

**CITY OF WATERLOO, IOWA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2005**

**Prepared By:**

**City of Waterloo Finance Department**  
**Michelle C. Weidner, CPA, Chief Financial Officer**  
**Joyce Wessels, Financial Analyst**  
**Mandi Timmerman, Financial Analyst**  
**Ruth Hecht, Financial Analyst**

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## Introductory Section

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January 4, 2006

Honorable Mayor Hurley  
Members of the City Council  
and Citizens of the City of Waterloo, Iowa

The Comprehensive Annual Financial Report of the City of Waterloo, Iowa (the “City”) for the fiscal year ended June 30, 2005 is submitted herewith in accordance with the provisions of Chapter 11 of the Code of Iowa. This report represents the third consecutive year that the financial statements are presented in conformity with Governmental Accounting Standards Board Statement # 34 and the ninth consecutive time that it has been presented in accordance with generally accepted accounting principles. It has also been audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to provide the Mayor, City Council, financial institutions and citizens detailed information concerning the financial condition of the City of Waterloo.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City’s financial activity have been included.

To facilitate the understanding of the City’s financial affairs, this report is organized into four sections:

- **Introductory Section** - Includes the table of contents, this transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association of the United States and Canada, a listing of principal City officials and the City’s organizational chart. This section provides unaudited information.
- **Financial Section** - Includes the independent auditors’ report, management’s discussion and analysis, and the basic financial statements together with accompanying notes, required supplementary information including the budgetary comparison schedules and other supplementary information, including combining statements for nonmajor funds and schedules that provide detailed information relative to the basic financial statements.
- **Statistical Section** - Contains comprehensive statistical data that is intended to provide a broader and more complete understanding of the financial and

economic trends of the City, generally presented on a multi-year basis. This section is also unaudited.

- Financial Assistance Section - Includes schedules of federal financial assistance received and expended in addition to schedules detailing compliance with laws and regulations.

Chapter 11 of the Code of Iowa requires an annual audit of the financial condition and transactions of the City. The City is also required to undergo an annual single audit in conformity with the U.S. Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations." The required audit was performed by Hogan-Hansen, P.C., Certified Public Accountants and Consultants for the fiscal year ended June 30, 2005.

## **THE CITY'S BACKGROUND AND SERVICES**

Waterloo is the fifth largest city in the state of Iowa, with a 2000 census of 68,747. The City was incorporated in 1868 and is the county seat of Black Hawk County. The City operates under a Mayor – Council form of government, with the mayor as the elected chief executive. The City Council is comprised of seven members, of which five are elected from separate wards and two are elected at-large. The Mayor is elected to two-year terms, and the City Council members are elected to four-year staggered terms.

The City is organized into 20 operating departments, the activities of which are directed by the Mayor. The public services provided by the employees of the City include police, fire, library, leisure services including parks and recreation, cultural and arts, human rights, street maintenance and engineering services. The City also performs solid waste collection, waste water treatment, community planning, community development, housing assistance, building inspections, airport operations, motor pool maintenance services and traffic safety operations. In addition, the human resources and management information systems departments, the city attorney, city clerk and chief financial officer and their respective departments perform various administrative functions.

The Waterloo Water Works is operated as an independent component unit of the City, and therefore, transactions of the Water Works are required to be included in this report. The Waterloo Community School District and the Metropolitan Transit Authority do not meet the established criteria for component entities of the City and are therefore not included in this report.

## **MAJOR INITIATIVES AND PROJECTS**

- Cedar Valley Riverfront Renaissance  
A major project identified as the Cedar Valley Riverfront Renaissance Plan is currently in the planning and design phase. This project will draw the community together around the Cedar River, one of the area's most valuable natural resources, re-establish a strong center for downtown, help recruit significant new

business, expand tourism and improve the use of existing facilities. It includes the following projects, among others:

- Cedar River Plaza
- Riverwalk Loop
- Cedar River Dam Improvements
- Grout Museum Addition
- East Side Ministerial Alliance Community Center
- Youth Pavilion at Waterloo Center for the Arts

The Riverfront Renaissance project is being funded using distributions from the Black Hawk County Solid Waste Commission in addition to funds received from the Vision Iowa program. The first three projects listed above have been approved to receive \$7.3 million from the Vision Iowa program. As a part of that award, the City also participated in funding the construction of the East Side Ministerial Alliance Community Center. Black Hawk County and the cities of Cedar Falls, Evansdale and Waterloo presented a combined application to the Vision Iowa Program. The communities received a total award of \$9.5 million, which will result in a total investment of more than \$35 million in these communities. The City's award under the Vision Iowa program had been contested legally, however; this situation was resolved in the City's favor. The construction of a \$3 million Youth Pavilion addition to the City of Waterloo Center for the Arts facility is currently underway.

➤ **Former Rath Packing and John Deere Brownfields Pilot Area**

The City of Waterloo has secured nearly \$13.3 million in funding over the past five years to be used to revitalize the former Rath Packing and John Deere Brownfields area. These funds are being used for a variety of projects, such as the replacement of the Eighteenth Street Bridge, a study of the hydrology of the Cedar River, and the acquisition and redevelopment of property along the riverfront and throughout the Brownfields area in addition to the investigation and associated risk assessment of perceived environmental impairments in the Brownfields Pilot Area.

The Eighteenth Street Bridge was opened to traffic in the fall of 2005. It will assist in the redevelopment of the Rath neighborhood by eliminating the impediments for truck traffic to the area. The replacement of the 70-year-old bridge is a \$6 million project funded with local, state and federal sources.

A \$1 million pilot grant from the Environmental Protection Agency (EPA) to establish a Brownfields Cleanup Revolving Loan Fund (BCRLF) has also been awarded to the City. This BCRLF award is a major component of the EPA's Brownfields Economic Redevelopment Initiative and will enable the City to make low interest loans to facilitate the cleanup and redevelopment of Brownfields properties.

➤ **WasteWater Treatment Plant**

The City has completed a large portion of the improvements required to the wastewater treatment facilities involving nearly \$67 million in federal and city

funding. Final completion of this project is scheduled for the second quarter of fiscal 2007.

➤ **Street Improvements**

Waterloo continues to upgrade its street system with the substantial program of reconstruction, overlays and long-term repairs funded with more than \$7 million in annual local option sales tax collections. The one-cent local option tax was renewed in February 2005 by the taxpayers for another five years, continuing to be required to be used for street repairs and improvements.

➤ **Recreational facilities**

The City is continuing to develop its extensive system of bike trails, which are being connected to countywide and regional trail networks. A new recreational area for all-terrain vehicle trails is being developed in the Riverview neighborhood. Improvements are currently being made to Riverfront Municipal Stadium, the city's baseball facility.

## **ECONOMIC OUTLOOK**

The outlook of the economy of Waterloo and the Cedar Valley area remains positive with continued growth and strong commercial and industrial activity. Construction in Waterloo continued at a pace greater than any year in the previous decade, with building permit valuation at \$106.7 million for the year ended June 30, 2005. The median sales price for homes in the Waterloo-Cedar Falls area has increased by 62% since 1996 (an annual average rate of 6.2%), appreciating from \$96,000 to \$99,500 during the fiscal year ended June 30, 2005. Retail sales have also increased steadily by an annual average rate of approximately 2% in Waterloo during the past ten years. Retail sales in 1996 totaled \$809 million and had reached \$973 million during the fiscal year ended June 30, 2005. The 2000 census reflected population growth of 3.4% from 1990. Although Waterloo has not returned to the population levels of the seventies, this increase is significant as it indicates a change in trend from a declining population to a growing population.

Overall city tax base growth remains moderate at an average annual level of approximately 5.4% for the last five years. John Deere and Company continues to play a major role in the local economy. Deere remains the city's largest employer and one of the largest taxpayers, currently accounting for about 6.2% of total county employment and about 0.5% of total taxable property values. Deere's staff levels have remained relatively constant despite the current problems in the U.S. agriculture sector. While the city's average unemployment level of 6.5% remains above the state level of 4.9%, overall annual city employment growth has improved this city ratio substantially from a peak of 7.6% in the early 1990s. The City's unemployment rate also exceeded the national level at for June 2005 of 5.0%.

In May 2005, the Isle of Capri was awarded a gaming license to operate a casino facility in southwest Waterloo. Construction is underway for the \$98 million facility, which is expected to employ 800 and generate \$1 million in annual City property taxes. The City will also receive an annual development fee of 0.5% of weekly adjusted gross receipts for

the first two years the casino is in operation, increasing to 1% of weekly adjusted gross receipts after that date. The casino is currently expected to open in late summer 2007.

It has recently been announced that the City has been selected to be the site of a \$1 billion coal power generation plant. The regulatory approval process for the plan is expected to take approximately one year, with construction the following four years. The plant is expected to open sometime in 2011.

In December 2000, John Deere announced that it would spend \$127 million to upgrade its downtown and East Donald Street manufacturing facilities over the next several years. John Deere has informed the City that it also plans to upgrade all of its Waterloo operations: the Engine Works; the Product Engineering Center, where much of the Company's research and development occurs; and the Waterloo Foundry, which has already seen the addition of \$20 million in redevelopment. John Deere projects that such investment may exceed \$500 million by 2010. John Deere has hired nearly 2,000 people since 2000 under the redevelopment plan, both in new positions and replacing retirees.

The outlook remains positive for the continuation of these upward trends based upon the redevelopment that will occur with the Riverfront Renaissance projects, John Deere's investment in the community, the construction of the casino facility and the power generation plant, as well as the growth in the Mid Port America Industrial Park and the Northeast Industrial Park. The construction of a large distribution facility at the Northeast Industrial Park has added a complex valued at nearly \$18 million and employing more than 200 individuals. Major commercial expansions in the southern sector of the City, as well as in the new Technology Park, are strong indications of continued business interest in Waterloo. A locally owned company has completed the construction of a 20,000 square foot facility and has hired over 240 new associates. Another local company is constructing a 40,000 square foot addition and plans to hire 200 new employees. The completion of a new corporate headquarters complex in the downtown has stimulated significant additional interest in development activities in the central business district. A new complex, the Cedar Valley TechWorks, is being developed to help position Waterloo and the State of Iowa in the emerging biotechnology economy. The TechWorks has received a grant of \$3,200,000 from the Iowa Values Fund to develop companies for the new economy.

The long term commercial and industrial viability of the Waterloo/Cedar Falls area is anticipated to continue to improve with the completion in the next few years of two four-lane highway corridors passing through the City with the "Avenue of the Saints" running north to St. Paul from St. Louis, and US Highway 20 running from Chicago to Interstate 35 and programmed to continue west to Interstate 29 at Sioux City. In addition, the City is undertaking a project to study the reconstruction of Highway 63 through downtown Waterloo. This has resulted in the appropriation of \$11,600,000 to complete the design and initiate construction. The primary goals of this project are to correct the highway's current negative impact on adjacent low income and minority-populated communities, improve traffic operations and capacity and encourage private sector development along this corridor.

## **FINANCIAL MANAGEMENT INFORMATION**

Internal Controls - City management is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal control is designed to provide reasonable, but not absolute assurance that those objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls - The City's management staff is responsible and is actively involved in the financial planning and management of the City for both short-term daily operations and long-range strategic planning. The objective of established budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council, as well as the budget control procedures mandated by the State of Iowa for the prevention of spending that would lead to negative fund balance.

Budgetary control is exercised at two levels in compliance with both the requirements of the Code of Iowa and the City Council's adopted policies. Management control policies adopted by the City Council require that departmental and activity budgets comply with line-item appropriations. Amendments exceeding de minimus guidelines require the specific approval of the City Council Finance Committee. The adopted policies also require all expenditures exceeding \$1,000 to be pre-authorized by the City Council Finance Committee, which reviews those items for budget availability and compliance with procurement procedures.

Long-term financial and capital improvement planning are crucial strategic functions of the City. The City's management staff, coordinated by the Planning Department, prepares and presents the five-year Capital Improvement Program (CIP) to the Mayor and City Council for their review and approval annually. The CIP outlines the City's planned schedule of capital project construction over the next five-year cycle. The CIP provides an analysis of the financial funding impact and capital debt impact of the planned construction project program.

General Government Financial Analysis - A financial analysis of the general governmental functions for the fiscal year ended June 30, 2005 follows. Included in this analysis are the revenues and expenditures of the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds for the fiscal years ended June 30, 2005 and 2004 as well as percentage changes between the two years.

Revenues are presented by classification. Total governmental revenues of \$77,687,321 for the year ended June 30, 2005 represent an increase of approximately \$4 million from the previous fiscal year.

Revenue Sources	Revenue June 30, 2005	Revenue June 30, 2004	Percentage Increase (Decrease) From June 30, 2004
Property taxes	\$32,915,568	\$29,886,268	10.4%
Other city taxes	11,241,073	11,028,076	1.9
Licenses and permits	1,173,147	1,151,715	1.9
Use of money and property	668,736	733,879	(8.9)
Rents	879,420	814,792	8.0
Intergovernmental	21,104,290	19,963,676	5.7
Charges for services	4,980,587	4,976,389	0.1
Interfund charges for service	2,659,797	2,671,780	(0.4)
Special assessments/ Miscellaneous	<u>2,064,703</u>	<u>2,446,580</u>	(15.6)
Total Revenue	<u>\$77,687,321</u>	<u>\$73,673,155</u>	5.4%

Although the tax levy rate adopted by the City Council was lower for the fiscal year ended June 30, 2005, property tax revenue increased due to increased taxable property valuation.

Intergovernmental revenues increased primarily due to additional grant revenues received from the Department of Housing and Urban Development.

The following schedule presents the expenditures reported by program budget category for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds as determined using the modified accrual basis of accounting for the fiscal year ended June 30, 2005.

Expenditures	Expenditures June 30, 2005	Expenditures June 30, 2004	Percentage Increase (Decrease) From June 30, 2004
Public safety	\$22,140,431	\$20,081,214	10.3%
Public works	18,582,433	17,121,845	8.5
Health and social services	325,147	517,555	(37.2)
Culture and recreation	6,576,723	6,506,123	1.1
Community and economic development	11,422,953	11,966,597	(4.5)
General government	3,261,058	3,501,031	(6.9)
Debt service	8,975,063	8,896,219	.9
Capital projects	<u>7,150,058</u>	<u>7,820,334</u>	(8.6)
Total Expenditures	<u>\$78,433,866</u>	<u>\$76,410,918</u>	2.6%

Public safety expenditures increased by \$2,059,217 during the year ended June 30, 2005, due primarily to contractual wage and health insurance increases and increased required pension contributions. The City also obtained several new grants for public safety purposes.

Public works expenditures increased by \$1,460,588 during the year ended June 30, 2005. Additional local option tax funds were spent for road construction projects and additional grant funds were obtained and spent for the 18<sup>th</sup> Street Bridge reconstruction project, as well as other street construction projects.

## **DEBT ADMINISTRATION**

The City issued general obligation bonds June 9, 2005 in a par amount of \$9,720,000 to finance capital improvements for various city projects. A portion of the bond issue, \$2,635,000, was used to refund the Series 1996 general obligation bonds. In addition, the City refunded all outstanding sewer revenue bonds August 12, 2004 in order to reduce future interest costs. The City earned a general obligation bond rating upgrade from A2 to A1 from Moody's Investors Service, Inc. for all debt outstanding as of June 2005.

As discussed further on page 14 of Management's Discussion and Analysis, the City's total outstanding general obligation debt is well below the limit provided for in by the Constitution of the State of Iowa.

## **CASH MANAGEMENT**

The City's investment policy incorporates the traditional public finance criteria of "safety, liquidity and yield – in that order." Investments must also satisfy the criteria mandated by the State of Iowa. Accordingly, City funds are invested in deposits and depository investments insured up to \$100,000 by the Federal Depository Insurance Corporation and protected by the State of Iowa Sinking Fund for uninsured public funds in accordance with the requirements of Chapter 12b of the *Code of Iowa*. The City also invested funds in the Iowa Public Agency Investment Trust. The Trust is unrated for credit risk purposes.

## **RISK MANAGEMENT**

The City is exposed to a variety of accidental losses and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance. The City maintains insurance policies for employee health care and to minimize property, tort liability risk, and workers' compensation claims for all job classifications other than police and fire. The city is self-insured for police and fire workers' compensation claims. These claims are currently funded using general fund resources.

Resources are being accumulated in the general fund to meet potential losses. In addition, various control techniques, including employee accident prevention training, have been implemented during the year to minimize accident-related losses. Additional information of the City of Waterloo's risk management activity can be found in Note 16 of the notes to the financial statements.

## **PENSION AND OTHER POST EMPLOYMENT BENEFITS**

The City's police and fire employees are covered under the Municipal Fire and Police Retirement System of Iowa (MFPRSI). This statewide system is a cost-sharing multiple-employer public retirement system. The state annually sets the contribution rate for all municipal entities and employees. The City has no responsibility to pay employee pension benefits of MFPRSI besides the required contribution. For the year ended June 30, 2005, the City was required to contribute 24.92% of earnable compensation for eligible employees to the System. Employees were required to contribute 9.35%.

Substantially all other City employees are covered by the Iowa Public Employees Retirement System (IPERS). The state annually sets the contribution rate for all municipal entities and covered employees. There is no allocation or measurement of unfunded liability to any municipal entity and, upon the retirement of employees, IPERS has the sole responsibility for their benefits. The City has no responsibility to pay employee pension benefits of IPERS besides the required contribution. The City was required to contribute 5.75% of compensation to the plan, while all covered employees were required to contribute 3.7% of salary to the plan for the year ended June 30, 2005.

The City of Waterloo also provides post employment health and dental care benefits for certain retirees and their dependents. These benefits are financed on a pay-as-you-go basis. Generally accepted accounting principles do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information about the City of Waterloo's pension arrangements and post employment benefits can be found in Notes 11 and 13 to the financial statements.

## **AWARD**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Waterloo, Iowa for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2004. The Certificate of Achievement is the highest form of recognition for excellence in state and local financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Waterloo received this prestigious award for the first time for the for the June 30, 2004 financial statements. We believe that our current report continues to meet the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

### **ACKNOWLEDGMENTS**

This report could not have been completed without the dedicated service of the entire staff of the City Clerk and Finance departments in addition to the audit team from Hogan – Hansen, P.C. I want to express my appreciation to everyone who was involved in the completion of the audit process and the preparation of this report including the staff of all City departments, and especially to Joyce Wessels, Mandi Timmerman and Ruth Hecht in the Finance Department. Each of you has my appreciation and respect for your contributions to this report. I also want to thank the Mayor and City Council for their participation in the planning and oversight processes of the City of Waterloo financial operations.

Sincerely,

Michelle C. Weidner, CPA  
Chief Financial Officer

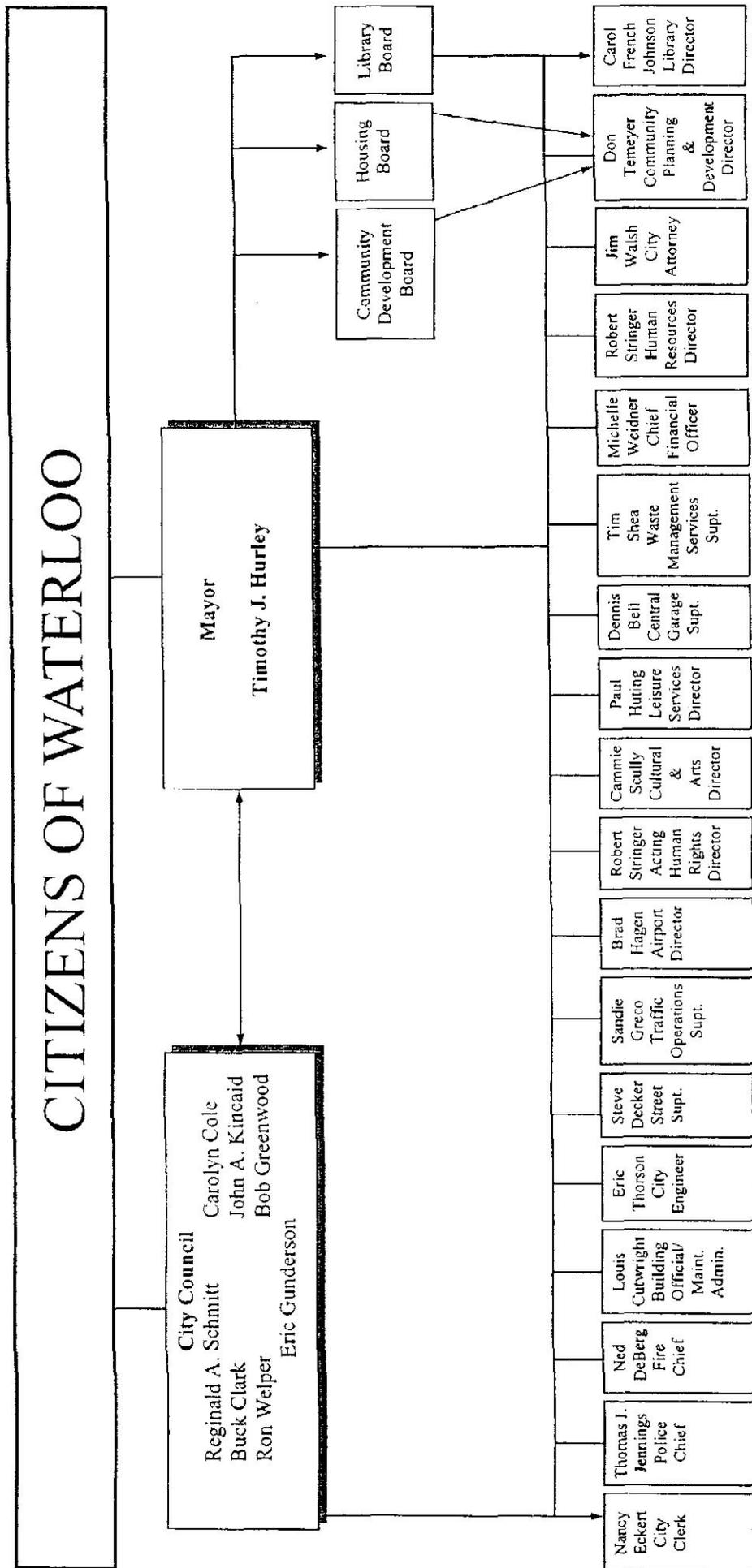
## Officials

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June 30, 2005

<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
<b>Elected</b>		
Tim Hurley	Mayor	January, 2006
Reggie Schmitt (Appointed)	Council Member - 1st Ward	January, 2006
Carolyn Cole	Council Member - 2nd Ward	January, 2008
Buck Clark	Council Member - 3rd Ward	January, 2006
John Kincaid	Council Member - 4th Ward	January, 2008
Ron Welper	Council Member - 5th Ward	January, 2006
Bob Greenwood	Council Member - At-Large	January, 2006
Eric Gunderson	Council Member - At-Large	January, 2008
<b>Appointed</b>		
Michelle Weidner, CPA	Chief Financial Officer	Indefinite
Nancy Eckert, CMC	City Clerk	Indefinite
Eric Thorson	City Engineer	Indefinite
James E. Walsh	City Attorney	Indefinite
Ned DeBerg	Chief of Fire Department	Indefinite
Thomas J. Jennings	Chief of Police Department	Indefinite

CITY OF WATERLOO, IOWA — ORGANIZATIONAL STRUCTURE



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Waterloo,  
Iowa

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2004

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



*Nancy L. Ziehl*

President

*Jeffrey R. Enos*

Executive Director

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Waterloo, Iowa, at and for the year ended June 30, 2005 and the discretely presented component unit at and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits 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 and provisions require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Waterloo, Iowa, at June 30, 2005 and the discretely presented component unit at December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 7, 2005 on our consideration of the City of Waterloo, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Honorable Mayor and  
Members of the City Council  
City of Waterloo, Iowa  
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Management's Discussion and Analysis and budgetary comparison information on pages 3 through 15 and 56 through 58 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waterloo, Iowa's basic financial statements. The accompanying supplemental data on pages 59 through 86, 102 through 106, 112 and 113 is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Waterloo, Iowa. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the aforementioned financial statements taken as a whole. Information included in the statistical section (pages 87 through 97) has not been audited by us and we express no opinion or provide any other assurance on it.

*HOGAN - HANSEN*

HOGAN - HANSEN

Waterloo, Iowa  
February 17, 2005 for the discretely presented component unit and  
December 7, 2005 for all other reporting units

## Management's Discussion and Analysis

As management of the City of Waterloo, we offer readers of the City of Waterloo's financial statements this narrative overview and analysis of the financial activities of the City of Waterloo for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at pages i-x of this report.

### Financial Highlights

- The assets of the City of Waterloo exceeded its liabilities at the close of the most recent fiscal year by \$162,045,191 (net assets). Of this amount, \$14,216,244 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$15,208,803.
- As of the close of this current fiscal year, the City of Waterloo's governmental funds reported combined ending fund balances of \$36,050,969, an increase of \$5,331,298 in comparison with the prior year. Approximately 80.26% of this total amount, \$28,934,492, is available for spending at the government's discretion (unreserved undesignated fund balance).
- At the end of the current fiscal year, unreserved undesignated fund balance for the General Fund was \$4,285,725, or 13.42% of total General Fund expenditures.
- The City of Waterloo's total debt increased by \$325,698 (0.3%) during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Waterloo's basic financial statements. The City of Waterloo'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. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Waterloo's finances in a manner similar to a private-sector business.

The statement of net assets presents information about all of the City of Waterloo's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Waterloo is improving or deteriorating.

The statement of activities presents information illustrating how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Waterloo that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Waterloo include public safety, public works, health and social services, culture and recreation, community and economic development and general government. The business-type activities of the City of Waterloo include the sanitary sewer system, the solid waste system and the water utility, which is operated as a separate component unit of the City. For detailed information about the water utility, please see their separate audited financial statements.

The government-wide financial statements include only the City of Waterloo itself (known as the primary government) and its component unit, the Waterloo Water Works. The Waterloo Community School District and the Metropolitan Transit Authority provide services to the citizens of Waterloo but do not meet established criteria as component units of the City and thus are not included in this report.

**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 of Waterloo, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Waterloo can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial 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 may better understand the long-term impact of the government'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 Waterloo maintains 19 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, Employee Benefits Fund, Local Option Tax Fund and General Obligation Debt Service Fund, all of which are considered to be major funds. Data from the other 15 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

**Proprietary funds.** The City of Waterloo maintains two proprietary funds, which are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sanitary sewer fund and the sanitation fund. The sanitary sewer fund is considered to be a major fund of the City of Waterloo.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Waterloo's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City maintains one fiduciary fund defined as an agency fund to reflect activity for Iowa Department of Economic Development Community Economic Betterment Accounts (CEBA) loans and grants. Total assets held in this fund at June 30, 2005 were \$75,900.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** The City's budgetary comparison schedule is presented as required supplementary information immediately following the notes to the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Waterloo, assets exceeded liabilities by \$162,045,191 at the close of the fiscal year ended June 30, 2005.

