COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF WAVERLY, IOWA FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Prepared by the
Finance Department
Jack Bachhuber, Finance Director

CITY OF WAVERLY, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2005
TABLE OF CONTENTS

INTRODUCTORY SECTION

	Page
Letter of Transmittal	1 – 4
Organization Chart	5
List of Principal Officials	6
Certificate of Achievement	7 – 8

FINANCIAL SECTION

Independent Auditors' Report	9 – 10
Management's Discussion and Analysis	11 – 21
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	22
Statement of Activities	23 – 24
FUND FINANCIAL STATEMENTS	
Governmental Funds Financial Statements	
Balance Sheet	25 – 26
Reconciliation of the Balance Sheet to the Statement of Net Assets	27
Statement of Revenues, Expenditures and Changes in Fund Balances	28 – 29
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	30
Proprietary Funds Financial Statements	
Combining Statement of Net Assets	31
Combining Statement of Revenues, Expenditures and Changes in Net Assets	32 – 33
Combining Statement of Cash Flows	34 – 37
Fiduciary Funds Financial Statements	
Statement of Fiduciary Net Assets	38
Notes to Financial Statements	39 – 60
Required Supplementary Information	
Required Supplementary Information	61 – 62

CITY OF WAVERLY, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2005
TABLE OF CONTENTS

FINANCIAL SECTION – (CONTINUED)

	Page
Other Supplementary Information	
Governmental Non-Major Funds Combining Financial Statements	
Balance Sheet	63 – 68
Statement of Revenues, Expenditures and Changes in Fund Balances	69 – 74
Fiduciary Funds Combining Financial Statements	
Statement of Changes in Assets and Liabilities	75
STATISTICAL SECTION	
General Governmental Expenditures By Function	76
General Governmental Revenues By Source	77
Property Tax Levies and Collections	78
Construction Values	78
Total Assessed and Taxable Value of Real Property	79
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures	80
Ratio of Net General Obligation Bonded Debt Per Capita	80
Computation of Direct and Overlapping Bonded Debt	80
Principal Taxpayers	81
Assessed Property Values	82
Property Tax Rates – Direct and Overlapping Governments	82
Water Revenue Bond Coverage	83
Sewer Revenue Bond Coverage	83
Miscellaneous Statistics	84
Computation of Legal Debt Margin	85
Demographic Statistics	85
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	86 – 87
Schedule of Findings and Questioned Costs	88 – 89

* * * * *

November 29, 2005

Honorable Mayor and City Council
City of Waverly
Waverly, Iowa

We are pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the City of Waverly. This report is for the fiscal year ended June 30, 2005. The report is submitted each year as required by State Law, Chapter 11.6. The report is prepared according to generally accepted accounting principles (GAAP) for government as established by the Governmental Accounting Standards Board (GASB). It is audited by Williams & Company, P.C.

The city's Department of Accounting prepared our report. Management of the city is responsible for the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures. To the best of our knowledge and belief, the enclosed information is accurate in all material aspects and is presented in a manner designed to fairly present the financial position and results of operations of the city as measured by the financial activity of its various funds and account groups. All disclosures necessary to enable the reader to gain a complete understanding of the City of Waverly's financial activities have been included. Management of the city has established a comprehensive internal control framework that is designed both to protect the city's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statement in conformity with GAAP. Since the cost of internal controls should not outweigh their benefits, the City of Waverly's internal controls have been designed to provide reasonable, rather than absolute assurance that the financial statement will be free from material misstatement.

This report is designed to meet the needs of a wide range of financial statement readers, and is presented in three sections.

The **Introductory Section** consists of this transmittal letter, a table of contents, a list of the City's principal elected and appointed officials, an organizational chart.

The **Financial Section** consists of the Independent Auditor's Report completed by Williams & Company, Management's Discussion and Analysis, Government Wide Financial Statements, the Fund Financial Statements, Notes to the Financial Statements, and Other Required Combining and Supplemental Information.

The **Statistical Section**, which is unaudited, consists of selected financial and demographic information for ten years, generally presented on a multi-year basis. This section is intended to offer the reader a better overall picture of the financial and economic trends of the City of Waverly.

GAAP require that management provide an introduction, overview and analysis to accompany the basic financial statement, in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement MD&A, found immediately following the report of the City's independent auditors, and should be read in conjunction therewith. State statutes and the City Code require an annual audit by independent certified public accountants to provide reasonable assurance that the information in the CAFR can be relied upon. The auditors' report is included in the financial section of the report.

PROFILE OF THE CITY OF WAVERLY

The City of Waverly was incorporated in 1859 under the provisions of the Iowa State Legislature. It is located in Bremer County along the Cedar River in northeast Iowa, about 15 miles north of the Waterloo-Cedar Falls metropolitan area. Highways serving the area include State Highway 3 and U.S. Highway 218 that is connected to Interstate Highway 380, Avenue of the Saints. The population of 8,968 is located within an 11.3 square mile incorporated area.

The City of Waverly operates under a Mayor-council form of government. One council member is elected from each of the City's five wards, and two are elected at-large. The City administrator is responsible for the day-to-day management of the City. All departments and department directors report to the City Administrator, with the exception of the Library Director who is supervised by an appointed Board of Trustees.

FINANCIAL INFORMATION

The City of Waverly maintains an internal control structure designed to provide reasonable, but not absolute assurance that the assets of the city are protected from loss, theft, or fraud and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The requirement for 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.

In addition, the City recognizes the importance of leadership from management in these controls. The City Council has adopted a personnel policy that provides guidance as to certain elements of the internal control structure. The employees are updated on changes to these ethics and personnel policies to stress that internal control are an important element of the public's trust. The City has incorporated the personnel policy in the training of all employees and elected officials.

The foundation of the City's financial planning and control is the annual budget. The budget process includes sessions with staff, management, and the City Council. To ensure compliance with legal budgetary controls, the City Council and management receive monthly reports comparing budgeted amounts to actual expenditures. The City Council may make additional appropriations during the year for unanticipated revenues or capital projects which were not completed in the prior year. Budget-to-actual comparisons by fund are provided in the fund subsection of this report for all funds requiring an appropriated annual budget, and summarized in the notes to the financial statements.

Project length budgets are prepared for the various capital project funds. A "Five Year Capital Improvement Plan" is prepared and reviewed annually with the City Council. This plan defines the long-term capital plan of the City while each specific capital project is appropriated through different revenue streams. These funds are legally appropriated at the fund level; however the level of budgetary control is at the departmental level within each fund. After adoption, budget adjustments in these funds are authorized by the City Council.

State laws require audits for cities such as Waverly to be conducted by the auditor of state or by certified public accountants. In addition to meeting state requirements, the audit must meet the requirements of the federal Single Audit Act of 1984, and the Single Audit Act amendments of 1996 which substantially revised various provisions of the 1984 Act, and the related U.S. Office of Management and Budget's Circular A-133. An audit is conducted annually in accordance with generally accepted auditing standards and the standards set forth in the General Accounting Office's Government Auditing Standards. It must examine, among other things, the financial condition and resources of the City, and accuracy of the City's accounts and reports. The audit report is contained in the Financial Section which follows.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy. The City of Waverly is the largest city in Bremer County, and also the County Seat. Waverly offers a convenient small town atmosphere while being only a 25 minute drive to a large metropolitan area. The last five year census and residential building figures show Waverly growing at an annual rate of .5% and 21% respectively. These increases will allow the City to receive future increased intergovernmental revenues.

The City benefits from a prosperous downtown retail area plus other shopping areas on the south and north side of the City. The retail economy is very important to Waverly and has gone through a period of expansion. Waverly is the home of Wartburg College, a private four-year college. Wartburg continues to expand its campus with major additions to the student union, science center, and dormitory facilities. These additions will allow the accommodation of the growing student population. The college currently has a record enrollment of over 1,800 full-time students.

The City of Waverly is a growing manufacturing, retailing, educational and health services center in northeast Iowa. Major employers range from CUNA Mutual Life Insurance with 750 employees, Wartburg College with 408 employees, Nestle Beverage, food products, with 315 employees, and Waverly Health Center with 280 employees. Waverly Health Center also recently completed a multi-million dollar addition to their campus facility, and are planning another

Sales and use tax showed a decreased of 3.5 percent compared to the 2003-2004 fiscal year, and the number of businesses reporting sales tax was level over the same time period. The slight decrease in sales does not demonstrate a declining economy, as a new super center will open next year to produce additional tax and economic revenue. In July 2003 the City of Waverly started collecting local option sales tax which will allow the city fund specific projects related to safety and infrastructure, without raising property taxes. The revenue stream will amount to more than $600,000 a year. A new $4M joint county-city law center will be completed by the end of 2005, with a new fire station being planned for the following year.

The City's economic outlook continues to be positive, with industry and commercial business showing continued growth in product lines and employment. Bremer County's June 2005, unemployment rate of 3.9% compares favorably to the State's rate of 4.6% for the same period. The tax base for the City is showing favorable increases. At an average increase of 2.8% a year since 1996, growth in the city's taxable valuation has been excellent compared to other cities of similar size. Assessed valuations for the same period increased at a rate of 6.4%, but the state's residential rollback continues to affect the taxing ability of cities. The state rollback affected taxable valuation for the first time in many years. The 2005 year showed a .006% decrease compare to the previous year. However, assessed valuation for the same period increased 3.5%. Detail figures are provided in the statistical section.

Long-term Financial Planning. The City of Waverly operates with a cash and investment pool concept, whereby funds not individually invested to the credit of a particular fund are invested to the credit of the General Fund. This is consistent with state law, which provides that with the exception of bond covenants and local ordinances that require investments by fund, investments can be pooled and invested to the credit of the General Fund.

It is the policy of the City to invest public funds in a manner which will provide the maximum security, meet daily cash flow demands, and provide the highest investment return while conforming to all state and local statutes governing the investment of public funds.

The City may invest in any of the securities identified as eligible investments defined in the City of Waverly Investment Policy. In general these consist of interest bearing savings accounts, certificates of deposits, United States Treasury Notes and Bonds, Iowa Public Agency Investment Trust, and government sponsored securities.

The certificate of deposit annual interest rate averaged 2.41% compared to 1.84% last year. The return of Iowa Public Agency Investment Trust averaged 1.71% compared to .59% last year. These are two major investment areas, and the increased rate of return added an additional$40,000 to our investment revenue, compared to last year. At June 30, 2005 the city's investment position for all funds totaled $6,935,090 compared to $6,127,098 in 2004.

Risk Management. The City also manages medical, dental, and vision insurance for its employees via a risk-retention plan administered by a third party administrator. Costs of the program include medical benefits, administration fees, and premiums for stop-loss coverage with limits of $20,000 per covered employee per year and 125% of expected claims for the year for the City as a whole. The City continues to analyze the insurance market, and educate employees to control rising health care costs. An annual actuarial study provides analysis and information to help the City comply with local and state requirements.

The City is also exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductible and claims in the excess of coverage limitations.

Pension Benefits. All permanent City employees are covered by one of two pension plans. Most uniformed employees are included in the Municipal Fire and Police Retirement System of Iowa (MFPRSI), which is a cost-sharing, defined benefit plan, administered by a Board of Trustees appointed by the State of Iowa. All other eligible City employees are covered by the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing, defined benefit plan administered by the State of Iowa.

The City of Waverly does not provide postretirement health, dental, or vision care benefits for any retirees.

Awards and Acknowledgments. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Waverly for its comprehensive annual financial report (CAFR) for the year ended June 30, 2004. In order to receive this award, the city must publish an easily readable and efficiently organized CAFR. The report must also satisfy both generally accepted accounting principles and applicable legal requirements. The award is valid for one year only. The City is submitting the 2005 annual financial report to GFOA for review to determine its eligibility for an award.

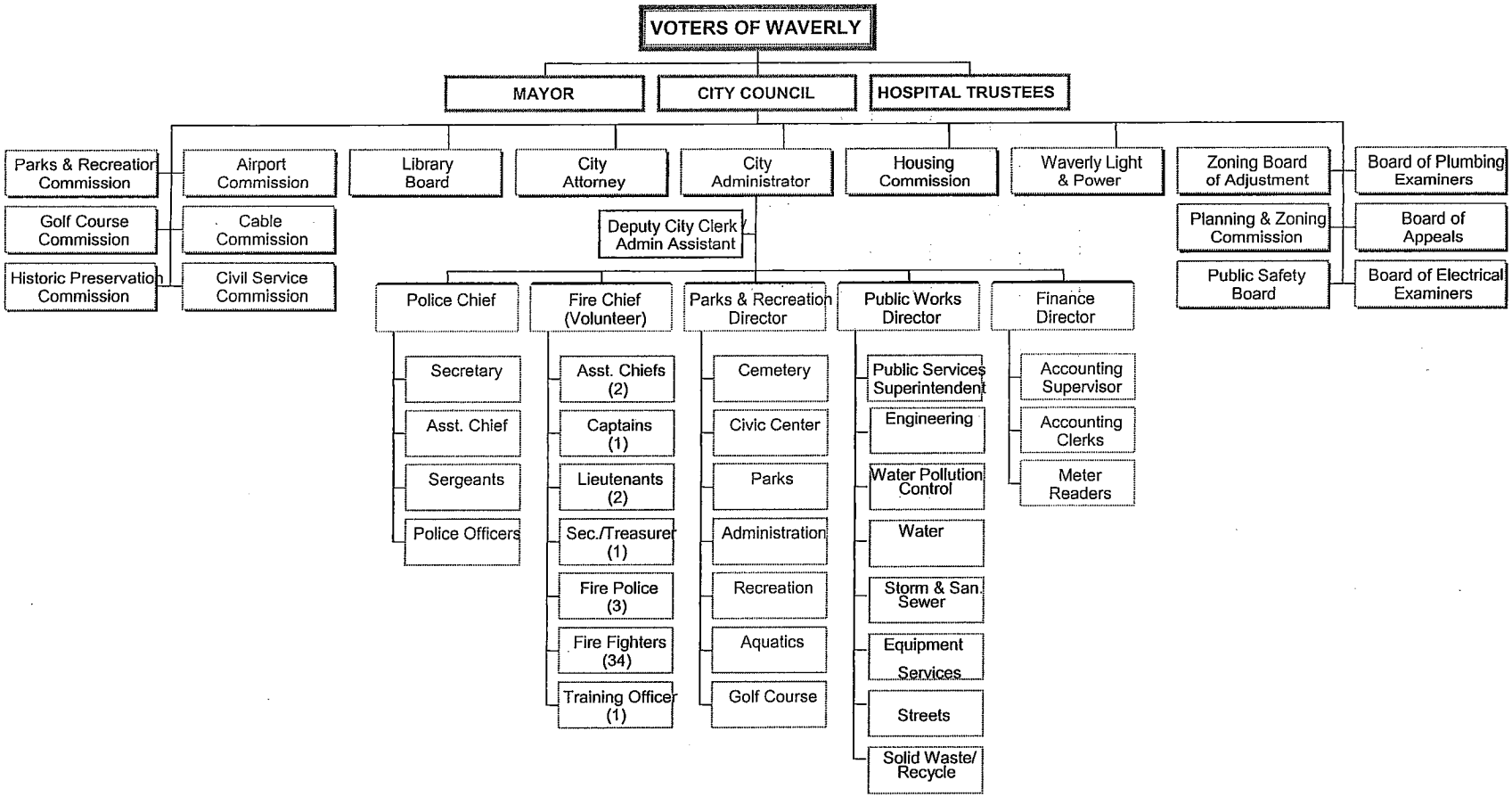
The preparation of this report could not have been accomplished without the support and dedication of the entire staff of the finance and administrative departments. Appreciation is also expressed to the mayor and city council for their support and interest in the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Richard J. Crayne
City Administrator

Jack A. Bachhuber
Director of Finance

Organizational Flow Chart
The City Of Waverly, Iowa



CITY OF WAVERLY, IOWA
Organizational Chart
June 30, 2005

CITY OF WAVERLY, IOWA

List of Principal Officials
June 30, 2005

ELECTED OFFICIALS

Mayor	Ivan Ackerman
Council Member – Ward 1	Tammy McKenzie
Council Member – Ward 2	Gary Grace
Council Member – Ward 3	Cyndi Ecker
Council Member – Ward 4	Connie Rasmussen
Council Member – Ward 5	Fred Ribich
Council Member – At Large	Gary Boorom
Council Member – At Large	Mel Kramer

APPOINTED OFFICIALS

City Administrator/Clerk	Richard J. Crayne
Deputy City Clerk	JoEllen Raap
Attorney	Gerald B. Carney
Director of Finance	Jack Bachhuber
City Engineer/Director of Public Works	Michael Cherry
Police Chief	Arthur Simpson
Director of Parks and Recreation	Tabor Ray
Fire Chief	Dave Nelson
Library Director	Patricia Coffie

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Waverly, 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.

