

CITY OF WATERLOO, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2007

Prepared By:

City of Waterloo Finance Department
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Introductory Section



CITY OF WATERLOO, IOWA

CITY HALL • 715 MULBERRY ST. • WATERLOO, IA 50703 • (319) 291-4301 FAX (319) 291-4286

December 17, 2007

Mayor
TIMOTHY J.
HURLEY

Members of the City Council
and Citizens of the City of Waterloo, Iowa

COUNCIL
MEMBERS
.....

REGINALD A.
SCHMITT
Ward 1

CAROLYN
COLE
Ward 2

HAROLD
GETTY
Ward 3

JOHN A.
KINCAID
Ward 4

RON
WELPER
Ward 5

BOB
GREENWOOD
At-Large

ERIC
GUNDERSON
At-Large

We are pleased to present the Comprehensive Annual Financial Report of the City of Waterloo, Iowa (the "City") for the fiscal year ended June 30, 2007 in accordance with the provisions of Chapter 11 of the Code of Iowa. This report represents the fifth consecutive year that the financial statements are presented in conformity with Governmental Accounting Standards Board Statement # 34 and the eleventh consecutive time that it has been presented in accordance with generally accepted accounting principles. It has also been audited by an independent certified public accounting firm in accordance with generally accepted auditing standards and the single audit act requirements of the U.S. Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations". Hogan-Hansen, P.C., Certified Public Accountants and Consultants issued an unqualified ("clean") opinion on the financial statements for the year ended June 30, 2007. This report is published to provide the City Council, financial institutions and citizens the detailed information concerning the financial condition of the City of Waterloo.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. Management assumes this responsibility based on a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Management therefore believes the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

Management is required to provide a narrative introduction, overview and analysis of the basic financial statements, known as Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A, found at pages 3 through 15 and should be read in conjunction with it. The information presented in the Statistical Section contains information that management believes that readers of the financial statements will find useful for understanding City operations.

THE CITY'S BACKGROUND AND SERVICES

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

The City of Waterloo provides a full range of municipal services to its citizens and is organized into 20 operating departments, the activities of which are directed by the Mayor. The public services provided by the employees of the City include police and fire protection, the construction and maintenance of highways, streets and other infrastructure through the planning, engineering, street maintenance and traffic safety departments and recreational and cultural and arts services provided through the library, leisure services, and cultural and arts departments. The City also provides solid waste collection and waste water treatment through the waste management services department and operates a regional airport. Various other human services are provided through the community development, housing and human rights departments. In addition, the central garage provides vehicle maintenance services, while the human resources and management information systems departments, city attorney, city clerk and chief financial officer and their respective departments perform various administrative functions.

Funds, agencies, boards, commissions, trusts and authorities involved in the provision of municipal services must be included in the City's financial reporting as component units if the City is financially accountable for them. Although the Waterloo Water Works and the Waterloo Convention & Visitors Bureau, Inc. are operated as independent entities, they do meet the requirements to be considered component units of the City, and therefore, transactions of these entities are required to be included in this report. The Waterloo Community School District and the Metropolitan Transit Authority do not meet the established criteria for component entities of the City and are therefore not included in this report.

MAJOR INITIATIVES AND PROJECTS

The City has undertaken a number of major improvement initiatives. Brief descriptions of these major projects are described below.

- Cedar Valley Riverfront Renaissance
The construction of portions of a major project identified as the Cedar Valley Riverfront Renaissance Plan is currently underway, with completion expected by late 2009. This project will draw the community together around the Cedar River, one of the area's most valuable natural resources, re-establish a strong center for downtown, help recruit significant new business, expand tourism and improve the use of existing facilities. It includes the following projects, among others:

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

The Riverfront Renaissance project is being funded primarily using distributions from the Black Hawk County Solid Waste Commission in addition to funds received from the state-sponsored Vision Iowa program. Several additional grants have been secured for portions of the project. The first three projects listed above have been approved to receive \$7.3 million from the Vision Iowa program. As a part of that award, the City also participated in funding the construction of the East Side Ministerial Alliance Community Center. Black Hawk County and the cities of Cedar Falls, Evansdale and Waterloo presented a combined application to the Vision Iowa Program. The communities received a total award of \$9.5 million, which will result in a total investment of more than \$35 million in these communities. Several portions of the RiverWalk Loop are either under construction or already completed. Improvements to the Cedar River Dam, expected to raise the river level enough to allow additional boating, are also underway. The construction of a \$4.5 million Youth Pavilion addition to the City of Waterloo Center for the Arts facility is currently nearing completion, while the Grout Museum addition is also currently under construction. When completed, the RiverWalk Loop will provide a unique recreational trail experience along the Cedar River throughout downtown Waterloo.

- RiverLoop Expo

Final design and construction for the RiverLoop Expo grounds near the Five Sullivan Brothers Convention Center and the future Cedar River Plaza is underway. The City has acquired a number of properties in the downtown area to create exhibition grounds that will link downtown destinations, in addition to eliminating blight in the heart of downtown. Current plans define the grounds as a flexible community gathering space and outdoor exhibit space for conventions and trade shows.
- Former Rath Packing and John Deere Brownfields Pilot Area

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

- The Eighteenth Street Bridge was opened to traffic in the fall of 2005. It is assisting in the redevelopment of the Rath neighborhood by eliminating the impediments for truck traffic to the area. The replacement of the 70-year-old bridge was a \$6 million project funded with local, state and federal sources. These improvements have helped the City of Waterloo enter into development agreements with Powers Manufacturing and Crystal Distribution for expansion projects in this area adding nearly 100,000 square feet of new space and over 20 new jobs to the Brownfields area.
- A \$1 million pilot grant from the Environmental Protection Agency (EPA) to establish a Brownfields Cleanup Revolving Loan Fund (BCRLF) has also been awarded to the City. This BCRLF award is a major component of the EPA's Brownfields Economic Redevelopment Initiative and will enable the City to make low interest loans to facilitate the cleanup and redevelopment of Brownfields properties. The City has applied for and received several grants to redevelop the former Construction Machinery Company site (CMC). CMC is enrolled in the Iowa Department of Natural Resources Land Recycling Program while Chamberlain, the company that formerly operated Chamberlain Manufacturing, is working with the EPA to address potential remediation needs at their former site.
- **Waste Water Treatment Plant**
The City has completed the improvements required to the wastewater treatment facilities involving nearly \$67 million in federal and city funding.
- **Street Improvements**
Waterloo continues to upgrade its street system with the substantial program of reconstruction, overlays and long-term repairs funded with approximately \$8 million in annual local option sales tax collections. The one-cent local option tax was renewed in February 2005 by the taxpayers for another five years, continuing to be required to be used for street repairs and improvements.
- **Recreational facilities**
The City is also continuing to develop its extensive system of bike trails, which are being connected to countywide and regional trail networks. A new recreational area for all-terrain vehicle trails is being developed in the Riverview neighborhood. Improvements are currently being made to Riverfront Municipal Stadium, the City's baseball facility.

ECONOMIC OUTLOOK

The outlook of the economy of Waterloo and the Cedar Valley area remains positive with continued growth and strong commercial and industrial activity. Construction in Waterloo continued at a pace greater than any year in the previous decade, with a fourth straight record-breaking year in building permit valuation at \$181.1 million for the year ended June 30, 2007. The median sales price for homes in the Waterloo-Cedar Falls area has increased by 62% since 1998 (an annual average growth rate of 6.5%), although

values were virtually flat during the current fiscal year. Retail sales have also increased steadily by an annual average rate of approximately 2% in Waterloo during the past ten years. Retail sales in 1998 totaled \$894 million and \$1,049 million for the fiscal year ended June 30, 2007. The 2000 census reflected population growth of 3.4% from 1990. Although Waterloo has not returned to the population levels of the seventies (prior to the major disruption in the farm economy), this increase is significant as it indicates a change in trend from a declining population to a growing population.

Overall city tax base growth has been moderate, reflecting an average annual level of approximately 9.1% for the last five years. The City has developed a more diverse employment base since the mid-seventies, but John Deere and Company continues to play a major role in the local economy. Deere remains the city's largest employer and one of the largest taxpayers, currently accounting for about 8.4% of total county employment and about 1.3% of total taxable property values. Deere has recently invested \$125 million into the redevelopment of its downtown Westfield Avenue site, reflecting the company's continued commitment to the area. John Deere has hired nearly 2,000 people since 2000 under the redevelopment plan, both in new positions and replacing retirees. The Company has experienced several record-setting performance years recently. The city's average unemployment level of 4.1% remains above the state level of 3.5%, although it is below the national level for June 2007 of 4.5%. Overall annual city employment growth has reduced the unemployment rate substantially from a peak of 7.6% in the early 1990s.

In May 2005, the Isle of Capri was awarded a gaming license to operate a casino facility in southwest Waterloo. The casino grand opening was held June 30, 2007 for the \$98 million facility, which is expected to employ 800 and generate \$1 million in annual City property taxes. The City will also receive a host city fee of 0.5% of weekly adjusted gross receipts in addition to an annual development fee of 0.5% of weekly adjusted gross receipts for the first two years the casino is in operation, with the development fee increasing to 1% of weekly adjusted gross receipts after that date.

It has recently been announced that the City has been selected to be the site of a \$1.4 billion coal power generation plant. The regulatory approval process for the plant is expected to take approximately one year, with construction occurring the following four years. The plant is expected to open sometime in 2011, and employ 100 full time employees. More than 1,200 construction jobs will be created during the four-year construction period.

The outlook remains positive for the continuation of these upward trends based upon the redevelopment that will occur with the Riverfront Renaissance projects, John Deere's investment in the community, the construction of the casino facility and the power generation plant, as well as the growth in the Mid Port America Industrial Park with Con Agra adding 50 employees and building a 200,000 square foot expansion valued at \$46 million, and continued development in the Northeast Industrial Park. The construction of a large distribution facility at the Northeast Industrial Park has added a complex valued at more than \$20 million and employing more than 200 individuals. Major commercial expansions in the southern sector of the City, as well as in the new Technology Park, are strong indications of continued business interest in Waterloo.

A new complex, the Cedar Valley TechWorks, is being developed as a combination bioproducts expo and incubator marketplace to help define, expand and nurture the region's emerging bioeconomy. The TechWorks has received a grant of \$3,200,000 from the Iowa Values Fund to develop companies for the new economy. The City has begun street and stormwater improvements in this area to aid in the development of the TechWorks complex.

The long term commercial and industrial viability of the Waterloo/Cedar Falls area is anticipated to continue to improve with the completion in the next few years of two four-lane highway corridors passing through the City with the "Avenue of the Saints" running north to St. Paul from St. Louis, and US Highway 20 running from Chicago to Interstate 35 and programmed to continue west to Interstate 29 at Sioux City. In addition, the City is undertaking a project to study the reconstruction and redevelopment of Highway 63 through downtown Waterloo. This has resulted in the appropriation of \$11,500,000 to complete the design and initiate construction. The primary goals of this project are to correct the highway's current negative impact on adjacent low income and minority-populated communities, improve traffic operations and capacity and encourage private sector development along this corridor.

FINANCIAL MANAGEMENT INFORMATION

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

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

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

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

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Waterloo, Iowa for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. This is the third year that the City received this award, which is a prestigious national award recognizing conformance with the highest standards for the preparation of state and local government financial reports.

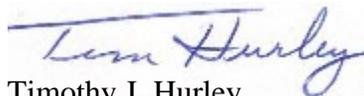
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The CAFR must satisfy both accounting principles generally accepted in the United States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

A Certificate of Achievement is valid for a period of one year only. Management believes that the current report continues to meet the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

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

Sincerely,



Timothy J. Hurley,
Mayor



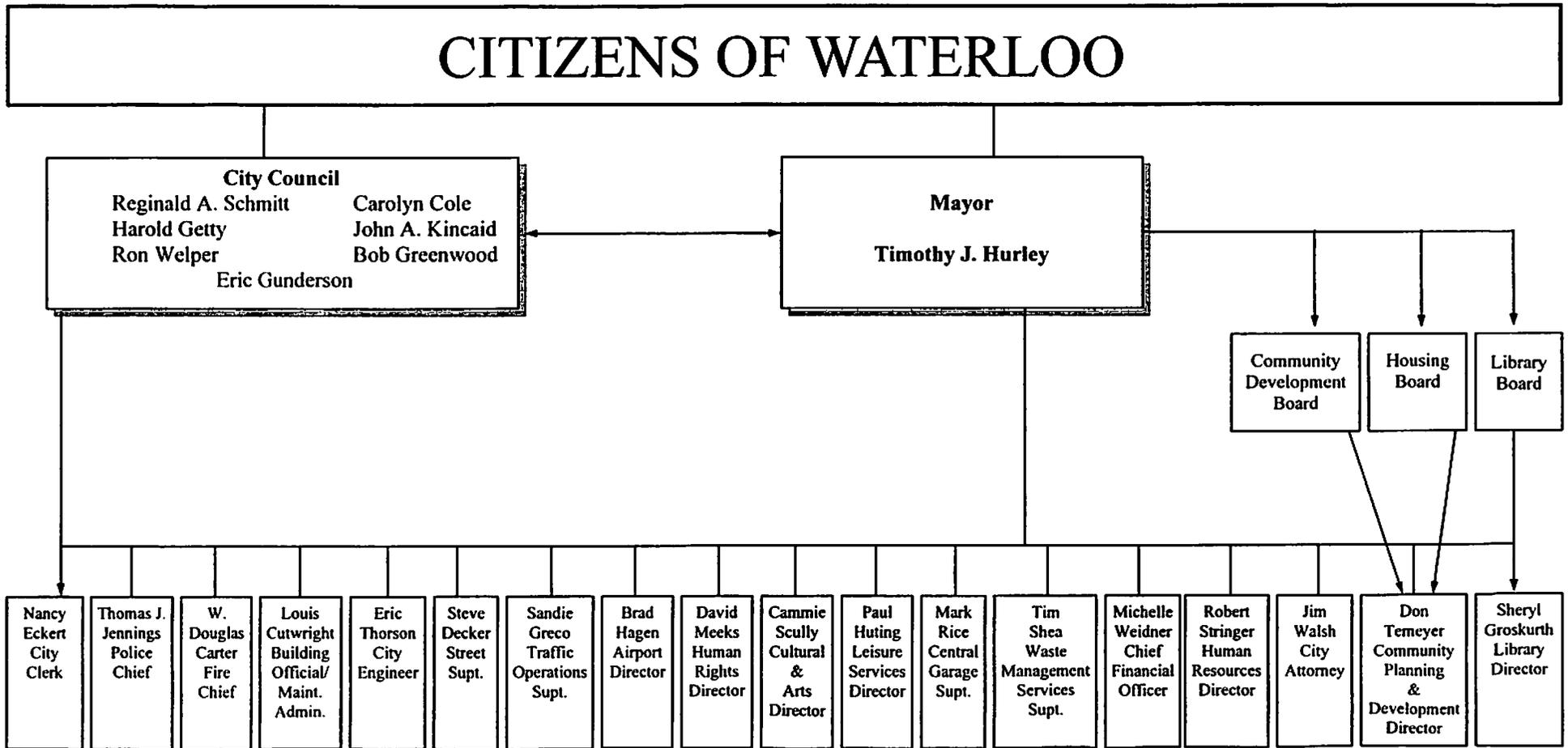
Michelle C. Weidner, CPA
Chief Financial Officer

Officials

June 30, 2007

Name	Title	Term Expires
Elected		
Timothy A. Hurley	Mayor	January, 2008
Reginald Schmitt	Council Member - 1st Ward	January, 2010
Carolyn Cole	Council Member - 2nd Ward	January, 2008
Harold Getty	Council Member - 3rd Ward	January, 2010
John Kincaid	Council Member - 4th Ward	January, 2008
Ron Welper	Council Member - 5th Ward	January, 2010
Bob Greenwood	Council Member - At-Large	January, 2010
Eric Gunderson	Council Member - At-Large	January, 2008
Appointed		
Michelle Weidner, CPA	Chief Financial Officer	Indefinite
Nancy Eckert, CMC	City Clerk	Indefinite
Eric Thorson, PE	City Engineer	Indefinite
James E. Walsh, Jr.	City Attorney	Indefinite
W. Douglas Carter	Acting Chief of Fire Department	Indefinite
Thomas J. Jennings	Chief of Police Department	Indefinite

CITY OF WATERLOO, IOWA — ORGANIZATIONAL STRUCTURE



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Waterloo
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Waterloo, Iowa, at and for the year ended June 30, 2007 and the discretely presented component unit, the Waterloo Water Works, at and for the year ended December 31, 2006, and the discretely presented component unit, the Waterloo Convention & Visitors Bureau, Inc., at and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Waterloo, Iowa, at June 30, 2007 and the discretely presented component units at December 31, 2006 and June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2007 on our consideration of the City of Waterloo, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Honorable Mayor and
Members of the City Council
City of Waterloo, Iowa
Page 2

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 15 and 57 through 59 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waterloo, Iowa's basic financial statements. The accompanying supplemental data on pages 60 through 84, 110 through 114, 122 and 123 is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Waterloo, Iowa. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the aforementioned financial statements taken as a whole. Information included in the statistical section (pages 85 through 105) has not been audited by us and we express no opinion or provide any other assurance on it.

HOGAN - HANSEN

HOGAN - HANSEN

Waterloo, Iowa

April 25, 2007 for the Waterloo Water Works discretely presented component unit,
November 2, 2007 for the Waterloo Convention & Visitors Bureau, Inc. component unit and
December 14, 2007 for all other reporting units

Management's Discussion and Analysis

As management of the City of Waterloo, we offer readers of the City of Waterloo's financial statements this narrative overview and analysis of the financial activities of the City of Waterloo for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at pages i-vii of this report.

Financial Highlights

- The assets of the City of Waterloo exceeded its liabilities at the close of the most recent fiscal year by \$295,960,614 (net assets). Of this amount, \$13,589,895 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$17,318,349.
- As of the close of this current fiscal year, the City of Waterloo's governmental funds reported combined ending fund balances of \$47,333,182, an increase of \$3,692,712 in comparison with the prior year. Approximately 80.15% of this total amount, \$37,938,603, is available for spending at the government's discretion (unreserved undesignated fund balance), although some funds are legally limited for specified purposes.
- At the end of the current fiscal year, unreserved undesignated fund balance for the General Fund was \$6,946,759, or 19.48% of total General Fund expenditures.
- The City of Waterloo's total long-term debt, net of discounts and reacquisition costs, decreased by \$651,294 (0.68%) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Waterloo's basic financial statements. The City of Waterloo's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Waterloo, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Waterloo can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes

in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Waterloo maintains 21 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, Trust and Agency Fund, Local Option Tax Fund and General Obligation Debt Service Fund, all of which are considered to be major funds. Data from the other 17 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Waterloo, assets exceeded liabilities by \$295,960,614 at the close of the fiscal year ended June 30, 2007.

By far the largest portion of the City of Waterloo's net assets (87%) reflects its investment in capital assets (e.g., land, buildings and improvements, infrastructure and vehicles and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Waterloo uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Waterloo's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Net Assets

A condensed version of the Statement of Net Assets as of June 30, 2007 and 2006 follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Assets						
Current and other assets	\$ 93,100,436	\$ 89,010,568	\$ 14,344,262	\$ 15,540,595	\$ 107,444,698	\$ 104,551,163
Capital assets	<u>241,589,808</u>	<u>228,910,408</u>	<u>89,624,381</u>	<u>87,589,507</u>	<u>331,214,189</u>	<u>316,499,915</u>
Total Assets	<u>\$ 334,690,244</u>	<u>\$ 317,920,976</u>	<u>\$ 103,968,643</u>	<u>\$ 103,130,102</u>	<u>\$ 438,658,887</u>	<u>\$ 421,051,078</u>
Liabilities						
Current liabilities	\$ 50,815,052	\$ 49,946,419	\$ 4,028,998	\$ 4,616,073	\$ 54,844,050	\$ 54,562,492
Long-term liabilities	<u>62,357,136</u>	<u>61,001,110</u>	<u>25,497,087</u>	<u>26,845,211</u>	<u>87,854,223</u>	<u>87,846,321</u>
Total Liabilities	<u>\$ 113,172,188</u>	<u>\$ 110,947,529</u>	<u>\$ 29,526,085</u>	<u>\$ 31,461,284</u>	<u>\$ 142,698,273</u>	<u>\$ 142,408,813</u>
Net Assets						
Invested in capital assets, net of related debt	\$ 193,678,687	\$ 166,650,408	\$ 63,144,916	\$ 57,945,809	\$ 256,823,603	\$ 224,596,217
Restricted	<u>22,213,054</u>	<u>34,279,423</u>	<u>3,334,062</u>	<u>6,300,746</u>	<u>25,547,116</u>	<u>40,580,169</u>
Unrestricted	<u>5,626,315</u>	<u>6,043,616</u>	<u>7,963,580</u>	<u>7,422,263</u>	<u>13,589,895</u>	<u>13,465,879</u>
Total Net Assets	<u>\$ 221,518,056</u>	<u>\$ 206,973,447</u>	<u>\$ 74,442,558</u>	<u>\$ 71,668,818</u>	<u>\$ 295,960,614</u>	<u>\$ 278,642,265</u>

\$25,547,116 of the City of Waterloo's net assets (8.63%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$13,589,895) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The City's total net assets increased by \$17,318,349 during the current fiscal year. Governmental-type activities' net assets increased by \$14,544,609. This increase was largely related to the net effect of capital asset transactions. See page 24 for a reconciliation of this increase. The total business-type activities' net assets increased by \$2,773,740. This increase was also mainly attributable to the City's investment in capital assets during the fiscal year.

Statement of Activities

A condensed version of the Statement of Activities as of June 30, 2007 and 2006 follows:

City of Waterloo Governmental and Business-Type Activities

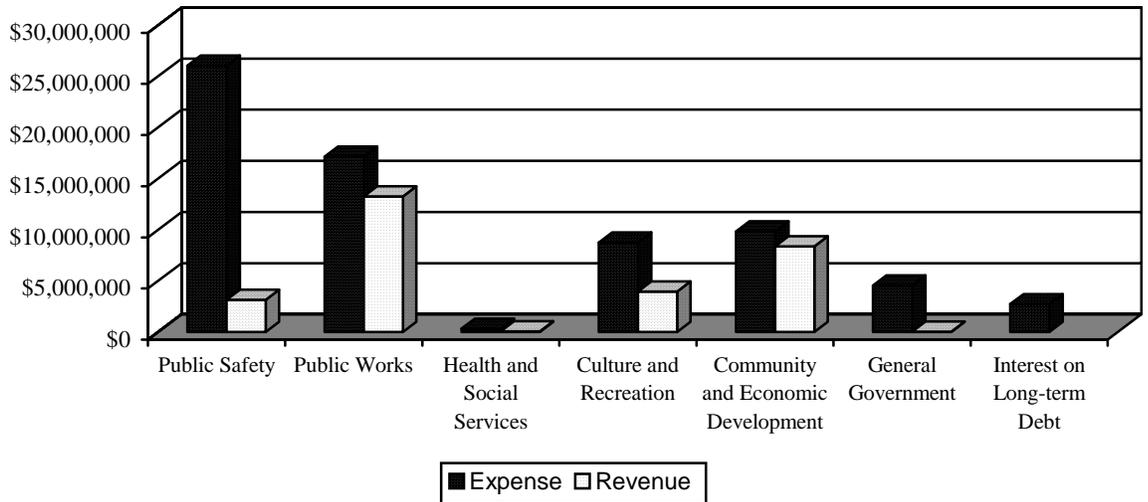
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenue						
Program Revenues						
Charges for services	\$ 6,373,405	\$ 6,369,507	\$ 12,595,845	\$ 13,106,773	\$ 18,969,250	\$ 19,476,280
Indirect allocations	1,465,827	1,464,992	(1,465,827)	(1,464,992)	-	—
Operating grants and contributions	16,568,953	18,358,119	315,437	7,361	16,884,390	18,365,480
Capital grants and contributions	5,911,499	6,241,861	799,265	311,303	6,710,764	6,553,164
General Revenues						
Property taxes	35,563,613	33,613,237	-	—	35,563,613	33,613,237
Other taxes	12,101,827	12,496,242	-	—	12,101,827	12,496,242
Other	5,954,913	4,404,849	532,645	402,160	6,487,558	4,807,009
Total Revenue	<u>83,940,037</u>	<u>82,948,807</u>	<u>12,777,365</u>	<u>12,362,605</u>	<u>96,717,402</u>	<u>95,311,412</u>
Expenses						
Public safety	26,046,236	25,251,052	-	—	26,046,236	25,251,052
Public works	17,144,284	10,928,325	-	—	17,144,284	10,928,325
Health and social services	333,818	406,759	-	—	333,818	406,759
Culture and recreation	8,749,963	7,476,963	-	—	8,749,963	7,476,963
Community and economic development	9,839,270	14,442,627	-	—	9,839,270	14,442,627
General government	4,553,632	4,065,216	-	—	4,553,632	4,065,216
Interest on long-term debt	2,728,225	2,625,800	-	—	2,728,225	2,625,800
Sanitary sewer Sanitation	-	—	7,550,650	7,974,232	7,550,650	7,974,232
	-	—	2,452,975	2,423,368	2,452,975	2,423,368
Total Expenses	<u>69,395,428</u>	<u>65,196,742</u>	<u>10,003,625</u>	<u>10,397,600</u>	<u>79,399,053</u>	<u>75,594,342</u>
Increase in Net Assets	14,544,609	17,752,065	2,773,740	1,965,005	17,318,349	19,717,070
Beginning Net Assets, as restated	<u>206,973,447</u>	<u>92,341,378</u>	<u>71,668,818</u>	<u>69,703,813</u>	<u>278,642,265</u>	<u>162,045,191</u>
Ending Net Assets	<u>\$ 221,518,056</u>	<u>\$ 110,093,443</u>	<u>\$ 74,442,558</u>	<u>\$ 71,668,818</u>	<u>\$ 295,960,614</u>	<u>\$ 181,762,261</u>

Total governmental activities' revenue for the current fiscal year was \$83,940,037. The largest single revenue source for the City was property taxes of \$35,563,613. Property taxes increased by \$1,950,376 (5.80%) during the year. This increase is a result of a combination of factors, including a 5.4% increase in the assessed value of property, a 3.9% increase in the taxable value of property, and a 1.62% decrease in the levy rate.

