

CITY OF WATERLOO, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2008

Prepared by:
City of Waterloo Finance Department
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March 31, 2009

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

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, 2008 in accordance with the provisions of Chapter 11 of the Code of Iowa. This report represents the sixth consecutive year that the financial statements are presented in conformity with Governmental Accounting Standards Board Statement # 34 and the twelfth 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”. McGladrey & Pullen, LLP, Certified Public Accountants issued an unqualified (“clean”) opinion on the financial statements for the year ended June 30, 2008. This report is published to provide the City Council, financial institutions and citizens detailed information concerning the financial condition of the City of Waterloo.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. 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 14 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 2010. 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 was completed and opened in April 2008, while the Grout Museum addition was completed and opened in November 2008. When completed, the RiverWalk Loop will provide a unique recreational trail experience along the Cedar River throughout downtown Waterloo.

- RiverLoop Expo
Construction is underway for the RiverLoop Expo grounds and the renovation of the Public Market building near the Five Sullivan Brothers Convention Center. 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. The Public Market is expected to provide a unique area to support regional food markets.
- Former Rath Packing and John Deere Brownfields Pilot Area
The City has secured nearly \$13.3 million in funding over the past seven years to be used to revitalize the former Rath Packing and John Deere Brownfields area, one of the oldest areas in the City. During the year ended June 30, 2008, the City began the process to demolish two buildings that were part of the former Rath Packing complex in preparation for a potential business expansion by Crystal Distribution.

The City has been awarded several grants to redevelop the former Construction Machinery Company site (CMC). CMC is enrolled in the Iowa Department of Natural Resources Land Recycling Program. The City also completed the demolition of portions of the Chamberlain Manufacturing complex during the year ended June 30, 2008, with additional demolition planned. Chamberlain, the company that formerly operated Chamberlain Manufacturing, is working with the EPA to address potential remediation needs at their former site as well.

➤ **Street Improvements**

Waterloo continues to upgrade its street system with the substantial program of reconstruction, overlays and long-term repairs funded with more than \$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, creating a system of more than 90 miles of trails. 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. Building permit valuation at \$119.9 million was the second-highest ever, exceeding all years except for June 2007, which included the permit for the casino construction. The median sales price for homes in the Waterloo-Cedar Falls area has increased by 82% since 1999 (an annual average growth rate of 8.2%). Values increased 20% 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 1999 totaled \$912 million and \$1.1 billion for the fiscal year ended June 30, 2008. 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 9.6% for the last five years. Although the City has developed a more diverse employment base since the mid-seventies, 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. Deere's staff levels have remained relatively constant despite the current conditions in the U.S. agriculture sector. 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 4.34% remains above the state level of 3.88%, although it is below the national level for June 2008 of 4.95%. Overall annual city employment growth has reduced the unemployment rate substantially from a peak of 7.6% in the early 1990s.

The Isle Casino and Hotel at Waterloo held its grand opening June 30, 2007 for the \$98 million facility, which employs nearly 600 Iowans and generates more than \$1 million in annual City property taxes. The City receives 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 effective July 1, 2009.

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, and the construction of the casino facility, 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, in addition to a \$2,500,000 PIAP grant. Construction is underway to re-route Commercial Street and make 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 has undertaken a project to study the reconstruction and redevelopment of Highway 63 through downtown Waterloo, which 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. Right-of-way acquisitions are expected to begin in the spring of 2009 for this project.

MAJOR EVENT

The City, together with 80% of the State of Iowa, experienced the highest flood level in its history June 11, 2008. The extensive levee system that was constructed in the 1960's and 1970's protected most Waterloo properties from extensive flood damage, although approximately 1,500 properties experienced some level of flooding, most limited to below-grade spaces. The City anticipates acquiring approximately 50 homes under the Federal Emergency Management Agency (FEMA) flood buy-out program.

Damage to city facilities and infrastructure, including streets, recreational trails and traffic signals is estimated at approximately \$1.5 million. The Riverfront Stadium baseball facility experienced the most significant damage, totaling approximately \$300,000. Repairs the Stadium and other city buildings which experienced basement flooding are anticipated to be completed during the year ending June 30, 2009 and 2010, with the cost anticipated to be covered by a combination of insurance proceeds and the FEMA public assistance program.

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 requires most 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, 2007. This is the fourth 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 McGladrey & Pullen, LLP, Certified Public Accountants. 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