President

Executive Director

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 Waverly, Iowa for its comprehensive annual financial report for the fiscal year ended June 30, 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

December 28, 2005

Countrywide Home Mortgage

This letter is to confirm that we are the Certified Public Accounting firm that has been preparing the corporate and individual income tax returns for Heath and Pam Husk and HPH, Inc. It is our understanding that Heath and Pam Husk have owned and operated HPH, Inc., doing business as Jerry's Pizza since 1997.

If you need additional information or have questions concerning this matter, please contact us at 712-546-7801

Sincerely
Williams & Company, P.C.

Jeff Peters, CPA

WILLIAMS & COMPANY P.C.
Certified Public Accountants

21 1st Avenue NW
P.O. Box 1010
Le Mars, IA 51031
Phone (712) 546-7801
Fax (712) 546-6543

INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of the City Council
City of Waverly, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waverly, Iowa, (the City) as of and for the year ended June 30, 2005, which collectively compromise 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 an opinion on these basic financial statements based on our audit.

We did not audit the financial statements of Waverly Health Center and Waverly Light and Power (discretely presented component units), which statements reflect total assets of $37,492,448 and $34,285,935 as of June 30, 2005 and December 31, 2004, respectively, and total operating revenues of $24,429,922 and $8,982,502 for the years then ended. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Waverly Health Center and Waverly Light and Power, is based solely on the reports of the other auditors.

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

In our opinion, and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the city as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the

consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2005 on our consideration of the City of Waverly's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Introductory Section and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Waverly, Iowa. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

The accompanying combining non-major fund financial statements are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
September 29, 2005

Management's Discussion and Analysis

The discussion and analysis of the City of Waverly's financial statements for the year ended June 30, 2005 provides a narrative overview of its financial activities. Readers are encouraged to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal, which starts on page 1, of this report.

Financial Highlights

- The assets of the City of Waverly exceeded liabilities at June 30, 2005, by $32,740,923. Of this amount, $6,614,098 is unrestricted and may be used to meet the government's ongoing obligations to the citizens and creditors.
- The City's net assets increased by $1,919,760 during the year. Of this amount the assets of our Governmental Activities increased $1,462,612, and the assets of our Business Activities increased $457,148.
- The largest factor in the increase in net assets was due to contributions from developers.
- The City's long-term debt increased approximately $2,400,000 with the issuance of $1,290,000 of general obligation bonds for four projects and an advance refunding of general obligation notes of $2,680,000, saving the city over $186,000. Outstanding general obligation debt totals $16,200,000 and other notes payable total $257,774.
- The unreserved fund balance for the general fund, at the end of the current fiscal year was $1,453,064. This represents 37 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Waverly's basic financial statements. The City'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. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee agent for the benefit of those outside of the government. An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

Reporting the City as a Whole

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Waverly's finances, in a manner similar to a private-sector business. The *statement of net assets* is essentially a balance sheet that combines all funds on a government-wide basis. Changes in net assets over time may be an indicator of whether the City's financial position is improving or worsening.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in the net assets are reported as soon as the underlying event occurs, giving rise to the change regardless of the timing of the related cash flows. Thus,

revenues and expenses are reported in the 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 Waverly 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 Waverly include general government, public safety, public works, economic development, and culture and recreation. The business-type activities of the City include a water, sewer, and solid waster utility.

The government-wide financial statement includes not only the City of Waverly itself (*the primary government*), but also the legally separate Waverly Health Center and Waverly, Light, & Power (*component units*), for which the City has some degree of financial accountability. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on page 22-24, of this report

Reporting the City's Most Significant Funds

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 Waverly, 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 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 statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the 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 Waverly maintains 35 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, which is considered a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* and individual fund statements in the city's full report.

The basic governmental fund financial statements can be found on page 25-30 of this report.

Proprietary funds. The City of Waverly maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer, and Solid Waste Utility. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the self-insurance program.

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 Water, Sewer, and Solid Waste Utility as all are considered, or have been designated to be major funds of the City. The internal service fund is a single, aggregated presentation in the proprietary fund financial statements. Individual fund data is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on page 31-37 of this report.

Reporting the City's Fiduciary Responsibilities

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties external to the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Waverly's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements are reported in a separate *statement of fiduciary net assets* and a *statement of changes in fiduciary net assets.*

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. The notes to the financial statements can be found on page 39-60, of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment). Less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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.

The following comparative chart shows the changes in net assets for the years ended June 30, 2005 and 2004.

	General Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	$ 11,351,413	$ 8,812,771	$ 3,826,299	$ 2,856,949	$ 15,177,712	$ 11,669,720
Capital Assets	28,522,041	27,539,378	13,430,201	13,230,160	41,952,242	40,769,538
Total Assets	39,873,454	36,352,149	17,256,500	16,087,109	57,129,954	52,439,258
Long-Term Liabilities Outstanding	11,688,250	11,258,891	3,889,388	4,410,388	15,577,638	15,669,279
Other Liabilities	7,484,196	5,854,862	1,327,197	216,900	8,811,393	6,071,762
Total Liabilities	$ 19,172,446	$ 17,113,753	$ 5,216,585	$ 4,627,288	$ 24,389,031	$ 21,741,041
Net Assets:						
Invested in Capital Assets, Net of Related Debt	13,769,685	15,223,416	9,024,813	8,819,772	22,794,498	24,043,188
Restricted	2,642,776	439,592	689,551	-	2,886,995	439,592
Unrestricted	4,288,547	3,575,388	232,037	2,640,049	6,614,098	6,215,437
Total Net Assets	$ 20,701,008	$ 19,238,396	$ 12,039,915	$11,459,821	$ 32,740,923	$ 30,698,217

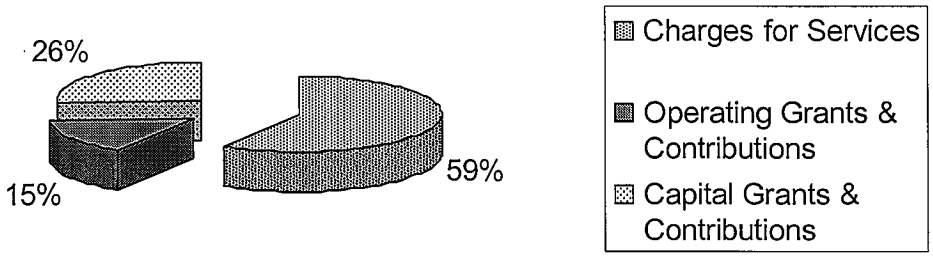
This summary reflects an increase of 9.2% for the governmental net assets and an increase of 5.06% in the business-type net assets.

Total revenue reported in Fiscal year 2005 was $12,892,615. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities for Fiscal Year 2005 and 2004.

	General Governmental Activities		Business-Type Activities		Total	
Revenue Source	2005	2004	2005	2004	2005	2004
Program Revenues:						
Charges for Services	$ 1,288,621	$ 1,224,299	$ 2,924,792	$ 2,725,658	$ 4,213,413	$ 3,949,957
Operating Grants and Contributions	1,083,524	1,273,888	-	-	1,083,524	1,273,888
Capital Grants and Contributions	1,330,195	-	511,096	-	1,841,291	-
Total Program Revenues	3,702,340	2,498,187	3,435,888	2,725,658	7,138,228	5,223,845
General Revenues & Interfund Transfers:						
Property Taxes	$ 3,405,718	$ 3,243,081	$ -	$ -	$ 3,405,718	$ 3,243,081
Other Taxes	636,502	562,401	-	-	636,502	562,401
Local Option Sales Tax	782,317	500,793	-	-	782,317	500,793
Hotel / Motel Taxes	140,467	58,176	-	-	140,467	58,176
Special Assessments	-	19,781	-	-	-	19,781
Interest	78,837	49,554	68,664	64,284	147,501	113,838
General Intergovernmental Revenues	496,854	280,986	-	-	496,854	280,986
Contributions	-	131,292	-	51,000	-	182,292
Gain (Loss) on Sales of Assets	(14,730)	32,749	-	-	(14,730)	32,749
Miscellaneous	81,691	120,097	78,070	601,533	159,761	721,630
Interfund Transfers	100,000	32,633	(100,000)	(32,633)	-	-
					-	-
Total General Revenues & Interfund Transfers	5,707,656	5,031,543	46,734	684,184	5,754,390	5,715,727
Total Revenues & Interfund Transfers	$ 9,409,996	$ 7,529,730	$ 3,482,622	$ 3,409,842	$12,892,618	$10,939,572

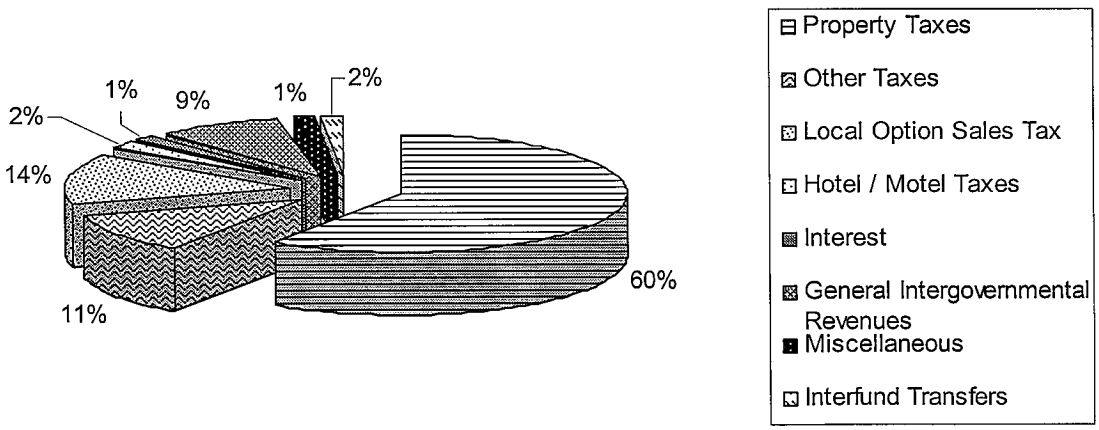
Program revenues totaled $7,138,228 for fiscal year 2005. Governmental Activities provided $3,702,340 and Business-Type Activities provided $3,435,888. Revenue collected for Charges for Services during fiscal year 2005 was $4,213,413 accounting for 59% of the total program revenues. The following chart breaks down program revenues by source:

Program Revenues



General Revenues for fiscal year 2005 totaled $5,754,390. Governmental Activities provided $5,704,656 and Business-Type Activities provided $46,734. Property Tax Revenues for fiscal year 2005 totaled $3,405,718, accounting for 60% of General Revenues. The following chart breaks down General Revenues by source:

General Revenues



Expenditures for fiscal year 2005 totaled $10,972,858. Expenditures for General Governmental Activities totaled $7,947,384, accounting for 72% of the total expenditures. Business-Type Activity expenditures totaled $3,025,474, for 36% of the total.

Program Level	General Governmental Activities 2005	General Governmental Activities 2004	Business-Type Activities 2005	Business-Type Activities 2004	Total 2005	Total 2004
Public Safety	$ 2,375,953	$ 1,457,558	$ -	$ -	$ 2,375,953	$ 1,457,558
Public Works	2,346,295	337,158	-	-	2,346,295	337,158
Health & Social Services	5,956	-	-	-	5,956	-
Culture and Recreation	1,848,445	1,890,816	-	-	1,848,445	1,890,816
Community and Economic Development	100,224	145,857	-	-	100,224	145,857
General Government	653,628	717,406	-	-	653,628	717,406
Debt Service	616,883	558,303	-	-	616,883	558,303
Capital Projects	-	772,802	-	-	-	772,802
Water System	-	-	1,009,669	934,857	1,009,669	934,857
Sewer System	-	-	1,294,864	1,302,613	1,294,864	1,302,613
Solid Waste	-	-	720,941	677,072	720,941	677,072
Total Expenses	$ 7,947,384	$ 5,879,900	$ 3,025,474	$ 2,914,542	$ 10,972,858	$ 8,794,442

The following table shows the activities included within each program level:

Public Safety	Individual & Community Protection, Physical Health
Public Works	Roadway Construction, Airport Operations, General Streets, Transportation Services
Culture and Recreation	Education & Culture, Leisure Time Opportunities
Community and Economic Development	Economic Development & Community Beautification
General government	Administration, Accounting, Support Services
Debt Service	Payment of Interest
Capital Projects	Construction of Capital Facilities
Water System	Operation of Water Supply Distribution System
Sewer System	Operation of Waste Water Treatment Plant/Collection System
Solid Waste System	Operation of Garbage and Recycling Collection and Disposal System

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden each of the functions place on the taxpayers. For example, for Public Safety, the City spent $2,375,953 and received $218,724 in revenue, leaving a cost to the taxpayer of $2,157,229 to be funded by various methods including local option sales tax. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety.....	Fines, Fees
Public Works.....	Road Use Tax, State Agreements
Culture and Recreation.....	Fees, State Aid
General government.....	Licenses, Permits, Utility Reimbursement
Capital Projects.....	Donations, State & Federal Grants

The total cost of governmental activities this year was $7,947,384. Of these costs, $1,288,621 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contribution were $2,413,719, leaving a Net Expense of $4,245,044 for Governmental Activities. These expenses were covered with tax revenues, interest, and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

Functions/Programs	Net (Expense) Revenue 2005	2004
Governmental Activities:		
Public Safety	$ (2,157,229)	$ (1,275,528)
Public Works	239,706	1,031,209
Health & Social Services	(5,956)	-
Culture and Recreation	(1,148,048)	(1,157,710)
Community and Economic Development	(100,224)	(145,857)
General Government	(456,410)	(502,722)
Debt Service	(616,883)	(558,303)
Capital Projects		(772,802)
Total Net (Expense) Revenue		
Governmental Activities	(4,245,044)	(3,381,713)
General Revenues & Interfund Transfers	5,707,656	5,031,543
Change in Net Assets	**$ 1,462,612**	**$ 1,649,830**

Total resources available during the year to finance governmental operations were $28,648,392, consisting of Net Assets at July 1, 2004 of $19,238,396, Program Revenues of $3,702,340, and General Revenues of $5,707,656. Total Governmental Activities during the year expended $7,947,384; thus, Net Assets were increased by $1,462,612, to $20,701,008.

Business-Type Activities

Business-Type Activities increased the City's net assets by $457,148, accounting for 22.3% of the growth in the City's net assets.

The cost of all Proprietary Activities this year was $3,025,474. As shown in the Statement of Activities, the amount paid by users of the systems was $2,924,792, and $511,096 by grants and contributions, resulting in total Net Revenue for Business-Type Activities of $410,414. The Net (Expense) Revenue by Business-type Activity is shown in the following table:

Business-Type Activities	Net (Expense) Revenue 2005	Net (Expense) Revenue 2004
Water System	$ 221,377	$ (19,229)
Sewer System	99,296	(242,525)
Solid Waste System	89,741	72,870
Total Net (Expense) Revenue Business-Type Activities	410,414	(188,884)
General Revenues & Interfund Transfers	46,734	684,184
Change in Net Assets	**$ 457,148**	**$ 495,300**

Total resources available during the year to finance proprietary Fund activities were $15,065,389, consisting of Net Assets at July 1, 2004 of $11,582,767, program Revenues of $3,435,888, General Revenues of $46,734. Total Proprietary Fund Activities during the year expended $3,025,474; thus Net Assets were increased by $457,148, to $12,039,915.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of $6,772,497. The combined Governmental Funds balance increased $2,957,031, which of this included a cross over refunding amount of $2,215,000 which is still in escrow.

The General Fund is the primary operating fund of the City. During the year, revenues exceeded expenditures in the General Fund by $137,306. The fund balance of $1,500,329 is 39% of expenditures which is above the goal of 25%.

General Fund Budgetary Highlights

Comparing the fiscal year 2005 original (adopted) General Fund amount of $3,930,728 to the final budget amount of $4,029,262 shows a net decrease of $98,534.

Budget	Supplemental Changes	Amended Budget
$ 3,930,728	$ 98,534	$4,029,262

The following table shows the General Fund Budget variances by program structure:

Expenditures	Amended Budget	Actual	Variance
Public Safety	$ 1,187,945	$ 1,101,869	$ 86,076
Public Works	368,364	424,209	(55,845)
Health & Social Services	6,650	5,956	694
Culture and Recreation	1,766,633	1,722,085	44,548
Community and Economic Development	50,968	42,000	8,968
General Government	648,702	587,689	61,013
Total Expenditures	**$ 4,029,262**	**$ 3,883,808**	**$ 145,454**

Capital Assets

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, sewer systems, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2005 was $22,818,542 (net of accumulated depreciation and outstanding financings). This is a decrease of $1,224,646 from fiscal 2004. The gross additions to capital assets for Fiscal 2005 and 2004 are as follows:

	General Governmental Activities		Business Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Construction in Progress	$ 1,058,077	$ 488,464	$ 208,491	$ 32,965	$ 1,266,496	$ 521,429
Buildings and Improvements	56,000	50,644	118,260		174,260	50,644
Equipment	169,616	223,146	173,649	219,296	343,265	442,442
Improvements Other Than Buildings				1,508,984		1,508,984
Infrastructure	2,235,970	1,262,845	511,096		2,747,066	1,262,845
	$ 3,519,663	$ 2,025,099	$ 1,011,424	$ 1,761,245	$ 4,531,087	$ 3,786,344

Debt Administration

On June 30, 2005 the City had $19,157,744 of debt outstanding. This is an increase of $2,431,394 from the prior year due to issuance of debt to finance construction projects and a crossover refunding.

