As of June 30, 2008, 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 casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty 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 for coverage associated with public employee blanket bond. 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, 2008</u>	<u>June 30, 2007</u>
Liability - Beginning of year	\$ 314,125	\$ 353,356
Payments and accruals	(2,477,221)	(2,259,443)
Estimated claims incurred	<u>2,425,395</u>	<u>2,220,212</u>
Liability - End of year	\$ <u>262,299</u>	\$ <u>314,125</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>ASSETS</u>	<u>Sewer Utility</u>	<u>Sewer Sinking</u>	<u>Sewer Construction</u>	<u>Total</u>
Cash and pooled investments	\$ 1 722 857	\$ 95,000	\$ 639,226	\$ 2 457,083
Other assets	<u>26,365,200</u>	<u>-</u>	<u>212,072</u>	<u>26,577,272</u>
Total assets	<u>\$ 28,088,057</u>	<u>\$ 95,000</u>	<u>\$ 851,298</u>	<u>\$ 29,034,355</u>
 <u>LIABILITIES AND NET ASSETS</u>				
Liabilities	<u>\$ 11,099,273</u>	<u>\$ -</u>	<u>\$ 465,972</u>	<u>\$ 11,565,245</u>
 <u>Net Assets:</u>				
Investment in capital assets, net of related debt	14 287 078	-	-	14 287 078
Retained earnings:				
Restricted:				
Debt service	-	95 000	-	95 000
Unrestricted	<u>2,701,706</u>	<u>-</u>	<u>385,326</u>	<u>3,087,032</u>
Total net assets	<u>16,988,784</u>	<u>95,000</u>	<u>385,326</u>	<u>17,469,110</u>
Total liabilities and net assets	<u>\$ 28,088,057</u>	<u>\$ 95,000</u>	<u>\$ 851,298</u>	<u>\$ 29,034,355</u>

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

	<u>Sewer Utility</u>	<u>Sewer Sinking</u>	<u>Sewer Construction</u>	<u>Total</u>
Operating revenues	\$ 4 330 183	\$ -	\$ -	\$ 4 330 183
Operating expenses	<u>4,297,195</u>	<u>-</u>	<u>-</u>	<u>4,297,195</u>
Operating income	32 988	-	-	32,988
Nonoperating income net	<u>1,796,521</u>	<u>-</u>	<u>-</u>	<u>1,796,521</u>
Income before transfers	1 829,509	-	-	1 829 509
Transfers in	2,186 100	-	-	2 186 100
Transfers out	<u>(1,171,081)</u>	<u>-</u>	<u>(88,919)</u>	<u>(1,260,000)</u>
Change in net assets	2 844 528	-	(88 919)	2 755 609
Net assets - Beginning of year	<u>14,144,256</u>	<u>95,000</u>	<u>474,245</u>	<u>14,713,501</u>
Net assets - End of year	<u>\$ 16,988,784</u>	<u>\$ 95,000</u>	<u>\$ 385,326</u>	<u>\$ 17,469,110</u>

Schedule of sewer rates/ Customer census

<u>Rate of Usage:</u>	
Base charge	\$11.00
Each 100 cubic foot unit	\$3.10

The Sewer Funds had 9713 meters in service at June 30, 2008

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 16: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Internal Service	\$ 172,202
	Special Revenue:	
	Employee Benefits	2,308,398
	Emergency Fund	128,455
		<u>2,609,055</u>
State Road Use Tax Fund	Internal Service	334,482
	Special Revenue:	
	Local Option Sales Tax	823,100
	Employee Benefits	454,145
		<u>1,611,727</u>
Tax Increment Fund	Special Revenue:	
	Events Center	132,980
Events Center	General	424,338
	Debt Service Fund	1,005,000
		<u>1,429,338</u>
Internal Service	General	166,100
	Special Revenue:	
	State Road Use tax	229,500
	Cemetery	9,200
		<u>404,800</u>
Nonmajor Special Revenue	General	107,831
	Special Revenue:	
	Employee Benefits	132,030
	Risk Management	7,972
	Tax Increment Fund	558,824
	Local Option Sales Tax	993,861
	Permanent:	
	Cemetery Memorial	7,422
	Cemetery Prepetual Care	32,185
	Proprietary:	
	Events Center	700,000
		<u>2,540,125</u>
Sewer Utility	Special Revenue:	
	Local Option Sales Tax	747,100
	Proprietary:	
	Sewer Utility	1,260,000
	Debt Service	179,000
		<u>2,186,100</u>
Nonmajor Proprietary	General	125,000
	Debt Service	45,000
	Proprietary:	
	Sewer Utility	107,496
		<u>277,496</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	1,594,533
	Tax Increment Fund	651,775
	Proprietary:	
	Solid Waste	19,771
		<u>2,266,079</u>
Total		\$ <u>13,457,700</u>

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

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 17: DUE FROM AND DUE TO OTHER FUNDS

The balances of interfund receivables and payable in the fund financial statements at June 30, 2008 were:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General	\$ 137,554	\$ -
Special Revenue:		
Emergency	-	2,554
Proprietary:		
Golf course	-	<u>135,000</u>
	<u>\$ 137,554</u>	<u>\$ 137,554</u>

NOTE 18: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2007 have been reclassified to conform with the June 30, 2008 presentation.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OTTUMWA, IOWA

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

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2008

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
<u>REVENUES:</u>			
Property tax	\$ 11,042,397	\$ 352,069	\$ 11,394,466
Other city tax	3,429,273	-	3,429,273
Licenses and permits	315,127	-	315,127
Intergovernmental	3,630,395	2,585,018	6,215,413
Use of money and property	1,123,212	267,101	1,390,313
Charges for service	4,251,496	7,367,065	11,618,561
Other fines	260,188	-	260,188
Miscellaneous	492,583	219,533	712,116
Total revenues	<u>24,544,671</u>	<u>10,790,786</u>	<u>35,335,457</u>
<u>EXPENSES:</u>			
Current:			
Public safety	5,877,485	-	5,877,485
Public works	5,970,671	-	5,970,671
Health and social services	522,031	-	522,031
Culture and recreation	2,124,452	-	2,124,452
Community and economic development	440,815	-	440,815
General government	2,333,360	-	2,333,360
Capital projects	2,226,199	-	2,226,199
Debt service	2,919,905	-	2,919,905
Business-type activities	-	10,101,671	10,101,671
Total expenses	<u>22,414,918</u>	<u>10,101,671</u>	<u>32,516,589</u>
Excess (deficiency) of revenues over (under) expenses	2,129,753	689,115	2,818,868
Other financing sources (uses):			
Issuance of debt	680,000	-	680,000
Transfers in	9,159,966	3,892,934	13,052,900
Transfers out	<u>(10,730,769)</u>	<u>(2,220,247)</u>	<u>(12,951,016)</u>
Total other financing sources (uses)	<u>(890,803)</u>	<u>1,672,687</u>	<u>781,884</u>
Net change in fund balances	1,238,950	2,361,802	3,600,752
Fund balance - Beginning of year	<u>11,804,137</u>	<u>35,884,165</u>	<u>47,688,302</u>
Fund balance - End of year	\$ <u>13,043,087</u>	\$ <u>38,245,967</u>	\$ <u>51,289,054</u>

See Accompanying Independent Auditor's Report

<u>Budgeted Amounts</u>		<u>Final to Actual</u>
<u>Original</u>	<u>Final</u>	<u>Variance</u>
\$ 10,074,166	\$ 10,074,166	\$ 1,320,300
4,483,134	4,549,634	(1,120,361)
236,400	206,400	108,727
10,056,568	10,325,068	(4,109,655)
926,553	1,102,553	287,760
14,997,515	15,440,515	(3,821,954)
40,000	40,000	220,188
936,920	1,053,420	(341,304)
<u>41,751,256</u>	<u>42,791,756</u>	<u>(7,456,299)</u>
6,105,714	6,218,714	341,229
5,920,245	6,465,245	494,574
602,269	602,269	80,238
2,109,755	2,170,755	46,303
1,424,545	1,451,045	1,010,230
2,934,862	2,979,862	646,502
12,909,125	12,999,125	10,772,926
4,150,974	4,270,745	1,350,840
15,974,593	16,094,861	5,993,190
<u>52,132,082</u>	<u>53,252,621</u>	<u>20,736,032</u>
(10,380,826)	(10,460,865)	13,279,733
8,517,765	6,567,765	(5,887,765)
11,692,296	14,340,371	(1,287,471)
<u>(11,692,296)</u>	<u>(14,340,371)</u>	<u>1,389,355</u>
<u>8,517,765</u>	<u>6,567,765</u>	<u>(5,785,881)</u>
(1,863,061)	(3,893,100)	7,493,852
<u>19,370,205</u>	<u>19,370,205</u>	<u>28,318,097</u>
\$ <u>17,507,144</u>	\$ <u>15,477,105</u>	\$ <u>35,811,949</u>

CITY OF OTTUMWA, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2008

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. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Project Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$1,120,539. These budget amendments are reflected in the final budgeted amounts.