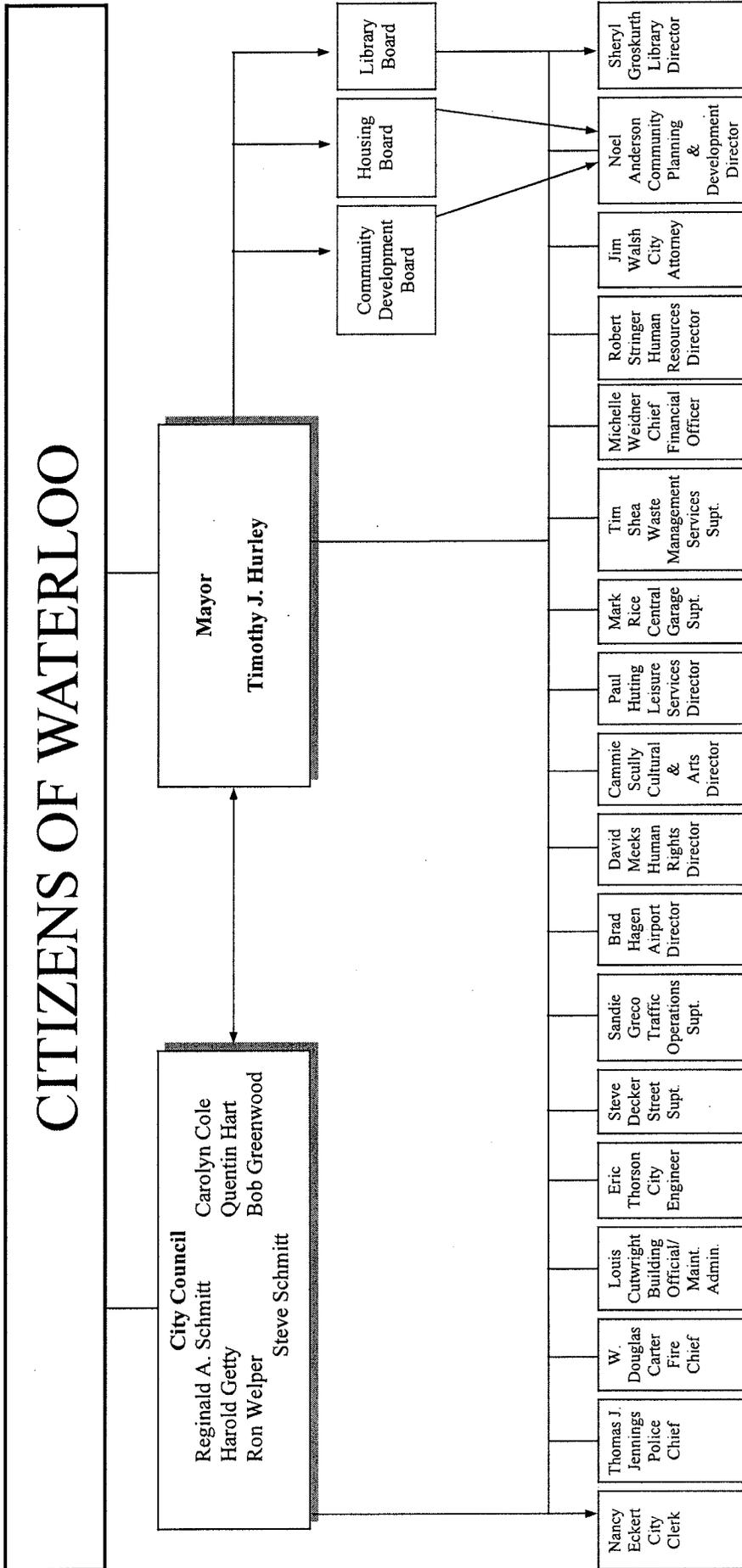
City of Waterloo, Iowa

Officials

June 30, 2008

Name	Title	Term Expires
Elected		
Timothy A. Hurley	Mayor	January 2010
Reginald Schmitt	Council Member - 1st Ward	January 2010
Carolyn Cole	Council Member - 2nd Ward	January 2012
Harold Getty	Council Member - 3rd Ward	January 2010
Quentin Hart	Council Member - 4th Ward	January 2012
Ron Welper	Council Member - 5th Ward	January 2010
Bob Greenwood	Council Member - At-Large	January 2010
Steve Schmitt	Council Member - At-Large	January 2012
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	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, 2007

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



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Waterloo, Iowa as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units, Waterloo Water Works and Waterloo Convention & Visitors Bureau, Inc., which represent 100 percent of the assets and revenues of the discretely presented component units. Those financial statements were audited by other independent auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely upon the reports of the other independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Waterloo Convention & Visitors Bureau, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Waterloo, Iowa as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 23, the City of Waterloo, Iowa restated beginning fund balances and net assets to correct the recording of compensated absences and to record a receivable for road use taxes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 14 and budgetary comparison information on pages 64 through 70 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waterloo, Iowa's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules and statements listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments and Nonprofit Organizations* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Davenport, Iowa
March 24, 2009

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2008

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, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at pages iii-ix 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 \$311,966,186 (net assets). Of this amount, \$16,815,421 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$15,031,527.
- As of the close of this current fiscal year, the City of Waterloo's governmental funds reported combined ending fund balances of \$51,776,163, an increase of \$2,621,923 in comparison with the prior year. Approximately 80.13 percent of this total amount, \$41,489,885, 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 \$7,438,418, or 19.34 percent of total General Fund expenditures.
- The City of Waterloo's total long-term debt, net of discounts and reacquisition costs, decreased by \$1,024,129 or 0.10 percent 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).

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2008

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 discretely presented component unit of the City. The business-type activities of the City of Waterloo include the sanitary sewer system and the solid waste system. The water utility is operated as a separate discretely presented 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 discretely presented 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 three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

The City of Waterloo maintains 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.

City of Waterloo, Iowa

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008**

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Waterloo's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has one type of fiduciary fund, an agency fund. There were no assets held in the fiduciary fund as of June 30, 2008.

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 \$311,966,186 at the close of the fiscal year ended June 30, 2008.

By far the largest portion of the City of Waterloo's net assets (85 percent) 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, 2008 and 2007 follows:

	City of Waterloo's Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current and other assets	\$ 101,780,132	\$ 94,074,481	\$ 16,023,074	\$ 14,344,262	\$ 117,803,206	\$ 108,418,743
Capital assets	251,914,713	241,589,808	88,210,044	89,624,381	340,124,757	331,214,189
Total assets	353,694,845	335,664,289	104,233,118	103,968,643	457,927,963	439,632,932
Liabilities						
Current liabilities	57,341,573	50,815,052	3,782,140	4,028,998	61,123,713	54,844,050
Long-term liabilities	60,797,737	62,357,136	24,040,327	25,497,087	84,838,064	87,854,223
Total liabilities	118,139,310	113,172,188	27,822,467	29,526,085	145,961,777	142,698,273
Net assets						
Invested in capital assets, net of related debt	202,629,813	193,678,687	63,754,721	63,144,916	266,384,534	256,823,603
Restricted	25,583,429	22,213,054	3,182,802	3,334,062	28,766,231	25,547,116
Unrestricted	7,342,293	6,600,360	9,473,128	7,963,580	16,815,421	14,563,940
Total net assets	\$ 235,555,535	\$ 222,492,101	\$ 76,410,651	\$ 74,442,558	\$ 311,966,186	\$ 296,934,659

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2008

\$28,766,231 of the City of Waterloo's net assets (9.22 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$16,815,421) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The City's total net assets increased by \$15,031,527 during the current fiscal year. Governmental-type activities' net assets increased by \$13,063,434. This increase was largely related to the net effect of capital asset transactions. See page 23 for a reconciliation of this increase. The total business-type activities' net assets increased by \$1,968,093. 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, 2008 and 2007 follows:

	City of Waterloo's Changes in Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 9,000,548	\$ 6,373,405	\$ 12,892,897	\$ 12,595,845	\$ 21,893,445	\$ 18,969,250
Operating grants and contributions	14,018,130	17,542,998	529,544	315,437	14,547,674	17,858,435
Capital grants and contributions	8,609,193	5,911,499	127,092	799,265	8,736,285	6,710,764
General revenues:						
Property taxes	35,899,681	35,563,613	-	-	35,899,681	35,563,613
Other taxes	13,674,750	12,101,827	-	-	13,674,750	12,101,827
Other	5,332,994	5,954,913	357,518	532,645	5,690,512	6,487,558
Total revenues	86,535,296	83,448,255	13,907,051	14,243,192	100,442,347	97,691,447
Expenses:						
Public safety	26,214,669	26,046,236	-	-	26,214,669	26,046,236
Public works	21,705,472	17,265,784	-	-	21,705,472	17,265,784
Health and social services	268,761	258,818	-	-	268,761	258,818
Culture and recreation	8,408,694	8,059,963	-	-	8,408,694	8,059,963
Community and economic development	9,581,090	9,666,943	-	-	9,581,090	9,666,943
General government	4,511,057	3,903,632	-	-	4,511,057	3,903,632
Interest on long-term debt	2,782,119	2,728,225	-	-	2,782,119	2,728,225
Sanitary sewer	-	-	8,649,104	8,242,650	8,649,104	8,242,650
Sanitation	-	-	3,289,854	3,226,802	3,289,854	3,226,802
Total expenses	73,471,862	67,929,601	11,938,958	11,469,452	85,410,820	79,399,053
Change in net assets	13,063,434	15,518,654	1,968,093	2,773,740	15,031,527	18,292,394
Net assets, beginning, as restated	222,492,101	206,973,447	74,442,558	71,668,818	296,934,659	278,642,265
Net assets, ending	\$ 235,555,535	\$ 222,492,101	\$ 76,410,651	\$ 74,442,558	\$ 311,966,186	\$ 296,934,659

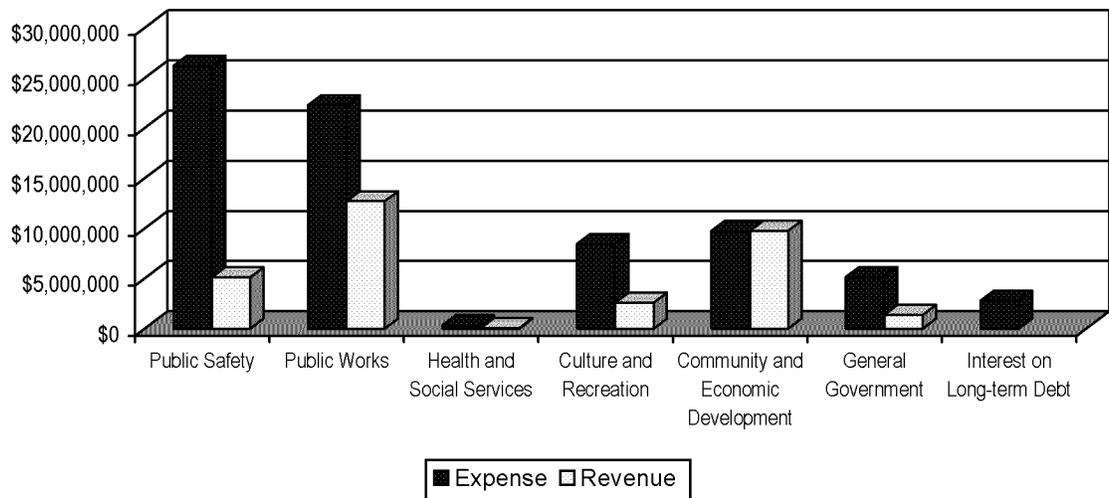
City of Waterloo, Iowa

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008**

Total governmental activities' revenue for the current fiscal year was \$88,023,948. The largest single revenue source for the City was property taxes of \$35,899,681. Property taxes increased by \$336,068 (0.94 percent) during the year. This increase is a result of a combination of factors, including a 1.4 percent increase in the assessed value of property, a 0.94 percent increase in the taxable value of property, and a 0.42 percent decrease in the levy rate.

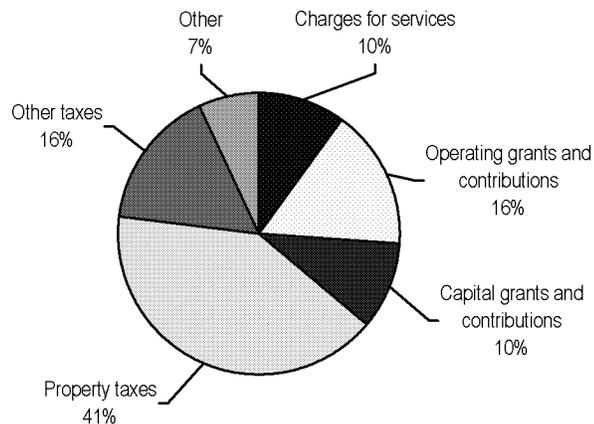
Certain revenues are generated that are specific to governmental program activities. These totaled \$33,116,523 during the fiscal year ended June 30, 2008. The graph below illustrates the comparison between the expenses by governmental activity type and the revenues generated that are specific to those 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