Debt administration is an important aspect of the City's financial obligation to its citizens. Any new debt is amortized over no more than twelve years. At the end of the fiscal year the City's schedule showed that 57% of the existing general obligation debt would be paid off in five years. This rapid repayment, when combined with the use of TIF and Local Option Sales Tax Revenue, has allowed the City to maintain an A1 rating from Moody's.

The City continues to operate will under the State of Iowa debt capacity limitations. The state limits the total outstanding General Obligation Debt to 5% of the assessed value of all taxable property in the corporate limits. This formula set the debt capacity and $20,751,823 at the end of the 2005 fiscal year. With outstanding General Obligation Debt applicable to this limit of 16,457,744 the City is at 79% of the maximum debt capacity. More detailed information on debt administration is provided in Note 7 of the financial statements.

Economic Factors

The City of Waverly continues to report strong residential and commercial building projects. Property tax is a major source of revenue and Waverly is fortunate that it has seen minor, but consistent increases in assessed and taxable valuation.

This steady growth has allowed the City to maintain its high level of service. The City has budgeted for use of General Fund balance during the past years, but has projected a balanced budget for the next three years. The General Fund balance continues to remain at a solid 39% of expenditures.

Requests for Information

This financial report is designed to provide a general overview of the City of Waverly's financial position for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Waverly, Accounting Department, 200 First Street NE, P.O. Box 616, Waverly, Iowa 50677.

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CITY OF WAVERLY, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Primary Government			Component Unit	
	Governmental Activities	Business-Type Activities	Total	Waverly Health Center	Waverly Light and Power
ASSETS					
Cash and Cash Equivalents	$ 1,704,172	$ 481,514	$ 2,185,686	$ 408,526	$ 2,460,626
Investments	2,481,867	1,182,340	3,664,207	-	4,273,984
Receivables (Net, where applicable, of allowance for uncollectibles)					
Accounts	51,746	119,482	171,228	5,570,986	1,036,195
Taxes	19,861	-	19,861	-	-
Subsequent Year Taxes	4,204,437	-	4,204,437	-	-
Accrued Interest	9,837	6,214	16,051	-	-
Other	21,871	31,406	53,277	13,261	-
Estimated Unbilled Usage	-	93,132	93,132	-	-
Special Assessments	106,329	383,706	490,035	-	-
Due from Other Governmental Agencies	280,988	-	280,988	-	-
Inventories	47,265	83,212	130,477	675,149	568,612
Prepaid Assets	108,229	51,916	160,145	66,976	103,741
Other	-	-	-	-	197,998
Restricted Assets:					
Cash and Cash Equivalents	-	80,000	80,000	1,529,748	936,455
Investments	2,172,816	1,005,197	3,178,013	2,960,244	-
Accrued Interest Receivable	-	-	-	75,432	-
Bond Issue Costs	311,361	114,770	426,131	484,639	18,837
Investment in Joint Venture	24,044		24,044	-	-
Land	1,832,697	19,191	1,851,888	1,039,243	134,514
Construction in Progress	330,309	202,484	532,793	-	884,375
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 6)	26,359,035	13,208,526	39,567,561	24,668,244	23,670,598
Total Assets	39,873,454	17,256,500	57,129,954	37,492,448	34,285,935
LIABILITIES					
Accounts Payable	357,652	61,628	419,280	1,651,444	194,123
Accrued Wages and Compensated Absences	117,964	72,629	190,593	1,033,264	778,937
Accrued Expenses	-	56	56	-	146,409
Claims Incurred But Not Reported	77,827	-	77,827	-	-
Deferred Revenue - Subsequent Year Taxes	4,204,437	-	4,204,437	-	-
Accrued Interest Payable	70,074	8,471	78,545	65,971	-
Payables from Restricted Assets:					
Customer Deposits	-	25,862	25,862	-	-
Accrued Revenue Bond Interest	-	9,784	9,784	-	15,871
Revenue Bonds - Current	-	360,000	360,000	-	-
Noncurrent Liabilities:					
Due within one year:					
Revenue Bonds Payable	-	-	-	925,000	715,000
General Obligation Bonds	3,243,467	156,000	3,399,467		
Notes Payable	45,542	-	45,542	101,767	25,000
Due in more than one year:					
Revenue Bonds Payable	-	2,340,000	2,340,000	16,180,000	3,756,957
General Obligation Bonds	11,251,145	1,549,388	12,800,533	-	-
Notes Payable	212,202	-	212,202	132,000	100,000
Compensated Absences and Benefits,	224,903	-	224,903	-	-
Total Liabilities	19,172,446	5,216,585	24,389,031	20,089,446	5,732,297
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	13,769,685	9,024,813	22,794,498	8,368,720	20,092,530
Restricted for:					
Debt Service	2,197,444	689,551	2,886,995	-	920,584
Endowments:					
Nonexpendable	445,332	-	445,332	-	-
Unrestricted	4,288,547	2,325,551	6,614,098	9,034,282	7,540,524
Total Net Assets	$ 20,701,008	$ 12,039,915	$ 32,740,923	$ 17,403,002	$ 28,553,638

See Accompanying Notes to Financial Statements

CITY OF WAVERLY, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	$ 2,375,953	$ 209,491	$ 9,233	$ -
Public Works	2,346,295	241,750	1,014,056	1,330,195
Health and Social Services	5,956	-	-	-
Culture and Recreation	1,848,445	640,162	60,235	-
Community and Economic Development	100,224	-	-	-
General Government	653,628	197,218	-	-
Debt Service	616,883	-	-	-
Total governmental activities	7,947,384	1,288,621	1,083,524	1,330,195
Business-Type Activities:				
Water System	1,009,669	940,144	-	290,902
Sewer System	1,294,864	1,173,966	-	220,194
Solid Waste System	720,941	810,682	-	-
Total Business-Type Activities:	3,025,474	2,924,792	-	511,096
Total Primary Government	$ 10,972,858	$ 4,213,413	$ 1,083,524	$ 1,841,291
Component Unit:				
Waverly Health Center	$ 22,232,297	$ 24,429,922	$ -	$ -
Waverly Light and Power	$ 8,373,726	$ 8,982,502	$ -	$ -

General Revenues:
- Property taxes
- Other taxes
- Local Option Sales Tax
- Hotel/Motel Taxes
- Interest
- General Intergovernmental Revenues
- Contributions
- (Loss) on Sale of Assets
- Miscellaneous
- Interfund Transfers
  - Total general revenues and transfers
  - Change in net assets

Net assets - beginning
Prior Period Adjustment
Net Assets - beginning, as restated
Net assets - ending

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets				
			Component Unit	
Governmental Activities	Business-Type Activities	Total	Waverly Health Center	Waverly Light and Power
$ (2,157,229)		$ (2,157,229)		
239,706		239,706		
(5,956)		(5,956)		
(1,148,048)		(1,148,048)		
(100,224)		(100,224)		
(456,410)		(456,410)		
(616,883)		(616,883)		
(4,245,044)		(4,245,044)		
	$ 221,377	221,377		
	99,296	99,296		
	89,741	89,741		
	410,414	410,414		
(4,245,044)	410,414	(3,834,630)		
			$ 2,197,625	
				$ 608,776
3,405,718	-	3,405,718	-	-
636,502	-	636,502	-	-
782,317	-	782,317	-	-
140,467	-	140,467	-	-
78,837	68,664	147,501	119,797	134,588
496,854	-	496,854	-	-
-	-	-	200,289	-
(14,730)	-	(14,730)	-	-
81,691	78,070	159,761	-	21,424
100,000	(100,000)	-	-	-
5,707,656	46,734	5,754,390	320,086	156,012
1,462,612	457,148	1,919,760	2,517,711	764,788
19,238,396	11,459,821	30,698,217	14,885,291	28,216,897
	122,946	122,946		(428,047)
19,238,396	11,582,767	30,821,163	14,885,291	27,788,850
$ 20,701,008	$ 12,039,915	$ 32,740,923	$ 17,403,002	$ 28,553,638

See Accompanying Notes to Financial Statements

CITY OF WAVERLY, IOWA
BALANCE SHEET
Governmental Funds
JUNE 30, 2005

	General	Debt Service	Road Use Tax
Assets			
Cash and Pooled Investments	$ 73,874	$ -	$ -
Investments	627,970	100,000	122,357
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	39,873	-	-
Taxes	11,301	4,341	-
Subsequent Year Taxes	2,352,868	835,738	-
Accrued Interest	2,962	692	-
Other	-	-	4,712
Special Assessments	-	-	-
Due from Other Funds	858,337	-	96,675
Due from Other Governmental Agencies	75,894	-	59,121
Restricted Assets	-	2,172,816	-
Inventories	47,265	-	-
Total Assets	4,090,344	3,113,587	282,865
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	126,971	4,595	59,150
Accrued Wages and Compensated Absences	106,080	-	11,884
Due to Other Funds	4,096	75,810	-
Deferred Revenue - Subsequent Year Taxes	2,352,868	835,738	-
Total Liabilities	2,590,015	916,143	71,034
Fund Balances:			
Reserved for:			
Debt Service	-	2,197,444	-
Perpetual Care	-	-	-
Inventories	47,265	-	-
Unreserved:			
General Fund	1,453,064	-	-
Special Revenue Funds	-	-	211,831
Capital Project Funds	-	-	-
Total Fund Balances	1,500,329	2,197,444	211,831
Total Liabilities and Equity	$ 4,090,344	$ 3,113,587	$ 282,865

See Accompanying Notes to Financial Statements

Local Option Sales Tax	Public Works Facility	Other Governmental Funds	Total Governmental Funds
$ -	$ 443,506	$ 1,145,655	$ 1,663,035
400,000	465,000	766,540	2,481,867
-	-	11,873	51,746
-	-	4,219	19,861
-	-	1,015,831	4,204,437
2,832	3,121	230	9,837
-	-	-	4,712
-	-	106,329	106,329
-	-	-	955,012
107,117	-	38,856	280,988
-	-	-	2,172,816
-	-	-	47,265
509,949	911,627	3,089,533	11,997,905
-	4,686	158,518	353,920
-	-	-	117,964
203,955	-	169,530	453,391
-	-	1,111,527	4,300,133
203,955	4,686	1,439,575	5,225,408
-	-	-	2,197,444
-	-	445,332	445,332
-	-	-	47,265
-	-	-	1,453,064
305,994	-	330,779	848,604
-	906,941	873,847	1,780,788
305,994	906,941	1,649,958	6,772,497
$ 509,949	$ 911,627	$ 3,089,533	$ 11,997,905

See Accompanying Notes to Financial Statements

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CITY OF WAVERLY, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
For the Year Ended June 30, 2005

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 24)		$ 6,772,497
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds		28,522,041
The investment in joint venture recorded in the governmental activities is not a financial resource and, therefore, is not reported in the fund		24,044
Internal service funds are used by management to fund and maintain the City's health insurance provided to user departments and are included in the statement of net assets.		(85,527)
Accrued expenses and prepaid expenses from the balance sheet that require current financial resources for governmental activities		
Prepaid Expenses	$ 108,229	
Deferred Revenue	95,696	
Accrued Interest Payable	(70,074)	133,851
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources		311,361
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
General Obligation Bonds	(14,494,612)	
Notes Payable	(257,744)	
Compensated Absences	(224,903)	(14,977,259)
Total Net Assets - Governmental Activities (page 20)		$ 20,701,008

See Accompanying Notes to Financial Statements

CITY OF WAVERLY, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2005

	General	Debt Service	Road Use Tax
Revenue:			
Taxes	$ 2,051,676	$ 834,497	$ -
Special Assessments	-	-	-
Licenses and Permits	132,251	-	-
Intergovernmental Revenue	431,966	-	745,116
Charges for Services	780,172	-	-
Fines and Forfeits	46,214	-	-
Contributions	15,801	-	-
Rental Income	50,450	-	-
Proceeds from Sale of Equipment	4,000	-	-
Interest	31,363	4,033	-
Miscellaneous	50,955	-	7,577
Total Revenue	3,594,848	838,530	752,693
Expenditures:			
Public Safety	1,101,869	-	-
Public Works	424,209	-	682,216
Health and Social Services	5,956	-	-
Culture and Recreation	1,722,085	-	-
Community and Economic Development	42,000	-	-
General Government	587,689	-	-
Capital Projects	-	-	-
Debt Service	-	1,635,728	-
Total Expenditures	3,883,808	1,635,728	682,216
Excess (deficiency) of revenues over expenditures	(288,960)	(797,198)	70,477
Other financing sources (uses):			
Proceeds from Debt Financing	17,558	2,215,000	-
Transfers In	448,708	766,520	-
Transfers Out	(40,000)	-	(98,038)
Total other financing sources (uses)	426,266	2,981,520	(98,038)
Net Change in Fund Balance	137,306	2,184,322	(27,561)
Fund balances-beginning of year	1,363,023	13,122	239,392
Fund balances- end of year	$ 1,500,329	$ 2,197,444	$ 211,831

See Accompanying Notes to Financial Statements

Local Option Sales Tax	Capital Project Public Works Facility	Other Governmental Funds	Total Governmental Funds
$ 782,317	$ -	$ 1,296,514	$ 4,965,004
-	-	53,956	53,956
-	-	-	132,251
-	-	476,222	1,653,304
-	-	24,257	804,429
-	-	-	46,214
-	-	16,898	32,699
-	-	-	50,450
-	-	-	4,000
11,472	17,155	14,814	78,837
-	-	23,159	81,691
793,789	17,155	1,905,820	7,902,835
882,887	-	157,971	2,142,727
-	-	-	1,106,425
-	-	-	5,956
-	-	27,484	1,749,569
-	-	58,224	100,224
-	-	-	587,689
-	34,838	1,205,206	1,240,044
-	-	-	1,635,728
882,887	34,838	1,448,885	8,568,362
(89,098)	(17,683)	456,935	(665,527)
-	-	1,290,000	3,522,558
-	100,000	285,848	1,601,076
-	-	(1,363,038)	(1,501,076)
-	100,000	212,810	3,622,558
(89,098)	82,317	669,745	2,957,031
395,092	824,624	980,213	3,815,466
$ 305,994	$ 906,941	$ 1,649,958	$ 6,772,497

See Accompanying Notes to Financial Statements

CITY OF WAVERLY, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

are different because:		
Net change in fund balances - total governmental funds (page 27)		$ 2,957,031
expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays were exceeded by depreciation expense in the current year as follows:		
Expenditures for capital assets	$ 1,227,690	
Depreciation expense	(1,405,376)	(177,686)
Contribution of Infrasturucture from Developers		1,330,195
Loss on investment in joint venture not recorded at the fund level		(127,072)
revenue whereas the statement of activities reports the gain on the sale of fixed assets. This is the effect on the change in net assets on the statement of activities.		(18,730)
Prepaid expenses are not recorded in the fund		108,229
Revenue in the Statement of Activities that do not provide current financial resources are not reported in the funds		95,696
Accrued interest expense that does not require current financial resources		(24,137)
Long-term accrual of ocmpensated absences is not reported in the governmental funds as it does not consume current financial resources, The net change in the long-term compensated absences for the year was		(224,903)
Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and are included in the statement of net assets. The net revenue of the internal service funds is reported with governmental activities.		(47,599)
The issuance of indebtedness is provides current financial resources to the governmental funds without affecting net assets. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was:		(3,522,558)
The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities		27,982
The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:		1,086,164
Change in net assets of governmental activities (page 22)		$ 1,462,612

See Accompanying Notes to Financial Statements

CITY OF WAVERLY, IOWA
COMBINING STATEMENT OF NET ASSETS
Proprietary Funds
JUNE 30, 2005

