

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
CITY OF OTTUMWA, IOWA

FOR THE
FISCAL YEAR ENDED
JUNE 30, 2015

DEPARTMENT OF FINANCE

ROBERT P. JAY, JR.
DIRECTOR OF FINANCE

CITY OF OTTUMWA, IOWA

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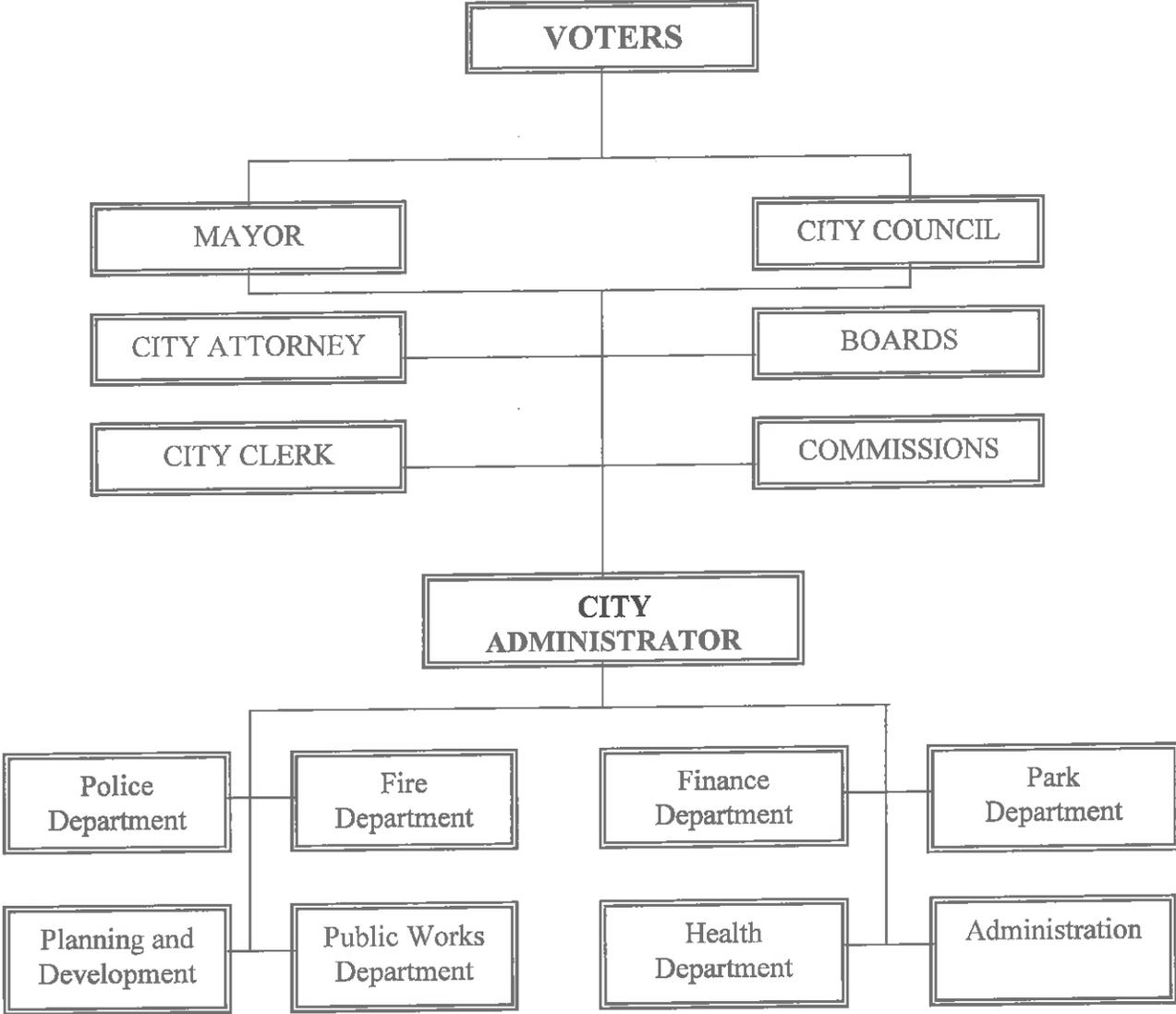
COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF OTTUMWA, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tom Lazio	Mayor	January 2, 2016
John Richards	Council Member	January 2, 2016
Mitch Niner	Council Member	January 2, 2016
Skip Stevens	Council Member	January 2, 2018
Matt Dalbey	Council Member	January 2, 2018
Bob Meyers	Council Member	January 2, 2018
Robert Jay, Jr.	Finance Director/Treasurer	Indefinite
Amanda Valent	City Clerk	Indefinite
Joseph Helfenberger	City Administrator	Indefinite
Joni Keith	City Attorney	Indefinite

CITY OF OTTUMWA





December 3, 2015

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, 2015.

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 unmodified ("clean") opinion on the City of Ottumwa's financial statements for the year ended June 30, 2015. 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 25,023. 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-Manager 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 one fund that is presented on discrete presentation basis. It is the Hazardous Materials (operated by the Ottumwa Fire Department). The City has entered into a Chapter 28.e agreement executed with County governments in Southeast Iowa. The City is in charge of accounting, cash management and financial reporting for this 28.e organization, however, it operates autonomously from the City Council, thus it is 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 Meat Solutions (purchased by JBS USA Pork subsequent to June 30, 2015) and John Deere Ottumwa Works employ 2,400 and 950 respectively. Please refer to the statistical section for more information on major employers in the City.

Public safety costs continue to increase and consume 81% 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 unassigned fund balance in the General Fund was 32% of General Fund revenue. The City Council does not have a formal policy on a targeted fund balance.

Major Initiatives

The Ottumwa Sewer Separation Project's are under construction. Phase 1 was completed June 30, 2008 at a cost of approximately \$9 million. Phase 2 was completed May 6, 2011 at a cost of approximately \$6 million. Phase 3 has been completed with a cost of \$7.4 million. The West End Flood Mitigation project is nearing completion with an estimated total cost of \$20 million (of this amount approximately \$19 million of the funding is coming from FEMA and CDBG funds). Phase 5 is under way with an approximate project cost of \$6 million. Phase 7 is under way with an approximate cost of \$6 million. The City voted recently to extend the Local Option Sales Tax for an additional ten years until December 2025. The City is also utilizing the Iowa Finance Authority State Revolving (SRF) loans to facilitate the sewer separation projects. The SRF loans are being repaid with a combination of local option sales tax proceeds and sewer fee revenue. The City recently completed a façade improvement project using proceeds from CDBG, bond money, private contributions and our local foundation, The Ottumwa Regional Legacy Foundation.

The City of Ottumwa in cooperation with Ottumwa Water & Hydro has completed the installation of additional infrastructure at the Ottumwa Industrial Airport and Ottumwa Water & Hydro has installed a new water line to the Ottumwa Industrial Airport at a combined project cost of \$3.1 million. This project was funded with an Economic Development Administration grant and funds provided by the City of Ottumwa and Ottumwa Water & Hydro.

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, 2014. This was the twenty-first 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,

A handwritten signature in black ink, appearing to read "Robert P. Jay, Jr.", written in a cursive style.

Robert P. Jay, Jr.
Director of Finance/City Treasurer



Government Finance Officers Association

**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, 2014

Executive Director/CEO

CITY OF OTTUMWA, IOWA



ANDERSON, LARKIN & CO. P.C.
Certified Public Accountants
"Achieving your goals with our knowledge."

Kenneth E. Crosser, CPA
April D. Crosser, CPA
Michael J. Podliska, CPA
Bradley T. Barnes, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ottumwa, Iowa as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 unit, each major fund, and the aggregate remaining fund information of the City of Ottumwa, Iowa, as of June 30, 2015, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As disclosed in Notes 4 and 5 to the financial statements, the City of Ottumwa, Iowa adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions- an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedules of the City's Proportionate Share of the Net Pension Liability for MFPRSI and IPERS, the Schedules of City's Contributions for MFPRSI and IPERS and the Schedule of Funding Progress for the Retiree Health Plan on pages 3 through 8 and 62 through 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information, 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 supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2015, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Ottumwa, Iowa's internal control over financial reporting and compliance.

ANDERSON, LARKIN & CO. P.C.

Anderson, Larkin & Co. P.C.

Ottumwa, Iowa
December 3, 2015

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, 2015. 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.

2015 Financial Highlights

- The assets and deferred outflows of resources of the City of Ottumwa exceeded its liabilities and deferred inflows of resources at the close of June 30, 2015, by \$119.0 million (net position). Of this amount, \$7.7 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's net position increased by \$2.5 million.
- At the close of the current fiscal year, the City of Ottumwa's governmental funds reported combined ending fund balances of \$21.6 million, a decrease of \$1.9 million as compared to the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3.3 million, or 24.7 percent of the total general fund expenditures.
- Total City debt increased by \$3.9 million (12.2 percent) during the current fiscal year. The City issued \$9.2 million new bonds and retired \$5.3 million of existing bonds.

Overview of the Financial Statements

This discussion and analysis is 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 component unit, Hazardous Materials is also included. Financial information for this component unit 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 Position. The Statement of Net Position presents information on all of the City of Ottumwa's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position 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 net position changed during the most recent fiscal year. All changes in net position 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 Position and the Statement of Activities and can be found on pages 9 through 11 of this report.

Statement of Net Position as of June 30, 2015 and 2014:

This section discusses and analyzes the significant differences between this and the prior fiscal year. A condensed version of the Statement of Net Position as of June 30, 2015 and 2014 follows:

Statement of Net Position at Year-end (In Thousands)

	June 30, 2015			June 30, 2014, (not restated)		
	Governmental Activities	Business Type Activities	Total Government	Governmental Activities	Business Type Activities	Total Government
Cash and investments	\$ 23,705.1	\$ 8,988.9	\$ 32,694.0	\$ 24,588.0	\$ 10,845.1	\$ 35,433.1
Other assets	17,056.3	7,955.7	25,012.0	16,937.5	4,279.4	21,216.9
Capital assets	<u>53,399.2</u>	<u>84,069.1</u>	<u>137,468.3</u>	<u>48,354.8</u>	<u>67,887.5</u>	<u>116,242.3</u>
Total assets	<u>94,160.6</u>	<u>101,013.7</u>	<u>195,174.3</u>	<u>89,880.3</u>	<u>83,012.0</u>	<u>172,892.3</u>
Deferred outflows of resources	<u>1,931.1</u>	<u>194.3</u>	<u>2,125.4</u>	-	-	-
Current liabilities	7,794.7	8,942.5	16,737.2	6,239.7	5,174.4	11,414.1
Noncurrent liabilities	<u>23,483.6</u>	<u>20,710.2</u>	<u>44,193.8</u>	<u>13,522.7</u>	<u>18,089.5</u>	<u>31,612.2</u>
Total liabilities	<u>31,278.3</u>	<u>29,652.7</u>	<u>60,931.0</u>	<u>19,762.4</u>	<u>23,263.9</u>	<u>43,026.3</u>
Deferred inflows of resources	<u>16,278.4</u>	<u>1,015.7</u>	<u>17,294.1</u>	<u>12,745.9</u>	<u>512.4</u>	<u>13,258.3</u>
Net position:						
Net investment in capital assets	41,673.4	67,171.8	108,845.3	33,537.3	51,272.0	84,809.3
Restricted	2,388.6	95.0	2,483.5	2,238.3	95.0	2,333.3
Unrestricted	<u>4,473.0</u>	<u>3,272.9</u>	<u>7,745.9</u>	<u>21,596.4</u>	<u>7,868.8</u>	<u>29,465.2</u>
Total net position	\$ <u>48,535.0</u>	\$ <u>70,539.7</u>	\$ <u>119,074.7</u>	\$ <u>57,372.0</u>	\$ <u>59,235.8</u>	\$ <u>116,607.8</u>

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pension – an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental and business type activities was restated by \$10,495,449 and \$1,752,239, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Governmental Activities

The net position for governmental activities decreased approximately \$8.8 million or 15.4 percent. This decrease is primarily the result of a \$8.1 million increase in net investment in capital assets and \$17.1 million decrease in unrestricted assets.

Business-Type Activities

Net position increased \$11.3 million or 19.1% for fiscal year 2015. This is primarily the result of a 15.9 million increase in net investment in capital assets and a 4.6 million decrease in unrestricted assets.

Statement of Activities for the Fiscal Years Ended June 30, 2015 and 2014:

A summary version of the Statement of Activities follows:

**Changes In Net Position
For Fiscal Years Ended June 30, 2015 and 2014
(In Thousands)**

	June 30, 2015			June 30, 2014, (not restated)		
	Governmental Activities	Business Type Activities	Total Government	Governmental Activities	Business Type Activities	Total Government
Revenues:						
Charges for services	\$ 7,437.4	\$ 8,827.7	\$ 16,265.1	\$ 8,446.3	\$ 9,565.0	\$ 18,011.3
Operating grants, contributions and restricted interest	3,027.4	678.6	3,706.0	1,897.0	653.5	2,550.5
Capital grants, contributions and restricted interest	1,755.7	10,687.0	12,442.7	3,016.9	4,905.1	7,922.0
General revenues:						
Property taxes	13,303.7	439.8	13,743.5	13,004.3	447.2	13,451.5
Local option sales tax	3,595.9	-	3,595.9	3,367.1	-	3,367.1
Other taxes	802.7	-	802.7	680.6	-	680.6
Investment income	52.6	91.3	143.9	54.0	99.5	153.6
Other	47.6	798.7	846.3	53.2	516.5	569.7
Total revenues	<u>30,023.0</u>	<u>21,523.1</u>	<u>51,546.1</u>	<u>30,519.4</u>	<u>16,186.8</u>	<u>46,706.3</u>
Expenses:						
General government	2,618.5	-	2,618.5	3,160.0	-	3,160.0
Public safety	8,060.4	-	8,060.4	8,217.5	-	8,217.5
Public services	8,904.9	-	8,904.9	9,395.8	-	9,395.8
Culture and recreation	2,916.0	-	2,916.0	2,925.6	-	2,925.6
Community development	2,388.0	-	2,388.0	2,000.6	-	2,000.6
Interest on long-term debt	555.4	-	555.4	327.7	-	327.7
Solid waste	-	2,214.6	2,214.6	-	3,111.6	3,111.6
Sewer utility	-	6,169.6	6,169.6	-	6,338.7	6,338.7
Events center	-	1,786.7	1,786.7	-	1,701.1	1,701.1
Ottumwa Transit	-	1,197.1	1,197.1	-	1,478.3	1,478.3
Golf course	-	20.3	20.3	-	26.8	26.8
Total expenses	<u>25,443.2</u>	<u>11,388.3</u>	<u>36,831.5</u>	<u>26,027.2</u>	<u>12,656.5</u>	<u>38,683.7</u>
Excess(deficiency) of revenue over (under)expenses	4,579.8	10,134.8	14,714.6	4,492.2	3,530.3	8,022.5
Transfers	(2,921.3)	2,921.3	-	(4,128.9)	4,128.9	-
Change in net position	1,658.5	13,056.1	14,714.6	363.3	7,659.2	8,022.5
Beginning net position, as restated	<u>46,876.5</u>	<u>57,483.6</u>	<u>104,360.1</u>	<u>57,008.7</u>	<u>51,576.6</u>	<u>108,585.3</u>
Ending net position	\$ <u>48,535.0</u>	\$ <u>70,539.7</u>	\$ <u>119,074.7</u>	\$ <u>57,372.0</u>	\$ <u>59,235.8</u>	\$ <u>116,607.8</u>

Governmental Activities

Charges for services make up 24.8 percent of governmental revenues. The remaining revenue comes from taxes, primarily property taxes (44.3 percent), capital grants and contributions (5.8 percent) and operating grants and contributions (10.1 percent).

Business Type Activities

In most years, charges for services is the primary revenue source for business type activities. However, this year significant items are sewer fees which make up 28 percent of total revenues, capital grants and contributions that make up the largest portion (49 percent), landfill fees at 9.7 percent and Event Center fees at 2.9 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 26 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, Local Option Sales Tax, Employee Benefits, Street Projects 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 – Had no significant change.

State Road Use Tax – Increased \$580,540 primarily due to a decrease in transfers in, and a decrease in expenditures.

Local Option Sales Tax – Increased \$1,095,428 due to a decrease in transfers out and an increase in revenue.

Employee Benefits – Decreased \$107,009 primarily due to an increase in transfers out which exceeded the increase in property taxes received.

Street Projects – Decreased \$2,815,134 as the result of an increase in capital project expenditures.

Debt Service – Increased \$142,999 primarily from the increase bonds issued exceeding an increase in debt service payments.

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 are 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. The beginning balance have been restated to adjust for GASB 68 implementation.

Significant changes in net position are summarized below:

Solid Waste – Had no significant change.

Sewer Utility – Increased \$13.7 million primarily due to an increase in capital contributions and grants.

Events Center – Decreased \$627,463. This is due to a decrease in transfers in.

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 61 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, schedules of the City's proportionate share of MFPRSI and IPERS pension liability, schedules of the City's MFPRSI and IPERS contributions, and a schedule of funding progress for the retiree health plan. This required supplementary information can be found on pages 62 through 73 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 74 through 91 of this report. Additionally, the Schedule of Expenditures of Federal Awards can be found on pages 92-93 of this report.

Budgetary Highlights

The City had one budget amendment during the fiscal year. The following summarizes the impact of the amendments on the General Fund. Total budgeted expenditures and transfers out increased \$10,457,916. Public Safety increased \$1,414,852, Public Works increased 288,349, Health and Social Services increased \$67,960 and Culture and Recreation increased \$295,304. Community and Economic Development increased \$329,587. General Government increased \$18,533. Capital Projects increased \$5,252,331. Debt Service increased \$208,493. Business Type/Enterprises increased \$1,040,507 and Transfers out increased \$1,542,000.

Even with the amendment, the City exceeded the budgeted amount in the community and economic development function for the year ended June 30, 2015.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2015, the City had invested \$137.5 million in capital assets as reflected in the following table. This investment includes land, buildings, improvements, machinery and equipment. Infrastructure is also included. Additional information on the City of Ottumwa's capital assets can be found in the 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	
	2015	2014	2015	2014	2015	2014
Land	\$ 3,542.8	\$ 3,542.8	\$ 2,006.2	\$ 1,936.7	\$ 5,549.0	\$ 5,479.5
Buildings	3,620.0	3,729.5	26,477.8	27,843.2	30,097.8	31,572.7
Improvements other than buildings	1,156.3	745.3	5,481.4	6,060.2	6,637.7	6,805.5
Machinery and equipment	3,236.4	2,414.9	1,447.2	1,519.0	4,683.6	3,933.9
Infrastructure	32,974.0	34,589.6	22,160.3	23,224.5	55,134.3	57,814.1
Intangibles	-	-	81.3	62.8	81.3	62.8
Construction in progress	<u>8,869.7</u>	<u>3,332.7</u>	<u>26,414.9</u>	<u>7,241.2</u>	<u>35,284.6</u>	<u>10,573.9</u>
Total	\$ <u>53,399.2</u>	\$ <u>48,354.8</u>	\$ <u>84,069.1</u>	\$ <u>67,887.6</u>	\$ <u>137,468.3</u>	\$ <u>116,242.4</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	\$ 48,354.8	\$ 67,887.6	\$ 116,242.4
Additions, net of disposals	9,019.0	19,951.4	28,970.4
Depreciation, net of disposals	<u>3,974.6</u>	<u>3,769.9</u>	<u>7,744.5</u>
Ending balance	\$ <u>53,399.2</u>	\$ <u>84,069.1</u>	\$ <u>137,468.3</u>

Debt Administration

The amount of debt outstanding at fiscal year end was \$35.3 million as compared to \$31.4 million last fiscal year. New debt issued during the year amounted to \$9.2 million, while a total of \$5.3 million was retired. Of the total debt outstanding, \$22.5 million is backed by the full faith and credit of the City. The remaining \$12.8 million is backed by sewer revenue.

Outstanding Debt at Year End
(In Thousand's)
Total

	<u>2015</u>	<u>2014</u>
Governmental		
General obligation		
Abated by:		
Property taxes	\$ 11,460.0	\$ 8,290.0
Tax increment	<u>5,972.5</u>	<u>6,527.5</u>
Subtotals	<u>17,432.5</u>	<u>14,817.5</u>
Business type		
General obligation		
Abated by:		
Sewer utility/Sales tax	5,017.5	6,562.5
Sewer revenue	<u>12,830.8</u>	<u>10,053.0</u>
Subtotals	<u>17,848.3</u>	<u>16,615.5</u>
Totals	\$ <u>35,280.8</u>	\$ <u>31,433.0</u>

Moody's Investor Services has rated the City's general obligation bonds A1.

For more detailed information on the City's debt and amortization terms, please refer to pages 39 through 41 and 51 through 53 of the Notes to Financial Statements.

Economic Factors

Taxable sales increased 6.8%.

During the current fiscal year, the unassigned fund balance in the general fund decreased to \$3,293,382, a decrease of \$22,467 from last year.

Next Year's Budget and Rates

Taxable values decreased by 1.06 percent which decreased the general fund revenue by \$53,826. This decrease will be offset with a backfill of taxes from the State of Iowa. The estimated backfill totals \$198,770 leaving a net increase of \$144,946. The total tax levy decreased .3661 per \$1,000 or 1.8 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.