OTHER SUPPLEMENTARY INFORMATION

CITY OF OTTUMWA, IOWA

Schedule 1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,190,961	\$ 4,176,955	\$ 752,149	\$ 7,120,065
Receivables:				
Property taxes	847,689	-	-	847,689
Accounts	189,818	105,640	-	295,458
Other governments	9,477	152,018	-	161,495
Prepaid insurance	179,748	-	-	179,748
Deposit	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
 TOTAL ASSETS	 \$ <u>3,442,693</u>	 \$ <u>4,434,613</u>	 \$ <u>752,149</u>	 \$ <u>8,629,455</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 172,036	\$ 322,042	\$ -	\$ 494,078
Wages and benefits payable	17,300	-	-	17,300
Unearned property tax revenue	830,532	-	-	830,532
Unearned revenue	19,919	239,802	-	259,721
Due to other funds	<u>2,554</u>	<u>-</u>	<u>-</u>	<u>2,554</u>
 TOTAL LIABILITIES	 <u>1,042,341</u>	 <u>561,844</u>	 <u>-</u>	 <u>1,604,185</u>
 <u>FUND BALANCES:</u>				
Reserved for:				
Capital/construction	47,755	3,872,769	-	3,920,524
Prepaid insurance	179,748	-	-	179,748
Endowments	173,366	-	140,563	313,929
Prepetual care	-	-	611,586	611,586
Insurance	1,220,882	-	-	1,220,882
Unreserved, undesignated	<u>778,601</u>	<u>-</u>	<u>-</u>	<u>778,601</u>
 TOTAL FUND BALANCES	 <u>2,400,352</u>	 <u>3,872,769</u>	 <u>752,149</u>	 <u>7,025,270</u>
 TOTAL LIABILITIES AND FUND BALANCES	 \$ <u>3,442,693</u>	 \$ <u>4,434,613</u>	 \$ <u>752,149</u>	 \$ <u>8,629,455</u>

CITY OF OTTUMWA, IOWA

Schedule 2

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN
FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Nonmajor Governmental Funds
<u>REVENUES:</u>				
Property tax	\$ 862,818	\$ -	\$ -	\$ 862,818
Intergovernmental	103,753	457,799	-	561,552
Use of money and property	545,130	164,473	39,401	749,004
Charges for service	463,845	50	13,942	477,837
Miscellaneous	369,566	55,611	-	425,177
Total revenues	<u>2,345,112</u>	<u>677,933</u>	<u>53,343</u>	<u>3,076,388</u>
<u>EXPENDITURES:</u>				
Operating:				
Public safety	91,138	141,761	-	232,899
Public works	397,293	2,715	-	400,008
Health and social services	-	92,398	-	92,398
Culture and recreation	1,029,707	15,640	-	1,045,347
Community and economic development	35,026	252	-	35,278
General government	1,255,743	-	-	1,255,743
Bond issue costs	-	13,212	-	13,212
Capital outlay	-	1,234,099	-	1,234,099
Total expenditures	<u>2,808,907</u>	<u>1,500,077</u>	<u>-</u>	<u>4,308,984</u>
Excess (deficiency) of revenues over (under) expenditures	(463,795)	(822,144)	53,343	(1,232,596)
Other financing sources (uses):				
Issuance of debt	-	680,000	-	680,000
Transfers in	1,281,301	1,258,824	-	2,540,125
Transfers out	(145,627)	-	(39,607)	(185,234)
Total Other Financing Sources (Uses)	<u>1,135,674</u>	<u>1,938,824</u>	<u>(39,607)</u>	<u>3,034,891</u>
Net change in fund balances	671,879	1,116,680	13,736	1,802,295
Fund balance - Beginning of year	<u>1,728,473</u>	<u>2,756,089</u>	<u>738,413</u>	<u>5,222,975</u>
Fund balance - End of year	\$ <u>2,400,352</u>	\$ <u>3,872,769</u>	\$ <u>752,149</u>	\$ <u>7,025,270</u>

CITY OF OTTUMWA, IOWA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2008

<u>ASSETS</u>	<u>Airport</u>	<u>Emergency</u>	<u>Library</u>	<u>Cemetery</u>	<u>Block Grants</u>
Cash and cash equivalents	\$ 348,112	\$ -	\$ 328,467	\$ 52,432	\$ 126,954
Receivables:					
Property taxes	-	135,899	295,425	108,691	-
Accounts	2,028	-	-	654	19,919
Other governments	5,675	-	-	3,802	-
Prepaid insurance	12,634	-	1,941	3,153	-
Deposit	-	-	-	-	-
	<u> </u>				
TOTAL ASSETS	\$ <u>368,449</u>	\$ <u>135,899</u>	\$ <u>625,833</u>	\$ <u>168,732</u>	\$ <u>146,873</u>
 <u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES:</u>					
Accounts payable	\$ 12,103	\$ -	\$ 14,968	\$ 7,324	\$ -
Wages and benefits payable	3,500	-	9,000	3,800	-
Unearned property tax revenue	-	133,345	288,489	106,700	-
Unearned revenue	-	-	-	-	19,919
Due to other funds	-	2,554	-	-	-
	<u> </u>				
TOTAL LIABILITIES	<u>15,603</u>	<u>135,899</u>	<u>312,457</u>	<u>117,824</u>	<u>19,919</u>
 <u>FUND BALANCES:</u>					
Reserved for:					
Capital/construction	-	-	-	47,755	-
Prepaid insurance	12,634	-	1,941	3,153	-
Endowments	-	-	-	-	-
Insurance	-	-	-	-	-
Unreserved	<u>340,212</u>	<u> </u>	<u>311,435</u>	<u> </u>	<u>126,954</u>
TOTAL FUND BALANCES	<u>352,846</u>	<u> </u>	<u>313,376</u>	<u>50,908</u>	<u>126,954</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>368,449</u>	\$ <u>135,899</u>	\$ <u>625,833</u>	\$ <u>168,732</u>	\$ <u>146,873</u>

Schedule 3

<u>Risk Management</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>
\$ 311,704	\$ 17,674	\$ 841,612	\$ 135,082	\$ 2,429	\$ 24,045	\$ 2,450	\$ 2,190,961
307,674	-	-	-	-	-	-	847,689
-	-	165,581	-	-	1,636	-	189,818
-	-	-	-	-	-	-	9,477
162,020	-	-	-	-	-	-	179,748
<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
<u>\$ 806,398</u>	<u>\$ 17,674</u>	<u>\$ 1,007,193</u>	<u>\$ 135,082</u>	<u>\$ 2,429</u>	<u>\$ 25,681</u>	<u>\$ 2,450</u>	<u>\$ 3,442,693</u>
\$ 95,127	\$ -	\$ 32,564	\$ 9,950	\$ -	\$ -	\$ -	\$ 172,036
1,000	-	-	-	-	-	-	17,300
301,998	-	-	-	-	-	-	830,532
-	-	-	-	-	-	-	19,919
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,554</u>
<u>398,125</u>	<u>-</u>	<u>32,564</u>	<u>9,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,042,341</u>
-	-	-	-	-	-	-	47,755
162,020	-	-	-	-	-	-	179,748
-	17,674	-	125,132	2,429	25,681	2,450	173,366
246,253	-	974,629	-	-	-	-	1,220,882
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>778,601</u>
<u>408,273</u>	<u>17,674</u>	<u>974,629</u>	<u>125,132</u>	<u>2,429</u>	<u>25,681</u>	<u>2,450</u>	<u>2,400,352</u>
<u>\$ 806,398</u>	<u>\$ 17,674</u>	<u>\$ 1,007,193</u>	<u>\$ 135,082</u>	<u>\$ 2,429</u>	<u>\$ 25,681</u>	<u>\$ 2,450</u>	<u>\$ 3,442,693</u>

CITY OF OTTUMWA, IOWA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2008

	<u>Airport</u>	<u>Emergency</u>	<u>Library</u>	<u>Cemetery</u>	<u>Block Grants</u>
<u>REVENUES:</u>					
Property tax	\$ -	\$ 128,455	\$ 348,811	\$ 100,120	\$ -
Intergovernmental	5,375	-	26,000	32,315	29,701
Use of money and property	460,569	-	12,697	23,832	-
Charges for service	-	-	13,121	125,979	-
Miscellaneous	<u>17,802</u>	<u>-</u>	<u>107,306</u>	<u>2,837</u>	<u>-</u>
Total revenues	<u>483,746</u>	<u>128,455</u>	<u>507,935</u>	<u>285,083</u>	<u>29,701</u>
<u>EXPENDITURES:</u>					
Operating:					
Public safety	-	-	-	-	-
Public works	397,293	-	-	-	-
Culture and recreation	-	-	546,037	381,220	-
Community and economic development	6,780	-	-	-	18,005
General government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>404,073</u>	<u>-</u>	<u>546,037</u>	<u>381,220</u>	<u>18,005</u>
Excess (deficiency) of revenues over (under) expenditures	79,673	128,455	(38,102)	(96,137)	11,696
Other financing sources (uses):					
Transfers in	49,093	-	86,437	87,940	-
Transfers out	<u>-</u>	<u>(128,455)</u>	<u>-</u>	<u>(9,200)</u>	<u>-</u>
Net change in fund balances	128,766	-	48,335	(17,397)	11,696
Fund balance - Beginning of year	<u>224,080</u>	<u>-</u>	<u>265,041</u>	<u>68,305</u>	<u>115,258</u>
Fund balance - End of year	\$ <u>352,846</u>	\$ <u>-</u>	\$ <u>313,376</u>	\$ <u>50,908</u>	\$ <u>126,954</u>

<u>Risk Management</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>
\$ 285,432	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 862,818
-	-	-	-	-	-	10,362	103,753
11,919	838	29,760	4,286	-	1,229	-	545,130
-	-	324,745	-	-	-	-	463,845
-	<u>2,420</u>	<u>131,005</u>	<u>94,764</u>	<u>270</u>	<u>13,162</u>	-	<u>369,566</u>
<u>297,351</u>	<u>3,258</u>	<u>485,510</u>	<u>99,050</u>	<u>270</u>	<u>14,391</u>	<u>10,362</u>	<u>2,345,112</u>
66,528	3,176	-	-	-	21,434	-	91,138
-	-	-	-	-	-	-	397,293
-	-	-	101,884	566	-	-	1,029,707
-	-	-	-	-	-	10,241	35,026
<u>291,277</u>	<u>-</u>	<u>964,466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,255,743</u>
<u>357,805</u>	<u>3,176</u>	<u>964,466</u>	<u>101,884</u>	<u>566</u>	<u>21,434</u>	<u>10,241</u>	<u>2,808,907</u>
(60,454)	82	(478,956)	(2,834)	(296)	(7,043)	121	(463,795)
107,831	-	950,000	-	-	-	-	1,281,301
<u>(7,972)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(145,627)</u>
39,405	82	471,044	(2,834)	(296)	(7,043)	121	671,879
<u>368,868</u>	<u>17,592</u>	<u>503,585</u>	<u>127,966</u>	<u>2,725</u>	<u>32,724</u>	<u>2,329</u>	<u>1,728,473</u>
\$ <u>408,273</u>	\$ <u>17,674</u>	\$ <u>974,629</u>	\$ <u>125,132</u>	\$ <u>2,429</u>	\$ <u>25,681</u>	\$ <u>2,450</u>	\$ <u>2,400,352</u>