	Business Type Activities				Governmental Activities
	Water System	Sewer System	Solid Waste	Total	Internal Service
ASSETS					
Current Assets					
Cash and Cash Equivalents	$ 400	$ 478,455	$ 2,659	$ 481,514	$ 41,137
Investments	374,840	472,500	335,000	1,182,340	
Receivables (Net, where applicable, of allowance for uncollectibles)					
Accounts	45,051	50,157	24,274	119,482	
Accrued Interest	1,510	2,444	2,260	6,214	
Other	151	3,689	27,566	31,406	17,159
Estimated Unbilled Usage	36,264	56,868	-	93,132	
Special Assessments	124,773	258,933	-	383,706	
Due from Other Funds	540	192,870	-	193,410	
Inventories	42,005	41,207	-	83,212	
Prepaid Assets	14,493	15,959	21,464	51,916	
Restricted Assets:					
Cash and Cash Equivalents	-	80,000	-	80,000	
Investments	747,697	257,500	-	1,005,197	
Bond Issue Costs	48,876	65,894	-	114,770	
Total Current Assets	1,436,600	1,976,476	413,223	3,826,299	58,296
Non Current Assets					
Land	-	19,191	-	19,191	
Construction in Progress	176,361	26,123	-	202,484	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	4,442,919	8,398,345	367,262	13,208,526	
Total Noncurrent Assets	4,619,280	8,443,659	367,262	13,430,201	-
Total Assets	6,055,880	10,420,135	780,485	17,256,500	58,296
LIABILITIES					
Current Liabilities					
Accounts Payable	17,582	28,153	15,893	61,628	3,732
Accrued Wages and Compensated Absences	20,942	25,987	25,700	72,629	
Accrued Expenses	-	-	56	56	
Due to Other Funds	370,242	262,525	-	632,767	62,264
Accrued Interest Payable	8,045	426	-	8,471	
Claims Incurred But Not Reported					77,827
Payables from Restricted Assets:					
Customer Deposits	25,862	-	-	25,862	
Accrued Revenue Bond Interest	1,860	7,924	-	9,784	
Revenue Bonds - Current	140,000	220,000	-	360,000	
Total Current Liabilities	584,533	545,015	41,649	1,171,197	143,823
Noncurrent Liabilities:					
Due within one year:					
General Obligation Bonds	110,000	46,000	-	156,000	
Due in more than one year:					
Revenue Bonds Payable	475,000	1,865,000	-	2,340,000	
General Obligation Bonds	1,385,388	164,000	-	1,549,388	
Total Liabilities	2,554,921	2,620,015	41,649	5,216,585	143,823
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	2,508,892	6,148,659	367,262	9,024,813	
Restricted for:					
Debt Service	579,975	109,576	-	689,551	
Endowments	-	-	-	-	
Unrestricted	412,092	1,541,885	371,574	2,325,551	(85,527)
Total Net Assets	$ 3,500,959	$ 7,800,120	$ 738,836	$ 12,039,915	$ (85,527)

See Accompanying Notes to Financial Statements

CITY OF WAVERLY, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
Proprietary Funds
For the Year Ended June 30, 2005

	Business Type Activities	
	Water System	Sewer System
Operating Revenues:		
Charges for Services	$ 940,144	$ 1,173,966
Total Operating Revenue	940,144	1,173,966
Operating Expenses:		
General Government		
Production/Plant/Operating Costs	692,632	760,623
Depreciation	225,896	417,531
Total Operating Expenses	918,528	1,178,154
Operating Income	21,616	(4,188)
Non-Operating Income (Expense):		
Interest Income	23,484	38,235
Revenue from Use of Property	51,251	
Other Non-operating Revenues	7,979	4,783
Interest Expense	(91,141)	(116,710)
Total Non-Operating Income (Expenses)	(8,427)	(73,692)
Income (Loss) before Contributions and Transfers	13,189	(77,880)
Contributed Capital Revenue	290,902	220,194
Transfers In	150,000	30,000
Transfers In (Out)	(200,000)	(30,000)
Change in Net Assets	254,091	142,314
Net Assets - Beginning	3,198,278	7,583,450
Prior Period Adjustment	48,590	74,356
Net Assets - Beginning, as Restated	3,246,868	7,657,806
Net Assets - Ending	$ 3,500,959	$ 7,800,120

See Accompanying Notes to Financial Statements

Business Type Activities		Governmental Activities
Solid Waste	Total	Internal Service
$ 810,682	$ 2,924,792	$ 577,900
810,682	2,924,792	577,900
	-	626,081
675,497	2,128,752	
45,444	688,871	
720,941	2,817,623	626,081
89,741	107,169	(48,181)
6,945	68,664	582
	51,251	
14,057	26,819	
	(207,851)	
21,002	(61,117)	582
110,743	46,052	(47,599)
	511,096	
	180,000	
(50,000)	(280,000)	-
60,743	457,148	(47,599)
678,093	11,459,821	(37,928)
	122,946	-
678,093	11,582,767	(37,928)
$ 738,836	$ 12,039,915	$ (85,527)

See Accompanying Notes to Financial Statements

CITY OF WAVERLY, IOWA
COMBINING STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2005

	Business Type Activities	
	Water System	Sewer System
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	$ 965,174	$ 1,218,341
Cash Paid to Suppliers for Goods and Services	(453,232)	(517,914)
Cash Paid to Employees for Services	(243,557)	(279,442)
Other Nonoperating Income	59,230	4,783
Net Cash Provided (Used) by Operating Activities	327,615	425,768
ACTIVITIES:		
Acquisition and Construction of Capital Assets	(194,370)	(41,746)
Proceeds from Bond Sales	465,000	
Bond Issuance Costs	(6,999)	
Principal Paid on Notes and Bonds	(225,000)	(245,000)
Interest Paid on Notes and Bonds	(88,611)	(108,980)
Net Cash (Used) for Capital and Related Financing Activities	(49,980)	(395,726)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers to Other Funds	(200,000)	(30,000)
Transfers from Other Funds	150,000	30,000
Due From (To) Other Funds	190,242	49,365
Net Cash Provided (Used) for Non-Capital Financing Activities	140,242	49,365
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investment Securities	(708,187)	(2,190,000)
Proceeds from Sale of Investment Securities	240,000	2,340,000
Interest and Dividends on Investments	21,974	38,167
Net Cash Provided (Used) for Investing Activities	(446,213)	188,167
Net Increase (Decrease) in Cash and Cash Equivalents	(28,336)	267,574
Cash and Cash Equivalents at Beginning of Year	28,736	290,881
Cash and Cash Equivalents at End of Year	$ 400	$ 558,455

See Accompanying Notes to Financial Statements

Business Type Activities		Governmental Activities
Solid Waste	Total	Internal Service
$ 784,176	$ 2,967,691	$ 669,076
(305,938)	(1,277,084)	(732,551)
(369,417)	(892,416)	
14,057	78,070	
122,878	876,261	(63,475)
(136,385)	(372,501)	
	465,000	
	(6,999)	
	(470,000)	
	(197,591)	
(136,385)	(582,091)	-
(50,000)	(280,000)	
	180,000	
	239,607	(52,435)
(50,000)	139,607	(52,435)
(1,005,000)	(3,903,187)	
1,005,000	3,585,000	120,000
4,833	64,974	976
4,833	(253,213)	120,976
(58,674)	180,564	5,066
61,333	380,950	36,071
$ 2,659	$ 561,514	$ 41,137

See Accompanying Notes to Financial Statements

CITY OF WAVERLY, IOWA
COMBINING STATEMENT OF CASH FLOWS (Continued)
Proprietary Funds
For the Year Ended June 30, 2005

	Business Type Activities	
	Water System	Sewer System
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	$ 21,616	$ (4,188)
Provided by Operating Activities:		
Depreciation	225,896	417,531
Miscellaneous Non-Operating Income	59,230	4,783
(Increase) Decrease in Assets:		
Accounts Receivable	502	1,847
Special Assessments	25,741	52,318
Estimated Unbilled Usage	(4,290)	(6,101)
Other Receivables	(151)	(3,689)
Prepaid Expenses	(708)	(553)
Inventories	(166)	2,185
Increase (Decrease) in Liabilities		
Accounts Payable	(6,053)	(38,180)
Accrued Wages and Compensated Absences	2,770	(185)
Customer Deposits	3,228	
Claims Incurred But Not Reported		
Total Adjustments	305,999	429,956
Net Cash Provided (Used) by Operating Activities	$ 327,615	$ 425,768

Reconciliation of Cash and Cash Equivalents to the Balance Sheet:

Cash and Cash Equivalents	$ 400	$ 478,455
Restricted Cash and Cash Equivalents		80,000
	$ 400	$ 558,455

See Accompanying Notes to Financial Statements

(Continued)

Business Type Activities		Governmental Activities
Solid Waste	Total	Internal Service
$ 89,741	$ 107,169	$ (48,181)
45,444	688,871	
14,057	78,070	
1,060	3,409	91,176
	78,059	
	(10,391)	
(27,566)	(31,406)	
592	(669)	
	2,019	
22	(44,211)	(1,137)
(472)	2,113	
	3,228	
	-	(105,333)
33,137	769,092	(15,294)
$ 122,878	$ 876,261	$ (63,475)
$ 2,659	$ 481,514	$ 41,137
	80,000	
$ 2,659	$ 561,514	$ 41,137

See Accompanying Notes to Financial Statements

CITY OF WAVERLY, IOWA
STATEMENT OF FIDUCIARY NET ASSETS
Fiduciary Funds
JUNE 30, 2005

ASSETS		
Cash and Cash Equivalents	$	4,531
Accounts Receivable		44,372
Total Assets		48,903
LIABILITIES		
Due to Other Governments		48,903
Total Liabilities		48,903
NET ASSETS		
Unrestricted		-
Total Net Assets	$	-

See Accompanying Notes to Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Waverly, Iowa, is a political subdivision of the State of Iowa located in Bremer County, and was incorporated in 1859, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Mayor-Council form of government with an appointed administrator elected on a nonpartisan basis and administers the following programs as authorized by its charter: public safety, public works, health and social services, culture and recreation, community and economic development, general government, capital projects and debt service. The City also has municipal water, sewer and solid waste utility systems which are governed by the City Council.

The City's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. REPORTING ENTITY

For financial reporting purposes, the City of Waverly, Iowa, has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. These financial statements present the City of Waverly, Iowa (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. Complete financial statements of the individual component units, which issued separate financial statements as noted below, can be obtained from their respective administrative office.

Discretely Presented Component Units

Waverly Health Center - The City established a municipal hospital, Waverly Health Center, in accordance with paragraph 392.6 of the Code of Iowa. The City provided for the election of a Board of Trustees vested with authority to provide management controls, and the rules for the hospital's economic conduct. The hospital's financial data is reported in a separate column to emphasize that it is legally separate from the City. The Hospital is financially accountable to the City.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Waverly Light and Power – The City established a municipal utility by ordinance on October 3, 1977. The City appoints the governing body and title to all property is in the name of the City. The Utilities financial data is reported in a separate column to emphasize that it is legally separate from the City. The utility operates on a calendar year. Therefore financial statements presented herein are reported for the year ended December 31, 2004.

Jointly Governed Organizations
The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards or Commissions: Bremer-Waverly Public Safety Board, Bremer County Emergency Management Commission, Bremer County Joint E911 Service Board, and the Tri-County Drug Task Force.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general, special revenue, debt service, and capital projects funds are classified as governmental activities. The City's health insurance internal service fund is classified as a governmental-type activity.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts-invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first uses restricted resources to finance qualifying activities.

The Government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (public safety, public works, health and social services, culture and recreation, community and economic development, general government, etc.) and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenue, operating grants, and capital grants. Program revenue must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through the internal service fund on a cost-reimbursement basis.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues or receipts, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the determination of major funds. The City electively added funds, as major funds, which had a specific community focus. The non-major funds are combined into a single column in the fund financial statements.

The City reports the following major governmental funds:

Governmental Fund Types – The governmental fund financial statements are reported using the current financial resources measurement focus. This means that the focus of the governmental funds' measurement is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.

2) Special Revenue Funds – The Road Use Tax Fund is used to account for the operation of street maintenance and construction financed by allocations of state fuel taxes. The local option sales tax fund is used to account for the collection and expenditure of a voter approved one cent sales and service tax.

3) Debt Service Fund – Debt Service Fund is used to account for property taxes received to be expended to retire principal and interest on General Obligation Bonds and other debt.

4) Capital Project Fund – The Public Works Facility Fund is used to account for accumulation of resources for construction of a new public works facility.

Proprietary Fund Types – The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

1) Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – 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 should be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains several business-type activities. The major enterprise funds are listed as follows:

   The Water Fund is used to account for the operation and maintenance of the City's water system.

   The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

   The Solid Waste Fund is used to account for the operation and maintenance of the City garbage disposal system.

2) Internal Service Funds – Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-recovery basis.

   The City's internal service fund is presented in the proprietary fund financial statements.

   Health Insurance – To account for the funding and maintenance of the City's self-funded health insurance provided to City employees. Since the principal users of this internal service are the City's governmental activities, the financial statements of the health insurance internal service fund are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

Fiduciary Fund Types – Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements. The City's Agency Fund is used to account for billing activity between the City and Waverly Light and Power.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual basis of accounting is used for all activities in the government-wide financial statements and for the proprietary and fiduciary activities in the fund financial statements. Revenues are recognized when earned and expenses are recognized when incurred. A flow of financial resources measurement focus is used for these financial statements.

Modified accrual basis of accounting is used by all governmental funds in the fund financial statements. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. A flow of current financial resources measurement focus is used for these financial statements.

Expenditures are recorded when the related fund liability is incurred. An exception to this general rule is that principal and interest on general obligation debt, if any, is recognized when due.

Those revenues susceptible to accrual are property taxes, assessments, and intergovernmental revenues. Licenses, fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

E. Budgets

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the public safety function.

F. Cash And Cash Equivalents And Investments

The City is authorized by statute to invest public funds not currently needed for operating expenses in notes, certificates, bonds, prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, or other evidences of indebtedness which are obligations of or guaranteed by the United States of America or any of its agencies, or in time deposits or savings accounts in depositories approved by the City Council.

1) Cash and Cash Equivalents

Includes investments with original maturities of three months or less.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2) Investments

The City and its component unit use the following methods in determining the reported amounts.

Type	Method
City	
Nonnegotiable Certificates of Deposit	Cost
Iowa Public Agency Investment Trust	Fair Value Determined by Current Share Prices
Component Unit	
Certificates of Deposit	Cost
U.S. Treasury Notes, State & Local Government Series	Fair Value Determined Based on Quoted Market Price
Iowa Public Agency Investment Trust	Fair Value Determined By Current Share Prices
Debt Securities	
U.S. Government Securities	
Maturity of one year or less when purchased	Amortized Cost
Maturity of more than one year when purchased	Fair Value Based on Quoted Market Price

G. Property Tax Receivable

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004. Any county collections on the 2004-2005 tax levy remitted to the City within 60 days subsequent to June 30, 2005, are recorded as property tax revenue.

H. Short-Term Interfund Receivables/Payables

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

certain transactions between funds have not been paid or received as of June 30, 2005, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

I. Inventories

Inventories of the proprietary fund types are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. The inventory amounts are not material and therefore not recorded on the balance sheet.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005 are recorded as prepaid items.

K. Restricted Assets

Revenue bond ordinances require the City to reserve certain cash and investments to provide for payment of bonds and interest, for protection of bondholders, and for extension and improvement of facilities. These balances are separately disclosed in the Enterprise Funds.

L. Property and Equipment

Assets with an initial individual cost of $5,000 or more are considered capital assets. Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure has been capitalized using historical or estimated historical cost beginning in 1980 as required by GASB 34. Depreciation on all assets is provided on the straight-line basis over the following estimated lives:

Buildings	20 – 50 Years
Utility Plant	30 – 33 Years
Machinery & Equipment	5 - 20 Years
Infrastructure	20 – 100 Years

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

N. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

O. Fund Equity

Reserves represent those portions of fund equity legally segregated for a specific future use.

P. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City's deposits at June 30, 2005, were entirely covered by Federal Depository Insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. There were no differences in investments held during the year from those at June 30, 2005.

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

At June 2005 the City had the following investments:

	Credit Risk	Fair Value	Maturity
Mutual Funds	N/A	$ 33,412	1 year
U.S. Treasuries	N/A	2,630,928	1 year
Component Unit:			
U.S. Treasuries	N/A	346,238	1 year
U.S. Treasuries	N/A	1,501,656	3-4 years

Note 3 - RECEIVABLES

Receivables at June 30, 2005 are net of allowance for uncollectibles. The component units had an allowance for uncollectibles of $1,750,000 at June 30, 2005.

Note 4 - DUE FROM OTHER GOVERNMENTS

At June 30, 2005, amounts due from other governments were as follows:

Due from the Iowa Department of Transportation for road use tax allocations	$ 59,121
Due from Waverly Light and Power for cash deficit in Electric Clearing Fund	75,894
Due from the State of Iowa for local option sales taxes	107,117
Due from the State of Iowa for hotel and motel sales taxes	38,856
Total Due from Other Governments	$ 280,988

Note 5 - INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2005, short-term interfund borrowings were as follows:

Fund Due To	Fund Due From	Amount
General	Proprietary – Sewer	$ 165,310
General	Nonmajor Governmental	169,530
General	Debt Service	62,940
General	General – Pro Shop	4,096
General	Internal Service	62,264
General	Local Option Sales Tax	203,955
Road Use Tax	Proprietary – Sewer	96,675
Proprietary – Sewer	Proprietary – Water	180,000
Proprietary – Sewer	Debt Service	12,870
General	Proprietary – Water	190,242
Proprietary – Water	Proprietary – Sewer	540
		$ 1,148,422

Internal balances represent amounts due from/due to other to cover deficit cash balances.