BASIC FINANCIAL STATEMENTS

CITY OF OTTUMWA, IOWA

CITY OF OTTUMWA, IOWA

Exhibit 1

STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government		Total Primary Government	Component Unit Hazardous Materials	Total Reporting Unit
	Governmental Activities	Business Type Activities			
ASSETS:					
Current assets:					
Cash, cash equivalents and pooled investments	\$ 23,705,141	\$ 8,988,926	\$ 32,694,067	\$ 88,712	\$ 32,782,779
Receivables:					
Property taxes:					
Delinquent	287,533	9,841	297,374	-	297,374
Succeeding year	11,881,193	506,931	12,388,124	-	12,388,124
Tax increment financing					
Delinquent	3,732	-	3,732	-	3,732
Succeeding year	864,506	-	864,506	-	864,506
Accounts	556,957	195,102	752,059	-	752,059
Due from other governments	2,230,372	6,235,828	8,466,200	39,892	8,506,092
Inventory	56,106	-	56,106	-	56,106
Prepaid expenses	245,847	160,739	406,586	6,569	413,155
Total current assets	<u>39,831,387</u>	<u>16,097,367</u>	<u>55,928,754</u>	<u>135,173</u>	<u>56,063,927</u>
Noncurrent assets:					
Due from other governments	905,000	847,222	1,752,222	-	1,752,222
Deposit	25,000	-	25,000	-	25,000
Capital assets:					
Land	3,542,781	2,006,177	5,548,958	-	5,548,958
Buildings	13,569,703	47,256,352	60,826,055	204,082	61,030,137
Improvements other than buildings	2,573,290	11,441,311	14,014,601	-	14,014,601
Machinery and equipment	11,845,123	11,052,437	22,897,560	232,383	23,129,943
Infrastructure	79,767,007	28,915,038	108,682,045	-	108,682,045
Construction in progress	8,869,709	26,414,883	35,284,592	-	35,284,592
Less accumulated depreciation	(66,768,400)	(43,098,457)	(109,866,857)	(286,340)	(110,153,197)
Intangible assets	-	512,260	512,260	-	512,260
Less accumulated amortization	-	(430,878)	(430,878)	-	(430,878)
Total noncurrent assets	<u>54,329,213</u>	<u>84,916,345</u>	<u>139,245,558</u>	<u>150,125</u>	<u>139,395,683</u>
TOTAL ASSETS	94,160,600	101,013,712	195,174,312	285,298	195,459,610
DEFERRED OUTFLOWS OF RESOURCES:					
Pension related deferred outflows	1,931,094	194,341	2,125,435	-	2,125,435
LIABILITIES:					
Current liabilities:					
Accounts payable	2,636,115	6,095,008	8,731,123	9,064	8,740,187
Wages and benefits payable	453,700	106,900	560,600	-	560,600
Due to other governments	351,984	-	351,984	-	351,984
Accrued interest payable	35,057	38,426	73,483	-	73,483
Unearned revenue	306,711	21,431	328,142	-	328,142
General obligation bonds/notes	3,375,000	1,215,000	4,590,000	-	4,590,000
Revenue notes	-	1,327,836	1,327,836	-	1,327,836
Compensated absences	636,133	137,846	773,979	-	773,979
Total current liabilities	<u>7,794,700</u>	<u>8,942,447</u>	<u>16,737,147</u>	<u>9,064</u>	<u>16,746,211</u>
Long-term liabilities:					
General obligation bonds/notes	14,057,500	3,802,500	17,860,000	-	17,860,000
Revenue notes	-	11,503,000	11,503,000	-	11,503,000
Compensated absences	110,597	-	110,597	-	110,597
Accrued landfill costs:					
Closure	-	2,000,484	2,000,484	-	2,000,484
Post closure	-	1,669,146	1,669,146	-	1,669,146
Net pension liability	7,972,578	1,333,972	9,306,550	-	9,306,550
Other post employment benefits obligation	1,342,894	401,123	1,744,017	-	1,744,017
Total long-term liabilities	<u>23,483,569</u>	<u>20,710,225</u>	<u>44,193,794</u>	<u>-</u>	<u>44,193,794</u>
TOTAL LIABILITIES	31,278,269	29,652,672	60,930,941	9,064	60,940,005
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenues:					
Pension related deferred inflows	3,532,706	508,739	4,041,445	-	4,041,445
Succeeding year property tax	11,881,193	506,931	12,388,124	-	12,388,124
Tax increment financing	864,506	-	864,506	-	864,506
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>16,278,405</u>	<u>1,015,670</u>	<u>17,294,075</u>	<u>-</u>	<u>17,294,075</u>
NET POSITION:					
Net investment in capital assets	41,673,443	67,171,850	108,845,293	150,125	108,995,418
Restricted for:					
Nonexpendable:					
Endowments	100,389	-	100,389	-	100,389
Perpetual care	699,386	-	699,386	-	699,386
Expendable:					
Endowments	29,112	-	29,112	-	29,112
Perpetual care	63	-	63	-	63
Debt service	1,559,589	95,000	1,654,589	-	1,654,589
Unrestricted	4,473,038	3,272,861	7,745,899	126,109	7,872,008
TOTAL NET POSITION	\$ 48,535,020	\$ 70,539,711	\$ 119,074,731	\$ 276,234	\$ 119,350,965

See Accompanying Notes to Financial Statements

CITY OF OTTUMWA, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Primary government:				
Governmental activities:				
General government	\$ 2,618,581	\$ 1,876,865	\$ 60,346	\$ -
Public safety	8,060,386	764,790	371,252	29,194
Public services	8,904,869	3,648,038	2,546,165	983,264
Culture and recreation	2,916,012	1,056,392	34,207	135,000
Community development	2,388,055	91,273	15,456	608,274
Interest on long-term debt	555,356	-	-	-
Total governmental activities	<u>25,443,259</u>	<u>7,437,358</u>	<u>3,027,426</u>	<u>1,755,732</u>
Business-type activities:				
Solid waste	2,214,575	2,082,667	55,206	-
Sewer utility	6,169,538	6,005,522	-	10,630,078
Events center	1,786,738	624,546	-	-
Other business-type activities	1,217,412	115,018	623,391	56,894
Total business-type activities	<u>11,388,263</u>	<u>8,827,753</u>	<u>678,597</u>	<u>10,686,972</u>
Total primary government	\$ <u>36,831,522</u>	\$ <u>16,265,111</u>	\$ <u>3,706,023</u>	\$ <u>12,442,704</u>
Component unit:				
Hazardous materials	\$ <u>155,635</u>	\$ <u>10,258</u>	\$ <u>123,954</u>	\$ <u>-</u>
General revenues:				
Taxes:				
Property taxes				
Local option sales taxes				
Other taxes				
Unrestricted investment income				
Miscellaneous				
Loss on disposal of capital assets				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - Beginning of year, as restated				
Net position - End of year				

See Accompanying Notes to Financial Statements

Primary Government			Component Unit	Total Reporting Unit
Governmental Activities	Business-type Activities	Total	Hazardous Materials	
\$ (681,370)	\$ -	\$ (681,370)	\$ -	\$ (681,370)
(6,895,150)	-	(6,895,150)	-	(6,895,150)
(1,727,402)	-	(1,727,402)	-	(1,727,402)
(1,690,413)	-	(1,690,413)	-	(1,690,413)
(1,673,052)	-	(1,673,052)	-	(1,673,052)
(555,356)	-	(555,356)	-	(555,356)
<u>(13,222,743)</u>	<u>-</u>	<u>(13,222,743)</u>	<u>-</u>	<u>(13,222,743)</u>
-	(76,702)	(76,702)	-	(76,702)
-	10,466,062	10,466,062	-	10,466,062
-	(1,162,192)	(1,162,192)	-	(1,162,192)
-	(422,109)	(422,109)	-	(422,109)
<u>-</u>	<u>8,805,059</u>	<u>8,805,059</u>	<u>-</u>	<u>8,805,059</u>
<u>(13,222,743)</u>	<u>8,805,059</u>	<u>(4,417,684)</u>	<u>-</u>	<u>(4,417,684)</u>
-	-	-	(21,423)	(21,423)
13,303,693	439,810	13,743,503	-	13,743,503
3,595,851	-	3,595,851	-	3,595,851
802,733	-	802,733	-	802,733
52,610	91,296	143,906	399	144,305
47,638	828,019	875,657	36,480	912,137
-	(29,329)	(29,329)	-	(29,329)
<u>(2,921,297)</u>	<u>2,921,297</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>14,881,228</u>	<u>4,251,093</u>	<u>19,132,321</u>	<u>36,879</u>	<u>19,169,200</u>
1,658,485	13,056,152	14,714,637	15,456	14,730,093
<u>46,876,535</u>	<u>57,483,559</u>	<u>104,360,094</u>	<u>260,778</u>	<u>104,620,872</u>
\$ <u>48,535,020</u>	\$ <u>70,539,711</u>	\$ <u>119,074,731</u>	\$ <u>276,234</u>	\$ <u>119,350,965</u>

CITY OF OTTUMWA, IOWA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General</u>	<u>Special Revenue</u>		
		<u>State Road Use Tax</u>	<u>Local Option Sales Tax</u>	<u>Employee Benefits</u>
<u>ASSETS</u>				
Cash, cash equivalents and pooled investments	\$ 3,251,936	\$ 2,606,458	\$ 2,302,749	\$ 717,035
Receivables:				
Property taxes:				
Delinquent	113,764	-	-	103,936
Succeeding year	4,513,187	-	-	4,373,084
Tax increment financing:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	101,162	9,475	-	-
Due from other governments	284,436	606,262	729,189	-
Due from other funds	227,702	-	-	-
Inventory	3,208	29,512	-	-
Prepaid insurance	-	-	-	-
Deposit	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>8,495,395</u>	\$ <u>3,251,707</u>	\$ <u>3,031,938</u>	\$ <u>5,194,055</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 292,634	\$ 107,818	\$ -	\$ -
Wages and benefits payable	361,500	53,900	-	-
Unearned revenue	31,484	-	-	-
Due to other funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>685,618</u>	<u>161,718</u>	<u>-</u>	<u>-</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>				
Unavailable revenues:				
Succeeding year property tax	4,513,187	-	-	4,373,084
Tax increment financing	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>4,513,187</u>	<u>-</u>	<u>-</u>	<u>4,373,084</u>
<u>FUND BALANCES:</u>				
Nonspendable	3,208	29,512	-	-
Restricted	-	3,060,477	3,031,938	820,971
Unassigned	<u>3,293,382</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>3,296,590</u>	<u>3,089,989</u>	<u>3,031,938</u>	<u>820,971</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>8,495,395</u>	\$ <u>3,251,707</u>	\$ <u>3,031,938</u>	\$ <u>5,194,055</u>

See Accompanying Notes to Financial Statements

	<u>Capital Projects Street Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	3,778,303	\$ 422,930	\$ 6,950,598	\$ 20,030,009
		46,659	23,174	287,533
	-	1,983,427	1,011,495	11,881,193
	-		3,732	3,732
	-		864,506	864,506
	-		446,320	556,957
	306,568	1,090,000	118,917	3,135,372
	-	-	-	227,702
	-		23,386	56,106
	-		245,847	245,847
	-		25,000	25,000
\$	<u>4,084,871</u>	\$ <u>3,543,016</u>	\$ <u>9,712,975</u>	\$ <u>37,313,957</u>
\$	931,191	\$ -	\$ 619,587	\$ 1,951,230
	-		38,300	453,700
	-		275,227	306,711
	-		227,702	227,702
	<u>931,191</u>	<u>-</u>	<u>1,160,816</u>	<u>2,939,343</u>
	-	1,983,427	1,011,495	11,881,193
	-	-	864,506	864,506
	-	1,983,427	1,876,001	12,745,699
	-	-	1,069,008	1,101,728
	3,153,680	1,559,589	5,823,447	17,450,102
	-	-	(216,297)	3,077,085
	<u>3,153,680</u>	<u>1,559,589</u>	<u>6,676,158</u>	<u>21,628,915</u>
\$	<u>4,084,871</u>	\$ <u>3,543,016</u>	\$ <u>9,712,975</u>	\$ <u>37,313,957</u>

CITY OF OTTUMWA, IOWA

CITY OF OTTUMWA, IOWA

Exhibit 4

RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total governmental fund balances		\$ 21,628,915
Amounts reported for governmental activities in the statement of net position 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 \$120,167,613 and the accumulated depreciation is \$66,768,400.		53,399,213
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 position.		2,990,247
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.		(35,057)
Amounts due from and due to component unit and due from proprietary funds as a result of internal service fund allocations related to the employee insurance fund.		(351,984)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 1,931,094	
Deferred inflows of resources	<u>(3,532,706)</u>	(1,601,612)
Long-term liabilities, including bonds/notes payable, compensated absences payable, other post employment benefits obligation and net pension liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(27,494,702)</u>
Net position of governmental activities		\$ <u>48,535,020</u>

CITY OF OTTUMWA, IOWA

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>State Road Use Tax</u>	<u>Special Revenue Local Option Sales Tax</u>	<u>Employee Benefits</u>
<u>REVENUES:</u>				
Property tax	\$ 4,758,383	\$ -	\$ -	\$ 4,645,103
Other city tax	802,733	-	3,595,851	-
Licenses and permits	291,651	-	-	-
Intergovernmental	460,792	2,728,936	-	-
Use of money and property	143,097	6,792	-	2,948
Charges for service	3,449,011	557,932	-	-
Other fines	286,308	-	-	-
Miscellaneous	33,693	58,287	-	-
Total revenues	<u>10,225,668</u>	<u>3,351,947</u>	<u>3,595,851</u>	<u>4,648,051</u>
<u>EXPENDITURES:</u>				
Operating:				
Public safety	7,528,203	-	-	-
Public works	2,254,431	3,673,708	-	-
Health and social services	604,188	-	-	-
Culture and recreation	1,324,826	-	-	-
Community and economic development	464,683	-	-	-
General government	1,165,671	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>13,342,002</u>	<u>3,673,708</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,116,334)</u>	<u>(321,761)</u>	<u>3,595,851</u>	<u>4,648,051</u>
Other financing sources (uses):				
Transfers in	3,701,767	1,163,201	-	-
Transfers out	(608,437)	(260,900)	(2,500,423)	(4,755,060)
General obligation bonds/notes issued	-	-	-	-
Original issue premium	-	-	-	-
Total other financing sources (uses)	<u>3,093,330</u>	<u>902,301</u>	<u>(2,500,423)</u>	<u>(4,755,060)</u>
Net change in fund balances	<u>(23,004)</u>	<u>580,540</u>	<u>1,095,428</u>	<u>(107,009)</u>
Fund balances - Beginning of year	<u>3,319,594</u>	<u>2,509,449</u>	<u>1,936,510</u>	<u>927,980</u>
Fund balances - End of year	\$ <u>3,296,590</u>	\$ <u>3,089,989</u>	\$ <u>3,031,938</u>	\$ <u>820,971</u>

See Accompanying Notes to Financial Statements

<u>Capital Projects Street Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 2,131,452	\$ 1,768,755	\$ 13,303,693
-	-	-	4,398,584
-	-	-	291,651
693,060	-	900,370	4,783,158
24,797	-	464,058	641,692
-	-	520,594	4,527,537
-	-	-	286,308
314,155	-	1,043,853	1,449,988
<u>1,032,012</u>	<u>2,131,452</u>	<u>4,697,630</u>	<u>29,682,611</u>
-	-	1,281,590	8,809,793
-	-	986,419	6,914,558
-	-	176,036	780,224
-	-	1,269,093	2,593,919
-	-	1,382,610	1,847,293
-	-	1,489,912	2,655,583
6,280,333	-	957,971	7,238,304
-	3,280,356	-	3,280,356
<u>6,280,333</u>	<u>3,280,356</u>	<u>7,543,631</u>	<u>34,120,030</u>
<u>(5,248,321)</u>	<u>(1,148,904)</u>	<u>(2,846,001)</u>	<u>(4,437,419)</u>
651,843	932,403	1,044,603	7,493,817
-	(1,445,000)	(861,635)	(10,431,455)
1,740,000	1,730,500	1,869,500	5,340,000
41,344	74,000	-	115,344
<u>2,433,187</u>	<u>1,291,903</u>	<u>2,052,468</u>	<u>2,517,706</u>
(2,815,134)	142,999	(793,533)	(1,919,713)
<u>5,968,814</u>	<u>1,416,590</u>	<u>7,469,691</u>	<u>23,548,628</u>
\$ <u>3,153,680</u>	\$ <u>1,559,589</u>	\$ <u>6,676,158</u>	\$ <u>21,628,915</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, 2015

Net change in fund balances - Total governmental funds \$ (1,919,713)

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

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

Capital outlay	3,742,448
Depreciation expense	(4,235,001)

Expenses in the statement of revenues, expenditures and changes in fund balances shown as construction in progress in the statement of activities.	5,536,974
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the State of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Issued	(5,340,000)
Repaid	2,725,000

The current year City employer share of MFPRSI and IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflow of resources in the Statement of Net Position	1,529,549
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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, as follows:

Compensated absences	(4,998)
Other postemployment benefits	(27,228)
Pension expense	(608,290)
Interest on long-term debt	(8,187)

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 position of the Internal Service Funds is reported with governmental activities net of the amount allocated to business-type activities and the component unit.	<u>267,931</u>
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Change in net position of governmental activities \$ 1,658,485

CITY OF OTTUMWA, IOWA

Exhibit 7

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business-Type Activities					Governmental Activities
	Solid Waste	Sewer Utility	Events Center	Nonmajor Proprietary Funds	Total Proprietary Funds	Internal Service Funds
ASSETS						
Current assets:						
Cash, cash equivalents and pooled investments	\$ 2,433,825	\$ 5,909,569	\$ 139,758	\$ 505,974	\$ 8,988,926	\$ 3,675,132
Receivables:						
Accounts	164,031	14,930	-	16,141	195,102	-
Property taxes:						
Delinquent	-	-	-	9,841	9,841	-
Succeeding year	-	-	80,989	425,942	506,931	-
Due from other governments	3,748	5,852,848	-	103,994	5,960,590	-
Prepaid expenses	24,874	53,670	73,319	8,876	160,739	-
Total current assets	2,626,278	11,831,017	294,066	1,070,768	15,822,129	3,675,132
Noncurrent assets:						
Due from other governments	-	771,300	-	-	771,300	-
Capital assets:						
Land	87,500	194,029	1,644,648	80,000	2,006,177	-
Buildings	1,195,103	23,887,701	20,702,975	1,470,573	47,256,352	-
Improvements other than buildings	5,959,331	4,438,454	149,964	893,562	11,441,311	-
Machinery and equipment	2,975,342	3,583,440	916,376	3,577,279	11,052,437	-
Infrastructure	-	28,613,038	302,000	-	28,915,038	-
Construction in progress	-	26,414,883	-	-	26,414,883	-
Less accumulated depreciation	(6,511,998)	(27,070,614)	(4,877,440)	(4,638,405)	(43,098,457)	-
Total capital assets	3,705,278	60,060,931	18,838,523	1,383,009	83,987,741	-
Other assets:						
Intangible assets	-	112,260	400,000	-	512,260	-
Less accumulated amortization	-	(30,878)	(400,000)	-	(430,878)	-
Total other assets	-	81,382	-	-	81,382	-
Total noncurrent assets	3,705,278	60,913,613	18,838,523	1,383,009	84,840,423	-
TOTAL ASSETS	6,331,556	72,744,630	19,132,589	2,453,777	100,662,552	3,675,132
DEFERRED OUTFLOWS OF RESOURCES:						
Pension related deferred outflows	42,646	104,126	-	47,589	194,341	-
LIABILITIES:						
Current liabilities:						
Accounts payable	67,494	6,013,350	2,124	12,040	6,095,008	684,885
Wages and benefits payable	22,700	57,000	-	27,200	106,900	-
Accrued interest payable	-	38,426	-	-	38,426	-
Compensated absences payable	43,556	72,270	-	22,020	137,846	-
Unearned revenue	-	21,431	-	-	21,431	-
Current portion of bonds payable	-	755,000	-	-	755,000	-
Current portion of notes payable	-	1,787,836	-	-	1,787,836	-
Total current liabilities	133,750	8,745,313	2,124	61,260	8,942,447	684,885
Long-term liabilities:						
Accrued landfill costs:						
Closure	2,000,484	-	-	-	2,000,484	-
Post closure	1,669,146	-	-	-	1,669,146	-
Net pension liability	292,727	714,726	-	326,519	1,333,972	-
Other post employment benefits obligation	85,038	246,691	-	69,394	401,123	-
Notes payable:						
Long-term	-	15,305,500	-	-	15,305,500	-
Total long-term liabilities	4,047,395	16,266,917	-	395,913	20,710,225	-
TOTAL LIABILITIES	4,181,145	25,012,230	2,124	457,173	29,652,672	684,885
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenues:						
Pension related deferred inflows	111,638	272,576	-	124,525	508,739	-
Succeeding year property tax	-	-	80,989	425,942	506,931	-
TOTAL DEFERRED INFLOWS OF RESOURCES	111,638	272,576	80,989	550,467	1,015,670	-
NET POSITION:						
Net investment in capital assets	3,705,278	43,245,040	18,838,523	1,383,009	67,171,850	-
Restricted for:						
Health insurance	-	-	-	-	-	2,086,530
Debt service	-	95,000	-	-	95,000	-
Unrestricted	(1,623,859)	4,223,910	210,953	110,697	2,921,701	903,717
TOTAL NET POSITION	\$ 2,081,419	\$ 47,563,950	\$ 19,049,476	\$ 1,493,706	\$ 70,188,551	\$ 2,990,247