CITY OF OTTUMWA, IOWA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2008

<u>ASSETS</u>	<u>Sidewalks</u>	<u>Airport Projects</u>	<u>Street Projects</u>
Cash and cash equivalents	\$ 196,370	\$ 428,045	\$ 2,498,670
Receivables:			
Accounts	838	-	-
Other governments	<u>312</u>	<u>35,754</u>	<u>29,015</u>
TOTAL ASSETS	\$ <u>197,520</u>	\$ <u>463,799</u>	\$ <u>2,527,685</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Accounts payable	\$ -	\$ 151,492	\$ 59,316
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>151,492</u>	<u>59,316</u>
<u>FUND BALANCES:</u>			
Reserved:			
Construction	<u>197,520</u>	<u>312,307</u>	<u>2,468,369</u>
TOTAL FUND BALANCES	<u>197,520</u>	<u>312,307</u>	<u>2,468,369</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>197,520</u>	\$ <u>463,799</u>	\$ <u>2,527,685</u>

<u>Park Projects</u>	<u>Other Bond Projects</u>	<u>Levee Repairs</u>	<u>Total</u>
\$ 168,158	\$ 869,729	\$ 15,983	\$ 4,176,955
-	104,802	-	105,640
<u>1,937</u>	<u>-</u>	<u>85,000</u>	<u>152,018</u>
\$ <u>170,095</u>	\$ <u>974,531</u>	\$ <u>100,983</u>	\$ <u>4,434,613</u>
\$ -	\$ 10,836	\$ 100,398	\$ 322,042
<u>135,000</u>	<u>104,802</u>	<u>-</u>	<u>239,802</u>
<u>135,000</u>	<u>115,638</u>	<u>100,398</u>	<u>561,844</u>
<u>35,095</u>	<u>858,893</u>	<u>585</u>	<u>3,872,769</u>
<u>35,095</u>	<u>858,893</u>	<u>585</u>	<u>3,872,769</u>
\$ <u>170,095</u>	\$ <u>974,531</u>	\$ <u>100,983</u>	\$ <u>4,434,613</u>

CITY OF OTTUMWA, IOWA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2008

	<u>Sidewalks</u>	<u>Airport Projects</u>	<u>Street Projects</u>
<u>REVENUES:</u>			
Intergovernmental	\$ -	\$ 165,754	\$ 159,468
Use of money and property	8,772	32,591	117,296
Charges for service	-	-	-
Miscellaneous	<u>4,419</u>	<u>-</u>	<u>11,240</u>
Total revenues	<u>13,191</u>	<u>198,345</u>	<u>288,004</u>
<u>EXPENDITURES:</u>			
Operating:			
Public safety	-	-	-
Public works	-	-	-
Health and social services	-	-	-
Culture and recreation	-	-	-
Community and economic development	-	-	-
Bond issue costs	-	-	13,212
Capital outlay	<u>-</u>	<u>647,739</u>	<u>440,450</u>
Total expenditures	<u>-</u>	<u>647,739</u>	<u>453,662</u>
Excess (deficiency) of revenues over (under) expenditures	13,191	(449,394)	(165,658)
Other financing sources:			
Issuance of debt	-	250,000	270,000
Transfers in	<u>-</u>	<u>165,000</u>	<u>918,824</u>
Net change in fund balances	13,191	(34,394)	1,023,166
Fund balance - Beginning of year	<u>184,329</u>	<u>346,701</u>	<u>1,445,203</u>
Fund balance - End of year	\$ <u>197,520</u>	\$ <u>312,307</u>	\$ <u>2,468,369</u>

Schedule 6

<u>Park Projects</u>	<u>Other Bond Projects</u>	<u>Levee Repairs</u>	<u>Total</u>
\$ 38,735	\$ 8,842	\$ 85,000	\$ 457,799
4,911	-	903	164,473
-	50	-	50
<u>15,000</u>	<u>24,883</u>	<u>69</u>	<u>55,611</u>
<u>58,646</u>	<u>33,775</u>	<u>85,972</u>	<u>677,933</u>
-	26,644	115,117	141,761
-	2,715	-	2,715
-	92,398	-	92,398
-	15,640	-	15,640
-	252	-	252
-	-	-	13,212
<u>128,461</u>	<u>17,449</u>	<u>-</u>	<u>1,234,099</u>
<u>128,461</u>	<u>155,098</u>	<u>115,117</u>	<u>1,500,077</u>
(69,815)	(121,323)	(29,145)	(822,144)
-	160,000	-	680,000
<u>-</u>	<u>175,000</u>	<u>-</u>	<u>1,258,824</u>
(69,815)	213,677	(29,145)	1,116,680
<u>104,910</u>	<u>645,216</u>	<u>29,730</u>	<u>2,756,089</u>
\$ <u>35,095</u>	\$ <u>858,893</u>	\$ <u>585</u>	\$ <u>3,872,769</u>

CITY OF OTTUMWA, IOWA

Schedule 7

COMBINING BALANCE SHEET
NONMAJOR PERMANENT FUNDS
JUNE 30, 2008

	<u>Cemetery Perpetual Care</u>	<u>Cemetery Memorial</u>	<u>Total Nonmajor Permanent Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ <u>611,586</u>	\$ <u>140,563</u>	\$ <u>752,149</u>
TOTAL ASSETS	\$ <u>611,586</u>	\$ <u>140,563</u>	\$ <u>752,149</u>
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES:			
None	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
<u>FUND BALANCES:</u>			
Reserved for:			
Endowments	-	140,563	140,563
Prepetual care	<u>611,586</u>	<u>-</u>	<u>611,586</u>
TOTAL FUND BALANCES	<u>611,586</u>	<u>140,563</u>	<u>752,149</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>611,586</u>	\$ <u>140,563</u>	\$ <u>752,149</u>

CITY OF OTTUMWA, IOWA

Schedule 8

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
YEAR ENDED JUNE 30, 2008

	Cemetery Perpetual Care	Cemetery Memorial	Total Nonmajor Permanent Funds
<u>REVENUES:</u>			
Interest income	\$ 32,287	\$ 7,114	\$ 39,401
Charges for service	<u>13,942</u>	<u>-</u>	<u>13,942</u>
Total revenues	<u>46,229</u>	<u>7,114</u>	<u>53,343</u>
 Other financing uses:			
Transfers out	<u>(32,185)</u>	<u>(7,422)</u>	<u>(39,607)</u>
 Net change in fund balances	14,044	(308)	13,736
 Fund balance - Beginning of year	<u>597,542</u>	<u>140,871</u>	<u>738,413</u>
 Fund balance - End of year	\$ <u>611,586</u>	\$ <u>140,563</u>	\$ <u>752,149</u>

CITY OF OTTUMWA, IOWA

Schedule 9

COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2008

<u>ASSETS</u>	<u>Transit</u>	<u>Golf Course</u>	<u>Total Nonmajor Proprietary Funds</u>
Current Assets:			
Cash and cash equivalents	\$ 233,778	\$ 87,758	\$ 321,536
Receivables:			
Accounts	1,239	-	1,239
Property taxes	379,465	-	379,465
Other governments	119,552	-	119,552
Inventory	-	45,055	45,055
Prepaid expenses	26,268	3,880	30,148
Total Current Assets	<u>760,302</u>	<u>136,693</u>	<u>896,995</u>
Capital Assets:			
Land	-	80,000	80,000
Buildings	894,130	174,855	1,068,985
Improvements other than buildings	-	893,562	893,562
Machinery and equipment	2,316,131	395,502	2,711,633
Less accumulated depreciation	<u>(2,114,926)</u>	<u>(772,237)</u>	<u>(2,887,163)</u>
Total Capital Assets	<u>1,095,335</u>	<u>771,682</u>	<u>1,867,017</u>
TOTAL ASSETS	\$ <u>1,855,637</u>	\$ <u>908,375</u>	\$ <u>2,764,012</u>
<u>LIABILITIES AND NET ASSETS</u>			
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts payable	\$ 26,167	\$ 63,235	\$ 89,402
Wages and benefits payable	11,800	2,800	14,600
Compensated absences payable	11,912	3,518	15,430
Unearned property tax revenue	372,464	-	372,464
Unearned revenue	-	56,165	56,165
Due to other funds	-	135,000	135,000
Current portion of bonds payable	-	45,000	45,000
Total Current Liabilities	<u>422,343</u>	<u>305,718</u>	<u>728,061</u>
Long-term Liabilities:			
Bonds payable:			
Long-term	-	400,000	400,000
Total Long-term Liabilities	<u>-</u>	<u>400,000</u>	<u>400,000</u>
TOTAL LIABILITIES	<u>422,343</u>	<u>705,718</u>	<u>1,128,061</u>
<u>NET ASSETS:</u>			
Invested in net assets, net of related debt	1,095,335	326,682	1,422,017
Unrestricted	<u>337,959</u>	<u>(124,025)</u>	<u>213,934</u>
TOTAL NET ASSETS	<u>1,433,294</u>	<u>202,657</u>	<u>1,635,951</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,855,637</u>	\$ <u>908,375</u>	\$ <u>2,764,012</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, 2008