Capital assets were restated to add infrastructure assets, net of related depreciation, placed in service from July 1, 1980 through June 30, 2002 under the delayed capitalization method permitted by GASB #34. Assets of \$151,380,812 and accumulated depreciation of \$54,500,808 were added as of June 30, 2006. The addition of these assets resulted in additional current year depreciation expense of \$4.6 million.

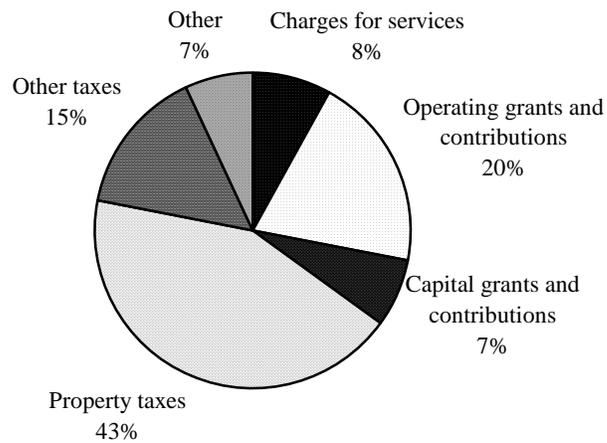
Certain revenues are generated that are specific to governmental program activities. These totaled \$30,319,684 during the fiscal year ended June 30, 2007. The graph below illustrates the comparison between the expenses by governmental activity type and the revenues generated that are specific to those activities.

Expenses and Program Revenues – Governmental Activities



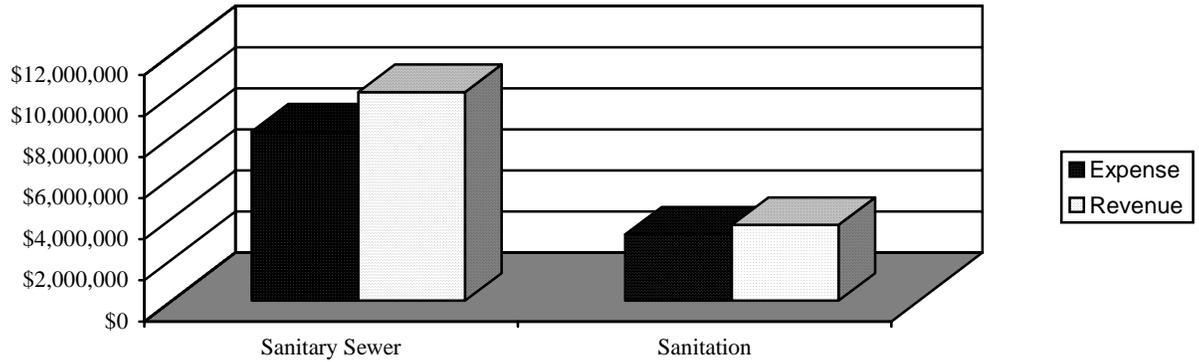
The graph below shows the percentage of the total governmental revenues allocated by each revenue type.

Revenues by Source – Governmental Activities



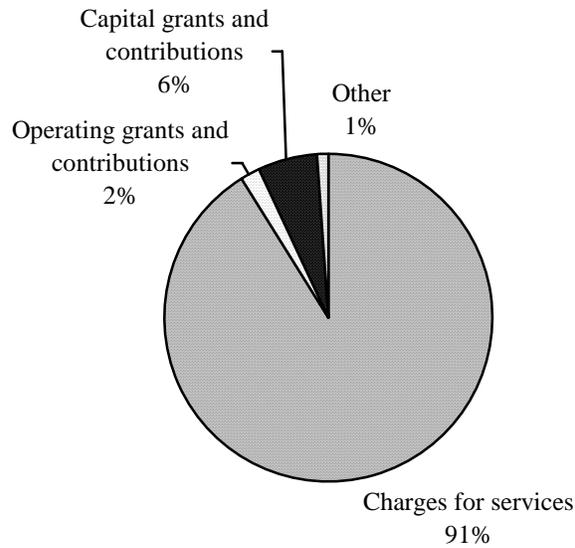
Total business-type activities' revenue for the fiscal year was \$14,243,192. All of this revenue was generated for specific business-type activity expenses. The graph below shows a comparison between the business-type activity expenses and program revenues.

Expenses and Program Revenues – Business-type Activities



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

Revenues by Source – Business-type Activities



Business-type activities. Business-type activities increased the City of Waterloo's net assets by \$2,773,740, accounting for 16% of the growth in the government's net assets. This increase was due primarily to the generation of operating revenue to retire debt incurred for sewer plant construction.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Waterloo's governmental funds reported combined ending fund balances of \$47,333,182, an increase of \$3,692,712 in comparison with the prior year. Fund balance in the amount of \$4,263,349 is not available for new spending because it has already been committed for a variety of restricted purposes. Approximately 90.99% of total fund balance (\$43,069,833) constitutes unreserved fund balance. \$30,991,844 of this total balance is restricted for the type of use of the fund that generated the revenue. (For example, the Local Option Tax Fund has unreserved fund balance of \$7,333,569 which may be used only for the purposes specified in the authorizing referendum.) \$5,131,230 of the total governmental funds unreserved fund balance (\$43,069,833) has been designated by the City Council for specified purposes, leaving \$37,938,603 in uncommitted funds.

The General Fund is the chief operating fund of the City of Waterloo. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$6,946,759, while total fund balance was \$14,237,680. As a measure of the General Funds' liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 19.5% of total General Fund expenditures, while total fund balance represents 39.9% of that same amount.

The fund balance of the City of Waterloo's General Fund increased by \$1,530,321 during the current fiscal year. Several things contributed to this increase. The City originally budgeted to spend all non-restricted resources, consequently budgeting for no change in unreserved fund balance. However, several sources of revenue exceeded the amounts budgeted. The building inspection department collected \$328,000 more revenue than it was budgeted to receive, largely due to the building permits issued for the new casino. The clerk/finance department collected \$300,000 more revenue than budgeted, primarily investment income. Ambulance revenue was \$200,000 more than budgeted. In addition, net expenditures incurred by the police department were under budget by approximately \$180,000, net expenditures incurred by the leisure services department were under budget by approximately \$265,000, although leisure services department revenues were also under budget by \$160,000. The Youth Pavilion construction progressed more slowly than expected, resulting in \$53,000 less in operating expenses, but also \$22,000 less revenue than expected. The remaining balance arose from various other departments that spent less than the amount budgeted for their department or that received more revenue than budgeted. Most budgetary savings realized by departments were due to employee positions that were vacant for part of the year.

The Trust and Agency Fund has a total fund balance of \$1,706,681, all of which is reserved for the payment of employee benefits. The net increase in fund balance during the current year was \$1,041,226, due primarily to health insurance costs being less than expected.

The Local Option Tax Fund net assets decreased by \$518,393 during the current year to a total fund balance of \$7,333,569, all of which is reserved for street repairs, construction and improvements. The decrease is due primarily to the completion of several large projects that were budgeted to be completed in prior years, but were actually completed during the current year. A substantial portion of this balance will be used to satisfy outstanding construction contract commitments of \$6.7 million and to pay for the \$1.4 million Brownfields street construction program.

The Debt Service Fund has a total fund balance of \$830,247, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service Fund was \$492,782. This decrease in fund balance was planned to take advantage of bond refinancing savings realized in prior years and Tax Increment District revenue collections in prior years that exceeded expectations.

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

Total net assets of the sanitary sewer fund at the end of the year were \$70,543,746, an increase of \$2,311,757. This increase arose from several sources. The largest share of the increase is due to continued investment in capital assets for the sanitary sewer system, including sewer lines contributed to the city by developers. Investment income was higher than budgeted, while operating expenses were less than budgeted.

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

Budgetary Highlights

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

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

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

The total original expenditure budget including transfers out of \$136,982,860 was increased to \$167,411,749 (an increase of \$30,428,889).

- The City amended the budget to add \$12 million in anticipated refunding bond issues (reducing future debt service payments by \$0.67 million).
- The City added a number of capital outlay budgets for numerous projects approved for design and construction after the original budget certification date and also to reflect work completed during the current year on capital projects that were originally included in the prior year budget (\$15.2 million).
- The City added project budgets for several Public Safety department grants and expenses funded with other miscellaneous revenue that were approved after the original budget certification date (\$0.69 million).
- Additional amounts were budgeted for anticipated increases in health insurance and workers compensation insurance expenses (\$0.74 million).
- Transfers out were increased to reflect funds transferred to the capital improvements fund for construction (\$1.6 million).

The total original revenue budget, including other financing sources of \$136,928,710 was increased to \$158,928,572 (an increase of \$21,999,862).

- The original budget for bond proceeds was increased by \$12 million to reflect additional proceeds from the refunding issue. The budget for proceeds of a HUD Section 108 loan was increased by \$1.3 million.
- Intergovernmental revenue was increased for numerous additional Public Safety grants and capital project construction awarded subsequent to the original budget certification date (\$3.7 million).
- Additional revenue was budgeted in the sewer fund to reflect bond money transferred for sewer improvement construction (\$1.9 million) and in the Capital Improvements project fund to reflect donated resources received for construction for the Youth Pavilion and the RiverLoop Expo Grounds (\$2 million).
- Stop loss insurance recoveries and additional employee contributions were added to the health insurance activity budget (\$0.74 million).
- Investment earnings were increased by \$0.4 million due to higher available rates and higher cash balances available for investment.

See pages 57 through 59 for the Budgetary Comparison Schedule - Budget to Actual (Modified Cash Basis) – All Governmental Funds and Proprietary Funds.

Capital Asset and Debt Administration

Capital Assets. The City of Waterloo's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to \$331,214,189 (net of accumulated depreciation) as reflected in the following table. The total increase in the City of Waterloo's investment in capital assets for the current fiscal year was 4.65% (a 5.54% increase for governmental activities and a 2.32% increase for business-type activities).

This investment in capital assets includes land, buildings and improvements, park facilities, vehicles and equipment, and roads, highways and bridges (also referred to as infrastructure assets) placed in service since July 1, 1980.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 28,547,118	\$ 27,306,080	\$ 348,055	\$ 279,484	\$ 28,895,173	\$ 27,585,564
Land held for redevelopment	4,472,112	4,089,727	—	—	4,472,112	4,089,727
Buildings and improvements	34,407,321	32,530,545	57,092,250	58,453,675	91,499,571	90,984,220
Other improvements	—	—	27,207,258	24,875,776	27,207,258	24,875,776
Infrastructure	153,024,683	140,832,084	—	—	153,024,683	140,832,084
Furniture and equipment	—	89,209	—	2,296	—	91,505
Furniture, vehicles, machinery and equipment	7,717,837	5,987,739	1,652,655	1,382,645	9,370,492	7,370,384
Assets under capital lease	—	—	—	—	—	—
Construction in progress	<u>13,420,737</u>	<u>18,075,024</u>	<u>3,324,163</u>	<u>2,595,631</u>	<u>16,744,900</u>	<u>20,670,655</u>
Total Capital Assets	<u>\$ 241,589,808</u>	<u>\$ 228,910,408</u>	<u>\$ 89,624,381</u>	<u>\$ 87,589,507</u>	<u>\$ 331,214,189</u>	<u>\$ 316,499,915</u>

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

- Significant investments in street construction, reconstruction and overlay programs funded with local option taxes and grants were completed (\$18,623,876) and transferred to infrastructure assets. An additional \$5,363,867 was invested in street construction, reconstruction and overlay construction still in progress at June 30, 2007.
- Runway and apron rehabilitation and wildlife perimeter fencing projects at the Waterloo Regional Airport were completed, with total expenses of \$2,257,290 at June 30, 2007. Additional runway rehabilitation was undertaken, with expenses of \$2,223,536 at June 30, 2007.

- Several new subdivisions were platted and public infrastructure improvements made by the developer were transferred to the city, at a total value of \$969,279. Additional properties needed for the RiverLoop Exposition Grounds and the construction of the Ansborough/US 20 Interchange were acquired (\$535,611), while \$284,489 was spent to acquire properties for the Eastside Riverfront Housing future redevelopment.
- Construction on the Youth Pavilion addition to the Waterloo Center for the Arts was begun. \$4,654,385 was invested in this project by June 30, 2007.
- A number of equipment purchases were made, including a platform aerial and a pumper engine for the Fire department at a total cost of \$1,172,476, and 19 vehicles for the police department at a total cost of \$558,992.

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

Long-term debt. At the end of the current fiscal year, the City of Waterloo had total bonded debt outstanding of \$92,690,000. Of this amount, \$78,840,000 is comprised of debt backed by the full faith and credit of the government. The remainder of the City of Waterloo's bonded debt (\$13,850,000) represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City has incurred other debt to construct Ridgeway Towers, purchase land in the City's industrial parks and complete projects, as well as purchase equipment. The City has obligations to employees for benefit time not used at fiscal year end. During the current fiscal year the balance due on these obligations decreased by \$518,170.

City of Waterloo Long-Term Outstanding Debt

Bonded Debt:	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 63,940,000	\$ 62,260,000	\$ 14,900,000	\$ 14,390,000	\$ 78,840,000	\$ 76,650,000
Revenue bonds	—	—	13,850,000	16,195,000	13,850,000	16,195,000
Total Bonded Debt	<u>\$ 63,940,000</u>	<u>\$ 62,260,000</u>	<u>\$ 28,750,000</u>	<u>\$ 30,585,000</u>	<u>\$ 92,690,000</u>	<u>\$ 92,845,000</u>
Other Debt:						
Loans and notes	\$ 2,708,707	\$ 3,097,325	\$ —	\$ —	\$ 2,708,707	\$ 3,097,325
Capital lease obligations	—	—	—	—	—	—
Deferred compensation	305,258	388,462	—	—	305,258	388,462
Compensated absences	2,560,725	2,607,073	—	—	2,560,725	2,607,073
Total Other Debt	<u>\$ 5,574,690</u>	<u>\$ 6,092,860</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,574,690</u>	<u>\$ 6,092,860</u>
Total Long-Term Debt						
Outstanding	<u>\$ 69,514,690</u>	<u>\$ 68,352,860</u>	<u>\$ —</u>	<u>\$ 30,585,000</u>	<u>\$ 98,264,690</u>	<u>\$ 98,937,860</u>

The City of Waterloo's total long-term debt decreased by \$673,170 (0.68%) during the current fiscal year.

The government issued general obligation bonds in the amount of \$24,385,000 during the current fiscal year, including \$14,725,000 of general obligation refunding bonds issued to take advantage of more favorable interest rates. Of this amount, \$6,990,000 was issued for sanitary sewer purposes. Short-term capital loan notes in the amount of \$220,000 were also issued for the repayment of accumulated sick leave payments to employees who separated from service with the City.

The City of Waterloo maintains an A1 bond rating from Moody's Investor Services, Inc. for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation. The current debt limitation for the City of Waterloo is \$153,777,954, which is significantly in excess of the City of Waterloo's outstanding general obligation debt (\$78,840,000) and other debt subject to the debt limitation (\$3,200,954). The total debt subject to this limitation is \$82,040,954, resulting in available debt margin of \$71,737,000.

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

Economic Factors and Next Year's Budgets and Rates

- Property taxes provide approximately 49% of General Fund revenues. Over the past five years, citywide assessed valuations have risen an average of 6.5% annually, while property tax limitations imposed by the State of Iowa have held taxable values to an average annual growth rate of 4.9%. The fiscal year 2008 budget reflects total property tax revenue growth of 0.6%.
- Personnel costs make up a significant portion of City operating costs. Wage increases identified in contractual bargaining agreements are 3.5% for fiscal year 2008.
- The City continues to face the challenge of funding the increasing costs of employee health care. Effective July 1, 2006, the City changed its fully-insured health care plan to a self-insured plan to help control these costs. The portion of health care premiums paid by participating employees was also increased effective July 1, 2007. Anticipated health care increases of 11% were budgeted for fiscal year 2008.

These factors were considered in preparing the City of Waterloo's budget for fiscal year 2008.

Requests for Information

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

Basic Financial Statements

Statement of Net Assets

At June 30, 2007

	Governmental Activities	Business- Type Activities	Total	Component Units	
				Waterloo Water Works	Waterloo Convention & Visitors Bureau, Inc.
Assets					
Current Assets					
Cash and cash equivalents.....	\$ 44,980,113	\$ 5,010,141	\$ 49,990,254	\$ 736,361	\$ 48,340
Investments.....	472,129	—	472,129	466,729	—
Receivables					
Customer accounts, net of allow- ance for uncollectible accounts..	467,747	2,700,768	3,168,515	725,168	—
Property Taxes					
Delinquent.....	317,674	—	317,674	—	—
Succeeding year	35,642,731	—	35,642,731	—	—
Internal accounts	(450,305)	450,305	—	—	—
Due From Other Governments					
Component unit	—	897,055	897,055	—	—
Primary government	—	—	—	—	237,320
Other	5,857,301	10,762	5,868,063	—	—
Accrued interest.....	—	—	—	8,331	2,608
Loans and notes.....	—	—	—	8,542	—
Special assessments.....	29,909	—	29,909	—	—
Inventories and prepaids.....	286,688	25,851	312,539	113,157	4,891
Restricted Assets					
Cash	6,636,853	1,558,257	8,195,110	—	—
Receivables	19,909	—	19,909	—	—
Internal accounts	(1,374,347)	1,374,347	—	—	—
Total Current Assets	<u>92,886,402</u>	<u>12,027,486</u>	<u>104,913,888</u>	<u>2,058,288</u>	<u>293,159</u>
Noncurrent Assets					
Restricted Assets					
Cash and cash equivalents	—	2,123,500	2,123,500	—	—
Investments	—	—	—	383,271	—
Investments.....	—	—	—	—	173,027
Loans and notes (net of allowance for uncollectible amounts)	92,746	—	92,746	37,750	—
Special assessments	121,288	—	121,288	156,070	—
Debt issue costs (net of accumulated amortization)	—	193,276	193,276	3,282	—
Capital assets (net of accumulated depreciation)	195,149,841	85,952,163	281,102,004	17,015,399	20,771
Capital assets not being depreciated.....	46,439,967	3,672,218	50,112,185	1,473,382	—
Total Noncurrent Assets	<u>241,803,842</u>	<u>91,941,157</u>	<u>333,744,999</u>	<u>19,069,154</u>	<u>193,798</u>
Total Assets.....	<u>\$ 334,690,244</u>	<u>\$ 103,968,643</u>	<u>\$ 438,658,887</u>	<u>\$ 21,127,442</u>	<u>\$ 486,957</u>

See accompanying notes to the financial statements.

Statement of Net Assets

At June 30, 2007

	Governmental Activities	Business- Type Activities	Total	Component Units	
				Waterloo Water Works	Waterloo Convention & Visitors Bureau, Inc.
Liabilities					
Current Liabilities					
Accounts and retainages payable	\$ 3,663,855	\$ 752,433	\$ 4,416,288	\$ 88,521	\$ 6,230
Accrued liabilities and other	2,605,941	378,870	2,984,811	129,601	15,257
Due to primary government	—	—	—	816,164	—
Due to component unit.....	237,320	—	237,320	—	—
Due to other governments	—	—	—	51,960	—
Short-term general obligation note	220,000	—	220,000	—	—
Noncurrent liabilities due and payable within one year.....	7,157,554	1,055,000	8,212,554	65,000	—
Deferred revenue	35,764,019	—	35,764,019	—	—
Current Liabilities Payable from Restricted Assets					
Accounts, contracts and retainages	1,031,281	—	1,031,281	—	—
Customer deposits.....	135,082	247,000	382,082	—	—
Accrued interest.....	—	100,695	100,695	—	—
Noncurrent liabilities due and payable within one year	—	1,495,000	1,495,000	—	—
Total Current Liabilities	50,815,052	4,028,998	54,844,050	1,151,246	21,487
Noncurrent Liabilities					
Customer deposits	—	—	—	113,271	—
Capital lease obligations	—	—	—	12,031	—
Revenue bonds and notes	—	13,687,508	13,687,508	223,023	—
General obligation bonds and notes.....	57,660,000	11,809,579	69,469,579	—	—
Other loans and notes.....	2,290,902	—	2,290,902	—	—
Compensated absences and deferred compensation.....	2,406,234	—	2,406,234	—	—
Total Noncurrent Liabilities	62,357,136	25,497,087	87,854,223	348,325	—
Total Liabilities	113,172,188	29,526,085	142,698,273	1,499,571	21,487
Net Assets					
Invested in capital assets, net of related debt.....	193,678,687	63,144,916	256,823,603	18,186,751	20,771
Restricted for					
Debt service.....	2,420,459	2,372,667	4,793,126	270,000	—
Employee benefits	1,892,927	—	1,892,927	—	—
Improvements.....	8,679,591	961,395	9,640,986	—	—
Provider designations	9,220,077	—	9,220,077	—	—
Unrestricted	5,626,315	7,963,580	13,589,895	1,171,120	444,699
Total Net Assets	221,518,056	74,442,558	295,960,614	19,627,871	465,470
Total Liabilities and Net Assets	\$ 334,690,244	\$ 103,968,643	\$ 438,658,887	\$ 21,127,442	\$ 486,957

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

At June 30, 2007

	General	Trust and Agency	Local Option Tax	General Obligation Debt Service	Other Governmental	Total
Assets						
Cash and cash equivalents	\$ 11,668,642	\$ 684,448	\$ 6,713,600	\$ 679,739	\$ 25,233,684	\$ 44,980,113
Investments	—	—	—	—	472,129	472,129
Receivables						
Customer accounts....	461,097	—	6,650	—	—	467,747
Property Tax						
Delinquent.....	156,684	96,214	—	60,244	4,532	317,674
Succeeding year	14,761,519	10,534,881	—	6,349,812	3,996,519	35,642,731
Special assessments	151,197	—	—	—	—	151,197
Loans and notes	92,746	—	—	—	—	92,746
Due from other funds ..	2,017,268	—	—	141,492	67,164	2,225,924
Due from Other Governments						
Federal.....	135,046	—	—	—	949,197	1,084,243
Iowa	571,343	—	2,127,946	—	1,594,138	4,293,427
Other	214,679	141,565	—	80,828	42,559	479,631
Inventories and prepaids.....	166,937	—	—	—	119,751	286,688
Restricted Assets						
Cash and cash equivalents.....	2,997,965	994,205	—	52,677	2,592,006	6,636,853
Receivables	19,909	—	—	—	—	19,909
Total Assets	<u>\$ 33,415,032</u>	<u>\$ 12,451,313</u>	<u>\$ 8,848,196</u>	<u>\$ 7,364,792</u>	<u>\$ 35,071,679</u>	<u>\$ 97,151,012</u>

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

At June 30, 2007

	General	Trust and Agency	Local Option Tax	General Obligation Debt Service	Other Governmental	Total
Liabilities and Fund Balances						
Liabilities						
Accounts payable.....	\$ 751,628	\$ 7,015	\$ 668,247	\$ 54,052	\$ 1,801,223	\$ 3,282,165
Retainages payable	1,975	—	107,329	—	509,706	619,010
Accrued liabilities	974,044	106,522	15,533	—	168,004	1,264,103
Due to other funds.....	6	—	—	70,437	3,980,133	4,050,576
Deferred revenue	15,437,901	10,631,095	713,151	6,410,056	5,028,398	38,220,601
Compensated absences	766,678	—	10,367	—	217,967	995,012
General obligation bonds.....	220,000	—	—	—	—	220,000
Payables from restricted assets	1,025,120	—	—	—	141,243	1,166,363
Total Liabilities	<u>19,177,352</u>	<u>10,744,632</u>	<u>1,514,627</u>	<u>6,534,545</u>	<u>11,846,674</u>	<u>49,817,830</u>
Fund Balances						
Reserved for Debt service.....	—	—	—	777,570	—	777,570
Self-funded health insurance	90,032	994,205	—	—	—	1,084,237
Inventories and prepaids	166,937	—	—	—	119,751	286,688
Donor specifications ..	651,945	—	—	—	—	651,945
Tourism promotion.....	405,264	—	—	—	—	405,264
Public access television	176,723	—	—	—	—	176,723
Airport.....	—	—	—	52,677	—	52,677
Housing	668,790	—	—	—	—	668,790
Improvements.....	—	—	—	—	159,455	159,455
Unreserved Designated for						
Vision Iowa.....	2,371,971	—	—	—	—	2,371,971
Insurance	2,499,291	—	—	—	—	2,499,291
Other	259,968	—	—	—	—	259,968
Undesignated	6,946,759	712,476	7,333,569	—	—	14,992,804
Undesignated, Reported in Nonmajor						
Special revenue funds	—	—	—	—	4,975,278	4,975,278
TIF debt service fund	—	—	—	—	1,529,968	1,529,968
Capital project funds	—	—	—	—	16,440,553	16,440,553
Total Fund Balances	<u>14,237,680</u>	<u>1,706,681</u>	<u>7,333,569</u>	<u>830,247</u>	<u>23,225,005</u>	<u>47,333,182</u>
Total Liabilities and Fund Balances	<u>\$ 33,415,032</u>	<u>\$ 12,451,313</u>	<u>\$ 8,848,196</u>	<u>\$ 7,364,792</u>	<u>\$ 35,071,679</u>	<u>\$ 97,151,012</u>

See accompanying notes to the financial statements.