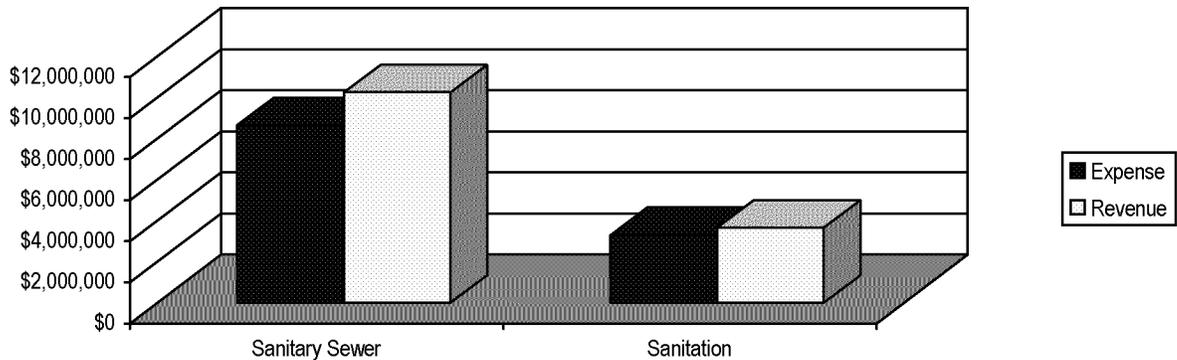


City of Waterloo, Iowa

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008

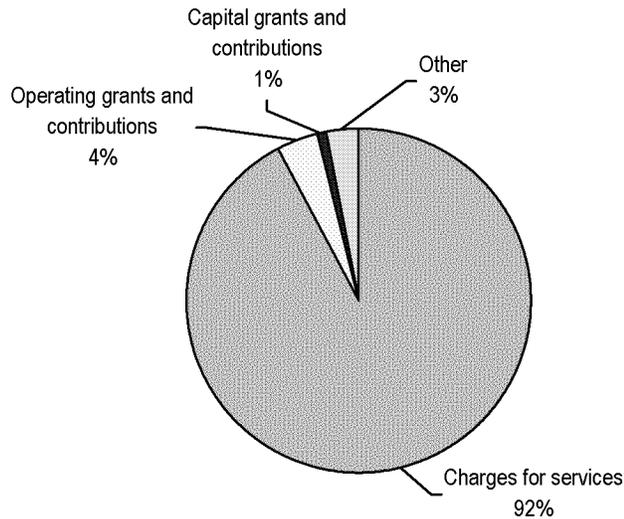
Total business-type activities' direct revenue for the fiscal year was \$13,907,051. All of this revenue was generated for specific business-type activity expenses. The graph below shows a comparison between the business-type activity expenses and program revenues.

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 \$1,968,093, accounting for 13 percent 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.

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2008

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 \$51,776,163, an increase of \$2,621,923 in comparison with the prior year. Fund balance in the amount of \$5,708,599 is not available for new spending because it has already been committed for a variety of restricted purposes. Approximately 88.97 percent of total fund balance (\$46,067,564) constitutes unreserved fund balance. \$34,051,467 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 \$7,427,214 which may be used only for the purposes specified in the authorizing referendum.) \$4,577,679 of the total governmental funds unreserved fund balance (\$46,067,564) has been designated by the City Council for specified purposes, leaving \$41,489,885 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 \$7,438,418, while total fund balance was \$15,090,966. 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 19.3 percent of total General Fund expenditures, while total fund balance represents 39.3 percent of that same amount.

The City originally budgeted to spend all non-restricted resources, consequently budgeting for no change in unreserved fund balance. However, various sources of revenue exceeded the amounts budgeted and some departments spent less than budgeted, resulting in an increase of \$491,659 in unreserved, undesignated fund balance. Significant items that contributed to that net increase included a number of things. The clerk/finance department collected \$302,000 more revenue than budgeted for casino revenues and spent \$216,000 less than expected. Investment income was \$58,000 less than expected and parking revenues were \$85,000 less than expected. Ambulance revenue was \$156,000 more than budgeted. The building inspection department collected \$210,000 less revenue than budgeted.

In addition, expenditures incurred by the police department were under budget by approximately \$168,000, while expenditures incurred by the fire department were under budget by approximately \$140,000. Expenditures for facilities maintenance were more than expected by \$75,000, due to dropping a plan to outsource these services. Expenditures incurred by the leisure services department were under budget by approximately \$206,000, while revenues were over budget by \$54,000. The Youth Pavilion construction progressed more slowly than expected, delaying the facility's opening and resulting in \$131,000 less in operating expenses and \$80,000 less revenue received. Insurance claims for flood damage repairs made prior to June 30, 2008 caused the liability insurance budget to be over budget by \$338,000. Other departments also spent less than amounts budgeted for their department or received more revenue than budgeted. A portion of the budgetary savings realized by departments was due to employee positions that were vacant for part of the year.

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2008

Reserved fund balance increased by \$915,178, due primarily to health insurance costs that were less than expected and hotel/motel tax revenues that were more than expected. Designated fund balance decreased by \$553,549, due primarily to more expenses for the Vision Iowa projects than the equity distribution received from the Black Hawk County Solid Waste Commission.

The Trust and Agency Fund has a total fund balance of \$2,133,083, of which \$1,358,190 or 63.6 percent is reserved for the payment of employee benefits. The net increase in fund balance during the current year was \$426,402, due primarily to health insurance costs being less than expected.

The Local Option Tax Fund net assets increased by \$84,144 during the current year to a total fund balance of \$7,427,214, all of which is reserved for street repairs, construction and improvements. The increase is due primarily to construction delays during the spring of 2008 due to flooding.

The Debt Service Fund has a total fund balance of \$987,677, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the Debt Service Fund was \$157,430. This increase in fund balance resulted from bond refinancing savings.

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 \$72,143,469, an increase of \$1,599,723. 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, as well as payments made on outstanding debt.

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.

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2008

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 \$144,256,443 was increased to \$152,527,092 (an increase of \$8,270,649).

- 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 (\$1.0 million).
- The City amended the budget for several capital projects to reflect expectations of additional work to be completed during the fiscal year and also added expenses related to higher than anticipated snow removal activities (\$3.5 million).
- The City reduced the budget because certain revolving loans in the Section 108 loan activity would not be made as planned in the original budget certification (-\$2.2 million).
- The City amended the budget to provide for a larger-than-anticipated refunding bond issue (\$1.75 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 (\$1.2 million).
- Transfers out were increased to reflect changes required in the accounting for tax increment financing transactions as well as to budget for the repayment of Section 108 loan proceeds used for the Brownfields Street project (\$1.9 million).