By far the largest portion of the City of Waterloo's net assets (70%) reflects its investment in capital assets (e.g., land, buildings and improvements, infrastructure and vehicles and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Waterloo uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Waterloo's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## Statement of Net Assets

A condensed version of the Statement of Net Assets as of June 30, 2005 and 2004 follows:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Assets</b>						
Current and other assets	\$ 77,212,693	\$ 73,435,803	\$ 14,379,108	\$ 13,150,417	\$ 91,591,801	\$ 86,586,220
Capital assets	<u>118,407,160</u>	<u>107,904,170</u>	<u>88,072,924</u>	<u>88,921,903</u>	<u>206,480,084</u>	<u>196,826,073</u>
<b>Total Assets</b>	<b><u>\$ 195,619,853</u></b>	<b><u>\$ 181,339,973</u></b>	<b><u>\$ 102,452,032</u></b>	<b><u>\$ 102,072,320</u></b>	<b><u>\$ 298,071,885</u></b>	<b><u>\$ 283,412,293</u></b>
<b>Liabilities</b>						
Current liabilities	\$ 45,163,248	\$ 45,225,839	\$ 4,040,579	\$ 3,704,021	\$ 49,203,827	\$ 48,929,860
Long-term liabilities	<u>58,115,227</u>	<u>56,889,585</u>	<u>28,707,640</u>	<u>30,756,460</u>	<u>86,822,867</u>	<u>87,646,045</u>
<b>Total Liabilities</b>	<b><u>\$ 103,278,475</u></b>	<b><u>\$ 102,115,424</u></b>	<b><u>\$ 32,748,219</u></b>	<b><u>\$ 34,460,481</u></b>	<b><u>\$ 136,026,694</u></b>	<b><u>\$ 136,575,905</u></b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	\$ 56,719,559	\$ 46,671,542	\$ 56,679,067	\$ 55,900,582	\$ 113,398,626	\$ 102,572,124
Restricted	29,460,969	27,827,667	4,969,352	6,086,695	34,430,321	33,914,362
Unrestricted	<u>6,160,850</u>	<u>4,725,340</u>	<u>8,055,394</u>	<u>5,624,562</u>	<u>14,216,244</u>	<u>10,349,902</u>
<b>Total Net Assets</b>	<b><u>\$ 92,341,378</u></b>	<b><u>\$ 79,224,549</u></b>	<b><u>\$ 69,703,813</u></b>	<b><u>\$ 67,611,839</u></b>	<b><u>\$ 162,045,191</u></b>	<b><u>\$ 146,836,388</u></b>

\$34,430,321 of the City of Waterloo's net assets (21.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$14,216,244) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Waterloo is able to report positive balances in all three categories of net assets for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's total net assets increased by \$15,208,803 during the current fiscal year. Governmental-type activities' net assets increased by \$13,116,829. This increase was related to the net effect of capital asset transactions. See page 24 for a reconciliation of this increase. The total business-type activities' net assets increased by \$2,091,974. This increase was mainly attributable to the City's investment in capital assets during the fiscal year.

## Statement of Activities

A condensed version of the Statement of Activities as of June 30, 2005 and 2004 follows:

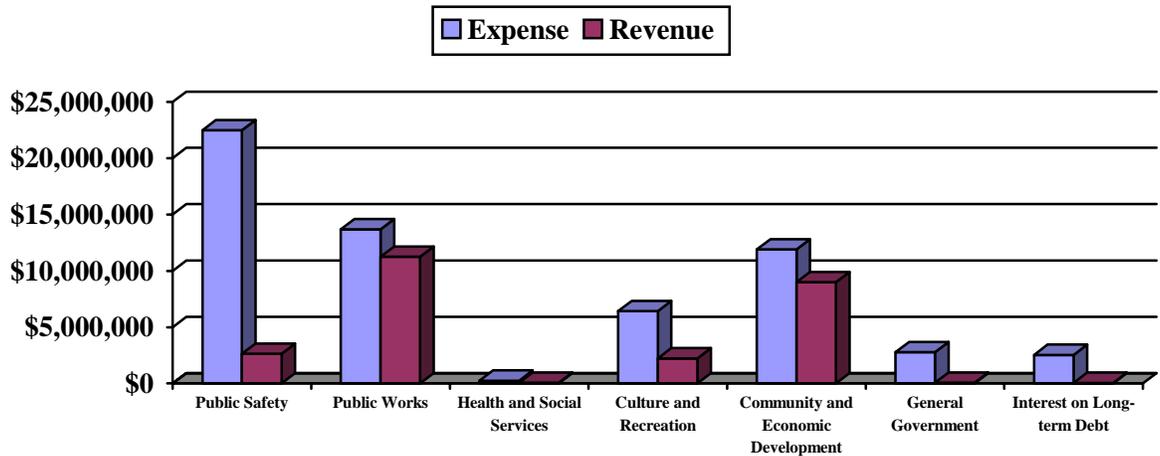
### City of Waterloo Governmental and Business-Type Activities

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2005	2004	2005	2004	2005	2004
Revenue						
Program Revenues						
Charges for services	\$ 5,573,164	\$ 5,011,504	\$ 12,706,467	\$ 12,658,065	\$ 18,279,631	\$ 17,669,569
Indirect allocations	1,427,297	1,426,067	(1,427,297)	(1,426,067)	—	—
Operating grants and contributions	15,780,383	16,531,573	338,994	274,988	16,119,377	16,806,561
Capital grants and contributions	3,970,432	4,548,472	115,481	483,456	4,085,913	5,031,928
General Revenues						
Property taxes	33,041,952	31,692,923	—	—	33,041,952	31,692,923
Other taxes	11,464,827	9,725,075	—	—	11,464,827	9,725,075
Other	3,370,914	3,852,041	203,004	44,264	3,573,918	3,896,305
Total Revenue	<u>74,628,969</u>	<u>72,787,655</u>	<u>11,936,649</u>	<u>12,034,706</u>	<u>86,565,618</u>	<u>84,822,361</u>
Expenses						
Public safety	22,484,306	20,214,741	—	—	22,484,306	20,214,741
Public works	13,142,367	14,281,994	—	—	13,142,367	14,281,994
Health and social services	326,534	514,033	—	—	326,534	514,033
Culture and recreation	7,015,956	6,711,952	—	—	7,015,956	6,711,952
Community and economic development	12,579,963	10,944,399	—	—	12,579,963	10,944,399
General government	3,422,145	3,574,962	—	—	3,422,145	3,574,962
Interest on long-term debt	2,540,869	2,410,195	—	—	2,540,869	2,410,195
Sanitary sewer	—	—	7,558,811	7,958,899	7,558,811	7,958,899
Sanitation	—	—	2,285,864	2,182,223	2,285,864	2,182,223
Total Expenses	<u>61,512,140</u>	<u>58,652,276</u>	<u>9,844,675</u>	<u>10,141,122</u>	<u>71,356,815</u>	<u>68,793,398</u>
Increase in Net Assets						
Before Transfers	13,116,829	14,135,379	2,091,974	1,893,584	15,208,803	16,028,963
Transfers	—	12,613	—	(12,613)	—	—
Increase in Net Assets	13,116,829	14,147,992	2,091,974	1,880,971	15,208,803	16,028,963
Beginning Net Assets	79,224,549	65,076,557	67,611,839	65,730,868	146,836,388	130,807,425
<b>Ending Net Assets</b>	<b><u>\$ 92,341,378</u></b>	<b><u>\$ 79,224,549</u></b>	<b><u>\$ 69,703,813</u></b>	<b><u>\$ 67,611,839</u></b>	<b><u>\$ 162,045,191</u></b>	<b><u>\$ 146,836,388</u></b>

Total governmental activities' revenue for the current fiscal year was \$74,628,969. The largest single revenue source for the City was property taxes of \$33,041,952. Property taxes increased by \$1,349,029 (4.3%) during the year. This increase is a result of a combination of factors, including a 13.1% increase in the assessed value of property, a 9.8% increase in the taxable value of property, and a 0.63% decrease in the levy rate.

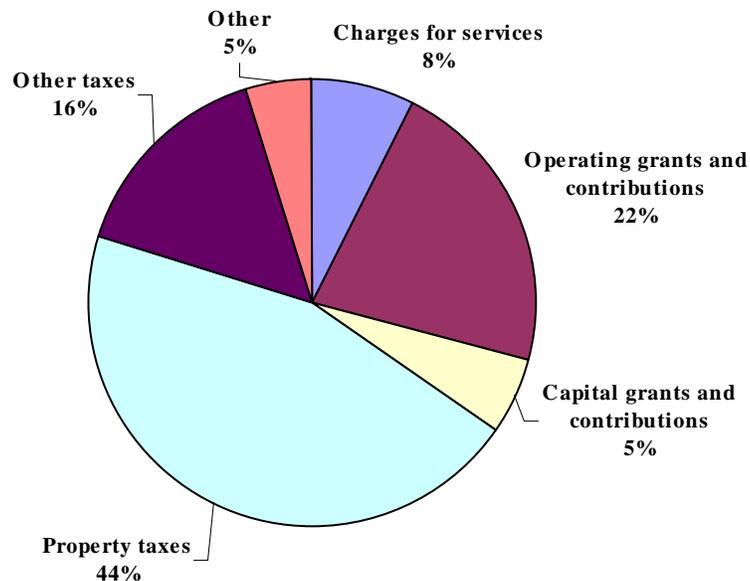
Certain revenues are generated that are specific to governmental program activities. These totaled \$26,751,276 during the fiscal year ended June 30, 2005. The graph below illustrates the comparison between the expenditures by governmental activity type and the revenues generated that are specific to those activities.

### Expenses and Program Revenues – Governmental Activities



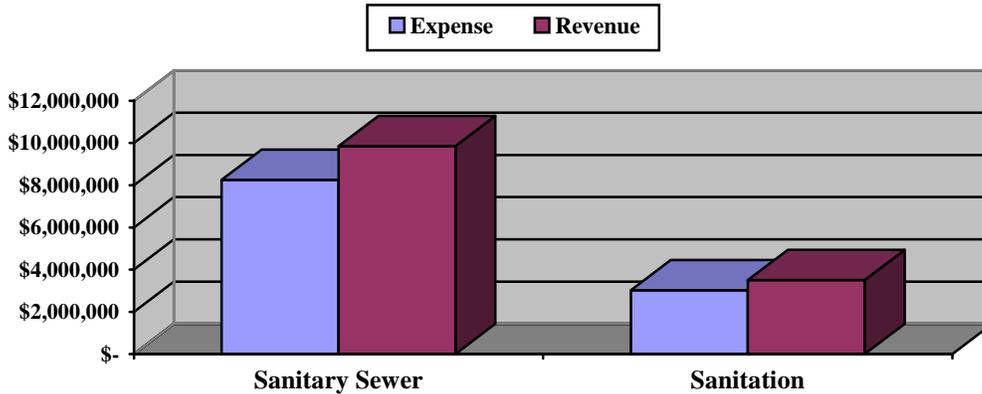
The graph below shows the percentage of the total governmental revenues allocated by each revenue type.

### Revenues by Source – Governmental Activities



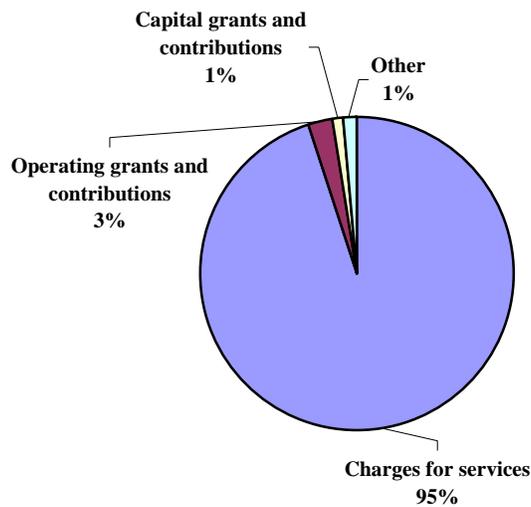
Total business-type activities' revenue for the fiscal year was \$11,936,649. All of this revenue was generated for specific business-type activity expenses. The graph below shows a comparison between the business-type activity expenses and program revenues.

### Expenses and Program Revenues – Business-type Activities



The graph below shows the breakdown of revenues by source for the business-type activities.

### Revenues by Source – Business-type Activities



**Business-type activities.** Business-type activities increased the City of Waterloo's net assets by \$2,091,974, accounting for 13.8% of the growth in the government's net assets. This increase was due primarily to the generation of operating revenue to retire debt incurred for sewer plant construction.

## **Financial Analysis of the Government's Funds**

As noted earlier, the City of Waterloo uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of Waterloo's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City of Waterloo's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Waterloo's governmental funds reported combined ending fund balances of \$36,050,969, an increase of \$5,331,298 in comparison with the prior year. Fund balance in the amount of \$3,042,953 is not available for new spending because it has already been committed for a variety of restricted purposes. Approximately 91.6% of total fund balance (\$33,008,016) constitutes unreserved fund balance. \$24,648,767 of this total balance is restricted for the type of use of the fund that generated the revenue. (For example, the Local Option Tax Fund has unreserved fund balance of \$6,427,451 which may be used only for the purposes specified in the authorizing referendum.) \$4,073,524 of the total governmental funds unreserved fund balance (\$33,008,016) has been designated by the City Council for specified purposes, leaving \$28,934,492 in uncommitted funds.

The General Fund is the chief operating fund of the City of Waterloo. The City originally budgeted to spend all non-restricted resources, consequently budgeting for no change in unreserved fund balance. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$8,359,249, while total fund balance was \$10,407,412. As a measure of the General Funds' liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 13.4% of total General Fund expenditures, while total fund balance represents 32.6% of that same amount.

The fund balance of the City of Waterloo's General Fund increased by \$2,350,034 during the current fiscal year. Key elements of this increase are the receipt of an equity distribution from the Black Hawk County Solid Waste Commission not yet spent in the net amount of \$767,387. In addition, net expenditures incurred by the police department were under budget by approximately \$216,000, net expenditures incurred by the fire department were under budget by approximately \$144,000 and insurance policy deductible expenditures were \$465,000 less than budgeted. In addition, the library spent \$116,000 less than budgeted. The remaining balance arose from various other departments that spent less than the amount budgeted for their department or that received more revenue than budgeted. Most budgetary savings realized by departments were due to employee positions that were vacant for part of the year.

The Employee Benefits Fund has a total fund balance of \$344,414, all of which is reserved for the payment of employee benefits. The net increase in fund balance during the current year was \$70,433, due primarily to transferring former seasonal parks employees to the street department to assist with snow removal efforts during the winter months instead of laying them off annually, therefore reducing the City's unemployment costs.

The Local Option Tax Fund net assets increased by \$1,165,610 during the current year to a total fund balance of \$6,427,451, all of which is reserved for street repairs and improvements. The increase is due partially to the receipt of higher than anticipated revenue and partially due to setting aside resources for the planned Brownfields street reconstruction project, which had not yet been started at June 30, 2005. A substantial portion of this balance will be used to satisfy outstanding construction contract commitments of \$4.1 million.

The Debt Service Fund has a total fund balance of \$700,565, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service Fund was \$41,034. Due to interest savings realized from prior refunding issues, the city planned to use a portion of fund balance for current year expenditures.

**Proprietary funds.** The City of Waterloo's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the sanitary sewer fund at the end of the year were \$66,333,975, an increase of \$1,604,220. This increase arose from several sources. Revenue was higher than budgeted, while operating expenses were less than budgeted. The largest share of the increase is due to continued investment in capital assets for the sanitary sewer system.

Other factors concerning the finances of the sanitary sewer fund have already been addressed in the discussion of the City of Waterloo's business-type activities.

### **Budgetary Highlights**

In accordance with the Code of Iowa, the City Council annually adopts a budget on the modified cash basis following required public notice and hearing for all funds except fiduciary funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type and non-program. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds and permanent 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. These budget amendments are reflected in the final budgeted amounts.

Differences between the original budget and the final amended budget for the City of Waterloo are summarized below.

The total original expenditure budget of \$107,390,544 was increased to \$148,432,568 (an increase of \$41,042,024).

- The City amended the budget to refund all outstanding sewer revenue bonds (\$20,120,000) and to refund general obligation bonds (\$2,905,000) in order to reduce future interest costs. The sewer revenue refunding resulted in future savings of more than \$1,000,000.
- The City added capital project budgets for numerous projects approved for design and construction after the original budget certification date (\$14,600,000).
- The City added project budgets for several Public Safety department grants and expenses funded with other miscellaneous revenue that were approved after the original budget certification date (\$964,000).
- Additional grant funds were awarded for housing assistance and other community development activities (\$822,000).
- The City changed its internal method of accounting for parts and fuel purchased by the Central Garage during the year (\$765,000).
- Project budgets for numerous other departments were added after the original budget certification date (\$455,000).

The total original revenue budget of \$108,044,396 was increased to \$140,885,408 (an increase of \$32,841,012).

- The original budget (\$7,150,000) for debt refinancing was increased to \$31,385,000 to reflect a general obligation bond refunding of \$3,000,000 and a sewer revenue bond refunding of \$21,235,000.
- Intergovernmental revenue was increased for numerous grants for capital project construction awarded subsequent to the original budget certification date (\$4,470,000).
- Additional revenue was budgeted in the sewer fund to reflect bond money transferred for sewer improvement construction and in the Vision Iowa project fund to reflect resources transferred for project construction (\$2,670,000).
- In addition to the internal method of accounting change for items purchased by Central Garage, charges for services for various departments were increased based on expected additional revenue (\$810,000).
- Additional local option sales tax revenue was budgeted due to increased collections anticipated (\$500,000).

See page 56 for the Budgetary Comparison Schedule - Budget to Actual (Modified Cash Basis) – All Governmental Funds and Proprietary Funds.

## Capital Asset and Debt Administration

**Capital Assets.** The City of Waterloo's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$206,480,084 (net of accumulated depreciation) as reflected in the following table. The total increase in the City of Waterloo's investment in capital assets for the current fiscal year was 4.90% (a 9.73% increase for governmental activities and a 0.95% decrease for business-type activities).

This investment in capital assets includes land, buildings and improvements, park facilities, vehicles and equipment, and roads, highways and bridges (also referred to as infrastructure assets) placed in service since July 1, 2004 or under construction at June 30, 2005. The City has until June 30, 2007 to retroactively report infrastructure assets placed in service prior to July 1, 2002.

### City of Waterloo Capital Assets at Fiscal Year End (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 26,880,522	\$ 25,964,471	\$ 279,484	\$ 279,484	\$ 27,160,006	\$ 26,243,955
Land held for redevelopment	2,598,688	1,356,583	—	—	2,598,688	1,356,583
Buildings and improvements	33,509,389	29,153,174	59,815,100	61,049,574	93,324,489	90,202,748
Other improvements	—	—	24,265,487	24,495,368	24,265,487	24,495,368
Infrastructure	41,124,054	32,574,810	—	—	41,124,054	32,574,810
Furniture and equipment	121,682	148,510	4,216	6,654	125,898	155,164
Vehicles, machinery and equipment	5,521,182	4,871,269	1,203,251	1,254,076	6,724,433	6,125,345
Assets under capital lease	458,066	833,918	—	—	458,066	833,918
Construction in progress	<u>8,193,577</u>	<u>13,001,435</u>	<u>2,505,386</u>	<u>1,836,747</u>	<u>10,698,963</u>	<u>14,838,182</u>
<b>Total Capital Assets</b>	<b><u>\$ 118,407,160</u></b>	<b><u>\$ 107,904,170</u></b>	<b><u>\$ 88,072,924</u></b>	<b><u>\$ 88,921,903</u></b>	<b><u>\$ 206,480,084</u></b>	<b><u>\$ 196,826,073</u></b>

Major capital assets events during the current fiscal year included the following:

- Major renovations (\$5,197,736) to the Airport Terminal facility were completed.
- Significant investments in street reconstruction and overlay programs funded with local option taxes were completed (\$6,930,210).
- Significant additions to the bike trail system were completed (\$2,473,294).
- A number of properties needed for the Riverfront Renaissance project were acquired (\$1,167,375).
- Vehicles and equipment for a number of city departments were replaced (\$1,500,141).
- Building improvements were made at city-owned golf courses (\$677,822).

Additional information about the City of Waterloo's capital assets can be found in Note 6 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Waterloo had total bonded debt outstanding of \$91,840,000. Of this amount, \$73,320,000 is comprised of debt backed by the full faith and credit of the government. The remainder of the City of Waterloo's bonded debt (\$18,520,000) represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City has incurred other debt to construct Ridgeway Towers, purchase land in the City's industrial parks and complete projects, as well as purchase equipment using capital leases. The City has obligations to employees for benefit time not used at fiscal year end. During the current fiscal year the balance due on these obligations increased by \$292,426.

### City of Waterloo Outstanding Debt

Bonded Debt:	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 59,295,000	\$ 59,290,000	\$ 14,025,000	\$ 13,610,000	\$ 73,320,000	\$ 72,900,000
Revenue bonds	—	—	18,520,000	19,870,000	18,520,000	19,870,000
<b>Total Bonded Debt</b>	<b>\$ 59,295,000</b>	<b>\$ 59,290,000</b>	<b>\$ 32,545,000</b>	<b>\$ 33,480,000</b>	<b>\$ 91,840,000</b>	<b>\$ 92,770,000</b>
<b>Other Debt:</b>						
Loans and notes	\$ 3,198,850	\$ 1,603,114	\$ —	\$ —	\$ 3,198,850	\$ 1,603,114
Capital lease obligations	157,024	339,514	—	—	157,024	339,514
Deferred compensation	489,306	565,843	—	—	489,306	565,843
Compensated absences	1,610,527	1,691,538	—	—	1,610,527	1,691,538
<b>Total Other Debt</b>	<b>\$ 5,455,707</b>	<b>\$ 4,200,009</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 5,455,707</b>	<b>\$ 4,200,009</b>
<b>Total Debt</b>						
<b>Outstanding</b>	<b>\$ 64,750,707</b>	<b>\$ 63,490,009</b>	<b>\$ 32,545,000</b>	<b>\$ 33,480,000</b>	<b>\$ 97,295,707</b>	<b>\$ 96,970,009</b>

The City of Waterloo's total debt increased by \$325,698 (0.3%) during the current fiscal year.

The government issued general obligation bonds in the amount of \$9,720,000 during the current fiscal year, including general obligation refunding bonds issued to take advantage of more favorable interest rates. The government refinanced \$2,635,000 of its Series 1996 General Obligation bonds. Capital loan notes in the amount of \$150,000 were also issued for the repayment of accumulated sick leave payments to employees. The government also refinanced all outstanding sewer revenue bonds in August 2004 in order to reduce future interest costs.

The City of Waterloo received a bond rating upgrade from A2 to A1 from Moody's Investor Services, Inc. for general obligation debt during June 2005.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation. The current debt limitation for the City of Waterloo is \$136,617,416, which is significantly in excess of the City of Waterloo's outstanding general obligation debt (\$73,320,000) and other debt subject to the debt limitation (\$2,936,685).

Additional information about the City of Waterloo's long-term debt can be found in Note 9 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

- Property taxes provide approximately 55% of General Fund revenues. Over the past five years, citywide assessed valuations have risen an average of 5.4% annually, while property tax limitations imposed by the State of Iowa have held taxable values to an average annual growth rate of 2.9%. The fiscal year 2006 budget reflects total property tax revenue growth of 1.72%.
- Personnel costs make up a significant portion of City operating costs. Wage increases identified in contractual bargaining agreements are 3.5% for fiscal year 2006.
- The City continues to face the challenge of funding the increasing costs of employee health care. As part of the last collective bargaining agreements that were signed, the City signed a health insurance contract as well, requiring premium increases of approximately 14% for fiscal year 2006.

These factors were considered in preparing the City of Waterloo's budget for fiscal year 2006.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Waterloo's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Michelle C. Weidner, CPA, Chief Financial Officer, City of Waterloo, 715 Mulberry Street, Waterloo, IA 50703.

## **Basic Financial Statements**

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## Statement of Net Assets

At June 30, 2005

	Governmental Activities	Business- Type Activities	Total	Component Unit Water Works
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents .....	\$ 36,203,107	\$ 2,956,474	\$ 39,159,581	\$ 830,834
Investments .....	433,367	—	433,367	665,152
Receivables				
Customer accounts, net of allow- ance for uncollectible accounts.....	327,073	2,700,363	3,027,436	656,463
Property Taxes				
Delinquent.....	273,985	—	273,985	—
Succeeding year .....	33,433,998	—	33,433,998	—
Internal accounts.....	(2,503,998)	2,503,998	—	—
Due From Other Governments				
Component unit .....	—	838,635	838,635	—
Other .....	6,200,860	288,378	6,489,238	—
Accrued interest .....	—	—	—	6,524
Loans and notes.....	—	20,711	20,711	10,372
Special assessments .....	—	2,201	2,201	—
Inventories and prepaids .....	676,765	12,467	689,232	23,469
Restricted Assets				
Cash.....	1,901,575	2,411,783	4,313,358	—
Receivables.....	21,854	260,503	282,357	—
<b>Total Current Assets .....</b>	<b><u>76,968,586</u></b>	<b><u>11,995,513</u></b>	<b><u>88,964,099</u></b>	<b><u>2,192,814</u></b>
<b>Noncurrent Assets</b>				
Restricted Assets				
Cash and cash equivalents .....	—	2,123,500	2,123,500	—
Investments.....	—	—	—	434,848
Loans and notes (net of allowance for uncollectible amounts) .....	122,603	—	122,603	74,117
Special assessments.....	121,504	—	121,504	119,907
Debt issue costs (net of accumulated amortization) .....	—	260,095	260,095	7,388
Capital assets (net of accumulated depreciation) .....	80,734,373	85,288,054	166,022,427	16,826,725
Capital assets not being depreciated	<u>37,672,787</u>	<u>2,784,870</u>	<u>40,457,657</u>	<u>506,888</u>
<b>Total Noncurrent Assets.....</b>	<b><u>118,651,267</u></b>	<b><u>90,456,519</u></b>	<b><u>209,107,786</u></b>	<b><u>17,969,873</u></b>
<b>Total Assets .....</b>	<b><u>\$ 195,619,853</u></b>	<b><u>\$ 102,452,032</u></b>	<b><u>\$ 298,071,885</u></b>	<b><u>\$ 20,162,687</u></b>

See accompanying notes to the financial statements.

## Statement of Net Assets

At June 30, 2005

	Governmental Activities	Business- Type Activities	Total	Component Unit Water Works
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts and retainages payable .....	\$ 2,686,647	\$ 397,770	\$ 3,084,417	\$ 134,511
Accrued liabilities and other.....	1,987,868	313,259	2,301,127	240,095
Due to primary government.....	—	—	—	892,955
Due to other governments.....	—	—	—	53,920
Short-term general obligation bonds ..	150,000	—	150,000	—
Noncurrent liabilities due and payable within one year .....	6,635,480	635,000	7,270,480	210,000
Deferred revenue.....	33,555,503	—	33,555,503	—
Current Liabilities Payable from Restricted Assets				
Customer deposits.....	147,750	247,000	394,750	—
Accrued interest.....	—	122,550	122,550	—
Noncurrent liabilities due and payable within one year.....	—	2,325,000	2,325,000	—
<b>Total Current Liabilities .....</b>	<b><u>45,163,248</u></b>	<b><u>4,040,579</u></b>	<b><u>49,203,827</u></b>	<b><u>1,531,481</u></b>
<b>Noncurrent Liabilities</b>				
Customer deposits.....	—	—	—	112,348
Capital lease obligations.....	—	—	—	34,613
Revenue bonds and notes.....	—	15,378,948	15,378,948	344,891
General obligation bonds and notes...	53,160,000	13,328,692	66,488,692	—
Other loans and notes .....	3,045,252	—	3,045,252	—
Compensated absences and deferred compensation .....	1,909,975	—	1,909,975	—
<b>Total Noncurrent Liabilities ...</b>	<b><u>58,115,227</u></b>	<b><u>28,707,640</u></b>	<b><u>86,822,867</u></b>	<b><u>491,852</u></b>
<b>Total Liabilities .....</b>	<b><u>103,278,475</u></b>	<b><u>32,748,219</u></b>	<b><u>136,026,694</u></b>	<b><u>2,023,333</u></b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt .....	56,719,559	56,679,067	113,398,626	16,401,373
Restricted for				
Debt service .....	2,140,215	2,511,000	4,651,215	322,500
Improvements .....	19,779,819	2,458,352	22,238,171	—
Provider designations.....	7,540,935	—	7,540,935	—
Unrestricted .....	6,160,850	8,055,394	14,216,244	1,415,481
<b>Total Net Assets .....</b>	<b><u>92,341,378</u></b>	<b><u>69,703,813</u></b>	<b><u>162,045,191</u></b>	<b><u>18,139,354</u></b>
<b>Total Liabilities and Net Assets .....</b>	<b><u>\$ 195,619,853</u></b>	<b><u>\$ 102,452,032</u></b>	<b><u>\$ 298,071,885</u></b>	<b><u>\$ 20,162,687</u></b>

See accompanying notes to the financial statements.