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

At June 30, 2007

Total Fund Balances for Governmental Funds (Page 21).....	\$ 47,333,182
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	241,589,808
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds	2,456,582
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
General obligation bonds and notes.....	(63,940,000)
Other loans and notes	(2,708,707)
Compensated absences and deferred compensation	(2,865,983)
Accrued interest payable	<u>(346,826)</u>
 Net Assets of Governmental Activities (Page 17)	 <u>\$ 221,518,056</u>

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

Year Ended June 30, 2007

	General	Trust and Agency	Local Option Tax	General Obligation Debt Service	Other Govern- mental	Total
Revenue						
Property taxes.....	\$ 14,693,383	\$ 10,663,735	\$ —	\$ 6,155,091	\$ 4,038,565	\$ 35,550,774
Other taxes.....	2,338,539	570,352	8,362,531	312,891	25,077	11,609,390
Licenses and permits	1,517,406	—	—	—	11,555	1,528,961
Investment income	632,165	162,882	215,155	112,574	801,718	1,924,494
Rent.....	732,144	—	—	132,016	159,529	1,023,689
Intergovernmental	1,733,219	—	—	86,364	19,287,491	21,107,074
Charges for services	5,256,840	—	—	—	297,920	5,554,760
Interfund charges for service	2,117,327	—	—	—	685,000	2,802,327
Special assessments	39,932	—	—	—	—	39,932
Miscellaneous	2,238,233	28,964	5,478	—	1,605,726	3,878,401
Total Revenue.....	<u>31,299,188</u>	<u>11,425,933</u>	<u>8,583,164</u>	<u>6,798,936</u>	<u>26,912,581</u>	<u>85,019,802</u>
Expenditures						
Current						
Public safety	21,457,499	3,302,104	—	—	315,227	25,074,830
Public works	1,934,474	—	9,101,557	—	11,652,699	22,688,730
Health and social services	332,431	—	—	—	—	332,431
Culture and recreation	6,383,828	—	—	—	1,001,210	7,385,038
Community and economic development	1,467,577	—	—	—	7,629,512	9,097,089
General government.....	4,089,484	38,686	—	—	145	4,128,315
Debt Service						
Principal.....	—	—	—	6,845,586	508,032	7,353,618
Interest and fees.....	—	—	—	2,762,697	146,388	2,909,085
Capital projects	—	—	—	—	11,035,051	11,035,051
Total Expenditures.....	<u>35,665,293</u>	<u>3,340,790</u>	<u>9,101,557</u>	<u>9,608,283</u>	<u>32,288,264</u>	<u>90,004,187</u>
Revenue Over (Under) Expenditures.....	<u>(4,366,105)</u>	<u>8,085,143</u>	<u>(518,393)</u>	<u>(2,809,347)</u>	<u>(5,375,683)</u>	<u>(4,984,385)</u>
Other Financing Sources (Uses)						
Transfers in	7,293,917	—	—	2,452,570	1,125,426	10,871,913
Transfers out.....	(1,485,593)	(7,043,917)	—	(250,000)	(2,092,403)	(10,871,913)
Proceeds from sale of assets	88,102	—	—	—	—	88,102
Refunding bonds issued	—	—	—	7,995,000	—	7,995,000
Payments to refunding escrow agent	—	—	—	(7,932,132)	—	(7,932,132)
Proceeds from debt issued	—	—	—	51,127	8,475,000	8,526,127
Total Other Financing Sources (Uses)	<u>5,896,426</u>	<u>(7,043,917)</u>	<u>—</u>	<u>2,316,565</u>	<u>7,508,023</u>	<u>8,677,097</u>
Net Change in Fund Balances.....	<u>1,530,321</u>	<u>1,041,226</u>	<u>(518,393)</u>	<u>(492,782)</u>	<u>2,132,340</u>	<u>3,692,712</u>
Fund Balances - Beginning of Year	12,707,359	665,455	7,851,962	1,323,029	21,092,665	43,640,470
Fund Balances - End of Year	<u>\$ 14,237,680</u>	<u>\$ 1,706,681</u>	<u>\$ 7,333,569</u>	<u>\$ 830,247</u>	<u>\$ 23,225,005</u>	<u>\$ 47,333,182</u>

See accompanying notes to the financial statements.

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

Year Ended June 30, 2007

Changes in Fund Balances - Total Governmental Funds (Page 23) \$ 3,692,712

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

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

Capital outlay.....	\$ 21,514,371	
Depreciation expense.....	<u>(9,192,794)</u>	12,321,577

Donated capital assets are not reported in the governmental funds		1,055,163
---	--	-----------

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

Cost of land sold.....	\$ (337,199)	
Net book value of depreciable assets sold or scrapped.....	(74,439)	
Construction in progress transferred to sanitary sewer.....	<u>(285,702)</u>	(697,340)

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

General obligation bonds issued for governmental purposes.....	\$ (16,395,000)	
General obligation bonds repaid or refunded	14,715,000	
Other long-term debt issued.....	(165,000)	
Other long-term debt repaid	553,618	
Compensated absences and deferred compensation accrued.....	(186,255)	
Compensated absences and deferred compensation paid	315,807	
Change in accrued interest	<u>(32,245)</u>	(1,194,075)

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

Current year	\$ 2,456,582	
Prior year.....	<u>(3,090,010)</u>	<u>(633,428)</u>

Change in Net Assets of Governmental Activities (Page 19) \$ 14,544,609

Balance Sheets - Enterprise Funds

At June 30, 2007

	<u>Major</u> <u>Sanitary Sewer</u>	<u>Nonmajor</u> <u>Sanitation</u>	<u>Total</u>
Current Assets			
Cash	\$ 3,161,608	\$ 1,848,533	\$ 5,010,141
Customer accounts receivable	1,956,909	743,859	2,700,768
Due from other funds.....	450,305	—	450,305
Due from Other Governments			
Federal	4	—	4
Waterloo Water Works	599,443	297,612	897,055
Other	6,056	4,702	10,758
Inventories and prepaids	25,851	—	25,851
Restricted Assets			
Cash.....	1,484,757	73,500	1,558,257
Due from other funds	1,374,347	—	1,374,347
Total Current Assets	<u>9,059,280</u>	<u>2,968,206</u>	<u>12,027,486</u>
Noncurrent Assets			
Restricted Assets			
Cash.....	2,123,500	—	2,123,500
Capital assets (net of accumulated depreciation)	84,798,652	1,153,511	85,952,163
Capital assets not being depreciated	3,672,218	—	3,672,218
Bond issue costs (net of accumulated amortization - \$118,314)	193,276	—	193,276
Total Noncurrent Assets	<u>90,787,646</u>	<u>1,153,511</u>	<u>91,941,157</u>
Total Assets	<u>\$ 99,846,926</u>	<u>\$ 4,121,717</u>	<u>\$ 103,968,643</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 457,812	\$ 94,482	\$ 552,294
Retainages payable.....	200,139	—	200,139
Accrued liabilities.....	172,658	31,496	204,154
Current maturities of general obligation bonds	1,055,000	—	1,055,000
Compensated absences.....	151,289	23,427	174,716
Payable from Restricted Assets			
Security deposits.....	173,500	73,500	247,000
Accrued interest, revenue bonds	100,695	—	100,695
Current portion of revenue bonds	1,495,000	—	1,495,000
Total Current Liabilities	<u>3,806,093</u>	<u>222,905</u>	<u>4,028,998</u>
Noncurrent Liabilities			
Long-Term Debt			
General obligation bonds	13,687,508	—	13,687,508
Revenue bonds	11,809,579	—	11,809,579
Total Noncurrent Liabilities	<u>25,497,087</u>	<u>—</u>	<u>25,497,087</u>
Total Liabilities.....	<u>29,303,180</u>	<u>222,905</u>	<u>29,526,085</u>
Net Assets			
Invested in capital assets, net of related debt	61,991,405	1,153,511	63,144,916
Restricted for debt service.....	2,372,667	—	2,372,667
Restricted for improvements.....	961,395	—	961,395
Unrestricted	5,218,279	2,745,301	7,963,580
Total Net Assets.....	<u>70,543,746</u>	<u>3,898,812</u>	<u>74,442,558</u>
Total Liabilities and Net Assets	<u>\$ 99,846,926</u>	<u>\$ 4,121,717</u>	<u>\$ 103,968,643</u>

See accompanying notes to the financial statements.

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

Year Ended June 30, 2007

	Major	Nonmajor	Total
	Sanitary Sewer	Sanitation	
Operating Revenue			
Charges for sales and service	<u>\$ 9,321,295</u>	<u>\$ 3,274,550</u>	<u>\$ 12,595,845</u>
Operating Expenses			
Salaries and employee benefits	1,962,109	892,205	2,854,314
Contractual services	1,350,952	978,393	2,329,345
Intra-city reimbursements	692,000	773,827	1,465,827
Commodities	643,758	354,767	998,525
Depreciation	<u>2,095,989</u>	<u>227,610</u>	<u>2,323,599</u>
Total Operating Expenses	<u>6,744,808</u>	<u>3,226,802</u>	<u>9,971,610</u>
Operating Income	<u>2,576,487</u>	<u>47,748</u>	<u>2,624,235</u>
Nonoperating Revenue (Expenses)			
Interest income	433,847	98,798	532,645
Intergovernmental	—	315,437	315,437
Interest expense	(1,458,700)	—	(1,458,700)
Amortization of bond issue costs	(39,142)	—	(39,142)
Gain on disposition of equipment	<u>6,025</u>	<u>—</u>	<u>6,025</u>
Total Nonoperating Revenue (Expenses)	<u>(1,057,970)</u>	<u>414,235</u>	<u>(643,735)</u>
Income Before Contributions and Transfers	1,518,517	461,983	1,980,500
Capital Contributions			
Federal construction grant	407,769	—	407,769
Customers and developers	<u>385,471</u>	<u>—</u>	<u>385,471</u>
Change in Net Assets	2,311,757	461,983	2,773,740
Net Assets - Beginning of Year	<u>68,231,989</u>	<u>3,436,829</u>	<u>71,668,818</u>
Net Assets - End of Year	<u>\$ 70,543,746</u>	<u>\$ 3,898,812</u>	<u>\$ 74,442,558</u>

See accompanying notes to the financial statements.

Statement of Cash Flows - Enterprise Funds

Year Ended June 30, 2007

	<u>Major</u> <u>Sanitary Sewer</u>	<u>Nonmajor</u> <u>Sanitation</u>	<u>Total</u>
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 9,579,469	\$ 3,259,937	\$ 12,839,406
Payments to suppliers	(2,126,153)	(1,343,377)	(3,469,530)
Payments to or on behalf of employees	(1,946,743)	(887,098)	(2,833,841)
Payment for interfund services used	<u>(692,000)</u>	<u>(773,827)</u>	<u>(1,465,827)</u>
Net Cash Provided By Operating Activities ...	<u>4,814,573</u>	<u>255,635</u>	<u>5,070,208</u>
Cash Flows From Noncapital Financing Activities			
Operating grant.....	<u>—</u>	<u>315,437</u>	<u>315,437</u>
Cash Flows From Capital and Related Financing Activities			
Capital grants and contributions	407,765	—	407,765
Purchase and construction of capital assets	(3,856,490)	(362,985)	(4,219,475)
Capital outlay sales tax refund received.....	121,002	—	121,002
Proceeds from sale of capital assets.....	6,025	—	6,025
Proceeds from refunding bonds	6,827,779	—	6,827,779
Principal paid on debt.....	(9,825,000)	—	(9,825,000)
Interest paid on debt.....	(1,340,426)	—	(1,340,426)
Bond issue costs	<u>(37,699)</u>	<u>—</u>	<u>(37,699)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(7,697,044)</u>	<u>(362,985)</u>	<u>(8,060,029)</u>
Cash Flows From Investing Activities			
Prior bond proceeds pooled with governmental funds	2,048,455	—	2,048,455
Interest received.....	<u>433,847</u>	<u>98,798</u>	<u>532,645</u>
Net Cash Provided By Investing Activities	<u>2,482,302</u>	<u>98,798</u>	<u>2,581,100</u>
Net Increase (Decrease) in Cash.....	(400,169)	306,885	(93,284)
Cash at Beginning of Year.....	<u>7,170,034</u>	<u>1,615,148</u>	<u>8,785,182</u>
Cash at End of Year.....	<u>\$ 6,769,865</u>	<u>\$ 1,922,033</u>	<u>\$ 8,691,898</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities			
Operating income	\$ 2,576,487	\$ 47,748	\$ 2,624,235
Adjustments to Reconcile Income From Operations to Net Cash Provided By Operating Activities			
Depreciation	2,095,989	227,610	2,323,599
(Increase) in accounts receivable.....	(3,483)	(26,904)	(30,387)
Decrease in due from other governments	945	12,291	13,236
(Increase) in inventories and prepaids	(2,053)	—	(2,053)
Increase (decrease) in accounts payable.....	131,322	(10,217)	121,105
Increase in accrued liabilities.....	5,883	3,117	9,000
Increase in compensated absences	<u>9,483</u>	<u>1,990</u>	<u>11,473</u>
Net Cash Provided by Operating Activities	<u>\$ 4,814,573</u>	<u>\$ 255,635</u>	<u>\$ 5,070,208</u>

See accompanying notes to the financial statements.

Statement of Cash Flows - Enterprise Funds

Year Ended June 30, 2007

	<u>Major</u> <u>Sanitary Sewer</u>	<u>Nonmajor</u> <u>Sanitation</u>	Total
Schedule of Noncash Investing and Financing Activities			
Payables for Acquisition of Capital Assets	<u>\$ 603,051</u>	<u>\$ —</u>	<u>\$ 603,051</u>
Amortization of Bond Issue Costs	<u>\$ 39,142</u>	<u>\$ —</u>	<u>\$ 39,142</u>
Amortization of Discounts and Reacquisition Costs	<u>\$ 135,454</u>	<u>\$ —</u>	<u>\$ 135,454</u>
Accrual of Interest Expense	<u>\$ 150,329</u>	<u>\$ —</u>	<u>\$ 150,329</u>
Donated Capital Assets Received as Capital Contributions.....	<u>\$ 385,471</u>	<u>\$ —</u>	<u>\$ 385,471</u>
Bond Proceeds Held By Other Funds	<u>\$ 1,000,000</u>	<u>\$ —</u>	<u>\$ 1,000,000</u>
Unamortized Bond Discounts and Issue Costs on Refunded Bonds Written Off and Recapitalized as Reacquisition Costs	<u>\$ 63,938</u>	<u>\$ —</u>	<u>\$ 63,938</u>

See accompanying notes to the financial statements.

Notes to the Financial Statements

Index to the Notes to the Financial Statements

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Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

Reporting Entity

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

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions, authorities and material component units. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Waterloo (the primary government) and its discretely presented component units, the Waterloo Water Works and Waterloo Convention & Visitors Bureau, Inc. Complete financial statements of the Waterloo Water Works component unit can be obtained from the Waterloo Water Works administrative office, 325 Sycamore Street, Waterloo, Iowa. Complete financial statements of the Waterloo Convention & Visitors Bureau, Inc. can be obtained from their office at 313 East 5th Street, Waterloo, Iowa.

Blended Component Units

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

(1) Summary of Significant Accounting Policies

Discrete Component Units

Waterloo Water Works

The Waterloo Water Works is a component unit that is legally separate from the City, but is financially accountable to the City. The Waterloo Water Works is governed by a three-member board appointed by the City Council and its operating budget is subject to the review of the City Council. The Waterloo Water Works operates on a calendar year end and prepares its financial statements in accordance with generally accepted accounting principles. Due to the different year end, the amount reported by the Waterloo Water Works as due to the primary government and the primary government's due from the Waterloo Water Works do not agree by \$80,891.

Waterloo Convention & Visitors Bureau, Inc.

The Waterloo Convention & Visitors Bureau, Inc. is a nonprofit corporation and a component unit of the City of Waterloo, Iowa, (City) whose purpose is to strengthen the local economy by competitively marketing the area as a destination for conventions, tour groups, sporting events and individual travelers.

The Organization's operations are funded primarily by an allocation of the local hotel/motel tax from the City's local transient guest tax. By ordinance, the City allocates 50% of the tax to the Organization.

The Organization is governed by a 15-member Board of Directors. Five members are appointed by the City, five are appointed by the Greater Cedar Valley Chamber of Commerce and the other five are elected by other members of the Organization's Board.

Basis of Presentation

Government-Wide Financial Statements

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

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

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

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

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

(1) Summary of Significant Accounting Policies

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

Fund Financial Statements

Separate financial statements are provided for governmental and enterprise funds. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. The other enterprise fund is reported in a separate column on the enterprise funds financial statements.

The City had the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

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

The City had the following major proprietary fund:

Enterprise Fund

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

(1) Summary of Significant Accounting Policies

Description of Funds

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

Governmental Fund Types

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

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

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

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

Proprietary Fund Type

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

Internal service funds are not utilized by the City.

Fiduciary Fund Type

The City has no fiduciary funds.

Measurement Focus and Basis of Accounting

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

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

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's enterprise funds are charges to customers for services. Operating expenses include the costs of services and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Direct interfund activity has been eliminated from the government-wide financial statements. Indirect interfund activity is reported in a separate column on the statement of activities.

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

Budgets and Budgetary Accounting

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Cash, Pooled Investments and Cash Equivalents

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

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

Receivables and Payables

Receivables are reported net of any allowance for uncollectible accounts. At June 30, 2007, the General Fund had allowances for uncollectible customer accounts totaling \$661,188.

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

Property tax revenue became due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; was based on January 1, 2005 assessed property valuations; was for the tax accrual period July 1, 2006 through June 30, 2007; and reflected the tax asking contained in the budget certified to the County Board of Supervisors in March, 2006.

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

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services.

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

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

Inventories and Prepaids

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

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

Restricted Assets

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

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

Unamortized Bond Costs

Original issuance costs of general obligation bonds repaid by the sanitary sewer enterprise fund and sanitary sewer revenue bonds totaling \$311,590 are amortized using the effective interest method over the life of the bonds. Accumulated amortization at June 30, 2007 was \$118,314. Amortization of bond issue costs was \$39,142 for 2007.

Discount on Sanitary Sewer Bonds

Original discounts of \$59,751 on general obligation bonds repaid by the sanitary sewer enterprise fund outstanding at June 30, 2007 are being amortized using the effective interest method over the life of the bonds. Accumulated amortization as of June 30, 2007 was \$19,269. Discount amortization for 2007, which was added to interest expense, was \$8,431.

Net Reacquisition Costs of Refunded Bonds

Reacquisition costs of \$965,353 incurred as a result of the August, 2005 sewer revenue bond refunding transactions and \$117,010 as a result of the June 30, 2007 general obligation bond repaid by the sanitary sewer enterprise fund are being amortized over the lives of the refunding issues using the effective interest method. Accumulated amortization at June 30, 2007 was \$419,392. Reacquisition amortization for 2007, including amortization of prior reacquisition costs, which was added to interest expense, was \$127,023.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Interest Capitalized

Construction period interest for business-type activities is capitalized. For projects paid with taxable bonds, interest is capitalized at the amount of cash paid at the effective interest rate to the earlier of the date the asset is placed in service or year end. Interest on tax-exempt debt used for construction is capitalized at the amount incurred, offset by earnings realized by investing debt proceeds until needed. No interest expense was capitalized during the year ended June 30, 2007.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful lives are not capitalized. Capital assets, other than infrastructure, are defined by the City as assets with an initial, individual cost in excess of \$5,000 and estimated useful lives in excess of one year. Infrastructure is defined by the City as assets available for public use, other than buildings, and having a cost of \$50,000 or more. At June 30, 2007, the City retroactively capitalized certain governmental infrastructure assets. Governmental assets retroactively capitalized are primarily paving and storm sewer projects placed in service after June 30, 1980. Excluded are subsystems with estimated costs of less than 10% of the total (including traffic signals and sidewalks) and assets in service prior to July 1, 1980. Depreciation is computed using the straight-line method over the estimated useful life of the asset with no amount recorded in the year placed in service and a full year in the year removed from service. Estimated useful lives are as follows:

Asset Class	Estimated Useful Lives
Primary Government	
Governmental Activities	
Buildings and improvements	10 - 40 Years
Infrastructure	15 - 100 Years
Furniture and equipment	3 - 20 Years
Vehicles, machinery and equipment.....	3 - 25 Years
Assets under capital lease.....	10 - 15 Years
Business-Type Activities	
Buildings	15 - 50 Years
Improvements other than buildings	50 Years
Furniture and equipment	5 - 20 Years
Vehicles, machinery and equipment.....	5 - 10 Years
Discretely Presented Component Units	
Buildings and improvements	8 - 40 Years
Water supply and distribution systems	10 - 99 Years
Meters and equipment.....	5 - 63 Years
Machinery and equipment	5 - 26 Years
Leasehold improvements	5 - 39 Years

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Deferred Revenue

Deferred revenue in the governmental funds represent receivables which are measurable, but not available.

Short-Term General Obligation Bonds

Annually, the City issues a short-term general obligation capital loan note and records the proceeds, as well as the debt, in the General Fund. The debt is issued as reimbursement for payouts of employee termination benefits. During the following 12 months, the debt plus interest is repaid through the General Obligation Debt Service Fund. An operating transfer is used to transfer the liability from the General Fund to the General Obligation Debt Service Fund. Following is a schedule of short-term debt:

Balance - beginning of year.....	\$ 250,000
Repayments	(250,000)
Borrowings.....	220,000
Balance - End of Year.....	<u>\$ 220,000</u>

Compensated Absences

City ordinances and labor contracts with the City call for the accumulation of vacation, compensatory time and sick leave for subsequent use or for payment upon termination or retirement. During 2001, the City began offering an early sick leave payout option for certain employees. Qualifying employees can elect to receive 60% of the time in their frozen sick leave bank over a five-year period prior to their retirement or termination of employment. Vacation, compensatory time and sick pay are accrued when incurred in the government-wide and the proprietary funds statements and reported as a liability. Mature compensated absences are expected to be liquidated with expendable available financial resources and are reported as an expenditure and a fund liability of the governmental fund. Governmental fund liabilities for unmatured compensated absences are not reported in fund financial statements.

Long-Term Liabilities

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

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

Fund Balance

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

Net Assets

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

Indirect Allocations

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

Estimates and Assumptions

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

(2) Cash and Investments

The City's deposits at June 30, 2007 were entirely covered by federal depository insurance, National Credit Union insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure that there will be no loss of public funds.

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

On June 30, 2007, the City had investments in the Iowa Public Agency Investment Trust which were valued at an amortized cost of \$4,866,366 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Leasing Activities

Airport

The Waterloo Municipal Airport has entered into various operating leases with airlines, fixed base operators, auto lease companies, the airport restaurant and hangar tenants. No minimum rentals were due under these leases at June 30, 2007.

(3) Leasing Activities

Soccer Complex

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

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

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

(4) Loans and Notes

General Fund

Rath/Urban Development Action Grant (UDAG) Loans

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

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

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

Principal and interest received by the City on Rath/UDAG loans are recorded in the General Fund as investment income.

Notes to the Financial Statements

(4) Loans and Notes

Special Revenue Funds

Community Development Block Grant (CDBG) Loans

Low-Interest Loans - The City had ten low-interest rehabilitation and other loans due at June 30, 2007. Of the total, three loans are being serviced by Regions Bank. The City-serviced loans, with a balance of \$9,598 are estimated to be uncollectible. Collections of CDBG loans are grant program income which is reported in the Special Revenue Fund (CDBG) as charges for services as received.

Low-Income Housing Loans - The City has provided five loans for low-income housing projects, three of which have a below-market interest rate. All have minimal payments required each year until maturity. Maturities range from September, 2018 to August, 2024. Cash received is program income and considered to be charges for services.

Forgivable Loans - The City, through its CDBG, provides forgivable rehabilitation loans to low-income households. The loans are forgiven on a sliding scale over a five-year period, provided the home is not sold. If the home is sold, the City's lien against the property prevents a clear title transfer unless the unforgiven portion of the note is satisfied. As of June 30, 2007 the City had made 1,619 such loans totaling \$18,495,244. The loans are not recorded as assets on the accompanying balance sheet or statement of net assets.

(5) Interfund Activity

The composition of interfund balances as of June 30, 2007 was as follows:

Due From/To	Interfund Receivables	Interfund Payables
General Fund.....	\$ 2,017,268 ^(a)	\$ 6 ^(a)
Special Revenue Funds		
Community Development Block Grant.....	6 ^(a)	—
Section 108 Loan Program	—	948,892 ^(a)
Grants	67,158 ^(b)	792,325 ^(b)
Federal Aviation Agency Projects	—	231,035 ^(a)
Debt Service Funds		
General Obligation	141,492 ^(b)	70,437 ^(b)
TIF.....	—	379,868 ^(a)
Capital Projects Funds		
June 2004 GO Bond	—	67,158 ^(b)
June 2005 GO Bond	—	274,350 ^(b)
June 2006 GO Bond	—	107,243 ^(b)
June 2007 GO Bond	—	1,134,246 ^(b)
Capital Improvements	—	45,016 ^(a)
Enterprise Funds		
Sanitary Sewer.....	1,824,652 ^(a, b)	—
	<u>\$ 4,050,576</u>	<u>\$ 4,050,576</u>

(a) Temporary cash advance

(b) General obligation bond proceeds held separately

Notes to the Financial Statements

(5) Interfund Activity

Due to/from primary government and component units:

Due to Enterprise Funds

Sanitary Sewer	\$ 599,443
Sanitation.....	<u>297,612</u>
Due from Waterloo Water Works.....	897,055
Waterloo Water Works - Due to Primary Government	<u>816,164</u>
Difference	<u>\$ 80,891</u>

The difference in the above amounts of \$80,891 results from the different year ends of the entities as described in Note 1.