The total original revenue budget, including other financing sources of \$141,533,221 was increased to \$148,008,960 (an increase of \$6,475,739).

- Local option tax revenue was increased to reflect higher revenues as well as a large adjustment payment received during the year (\$1.4 million).
- Additional revenue was budgeted in the Capital Improvements project fund to reflect donated resources received for construction for the Youth Pavilion and the RiverLoop Expo Grounds (\$1.2 million).
- The original budget for bond proceeds was increased by \$1.75 million to reflect additional proceeds from the refunding issue.
- Transfers in were increased to reflect changes required in the accounting for tax increment financing transactions as well as to budget for the repayment of Section 108 loan proceeds used for the Brownfields Street project (\$1.9 million).

See pages 64 through 66 for the Budgetary Comparison Schedule - Budget and Actual (Modified Cash Basis) – All Governmental Funds and Proprietary Funds.

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2008

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, 2008, amounts to \$340,124,757 (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 2.69 percent (a 4.27 percent increase for governmental activities and a 1.58 percent decrease for business-type activities).

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

	City of Waterloo's Capital Assets at Fiscal Year End (Net of Depreciation)					
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 29,551,042	\$ 28,547,118	\$ 348,055	\$ 348,055	\$ 29,899,097	\$ 28,895,173
Land held for redevelopment	4,764,901	4,472,112	-	-	4,764,901	4,472,112
Buildings and improvements	41,429,967	34,407,321	55,731,600	57,092,250	97,161,567	91,499,571
Other improvements	-	-	29,571,530	27,207,258	29,571,530	27,207,258
Infrastructure	152,977,334	153,024,683	-	-	152,977,334	153,024,683
Furniture, vehicles, machinery and equipment	7,719,183	7,717,837	1,661,392	1,652,655	9,380,575	9,370,492
Construction-in-progress	15,472,286	13,420,737	897,467	3,324,163	16,369,753	16,744,900
	\$ 251,914,713	\$ 241,589,808	\$ 88,210,044	\$ 89,624,381	\$ 340,124,757	\$ 331,214,189

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

- The City continued to acquire land and buildings in the Downtown Master Plan Redevelopment Area, at a total cost of \$612,278. Demolition of portions of the Chamberlain Manufacturing complex was completed at a cost of \$392,648.
- A runway rehabilitation project at the Waterloo Regional Airport was completed, with total expenses of \$2,429,276 as of June 30, 2008. Additional work on runway rehabilitation projects totaling \$1,393,200 was added to construction in progress as of June 30, 2008. The Youth Pavilion addition to the Center for the Arts building and interior exhibits was completed and opened to the public during the year ended June 30, 2008. The total cost of the addition and exhibits is \$5,408,043. A vehicle storage building was constructed for the Leisure Services department at a cost of \$289,719.
- Significant investments in street construction, reconstruction and overlay programs funded with local option taxes and grants were completed (\$6,458,357) and transferred to infrastructure assets. An additional \$11,247,844 was invested in new street construction, repair of existing streets and construction of recreational trails still in progress as of June 30, 2008.
- Significant portions of the RiverLoop Expo grounds and Public Market building were constructed and added to construction in progress as of June 30, 2008, at a total cost of \$1,085,657. Construction totaling \$2,318,524 for the renovations to the Cedar River dam and riverwalls related to the Riverfront Renaissance project was also added to construction in progress as of June 30, 2008.

City of Waterloo, Iowa

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008**

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 \$92,945,000. Of this amount, \$80,590,000 is comprised of debt backed by the full faith and credit of the government. The remainder of the City of Waterloo's bonded debt (\$12,355,000) 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 \$1,279,129.

	City of Waterloo Long-term Outstanding Debt					
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Bonded Debt:						
General obligation bonds	\$ 65,745,000	\$ 63,940,000	\$ 14,845,000	\$ 14,900,000	\$ 80,590,000	\$ 78,840,000
Revenue bonds	-	-	12,355,000	13,850,000	12,355,000	13,850,000
Total bonded debt	65,745,000	63,940,000	27,200,000	28,750,000	92,945,000	92,690,000
Other Debt:						
Loans and notes	1,931,086	2,708,707	-	-	1,931,086	2,708,707
Deferred compensation	215,269	305,258	8,211	-	223,480	305,258
Compensated absences	3,112,884	3,555,737	261,201	238,078	3,374,085	3,793,815
Total other debt	5,259,239	6,569,702	269,412	238,078	5,528,651	6,807,780
Total long-term debt outstanding	\$ 71,004,239	\$ 70,509,702	\$ 27,469,412	\$ 28,988,078	\$ 98,473,651	\$ 99,497,780

The City of Waterloo's total long-term debt decreased by \$1,024,129 (1 percent) during the current fiscal year.

The government issued general obligation bonds in the amount of \$12,975,000 during the current fiscal year, including \$3,935,000 of general obligation refunding bonds issued to take advantage of more favorable interest rates. Of this amount, \$1,000,000 was issued for sanitary sewer purposes. Short-term capital loan notes in the amount of \$300,000 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 percent of its total assessed valuation. The current debt limitation for the City of Waterloo is \$156,683,322, which is significantly in excess of the City of Waterloo's outstanding general obligation debt (\$80,890,000) and other debt subject to the debt limitation (\$2,146,355). The total debt subject to this limitation is \$83,036,355, resulting in available debt margin of \$73,646,967.