	<u>Transit</u>	<u>Golf Course</u>	<u>Total Nonmajor Proprietary Funds</u>
Operating revenues:			
Charges for service	\$ 142,758	\$ 491,354	\$ 634,112
Miscellaneous	-	705	705
Total operating revenues	<u>142,758</u>	<u>492,059</u>	<u>634,817</u>
Operating expenses:			
Operations	1,050,624	505,201	1,555,825
Depreciation	308,946	70,761	379,707
Total operating expenses	<u>1,359,570</u>	<u>575,962</u>	<u>1,935,532</u>
Operating loss	(1,216,812)	(83,903)	(1,300,715)
Nonoperating revenue:			
Interest income	5,281	-	5,281
Property taxes	352,069	-	352,069
Intergovernmental	678,742	-	678,742
Total nonoperating revenue	<u>1,036,092</u>	<u>-</u>	<u>1,036,092</u>
Loss before transfers	(180,720)	(83,903)	(264,623)
Transfers:			
Transfers in	<u>107,496</u>	<u>170,000</u>	<u>277,496</u>
Change in net assets	(73,224)	86,097	12,873
Net assets - Beginning of year	<u>1,506,518</u>	<u>116,560</u>	<u>1,623,078</u>
Net assets - End of year	\$ <u>1,433,294</u>	\$ <u>202,657</u>	\$ <u>1,635,951</u>

CITY OF OTTUMWA, IOWA

Schedule 11

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	<u>Transit</u>	<u>Golf Course</u>	<u>Total Nonmajor Proprietary Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Cash received from operations	\$ 100,564	\$ 484,756	\$ 585,320
Cash paid to employees	(632,262)	(195,061)	(827,323)
Cash paid to suppliers	(407,793)	(349,172)	(756,965)
Cash used in operations	(1,040,055)	(544,233)	(1,584,288)
NET CASH USED IN OPERATING ACTIVITIES	<u>(939,491)</u>	<u>(59,477)</u>	<u>(998,968)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Property taxes	353,201	-	353,201
Intergovernmental	678,742	-	678,742
Transfers from other funds	107,496	170,000	277,496
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>1,139,439</u>	<u>170,000</u>	<u>1,309,439</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Payment of long term debt:			
General obligation bonds	-	(45,000)	(45,000)
Additions to property and equipment	(16,928)	-	(16,928)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(16,928)</u>	<u>(45,000)</u>	<u>(61,928)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest income received	5,281	-	5,281
NET INCREASE IN CASH AND CASH EQUIVALENTS	188,301	65,523	253,824
<u>CASH AND CASH EQUIVALENTS - Beginning of year</u>	<u>45,477</u>	<u>22,235</u>	<u>67,712</u>
<u>CASH AND CASH EQUIVALENTS - End of year</u>	\$ <u>233,778</u>	\$ <u>87,758</u>	\$ <u>321,536</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</u>			
Operating loss	\$ (1,216,812)	\$ (83,903)	\$ (1,300,715)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	308,946	70,761	379,707
Changes in assets and liabilities:			
Decrease in receivables	20,647	-	20,647
Decrease in inventory	-	18,164	18,164
Increase in prepaid insurance	(67)	(246)	(313)
Decrease (increase) in due from other governments	(62,841)	3,811	(59,030)
Increase in accounts payable	10,306	26,356	36,662
Increase (decrease) in wages and benefits payable	2,400	(2,600)	(200)
Decrease in compensated absences payable	(2,070)	(5,706)	(7,776)
Decrease in unearned revenue	-	(11,114)	(11,114)
Decrease in due to other funds	-	(75,000)	(75,000)
NET CASH USED IN OPERATING ACTIVITIES	\$ <u>(939,491)</u>	\$ <u>(59,477)</u>	\$ <u>(998,968)</u>

CITY OF OTTUMWA, IOWA

Schedule 12

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2008

	<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>258,362</u>	\$ <u>427,545</u>	\$ <u>840,149</u>	\$ <u>1,526,056</u>
TOTAL ASSETS	\$ <u>258,362</u>	\$ <u>427,545</u>	\$ <u>840,149</u>	\$ <u>1,526,056</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>CURRENT LIABILITIES:</u>				
Accounts payable	\$ <u>258,362</u>	\$ <u>-</u>	\$ <u>262,299</u>	\$ <u>520,661</u>
<u>NET ASSETS:</u>				
Restricted	-	-	577,850	577,850
Unrestricted	-	<u>427,545</u>	-	<u>427,545</u>
TOTAL NET ASSETS	-	<u>427,545</u>	<u>577,850</u>	<u>1,005,395</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>258,362</u>	\$ <u>427,545</u>	\$ <u>840,149</u>	\$ <u>1,526,056</u>

CITY OF OTTUMWA, IOWA

Schedule 13

COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN
FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2008

	<u>Equipment Purchasing</u>	<u>Employee Insurance</u>	<u>Total</u>
<u>OPERATING REVENUES:</u>			
Charges for service and other operating revenues	\$ -	\$ 2,235,084	\$ 2,235,084
<u>EXPENSES:</u>			
Operations	-	2,425,395	2,425,395
Operating loss	-	(190,311)	(190,311)
Nonoperating revenue:			
Interest income	-	48,120	48,120
Loss before transfers	-	(142,191)	(142,191)
Transfers:			
Transfers in	404,800	-	404,800
Transfers out	(506,684)	-	(506,684)
Change in net assets	(101,884)	(142,191)	(244,075)
Net assets - Beginning of year	529,429	720,041	1,249,470
Net assets - End of year	\$ 427,545	\$ 577,850	\$ 1,005,395

CITY OF OTTUMWA, IOWA

Schedule 14

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2008

	<u>Payroll</u> <u>Clearing</u>	<u>Equipment</u> <u>Purchasing</u>	<u>Employee</u> <u>Insurance</u>	Total Nonmajor Internal Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash received from operations	\$ -	\$ -	\$ 2,235,084	\$ 2,235,084
Cash paid to employees	34,162	-	-	34,162
Cash paid to suppliers	-	-	(2,477,221)	(2,477,221)
Cash used in operations	<u>34,162</u>	<u>-</u>	<u>(2,477,221)</u>	<u>(2,443,059)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>34,162</u>	<u>-</u>	<u>(242,137)</u>	<u>(207,975)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Transfers from other funds	-	404,800	-	404,800
Transfers to other funds	-	(506,684)	-	(506,684)
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>(101,884)</u>	<u>-</u>	<u>(101,884)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Interest income received	-	-	48,120	48,120
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	34,162	(101,884)	(194,017)	(261,739)
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of year	<u>224,200</u>	<u>529,429</u>	<u>1,034,166</u>	<u>1,787,795</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of year	\$ <u>258,362</u>	\$ <u>427,545</u>	\$ <u>840,149</u>	\$ <u>1,526,056</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH</u> <u>PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
Operating loss	\$ -	\$ -	\$ (190,311)	\$ (190,311)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Changes in assets and liabilities:				
Increase (decrease) in accounts payable	<u>34,162</u>	<u>-</u>	<u>(51,826)</u>	<u>(17,664)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u>34,162</u>	\$ <u>-</u>	\$ <u>(242,137)</u>	\$ <u>(207,975)</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<u>Expenditures of Federal Awards</u>			
<u>Direct:</u>			
Department of Transportation:			
Airport Improvement Program	20 106	AIP-3-19-0073-12	\$ 13,957
Airport Improvement Program	20 106	AIP-3-19-0073-13	130,225
Airport Improvement Program	20 106	AIP-3-19-0073-14	<u>21,797</u>
Total Expenditures of Direct Federal Awards			<u>165,979</u>
<u>Indirect:</u>			
Department of Housing and Urban Development:			
Community Development Block Grants:			
Community Development Block Grant/Small Cities Program	14 219	05-W5-088	76,813
Community Development Block Grant/Small Cities Program	14 219	07-HM-114-69	4,645
Community Development Block Grant/Small Cities Program	14 219	07-HSG-020	<u>15,190</u>
			<u>96,648</u>
Department of Transportation:			
Formula Grants for Other Than Urbanized Areas	20 509	18-0028-582-08	379,903
Formula Grants for Other Than Urbanized Areas	20 509	85-X030-150-07	91,602
Formula Grants for Other Than Urbanized Areas	20 509	18-0028-150-08	457,564
Formula Grants for Other Than Urbanized Areas	20 509	ITS-582	5,525
Formula Grants for Other Than Urbanized Areas	20 509	18-0027-150-05	<u>4,954</u>
			<u>939,548</u>
State Planning and Research	20 515	ITS-582	<u>2,764</u>
Job Access Reverse Commute	20 516	37-X013-582-07	73,055
Job Access Reverse Commute	20 516	37-X010-582-05	<u>1,395</u>
			<u>74,450</u>
Highway Planning and Construction	20 205	STP-U-5825(627)-70-90	9,845
Highway Planning and Construction	20 205	STP-E-5825(629)-8V-90	<u>38,735</u>
			<u>48,580</u>
Nonurban Capital Assistance	20 500	04-0113-582-07	10,240
Nonurban Capital Assistance	20 500	04-0113-150-07	<u>8,000</u>
			<u>18,240</u>
New Freedom Operating Assistance	20 521	57-X002-150-07	29,523
New Freedom Operating Assistance	20 521	57-X002-150-06	<u>29,523</u>
			<u>59,046</u>
State and Community Highway Safety	20 600	PAP-07-163	11,821
State and Community Highway Safety	20 600	PAP-08-002	14,004
State and Community Highway Safety	20 600	PAP-07-002	<u>1,752</u>
			<u>27,577</u>
Department of Justice:			
Developing Testing and Demonstrating Promising New Programs	16 541	05-OJJDP-08	<u>10,468</u>
Edward Byrne Memorial Formula Grant Program	16 579	07JAG/C06-A05	<u>96,411</u>
Edward Byrne Memorial Formula Grant Program	16 738	-	<u>28,131</u>
Department of Homeland Security:			
Interagency Hazardous Materials Public Sector Training and Planning	20 703	FFY 2007 HMEP	10,436
Interagency Hazardous Materials Public Sector Training and Planning	20 703	FFY 2008 HMEP	<u>4,965</u>
			<u>15,401</u>
Environmental Protection Agency:			
Congressionally Mandated Projects	66 202	XP987710-01	<u>1,598,083</u>
Capitalization Grants for Clean Water State Revolving Funds	66 458	CS-492270-01	<u>397,962</u>
Department of Health and Human Services:			
Disaster Grants - Public Assistance	97 036	FEMA - Water Event	30,970
Disaster Grants - Public Assistance	97 036	FEMA - Ice Storm	48,563
Disaster Grants - Public Assistance	97 036	FEMA - Flood	366,300
Disaster Grants - Public Assistance	97 036	EMW-2006-FG-15843	<u>8,842</u>
			<u>454,675</u>
Total Expenditures of Indirect Federal Awards			<u>3,867,984</u>
Total Expenditures of Federal Awards			<u>\$ 4,033,963</u>

CITY OF OTTUMWA, IOWA

Schedule 15 (Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

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.