Due to Waterloo Convention & Visitors Bureau, Inc..... **\$ 237,320**

Interfund Transfers

Transfer to	Reason	Transfer From	Amount
General Fund	Employee benefits	Special Revenue Trust and Agency Debt Service	\$ 7,043,917
	Short-term general obligation debt	General obligation	250,000
Nonmajor Special Revenue	Reimburse project costs	General Fund	71,853
	Close capital project	Nonmajor capital projects	92,403
General Obligation Bond Fund	Convention Center revenue	General Fund	48,570
	Vision Iowa receipts for debt service	General Fund	404,000
	Tax increment property tax for debt service	Debt Service Nonmajor Governmental Funds	2,000,000
Nonmajor Capital Projects	Allocation to Vision Iowa Project	General Fund	675,979
	Allocation to Youth Pavilion	General Fund	<u>285,191</u>
Total			<u>\$ 10,871,913</u>

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

Notes to the Financial Statements

(6) Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance - Beginning of Year (Restated)	Increases	Decreases	Transfers	Balance - End of Year
Governmental Activities					
Capital Assets Not Being Depreciated					
Land.....	\$ 27,306,080	\$ 1,578,237	\$ 337,199	\$ —	\$ 28,547,118
Land held for redevelopment.....	4,089,727	382,385	—	—	4,472,112
Construction in progress	18,075,024	18,224,913	—	(22,879,200)	13,420,737
Total Capital Assets Not Being Depreciated.....	49,470,831	20,185,535	337,199	(22,879,200)	46,439,967
Capital Assets Being Depreciated					
Buildings and improvements	68,011,214	412,419	56,686	3,171,347	71,538,294
Infrastructure*	198,630,334	85,884	—	18,338,174	217,054,392
Vehicles, machinery, furniture and equipment	17,601,675	1,885,696	780,953	1,075,191	19,781,609
Total Capital Assets Being Depreciated	284,243,223	2,383,999	837,639	22,584,712	308,374,295
Less Accumulated Depreciation for					
Buildings and improvements	35,480,669	1,642,071	56,686	64,919	37,130,973
Infrastructure*	57,798,250	6,231,459	—	—	64,029,709
Vehicles, machinery, furniture and equipment	11,524,727	1,319,264	706,514	(73,705)	12,063,772
Total Accumulated Depreciation	104,803,646	9,192,794	763,200	(8,786)	113,224,454
Net Capital Assets Being Depreciated	179,439,577	(6,808,795)	74,439	22,593,498	195,149,841
Net Governmental Activities					
Capital Assets*	\$ 228,910,408	\$ 13,376,740	\$ 411,638	\$ (285,702)	\$ 241,589,808
Business-Type Activities					
Capital Assets Not Being Depreciated					
Land.....	\$ 279,484	\$ 68,571	\$ —	\$ —	\$ 348,055
Construction in progress	2,595,631	3,329,375	—	(2,600,843)	3,324,163
Total Capital Assets Not Being Depreciated.....	2,875,115	3,397,946	—	(2,600,843)	3,672,218
Capital Assets Being Depreciated					
Buildings	68,144,323	—	—	—	68,144,323
Improvements other than buildings	32,741,554	99,769	—	2,886,545	35,727,868
Vehicles, machinery, furniture and equipment	5,817,788	575,056	214,889	8,786	6,186,741
Total Capital Assets Being Depreciated	106,703,665	674,825	214,889	2,895,331	110,058,932
Less Accumulated Depreciation for					
Buildings	9,690,648	1,361,425	—	—	11,052,073
Improvements other than buildings	7,865,778	654,832	—	—	8,520,610
Vehicles, machinery, furniture and equipment	4,432,847	307,342	214,889	8,786	4,534,086
Total Accumulated Depreciation	21,989,273	2,323,599	214,889	8,786	24,106,769
Net Capital Assets Being Depreciated	84,714,392	(1,648,774)	—	2,886,545	85,952,163
Net Business-Type Activities					
Capital Assets	\$ 87,589,507	\$ 1,749,172	\$ —	\$ 285,702	\$ 89,624,381

* Restated for assets in service from July 1, 1980 through June 30, 2002.

	Cost	Accumulated Depreciation	Net Governmental
As previously stated, June 30, 2006	\$ 47,249,522	\$ 3,297,442	\$ 132,030,404
Restatement	151,380,812	54,500,808	96,880,004
As Restated	\$ 198,630,334	\$ 57,798,250	\$ 228,910,408

Notes to the Financial Statements

(6) Capital Assets

	Balance - Beginning of Year	Increases	Decreases	Transfers	Balance - End of Year
Discretely Presented Waterloo Water Works Component Unit Capital Assets					
Capital Assets Not Being Depreciated					
Land.....	\$ 231,156	\$ —	\$ —	\$ —	\$ 231,156
Assets not in service.....	343,454	88,632	—	—	432,086
Construction in progress	<u>301,188</u>	<u>508,952</u>	—	—	<u>810,140</u>
Total Capital Assets Not Being Depreciated	<u>875,798</u>	<u>597,584</u>	—	—	<u>1,473,382</u>
Capital Assets Being Depreciated					
Buildings and improvements	1,708,661	979	52,659	—	1,656,981
Water supply and distribution systems.....	18,206,704	622,453	2,185	—	18,826,972
Meters and equipment.....	1,482,681	1,625	37,293	—	1,447,013
Machinery and equipment	<u>1,727,677</u>	<u>78,018</u>	<u>170,687</u>	—	<u>1,635,008</u>
Total Capital Assets Being Depreciated	<u>23,125,723</u>	<u>703,075</u>	<u>262,824</u>	—	<u>23,565,974</u>
Total Accumulated Depreciation	<u>6,341,238</u>	<u>448,325</u>	<u>238,988</u>	—	<u>6,550,575</u>
Net Capital Assets Being Depreciated.....	<u>16,784,485</u>	<u>254,750</u>	<u>23,836</u>	—	<u>17,015,399</u>
Net Discretely Presented Waterloo Water Works Component Unit Capital Assets.....	<u>\$ 17,660,283</u>	<u>\$ 852,334</u>	<u>\$ 23,836</u>	<u>\$ —</u>	<u>\$ 18,488,781</u>

Depreciation expense was charged by the City as follows for the year ended June 30, 2007:

Governmental Activities

Public safety	\$ 613,363
Public works	7,539,745
Health and social services.....	1,387
Culture and recreation	733,713
Community and economic development	230,140
General government.....	<u>74,446</u>
Total Governmental Activities	<u>9,192,794</u>

Business-Type Activities

Sanitary sewer.....	2,095,989
Sanitation.....	<u>227,610</u>
Total Business-Type Activities	<u>2,323,599</u>

Total Primary Government **\$ 11,516,393**

Component Unit - Waterloo Water Works **\$ 448,325**

(7) Deferred Compensation Plans

Deferred Frozen Sick Leave Payout

Retirees have the option of receiving their frozen sick leave (Note 8) payout immediately or receiving it as an annuity over 60 months. If the annuity option is selected, interest is paid to the retiree at the same rate as the City pays on the general obligation bonds last issued before the retirement date. At June 30, 2007, 28 retirees were receiving annuitized payouts, the present value of which was \$231,564.

During 2001, the City began offering an early sick leave payout option. Qualifying employees can elect to receive 60% of the time in their frozen sick leave bank over a five-year period prior to their retirement or termination of employment. At June 30, 2007, eight employees were receiving payments, the remaining balance of which was \$40,683.

Fire Retirement Plan Under Code of Iowa Chapter 410

The City provides pension benefits under Chapter 410 of the Code of Iowa for certain of its retired firefighters and beneficiaries through a defined benefit plan. The City acts as the administrator of the plan as prescribed by State statute. At June 30, 2007, the plan had one member. At June 30, 2007, the discounted present value of deferred compensation under this plan was \$33,011.

Deferred compensation is reported in business-type activities as accrued liabilities and in governmental-type activities as long-term debt.

(8) Compensated Absences

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. A calendar year is primarily used for the calculation of vacation pay benefits while sick leave utilizes the City's fiscal year. Vacation days for most bargaining unit employees must be taken or paid during the calendar year with limited exceptions. Nonbargaining unit employees may carry forward up to ten days vacation with proper approval. Upon termination, employees receive payment for unused vacation plus a payment for vacation hours accrued from January through the termination date. As of June 30, 2007, there was \$1,247,895 accrued for vacation.

Prior to July 1, 1984, sick leave was allowed to accumulate to a maximum of 240 days, except for police and fire personnel who could accumulate a maximum of 260 days. Any unused days at July 1, 1984 were accumulated into a frozen sick leave bank. The days frozen in the bank are paid upon use, termination or retirement (except for library employees who will only be paid upon use). If paid upon retirement, 60% of the total accumulated hours are paid to employees. Retirees have the option of receiving the payout immediately or receiving it as an annuity over 60 months. As discussed in Note 7, active employees could elect to receive a payout of 60% of their frozen sick dollars beginning in July, 2001. As of June 30, 2007, there was \$573,284 accrued for the frozen sick leave bank.

After July 1, 1984, sick leave is allowed to accumulate up to 12 days per year. At the end of the year, 25% of the unused days are payable to the employee as a bonus and 75% of the days are placed in the sick leave bank for future use. The days accumulated in the bank after July 1, 1984 are not payable upon termination or retirement. At June 30, 2007, \$80,819, equivalent to 25% of unused sick leave subject to payout has been accrued.

Notes to the Financial Statements

(8) Compensated Absences

Certain employees can elect either to be paid overtime compensation or to accrue the hours as compensatory time, defined as additional time off from regular hours. Employees are required to be paid for these services upon termination of employment. Maximum hours eligible to be used later as compensatory time are limited by law and labor contracts. Governmental funds do not recognize these accumulations as expenditures until paid. At June 30, 2007, there was \$866,251 accrued for unused compensatory time.

Vacation pay, the sick leave bonus and accrued casual pay are reported as compensated absences in the applicable fund which includes \$995,012 in governmental funds. Frozen sick leave and compensatory time liabilities are reported in accrued liabilities in enterprise funds and as long-term debt for governmental activities.

(9) Long-Term Debt

The following is a summary of the changes in long-term debt for the year ended June 30, 2007:

	Balance - Beginning of Year	Additions	Retirements	Balance - End of Year	Due Within One Year
Governmental Activities					
General obligation bonds and notes	\$ 62,260,000	\$ 16,395,000	\$ 14,715,000	\$ 63,940,000	\$ 6,280,000
Loans and notes.....	3,097,325	165,000	553,618	2,708,707	417,805
Deferred compensation.....	388,462	90,279	173,483	305,258	119,983
Compensated absences	2,607,073	95,975	142,323	2,560,725	339,766
Total Governmental Activities	<u>\$ 68,352,860</u>	<u>\$ 16,746,254</u>	<u>\$ 15,584,424</u>	<u>\$ 69,514,690</u>	<u>\$ 7,157,554</u>
Business-Type Activities					
General obligation bonds.....	\$ 14,390,000	\$ 7,990,000	\$ 7,480,000	\$ 14,900,000	\$ 1,055,000
Revenue bonds.....	16,195,000	—	2,345,000	13,850,000	1,495,000
Subtotal	30,585,000	7,990,000	9,825,000	28,750,000	2,550,000
Less unamortized discounts and reacquisition costs.....	724,789	134,400	156,276	702,913	—
Total Business-Type Activities.....	<u>\$ 29,860,211</u>	<u>\$ 7,855,600</u>	<u>\$ 9,668,724</u>	<u>\$ 28,047,087</u>	<u>\$ 2,550,000</u>

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

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

During the year ended June 30, 2007, the City issued tax-exempt General Obligation (GO) Bonds Series 2007A in the amount of \$19,620,000 and Series 2007B in the amount of \$3,675,000 and taxable GO Bonds Series 2007C in the amount of \$1,090,000.

Notes to the Financial Statements

(9) Long-Term Debt

Series 2007A matures June 2008-2022 and has interest rates of 4.0%-4.5% (based on length to maturity). Proceeds were reduced by a discount of \$105,975. Reasons for issuance were as follows:

Refund \$2,900,000 of Series 1998A GO Bonds originally issued for corporate purposes	\$ 2,920,000
Refund \$4,360,000 of Series 1999A GO Bonds originally issued for corporate purposes	4,390,000
Refund \$3,930,000 of Series 1999A GO Bonds originally issued for sanitary sewer fund purposes	4,000,000
Sanitary sewer projects	1,000,000
Corporate purposes	7,310,000
Total	<u>\$ 19,620,000</u>

Series 2007B matures June 1, 2008-2015 and has an interest rate of 4%. Proceeds were reduced by a discount of \$5,181. Bonds were issued for refunding purposes as noted below.

Advance refund \$655,000 of Series 2000A GO Bonds originally issued for corporate purposes	\$ 685,000
Advance refund \$2,880,000 of Series 2000A GO Bonds originally issued for sanitary sewer fund purposes	2,990,000
Total	<u>\$ 3,675,000</u>

Taxable Series 2007C matures June 1, 2009-2017 and has interest rates of 5.4%-5.6% (based on length to maturity). Proceeds were reduced by a discount of \$5,558. The bonds were issued for the purposes of paying costs of urban renewal projects and paying costs of improvements to City-owned facilities which may be used or rented by taxable entities.

GO Bonds issued to finance sanitary sewer improvements and to refund prior GO debt that was issued to finance sanitary sewer improvements are reported in the Sanitary Sewer Enterprise Fund and are to be repaid with sewer user fees.

Refunded Bonds

On June 18, 2007, the City approved a refunding trust agreement with its refunding trustee. The agreement required the City to transfer cash and the obligation for refunded debt to a refunding trust. The trustee agreed to accept the cash, invest the cash and call and retire debt principal plus interest as noted below. On June 28, 2007, closing occurred on refunding bonds. At closing, \$11,232,022.70 of Series 2007A GO Bonds and \$3,592,918.30 of Series 2007B GO Bonds was wire transferred directly to the refunding trust. Results of the refunding are noted as follows:

	Face of Refunding Bonds	Principal Refunded	Reduction (Increase) in Cash Flow	Economic Gain (Loss)
Called and Retired August 1, 2007				
Series 1998A GO Bonds originally issued for corporate purposes	\$ 2,920,000	\$ 2,900,000	\$ 27,710	\$ 27,691
Series 1999A GO Bonds originally issued for corporate purposes	4,390,000	4,360,000	339,490	240,015
Series 1999A GO Bonds originally issued for sanitary sewer purposes	4,000,000	3,930,000	198,840	175,049
To be Called and Retired June 1, 2008				
Series 2000A GO Bonds originally issued for corporate purposes	685,000	655,000	11,650	11,260
Series 2000A GO Bonds originally issued for sanitary sewer purposes	2,990,000	2,880,000	88,300	72,305
Totals	<u>\$ 14,985,000</u>	<u>\$ 14,725,000</u>	<u>\$ 665,990</u>	<u>\$ 526,320</u>

Notes to the Financial Statements

(9) Long-Term Debt

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

Issue Date	Purpose	Interest Rates	Corporate Purposes	Refunding	Sanitary Sewer	Total
April, 1998	Airport hanger	5.400% - 5.75%	\$ 455,000	\$ —	\$ —	\$ 455,000
March, 1999	Refunding	4.125 - 4.20	—	6,200,000	—	6,200,000
June, 2001	Various	4.250 - 4.60	5,150,000	—	2,315,000	7,465,000
June, 2002	Various	3.200 - 4.65	5,370,000	—	770,000	6,140,000
June, 2002	Taxable	4.700 - 6.00	1,085,000	—	—	1,085,000
June, 2003	Various	2.000 - 3.00	2,965,000	—	930,000	3,895,000
June, 2003	Taxable	3.750 - 4.90	870,000	—	—	870,000
June, 2004	Various	3.000 - 4.75	4,670,000	1,680,000	925,000	7,275,000
June, 2004	Taxable	3.500 - 5.90	3,345,000	—	—	3,345,000
June, 2005	Various	3.000 - 4.00	3,575,000	2,000,000	980,000	6,555,000
June, 2005	Taxable	4.000 - 5.00	1,725,000	—	—	1,725,000
June, 2006	Various	3.800 - 4.00	6,555,000	—	990,000	7,545,000
June, 2006	Taxable	5.625 - 5.85	1,900,000	—	—	1,900,000
June, 2007	Various	4.000 - 4.50	7,310,000	7,310,000	5,000,000	19,620,000
June, 2007	Refunding	4.00	—	685,000	2,990,000	3,675,000
June, 2007	Taxable	5.400 - 5.60	1,090,000	—	—	1,090,000
Total			<u>\$46,065,000</u>	<u>\$17,875,000</u>	<u>\$14,900,000</u>	<u>\$78,840,000</u>

Annual debt service on general obligation and revenue bonds at June 30, 2007 are as follows:

GO Debt Service Fund

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2008.....	\$ 6,280,000	\$ 2,665,978
2009.....	6,505,000	2,433,205
2010.....	6,245,000	2,180,575
2011.....	6,040,000	1,930,843
2012.....	5,965,000	1,685,605
2013-2017	24,045,000	4,947,431
2018-2022	8,860,000	905,570
	<u>\$ 63,940,000</u>	<u>\$ 16,749,207</u>

Sanitary Sewer Enterprise Fund

Year Ending June 30,	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2008.....	\$ 1,055,000	\$ 595,610	\$ 1,495,000	\$ 604,173
2009.....	1,165,000	555,148	1,485,000	553,173
2010.....	1,205,000	510,492	1,585,000	494,198
2011.....	1,310,000	463,302	1,630,000	429,323
2012.....	1,370,000	411,601	1,705,000	360,693
2013-2017	6,575,000	1,201,115	5,950,000	695,458
2018-2022	2,220,000	188,431	—	—
	<u>\$ 14,900,000</u>	<u>\$ 3,925,699</u>	<u>\$ 13,850,000</u>	<u>\$ 3,137,018</u>

Notes to the Financial Statements

(9) Long-Term Debt

Sanitary Sewer Fund interest expense of \$1,458,700 for the year ended June 30, 2007 includes \$1,323,246 on bonds plus \$8,431 for discount amortization and \$127,023 for reacquisition amortization.

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

1. The bonds will only be redeemed from the future earnings of the sewer system and the bondholders hold a lien on the future earnings.
2. Sufficient monthly transfers shall be made to the sewer revenue bond and interest sinking account for the purpose of making the bond principal and interest payments when due.
3. Monthly transfers will be made to establish a sewer revenue debt reserve fund. (The minimum required is currently \$2,123,500). The amounts shall be used solely for the purpose of paying principal or interest on the bonds when insufficient money is available in the sinking fund. Whenever it shall become necessary to use the funds in the debt reserve fund, monthly payments shall be established to restore the funds used within a three-year period.
4. Monthly transfers of \$20,000 shall be made to the sewer improvement fund until the fund equals or exceeds \$450,000. Amounts in the improvement fund not otherwise specially limited by provisions of the bond resolution shall first be used for the purpose of paying principal or interest on the bonds when there shall be insufficient money in the sinking fund and the reserve fund, to pay the cost of extraordinary maintenance or repairs, renewals and replacements not included in the annual budget of revenue and current expenses, payment of rentals on any part of the system or payments due for any property purchased as a part of the system and for capital improvements to the system. Whenever it becomes necessary to so use the improvement fund, the monthly payments required shall be continued or resumed until the fund is restored to the required minimum balance.
5. The City will cause to be kept proper books and accounts adapted to the system and in accordance with generally accepted accounting practices, and will cause the books and accounts to be audited annually not later than 270 days after the end of each fiscal year by an independent auditor.
6. The City will faithfully and punctually perform all duties with reference to the Sewer Enterprise required by the Constitution and laws of the State of Iowa.
7. The City will establish rates to allow net revenue to meet or exceed 125% of debt service requirements for the year. For the year ended June 30, 2007, sewer net revenue was 172% of sewer revenue bond debt service.

For the year ended June 30, 2007, the City complied with bond covenants.

Loans and Notes

For the year ended June 30, 2007, additions to loans and notes include \$75,000 from the federal government included in other financing sources and \$90,000 urban development tax rebates for which no proceeds are reported.

Notes to the Financial Statements

(9) Long-Term Debt

The City, through its blended component unit, Waterloo Housing Authority, is indebted to the Federal Financing Bank (FFB) for \$572,263 from the purchase of the Ridgeway Towers housing complex. The debt is scheduled to mature November 1, 2015. The United States Department of Housing and Urban Development pays interest and principal of \$86,364, annually, directly to FFB. The City reports the payment transaction in the GO Debt Service Fund.

During November, 1996, to obtain funding for promoting Midport America, the City's airport area tax increment financing district, the City borrowed \$100,000 from Basic Materials Corp. Interest, at 3%, is due on the loan each June 1. Principal is to be repaid as land in the district is marketed; however, the City intends to repay the loan at \$10,000 per year until repaid. During the year ended June 30, 2007, the City paid principal of \$10,000 plus interest of \$1,800 on the loan. Payments are made from the TIF Debt Service Fund. At June 30, 2007, the unpaid principal was \$50,000.

On March 22, 1999, the City entered into a real estate purchase agreement with Hurst Holding Company for land known as the Tower Technology Park. The purchase price of \$548,856 is to be paid in annual installments of \$78,408, beginning April 1, 2002 through April 1, 2008 when the remaining balance is due. Included in the payment is variable interest at the prime rate minus 0.25% adjusted each April 1 (5.5% at April 1, 2007). During the year ended June 30, 2007, the City paid principal of \$66,104 and interest of \$12,304 from the TIF Debt Service Fund. At June 30, 2007, the balance of \$96,608 is outstanding.

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

On May 18, 2004, the City purchased land for development from Brock, Inc. for \$385,000 under a real estate contract requiring annual payments of \$40,000 including interest at 3% beginning June 1, 2006 and continuing through June 1, 2009 when the unpaid balance is due. A payment of \$31,928, principal, plus interest of \$8,072 was made during the year ended June 30, 2007 from the TIF Debt Service Fund. At June 30, 2007, a balance of \$237,144 was outstanding.

During the year ended June 30, 2005, the City acquired property from WDC Properties I, Inc. in exchange for a \$240,000 note payable with interest at 4.5%. The loan was retired during the year.

During the year ended June 30, 2005, the City acquired property from the Waterloo Industrial Development Association (WIDA) in exchange for a note payable of \$350,000 which is due, plus interest at 4% compounded annually, on or before June 1, 2008. A payment of \$160,000 plus interest of \$3,162 was applied to the loan, leaving a balance of \$80,000 at June 30, 2007.

The City has drawn down \$198,544 of a potential \$200,000 forgivable loan from the Iowa Department of Economic Development Brownfield Redevelopment Program (Department). The loan is at zero percent with no payments due in years one through five. The loan may be forgiven if planned increases in taxable valuation of property within the redevelopment area have not been attained. Repayment of the unforgiven loan is to be repaid in ten equal semi-annual payments as determined by the Department.

Notes to the Financial Statements

(9) Long-Term Debt

During the year ended June 30, 2007, the City drew \$75,000 of \$2,075,000 from the Department of Housing and Urban Development's Section 108 loan program. Variable interest is set the first day of each month at 0.2% above the Eastern Edition of the *Wall Street Journal's* published London Interbank Offered Rates (LIBOR) and is payable quarterly. Final draws have not been made against the debt; therefore, no principal maturities have been established. The loan is secured by City Local Option Tax revenue and the Community Block Grant Entitlement. City intent is to repay principal from Local Option Taxes within the next year.

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

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

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

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

Young Development, Ltd., \$90,000 plus interest at 5%, payable semi-annually beginning November, 2009 until paid in full from 100% of property tax payments, subject to annual appropriation.

Other Loans and Notes

Other governmental activity loans and notes mature as follows:

Year Ending June 30,	<u>GO Debt Service Fund</u>		<u>Nonmajor Governmental Funds</u>	
	Principal	Interest	Principal	Interest
2008.....	\$ 48,595	\$ 37,769	\$ 369,210	\$ 114,473
2009.....	51,707	34,657	442,818	68,854
2010.....	55,215	31,149	239,971	30,871
2011.....	58,859	27,505	260,567	23,009
2012.....	62,743	23,621	265,825	—
2013-2017	295,144	50,311	537,139	14,812
2018.....	—	—	20,914	12,052
	<u>\$ 572,263</u>	<u>\$ 205,012</u>	<u>\$ 2,136,444</u>	<u>\$ 264,071</u>

Notes to the Financial Statements

(10) Operating Leases

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

The following is a schedule by years of future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at June 30, 2007:

Year Ending June 30,	
2008.....	\$ 54,000
2009.....	54,000
Total	<u>\$ 108,000</u>

Rental expense for all material operating leases was \$54,000 for the year ended June 30, 2007.

(11) Retirement Systems

Police and Fire Retirement Plan

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

MFPRSI provides retirement, disability and death benefits which are established by state statute to plan members and beneficiaries. MFPRSI issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to MFPRSI, 7155 Lake Drive, West Des Moines, Iowa 50263.

Plan members are required to contribute 9.35% of their earnable compensation and the City's contribution rate may not be less than 17% of annual earnable compensation. For the year ended June 30, 2007, the City's rate was 27.75%. Contribution requirements are established by state statute and may be amended by the State of Iowa legislature with the consent of the governor. The City's contributions to MFPRSI for the years ended June 30, 2007, 2006 and 2005 were \$3,319,634, \$3,290,718 and \$2,881,037, respectively, which met the required contributions for each year.

Other City Employees' Retirement Plan

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

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute and may be amended by the State of Iowa legislature with the consent of the governor. The City's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$743,851, \$722,024 and \$688,993, respectively, which met the required contributions for each year.

Notes to the Financial Statements

(11) Retirement Systems

Component Unit

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

Funding Policy

The contribution requirements of Plan members and the Utility are established and may be amended by the Utility. Plan member contributions are not currently required. The Utility is required to contribute amounts necessary to provide benefits based on the actuarial valuation. Amounts contributed to the plan during 2006, 2005 and 2004 were \$280,000, \$110,000 and \$50,000, respectively.

Annual Pension Cost and Net Pension Obligation

The annual pension cost for 2006 was determined as part of the actuarial valuation using the January 1, 2006 aggregate actuarial method. This method does not identify or separately amortize unfunded actuarial accrued liabilities. The actuarial assumptions for 2005 and 2004 included (a) 8% investment rate of return (net of administrative expenses) and (b) projected salary increases of 3% per year, compounded annually and retirement at age 65. The actuarial valuation at January 1, 2006 assumes retirement at age 62 with 30 years of service. The assumptions did not include any postretirement benefits. The actuarial value of assets was determined using the current market value of investments.