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

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2008

Economic Factors and Next Year's Budgets and Rates

- Property taxes provide approximately 49 percent of General Fund revenues. Over the past five years, citywide assessed valuations have risen an average of 9.6 percent annually, while property tax limitations imposed by the State of Iowa have held taxable values to an average annual growth rate of 6.05 percent. The fiscal year 2009 budget reflects total property tax and utility excise tax revenue growth of 5.5 percent.
- Personnel costs make up a significant portion of City operating costs. Wage increases identified in contractual bargaining agreements are 4 percent for fiscal year 2009.
- The City continues to face the challenge of funding the increasing costs of employee health care. The portion of health care premiums paid by participating employees was also increased slightly effective July 1, 2007. Anticipated health care cost increases of 6.3 percent were budgeted for fiscal year 2009. In addition, \$512,000 was budgeted for the estimated cost to implement GASB Statement No. 45 to recognize future retiree health care costs during their period of service to the City.
- The major flooding that occurred in eastern Iowa in June 2008 may have an impact on future budgets. However, the levee system protected most Waterloo property and at this time, the impact does not appear to be substantial. It is unknown how the current national economic environment may affect future budgets.

These factors were considered in preparing the City of Waterloo's budget for fiscal year 2009.

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, Iowa 50703.

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City of Waterloo, Iowa

Statement of Net Assets
June 30, 2008

	Primary Government			Waterloo Water Works	Waterloo Convention & Visitors Bureau, Inc.
	Governmental Activities	Business-Type Activities	Total		
Assets					
Current assets:					
Cash and cash equivalents	\$ 48,311,518	\$ 6,296,283	\$ 54,607,801	\$ 1,725,224	\$ 187,579
Investments	490,523	-	490,523	360,000	184,034
Receivables:					
Customer accounts, net of allowance for uncollectible accounts	1,541,449	2,673,967	4,215,416	841,182	-
Property taxes:					
Delinquent	353,898	-	353,898	-	-
Succeeding year	38,841,218	-	38,841,218	-	-
Internal accounts	(70,438)	70,438	-	-	-
Due from other governments:					
Component unit	-	822,280	822,280	-	-
Primary government	-	-	-	-	325,541
Other	6,925,260	261,002	7,186,262	-	-
Accrued interest	-	-	-	8,191	3,584
Loans and notes	-	-	-	8,641	-
Special assessments	50,883	-	50,883	-	-
Inventories and prepaids	323,838	8,457	332,295	31,644	2,846
Restricted assets:					
Cash and cash equivalents	6,934,151	1,398,497	8,332,648	-	-
Receivables	19,729	-	19,729	-	-
Internal accounts	(2,212,065)	2,212,065	-	-	-
Total current assets	101,509,964	13,742,989	115,252,953	2,974,882	703,584
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	-	2,123,500	2,123,500	1,084,489	-
Investments	-	-	-	460,000	-
Loans and notes, net of allowance for uncollectible amounts					
	71,191	-	71,191	27,393	-
Special assessments	101,734	-	101,734	194,484	-
Debt issue cost, net of accumulated amortization	70,013	156,585	226,598	22,725	-
Deferred amount on refunding	27,230	-	27,230	-	-
Capital assets, net of accumulated depreciation	202,126,484	86,964,522	289,091,006	16,920,030	21,899
Capital assets not being depreciated	49,788,229	1,245,522	51,033,751	2,387,905	-
Total noncurrent assets	252,184,881	90,490,129	342,675,010	21,097,026	21,899
Total assets	\$ 353,694,845	\$ 104,233,118	\$ 457,927,963	\$ 24,071,908	\$ 725,483

See Notes to Basic Financial Statements.

	Primary Government			Waterloo Water Works	Waterloo Convention & Visitors Bureau, Inc.
	Governmental Activities	Business-Type Activities	Total		
Liabilities					
Current:					
Accounts and retainages payable	\$ 4,584,040	\$ 407,379	\$ 4,991,419	\$ 61,873	\$ 10,238
Accrued liabilities and other	1,759,944	167,530	1,927,474	165,738	9,706
Due to primary government	-	-	-	789,590	-
Due to component unit	325,541	-	325,541	-	-
Due to other governments	-	-	-	52,029	-
Short-term general obligation note	300,000	-	300,000	-	-
Noncurrent liabilities due and payable					
within one year	10,266,782	1,383,036	11,649,818	285,000	-
Unearned revenues	38,993,829	-	38,993,829	-	-
Current liabilities payable from restricted assets:					
Health claims	1,012,315	-	1,012,315	-	-
Customer deposits	99,122	247,000	346,122	-	-
Accrued interest	-	92,195	92,195	-	-
Noncurrent liabilities due and payable					
within one year	-	1,485,000	1,485,000	-	-
Total current liabilities	57,341,573	3,782,140	61,123,713	1,354,230	19,944
Noncurrent:					
Customer deposits	-	-	-	118,184	-
Capital lease obligations	-	-	-	-	-
Bond premium	60,280	-	60,280	-	-
Revenue bonds and notes	-	10,451,603	10,451,603	2,702,376	-
General obligation bonds and notes	58,485,000	13,482,348	71,967,348	-	-
Other loans and notes	1,482,808	-	1,482,808	-	-
Compensated absences and deferred compensation	769,649	106,376	876,025	-	-
Total noncurrent liabilities	60,797,737	24,040,327	84,838,064	2,820,560	-
Total liabilities	118,139,310	27,822,467	145,961,777	4,174,790	19,944
Net Assets					
Invested in capital assets, net of related debt	202,629,813	63,754,721	266,384,534	17,707,425	21,899
Restricted for:					
Debt service	3,294,776	2,371,000	5,665,776	1,414,489	-
Employee benefits	2,133,083	-	2,133,083	-	-
Improvements	8,888,461	811,802	9,700,263	-	-
Provider designations	11,267,109	-	11,267,109	-	-
Unrestricted	7,342,293	9,473,128	16,815,421	775,204	683,640
Total net assets	235,555,535	76,410,651	311,966,186	19,897,118	705,539
Total liabilities and net assets	\$ 353,694,845	\$ 104,233,118	\$ 457,927,963	\$ 24,071,908	\$ 725,483