See Accompanying Notes to Financial Statements

CITY OF OTTUMWA, IOWA

Exhibit 8

RECONCILIATION OF THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Ending fund balance - Proprietary funds	\$ 70,188,551
Amounts reported for business-type activities in the statement of net position are different because:	
Allocation of internal service funds income increases due from other governments	<u>351,160</u>
Net position of business-type activities	\$ <u>70,539,711</u>

CITY OF OTTUMWA, IOWA

Exhibit 9

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	<u>Business-Type Activities</u>					<u>Governmental Activities</u>
	<u>Solid Waste</u>	<u>Sewer Utility</u>	<u>Events Center</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
Operating revenues:						
Charges for service	\$ 2,082,667	\$ 6,005,522	\$ 624,546	\$ 115,018	\$ 8,827,753	\$ 3,559,446
Miscellaneous	45,228	487,404	275,558	19,829	828,019	-
Total operating revenues	<u>2,127,895</u>	<u>6,492,926</u>	<u>900,104</u>	<u>134,847</u>	<u>9,655,772</u>	<u>3,559,446</u>
Operating expenses:						
Operations	1,831,852	3,164,142	1,269,018	982,335	7,247,347	3,289,168
Depreciation/amortization	397,054	2,763,301	517,720	245,294	3,923,369	-
Total operating expenses	<u>2,228,906</u>	<u>5,927,443</u>	<u>1,786,738</u>	<u>1,227,629</u>	<u>11,170,716</u>	<u>3,289,168</u>
Operating income (loss)	(101,011)	565,483	(886,634)	(1,092,782)	(1,514,944)	270,278
Nonoperating revenue (expense):						
Interest income	9,178	80,057	474	1,587	91,296	9,509
Interest on long-term debt	-	(272,021)	-	-	(272,021)	-
Loss on disposal of capital assets	(29,329)	-	-	-	(29,329)	-
Property taxes	-	-	-	439,810	439,810	-
Intergovernmental	55,206	-	-	623,391	678,597	-
Total nonoperating revenue (expense)	<u>35,055</u>	<u>(191,964)</u>	<u>474</u>	<u>1,064,788</u>	<u>908,353</u>	<u>9,509</u>
Income (loss) before capital contributions and grants and transfers	(65,956)	373,519	(886,160)	(27,994)	(606,591)	279,787
Capital contributions and grants	-	10,630,078	-	56,894	10,686,972	-
Transfers in	-	9,821,758	258,697	-	10,080,455	471,300
Transfers out	-	(7,159,158)	-	-	(7,159,158)	(454,959)
Change in net position	(65,956)	13,666,197	(627,463)	28,900	13,001,678	296,128
Net position - Beginning of year, as restated	<u>2,147,375</u>	<u>33,897,753</u>	<u>19,676,939</u>	<u>1,464,806</u>	<u>57,186,873</u>	<u>2,694,119</u>
Net position - End of year	<u>\$ 2,081,419</u>	<u>\$ 47,563,950</u>	<u>\$ 19,049,476</u>	<u>\$ 1,493,706</u>	<u>\$ 70,188,551</u>	<u>\$ 2,990,247</u>

CITY OF OTTUMWA, IOWA

CITY OF OTTUMWA, IOWA

Exhibit 10

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Change in net position - Total proprietary funds \$ 13,001,678

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 unit.

54,474

Change in net position of business-type activities \$ 13,056,152

CITY OF OTTUMWA, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	<u>Solid Waste</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Cash received from operations	\$ 2,276,415
Cash received (paid) from (to) employees	(705,505)
Cash received (paid) from (to) suppliers	<u>(1,024,578)</u>
Cash provided (used) by operations	<u>(1,730,083)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>546,332</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>	
Property taxes	-
Intergovernmental	55,206
Transfers from other funds	-
Transfers to other funds	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>55,206</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Issuance of long-term debt	-
Payment of long-term debt:	
General obligation bonds	-
Notes payable	-
Payment of interest on long-term debt	-
Additions to property and equipment	(203,350)
Capital contributions and grants	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(203,350)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Interest income received	<u>9,178</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS	407,366
<u>CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS - Beginning of year</u>	<u>2,026,259</u>
<u>CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS - End of year</u>	<u>\$ 2,433,625</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>	
Operating income (loss)	\$ (101,011)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization expense	397,054
Changes in assets and liabilities:	
Decrease (increase) in receivables	26,762
Decrease (increase) in prepaid expenses	(621)
Decrease in due from other governments	121,758
Increase (decrease) in accounts payable	(3,894)
Increase (decrease) in wages and benefits payable	(600)
Increase (decrease) in compensated absences payable	(692)
Decrease in net pension liability	(134,916)
Decrease in deferred outflows of resources	485
Increase in deferred inflows of resources	111,638
Increase in other post employment benefits	1,724
Increase in accrued landfill costs	128,645
Decrease in unearned revenue	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 546,332</u>

See Accompanying Notes to Financial Statements

Sewer Utility	Events Center	Nonmajor Proprietary Funds	Total Enterprise Funds	Internal Service Funds
\$ 6,490,525	\$ 908,654	\$ 125,475	\$ 9,801,069	\$ 3,559,446
(1,572,641)	-	(734,837)	(3,012,983)	5,265
<u>2,102,857</u>	<u>(1,228,518)</u>	<u>(272,536)</u>	<u>(422,775)</u>	<u>(3,235,005)</u>
530,216	(1,228,518)	(1,007,373)	(3,435,758)	(3,229,740)
<u>7,020,741</u>	<u>(319,864)</u>	<u>(881,898)</u>	<u>6,365,311</u>	<u>329,706</u>
-	-	440,008	440,008	-
-	-	611,760	666,966	-
9,821,758	258,697	-	10,080,455	471,300
<u>(7,159,158)</u>	<u>-</u>	<u>-</u>	<u>(7,159,158)</u>	<u>(454,959)</u>
<u>2,662,600</u>	<u>258,697</u>	<u>1,051,768</u>	<u>4,028,271</u>	<u>16,341</u>
3,830,836	-	-	3,830,836	-
(1,175,000)	-	-	(1,175,000)	-
(1,423,000)	-	-	(1,423,000)	-
(328,503)	-	-	(328,503)	-
(19,864,014)	-	(66,934)	(20,134,298)	-
6,832,028	-	56,894	6,888,922	-
<u>(12,127,653)</u>	<u>-</u>	<u>(10,040)</u>	<u>(12,341,043)</u>	<u>-</u>
80,057	474	1,587	91,296	9,509
(2,364,255)	(60,693)	161,417	(1,856,165)	355,556
<u>8,273,824</u>	<u>200,451</u>	<u>344,557</u>	<u>10,845,091</u>	<u>3,319,576</u>
\$ <u>5,909,569</u>	\$ <u>139,758</u>	\$ <u>505,974</u>	\$ <u>8,988,926</u>	\$ <u>3,675,132</u>
\$ 565,483	\$ (886,634)	\$ (1,092,782)	\$ (1,514,944)	\$ 270,278
2,763,301	517,720	245,294	3,923,369	-
(2,401)	8,550	(9,372)	23,539	-
(1,695)	38,376	907	36,967	-
-	-	-	121,758	-
3,788,519	2,124	(2,480)	3,784,269	59,428
7,700	-	2,100	9,200	-
1,302	-	(1,549)	(939)	-
(329,411)	-	(150,489)	(614,816)	-
1,182	-	541	2,208	-
272,576	-	124,525	508,739	-
5,001	-	1,407	8,132	-
-	-	-	128,645	-
<u>(50,816)</u>	<u>-</u>	<u>-</u>	<u>(50,816)</u>	<u>-</u>
\$ <u>7,020,741</u>	\$ <u>(319,864)</u>	\$ <u>(881,898)</u>	\$ <u>6,365,311</u>	\$ <u>329,706</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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, a wide range of parks and recreational facilities and sewer and sanitation utilities.

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 unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationships with the City. The City handles the cash management and financial reporting of the component unit. In addition, City employees perform the duties at the direction of the component unit's board.

Discretely Presented Component Unit: The component unit column in the government-wide financial statements, include the financial data of the City's component unit. It is reported in a separate column to emphasize that it is legally separate from the City. Separate financial statements of the component unit 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 nine county supervisors from Wapello County and eight 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.

Basis of Presentation

Government-wide Financial Statements

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

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Government-wide Financial Statements (Continued)

The Statement of Net Position presents the City's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets – consists of capital assets, net of accumulated depreciation/amortization 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 position – result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position – consist of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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:

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.

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

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

Capital Projects:

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

Debt Service – 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

JUNE 30, 2015

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 position 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.

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

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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.

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.

Tax Increment Financing – tax increment financing for the Westgate Economic Development Urban Renewal Project Area, Airport Urban Renewal Project Area, Pennsylvania/Jefferson Urban Renewal Project Area and Wildwood/Highway 34 Urban Renewal Project Area.

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

JUNE 30, 2015

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.

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

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

Airport Projects – to account for airport improvements.

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 Fund

The Debt Service Fund accounts 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

JUNE 30, 2015

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

As allowed by GASB Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences*, the City presents budgetary comparison schedules as required supplementary information based on the program structure of nine functional areas as required by state statute for its legally adopted budget. During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the community and economic development function.

Cash, Cash Equivalents and Pooled Investments

The City maintains a cash and investment pool to maximize investment opportunities. Income from investments purchased with pooled cash is allocated to individual funds based on the fund's average cash balance and legal requirements. Each fund's portion of total cash and investments is reported as such within this report.

The City's deposits, in banks, at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

Cash and pooled investments are considered "cash and cash equivalents" for statement of cash flow 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.

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.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March 2014.

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, 2015, 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, merchandise and concessions at The Beach Ottumwa, and fuel at the Airport. Inventories are recorded as expenses when consumed rather than when purchased.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, equipment and vehicles, intangibles 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 City) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position and in the Proprietary Funds' Statement of Net Position. 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>
Land, buildings and other improvements	\$ 25,000
Intangibles	5,000
Machinery, equipment and vehicles	5,000
Infrastructure	25,000

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

Buildings	15 to 50 Years
Other improvements	8 to 50 Years
Intangibles	5 to 20 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 year. 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 Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental 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, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities

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

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System and the Municipal Fire and Police Retirement System (Systems') and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems'. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

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

Deferred inflows of resources in the Statement of Net Position consist 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity

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

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

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

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity (Continued)

Unassigned – All amounts not included in other spendable classifications. The General Fund is the only fund that reports a positive unassigned fund balance.

The City would typically use restricted fund balances first but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

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.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, liabilities and deferred inflows of resources, 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

JUNE 30, 2015

NOTE 2: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Additions/ Transfers In	Deletions/ Transfers Out	Balance End of Year
Governmental Activities:				
By type:				
Capital assets not being depreciated:				
Land	\$ 3,542,781	\$ -	\$ -	\$ 3,542,781
Construction in progress	3,332,735	7,332,658	(1,795,684)	8,869,709
Total capital assets not being depreciated	<u>6,875,516</u>	<u>7,332,658</u>	<u>(1,795,684)</u>	<u>12,412,490</u>
Capital assets being depreciated:				
Buildings	13,372,257	197,446	-	13,569,703
Improvements other than buildings	2,009,858	563,432	-	2,573,290
Machinery and equipment	10,507,240	1,598,246	(260,363)	11,845,123
Infrastructure	78,383,683	1,383,324	-	79,767,007
	<u>104,273,038</u>	<u>3,742,448</u>	<u>(260,363)</u>	<u>107,755,123</u>
Less accumulated depreciation:				
Buildings	9,642,808	306,850	-	9,949,658
Improvements other than buildings	1,264,574	152,426	-	1,417,000
Machinery and equipment	8,092,313	776,806	(260,363)	8,608,756
Infrastructure	43,794,067	2,998,919	-	46,792,986
	<u>62,793,762</u>	<u>4,235,001</u>	<u>(260,363)</u>	<u>66,768,400</u>
Total capital assets being depreciated, net	<u>41,479,276</u>	<u>(492,553)</u>	<u>-</u>	<u>40,986,723</u>
Governmental activities capital assets, net	\$ <u>48,354,792</u>	\$ <u>6,840,105</u>	\$ <u>(1,795,684)</u>	\$ <u>53,399,213</u>
By function and activity:				
General government:				
City clerk	\$ 10,373	\$ -	\$ -	\$ 10,373
Finance	229,244	-	-	229,244
City hall	3,756,857	-	-	3,756,857
Public information	55,269	-	-	55,269
Total general government	<u>4,051,743</u>	<u>-</u>	<u>-</u>	<u>4,051,743</u>
Public safety:				
Police	1,307,791	93,234	-	1,401,025
Fire	3,198,258	1,104,944	(31,212)	4,271,990
Health and inspection	122,151	-	-	122,151
Animal control	45,673	27,203	-	72,876
Total public safety	<u>4,673,873</u>	<u>1,225,381</u>	<u>(31,212)</u>	<u>5,868,042</u>
Highways and streets:				
Traffic maintenance	589,489	91,219	(29,680)	651,028
Electric/traffic light maintenance	391,465	10,950	-	402,415
Engineering	209,065	-	-	209,065
Street maintenance (including culverts)	3,239,012	209,995	(142,498)	3,306,509
Snow/ice maintenance	181,802	-	-	181,802
Street cleaning	407,157	-	-	407,157
Street projects (including sidewalks)	48,315,485	994,435	-	49,309,920
Parking	1,303,092	-	-	1,303,092
Total highways and streets	<u>54,636,567</u>	<u>1,306,599</u>	<u>(172,178)</u>	<u>55,770,988</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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	1,998,926	-	-	1,998,926
Parks	2,422,690	103,132	(56,973)	2,468,849
Senior citizens center	131,316	-	-	131,316
The Beach	4,197,720	-	-	4,197,720
Trails	1,276,084	-	-	1,276,084
Total culture and recreation	<u>10,026,736</u>	<u>103,132</u>	<u>(56,973)</u>	<u>10,072,895</u>
Cemetery	<u>711,373</u>	-	-	<u>711,373</u>
Airport	<u>19,386,270</u>	<u>1,107,336</u>	-	<u>20,493,606</u>
Construction in progress	<u>3,332,735</u>	<u>7,332,658</u>	<u>(1,795,684)</u>	<u>8,869,709</u>
Levee	<u>168,580</u>	-	-	<u>168,580</u>
TIF projects	<u>11,905,594</u>	-	-	<u>11,905,594</u>
Downtown Step One	<u>275,163</u>	-	-	<u>275,163</u>
Land - No designation	<u>1,979,920</u>	-	-	<u>1,979,920</u>
Total governmental activities	\$ <u>111,148,554</u>	\$ <u>11,075,106</u>	\$ <u>(2,056,047)</u>	\$ <u>120,167,613</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 2: CAPITAL ASSETS (Continued)

	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infra- structure	Construction in Progress	Total
By function and activity							
General government:							
City clerk	\$ -	\$ -	\$ -	\$ 10,373	\$ -	\$ -	\$ 10,373
Finance	-	-	-	229,244	-	-	229,244
City hall	-	3,535,759	-	13,675	207,423	-	3,756,857
Public information	-	-	-	55,269	-	-	55,269
Total general government	-	3,535,759	-	308,561	207,423	-	4,051,743
Public safety:							
Police	-	-	-	1,401,025	-	-	1,401,025
Fire	-	983,243	92,811	3,085,134	110,802	-	4,271,990
Health and inspection	-	-	-	122,151	-	-	122,151
Animal control	-	-	-	72,876	-	-	72,876
Total public safety	-	983,243	92,811	4,681,186	110,802	-	5,868,042
Highways and streets:							
Traffic maintenance	-	134,900	-	346,198	169,930	-	651,028
Electric/traffic light maintenance	-	-	-	173,125	229,290	-	402,415
Engineering	-	-	-	209,065	-	-	209,065
Street maintenance	66,240	595,884	31,900	2,502,201	110,284	-	3,306,509
Snow/ice maintenance	-	63,679	-	118,123	-	-	181,802
Street cleaning	-	-	-	407,157	-	-	407,157
Street projects (including sidewalks)	-	-	-	-	49,309,920	-	49,309,920
Parking	653,718	39,754	-	10,895	598,725	-	1,303,092
Total highways and streets	719,958	834,217	31,900	3,766,764	50,418,149	-	55,770,988
Culture and recreation:							
Library	-	1,496,091	104,127	363,224	35,484	-	1,998,926
Parks	-	256,957	669,430	855,135	687,327	-	2,468,849
Senior citizens center	-	-	-	-	131,316	-	131,316
The Beach	283,421	2,458,704	375,645	1,079,950	-	-	4,197,720
Trails	-	-	-	-	1,276,084	-	1,276,084
Total culture and recreation	283,421	4,211,752	1,149,202	2,298,309	2,130,211	-	10,072,895
Cemetery	26,000	293,393	146,032	199,757	46,191	-	711,373
Airport	372,575	3,581,083	984,765	590,546	14,964,637	-	20,493,606
Construction in progress	-	-	-	-	-	8,869,709	8,869,709
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	\$ 3,542,781	\$ 13,569,703	\$ 2,573,290	\$ 11,845,123	\$ 79,767,007	\$ 8,869,709	\$ 120,167,613

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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	\$ 1,936,676	\$ 69,501	\$ -	\$ 2,006,177
Construction in progress	7,241,191	19,408,681	(234,989)	26,414,883
Total capital assets not being depreciated	<u>9,177,867</u>	<u>19,478,182</u>	<u>(234,989)</u>	<u>28,421,060</u>
Capital assets being depreciated/amortized:				
Buildings	47,256,352	-	-	47,256,352
Improvements other than buildings	11,365,128	76,183	-	11,441,311
Machinery and equipment	10,708,793	526,410	(182,766)	11,052,437
Infrastructure	28,650,528	284,512	-	28,915,038
Intangibles	488,260	24,000	-	512,260
	<u>98,469,059</u>	<u>891,105</u>	<u>(182,766)</u>	<u>99,177,398</u>
Less accumulated depreciation/amortization:				
Buildings	19,413,171	1,365,336	-	20,778,507
Improvements other than buildings	5,304,872	655,037	-	5,959,909
Machinery and equipment	9,189,815	568,899	(153,438)	9,605,276
Infrastructure	5,426,080	1,328,684	-	6,754,764
Intangibles	425,465	5,413	-	430,878
	<u>39,759,403</u>	<u>3,923,369</u>	<u>(153,438)</u>	<u>43,529,334</u>
Total capital assets being depreciated/amortized, net	<u>58,709,656</u>	<u>(3,032,264)</u>	<u>(29,328)</u>	<u>55,648,064</u>
Business type activities capital assets, net	\$ 67,887,523	\$ 16,445,918	\$ (264,317)	\$ 84,069,124
By function and activity:				
Solid waste	\$ 10,146,919	\$ 203,350	\$ (132,993)	\$ 10,217,276
Sewer utility	60,151,733	690,322	(13,133)	60,828,922
Events center	24,115,963	-	-	24,115,963
Transit	4,465,731	66,934	-	4,532,665
Golf course	1,525,389	-	(36,640)	1,488,749
Construction in progress	7,241,191	19,408,681	(234,989)	26,414,883
Total business type	<u>\$ 107,646,926</u>	<u>\$ 20,369,287</u>	<u>\$ (417,755)</u>	<u>\$ 127,598,458</u>

	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infra- structure	Intangibles	Construction in Progress	Total
By function and activity								
Solid waste	\$ 87,500	\$ 1,195,103	\$ 5,959,331	\$ 2,975,342	\$ -	\$ -	\$ -	\$ 10,217,276
Sewer utility	194,029	23,887,701	4,438,454	3,583,440	28,613,038	112,260	-	60,828,922
Events center	1,644,648	20,702,975	149,964	916,378	302,000	400,000	-	24,115,963
Transit	-	1,295,718	-	3,236,947	-	-	-	4,532,665
Golf course	80,000	174,855	893,562	340,332	-	-	-	1,488,749
Construction in progress	-	-	-	-	-	-	26,414,883	26,414,883
Total business type assets	<u>\$ 2,006,177</u>	<u>\$ 47,256,352</u>	<u>\$ 11,441,311</u>	<u>\$ 11,052,437</u>	<u>\$ 28,915,038</u>	<u>\$ 512,260</u>	<u>\$ 26,414,883</u>	<u>\$ 127,598,458</u>

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 2: CAPITAL ASSETS (Continued)

A summary of property, plant and equipment at June 30, 2015, was as follows:

	Business Type	Governmental Activities
Capital assets not being depreciated:		
Land	\$ 2,006,177	\$ 3,542,781
Construction in progress	26,414,883	8,869,709
Total capital assets not being depreciated	<u>28,421,060</u>	<u>12,412,490</u>
Capital assets being depreciated/amortized:		
Buildings	47,256,352	13,569,703
Improvements other than buildings	11,441,311	2,573,290
Machinery and equipment	11,052,437	11,845,123
Infrastructure	28,915,038	79,767,007
Intangibles	512,260	-
	<u>99,177,398</u>	<u>107,755,123</u>
Less accumulated depreciation/amortization	(43,529,334)	66,768,400
Total capital assets being depreciated/amortized, net	<u>55,648,064</u>	<u>174,523,523</u>
Total capital assets, net	<u>\$ 84,069,124</u>	<u>\$ 186,936,013</u>