CITY OF OTTUMWA, IOWA

STATISTICAL SECTION

This part of the City of Ottumwa, Iowa's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time	75
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	83
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the government's ability to issue additional debt in the future.	89
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	95
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs	98

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year

CITY OF OTTUMWA, IOWA

NET ASSETS BY COMPONENT

LAST SIX FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

(Amounts Expressed in Thousands)

	Fiscal Year					
	<u>2003(1)</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Government Activities:						
Invested in capital assets, net of related debt	\$ 8,649	\$ 13,046	\$ 19,610	\$ 49,211	\$ 32,195	\$ 33,886
Restricted	349	82	203	297	983	1,001
Unrestricted	<u>6,429</u>	<u>7,491</u>	<u>8,115</u>	<u>3,065</u>	<u>8,000</u>	<u>8,645</u>
Total governmental activities net assets	<u>\$ 15,427</u>	<u>\$ 20,619</u>	<u>\$ 27,928</u>	<u>\$ 52,573</u>	<u>\$ 41,178</u>	<u>\$ 43,532</u>
Business Type Activities:						
Invested in capital assets, net of related debt	\$ 10,101	\$ 10,263	\$ 10,830	\$ 11,774	\$ 30,964	\$ 33,644
Restricted	1,235	1,600	1,544	1,453	95	95
Unrestricted	<u>2,482</u>	<u>2,147</u>	<u>1,363</u>	<u>1,477</u>	<u>4,904</u>	<u>4,554</u>
Total business type activities net assets	<u>\$ 13,818</u>	<u>\$ 14,010</u>	<u>\$ 13,737</u>	<u>\$ 14,704</u>	<u>\$ 35,963</u>	<u>\$ 38,293</u>
Primary Government:						
Invested in capital assets, net of related debt	\$ 18,750	\$ 23,309	\$ 30,440	\$ 60,985	\$ 63,159	\$ 67,530
Restricted	1,584	1,682	1,747	1,750	1,078	1,096
Unrestricted	<u>8,911</u>	<u>9,638</u>	<u>9,478</u>	<u>4,542</u>	<u>12,904</u>	<u>13,199</u>
Total primary government net assets	<u>\$ 29,245</u>	<u>\$ 34,629</u>	<u>\$ 41,665</u>	<u>\$ 67,277</u>	<u>\$ 77,141</u>	<u>\$ 81,825</u>

(1) First year of reporting on Government-wide financial statements

CITY OF OTTUMWA, IOWA

CHANGES IN NET ASSETS

LAST SIX FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

(Amounts Expressed in Thousands)

	Fiscal Year					
	<u>2003(1)</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses						
Governmental Activities:						
General government	\$ 2,347	\$ 2,190	\$ 2,509	\$ 2,711	\$ 2,565	\$ 2,478
Public safety	6,699	5,535	5,555	5,684	6,436	6,780
Public services	4,123	4,312	5,421	6,859	5,798	6,817
Culture and recreation	2,063	1,660	984	1,982	2,288	2,319
Community development	2,562	1,941	1,896	1,467	1,674	1,508
Interest on long-term debt	568	832	609	634	714	768
Total governmental activities expenses	<u>18,362</u>	<u>16,470</u>	<u>16,974</u>	<u>19,337</u>	<u>19,475</u>	<u>20,670</u>
Business Type Activities:						
Solid waste	1,737	1,852	1,889	1,686	2,037	1,886
Sewer utility	3,401	3,498	3,618	3,842	3,991	4,549
Events center	-	-	-	-	1,161 (2)	1,755
Other (Transit/Golf)	1,113	1,493	1,615	1,731	1,793	1,943
Total business type activities expenses	<u>6,251</u>	<u>6,843</u>	<u>7,122</u>	<u>7,259</u>	<u>8,982</u>	<u>10,133</u>
Total primary government expenses	<u>24,613</u>	<u>23,313</u>	<u>24,096</u>	<u>26,596</u>	<u>28,457</u>	<u>30,803</u>
Program Revenues						
Governmental Activities:						
Charges for services:						
General government	1,032	1,121	1,211	1,537	1,491	1,598
Public safety	411	431	413	464	217	530
Public services	1,585	2,375	2,481	2,812	2,720	3,249
Culture and recreation	778	745	746	856	674	785
Community development	728	290	627 (4)	1,691 (4)	151	27
Operating grants and contributions	3,726	3,033	2,909	2,903	3,157	2,988
Capital grants and contributions	1,258	1,768	2,830 (3)	5,152 (3)	1,050	642
Total governmental activities program revenues	<u>9,518</u>	<u>9,763</u>	<u>11,217</u>	<u>15,415</u>	<u>9,460</u>	<u>9,819</u>
Business Type Activities:						
Charges for services:						
Solid waste	1,590	1,916	1,568	1,674	1,575	1,942
Sewer utility	3,294	3,374	3,235	3,911	3,783	4,264
Events center	-	-	-	-	293	526
Other (Transit/Golf)	476	633	675	717	660	634
Operating grants and contributions	288	364	239	469	651	666
Capital grants and contributions	16	77	519	567	6,621 (5)	1,919
Total business type activities program revenues	<u>5,664</u>	<u>6,364</u>	<u>6,236</u>	<u>7,338</u>	<u>13,583</u>	<u>9,951</u>
Total primary government program revenues	\$ <u>15,182</u>	\$ <u>16,127</u>	\$ <u>17,453</u>	\$ <u>22,753</u>	\$ <u>23,043</u>	\$ <u>19,770</u>

CITY OF OTTUMWA, IOWA

CHANGES IN NET ASSETS
LAST SIX FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	Fiscal Year					
	<u>2003(1)</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Net (expense) revenue:						
Governmental activities	\$ (8,844)	\$ (6,707)	\$ (5,757)	\$ (3,922)	\$ (10,015)	\$ (10,852)
Business type activities	<u>(587)</u>	<u>(479)</u>	<u>(886)</u>	<u>79</u>	<u>4,601</u>	<u>(181)</u>
Total primary government net expense	<u>(9,431)</u>	<u>(7,186)</u>	<u>(6,643)</u>	<u>(3,843)</u>	<u>(5,414)</u>	<u>(11,033)</u>
General Revenues and Other Changes In Net Assets						
Governmental Activities:						
Taxes:						
Property taxes	8,489	8,780	9,721	9,920	10,833	11,042
Sales taxes	2,255	2,218	2,359	2,791	2,783	2,847
Other taxes	931	882	921	917	574	582
Investment earnings	357	100	195	268	363	390
Miscellaneous	40	141	138	22	49	17
Transfers	<u>56</u>	<u>(204)</u>	<u>(135)</u>	<u>(359)</u>	<u>(5,563)</u>	<u>(1,673)</u>
Total governmental activities	<u>12,128</u>	<u>11,917</u>	<u>13,199</u>	<u>13,559</u>	<u>9,039</u>	<u>13,205</u>
Business Type Activities:						
Property taxes	295	295	324	336	354	352
Investment earnings	214	171	154	169	258	267
Miscellaneous	-	-	-	-	103	220
Transfers	<u>(56)</u>	<u>204</u>	<u>135</u>	<u>383</u>	<u>5,563</u>	<u>1,673</u>
Total business type activities	<u>453</u>	<u>670</u>	<u>613</u>	<u>888</u>	<u>6,278</u>	<u>2,512</u>
Total primary government	<u>12,581</u>	<u>12,587</u>	<u>13,812</u>	<u>14,447</u>	<u>15,317</u>	<u>15,717</u>
Change in Net Assets:						
Government activities	3,284	5,210	7,442	9,637	(976)	2,354
Business type activities	<u>(134)</u>	<u>191</u>	<u>(273)</u>	<u>967</u>	<u>10,879</u>	<u>2,330</u>
Total primary government	\$ <u>3,150</u>	\$ <u>5,401</u>	\$ <u>7,169</u>	\$ <u>10,604</u>	\$ <u>9,903</u>	\$ <u>4,684</u>

(1) First year of reporting on Government-wide financial statements

(2) The Bridge View Events Center opened December 31, 2006. During construction from 2004 to 2006 it was accounted for in a capital projects fund.

(3) Included \$1,137 and \$4,583 Vision Iowa grant revenue for construction of the Bridge View Events Center for fiscal years 2005 and 2006, respectively.

(4) Included \$322 and \$1,321 donations for construction of the Bridge View Events Center for fiscal years 2005 and 2006, respectively.

(5) Included \$2,662 for construction of the Bridge View Events Center and \$3,673 for sewer separation.