City of Waterloo, Iowa

Statement of Activities
Year Ended June 30, 2008

Programs/Functions	Program Revenues				
	Direct Expenses	Indirect Allocations	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:					
Public safety	\$ 26,214,669	\$ -	\$ 3,441,302	\$ 1,118,052	\$ 565,649
Public works	22,270,472	(565,000)	1,933,607	5,946,197	4,828,642
Health and social services	343,761	(75,000)	5,360	58,955	-
Culture and recreation	8,458,694	(50,000)	2,263,815	151,070	164,368
Community and economic development	9,741,242	(160,152)	479,173	6,734,942	2,547,568
General government	5,149,557	(638,500)	877,291	8,914	502,966
Interest on long-term debt	2,782,119	-	-	-	-
Total governmental activities	74,960,514	(1,488,652)	9,000,548	14,018,130	8,609,193
Business-type activities:					
Sanitary Sewer	7,957,104	692,000	9,598,454	240,678	127,092
Sanitation	2,493,202	796,652	3,294,443	288,866	-
Total business-type activities	10,450,306	1,488,652	12,892,897	529,544	127,092
Total primary government	\$ 85,410,820	\$ -	\$ 21,893,445	\$ 14,547,674	\$ 8,736,285
Component unit, Waterloo Water Works	\$ 4,823,990	\$ -	\$ 4,853,789	\$ -	\$ 26,700
Component unit, Waterloo Convention & Visitors Bureau, Inc.	\$ 384,783	\$ -	\$ -	\$ 613,292	\$ -

General Revenues

Taxes:

Property taxes levied for general purposes

Property taxes levied for debt service

Other taxes:

Local option sales

Utility excise

Gaming

Hotel/motel

Cable television

Mobile home

Investment earnings

Service provided to the City of Waterloo at no charge

Miscellaneous

Total general revenues and transfers

Changes in net assets

Net assets, beginning of year, as restated

Net assets, end of year

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets			Component Units	
Governmental Activities	Business-Type Activities	Total	Waterloo Water Works	Waterloo Convention & Visitors Bureau, Inc.
\$ (21,089,666)	\$ -	\$ (21,089,666)	\$ -	\$ -
(8,997,026)	-	(8,997,026)	-	-
(204,446)	-	(204,446)	-	-
(5,829,441)	-	(5,829,441)	-	-
180,593	-	180,593	-	-
(3,121,886)	-	(3,121,886)	-	-
(2,782,119)	-	(2,782,119)	-	-
(41,843,991)	-	(41,843,991)	-	-
-	1,317,120	1,317,120	-	-
-	293,455	293,455	-	-
-	1,610,575	1,610,575	-	-
(41,843,991)	1,610,575	(40,233,416)	-	-
-	-	-	56,499	-
-	-	-	-	228,509
25,848,956	-	25,848,956	-	-
10,050,725	-	10,050,725	-	-
9,235,366	-	9,235,366	-	-
1,599,466	-	1,599,466	-	-
765,775	-	765,775	-	-
1,224,585	-	1,224,585	-	-
777,449	-	777,449	-	-
72,109	-	72,109	-	-
1,432,651	357,518	1,790,169	219,989	11,268
-	-	-	(127,153)	-
3,900,343	-	3,900,343	119,912	292
54,907,425	357,518	55,264,943	212,748	11,560
13,063,434	1,968,093	15,031,527	269,247	240,069
222,492,101	74,442,558	296,934,659	19,627,871	465,470
\$ 235,555,535	\$ 76,410,651	\$ 311,966,186	\$ 19,897,118	\$ 705,539

City of Waterloo, Iowa

Balance Sheet
 Governmental Funds
 June 30, 2008

Assets	General	Trust and Agency	Local Option Tax
Cash and cash equivalents	\$ 12,123,527	\$ 1,717,096	\$ 6,763,591
Investments	-	-	-
Receivables:			
Customer accounts	1,115,302	-	-
Property tax:			
Delinquent	158,647	95,326	-
Succeeding year	15,878,573	11,061,938	-
Special assessments	152,617	-	-
Loans and notes	71,191	-	-
Due from other funds	1,550,268	-	817
Due from other governments:			
Federal	140,895	-	-
Iowa	735,834	-	2,036,411
Other	216,340	146,527	47,046
Inventories and prepaids	222,940	-	-
Restricted assets:			
Cash and cash equivalents	3,776,650	363,985	-
Receivables	19,729	-	-
Total assets	\$ 36,162,513	\$ 13,384,872	\$ 8,847,865

(Continued)

General Obligation Debt Service	Other Governmental	Total
\$ 920,796	\$ 26,786,508	\$ 48,311,518
-	490,523	490,523
-	426,147	1,541,449
58,902	41,023	353,898
6,583,145	5,317,562	38,841,218
-	-	152,617
-	-	71,191
-	27,013	1,578,098
-	1,485,654	1,626,549
-	1,990,886	4,763,131
86,646	39,021	535,580
-	100,898	323,838
58,718	2,734,798	6,934,151
-	-	19,729
<u>\$ 7,708,207</u>	<u>\$ 39,440,033</u>	<u>\$ 105,543,490</u>

City of Waterloo, Iowa

Balance Sheet (Continued)
 Governmental Funds
 June 30, 2008

	General	Trust and Agency	Local Option Tax
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,132,444	\$ 1,265	\$ 560,815
Retainages payable	-	-	224,836
Accrued liabilities	1,163,257	93,260	17,941
Due to other funds	27,013	-	-
Deferred revenue	17,320,308	11,157,264	616,219
Compensated absences	116,210	-	840
Short-term general obligation note	300,000	-	-
Payables from restricted assets	1,012,315	-	-
Total liabilities	21,071,547	11,251,789	1,420,651
Fund balances:			
Reserved for:			
Debt service	-	-	-
Self-funded health insurance	701,589	1,358,190	-
Inventories and prepaids	222,940	-	-
Donor specifications	701,819	-	-
Tourism promotion	615,858	-	-
Public access television	143,239	-	-
Airport	-	-	-
Housing	689,424	-	-
Improvements	-	-	-
Unreserved:			
Designated for Vision Iowa	1,759,453	-	-
Insurance	2,639,290	-	-
Other	178,936	-	-
Undesignated report in:			
General Fund	7,438,418	-	-
Special revenue funds	-	774,893	7,427,214
Capital projects funds	-	-	-
Total fund balances	15,090,966	2,133,083	7,427,214
Total liabilities and fund balances	\$ 36,162,513	\$ 13,384,872	\$ 8,847,865

See Notes to Basic Financial Statements.