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

Government activities:	
General government	\$ 45,102
Public safety	386,696
Public services	2,818,013
Culture and recreation	433,564
Community development	551,626
Total depreciation expense - Governmental activities	<u>\$ 4,235,001</u>
Business type activities	
Solid waste	\$ 397,054
Sewer utility	2,763,301
Events center	517,720
Transit	216,599
Golf course	28,695
Total depreciation/amortization expense - Business type activities	<u>\$ 3,923,369</u>

Discretely presented component unit:

	Balance Beginning of Year	Additions/ Transfers in	Deletions/ Transfers Out	Balance End of Year
By type:				
Capital assets not being depreciated:	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated:				
Buildings	204,082	-	-	204,082
Machinery and equipment	232,383	-	-	232,383
	<u>436,465</u>	<u>-</u>	<u>-</u>	<u>436,465</u>
Less accumulated depreciation:				
Buildings	(84,184)	(10,204)	-	(94,388)
Machinery and equipment	(182,514)	(9,438)	-	(191,952)
	<u>(266,698)</u>	<u>(19,642)</u>	<u>-</u>	<u>(286,340)</u>
Total assets being depreciated, net	<u>169,767</u>	<u>(19,642)</u>	<u>-</u>	<u>150,125</u>
Total discretely presented component unit capital assets, net	<u>\$ 169,767</u>	<u>\$ (19,642)</u>	<u>\$ -</u>	<u>\$ 150,125</u>
By function and activity:				
Hazardous materials	\$ 436,465	\$ -	\$ -	\$ 436,465
Depreciation expense				<u>\$ 19,642</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 3: LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 11,465,000	\$ 5,340,000	\$ 2,270,000	\$ 14,535,000	\$ 2,800,000
General obligation notes	3,352,500	-	455,000	2,897,500	575,000
Compensated absences	741,732	632,150	627,152	746,730	636,133
Net pension liability	12,018,835	-	4,046,257	7,972,578	-
Net OPEB liability	1,315,666	27,228	-	1,342,894	-
Total	\$ 28,893,733	\$ 5,999,378	\$ 7,398,409	\$ 27,494,702	\$ 4,011,133
Business type activities:					
General obligation bonds	\$ 1,930,000	\$ -	\$ 1,175,000	\$ 755,000	\$ 755,000
General obligation notes	4,632,500	-	370,000	4,262,500	460,000
Revenue notes	10,053,000	3,830,836	1,053,000	12,830,836	1,327,836
Compensated absences	138,785	137,846	138,785	137,846	137,846
Net pension liability	1,948,788	-	614,816	1,333,972	-
Net OPEB liability	392,991	8,132	-	401,123	-
Total	\$ 19,096,064	\$ 3,976,814	\$ 3,351,601	\$ 19,721,277	\$ 2,680,682

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

Governmental activities:

June 30,	General Obligation Bonds		General Obligation Notes		Totals *	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 2,800,000	\$ 301,178	\$ 575,000	\$ 60,715	\$ 3,375,000	\$ 361,893
2017	3,445,000	246,616	220,000	44,283	3,665,000	290,899
2018	2,845,000	181,703	225,000	39,993	3,070,000	221,696
2019	1,255,000	128,402	230,000	35,419	1,485,000	163,821
2020	1,230,000	106,562	105,000	27,683	1,335,000	134,245
2021-2025	2,130,000	306,844	517,500	125,219	2,647,500	432,063
2026-2030	675,000	121,930	605,000	156,900	1,280,000	278,830
2031-2033	155,000	6,820	420,000	34,000	575,000	40,820
Total	\$ 14,535,000	\$ 1,400,055	\$ 2,897,500	\$ 524,212	\$ 17,432,500	\$ 1,924,267

Business type activities:

June 30,	General Obligation Bonds		General Obligation Notes		Totals *	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 755,000	\$ 11,325	\$ 460,000	\$ 124,785	\$ 1,215,000	\$ 136,110
2017	-	-	400,000	116,967	400,000	116,967
2018	-	-	400,000	105,857	400,000	105,857
2019	-	-	410,000	94,881	410,000	94,881
2020	-	-	435,000	86,717	435,000	86,717
2021-2025	-	-	1,957,500	270,776	1,957,500	270,776
2026	-	-	200,000	5,100	200,000	5,100
Total	\$ 755,000	\$ 11,325	\$ 4,262,500	\$ 805,083	\$ 5,017,500	\$ 816,408

The following funds have contributed to the liquidation of the Net OPEB liability, General, State Road Use, Airport, Library, Cemetery, Solid Waste, Sewer Utility, and Transit.

During the year ended June 30, 2014, Ottumwa Water and Hydro was advanced \$1,000,000 funded with general obligation bonds to assist with financing of water main projects in conjunction with City of Ottumwa street projects. The Ottumwa Water and Hydro has entered into a repayment agreement for the amortized life of the outstanding bonds.

During the year ended June 30, 2015, Ottumwa Water and Hydro was advanced \$225,000 funded with general obligation bonds to assist with financing of water main projects in conjunction with City of Ottumwa street projects. The Ottumwa Water and Hydro has entered into a repayment agreement for the amortized life of the outstanding bonds.

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

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 3: LONG-TERM LIABILITIES (Continued)

The following is a summary of bond/note transactions for the year ended June 30, 2015, and details of bonds/notes payable at June 30, 2015:

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount Originally Issued</u>
<u>Governmental Activities:</u>			
<u>General Obligation Bonds:</u>			
Corporate Purpose - Series 2011A	September 20, 2011	2.25-4.40	\$ 2,050,000
Corporate Purpose - 2013A	March 20, 2013	.35-1.10	4,365,000
Corporate Purpose - 2013B	March 20, 2013	.45-.70	870,000
Corporate Purpose - Series 2013C	November 18, 2013	2.00	1,330,000
Corporate Purpose - Series 2014A	April 14, 2014	2.00-2.10	4,100,000
Corporate Purpose - Series 2015	April 23, 2015	2.00	5,340,000
<u>General Obligation Notes:</u>			
Corporate Purpose - Series 2012A	April 2, 2012	2.00-2.30	880,000
Refunding - Series 2012B	December 5, 2012	2.00	1,280,000
Corporate Purpose - Series 2013D	December 30, 2013	3.00-4.00	4,185,000
Total Governmental Activities			
<u>Business-type Activities:</u>			
<u>General Obligation Bonds:</u>			
Refunding - Series 2012D	December 5, 2012	3.00	2,880,000
<u>General Obligation Notes:</u>			
Corporate Purpose - Series 2012	April 2, 2012	2.00-2.30	3,155,000
Corporate Purpose - Series 2013D	December 30, 2013	3.00-4.00	4,185,000
Total Business-type Activities			
Grand Total			

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Paid During Year</u>	<u>Balance End of Year</u>
\$ 1,875,000	\$ -	\$ 80,000	\$ 1,795,000
3,590,000	-	1,705,000	1,885,000
570,000	-	350,000	220,000
1,330,000	-	-	1,330,000
4,100,000	-	135,000	3,965,000
-	<u>5,340,000</u>	<u>-</u>	<u>5,340,000</u>
<u>11,465,000</u>	<u>5,340,000</u>	<u>2,270,000</u>	<u>14,535,000</u>
610,000	-	130,000	480,000
650,000	-	325,000	325,000
<u>2,092,500</u>	<u>-</u>	<u>-</u>	<u>2,092,500</u>
<u>3,352,500</u>	<u>-</u>	<u>455,000</u>	<u>2,897,500</u>
<u>14,817,500</u>	<u>5,340,000</u>	<u>2,725,000</u>	<u>17,432,500</u>
1,930,000	-	1,175,000	755,000
<u>1,930,000</u>	<u>-</u>	<u>1,175,000</u>	<u>755,000</u>
2,540,000	-	220,000	2,320,000
<u>2,092,500</u>	<u>-</u>	<u>150,000</u>	<u>1,942,500</u>
<u>4,632,500</u>	<u>-</u>	<u>370,000</u>	<u>4,262,500</u>
<u>6,562,500</u>	<u>-</u>	<u>1,545,000</u>	<u>5,017,500</u>
\$ <u>21,380,000</u>	\$ <u>5,340,000</u>	\$ <u>4,270,000</u>	\$ <u>22,450,000</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 4: MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI)

Plan Description – MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City of Ottumwa, Iowa are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at www.mfprsi.org.

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member's highest 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66 percent of the member's average final compensation. Additional benefits are available to members who perform more than 22 years of service (2 percent for each additional year of service, up to a maximum of 8 years). Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50 percent surviving spouse benefit.

Active members, at least 55 years of age, with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4, or 5 year DROP period. By electing to participate in DROP the member is signing a contract indicating the member will retire at the end of the selected DROP period. During the DROP period the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

Disability and Death Benefits – Disability coverage is broken down into two types, accidental and ordinary. Accidental disability is defined as permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60 percent of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50 percent of the member's average final compensation, for those with 5 or more years of service, or the member's service retirement benefit calculation amount, and 25 percent of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50 percent of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40 percent of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50 percent of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

Benefits are increased (escalated) annually in accordance with Chapter 411.6 of the Code of Iowa which states a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 4: MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI) (Continued)

Contributions – Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa as modified by act of the 1994 General Assembly, to establish compliance with the Federal Older Workers Benefit Protections Act, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2015. Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1 percent of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa the employer's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 30.41% for the year ended June 30, 2015.

The City's contributions to MFPRSI for the year ended June 30, 2015 was \$1,163,733.

If approved by the state legislature, state appropriation may further reduce the employer's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa therefore is considered to be a nonemployer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67 – Financial Reporting for Pension Plans, (GASB 67).

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2014.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City reported a liability of \$5,377,325 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. At June 30, 2014, the City's proportion was 1.4834071% which was a decrease of .0017950% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$444,551. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 15,219
Changes of assumptions	397,438	-
Net difference between projected and actual earnings on pension plan investments	-	2,527,732
Changes in proportion and differences between City contributions and proportionate share of contributions	(8,169)	-
City contributions subsequent to the measurement date	<u>1,163,733</u>	<u>-</u>
Total	\$ <u>1,553,002</u>	\$ <u>2,542,951</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 4: MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI) (Continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – (Continued)

\$1,163,733 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30,</u>	<u>Total</u>
2016	\$ (551,114)
2017	(551,114)
2018	(551,114)
2019	(551,113)
2020	<u>50,773</u>
	\$ <u>(2,153,682)</u>

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

Mortality rates were based weighting equal to 2/12 of the 1971 GAM table and 10/12 of the 1994 GAM table with no projection of future mortality improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (i.e., expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 4: MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI) (Continued)

Actuarial Assumptions – (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
Core Plus Fixed Income	7.0	%	3.8	%
Emerging Markets Debt	3.0		6.5	
Domestic Equities	12.5		6.0	
Master Limited Partnerships (MLP)	5.0		8.5	
International Equities	<u>12.5</u>		7.0	
Core Investments		40.0		
Tactical Asset Allocation		35.0	6.0	
Private Equity		15.0	9.8	
Private Non-Core Real Estate	5.0		9.3	
Private Core Real Estate	<u>5.0</u>		6.8	
Real Estate		<u>10.0</u>		
Total		<u>100.0</u>		

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at 9.40% of covered payroll and the City contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent lower (6.50 percent) or 1-percent higher (8.5 percent) than the current rate.

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
City's proportionate share of the net pension liability:	\$ 10,310,589	\$ 5,377,325	\$ 1,278,226

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI's website at www.mfprsi.org.

Payables to the Pension Plan – At June 30, 2015, the City reported payables to the defined benefit pension plan of \$89,432 for legally required employer contributions and \$27,644 for legally required employee contributions which had been withheld from employee wages but not yet remitted to MFPRSI.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 5: IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of the date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age which is generally at age 55. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

At June 30, 2015, the City had no protection occupation members.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 5: IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS) (Continued)

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for the total rate of 14.88 percent.

The City's total contributions to IPERS for the year ended June 30, 2015 were \$553,872.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City reported a liability of \$3,929,225 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's collective proportion was .0970878 percent, which was a decrease of .0042927 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City recognized pension expense of \$247,924. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 42,703	\$ -
Changes of assumptions	173,406	-
Net difference between projected and actual earnings on pension plan investments	-	1,498,494
Changes in proportion and differences between City contributions and proportionate share of contributions	(197,548)	-
City contributions subsequent to the measurement date	<u>553,872</u>	<u>-</u>
Total	\$ <u>572,433</u>	\$ <u>1,498,494</u>

\$553,872 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 5: IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS) (Continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – (Continued)

<u>Year Ended</u> <u>June 30,</u>	<u>Total</u>
2016	\$ (370,287)
2017	(370,287)
2018	(370,286)
2019	(370,286)
2020	1,213
	\$ <u>(1,479,933)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23 %	6.31 %
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(.69)
Total	<u>100</u>	

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 5: IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS) (Continued)

Discount Rate – The discount rate used to measure pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability:	\$ <u>7,424,161</u>	\$ <u>3,929,225</u>	\$ <u>979,138</u>

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2015, the City reported payables to the defined benefit pension plan of \$43,638 for legally required employer contributions and \$29,189 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTE 6: OTHER EMPLOYEE BENEFITS

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.

<u>Business Type Funds</u>	<u>Vacation</u>	<u>Due Within One Year</u>
<u>Enterprise Funds:</u>		
Solid waste	\$ 43,556	\$ 43,556
Sewer utility	72,270	72,270
Transit	<u>22,020</u>	<u>22,020</u>
Total Enterprise Funds	<u>137,846</u>	<u>137,846</u>
<u>Governmental Funds</u>		
<u>Special Revenue Funds:</u>		
Airport	9,845	9,845
Library	24,246	24,246
Cemetery	7,034	7,034
State road use tax	<u>59,015</u>	<u>59,015</u>
Total Special Revenue Funds	100,140	100,140
<u>General</u>	<u>646,590</u>	<u>535,993</u>
Total Governmental Funds	<u>746,730</u>	<u>636,133</u>
Total – All funds	\$ <u>884,576</u>	\$ <u>773,979</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The City operates a single-employer health care plan which provides health, dental and life benefits to retirees and their spouses participating until death with surviving spouse benefits. There are 27 active and 124 retired members in the plan. The plan does not issue a stand alone financial report nor is it included in the report of another entity.

All employees hired before February 22, 1993 with twenty years of service are eligible for post-retirement benefits.

Required monthly contributions vary and are a percentage of total cost. GASB requires estimated retiree costs to be based on experience taking the older ages into account. The excess of expected age adjusted (or actual) costs over retiree contributions equals the implicit subsidy that forms the baseline cost for the valuation.

Health benefits for active employees and retirees under 65 and dental are self-funded but administered by Wellmark. For persons over 65 a Medicare supplemental plan is purchased and prescription drug coverage is the same for active employees and under 65 retirees.

Life insurance for retirees is \$4,000 with no additional reductions. Retirees do not contribute for this coverage.

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

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2015. the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$	643,031
Interest on net OPEB obligation		68,346
Adjustment to annual required contribution		<u>(95,011)</u>
Annual OPEB cost		616,366
Contributions made		<u>(581,005)</u>
Increase in net OPEB cost		35,361
Net OPEB obligation beginning of year		<u>1,708,657</u>
Net OPEB obligation end of year	\$	<u>1,744,018</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the City contributed \$581,005 to the plan.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ <u>704,158</u>	86.7 %	\$ <u>1,604,309</u>
June 30, 2014	\$ <u>757,674</u>	86.2 %	\$ <u>1,708,657</u>
June 30, 2015	\$ <u>616,366</u>	94.3 %	\$ <u>1,744,018</u>

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$9,991,253 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,991,253. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,536,000 and the ratio of the UAAL to covered payroll was 550.5%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2014 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0% discount rate based on the City's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced 0.61% each year until reaching the 4.5% ultimate trend rate. An inflation rate of 0% is assumed for purpose of this computation.

Mortality rates are from the RP2000 Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the City's past experience. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 8: OTHER NOTES PAYABLE

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay the various sewer revenue notes described below. These notes are payable solely from wastewater customer net revenues and are payable through 2041. Annual principal and interest payments on these notes are expected to require less than 90% of net revenues. The total principal and interest remaining to be paid on the notes is \$17,161,974 for the current year, principal and interest paid and total customer net revenues (operating income plus depreciation/amortization expense) were \$1,380,984 and \$3,328,784, respectively.

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 8: OTHER NOTES PAYABLE (Continued)

The resolution providing for the issuance of the revenue notes includes the following provisions:

- a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to a revenue note retirement account for the purpose of making the note principal and interest payments when due.
- c) Additionally, monthly transfers of \$41,667 to separate wastewater improvement and replacement accounts shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.
- d) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

During the year ended June 30, 2015, the City was in compliance with the revenue note provisions.

Details of revenue notes payable at June 30, 2015 are as follows:

Business type activities:

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 (Waste water plant improvements). The note calls for annual payments beginning June 1, 2010, with interest due semi-annually calculated at 3.00% with final maturity date of June 1, 2039.

During the year ended June 30, 2009, 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. The note calls for annual payments beginning June 1, 2013, with interest due semi-annually calculated at 1.75% with final maturity date June 1, 2019.

During the year ended June 30, 2010, the City entered into an agreement with Iowa Finance Authority to borrow up to \$5,426,000 with the issuance of a Sewer Revenue Capital Loan Note (Phase 3 construction). The note calls for annual principal payments beginning on June 1, 2011, with interest due semi-annually at the rate of 3.00% with a final maturity date of June 1, 2041.

During the year ended June 30, 2012, the City entered into an agreement with various financial institutions in connection with the issuance of a Sewer Revenue refunding Capital Loan note to borrow up to \$4,273,000 for the purposes of refunding of the notes related to the Phase 1, Phase 2 and Phase 3 sewer separation project. The note calls for annual payments beginning June 1, 2012, with interest due semi-annually at the rate of 1.34%, with final maturity on June 1, 2016.

During the year ended June 30, 2015, the City entered into an agreement with Iowa Finance Authority to borrow up to \$4,800,000 in connection with the issuance of a Sewer Revenue Capital Loan Note (Phase 5 – division 2). Up to \$1,440,000 of this is forgivable upon meeting certain conditions as determined by the loan documents. As of June 30, 2015, the City had not yet met these conditions. The note calls for annual payments beginning June 1, 2015, with interest due semi-annually calculated at 1.75% with final maturity on June 1, 2034. Proceeds received during fiscal year 2015 were \$3,830,836.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 8: OTHER NOTES PAYABLE (Continued)

Business type activities: (Continued)

The following is a summary of note transactions for the year ended June 30, 2015:

<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>						
<u>Sewer Utility:</u>						
Waste water plant improvements	3.00%	\$ 3,021,000	\$ -	\$ 83,000	\$ 2,938,000	\$ 98,183
North side study	1.75%	464,000	-	90,000	374,000	8,120
Phase 3 – construction	3.00%	5,423,000	-	1,000	5,422,000	176,248
Construction refinance	1.34%	1,145,000	-	741,000	404,000	15,323
Phase 5 – division 2	1.75%	-	<u>3,830,836</u>	<u>138,000</u>	<u>3,692,836</u>	<u>30,110</u>
Total enterprise funds		\$ <u>10,053,000</u>	\$ <u>3,830,836</u>	\$ <u>1,053,000</u>	\$ <u>12,830,836</u>	\$ <u>327,984</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,327,836	\$ 320,083	\$ 1,647,919
2017	465,000	303,041	768,041
2018	477,000	292,052	769,052
2019	489,000	280,755	769,755
2020	403,000	269,160	672,160
2021 – 2025	2,186,000	1,187,106	3,373,106
2026 – 2030	2,501,000	893,603	3,394,603
2031 – 2035	2,659,000	555,418	3,214,418
2036 – 2040	2,021,000	220,860	2,241,860
2041	<u>302,000</u>	<u>9,060</u>	<u>311,060</u>
Total	\$ <u>12,830,836</u>	\$ <u>4,331,138</u>	\$ <u>17,161,974</u>

NOTE 9: CONSTRUCTION CONTRACT COMMITMENTS

Prior to June 30, 2015 the City had signed several construction contracts that are summarized below:

Total commitments	\$ 44,418,499
Less amounts paid or accrued	<u>29,900,125</u>
Remaining commitments	\$ <u>14,518,374</u>

A significant portion of these commitments are for street, sewer and airport projects and are financed by general obligation bonds and grants. The remaining balance at June 30, 2015 will be paid as work on the projects progress.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 10: INTERNAL SERVICE FUNDS NET POSITION

The following is a summary of the changes in the internal service funds net position for the year ended June 30, 2015:

	<u>Equipment Purchasing</u>	<u>Employee Insurance</u>	<u>Total</u>
Net position - Beginning of year	\$ 887,376	\$ 1,806,743	\$ 2,694,119
Change in net position	<u>16,341</u>	<u>279,787</u>	<u>296,128</u>
Net position - End of year	\$ <u>903,717</u>	\$ <u>2,086,530</u>	\$ <u>2,990,247</u>

NOTE 11: DONOR RESTRICTED ENDOWMENTS

The City has received certain endowments for the maintenance of the Ottumwa Cemetery. The amount is reflected in net position as restricted for permanent funds. Investment income (including appreciation) is approved for expenditure by its individual Board. At June 30, 2015, net appreciation of \$29,112 was available to be spent, of which \$29,112 is restricted to specific purposes.