Three-Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation Asset
December 31, 2004.....	\$ 72,011	69%	\$ 126,391
December 31, 2005.....	74,155	148	90,546
December 31, 2006.....	105,453	267	(84,001)

(12) Deficit Fund Balances

Funds with deficit balances at June 30, 2007 were as follows:

Nonmajor Governmental	
Special Revenue	
Section 108 Loan Program.....	\$ 1,344,707
Federal Aviation Agency Projects.....	97,179
Capital Projects	
Capital Improvements	306,298

(13) Commitments

Construction

The City is involved in construction of capital assets, mainly streets, riverfront improvements, Brownfields reconstruction and the Waterloo Center for the Arts' Youth Pavilion. Much of the construction is partially funded through federal, state and local grants and donations. City participation in the programs is generally funded through proceeds of debt issues, local option taxes and distributions from the Black Hawk County Solid Waste Management Commission. At June 30, 2007, the City was committed to approximately \$16.6 million of construction contracts.

Property Tax Rebates

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

Loan Guarantee

The City has guaranteed a bank loan of Cedar Skyline Corporation d/b/a Main Street Waterloo. In the event the primary debtor is unable to repay the loan, the City would be required to make the payments. At June 30, 2007, the note balance was \$254,417.

Retired Employees Health Care

Employees hired before 1990 who retire with 28 or more years of service but who have not reached age 65 are eligible for City-paid health care coverage. During the year ended June 30, 2007, the City incurred approximately \$1,618,000 for retirees' health care coverage and received approximately \$115,000 from former employees under COBRA and co-pay provisions. The City records the costs on the "pay as you go" method. Programs/functions are charged for employees who retired from the program/function.

(14) Employee Health Care Plan

The City provides health care, including dental and prescription coverages, to its employees and certain former employees through a self-funded health insurance plan. Administration is provided by contracted providers. The City accounts for the plan in the General Fund, City Clerk and Finance Department, Health/Life Insurance Activity. Other funds, departments and activities are assessed for costs based on current and former employees within the activity. General Fund costs to activities are funded by an employee benefits levy in the Trust and Agency Fund. The City is allowed to levy amounts needed to provide benefits.

The City purchases stop-loss insurance, \$100,000 specific and 125% aggregate of expected claims.

Notes to the Financial Statements

(14) Employee Health Care Plan

The City's estimated unpaid claims at June 30 and its needed reserves for claim fluctuation were determined by an actuarial study performed as of June 30. Changes and balances are as follows:

Estimated unpaid claims, beginning of year (The City changed from purchased insurance to self funded at July 1, 2006)		\$	—
Estimated claims incurred			6,611,185
Claims payments	\$ 5,857,998		
Less stop-loss recoveries	<u>271,933</u>		<u>5,586,065</u>
Estimated Unpaid Claims, End of Year			<u>\$ 1,025,120</u>

Estimated Claim Fluctuation Reserves Required

Reserved fund balance, General Fund.....		\$	90,032
Reserved fund balance, Trust and Agency Fund			994,205
Total			<u>\$ 1,084,237</u>

(15) Worker's Compensation Plan

The City provides worker's compensation benefits through a self-funded plan. Administration is provided by a contracted provider. The City accounts for the plan in the General Fund, City Clerk and Finance Department, Self-Funded Worker's Compensation Activity. Costs are funded by an employee benefits levy in the Trust and Agency Fund. The City is allowed to levy amounts needed to provide benefits.

The City's estimated unpaid claims at June 30 are based on projected costs of future payments for injuries incurred prior to June 30.

Estimated unpaid claims, beginning of year (The City changed from purchased insurance to self funded at July 1, 2006)		\$	—
Estimated claims incurred			237,012
Claims payments			<u>95,745</u>
Estimated Unpaid Claims, End of Year			<u>\$ 141,267</u>

(16) Joint Ventures and Jointly Governed Organizations

The City is a participating member of several organizations including the Black Hawk County Criminal Justice Information System (CJIS), the Consolidated Dispatch Center (Center), the Black Hawk County Solid Waste Management Commission (SWMC) and the Metropolitan Transit Authority (MET). In addition, the City pays its share of costs for CJIS, including debt service, pays its share of costs of the Center, pays landfill fees to SWMC and levies and collects property taxes from Black Hawk County and remits them to MET (\$1,195,893 during the year ended June 30, 2007). During the year ended June 30, 2007, the City received a distribution of \$1,073,828 from SWMC. Cumulative unexpended SWMC distributions are reported in the General Fund as designated for Vision Iowa projects. Also, during the year ended June 30, 2007, the Sanitation Fund received an operating grant of \$274,988 from SWMC. This grant was used to offset recycling costs.

Notes to the Financial Statements

(16) Joint Ventures and Jointly Governed Organizations

The Center's financial information is reported within the Black Hawk County annual financial report. CJIS, SWMC and MET issue their own annual reports. Reports are available on the Iowa <http://auditor.iowa.gov/reports> Auditor of State's website.

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

(17) Industrial Development Revenue Bonds

The City has issued a total of \$137,809,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The amount outstanding at June 30, 2007 is not reported to the City by either the debtors or creditors. Therefore, outstanding balances are unknown. The bonds and related interest are payable solely from revenue of applicable projects. Bond principal and interest do not constitute liabilities of the City.

(18) Risk Management

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

The City assumes the risks of loss of both mobile vehicles and equipment, except certain fire equipment with large per-unit costs which are insured against loss and deductibles.

At June 30, 2007, the City has designated \$2,499,291 of its General Fund, fund balance for insurable risks retained.

(19) Contingencies

The City is a defendant in an action regarding cable television franchise fees. The litigation requests that refunds be made of amounts collected. A judgment was granted against the City. However, no damage amounts have been determined. The City is appealing the judgment. If the appeal is denied, management believes the damages may be limited by other factors. Therefore, no amount of any potential loss can be estimated.

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

Required Supplementary Information

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

Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		Actual Amounts	Actual Over (Under) Final Budget
	Original	Final	Budgetary Basis (See Note B)	
Revenue and Other Financing Sources				
Receipts				
Property taxes	\$ 33,117,028	\$ 33,117,028	\$ 33,118,956	\$ 1,928
TIF revenue	3,250,000	3,472,828	3,548,504	75,676
Other taxes	11,106,648	11,137,648	11,588,390	450,742
Licenses and permits.....	1,177,575	1,177,575	1,531,133	353,558
Use of money and property	1,595,937	2,010,876	3,486,172	1,475,296
Intergovernmental.....	28,637,849	32,319,115	22,296,596	(10,022,519)
Charges for services.....	19,141,456	18,967,824	18,804,138	(163,686)
Special assessments.....	136,375	136,375	77,592	(58,783)
Miscellaneous.....	5,797,555	8,478,516	7,829,594	(648,922)
Total Receipts	<u>103,960,423</u>	<u>110,817,785</u>	<u>102,281,075</u>	<u>(8,536,710)</u>
Other Financing Sources				
Transfer from other funds.....	16,909,712	18,944,915	14,525,026	(4,419,889)
Debt proceeds	15,985,000	29,095,000	24,680,000	(4,415,000)
Sale of capital assets.....	73,575	70,872	88,102	17,230
Total Other Financing Sources ..	<u>32,968,287</u>	<u>48,110,787</u>	<u>39,293,128</u>	<u>(8,817,659)</u>
Total Receipts and Other Financing Sources	<u>136,928,710</u>	<u>158,928,572</u>	<u>141,574,203</u>	<u>(17,354,369)</u>
Disbursements and Other Financing Uses				
Governmental-Type Activities				
Public safety	25,170,690	25,857,329	24,900,191	(957,138)
Public works	21,282,129	29,510,610	25,089,430	(4,421,180)
Health and social services	421,692	385,925	355,611	(30,314)
Culture and recreation.....	7,431,607	7,671,325	6,950,109	(721,216)
Community and economic development	17,226,004	16,548,756	8,227,942	(8,320,814)
General government	4,264,789	4,956,099	2,925,549	(2,030,550)
Debt service	14,965,610	27,295,812	27,132,056	(163,756)
Capital projects	14,083,764	19,080,551	12,834,014	(6,246,537)
Total Governmental-Type Activities	<u>104,846,285</u>	<u>131,306,407</u>	<u>108,414,902</u>	<u>(22,891,505)</u>
Business-type activities	15,226,863	17,160,427	16,144,663	(1,015,764)
Total Disbursements	<u>120,073,148</u>	<u>148,466,834</u>	<u>124,559,565</u>	<u>(23,907,269)</u>
Other Financing Uses				
Transfers to other funds	16,909,712	18,944,915	14,525,026	(4,419,889)
Debt refunded from refunding proceeds	—	—	—	—
Total Other Financing Uses	<u>16,909,712</u>	<u>18,944,915</u>	<u>14,525,026</u>	<u>(4,419,889)</u>
Total Disbursements and Other Financing Uses.....	<u>136,982,860</u>	<u>167,411,749</u>	<u>139,084,591</u>	<u>(28,327,158)</u>
Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses				
Beginning Fund Balance	<u>42,170,081</u>	<u>58,482,723</u>	<u>58,482,723</u>	<u>—</u>
Ending Fund Balance.....	<u>\$ 42,115,931</u>	<u>\$ 49,999,546</u>	<u>\$ 60,972,335</u>	<u>\$ 10,972,789</u>

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

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type and nonprogram. Although the budget document presents function disbursements by fund type, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, two budget amendments were adopted which increased budgeted disbursements by approximately \$28,400,000. The budget amendments are reflected in the final budgeted amounts.

- (B) The City uses the same modified cash basis of accounting for budgetary reporting as is used for its internal financial records. Under this basis, cash transactions are modified by certain receivables and payables and by certain noncash revenue and expenditures. In addition, many transactions which should be recorded in and reported by the Sanitary Sewer Enterprise Fund are recorded in and reported by governmental funds.

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

Year Ended June 30, 2007

	GAAP Basis		Total Funds	Budgetary Basis Exceptions	Property Tax Collected for and Remitted to MET	Other GAAP Conversion Adjustments	Budgetary Basis
	Governmental Funds	Enterprise Funds					
Revenue/Receipts							
Property taxes and TIF revenue	\$ 35,550,774	\$ —	\$ 35,550,774	\$ —	\$ 1,195,893	\$ (79,207)	\$ 36,667,460
Other taxes	11,609,390	—	11,609,390	—	—	(21,000)	11,588,390
Licenses and permits	1,528,961	—	1,528,961	—	—	2,172	1,531,133
Use of money and property....	2,948,183	532,645	3,480,828	— (a)	—	5,344	3,486,172
Intergovernmental	21,107,074	723,206	21,830,280	—	—	466,316	22,296,596
Charges for services	5,554,760	12,595,845	18,150,605	—	—	653,533	18,804,138
Interfund charges for services	2,802,327	—	2,802,327	—	—	(2,802,327)	—
Special assessments	39,932	—	39,932	—	—	37,660	77,592
Miscellaneous	3,878,401	385,471	4,263,872	—	—	3,565,722	7,829,594
Total Revenue/Receipts	<u>85,019,802</u>	<u>14,237,167</u>	<u>99,256,969</u>	<u>—</u>	<u>1,195,893</u>	<u>1,828,213</u>	<u>102,281,075</u>
Expenditures and Expenses/Disbursements							
Public safety	25,074,830	—	25,074,830	—	—	(174,639)	24,900,191
Public works	22,688,730	—	22,688,730	—	1,195,893	1,204,807	25,089,430
Health and social services	332,431	—	332,431	—	—	23,180	355,611
Culture and recreation	7,385,038	—	7,385,038	—	—	(434,929)	6,950,109
Community and economic development	9,097,089	—	9,097,089	—	—	(869,147)	8,227,942
General government	4,128,315	—	4,128,315	—	—	(1,202,766)	2,925,549
Debt service	10,262,703	—	10,262,703	16,153,944 (b,c)	—	715,409	27,132,056
Capital projects	11,035,051	—	11,035,051	—	—	1,798,963	12,834,014
Business-type activities	—	11,469,452	11,469,452	(1,329,703) (b)	—	6,004,914	16,144,663
Total Expenditures and Expenses/ Disbursements	<u>90,004,187</u>	<u>11,469,452</u>	<u>101,473,639</u>	<u>14,824,241</u>	<u>1,195,893</u>	<u>7,065,792</u>	<u>124,559,565</u>
Net	<u>(4,984,385)</u>	<u>2,767,715</u>	<u>(2,216,670)</u>	<u>(14,824,241)</u>	<u>—</u>	<u>(5,237,579)</u>	<u>(22,278,490)</u>
Other Financing Sources (Uses)							
Transfers in	10,871,913	—	10,871,913	3,430,441 (a,b,g)	—	222,672	14,525,026
Transfers out	(10,871,913)	—	(10,871,913)	(3,430,441) (a,b,g)	—	14,302,354	—
Proceeds from sales of assets	88,102	6,025	94,127	—	—	(6,025)	88,102
Debt issued	16,521,127	—	16,521,127	— (d)	—	8,158,873	24,680,000
Payments to refunding escrow	(7,932,132)	—	(7,932,132)	14,824,241 (c)	—	(6,892,109)	—
Payments to refunding escrow - proprietary	—	—	—	(6,892,109) (c)	—	6,892,109	—
Total Other Financing Sources (Uses)	<u>8,677,097</u>	<u>6,025</u>	<u>8,683,122</u>	<u>7,932,132</u>	<u>—</u>	<u>22,677,874</u>	<u>39,293,128</u>
Change in Fund Balance/ Net Assets							
Balance - Beginning of Year	43,640,470	71,668,818	115,309,288	— (e)	—	(56,826,565)	58,482,723
Balance - End of Year	<u>\$ 47,333,182</u>	<u>\$ 74,442,558</u>	<u>\$ 121,775,740</u>	<u>\$(6,892,109) (f)</u>	<u>\$ —</u>	<u>\$ (39,386,270)</u>	<u>\$ 75,497,361</u>

(a) Interest earned by the Sanitary Sewer Fund of \$59,528 was accounted and reported as governmental receipts and as transfers out from governmental funds and transfers in to the Sanitary Sewer Fund.

(b) Principal and interest on general obligation debt of \$1,329,703 incurred by the Sanitary Sewer Fund was accounted and reported in the General Obligation Debt Service Fund. The Sanitary Sewer Fund reported a transfer out of that amount and the General Obligation Debt Service Fund reported a transfer in.

(c) Refunding proceeds directly wired to refunding escrow of \$14,824,241 were budgeted and reported as debt service. Of the total, \$6,892,109 was on behalf of the Sanitary Sewer Fund.

(d) Proceeds from the issuance of general obligation debt to be repaid from sanitary sewer revenue in the amount of \$7,990,000 were recorded and reported in governmental funds rather the Sanitary Sewer Enterprise Fund.

(e) Sanitary Sewer Fund beginning balances of \$2,422,802 which arose from unexpended prior year bond proceeds were recorded in and reported by governmental funds.

(f) Sanitary Sewer Fund ending balances of \$1,444,785 from unexpended bond proceeds were recorded in and reported by governmental funds.

(g) Governmental funds reported transfers out of \$2,041,210 with offsetting transfers in reported by the Sanitary Sewer Fund. These amounts are derived from disbursements in the Sanitary Sewer Fund of prior and current year debt proceeds.

Other Supplementary Information

General Fund Description

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

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

Year Ended June 30, 2007

Revenue

Property taxes	\$ 14,693,383
Other taxes and assessments	2,338,539
Licenses and permits.....	1,517,406
Investment income	632,165
Rent.....	732,144
Intergovernmental.....	1,733,219
Charges for services.....	5,256,840
Indirect allocations.....	2,117,327
Special assessments.....	39,932
Miscellaneous.....	<u>2,238,233</u>
Total Revenue	<u>\$ 31,299,188</u>

Expenditures

Public Safety Function

Mayor

Black Hawk Emergency Management Agency

Contractual services	\$ 47,570
Total Activity and Department.....	<u>47,570</u>

Police Department

Police Operations

Compensation and benefits	8,776,235
Contractual services	742,801
Commodities.....	<u>279,598</u>
Total Activity.....	<u>9,798,634</u>

Police Computer Services

Contractual services	29,782
Commodities.....	<u>18,632</u>
Total Activity.....	<u>48,414</u>

Police Grants

Compensation and benefits	606,675
Contractual services	73,396
Commodities.....	157,464
Capital outlay	<u>54,486</u>
Total Activity.....	<u>892,021</u>

Law Enforcement Programs

Commodities.....	22,803
Capital outlay	<u>5,500</u>
Total Activity.....	<u>28,303</u>

Tobacco Grant

Compensation and benefits	<u>2,200</u>
Total Activity.....	<u>2,200</u>
Total Department	<u>10,769,572</u>

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

Year Ended June 30, 2007

Expenditures

Public Safety Function

Fire Department

Fire Protection

Compensation and benefits	\$ 7,399,520
Contractual services	354,681
Commodities	127,771
Total Activity.....	<u>7,881,972</u>

Fire Restricted Programs

Contractual services	10,739
Commodities	10,631
Capital outlay	39,492
Total Activity.....	<u>60,862</u>

Fire Ambulance Services

Compensation and benefits	1,046,071
Contractual services	134,333
Commodities	136,014
Total Activity.....	<u>1,316,418</u>

Fire Safety Program

Compensation and benefits	161,189
Contractual services	39,373
Commodities	4,156
Total Activity.....	<u>204,718</u>

Fire Federal CDC Grant

Compensation and benefits	100,382
Contractual services	31,395
Commodities	2,979
Total Activity.....	<u>134,756</u>

Total Department 9,598,726

Traffic Operations Department

Animal Control

Contractual services	194,509
Commodities	375
Total Activity and Department.....	<u>194,884</u>

Building Inspection Department

Building and Housing Safety

Compensation and benefits.....	783,447
Contractual services.....	25,270
Commodities	38,030
Total Activity and Department.....	<u>846,747</u>

Public Safety Function Totals

Current

Compensation and benefits.....	18,875,719
Contractual services.....	1,683,849
Commodities	798,453
Subtotal.....	21,358,021
Capital outlay.....	<u>99,478</u>

Total Public Safety Function \$ 21,457,499

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

Year Ended June 30, 2007

Public Works Function	
Mayor	
Telecommunications	
Contractual services	\$ <u>539</u>
Total Activity and Department.....	<u>539</u>
Clerk	
Parking Administration	
Compensation and benefits	50,610
Contractual services	68,839
Commodities	<u>200</u>
Total Activity and Department.....	<u>119,649</u>
City Engineer	
Sidewalk Repair/Construction	
Contractual services	<u>70,018</u>
Total Activity and Department.....	<u>70,018</u>
Traffic Operations	
Parking Maintenance	
Compensation and benefits	190,499
Contractual services	40,969
Commodities	<u>10,334</u>
Total Activity and Department.....	<u>241,802</u>
Central Garage	
Central Garage	
Compensation and benefits	577,427
Contractual services	33,346
Commodities	<u>84,004</u>
Total Activity.....	<u>694,777</u>
Motor Pool Service	
Commodities	<u>75,547</u>
Total Activity.....	<u>75,547</u>
Total Department	<u>770,324</u>
Airport	
Airport Administration	
Compensation and benefits	366,024
Contractual services	252,836
Commodities	<u>113,282</u>
Total Activity and Department.....	<u>732,142</u>
Public Works Function Totals	
Current	
Compensation and benefits.....	1,184,560
Contractual services.....	466,547
Commodities	<u>283,367</u>
Total Public Works Function	<u>\$ 1,934,474</u>

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

Year Ended June 30, 2007

Expenditures

Health and Social Services Function

Mayor

Youth Initiative/Juvenile Justice Grant

Contractual services	\$ 25,000
Total Activity.....	25,000

Health and Sanitation

Contractual services	75,000
Total Activity.....	75,000
Total Department	100,000

Human Rights Department

Human Rights

Compensation and benefits	158,807
Contractual services	16,593
Commodities	1,240
Total Activity.....	176,640

Housing Enforcement

Compensation and benefits	19,552
Contractual services	33,497
Commodities	754
Total Activity.....	53,803

Cedar Valley Diversity Action Team

Contractual services	1,988
Total Activity.....	1,988
Total Department	232,431

Health and Social Services Function Totals

Current

Compensation and benefits.....	178,359
Contractual services.....	152,078
Commodities	1,994

Total Health and Social Services Function	<u>\$ 332,431</u>
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Schedule of Revenue, Expenditures and Changes in Fund Balance - General Fund

Year Ended June 30, 2007

Expenditures

Culture and Recreation Function

Mayor

KBBG Communications

Contractual services	\$ 4,000
Total Activity.....	4,000

Fairview Cemetery Association

Contractual services	40,000
Total Activity.....	40,000
Total Department	44,000

Cultural/Arts

Center for the Arts

Compensation and benefits	550,692
Contractual services	87,475
Commodities	26,569
Total Activity.....	664,736

Youth Pavilion

Compensation and benefits	9,456
Contractual services	994
Commodities	4,235
Total Activity.....	14,685

Public Art

Contractual services	8,380
Total Activity.....	8,380

Culture and Arts Grants and Projects

Contractual services	33,144
Total Activity.....	33,144
Total Department	720,945

Library

Library Services

Compensation and benefits	888,957
Contractual services	225,115
Commodities	185,585
Total Activity.....	1,299,657

Enrich Iowa

Contractual services	17,087
Total Activity.....	17,087

Library Access Plus

Commodities	2,214
Total Activity.....	2,214

Library Grants

Commodities	6,400
Total Activity.....	6,400

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

Year Ended June 30, 2007

Expenditures

Culture and Recreation Function

Library

Library Gift and Trust

Contractual services	\$ 18,829
Commodities	31,521
Capital outlay	3,000
Total Activity.....	<u>53,350</u>

Library Service Area

Commodities	23,460
Total Activity.....	<u>23,460</u>

County Library System

Compensation and benefits	54,699
Contractual services	4,556
Commodities	19,710
Total Activity.....	<u>78,965</u>

Library Open Access

Commodities	8,605
Total Activity.....	<u>8,605</u>
Total Department	<u>1,489,738</u>

Leisure Services

Leisure Services

Compensation and benefits	1,361,656
Contractual services	236,362
Commodities	243,880
Total Activity.....	<u>1,841,898</u>

Downtown Area Maintenance

Compensation and benefits	22,018
Total Activity.....	<u>22,018</u>

Leisure Services Projects

Compensation and benefits	8,455
Contractual services	20,211
Commodities	56,035
Capital outlay	44,063
Total Activity.....	<u>128,764</u>

Golf Courses

Compensation and benefits	741,574
Contractual services	39,016
Commodities	115,496
Total Activity.....	<u>896,086</u>

Golf Course Improvements

Contractual services	1,442
Commodities	32,616
Total Activity.....	<u>34,058</u>

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

Year Ended June 30, 2007

Expenditures

Culture and Recreation Function

Leisure Services

Sports and Youth Services

Compensation and benefits	\$ 377,695
Contractual services	27,946
Commodities	107,803
Total Activity.....	513,444

Young Arena

Compensation and benefits	345,789
Contractual services	140,776
Commodities	206,312
Total Activity.....	692,877
Total Department	4,129,145

Culture and Recreation Function Totals

Current

Compensation and benefits.....	4,360,991
Contractual services.....	905,333
Commodities	1,070,441
Subtotal.....	6,336,765
Capital outlay.....	47,063

Total Culture and Recreation Function **\$ 6,383,828**

Community and Economic Development Function

Mayor

Iowa Northland Council of Governments

Contractual services	\$ 28,874
Total Activity.....	28,874

Tourism Promotion

Contractual services	160,225
Total Activity.....	160,225

Waterloo Convention & Visitors Bureau, Inc.