Note 6 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Primary Government

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 1,832,697			$ 1,832,697
Construction in Progress	234,010	$ 1,058,077	$ 961,778	330,309
Total capital assets not being depreciated	2,066,707	1,058,077	961,778	2,163,006
Capital assets being depreciated:				
Buildings and Improvements	6,762,748	56,000		6,818,748
Equipment	3,783,452	169,616	136,313	3,816,755
Infrastructure	25,204,352	2,235,970		27,440,322
Total capital assets being depreciated	35,750,552	2,461,586	136,313	38,075,825
Less: Accumulated Depreciation for:				
Buildings and Improvements	1,427,197	157,343		1,584,540
Equipment	2,194,769	249,908	117,583	2,327,094
Infrastructure	6,807,031	998,125		7,805,156
Total Accumulated Depreciation	10,428,997	1,405,376	117,583	11,716,790
Total capital assets being depreciated, net	25,321,555	1,056,210	18,730	26,359,035
Governmental activities capital assets, net	$ 27,388,262	$ 2,114,287	$ 980,508	$ 28,522,041

Construction in progress at June 30, 2005, for the governmental activities consisted of costs associated with Waverly Fire Station, 2005 sidewalk improvements, 39th Street reconstruction, Kohlman Park improvements – Phase 2, and airport runway extension.

Note 6 - CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 19,191			$ 19,191
Construction in Progress	112,325	$ 208,419	$ 118,260	202,484
Total capital assets not being depreciated	131,516	208,419	118,260	221,675
Capital assets being depreciated:				
Buildings and Improvements	5,394,667	118,260		5,512,927
Equipment	1,217,333	173,649	61,230	1,329,752
Lines and Structures	14,650,337	511,096		15,161,433
Total capital assets being depreciated	21,262,337	803,005	61,230	22,004,112
Less: Accumulated Depreciation	8,163,693	688,871	56,978	8,795,586
Total capital assets being depreciated, net	13,098,644	114,134	4,252	13,208,526
Business-type activities capital assets, net	$ 13,230,160	$ 322,553	$ 122,512	$ 13,430,201

Construction in progress at June 30, 2005 consisted of costs associated with the sewer system improvements and 10th Avenue S.W. water main loop.

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

Governmental Activities:	
Public Safety	$ 71,488
Public Works	1,136,106
Culture and Recreation	142,196
General Government	55,586
Total depreciation expense – governmental activities	$ 1,405,376
Business-Type Activities:	
Water	$ 225,896
Sewer	417,531
Solid Waste	45,444
Total depreciation expense – business-type activities	$ 688,871

Note 6 - CAPITAL ASSETS (CONTINUED)

A summary of changes in capital assets for the discretely presented component units is as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Waverly Health Center:				
Capital assets not being depreciated:				
Land	$ 979,243	$ 60,000		$ 1,039,243
Construction in Progress	6,926,218	10,921,322	$ 17,847,540	
Total capital assets not being depreciated	7,905,461	10,981,322	17,847,540	1,039,243
Capital assets being depreciated:				
Land Improvements	506,076	1,494,510	39,049	1,961,537
Buildings and Fixed Equipment	8,243,908	13,834,972	457,096	21,621,784
Major Movable Equipment	6,069,269	3,720,152	1,590,845	8,198,576
Total capital assets being depreciated	14,819,253	19,049,634	2,086,990	31,781,897
Less: Accumulated Depreciation	7,391,943	1,808,700	2,086,990	7,113,653
Total capital assets being depreciated, net	7,427,310	17,240,934		24,668,244
Component unit capital assets, net	$ 15,332,771	$ 28,222,256	$ 17,847,540	$ 25,707,487

Construction in progress consisted of costs associated with hospital expansion that was completed during the year.

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Waverly Light and Power:				
Capital assets not being depreciated:				
Land	$ 122,514	$ 12,000		$ 134,514
Construction in Progress	257,670	626,705		884,375
Total capital assets not being depreciated	380,184	638,705	-	1,018,889
Capital assets being depreciated:				
Improvements	27,134,229	993,360		28,127,589
Buildings	3,443,095	9,730		3,452,825
Equipment	2,196,979	74,539		2,271,518
Louisa Plant	7,514,664	149,548	$ 19,055	7,645,157
Total capital assets being depreciated	40,288,967	1,227,177	19,055	41,497,089
Less: Accumulated Depreciation	16,356,884	1,488,662	19,055	17,826,491
Total capital assets being depreciated, net	23,932,083	(261,485)		23,670,598
Component unit capital assets, net	$ 24,312,267	$ 377,220	-	$ 24,689,487

Note 6 - CAPITAL ASSETS (CONTINUED)

Construction in progress consisted of costs related to the construction of utility distribution systems.

Reconciliation of Invested in Capital Assets:

	Governmental Activities	Business-Type Activities	Component Unit Waverly Health Center	Component Unit Waverly Light & Power
Land	$ 1,832,697	$ 19,191	$ 1,039,243	$ 134,514
Construction in Progress	330,309	202,484		884,375
Capital Assets (net of accumulated depreciation)	26,359,035	13,208,526	24,668,244	23,670,598
Less: General Obligation Bonds Payable	14,494,612	1,705,388		
Notes Payable	257,744		233,767	125,000
Revenue Bonds		2,700,000	17,105,000	4,471,957
Invested in Capital Assets, Net of Related Debt	$ 13,769,685	$ 9,024,813	$ 8,368,720	$ 20,092,530

Note 7 - LONG-TERM LIABILITIES

The City's computed legal debt limit as of June 30, 2005, is $20,751,823 of which $16,200,000 is committed for outstanding general obligation debt.

The following is a summary of bond transactions of the City for the year ended June 30, 2005:

	Governmental Activities	Business Type Activities		
	General Obligation			
	Bonds and Notes Paid By Debt Service Fund	Bonds Paid By Enterprise Funds	Revenue Bonds	Total
Primary Government:				
Bonds payable July 1, 2004	$ 12,315,962	$ 1,375,388	$ 3,035,000	$ 16,726,350
Plus: issued	3,522,558	465,000		3,987,558
Less: Payments	1,086,164	135,000	335,000	1,556,164
Bonds Payable June 30, 2005	14,752,356	1,705,388	2,700,000	19,157,744
Due within one year	$ 3,261,934	$ 156,000	$ 360,000	$ 3,759,467

Note 7 - LONG-TERM LIABILITIES (CONTINUED)

In April 2005 the City issued $2,680,000 of General Obligation Refunding Bonds in a crossover advance refunding of the 1997A, 1997B and 1998A General Obligation Notes. The 2005 bonds have an average interest rate of 1.87% and the 1997 and 1998 bonds being refunded have an average interest rate of approximately 5.0%. The net proceeds from this issuance were used to purchase a U.S. government securities and were deposited in an escrow account with Wells Fargo. As of the balance sheet date, the amount in escrow was $2,630,928. This amount will be used to refund the remaining $2,930,000 of the 1997 and 1998 notes on June 1, 2006 when these notes become callable. The assets deposited with the escrow agent and the liability for the crossover bonds is included in the City's Debt Service Fund and in the water fund. As a result of the refunding, the City will reduce its debt service payments over the next seven years by $186,400, and obtain an economic gain of $96,000.

In addition the City issued $1,290,000 of General Obligation Bonds with interest rates ranging from 2.8% to 3.9% and an average life of 6 years. The bonds were sold to UMB Bank for $1,282,518. The proceeds were used to finance the construction of various capital projects.

	Waverly Light And Power	Waverly Health Center	Total Component Units
Component Unit:			
Bonds Payable/Capital Loan Notes- June 30,2004/December 31, 2003	$ 5,175,000	$ 18,000,000	$ 23,175,000
Bonds Issued			
Bonds Retired	685,000	895,000	1,580,000
Bonds Payable/Capital Loan Notes- June 30, 2005/December 31, 2004	4,490,000	17,105,000	21,595,000
Due within one year	$ 715,000	$ 925,000	$ 1,640,000

On the Combined Balance Sheet the component unit revenue bonds are shown net of unamortized bond discount of $18,043.

Note 7 - LONG-TERM LIABILITIES (CONTINUED)

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2005
General Obligation:						
Civic Center Refunding	1994	3.8-4.75%	2006	$ 135,000-175,000	$ 1,195,000	$ 345,000
1997 A – Library & Pool	1997	5.0-5.4%	2012	60,000-375,000	2,450,000	1,850,000
*1997 B – Water	1997	4.6–5.5%	2012	30,000-100,000	780,000	515,000
1998 A – ECP	1998	4.15-4.8%	2013	15,000-85,000	795,000	565,000
1998 B Refunding	1998	3.95-4.3%	2006	50,000-55,000	415,000	50,000
*1999 GO Bonds	1999	4.0-4.65%	2014	30,000-115,000	1,165,000	855,000
2000A GO Bonds	2000	4.75-5.20%	2011	100,000-195,000	1,470,000	625,000
2000B GO Bonds	2000	4.80-5.40%	2011	55,000-280,000	1,000,000	475,000
2000C GO Bonds	2001	4.25-5.10%	2016	50,000-220,000	2,030,000	1,810,000
2001 GO Bonds	2001	3.70-4.80%	2016	50,000-90,000	950,000	790,000
2001A GO Bonds	2001	3.0-5.0%	2019	50,000-295,000	2,750,000	2,550,000
2001B GO Bonds	2001	3.0-4.25%	2017	30,000-90,000	1,000,000	865,000
2002 GO Bonds	2002	3.5-4.40%	2012	25,000-45,000	360,000	275,000
*2003 GO Refunding	2003	1.2-3.0%	2010	55,000-195,000	1,025,000	660,000
2005 GO Bonds	2005	2.8-3.9%	2017	90,000-140,000	1,290,000	1,290,000
*2005 GO Refunding	2005	2.5-3.25%	2013	65,000-535,000	2,680,000	2,680,000
Total General Obligation					$ 17,815,000	$ 16,200,000

In 1994 the City crossover refunded its outstanding 1991 Civic Center Bonds, of $1,150,000, carrying an interest rate of 5.10-6.80% with new 1994 series bonds of $1,195,000 issued at a rate of 3.80-4.75%.

Note 7 - LONG-TERM LIABILITIES (CONTINUED)

In April 2003, the City issued $1,025,000 in General Obligation Refunding Bonds with an average interest rate of 2.1% to refund the 1994A Hospital, 1995B and 1995C General Obligation Bonds with average interest rates of 4.1%, 5.1% and 4.5%, respectively.

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2005
Revenue Bonds:						
1999 – Sewer	1999	4.0-4.65%	2014	50,000-100,000	$ 1,095,000	$ 760,000
2000 – Sewer	2000	5.30-5.80%	2015	20,000-50,000	500,000	380,000
2002 – Sewer	2002	3.0-4.5%	2012	105,000-155,000	1,280,000	945,000
2002 – Water	2002	3.0-4.5%	2012	35,000-50,000	435,000	320,000
2003 – Water (Refunding)	2003	2.05-3.4%	2008	85,000-100,000	465,000	295,000
Total Revenue Bonds					$ 3,775,000	$ 2,700,000
2001 Golf Revenue Capital Loan Note	2001	5.1%	2015	15,000-28,000	$ 300,000	$ 230,669
Component Units:						
Waverly Municipal Hospital:						
1999 Hospital Capital Loan Notes	1999	5.0-5.8%	2015	150,000-180,000	$ 2,150,000	$ 1,845,000
2003 Hospital Capital Loan Notes	2003	2.5-5.5%	2018	545,000	9,800,000	9,255,000
2004 Hospital Capital Loan Notes	2004	2.0-4.9%	2019	195,000	6,200,000	6,005,000
Waverly Light and Power:						
1998 Utility Rev. Bonds	1998	4.1-4.4%	2008	50,000-575,000	3,610,000	2,285,000
2002 Utility Rev. Bonds	2002	2.2-4.5%	2012	75,000-200,000	2,500,000	2,205,000
					$ 24,260,000	$ 21,595,000

In May 2003, the City issued $465,000 in water revenue refunding bonds with an average interest rate of 2.65% to refund the water revenue bonds, Series 1995A, with an average interest rate of 4.7%.

Note 7 - LONG-TERM LIABILITES (CONTINUED)

All General Obligation Debt except those marked with (*) are to be retired through property tax levies. A portion of those (*) bonds are paid with water and sewer revenues. The revenue bonds are to be retired with water and sewer revenues.

	General Obligation		Revenue Bond	
Year Ending June 30,	Principal*	Interest	Principal	Interest
2006	$ 3,825,000	$ 715,063	$ 360,000	$ 117,403
2007	1,350,000	507,316	365,000	104,223
2008	1,255,000	461,906	380,000	90,045
2009	1,355,000	416,015	295,000	74,740
2010	1,415,000	346,948	310,000	61,770
2011-2015	5,145,000	1,043,347	990,000	111,393
2016-2019	1,855,000	181,990		
	$16,200,000	$ 3,690,584	$ 2,700,000	$ 559,573

The bond principal and interest annual requirements for the component units are as follows:

Waverly Health System

Year Ending June 30,	Capital Loan Notes	Note Payable	Loan	Total Principal	Interest	Total
2006	$ 925,000	$ 68,767	$ 33,000	$ 1,026,767	$ 793,650	$ 1,820,417
2007	950,000	-	33,000	983,000	762,991	1,745,991
2008	985,000	-	33,000	1,018,000	730,511	1,748,511
2009	1,020,000	-	33,000	1,053,000	693,691	1,746,691
2010	1,060,000	-	33,000	1,093,000	652,301	1,745,101
2011-2015	6,095,000	-	-	6,095,000	2,479,802	8,574,802
2016-2019	6,070,000	-	-	6,070,000	787,942	6,857,942
Total	17,105,000	68,767	165,000	17,338,767	6,900,888	24,239,655
Less Current Maturities	925,000	68,767	33,000	1,026,767	793,650	1,820,417
Total Long-Term Debt	$16,180,000	$ -	$ 132,000	$16,312,000	$ 6,107,238	$ 22,419,258

Waverly Light and Power

Year Ending December 31	Principal	Interest	Total
2005	715,000	190,455	905,455
2006	745,000	161,192	906,192
2007	775,000	130,120	905,120
2008	810,000	97,308	907,308
2009	335,000	62,607	397,607
2010-2012	1,110,000	100,085	1,210,085
	$ 4,490,000	$ 741,767	$ 5,231,767

Note 7 - LONG-TERM LIABILITIES (CONTINUED)

There are a number of limitations and restrictions contained in the various bond indentures creating certain reserve and sinking funds to insure repayment of revenue bonds. The reserve and sinking fund requirements are recorded as restricted assets on the combined balance sheet and meet the minimum requirements of the various bond ordinances.

The following is a summary of other long-term liabilities of the City for the year ended June 30, 2005.

	July 1, 2004	Additions	Reductions	June 30, 2005	Due Within One Year
Compensated Absences		$ 224,903		$ 224,903	-
Equipment Note	$ 45,610		$ 30,000	15,610	$ 15,610
Equipment Note		17,558	6,093	11,465	11,465
Total other long-term liabilities	$ 45,610	$ 17,558	$ 36,093	$ 251,978	$ 27,075

Other long-term liabilities at June 30, 2005 was comprised of the following:

Included in general long-term debt:	
A note payable to GE Capital dated November 17, 2004 and due July 1, 2006 for the purchase of golf course equipment.	$ 11,465
A loan from First National Bank of Waverly for the purchase of various parks and golf equipment due July 1, 2005 due in annual installments of $30,000 including interest at 4%.	$ 15,610

Note Payable

The Hospital entered into a note agreement to finance the purchase of certain equipment. The note requires monthly payments of $6,431, including interest at 5.71%, with the final payment due June, 2006. The note is collateralized by the equipment purchased by the Hospital.

In addition, the agreement includes a provision allowing the Hospital to terminate the note in the event no funds or insufficient funds are appropriated or budgeted to make all payments for a subsequent fiscal period. This option must be exercised by the Hospital sixty days prior to the end of a fiscal period to allow for proper termination of the Note. Consequently, this obligation does not constitute indebtedness of the Hospital under the laws of the State of Iowa; however, U.S. generally accepted accounting principles require the asset and liability to be recorded on the balance sheet at June 30, 2005.

Other

The City of Waverly issued a $330,000 loan to the Hospital to assist in financing an addition to the Hospital and remodeling of certain existing areas. This loan directly resulted from the issuance of a Rural Economic Development loan to the City from the U.S. Department of Agriculture. The loan is interest free and is due in ten annual installments of $33,000.

Note 8 – TRANSFERS

The following is a summary of transfers between funds:

	General	Debt Service	Public Works Facility	Nonmajor Governmental	Water	Sewer	Total Transfers Out
General		$ 40,000					$ 40,000
Road Use Tax				$ 98,038			98,038
Nonmajor Governmental	$ 418,708	726,520		37,810	$150,000	$ 30,000	1,363,038
Water			$ 50,000	150,000			200,000
Sewer	30,000						30,000
Solid Waste			50,000				50,000
Total Transfers In	$ 448,708	$ 766,520	$ 100,000	$ 285,898	$150,000	$ 30,000	$ 1,781,076

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

2. To move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due.

Note 9 - PENSION AND RETIREMENT

Iowa Public Employees Retirement System - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute plan to 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 percent of their annual covered salary and the City is required to contribute 5.75 percent of annual covered payroll except for law employees who are covered by another plan. Contribution requirements are established by state statute. The City contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were $131,135, $127,831, and $121,967, respectively, equal to the required contributions for each year.