NOTE 12: RESERVED NET POSITION

Reserved net position for the business type activities consisted of the following at June 30, 2015:

<u>Fund</u>	<u>Description</u>	<u>Total</u>
Sewer Sinking	Debt service	\$ <u>95,000</u>

NOTE 13: 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 \$3,669,630 reported as landfill closure and post closure care liability at June 30, 2015, represents the cumulative amount reported to date based on the use of 95% of the estimated capacity of the cell the City is currently using (which was recently expanded). 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, 2014	\$ 1,984,014	\$ 1,556,971	\$ 3,540,985
Fiscal year 2014 costs adjusted	<u>16,470</u>	<u>112,175</u>	<u>128,645</u>
Balance, June 30, 2015	\$ <u>2,000,484</u>	\$ <u>1,669,146</u>	\$ <u>3,669,630</u>

The City currently has funded \$688,047 for post closure and \$271,576 for closure cost. The unfunded portion of the closure and post closure liability of \$2,710,007 is provided by the City in the form of a local government guarantee.

NOTE 14: RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$3,981 during the year ended June 30, 2015.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 15: 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 727 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 at a level determined by the Board not to exceed 300% of basis rate.

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, claims, claims expenses and reinsurance premiums, 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.

The City's property and casualty contributions to the risk pool are recorded as expenditures 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, 2015 were \$398,625.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event that a casualty claim, property loss or series of claims or losses exhausts total Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the City's financial statements. As of June 30, 2015, 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 casualty 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. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and 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.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 16: 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, 2015</u>	<u>June 30, 2014</u>
Liability - Beginning of year	\$ 421,342	\$ 634,711
Payments and accruals	(3,232,543)	(3,300,199)
Estimated claims incurred	<u>3,289,168</u>	<u>3,086,830</u>
Liability – End of year	\$ <u>477,967</u>	\$ <u>421,342</u>

The above liabilities are included in accounts payable on the statement of net position.

CITY OF OTTUMWA, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 17: SEWER UTILITY FUND

The combining statement of net position for the Sewer Utility Fund as of June 30, 2015 is as follows:

	<u>Sewer Utility</u>	<u>Sewer Sinking</u>	<u>Sewer Improvement</u>	<u>Sewer Construction</u>	<u>Total</u>
<u>Assets</u>					
Cash, cash equivalents and pooled investments \$	2,077,448	\$ 95,000	\$ 1,860,000	\$ 1,877,121	\$ 5,909,569
Other assets	<u>61,501,407</u>	-	-	<u>5,333,654</u>	<u>66,835,061</u>
Total assets	<u>63,578,855</u>	<u>95,000</u>	<u>1,860,000</u>	<u>7,210,775</u>	<u>72,744,630</u>
<u>Deferred outflows of resources</u>	<u>104,126</u>	-	-	-	<u>104,126</u>
<u>Liabilities</u>	<u>19,238,063</u>	-	-	<u>5,774,167</u>	<u>25,012,230</u>
<u>Deferred inflows of resources</u>	<u>272,576</u>	-	-	-	<u>272,576</u>
<u>Net position:</u>					
Net investment in capital assets	43,245,040	-	-	-	43,245,040
Retained earnings:					
Restricted:					
Debt service	-	95,000	-	-	95,000
Unrestricted	<u>927,302</u>	-	<u>1,860,000</u>	<u>1,436,608</u>	<u>4,223,910</u>
Total net position	<u>\$ 44,172,342</u>	<u>\$ 95,000</u>	<u>\$ 1,860,000</u>	<u>\$ 1,436,608</u>	<u>\$ 47,563,950</u>

The combining statement of revenues, expenses and changes in fund net position for the Sewer Utility Fund for the year ended June 30, 2015 is as follows:

	<u>Sewer Utility</u>	<u>Sewer Sinking</u>	<u>Sewer Improvement</u>	<u>Sewer Construction</u>	<u>Total</u>
Operating revenues	\$ 6,492,926	\$ -	\$ -	\$ -	\$ 6,492,926
Operating expenses	<u>5,927,443</u>	-	-	-	<u>5,927,443</u>
Operating income	565,483	-	-	-	565,483
Nonoperating revenue (expense), net	<u>(191,964)</u>	-	-	-	<u>(191,964)</u>
Income before capital contributions and grants and transfers	373,519	-	-	-	373,519
Capital contributions and grants	10,630,078	-	-	-	10,630,078
Transfers in	7,153,862	1,452,000	500,000	715,896	9,821,758
Transfers out	<u>(2,241,653)</u>	<u>(1,452,000)</u>	-	<u>(3,465,505)</u>	<u>(7,159,158)</u>
	<u>15,542,287</u>	-	<u>500,000</u>	<u>(2,749,609)</u>	<u>13,292,678</u>
Change in net position	15,915,806	-	500,000	(2,749,609)	13,666,197
Net position - Beginning of year, as restated	<u>28,256,536</u>	<u>95,000</u>	<u>1,360,000</u>	<u>4,186,217</u>	<u>33,897,753</u>
Net position - End of year	<u>\$ 44,172,342</u>	<u>\$ 95,000</u>	<u>\$ 1,860,000</u>	<u>\$ 1,436,608</u>	<u>\$ 47,563,950</u>

Schedule of sewer rates/Customer census

Rate of Usage:	<u>Fiscal year 2015</u>
Base charge	\$14.50
Each 100 cubic foot unit	\$4.75

The Sewer Funds had 9,665 meters in service at June 30, 2015.

CITY OF OTTUMWA, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 18: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Internal Service	\$ 162,414
	Special Revenue:	
	Employee Benefits	3,358,740
	Non-major Governmental Funds	180,613
		<u>3,701,767</u>
Special Revenue:		
State Road Use Tax Fund	Internal Service	292,545
	Special Revenue:	
	Local Option Sales Tax	331,170
	Employee Benefits	539,486
		<u>1,163,201</u>
Capital Projects:	Special Revenue:	
Street Projects	Local Option Sales Tax	587,000
	Employee Benefits	64,843
		<u>651,843</u>
Debt Service	Proprietary:	
	Sewer Utility	289,653
	Non-major Governmental Funds	642,750
		<u>932,403</u>
Non-major Governmental Funds	General	149,340
	Special Revenue:	
	Employee Benefits	791,991
	Debt Service	75,000
	Non-major Governmental Funds	28,272
		<u>1,044,603</u>
Proprietary:	Special Revenue:	
Sewer Utility	Local Option Sales Tax	1,582,253
	Debt Service	1,370,000
	Proprietary:	
	Sewer Utility	6,869,505
		<u>9,821,758</u>
Events Center	General	<u>258,697</u>
Internal Service	General	200,400
	Special Revenue:	
	State Road Use Tax	260,900
	Non-major Governmental Funds	10,000
		<u>471,300</u>
Total		<u>\$ 18,045,572</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
JUNE 30, 2015

NOTE 19: DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue:	
	Emergency	\$ 3,742
	Tax Increment Financing	<u>223,960</u>
		\$ <u>227,702</u>

This balance results from an interfund loans to finance projects. Repayments will be made from future revenues.

NOTE 20: DEFICIT BALANCES

The Tax Increment Financing special revenue fund had deficit balance of \$216,297 at June 30, 2015. This deficit is a result of ongoing economic development projects, which will be eliminated by a variety of sources including property taxes, intergovernmental funds, donations, and funds on hand.

NOTE 21: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2014 have been reclassified to conform with the June 30, 2015 presentation.

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 22: FUND BALANCE REPORTING

The detail of the City's governmental funds modified accrual basis fund balances at June 30, 2015, is as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Permanent Funds</u>	<u>Total</u>
Nonspendable:						
Inventory	\$ 3,208	\$ -	\$ -	\$ 52,898	\$ -	\$ 56,106
Insurance	-	-	-	245,847	-	245,847
Cemetery perpetual care	-	-	-	-	699,386	699,386
Cemetery memorial	-	-	-	-	100,389	100,389
Total nonspendable	<u>3,208</u>	<u>-</u>	<u>-</u>	<u>298,745</u>	<u>799,775</u>	<u>1,101,728</u>
Restricted for:						
Debt service	-	1,559,589	-	-	-	1,559,589
Road improvements	-	-	-	3,060,477	-	3,060,477
Local option sales tax	-	-	-	3,031,938	-	3,031,938
Employee benefits	-	-	-	820,971	-	820,971
Airport	-	-	-	293,143	-	293,143
Library/Library bequest	-	-	-	590,142	-	590,142
Cemetery	-	-	-	98,675	-	98,675
Block grants	-	-	-	53,002	-	53,002
Risk management	-	-	-	835,232	-	835,232
Fire	-	-	-	27,057	-	27,057
Retiree health insurance	-	-	-	1,561,796	-	1,561,796
Parks	-	-	-	182,241	-	182,241
Police	-	-	-	72,795	-	72,795
Historic preservation	-	-	-	4,060	-	4,060
Sidewalks	-	-	360,749	-	-	360,749
Airport projects	-	-	322,073	-	-	322,073
Street projects	-	-	3,153,680	-	-	3,153,680
Park projects	-	-	321,605	-	-	321,605
Other bond projects	-	-	1,020,209	-	-	1,020,209
Levee repairs	-	-	51,493	-	-	51,493
Cemetery perpetual care	-	-	-	-	63	63
Cemetery memorial	-	-	-	-	29,112	29,112
Total restricted	<u>-</u>	<u>1,559,589</u>	<u>5,229,809</u>	<u>10,631,529</u>	<u>29,175</u>	<u>17,450,102</u>
Unassigned	<u>3,293,382</u>	<u>-</u>	<u>-</u>	<u>(216,297)</u>	<u>-</u>	<u>3,077,085</u>
Total fund balances	\$ <u>3,296,590</u>	\$ <u>1,559,589</u>	\$ <u>5,229,809</u>	\$ <u>10,713,977</u>	\$ <u>828,950</u>	\$ <u>21,628,915</u>

CITY OF OTTUMWA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 23: ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities and business type activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities			Total
		Solid Waste	Sewer	Transit	
Net position June 30, 2014, as previously reported	\$ 57,371,984	\$ 2,531,887	\$ 34,836,582	\$ 1,382,878	\$ 38,751,347
Net pension liability at June 30, 2014	(12,018,835)	(427,643)	(1,044,137)	(477,008)	(1,948,788)
Deferred outflows of resources related to prior year contributions made after the June 30, 2013 measurement date	<u>1,523,386</u>	<u>43,131</u>	<u>105,308</u>	<u>48,110</u>	<u>196,549</u>
Net position July 1, 2014, as restated	\$ <u>46,876,535</u>	\$ <u>2,147,375</u>	\$ <u>33,897,753</u>	\$ <u>953,980</u>	\$ <u>36,999,108</u>

NOTE 24: SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 3, 2015, the date the financial statements were available to be issued.

CITY OF OTTUMWA, IOWA

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OTTUMWA, IOWA

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS) -
GOVERNMENTAL AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2015

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
<u>REVENUES:</u>			
Property tax	\$ 13,303,693	\$ 439,810	\$ 13,743,503
Other city tax	4,398,584	-	4,398,584
Licenses and permits	291,651	-	291,651
Intergovernmental	4,783,158	11,365,569	16,148,727
Use of money and property	641,692	91,296	732,988
Charges for service	4,527,537	8,827,753	13,355,290
Other fines	286,308	-	286,308
Miscellaneous	1,449,988	828,019	2,278,007
Total revenues	<u>29,682,611</u>	<u>21,552,447</u>	<u>51,235,058</u>
<u>EXPENSES:</u>			
Current:			
Public safety	8,809,793	-	8,809,793
Public works	6,914,558	-	6,914,558
Health and social services	780,224	-	780,224
Culture and recreation	2,593,919	-	2,593,919
Community and economic development	1,847,293	-	1,847,293
General government	2,655,583	-	2,655,583
Capital projects	7,238,304	20,369,287	27,607,591
Debt service	3,280,356	-	3,280,356
Business-type activities	-	10,242,433	10,242,433
Total expenses	<u>34,120,030</u>	<u>30,611,720</u>	<u>64,731,750</u>
Deficiency of revenues under expenses	<u>(4,437,419)</u>	<u>(9,059,273)</u>	<u>(13,496,692)</u>
Other financing sources (uses), net	<u>2,517,706</u>	<u>6,752,133</u>	<u>9,269,839</u>
Deficiency of receipts and other financing sources under disbursements and other financing uses	(1,919,713)	(2,307,140)	(4,226,853)
Fund balance - Beginning of year, as restated	<u>23,548,628</u>	<u>7,513,086</u>	<u>31,061,714</u>
Fund balance - End of year	\$ <u>21,628,915</u>	\$ <u>5,205,946</u>	\$ <u>26,834,861</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>
\$ 12,319,373	\$ 12,319,373	\$ 1,424,130
5,151,182	5,231,182	(832,598)
262,059	262,059	29,592
12,673,174	16,425,879	(277,152)
609,513	636,829	96,159
17,403,454	17,443,454	(4,088,164)
49,000	49,000	237,308
930,258	3,341,252	(1,063,245)
<u>49,398,013</u>	<u>55,709,028</u>	<u>(4,473,970)</u>
7,644,324	9,059,176	249,383
7,180,962	7,469,311	554,753
717,966	785,926	5,702
2,458,743	2,754,047	160,128
1,245,803	1,575,390	(271,903)
2,751,229	2,769,762	114,179
22,518,020	27,770,351	162,760
4,565,639	4,774,132	1,493,776
<u>13,870,853</u>	<u>14,911,360</u>	<u>4,668,927</u>
<u>62,953,539</u>	<u>71,869,455</u>	<u>7,137,705</u>
<u>(13,555,526)</u>	<u>(16,160,427)</u>	<u>2,663,735</u>
<u>225,000</u>	<u>10,694,500</u>	<u>(1,424,661)</u>
(13,330,526)	(5,465,927)	1,239,074
<u>36,691,965</u>	<u>36,691,965</u>	<u>(5,630,251)</u>
\$ <u>23,361,439</u>	\$ <u>31,226,038</u>	\$ <u>(4,391,177)</u>

CITY OF OTTUMWA, IOWA

BUDGET TO GAAP RECONCILIATION/
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2015

	<u>Proprietary Funds</u>		
	<u>Budget Basis</u>	<u>Budget Adjustments</u>	<u>GAAP Basis</u>
Revenues	\$ 21,552,447	\$ 10,686,972	\$ 10,865,475
Expenditures/expenses	<u>30,611,720</u>	<u>(19,139,654)</u>	<u>11,472,066</u>
Net	(9,059,273)	(8,452,682)	(606,591)
Other financing sources (uses), net	6,752,133	(6,856,136)	13,608,269
Beginning net position, as restated	<u>7,513,086</u>	<u>(49,673,787)</u>	<u>57,186,873</u>
Ending net position	\$ <u>5,205,946</u>	\$ <u>(64,982,605)</u>	\$ <u>70,188,551</u>

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, except the Internal Service Funds, as prescribed by Iowa statutes. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the modified accrual basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Project Funds, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, one budget amendment increased budgeted disbursements by \$8,915,916. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements in the community and economic development function exceeded the amount budgeted.

CITY OF OTTUMWA, IOWA

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA
LAST FISCAL YEAR*

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>
City's proportion of the net pension liability	1.4834071 %
City's proportionate share of the net pension liability	\$ 5,377,325
City's covered-employee payroll	\$ 3,788,177
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	141.95 %
Plan fiduciary net position as a percentage of the total pension liability	86.27 %

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in the table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF OTTUMWA, IOWA

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR*

OTHER INFORMATION

	<u>2015</u>
City's proportion of the net pension liability	0.0990751 %
City's proportionate share of the net pension liability	\$ 3,929,225
City's covered-employee payroll	\$ 6,508,707
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.37 %
Plan fiduciary net position as a percentage of the total pension liability	87.61 %

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in the table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF OTTUMWA, IOWA

CITY OF OTTUMWA, IOWA

SCHEDULE OF CITY'S CONTRIBUTIONS
MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA
LAST 10 FISCAL YEARS
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 1,164	\$ 1,141	\$ 970
Contributions in relation to the statutorily required contribution	<u>(1,164)</u>	<u>(1,141)</u>	<u>(970)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City's covered-employee payroll	\$ 3,827	\$ 3,788	\$ 3,715
Contributions as a percentage of covered-employee payroll	30.41 %	30.12 %	26.12 %

* State mandated minimum contribution rate.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 897	\$ 701	\$ 584	\$ 626	\$ 1,086	\$ 833	\$ 829
<u>(897)</u>	<u>(701)</u>	<u>(584)</u>	<u>(626)</u>	<u>(1,086)</u>	<u>(833)</u>	<u>(829)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 3,622	\$ 3,523	\$ 3,434	\$ 3,336	\$ 4,263	\$ 3,003	\$ 2,938
24.76 %	19.90 %	* 17.00 %	18.75 %	25.48 %	27.75 %	28.21 %

CITY OF OTTUMWA, IOWA

SCHEDULE OF CITY'S CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 554	\$ 579	\$ 568
Contributions in relation to the statutorily required contribution	<u>(554)</u>	<u>(579)</u>	<u>(568)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City's covered-employee payroll	\$ 6,204	\$ 6,509	\$ 6,555
Contributions as a percentage of covered-employee payroll	8.93 %	8.90 %	8.67 %

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$	528	\$ 470	\$ 432	\$ 406	\$ 380	\$ 354	\$ 340
	<u>(528)</u>	<u>(470)</u>	<u>(432)</u>	<u>(406)</u>	<u>(380)</u>	<u>(354)</u>	<u>(340)</u>
\$	<u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$	6,537	\$ 6,760	\$ 6,496	\$ 6,394	\$ 6,279	\$ 6,157	\$ 5,910
	8.07 %	6.95 %	6.65 %	6.35 %	6.05 %	5.75 %	5.75 %

CITY OF OTTUMWA, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – MFPRSI PENSION LIABILITY

YEAR END JUNE 30, 2015

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

Effective July 1, 2014, two additional steps to phase in the 1994 Group Annuity Mortality Table for post-retirement mortality. The two additional steps result in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Mortality Table.

CITY OF OTTUMWA, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – IPERS PENSION LIABILITY

YEAR END JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

CITY OF OTTUMWA, IOWA

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2010	July 1, 2008	\$ <u>-</u>	\$ <u>14,363,186</u>	\$ <u>14,363,186</u>	0.00%	\$ <u>2,600,000</u>	452.4%
2011	July 1, 2010	\$ <u>-</u>	\$ <u>10,317,230</u>	\$ <u>10,317,230</u>	0.00%	\$ <u>2,297,000</u>	349.1%
2012	July 1, 2010	\$ <u>-</u>	\$ <u>10,317,230</u>	\$ <u>10,317,230</u>	0.00%	\$ <u>1,941,000</u>	431.5%
2013	July 1, 2012	\$ <u>-</u>	\$ <u>10,792,527</u>	\$ <u>10,792,527</u>	0.00%	\$ <u>1,882,000</u>	473.5%
2014	July 1, 2012	\$ <u>-</u>	\$ <u>10,792,527</u>	\$ <u>10,792,527</u>	0.00%	\$ <u>1,825,000</u>	491.4%
2015	July 1, 2014	\$ <u>-</u>	\$ <u>9,991,253</u>	\$ <u>9,991,253</u>	0.00%	\$ <u>1,536,000</u>	550.5%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

CITY OF OTTUMWA, IOWA

Schedule 1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

<u>ASSETS</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Cash, cash equivalents and pooled investments	\$ 3,617,632	\$ 2,503,238	\$ 829,728	\$ 6,950,598
Receivables:				
Property taxes:				
Delinquent	23,174	-	-	23,174
Succeeding year	1,011,495	-	-	1,011,495
Tax increment financing:				
Delinquent	3,732	-	-	3,732
Succeeding year	864,506	-	-	864,506
Accounts	179,840	266,480	-	446,320
Due from other governments	117,882	1,035	-	118,917
Inventory	23,386	-	-	23,386
Prepaid insurance	245,847	-	-	245,847
Deposit	25,000	-	-	25,000
	<u>6,112,494</u>	<u>2,770,753</u>	<u>829,728</u>	<u>9,712,975</u>
TOTAL ASSETS	\$	\$	\$	\$
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 186,915	\$ 431,894	\$ 778	\$ 619,587
Wages and benefits payable	38,300	-	-	38,300
Unearned revenue	12,497	262,730	-	275,227
Due to other funds	227,702	-	-	227,702
	<u>465,414</u>	<u>694,624</u>	<u>778</u>	<u>1,160,816</u>
TOTAL LIABILITIES				
 <u>DEFERRED INFLOWS OF RESOURCES:</u>				
<u>Unavailable revenues:</u>				
Succeeding year property tax	1,011,495	-	-	1,011,495
Tax increment financing	864,506	-	-	864,506
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,876,001</u>	<u>-</u>	<u>-</u>	<u>1,876,001</u>
 <u>FUND BALANCES:</u>				
Nonspendable	269,233	-	799,775	1,069,008
Restricted	3,718,143	2,076,129	29,175	5,823,447
Unassigned	(216,297)	-	-	(216,297)
	<u>3,771,079</u>	<u>2,076,129</u>	<u>828,950</u>	<u>6,676,158</u>
TOTAL FUND BALANCES				
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>6,112,494</u>	\$ <u>2,770,753</u>	\$ <u>829,728</u>	\$ <u>9,712,975</u>