Contractual services	436,220
Total Activity.....	436,220
Total Department	625,319

Planning and Zoning

Planning and Zoning

Compensation and benefits	363,399
Contractual services	8,759
Commodities	6,649
Capital outlay	2,630
Total Activity.....	381,437

Historic Preservation

Contractual services	10,791
Total Activity.....	10,791

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

Year Ended June 30, 2007

Expenditures

Community and Economic Development Function

Planning and Zoning

City Property Management

Contractual services	\$ 20,241
Total Activity.....	20,241

Economic Development

Compensation and benefits	40,308
Contractual services	24,136
Commodities	1,480
Total Activity.....	65,924

Special Projects

Contractual services	23,379
Total Activity.....	23,379
Total Department	501,772

Building Inspection

Code Enforcement

Compensation and benefits	162,558
Contractual services	6,455
Commodities	3,871
Total Activity.....	172,884

Five Sullivans Civic Center

Compensation and benefits	68,471
Contractual services	57,695
Commodities	14,217
Total Activity.....	140,383
Total Department	313,267

Community Development

Block Grant Administration

Contractual services	10,200
Total Activity.....	10,200

Emergency Shelter Pass Through

Compensation and benefits	3,024
Contractual services	13,995
Total Activity.....	17,019
Total Department	27,219

Community and Economic Development Function Totals

Current

Compensation and benefits.....	\$ 637,760
Contractual services	800,970
Commodities	26,217
Subtotal.....	1,464,947
Capital outlay.....	2,630

Total Community and Economic Development Function..... \$ 1,467,577

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

Year Ended June 30, 2007

General Government Function

Mayor

Mayor's Office

Compensation and benefits	\$ 139,031
Contractual services	5,552
Commodities	<u>394</u>
Total Activity.....	<u>144,977</u>

Administrative and Management Information Services

Compensation and benefits	156,453
Contractual services	96,385
Commodities	<u>7,677</u>
Total Activity.....	<u>260,515</u>
Total Department	<u>405,492</u>

City Council

City Council

Compensation and benefits	54,453
Contractual services	<u>640</u>
Total Activity and Department.....	<u>55,093</u>

City Clerk and Finance

Telecommunications

Compensation and benefits	87,938
Contractual services	1,695
Commodities	1,256
Capital outlay	<u>16,064</u>
Total Activity.....	<u>106,953</u>

City Clerk and Finance

Compensation and benefits	574,788
Contractual services	253,428
Claims, judgments, contingencies	2,263
Commodities	<u>10,102</u>
Total Activity.....	<u>840,581</u>

Liability Insurance

Compensation and benefits	51,747
Contractual services	<u>874,368</u>
Total Activity.....	<u>926,115</u>

Health/Life Insurance

Compensation and benefits	16,635
Contractual services	<u>456,411</u>
Total Activity.....	<u>473,046</u>

Self-Funded Worker's Compensation

Contractual services	<u>322,766</u>
Total Activity.....	<u>322,766</u>

Print Shop

Contractual services	<u>48,130</u>
Total Activity.....	<u>48,130</u>
Total Department	<u>2,717,591</u>

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

Year Ended June 30, 2007

Expenditures

General Government Function

City Attorney

City Attorney

Compensation and benefits	\$ 131,793
Contractual services	132,237
Commodities	10,315
Total Activity and Department.....	274,345

Human Resources

Human Resources

Compensation and benefits	217,914
Contractual services	18,388
Commodities	2,406
Total Activity and Department.....	238,708

Building Inspection

Facilities Maintenance

Compensation and benefits	143,419
Contractual services	187,918
Commodities	60,018
Total Activity.....	391,355

Facilities Restricted Project

Contractual services	80
Commodities	1,593
Total Activity.....	1,673

Veteran's Memorial Hall

Contractual services	5,227
Total Activity.....	5,227

Total Department	398,255
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General Government Function Totals

Current

Compensation and benefits.....	1,574,171
Contractual services	2,405,488
Commodities	93,761
Subtotal.....	4,073,420
Capital outlay.....	16,064

Total General Government Function	<u>\$ 4,089,484</u>
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Schedule of Revenue, Expenditures and Changes in Fund Balance - General Fund

Year Ended June 30, 2007

Expenditures	
Public Safety.....	\$ 21,457,499
Public Works.....	1,934,474
Health and Social Services.....	332,431
Culture and Recreation.....	6,383,828
Community and Economic Development	1,467,577
General Government.....	<u>4,089,484</u>
Total Expenditures	<u>\$ 35,665,293</u>
Revenue Under Expenditures	<u>\$ (4,366,105)</u>
Other Financing Sources (Uses)	
Transfers in.....	7,293,917
Transfers out	(1,485,593)
Proceeds from sale of assets	<u>88,102</u>
Total Other Financing Sources.....	<u>5,896,426</u>
Net Change in Fund Balance.....	1,530,321
Fund Balance - Beginning of Year.....	<u>12,707,359</u>
Fund Balance - End of Year.....	<u>\$ 14,237,680</u>

Combining Balance Sheet Schedule - Nonmajor Governmental Funds ▬▬▬

At June 30, 2007

	Special Revenue	TIF Debt Service	Capital Projects	Total
Assets				
Cash and cash equivalents	\$ 4,062,714	\$ 1,938,848	\$ 19,232,122	\$ 25,233,684
Investments	472,129	—	—	472,129
Receivables				
Property Taxes				
Delinquent.....	4,532	—	—	4,532
Succeeding year	473,945	3,522,574	—	3,996,519
Due from other funds.....	67,164	—	—	67,164
Due From Other Governments				
Federal.....	934,510	—	14,687	949,197
Iowa.....	1,355,129	—	239,009	1,594,138
Other	6,224	36,335	—	42,559
Inventories and prepaids	119,751	—	—	119,751
Restricted Assets				
Cash and cash equivalents	<u>2,592,006</u>	<u>—</u>	<u>—</u>	<u>2,592,006</u>
Total Assets	<u>\$ 10,088,104</u>	<u>\$ 5,497,757</u>	<u>\$ 19,485,818</u>	<u>\$ 35,071,679</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 640,826	\$ 65,347	\$ 1,095,050	\$ 1,801,223
Retainages payable.....	214,988	—	294,718	509,706
Accrued liabilities.....	168,004	—	—	168,004
Due to other funds.....	1,972,252	379,868	1,628,013	3,980,133
Deferred revenue.....	1,478,340	3,522,574	27,484	5,028,398
Compensated absences.....	217,967	—	—	217,967
Payable from restricted assets	<u>141,243</u>	<u>—</u>	<u>—</u>	<u>141,243</u>
Total Liabilities.....	<u>4,833,620</u>	<u>3,967,789</u>	<u>3,045,265</u>	<u>11,846,674</u>
Fund Balances				
Reserved for inventories and prepaids	119,751	—	—	119,751
Reserved for improvements	159,455	—	—	159,455
Unreserved				
Undesignated	<u>4,975,278</u>	<u>1,529,968</u>	<u>16,440,553</u>	<u>22,945,799</u>
Total Fund Balances.....	<u>5,254,484</u>	<u>1,529,968</u>	<u>16,440,553</u>	<u>23,225,005</u>
Total Liabilities and Fund Balances	<u>\$ 10,088,104</u>	<u>\$ 5,497,757</u>	<u>\$ 19,485,818</u>	<u>\$ 35,071,679</u>

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

Year Ended June 30, 2007

	Special Revenue	TIF Debt Service	Capital Projects	Total
Revenue				
Property taxes	\$ 468,870	\$ 3,569,695	\$ —	\$ 4,038,565
Other taxes	25,077	—	—	25,077
Licenses and permits.....	11,555	—	—	11,555
Investment income	160,422	115,786	525,510	801,718
Rent.....	159,529	—	—	159,529
Intergovernmental.....	18,995,019	—	292,472	19,287,491
Charges for services.....	297,920	—	—	297,920
Indirect allocations - PS.....	685,000	—	—	685,000
Miscellaneous.....	<u>75,233</u>	<u>—</u>	<u>1,530,493</u>	<u>1,605,726</u>
Total Revenue	<u>20,878,625</u>	<u>3,685,481</u>	<u>2,348,475</u>	<u>26,912,581</u>
Expenditures				
Current				
Public safety	315,227	—	—	315,227
Public works	11,652,699	—	—	11,652,699
Culture and recreation.....	1,001,210	—	—	1,001,210
Community and economic development	7,012,302	617,210	—	7,629,512
General government	145	—	—	145
Debt Service				
Principal	—	508,032	—	508,032
Interest and fees	3,410	38,868	104,110	146,388
Capital outlay.....	<u>—</u>	<u>—</u>	<u>11,035,051</u>	<u>11,035,051</u>
Total Expenditures	<u>19,984,993</u>	<u>1,164,110</u>	<u>11,139,161</u>	<u>32,288,264</u>
Revenue Over (Under) Expenditures	893,632	2,521,371	(8,790,686)	(5,375,683)
Other Financing Sources (Uses)				
Transfers in.....	164,256	—	961,170	1,125,426
Transfers out	—	(2,000,000)	(92,403)	(2,092,403)
Debt issued.....	<u>75,000</u>	<u>—</u>	<u>8,400,000</u>	<u>8,475,000</u>
Net Change in Fund Balance.....	1,132,888	521,371	478,081	2,132,340
Fund Balance - Beginning of Year	<u>4,121,596</u>	<u>1,008,597</u>	<u>15,962,472</u>	<u>21,092,665</u>
Fund Balance - End of Year.....	<u>\$ 5,254,484</u>	<u>\$ 1,529,968</u>	<u>\$ 16,440,553</u>	<u>\$ 23,225,005</u>

Special Revenue Funds - Descriptions ---

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

Major:

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

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

Nonmajor:

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

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

Section 108 Loan Program Fund - This fund accounts for expenditures related to the United States Department of Housing and Urban Development's Section 108 Guaranteed Loan Program.

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

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

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

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

Combining Balance Sheet Schedule - Nonmajor Special Revenue Funds

At June 30, 2007

	Library Tax Levy	Community Development Block Grant	Section 108 Loan Program	Road Use Tax	Housing Programs	Grants	Federal Aviation Agency Projects	Total
Assets								
Cash and cash equivalents	\$ 150,723	\$ 14,819	\$ —	\$ 2,795,371	\$ 1,101,801	\$ —	\$ —	\$ 4,062,714
Investments	—	—	—	—	472,129	—	—	472,129
Receivables								
Property Taxes								
Delinquent	4,532	—	—	—	—	—	—	4,532
Succeeding year	473,945	—	—	—	—	—	—	473,945
Due from other funds	—	6	—	—	—	67,158	—	67,164
Due from Other Governments								
Federal	—	498,878	851	—	8,779	19,088	406,914	934,510
Iowa	—	10,000	—	91,844	—	1,227,865	25,420	1,355,129
Other	6,224	—	—	—	—	—	—	6,224
Inventories and prepaids	—	—	—	119,751	—	—	—	119,751
Restricted cash and cash equivalents	—	—	—	—	2,426,389	—	165,617	2,592,006
Total Assets	\$ 635,424	\$ 523,703	\$ 851	\$ 3,006,966	\$ 4,009,098	\$ 1,314,111	\$ 597,951	\$ 10,088,104
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ —	\$ 41,067	\$ 322,753	\$ 87,095	\$ 10,600	\$ 157,517	\$ 21,794	\$ 640,826
Retainages payable	—	—	73,913	—	—	30,834	110,241	214,988
Accrued liabilities	18,176	20,283	—	115,008	14,368	169	—	168,004
Due to other funds	—	—	948,892	—	—	792,325	231,035	1,972,252
Deferred revenue	478,477	429,904	—	81,119	—	162,941	325,899	1,478,340
Compensated absences	15,956	25,580	—	160,325	16,106	—	—	217,967
Payable from restricted assets	—	—	—	—	135,082	—	6,161	141,243
Total Liabilities	512,609	516,834	1,345,558	443,547	176,156	1,143,786	695,130	4,833,620
Fund Balances								
Reserved for inventories and prepaids	—	—	—	119,751	—	—	—	119,751
Reserved for improvements	—	—	—	—	—	—	159,455	159,455
Unreserved - undesignated	122,815	6,869	(1,344,707)	2,443,668	3,832,942	170,325	(256,634)	4,975,278
Total Fund Balances	122,815	6,869	(1,344,707)	2,563,419	3,832,942	170,325	(97,179)	5,254,484
Total Liabilities and Fund Balances	\$ 635,424	\$ 523,703	\$ 851	\$ 3,006,966	\$ 4,009,098	\$ 1,314,111	\$ 597,951	\$ 10,088,104

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

Year Ended June 30, 2007

	Library Tax Levy	Community Development Block Grant	Section 108 Loan Program	Road Use Tax	Housing Programs	Grants	Federal Aviation Agency Projects	Total
Revenue								
Property taxes	\$ 468,870	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 468,870
Other taxes	25,077	—	—	—	—	—	—	25,077
Licenses and permits.....	—	—	—	11,555	—	—	—	11,555
Investment income	5,946	—	—	—	153,506	—	970	160,422
Rent.....	—	—	—	—	159,529	—	—	159,529
Intergovernmental.....	—	2,528,992	3,555	5,740,434	4,976,819	2,576,441	3,168,778	18,995,019
Charges for services.....	—	61,136	—	76,731	35,457	—	124,596	297,920
Interfund charges for service.....	—	—	—	685,000	—	—	—	685,000
Miscellaneous.....	—	23,730	—	20,612	17,744	13,117	30	75,233
Total Revenue	499,893	2,613,858	3,555	6,534,332	5,343,055	2,589,558	3,294,374	20,878,625
Expenditures								
Current								
Public safety	—	—	—	—	—	168,881	146,346	315,227
Public works	—	—	1,419,707	6,345,845	—	1,466,744	2,420,403	11,652,699
Culture and recreation.....	529,783	—	—	—	—	471,427	—	1,001,210
Community and economic development.....	—	2,678,842	—	—	4,236,364	97,096	—	7,012,302
General government.....	—	—	145	—	—	—	—	145
Debt Service								
Interest and fees	—	—	3,410	—	—	—	—	3,410
Total Expenditures	529,783	2,678,842	1,423,262	6,345,845	4,236,364	2,204,148	2,566,749	19,984,993
Revenue Over (Under) Expenditures.....	(29,890)	(64,984)	(1,419,707)	188,487	1,106,691	385,410	727,625	893,632
Other Financing Sources (Uses)								
Transfers in.....	—	71,853	—	—	—	92,403	—	164,256
Debt proceeds	—	—	75,000	—	—	—	—	75,000
Net Change in Fund Balance.....	(29,890)	6,869	(1,344,707)	188,487	1,106,691	477,813	727,625	1,132,888
Fund Balance - Beginning of Year.....	152,705	—	—	2,374,932	2,726,251	(307,488)	(824,804)	4,121,596
Fund Balance - End of Year	\$ 122,815	\$ 6,869	\$ (1,344,707)	\$ 2,563,419	\$ 3,832,942	\$ 170,325	\$ (97,179)	\$ 5,254,484

Debt Service Fund Description

Major:

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

Nonmajor:

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

Capital Project Funds - Descriptions

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

Nonmajor:

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

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

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

June 2006 GO Bonds Fund - This fund is used to account for proceeds from the 2006 general obligation bond sale until expended for the proper purpose.

June 2007 GO Bonds Fund - This fund is used to account for proceeds from the 2007 general obligation bond sale until expended for the proper purpose.

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

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

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

Capital Improvements Funds - This fund is used to account for the use of resources on governmental capital projects not accounted for in other capital projects funds.

Combining Balance Sheet Schedule - Capital Projects Funds

At June 30, 2007

	June 2003 Go Bonds	June 2004 GO Bonds	June 2005 GO Bonds	June 2006 GO Bonds	June 2007 GO Bonds	Rath Area Redevelopment	Vision Iowa Projects	Capital Improvements	Total
Assets									
Cash and cash equivalents	\$ 219,332	\$ 1,235,252	\$ 1,573,652	\$ 6,095,083	\$ 9,473,663	\$ 70,885	\$ 564,255	\$ —	\$ 19,232,122
Due From Other Governments									
Federal	—	—	—	—	—	14,687	—	—	14,687
Iowa.....	—	—	—	—	—	—	239,009	—	239,009
Total Assets	\$ 219,332	\$ 1,235,252	\$ 1,573,652	\$ 6,095,083	\$ 9,473,663	\$ 85,572	\$ 803,264	\$ —	\$ 19,485,818
Liabilities and Fund Balances									
Liabilities									
Accounts payable	\$ 21,846	\$ 172,929	\$ 185,676	\$ 448,608	\$ 63,025	\$ 14,687	\$ 73,018	\$ 115,261	\$ 1,095,050
Retainages payable.....	17,442	19,891	19,957	35,732	—	—	55,675	146,021	294,718
Due to other funds	—	67,158	274,350	107,243	1,134,246	—	—	45,016	1,628,013
Deferred revenue.....	—	—	—	—	—	14,652	12,832	—	27,484
Total Liabilities.....	39,288	259,978	479,983	591,583	1,197,271	29,339	141,525	306,298	3,045,265
Fund Balances									
Unreserved									
Undesignated	180,044	975,274	1,093,669	5,503,500	8,276,392	56,233	661,739	(306,298)	16,440,553
Total Liabilities and Fund Balances	\$ 219,332	\$ 1,235,252	\$ 1,573,652	\$ 6,095,083	\$ 9,473,663	\$ 85,572	\$ 803,264	\$ —	\$ 19,485,818

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

Year Ended June 30, 2007

	June 2003 GO Bonds	June 2004 GO Bonds	June 2005 GO Bonds	June 2006 GO Bonds	June 2007 GO Bonds	Sixth Street Substitution	Rath Area Redevelopment	Vision Iowa Projects	Capital Improvements	Total
Revenue										
Investment income	\$ 38,522	\$ 82,024	\$ 83,424	\$ 315,081	\$ 1,174	\$ 3,002	\$ 2,283	\$ —	\$ —	\$ 525,510
Intergovernmental.....	—	—	—	—	—	—	66,295	226,177	—	292,472
Miscellaneous.....	—	—	—	—	—	16,762	—	—	1,513,731	1,530,493
Total Revenue	38,522	82,024	83,424	315,081	1,174	19,764	68,578	226,177	1,513,731	2,348,475
Expenditures										
Bond discounts and issue costs	—	—	—	—	104,110	—	—	—	—	104,110
Capital outlay.....	1,119,985	1,967,462	1,719,343	3,063,006	20,672	14,266	118,141	990,417	2,021,759	11,035,051
Total Expenditures	1,119,985	1,967,462	1,719,343	3,063,006	124,782	14,266	118,141	990,417	2,021,759	11,139,161
Revenue Over (Under)										
Expenditures	(1,081,463)	(1,885,438)	(1,635,919)	(2,747,925)	(123,608)	5,498	(49,563)	(764,240)	(508,028)	(8,790,686)
Other Financing Sources (Uses)										
Transfers in.....	—	—	—	—	—	—	—	675,979	285,191	961,170
Transfers out	—	—	—	—	—	(92,403)	—	—	—	(92,403)
Debt issued.....	—	—	—	—	8,400,000	—	—	—	—	8,400,000
Net Change in Fund Balance.....	(1,081,463)	(1,885,438)	(1,635,919)	(2,747,925)	8,276,392	(86,905)	(49,563)	(88,261)	(222,837)	478,081
Fund Balance - Beginning of Year....	1,261,507	2,860,712	2,729,588	8,251,425	—	86,905	105,796	750,000	(83,461)	15,962,472
Fund Balance - End of Year	\$ 180,044	\$ 975,274	\$ 1,093,669	\$ 5,503,500	\$ 8,276,392	\$ —	\$ 56,233	\$ 661,739	\$ (306,298)	\$ 16,440,553

Enterprise Funds - Descriptions

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

Major:

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

Nonmajor:

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

Statistical Section

**City of Waterloo, Iowa
Statistical Section**

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	86
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	91
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	95
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	100
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the city provides and the activities it performs.	102

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented GASB Statement 34 in fiscal 2003; therefore, schedules presenting government-wide information include information beginning in that year.

**City of Waterloo, Iowa
Net Assets by Component
Last Five Fiscal Years
(accrual basis of accounting)**

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities					
Invested in capital assets, net of related debt	\$ 40,960,660	\$ 46,671,542	\$ 56,719,559	\$ 69,770,404	\$ 193,678,687
Restricted	20,983,272	27,827,667	29,460,969	34,279,423	22,213,054
Unrestricted	3,132,625	4,725,340	6,160,850	6,043,616	5,626,315
Total governmental activities net assets	\$ 65,076,557	\$ 79,224,549	\$ 92,341,378	\$ 110,093,443	\$ 221,518,056
Business-type activities					
Invested in capital assets, net of related debt	55,430,659	55,900,582	56,679,067	57,945,809	63,144,916
Restricted	5,417,860	6,086,695	4,969,352	6,300,746	3,334,062
Unrestricted	4,882,349	5,624,562	8,055,394	7,422,263	7,963,580
Total business-type activities net assets	\$ 65,730,868	\$ 67,611,839	\$ 69,703,813	\$ 71,668,818	\$ 74,442,558
Primary government					
Invested in capital assets, net of related debt	96,391,319	102,572,124	113,398,626	127,716,213	256,823,603
Restricted	26,401,132	33,914,362	34,430,321	40,580,169	25,547,116
Unrestricted	8,014,974	10,349,902	14,216,244	13,465,879	13,589,895
Total primary government net assets	\$ 130,807,425	\$ 146,836,388	\$ 162,045,191	\$ 181,762,261	\$ 295,960,614

**City of Waterloo, Iowa
Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)
(Page 1 of 2)**

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
Public safety	\$ 19,924,337	\$ 20,214,741	\$ 22,484,306	\$ 25,251,052	\$ 26,046,236
Public works	8,856,045	14,829,494	13,689,867	11,579,825	17,265,784
Health and social services	432,228	439,033	251,534	331,759	258,818
Culture and recreation	6,856,469	6,121,952	6,425,956	6,786,963	8,059,963
Community and economic development	9,817,412	10,274,832	11,909,166	13,741,135	9,666,943
General government	2,889,784	2,935,962	2,783,145	3,415,216	3,903,632
Interest on long-term debt	2,757,830	2,410,195	2,540,869	2,625,800	2,728,225
Total governmental activities expenses	51,534,105	57,226,209	60,084,843	63,731,750	67,929,601
Business-type activities:					
Sanitary sewer	8,204,312	8,646,899	8,246,811	8,666,232	8,242,650
Sanitation	2,858,267	2,920,290	3,025,161	3,196,360	3,226,802
Total business-type activities expenses	11,062,579	11,567,189	11,271,972	11,862,592	11,469,452
Total primary government expenses	\$ 62,596,684	\$ 68,793,398	\$ 71,356,815	\$ 75,594,342	\$ 79,399,053
Program Revenue					
Governmental activities:					
Charges for services:					
Public safety	2,065,503	1,159,259	1,689,116	1,872,956	1,940,446
Public works	1,539,702	1,688,900	1,765,757	1,831,575	1,774,681
Culture and recreation	2,048,075	2,073,891	1,902,088	2,027,873	2,077,330
Other activities	188,489	89,454	216,203	637,103	580,948
Operating grants and contributions	14,395,839	16,531,573	15,780,383	18,358,119	16,568,953
Capital grants and contributions	2,707,872	4,548,472	3,970,432	6,241,861	5,911,499
Total governmental activities program revenue	22,945,480	26,091,549	25,323,979	30,969,487	28,853,857
Business-type activities:					
Charges for services:					
Sanitary sewer	9,178,611	9,585,766	9,496,202	9,905,507	9,321,295
Sanitation	2,863,391	3,072,299	3,210,265	3,201,266	3,274,550
Operating grants and contributions:					
Sanitary sewer	-	-	64,006	7,361	-
Sanitation	274,988	274,988	274,988	-	315,437
Capital grants and contributions - sanitary sewer	364,413	483,456	115,481	311,303	799,265
Total business-type activities program revenue	12,681,403	13,416,509	13,160,942	13,425,437	13,710,547
Total primary government program revenue	\$ 35,626,883	\$ 39,508,058	\$ 38,484,921	\$ 44,394,924	\$ 42,564,404
Net (Expense)/Revenue					
Governmental activities	(28,588,625)	(31,134,660)	(34,760,864)	(32,762,263)	(39,075,744)
Business-type activities	1,618,824	1,849,320	1,888,970	1,562,845	2,241,095
Total primary government net expense	(26,969,801)	(29,285,340)	(32,871,894)	(31,199,418)	(36,834,649)

City of Waterloo, Iowa
Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)
(Page 2 of 2)

	Fiscal Year				
	2003	2004	2005	2006	2007
General Revenue and Other Changes in Net Assets					
Governmental activities:					
Taxes:					
Property taxes levied for general purposes	\$ 21,215,665	\$ 23,949,802	\$ 25,822,607	\$ 24,206,180	\$ 25,835,947
Property taxes levied for debt service	7,470,268	7,743,121	7,219,345	9,407,057	9,727,666
Other taxes	10,299,221	9,725,075	11,464,827	12,496,242	12,101,827
Investment earnings	587,676	661,458	668,736	1,276,389	1,924,494
Miscellaneous	4,456,570	3,073,954	2,847,102	3,128,460	4,030,419
Gain (loss) on sale of assets	234,169	116,629	(144,924)	-	-
Transfers	73,391	12,613	-	-	-
Total governmental activities	44,336,960	45,282,652	47,877,693	50,514,328	53,620,353
Business-type activities:					
Investment earnings	\$ 90,658	78,470	203,004	402,160	532,645
Gain (loss) on sale of assets	-	(34,206)	-	-	-
Transfers	(73,391)	(12,613)	-	-	-
Total business-type activities	17,267	31,651	203,004	402,160	532,645
Total primary government	\$ 44,354,227	\$ 45,314,303	\$ 48,080,697	\$ 50,916,488	\$ 54,152,998
Changes in Net Assets					
Governmental activities	15,748,335	14,147,992	13,116,829	17,752,065	14,544,609
Business-type activities	1,636,091	1,880,971	2,091,974	1,965,005	2,773,740
Total primary government	\$ 17,384,426	\$ 16,028,963	\$ 15,208,803	\$ 19,717,070	\$ 17,318,349

City of Waterloo, Iowa
Fund Balances - Governmental Funds
Last Five Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
General Fund					
Reserved	\$ 1,984,128	\$ 2,106,686	\$ 2,048,163	\$ 1,841,389	\$ 2,159,691
Unreserved:					
Designated	1,373,828	2,166,703	4,073,524	5,186,521	5,131,230
Undesignated	<u>2,459,726</u>	<u>3,783,989</u>	<u>4,285,725</u>	<u>5,679,449</u>	<u>6,946,759</u>
Total general fund	<u>\$ 5,817,682</u>	<u>\$ 8,057,378</u>	<u>\$ 10,407,412</u>	<u>\$ 12,707,359</u>	<u>\$ 14,237,680</u>
All Other Governmental Funds					
Reserved	631,468	838,562	994,790	1,576,334	2,103,658
Undesignated, reported in:					
Special revenue funds	8,447,258	9,773,272	11,584,768	12,385,708	13,021,323
Debt service funds	407,914	615,679	1,439,650	1,008,597	1,529,968
Capital project funds	<u>7,448,883</u>	<u>11,434,780</u>	<u>11,624,349</u>	<u>15,962,472</u>	<u>16,440,553</u>
Total all other governmental funds	<u>\$ 16,935,523</u>	<u>\$ 22,662,293</u>	<u>\$ 25,643,557</u>	<u>\$ 30,933,111</u>	<u>\$ 33,095,502</u>

City of Waterloo, Iowa
Changes in Fund Balances - Governmental Funds
Last Five Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
Revenue					
Property taxes	\$ 28,916,809	\$ 31,726,881	\$ 32,915,568	\$ 33,582,387	\$ 35,550,774
Other taxes	10,299,221	9,187,463	11,241,073	12,907,521	11,609,390
Licenses and permits	988,352	1,151,715	1,173,147	1,216,278	1,528,961
Investment income	587,676	661,458	668,736	1,276,389	1,924,494
Rent*	678,590	814,762	879,420	920,475	1,023,689
Intergovernmental	18,779,334	19,963,676	21,104,290	22,716,457	21,107,074
Charges for services*	5,236,433	5,048,840	4,980,587	5,429,979	5,554,760
Interfund charges for service	2,645,250	2,671,780	2,659,797	2,801,492	2,802,327
Special assessments	115,852	109,999	56,694	52,698	39,932
Miscellaneous	2,180,685	2,336,581	2,008,009	3,253,989	3,878,401
Total revenue	<u>70,428,202</u>	<u>73,673,155</u>	<u>77,687,321</u>	<u>84,157,665</u>	<u>85,019,802</u>
Expenditures					
Current:					
Public safety	19,393,834	20,081,214	22,140,431	24,487,582	25,074,830
Public works	18,719,419	17,121,845	18,582,433	20,508,737	22,688,730
Health and social services	510,114	517,555	325,147	401,647	332,431
Culture and recreation	5,987,808	6,506,123	6,576,723	6,875,715	7,385,038
Community and economic development	10,257,455	11,966,597	11,422,953	11,177,833	9,097,089
General government	3,310,503	3,501,031	3,261,058	3,698,896	4,128,315
Debt service					
Principal	6,625,485	6,471,606	6,399,291	6,551,624	7,353,618
Interest and fees	2,661,437	2,424,613	2,575,772	2,627,808	2,909,085
Capital projects	5,289,432	7,820,334	7,150,058	9,570,650	11,035,051
Total expenditures	<u>72,755,487</u>	<u>76,410,918</u>	<u>78,433,866</u>	<u>85,900,492</u>	<u>90,004,187</u>
Revenue over (under) expenditures	<u>(2,327,285)</u>	<u>(2,737,763)</u>	<u>(746,545)</u>	<u>(1,742,827)</u>	<u>(4,984,385)</u>
Other financing sources (uses)					
Transfers in	7,268,799	7,226,431	8,484,336	10,433,905	10,871,913
Transfers out	(7,195,408)	(7,213,818)	(8,484,336)	(10,433,905)	(10,871,913)
Proceeds from sale of assets	234,169	197,945	119,573	232,328	88,102
Capital lease obligations incurred	-	436,266	-	-	-
Refunding bonds issued	2,685,000	2,705,000	2,720,000	-	7,995,000
Payment to refunded bond escrow agent	(2,617,506)	(2,648,652)	(2,667,302)	-	(7,932,132)
Proceeds from debt issued	6,010,000	10,150,000	6,000,000	9,100,000	8,526,127
Bond discounts and issue costs	(89,847)	(148,943)	(94,428)	-	-
Total other financing sources (uses)	<u>6,295,207</u>	<u>10,704,229</u>	<u>6,077,843</u>	<u>9,332,328</u>	<u>8,677,097</u>
Net change in fund balances	<u>\$ 3,967,922</u>	<u>\$ 7,966,466</u>	<u>\$ 5,331,298</u>	<u>\$ 7,589,501</u>	<u>\$ 3,692,712</u>
Debt service as a percentage of noncapital expenditures	<u>13.8%</u>	<u>13.0%</u>	<u>12.6%</u>	<u>12.0%</u>	<u>13.0%</u>

* For the fiscal years ended June 30, 2003 and 2004, some rents were included in charges for services and miscellaneous revenue on the Statement of Activities. They have been reclassified to rent on this schedule.