**Statement of Activities**

Year Ended June 30, 2005

Programs/Functions	Direct Expenses	Indirect Allocations	Program Revenue		Program Revenue Capital Grants and Contributions	Net (Expenses), Revenue and Changes in Net Assets			Component Unit Water Works
			Charges for Services	Operating Grants and Contributions		Governmental Activities	Business-Type Activities	Total	
<b>Primary Government</b>									
<b>Governmental Activities</b>									
Public safety .....	\$ 22,484,306	\$ —	\$ 1,689,116	\$ 896,471	\$ 60,754	\$ (19,837,965)	\$ —	\$ (19,837,965)	\$ —
Public works .....	13,142,367	547,500	1,765,757	5,716,031	3,777,516	(2,430,563)	—	(2,430,563)	—
Health and social services.....	326,534	(75,000)	5,665	19,546	44,548	(181,775)	—	(181,775)	—
Culture and recreation.....	7,015,956	(590,000)	1,902,088	329,315	—	(4,194,553)	—	(4,194,553)	—
Community and economic development	12,579,963	(670,797)	127,752	8,783,077	87,614	(2,910,723)	—	(2,910,723)	—
General government.....	3,422,145	(639,000)	26,688	35,943	—	(2,720,514)	—	(2,720,514)	—
Interest on long-term debt .....	2,540,869	—	56,098	—	—	(2,484,771)	—	(2,484,771)	—
<b>Total Governmental Activities .....</b>	<b>61,512,140</b>	<b>(1,427,297)</b>	<b>5,573,164</b>	<b>15,780,383</b>	<b>3,970,432</b>	<b>(34,760,864)</b>	<b>—</b>	<b>(34,760,864)</b>	<b>—</b>
<b>Business-Type Activities</b>									
Sanitary sewer.....	7,558,811	688,000	9,496,202	64,006	115,481	—	1,428,878	1,428,878	—
Sanitation.....	2,285,864	739,297	3,210,265	274,988	—	—	460,092	460,092	—
<b>Total Business-Type Activities .....</b>	<b>9,844,675</b>	<b>1,427,297</b>	<b>12,706,467</b>	<b>338,994</b>	<b>115,481</b>	<b>—</b>	<b>1,888,970</b>	<b>1,888,970</b>	<b>—</b>
<b>Total Primary Government .....</b>	<b>\$ 71,356,815</b>	<b>\$ —</b>	<b>\$ 18,279,631</b>	<b>\$ 16,119,377</b>	<b>\$ 4,085,913</b>	<b>(34,760,864)</b>	<b>1,888,970</b>	<b>(32,871,894)</b>	<b>—</b>
<b>Component Unit - Water Works .....</b>	<b>\$ 3,598,242</b>	<b>\$ —</b>	<b>\$ 3,586,449</b>	<b>\$ —</b>	<b>\$ 65,071</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>53,278</b>
<b>General Revenue, Gains and Transfers</b>									
Taxes									
Property taxes levied for general purposes.....						25,822,607	—	25,822,607	—
Property taxes levied for debt service .....						7,219,345	—	7,219,345	—
Other taxes.....						11,464,827	—	11,464,827	—
Investment earnings .....						668,736	203,004	871,740	31,595
Miscellaneous.....						2,847,102	—	2,847,102	98,813
Losses on dispositions of property and equipment .....						(144,924)	—	(144,924)	—
<b>Total General Revenue, Gains and Transfers .....</b>						<b>47,877,693</b>	<b>203,004</b>	<b>48,080,697</b>	<b>130,408</b>
<b>Change in Net Assets.....</b>						<b>13,116,829</b>	<b>2,091,974</b>	<b>15,208,803</b>	<b>183,686</b>
Net Assets - Beginning of Year, as previously reported .....						79,224,549	67,611,839	146,836,388	17,855,458
Prior period adjustments.....						—	—	—	100,210
Net Assets - Beginning of Year, as Restated .....						79,224,549	67,611,839	146,836,388	17,955,668
<b>Net Assets - End of Year.....</b>						<b>\$ 92,341,378</b>	<b>\$ 69,703,813</b>	<b>\$ 162,045,191</b>	<b>\$ 18,139,354</b>

## Balance Sheet - Governmental Funds

At June 30, 2005

	General Fund	Employee Benefits Fund	Local Option Tax Fund	General Obligation Debt Service Fund	Other Governmental Funds	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 8,063,968	\$ 333,380	\$ 5,820,673	\$ 504,469	\$ 21,480,617	\$ 36,203,107
Investments .....	—	—	—	—	433,367	433,367
Receivables						
Customer accounts (net of uncollectible accounts)	327,073	—	—	—	—	327,073
Property Taxes						
Delinquent.....	96,699	89,950	—	84,830	2,506	273,985
Succeeding year .....	14,234,015	9,446,681	—	7,131,355	2,621,947	33,433,998
Special assessments.....	121,504	—	—	—	—	121,504
Loans and notes .....	122,603	—	—	—	—	122,603
Due from other funds .....	1,665,723	—	—	65,467	368,602	2,099,792
Due from Other Governments						
Federal .....	28,389	—	—	—	1,710,647	1,739,036
Iowa .....	418,628	—	1,896,777	—	1,674,461	3,989,866
Other.....	219,965	119,915	—	101,219	30,859	471,958
Inventories and prepaids..	593,691	—	—	—	83,074	676,765
Restricted Assets						
Cash and cash equivalents	1,491,953	—	—	50,721	358,901	1,901,575
Receivables .....	21,854	—	—	—	—	21,854
<b>Total Assets .....</b>	<b><u>\$ 27,406,065</u></b>	<b><u>\$ 9,989,926</u></b>	<b><u>\$ 7,717,450</u></b>	<b><u>\$ 7,938,061</u></b>	<b><u>\$ 28,764,981</u></b>	<b><u>\$ 81,816,483</u></b>

See accompanying notes to the financial statements.

## Balance Sheet - Governmental Funds

At June 30, 2005

	General Fund	Employee Benefits Fund	Local Option Tax Fund	General Obligation Debt Service Fund	Other Govern- mental Funds	Total
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable.....	\$ 700,247	\$ 11,962	\$ 535,192	\$ 21,311	\$ 1,238,717	\$ 2,507,429
Retainages payable .....	324	—	79,150	—	99,744	179,218
Accrued liabilities .....	641,072	96,919	10,417	—	137,939	886,347
Due to other funds.....	—	—	—	—	4,603,790	4,603,790
Deferred revenue .....	14,783,111	9,536,631	656,719	7,216,185	4,167,150	36,359,796
Compensated absences	723,899	—	8,521	—	198,764	931,184
General obligation bonds	150,000	—	—	—	—	150,000
Payable From Restricted Assets						
Customer deposits.....	—	—	—	—	147,750	147,750
<b>Total Liabilities ....</b>	<b><u>16,998,653</u></b>	<b><u>9,645,512</u></b>	<b><u>1,289,999</u></b>	<b><u>7,237,496</u></b>	<b><u>10,593,854</u></b>	<b><u>45,765,514</u></b>
<b>Fund Balances</b>						
Reserved for						
Debt service.....	—	—	—	649,844	—	649,844
Inventories and prepaids	593,691	—	—	—	83,074	676,765
Donor specifications .....	498,914	—	—	—	—	498,914
Tourism promotion.....	223,204	—	—	—	—	223,204
Public access television	227,400	—	—	—	—	227,400
Airport.....	—	—	—	50,721	—	50,721
Housing .....	504,954	—	—	—	—	504,954
Improvements.....	—	—	—	—	211,151	211,151
Unreserved						
Designated for						
Vision Iowa.....	2,434,091	—	—	—	—	2,434,091
Insurance .....	1,415,713	—	—	—	—	1,415,713
Other .....	223,720	—	—	—	—	223,720
Undesignated .....	4,285,725	344,414	6,427,451	—	—	11,057,590
Undesignated, Reported in Nonmajor						
Special revenue funds.....	—	—	—	—	4,812,903	4,812,903
TIF debt service fund	—	—	—	—	1,439,650	1,439,650
Capital project funds	—	—	—	—	11,624,349	11,624,349
<b>Total Fund Balances.....</b>	<b><u>10,407,412</u></b>	<b><u>344,414</u></b>	<b><u>6,427,451</u></b>	<b><u>700,565</u></b>	<b><u>18,171,127</u></b>	<b><u>36,050,969</u></b>
<b>Total Liabilities and Fund Balances .....</b>	<b><u>\$ 27,406,065</u></b>	<b><u>\$ 9,989,926</u></b>	<b><u>\$ 7,717,450</u></b>	<b><u>\$ 7,938,061</u></b>	<b><u>\$ 28,764,981</u></b>	<b><u>\$ 81,816,483</u></b>

See accompanying notes to the financial statements.

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

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At June 30, 2005

<b>Total Fund Balances for Governmental Funds (Page 21).....</b>	<b>\$ 36,050,969</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds .....	118,407,160
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds .....	2,804,293
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Capital lease obligations .....	(157,024)
General obligation bonds and notes.....	(59,295,000)
Other loans and notes .....	(3,198,850)
Compensated absences and deferred compensation .....	(2,099,833)
Accrued interest payable.....	<u>(170,337)</u>
 <b>Net Assets of Governmental Activities (Page 17) .....</b>	 <b><u>\$ 92,341,378</u></b>

# Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2005

	General Fund	Employee Benefits Fund	Local Option Tax Fund	General Obligation Debt Service Fund	Other Govern- mental Funds	Total
<b>Revenue</b>						
Property taxes .....	\$ 14,476,748	\$ 8,364,747	\$ —	\$ 7,185,333	\$ 2,888,740	\$ 32,915,568
Other taxes .....	2,262,033	480,068	8,076,296	396,919	25,757	11,241,073
Licenses and permits .....	1,155,257	—	—	—	17,890	1,173,147
Investment income .....	209,452	50,757	85,104	50,073	273,350	668,736
Rent .....	594,839	—	—	134,554	150,027	879,420
Intergovernmental .....	1,243,152	—	—	86,364	19,774,774	21,104,290
Charges for services .....	4,655,094	—	—	—	325,493	4,980,587
Interfund charges for service ..	1,974,797	—	—	—	685,000	2,659,797
Special assessments .....	56,694	—	—	—	—	56,694
Miscellaneous .....	1,814,501	—	23,271	—	170,237	2,008,009
<b>Total Revenue .....</b>	<b><u>28,442,567</u></b>	<b><u>8,895,572</u></b>	<b><u>8,184,671</u></b>	<b><u>7,853,243</u></b>	<b><u>24,311,268</u></b>	<b><u>77,687,321</u></b>
<b>Expenditures</b>						
<b>Current</b>						
Public safety .....	18,973,204	2,919,366	—	—	247,861	22,140,431
Public works .....	1,328,743	—	6,990,571	—	10,263,119	18,582,433
Health and social services....	325,147	—	—	—	—	325,147
Culture and recreation .....	5,991,209	—	—	—	585,514	6,576,723
Community and economic development .....	2,079,769	—	—	—	9,343,184	11,422,953
General government.....	3,248,469	12,589	—	—	—	3,261,058
<b>Debt Service</b>						
Principal .....	—	—	—	6,285,313	113,978	6,399,291
Interest and fees .....	—	—	—	2,551,622	24,150	2,575,772
Capital projects .....	—	—	—	—	7,150,058	7,150,058
<b>Total Expenditures .....</b>	<b><u>31,946,541</u></b>	<b><u>2,931,955</u></b>	<b><u>6,990,571</u></b>	<b><u>8,836,935</u></b>	<b><u>27,727,864</u></b>	<b><u>78,433,866</u></b>
<b>Revenue Over (Under) Expenditures .....</b>	<b><u>(3,503,974)</u></b>	<b><u>5,963,617</u></b>	<b><u>1,194,100</u></b>	<b><u>(983,692)</u></b>	<b><u>(3,416,596)</u></b>	<b><u>(746,545)</u></b>
<b>Other Financing Sources (Uses)</b>						
Transfers in .....	6,223,184	—	—	1,253,250	1,007,902	8,484,336
Transfers out .....	(488,749)	(5,893,184)	(28,490)	(363,290)	(1,710,623)	(8,484,336)
Proceeds from sale of assets	119,573	—	—	—	—	119,573
Refunding bonds issued .....	—	—	—	2,720,000	—	2,720,000
Payment to refunded bond escrow agent .....	—	—	—	(2,667,302)	—	(2,667,302)
Long-term bonds issued .....	—	—	—	—	6,000,000	6,000,000
Bond discounts and issue costs .....	—	—	—	—	(94,428)	(94,428)
<b>Total Other Financing Sources (Uses) .....</b>	<b><u>5,854,008</u></b>	<b><u>(5,893,184)</u></b>	<b><u>(28,490)</u></b>	<b><u>942,658</u></b>	<b><u>5,202,851</u></b>	<b><u>6,077,843</u></b>
<b>Net Change in Fund Balances</b>	<b><u>2,350,034</u></b>	<b><u>70,433</u></b>	<b><u>1,165,610</u></b>	<b><u>(41,034)</u></b>	<b><u>1,786,255</u></b>	<b><u>5,331,298</u></b>
Fund Balances - Beginning of Year .....	8,057,378	273,981	5,261,841	741,599	16,384,872	30,719,671
<b>Fund Balances - End of Year</b>	<b><u>\$ 10,407,412</u></b>	<b><u>\$ 344,414</u></b>	<b><u>\$ 6,427,451</u></b>	<b><u>\$ 700,565</u></b>	<b><u>\$ 18,171,127</u></b>	<b><u>\$ 36,050,969</u></b>

See accompanying notes to the financial statements.

# Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Year Ended June 30, 2005

**Changes in Fund Balances - Total Governmental Funds**  
**(Page 23)** ..... **\$ 5,331,298**

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

Capital outlays to purchase or construct capital assets are reported in the governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlay and depreciation expense for the year are as follows:

Capital outlay.....	\$ 14,664,025	
Depreciation expense.....	<u>(3,896,540)</u>	10,767,485

Beginning of year capital assets removed from service are not reported in the governmental funds but reduce net assets. Items removed are as follows:

Cost of land sold.....	\$ (91,180)	
Net book value of depreciable assets sold or scrapped.....	<u>(173,315)</u>	(264,495)

The issuance of long-term debt provides current financial resources to governmental funds while repayment of the principal of long-term debt consumes current financial resources. These transactions have no effect on the change in net assets in the statement of activities. In addition, interest is accrued on outstanding debt in the statement of activities whereas in the governmental funds an interest expenditure is reported only when due. The following is a detail of the net effect on these differences in the treatment of long-term debt and related items:

General obligation bonds issued for governmental purposes.....	\$ (6,000,000)	
General obligation bonds issued for refunding purposes ....	(2,720,000)	
General obligation bonds repaid .....	6,070,000	
General obligation bonds refunded .....	2,645,000	
Other long-term debt issued.....	(1,825,751)	
Other long-term debt repaid .....	570,053	
Change in accrued interest .....	<u>34,904</u>	(1,225,794)

Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds:

Current year .....	\$ 2,804,293	
Prior year.....	<u>(4,295,958)</u>	<u>(1,491,665)</u>

**Change in Net Assets of Governmental Activities (Page 19)** ..... **\$ 13,116,829**

## Balance Sheets - Enterprise Funds

At June 30, 2005

	<u>Major</u> <u>Sanitary Sewer</u>	<u>Nonmajor</u> <u>Sanitation</u>	<u>Total</u>
<b>Current Assets</b>			
Cash .....	\$ 1,724,029	\$ 1,232,445	\$ 2,956,474
Receivables			
Customer accounts (net of allowance for uncollectible accounts) .....	1,958,180	742,183	2,700,363
Special assessments .....	2,201	—	2,201
Loans and notes.....	20,711	—	20,711
Due from other funds.....	379,868	—	379,868
Due from Other Governments			
Waterloo Water Works .....	550,324	288,311	838,635
Other .....	3,237	285,141	288,378
Inventories and prepaids .....	12,467	—	12,467
<b>Restricted Assets</b>			
Cash.....	2,338,283	73,500	2,411,783
Due from other funds .....	2,125,624	—	2,125,624
Due from other governments .....	260,503	—	260,503
<b>Total Current Assets .....</b>	<b><u>9,375,427</u></b>	<b><u>2,621,580</u></b>	<b><u>11,997,007</u></b>
<b>Noncurrent Assets</b>			
<b>Restricted Assets</b>			
Cash.....	2,123,500	—	2,123,500
Capital assets (net of accumulated depreciation) .....	84,338,810	949,244	85,288,054
Capital assets not being depreciated .....	2,784,870	—	2,784,870
Bond issue costs (net of accumulated amortization - \$90,155) .....	260,095	—	260,095
<b>Total Noncurrent Assets .....</b>	<b><u>89,507,275</u></b>	<b><u>949,244</u></b>	<b><u>90,456,519</u></b>
<b>Total Assets .....</b>	<b><u>\$ 98,882,702</u></b>	<b><u>\$ 3,570,824</u></b>	<b><u>\$ 102,453,526</u></b>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Accounts payable .....	\$ 242,017	\$ 90,885	\$ 332,902
Retainages payable.....	64,868	—	64,868
Accrued liabilities.....	201,116	22,997	224,113
Due to other funds.....	—	1,494	1,494
Current maturities of long-term debt.....	635,000	—	635,000
Compensated absences.....	77,036	12,110	89,146
Payable from Restricted Assets			
Security deposits.....	173,500	73,500	247,000
Accrued interest, revenue bonds .....	122,550	—	122,550
Current portion of revenue bonds .....	2,325,000	—	2,325,000
<b>Total Current Liabilities .....</b>	<b><u>3,841,087</u></b>	<b><u>200,986</u></b>	<b><u>4,042,073</u></b>
<b>Noncurrent Liabilities</b>			
<b>Long-Term Debt</b>			
General obligation bonds .....	13,328,692	—	13,328,692
Revenue bonds .....	15,378,948	—	15,378,948
<b>Total Noncurrent Liabilities .....</b>	<b><u>28,707,640</u></b>	<b><u>—</u></b>	<b><u>28,707,640</u></b>
<b>Total Liabilities .....</b>	<b><u>32,548,727</u></b>	<b><u>200,986</u></b>	<b><u>32,749,713</u></b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	55,729,824	949,243	56,679,067
Restricted for debt service.....	2,511,000	—	2,511,000
Restricted for improvements.....	4,583,976	—	4,583,976
Unrestricted .....	3,509,175	2,420,595	5,929,770
<b>Total Net Assets .....</b>	<b><u>66,333,975</u></b>	<b><u>3,369,838</u></b>	<b><u>69,703,813</u></b>
<b>Total Liabilities and Net Assets .....</b>	<b><u>\$ 98,882,702</u></b>	<b><u>\$ 3,570,824</u></b>	<b><u>\$ 102,453,526</u></b>

See accompanying notes to the financial statements.

# Statement of Revenue, Expenses and Changes in Fund Net Assets - Enterprise Funds

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Year Ended June 30, 2005

	<u>Major</u> <u>Sanitary Sewer</u>	<u>Nonmajor</u> <u>Sanitation</u>	<u>Total</u>
<b>Operating Revenue</b>			
Charges for sales and service .....	<u>\$ 9,496,202</u>	<u>\$ 3,210,265</u>	<u>\$ 12,706,467</u>
<b>Operating Expenses</b>			
Salaries and employee benefits .....	1,732,062	776,663	2,508,725
Contractual services .....	1,529,176	983,685	2,512,861
Intra-city reimbursements .....	688,000	739,297	1,427,297
Commodities .....	505,763	283,026	788,789
Depreciation .....	<u>2,096,978</u>	<u>242,490</u>	<u>2,339,468</u>
<b>Total Operating Expenses .....</b>	<b><u>6,551,979</u></b>	<b><u>3,025,161</u></b>	<b><u>9,577,140</u></b>
<b>Operating Income .....</b>	<b><u>2,944,223</u></b>	<b><u>185,104</u></b>	<b><u>3,129,327</u></b>
<b>Nonoperating Revenue (Expenses)</b>			
Interest income .....	175,342	27,662	203,004
Intergovernmental .....	64,006	274,988	338,994
Interest expense .....	(1,646,177)	—	(1,646,177)
Amortization of bond issue costs .....	<u>(48,655)</u>	<u>—</u>	<u>(48,655)</u>
<b>Total Nonoperating Revenue (Expenses) .....</b>	<b><u>(1,455,484)</u></b>	<b><u>302,650</u></b>	<b><u>(1,152,834)</u></b>
<b>Change in Net Assets Before</b>			
<b>Contributions .....</b>	<b>1,488,739</b>	<b>487,754</b>	<b>1,976,493</b>
Capital contributions - federal construction grant .....	<u>115,481</u>	<u>—</u>	<u>115,481</u>
<b>Change in Net Assets .....</b>	<b>1,604,220</b>	<b>487,754</b>	<b>2,091,974</b>
Net Assets - Beginning of Year .....	<u>64,729,755</u>	<u>2,882,084</u>	<u>67,611,839</u>
<b>Net Assets - End of Year .....</b>	<b><u>\$ 66,333,975</u></b>	<b><u>\$ 3,369,838</u></b>	<b><u>\$ 69,703,813</u></b>

See accompanying notes to the financial statements.

## Statement of Cash Flows - Enterprise Funds

Year Ended June 30, 2005

	<u>Major</u> <u>Sanitary Sewer</u>	<u>Nonmajor</u> <u>Sanitation</u>	<u>Total</u>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers and users .....	\$ 9,719,604	\$ 3,188,928	\$ 12,908,532
Payments to suppliers .....	(2,046,808)	(1,270,775)	(3,317,583)
Payments to or on behalf of employees .....	(1,744,253)	(776,290)	(2,520,543)
Payment for interfund services used .....	(688,000)	(739,297)	(1,427,297)
<b>Net Cash Provided By Operating Activities.....</b>	<b><u>5,240,543</u></b>	<b><u>402,566</u></b>	<b><u>5,643,109</u></b>
<b>Cash Flows From Noncapital Financing Activities</b>			
Operating grant.....	<u>64,006</u>	<u>274,988</u>	<u>338,994</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Proceeds from refunding bonds .....	424,700	—	424,700
Payment of debt issue and reacquisition costs .....	(128,917)	—	(128,917)
Capital grants .....	658,596	—	658,596
Purchase and construction of capital assets .....	(1,255,551)	(261,404)	(1,516,955)
Payment to refunded bond agent .....	(143,263)	—	(143,263)
Principal paid on debt.....	(3,300,000)	—	(3,300,000)
Interest paid on debt.....	(1,244,099)	—	(1,244,099)
<b>Net Cash Used in Capital and Related Financing Activities .....</b>	<b><u>(4,988,534)</u></b>	<b><u>(261,404)</u></b>	<b><u>(5,249,938)</u></b>
<b>Cash Flows From Investing Activities</b>			
Collection of notes and special assessments.....	13,077	—	13,077
Prior bond proceeds pooled with governmental funds	(32,317)	—	(32,317)
Interest received.....	175,342	27,662	203,004
<b>Net Cash Provided By Investing Activities.....</b>	<b><u>156,102</u></b>	<b><u>27,662</u></b>	<b><u>183,764</u></b>
<b>Net Increase in Cash .....</b>	<b>472,117</b>	<b>443,812</b>	<b>915,929</b>
Cash at Beginning of Year.....	<u>5,713,695</u>	<u>862,133</u>	<u>6,575,828</u>
<b>Cash at End of Year.....</b>	<b><u>\$ 6,185,812</u></b>	<b><u>\$ 1,305,945</u></b>	<b><u>\$ 7,491,757</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>			
Operating income .....	\$ 2,944,223	\$ 185,104	\$ 3,129,327
Adjustments to Reconcile Income From Operations to Net Cash Provided By Operating Activities			
Depreciation .....	2,096,978	242,490	2,339,468
(Increase) decrease in accounts receivable.....	208,919	(25,294)	183,625
Decrease in due from other funds.....	5,326	—	5,326
Decrease in due from other governments.....	14,483	3,957	18,440
(Increase) in inventories and prepaids	(2,052)	—	(2,052)
Decrease in accounts payable .....	(16,508)	(5,558)	(22,066)
Increase in accrued liabilities .....	69,715	987	70,702
Increase (decrease) in due to other funds .....	(1,514)	1,494	(20)
Decrease in compensated absences .....	(79,027)	(614)	(79,641)
<b>Net Cash Provided by Operating Activities .....</b>	<b><u>\$ 5,240,543</u></b>	<b><u>\$ 402,566</u></b>	<b><u>\$ 5,643,109</u></b>

See accompanying notes to the financial statements.

# Statement of Cash Flows - Enterprise Funds

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Year Ended June 30, 2005

	<u>Major</u> <u>Sanitary Sewer</u>	<u>Nonmajor</u> <u>Sanitation</u>	Total
<b>Schedule of Noncash Investing and Financing Activities</b>			
Grants Receivable .....	<u>\$ (139,501)</u>	<u>\$ —</u>	<u>\$ (139,501)</u>
Payables for Acquisition of Capital Assets .....	<u>\$ 174,689</u>	<u>\$ —</u>	<u>\$ 174,689</u>
Amortization of Bond Issue Costs .....	<u>\$ 48,655</u>	<u>\$ —</u>	<u>\$ 48,655</u>
Amortization of Discounts and Reacquisition Costs .....	<u>\$ 165,229</u>	<u>\$ —</u>	<u>\$ 165,229</u>
Accrual of Interest Expense .....	<u>\$ 54,054</u>	<u>\$ —</u>	<u>\$ 54,054</u>
Refunded Bond Principal and Interest Paid With Refunding Bond Proceeds.....	<u>\$ 20,730,370</u>	<u>\$ —</u>	<u>\$ 20,730,370</u>
Issue Costs Paid Directly from Refunding Bond Proceeds.....	<u>\$ 104,582</u>	<u>\$ —</u>	<u>\$ 104,582</u>

# Statement of Fiduciary Net Assets - CEBA Agency Fund ---

At June 30, 2005

<b>Assets</b>	
Notes and Forgivable Notes Receivable .....	<u>\$ 75,900</u>
<b>Liabilities and Net Assets</b>	
Notes and Forgivable Notes Payable .....	\$ 75,900
<b>Net Assets</b> .....	<u>—</u>
<b>Total Liabilities and Net Assets</b> .....	<u>\$ 75,900</u>

**Notes to the Financial Statements**

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## Index to the Notes to the Financial Statements

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# Notes to the Financial Statements

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## **(1) Summary of Significant Accounting Policies**

The significant accounting policies followed in the preparation of these financial statements are summarized below.

### **Reporting Entity**

The City of Waterloo (City) is a political subdivision of the State of Iowa located in Black Hawk County. It was incorporated in 1868 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the full-time Mayor and seven part-time City Council members elected on a nonpartisan basis. The Mayor is elected for a two-year term. City Council members from five wards plus two at-large are elected for staggered four-year terms. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides sanitary sewer and sanitation (garbage pick up) utilities for its citizens. Through its component unit, Waterloo Water Works, water utility services are also provided.

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions, authorities and material component units. 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 Waterloo (the primary government) and its discretely presented component unit, the Waterloo Water Works. Complete financial statements of the Waterloo Water Works component unit can be obtained from the Waterloo Water Works administrative office, 325 Sycamore Street, Waterloo, Iowa.

### **Blended Component Unit**

The Waterloo Housing Authority (Authority) is governed by a board that includes all seven members of the City Council plus two members appointed by the Mayor, subject to approval of a majority of the City Council, for a total of nine members. Although the Authority is considered legally separate from the City, it receives administrative support from the various departments within the City's General Fund. Due to the nature of its relationship with the City, the Authority is considered part of the primary government. The Authority is reported as a special revenue fund.

### **Discrete Component Unit**

The Waterloo Water Works is a component unit that is legally separate from the City, but is financially accountable to the City. The Waterloo Water Works is governed by a three-member board appointed by the City Council and its operating budget is subject to the review of the City Council. The Waterloo Water Works operates on a calendar year end and prepares its financial statements in accordance with generally accepted accounting principles. Due to the different year end, the amount reported by the Waterloo Water Works as due to the primary government and the primary government's due from the Waterloo Water Works do not agree by \$54,320.

## (1) Summary of Significant Accounting Policies

### Basis of Presentation

#### ***Government-Wide Financial Statements***

The statement of net assets and the statement of activities report information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate Waterloo Water Works component unit.