See Accompanying Independent Auditor's Report

CITY OF OTTUMWA, IOWA

Schedule 2

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN
FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
<u>REVENUES:</u>				
Property tax	\$ 1,768,755	\$ -	\$ -	\$ 1,768,755
Intergovernmental	734,498	165,872	-	900,370
Use of money and property	454,014	2,743	7,301	464,058
Charges for service	510,871	125	9,598	520,594
Miscellaneous	<u>962,093</u>	<u>81,760</u>	-	<u>1,043,853</u>
Total revenues	<u>4,430,231</u>	<u>250,500</u>	<u>16,899</u>	<u>4,697,630</u>
<u>EXPENDITURES:</u>				
Operating:				
Public safety	129,122	1,152,468	-	1,281,590
Public works	986,419	-	-	986,419
Health and social services	-	176,036	-	176,036
Culture and recreation	1,223,475	45,618	-	1,269,093
Community and economic development	1,273,396	109,214	-	1,382,610
General government	1,489,912	-	-	1,489,912
Capital projects	-	<u>957,971</u>	-	<u>957,971</u>
Total expenditures	<u>5,102,324</u>	<u>2,441,307</u>	-	<u>7,543,631</u>
Excess (deficiency) of revenues over (under) expenditures	(672,093)	(2,190,807)	16,899	(2,846,001)
Other financing sources (uses):				
Transfers in	969,603	75,000	-	1,044,603
Transfers out	(852,003)	-	(9,632)	(861,635)
General obligation bonds issued	<u>25,000</u>	<u>1,844,500</u>	-	<u>1,869,500</u>
Total other financing sources (uses)	<u>142,600</u>	<u>1,919,500</u>	<u>(9,632)</u>	<u>2,052,468</u>
Net change in fund balances	(529,493)	(271,307)	7,267	(793,533)
Fund balance - Beginning of year	<u>4,300,572</u>	<u>2,347,436</u>	<u>821,683</u>	<u>7,469,691</u>
Fund balance - End of year	\$ <u>3,771,079</u>	\$ <u>2,076,129</u>	\$ <u>828,950</u>	\$ <u>6,676,158</u>

See Accompanying Independent Auditor's Report

CITY OF OTTUMWA, IOWA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2015

<u>ASSETS</u>	<u>Airport</u>	<u>Emergency</u>	<u>Library</u>	<u>Cemetery</u>	<u>Block Grants</u>
Cash, cash equivalents and pooled investments	\$ 195,367	\$ -	\$ 436,833	\$ 110,118	\$ -
Receivables:					
Tax increment financing:					
Delinquent	-	3,742	8,593	2,938	-
Succeeding year	-	158,236	379,992	131,314	-
Property taxes:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Accounts	129,721	-	516	131	43,799
Due from other governments	-	-	-	-	87,882
Inventory	23,386	-	-	-	-
Prepaid insurance	15,178	-	3,335	4,535	-
Deposit	-	-	-	-	-
TOTAL ASSETS	\$ 363,652	\$ 161,978	\$ 829,269	\$ 249,036	\$ 131,681
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
LIABILITIES:					
Accounts payable	\$ 25,445	\$ -	\$ 3,470	\$ 7,312	\$ 66,182
Wages and benefits payable	6,500	-	21,800	7,200	-
Unearned revenue	-	-	-	-	12,497
Due to other funds	-	3,742	-	-	-
TOTAL LIABILITIES	31,945	3,742	25,270	14,512	78,679
 <u>DEFERRED INFLOWS OF RESOURCES:</u>					
Unavailable resources:					
Succeeding year property tax	-	158,236	379,992	131,314	-
Tax increment financing	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	158,236	379,992	131,314	-
 <u>FUND BALANCES:</u>					
Nonspendable	38,564	-	3,335	4,535	-
Restricted	293,143	-	420,672	98,675	53,002
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	331,707	-	424,007	103,210	53,002
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 363,652	\$ 161,978	\$ 829,269	\$ 249,036	\$ 131,681

<u>Tax Increment Financing</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>
\$ 3,931	\$ 821,715	\$ 27,057	\$ 1,608,289	\$ 178,988	\$ 158,239	\$ 73,035	\$ 4,060	\$ 3,617,632
-	7,901	-	-	-	-	-	-	23,174
-	341,953	-	-	-	-	-	-	1,011,495
3,732	-	-	-	-	-	-	-	3,732
864,506	-	-	-	-	-	-	-	864,506
-	1,673	-	-	-	4,000	-	-	179,840
-	-	-	-	-	30,000	-	-	117,882
-	-	-	-	-	-	-	-	23,386
-	222,799	-	-	-	-	-	-	245,847
-	25,000	-	-	-	-	-	-	25,000
<u>\$ 872,169</u>	<u>\$ 1,421,041</u>	<u>\$ 27,057</u>	<u>\$ 1,608,289</u>	<u>\$ 178,988</u>	<u>\$ 192,239</u>	<u>\$ 73,035</u>	<u>\$ 4,060</u>	<u>\$ 6,112,494</u>
\$ -	\$ 18,257	\$ -	\$ 46,493	\$ 9,518	\$ 9,998	\$ 240	\$ -	\$ 186,915
-	2,800	-	-	-	-	-	-	38,300
-	-	-	-	-	-	-	-	12,497
<u>223,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>227,702</u>
<u>223,960</u>	<u>21,057</u>	<u>-</u>	<u>46,493</u>	<u>9,518</u>	<u>9,998</u>	<u>240</u>	<u>-</u>	<u>465,414</u>
-	341,953	-	-	-	-	-	-	1,011,495
864,506	-	-	-	-	-	-	-	864,506
<u>864,506</u>	<u>341,953</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,876,001</u>
-	222,799	-	-	-	-	-	-	269,233
-	835,232	27,057	1,561,796	169,470	182,241	72,795	4,060	3,718,143
<u>(216,297)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(216,297)</u>
<u>(216,297)</u>	<u>1,058,031</u>	<u>27,057</u>	<u>1,561,796</u>	<u>169,470</u>	<u>182,241</u>	<u>72,795</u>	<u>4,060</u>	<u>3,771,079</u>
<u>\$ 872,169</u>	<u>\$ 1,421,041</u>	<u>\$ 27,057</u>	<u>\$ 1,608,289</u>	<u>\$ 178,988</u>	<u>\$ 192,239</u>	<u>\$ 73,035</u>	<u>\$ 4,060</u>	<u>\$ 6,112,494</u>

CITY OF OTTUMWA, IOWA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2015

	<u>Airport</u>	<u>Emergency</u>	<u>Library</u>	<u>Cemetery</u>	<u>Block Grants</u>
<u>REVENUES:</u>					
Property tax	\$ -	\$ 167,253	\$ 381,811	\$ 131,314	\$ -
Intergovernmental	76,561	-	34,207	-	623,730
Use of money and property	424,357	-	1,639	15,623	-
Charges for service	-	-	15,900	120,166	-
Miscellaneous	353,726	-	124,503	2,603	53,032
Total revenues	<u>854,644</u>	<u>167,253</u>	<u>558,060</u>	<u>269,706</u>	<u>676,762</u>
<u>EXPENDITURES:</u>					
Operating:					
Public safety	-	-	-	-	-
Public works	986,419	-	-	-	-
Culture and recreation	-	-	772,754	351,048	-
Community and economic development	114,342	-	-	-	1,107,458
General government	-	-	-	-	-
Total expenditures	<u>1,100,761</u>	<u>-</u>	<u>772,754</u>	<u>351,048</u>	<u>1,107,458</u>
Excess (deficiency) of revenues over (under) expenditures	(246,117)	167,253	(214,694)	(81,342)	(430,696)
Other financing sources (uses):					
Transfers in	61,786	-	201,264	72,213	-
Transfers out	-	(167,253)	-	(10,000)	-
General obligation bonds issued	-	-	-	-	25,000
Total other financing sources (uses)	<u>61,786</u>	<u>(167,253)</u>	<u>201,264</u>	<u>62,213</u>	<u>25,000</u>
Net change in fund balances	(184,331)	-	(13,430)	(19,129)	(405,696)
Fund balance - Beginning of year	<u>516,038</u>	<u>-</u>	<u>437,437</u>	<u>122,339</u>	<u>458,698</u>
Fund balance - End of year	\$ <u>331,707</u>	\$ <u>-</u>	\$ <u>424,007</u>	\$ <u>103,210</u>	\$ <u>53,002</u>

<u>Tax Increment Financing</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>
\$ 735,288	\$ 353,089	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,768,755
-	-	-	-	-	-	-	-	734,498
1,147	3,385	100	6,799	416	214	334	-	454,014
-	-	-	374,805	-	-	-	-	510,871
-	1,791	3,091	134,590	138,625	114,442	34,905	785	962,093
<u>736,435</u>	<u>358,265</u>	<u>3,191</u>	<u>516,194</u>	<u>139,041</u>	<u>114,656</u>	<u>35,239</u>	<u>785</u>	<u>4,430,231</u>
-	87,126	600	-	-	-	41,396	-	129,122
-	-	-	-	-	-	-	-	986,419
-	-	-	-	80,773	18,900	-	-	1,223,475
51,596	-	-	-	-	-	-	-	1,273,396
-	352,616	-	1,137,296	-	-	-	-	1,489,912
<u>51,596</u>	<u>439,742</u>	<u>600</u>	<u>1,137,296</u>	<u>80,773</u>	<u>18,900</u>	<u>41,396</u>	<u>-</u>	<u>5,102,324</u>
684,839	(81,477)	2,591	(621,102)	58,268	95,756	(6,157)	785	(672,093)
173	124,167	-	485,000	-	25,000	-	-	969,603
(658,900)	(15,850)	-	-	-	-	-	-	(852,003)
-	-	-	-	-	-	-	-	25,000
<u>(658,727)</u>	<u>108,317</u>	<u>-</u>	<u>485,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>142,600</u>
26,112	26,840	2,591	(136,102)	58,268	120,756	(6,157)	785	(529,493)
(242,409)	1,031,191	24,466	1,697,898	111,202	61,485	78,952	3,275	4,300,572
<u>\$ (216,297)</u>	<u>\$ 1,058,031</u>	<u>\$ 27,057</u>	<u>\$ 1,561,796</u>	<u>\$ 169,470</u>	<u>\$ 182,241</u>	<u>\$ 72,795</u>	<u>\$ 4,060</u>	<u>\$ 3,771,079</u>

CITY OF OTTUMWA, IOWA
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2015

<u>ASSETS</u>	<u>Sidewalks</u>	<u>Airport Projects</u>	<u>Park Projects</u>
Cash, cash equivalents and pooled investments	\$ 355,964	\$ 346,827	\$ 670,729
Receivables:			
Accounts	3,750	-	-
Due from other governments	<u>1,035</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>360,749</u>	\$ <u>346,827</u>	\$ <u>670,729</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Accounts payable	\$ -	\$ 24,754	\$ 349,124
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>24,754</u>	<u>349,124</u>
 <u>FUND BALANCES:</u>			
Restricted	<u>360,749</u>	<u>322,073</u>	<u>321,605</u>
TOTAL FUND BALANCES	<u>360,749</u>	<u>322,073</u>	<u>321,605</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>360,749</u>	\$ <u>346,827</u>	\$ <u>670,729</u>

<u>Other Bond Projects</u>	<u>Levee Repairs</u>	<u>Total</u>
\$ 1,073,803	\$ 55,915	\$ 2,503,238
262,730	-	266,480
-	-	1,035
<u>\$ 1,336,533</u>	<u>\$ 55,915</u>	<u>\$ 2,770,753</u>
\$ 53,594	\$ 4,422	\$ 431,894
262,730	-	262,730
316,324	4,422	694,624
<u>1,020,209</u>	<u>51,493</u>	<u>2,076,129</u>
<u>1,020,209</u>	<u>51,493</u>	<u>2,076,129</u>
<u>\$ 1,336,533</u>	<u>\$ 55,915</u>	<u>\$ 2,770,753</u>

CITY OF OTTUMWA, IOWA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2015

	<u>Sidewalks</u>	<u>Airport Projects</u>	<u>Park Projects</u>
<u>REVENUES:</u>			
Intergovernmental	\$ -	\$ 30,872	\$ 135,000
Use of money and property	714	740	1,201
Charges for service	-	-	-
Miscellaneous	<u>7,698</u>	<u>-</u>	<u>41,931</u>
Total revenues	<u>8,412</u>	<u>31,612</u>	<u>178,132</u>
<u>EXPENDITURES:</u>			
Operating:			
Public safety	-	-	-
Health and social services	-	-	-
Culture and recreation	-	-	-
Community and economic development	-	-	-
Capital projects	<u>82,167</u>	<u>348,781</u>	<u>527,023</u>
Total expenditures	<u>82,167</u>	<u>348,781</u>	<u>527,023</u>
Deficiency of revenues under expenditures	(73,755)	(317,169)	(348,891)
Other financing sources:			
Transfers in	-	-	-
General obligation bonds issued	<u>240,000</u>	<u>247,500</u>	<u>434,000</u>
Total other financing sources	<u>240,000</u>	<u>247,500</u>	<u>434,000</u>
Net change in fund balances	166,245	(69,669)	85,109
Fund balance - Beginning of year	<u>194,504</u>	<u>391,742</u>	<u>236,496</u>
Fund balance - End of year	\$ <u>360,749</u>	\$ <u>322,073</u>	\$ <u>321,605</u>

Other Bond Projects	Levee Repairs	Total
\$ -	\$ -	\$ 165,872
	88	2,743
125		125
<u>32,131</u>	<u>-</u>	<u>81,760</u>
<u>32,256</u>	<u>88</u>	<u>250,500</u>
1,138,449	14,019	1,152,468
176,036		176,036
45,618		45,618
109,214		109,214
<u>-</u>	<u>-</u>	<u>957,971</u>
<u>1,469,317</u>	<u>14,019</u>	<u>2,441,307</u>
(1,437,061)	(13,931)	(2,190,807)
75,000	-	75,000
<u>873,000</u>	<u>50,000</u>	<u>1,844,500</u>
<u>948,000</u>	<u>50,000</u>	<u>1,919,500</u>
(489,061)	36,069	(271,307)
<u>1,509,270</u>	<u>15,424</u>	<u>2,347,436</u>
\$ <u>1,020,209</u>	\$ <u>51,493</u>	\$ <u>2,076,129</u>

CITY OF OTTUMWA, IOWA

Schedule 7

COMBINING BALANCE SHEET
NONMAJOR PERMANENT FUNDS
JUNE 30, 2015

	Cemetery Perpetual <u>Care</u>	Cemetery <u>Memorial</u>	Total Nonmajor Permanent <u>Funds</u>
<u>ASSETS</u>			
Cash, cash equivalents and pooled investments	\$ <u>700,227</u>	\$ <u>129,501</u>	\$ <u>829,728</u>
TOTAL ASSETS	\$ <u>700,227</u>	\$ <u>129,501</u>	\$ <u>829,728</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Accounts payable	\$ <u>778</u>	\$ <u>-</u>	\$ <u>778</u>
<u>FUND BALANCES:</u>			
Nonspendable	699,386	100,389	799,775
Restricted	<u>63</u>	<u>29,112</u>	<u>29,175</u>
TOTAL FUND BALANCES	<u>699,449</u>	<u>129,501</u>	<u>828,950</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>700,227</u>	\$ <u>129,501</u>	\$ <u>829,728</u>

CITY OF OTTUMWA, IOWA

Schedule 8

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR PERMANENT FUNDS
YEAR ENDED JUNE 30, 2015

	<u>Cemetery Perpetual Care</u>	<u>Cemetery Memorial</u>	<u>Total Nonmajor Permanent Funds</u>
<u>REVENUES:</u>			
Interest income	\$ 6,001	\$ 1,300	\$ 7,301
Charges for service	<u>9,598</u>	<u>-</u>	<u>9,598</u>
Total revenues	<u>15,599</u>	<u>1,300</u>	<u>16,899</u>
Other financing uses:			
Transfers out	<u>(5,950)</u>	<u>(3,682)</u>	<u>(9,632)</u>
Net change in fund balances	9,649	(2,382)	7,267
Fund balance - Beginning of year	<u>689,800</u>	<u>131,883</u>	<u>821,683</u>
Fund balance - End of year	\$ <u>699,449</u>	\$ <u>129,501</u>	\$ <u>828,950</u>

CITY OF OTTUMWA, IOWA

Schedule 9

COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2015

<u>ASSETS:</u>	<u>Transit</u>	<u>Golf Course</u>	<u>Total Nonmajor Proprietary Funds</u>
<u>Current assets:</u>			
Cash, cash equivalents and pooled investments	\$ 505,974	\$ -	\$ 505,974
<u>Receivables:</u>			
Accounts	11,141	5,000	16,141
<u>Property taxes:</u>			
Delinquent	9,841	-	9,841
Succeeding year	425,942	-	425,942
Due from other governments	103,994	-	103,994
Prepaid expenses	8,876	-	8,876
Total current assets	<u>1,065,768</u>	<u>5,000</u>	<u>1,070,768</u>
<u>Capital assets:</u>			
Land	-	80,000	80,000
Buildings	1,295,718	174,855	1,470,573
Improvements other than buildings	-	893,562	893,562
Machinery and equipment	3,236,947	340,332	3,577,279
Less accumulated depreciation	<u>(3,638,623)</u>	<u>(999,782)</u>	<u>(4,638,405)</u>
Total capital assets	<u>894,042</u>	<u>488,967</u>	<u>1,383,009</u>
TOTAL ASSETS	<u>1,959,810</u>	<u>493,967</u>	<u>2,453,777</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Pension related deferred outflows	<u>47,569</u>	<u>-</u>	<u>47,569</u>
<u>LIABILITIES:</u>			
<u>Current liabilities:</u>			
Accounts payable	8,356	3,684	12,040
Wages and benefits payable	27,200	-	27,200
Compensated absences payable	22,020	-	22,020
Total current liabilities	<u>57,576</u>	<u>3,684</u>	<u>61,260</u>
<u>Long-term liabilities:</u>			
Net pension liability	326,519	-	326,519
Other post employment benefits obligation	69,394	-	69,394
Total long-term liabilities	<u>395,913</u>	<u>-</u>	<u>395,913</u>
TOTAL LIABILITIES	<u>453,489</u>	<u>3,684</u>	<u>457,173</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
<u>Unavailable revenues:</u>			
Pension related deferred inflows	124,525	-	124,525
Succeeding year property tax	425,942	-	425,942
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>550,467</u>	<u>-</u>	<u>550,467</u>
<u>NET POSITION:</u>			
Net investment in capital assets	894,042	488,967	1,383,009
Unrestricted	<u>109,381</u>	<u>1,316</u>	<u>110,697</u>
TOTAL NET POSITION	<u>\$ 1,003,423</u>	<u>\$ 490,283</u>	<u>\$ 1,493,706</u>

See Accompanying Independent Auditor's Report

CITY OF OTTUMWA, IOWA

Schedule 10

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	<u>Transit</u>	<u>Golf Course</u>	<u>Total Nonmajor Proprietary Funds</u>
Operating revenues:			
Charges for service	\$ 115,018	\$ -	\$ 115,018
Miscellaneous	9,823	10,006	19,829
Total operating revenues	<u>124,841</u>	<u>10,006</u>	<u>134,847</u>
Operating expenses:			
Operations	980,481	1,854	982,335
Depreciation	216,599	28,695	245,294
Total operating expenses	<u>1,197,080</u>	<u>30,549</u>	<u>1,227,629</u>
Operating loss	<u>(1,072,239)</u>	<u>(20,543)</u>	<u>(1,092,782)</u>
Nonoperating revenue:			
Interest income	1,587	-	1,587
Property taxes	439,810	-	439,810
Intergovernmental	623,391	-	623,391
Total nonoperating revenue	<u>1,064,788</u>	<u>-</u>	<u>1,064,788</u>
Loss before capital contributions and grants	(7,451)	(20,543)	(27,994)
Capital contributions and grants	<u>56,894</u>	<u>-</u>	<u>56,894</u>
Change in net position	49,443	(20,543)	28,900
Net position - Beginning of year, as restated	<u>953,980</u>	<u>510,826</u>	<u>1,464,806</u>
Net position - End of year	\$ <u>1,003,423</u>	\$ <u>490,283</u>	\$ <u>1,493,706</u>

CITY OF OTTUMWA, IOWA

Schedule 11

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	<u>Transit</u>	<u>Golf Course</u>	<u>Total Nonmajor Proprietary Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Cash received from operations	\$ 120,469	\$ 5,006	\$ 125,475
Cash paid to employees	(734,837)	-	(734,837)
Cash paid to suppliers	(267,530)	(5,006)	(272,536)
Cash used in operations	(1,002,367)	(5,006)	(1,007,373)
NET CASH USED IN OPERATING ACTIVITIES	(881,898)	-	(881,898)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Property taxes	440,008	-	440,008
Intergovernmental	611,760	-	611,760
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,051,768	-	1,051,768
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Additions to property and equipment	(66,934)	-	(66,934)
Capital contributions and grants	56,894	-	56,894
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(10,040)	-	(10,040)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest income received	1,587	-	1,587
NET INCREASE IN CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS	161,417	-	161,417
<u>CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS</u> - Beginning of year	344,557	-	344,557
<u>CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS</u> - End of year	\$ 505,974	\$ -	\$ 505,974
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</u>			
Operating loss	\$ (1,072,239)	\$ (20,543)	\$ (1,092,782)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	216,599	28,695	245,294
Changes in assets and liabilities:			
Increase in receivables	(4,372)	(5,000)	(9,372)
Decrease in prepaid expenses	907	-	907
Increase (decrease) in accounts payable	672	(3,152)	(2,480)
Increase in wages and benefits payable	2,100	-	2,100
Decrease in compensated absences payable	(1,549)	-	(1,549)
Decrease in net pension liability	(150,489)	-	(150,489)
Decrease in deferred outflows of resources	541	-	541
Increase in deferred inflows of resources	124,525	-	124,525
Increase in other post employment benefits obligation	1,407	-	1,407
NET CASH USED IN OPERATING ACTIVITIES	\$ (881,898)	\$ -	\$ (881,898)