**City of Waterloo, Iowa
Assessed and Taxable Value of Property
Last Ten Fiscal Years**

Assessment Date January 1,	For Fiscal Year Ended June 30,	Residential Property	Commercial Property	Industrial Property	TIF Property	Other Property	Less: Military Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Total Assessed Value	Total Taxable Value as a Percentage of Assessed Value
1996	1998	\$ 612,372,723	\$ 401,737,277	\$ 99,510,700	\$ 16,680,746	\$ 231,488,100	\$ 10,467,480	\$ 1,351,322,066	\$ 18.50011	\$ 1,779,885,135	75.92%
1997	1999	669,594,261	447,386,207	111,061,080	27,232,496	219,965,745	10,250,890	1,464,988,899	16.98070	2,027,751,515	72.25%
1998	2000	693,902,799	464,519,447	107,857,235	31,490,290	195,115,858	10,004,496	1,482,881,133	16.50196	2,017,843,361	73.49%
1999	2001	740,122,939	559,273,594	88,265,205	43,566,447	163,883,974	9,707,685	1,585,404,474	16.49097	2,106,995,793	75.24%
2000	2002	765,250,014	558,678,367	95,392,555	44,318,302	150,640,114	9,536,884	1,604,742,468	17.80075	2,104,182,394	76.26%
2001	2003	837,053,686	551,766,201	96,112,125	47,929,362	127,688,371	9,308,934	1,651,240,811	18.37162	2,354,407,942	70.13%
2002	2004	839,572,381	576,211,617	96,108,365	49,231,256	114,239,978	9,258,112	1,666,105,485	18.90914	2,366,125,563	70.41%
2003	2005	893,839,054	672,183,148	97,124,065	64,558,282	112,393,854	8,992,261	1,831,106,142	18.78999	2,789,882,310	65.63%
2004	2006	894,181,940	667,846,702	99,012,385	63,981,335	107,833,856	8,509,114	1,824,347,104	19.15566	2,805,711,189	65.02%
2005	2007	957,337,336	668,759,754	102,622,530	91,641,046	108,515,161	8,409,864	1,920,465,963	18.84580	3,075,559,088	62.44%

Source: Black Hawk County Auditor.

- Notes: (1) Does not include tax-exempt property. Tax rates are per \$1,000 of assessed value.
(2) Property tax on machinery and equipment was phased out during the period FYE2001 through FYE2003.

**City of Waterloo, Iowa
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years**

Fiscal Year	Overlapping Rates										
	City of Waterloo			Black Hawk County			Schools				Total Direct & Overlapping Rates
	Operating Millage	Debt Service	Total City Millage	Operating Millage	Debt Service	Total County Millage	Operating Millage	Debt Service	Total School Millage	Other	
1998	13.04302	5.45709	18.50011	7.55193	0.67633	8.22826	14.41126	1.00000	15.41126	1.29704	43.43667
1999	11.81999	5.16071	16.98070	6.79867	0.60754	7.40621	14.39941	1.00000	15.39941	1.24187	41.02819
2000	11.69338	4.80858	16.50196	6.90463	0.58975	7.49438	13.69924	1.00000	14.69924	1.11145	39.80703
2001	11.51238	4.97859	16.49097	6.78238	0.53875	7.32113	13.57901	1.00000	14.57901	1.08713	39.47824
2002	12.63743	5.16332	17.80075	7.20942	0.47949	7.68891	14.15557	1.00000	15.15557	1.13632	41.78155
2003	13.55586	4.81576	18.37162	7.01176	0.60721	7.61897	14.52456	1.00000	15.52456	1.17929	42.69444
2004	14.26784	4.64130	18.90914	7.15152	0.59469	7.74621	14.85083	1.00000	15.85083	1.13876	43.64494
2005	14.62934	4.16065	18.78999	6.90953	0.58284	7.49237	14.62496	1.00000	15.62496	1.36743	43.27475
2006	15.04360	4.11206	19.15566	7.04780	0.56052	7.60832	14.99110	1.00000	15.99110	1.42197	44.17705
2007	15.47706	3.36874	18.84580	6.83182	0.55784	7.38966	15.33395	1.00000	16.33395	1.34392	43.91333

Source: Black Hawk County Auditor.

**City of Waterloo, Iowa
Principal Taxpayers
Current Year and Nine Years Ago**

Employer	2007			1998		
	Assessed Value 1/1/2005	Rank	Percentage of Total Assessed Value	Assessed Value 1/1/1996	Rank	Percentage of Total Assessed Value
Mid American Energy	\$ 105,839,708	1	3.44%	109,641,000	2	6.16%
Coyote Crossroads Mall, LLC/ Equitable Life Assurance in 1998	30,996,870	2	1.01%	23,452,220	4	1.32%
Deere and Company	25,245,560	3	0.82%	147,516,510	1	8.29%
Ferguson Enterprises, Inc.	20,654,850	4	0.67%	--	--	--
Tyson Fresh Meats (formerly IBP, Inc.)	19,968,530	5	0.65%	43,667,080	3	2.45%
Qwest Corporation (formerly US West)	16,408,174	5	0.53%	11,730,158	5	0.66%
Hunt Wesson, Inc.	16,357,690	6	0.53%	--	--	--
Bertch Cabinet Manufacturing	15,518,840	8	0.50%	11,590,640	6	0.65%
Banco Mortgage Company	10,487,300	9	0.34%	--	--	--
Menard, Inc.	9,882,890	10	0.32%	--	--	--
National Bank of Waterloo	--	--	--	10,195,390	7	0.57%
Omega Cabinets, Inc.	--	--	--	8,143,690	8	0.46%
Waterloo Industries	--	--	--	7,951,230	9	0.45%
GMAC Mortgage	--	--	--	6,768,330	10	0.38%
Total	\$ 271,360,412		8.82%	\$ 380,656,248		21.39%

Source: Official Bond Statements from Speer Financial, Inc.

**City of Waterloo, Iowa
Property Tax Levies and Collections
Last Ten Fiscal Years**

<u>Assessment Date January 1,</u>	<u>Fiscal Year Ended June 30,</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Tax Collections To Tax Levy</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections To Tax Levy</u>
1996	1998	\$ 24,813,242	\$ 24,418,926	98.41%	\$ 273,242	\$ 24,692,168	99.51%
1997	1999	24,590,459	24,232,395	98.54%	381,011	24,613,406	100.09%
1998	2000	24,140,238	24,004,504	99.44%	403,035	24,407,539	101.11%
1999	2001	24,105,745	24,277,383	100.71%	281,374	24,558,757	101.88%
2000	2002	26,384,840	25,866,384	98.04%	451,479	26,317,863	99.75%
2001	2003	28,020,783	28,022,406	100.01%	118,932	28,141,338	100.43%
2002	2004	29,033,374	29,059,188	100.09%	17,377	29,076,565	100.15%
2003	2005	31,690,701	31,509,489	99.43%	12,616	31,522,105	99.47%
2004	2006	32,344,654	32,344,856	100.00%	10,483	32,355,339	100.03%
2005	2007	33,117,028	33,098,938	99.95%	20,019	33,118,957	100.01%

**City of Waterloo, Iowa
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income*	Per Capita*
	General Obligation Bonds	General Obligation Capital Loan Notes	Capital Leases	Other Debt	General Obligation Bonds	Revenue Bonds	Capital Leases			
1998	\$ 58,441,349	--	358,237	\$ 1,812,736	--	\$ 29,160,775	--	\$ 89,773,097	5.97%	\$ 1,351
1999	59,161,087	--	1,578,966	1,728,650	4,000,000	27,421,559	215,700	94,105,962	6.04%	1,416
2000	53,948,888	--	1,831,875	1,928,904	8,400,000	25,630,881	238,086	91,978,634	5.94%	1,384
2001	57,769,091	410,000	1,392,935	1,937,683	11,390,000	25,815,000	170,166	98,884,875	5.80%	1,438
2002	54,940,000	--	863,118	2,278,686	12,145,000	23,925,000	99,547	94,251,351	5.33%	1,371
2003	55,270,000	385,000	315,511	1,947,845	12,890,000	21,940,000	25,304	92,773,660	4.96%	1,349
2004	59,290,000	330,000	339,513	2,073,647	13,610,000	19,870,000	--	95,513,160	5.00%	1,389
2005	59,295,000	150,000	157,024	3,592,934	14,025,000	18,520,000	--	95,739,958	4.65%	1,393
2006	62,260,000	250,000	--	3,463,486	14,390,000	16,195,000	--	96,558,486	4.56%	1,405
2007	63,940,000	220,000	--	2,980,954	14,900,000	13,850,000	--	95,890,954	4.33%	1,395

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

* Personal income and population data can be found in the Schedule of Demographic and Economic Statistics. These ratios are calculated using personal income and population for the prior calendar year.

**City of Waterloo, Iowa
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years**

Fiscal Year	General Obligation Bonds	Total Assessed Value of Property	Percentage of Assessed Value of Property	Per Capita*
1998	\$ 58,441,349	\$ 1,779,885,135	3.28%	\$ 879
1999	63,161,087	2,027,751,515	3.11%	950
2000	62,348,888	2,017,843,361	3.09%	938
2001	69,569,091	2,106,995,793	3.30%	1,012
2002	67,085,000	2,104,182,394	3.19%	976
2003	68,545,000	2,354,407,942	2.91%	997
2004	73,230,000	2,366,125,563	3.09%	1,065
2005	73,470,000	2,789,882,310	2.63%	1,069
2006	76,900,000	2,805,711,189	2.74%	1,119
2007	79,060,000	3,075,559,088	2.57%	1,150

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

* Population data can be found in the Schedule of Demographic and Economic Statistics.

**City of Waterloo, Iowa
Direct and Overlapping Governmental Activities Debt
As of June 30, 2007**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City of Waterloo direct debt	<u>\$ 79,060,000</u>	100.00%	<u>\$ 79,060,000</u>
Overlapping:			
Black Hawk County	\$ 13,650,000	48.22%	\$ 6,582,030
Hudson Community Schools	2,600,000	0.44%	11,440
Hawkeye Community College	<u>6,340,000</u>	27.96%	<u>1,772,664</u>
Subtotal, overlapping debt	<u>\$ 22,590,000</u>		<u>\$ 8,366,134</u>
Total direct and overlapping debt	<u><u>\$ 101,650,000</u></u>		<u><u>\$ 87,426,134</u></u>

Source: Black Hawk County Auditor

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

**City of Waterloo, Iowa
Legal Debt Margin Information
Last Ten Fiscal Years**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt Limit	\$ 101,156,467	\$ 101,156,470	\$ 100,436,476	\$ 103,656,852	\$ 120,614,300	\$ 120,526,268	\$ 121,093,664	\$ 136,617,416	\$ 140,285,559	\$ 153,777,954
Total net debt applicable to limit	60,612,322	68,684,403	66,347,753	73,069,875	70,326,351	70,833,660	75,643,160	77,219,958	80,363,486	82,040,954
Legal debt margin	<u>\$ 40,544,145</u>	<u>\$ 34,472,067</u>	<u>\$ 34,088,723</u>	<u>\$ 30,586,977</u>	<u>\$ 50,287,949</u>	<u>\$ 49,692,608</u>	<u>\$ 45,450,504</u>	<u>\$ 59,397,458</u>	<u>\$ 59,922,073</u>	<u>\$ 71,737,000</u>
Total net debt applicable to the limit as a percentage of debt limit	59.92%	65.92%	66.06%	70.49%	58.31%	58.77%	62.47%	56.52%	57.29%	53.35%

Legal Debt Margin Calculation for Fiscal Year 2007

Estimated actual valuation (assessed) as of January 1, 2005	\$ 3,075,559,088
Debt limit (5% of total estimated actual valuation)	153,777,954
Debt applicable to debt limit:	
General obligation bonds	78,840,000
General obligation capital loan notes	220,000
Other debt	<u>2,980,954</u>
Total net debt applicable to limit	<u>82,040,954</u>
Legal debt margin	<u>\$ 71,737,000</u>

Note: Under the State of Iowa Constitution, the city's outstanding general obligation debt should not exceed 5% of total assessed property value.

**City of Waterloo, Iowa
Sewer Revenue Bond Coverage
Last Ten Fiscal Years**

Fiscal Year	Gross Revenue	Less: Applicable Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements	Coverage
1998	\$ 8,390,715	\$ 4,232,070	\$ 4,158,645	\$ 3,325,105	1.2507
1999	8,604,707	4,413,235	4,191,472	3,687,368	1.1367
2000	8,738,606	4,306,393	4,432,213	3,522,199	1.2584
2001	8,620,518	4,063,694	4,556,824	3,466,156	1.3147
2002	8,646,771	4,330,170	4,316,601	3,436,606	1.2561
2003	9,257,236	4,336,741	4,920,495	3,427,576	1.4356
2004	9,653,550	4,445,425	5,208,125	3,401,386	1.5312
2005	9,735,550	4,455,001	5,280,549	3,664,551	1.4410
2006	10,564,246	4,860,721	5,703,525	3,060,298	1.8637
2007	9,761,167	4,580,852	5,180,315	3,020,198	1.7152

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Gross revenue includes both operating and non-operating revenue. Operating expenses do not include interest, depreciation or amortization of bond issue costs.

**City of Waterloo, Iowa
Demographic and Economic Statistics
Last Ten Calendar Years**

<u>Year</u>	<u>Population¹</u>	<u>Personal Income</u>	<u>Per Capita Personal Income²</u>	<u>Median Age¹</u>	<u>Unemployment Rate³</u>	<u>School Enrollment⁴</u>
1997	66,467	\$ 1,504,945,814	\$ 22,642	N/A	4.6%	10,448
1998	66,467	1,556,790,074	23,422	N/A	4.3%	10,544
1999	66,467	1,547,750,562	23,286	N/A	4.7%	10,397
2000	68,747	1,704,444,371	24,793	35.9	3.8%	10,290
2001	68,747	1,768,585,322	25,726	35.9	4.3%	10,311
2002	68,747	1,869,093,436	27,188	35.9	5.0%	10,402
2003	68,747	1,911,235,347	27,801	35.9	5.8%	10,465
2004	68,747	2,057,735,204	29,932	35.9	6.1%	10,472
2005	68,747	2,117,888,829	30,807	35.9	5.3%	10,391
2006	68,747	2,216,265,786	32,238	35.9	4.3%	10,192

N/A = Not available.

Sources:

¹ 1990 and 2000 U.S. Census

² U.S. Department of Commerce, Bureau of Economic Analysis; revisions to 2000 through 2005 data released April :

³ Iowa Dept. of Revenue and Finance

⁴ Waterloo Community Schools

**City of Waterloo, Iowa
Principal Area Employers
Current Year and Nine Years Ago**

Employer	2007			1998		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Deere & Company	5,400	1	15.79%	6,000	1	17.54%
Covenant Medical Center	2,910	2	8.51%	2,000	3	5.85%
Tyson Fresh Meats (formerly IBP, Inc.)	2,500	3	7.31%	2,200	2	6.43%
University of Northern Iowa	1,780	4	5.20%	1,650	4	4.82%
Allen Memorial Hospital	1,770	5	5.18%	1,100	7	3.22%
Waterloo Public Schools	1,670	6	4.88%	1,300	5	3.80%
Bertch Cabinet Manufacturing	1,500	7	4.39%	800	10	2.34%
Omega Cabinets	1,350	8	3.95%	--	--	--
Hy-Vee	1,230	9	3.60%	1,200	6	3.51%
Viking Engineered Cast Products	1,050	10	3.07%	--	--	--
GMAC Mortgage Corp.	--	--	--	900	9	2.63%
Area Education Agency 7	--	--	--	1,000	8	2.92%
Total	21,160		61.87%	18,150		53.07%

Source: Official Bond Statements from Speer Financial, Inc.

City of Waterloo, Iowa
Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

Function/Program	Full-Time Equivalent Employees as of June 30									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety										
Police	136.0	130.0	134.0	127.0	127.0	134.0	126.0	132.0	130.0	130.0
Fire	125.0	125.0	122.0	119.0	119.0	119.0	117.0	117.0	121.0	115.0
Building Inspection	10.0	13.0	13.0	13.0	13.0	13.0	14.0	14.0	15.0	15.0
Public Works										
City Engineer	18.0	19.0	18.0	18.0	17.0	18.0	18.0	18.0	19.0	19.0
Traffic	17.0	16.0	17.0	15.0	16.0	15.0	17.0	16.0	12.5	13.5
Central Garage	13.0	12.0	12.0	11.0	11.0	11.0	10.5	9.5	9.5	9.5
Street	52.0	50.0	52.0	47.0	43.0	41.0	41.0	41.0	36.0	36.0
Airport	5.0	4.0	5.0	4.0	4.0	4.0	5.5	5.5	5.5	5.5
Health & Social Services										
Human Rights	4.0	4.0	4.0	5.0	5.0	5.0	5.0	3.0	3.0	3.0
Culture & Recreation										
Recreation	16.0	--	--	--	--	--	--	--	--	--
Cultural & Arts *	--	8.0	8.0	8.5	8.5	8.5	8.5	8.0	9.5	10.0
Library	34.0	33.5	29.0	27.5	27.0	25.5	24.0	24.5	25.0	25.5
Leisure Services **	33.5	39.5	38.0	36.0	35.0	35.0	35.0	42.0	38.0	37.0
Community & Economic Development										
Community Planning & Development	20.0	23.0	20.0	22.0	24.0	23.0	25.0	27.0	26.0	25.0
General Government										
Mayor's Office	1.0	1.5	1.0	1.0	1.0	1.0	1.5	1.5	1.0	1.0
Administrative Services/MIS	2.0	3.0	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
City Clerk & Finance	12.0	11.5	11.0	11.0	9.0	12.0	12.0	12.0	13.0	13.0
City Attorney	2.0	2.0	2.0	2.0	2.0	1.0	1.5	1.5	1.5	1.5
Human Resources	3.0	4.0	4.0	3.0	3.0	3.0	2.0	3.0	3.0	3.0
Facilities Maintenance	4.0	6.0	6.0	6.0	6.0	5.0	4.0	4.0	3.0	3.0
Waste Management Services										
Sewer	42.0	35.0	33.0	29.0	31.1	31.1	30.1	28.1	30.1	30.1
Sanitation	18.0	18.0	16.0	16.0	14.9	12.9	12.9	12.9	12.9	13.9
Total	567.5	558.0	548.0	523.0	518.5	520.0	512.5	522.5	516.5	511.5

* Prior to fiscal year 1999, these employees were included under the Recreation Department.

** Prior to fiscal year 1999, employees for Sports and Young Arena were included under the Recreation Department.

Source: City Human Resources Department records.

City of Waterloo, Iowa
Operating Indicators by Function/Program
Last Ten Fiscal Years
(Page 1 of 2)

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety										
Police *										
Traffic accidents	2,821	2,641	2,596	2,567	2,350	2,089	2,196	2,110	2,129	1,788
Cases	17,023	16,070	14,767	14,660	14,516	15,118	14,910	14,622	14,857	13,928
Citations	N/A	9,455	10,278	13,540	9,179	13,166	11,415	11,610	12,601	11,651
Calls for service	N/A	N/A	N/A	N/A	N/A	66,590	66,411	66,447	68,365	70,037
Total arrests	5,389	4,939	4,677	4,523	4,456	5,146	5,330	5,510	6,157	5,771
Fire										
Fire responses	3,995	4,151	4,133	3,848	3,541	5,831	5,614	5,536	5,631	5,169
Ambulance responses	5,643	5,770	5,379	5,726	5,158	6,442	6,685	6,656	6,744	6,730
Building Inspection										
Construction permits issued	8,865	8,013	9,550	8,913	9,238	9,396	10,168	8,988	8,448	9,124
Construction value of permits	\$ 76,804,492	\$ 89,104,465	\$ 65,445,292	\$ 62,936,151	\$ 52,971,240	\$ 75,434,613	\$ 102,794,224	\$ 106,704,462	\$ 110,122,334	\$ 181,082,614
Public Works										
Engineering										
Street reconstruction (miles)	2.47	3.00	2.46	2.86	2.59	3.09	2.56	1.94	3.39	1.94
Street resurfacing (miles)	28.71	29.48	35.91	19.76	25.48	26.22	29.72	29.83	31.30	17.60
Street Department										
Tons of salt used for streets	5,033.35	5,898.28	5,169.73	5,035.61	2,500.32	3,396.93	5,001.08	4,508.17	5,556.52	4,505.35
Man hours for road maintenance	103,540	99,380	97,300	97,300	84,820	71,530	71,530	73,390	75,580	72,800
Airport										
Commercial Enplanements	60,634	65,689	64,244	42,032	35,538	42,281	39,408	40,140	38,750	33,507
Aircraft take-offs and landings	51,202	52,345	51,815	34,212	35,321	42,301	41,919	42,690	41,717	39,288
Based aircraft	90	92	94	97	96	97	99	102	101	98
Health & Social Services										
Human Rights										
Civil Rights complaints										
New cases opened	N/A	N/A	N/A	N/A	N/A	70	62	61	75	74
Cases closed	N/A	N/A	N/A	N/A	N/A	8	65	81	29	58
Active cases at year-end	N/A	N/A	N/A	N/A	113	175	172	152	198	214
Culture & Recreation										
Leisure Services										
Young Arena facility usage										
Black Hawk USHL attendance	77,725	76,270	74,911	72,384	62,292	78,637	86,558	85,931	81,955	107,895
Public skating admissions	14,810	13,907	14,934	13,041	10,195	6,705	5,906	4,817	6,235	6,589
Sports - youth programs	3,998	4,015	4,116	4,312	4,251	4,165	4,216	4,056	4,119	4,517
Sports - adult programs	988	1,015	1,025	989	1,003	1,222	1,172	1,216	1,158	1,277
Pool attendance	N/A	N/A	53,655	51,816	53,655	44,540	44,279	41,028	39,512	41,580
Golf rounds	139,391	143,521	147,046	124,405	125,547	116,401	113,968	105,939	102,131	95,851
Annual flowers grown for parks	28,440	28,588	23,776	26,752	25,264	25,288	24,536	25,368	23,520	21,768
Public Library										
Total Circulation	483,229	475,816	451,127	445,934	475,015	490,708	466,903	422,663	433,072	427,921
Total Library Visits	281,436	279,563	263,154	223,775	270,614	259,583	265,439	269,589	266,356	261,261
Waterloo Center for the Arts										
In House Visitors	N/A	N/A	100,237	104,100	105,000	102,741	96,668	97,926	98,897	99,097

City of Waterloo, Iowa
Operating Indicators by Function/Program
Last Ten Fiscal Years
(Page 2 of 2)

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Community & Economic Development										
Planning and Zoning										
Planning commission agenda items	76	93	86	75	98	97	113	100	93	84
CURA applications received **	N/A	N/A	48	40	30	35	37	60	46	51
CURA improvements value	N/A	N/A	\$ 3,324,373	\$ 841,425	\$ 984,607	\$ 2,103,121	\$ 5,792,611	\$ 5,304,997	\$ 6,856,057	\$ 13,391,834
Community Development										
Down payment assistance	N/A	N/A	44	77	73	39	60	57	58	36
Home buyer education	N/A	N/A	201	46	232	202	256	203	188	168
Owner-occupied homes rehabilitated	58	30	22	50	35	26	19	24	35	28
Emergency repairs (including roofs)	44	28	40	26	38	29	45	52	58	36
Demolitions (residential & commercial)	32	13	24	18	43	7	9	10	7	8
Housing										
Actual vouchers	405	392	650	854	903	1,031	1,022	1,015	957	961
Actual certificates ***	398	367	195	27	-	-	-	-	-	-
Public housing units	50	50	50	50	50	50	50	50	50	50
Family self sufficiency participants	80	96	103	89	92	105	98	101	74	65
Sewer										
Sewer system customers	24,091	24,164	24,546	24,507	25,320	25,416	25,524	25,716	25,728	25,637

Source: Various city departments

* Statistics for Police Department are for the calendar year ending within the fiscal year shown.