CITY OF OTTUMWA, IOWA

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

(Amounts Expressed in Thousands)

<u>Fiscal Year</u>	<u>Utility Replacement</u>	<u>Property Taxes</u>	<u>Sales Taxes</u>	<u>Other Taxes</u>	<u>Total</u>
1999	\$ -	\$ 7,845	\$ 1,670 (1)	\$ 324	\$ 9,839
2000	-	8,123	1,942	351	10,416
2001	417 (2)	7,631 (2)	2,087	425	10,560
2002	408	7,765	2,025	434	10,632
2003	473	8,489	2,255	458	11,675
2004	438	8,780	2,218	444	11,880
2005	431	9,721	2,359	490	13,001
2006	418	9,920	2,791	499	13,628
2007	445	10,388	2,783	574	14,190
2008	434	10,612	2,847	582	14,475

(1) First year of 1% Local Option Sales Tax.

(2) The State of Iowa changed the method of gas and electric utility taxation in FY2001. Utility taxes are paid into a statewide pool and distributed back to local taxing jurisdictions.

CITY OF OTTUMWA, IOWA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

UNAUDITED

(Modified Accrual Basis of Accounting)

(Amounts Expressed in Thousands)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
General Fund:				
Reserved	\$ 10	\$ 25	\$ 10	\$ -
Unreserved	<u>739</u>	<u>760</u>	<u>829</u>	<u>921</u>
Total general fund	<u>\$ 749</u>	<u>\$ 785</u>	<u>\$ 839</u>	<u>\$ 921</u>
All Other Governmental Funds:				
Reserved	\$ 5,105	\$ 3,727	\$ 5,216	\$ 4,828
Unreserved, report in:				
Special revenue funds	<u>505</u>	<u>691</u>	<u>554</u>	<u>652</u>
Total all other governmental funds	<u>\$ 5,610</u>	<u>\$ 4,418</u>	<u>\$ 5,770</u>	<u>\$ 5,480</u>

- (1) Includes Events Center Construction Fund balances of \$10,733; \$10,176; \$9,729 and \$2,399 for June 30, 2003 to 2006, respectively.
- (2) Fiscal years June 30, 2006 and earlier reported compensated absences as liabilities in the governmental funds. The General Fund had \$362 and the other governmental funds had \$94 reported as liabilities as of June 30, 2006. Those liabilities have been removed from the governmental fund financial statements and prior year fund balances have not been restated.

Fiscal Year					
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ -	\$ -	\$ 110	\$ 113	\$ 142	\$ 142
<u>1,327</u>	<u>1,356</u>	<u>1,389</u>	<u>1,757</u> (2)	<u>2,244</u>	<u>2,431</u>
\$ <u>1,327</u>	\$ <u>1,356</u>	\$ <u>1,499</u>	\$ <u>1,870</u>	\$ <u>2,386</u>	\$ <u>2,573</u>
\$ 17,301 (1)	\$ 15,801 (1)	\$ 16,846 (1)	\$ 9,905 (1)	\$ 8,076	\$ 8,940
<u>1,190</u>	<u>1,052</u>	<u>1,001</u>	<u>1,235</u> (2)	<u>1,342</u>	<u>1,530</u>
\$ <u>18,491</u> (1)	\$ <u>16,853</u> (1)	\$ <u>17,847</u> (1)	\$ <u>11,140</u> (1)	\$ <u>9,418</u>	\$ <u>10,470</u>

CITY OF OTTUMWA, IOWA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

UNAUDITED

(Modified Accrual Basis of Accounting)

(Amounts Expressed in Thousands)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Revenues				
Taxes	\$ 9,839	\$ 10,416	\$ 10,560	\$ 10,632
Licenses and permits	225	251	220	258
Intergovernmental	4,403	4,777	3,895	3,847
Money and property	674	718	787	683
Charges for services	1,024	1,040	987	1,260
Fines	104	95	91	106
Miscellaneous	641	463	544	309
Total revenues	<u>16,910</u>	<u>17,760</u>	<u>17,084</u>	<u>17,095</u>
Expenditures (1)				
General government	919	964	998	1,007
Public safety (2)	5,938 (2)	6,419 (2)	6,774 (2)	6,712 (2)
Public works	4,529	4,758	3,683	3,432
Health and social services (1)	-	-	-	-
Culture and recreation	2,201	2,203	2,652	1,988
Community and economic development (1)	-	-	-	-
Capital outlay (3)	1,596	1,657	1,452	1,709
Debt service:				
Principal	1,994	2,190	2,417	2,041
Interest	556	545	381	450
Total expenditures	<u>17,733</u>	<u>18,736</u>	<u>18,357</u>	<u>17,339</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(823)</u>	<u>(976)</u>	<u>(1,273)</u>	<u>(244)</u>
Other financing sources (uses):				
Transfers in	2,851	3,246	3,450	3,233
Transfers out	(3,433)	(3,642)	(3,789)	(3,888)
Bond proceeds (3)	2,775	200	3,025	710
Bond issue costs	(40)	(4)	(59)	(15)
Total other financing sources (uses)	<u>2,153</u>	<u>(200)</u>	<u>2,627</u>	<u>40</u>
Total changes in fund balances	\$ <u>1,330</u>	\$ <u>(1,176)</u>	\$ <u>1,354</u>	\$ <u>(204)</u>
Debt service as a percentage of noncapital expenditures	15.8 %	16.0 %	16.6 %	15.9 %

(1) Expenditures prior to FY 2003 were categorized differently. Health and social services were classified under culture and recreation. Community and economic development were classified with public works. There were several other classification differences as well.

(2) 100% of the local option sales tax for FY 1999 through FY 2003 was dedicated to the Wapello County Joint Law Enforcement Center.

(3) Bond proceeds in FY 2003 of \$11,000,000 for the Bridge View Events Center which was completed December 31, 2006. Capital outlay included \$465, \$2,127 and \$13,475 for fiscal years 2004, 2005 and 2006, respectively.

		Fiscal Year									
		2003	2004	2005	2006	2007	2008				
\$	11,675	\$	11,879	\$	13,001	\$	13,628	\$	14,190	\$	14,472
	351		291		334		366		277		315
	5,084		4,801		5,739		8,055		3,930		3,630
	753		876		930		1,277		1,075		1,123
	2,674		3,448		3,647		4,030		3,942		4,252
	102		122		125		128		119		260
	969		398		798		1,862		662		493
	<u>21,608</u>		<u>21,815</u>		<u>24,574</u>		<u>29,346</u>		<u>24,195</u>		<u>24,545</u>
	2,028		2,085		2,442		2,651		2,484		2,320
	6,717 (2)		4,937		5,805		5,606		5,823		5,877
	3,881		4,688		4,844		5,423		5,135		5,971
	307		309		380		561		491		522
	2,031		2,007		2,040		2,254		2,155		2,125
	798		805		533		684		676		441
	6,147		5,197 (3)		5,649 (3)		15,196 (3)		3,167		2,226
	2,187		2,461		3,205		2,633		1,916		2,124
	361		939		666		655		674		796
	<u>24,457</u>		<u>23,428</u>		<u>25,564</u>		<u>35,663</u>		<u>22,521</u>		<u>22,402</u>
	<u>(2,849)</u>		<u>(1,613)</u>		<u>(990)</u>		<u>(6,317)</u>		<u>1,674</u>		<u>2,143</u>
	4,186		5,647		6,092		6,633		7,022		9,160
	(4,093)		(5,799)		(6,268)		(7,153)		(12,648)		(10,731)
	15,635 (3)		-		2,335		500		4,710		680
	(22)		-		(32)		-		(21)		(13)
	<u>15,706</u>		<u>(152)</u>		<u>2,127</u>		<u>(20)</u>		<u>(937)</u>		<u>(904)</u>
\$	<u>12,857</u>	\$	<u>(1,765)</u>	\$	<u>1,137</u>	\$	<u>(6,337)</u>	\$	<u>737</u>	\$	<u>1,239</u>
	13.9 %		18.6 %		19.4 %		16.1 %		13.3 %		14.5 %

CITY OF OTTUMWA, IOWA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
 UNAUDITED
 (In Thousands of Dollars)

Fiscal Year Ended June 30	Real Property			Personal Property	Total Assessed Value	Less: (2) Tax Exempt Real Property
	Residential Property	Commercial Property	Other Property (1)			
1999	\$ 394,610	\$ 110,721	\$ 62,395	\$ 15,202	\$ 582,928	\$ 185,568
2000	392,230	111,793	64,507	14,362	582,892	174,752
2001	396,735	110,846	66,290	9,721	583,592	184,080
2002	399,833	116,420	62,972	5,677	584,902	178,634
2003 (3)	433,766	119,161	59,296	1,916	614,139	215,997
2004	437,280	121,682	62,235	-	621,197	216,184
2005 (4)	462,608	161,992	64,683	-	689,283	248,288
2006	464,815	176,776	64,926	-	706,517	251,106
2007 (5)	522,207	183,813	63,515	-	769,535	291,873
2008	526,914	183,139	66,595	-	776,648 (6)	303,516

(1) Utilities, industrial and railroad property

(2) Residential property is subject to a statewide formula that "rolls back" the assessed value. The formula has ranged from 54.9% in FY 1997 to 45.56% in FY 2008 and continues to decrease

(3) State ordered increase of 8% to residential values.

(4) State ordered increase of 5% to residential and 17% to commercial values.

(5) State ordered increase of 12% to residential values.