CITY OF OTTUMWA, IOWA

Schedule 12

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2015

	<u>Payroll</u>	<u>Equipment</u>	<u>Employee</u>	<u>Total</u>
	<u>Clearing</u>	<u>Purchasing</u>	<u>Insurance</u>	
<u>ASSETS</u>				
Cash, cash equivalents and pooled investments	\$ <u>206,918</u>	\$ <u>903,717</u>	\$ <u>2,564,497</u>	\$ <u>3,675,132</u>
TOTAL ASSETS	\$ <u>206,918</u>	\$ <u>903,717</u>	\$ <u>2,564,497</u>	\$ <u>3,675,132</u>
<u>LIABILITIES AND NET POSITION</u>				
<u>CURRENT LIABILITIES:</u>				
Accounts payable	\$ <u>206,918</u>	\$ <u>-</u>	\$ <u>477,967</u>	\$ <u>684,885</u>
TOTAL LIABILITIES	<u>206,918</u>	<u>-</u>	<u>477,967</u>	<u>684,885</u>
<u>NET POSITION:</u>				
Restricted	-	-	2,086,530	2,086,530
Unrestricted	-	903,717	-	903,717
TOTAL NET POSITION	<u>-</u>	<u>903,717</u>	<u>2,086,530</u>	<u>2,990,247</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>206,918</u>	\$ <u>903,717</u>	\$ <u>2,564,497</u>	\$ <u>3,675,132</u>

CITY OF OTTUMWA, IOWA

Schedule 13

COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN
FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2015

	<u>Equipment Purchasing</u>	<u>Employee Insurance</u>	<u>Total</u>
<u>OPERATING REVENUES:</u>			
Charges for service and other operating revenues	\$ <u> -</u>	\$ <u>3,559,446</u>	\$ <u>3,559,446</u>
<u>EXPENSES:</u>			
Operations	<u> -</u>	<u>3,289,168</u>	<u>3,289,168</u>
Operating income	<u> -</u>	<u>270,278</u>	<u>270,278</u>
Nonoperating revenue:			
Interest income	<u> -</u>	<u>9,509</u>	<u>9,509</u>
Income before transfers	<u> -</u>	<u>279,787</u>	<u>279,787</u>
Transfers:			
Transfers in	471,300	<u> -</u>	471,300
Transfers out	<u>(454,959)</u>	<u> -</u>	<u>(454,959)</u>
Total transfers	<u>16,341</u>	<u> -</u>	<u>16,341</u>
Change in net position	16,341	279,787	296,128
Net position - Beginning of year	<u>887,376</u>	<u>1,806,743</u>	<u>2,694,119</u>
Net position - End of year	\$ <u>903,717</u>	\$ <u>2,086,530</u>	\$ <u>2,990,247</u>

CITY OF OTTUMWA, IOWA

Schedule 14

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2015

	<u>Payroll Clearing</u>	<u>Equipment Purchasing</u>	<u>Employee Insurance</u>	<u>Total Nonmajor Internal Service Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Cash received from operations	\$ -	\$ -	\$ 3,559,446	\$ 3,559,446
Cash received from employees	5,265	-	-	5,265
Cash paid to suppliers	-	(2,462)	(3,232,543)	(3,235,005)
Cash provided (used) by operations	<u>5,265</u>	<u>(2,462)</u>	<u>(3,232,543)</u>	<u>(3,229,740)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>5,265</u>	<u>(2,462)</u>	<u>326,903</u>	<u>329,706</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Transfers from other funds	-	471,300	-	471,300
Transfers to other funds	-	(454,959)	-	(454,959)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>16,341</u>	<u>-</u>	<u>16,341</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Interest income received	-	-	9,509	9,509
NET INCREASE IN CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS	5,265	13,879	336,412	355,556
<u>CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS - Beginning of year</u>	<u>201,653</u>	<u>889,838</u>	<u>2,228,085</u>	<u>3,319,576</u>
<u>CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS - End of year</u>	<u>\$ 206,918</u>	<u>\$ 903,717</u>	<u>\$ 2,564,497</u>	<u>\$ 3,675,132</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
Operating income	\$ -	\$ -	\$ 270,278	\$ 270,278
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Changes in assets and liabilities:				
increase (decrease) in accounts payable	5,265	(2,462)	56,625	59,428
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 5,265</u>	<u>\$ (2,462)</u>	<u>\$ 326,903</u>	<u>\$ 329,706</u>

CITY OF OTTUMWA, IOWA

Schedule 15

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

<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	FAA-3-19-0073-18	\$ <u>30,872</u>
<u>Indirect:</u>			
Department of Housing and Urban Development: Community Development Block Grants/State's Program and Non-Entitlement Grants In Hawaii	14.228	-	<u>459,508</u>
Department of Transportation: Federal Transit - Capital Investment Grants	20.500	34-0003-582-14	<u>56,894</u>
Federal Transit - Formula Grants	20.509	18-0031-582-15	<u>412,840</u>
Highway Planning and Construction	20.205	BRM-5825(641)-8N-90	<u>668,660</u>
State and Community Highway Safety	20.600	-	<u>22,091</u>
Department of Justice: Edward Byrne Memorial Justice Assistance Grant Program	16.738	-	<u>19,194</u>
Public Safety Partnership and Community Policing Grants	16.710	12-76563	<u>118,860</u>
Department of Homeland Security: Interagency Hazardous Materials Public Sector Training and Planning	20.703	-	<u>28,715</u>
Disaster Grants - Public Assistance	97.036	-	<u>10,499,552</u>
Environmental Protection Agency: Brownfields Assessment and Cleanup Cooperative Agreements	66.818	-	<u>173,648</u>
Total Expenditures of Indirect Federal Awards			<u>12,459,962</u>
Total Expenditures of Federal Awards			\$ <u>12,490,834</u>

CITY OF OTTUMWA, IOWA

Schedule 15 (Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

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 in 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

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.	95
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	106
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.	112
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.	118
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.	121

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 POSITION BY COMPONENT
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Government Activities:				
Net investment in capital assets	\$ 49,211	\$ 32,195	\$ 33,886	\$ 27,558
Restricted	297	983	1,001	1,015
Unrestricted	<u>3,065</u>	<u>8,000</u>	<u>8,645</u>	<u>15,578</u>
Total governmental activities net position	<u>\$ 52,573</u>	<u>\$ 41,178</u>	<u>\$ 43,532</u>	<u>\$ 44,151</u>
Business Type Activities:				
Net investment in capital assets	\$ 11,774	\$ 30,964	\$ 33,644	\$ 35,088
Restricted	1,453	95	95	95
Unrestricted	<u>1,477</u>	<u>4,904</u>	<u>4,554</u>	<u>4,567</u>
Total business type activities net position	<u>\$ 14,704</u>	<u>\$ 35,963</u>	<u>\$ 38,293</u>	<u>\$ 39,750</u>
Primary Government:				
Net investment in capital assets	\$ 60,985	\$ 63,159	\$ 67,530	\$ 62,646
Restricted	1,750	1,078	1,096	1,110
Unrestricted	<u>4,542</u>	<u>12,904</u>	<u>13,199</u>	<u>20,145</u>
Total primary government net position	<u>\$ 67,277</u>	<u>\$ 77,141</u>	<u>\$ 81,825</u>	<u>\$ 83,901</u>

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 34,381	\$ 37,392	\$ 39,873	\$ 37,229	\$ 33,537	\$ 41,673
1,036	1,099	1,075	1,098	2,238	2,388
<u>14,795</u>	<u>15,222</u>	<u>14,677</u>	<u>18,682</u>	<u>21,596</u>	<u>4,474</u>
\$ <u>50,212</u>	\$ <u>53,713</u>	\$ <u>55,625</u>	\$ <u>57,009</u>	\$ <u>57,371</u>	\$ <u>48,535</u>
\$ 39,705	\$ 41,334	\$ 42,240	\$ 46,277	\$ 51,272	\$ 67,172
95	95	95	95	95	95
<u>4,160</u>	<u>5,157</u>	<u>6,340</u>	<u>5,204</u>	<u>7,869</u>	<u>3,273</u>
\$ <u>43,960</u>	\$ <u>46,586</u>	\$ <u>48,675</u>	\$ <u>51,576</u>	\$ <u>59,236</u>	\$ <u>70,540</u>
\$ 74,086	\$ 78,726	\$ 82,113	\$ 83,506	\$ 84,809	\$ 108,845
1,131	1,194	1,170	1,193	2,333	2,483
<u>19,779</u>	<u>20,379</u>	<u>21,017</u>	<u>23,886</u>	<u>29,465</u>	<u>7,747</u>
\$ <u>94,996</u>	\$ <u>100,299</u>	\$ <u>104,300</u>	\$ <u>108,585</u>	\$ <u>116,607</u>	\$ <u>119,075</u>

CITY OF OTTUMWA, IOWA

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

(Amounts Expressed in Thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses			
Governmental Activities:			
General government	\$ 2,711	\$ 2,565	\$ 2,478
Public safety	5,684	6,436	6,780
Public services	6,859	5,798	6,817
Culture and recreation	1,982	2,288	2,319
Community development	1,467	1,674	1,508
Interest on long-term debt	634	714	768
Total governmental activities expenses	19,337	19,475	20,670
Business Type Activities:			
Solid waste	1,686	2,037	1,886
Sewer utility	3,842	3,991	4,549
Events center	-	1,161 (1)	1,755
Other (Transit/Golf)	1,731	1,793	1,943
Total business type activities expenses	7,259	8,982	10,133
Total primary government expenses	26,596	28,457	30,803
Program Revenues			
Governmental Activities:			
Charges for services:			
General government	1,537	1,491	1,598
Public safety	464	217	530
Public services	2,812	2,720	3,249
Culture and recreation	856	674	785
Community development	1,691 (3)	151	27
Operating grants, contributions and restricted interest	2,903	3,157	2,988
Capital grants, contributions and restricted interest	5,152 (2)	1,050	642
Total governmental activities program revenues	15,415	9,460	9,819
Business Type Activities:			
Charges for services:			
Solid waste	1,674	1,575	1,942
Sewer utility	3,911	3,783	4,264
Events center	-	293	526
Other (Transit/Golf)	717	660	634
Operating grants, contributions and restricted interest	469	651	666
Capital grants, contributions and restricted interest	567	6,621 (4)	1,919
Total business type activities program revenues	7,338	13,583	9,951
Total primary government program revenues	\$ 22,753	\$ 23,043	\$ 19,770

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$	2,609	\$ 2,270	\$ 2,454	\$ 2,504	\$ 2,022	\$ 3,160	\$ 2,619
	7,160	7,418	7,878	7,957	8,269	8,217	8,060
	7,783	7,624	7,865	8,286	8,703	9,396	8,905
	2,415	2,459	2,607	3,086	2,807	2,925	2,916
	1,392	1,668	1,672	2,384	3,192	2,001	2,388
	734	878	472	510	539	328	555
	<u>22,093</u>	<u>22,317</u>	<u>22,948</u>	<u>24,727</u>	<u>25,532</u>	<u>26,027</u>	<u>25,443</u>
	2,179	1,941	2,118	2,124	2,269	3,112	2,215
	5,050	5,138	5,866	5,997	6,239	6,339	6,169
	1,765	1,817	1,684	2,041	1,801	1,701	1,787
	1,800	1,483	1,580	1,466	1,424	1,505	1,217
	<u>10,794</u>	<u>10,379</u>	<u>11,248</u>	<u>11,628</u>	<u>11,733</u>	<u>12,657</u>	<u>11,388</u>
	<u>32,887</u>	<u>32,696</u>	<u>34,197</u>	<u>36,355</u>	<u>37,265</u>	<u>38,684</u>	<u>36,831</u>
	1,563	1,767	1,825	1,721	1,770	2,268	1,877
	623	723	899	848	704	763	765
	2,970	3,184	4,060	3,292	3,966	3,996	3,648
	1,151	717	854	905	836	964	1,056
	12	36	76	162	19	455	91
	3,056	3,612	3,054	3,088	2,144	1,897	3,027
	409	5,259	2,061	2,151	3,565	3,017	1,756
	<u>9,784</u>	<u>15,298</u>	<u>12,829</u>	<u>12,167</u>	<u>13,004</u>	<u>13,360</u>	<u>12,220</u>
	1,952	2,099	2,419	2,751	2,542	2,545	2,083
	5,039	5,670	5,723	5,993	6,090	6,207	6,005
	583	655	746	867	961	687	624
	428	191	203	154	167	126	115
	679	792	1,280	549	567	654	679
	791	3,920	1,023	782	880	4,905	10,687
	<u>9,472</u>	<u>13,327</u>	<u>11,394</u>	<u>11,096</u>	<u>11,207</u>	<u>15,124</u>	<u>20,193</u>
\$	<u>19,256</u>	\$ <u>28,625</u>	\$ <u>24,223</u>	\$ <u>23,263</u>	\$ <u>24,211</u>	\$ <u>28,484</u>	\$ <u>32,413</u>

CITY OF OTTUMWA, IOWA

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

(Amounts Expressed in Thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net (expense) revenue:				
Governmental activities	\$ (3,922)	\$ (10,015)	\$ (10,852)	\$ (12,309)
Business type activities	<u>79</u>	<u>4,601</u>	<u>(181)</u>	<u>(1,322)</u>
Total primary government net expense	<u>(3,843)</u>	<u>(5,414)</u>	<u>(11,033)</u>	<u>(13,631)</u>
 General Revenues and Other Changes In Net Position				
Governmental Activities:				
Taxes:				
Property taxes	9,920	10,833	11,042	11,258
Sales taxes	2,791	2,783	2,847	2,839
Other taxes	917	574	582	568
Investment earnings	268	363	390	259
Miscellaneous	22	49	17	60
Transfers	<u>(359)</u>	<u>(5,563)</u>	<u>(1,673)</u>	<u>(2,056)</u>
Total governmental activities	<u>13,559</u>	<u>9,039</u>	<u>13,205</u>	<u>12,928</u>
Business Type Activities:				
Property taxes	336	354	352	372
Investment earnings	169	258	267	167
Miscellaneous	-	103	220	184
Transfers	<u>383</u>	<u>5,563</u>	<u>1,673</u>	<u>2,056</u>
Total business type activities	<u>888</u>	<u>6,278</u>	<u>2,512</u>	<u>2,779</u>
Total primary government	<u>14,447</u>	<u>15,317</u>	<u>15,717</u>	<u>15,707</u>
 Change in Net Position:				
Government activities	9,637	(976)	2,354	619
Business type activities	<u>967</u>	<u>10,879</u>	<u>2,330</u>	<u>1,457</u>
Total primary government	\$ <u>10,604</u>	\$ <u>9,903</u>	\$ <u>4,684</u>	\$ <u>2,076</u>

- (1) The Bridge View Events Center opened December 31, 2006. During construction from 2004 to 2006 it was accounted for in a capital projects fund.
- (2) Includes \$4,583 Vision Iowa grant revenue for construction of the Bridge View Events Center for fiscal year 2006.
- (3) Includes \$1,321 donations for construction of the Bridge View Events Center for fiscal year 2006.
- (4) Included \$2,662 for construction of the Bridge View Events Center and \$3,673 for sewer separation.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$	(7,019)	\$ (10,121)	\$ (12,561)	\$ (12,528)	\$ (12,667)	\$ (13,223)
	<u>2,949</u>	<u>145</u>	<u>(532)</u>	<u>(526)</u>	<u>2,467</u>	<u>8,805</u>
	<u>(4,070)</u>	<u>(9,976)</u>	<u>(13,093)</u>	<u>(13,054)</u>	<u>(10,200)</u>	<u>(4,418)</u>
	11,371	11,821	12,450	12,912	13,004	13,304
	2,770	3,075	3,060	3,093	3,367	3,596
	583	611	607	665	681	803
	136	102	95	101	54	53
	58	48	45	49	53	48
	<u>(1,837)</u>	<u>(2,036)</u>	<u>(2,180)</u>	<u>(2,909)</u>	<u>(4,129)</u>	<u>(2,921)</u>
	<u>13,081</u>	<u>13,621</u>	<u>14,077</u>	<u>13,911</u>	<u>13,030</u>	<u>14,883</u>
	379	389	380	440	447	440
	74	56	61	79	99	91
	-	-	-	-	517	798
	<u>1,837</u>	<u>2,036</u>	<u>2,180</u>	<u>2,909</u>	<u>4,129</u>	<u>2,921</u>
	<u>2,290</u>	<u>2,481</u>	<u>2,621</u>	<u>3,428</u>	<u>5,192</u>	<u>4,250</u>
	<u>15,371</u>	<u>16,102</u>	<u>16,698</u>	<u>17,339</u>	<u>18,222</u>	<u>19,133</u>
	6,062	3,500	1,516	1,383	363	1,659
	<u>5,239</u>	<u>2,626</u>	<u>2,089</u>	<u>2,902</u>	<u>7,659</u>	<u>13,056</u>
\$	<u>11,301</u>	\$ <u>6,126</u>	\$ <u>3,605</u>	\$ <u>4,285</u>	\$ <u>8,022</u>	\$ <u>14,715</u>

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>
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
2009	426	10,833	2,839	567	14,665
2010	412	11,337	2,770	583	15,102
2011	382	11,828	3,075	611	15,896
2012	380	12,472	3,061	607	16,520
2013	394	12,957	3,093	665	17,109
2014	388	12,458	3,367	681	16,894
2015	397	12,492	3,596	803	17,288

CITY OF OTTUMWA, IOWA

CITY OF OTTUMWA, IOWA

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund:			
Reserved	\$ 113	\$ 142	\$ 142
Unreserved	1,757 (2)	2,244	2,431
Nonspendable	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total general fund	\$ <u>1,870</u>	\$ <u>2,386</u>	\$ <u>2,573</u>
All Other Governmental Funds:			
Reserved	\$ 9,905 (1)	\$ 8,076	\$ 8,940
Unreserved, report in:			
Special revenue funds	1,235 (2)	1,342	1,530
Nonspendable	-	-	-
Restricted	-	-	-
Unassigned	-	-	-
Total all other governmental funds	\$ <u>11,140 (1)</u>	\$ <u>9,418</u>	\$ <u>10,470</u>

(1) Includes Events Center Construction Fund balance of \$2,399 for June 30, 2006.

(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.

(3) The City implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions in fiscal year 2011.

	<u>2009</u>	<u>2010</u>	<u>2011</u> (3)	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$	142	\$ 8	\$ -	\$ -	\$ -	\$ -	\$ -
	2,431	2,130	-	-	-	-	-
	-	-	4	3	6	4	3
	-	-	257	-	-	-	-
	-	-	2,650	2,919	3,225	3,316	3,293
\$	<u>2,573</u>	<u>2,138</u>	<u>2,911</u>	<u>2,922</u>	<u>3,231</u>	<u>3,320</u>	<u>3,296</u>
\$	8,940	\$ 11,503	\$ -	\$ -	\$ -	\$ -	\$ -
	1,530	1,908	-	-	-	-	-
	-	-	1,010	1,081	1,058	1,109	1,099
	-	-	11,649	11,414	15,352	19,362	17,450
	-	-	-	(34)	(311)	(242)	(216)
\$	<u>10,470</u>	<u>13,411</u>	<u>12,659</u>	<u>12,461</u>	<u>16,099</u>	<u>20,229</u>	<u>18,333</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>2006</u>	<u>2007</u>	<u>2008</u>
Revenues			
Taxes	\$ 13,628	\$ 14,190	\$ 14,472
Licenses and permits	366	277	315
Intergovernmental	8,055	3,930	3,630
Money and property	1,277	1,075	1,123
Charges for services	4,030	3,942	4,252
Fines	128	119	260
Miscellaneous	<u>1,862</u>	<u>662</u>	<u>493</u>
Total revenues	<u>29,346</u>	<u>24,195</u>	<u>24,545</u>
Expenditures			
General government	2,651	2,484	2,320
Public safety	5,606	5,823	5,877
Public works	5,423	5,135	5,971
Health and social services	561	491	522
Culture and recreation	2,254	2,155	2,125
Community and economic development	684	676	441
Capital outlay	15,196 (1)	3,167	2,226
Debt service:			
Principal	2,633	1,916	2,124
Interest	<u>655</u>	<u>674</u>	<u>796</u>
Total expenditures	<u>35,663</u>	<u>22,521</u>	<u>22,402</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,317)</u>	<u>1,674</u>	<u>2,143</u>
Other financing sources (uses):			
Transfers in	6,633	7,022	9,160
Transfers out	(7,153)	(12,648)	(10,731)
Bond proceeds	500	4,710	680
Bond issue costs	-	(21)	(13)
Refunding bond payments	-	-	-
Total other financing sources (uses)	<u>(20)</u>	<u>(937)</u>	<u>(904)</u>
Total changes in fund balances	\$ <u>(6,337)</u>	\$ <u>737</u>	\$ <u>1,239</u>
Debt service as a percentage of noncapital expenditures	16.1 %	13.3 %	14.5 %

(1) The Bridge View Events Center was completed December 31, 2006. Capital outlay included \$13,475 for fiscal year 2006.