** Consolidated Urban Revitalization Area.

*** Certificate program combined with vouchers during fiscal year 2001.

N/A - not available

**City of Waterloo, Iowa
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Stations	7	7	7	7	7	7	7	7	7	7
Trucks and special vehicles	28	28	28	30	30	30	30	30	30	30
Public Works										
Miles of streets - paved	340	360	360	360	360	360	360	352	352	354
Miles of streets - unpaved	80	65	65	65	65	65	65	74	74	74
Street lights	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,800
Traffic Signals	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	198
Airport runway lengths										
Runway 12/30	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400
Runway 18/36	6,002	6,002	6,002	6,002	6,002	6,002	6,002	6,002	6,002	6,002
Runway 6/24	5,403	5,403	5,403	5,403	5,403	5,403	5,403	5,403	5,403	5,403
Culture & Recreation										
City parks	48	48	48	48	48	48	48	48	48	48
Golf courses	3	3	3	3	3	3	3	3	3	3
Swimming pools	2	2	2	2	2	2	2	2	2	2
Softball diamonds	23	23	23	23	23	23	23	23	23	23
Baseball diamonds	9	9	9	9	9	9	8	8	8	8
Baseball stadium	1	1	1	1	1	1	1	1	1	1
Softball complex	1	1	1	1	1	1	1	1	1	2
Tennis courts	27	27	27	27	27	27	27	27	27	27
Ice arena	1	1	1	1	1	1	1	1	1	1
Soccer complex	0	0	0	1	1	1	1	1	1	1
Skatepark	0	0	0	0	1	1	1	1	1	1
Center for the Arts collection size	965	1,020	1,023	1,325	1,339	1,352	1,417	1,489	1,615	2,494
Library collection size	203,553	189,945	191,840	180,021	180,698	199,482	201,158	205,149	210,020	190,092
Sewer										
Miles of sanitary sewer	353	353	353	353	353	353	353	353	353	356

Source: Various city departments
N/A - not available

Financial Assistance Section



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

To the Mayor and City Council
City of Waterloo, 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 Waterloo, Iowa, as of and for the year ended June 30, 2007, and the discretely presented component units as of and for the year ended December 31, 2006 and June 30, 2007, as applicable, which collectively comprise the City of Waterloo, Iowa's basic financial statements, and have issued our report thereon dated April 25, 2007 for the Waterloo Water Works discretely presented component unit, November 2, 2007 for the Waterloo Convention & Visitors Bureau, Inc. component unit and December 14, 2007 for all other reporting units.

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Waterloo, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the City of Waterloo, Iowa's effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Waterloo, Iowa's internal control over financial reporting.

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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



HOGAN - HANSEN

Waterloo, Iowa
December 14, 2007

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A Professional Corporation

Certified Public Accountants and Consultants

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

To the Mayor and City Council
City of Waterloo, Iowa

Compliance

We have audited the compliance of the City of Waterloo, Iowa, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and in the *Passenger Facility Audit Guide for Public Agencies (Guide)* that are applicable to each of its major federal programs and its Passenger Facility Charge Program for the year ended June 30, 2007. The City of Waterloo, Iowa's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs, while its Passenger Facility Charge Program is shown in the accompanying Schedule of Passenger Facility Charges Collected and Expended. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and its Passenger Facility Charge Program is the responsibility of the City of Waterloo, Iowa's management. Our responsibility is to express an opinion on the City of Waterloo, Iowa's compliance based on our audit.

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

In our opinion, the City of Waterloo, Iowa, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and its passenger facility charge program for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 which are described in Section III of the accompanying Schedule of Findings and Questioned Costs.

Internal Control Over Compliance

The management of the City of Waterloo, Iowa, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Waterloo, Iowa's internal control over compliance with requirements that could have a direct and material effect on a major federal program or the Passenger Facility Charge Program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 and the *Passenger Facility Charge Audit Guide for Public Agencies*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

The City of Waterloo, Iowa's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's response and, accordingly, we express no opinion on it.

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

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Waterloo, Iowa
December 20, 2007

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Other Applicable Number	Federal Program/ Cluster Expenditures
Department of Commerce			
Direct			
Grants for Public Works and Economic Development Facilities.....	11.300	05-01-03718	\$ <u>32,619</u>
Total Department of Commerce			<u>32,619</u>
Department of Housing and Urban Development			
Direct			
Community Development Block Grants/ Entitlement Grants (Note 2)	14.218		1,334,384
HOME Investment Partnerships Program.....	14.239		429,370
Community Development Block Grants - Brownfields Economic Development Initiative	14.246		3,555
Community Development Block Grants - Section 108 Loan Guarantees	14.248	B-03-MC-19-0008 Riverwalls	1,499,274 317,628
Fair Housing Assistance Program - State and Local Public and Indian Housing (Note 3)	14.401 14.850	FF207K027014	53,803 759,100
Section 8 Housing Choice Vouchers.....	14.871		3,739,627
Public Housing Capital Fund.....	14.872		40,013
Public Housing Family Self-Sufficiency Under Resident Opportunity and Supportive Services	14.877		25,477
Lead-Based Paint Hazard Control in Privately Owned Housing	14.900	IAL-HB-0248-03	575,855
Title 1, VA-HUD Independent Agencies Appropriations Act for FY 2001, PL 106-988	14.XXX	B-01-NI-IA-WL-0003	23,257
Public Law 108-7, FY 2003 Appropriations Act for HUD and other agencies	14.XXX	B-03-SPIA 0192	57,632
Public Law 108-199, Appropriations Act for FY 2004 VA-HUD-Independent Agencies	14.XXX	B-04-NI-IA-0012	106,838
Title 1, VA-HUD Independent Agencies Appropriations Act for FY 2005, PL 108-447	14.XXX	B-06-SP-IA-0280	<u>159</u>
Total Direct.....			<u>8,965,972</u>
Indirect			
Pass Through Iowa Department of Economic Development			
Emergency Shelter Grants Program	14.231	05-ES-001	14,622
HOME Investment Partnerships Program	14.239		<u>20,000</u>
Total Indirect			<u>34,622</u>
Total Department of Housing and Urban Development.....			<u>9,000,594</u>

The accompanying notes are an integral part of this schedule.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Other Applicable Number	Federal Program/Cluster Expenditures
Department of Justice			
Direct			
Bulletproof Vest Partnership Program.....	16.607	2002-SH-WX-0480	\$ 15,763
Public Safety Partnership and Community Policing Grants	16.710	2005-CK-WX-0519	56,763
Edward Byrne Memorial Justice Assistance Grant Program (Note 2)	16.738	2005-DJ-BX-0046 2006-DJ-BX-0042	14,589 <u>57,857</u>
Total Direct.....			<u>144,972</u>
Indirect			
Pass Through Iowa Governor's Alliance on Substance Abuse Drug Control and System Improvement Substance Abuse Prevention - Byrne Formula Grant Program (Note 2).....	16.579	O6-JAG/HS-A16	277,405
Pass Through Iowa Department of Justice Violence Against Women Formula Grants.....	16.588	VW-07-63B	37,744
Control Policy Community Prosecution and Project Safe Neighborhoods.....	16.609	03-ND02 05-ND02 06-PSNAG-ND11	12,399 12,100 24,979
Pass Through Iowa Department of Human Rights, Division of Criminal and Juvenile Justice Planning Enforcing Underage Drinking Laws Program	16.727	06-JD01-F502	2,972 <u>367,599</u>
Total Indirect			<u>367,599</u>
Total Department of Justice			<u>512,571</u>
Department of Transportation			
Direct			
Federal Aviation Administration Airport Improvement Program	20.106	3-19-0094-23 3-19-0094-26 3-19-0094-27 3-19-0094-28 3-19-0094-29 3-19-0094-30 3-19-0094-31	73,872 85,339 17,503 25,166 1,987,496 53,200 <u>35,055</u>
			2,277,631
Office of the Secretary Payments for Small Community Air Service Development	20.930		<u>131,595</u>
Total Direct			<u>2,409,226</u>

The accompanying notes are an integral part of this schedule.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Other Applicable Number	Federal Program/ Cluster Expenditures
Indirect			
Federal Highway Administration			
Pass Through Iowa Department of Transportation			
Highway Planning and Construction	20.205	STP-U-8155(651)--70-07	\$ 14,705
		STP-E-8155(678)--8V-07	6,948
		NHSX-63-6(69)--3H-07	439,615
		STP-U-8155(616)--70-07	7,877
		STP-ES-8155(42)--8V-07	53,148
		STP-E-8155(690)--8V-07	47,635
		STP-U-8155(688)--70-07	300,000
		STP-U-8155(653)--8I-07	<u>239,008</u>
			<u>1,108,936</u>
National Highway Traffic Safety Administration			
Pass Through Iowa Department of Public Safety			
Governor's Traffic Safety Bureau			
Alcohol Traffic Safety and Drunk Driving			
Prevention Incentive Grants.....	20.601	PAP-07-163 Task 84	5,494
		PAP-07-410 Task 38	17,906
		PAP-06-163 Task 69	8,805
		PAP-06-410 Task 34	<u>305</u>
			<u>32,510</u>
Total Indirect			<u>1,141,446</u>
Total Department of Transportation			<u>3,550,672</u>
National Foundation on the Arts and the Humanities			
Indirect			
National Endowment for the Humanities			
Pass Through Iowa Arts Council			
Promotion of the Humanities - Federal/State			
Partnership.....	45.129	FY05-0145OSP	<u>19,342</u>
Total National Foundation on the Arts and the Humanities			<u>19,342</u>

The accompanying notes are an integral part of this schedule.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Other Applicable Number	Federal Program/ Cluster Expenditures
Environmental Protection Agency			
Direct			
Brownfield Assessment and Cleanup Cooperative Agreements	66.818	BF-987769011-0 BF-98776801-0 BF-98736101-0 BF-98766101-0	\$ 43,570 44,485 9,040 <u>47,230</u>
Wastewater Treatment Facilities	66.XXX	XP99 7139 01	<u>144,325</u> <u>407,769</u>
Total Environmental Protection Agency			<u>552,094</u>
Department of Health and Human Services			
Direct			
Centers for Disease Control and Prevention Injury Prevention and Control Research and State and Community Based Programs	93.136	H28/CCH723811-02	136,990
Indirect			
Temporary Assistance for Needy Families	93.558	Decat 07-097	<u>2,100</u>
Total Department of Health and Human Services ..			<u>139,090</u>
Department of Homeland Security			
Direct			
Federal Emergency Management Agency Assistance to Firefighters Grant	97.044	EMW-2006-FG-09400 EMW-2005-FG-06285	8,260 <u>37,518</u> <u>45,778</u>
Indirect			
Homeland Security Grant Program	97.004		
Iowa Department of Public Defense, Homeland Security and Emergency Management		FY2004 and FY2005-LETPP-LEIN2-02	224,986
Iowa Homeland Security and Emergency Management Division			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	13-82425-00	210,238
Law Enforcement Terrorism Prevention Program	97.074	FY2006-LETPP-LEIN2-02	<u>68,967</u>
Total Indirect			<u>504,191</u>
Total Department of Homeland Security			<u>549,969</u>
Total Expenditures of Federal Awards			<u>\$ 14,356,951</u>

The accompanying notes are an integral part of this schedule.

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2007

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Waterloo Iowa, and is presented using generally accepted accounting principles for local governmental units as prescribed in the statements issued by the Government Accounting Standards Board and other recognized authoritative sources. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements. Program expenditures include only amounts subject to reimbursement from the grantor agency or program income; thus, they are net of local matching.

Note 2. Subrecipients

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
HOME Investment Partnerships Program	14.239	\$ 209,826
Edward Byrne Memorial Justice Assistance Grant.....	16.738	29,799
Byrne Formula Grant Program	16.579	142,471

Note 3. Program 14.850

The City's Waterloo Housing Authority has long-term debt payable to the Federal Financing Bank (FFB). Each November 1, the City receives a debt subsidy of \$86,364 as a principal and interest payment on the loan. The City records the subsidy as revenue and an expenditure for debt service. On June 30, 2007, the principal balance on the loan was \$572,263. Since there are continuing compliance obligations regarding the loan, the principal balance is considered federal financial assistance. Federal expenditures for the program consisted of the following:

Operating subsidy.....	\$ 100,473
Debt subsidy.....	<u>86,364</u>
Subtotal Cash Assistance	186,837
Loan balance	<u>572,263</u>
Total	<u>\$ 759,100</u>

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weakness identified? yes no
 Significant deficiencies identified not considered to be material weaknesses? yes none reported

Control deficiencies noted not considered to be significant? yes no

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:
 Material weakness identified? yes no
 Significant deficiencies identified not considered to be material weakness? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? yes no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

14.218	Community Development Block Grants/Entitlement Grants
14.239	HOME Improvement Partnerships Program
14.248	Community Development Block Grants - Section 108 Loan Guarantees
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between Type A and Type B programs: \$413,541

Auditee qualified as low-risk auditee? yes no

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

Section II: Findings Related to the Financial Statements:

Internal Control Over Financial Reporting

07-II-A Sanitary Sewer Enterprise Fund Accounting and Reporting

Finding - A portion of the proceeds from general obligation debt are used for sanitary sewer purposes. Repayment is made from sanitary sewer revenue. Within the City's internal modified cash basis general ledger, governmental fund types record and report debt proceeds, investment income, remaining fund balances and debt service. Transfers are recorded to move amounts between governmental funds and the sanitary sewer enterprise fund.

Government accounting and financial reporting principles require each fund to report its own assets, receipts, disbursements and fund balance.

At June 30, 2006 and 2007, sanitary sewer fund cash basis assets and fund balance were understated by \$2,422,802 and \$1,444,785, respectively. For the year ended June 30, 2007, sanitary sewer fund receipts were understated \$59,528 for investment income and \$7,990,000 for debt proceeds and disbursements were understated by \$8,256,510. Transfers in and transfers out were overstated by \$2,100,738 and \$1,329,703, respectively.

Auditor's Recommendation - This matter affects the City's internal financial statements, its annual budget presentation and the annual financial report that the City submits to the State of Iowa. Adjustments were made during our audit to properly report these items in the audited financial statements.

In order to properly account for sanitary sewer receipts, disbursements and balances, while maintaining control over cash received from bond proceeds, we recommend that bond proceeds be recorded in the governmental fund with an offsetting amount reported as due to the sanitary sewer fund for its share of the bond proceeds. The sanitary sewer fund would record a due from the governmental fund and bond proceeds.

In order to comply with Code of Iowa requirements that general obligation debt service be paid from the General Obligation Debt Service Fund while maintaining proper reporting of disbursements, we recommend that cash payments from the Sanitary Sewer Enterprise Fund to the General Obligation Debt Service Fund for its share of the general obligation debt service be credited to disbursements in the General Obligation Debt Service Fund rather than reported as a transfer in.

City's Response - For internal accounting and budgeting purposes, the City has elected to account for all transactions related to each bond issue in a separate bond fund. Sewer fund disbursements funded with bond proceeds are recorded in the sewer fund. However, the balance of bond proceeds available is recorded in the bond fund, rather than in the sewer fund. As disbursements are made, bond proceeds are transferred in to the sewer fund. Unspent bond proceeds are not reported in the sewer fund.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

This method allows the City to accurately account for all bond issue transactions and to track information as needed for Internal Revenue Service arbitrage requirements, as well as other legal requirements. The audited statements have been presented in accordance with generally accepted accounting principles, following a different basis of accounting than that used for internal tracking purposes.

Auditor's Conclusion - Response accepted. However, we believe it is important that published financial information such as the City's Annual Financial Report disclose receipts, disbursements and balances in the columns as required by basic fund accounting principles.

Instances of Noncompliance

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

Section III: Findings and Questioned Costs for Federal Awards:

Internal Control Over Major Programs

There were no control deficiencies reported.

Instances of Noncompliance

07-III-C-1

CFDA No.: 14.218 CFDA Title: Community Development Block Grants/Entitlement Grants

Federal Agency: Housing and Urban Development

Federal Award No.: B-06-MC-190008

Federal Award Year: 2006

Compliance Requirement - Cash Management

Specific Requirements - Section C of the OMB Circular A-133 Compliance Supplement, Cash Management. Excerpts as follows:

When entities funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement.

Interest earned on advances by local government grantees and subgrantees is required to be submitted promptly, but at least quarterly, to the Federal agency. Up to \$100 per year may be kept for administrative expenses.

Conditions Found - The City typically files for grant funds on a reimbursement basis.

Drawdowns are requested after checks are approved by the City Council. Checks then are either mailed to the recipient or held at the City pending a signature on a lien waiver. Until the check has been released to the payee, payment has not been made.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

The City uses a cash clearing bank account. Cash received from HUD which reimburses the checks written is transferred to the clearing bank account. The clearing bank account is a money market, interest bearing account.

We selected a sample of 25 checks written to compare the dates written to the dates cleared. In two instances, the date the check cleared was more than 20 days after the check was written, in one instance, 19 days elapsed and between 1 to 9 days elapsed for the other 22. In both cases exceeding 20 days, each check was not released until the payee signed a lien release and several days elapsed between the date the check was issued and the release was signed.

The City receives several other grants on a reimbursement basis. Often, reimbursement is not requested until a copy of the cancelled check is available to support the fact that payment actually occurred.

Questioned Costs - None

Recommendations -

- a. To ensure that program costs have been paid before reimbursement is requested, we recommend that drawdowns not be requested until checks have been released to the payee.
- b. To ensure that interest is not earned on CDBG cash, we recommend that cash not be transferred from the CDBG bank account to warrants clearing bank account until the date the check clears.
- c. To ensure that the federal government has been reimbursed for interest received in excess of \$100, we recommend that a worksheet be developed which lists amounts and dates CDBG cash was deposited into an interest-bearing account, the date and amount the cash left the City's possession, the interest rate during the period and the interest earned. The sum of interest earned in excess of \$100 should be remitted to the Department of Housing and Urban Development.

Implementation of b, above, will, once implemented, remove the need for c.

An alternative recommendation is to only request federal reimbursement after the check has been cashed by the recipient.

City's Response - The City is in the process of informing contractors and vendors paid using community development block grant funds of the need to provide all necessary lien waivers and cash city checks when received. In addition, the Finance Department will contact the Community Development Department when checks have not been cashed within a week of issuance, so that the issue can be pursued with the vendor.

The City will also develop a system to calculate interest earned, if any, on funds deposited to the Warrant Clearingbank account for checks that don't clear immediately. Generally, reimbursements are not received for several days after the check issuance date, when most checks have already cleared the bank. The City does not anticipate that interest earned will exceed \$100 per year.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

Section IV Findings and Questioned Costs for Passenger Facility Charges:

Instances of Noncompliance

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

Control Deficiencies

There were no prior or current year matters reported.

Section V: Findings Related to Statutory Reporting

Prior year findings related to statutory reporting have been resolved except for items 07-V-H and 07-V-J.

07-V-A Certified Budget - We noted no disbursements during the year ended June 30, 2007 that exceeded the amended budget of the original budget before amendment.

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

07-V-C Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

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

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

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

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

07-V-H Financial Condition - The following funds had deficit balances at June 30, 2007:

Section 108 Loan Program, Special Revenue.....	\$ 1,344,707
FAA Projects, Special Revenue.....	97,179
Capital Improvements, Capital Projects.....	306,298

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

Auditor's Recommendations - The City should investigate alternatives to eliminate these deficits in order to return the funds to sound financial positions.

City's Response - The deficits occur because governmental accounting principles require that liabilities, such as retainages, be recognized when incurred but that revenue not received within 60 days of year end not be recognized until received, thereby creating a deficit fund balance. These are temporary deficits which will be cleared when the revenue is received. The City has implemented procedures to request these reimbursements in a more timely manner. However, there are situations when delays of more than 60 days are unavoidable, and therefore, these funds will continue to reflect deficit balances.

Auditor's Conclusion - Response accepted; however, we noted that the Section 108 Loan Program fund is being charged for expenditures against a funding source that has not been approved.

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

07-V-J Airport Ordinance

Prior Year Finding and Recommendation - We noted that the City adopted ordinance number 4400 on December 13, 1999 which established an Airport Board of Directors and requires the Board to "Maintain a positive cash balance at all times in airport operations". Airport operations are accounted for in the General Fund (Fund 010), Airport Commission Department (Department number 29), Airport Administration Activity (activity number 7700). Through June 30, 2006, cash deficits totaled \$741,404.

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

Current Year Finding - The City did not amend the airport ordinance to repeal the positive cash balance requirement. During the year ended June 30, 2007, airport operations incurred a cash loss of \$162,124, resulting in an accumulated cash deficit of \$903,528.

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

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

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

07-V-K Pledging of Local Option Sales Tax

Finding - Voters authorized a local option sales tax for use in reconstruction/repair/replacement of existing streets, curbs, structures, storm sewers and construction/improvement of streets, but only for projects for which state or federal matching funds are available, all within the corporate limits of the City of Waterloo.

The City pledged local option sales tax for “street improvements and other public infrastructure” to obtain a loan of \$2,075,000 from the federal government. The proceeds have been used for street reconstruction and other infrastructure.

Pledging for street reconstruction may meet the authorized use of the local option tax; however, other public infrastructure may not meet the allowable use of the local option tax.

Auditor's Recommendation - To ensure that the City is in compliance with Iowa law regarding local option sales tax, we recommend that the City either obtain an opinion from the Iowa Attorney General that local option tax can be used as a pledge for items other than streets or immediately repay the portion of the loan which was used for projects other than streets.

City's Response - The pledge document for the Section 108 loan inadvertently was written for the full amount of the loan (\$2,075,000) instead of the portion used for street purposes. The construction contract did include some sanitary sewer work, which is being paid for using sewer revenues. At June 30, 2007, the sewer portion of the construction was \$397,195. That portion of the loan will be paid in January 2008.

Auditor's Conclusion - Response accepted.

Schedule of Passenger Facility Charges Collected and Expended

Year Ended June 30, 2007

	Application Approval Number	Beginning Balance Unliquidated PFC	PFC Collections	Interest Earned	Expend- itures	Ending Balance Unliquidated PFC
Runway 12-30 rejuvenation+	01-04-C-00-ALO	\$ 29,135	\$ (34,700)	\$ —	\$ (5,565)	\$ —
PFC annual audit and program administration	03-05-C-00-ALO	19,613	—	—	14,848	4,765
Part 139 guidance signs	03-05-C-00-ALO	36,533	—	—	16,935	19,598
Acquisition of snow removal equipment	03-05-C-00-ALO	—	20,577	—	—	20,577*
Perimeter fencing	03-05-C-00-ALO	33,173	—	—	4,779	28,394
Acquisition of aircraft rescue and fire	03-05-C-00-ALO	—	45,695	—	32,875	12,820
Reconstruction of terminal area ramp	03-05-C-00-ALO	102,961	(31,572)	—	6,497	64,892
Runway 12/30 rehabilitation	07-07-C-00-ALO	—	117,596	970	106,350	12,216
Taxiway A reconstruction	07-07-C-00-ALO	—	2,000	—	1,845	155
Rehabilitate general aviation apron and taxi lanes	07-07-C-00-ALO	—	5,000	—	2,800	2,200
Obstruction removals	07-07-C-00-ALO	—	—	—	—	—
Master plan update	07-07-C-00-ALO	—	—	—	—	—
Snow removal equipment	07-07-C-00-ALO	—	—	—	—	—
PFC administration costs	07-07-C-00-ALO	—	—	—	—	—
Total		<u>\$ 221,415</u>	<u>\$ 124,596</u>	<u>\$ 970</u>	<u>\$ 181,364</u>	<u>\$ 165,617</u>

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

Cumulative approvals for collections and uses are both \$2,414,730.

* Project completed

+ Project removed from program.

Schedule of Passenger Facility Charges Cash Activity ---

Year Ended June 30, 2007

Description	Totals 7-1-06	Quarter #1	Quarter #2	Quarter #3	Quarter #4	Totals for Year	Totals 6-30-07
Passenger Facility							
Charges collected ...	\$ 1,775,848	\$ 32,240	\$ 25,318	\$ 38,762	\$ 28,276	\$ 124,596	\$ 1,900,444
Interest	26,906	321	221	199	229	970	27,876
Expended	<u>(1,581,339)</u>	<u>(60,911)</u>	<u>(93,081)</u>	<u>(13,370)</u>	<u>(14,002)</u>	<u>(181,364)</u>	<u>(1,762,703)</u>
Net	<u>\$ 221,415</u>	<u>\$(28,350)</u>	<u>\$(67,542)</u>	<u>\$ 25,591</u>	<u>\$ 14,503</u>	<u>\$(55,798)</u>	<u>\$ 165,617</u>