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

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

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

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by a City Council resolution, but can be removed or modified.

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

#### ***Fund Financial Statements***

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major proprietary fund are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. The other proprietary fund is reported in a separate column on the proprietary funds financial statements.

The City had the following major governmental funds:

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

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

The Employee Benefits Special Revenue Fund is required by the Code of Iowa (known as the Trust and Agency Fund) to account for property taxes levied for employee benefits. This fund either pays benefits as expenditures (primarily police and fire pension costs) or transfers cash to the General Fund to reimburse allowable benefits paid therefrom.

The Local Option Tax Special Revenue Fund is used to account for resources provided from a 1% sales tax approved by the citizens of Waterloo which can only be used for the reconstruction and repair of City streets.

The General Obligation Debt Service Fund is required by the Code of Iowa to account for the accumulation of resources for, and payment of, debt service on general obligation long-term debt.

The City had the following major proprietary fund:

### **Enterprise Fund**

The Sanitary Sewer Fund operates the sewage collection system and wastewater treatment plant.

## **Description of Funds**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenue and expenditures or expenses, and other financing sources and uses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into categories as follows:

### **Governmental Fund Types**

*General fund* is the general operating fund of the City. It is used to account for all financial resources except those accounted for in another fund.

*Special revenue funds* are used to account for proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

*Debt service funds* are used to account for the accumulation of financial resources for, and the payment of, interest and principal on the City's long-term debt which is not paid by another fund.

*Capital projects funds* are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by another fund.

### **Proprietary Fund Type**

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

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

### ***Fiduciary Fund Type***

*Agency funds* generally are used to account for assets that the City holds on behalf of others as their agent. Agency Funds are custodial in nature and do not involve measurement of results of operations.

### **Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue at the same time the related asset is recorded. For reimbursable grants, the asset is recorded as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the year.

Property tax, charges for services, intergovernmental revenue (shared revenue, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures are generally 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 recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general revenue. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs and then by general revenue.

The proprietary funds of the City apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of the City's enterprise funds are charges to customers for services. Operating expenses include the costs of services and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

# Notes to the Financial Statements

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## **(1) Summary of Significant Accounting Policies**

Agency funds report, under the accrual basis of accounting, only assets and liabilities. Since agency funds have no fund equity, they do not have a measurement focus.

The City maintains its financial records on a modified cash basis. Modifications to the cash basis include (a) recognizing revenue when billed through the City's accounts receivable system, (b) not recognizing revenue from cash received which was not billed through the City's accounts receivable system, (c) recording certain payroll liabilities, (d) recording revenue and expenditures from certain noncash transactions and (e) recording certain interfund due tos/froms for interfund activity. The financial statements of the City are prepared by making memorandum adjusting entries to the modified cash basis financial records.

### **Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### **Cash, Pooled Investments and Cash Equivalents**

The cash balances of most City funds are pooled and deposited into interest-bearing demand deposit accounts. Interest earned on investments is allocated among funds in the ratio of cash provided by the fund unless otherwise provided by law. Interest earned by the Road Use Tax Fund is allocated to the General Fund. Investments consist of nonnegotiable certificates of deposit which are stated at cost and deposited in an Iowa Public Agency Investment Trust money market account which is stated at fair value which is equivalent to cost plus interest earned.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

### **Receivables and Payables**

Receivables are reported net of any allowance for uncollectible accounts. At June 30, 2005, the General Fund and Sanitary Sewer Fund have allowances for uncollectible customer accounts totaling \$460,554 and \$165,000, respectively.

Property taxes receivable are recognized on the levy or lien date, which is the date that the tax asking is certified by the City to the County Board of Supervisors. Current year delinquent property taxes receivable represent unpaid taxes from the current year. The succeeding year property taxes receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property taxes receivable have been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue became due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; was based on January 1, 2003 assessed property valuations; was for the tax accrual period July 1, 2004 through June 30, 2005; and reflected the tax asking contained in the budget certified to the County Board of Supervisors in March, 2004.

## Notes to the Financial Statements

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### **(1) Summary of Significant Accounting Policies**

Special assessments are levied against certain property owners and become liens against the property benefitted by the improvement. Special assessments receivable consist of current assessments which are due within one year, delinquent assessments remaining unpaid after the due date, and deferred, uncollected assessments which have been levied, but are not due within one year.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services, including amounts owed for which billings have not been prepared.

Loans and notes consist of amounts advanced to private individuals or organizations. Collections of revolving loan principal and interest are expected to be subsequently loaned to others. Collections of principal and interest from loans and notes made from federal funds are program income of the federal program when received in cash.

All outstanding balances between funds are reported as "due to/from other funds."

Due from other governments consist of grants, shared revenue and amounts collected by the other government on behalf of the City.

#### **Inventories and Prepaids**

Inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of governmental fund-type inventories are recorded as expenditures when purchased. Inventories and prepaids recorded in the governmental fund types do not reflect current appropriable resources; therefore, an equivalent portion of fund balance is reserved.

Prepaids consist primarily of a deposit for insurance deductibles and health care premiums paid in advance.

#### **Restricted Assets**

Certain assets of the governmental funds are classified as restricted assets because their use is completely restricted by donors, contract or grant agreements.

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "revenue, operations and maintenance" account is used to report resources set aside to subsidize potential deficiencies from the City's operation that could adversely affect debt service payments. The "revenue bond debt sinking" account is used to segregate resources accumulated for debt service payments over the next 12 months. The "revenue bond debt reserve" account is used to segregate 10% of the original face value of bond issues which are still outstanding to provide payments due if the "debt sinking" balance is not adequate. The "revenue bond improvements" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements. The "project" account is used to report those proceeds of bond issuances that are restricted for use in construction.

#### **Unamortized Bond Costs**

Original issuance costs of general obligation bonds repaid by the sanitary sewer enterprise fund and sanitary sewer revenue bonds totaling \$350,250 are amortized using the effective interest method over the life of the bonds. Accumulated amortization at June 30, 2005 was \$90,155. Amortization of bond issue costs was \$48,655 for 2005.

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

### Discount on Sanitary Sewer Bonds

Original discounts of \$109,931 on general obligation bonds repaid by the sanitary sewer enterprise fund outstanding at June 30, 2005 are being amortized using the effective interest method over the life of the bonds. Accumulated amortization as of June 30, 2005 was \$48,623. Discount amortization for 2005, which was added to interest expense, was \$11,571.

### Net Reacquisition Costs of Refunded Bonds

Reacquisition costs of \$965,353 incurred as a result of the August, 2004 sewer revenue bond refunding transactions, are being amortized over the lives of the refunding issues using the effective interest method. Accumulated amortization at June 30, 2005 was \$149,301. Reacquisition amortization for 2005, including amortization of prior reacquisition costs, which was added to interest expense, was \$153,658.

### Interest Capitalized

Construction period interest for business-type activities is capitalized. For projects paid with taxable bonds, interest is capitalized at the amount of cash paid at the effective interest rate to the earlier of the date the asset is placed in service or year end. Interest on tax-exempt debt used for construction is capitalized at the amount incurred, offset by earnings realized by investing debt proceeds until needed. No interest expense was capitalized during the year ended June 30, 2005.

### Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful lives are not capitalized. Capital assets, other than infrastructure, are defined by the City as assets with an initial, individual cost in excess of \$5,000 and estimated useful lives in excess of one year. Infrastructure is defined by the City as assets available for public use, having a cost of \$50,000 or more and having value only to the City. The City has not retroactively capitalized infrastructure assets. Under current accounting standards, the City has until the year ending June 30, 2007 to complete the capitalization of infrastructure assets. However, infrastructure projects from 2003 through 2005 are included in the government-wide financial statements. Because the infrastructure assets constructed prior to 2003 have not been capitalized, the debt related to infrastructure assets causes the reporting of capital assets net of related debt in the statement of net assets to be lower than it would if the infrastructure were capitalized. Depreciation is computed using the straight-line method over the estimated useful life of the asset with no amount recorded in the year placed in service and a full year in the year removed from service. Estimated useful lives are as follows:

<b>Asset Class</b>	<b>Estimated Useful Lives</b>
<b>Primary Government</b>	
<b>Governmental Activities</b>	
Buildings and improvements .....	10 - 40 Years
Infrastructure .....	15 - 40 Years
Furniture and equipment .....	3 - 20 Years
Vehicles, machinery and equipment.....	3 - 25 Years
Assets under capital lease.....	10 - 15 Years

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

<b>Asset Class</b>	<b>Estimated Useful Lives</b>
<b>Primary Government</b>	
<b><i>Business-Type Activities</i></b>	
Buildings .....	15 - 50 Years
Improvements other than buildings .....	50 Years
Furniture and equipment .....	5 - 20 Years
Vehicles, machinery and equipment.....	5 - 10 Years
<b>Discretely Presented Component Unit</b>	
Buildings and improvements .....	8 - 40 Years
Water supply and distribution systems .....	10 - 99 Years
Meters and equipment.....	5 - 63 Years
Machinery and equipment .....	5 - 26 Years

### **Deferred Revenue**

Deferred revenue in the governmental funds represent receivables which are measurable, but not available and cash received which has not been earned.

### **Short-Term General Obligation Bonds**

Annually, the City issues short-term general obligation bonds and records the proceeds, as well as the debt, in the General Fund. The debt is issued as reimbursement for payouts of frozen sick leave. During the following 12 months, the debt plus interest is repaid through the General Obligation Debt Service Fund. An operating transfer is used to transfer the liability from the General Fund to the General Obligation Debt Service Fund. During the year ended June 30, 2005, proceeds of \$150,000 were received and \$330,000 was repaid.

### **Compensated Absences**

City ordinances and labor contracts with the City call for the accumulation of vacation, compensatory time and sick leave for subsequent use or for payment upon termination or retirement. During 2001, the City began offering an early sick leave payout option for certain employees. Qualifying employees can elect to receive 60% of the time in their frozen sick leave bank over a five-year period prior to their retirement or termination of employment. Vacation, compensatory time and sick pay are accrued when incurred in the government-wide and the proprietary funds statements and reported as a liability. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it.

### **Long-Term Liabilities**

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

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

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

### **Fund Balance**

Reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Net Assets**

Net assets represent the difference between assets and liabilities. Amounts reported as invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

### **Indirect Allocations**

Operating funds, departments and activities receive services from supporting funds, departments and activities. Annually, management estimates the value of those services and records applicable indirect allocations. Since there is no approved indirect cost rate for federal programs, activities receiving federal funding are not allocated indirect costs.

### **Estimates and Assumptions**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

## (2) Cash and Investments

The City's deposits at June 30, 2005 were entirely covered by federal depository insurance, National Credit Union 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 that there will be no loss of public funds.

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

On June 30, 2005, the City had investments in the Iowa Public Agency Investment Trust which were valued at an amortized cost of \$4,476,589 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

### (3) Leasing Activities

#### **Airport**

The Waterloo Municipal Airport has entered into various operating leases with airlines, fixed base operators, auto lease companies, the airport restaurant and hangar tenants. No minimum rentals were due under these leases at June 30, 2005.

#### **Soccer Complex**

The City leases 115.6 acres of real estate to the Cedar Valley Youth Soccer Association (Tenant) under an operating lease expiring August 2, 2013 for \$10 per year. The Tenant has the option to renew the lease for five ten-year renewals. The leased real estate was received from Deere & Company (Donor) under a Deed of Dedication which requires the real estate to be used as a soccer facility. If not used as a soccer facility, the real estate reverts to the Donor.

#### **Waterloo Hotel Equities, LLC d/b/a Ramada Waterloo Civic and Convention Center**

The City has entered into a lease agreement with the Waterloo Hotel Equities, LLC d/b/a Ramada Waterloo Civic and Convention Center (Hotel) for the use of the Five Sullivan Brothers Convention Center and City parking facilities. The term of the lease is from May 23, 2005 through December 31, 2019. The rental rates are based on the gross income and sales of the Five Sullivan Brothers Convention Center and/or the Ramada Inn Convention Center (Center) paid on a monthly basis. The lease includes a management agreement with the Hotel for the management of the Center.

### (4) Loans and Notes

#### **General Fund**

##### **Rath/Urban Development Action Grant (UDAG) Loans**

In prior years, the City received federal aid in the form of UDAGs to assist local businesses, including Rath Packing Company (Rath). Rath subsequently liquidated and the City received real estate and cash as a result of the liquidation. A portion of the cash has been loaned to local businesses to assist in their economic development.

**Economic Development Revolving Loans** - From time to time the City has made economic development loans with repayment terms ranging from 6 months to 15 years and interest ranging from zero to 9%.

**Facade Loans** - From time to time the City has made facade improvement loans to aid in improving the appearance of the downtown business district. Loans require principal and interest at rates ranging from 5% to 6.5% to be repaid monthly over five to seven-year terms.

Principal and interest received by the City on Rath/UDAG loans are recorded in the General Fund as use of money and property (Community and Economic Development Program).

# Notes to the Financial Statements

## (4) Loans and Notes

### Special Revenue Funds

#### Community Development Block Grant (CDBG) Loans

**Low-Interest Loans** - The City had 15 low-interest rehabilitation and other loans due at June 30, 2005. Of the total, 13 loans are being serviced by Regions Bank. Both of the City-serviced loans, with a balance of \$6,068 are estimated to be uncollectible. Collections of CDBG loans are grant program income which is reported in the Special Revenue Fund (CDBG) as intergovernmental revenue as received.

**Low-Income Housing Loans** - The City has provided five loans for low-income housing projects, three of which have a below-market interest rate and all have minimal payments required each year until maturity. Maturities range from September, 2018 to August, 2024. Cash received is program income and considered to be a form of government-mandated nonexchange transactions. Accordingly, revenue is reported in the Special Revenue Fund (CDBG) as intergovernmental revenue as received.

**Forgivable Loans** - The City, through its CDBG, provides forgivable rehabilitation loans to low-income households. The loans are forgiven on a sliding scale over a five-year period, provided the home is not sold. If the home is sold, the City's lien against the property prevents a clear title transfer unless the unforgiven portion of the note is satisfied. As of June 30, 2005 the City had made 1,430 such loans totaling \$13,806,926. The loans are not recorded as assets on the accompanying balance sheet or statement of net assets.

## (5) Interfund Activity

The composition of interfund balances as of June 30, 2005 was as follows:

Due From/To	Interfund Receivables	Interfund Payables
General Fund.....	\$ 1,665,723	\$ —
Special Revenue Funds		
Community Development Block Grant.....	—	6,661
Grants .....	—	1,438,804
Federal Aviation Agency Projects .....	366,817	220,549
Debt Service Funds		
General Obligation .....	65,467	—
TIF.....	—	379,868
Capital Projects Funds		
June 2003 GO Bond .....	1,785	399,134
June 2004 GO Bond .....	—	1,098,633
June 2005 GO Bond .....	—	1,060,141
Enterprise Funds		
Sanitary Sewer.....	2,505,492	—
Sanitation .....	—	1,494
	<u>\$ 4,605,284</u>	<u>\$ 4,605,284</u>

## Notes to the Financial Statements

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### (5) Interfund Activity

Due to/from primary government and component units:

#### Due to Enterprise Funds

Sanitary Sewer .....	\$ 550,324
Sanitation.....	<u>288,311</u>
Due from Waterloo Water Works.....	838,635
Difference.....	<u>54,320</u>
<b>Waterloo Water Works - Due to Primary Government .....</b>	<b><u>\$ 892,955</u></b>

The difference in the above amounts of \$54,320 results from the different year ends of the entities as described in Note 1.

### Interfund Transfers

#### Operating Transfers

Transfer to	Transfer From	Amount
General Fund	Special Revenue	
	Employee Benefits	\$ 5,893,184
	Debt Service	
	General Obligation	330,000
General Obligation Bond Fund	General Fund	50,610
	Debt Service	
	Nonmajor Governmental Funds	1,200,000
	Capital Projects	
	Nonmajor Governmental Funds	2,640
Nonmajor Special Revenue	Capital Projects	
	Nonmajor Governmental Funds	7,983
Nonmajor Capital Projects	General Fund	438,139
	Special Revenue	
	Local Option Tax	28,490
	Nonmajor Governmental	300,000
	Debt Service	
	General Obligation	33,290
	Capital Projects	
	Nonmajor Governmental	<u>200,000</u>
<b>Total</b>		<b><u>\$ 8,484,336</u></b>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund expending the resources or are for other operating purposes.

## Notes to the Financial Statements

### (6) Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Balance - Beginning of Year	Increases	Decreases	Transfers	Balance - End of Year
<b>Governmental Activities</b>					
Capital Assets Not Being Depreciated					
Land.....	\$ 25,964,471	\$ 995,931	\$ 91,180	\$ 11,300	\$ 26,880,522
Land held for redevelopment.....	1,356,583	765,753	—	476,352	2,598,688
Construction in progress .....	<u>13,001,435</u>	<u>11,017,647</u>	<u>—</u>	<u>(15,825,505)</u>	<u>8,193,577</u>
Total Capital Assets Not Being Depreciated.....	<u>40,322,489</u>	<u>12,779,331</u>	<u>91,180</u>	<u>(15,337,853)</u>	<u>37,672,787</u>
Capital Assets Being Depreciated					
Buildings and improvements .....	61,424,759	281,753	204,401	5,875,458	67,377,569
Infrastructure .....	33,318,551	176,823	—	9,462,395	42,957,769
Furniture and equipment .....	643,676	15,056	—	15,837	674,569
Vehicles, machinery and equipment	14,947,637	1,380,203	648,780	452,760	16,131,820
Assets under capital lease .....	<u>975,294</u>	<u>30,859</u>	<u>—</u>	<u>(485,578)</u>	<u>520,575</u>
Total Capital Assets Being Depreciated.....	<u>111,309,917</u>	<u>1,884,694</u>	<u>853,181</u>	<u>15,320,872</u>	<u>127,662,302</u>
Less Accumulated Depreciation for					
Buildings and improvements .....	32,271,585	1,708,476	111,881	—	33,868,180
Infrastructure .....	743,741	1,089,974	—	—	1,833,715
Furniture and equipment .....	495,166	49,471	—	8,250	552,887
Vehicles, machinery and equipment	10,076,368	965,628	567,985	136,627	10,610,638
Assets under capital lease .....	<u>141,376</u>	<u>82,991</u>	<u>—</u>	<u>(161,858)</u>	<u>62,509</u>
Total Accumulated Depreciation...	<u>43,728,236</u>	<u>3,896,540</u>	<u>679,866</u>	<u>(16,981)</u>	<u>46,927,929</u>
Net Capital Assets Being Depreciated	<u>67,581,681</u>	<u>(2,011,846)</u>	<u>173,315</u>	<u>15,337,853</u>	<u>80,734,373</u>
<b>Net Governmental Activities</b>					
<b>Capital Assets</b> .....	<b><u>\$ 107,904,170</u></b>	<b><u>\$ 10,767,485</u></b>	<b><u>\$ 264,495</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 118,407,160</u></b>
<b>Business-Type Activities</b>					
Capital Assets Not Being Depreciated					
Land.....	\$ 279,484	\$ —	\$ —	\$ —	\$ 279,484
Construction in progress .....	<u>1,836,747</u>	<u>1,185,901</u>	<u>—</u>	<u>(517,262)</u>	<u>2,505,386</u>
Total Capital Assets Not Being Depreciated.....	<u>2,116,231</u>	<u>1,185,901</u>	<u>—</u>	<u>(517,262)</u>	<u>2,784,870</u>
Capital Assets Being Depreciated					
Buildings .....	68,019,360	—	—	124,963	68,144,323
Improvements other than buildings	31,108,940	—	—	392,299	31,501,239
Furniture and equipment .....	178,708	—	318	—	178,390
Vehicles, machinery and equipment	5,097,813	304,590	5,613	16,981	5,413,771
Total Capital Assets Being Depreciated.....	<u>104,404,821</u>	<u>304,590</u>	<u>5,931</u>	<u>534,243</u>	<u>105,237,723</u>
Less Accumulated Depreciation for					
Buildings .....	6,969,786	1,359,437	—	—	8,329,223
Improvements other than buildings	6,613,572	622,180	—	—	7,235,752
Furniture and equipment .....	172,054	2,437	317	—	174,174
Vehicles, machinery and equipment	3,843,737	355,414	5,612	16,981	4,210,520
Total Accumulated Depreciation...	<u>17,599,149</u>	<u>2,339,468</u>	<u>5,929</u>	<u>16,981</u>	<u>19,949,669</u>
Net Capital Assets Being Depreciated	<u>86,805,672</u>	<u>(2,034,878)</u>	<u>2</u>	<u>517,262</u>	<u>85,288,054</u>
<b>Net Business-Type Activities</b>					
<b>Capital Assets</b> .....	<b><u>\$ 88,921,903</u></b>	<b><u>\$ (848,977)</u></b>	<b><u>\$ 2</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 88,072,924</u></b>

## Notes to the Financial Statements

### (6) Capital Assets

	Balance - Beginning of Year	Increases	Decreases	Transfers	Balance - End of Year
<b>Discretely Presented Component Unit Capital Assets</b>					
Capital Assets Not Being Depreciated					
Land.....	\$ 164,152	\$ —	\$ —	\$ —	\$ 164,152
Assets not in service.....	331,637	362,968	165,435	(186,434)	342,736
Total Capital Assets Not Being Depreciated.....	495,789	362,968	165,435	(186,434)	506,888
Capital Assets Being Depreciated					
Buildings and improvements .....	1,798,477	8,775	100,546	—	1,706,706
Water supply and distribution systems.....	17,520,071	167,070	—	186,434	17,873,575
Meters and equipment.....	1,382,781	100,546	646	—	1,482,681
Machinery and equipment.....	1,667,411	62,374	35,698	—	1,694,087
Total Capital Assets Being Depreciated.....	22,368,740	338,765	136,890	186,434	22,757,049
Total Accumulated Depreciation .....	5,538,704	426,272	34,652	—	5,930,324
Net Capital Assets Being Depreciated.....	16,830,036	(87,507)	102,238	186,434	16,826,725
<b>Net Discretely Presented Component Unit Capital Assets...</b>	<b>\$ 17,325,825</b>	<b>\$ 275,461</b>	<b>\$ 267,673</b>	<b>\$ —</b>	<b>\$ 17,333,613</b>

Depreciation expense was charged by the City as follows for the year ended June 30, 2005:

#### Governmental Activities

Public safety .....	\$ 546,876
Public works .....	2,318,168
Health and social services.....	1,387
Culture and recreation .....	737,247
Community and economic development .....	220,198
General government.....	72,664
Total Governmental Activities .....	<u>3,896,540</u>

#### Business-Type Activities

Sanitary sewer.....	2,096,978
Sanitation.....	242,490
Total Business-Type Activities .....	<u>2,339,468</u>

**Total Primary Government .....** **\$ 6,236,008**

**Component Unit - Water .....** **\$ 426,272**

### **(7) Deferred Compensation Plans**

#### **Deferred Frozen Sick Leave Payout**

Retirees have the option of receiving their frozen sick leave (Note 8) payout immediately or receiving it as an annuity over 60 months. If the annuity option is selected, interest is paid to the retiree at the same rate as the City pays on the general obligation bonds last issued before the retirement date. At June 30, 2005, 31 retirees were receiving annuitized payouts, the present value of which was \$329,587.

During 2001, the City began offering an early sick leave payout option for certain employees. Qualifying employees can elect to receive 60% of the time in their frozen sick leave bank over a five-year period prior to their retirement or termination of employment. At June 30, 2005, 21 employees were receiving payments, the remaining balance of which was \$64,496.

#### **Fire Retirement Plan Under Code of Iowa Chapter 410**

The City provides pension benefits under Chapter 410 of the Code of Iowa for certain of its retired firefighters and beneficiaries through a defined benefit plan. The City acts as the administrator of the plan as prescribed by State statute. At June 30, 2005, the plan had two members receiving total benefits of \$2,067 per month which changed to \$2,168 per month in July, 2005. At June 30, 2005, the discounted present value of deferred compensation under this plan was \$95,223.

Deferred compensation is reported in enterprise funds as accrued liabilities and governmental funds as long-term debt.

### **(8) Compensated Absences**

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. The vacation pay utilizes a calendar year for the calculation of benefits while sick leave utilizes the City's fiscal year. Vacation days must be taken or paid during the calendar year except for management personnel who may carry forward one week with proper approval. As of June 30, 2005, there was \$857,587 accrued for unused vacation days.

Prior to July 1, 1984, sick leave was allowed to accumulate to a maximum of 240 days, except for police and fire personnel who could accumulate a maximum of 260 days. Any unused days at July 1, 1984 were accumulated into a frozen sick leave bank. The days frozen in the bank are paid upon use, termination or retirement (except for library employees who will only be paid upon use). If paid upon retirement, 60% of the total accumulated hours are paid to employees. Retirees have the option of receiving the payout immediately or receiving it as an annuity over 60 months. As discussed in Note 7, employees could elect to receive a payout of 60% of their frozen sick dollars beginning in July, 2001. As of June 30, 2005, there was \$872,683 accrued for the frozen sick leave bank.

After July 1, 1984, sick leave is allowed to accumulate up to 12 days per year. At the end of the year, 25% of the unused days are payable to the employee as a bonus and 75% of the days are placed in the sick leave bank for future use. The days accumulated in the bank after July 1, 1984 are not payable upon termination or retirement. At June 30, 2005, \$124,230, equivalent to 25% of unused sick leave subject to payout has been accrued.

## Notes to the Financial Statements

### (8) Compensated Absences

Certain employees can elect either to be paid overtime compensation or to accrue the hours as compensatory time, defined as additional time off from regular hours. Employees are required to be paid for these services upon termination of employment. Maximum hours eligible to be used later as compensatory time are limited by law and labor contracts. Governmental funds do not recognize these accumulations as expenditures until paid. At June 30, 2005, there was \$800,276 accrued for unused compensatory time.

Vacation pay, the sick leave bonus and accrued casual pay are reported as compensated absences in the applicable fund. Frozen sick leave and compensatory time liabilities are reported in accrued liabilities in enterprise funds and as long-term debt for governmental activities.

### (9) Long-Term Debt

The following is a summary of the changes in long-term debt for the year ended June 30, 2005:

	Balance - Beginning of Year	Additions	Retirements	Balance - End of Year	Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds and notes	\$ 59,290,000	\$ 8,720,000	\$ 8,715,000	\$ 59,295,000	\$ 6,135,000
Loans and notes.....	1,603,114	1,742,536	146,800	3,198,850	153,598
Capital lease obligations .....	339,514	—	182,490	157,024	157,024
Deferred compensation.....	565,843	136,308	212,845	489,306	189,858
Compensated absences .....	1,691,538	46,018	127,029	1,610,527	—
<b>Total Governmental Activities .....</b>	<b><u>\$ 63,490,009</u></b>	<b><u>\$ 10,644,862</u></b>	<b><u>\$ 9,384,164</u></b>	<b><u>\$ 64,750,707</u></b>	<b><u>\$ 6,635,480</u></b>
<b>Business-Type Activities</b>					
General obligation bonds .....	\$ 13,610,000	\$ 1,000,000	\$ 585,000	\$ 14,025,000	\$ 635,000
Revenue bonds .....	19,870,000	21,235,000	22,585,000	18,520,000	2,325,000
Subtotal .....	33,480,000	22,235,000	23,170,000	32,545,000	2,960,000
Less unamortized discounts and reacquisition costs .....	240,540	802,049	165,229	877,360	—
<b>Total Business-Type Activities .....</b>	<b><u>\$ 33,239,460</u></b>	<b><u>\$ 21,432,951</u></b>	<b><u>\$ 23,004,771</u></b>	<b><u>\$ 31,667,640</u></b>	<b><u>\$ 2,960,000</u></b>

The City issues bonds and notes primarily to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for governmental and business-type activities and to refund prior general obligation debt. Revenue bonds have been issued to fund the acquisition and construction of sanitary sewer facilities and to refund prior general obligation and revenue debt.

General obligation bonds and notes are direct obligations and pledge the full faith and credit of the City. Revenue bonds are the obligations of the Sanitary Sewer Enterprise Fund and are generally payable solely from the revenue of the Sanitary Sewer Enterprise Fund. Bonds generally are issued as 15 to 20-year serial bonds.