(6) Does not include captured TIF increment. Captured TIF increment for FY 2008 amounted to 16.6 million taxable (27.6 million assessed value)

	<u>Total Taxable Value</u>	<u>Total Direct Tax Rate</u>	<u>Taxable Value to Assessed Value</u>
\$	397,360	\$ 18.856	68.2 %
	408,140	18.670	70.0
	399,512	18.673	68.5
	406,268	18.872	69.5
	398,142	20.441	64.8
	405,013	20.985	65.2
	440,995	21.434	64.0
	455,411	21.593	64.5
	477,662	21,614	62.1
	473,132 (6)	22,080	61.3

CITY OF OTTUMWA, IOWA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
 UNAUDITED

Fiscal Year	City of Ottumwa			Overlapping Wapello County		
	Operating Levy	Debt Service Levy	Total Levy	Operating Levy	Debt Service Levy	Total Levy
1999	\$ 15 054	\$ 3 802	\$ 18 856	\$ 7 716	\$ 0 438	\$ 8 154
2000	14 926	3 744	18 670	8 072	0 153	8 225
2001	14 812	3 861	18 673	6 990	0 274	7 264
2002	15 021	3 851	18 872	6 897	0 267	7 164
2003	16 400	4 041	20 441	7 300	0 258	7 558
2004	16 945	4 040	20 985	7 553	0 247	7 800
2005	17 296	4 138	21 434	8 131	0 260	8 391
2006	18 243	3 350	21 593	8 837	0 218	9 055
2007	18 377	3 237	21 614	9 638	0 210	9 848
2008	18 281	3 789	22 070	10 085	-	10 085

Source: Wapello County Auditor's Office

* For fiscal years 2005, 2006 and 2007, the school debt was paid from School Infrastructure Local Option Sales Tax (SILO)

Rates					Total Direct and Overlapping Rates
Ottumwa Community School District					
	Operating Levy	Debt Service Levy	Total Levy	Other Levies	
\$	14 867	\$ 2 611	\$ 17 478	\$ 1 226	\$ 45 714
	13.913	2.573	16 486	1.292	44.673
	14 412	2 597	17 009	1 245	44 191
	14.613	2.584	17.197	1.278	44.511
	14 960	2 631	17 591	1 295	46 885
	14 964	2 600	17 564	1.233	47 582
	14 851	*	14 851	1 205	45 881
	14 945	*	14 945	1 293	46 886
	13 858	*	13 858	1.375	46 695
	14 086	0 501	14 587	1 260	48 002

CITY OF OTTUMWA, IOWA

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

(Amounts Expressed in Thousands)

Taxpayer	2008			1999		
	January 1, 2006 Taxable Value	Rank	Percentage of Total Taxable Value	January 1, 1997 Taxable Value	Rank	Percentage of Total Taxable Value
IES Electric	\$ 22,265	1	4.5 %	\$ 17,053	2	4.5 %
Cargill Meat Solutions	15,427	2	3.1	16,288	3	4.4
Regional Retirement Center	13,698	3	2.8	-	-	-
Walmart Real Estate Trust	13,226	4	2.7	3,713	8	1.0
Menards, Inc	10,197	5	2.1	-	-	-
Developer Diversified Realty	9,362	6	1.9	11,204	4	3.0
Mid-American Energy	7,382	7	1.5	7,064	5	1.9
John Deere Ottumwa Works	7,194	8	1.5	19,158	1	5.1
Ottumwa Medical Clinic	6,596	9	1.3	4,433	7	1.2
Qwest	5,655	10	1.1	4,849	6	1.3
Dayton Hudson (Target)	-	-	-	3,019	9	0.8
K-Mart Ottumwa Holding	-	-	-	2,831	10	0.8
Totals	\$ <u>111,002</u>		<u>22.5 %</u>	\$ <u>89,612</u>		<u>24.0 %</u>

Source: Wapello County Auditor's Office

CITY OF OTTUMWA, IOWA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

UNAUDITED

(Amounts Expressed in Thousands)

<u>Fiscal Year</u> <u>Ended</u> <u>June 30</u>	<u>Total Tax</u> <u>Levy for (1)</u> <u>Fiscal Year</u>	<u>Collected Within the</u> <u>Fiscal Year of the Levy</u>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>
1999	\$ 8,300	\$ 8,308	100.0 %	5	\$ 8,313	100.0 %
2000	8,602	8,564	99.6	17	8,581	99.8
2001	8,473	8,491	100.0	6	8,497	100.0
2002 (2)	8,667	8,577	99.0	47	8,624	99.5
2003 (2)	9,170	9,293	100.0	5	9,298	100.0
2004 (2)	9,532	9,490	99.6	8	9,498	99.6
2005 (2)	10,517	10,464	99.5	12	10,476	99.6
2006 (2)	10,621	10,662	100.0	11	10,673	100.0
2007 (2)	10,676	10,663	99.9	2	10,665	99.9
2008 (2)	10,954	10,610	96.9	-	10,610	96.9

(1) Includes TIF Taxes

(2) Includes Utility Replacement Taxes

CITY OF OTTUMWA, IOWA

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

UNAUDITED

(Amounts Expressed in Thousands, Except Per Capita Amount)

Fiscal Year	Governmental	Business Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Activities General Obligation Bonds	Sewer Bonds	General Obligation Bonds			
1999	8,565	12,662	620	21,847	4.38	892
2000	6,795	12,398	555	19,748	2.68	806
2001	7,835	11,942	1,190	20,967	3.88	839
2002	6,551	11,308	1,090	18,949	3.30	758
2003	20,017	10,640	985	31,642	5.27	1,266
2004	17,556	9,946	870	28,372	4.62	1,135
2005	16,786	9,223	750	26,759	4.02	1,070
2006	14,653	8,623	625	23,901	3.57	964
2007	8,664	7,790	11,054	27,508	N/A	1,109
2008	7,245	7,020	11,367	25,632	N/A	1,060

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

(1) See the Schedule of Demographic and Economic Statistics on page 95 for personal income and population data.

CITY OF OTTUMWA, IOWA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
 UNAUDITED

(Amounts Expressed in Thousands, Except Per Capita Amount)

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property (1)</u>	<u>Per Capita (2)</u>
1999	\$ 8,565	\$ 142	\$ 8,423	1.44 %	\$ 344
2000	6,795	145	6,650	1.14	272
2001	7,835	148	7,687	1.32	308
2002	6,551	157	6,394	1.09	256
2003	20,017	98	19,919	3.24	797
2004	17,556	82	17,474	2.81	699
2005	16,786	203	16,583	2.41	662
2006	14,653	297	14,356	2.03	579
2007	16,949	244	16,705	2.17	674
2008	18,612	248	18,364	2.36	759

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on pages 83 and 84 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 95.

CITY OF OTTUMWA, IOWA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

JUNE 30, 2008

UNAUDITED

(Amounts Expressed in Thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Wapello County	\$ -	57.65 %	\$ -
Ottumwa Community Schools	15,480	79.52	<u>12,310</u>
Subtotal, overlapping debt			12,310
City of Ottumwa direct debt			<u>18,364</u>
Total direct and overlapping debt			\$ <u>30,674</u>

Source: Debt outstanding was obtained from Ottumwa Community Schools. Assessed value data used to estimate applicable percentages were provided by Wapello County Auditor's Office

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Ottumwa. This process recognizes that when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's taxable assessed value that is within the government's boundaries and dividing it by the County's total taxable assessed value.

CITY OF OTTUMWA, IOWA

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

UNAUDITED

(Amounts Expressed in Thousands)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Debt Limit	\$ 29,146	\$ 29,145	\$ 29,180	\$ 30,642
Total net debt applicable to limit	<u>9,185</u>	<u>7,350</u>	<u>9,025</u>	<u>7,484</u>
Legal debt margin	\$ <u>19,961</u>	\$ <u>21,795</u>	\$ <u>20,155</u>	\$ <u>23,158</u>
Total net debt applicable to the limit as a percentage of debt limit	31.51 %	25.22 %	30.93 %	24.42 %

		Fiscal Year					
		<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$	32,308	\$ 32,615	\$ 35,950	\$ 36,656	\$ 39,854	\$ 40,211	
	<u>20,905</u>	<u>18,345</u>	<u>17,333</u>	<u>14,981</u>	<u>19,718</u>	<u>18,612</u>	
\$	<u>11,403</u>	\$ <u>14,270</u>	\$ <u>18,617</u>	\$ <u>21,675</u>	\$ <u>20,136</u>	\$ <u>21,599</u>	
	64.71 %	56.25 %	48.21 %	40.87 %	49.48 %	46.29 %	

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2008

Total assessed value	\$ <u>804,220</u>
Debt limit (5% of total assessed value)	\$ <u>40,211</u>
Debt applicable to limit:	
General obligation bonds	18,612
Less: Amount set aside for repayment of general obligation debt	<u>(248)</u>
Total net debt applicable to limit	<u>18,364</u>
Legal debt margin	\$ <u>21,847</u>

Note: Under state finance law, the City of Ottumwa's outstanding general obligation debt should not exceed 5 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repayment of general obligation bonds.