Municipal Fire and Police Retirement System of Iowa – The City contributes to the Municipal Fire & Police Retirement System of Iowa (MFPRSI) which is a cost-sharing multiple-employer defined benefit pension plan administered by a Board of Trustees appointed by the State of Iowa. MFPRSI provides retirement 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.

Note 9 - PENSION AND RETIREMENT (CONTINUED)

Plan members are required to contribute 9.35% of earnable compensation. The employers' contribution rate is based upon and actuarially determined normal contribution rate. The normal contribution rate is provided by the State statute to be the actuarial liabilities of the plan less current plan assets, the total then being divided by 1 percent of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions.

Legislatively appropriated contributions from the State may further reduce the employers' contribution rate. However, under the Code of Iowa, the employers' contribution rate cannot be less than 17.00 percent of earnable compensation. Contribution requirements are established by State statute. The City's contribution to MFPRSI for the years ended June 30, 2005, 2004 and 2003 were $142,963, $113,783, and $90,929 respectively, equal to the required contributions for each year.

Note 10 - DEFICIT FUND EQUITY

The City has four funds with deficit equity balances at June 30, 2005. The City intends to finance these deficits from various resources including; road use tax funds, general funds, special assessments, capital project debt financing and grant revenues and utility charges. The individual fund deficits were as follows:

Internal Service	$ 85,527
Capital Project – 1st Avenue SE Parking Lot	2,644
Capital Project – 16th & 3rd Street Reconstruction	104,753
Capital Project – 4th and Bremer	4,177

Note 11 - RISK MANAGEMENT

Medical Insurance - The City uses a partially self-funded medical insurance program accounted for in an internal service fund. Costs of the program include medical benefits, administration fees and premiums for stop-loss coverage with limits of $20,000 per covered employee per year and 125% of expected claims for year for the City as a whole per year.

Claims payable and estimated claims incurred but not reported are recorded as liabilities of the Internal Service Fund.

Claims payable @ June 30, 2003	$ 38,404
Claims paid	(378,653)
Claims incurred	523,406
Claims payable @ June 30, 2004	$ 183,160

Claims payable @ June 30, 2004	$ 183,160
Claims paid	699,304
Claims incurred	593,971
Claims payable @ June 30, 2005	$ 77,827

Note 11 - RISK MANAGEMENT (CONTINUED)

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

Note 12 - COMMITMENTS

During the year ended June 30, 2005, the City had entered into several construction contracts totaling $1,250,000 of which $417,000 has been expended to date. The remaining balance will be paid as work progresses.

Note 13 - BREMER COUNTY LANDFILL CONTRACT

The City has contracted with Bremer County for solid waste disposal. The new contract began July 1, 2004 and terminates June 30, 2006. The County may not be accumulating sufficient financial resources and the participating governments are obligated for a proportionate share of the debt, therefore, the City of Waverly may have an ongoing financial responsibility. The City pays $35.75/ton of solid waste delivered to the landfill.

Note 14 - JOINT VENTURE

The City is a participant with Bremer County in a joint venture to operate the Bremer – Waverly Public Safety Board. The City is obligated to remit 30% of the operating budget of the Bremer – Waverly Public Safety Board to the Organization. On dissolution of the Board, the net assets are to be contributed for the operation. The Organization is governed by a five member board composed of two designated representatives from the City and two from the County. The fifth member of the board is chosen by the four designated representatives. Complete financial statements for the Bremer – Waverly Public Safety Board can be obtained from the Board's administrative office.

Note 15 - CONDUIT DEBT OBLIGATIONS

The City has issued Industrial Development Revenue Bonds to provide financial assistance to a private-sector entity for the acquisition and construction of commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and payable solely from the private-sector entity. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2005, Industrial Development Revenue Bonds had an original issue amount of $2,500,000. The outstanding balance at June 30, 2005 was $1,672,000.

Note 16 - RESERVES

The following schedule reflects all reservations of fund balances as presented in the fund level statements:

	Inventory	Debt Service	Endowments	Total
General Fund	$ 47,265			$ 47,265
Debt Service		$2,197,444		2,2197,444
Permanent Fund				
Cemetery Perpetual Care			$ 445,332	445,332
Total Reserves of Fund Balances	$ 47,265	$2,197,444	$ 445,332	$2,690,041

Note 17 - PRIOR PERIOD ADJUSTMENT

During the year it was discovered the City had not recorded bond issue costs properly in the proprietary fund statement of retained assets. Therefore, the unamortized portion of the bond issue costs at July 1, 2004 was recorded as a prior period adjustment, having the effect of raising net assets as follows:

Water Fund	$48,590
Sewer Fund	$74,356

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Agency Fund and the Internal Service Fund, and appropriates the amount deemed necessary for each of the different City offices and departments. The budgets may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of expenditures known as functions, not by fund or fund type. These 9 functions are: public safety, public works, community and economic development, health and social services, culture and recreation, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include expenditures for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment decreased budgeted expenditures by $433,051. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements in the public safety function exceeded the amount budgeted.

During the fiscal year 2005, the City had one budget amendment. The amendment was as follows:

Program	Original Budget	5/16/05 Amendment	Amended Budget
Public Safety	$ 1,852,711	$ 80,000	$ 1,932,711
Public Works	957,182	137,800	1,094,982
Health and Social Service	6,650		6,650
Culture & Recreation	1,807,332	26,464	1,833,766
Community & Economic Development	94,821	4,400	99,221
General Government	639,402	9,300	648,702
Debt Service	1,794,235		1,794,235
Capital Projects	3,457,789	(409,000)	3,048,789
Business Type/Enterprise	3,428,070	(281,985)	3,146,085
Total	$ 14,038,192	$ (433,051)	$ 13,605,141

The following schedule demonstrates the City's legal compliance to the budget.

Program	Amended Budget	Actual	Variance Favorable (Unfavorable)
Public Safety	$ 1,932,711	$ 2,206,670	$ (273,959)
Public Works	1,094,982	937,123	157,859
Health and Social Service	6,650	9,956	694
Culture & Recreation	1,832,766	1,764,239	69,527
Community & Economic Development	99,221	75,954	23,267
General Government	648,702	608,685	40,017
Debt Service	1,794,235	1,635,728	158,507
Capital Projects	3,048,789	1,385,850	1,662,939
Business Type/Enterprise	3,146,085	2,782,523	363,562
Total	$ 13,605,141	$ 11,402,728	$ 2,202,413

The following schedule reconciles the budgetary comparison to the actual GAAP basis financial statements.

	GAAP Basis	Accrual to Cash Adjustment	Budgetary Basis
Public Safety	$ 2,142,727	$ 63,943	$ 2,206,670
Public Works	1,106,425	(169,302)	937,123
Health and Social Service	5,956		5,956
Culture & Recreation	1,749,569	14,670	1,764,239
Community & Economic Development	100,224	(24,270)	75,954
General Government	587,689	20,996	608,685
Debt Service	1,635,728		1,635,728
Capital Projects	1,240,044	145,806	1,385,850
Business Type/Enterprise	3,233,325	(450,802)	2,782,523
	$ 11,801,687	$ (398,959)	$ 11,402,728

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CITY OF WAVERLY, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2005

	Special Revenue Funds		
	Employee Benefit	Hotel Motel Tax	Tax Increment Financing
Assets			
Cash and Pooled Investments	$ 22,029	$ 70,293	$ 101,488
Investments	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	-	-	-
Taxes	2,852	-	585
Subsequent Year Taxes	424,039	-	541,270
Accrued Interest	-	-	-
Special Assessments	-	-	-
Due from Other Governmental Agencies	-	38,856	-
Total Assets	448,920	109,149	643,343
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	821	3,993	-
Due to Other Funds	-	-	-
Deferred Revenue - Subsequent Year Taxes	424,039	-	541,270
Total Liabilities	424,860	3,993	541,270
Fund Balances:			
Reserved for:			
Perpetual Care	-	-	-
Unreserved	24,060	105,156	102,073
Total Fund Balances	24,060	105,156	102,073
Total Liabilities and Equity	$ 448,920	$ 109,149	$ 643,343

Special Revenue Funds					Capital Project
Downtown TIF	Trees Forever	Flood Cleanup	Cable TV	Municipal Band	7th Ave
$ 5,839	$ 22,896	$ -	$ 63,586	$ 585	$ -
-	-	-	-	-	-
-	-	-	11,873	-	-
782	-	-	-	-	-
50,522	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
57,143	22,896	-	75,459	585	-
-	5,555	-	260	256	-
-	-	-	-	-	-
50,522	-	-	-	-	-
50,522	5,555	-	260	256	-
-	-	-	-	-	-
6,621	17,341	-	75,199	329	-
6,621	17,341	-	75,199	329	-
$ 57,143	$ 22,896	$ -	$ 75,459	$ 585	$ -

CITY OF WAVERLY, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2005

	Capital Projects			
	Small Projects	12th Street Recon.	East Bremer Project	Rec/ Wellness Facility
Assets				
Cash and Pooled Investments	$ 144,922	$ 94,876	$ 57,065	$ 1,875
Investments	-	-	-	326,540
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	-	-	-	-
Taxes	-	-	-	-
Subsequent Year Taxes	-	-	-	-
Accrued Interest	-	-	-	230
Special Assessments	-	-	106,329	-
Due from Other Governmental Agencies	-	-	-	-
Total Assets	144,922	94,876	163,394	328,645
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	240	4,944	-	18,227
Due to Other Funds	-	-	-	120,586
Deferred Revenue - Subsequent Year Taxes	-	-	95,696	-
Total Liabilities	240	4,944	95,696	138,813
Fund Balances:				
Reserved for:				
Perpetual Care	-	-	-	-
Unreserved	144,682	89,932	67,698	189,832
Total Fund Balances	144,682	89,932	67,698	189,832
Total Liabilities and Equity	$ 144,922	$ 94,876	$ 163,394	$ 328,645

Capital Projects						
39th Street Recon.	1st Ave SE Parking Lot	10th Ave RISE	16th & 3rd SW Recon.	15th & 3rd Recon.	Plaza Project	4th & Bremer Intersection
$ 327,555	$ 12,783	$ 12,500	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
327,555	12,783	12,500	-	-	-	-
41,233	15,427	-	59,926	-	-	-
-	-	-	44,827	-	-	4,117
-	-	-	-	-	-	-
41,233	15,427	-	104,753	-	-	4,117
-	-	-	-	-	-	-
286,322	(2,644)	12,500	(104,753)	-	-	(4,117)
286,322	(2,644)	12,500	(104,753)	-	-	(4,117)
$ 327,555	$ 12,783	$ 12,500	$ -	$ -	$ -	$ -

CITY OF WAVERLY, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2005

	Capital Projects			
	Parking Lot Plaza	W. Bremer Sidewalk/ 1st Intersect.	3rd St. SE Bridge	Kohlman Park
Assets				
Cash and Pooled Investments	$ 28,923	$ 34,408	$ 5,911	$ 49,424
Investments	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	-	-	-	-
Taxes	-	-	-	-
Subsequent Year Taxes	-	-	-	-
Accrued Interest	-	-	-	-
Special Assessments	-	-	-	-
Due from Other Governmental Agencies	-	-	-	-
Total Assets	28,923	34,408	5,911	49,424
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	-	-	2,260	4,916
Due to Other Funds	-	-	-	-
Deferred Revenue - Subsequent Year Taxes	-	-	-	-
Total Liabilities	-	-	2,260	4,916
Fund Balances:				
Reserved for:				
Perpetual Care	-	-	-	-
Unreserved	28,923	34,408	3,651	44,508
Total Fund Balances	28,923	34,408	3,651	44,508
Total Liabilities and Equity	$ 28,923	$ 34,408	$ 5,911	$ 49,424

Capital Projects				Permanent	
Public Works Facility	Dry Run	10th Ave. West	Industrial Park	Cemetery Perpetual Care Fund	Governmental Nonmajor Funds
$ -	$ 10,163	$ -	$ 73,202	$ 5,332	$ 1,145,655
-	-	-	-	440,000	766,540
	-	-	-	-	
	-	-	-	-	
-	-	-	-	-	11,873
-	-	-	-	-	4,219
-	-	-	-	-	1,015,831
-	-	-	-	-	230
-	-	-	-	-	106,329
-	-	-	-	-	38,856
-	10,163	-	73,202	445,332	3,089,533
-	-	-	460	-	158,518
-	-	-	-	-	169,530
-	-	-	-	-	1,111,527
-	-	-	460	-	1,439,575
-	-	-	-	445,332	445,332
-	10,163	-	72,742	-	1,204,626
-	10,163	-	72,742	445,332	1,649,958
$ -	$ 10,163	$ -	$ 73,202	$ 445,332	$ 3,089,533

CITY OF WAVERLY, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
JUNE 30, 2005

	Special Revenue Funds			
	Employee Benefit	Hotel Motel Tax	Tax Increment Financing	Downtown TIF
Revenue:				
Taxes	$ 519,545	$ 140,467	$ 575,629	$ 60,873
Special Assessments	-	-	-	-
Intergovernmental Revenue	-	-	-	-
Charges for Services	-	-	-	-
Contributions	-	-	-	-
Interest	-	475	-	-
Miscellaneous	-	-	-	-
Total Revenue	519,545	140,942	575,629	60,873
Expenditures:				
Public Safety	157,971	-	-	-
Culture and Recreation	10,450	-	-	-
Community and Economic Development	-	14,069	23,878	-
Capital Projects	-	-	-	-
Total Expenditures	168,421	14,069	23,878	-
Excess (deficiency) of revenues over expenditures	351,124	126,873	551,751	60,873
Other financing sources (uses):				
Proceeds from Debt Financing	-	-	-	-
Transfers In	-	-	938	-
Transfers Out	(339,814)	(54,893)	(477,602)	(78,745)
Total other financing sources (uses)	(339,814)	(54,893)	(476,664)	(78,745)
Net Change in Fund Balance	11,310	71,980	75,087	(17,872)
Fund balances (deficits) -beginning of year	12,750	33,176	26,986	24,493
Fund balances (deficits) - end of year	$ 24,060	$ 105,156	$ 102,073	$ 6,621

Special Revenue Funds				Capital Project
Trees Forever	Flood Cleanup	Cable TV	Municipal Band	7th Ave
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	1,250	-
-	-	24,257	-	-
-	-	-	1,160	-
-	-	-	-	-
11,015	-	-	-	-
11,015	-	24,257	2,410	-
-	-	-	-	-
14,160	-	-	2,874	-
-	-	20,277	-	-
-	-	-	-	1,929
14,160	-	20,277	2,874	1,929
(3,145)	-	3,980	(464)	(1,929)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	(28,923)
-	-	-	-	(28,923)
(3,145)	-	3,980	(464)	(30,852)
20,486	-	71,219	793	30,852
$ 17,341	$ -	$ 75,199	$ 329	$ -

CITY OF WAVERLY, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
JUNE 30, 2005

	Capital Projects			
	Small Projects	12th Street Recon.	East Bremer Project	Rec/ Wellness Facility
Revenue:				
Taxes	$ -	$ -	$ -	$ -
Special Assessments	-	-	53,956	-
Intergovernmental Revenue	268,940	-	-	75,000
Charges for Services	-	-	-	-
Contributions	-	-	-	9,998
Interest	3,595	464	765	8,425
Miscellaneous	-	-	4,395	-
Total Revenue	272,535	464	59,116	93,423
Expenditures:				
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Community and Economic Development	-	-	-	-
Capital Projects	11,565	148,514	282,802	106,575
Total Expenditures	11,565	148,514	282,802	106,575
Excess (deficiency) of revenues over expenditures	260,970	(148,050)	(223,686)	(13,152)
Other financing sources (uses):				
Proceeds from Debt Financing	-	258,000	425,700	-
Transfers In	-	-	-	-
Transfers Out	(231,913)	-	-	(150,000)
Total other financing sources (uses)	(231,913)	258,000	425,700	(150,000)
Net Change in Fund Balance	29,057	109,950	202,014	(163,152)
Fund balances (deficits) -beginning of year	115,625	(20,018)	(134,316)	352,984
Fund balances (deficits) - end of year	$ 144,682	$ 89,932	$ 67,698	$ 189,832

Capital Projects						
39th Street Recon.	1st Ave SE Parking Lot	10th Ave RISE	16th & 3rd SW Recon.	15th & 3rd Recon.	Plaza Project	4th & Bremer Intersection
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-
-	-	125,000	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
742	348	-	-	-	-	-
-	-	-	-	1,000	-	-
742	348	125,000	-	1,000	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
107,327	192,752	132,972	104,753	-	-	4,117
107,327	192,752	132,972	104,753	-	-	4,117
(106,585)	(192,404)	(7,972)	(104,753)	1,000	-	(4,117)
412,800	193,500	-	-	-	-	-
-	-	98,037	-	-	-	-
-	-	-	-	-	(210)	-
412,800	193,500	98,037	-	-	(210)	-
306,215	1,096	90,065	(104,753)	1,000	(210)	(4,117)
(19,893)	(3,740)	(77,565)	-	(1,000)	210	-
$ 286,322	$ (2,644)	$ 12,500	$ (104,753)	$ -	$ -	$ (4,117)