## Notes to the Financial Statements

### (9) Long-Term Debt

During the year ended June 30, 2005, the City issued tax-exempt General Obligation Bonds, Series 2005A in the amount of \$7,820,000, maturing June 1, 2006-2020, with coupon rates of 3% - 4% (based on length to maturity) less a discount of \$43,246. The face amount of refunding bonds, \$2,720,000, is reported as proceeds in the GO Debt Service Fund. An additional \$1,000,000, to be used to finance sanitary sewer improvements and to be repaid with user fees, is reported in the Sanitary Sewer Enterprise Fund. The remainder of \$4,100,000 is to be used to finance various projects throughout the City and is reported in the June, 2005 GO Bond Capital Projects Fund.

The City forwarded \$2,667,302 of the refunding bond proceeds to a refunding agent along with \$2,645,000 outstanding principal of June, 1997 general obligation bonds. The bonds were called and retired August 1, 2005. The refunding resulted in an economic gain of approximately \$113,000 and reduced future debt service payments by approximately \$148,000.

The City also issued \$1,900,000 of taxable General Obligation Bonds, Series 2005B for urban renewal projects including the acquisition and redevelopment of private property. These bonds mature June 1, 2006 through 2020 and have coupon rates of 4% - 5%. The face amount of these bonds is reported in the June, 2005 GO Bond Capital Projects Fund.

The City issued tax-exempt and taxable sewer revenue refunding bonds of \$11,640,000 and \$9,595,000, respectively, plus a premium of \$28,382 and less a discount of \$43,246, respectively. Amounts of \$11,440,156 and \$9,433,477 were transferred to a refunding agent for current and advance refundings of tax-exempt and taxable sewer revenue bonds of \$11,120,000 and \$8,750,000, respectively. The transactions resulted in economic gains of approximately \$960,000 and reduced future debt service payments by approximately \$1,300,000. At June 30, 2005, \$2,285,000 and \$3,885,000, respectively, of advance refunded tax-exempt and taxable sewer revenue bonds with a call date of May 1, 2006 have been defeased. The refunding agents have investments of \$2,471,002 and \$4,151,953, respectively, available to pay interest and principal on the refunded bonds.

The City's outstanding general obligation long-term debt is as follows:

Issue Date	Purpose	Interest Rates	Corporate Purposes	Refunding	Sanitary Sewer	Total
April, 1998	Airport hanger	5.400% - 5.75%	\$ 515,000	\$ —	\$ —	\$ 515,000
June, 1998	Corporate purpose	4.400 - 4.50	3,700,000	—	—	3,700,000
March, 1999	Refunding	4.125 - 4.20	—	6,675,000	—	6,675,000
June, 1999	Various	4.700 - 5.25	4,890,000	—	3,950,000	8,840,000
June, 2000	Various	5.375 - 5.50	780,000	—	3,440,000	4,220,000
June, 2001	Various	4.250 - 4.60	6,045,000	2,240,000	2,725,000	11,010,000
June, 2002	Various	3.200 - 4.65	5,755,000	—	890,000	6,645,000
June, 2002	Taxable	4.500 - 6.00	1,325,000	—	—	1,325,000
June, 2003	Various	2.000 - 3.00	4,725,000	1,365,000	975,000	7,065,000
June, 2003	Taxable	3.750 - 4.90	870,000	—	—	870,000
June, 2004	Various	2.500 - 4.75	5,595,000	2,370,000	1,045,000	9,010,000
June, 2004	Taxable	3.000 - 5.90	3,725,000	—	—	3,725,000
June, 2005	Various	3.000 - 4.00	4,100,000	2,720,000	1,000,000	7,820,000
June, 2005	Taxable	4.000 - 5.00	1,900,000	—	—	1,900,000
<b>Total</b>			<b><u>\$ 43,925,000</u></b>	<b><u>\$ 15,370,000</u></b>	<b><u>\$ 14,025,000</u></b>	<b><u>\$ 73,320,000</u></b>

## Notes to the Financial Statements

### (9) Long-Term Debt

Annual debt service on general obligation and revenue bonds at June 30, 2005 are as follows:

#### GO Debt Service Fund

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2006.....	\$ 6,135,000	\$ 2,419,968
2007.....	6,155,000	2,217,103
2008.....	5,410,000	2,010,031
2009.....	5,205,000	1,806,523
2010.....	4,870,000	1,602,319
2011 - 2015 .....	21,110,000	5,119,635
2016 - 2020 .....	10,410,000	1,166,168
	<b><u>\$ 59,295,000</u></b>	<b><u>\$ 16,341,747</u></b>

#### Sanitary Sewer Enterprise Fund

Year Ending June 30,	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2006.....	\$ 635,000	\$ 648,648	\$ 2,325,000	\$ 735,298
2007.....	660,000	620,776	2,345,000	675,198
2008.....	970,000	591,471	1,495,000	604,173
2009.....	1,075,000	548,199	1,485,000	553,173
2010.....	1,115,000	500,279	1,585,000	494,198
2011 - 2015 .....	6,415,000	1,673,709	8,075,000	1,414,250
2016 - 2020 .....	3,155,000	350,232	1,210,000	71,225
	<b><u>\$ 14,025,000</u></b>	<b><u>\$ 4,933,314</u></b>	<b><u>\$ 18,520,000</u></b>	<b><u>\$ 4,547,515</u></b>

Sanitary Sewer Fund interest expense of \$1,646,177 for the year ended June 30, 2005 includes \$1,480,948 on bonds plus \$11,571 for discount amortization and \$153,658 for reacquisition amortization.

The resolutions providing for the issuance of revenue bonds include the following covenants:

1. The bonds will only be redeemed from the future earnings of the sewer system and the bondholders hold a lien on the future earnings.
2. Sufficient monthly transfers shall be made to the sewer revenue bond and interest sinking account for the purpose of making the bond principal and interest payments when due.
3. Monthly transfers will be made to establish a sewer revenue debt reserve fund, at a minimum required balance equal to at least 10% of the original principal amount of bonds outstanding. The amounts shall be used solely for the purpose of paying principal or interest on the bonds when insufficient money is available in the sinking fund. Whenever it shall become necessary to use the funds in the debt reserve fund, monthly payments shall be established to restore the funds used within a three-year period.

## Notes to the Financial Statements

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### (9) Long-Term Debt

4. Monthly transfers of \$20,000 to the sewer improvement fund shall be made until the fund equals or exceeds \$450,000. Amounts in the improvement fund not otherwise specially limited by provisions of the bond resolution shall first be used for the purpose of paying principal or interest on the bonds when there shall be insufficient money in the sinking fund and the reserve fund, to pay the cost of extraordinary maintenance or repairs, renewals and replacements not included in the annual budget of revenue and current expenses, payment of rentals on any part of the system or payments due for any property purchased as a part of the system and for capital improvements to the system. Whenever it becomes necessary to so use the improvement fund, the monthly payments required shall be continued or resumed until the fund is restored to the required minimum balance.
5. The City will cause to be kept proper books and accounts adapted to the system and in accordance with generally accepted accounting practices, and will cause the books and accounts to be audited annually not later than 270 days after the end of each fiscal year by an independent auditor.
6. The City will faithfully and punctually perform all duties with reference to the Sewer Enterprise required by the Constitution and laws of the State of Iowa.
7. The City will establish rates to allow net revenue to meet or exceed 125% of debt service requirements for the year. For the year ended June 30, 2005, sewer net revenue was 144% of debt service.

For the year ended June 30, 2005, the City complied with bond covenants.

### Loans and Notes

The City, through its blended component unit, Waterloo Housing Authority, is indebted to the Federal Financing Bank (FFB) for \$660,612 from the purchase of the Ridgeway Towers housing complex. The debt is scheduled to mature November 1, 2015. The United States Department of Housing and Urban Development pays interest and principal of \$86,364, annually, directly to FFB. The City reports the payment transaction in the GO Debt Service Fund.

During November, 1996, to obtain funding for promoting Midport America, the City's airport area tax increment financing district, the City borrowed \$100,000 from Basic Materials Corp. Interest, at 3%, is due on the loan each June 1. Principal is to be repaid as land in the district is marketed; however, the City intends to repay the loan at \$10,000 per year until repaid. During the year ended June 30, 2005, the City paid principal of \$10,000 plus interest of \$2,400 on the loan. Payments are made from the TIF Debt Service Fund. At June 30, 2005, the unpaid principal was \$70,000.

On March 22, 1999, the City entered into a real estate purchase agreement with Hurst Holding Company for land known as the Tower Technology Park. The purchase price of \$548,856 is to be paid in annual installments of \$78,408, beginning April 1, 2002 through April 1, 2008 when the remaining balance is due. Included in the payment is variable interest at the prime rate minus 0.25% adjusted each April 1 (4% at April 1, 2005). During the year ended June 30, 2005, the City paid principal of \$67,313 and interest of \$11,095 from the TIF Debt Service Fund. At June 30, 2005, the balance of \$228,550 is outstanding.

## Notes to the Financial Statements

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### (9) Long-Term Debt

The City has drawn \$197,082 of a potential \$345,875 loan from the Iowa Department of Economic Development, Brownfield Redevelopment Program, for the purchase of real estate in the Rath Redevelopment Area. The loan is at zero percent interest with no payments due in the first five years after development. Depending on the percentage increase in taxable property valuation for the redevelopment area, from 100% to 0% of the loan will be forgiven. The unforgiven portion will be due in ten equal semi-annual payments. The City has scheduled repayment for July, 2011 from the TIF Debt Service Fund.

On May 18, 2004, the City purchased land for development from Brock, Inc. for \$385,000 under a real estate contract requiring annual payments of \$40,000 including interest at 3% beginning June 1, 2005 and continuing through June 1, 2009 when the unpaid balance is due. A payment of \$29,491, principal, plus interest of \$10,509 was made during the year ended June 30, 2005 from the TIF Debt Service Fund. At June 30, 2005, a balance of \$300,069 was outstanding.

During the year ended June 30, 2005, the City acquired property from WDC Properties I, Inc. in exchange for a \$240,000 note payable with interest at 4.5% to be paid August 1, 2005 and 2006 with a final payment of principal plus interest due by November 1, 2006.

During the year ended June 30, 2005, the City acquired property from the Waterloo Industrial Development Association in exchange for a note payable of \$350,000 which is due, plus interest at 4% compounded annually, on or before June 1, 2008.

During the year ended June 30, 2005, the City drew down \$189,264 of a potential \$200,000 forgivable loan from the Iowa Department of Economic Development Brownfield Redevelopment Program (Department). The loan is at zero percent with no payments due in years one through five. The loan may be forgiven if planned increases in taxable valuation of property within the redevelopment area have not been attained. Repayment of the unforgiven loan is to be repaid in ten equal semi-annual payments as determined by the Department.

The City has entered into development agreements including rebates of property taxes paid by other parties to the agreements. Most agreements include a set percentage of taxes paid for a specified number of years. The following agreements require a guaranteed amount of principal plus interest to be paid to the developer. Since payment years and amounts are unknown, they are not included in the schedule of maturities of debt.

Hy-Vee, Inc., \$522,545 plus interest at 3%. All accrued interest is due September 30, 2007. Semi-annual payments of \$50,000 are due beginning May 1, 2008 until principal plus interest has been paid.

Wilbur Burial Vault Co., \$150,000 plus interest at 5%, compounded annually. The City is to pay all accrued interest by September 30, 2007 after which 90% of eligible property taxes will be rebated until interest and principal have been paid.

Lockard Development, Inc., \$290,728 plus interest at 3%, through September 30, 2008 then at 5%, compounded annually. Accrued interest is due on or before September 30, 2008. Beginning November 1, 2008, semi-annual property tax rebates of 100% will be applied to interest and principal until the debt is retired.

## Notes to the Financial Statements

### (9) Long-Term Debt

#### Other Loans and Notes

Other governmental activity loans and notes mature as follows:

Year Ending June 30,	<u>GO Debt Service Fund</u>		<u>TIF Debt Service Fund</u>	
	Principal	Interest	Principal	Interest
2006.....	\$ 42,764	\$ 43,600	\$ 110,836	\$ 44,473
2007.....	45,586	40,778	354,384	43,050
2008.....	48,595	37,769	479,142	24,682
2009.....	51,707	34,657	214,258	7,328
2010.....	55,215	31,149	10,000	900
2011 - 2015 .....	335,729	96,091	406,346	—
2016 - 2017 .....	81,017	5,347	—	—
	<u>\$ 660,613</u>	<u>\$ 289,391</u>	<u>\$ 1,574,966</u>	<u>\$ 120,433</u>

#### Agency Fund Loan

The City passes through loans and forgivable loans from the Iowa Department of Economic Development (IDED)'s Community Economic Betterment Account (CEBA) to local businesses. The City is required to make a good faith effort to ensure IDED's Community Economic Betterment Account is repaid for the loans and, if required, the forgivable loans. The recipients may make payments directly to IDED. At June 30, 2005, outstanding balance on the one remaining loan was \$75,900. This debt is recorded in the CEBA Agency Fund.

#### Capital Lease Obligations

In previous years, the City purchased park, golf course maintenance, road maintenance and sewer maintenance equipment which were financed with capital lease obligations from John Deere Credit.

At June 30, 2005, future minimum lease payments on the capital lease obligations were as follows:

Year Ending June 30,	<u>Governmental Activities</u>			Present Value of Minimum Lease Payments
	<u>Go Debt Service Fund</u>		Interest Portion	
	Minimum Lease Payments			
2006.....	<u>\$ 158,351</u>		<u>\$ 1,327</u>	<u>\$ 157,024</u>

### (10) Operating Leases

Effective July 1, 1999, the City's sanitary sewer operations entered into a five-year agreement for the management of biosolid by-products produced at the Wastewater Treatment Facility. The agreement included the lease of a storage facility at a monthly cost of \$18,000. Effective July 1, 2004, the agreement was extended for an additional five years at a monthly rental of \$4,500.

## Notes to the Financial Statements

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### (10) Operating Leases

The following is a schedule by years of future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at June 30, 2005:

Year Ending June 30,	
2006.....	\$ 54,000
2007.....	54,000
2008.....	54,000
2009.....	54,000
<b>Total.....</b>	<b><u>\$ 216,000</u></b>

Rental expense for all material operating leases was \$54,000 for the year ended June 30, 2005.

### (11) Retirement Systems

#### Police and Fire Retirement Plan

The City contributes to the Municipal Fire and Police Retirement System of Iowa (MFPRSI), which is a cost-sharing multiple-employer public police and fire employees defined benefit pension plan administered by a board of trustees.

MFPRSI provides retirement, disability and death benefits which are established by state statute to plan members and beneficiaries. MFPRSI issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to MFPRSI, 2836 - 104th Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of their earnable compensation and the City's contribution rate may not be less than 17% of annual earnable compensation. For the year ended June 30, 2005, the City's rate was 24.92%. Contribution requirements are established by state statute and may be amended by the State of Iowa legislature with the consent of the governor. The City's contributions to MFPRSI for the years ended June 30, 2005, 2004 and 2003 were \$2,881,037, \$2,199,954 and \$1,807,190 respectively, which met the required contributions for each year.

#### Other City Employees' Retirement Plan

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute and may be amended by the State of Iowa legislature with the consent of the governor. The City's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$688,993, \$661,927 and \$640,237, respectively, which met the required contributions for each year.

## Notes to the Financial Statements

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### (11) Retirement Systems

#### Component Unit

**Plan Description** - The Waterloo Water Works (Utility) maintains the Waterloo Water Works Pension Plan (Plan), which is a single employer defined benefit plan administered by the Pension Committee of the Waterloo Water Works. The Plan provides retirement benefits to plan members and beneficiaries. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Committee. The Plan does not issue a stand-alone financial report. The actuarial report on the Plan is held at the Utility's office.

#### Funding Policy

The contribution requirements of Plan members and the Utility are established and may be amended by the Utility. Plan member contributions are not currently required. The Utility is required to contribute amounts necessary to provide benefits based on the actuarial valuation. Amounts contributed to the plan during 2004, 2003 and 2002 were \$50,000, \$150,000 and \$0, respectively.

#### Annual Pension Cost and Net Pension Obligation

The annual pension cost for 2003 was determined as part of the actuarial valuation using the January 1, 2003 aggregate actuarial method. This method does not identify or separately amortize unfunded actuarial accrued liabilities. The actuarial assumptions for 2002 and 2001 included (a) 8% investment rate of return (net of administrative expenses) and (b) projected salary increases of 3% per year, compounded annually and retirement at age 65. The actuarial valuation at January 1, 2003 assumes retirement at age 62 with 30 years of service. The assumptions did not include any postretirement benefits. The actuarial value of assets was determined using the current market value of investments.

#### Three-Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2002.....	\$ 100,214	0%	\$ 147,217
December 31, 2003.....	107,163	140	104,380
December 31, 2004.....	72,011	69	126,391

### (12) Deficit Fund Balances

The Grants Special Revenue Fund had a deficit in unreserved fund balance of \$223,304 at June 30, 2005.

## Notes to the Financial Statements

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### (13) Commitments

#### Construction

The City is involved in construction of capital assets, mainly streets and sanitary sewer facilities. Much of the construction is funded, at up to 85% of the cost for streets and at 55% for sanitary sewer facilities, through federal grants. City participation in the programs is generally funded through proceeds of debt issues. At June 30, 2005, the City was committed to approximately \$9.2 million of construction contracts.

#### Property Tax Rebates

The City has entered into several development agreements with various businesses located in City tax increment financing districts. The agreements offer rebates of portions of taxes paid for up to ten years, depending on each individual agreement. The amount of the rebates are a percentage of the actual taxes paid by the business. Rebates are reported at the time property taxes are received. See Note 9.

#### Loan Guarantees

The City has guaranteed a bank loan of Cedar Skyline Corporation d/b/a Main Street Waterloo. In the event the primary debtor is unable to repay the loan, the City would be required to make the payments. At June 30, 2005, the note balance was approximately \$239,000.

In conjunction with the Downtown and East Side Small Business Improvement Program, the City has committed to guarantee up to the greater of 50% or \$25,000 of eligible loans made by participating banks. No such loans had been made as of June 30, 2005.

#### Retired Employees Health Care

Employees hired before 1990 who retire with 28 or more years of service but who have not reached age 65 are eligible for City-paid health care coverage. During the year ended June 30, 2005, the City incurred approximately \$993,000 for retirees' health care coverage and received approximately \$49,000 from former employees under COBRA and co-pay provisions. The City records the costs on the "pay as you go" method. Programs/functions are charged for employees who retired from the program/function.

### (14) Joint Ventures and Jointly Governed Organizations

The City is a participating member of several organizations including the Black Hawk County Criminal Justice Information System (CJIS), the Black Hawk County Solid Waste Management Commission (SWMC) and the Metropolitan Transit Authority (MET). The City is contingently liable for a portion of the debt of CJIS. In addition, the City pays its share of costs for CJIS, including debt service, pays landfill fees to SWMC and levies, collects from Black Hawk County and remits property taxes to MET (\$1,098,904 during the year ended June 30, 2005). During the year ended June 30, 2005, the City received a distribution of \$1,073,828 from SWMC. Cumulative unexpended SWMC distributions are reported in the General Fund as designated for Vision Iowa projects. Also, during the year ended June 30, 2005, the Sanitation Fund recognized an operating grant of \$274,988 from SWMC and received \$274,988 from the prior year grant. These grants are used to offset recycling costs.

CJIS financial information is reported within the Black Hawk County annual financial report. SWMC and MET issue their own annual reports.

The City has no equity position in any of the organizations.

## Notes to the Financial Statements

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### **(15) Industrial Development Revenue Bonds**

The City has issued a total of \$137,809,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The amount outstanding at June 30, 2005 is not reported to the City by either the debtors or creditors. Therefore, outstanding balances are unknown. The bonds and related interest are payable solely from revenue of applicable projects. Bond principal and interest do not constitute liabilities of the City.

### **(16) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City assumes the risks of loss of both mobile vehicles and equipment, except certain fire equipment with large per-unit costs which are insured against loss, and police officers and firefighters workers' compensation.

### **(17) Contingencies**

The City is involved in various lawsuits in the normal course of business. The City's management cannot predict the outcome of the lawsuits or reasonably estimate the amount of any loss that may result. Accordingly, no provision for any contingent liabilities that may result has been made in the financial statements. Management believes that losses resulting from these matters, if any, would be primarily covered under the City's insurance policies and would not have a material effect on the financial position of the City.

### **(18) Related Party**

The City Attorney is affiliated with various entities within a group of entities collectively described as the VGM Group (Group). On May 23, 2005, the City entered into a development agreement with VGM Management, Ltd. and VGM Development Corp. who are also part of the Group. As part of the agreement, the City is committed to conveying excess real estate to the Group, providing an economic development grant of \$378,762 to the Group and rebating for five years 50% of applicable property taxes paid by the Group.

**Required Supplementary Information**

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## Budgetary Comparison Schedule - Budget to Actual (Modified Cash Basis) - All Governmental Funds and Proprietary Funds

Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		Actual Amounts	Actual Over (Under) Final Budget
	Original	Final	Budgetary Basis (See Note B)	
<b>Revenue and Other Financing Sources</b>				
<b>Receipts</b>				
Property taxes .....	\$ 31,690,701	\$ 31,690,701	\$ 31,522,105	\$ (168,596)
TIF revenue .....	2,152,294	2,152,294	2,432,678	280,384
Other taxes .....	10,233,715	10,733,715	11,316,167	582,452
Licenses and permits.....	1,074,900	1,074,900	1,170,625	95,725
Use of money and property .....	1,021,449	974,229	1,852,303	878,074
Intergovernmental.....	24,031,604	29,324,114	22,007,789	(7,316,325)
Charges for services.....	18,331,230	19,243,813	18,458,017	(785,796)
Special assessments.....	82,000	82,000	90,234	8,234
Miscellaneous.....	1,579,706	1,715,020	3,022,806	1,307,786
<b>Total Receipts .....</b>	<b><u>90,197,599</u></b>	<b><u>96,990,786</u></b>	<b><u>91,872,724</u></b>	<b><u>(5,118,062)</u></b>
<b>Other Financing Sources</b>				
Transfer from other funds.....	10,696,797	12,412,197	9,595,381	(2,816,816)
Debt proceeds .....	7,150,000	31,385,000	31,105,000	(280,000)
Sale of capital assets.....	—	97,425	103,309	5,884
<b>Total Other Financing Sources ..</b>	<b><u>17,846,797</u></b>	<b><u>43,894,622</u></b>	<b><u>40,803,690</u></b>	<b><u>(3,090,932)</u></b>
<b>Total Receipts and Other Financing Sources .....</b>	<b><u>108,044,396</u></b>	<b><u>140,885,408</u></b>	<b><u>132,676,414</u></b>	<b><u>(8,208,994)</u></b>
<b>Disbursements and Other Financing Uses</b>				
Governmental Activities				
Public safety .....	22,114,178	23,078,169	22,277,000	(801,169)
Public works .....	21,033,661	19,724,742	15,441,964	(4,282,778)
Health and social services .....	316,571	334,261	266,936	(67,325)
Culture and recreation.....	6,216,125	6,670,411	6,023,703	(646,708)
Community and economic development .....	11,953,201	12,662,438	10,644,102	(2,018,336)
General government .....	3,421,012	3,458,407	2,908,378	(550,029)
Debt service .....	10,700,745	14,519,377	13,588,015	(931,362)
Capital projects .....	7,405,000	20,734,512	10,811,297	(9,923,215)
Total Governmental Activities .....	83,160,493	101,182,317	81,961,395	(19,220,922)
Business-type activities .....	13,533,254	34,838,053	33,451,729	(1,386,324)
<b>Total Disbursements .....</b>	<b><u>96,693,747</u></b>	<b><u>136,020,370</u></b>	<b><u>115,413,124</u></b>	<b><u>(20,607,246)</u></b>
<b>Other Financing Uses</b>				
Transfers to other funds .....	10,696,797	12,412,197	9,595,381	(2,816,816)
<b>Total Disbursements and Other Financing Uses.....</b>	<b><u>107,390,544</u></b>	<b><u>148,432,567</u></b>	<b><u>125,008,505</u></b>	<b><u>(23,424,062)</u></b>
<b>Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses .....</b>				
Beginning Fund Balance .....	653,852	(7,547,159)	7,667,909	15,215,068
Beginning Fund Balance .....	25,825,160	38,590,335	38,590,335	—
<b>Ending Fund Balance.....</b>	<b><u>\$ 26,479,012</u></b>	<b><u>\$ 31,043,176</u></b>	<b><u>\$ 46,258,244</u></b>	<b><u>\$ 15,215,068</u></b>

## **Budgetary Comparison Schedule - Budget to Actual (Modified Cash Basis) - All Governmental Funds and Proprietary Funds**

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- (A) In accordance with the Code of Iowa, the City Council annually adopts a budget on a modified cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type and nonprogram. Although the budget document presents function disbursements by fund type, 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 was adopted which increased budgeted disbursements by approximately \$39,300,000. The budget amendments are reflected in the final budgeted amounts.

- (B) The City uses the same modified cash basis of accounting for budgetary reporting as is used for its internal financial records. Under this basis, cash transactions are modified by certain receivables and payables and by certain noncash revenue and expenditures.

# Schedule of Comparison - Funds Statements (GAAP Basis) to Budgetary (Modified Cash) Basis

Year Ended June 30, 2005

	GAAP Basis			Property Tax Collected for and Other GAAP Remitted Conversion to MET Adjustments		Budgetary Basis
	Governmental Funds	Enterprise Funds	Total Funds			
<b>Revenue/Receipts</b>						
Property taxes and TIF revenue.....	\$ 32,915,568	\$ —	\$ 32,915,568	\$ 1,098,904	\$ (59,689)	\$ 33,954,783
Other taxes.....	11,241,073	—	11,241,073	—	75,094	11,316,167
Licenses and permits .....	1,173,147	—	1,173,147	—	(2,522)	1,170,625
Investment income .....	668,736	203,004	871,740	—	980,563	1,852,303
Rent.....	879,420	—	879,420	—	(879,420)	—
Intergovernmental .....	21,104,290	454,475	21,558,765	—	449,024	22,007,789
Charges for services .....	4,980,587	12,706,467	17,687,054	—	770,963	18,458,017
Interfund charges for services.	2,659,797	—	2,659,797	—	(2,659,797)	—
Special assessments .....	56,694	—	56,694	—	33,540	90,234
Miscellaneous .....	2,008,009	—	2,008,009	—	1,014,797	3,022,806
<b>Total Revenue/Receipts</b>	<b>77,687,321</b>	<b>13,363,946</b>	<b>91,051,267</b>	<b>1,098,904</b>	<b>(277,447)</b>	<b>91,872,724</b>
<b>Expenditures and Expenses/Disbursements</b>						
Public safety .....	22,140,431	—	22,140,431	—	136,569	22,277,000
Public works .....	18,582,433	—	18,582,433	1,098,904	(4,239,373)	15,441,964
Health and social services .....	325,147	—	325,147	—	(58,211)	266,936
Culture and recreation .....	6,576,723	—	6,576,723	—	(553,020)	6,023,703
Community and economic development.....	11,422,953	—	11,422,953	—	(778,851)	10,644,102
General government .....	3,261,058	—	3,261,058	—	(352,680)	2,908,378
Debt service .....	8,975,063	1,646,177	10,621,240	—	2,966,775	13,588,015
Capital projects .....	7,150,058	—	7,150,058	—	3,661,239	10,811,297
Business-type activities.....	—	9,577,140	9,577,140	—	23,874,589	33,451,729
<b>Total Expenditures and Expenses/Disburse- ments</b>	<b>78,433,866</b>	<b>11,223,317</b>	<b>89,657,183</b>	<b>1,098,904</b>	<b>24,657,037</b>	<b>115,413,124</b>
<b>Net</b>	<b>(746,545)</b>	<b>2,140,629</b>	<b>1,394,084</b>	<b>—</b>	<b>(24,934,484)</b>	<b>(23,540,400)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in .....	8,484,336	—	8,484,336	—	1,111,045	9,595,381
Transfers out.....	(8,484,336)	—	(8,484,336)	—	(1,111,045)	(9,595,381)
Proceeds from sales of assets	119,573	—	119,573	—	(16,264)	103,309
Debt issued .....	8,720,000	—	8,720,000	—	22,385,000	31,105,000
Payment to refunded bond escrow agent .....	(2,667,302)	—	(2,667,302)	—	2,667,302	—
Bond discounts and issue costs .....	(94,428)	(48,655)	(143,083)	—	143,083	—
<b>Total Other Financing Sources (Uses)</b>	<b>6,077,843</b>	<b>(48,655)</b>	<b>6,029,188</b>	<b>—</b>	<b>25,179,121</b>	<b>31,208,309</b>
<b>Change in Fund Balance/ Net Assets</b>						
<b>Net Assets</b> .....	<b>5,331,298</b>	<b>2,091,974</b>	<b>7,423,272</b>	<b>—</b>	<b>244,637</b>	<b>7,667,909</b>
Balance - Beginning of Year ...	30,719,671	67,611,839	98,331,510	—	18,785,279	38,590,335
<b>Balance - End of Year</b> .....	<b>\$ 36,050,969</b>	<b>\$ 69,703,813</b>	<b>\$ 105,754,782</b>	<b>\$ —</b>	<b>\$ 19,029,916</b>	<b>\$ 46,258,244</b>

**Other Supplementary Information**

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## General Fund Description

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The General Fund is used to account for all of the City's financial resources which are not required legally, contractually or by sound financial management to be accounted for in another fund.