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$	14,665	\$ 14,724	\$ 15,507	\$ 16,117	\$ 16,670	\$ 17,052	\$ 17,702
	296	269	304	360	324	353	292
	3,464	8,871	5,115	5,238	5,709	4,914	4,783
	930	780	636	643	534	902	642
	4,217	4,271	5,126	4,414	4,590	4,579	4,527
	334	289	340	381	303	280	286
	791	583	960	1,215	1,538	2,241	1,450
	<u>24,697</u>	<u>29,787</u>	<u>27,988</u>	<u>28,368</u>	<u>29,668</u>	<u>30,321</u>	<u>29,682</u>
	2,407	2,289	2,409	2,386	2,449	3,090	2,655
	6,020	6,236	7,337	7,432	7,179	7,474	8,810
	5,862	5,626	6,582	6,911	7,280	8,253	6,914
	547	606	541	590	622	750	780
	2,172	2,396	2,529	2,770	2,411	2,563	2,594
	783	1,069	1,087	1,810	2,619	1,460	1,847
	2,050	7,154	5,396	4,964	2,213	3,527	7,238
	3,523	2,525	3,238	2,543	2,691	2,345	2,780
	1,035	773	469	522	442	327	500
	<u>24,399</u>	<u>28,674</u>	<u>29,588</u>	<u>29,928</u>	<u>27,906</u>	<u>29,789</u>	<u>34,118</u>
	298	1,113	(1,600)	(1,560)	1,762	532	(4,436)
	7,866	7,478	9,310	12,030	15,216	8,534	7,494
	(10,065)	(9,300)	(11,404)	(14,486)	(18,322)	(12,463)	(10,431)
	5,165	-	8,424	2,944	7,540	7,493	5,340
	(49)	-	(69)	(37)	(5)	122	115
	-	-	(4,640)	-	(2,245)	-	-
	<u>2,917</u>	<u>(1,822)</u>	<u>1,621</u>	<u>451</u>	<u>2,184</u>	<u>3,686</u>	<u>2,518</u>
\$	<u>3,215</u>	\$ <u>(709)</u>	\$ <u>21</u>	\$ <u>(1,109)</u>	\$ <u>3,946</u>	\$ <u>4,218</u>	\$ <u>(1,918)</u>
	21.6 %	12.9 %	18.2 %	12.3 %	15.0 %	10.2 %	10.8 %

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)			
2006	\$ 464,815	\$ 176,776	\$ 64,926	\$ -	\$ 706,517	\$ 251,106
2007 (4)	522,207	183,813	63,515	-	769,535	291,873
2008	526,914	183,139	66,595	-	776,648 (5)	303,516
2009	585,903	186,441	66,648	-	838,992 (5)	335,562
2010	588,920	187,484	67,397	-	843,801 (5)	330,259
2011	627,402	200,662	72,184	-	900,248 (5)	358,118
2012	630,288	232,338	77,523	-	940,149 (5)	354,217
2013	631,214	250,868	80,623	-	962,705 (5)	340,349
2014	635,438	242,249	81,538	-	959,225 (5)	329,091
2015	632,177	223,653 (3)	83,396	-	939,226 (5)	332,866

(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 48.46% in FY 2006 to 54.40% in FY 2015.

(3) State ordered 5% decrease to commercial property values.

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

(5) Does not include captured TIF increment. Captured TIF increment for FY 2015 amounted to 18.4 million taxable (234.1 million assessed value).

	<u>Total Taxable Value</u>		<u>Total Direct Tax Rate</u>		<u>Taxable Value to Assessed Value</u>
\$	455,411	\$	21.593	\$	64.5
	477,662		21.614		62.1
	473,132		22.080		61.3
	503,330		21.058		60.0
	513,542		20.793		60.9
	542,130		20.456		60.2
	585,932		20.034		62.3
	622,356		20.340		64.7
	630,134		20.304		65.7
	606,360		20.896		64.5

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		Operating Levy	Debt	
		Service Levy	Total Levy		Service Levy	Total Levy
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
2009	17.473	3.589	21.058	9.591	-	9.591
2010	17.194	3.599	20.793	9.411	0.326	9.737
2011	17.006	3.450	20.456	8.809	0.308	9.117
2012	16.914	3.120	20.034	8.502	0.293	8.795
2013	17.108	3.231	20.339	8.104	0.276	8.380
2014	17.109	3.195	20.304	7.455	0.650	8.105
2015	17.553	3.343	20.896	7.474	0.645	8.119

Source: Wapello County Auditor's Office

* For fiscal years 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	
\$	14.945	\$ *	\$ 14.945	\$ 1.293	\$ 46.886
	13.858	*	13.858	1.375	46.695
	14.086	0.501	14.587	1.260	48.002
	13.944	1.000	14.944	1.281	46.874
	13.944	1.000	14.944	1.362	46.836
	13.970	1.000	14.970	1.427	45.970
	13.876	0.921	14.797	1.617	45.242
	13.547	1.142	14.689	1.466	44.874
	13.444	1.125	14.659	1.499	44.567
	13.884	0.854	14.738	1.734	45.487

CITY OF OTTUMWA, IOWA

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

(Amounts Expressed in Thousands)

Taxpayer	2015			2006		
	January 1, 2013 Taxable Value	Rank	Percentage of Total Taxable Value	January 1, 2004 Taxable Value	Rank	Percentage of Total Taxable Value
RCHP - Ottumwa Inc.	\$ 37,699	1	6.02 %	\$ -	-	- %
Cargill Meat Solutions (JBS USA Pork)	16,152	2	2.58	15,311	1	3.20
Regional Retirement Living-Ottumwa LLC	12,154	3	1.94	5,302	9	1.10
Walmart Real Estate Business Trust	10,587	4	1.69	13,226	3	2.80
Menard Inc.	9,044	5	1.45	10,197	5	2.20
John Deere Ottumwa Works	7,194	6	1.15	7,194	6	1.50
Ottumwa Medical Clinic Inc.	6,868	7	1.10	6,596	8	1.40
Millard Refrigerated Service	5,937	8	0.95	-	-	-
Quincy Station LLC	3,948	9	0.63	11,362	4	2.40
Good Samaritan Society	3,917	10	0.63	-	-	-
IES Electric	-	-	-	14,668	2	3.10
Mid American Energy	-	-	-	6,607	7	1.40
Qwest Corp.	-	-	-	5,057	10	1.10
Totals	\$ 113,500		18.14 %	\$ 95,520		20.20 %

Source: Wapello County Auditor's Office

CITY OF OTTUMWA, IOWA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

UNAUDITED

(Amounts Expressed in Thousands)

Fiscal Year Ended <u>June 30</u>	Total Tax Levy for (1) <u>Fiscal Year</u>	<u>Collected Within the</u> <u>Fiscal Year of the Levy</u>		Collections in Subsequent <u>Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2006	\$ 10,621	\$ 10,662	100.0 %	11	\$ 10,673	100.0 %
2007	10,676	10,663	99.9	2	10,665	99.9
2008	10,954	10,610	96.9	1	10,611	96.9
2009	11,646	11,645	99.9	2	11,657	100.0
2010	11,797	11,746	99.6	3	11,749	99.6
2011	12,155	12,136	99.8	19	12,155	100.0
2012	12,864	12,832	99.9	18	12,850	99.9
2013	13,428	13,333	99.3	13	13,346	99.4
2014	13,415	13,403	99.9	12	13,415	100.0
2015	13,427	13,337	99.0	-	13,337	99.0

(1) Includes TIF and 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 Activities		Business Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds		Sewer Bonds	General Obligation Bonds			
2006	\$ 14,653		\$ 8,623	\$ 625	\$ 23,901	2.46 %	\$ 964
2007	8,664		7,790	11,054	27,508	2.86	1,109
2008	7,245		7,020	11,367	25,632	2.62	1,060
2009	8,575		8,071	14,534	31,180	3.02	1,257
2010	6,130		9,552	13,036	28,718	3.48	1,158
2011	6,610		12,060	11,043	29,713	3.73	1,187
2012	6,998		12,494	8,940	28,432	3.54	1,136
2013	9,639		11,280	6,601	27,520	3.64	1,100
2014	14,817		10,053	6,562	31,432	4.09	1,256
2015	17,433		12,831	5,018	35,281	N/A	1,410

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 118 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>
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
2009	23,109	256	22,853	2.72	915
2010	19,166	369	18,797	2.23	777
2011	17,653	316	17,337	1.92	693
2012	15,938	276	15,662	1.67	626
2013	16,240	279	15,961	1.62	623
2014	21,380	371	21,009	2.19	840
2015	22,450	423	22,027	3.63	880

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 106 and 107 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 118.

CITY OF OTTUMWA, IOWA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

JUNE 30, 2015

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	\$ 4,491	56.02 %	\$ 2,516
Ottumwa Community Schools	-	-	-
Subtotal, overlapping debt			2,516
City of Ottumwa direct debt			17,433
Total direct and overlapping debt			\$ 19,949

Source: Debt outstanding was obtained from Ottumwa Community Schools and Wapello County. 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

CITY OF OTTUMWA, IOWA

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
 UNAUDITED
 (Amounts Expressed in Thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt Limit	\$ 36,656	\$ 39,854	\$ 40,211
Total net debt applicable to limit	<u>14,981</u>	<u>19,718</u>	<u>18,612</u>
Legal debt margin	\$ <u>21,675</u>	\$ <u>20,136</u>	\$ <u>21,599</u>
Total net debt applicable to the limit as a percentage of debt limit	40.87 %	49.48 %	46.29 %

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2015

Total assessed value	\$ <u>962,163</u>
Debt limit (5% of total assessed value)	\$ <u>48,108</u>
Debt applicable to limit:	
General obligation bonds	22,450
Less: Amount set aside for repayment of general obligation debt	<u>423</u>
Total net debt applicable to limit	<u>22,027</u>
Legal debt margin	\$ <u>26,081</u>

Note: Under state finance law, the City of Ottumwa, Iowa'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.

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$	43,669	\$ 43,899	\$ 46,070	\$ 48,200	\$ 49,091	\$ 48,775	\$ 48,108
	<u>23,109</u>	<u>19,166</u>	<u>17,653</u>	<u>15,662</u>	<u>15,961</u>	<u>21,009</u>	<u>22,027</u>
\$	<u>20,560</u>	\$ <u>24,733</u>	\$ <u>28,417</u>	\$ <u>32,538</u>	\$ <u>33,130</u>	\$ <u>27,766</u>	\$ <u>26,081</u>
	52.91 %	43.66 %	38.32 %	32.50 %	32.51 %	43.07 %	45.79 %

CITY OF OTTUMWA, IOWA

PLEGDED-REVENUE COVERAGE
LAST TEN FISCAL YEARS
 UNAUDITED
 (Amounts Expressed in Thousands)

<u>Fiscal Year</u>	<u>Sewer Revenue Bonds</u>						
	<u>Sewer Charges and Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>	
				<u>Principal</u>	<u>Interest</u>		
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	
2009	5,087	3,119	1,968	860	229	1.81	
2010	5,491	3,193	2,298	1,612	274	1.22	
2011	5,452	3,413	2,039	997	325	1.54	
2012	5,819	3,075	2,744	1,089	365	1.89	
2013	5,919	2,978	2,914	1,214	334	1.88	
2014	6,173	3,290	2,883	1,237	376	1.78	
2015	5,934	3,042	2,892	1,053	272	2.18	

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>Population</u>		<u>Personal Income</u> <u>(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>
	<u>City</u>	<u>County</u>						
2006	24,798	35,965	\$ 970,839	\$ 26,994	38.2	12.7	4,768	4.5 %
2007	24,800	36,010	961,035	26,688	38.2	12.7	4,745	4.1
2008	24,187	35,513	979,768	27,589	38.2	12.7	4,591	4.4
2009	24,962	35,334	1,032,177	29,212	38.2	12.7	4,582	8.9
2010	24,195	35,965	824,030	22,912	38.2	12.7	4,856	8.2
2011	25,023	35,625	797,145	22,376	39.8	12.7	4,530	7.9
2012	25,023	35,625	804,056	22,570	39.8	12.7	4,751	7.9
2013	25,023	35,625	756,319	21,230	39.8	12.7	4,675	7.7
2014	25,023	35,625	767,327	21,539	39.9	12.7	4,577	5.4
2015	25,023	35,625	N/A	N/A	37.4	12.7	4,598	5.0

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>2015</u>			<u>2006</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	12.09 %	2,250	1	11.38 %
John Deere Ottumwa Works	950	2	4.78	950	2	4.81
RCHP - Ottumwa, Inc.	825	3	4.15	-	-	-
Ottumwa Community Schools	700	4	3.53	700	4	3.54
Indian Hills Community College	420	5	2.12	343	6	1.73
Walmart Super Center	383	6	1.93	383	5	1.94
Winger	315	7	1.59	-	-	-
City of Ottumwa	265	8	1.33	242	8	1.22
HyVee Corporation	190	9	0.96	334	7	1.69
Winbco	165	10	0.83	235	9	1.19
Cadbury Schweppes	-	-	-	200	10	1.01
Ottumwa Regional Health Center	-	-	-	950	3	4.81
	<u>6,613</u>		<u>33.31 %</u>	<u>6,587</u>		<u>33.32 %</u>

Source: Official statements for bond issues and prior City annual reports.

CITY OF OTTUMWA, IOWA

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

<u>Function</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Government	13	13	13	12	12	12	11	11	11	11
Public Safety:										
Police:										
Officers	36	36	36	37	40	40	40	40	41	40
Civilians	10	9	9	9	9	10	10	10	10	10
Firefighters	33	33	33	33	33	33	32	32	32	32
Public Services:										
Engineering	9	9	9	9	9	9	9	9	9	10
Maintenance	34	34	31 *	31 *	27 *	28 *	28 *	28 *	27 *	27 *
Health and Social Services	6	7	7	7	7	6	6	6	7	7
Culture and Recreation:										
Parks/Beach	26	26	23 *	23 *	23 *	23 *	23 *	23 *	21 *	21 *
Cemetery	7	7	4	5	4	4	3	3	3	3
Library	11	11	12	12	11	11	11	11	11	11
Community Development	4	4	4	4	4	5	5	5	5	4
Solid Waste	13	13	13	12	12	12	12	12	12	11
Sewer	22	22	22	22	23	24	21	21	21	21
Transit/Golf	18	20	23	25	18	19	17	17	17	19
Total	<u>242</u>	<u>244</u>	<u>239</u>	<u>241</u>	<u>232</u>	<u>236</u>	<u>228</u>	<u>228</u>	<u>227</u>	<u>227</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	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Police: (1)										
Physical arrests	3,607	3,788	3,606	3,963	3,780	3,925	3,987	3,775	3,899	3,597
Traffic tickets	4,675	5,222	4,620	5,406	5,179	4,168	4,042	4,554	3,041	3,010
Parking citations	2,587	2,623	2,747	2,473	2,212	2,300	2,129	479	1,508	1,446
Fire: (1)										
Number of calls answered	2,297	2,450	2,684	2,534	2,364	2,617	2,507	2,999	2,954	3,195
Fire prevention activities	137	360	307	229	194	197	210	210	319	302
Highways and Streets: (1)										
Street resurfacing (miles)	(2)	2.91	4.53	405	3.50	2.50	4.30	3.39	2.60	1.59
Pot holes repaired	(2)	3,002	3,102	4,653	10,546	9,791	16,680	12,246	16,000	14,800
Utility patches repaired	(2)	157	149	78	74	56	39	(3)	(3)	(3)
City Sanitation:										
Refuse collected (tons)	6,641	6,828	7,027	6,922	7,127	7,101	7,066	5,895	7,255	7,480
Recyclables collected (tons)	1,074	1,049	1,090	1,089	1,155	1,117	1,065	1,046	1,031	1,014
Solid Waste:										
Landfill tonnage	37,793	43,930	35,958	36,005	37,771	38,001	42,971	39,732	39,864	28,740
Recycling tonnage	2,968	2,666	3,049	3,360	2,770	3,187	2,854	2,844	2,310	2,732
Health Department:										
Number of inspections	2,495	2,490	2,503	3,287	4,856	4,928	4,758	4,872	6,971	11,081
Nuisance complaints	2,926	2,916	2,659	2,373	2,269	2,034	2,136	2,097	3,882	1,756
Culture and Recreation:										
Beach Ottumwa admissions	(2)	(2)	19,830	25,487	21,042	23,861	21,853	22,183	22,094	22,491
Golf rounds played (1)	31,112	30,134	27,260	25,066	25,113	24,325	26,829	26,280	22,205	23,000
Wastewater: (1)										
Average sewage treatment (thousands of gallons)	4,768	6,499	6,423	7,495	7,483	6,745	5,151	4,250	5,044	5,005

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) The City no longer does utility patch repairs.

CITY OF OTTUMWA, IOWA

CITY OF OTTUMWA, IOWA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
UNAUDITED

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Function:			
Public Safety:			
Police:			
Stations	1	1	1
Patrol units	10	10	10
Fire stations	2	2	2
Public Works:			
Highways and Streets:			
Streets (miles)	(2)	156.2	156.2
Streetlights	2,358	2,359	2,359
Traffic signals	27	27	26
Culture and Recreation: (1)			
Parks acreage	533	533	533
Parks	19	19	22
Playgrounds	11	11	12
Tennis courts	10	10	10
Softball/baseball diamonds	20	20	20
Library:			
Items in collection	71,077	79,432	83,093
Cemeteries:			
Facilities	3	3	3
Acreage	88	88	88
Sewer:			
Sanitary sewers (miles)	(2)	48.8	48.8
Storm sewers (miles)	(2)	13.5	15.9
Combined sewers	(2)	66.86	64.46
Maximum daily treatment capacity (thousands of gallons)	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

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
1	1	1	1	1	1	1
10	10	10	10	10	10	10
2	2	2	2	2	2	2
156.2	156.2	156.2	156.2	156.2	156.2	156.2
2,359	2,359	2,359	2,359	2,359	2,359	2,359
26	26	26	26	26	26	26
533	533	533	533	533	533	533
22	22	22	22	22	22	22
12	12	13	13	13	14	14
10	10	10	10	10	10	10
20	20	20	20	20	20	20
89,148	87,725	63,505	64,652	65,123	62,905	62,905
3	3	3	3	3	3	3
88	88	88	88	88	88	88
48.8	48.8	48.8	48.8	48.8	48.8	48.8
18.3	21.5	25.4	26.4	27.5	29.9	31.6
62.06	58.90	55.00	54.00	52.88	50.48	48.78
10,000	10,000	10,000	10,000	10,000	10,000	10,000

CITY OF OTTUMWA, IOWA



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Michael J. Podliska, CPA
Bradley T. Barnes, CPA

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

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ottumwa, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Ottumwa, Iowa's basic financial statements and have issued our report thereon dated December 3, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Ottumwa, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City of Ottumwa, Iowa's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ottumwa, Iowa's financial statements are free from 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*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 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 Response to Findings

The City of Ottumwa, Iowa's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Ottumwa, Iowa's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

Anderson, Larkin & Co. P.C.

Ottumwa, Iowa
December 3, 2015



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Ottumwa, Iowa's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Ottumwa, Iowa's major federal programs for the year ended June 30, 2015. The City of Ottumwa, Iowa's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Ottumwa, Iowa's major federal programs based on our audit of the types of compliance requirements referred to above. 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 that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Ottumwa, Iowa's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Ottumwa, Iowa, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control over Compliance

Management of the City of Ottumwa, Iowa is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Ottumwa, Iowa's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Ottumwa, Iowa's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

ANDERSON, LARKIN & CO. P.C.

Anderson, Larkin & Co. P.C.

Ottumwa, Iowa
December 3, 2015

CITY OF OTTUMWA, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part I: Summary of the Independent Auditor's Results

- a. Unmodified opinions were issued on the financial statements.
- b. No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c. The audit did not disclose any noncompliance which is material to the financial statements.
- d. No material weaknesses in internal control over major programs were noted.
- e. An unmodified 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

14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
20.205	Highway Planning and Construction
20.509	Federal Transit – Formula Grants
97.036	Disaster Grants – Public Assistance

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

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

No material weaknesses in internal control over financial reporting were noted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

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

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the community and economic development function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

CITY OF OTTUMWA, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

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

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

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

IV-B-15 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-15 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-15 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>
Larry Seals, Public Works Director Dixie's Cleaning Service (Spouse is Owner)	Cleaning	\$ <u>3,981</u>

The transactions with Dixie's Cleaning Service do not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

IV-E-15 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-15 City Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-15 Financial Condition – Note 20 to the financial statements reported a deficit fund balance at June 30, 2015.

Recommendation – The City should investigate alternatives to the eliminate fund deficit in order to return the account to a sound financial position.

Response – We are aware of the deficit balance. See Note 20 for further explanation.

Conclusion – Response accepted.

IV-H-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-I-15 Revenue Bonds/Notes – No instances of non-compliance with the revenue bond/note provisions were noted.

IV-K-15 Annual Urban Renewal Report – The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1.