CITY OF WAVERLY, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
JUNE 30, 2005

	Captial Projects			
	Parking Lot Plaza	W. Bremer Sidewalk/ 1st Intersect.	3rd St. SE Bridge	Kohlman Park
Revenue:				
Taxes	$ -	$ -	$ -	$ -
Special Assessments	-	-	-	-
Intergovernmental Revenue	-	-	6,032	-
Charges for Services	-	-	-	-
Contributions	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	6,749	-
Total Revenue	-	-	12,781	-
Expenditures:				
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Community and Economic Development	-	-	-	-
Capital Projects	-	-	17,080	92,771
Total Expenditures	-	-	17,080	92,771
Excess (deficiency) of revenues over expenditur	-	-	(4,299)	(92,771)
Other financing sources (uses):				
Proceeds from Debt Financing	-	-	-	-
Transfers In	28,923	-	7,950	150,000
Transfers Out	-	-	-	-
Total other financing sources (uses)	28,923	-	7,950	150,000
Net Change in Fund Balance	28,923	-	3,651	57,229
Fund balances (deficits) -beginning of year	-	34,408	-	(12,721)
Fund balances (deficits) - end of year	$ 28,923	$ 34,408	$ 3,651	$ 44,508

Capital Projects				Permanent Fund	Total
Public Works Facility	Dry Run	10th Ave. West	Industrial Park	Cemetery Perpetual Care Fund	Governmental Nonmajor Funds
$ -	$ -	$ -	$ -	$ -	$ 1,296,514
-	-	-	-	-	53,956
-	-	-	-	-	476,222
-	-	-	-	-	24,257
-	-	-	-	5,740	16,898
-	-	-	-	-	14,814
-	-	-	-	-	23,159
-	-	-	-	5,740	1,905,820
-	-	-	-	-	157,971
-	-	-	-	-	27,484
-	-	-	-	-	58,224
-	1,589	-	460	-	1,205,206
-	1,589	-	460	-	1,448,885
-	(1,589)	-	(460)	5,740	456,935
-	-	-	-	-	1,290,000
-	-	-	-	-	285,848
-	-	(938)	-	-	(1,363,038)
-	-	(938)	-	-	212,810
-	(1,589)	(938)	(460)	5,740	669,745
-	11,752	938	73,202	439,592	980,213
$ -	$ 10,163	$ -	$ 72,742	$ 445,332	$ 1,649,958

CITY OF WAVERLY, IOWA
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2005

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
ELECTRIC UTILITY				
Assets				
Cash in Bank	$ -	$ 16,639	$ 12,108	$ 4,531
Accounts Receivable	66,894	$ 10,328,548	$ 10,351,070	44,372
Total Assets	66,894	10,345,187	10,363,178	48,903
Liabilities				
Due to Other Governments	66,894	10,345,187	10,363,178	48,903
Total Liabilities	$ 66,894	$ 10,345,187	$ 10,363,178	$ 48,903

TABLE 1

CITY OF WAVERLY, IOWA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS

Fiscal Year	Community Protection/ Public Safety	Home & Comm. Env./ Public Works	Human Development/ Culture & Rec	Community & Economic Development	General Admin./ General Gov't	Capital Projects	Debt Service	Total
1995-1996	$ 894,090	$ 650,910	$ 1,318,178		$ 442,057	$ 905,830	$ 1,117,460	$ 5,328,525
1996-1997	1,110,713	794,788	1,217,016		451,229	837,426	1,070,986	5,482,158
1997-1998	920,090	1,164,964	1,013,461		422,585	3,948,715	1,436,797	8,906,612
1998-1999	1,025,280	1,165,602	1,180,699		544,342	1,667,312	2,103,647	7,686,882
1999-2000	1,013,337	2,249,928	1,397,645		522,861	2,027,552	909,877	8,121,200
2000-2001	1,224,628	1,583,322	1,442,320		528,207	4,262,885	1,491,152	10,532,514
2001-2002	1,304,717	1,636,001	1,481,257		566,585	5,411,214	1,540,805	11,940,579
2002-2003	1,275,046	939,123	1,697,989	$ 112,626	650,401	1,391,725	2,386,601	8,453,511
2003-2004	1,436,963	1,061,314	1,894,714	145,857	584,231	772,802	1,696,695	7,592,576
2004-2005	$ 2,142,727	$ 1,106,425	$ 1,755,525	$ 100,224	$ 587,689	$1,240,044	$ 1,635,728	$ 8,568,362

Note: Includes general, special revenue,debt service and capital projects.

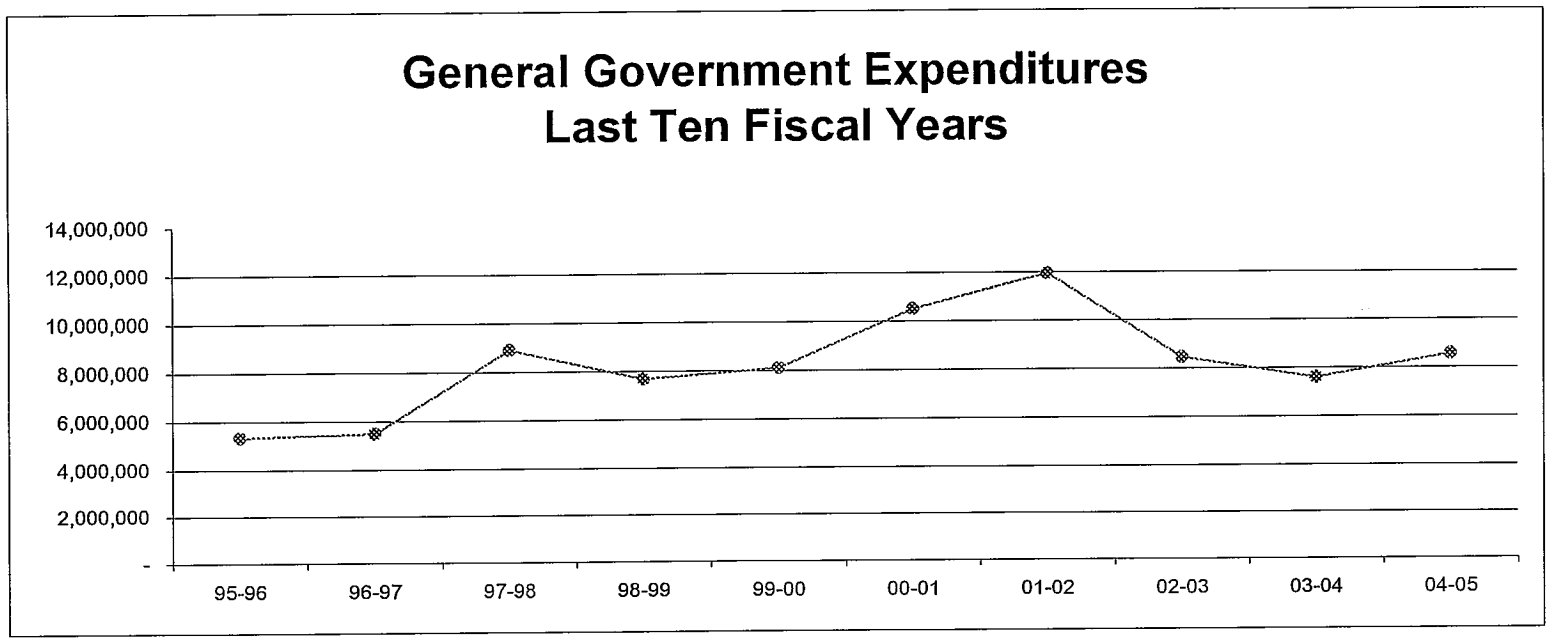


TABLE 2

CITY OF WAVERLY, IOWA
GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS

Fiscal Year	Taxes	Licenses and Permits	Inter-Governmental	Charges for Services	Fines and Forfeitures	Interest & Miscel-laneous	Total
1995-96	$ 2,476,073	$ 75,045	$ 863,855	$ 595,576	$ 34,247	$ 396,231	$ 4,441,027
1996-97	2,534,067	83,940	961,120	577,234	31,665	405,546	4,593,572
1997-98	3,020,800	80,413	872,725	477,881	36,838	220,201	4,708,858
1998-99	3,163,072	94,573	985,182	653,997	26,493	311,837	5,235,154
1999-00	3,217,093	130,149	2,527,369	632,649	35,276	614,828	7,157,364
2000-01	3,328,017	108,410	1,795,639	606,146	40,515	637,451	6,516,178
2001-02	3,415,136	173,340	1,652,853	638,450	36,484	273,274	6,189,537
2002-03	3,590,566	124,133	1,208,770	741,935	38,428	397,567	6,101,399
2003-04	4,364,451	181,939	1,554,873	998,372	43,989	386,015	7,529,639
2004-05	$ 4,965,004	$ 132,251	$ 1,653,304	$ 804,429	$ 46,214	$ 301,633	$ 7,902,835

Notes:
* Taxes include property taxes and tax increment financing.
* Interest & Miscellaneous include use of money, and other income.
* Does not include capital projects.

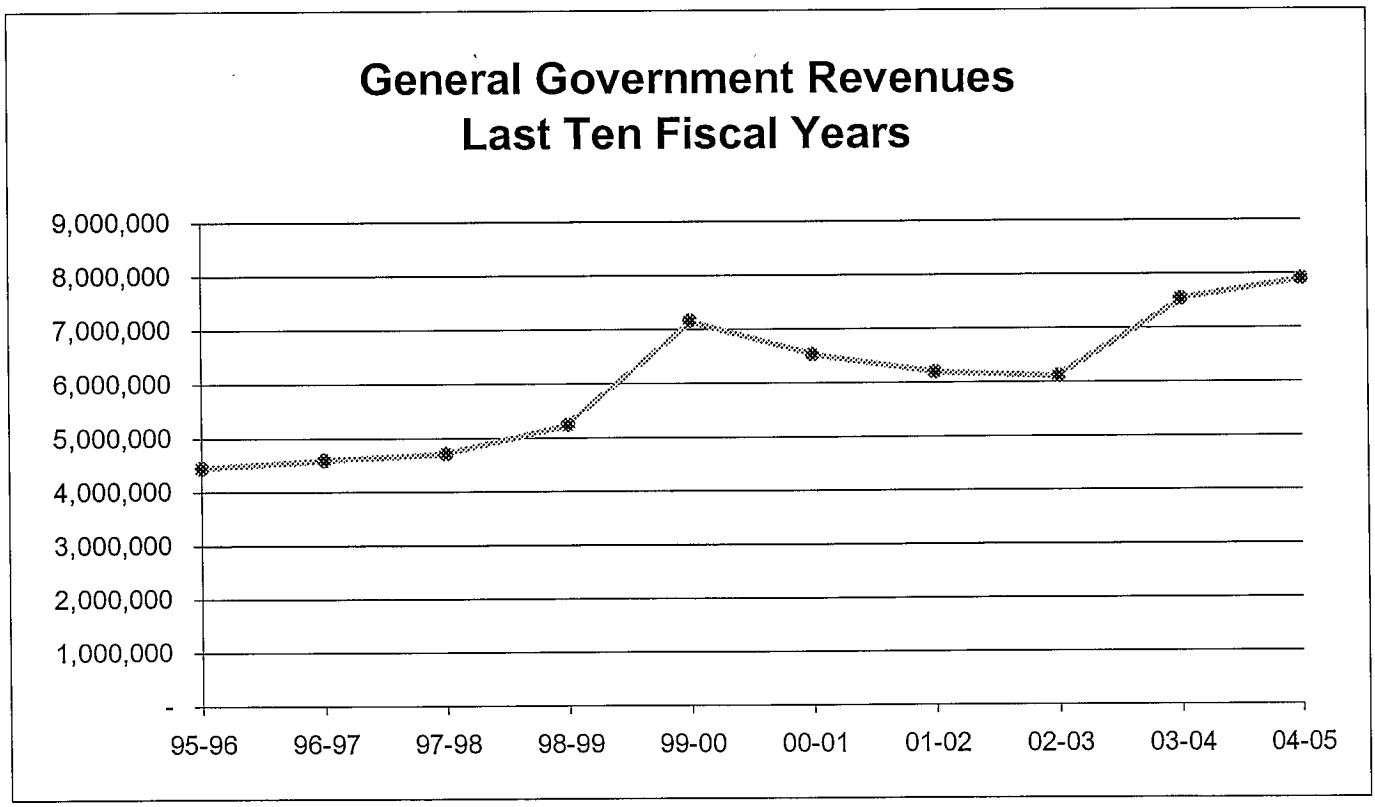


TABLE 3

CITY OF WAVERLY, IOWA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy
1995-96	$ 1,926,297	$ 1,950,804	101.27%
1996-97	2,086,807	2,066,792	99.04%
1997-98	2,407,911	2,447,486	101.64%
1998-99	2,501,244	2,557,808	102.26%
1999-00	2,596,924	2,660,291	102.44%
2000-01	2,749,411	2,819,551	102.55%
2001-02	2,872,431	2,951,815	102.76%
2002-03	3,048,979	3,105,328	101.85%
2003-04	3,236,314	3,243,081	100.21%
2004-05	$ 3,344,901	$ 3,405,718	101.82%

TABLE 4

CITY OF WAVERLY, IOWA
CONSTRUCTION VALUES
LAST TEN FISCAL YEARS

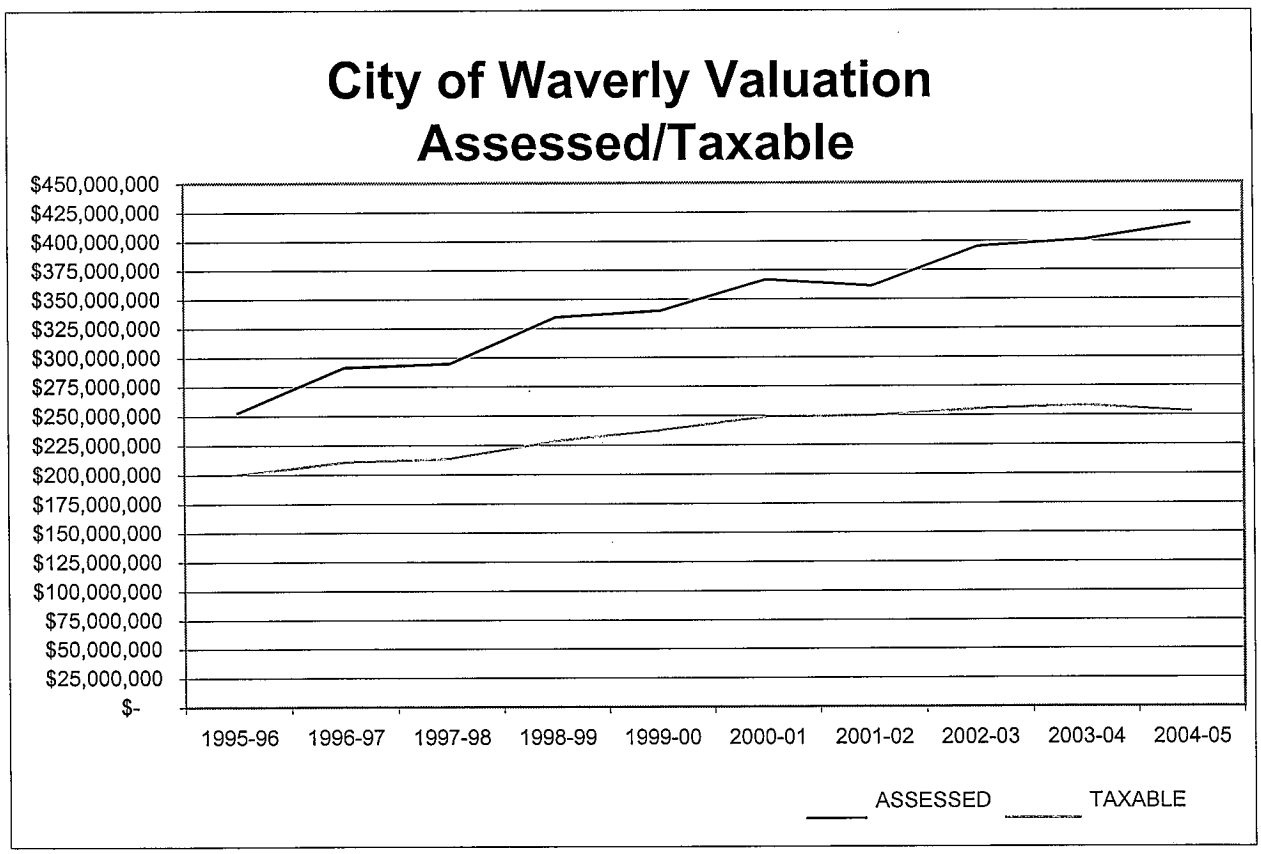
Fiscal Year	Single Family Homes	Single Family Homes Additions	(1) Multiple Family Dwellings	Commercial/ Industrial/ Other	Commercial/ Industrial/ Other Additions	Total
1995-1996	$ 1,994,434	$ 1,162,966	$ 562,000	$ 2,817,900	$ 2,043,399	$ 8,580,699
1996-1997	1,715,056	1,171,964	2,379,039	3,465,069	1,999,633	10,730,761
1997-1998	3,599,444	1,686,893	1,974,400	302,000	6,105,886	13,668,623
1998-1999	1,605,052	1,464,287	315,000	4,677,942	3,882,579	11,944,860
1999-2000	3,905,364	2,038,626	1,432,000	3,750,566	9,227,758	20,354,314
2000-2001	5,816,677	1,589,268	556,000	2,061,903	4,120,567	14,144,415
2001-2002	5,194,982	1,804,891	2,348,000	2,599,570	2,413,070	14,360,513
2002-2003	6,378,329	1,995,715	200,000	1,917,589	30,623,965	41,115,598
2003-2004	11,772,210	1,761,610	1,170,000	8,847,598	12,104,179	35,655,597
2004-2005	$ 11,816,518	$ 1,753,254	$ 1,035,992	$ 10,945,675	$ 6,737,784	$ 32,289,223