# Schedule of Revenue, Expenditures and Changes in Fund Balance -

## General Fund

Year Ended June 30, 2005

### Revenue

Property taxes .....	\$ 14,476,748
Other taxes and assessments .....	2,262,033
Licenses and permits.....	1,155,257
Investment income .....	209,452
Rent.....	594,839
Intergovernmental.....	1,243,152
Charges for services.....	4,655,094
Indirect allocations - PS.....	1,974,797
Special assessments.....	56,694
Miscellaneous.....	1,814,501
<b>Total Revenue .....</b>	<b><u>\$ 28,442,567</u></b>

### Expenditures

#### Public Safety Program

##### Mayor

##### Black Hawk Emergency Management Agency

Contractual services .....	\$ 47,776
Total Activity and Department.....	<u>47,776</u>

##### Police Department

##### Police Operations

Compensation and benefits .....	7,936,587
Contractual services .....	807,307
Commodities .....	<u>283,933</u>
Total Activity.....	<u>9,027,827</u>

##### Police Grants

Compensation and benefits .....	467,290
Contractual services .....	45,113
Commodities.....	57,716
Capital outlay .....	<u>24,114</u>
Total Activity.....	<u>594,233</u>

##### Local Law Enforcement Block Grant

Compensation and benefits .....	49,112
Contractual services .....	<u>2,339</u>
Total Activity.....	<u>51,451</u>

##### Law Enforcement Program

Compensation and benefits .....	2,539
Contractual services .....	9,000
Commodities.....	<u>54,700</u>
Total Activity.....	<u>66,239</u>

##### Tobacco Grant

Compensation and benefits .....	<u>2,577</u>
Total Activity.....	<u>2,577</u>
Total Department .....	<u>9,742,327</u>

# Schedule of Revenue, Expenditures and Changes in Fund Balance -

## General Fund

Year Ended June 30, 2005

### Expenditures

#### Public Safety Program

##### Fire Department

##### Fire Protection

Compensation and benefits .....	\$ 6,300,937
Contractual services .....	357,811
Commodities .....	153,881
Total Activity.....	<u>6,812,629</u>

##### Fire Restricted Programs

Compensation and benefits .....	3,239
Contractual services .....	3,048
Commodities .....	5,286
Total Activity.....	<u>11,573</u>

##### Fire Ambulance Services

Compensation and benefits .....	903,180
Contractual services .....	120,025
Commodities .....	104,788
Total Activity.....	<u>1,127,993</u>

##### Fire Safety Program

Compensation and benefits .....	148,509
Contractual services .....	39,658
Commodities .....	5,012
Total Activity.....	<u>193,179</u>

##### Fire Federal CDC Grant

Compensation and benefits .....	70,809
Contractual services .....	18,235
Commodities .....	1,535
Total Activity.....	<u>90,579</u>

##### Fire Federal ACT Grant

Compensation and benefits .....	15,852
Contractual services .....	3,949
Commodities .....	262
Capital outlay .....	4,325
Total Activity.....	<u>24,388</u>
Total Department .....	<u>8,260,341</u>

#### Traffic Operations Department

##### Animal Control

Contractual services .....	191,161
Commodities .....	259
Total Activity and Department.....	<u>191,420</u>

#### Building Inspection Department

##### Building and Housing Safety

Compensation and benefits.....	674,609
Contractual services .....	25,225
Commodities .....	14,492
Capital outlay.....	17,014
Total Activity and Department.....	<u>731,340</u>

# Statement of Revenue, Expenditures and Changes in Fund Balance - General Fund

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Year Ended June 30, 2005

## Expenditures

### Public Safety Program Totals

#### Current

Compensation and benefits.....	\$ 16,575,240
Contractual services.....	1,670,647
Commodities.....	<u>681,864</u>
Subtotal.....	18,927,751
Capital outlay.....	<u>45,453</u>

**Total Public Safety Program..... \$ 18,973,204**

### Public Works Program

#### Clerk

#### Parking Administration

Compensation and benefits.....	\$ 20,602
Contractual services.....	58,881
Commodities.....	<u>2,526</u>
Total Activity and Department.....	<u>82,009</u>

#### Planning and Zoning

#### Sidewalk Repair/Construction

Capital outlay.....	<u>53,129</u>
Total Activity and Department.....	<u>53,129</u>

#### Traffic Operations

#### Parking Maintenance

Compensation and benefits.....	177,926
Contractual services.....	40,923
Commodities.....	12,180
Capital outlay.....	<u>450</u>
Total Activity and Department.....	<u>231,479</u>

#### Airport

#### Airport Administration

Compensation and benefits.....	548,562
Contractual services.....	297,118
Commodities.....	<u>93,446</u>
Total Activity.....	<u>939,126</u>

#### Airport State Projects

Contractual services.....	<u>23,000</u>
Total Activity.....	<u>23,000</u>
Total Department.....	<u>962,126</u>

# Schedule of Revenue, Expenditures and Changes in Fund Balance - General Fund

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Year Ended June 30, 2005

## Expenditures

### Public Works Program Totals

#### Current

Compensation and benefits.....	\$ 747,090
Contractual services.....	419,922
Commodities .....	<u>108,152</u>
Subtotal.....	1,275,164
Capital outlay.....	<u>53,579</u>

**Total Public Works Program ..... \$ 1,328,743**

### Health and Social Services Program

#### Mayor

#### Youth Initiative/Juvenile Justice Grant

Contractual services .....	\$ 2,100
Total Activity.....	<u>2,100</u>

#### Health and Sanitation

Contractual services .....	<u>75,000</u>
Total Activity.....	<u>75,000</u>
Total Department .....	<u>77,100</u>

#### Human Rights Department

##### Human Rights

Compensation and benefits .....	133,494
Contractual services .....	29,363
Commodities .....	<u>803</u>
Total Activity.....	<u>163,660</u>

##### Housing Enforcement

Compensation and benefits .....	69,671
Contractual services .....	13,557
Commodities .....	<u>1,055</u>
Total Activity.....	<u>84,283</u>

##### Cedar Valley Diversity Action Team

Contractual services .....	<u>104</u>
Total Activity.....	<u>104</u>
Total Department .....	<u>248,047</u>

### Health and Social Services Program Totals

#### Current

Compensation and benefits.....	203,165
Contractual services.....	120,124
Commodities .....	<u>1,858</u>
Subtotal.....	325,147
Capital outlay.....	<u>—</u>

**Total Health and Social Services Program ..... \$ 325,147**

# Schedule of Revenue, Expenditures and Changes in Fund Balance -

## General Fund

Year Ended June 30, 2005

### Expenditures

#### Culture and Recreation Program

##### Mayor

##### KBBG Communications

Contractual services .....	\$ 8,000
Total Activity.....	<u>8,000</u>

##### Fairview Cemetery Association

Contractual services .....	<u>25,000</u>
Total Activity.....	<u>25,000</u>
Total Department .....	<u>33,000</u>

#### Cultural/Arts

##### Junior Gallery

Contractual services .....	1,324
Commodities .....	<u>332</u>
Total Activity.....	<u>1,656</u>

##### Center for the Arts

Compensation and benefits .....	532,426
Contractual services .....	107,665
Commodities .....	<u>29,908</u>
Total Activity.....	<u>669,999</u>
Total Department .....	<u>671,655</u>

#### Library

##### Library Services

Compensation and benefits .....	767,676
Contractual services .....	239,282
Commodities .....	<u>135,015</u>
Total Activity.....	<u>1,141,973</u>

##### Enrich Iowa

Contractual services .....	<u>17,587</u>
Total Activity.....	<u>17,587</u>

##### Library Access Plus

Commodities .....	<u>4,180</u>
Total Activity.....	<u>4,180</u>

##### Library Grants

Commodities .....	<u>44,124</u>
Total Activity.....	<u>44,124</u>

##### Library Gift and Trust

Contractual services .....	9,736
Commodities .....	37,099
Capital outlay .....	<u>67,204</u>
Total Activity.....	<u>114,039</u>

# Schedule of Revenue, Expenditures and Changes in Fund Balance - General Fund

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Year Ended June 30, 2005

## Expenditures

### Culture and Recreation Program

#### Library

##### Library Service Area

Commodities .....	\$ 15,992	
Total Activity.....	15,992	

##### County Library System

Contractual services .....	3,860	
Commodities .....	34,859	
Capital outlay .....	5,000	
Total Activity.....	43,719	

##### Library Open Access

Contractual services .....	3,000	
Commodities .....	4,933	
Total Activity.....	7,933	
Total Department .....	1,389,547	

### Leisure Services

#### Leisure Services

Compensation and benefits .....	1,277,336	
Contractual services .....	221,451	
Commodities .....	170,458	
Capital outlay .....	1,609	
Total Activity.....	1,670,854	

#### Leisure Services Projects

Compensation and benefits .....	2,938	
Contractual services .....	20	
Commodities .....	30,713	
Capital outlay .....	54,265	
Total Activity.....	87,936	

#### Golf Courses

Compensation and benefits .....	730,170	
Contractual services .....	42,727	
Commodities .....	109,611	
Total Activity.....	882,508	

#### Golf Course Improvements

Commodities .....	32,745	
Capital outlay .....	169,937	
Total Activity.....	202,682	

#### Sports and Youth Services

Compensation and benefits .....	319,217	
Contractual services .....	57,792	
Commodities .....	85,121	
Total Activity.....	462,130	

#### Young Arena

Compensation and benefits .....	287,784	
Contractual services .....	134,886	
Commodities .....	168,227	
Total Activity.....	590,897	
Total Department .....	3,897,007	

# Schedule of Revenue, Expenditures and Changes in Fund Balance - General Fund

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Year Ended June 30, 2005

## Expenditures

### Culture and Recreation Program Totals

#### Current

Compensation and benefits.....	\$ 3,917,547
Contractual services.....	872,330
Commodities.....	<u>903,317</u>
Subtotal.....	5,693,194
Capital outlay.....	<u>298,015</u>

**Total Culture and Recreation Program..... \$ 5,991,209**

### Community and Economic Development Program

#### Mayor

#### Iowa Northland Council of Governments

Contractual services.....	\$ 28,186
Total Activity.....	<u>28,186</u>

#### Tourism Promotion

Contractual services.....	133,958
Total Activity.....	<u>133,958</u>

#### Waterloo Convention and Visitors Bureau

Contractual services.....	376,570
Total Activity.....	<u>376,570</u>
Total Department.....	<u>538,714</u>

#### Planning and Zoning

#### Planning and Zoning

Compensation and benefits.....	373,012
Contractual services.....	11,437
Commodities.....	4,813
Capital outlay.....	<u>161</u>
Total Activity.....	<u>389,423</u>

#### City Property Management

Contractual services.....	1,638
Total Activity.....	<u>1,638</u>
Total Department.....	<u>391,061</u>

#### Central Garage

#### Central Garage

Compensation and benefits.....	540,642
Contractual services.....	17,700
Commodities.....	<u>75,116</u>
Total Activity.....	<u>633,458</u>

#### Central Garage - Motor Pool Service

Commodities.....	72,771
Total Activity.....	<u>72,771</u>
Total Department.....	<u>706,229</u>

# Schedule of Revenue, Expenditures and Changes in Fund Balance -

## General Fund

Year Ended June 30, 2005

### Expenditures

#### Community and Economic Development Program

##### Building Inspection

##### Code Enforcement

Compensation and benefits .....	\$ 134,626
Contractual services .....	5,129
Commodities .....	2,649
Total Activity.....	<u>142,404</u>

##### Five Sullivans Civic Center

Compensation and benefits .....	72,316
Contractual services .....	41,073
Commodities .....	23,886
Capital outlay .....	26,297
Total Activity.....	<u>163,572</u>
Total Department .....	<u>305,976</u>

##### Cultural/Arts

##### Public Art

Contractual services .....	<u>760</u>
Total Activity and Department.....	<u>760</u>

##### Community Development

##### LHAP-Housing Pool

Contractual services .....	<u>10,456</u>
Total Activity.....	<u>10,456</u>

##### Emergency Shelter Pass Through

Compensation and benefits .....	1,453
Contractual services .....	105,110
Total Activity.....	<u>106,563</u>

##### Economic Development

Contractual services .....	<u>20,010</u>
Total Activity.....	<u>20,010</u>
Total Department .....	<u>137,029</u>

#### Community and Economic Development Program Totals

##### Current

Compensation and benefits.....	1,122,049
Contractual services.....	752,027
Commodities .....	179,235
Subtotal.....	<u>2,053,311</u>
Capital outlay.....	<u>26,458</u>

**Total Community and Economic Development Program ..... \$ 2,079,769**

# Schedule of Revenue, Expenditures and Changes in Fund Balance -

## General Fund

Year Ended June 30, 2005

### Expenditures

#### General Government Program

##### Mayor's Office

Compensation and benefits.....	\$ 133,990
Contractual services.....	11,357
Commodities .....	<u>617</u>
Total Activity.....	<u>145,964</u>

##### Administrative and Management Information Services

Compensation and benefits.....	147,088
Contractual services.....	100,174
Commodities .....	<u>4,122</u>
Total Activity.....	<u>251,384</u>
Total Department .....	<u>397,348</u>

#### City Council

##### City Council

Compensation and benefits .....	43,628
Contractual services .....	<u>990</u>
Total Activity and Department.....	<u>44,618</u>

#### City Clerk and Finance

##### Telecommunications

Compensation and benefits .....	90,206
Contractual services .....	2,182
Commodities .....	5,030
Capital outlay .....	<u>1,129</u>
Total Activity.....	<u>98,547</u>

##### City Clerk and Finance

Compensation and benefits .....	494,025
Contractual services .....	261,569
Claims, judgments and contingencies .....	—
Election costs.....	15,289
Commodities .....	<u>3,162</u>
Total Activity.....	<u>774,045</u>

##### Insurance

Compensation and benefits .....	279,556
Contractual services .....	<u>792,181</u>
Total Activity.....	<u>1,071,737</u>

##### Print Shop

Contractual services .....	<u>41,040</u>
Total Activity.....	<u>41,040</u>
Total Department .....	<u>1,985,369</u>

# Schedule of Revenue, Expenditures and Changes in Fund Balance -

## General Fund

Year Ended June 30, 2005

### Expenditures

#### General Government Program

##### City Attorney

##### City Attorney

Compensation and benefits .....	\$ 95,616
Contractual services .....	121,334
Commodities .....	<u>7,991</u>
Total Activity and Department.....	<u>224,941</u>

##### Human Resources

##### Human Resources

Compensation and benefits .....	125,013
Contractual services .....	32,466
Commodities .....	<u>2,613</u>
Total Activity and Department.....	<u>160,092</u>

##### Building Inspection

##### Facilities Maintenance

Compensation and benefits .....	179,021
Contractual services .....	157,751
Commodities .....	<u>56,147</u>
Total Activity.....	<u>392,919</u>

##### Facilities Restricted Project

Commodities .....	432
Capital outlay .....	<u>27,180</u>
Total Activity.....	<u>27,612</u>

##### Veteran's Memorial Hall

Contractual services .....	5,222
Commodities .....	<u>10,348</u>
Total Activity.....	<u>15,570</u>
Total Department .....	<u>436,101</u>

#### General Government Program Totals

##### Current

Compensation and benefits.....	1,588,143
Contractual services .....	1,526,266
Election costs .....	15,289
Commodities .....	<u>90,462</u>
Subtotal.....	3,220,160
Capital outlay.....	<u>28,309</u>

**Total General Government Program..... \$ 3,248,469**

**Schedule of Revenue, Expenditures and Changes in Fund Balance -  
General Fund**

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Year Ended June 30, 2005

<b>Expenditures</b>	
Public Safety.....	\$ 18,973,204
Public Works.....	1,328,743
Health and Social Services.....	325,147
Culture and Recreation.....	5,991,209
Community and Economic Development .....	2,079,769
General Government.....	<u>3,248,469</u>
<b>Total Expenditures .....</b>	<b><u>\$ 31,946,541</u></b>
<b>Revenue Under Expenditures .....</b>	<b><u>\$ (3,503,974)</u></b>
<b>Other Financing Sources (Uses)</b>	
Transfers in.....	6,223,184
Transfers out .....	(488,749)
Proceeds from sale of assets .....	<u>119,573</u>
<b>Total Other Financing Sources.....</b>	<b><u>5,854,008</u></b>
<b>Revenue and Other Financing Sources Over Expenditures and Other Financing Uses.....</b>	<b>2,350,034</b>
Fund Balance - Beginning of Year.....	<u>8,057,378</u>
<b>Fund Balance - End of Year .....</b>	<b><u>\$ 10,407,412</u></b>

# Combining Balance Sheet Schedule - Nonmajor Governmental Funds ▬

At June 30, 2005

	Special Revenue	TIF Debt Service	Capital Projects	Total
<b>Assets</b>				
Cash and cash equivalents .....	\$ 4,700,191	\$ 1,874,474	\$ 14,905,952	\$ 21,480,617
Investments .....	433,367	—	—	433,367
Receivables				
Property Taxes				
Delinquent.....	2,506	—	—	2,506
Succeeding year .....	451,947	2,170,000	—	2,621,947
Due from other funds.....	366,817	—	1,785	368,602
Due From Other Governments				
Federal.....	1,652,021	—	58,626	1,710,647
Iowa.....	1,633,769	—	40,692	1,674,461
Other .....	12,462	18,397	—	30,859
Inventories and prepaids .....	83,074	—	—	83,074
Restricted Assets				
Cash and cash equivalents .....	358,901	—	—	358,901
<b>Total Assets .....</b>	<b><u>\$ 9,695,055</u></b>	<b><u>\$ 4,062,871</u></b>	<b><u>\$ 15,007,055</u></b>	<b><u>\$ 28,764,981</u></b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable .....	\$ 507,914	\$ 73,353	\$ 657,450	\$ 1,238,717
Retainages payable.....	31,714	—	68,030	99,744
Accrued liabilities.....	137,939	—	—	137,939
Due to other funds.....	1,666,014	379,868	2,557,908	4,603,790
Deferred revenue.....	1,897,832	2,170,000	99,318	4,167,150
Compensated absences.....	198,764	—	—	198,764
Payable From Restricted Assets				
Customer deposits .....	147,750	—	—	147,750
<b>Total Liabilities.....</b>	<b><u>4,587,927</u></b>	<b><u>2,623,221</u></b>	<b><u>3,382,706</u></b>	<b><u>10,593,854</u></b>
<b>Fund Balances</b>				
Reserved for inventories and prepaids .....	83,074	—	—	83,074
Reserved for improvements .....	211,151	—	—	211,151
Unreserved				
Undesignated .....	4,812,903	1,439,650	11,624,349	17,876,902
<b>Total Fund Balances.....</b>	<b><u>5,107,128</u></b>	<b><u>1,439,650</u></b>	<b><u>11,624,349</u></b>	<b><u>18,171,127</u></b>
<b>Total Liabilities and Fund Balances .....</b>	<b><u>\$ 9,695,055</u></b>	<b><u>\$ 4,062,871</u></b>	<b><u>\$ 15,007,055</u></b>	<b><u>\$ 28,764,981</u></b>

# Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2005

	Special Revenue	TIF Debt Service	Capital Projects	Total
<b>Revenue</b>				
Property taxes .....	\$ 448,875	\$ 2,439,865	\$ —	\$ 2,888,740
Other taxes .....	25,757	—	—	25,757
Licenses and permits.....	17,890	—	—	17,890
Investment income .....	49,903	38,617	184,830	273,350
Rent.....	139,277	—	10,750	150,027
Intergovernmental.....	19,340,335	—	434,439	19,774,774
Charges for services.....	325,493	—	—	325,493
Interfund charges for service .....	685,000	—	—	685,000
Miscellaneous.....	155,497	—	14,740	170,237
<b>Total Revenue .....</b>	<b><u>21,188,027</u></b>	<b><u>2,478,482</u></b>	<b><u>644,759</u></b>	<b><u>24,311,268</u></b>
<b>Expenditures</b>				
<b>Current</b>				
Public safety.....	247,861	—	—	247,861
Public works.....	10,263,119	—	—	10,263,119
Culture and recreation.....	585,514	—	—	585,514
Community and economic development .....	9,019,481	323,703	—	9,343,184
<b>Debt Service</b>				
Principal .....	7,175	106,803	—	113,978
Interest and fees .....	145	24,005	—	24,150
Capital projects.....	—	—	7,150,058	7,150,058
<b>Total Expenditures .....</b>	<b><u>20,123,295</u></b>	<b><u>454,511</u></b>	<b><u>7,150,058</u></b>	<b><u>27,727,864</u></b>
<b>Revenue Over (Under) Expenditures .....</b>	<b>1,064,732</b>	<b>2,023,971</b>	<b>(6,505,299)</b>	<b>(3,416,596)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in.....	7,983	—	999,919	1,007,902
Transfers out .....	(300,000)	(1,200,000)	(210,623)	(1,710,623)
Debt issued.....	—	—	6,000,000	6,000,000
Bond discounts and issue costs .....	—	—	(94,428)	(94,428)
<b>Revenue and Other Financing Sources Over Expenditures and Other Financing Uses.....</b>	<b>772,715</b>	<b>823,971</b>	<b>189,569</b>	<b>1,786,255</b>
Fund Balance - Beginning of Year....	<u>4,334,413</u>	<u>615,679</u>	<u>11,434,780</u>	<u>16,384,872</u>
<b>Fund Balance - End of Year.....</b>	<b><u>\$ 5,107,128</u></b>	<b><u>\$ 1,439,650</u></b>	<b><u>\$ 11,624,349</u></b>	<b><u>\$ 18,171,127</u></b>

## Special Revenue Funds - Descriptions

---

Special Revenue Funds account for the proceeds of specific revenue sources that are legally or contractually restricted for particular purposes. The proceeds are segregated into individual funds to ensure that expenditures are made exclusively for qualified purposes, as follows:

### Major:

**Employee Benefits Fund (Trust and Agency Fund)** - This fund is required by the Code of Iowa to account for property taxes levied for employee benefits.

**Local Option Tax Fund** - This fund is used to account for the proceeds of the local 1% sales and use tax which are used for reconstruction and repair of City streets.

### Nonmajor:

**Library Tax Levy Fund** - This fund is used to account for property taxes levied, as passed by local referendum, to be used to increase the hours of operation of the Waterloo Public Library.

**Community Development Block Grant Fund** - This fund accounts for revenue received under the Community Development Block Grant federal entitlement.

**Road Use Tax Fund** - This fund is required by the Code of Iowa to account for the City's share of fuel taxes collected and allocated by the state which must be used for local street maintenance.

**Housing Programs Fund** - This fund is used to account for resources received to provide housing assistance, primarily Federal Section 8 and Ridgeway Towers.

**Grants Fund** - This fund is used to account for resources received for various federal and Iowa funded projects which are not accounted for elsewhere.

**Federal Aviation Agency Projects Fund** - This fund is used to account for resources from the Federal Aviation Agency and Passenger Facility Charges for airport development.

# Combining Balance Sheet Schedule - Nonmajor Special Revenue Funds

At June 30, 2005

	Library Tax Levy	Community Develop- ment Block Grant	Road Use Tax	Housing Programs	Grants	Federal Aviation Agency Projects	Total
<b>Assets</b>							
Cash and cash equivalents .....	\$ 344,806	\$ 5,488	\$ 2,329,127	\$ 2,020,770	\$ —	\$ —	\$ 4,700,191
Investments .....	—	—	—	433,367	—	—	433,367
Receivables							
Property Taxes							
Delinquent .....	2,506	—	—	—	—	—	2,506
Succeeding year .....	451,947	—	—	—	—	—	451,947
Due from other funds .....	—	—	—	—	—	366,817	366,817
Due from Other Governments							
Federal .....	—	1,156,965	—	80,865	156,012	258,179	1,652,021
Iowa .....	—	—	—	—	1,585,000	48,769	1,633,769
Other .....	6,435	—	—	—	6,027	—	12,462
Inventories and prepaids	—	—	83,074	—	—	—	83,074
Restricted cash and cash equivalents .....	—	—	—	147,750	—	211,151	358,901
<b>Total Assets .....</b>	<b>\$ 805,694</b>	<b>\$ 1,162,453</b>	<b>\$ 2,412,201</b>	<b>\$ 2,682,752</b>	<b>\$ 1,747,039</b>	<b>\$ 884,916</b>	<b>\$ 9,695,055</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable .....	\$ 1	\$ 224,496	\$ 67,886	\$ 23,439	\$ 170,048	\$ 22,044	\$ 507,914
Retainages payable .....	—	—	—	—	31,714	—	31,714
Accrued liabilities .....	19,166	17,651	90,490	10,514	118	—	137,939
Due to other funds .....	—	6,661	—	—	1,438,804	220,549	1,666,014
Deferred revenue .....	454,453	887,376	—	—	329,659	226,344	1,897,832
Compensated absences	11,831	26,269	147,268	13,396	—	—	198,764
Payable from Restricted Assets							
Customer deposits .....	—	—	—	147,750	—	—	147,750
<b>Total Liabilities ..</b>	<b>485,451</b>	<b>1,162,453</b>	<b>305,644</b>	<b>195,099</b>	<b>1,970,343</b>	<b>468,937</b>	<b>4,587,927</b>
<b>Fund Balances</b>							
Reserved for inventories and prepaids .....	—	—	83,074	—	—	—	83,074
Reserved for improvements .....	—	—	—	—	—	211,151	211,151
Unreserved - undesignated .....	320,243	—	2,023,483	2,487,653	(223,304)	204,828	4,812,903
<b>Total Fund Balances .....</b>	<b>320,243</b>	<b>—</b>	<b>2,106,557</b>	<b>2,487,653</b>	<b>(223,304)</b>	<b>415,979</b>	<b>5,107,128</b>
<b>Total Liabilities and Fund Balances .....</b>	<b>\$ 805,694</b>	<b>\$ 1,162,453</b>	<b>\$ 2,412,201</b>	<b>\$ 2,682,752</b>	<b>\$ 1,747,039</b>	<b>\$ 884,916</b>	<b>\$ 9,695,055</b>

**Combining Schedule of Revenue, Expenditures and Changes in Fund**

**Balances - Nonmajor Special Revenue Funds**

Year Ended June 30, 2005

	Library Tax Levy	Community Development Block Grant	Road Use Tax	Housing Programs	Grants	Federal Aviation Agency Projects	Total
<b>Revenue</b>							
Property taxes .....	\$ 448,875	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 448,875
Other taxes .....	25,757	—	—	—	—	—	25,757
Licenses and permits.....	—	—	17,890	—	—	—	17,890
Investment income .....	6,675	—	—	42,651	—	577	49,903
Rent.....	—	—	—	139,277	—	—	139,277
Intergovernmental.....	—	3,533,247	5,750,855	4,978,400	4,470,825	607,008	19,340,335
Charges for services.....	—	44,097	92,427	27,579	—	161,390	325,493
Interfund charges for service.....	—	—	685,000	—	—	—	685,000
Miscellaneous.....	—	23,602	10,645	5,495	10,800	104,955	155,497
<b>Total Revenue .....</b>	<b><u>481,307</u></b>	<b><u>3,600,946</u></b>	<b><u>6,556,817</u></b>	<b><u>5,193,402</u></b>	<b><u>4,481,625</u></b>	<b><u>873,930</u></b>	<b><u>21,188,027</u></b>
<b>Expenditures</b>							
<b>Current</b>							
Public safety.....	—	—	—	—	145,208	102,653	247,861
Public works.....	—	—	6,140,823	—	3,515,994	606,302	10,263,119
Culture and recreation.....	585,514	—	—	—	—	—	585,514
Community and economic development.....	—	3,600,946	—	5,208,460	210,075	—	9,019,481
<b>Debt Service</b>							
Principal .....	—	—	7,175	—	—	—	7,175
Interest and fees .....	—	—	145	—	—	—	145
<b>Total Expenditures .....</b>	<b><u>585,514</u></b>	<b><u>3,600,946</u></b>	<b><u>6,148,143</u></b>	<b><u>5,208,460</u></b>	<b><u>3,871,277</u></b>	<b><u>708,955</u></b>	<b><u>20,123,295</u></b>
<b>Revenue Over (Under) Expenditures.....</b>	<b>(104,207)</b>	<b>—</b>	<b>408,674</b>	<b>(15,058)</b>	<b>610,348</b>	<b>164,975</b>	<b>1,064,732</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in.....	—	—	—	—	7,983	—	7,983
Transfers out .....	—	—	—	—	—	(300,000)	(300,000)
<b>Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses .....</b>	<b>(104,207)</b>	<b>—</b>	<b>408,674</b>	<b>(15,058)</b>	<b>618,331</b>	<b>(135,025)</b>	<b>772,715</b>
Fund Balance - Beginning of Year.....	424,450	—	1,697,883	2,502,711	(841,635)	551,004	4,334,413
<b>Fund Balance - End of Year.....</b>	<b><u>\$ 320,243</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 2,106,557</u></b>	<b><u>\$ 2,487,653</u></b>	<b><u>\$ (223,304)</u></b>	<b><u>\$ 415,979</u></b>	<b><u>\$ 5,107,128</u></b>

## Debt Service Fund Description

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### **Major:**

The GO Debt Service Fund is used to account for the accumulation of resources for, and payment of, principal and interest on general long-term debt.