CITY OF OTTUMWA, IOWA

PLEDGED-REVENUE COVERAGE

LAST TEN FISCAL YEARS

UNAUDITED

(Amounts Expressed in Thousands)

Fiscal Year	Sewer Revenue Bonds						Coverage
	Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
1999	\$ 3,177	\$ 1,676	\$ 1,501	\$ 567	\$ 530	1.37	
2000	3,446	1,767	1,679	590	537	1.49	
2001	3,599	2,000	1,599	616	518	1.41	
2002	3,616	2,055	1,561	640	499	1.37	
2003	3,437	2,184	1,253	668	472	1.10	
2004	3,470	2,388	1,082	694	444	0.95	
2005	3,299	2,444	855	723	415	0.75	
2006	3,993	2,701	1,292	751	359	1.16	
2007	3,973	2,724	1,249	802	283	1.15	
2008	4,317	2,834	1,483	831	234	1.39	

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements. Sewer charges and other includes investment income. Operating expenses do not include interest or depreciation

CITY OF OTTUMWA, IOWA

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
 UNAUDITED

<u>Fiscal Year</u>	<u>City</u>	<u>County</u>	<u>Personal Income (In Thousands)</u>	<u>Per Capita Personal Income (1)</u>	<u>Median Age (1)</u>	<u>Education Level in Years of Formal Schooling (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>
1999	24,488	35,948	\$ 732,242	\$ 20,369	37.3	12.2	4,905	4.5 %
2000	24,488	36,042	736,343	20,430	38.2	12.7	4,921	4.4
2001	24,998	36,009	779,106	21,636	38.2	12.7	4,878	5.3
2002	24,998	36,024	828,735	23,005	38.2	12.7	4,928	6.3
2003	24,998	35,922	862,582	24,013	38.2	12.7	4,889	6.4
2004	24,998	35,867	880,388	24,546	38.2	12.7	4,889	6.7
2005	24,998	35,793	951,425	26,581	38.2	12.7	4,860	5.7
2006	24,798	35,965	970,839	26,994	38.2	12.7	4,768	4.5
2007	24,800	36,010	Not Available	N/A	38.2	12.7	4,745	4.1
2008	24,187	35,597	Not Available	N/A	38.2	12.7	4,591	4.4

Data Sources:

- (1) Bureau of Census
- (2) School District
- (3) Iowa Workforce Development

Note: Personal income and per capita personal income are based on Wapello County statistics. City of Ottumwa figures are not readily available

CITY OF OTTUMWA, IOWA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

<u>Employer</u>	<u>2008</u>			<u>1999</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Cargill Meat Solutions	2,400	1	11.43 %	1,700	1	8.95 %
Regional Ventures, Inc	1,050	2	5.00	242 *	8	1.28
Ottumwa Regional Health	950	3	4.52	950	2	5.00
John Deere Ottumwa Works	651	4	3.01	709	3	3.73
Cadbury Schweppes	571	5	2.72	200 *	9	1.04
Ottumwa Community Schools	530	6	2.52	545	4	2.87
Hy-Vee Corporation	404	7	1.92	303 *	6	1.59
Wal-Mart Super Center	383	8	1.82	195 *	10	1.03
Indian Hills Community College	325	9	1.54	372	5	1.96
Winger Companies	245	10	1.16	-	-	-
City of Ottumwa	-	-	-	241	7	1.27
	<u>7,509</u>		<u>35.64 %</u>	<u>5,457</u>		<u>28.72 %</u>

Source: Ottumwa Economic Development Corporation and prior City annual reports

* Estimated

CITY OF OTTUMWA, IOWA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS
 UNAUDITED

Function	Full-Time Equivalent Employees as of June 30,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government	13	13	13	13	12	12	12	13	13	13
Public Safety:										
Police:										
Officers	36	36	36	36	36	36	36	36	36	36
Civilians	11	11	11	11	11	10	10	10	9	9
Firefighters	33	33	33	33	33	33	33	33	33	33
Public Services:										
Engineering	8	8	8	8	8	8	8	9	9	9
Maintenance	32	33	33	33	33	32	34	34	34	31 *
Health and Social Services	6	6	7	7	7	6	6	6	7	7
Culture and Recreation:										
Parks/Beach	30	30	29	29	29	29	26	26	26	23 *
Cemetery	7	7	6	7	7	7	7	7	7	4
Library	12	12	10	12	10	10	10	11	11	12
Community Development	5	5	5	5	5	5	4	4	4	4
Solid Waste	12	12	12	12	12	13	13	13	13	13
Sewer	21	21	21	21	21	22	22	22	22	22
Transit/Golf	15	15	15	15	16	19	19	18	20	23
Total	<u>241</u>	<u>242</u>	<u>239</u>	<u>242</u>	<u>240</u>	<u>242</u>	<u>240</u>	<u>242</u>	<u>244</u>	<u>239</u>

Source: City Personnel Budget

* Decrease due to contracting out some seasonal employees

CITY OF OTTUMWA, IOWA

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
UNAUDITED

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police: (1)										
1 Physical arrests	3,864	3,786	3,127	2,990	3,357	3,695	3,623	3,607	3,788	3,606
2 Traffic tickets	4,523	5,185	3,631	5,740	5,355	4,561	4,277	4,675	5,222	4,620
3 Parking citations	4,899	5,737	8,005	7,025	5,942	5,174	3,158	2,587	2,623	2,747
Fire: (1)										
4 Number of calls answered (3)	782	784	832	713	1,566	2,228	2,223	2,297	2,450	2,684
5 Fire prevention activities	180	216	175	135	143	139	145	137	360	307
Highways and Streets: (1)										
Street resurfacing (miles)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	2.91	4.53
Pot holes repaired	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	3,002	3,102
Utility patches repaired	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	157	149
City Sanitation:										
Refuse collected (tons)	5,879	5,931	5,944	6,341	6,352	6,382	6,587	6,641	6,828	7,027
Recyclables collected (tons)	(2)	1,092	1,067	973	1,040	1,057	1,069	1,074	1,049	1,090
Solid Waste:										
Landfill tonnage	32,901	29,527	33,926	33,065	41,498	41,503	35,670	37,793	43,930	35,958
Recycling tonnage	(2)	(2)	(2)	2,982	2,694	2,751	2,993	2,968	2,666	3,049
Health Department:										
Number of inspections	(2)	(2)	(2)	(2)	(2)	(2)	(2)	2,495	2,490	2,503
Nuisance complaints	(2)	(2)	(2)	(2)	(2)	(2)	(2)	2,926	2,916	2,659
Culture and Recreation:										
Beach Ottumwa admissions (2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	19,830
Golf rounds played (1)	38,500	36,905	35,900	31,928	27,500	28,940	30,740	31,112	30,134	27,260
Wastewater: (1)										
Average sewage treatment (thousands of gallons)	6,959	5,228	4,275	6,071	4,894	4,437	5,621	4,768	6,499	6,423

Sources: Various City Departments.

(1) Police, Fire, Highways and Streets, Golf and Wastewater statistics are for the previous calendar year

(2) Information not readily available

(3) Fire Department started responding to traffic accidents and medical calls during 2003

CITY OF OTTUMWA, IOWA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
UNAUDITED

Function	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	10	10	10	10	10	10	10	10	10	10
Fire stations	2	2	2	2	2	2	2	2	2	2
Highways and Streets:										
Streets (miles)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	156.2	156.2
Streetlights	2,463	2,463	2,463	2,463	2,463	2,463	2,358	2,358	2,359	2,359
Traffic signals	(2)	(2)	(2)	(2)	(2)	(2)	(2)	27	27	26
Culture and Recreation: (1)										
Parks acreage	716	716	716	716	716	716	533	533	533	533
Parks	17	17	17	17	17	17	19	19	19	22
Playgrounds	14	14	14	14	14	14	11	11	11	12
Tennis courts	17	17	17	17	17	17	10	10	10	10
Softball/baseball diamonds	24	24	24	24	24	24	20	20	20	20
Library:										
Items in collection	67,038	67,248	67,296	60,743	61,416	64,262	67,217	71,077	79,432	83,093
Cemeteries:										
Facilities	2	2	3	3	3	3	3	3	3	3
Acreage	84	84	88	88	88	88	88	88	88	88
Sewer:										
Sanitary sewers (miles)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	48.8	48.8
Storm sewers (miles)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	13.5	15.9
Combined sewers	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	66.86	64.46
Maximum daily treatment capacity (thousands of gallons)	12,500	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000

Sources: Various City Departments.

Note: No capital asset indicators are available for the general government function.

(1) The City also owns one golf course (Cedar Creek) and one water recreation park (Beach Ottumwa)

(2) Information not readily available

COMPLIANCE SECTION

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

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, 2008, which collectively comprise the City of Ottumwa, Iowa's basic financial statements and have issued our report thereon dated December 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ottumwa, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Ottumwa, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Ottumwa, Iowa's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Ottumwa, Iowa's financial statements that is more than inconsequential will not be prevented or detected by the City of Ottumwa, Iowa's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Ottumwa, Iowa's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above

Compliance and Other Matters

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, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of 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
December 9, 2008

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

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, 2008. The City of Ottumwa, Iowa's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Ottumwa, Iowa's management. Our responsibility is to express an opinion on the City of Ottumwa, Iowa's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 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, 2008.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Ottumwa, Iowa's internal control over compliance.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of 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
December 9, 2008

CITY OF OTTUMWA, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part I: Summary of the Independent Auditor's Results

- a. Unqualified opinions were issued on the financial statements.
- b. Significant deficiencies in internal control over financial reporting were reported by the audit of the financial statements
- c. The audit did not disclose any noncompliance which is material to the financial statements.
- d. No material weaknesses 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

20.509	Formula Grants for Other Than Urbanized Areas
66.202	Congressionally Mandated Projects
66.458	Capitalization Grants for Clean Water State Revolving Funds
97.036	Disaster Grants – Public Assistance

- 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

SIGNIFICANT DEFICIENCIES

- II-A-08 Payroll – During the audit, we noted a certain employee was getting paid without evidence of an approved timesheet

Recommendation – According to City policy, all payroll disbursements must be supported by an approved timesheet. The City should review and/or update its current policy to address this issue or follow the policy as stated.

Response – We will review current policies and procedures and adjust accordingly.

Conclusion – Response accepted

INSTANCES OF NON-COMPLIANCE

No matters were noted.

CITY OF OTTUMWA, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part III: Findings and Questioned Costs for Federal Awards

SIGNIFICANT DEFICIENCIES

No matters were noted

INSTANCES OF NON-COMPLIANCE

No matters were noted

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-08 Certified Budget - Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted
- IV-B-08 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-C-08 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted
- IV-D-08 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	\$ <u>1,972</u>

In accordance with Chapter 362 5(10) of the Code of Iowa, 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 - C & W Boiler is the most responsive and economical boiler repair service available. Other boiler companies are either unable or unwilling to respond to our boiler repair needs

Conclusion - Response accepted

- IV-E-08 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-F-08 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not
- IV-G-08 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.