Source: City of Waverly Building Department

TABLE 5

CITY OF WAVERLY, IOWA
TOTAL ASSESSED AND TAXABLE VALUE OF REAL PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Total Assessed Value	Total Taxable Value	Percentage of Total Taxable Value to Total Assessed Value
1995-96	$ 252,680,868	$ 199,867,233	79.10%
1996-97	291,457,032	210,692,829	72.29%
1997-98	294,773,240	213,461,124	72.42%
1998-99	334,608,349	228,697,748	68.35%
1999-00	340,193,451	237,738,691	69.88%
2000-01	366,903,673	248,932,194	67.85%
2001-02	361,306,642	249,815,253	69.14%
2002-03	395,173,818	255,327,509	64.61%
2003-04	400,951,528	258,440,238	64.46%
2004-05	$ 415,036,455	$ 252,885,582	60.93%



CITY OF WAVERLY, IOWA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
LAST TEN FISCAL YEARS

TABLE 6

Fiscal Year	Principal	Interest and Other Debt	Total Debt Service	Total General Expenditures	Ratio of Debt Service to Total Expenditures
1995-96	$ 743,028	$ 374,432	$ 1,117,460	$ 6,336,199	0.18
1996-97	807,633	263,353	1,070,986	4,324,288	0.25
1997-98	1,104,219	332,578	1,436,797	5,300,882	0.27
1998-99	1,696,600	407,047	2,103,647	6,019,570	0.35
1999-00	519,707	390,170	909,877	6,093,648	0.15
2000-01	906,581	584,571	1,491,152	6,269,629	0.24
2001-02	868,161	672,644	1,540,805	6,529,365	0.24
2002-03	1,686,113	700,488	2,386,601	7,061,401	0.34
2003-04*	1,065,000	631,695	1,696,695	7,592,576	0.22
2004-05*	$ 1,150,000	$ 609,213	$ 1,759,213	$ 8,568,362	0.21

Note: General Expenditures include General, Special Revenue, and Debt Service funds.
* Includes all governmental activity expenditures

CITY OF WAVERLY, IOWA
RATIO OF NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

TABLE 7

Fiscal Year	Population	Assessed Value	Gross Bonded Debt	Less Debt Service Fund	Debt Payable From Enterprise Revenues	Net Bonded Debt	Ratio of Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
1995-96	8,539	$ 252,680,868	$ 5,660,000	$ 156,041	$ 1,012,236	$ 4,491,723	1.78%	$ 526
1996-97	8,539	291,457,032	8,185,000	225,920	1,624,790	6,334,290	2.17%	742
1997-98	8,539	294,773,240	10,045,000	110,499	1,475,847	8,458,654	2.87%	991
1998-99	8,539	334,608,349	8,795,000	619,398	1,531,834	6,643,768	1.99%	778
1999-00	8,539	340,193,451	10,625,000	85,910	1,891,328	8,647,762	2.54%	1,013
2000-01	8,968	366,903,673	12,535,000	71,770	1,766,035	10,697,195	2.92%	1,193
2001-02	8,968	361,306,642	15,695,000	50,051	1,657,635	13,987,314	3.87%	1,560
2002-03	8,968	395,173,818	14,575,000	5,406	1,505,388	13,064,206	3.31%	1,457
2003-04	8,539	400,951,528	13,380,000	13,122	1,375,388	11,991,490	2.99%	1,404
2004-05	8,539	$ 415,036,455	$ 16,200,000	$ 2,197,444	$ 1,705,388	$ 12,297,168	2.96%	$ 1,440

CITY OF WAVERLY, IOWA
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENEREAL OBLIGATION BONDS
June 30, 2003

TABLE 8

Jurisdiction	Net General Obligation bonded Debt Outstanding	Percentage Applicable to City	Amount Applicable to City
Direct:			
City of Waverly	$ 14,002,556	100%	$ 14,002,556
Overlapping:			
Bremer County	6,570,000	18%	1,182,600
Waverly-Shell Rock School District	1,540,000	44%	677,600
	$ 22,112,556		$ 15,862,756

TABLE 9

CITY OF WAVERLY, IOWA
PRINCIPAL TAXPAYERS
June 30, 2005

Taxpayer	Type of Business	1/1/2003 Valuation	Percentage Total Assessed Valuation
CUNA MutualLlife Insurance	Life insurance, annuities	$ 9,707,020	2.34 %
Nestle' USA	Dehydrated and instant food products	6,930,930	1.67
Terex Cranes, Inc. - Waverly Division	Cranes and excavators	3,658,890	.88
MDMPartnership	Commercial	3,050,940	.74
GMT Corporation	Custom machining, dies and fixtures	2,734,800	.66
Village Square Plaza	Commercial & retail property	2,319,510	.56
TDS Automation Inc.	Manufacturing	2,081,960	.50
Wav/Kaz Inc.	Commercial	1,834,900	.44
Waverly Partners, LP	Commercial	1,670,090	.40
First National Bank	Commercial	1,593,260	.38
Red Fox Convention Center	Commercial	1,556,410	.38
Total Taxable Assessed Value of Principal Taxpayers		37,138,710	8.95
Total Taxable Assessed Value of All Other Taxpayers		377,897,745	91.05
Total		$ 415,036,455	100.00 %

Notes:
* Assessed valuations as of January 1, 2002.
* Information obtained from the Bremer County Assessor's Office.

TABLE 10

CITY OF WAVERLY, IOWA
ASSESSED PROPERTY VALUES
LAST TEN FISCAL YEARS

Fiscal Year	Residential	Commercial	Industrial	Personal Property	Utilities	Ag Land	Total
1995-96	$ 158,405,691	$ 45,813,160	$ 15,609,664	$ 23,680,603	$ 6,697,690	$ 2,474,060	$ 252,680,868
1996-97	192,063,260	52,129,980	16,441,944	22,051,939	6,062,723	2,707,186	291,457,032
1997-98	194,790,200	54,842,450	18,742,320	17,680,570	6,085,140	2,632,560	294,773,240
1998-99	228,607,890	60,001,930	18,729,490	17,945,764	6,219,739	3,103,536	334,608,349
1999-00	232,795,060	62,354,450	19,359,010	16,554,280	6,015,930	3,114,721	340,193,451
2000-01	258,068,452	66,687,480	21,513,990	11,393,165	5,824,544	3,416,042	366,903,673
2001-02	254,101,314	68,079,070	22,276,320	7,879,983	5,793,703	3,176,252	367,100,345
2002-03	284,445,594	74,815,010	22,417,239	3,869,454	6,131,301	3,495,220	395,173,818
2003-04	292,517,970	73,558,190	25,241,740	-	6,391,538	3,242,090	400,951,528
2004-05	$ 305,595,895	$ 75,393,356	$ 25,698,055	$ -	$ 5,739,643	$ 2,609,506	$ 415,036,455

TABLE 11

CITY OF WAVERLY, IOWA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Fiscal Year	City of Waverly	Waverly - Shell Rock School	Bremer County	Hawkeye Community College	Total Tax Rate
1995-96	$ 10.73038	$ 14.95304	$ 5.75280	$ 0.74954	$ 32.18576
1996-97	10.77559	13.64768	5.37574	0.68629	30.48530
1997-98	12.15900	13.33311	5.24633	0.68467	31.42311
1998-99	11.81989	13.12906	5.27474	0.69600	30.91969
1999-00	11.76164	12.33389	4.48077	0.71525	29.29155
2000-01	12.05050	12.28616	4.64534	0.69371	29.67571
2001-02	12.47217	12.00157	4.43025	0.69917	29.60316
2002-03	12.96984	12.37041	4.45311	0.78418	30.57754
2003-04	13.47151	12.25940	4.95403	0.74560	31.43054
2004-05	$ 14.30467	$ 12.10120	$ 6.31808	$ 0.99535	$ 33.71930

Notes: State law limits the maximum tax rate for the General Fund to $8.10 per $1,000 of taxable valuation.
Taxes are July 1 of each year.
Taxes are delinquent if not paid by October 1, and April 1.
Uncollected taxes are considered delinquent and published in the newspaper prior to May 16.
Taxes are collected by Bremer County.
Distribution to the City of Waverly based on all levies and done monthly.

TABLE12

CITY OF WAVERLY, IOWA
WATER REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS

Fiscal Year	(1) Gross Revenues	(2) Direct Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirement Principal	Interest	Total	Coverage
1995-96	$ 699,626	$ 380,582	$ 319,044	$ 103,396	$ 75,543	$ 178,939	1.78
1996-97	725,973	433,689	292,284	119,645	85,310	204,955	1.43
1997-98	848,043	504,955	343,088	127,893	98,144	226,037	1.52
1998-99	745,982	460,180	285,802	90,000	67,513	157,513	1.81
1999-00	802,828	517,343	285,485	110,000	41,113	151,113	1.89
2000-01	804,780	506,640	298,140	115,000	36,177	151,177	1.97
2001-02	779,906	517,306	262,600	120,000	32,829	152,829	1.72
2002-03	976,130	594,037	382,093	570,000	45,837	615,837	0.62
2003-04	1,237,294	618,328	618,966	220,000	90,040	310,040	2.00
2004-05	$ 1,313,760	$ 692,632	$ 621,128	$ 225,000	$ 88,611	$ 313,611	1.98

(1) Operating revenues plus nonoperating revenues
(2) Operating expenses less depreciation

TABLE13

CITY OF WAVERLY, IOWA
SEWER REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS

Fiscal Year	(1) Gross Revenues	(2) Direct Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirement Principal	Interest	Total	Coverage
1995-96	$ 689,330	$ 462,056	$ 227,274	$ 100,900	$ 17,904	$ 118,804	1.91
1996-97	728,758	423,337	305,421	122,800	34,884	157,684	1.94
1997-98	866,554	537,468	329,086	106,050	97,391	203,441	1.62
1998-99	800,331	555,794	244,537	-	3,981	3,981	61.43
1999-00	889,789	614,025	275,764	50,000	54,487	104,487	2.64
2000-01	912,189	584,742	327,447	70,000	73,124	143,124	2.29
2001-02	995,915	656,202	339,713	75,000	74,720	149,720	2.27
2002-03	1,084,670	706,999	377,671	180,000	119,197	299,197	1.26
2003-04	1,435,684	807,196	628,488	240,000	117,612	357,612	1.76
2004-05	$ 1,437,178	$ 807,196	$ 629,982	$ 245,000	$ 108,980	$ 353,980	1.78

(1) Operating revenues plus nonoperating revenues
(2) Operating expenses less depreciation

TABLE 14

CITY OF WAVERLY, IOWA
MISCELLANEOUS STATISTICS
June 30, 2005

Date of Incorporation	1859
Form of Government	Mayor - Council with appointed City Administrator
Number of Full-Time Employees	69
Area in Square Miles	11.3
Miles of Streets	77
City of Waverly Facilities and Services:	
Culture and Recreation:	
Airports	1
Number of Libraries	1
Parks	19
Park Acreage	100
Miles of Recreation Trails	10
Swimming Pools	1
Civic Center	1
Golf Courses	1 - 18 hole municipal 1 - 18 hole private
Boat Dock and Ramp	1
Skate Parks	1
Fire Protection:	
Number of Stations	1
Number of Part-Time Fire Personnel and Officers	7
Number of Volunteer Fireman	35
Police Protection:	
Number of Stations	1
Number of Police Personnel and Officers	16
Number of Patrol Units	4
Number of Law Violations:	
Physical Arrests	385
Traffic Violations	934
Parking Violations	777
Sewerage System:	
Miles of Sanitary Sewers	62
Number of Treatment Plants	1
Number of Service Connections	3,160
Daily Average Treatment in Gallons	8,976,000
Maximum Daily Capacity of Treatment Plant in Gallons	5,000,000
Water System:	
Miles of Water Mains	64
Number of Service Connections	3,214
Number of Hydrants	587
Daily Average Consumption in Gallons	7,731,278
Maximum Daily Capacity in Gallons	7,000,000
Facilities and Services Not Included in City Government:	
Education:	
Number of Elementary Schools	5 - Public 1 - Private
Number of Middle Schools	1 - Public
Number of Secondary Schools	1 - Public
Number of Colleges	1- Private (approx. 1,600)
Hospitals:	
Waverly Municipal Hospital	1
Number of Patient Beds	66

TABLE 15

CITY OF WAVERLY, IOWA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2005

2003-04 ESTIMATED ACTUAL VALUATION:	$ 415,036,455	
DEBT LIMIT - 5% OF ESTIMATED ACTUAL VALUATION		$20,751,823
AMOUNT OF DEBT APPLICABLE TO DEBT LIMIT		
GENERAL BONDED DEBT	16,200,000	
NOTES PAYABLE	257,744	
	16,457,744	
AMOUNT AVAILABLE FOR REPAYMENT OF GENERAL OBLGATION DEBT		
TOTAL DEBT APPLICABLE TO DEBT LIMIT		16,457,744
LEGAL DEBT MARGIN		$ 4,294,079

TABLE 16

CITY OF WAVERLY, IOWA
DEMOGRAPHIC STATISTICS

Fiscal Year	(1) Population	(1) Per Capita Income	(1) in Years Median Age	(1) Education Level of Formal Schooling	(2) School Enrollment	(3) Unemployment Rate
1970	7,205	$ 2,961	25.2	12.5	2,582	3.80%
1980	8,444	$ 7,182	27.4		2,282	4.60%
1990	8,539	$ 11,942	32.5		2,120	4.20%
2000	8,968	$ 26,410	39.2		1,944	2.40%

Sources:

(1) Bureau of Census
(2) Annual School Census
(3) Iowa Department of Job Service

WILLIAMS & COMPANY P.C.
Certified Public Accountants

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Le Mars, IA 51031
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor, Members of the City Council
City of Waverly, Iowa

We have audited the financial statements of the CITY OF WAVERLY, IOWA as of and for the year ended June 30, 2005, and have issued our report thereon dated September 29, 2005. We did not audit the financial statements of Waverly Municipal Hospital or Waverly Light and Power (discretely presented component units). Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our report on these financial statements, insofar as it relates to the amounts included for the discretely presented component units was based solely on the reports of other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards, and those standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting:
In planning and performing our audit, we considered the City of Waverly's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 of Waverly's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item II-A-05.

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit.

If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

September 29, 2005
Le Mars, Iowa

CITY OF WAVERLY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Part I: Summary of the Independent Auditors' Results

(a) An unqualified opinion was issued on the financial statements.
(b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements, and is considered to be a material weakness.
(c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

Instances of Non-Compliance:

No matters were noted.

There were no prior year audit findings.

Reportable Conditions:

II-A-05 – Financial Accounting - Segregation of Duties

Comment: One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual from handling duties which are incompatible. We noted that the same person receipts cash, prepares the cash receipts listing and receipts journal, and maintains the customer accounts.

Recommendation: We realize that, with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain maximum internal control under the circumstances.

Response and Corrective Action Plan: The City understands the nature of the weakness and will continue to exercise control through administrative review of reports as an alternative to segregation of duties.

Conclusion: Response accepted.

Part III: Other Findings Related to Required Statutory Reporting

III-A-04 - Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

III-B-04 - Certified Budget – Expenditures for the year ended June 30, 2005 exceeded amounts budgeted in the Public Safety function.

Recommendation – The budget should be amended before expenditures are made from the individual functions.

Response – Future budgets will be amended before expenditures are made as appropriate.

Conclusion – Response accepted.

III-C-04 - Questionable Expenditures - We noted no questionable expenditures during our audit.

III-D-04 - Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

III-E-04 - Business Transactions – There were business transactions between the City and City officials.

III-F-04 - Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.

III-G-04 - Council Minutes - We noted no transactions requiring approval which had not been approved by the Council.

III-H-04 - Revenue Bonds - No violations of revenue bond resolutions were noted.

III-I-04 Cash 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.