### **Nonmajor:**

The TIF Debt Service Fund is used to account for the accumulation of resources from tax increment financing projects, payment of contracted rebates and other obligations related to the projects and transfers to the GO Debt Service Fund and/or other funds to reimburse the other funds for expenditures on the projects.

## Capital Project Funds - Descriptions

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Capital Project Funds account for the City's financial resources used for the acquisition or construction of major nonproprietary capital facilities. The City of Waterloo has capital project funds as follows:

### Nonmajor:

**June 2002 GO Bonds Fund** - This fund is used to account for proceeds from the 2002 general obligation bond sale until expended for the proper purpose.

**June 2003 GO Bonds Fund** - This fund is used to account for proceeds from the 2003 general obligation bond sale until expended for the proper purpose.

**June 2004 GO Bonds Fund** - This fund is used to account for proceeds from the 2004 general obligation bond sale until expended for the proper purpose.

**June 2005 GO Bonds Fund** - This fund is used to account for proceeds from the 2005 general obligation bond sale until expended for the proper purpose.

**Sixth Street Substitution Fund** - This fund is used to account for resources used for the construction/reconstruction of Martin Luther King Jr. Drive/Sixth Street.

**Rath Area Redevelopment Fund** - This fund is used to account for resources used for the acquisition and redevelopment of real estate within the boundaries established as the Rath Area.

**Vision Iowa Projects Fund** - This fund is used to account for resources used for costs incurred for projects assigned to the Vision Iowa group of projects.

**Combining Balance Sheet Schedule - Capital Projects Funds**

At June 30, 2005

	June 2002 GO Bonds	June 2003 GO Bonds	June 2004 GO Bonds	June 2005 GO Bonds	Sixth Street Substitution	Rath Area Redevelop- ment	Vision Iowa Projects	Total
<b>Assets</b>								
Cash and cash equivalents .....	\$ 572,257	\$ 2,334,259	\$ 5,934,507	\$ 5,471,909	\$ 69,364	\$ 464,571	\$ 59,085	\$ 14,905,952
Due from other funds.....	—	1,785	—	—	—	—	—	1,785
Due From Other Governments								
Federal.....	—	—	—	—	—	58,626	—	58,626
Iowa.....	—	—	—	—	22,132	18,560	—	40,692
<b>Total Assets .....</b>	<b>\$ 572,257</b>	<b>\$ 2,336,044</b>	<b>\$ 5,934,507</b>	<b>\$ 5,471,909</b>	<b>\$ 91,496</b>	<b>\$ 541,757</b>	<b>\$ 59,085</b>	<b>\$ 15,007,055</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Accounts payable .....	\$ 272,447	\$ 74,212	\$ 171,189	\$ 78,749	\$ —	\$ 1,768	\$ 59,085	\$ 657,450
Retainages payable.....	49,037	3,323	10,818	4,852	—	—	—	68,030
Due to other funds.....	—	399,134	1,098,633	1,060,141	—	—	—	2,557,908
Deferred revenue.....	—	—	—	—	22,132	77,186	—	99,318
<b>Total Liabilities.....</b>	<b>321,484</b>	<b>476,669</b>	<b>1,280,640</b>	<b>1,143,742</b>	<b>22,132</b>	<b>78,954</b>	<b>59,085</b>	<b>3,382,706</b>
<b>Fund Balances</b>								
Unreserved								
Undesignated .....	<b>250,773</b>	<b>1,859,375</b>	<b>4,653,867</b>	<b>4,328,167</b>	<b>69,364</b>	<b>462,803</b>	<b>—</b>	<b>11,624,349</b>
<b>Total Liabilities and Fund Balances .....</b>	<b>\$ 572,257</b>	<b>\$ 2,336,044</b>	<b>\$ 5,934,507</b>	<b>\$ 5,471,909</b>	<b>\$ 91,496</b>	<b>\$ 541,757</b>	<b>\$ 59,085</b>	<b>\$ 15,007,055</b>

**Combining Schedule of Revenue, Expenditures and Changes in Fund  
Balances - Capital Projects Funds**

Year Ended June 30, 2005

	June 2000 GO Bonds	June 2001 GO Bonds	June 2002 GO Bonds	June 2003 GO Bonds	June 2004 GO Bonds	June 2005 GO Bonds	Sixth Street Substitution	Rath Area Redevelop- ment	Vision Iowa Projects	Total
<b>Revenue</b>										
Investment income .....	\$ 42	\$ 1,816	\$ 16,080	\$ 50,851	\$ 100,402	\$ 7,209	\$ 1,315	\$ 7,115	\$ —	\$ 184,830
Rent.....	—	—	—	—	—	—	—	10,750	—	10,750
Intergovernmental.....	—	—	—	—	—	—	—	434,439	—	434,439
Miscellaneous.....	—	—	14,740	—	—	—	—	—	—	14,740
<b>Total Revenue .....</b>	<b>42</b>	<b>1,816</b>	<b>30,820</b>	<b>50,851</b>	<b>100,402</b>	<b>7,209</b>	<b>1,315</b>	<b>452,304</b>	<b>—</b>	<b>644,759</b>
<b>Expenditures</b>										
Capital outlay.....	2,380	178,264	1,080,462	1,267,769	2,509,169	1,594,642	8,179	106,293	402,900	7,150,058
<b>Total Expenditures .....</b>	<b>2,380</b>	<b>178,264</b>	<b>1,080,462</b>	<b>1,267,769</b>	<b>2,509,169</b>	<b>1,594,642</b>	<b>8,179</b>	<b>106,293</b>	<b>402,900</b>	<b>7,150,058</b>
<b>Revenue Over (Under) Expenditures..</b>	<b>(2,338)</b>	<b>(176,448)</b>	<b>(1,049,642)</b>	<b>(1,216,918)</b>	<b>(2,408,767)</b>	<b>(1,587,433)</b>	<b>(6,864)</b>	<b>346,011</b>	<b>(402,900)</b>	<b>(6,505,299)</b>
<b>Other Financing Sources (Uses)</b>										
Transfers in.....	—	—	—	500,000	33,290	—	—	28,490	438,139	999,919
Transfers out .....	(1,474)	(1,166)	(7,983)	—	—	—	—	—	(200,000)	(210,623)
Debt issued.....	—	—	—	—	—	6,000,000	—	—	—	6,000,000
Bond discounts and issue costs .....	—	—	—	—	(10,028)	(84,400)	—	—	—	(94,428)
<b>Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses .....</b>	<b>(3,812)</b>	<b>(177,614)</b>	<b>(1,057,625)</b>	<b>(716,918)</b>	<b>(2,385,505)</b>	<b>4,328,167</b>	<b>(6,864)</b>	<b>374,501</b>	<b>(164,761)</b>	<b>189,569</b>
Fund Balance - Beginning of Year.....	3,812	177,614	1,308,398	2,576,293	7,039,372	—	76,228	88,302	164,761	11,434,780
<b>Fund Balance - End of Year.....</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 250,773</b>	<b>\$ 1,859,375</b>	<b>\$ 4,653,867</b>	<b>\$ 4,328,167</b>	<b>\$ 69,364</b>	<b>\$ 462,803</b>	<b>\$ —</b>	<b>\$ 11,624,349</b>

## Enterprise Funds - Descriptions

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Enterprise Funds are used to account for all resources involved in the acquisition, operation, maintenance and debt service of governmental facilities and services that are supported by user charges. The City's Enterprise Funds are as follows:

### **Major:**

**Sanitary Sewer Fund** - This fund accounts for the City's Sanitary Sewage Systems.

### **Nonmajor:**

**Sanitation Fund** - This fund accounts for garbage collection services provided by the City.

## Schedule of Cash Activity - Sanitary Sewer Fund

Year Ended June 30, 2005

	Revenue, Operation and Maintenance	Debt Sinking	Debt Reserve	Improve- ments	Project	Total Utility
<b>Balance - July 1, 2004</b>	<b><u>\$ 1,147,074</u></b>	<b><u>\$ 560,131</u></b>	<b><u>\$ 3,283,500</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 722,990</u></b>	<b><u>\$ 5,713,695</u></b>
Receipts .....	10,338,459	—	—	—	658,596	10,997,055
Disbursements .....	(6,599,442)	(3,320,079)	—	—	(886,853)	(10,806,374)
Refunding bond proceeds .....	—	21,155,069	—	—	—	21,155,069
Payments to refunding agent .....	—	(20,873,633)	—	—	—	(20,873,633)
Transfers In (Out) Within the Utility -						
Required .....	(2,988,562)	2,988,562	(450,000)	450,000	—	—
Other .....	—	—	(710,000)	—	710,000	—
<b>Net Change for     the Year .....</b>	<b><u>750,455</u></b>	<b><u>(50,081)</u></b>	<b><u>(1,160,000)</u></b>	<b><u>450,000</u></b>	<b><u>481,743</u></b>	<b><u>472,117</u></b>
<b>Balance - June 30, 2005</b>	<b><u>\$ 1,897,529</u></b>	<b><u>\$ 510,050</u></b>	<b><u>\$ 2,123,500</u></b>	<b><u>\$ 450,000</u></b>	<b><u>\$ 1,204,733</u></b>	<b><u>\$ 6,185,812</u></b>

## Agency Fund Description

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The CEBA Agency Fund is used to account for the Iowa Department of Economic Development, Community Economic Betterment Accounts (CEBA) loans to businesses within the City. The loans are passed through the City and the City is required to make a good faith effort to ensure that proper repayments are made to CEBA.

**CEBA Agency Fund**  
**Statement of Changes in Assets and Liabilities**

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Year Ended June 30, 2005

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
<b>Assets</b>				
Notes Receivable.....	<u>\$ 170,300</u>	<u>\$ —</u>	<u>\$ 94,400</u>	<u>\$ 75,900</u>
<b>Liabilities</b>				
Notes Payable.....	<u>\$ 170,300</u>	<u>\$ —</u>	<u>\$ 94,400</u>	<u>\$ 75,900</u>

## Schedule of Insurance Policies

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At June 30, 2005

INSURER	POLICY #	COVERAGE	Liability
Chubb	3583-30-14 CHI	Property insurance - Commercial Pkg Blanket property - building and contents Sewer inclusive with blanket coverage	\$125,000,000
The St. Paul Companies	GP06301409	General liability Law enforcement liability Public officials Automobile liability Excess/Umbrella Inland Marine Empl Benft Plan Admin. Liability	\$2,000,000 \$1,000,000 \$1,000,000 \$1,000,000 \$5,000,000 \$1,000,000 \$1,000,000 per occurrence \$3,000,000 aggregate
Iowa Communities Assurance Pool	510	Police Professional - Tri-County Drug Enforcement	\$2,000,000
Western World Ins. Co.	NPP0844609	Ambulance driver liability	\$1,000,000
Phoenix Aviation	PR145404	Airport General Liability	\$10,000,000 per occurrence
Old Republic	RDF331672	Forgery crime bond	\$50,000
Old Republic	RCB497705	Blanket fidelity bond	\$50,000
Travelers Insurance Companies	QT660958X6072T1	Builder's Risk	\$865,000
Transcontinental Insurance Co	LLP 223419969	Liquor Liability Young Arena	\$1,000,000 per occurrence \$2,000,000 aggregate limit
Iowa Municipalities Workers' Compensation Association		Workers' Compensation	Statutory Does not include police officers or firefighters for which the risk is retained by the City

## Sewer Systems Rates

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Year Ended June 30, 2005

Rates	Monthly	Quarterly
Most customers are billed by Waterloo Water Works, with rates based on water usage.		
Sewer rental charge is as follows:		
Minimum charge	\$10.55	\$31.65
Each additional 100 cubic feet (ccf) above 3 ccf monthly and 9 ccf quarterly is charged.	1.68	1.68

Users located outside the City limits pay double rates.

The Utility charges certain commercial customers with their own water systems and/or surcharges directly. Except for the two largest customers, usage rates are as noted above plus surcharges as follows:

A surcharge for wastewaters in excess of domestic strength and containing no such chemical or other substances as would interfere with the proper operation of the purifying plant, shall be computed according to the following formula:

Biochemical Oxygen Demand (BOD) - \$0.10/lb  
Total Suspended Solids (TSS) - \$0.10/lb  
Total Kjeldahl Nitrogen (TKN) - \$0.10/lb

Special rates are as follows:

Eagle Tannery - Per month - \$10.55 for the first 3 ccf of discharge and \$1.93 per ccf in excess of 3 ccf plus surcharges of \$0.06/lb.

Tyson Foods, Inc. (formerly IBP, Inc.) - Per month - \$10.55 for the first 3 ccf of discharge plus \$1.25 per ccf in excess of 3 ccf plus surcharges of \$0.10/lb.

### Source

The City of Waterloo, Iowa

CITY OF WATERLOO, IOWA  
**GENERAL GOVERNMENTAL\* REVENUES**  
 LAST TEN FISCAL YEARS\*\*

Revenue	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Property Taxes	N/A	\$ 23,667,951	\$ 24,796,385	\$ 24,518,573	\$ 24,404,620	\$ 23,743,025	\$ 25,502,059	\$ 28,916,809	\$ 31,726,881	\$ 32,915,568
Other Taxes	N/A	9,010,946	8,914,749	9,075,544	9,005,331	11,173,580	11,871,626	10,299,221	9,187,463	11,241,073
Licenses and Permits	N/A	668,282	876,639	888,130	887,344	864,720	839,907	988,352	1,151,715	1,173,147
Use of Money and Property	N/A	1,237,081	1,249,381	1,170,650	1,506,185	576,380	645,571	415,780	733,879	668,736
Rents	N/A	585,576	612,686	705,231	717,382	790,429	788,315	850,486	814,792	879,420
Intergovernmental	N/A	16,269,801	17,643,683	14,006,576	17,966,174	19,442,650	17,505,847	18,779,334	19,963,676	21,104,290
Charges for Services	N/A	4,059,455	4,952,345	5,212,655	5,151,070	5,018,820	7,551,032	5,236,433	4,976,389	4,980,587
Interfund Charges for Service	-	-	-	-	-	-	-	2,645,250	2,671,780	2,659,797
Special Assessments and Miscellaneous	N/A	1,866,963	1,024,064	913,234	1,508,875	1,269,188	1,081,807	2,296,537	2,446,580	2,064,703
<b>Total Revenues</b>	N/A	<u>\$ 57,366,055</u>	<u>\$ 60,069,932</u>	<u>\$ 56,490,593</u>	<u>\$ 61,146,981</u>	<u>\$ 62,878,792</u>	<u>\$ 65,786,164</u>	<u>\$ 70,428,202</u>	<u>\$ 73,673,155</u>	<u>\$ 77,687,321</u>

\* Includes General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

\*\* General revenues only available since July 1, 1996 when the City converted from cash reporting to G.A.A.P.

N/A = Not available

CITY OF WATERLOO, IOWA  
**GENERAL GOVERNMENTAL\* EXPENDITURES BY PROGRAM**  
 LAST TEN FISCAL YEARS\*\*

Expenditures	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Community Protection	N/A	\$ 15,196,875	\$ 15,617,945	\$ 16,303,192	\$ 17,207,429	\$ 17,542,119	\$ 18,510,064	\$ -	\$ -	\$ -
Human Development	N/A	5,940,761	5,790,635	5,903,149	6,142,934	6,010,360	6,568,416	-	-	-
Environment	N/A	15,694,141	16,361,775	15,376,948	16,100,789	15,939,398	17,235,228	-	-	-
Policy and Administration	N/A	2,226,565	2,195,295	1,968,346	2,688,094	2,443,706	3,194,957	-	-	-
Capital Projects	N/A	6,816,669	17,895,200	17,073,926	19,971,392	14,793,519	11,398,069	5,289,432	7,820,334	7,150,058
Debt Service	N/A	8,859,088	8,689,009	9,237,741	9,368,023	10,378,451	10,075,259	9,286,922	8,896,219	8,975,063
Public Safety	-	-	-	-	-	-	-	19,393,834	20,081,214	22,140,431
Public Works	-	-	-	-	-	-	-	18,719,419	17,121,845	18,582,433
Services	-	-	-	-	-	-	-	510,114	517,555	325,147
Culture and Recreation	-	-	-	-	-	-	-	5,987,808	6,506,123	6,576,723
Community and Economic Development	-	-	-	-	-	-	-	10,257,455	11,966,597	11,422,953
General Government	-	-	-	-	-	-	-	3,310,503	3,501,031	3,261,058
<b>Total Expenditures</b>	N/A	<u>\$ 54,734,099</u>	<u>\$ 66,549,859</u>	<u>\$ 65,863,302</u>	<u>\$ 71,478,661</u>	<u>\$ 67,107,553</u>	<u>\$ 66,981,993</u>	<u>\$ 72,755,487</u>	<u>\$ 76,410,918</u>	<u>\$ 78,433,866</u>

\* Includes General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

\*\* General revenues only available since July 1, 1996 when the City converted from cash reporting to G.A.A.P.

N/A = Not available

CITY OF WATERLOO, IOWA  
**PROPERTY TAX LEVIES AND COLLECTIONS\***  
 LAST TEN FISCAL YEARS

Fiscal Year	Property Taxes Levied	Current Taxes Collected	Current Percent Collected	Total Taxes Collected	Total Percent Collected
1995-96	\$ 25,246,895	\$ 24,613,099	97.49%	\$ 24,996,043	99.01%
1996-97	23,961,551	23,394,917	97.64%	23,713,416	98.96%
1997-98	24,813,242	24,418,926	98.41%	24,692,168	99.51%
1998-99	24,590,459	24,232,395	98.54%	24,613,406	100.09%
1999-00	24,140,238	24,004,504	99.44%	24,407,539	101.11%
2000-01	24,105,745	24,277,383	100.71%	24,558,757	101.88%
2001-02	26,384,840	25,866,384	98.04%	26,317,863	99.75%
2002-03	28,020,783	28,022,406	100.01%	28,141,338	100.43%
2003-04	29,033,374	29,059,188	100.09%	29,076,565	100.15%
2004-05	31,690,701	31,509,489	99.43%	31,522,105	99.47%

\* Based upon cash receipt of current and delinquent payment of property taxes during each fiscal period.

**PROPERTY TAX RATES- ALL OVERLAPPING GOVERNMENTS**  
 LAST TEN FISCAL YEARS  
 (PER \$1,000 ASSESSED VALUATION)

Fiscal Year	City of Waterloo	Waterloo Community School	County & County Assessor	State & Ag. Extension	Hawkeye Community College	Total Tax Levy Rate
1995-96	18.58375	15.67034	8.44543	0.06464	0.74954	43.51370
1996-97	18.55368	15.02939	9.01033	0.06826	0.68629	43.34795
1997-98	18.50077	15.41126	8.77459	0.06604	0.68467	43.43733
1998-99	16.98070	15.39941	7.89119	0.06089	0.69600	41.02819
1999-00	16.50196	14.69924	7.83132	0.05926	0.71525	39.80703
2000-01	16.49097	14.57901	7.65952	0.05503	0.69371	39.47824
2001-02	17.80075	15.15557	8.07214	0.05392	0.69917	41.78155
2002-03	18.37162	15.52456	7.96339	0.05069	0.78418	42.69444
2003-04	18.90914	15.85083	8.08933	0.05004	0.78418	43.68352
2004-05	18.78999	15.62496	7.81728	0.04717	0.99535	43.27475

Source: Black Hawk County Auditor.

CITY OF WATERLOO, IOWA  
**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE  
PROPERTY\* AND COMPARATIVE RATIO OF GENERAL BONDED  
DEBT PER CAPITA**  
LAST TEN FISCAL YEARS

Assessment Year	Tax Collection Fiscal Year	Assessed Property Valuation	Estimated Actual Valuation	Percent of Assessed to Actual	Population **	Bonded Debt	Bonded Debt Per Capita	Ratio of Debt to Assessed Valuation
1994	1995-96	1,336,626,604	1,741,069,802	77%	66,467	57,730,000	869	0.043
1995	1996-97	1,280,130,144	1,720,819,194	74%	66,467	58,182,294	875	0.045
1996	1997-98	1,334,641,320	1,773,671,869	75%	66,467	58,441,349	879	0.044
1997	1998-99	1,437,756,403	2,010,769,909	72%	66,467	63,161,087	950	0.044
1998	1999-00	1,451,390,843	1,996,357,567	73%	68,747	62,348,888	907	0.043
1999	2000-01	1,541,838,027	2,168,711,970	71%	68,747	69,569,091	1,012	0.045
2000	2001-02	1,560,424,166	2,165,633,696	72%	68,747	67,085,000	976	0.043
2001	2002-03	1,603,311,449	2,410,525,352	67%	68,747	68,545,000	997	0.043
2002	2003-04	1,616,874,229	2,421,873,270	67%	68,747	73,230,000	1,065	0.045
2003	2004-05	1,766,547,860	2,732,348,315	65%	68,747	73,470,000	1,069	0.042

\* The differences between the assessed valuations and the actual valuations are the exclusions of tax increment financing district valuations and residential and commercial rollback factors in the assessed valuations.

\*\* Source: 1990 and 2000 U.S. Census

CITY OF WATERLOO, IOWA  
**COMPUTATION OF DIRECT AND OVERLAPPING  
 GENERAL OBLIGATION DEBT**

AS OF JUNE 30, 2005

<u>Name of Governmental Unit</u>	<u>Total Debt</u>	<u>Applicable Percent</u>	<u>Amount</u>	<u>Ratio to City Actual Valuation</u>	<u>Per Capita (2000 Pop. 68,747)</u>
City of Waterloo	\$ 73,470,000	100.00%	\$ 73,470,000	2.6889%	\$ 1,068.70
Black Hawk County	12,660,000	49.20%	6,228,720	0.2280%	90.60
Hudson Community Schools	3,925,000	7.71%	302,618	0.0111%	4.40
Hawkeye Comm. College	4,375,000	27.05%	1,183,438	0.0433%	17.21
Total Direct and Overlapping Debt			<u>\$ 81,184,776</u>	<u>2.9713%</u>	<u>\$ 1,180.91</u>

**COMPUTATION OF LEGAL DEBT MARGIN**

AS OF JUNE 30, 2005

Estimated Actual Valuation as of January 1, 2003*	\$ 2,732,348,315	
State Constitutional Debt Limit = 5% of Total Valuation	\$ 136,617,416	
Amount of City Debt Applicable to Debt Limit	<u>76,256,685</u>	55.82%
Legal Debt Margin Available	<u>\$ 60,360,731</u>	44.18%

\* Excludes \$10,784,260 of actual agricultural value.

Sources: Black Hawk County Auditor and City debt records.

CITY OF WATERLOO, IOWA

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BOND DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES**

LAST TEN FISCAL YEARS

Fiscal Year	G.O. Bond Principal	G.O. Bond Interest	Total G.O. Bond Debt Service	Total General Governmental Expenditures <sup>1</sup>	Ratio of Debt Service to Gen. Governmental Expenditures
1995-96	\$ 5,736,549	\$ 2,907,178	\$ 8,643,727	N/A	N/A
1996-97	5,352,877	3,333,561	8,686,438	\$ 54,734,099	0.16
1997-98	5,405,945	3,104,732	8,510,677	66,549,859	0.13
1998-99	6,030,262	2,854,534	8,884,796	65,863,302	0.13
1999-00	6,241,355	2,835,284	9,076,639	71,478,661	0.13
2000-01	6,619,797	2,889,265	9,509,062	67,107,553	0.14
2001-02	6,609,091	2,561,121	9,170,212	66,981,993	0.14
2002-03	5,771,550	2,480,836	8,252,386	72,755,487	0.11
2003-04	5,815,000	2,294,097	8,109,097	76,410,918	0.11
2004-05	6,070,000	2,442,733	8,512,733 <sup>2</sup>	78,443,866	0.11

<sup>1</sup> General expenditures only available since July 1, 1996 when City converted from cash reporting to G.A.A.P.

<sup>2</sup> Net of general obligation principal and interest paid by sanitary sewer enterprise fund (FY 2005 - \$1,224,020).

N/A = Not available.

**SCHEDULE OF SEWER REVENUE BOND COVERAGE**

LAST TEN FISCAL YEARS

Fiscal Year	Revenue	Applicable Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements	Coverage Ratio
1995-96	\$ 8,607,390	\$ 3,575,411	\$ 5,031,979	\$ 3,135,435	1.6049
1996-97	8,470,749	3,786,454	4,684,295	2,966,050	1.5793
1997-98	8,390,715	4,232,070	4,158,645	3,325,105	1.2507
1998-99	8,604,707	4,413,235	4,191,472	3,687,368	1.1367
1999-00	8,738,606	4,306,393	4,432,213	3,522,199	1.2584
2000-01	8,620,518	4,063,694	4,556,824	3,466,156	1.3147
2001-02	8,646,771	4,330,170	4,316,601	3,436,606	1.2561
2002-03	9,257,236	4,336,741	4,920,495	3,427,576	1.4356
2003-04	9,653,550	4,445,425	5,208,125	3,401,386	1.5312
2004-05	9,735,550	4,455,001	5,280,549	3,664,551	1.4410

CITY OF WATERLOO, IOWA  
**DEMOGRAPHIC STATISTICS**  
 LAST TEN FISCAL YEARS

Fiscal Year	Population <sup>1</sup>	Median Household Effective Buying Income <sup>2</sup>	City's Total Taxable Retail Sales <sup>3</sup>	Median Home Sales Price Metro-area <sup>4</sup>	Total Employment Black Hawk County <sup>5</sup>	City's Annual Average Unemployment Rate <sup>5</sup>	Waterloo Community School Enrollment <sup>6</sup>	Waterloo Parochial School Enrollment <sup>7</sup>
1995-96	66,467	\$ 27,015	\$ 809,317,467	\$ 61,435	68,900	5.5%	10,562	2,485
1996-97	66,467	28,447	844,954,077	65,069	69,700	4.6%	10,448	2,367
1997-98	66,467	29,508	897,255,964	70,760	73,800	4.2%	10,544	2,379
1998-99	66,467	29,649	912,205,047	75,957	72,700	4.7%	10,397	3,583
1999-00	68,747	30,509	925,632,078	77,000	73,600	3.9%	10,290	3,543
2000-01	68,747	31,491	959,316,804	82,000	73,300	4.1%	10,311	2,537
2001-02	68,747	32,050	918,767,187	87,800	72,900	5.2%	10,311	2,352
2002-03	68,747	30,550	927,565,500	89,500	72,400	5.7%	10,402	2,230
2003-04	68,747	30,762	954,236,765	96,000	74,400	5.7%	10,465	1,873
2004-05	68,747	35,558	973,391,627	99,500	87,100	6.5%	10,472	1,773

N/A = Not available.

Sources:

<sup>1</sup> 1990 and 2000 U.S. Census.

<sup>2</sup> "Sales & Marketing Management."

<sup>3</sup> Iowa Dept. of Revenue and Finance.

<sup>4</sup> Waterloo-Cedar Falls Board of Realtors.

<sup>5</sup> Iowa Workforce Development.

<sup>6</sup> Waterloo Community Schools.

<sup>7</sup> Area Education Agency 267.

CITY OF WATERLOO, IOWA  
**PROPERTY VALUE AND CONSTRUCTION**  
 LAST TEN FISCAL YEARS

Fiscal Year	Total Actual Property Value <sup>1</sup>	Construction Activity-Number of Permits Issued <sup>2</sup>	Total Construction Value of Permits <sup>2</sup>
1995-96	\$ 1,752,352,242	7,270	\$ 58,617,199
1996-97	1,731,559,884	7,016	62,892,199
1997-98	1,784,058,269	8,865	76,804,492
1998-99	2,023,129,399	8,013	89,104,465
1999-00	2,008,729,517	9,550	65,445,292
2000-01	2,086,472,271	8,913	62,936,151
2001-02	2,083,453,387	9,238	52,971,240
2002-03	2,329,662,794	9,396	75,434,613
2003-04	2,339,860,939	10,168	102,794,224
2004-05	2,649,108,176	8,988	106,704,462

Sources:

<sup>1</sup> Black Hawk County Auditor

<sup>2</sup> City Building Department permit records

**PRINCIPAL TAXPAYERS - TEN LARGEST**

Taxpayer	Business/Service	FY 2004-05 Actual Property Tax Valuation <sup>3</sup>	% of City's FY 2004-05 Actual Value <sup>4</sup>
Mid American Energy	Gas & Electric Utility	\$ 95,720,851	4.09%
Equitable Life Assurance	Insurance	25,779,520	1.10%
Iowa Beef Processors	Meat Processing	19,804,880	0.85%
Hunt Wesson, Inc.	Agricultural Products	16,317,760	0.70%
Qwest Corporation	Telephone Utility	16,007,613	0.68%
Deere and Company	Farm Tractors, Equipment	13,721,650	0.59%
Bertch Cabinet Manufacturing	Cabinet Manufacturer	12,267,940	0.52%
HyVee Food Stores, Inc.	Grocery Store	9,326,490	0.40%
Banco Mortgage Company	Real Property	8,676,050	0.37%
WalMart Stores	Retail Store	8,627,190	0.37%
Total Ten Largest Taxpayers		\$ 226,249,944	9.67%

<sup>3</sup> Source: Black Hawk County Assessor - total assessed values as of January 1, 2003

<sup>4</sup> Source: Black Hawk County Auditor - City's total 2003 actual valuation of \$2,649,108,176

CITY OF WATERLOO, IOWA  
**MISCELLANEOUS STATISTICAL INFORMATION**  
 FOR THE FISCAL PERIOD ENDED JUNE 30, 2005

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Year of incorporation	1868
Form of government	Mayor-Council
Area (square miles)	63.3
Miles of streets:	
Paved	352
Unpaved	74
Total number of city employees	536
Total number of sworn police officers	121
Fire protection:	
Number of stations	7
Number of fire fighters	117
Recreation:	
Number of city parks	48
Total park acreage	2,922
Total miles of bicycle trails	45
Other municipal facilities:	
Golf courses	3
Swimming pools	2
Softball diamonds	23
Baseball diamonds	8
Tennis courts	27
Baseball stadium	1
Ice arena	1
Soccer complex	1
Total soccer complex acreage	118
All-terrain vehicle recreation park acreage	400
Skatepark	1
Airport runway lengths - feet	
Runway 1	8,401
Runway 2	6,001
Runway 3	5,403
Library collection size	205,149
Sanitary sewer & waste water treatment	
Miles of sanitary sewer	353
Plant rated capacity-million gallons per day	47

\*Source for all data: City departmental records

**Financial Assistance Section**



# **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters**

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To the Mayor and City Council  
City of Waterloo, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Waterloo, Iowa, as of and for the year ended June 30, 2005, and the discretely presented component unit as of and for the year ended December 31, 2004 which collectively comprise the City of Waterloo, Iowa's basic financial statements, and have issued our report thereon dated February 17, 2005 for the discretely presented component unit and December 7, 2005 for all other reporting units.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## **Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Section II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected in a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, of the reportable conditions described above, we consider items 05-II-A and 05-II-B to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that are described in Section V 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, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report is intended solely for the information and use of the management and the City Council of the City of Waterloo and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*HOGAN - HANSEN*

HOGAN - HANSEN

Waterloo, Iowa  
December 7, 2005

# **Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Passenger Facility Charges and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the Passenger Facility Charge Audit Guide for Public Agencies**

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To the Mayor and City Council  
City of Waterloo, Iowa

## **Compliance**

We have audited the compliance of the City of Waterloo, Iowa, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and in the *Passenger Facility Audit Guide for Public Agencies (Guide)* that are applicable to each of its major federal programs and its Passenger Facility Charge Program for the year ended June 30, 2005. The City of Waterloo, Iowa's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs, while its Passenger Facility Charge Program is shown in the accompanying Schedule of Passenger Facility Charges Collected and Expended. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and its Passenger Facility Charge Program is the responsibility of the City of Waterloo, Iowa's management. Our responsibility is to express an opinion on the City of Waterloo, Iowa's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and the *Passenger Facility Charge Audit Guide for Public Agencies (Guide)*. Those standards, OMB Circular A-133 and the Guide 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 and about whether the City of Waterloo, Iowa, complied with the regulations issued by the Federal Aviation Administration of the U.S. Department of Transportation to implement Sections 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990, noncompliance with which would be material to the Passenger Facility Charge Program. An audit includes examining, on a test basis, evidence about the City of Waterloo, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Waterloo, Iowa's compliance with those requirements.

In our opinion, the City of Waterloo, Iowa, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and its passenger facility charge program for the year ended June 30, 2005.

**Internal Control Over Compliance**

The management of the City of Waterloo, Iowa, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Waterloo, Iowa's internal control over compliance with requirements that could have a direct and material effect on a major federal program or the Passenger Facility Charge Program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 and the *Passenger Facility Charge Audit Guide for Public Agencies*.

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

This report, a public record by law, is intended solely for the information and use of the management and the City Council of the City of Waterloo, Iowa, and federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*HOGAN - HANSEN*

HOGAN - HANSEN

Waterloo, Iowa  
December 7, 2005

# Schedule of Expenditures of Federal Awards

Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Other Applicable Number	Federal Program/ Cluster Expenditures
<b>Department of Commerce</b>			
Direct			
Grants for Public Works and Economic Development Facilities.....	11.300	05-01-03718	\$ <u>246,493</u>
<b>Total Department of Commerce</b>			<b><u>246,493</u></b>
<b>Department of Housing and Urban Development</b>			
Direct			
Community Development Block Grants/ Entitlement Grants (Note 2) .....	14.218		1,970,065
HOME Investment Partnerships Program (Note 2)...	14.239		764,141
Fair Housing Assistance Program - State and Local Public and Indian Housing (Note 3) .....	14.401	FF207K027014	94,402
Section 8 Housing Choice Vouchers.....	14.850		25,355
Section 8 Housing Choice Vouchers.....	14.871		4,894,402
Public Housing Capital Fund.....	14.872		31,373
Lead-Based Paint Hazard Control in Privately- Owned Housing .....	14.900	IAL-HB-0248-03	635,352
Title 1, VA-HUD Independent Agencies Appropriations Act for FY 2001, PL 106-988 .....	14.XXX	B-01-NI-IA-WL-0003	63,195
Public Law 107-73, FY2002 Appropriations Act.....	14.XXX	B-02-SPIA 0180	46,388
Public Law 108-7, FY 2003 Appropriations Act for HUD and other agencies .....	14.XXX	B-03-SPIA 0192	<u>95,231</u>
Total Direct.....			<u>8,619,904</u>
Indirect			
Pass Through Iowa Department of Economic Development			
Emergency Shelter Grants Program .....	14.231	03-ES-001	(748)
		04-ES-001	<u>106,563</u>
			<u>105,815</u>
<b>Total Department of Housing and Urban Development.....</b>			<b><u>8,725,719</u></b>

The accompanying notes are an integral part of this schedule.

# Schedule of Expenditures of Federal Awards

Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Other Applicable Number	Federal Program/Cluster Expenditures
<b>Department of Justice</b>			
<b>Direct</b>			
Local Law Enforcement Block Grants Program .....	16.592	2004-LB-BX-0600 2003-LB-BX-0419	\$ 24,191 <u>26,878</u> 51,069
Bulletproof Vest Partnership Program.....	16.607	2002-SH-WX-0480	<u>3,468</u>
Public Safety Partnership and Community Policing Grants .....	16.710	2002-SH-WX-0480 2002-CK-WX-0342 2003-OM-WX-0086	76,585 15,208 <u>47,622</u> <u>139,415</u>
Total Direct.....			<u>193,952</u>
<b>Indirect</b>			
Pass Through Iowa Department of Human Rights, Division of Criminal and Juvenile Justice Planning Juvenile Accountability Incentive Block Grants ....	16.523	JAB-504-46	<u>11,649</u>
Pass Through Iowa Governor's Alliance on Substance Abuse Drug Control and System Improvement Substance Abuse Prevention - Byrne Formula Grant Program.....	16.579	04A-0226 03A-0236	106,709 <u>492</u> <u>107,201</u>
Pass Through Iowa Department of Justice Violence Against Women Formula Grants.....	16.588	VW-05-77	<u>39,568</u>
Pass Through Iowa Governor's Alliance of Drug Control Policy Community Prosecution and Project Safe Neighborhoods.....	16.609	03-ND02	<u>28,034</u>
Public Safety Partnership and Community Policing Grants.....	16.710	0001-05-595-R70-8048-4125	<u>60,754</u>
Pass Through Iowa Department of Human Rights, Division of Criminal and Juvenile Justice Planning Enforcing Underage Drinking Laws Program .....	16.727	06-JD01-F502	<u>1,290</u>
Total Indirect .....			<u>248,496</u>
<b>Total Department of Justice .....</b>			<b><u>442,448</u></b>

The accompanying notes are an integral part of this schedule.

# Schedule of Expenditures of Federal Awards

Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Other Applicable Number	Federal Program/Cluster Expenditures
<b>Department of Transportation</b>			
<b>Direct</b>			
Federal Aviation Administration			
Airport Improvement Program .....	20.106	3-19-0094-22	\$ (99,899)
		3-19-0094-23	106,034
		3-19-0094-24	321,544
		3-19-0094-25	1,122
		3-19-0094-27	<u>37,924</u>
			366,725
Office of the Secretary			
Payments for Small Community Air			
Service Development .....	20.930		<u>93,373</u>
Total Direct			<u>460,098</u>
<b>Indirect</b>			
Federal Highway Administration			
Pass Through Iowa Department of Transportation			
Highway Planning and Construction .....	20.205	STP-E-8155(670)-8V-07	157,000
		BRM-8155(650) & STP-U-8155(652)	1,562,767
		STP-ES-8155(42)--8V-07	14,197
		STP-U-8155(616)--70-07	447,654
		STP-U-8155(656)--70-07	<u>105,109</u>
			2,286,727
Recreational Trails Program.....	20.219	NRT-NT03(7)--96-07	<u>203,245</u>
National Highway Traffic Safety Administration			
Pass Through Iowa Department of Public Safety			
Governor's Traffic Safety Bureau			
Alcohol Traffic Safety and Drunk Driving			
Prevention Incentive Grants.....	20.601	PAP-04-410 Task 39	4,825
		PAP-04-163 Task 70	5,669
		PAP-05-410 Task 45	<u>7,234</u>
			17,728
Safety Incentive Grants for the Use of Seat Belts	20.604	PAP-05-157 Task 147	<u>5,781</u>
Safety Incentives to Prevent Operation			
of Motor Vehicles by Intoxicated Persons .....	20.605	PAP-05-163 Task 65	<u>5,636</u>
Total Indirect .....			<u>2,519,117</u>
<b>Total Department of Transportation .....</b>			<u><b>2,979,215</b></u>

The accompanying notes are an integral part of this schedule.

# Schedule of Expenditures of Federal Awards

Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Other Applicable Number	Federal Program/ Cluster Expenditures
<b>National Foundation on the Arts and the Humanities</b>			
Direct			
Institute of Museum and Library Services			
National Leadership Grants .....	45.312	CM-00-05-0041-05	\$ 32,830
Indirect			
National Endowment for the Humanities			
Pass Through Iowa Arts Council			
Promotion of the Humanities - Federal/State			
Partnership.....	45.129	FY05-0145OSP	<u>15,200</u>
<b>Total National Foundation on the Arts and the Humanities .....</b>			<b><u>48,030</u></b>
<b>Environmental Protection Agency</b>			
Direct			
Brownfield Pilots Cooperative Agreements.....	66.811	BP-99791501-0	4,415
Brownfield Assessment and Cleanup Cooperative			
Agreements .....	66.818	BF-98736101-0	192,128
Appropriations Act of 1995			
Wastewater Treatment Facilities .....	66.XXX	XP99 7139 01	<u>115,482</u>
<b>Total Environmental Protection Agency .....</b>			<b><u>312,025</u></b>
<b>Department of Health and Human Services</b>			
Direct			
Centers for Disease Control and Prevention			
Injury Prevention and Control Research and			
State and Community Based Programs .....	93.136		<u>88,716</u>
<b>Department of Homeland Security</b>			
Direct			
Federal Emergency Management Agency			
Assistance to Firefighters Grant .....	97.044	EMW-2003-FG-09275	<u>25,909</u>
Indirect			
Iowa Department of Public Defense, Homeland			
Security and Emergency Management			
State Domestic Preparedness Equipment			
Support Program.....	97.004	FY2004-LETPP-LEIN2-02	103,233
Public Assistance Grants .....	97.036	FEMA-DR-1518-1A	<u>101,348</u>
Total Indirect .....			<u>204,581</u>
<b>Total Department of Homeland Security .....</b>			<b><u>230,490</u></b>
<b>Total Expenditures of Federal Awards .....</b>			<b><u>\$ 13,073,136</u></b>

The accompanying notes are an integral part of this schedule.

# Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2005

## Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Waterloo Iowa, and is presented using generally accepted accounting principles for local governmental units as prescribed in the statements issued by the Government Accounting Standards Board and other recognized authoritative sources. 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 general purpose financial statements. Program expenditures include only amounts subject to reimbursement from the grantor agency or program income; thus, they are net of local matching.

## Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to 16 subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant - Entitlement Grants .....	14.218	\$ 298,000
HOME Investment Partnerships Program .....	14.239	314,070

## Note 3. Program 14.850

The City's Waterloo Housing Authority has long-term debt payable to the Federal Financing Bank (FFB). Each November 1, the City receives a debt subsidy of \$86,364 as a principal and interest payment on the loan. The City records the subsidy as revenue and an expenditure for debt service. On June 30, 2005, the principal balance on the loan was \$660,612. Since there are continuing compliance obligations regarding the loan, the principal balance is considered federal financial assistance. Federal expenditures for the program consisted of the following:

Operating subsidy (adjustment).....	\$ (61,009)
Debt subsidy .....	<u>86,364</u>
Subtotal Cash Assistance .....	25,355
Loan balance .....	<u>660,612</u>
<b>Total</b> .....	<b><u>\$ 685,967</u></b>

# Schedule of Findings and Questioned Costs

Year Ended June 30, 2005

## Section I - Summary of Auditor's Results:

### Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness identified?

yes       no

Reportable condition identified not considered to be material weaknesses?

yes       none reported

Noncompliance material to financial statements noted?

yes       no

### Federal Awards

Internal control over major programs:

Material weakness identified?

yes       no

Reportable condition identified not considered to be material weakness?

yes       none reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

yes       no

Identification of major programs:

### **CFDA Numbers**

### **Name of Federal Program or Cluster**

14.850

Public and Indian Housing  
Economic Development Facilities  
Section 8 Housing Choice Vouchers  
Lead-Based Paint Hazard Control in  
Privately Owned Housing

14.871

14.900

Highway Planning and Construction  
Recreational Trails Program

20.205

20.219

Dollar threshold used to distinguish between Type A and Type B programs:

\$392,194

Auditee qualified as low-risk auditee?

yes       no

# Schedule of Findings and Questioned Costs

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Year Ended June 30, 2005

## **Section II: Findings Related to the Financial Statements:**

### **Instances of Noncompliance:**

There were no reported prior or current year instances of noncompliance.

### **Internal Control Over Financial Reporting**

Prior year reportable conditions which have not been resolved are repeated below as findings 05-II-A and B.

#### **05-II-A Improve Cash Flow Through Timely Billing**

**Prior Year Finding and Recommendation** - Not all billings are promptly prepared. Many billings are not posted to the City's accounts receivable system. As a result, cash is sometimes not timely received. In addition, revenue, receivables and intracity activity is not always timely recorded and expenditure control over intracity charges is difficult to maintain.

To timely expedite receipt of cash, we recommend that nonmanagement staff be assigned invoicing duties to be performed monthly (for standard items) or as the receivable arises, whichever is applicable. Management should review timing and detail of the invoicing and ensure there has been prompt posting to accounts receivable. Invoicing should be completed monthly for intracity items including health care, benefits and administration costs and external items including COBRA. Billings recorded to receivables should include grants and services performed for others.

**Current Year Finding** - We noted the same conditions exist. Certain routine billings are prepared by management without further review or approval rather than delegated to staff for preparation with management's review and approval.

In another instance, a billing for sales tax refunds was not timely filed which could result in a cash loss to the City in excess of \$100,000.

**Auditor's Recommendation** - We reiterate our prior year recommendations.

**City's Response** - The City has implemented additional procedures to help identify all amounts due the City. Staffing constraints cause delays in some invoicing processes. The City is continuing to evaluate the ability to add resources to implement additional or new procedures to be followed in order to improve cash flows through timely billings.

**Auditor's Conclusion** - Response accepted.

#### **05-II-B Improve Cash Flow Through Monitoring of Receivables**

**Prior Year Finding and Recommendation** - While many receivables are recorded in the City's general ledger as billed, other receivables, such as intergovernmental receivables, are not recorded in the general ledger. Some follow-up work regarding timely collection is being performed on the receivables which are recorded or unrecorded. Monthly listings and reconciliations are sometimes not produced and/or reviewed. Some individual old receivables were noted that had no documentation of collection procedures performed. As a result, receivables are not always recorded in the proper accounting period and collection of revenue may be delayed or lost.

## Schedule of Findings and Questioned Costs

---

Year Ended June 30, 2005

To improve cash flow and maintain control over receivables, we recommend that general ledger accounts be set up for intergovernmental receivables and that those receivables be recorded in the general ledger, as billed. For all receivable accounts, detail listings and agings should be printed monthly. The detail listing total should then be reconciled to the general ledger balance and the aging total. Delinquent receivables in the aging should then be reviewed and action taken to collect the receivables. Documentation of the work done should be provided to and reviewed by management.

**Current Year Finding** - We noted continued improvement for certain receivables, most old recorded balances were collected, assessed against property or cleared to revenue. For some receivables, the same conditions noted above continue to exist.

**Auditor's Recommendation** - For the areas not yet resolved, we reiterate our prior year recommendations.

**City's Response** - The City has implemented procedures to review accounts receivable agings monthly and pursue slow-paying and delinquent accounts. The City has revised project reporting and accounting procedures so that intergovernmental receivables can be tracked more efficiently. The City will continue to evaluate the ability to devote additional resources to recording and monitoring accounts receivable.

**Auditor's Conclusion** - Response accepted.

### **Section III: Findings and Questioned Costs for Federal Awards:**

#### **Instances of Noncompliance**

There were no reported current or prior year instances of noncompliance.

#### **Reportable Conditions**

No current or prior year matters were reported.

### **Section IV: Findings and Questioned Costs for Passenger Facility Charges:**

#### **Instances of Noncompliance**

There were no reported current year or prior year instances of noncompliance.

#### **Reportable Conditions**

There were no prior or current year matters reported.

## Schedule of Findings and Questioned Costs

---

Year Ended June 30, 2005

### Section V: Findings Related to Statutory Reporting

Prior year findings related to statutory reporting have been resolved except for items 05-V, I and K.

**05-V-A Official Depositories** - A resolution naming official depositories has been approved by the City of Waterloo. Chapter 12C of the Code of Iowa states that a written resolution shall distinctly name each depository approved and specify the amount that may be kept on deposit in each depository. The maximum deposit amounts stated in the resolution were exceeded during October, 2004 for one bank.

**Auditor's Recommendation** - Deposits in the named depository should not have been allowed to exceed the approved amount.

**City's Response** - A new depository resolution was approved that increased the maximum deposit amount. In addition, the City instituted additional review procedures to ensure that the deposit maximums are not exceeded in the future.

**Auditor's Conclusion** - Response accepted.

**05-V-B Certified Budget** - We noted no disbursements during the year ended June 30, 2005 that exceeded the amended budget.

**05-V-C Questionable Disbursements** - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

**05-V-D Travel Expense** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**05-V-E Business Transactions** - There were no business transactions between the City of Waterloo and City officials or employees or members of their immediate families which may appear to be conflicts of interest.

**05-V-F Bond Coverage** - Surety bond coverage of the City of Waterloo officials and employees is in accordance with statutory provisions and was reviewed and updated during the year. We recommend that the amount of coverage continue to be reviewed annually to insure that the coverage is adequate for current operations.

**05-V-G Council Minutes and Resolutions** - No transactions were found that we believe should have been approved in the minutes but were not. Minutes of the City Council proceedings were published within 15 days as required by Chapter 372.13(6) of the Code of Iowa.

**05-V-H Deposits and Investments** - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

## Schedule of Findings and Questioned Costs

---

Year Ended June 30, 2005

**05-V-I Financial Condition** - The Grants, Special Revenue Fund, had a deficit balance at June 30, 2005 of \$223,304.

**Auditor's Recommendations** - The City should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial position. The above fund had a deficit at June 30, 2004 of \$841,635.

**City's Response** - The deficit occurs because governmental accounting principles require that grant reimbursements not received within 60 days of year end be reported as deferred revenue, thereby creating a deficit fund balance. This is a temporary deficit which is cleared when the revenue is received. The City is implementing procedures to request these reimbursements in a more timely manner. However, there are situations when delays of more than 60 days are unavoidable, and therefore, this fund may continue to reflect a deficit balance at times.

**Auditor's Conclusion** - Response accepted.

**05-V-J Revenue Bonds** - The City has complied with the provisions of the revenue bond indentures. Information required by sewer revenue bond resolutions is reported in the statistical section.

**05-V-K Airport Ordinance**

**Prior Year Finding and Recommendation** - We noted that the City adopted ordinance number 4400 on December 13, 1999 which established an Airport Board of Directors and requires the Board to "Maintain a positive cash balance at all times in airport operations". Airport operations are accounted for in the General Fund (Fund 010), Airport Commission Department (Department number 29), Airport Administration Activity (activity number 7700). Through June 30, 2004, cash deficits totaled \$483,153.

To ensure the City is in compliance with its own ordinances, we recommend that the City either provide airport operations with additional cash resources to enable it to achieve and maintain a positive cash balance or amend the ordinance to repeal the positive cash balance requirement.

**Current Year Finding** - The City did not amend the airport ordinance to repeal the positive cash balance requirement. During the year ended June 30, 2005, airport operations incurred a cash loss of \$107,898, resulting in an accumulated cash deficit of \$591,051.

**Auditor's Recommendation** - We reiterate our prior year recommendation.

**City's Response** - It is the City's intent at this time to continue to require the positive cash balance, although City management realizes that the Airport may not be able to maintain that balance due to current economic conditions.

**Auditor's Conclusion** - Response accepted.

# Schedule of Passenger Facility Charges Collected and Expended

Year Ended June 30, 2005

	Application Approval Number	Beginning Balance Unliquidated PFC	PFC Collections	Interest Earned	Expenditures	Ending Balance Unliquidated PFC
New master plan, 10%... Overlay runway 18/36 construction, 10% .....	94-01-C-00-ALO	\$ —	\$ —	\$ —	\$ —	\$ *
Terminal apron rehabilitation, 10% .....	94-01-C-00-ALO	—	—	—	—	*
General aviation apron rehabilitation, 10% .....	97-02-C-00-ALO	—	—	—	—	*
Replace snow blower, 10%.....	97-02-C-00-ALO	—	—	—	—	*
Replace snow grader/ tractor, 10%.....	97-02-C-00-ALO	—	—	—	—	*
Rehabilitate east general aviation apron, 10%.....	97-02-C-00-ALO	—	—	—	—	*
Terminal building modernization - conceptual plan, Total .....	99-03-C-00-ALO	—	—	—	—	*
Reconstruct Taxiway D, 10%.....	99-03-C-00-ALO	—	—	—	—	*
Terminal building modernization - construction.....	01-04-C-00-ALO	—	—	—	—	*
Runway 12-30 rejuvenation .....	01-04-C-00-ALO	34,700	—	—	5,565	29,135
PFC annual audit and program administration	03-05-C-00-ALO	10,256	27,331	—	9,065	28,522
Part 139 guidance signs	03-05-C-00-ALO	38,000	—	—	—	38,000
Acquisition of snow removal equipment .....	03-05-C-00-ALO	—	16,923	—	16,923	—
Perimeter fencing .....	03-05-C-00-ALO	—	80,000	—	1,106	78,894
Acquisition of aircraft rescue and fire .....	03-05-C-00-ALO	—	—	—	—	—
Reconstruction of terminal area ramp.....	03-05-C-00-ALO	—	37,136	577	1,113	36,600
<b>Total.....</b>		<b><u>\$ 82,956</u></b>	<b><u>\$ 161,390</u></b>	<b><u>\$ 577</u></b>	<b><u>\$ 33,772</u></b>	<b><u>\$ 211,151</u></b>

\* Project completed

Passenger Facility Charges (PFC's) are expended as the local match required for CFDA #20.106, Airport Improvement Program, as displayed on the Schedule of Expenditures of Federal Awards plus additional amounts approved by the Federal Aviation Administration (FAA).

By letter dated June 13, 2005, approval was granted to expend up to \$360,000 previously approved for collection for the reconstruction of the terminal area ramp. After the letter, cumulative approvals for collections and uses are both \$2,058,024.

## Schedule of Passenger Facility Charges Cash Activity

Year Ended June 30, 2005

Description	Totals 7-1-04	Quarter #1	Quarter #2	Quarter #3	Quarter #4	Totals for Year	Totals 6-30-05
Passenger Facility							
Charges collected ...	\$ 1,482,310	\$ 25,661	\$ 40,383	\$ 50,538	\$ 44,808	\$ 161,390	\$ 1,643,700
Interest .....	25,176	26	123	198	230	577	25,753
Expended .....	(1,424,530)	(2,590)	(5,242)	(9,497)	(16,443)	(33,772)	(1,458,302)
<b>Net .....</b>	<b><u>\$ 82,956</u></b>	<b><u>\$ 23,097</u></b>	<b><u>\$ 35,264</u></b>	<b><u>\$ 41,239</u></b>	<b><u>\$ 28,595</u></b>	<b><u>\$ 128,195</u></b>	<b><u>\$ 211,151</u></b>