General Obligation Debt Service		Other Governmental	Total
\$	23,073	\$ 2,420,304	\$ 4,137,901
	-	546,844	771,680
	-	194,724	1,469,182
	55,410	3,778,178	3,860,601
	6,642,047	6,237,236	41,973,074
	-	26,402	143,452
	-	-	300,000
	-	99,122	1,111,437
	6,720,530	13,302,810	53,767,327
	928,959	-	928,959
	-	-	2,059,779
	-	100,898	323,838
	-	-	701,819
	-	-	615,858
	-	-	143,239
	58,718	-	58,718
	-	-	689,424
	-	186,965	186,965
	-	-	1,759,453
	-	-	2,639,290
	-	-	178,936
	-	-	7,438,418
	-	8,644,232	16,846,339
	-	17,205,128	17,205,128
	987,677	26,137,223	51,776,163
\$	7,708,207	\$ 39,440,033	\$ 105,543,490

City of Waterloo, Iowa

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2008

Total governmental fund balances		\$	51,776,163
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds			251,914,713
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds			2,979,245
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	\$	(65,745,000)	
Other loans and notes		(1,931,086)	
Bond issuance costs		70,013	
Bond deferred amount on refunding		27,230	
Bond premium		(60,280)	
Compensated absences and deferred compensation		(3,184,701)	
Accrued interest payable		(290,762)	(71,114,586)
Net assets of governmental activities			<u>\$ 235,555,535</u>

See Notes to Basic Financial Statements.

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City of Waterloo, Iowa

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2008

	General	Trust and Agency	Local Option Tax
Revenues:			
Property taxes	\$ 14,809,834	\$ 10,529,209	\$ -
Other taxes	3,298,934	554,475	9,337,517
Licenses and permits	1,266,368	-	-
Investment income	465,936	117,949	173,214
Rent	694,326	-	-
Intergovernmental	1,640,053	-	60,396
Charges for services	5,516,886	-	-
Interfund charges for services	2,140,152	-	-
Special assessments	39,931	-	-
Miscellaneous	2,609,317	-	-
Total revenues	32,481,737	11,201,633	9,571,127
Expenditures:			
Current operating:			
Public safety	22,560,028	3,056,457	-
Public works	2,357,307	-	7,940,334
Health and social services	346,169	-	-
Culture and recreation	7,160,024	-	-
Community and economic development	1,553,559	-	-
General government	4,490,698	25,507	-
Debt service:			
Principal	-	-	-
Interest and fees	1,790	-	-
Bond issuance costs	-	-	-
Capital outlay	-	-	-
Total expenditures	38,469,575	3,081,964	7,940,334
Excess (deficiency) of revenues over expenditures	(5,987,838)	8,119,669	1,630,793
Other financing sources (uses):			
Transfers in	8,007,267	-	-
Transfers out	(1,854,789)	(7,693,267)	(1,546,649)
Bond premium	-	-	-
Proceeds from sale of capital assets	41,491	-	-
Refunding bonds issued	-	-	-
Payments to refunded bond escrow agent	-	-	-
Issuance of debt	-	-	-
Total other financing sources (uses)	6,193,969	(7,693,267)	(1,546,649)
Net changes in fund balances	206,131	426,402	84,144
Fund balances, beginning of year, as restated	14,884,835	1,706,681	7,343,070
Fund balances, end of year	\$ 15,090,966	\$ 2,133,083	\$ 7,427,214

See Notes to Basic Financial Statements.

General Obligation Debt Service		Other Governmental	Total
\$	6,345,984	\$ 4,178,430	\$ 35,863,457
	317,008	24,944	13,532,878
	-	8,580	1,274,948
	70,184	605,368	1,432,651
	125,323	173,061	992,710
	86,363	20,047,176	21,833,988
	-	250,441	5,767,327
	-	685,000	2,825,152
	-	-	39,931
	-	2,074,570	4,683,887
	6,944,862	28,047,570	88,246,929
	-	424,613	26,041,098
	-	12,534,403	22,832,044
	-	-	346,169
	-	689,859	7,849,883
	-	9,103,144	10,656,703
	14,488	9,180	4,539,873
	6,328,594	1,806,255	8,134,849
	2,726,473	109,920	2,838,183
	22,995	47,018	70,013
	-	12,097,381	12,097,381
	9,092,550	36,821,773	95,406,196
	(2,147,688)	(8,774,203)	(7,159,267)
	2,475,152	2,965,228	13,447,647
	(220,000)	(2,132,942)	(13,447,647)
	32,196	28,084	60,280
	-	-	41,491
	3,935,000	-	3,935,000
	(3,917,230)	-	(3,917,230)
	-	9,661,649	9,661,649
	2,305,118	10,522,019	9,781,190
	157,430	1,747,816	2,621,923
	830,247	24,389,407	49,154,240
\$	987,677	\$ 26,137,223	\$ 51,776,163

City of Waterloo, Iowa

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2008**

Net change in fund balances - governmental funds \$ 2,621,923

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	\$ 20,405,512	
Depreciation	(10,112,132)	10,293,380

The net effect of various miscellaneous transactions involving capital assets is to increase/decrease net assets:

Donated capital assets		590,856
Proceeds from sale of capital assets	(41,491)	
Net loss on sale of capital assets	(517,840)	(559,331)

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. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized 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	(11,975,000)	
Repayment of general obligation bond principal	6,280,000	
Other long-term debt issued	(1,621,649)	
Repayment of other long-term debt principal	2,399,270	
Payment to escrow agent, including \$27,230 deferred amount on refunding	3,917,230	
Bond issuance costs	70,013	
Bond premium	(60,280)	
Change in accrued interest	56,064	(934,352)

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

Current year		2,979,245
Prior year		(2,456,582)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, change in compensated absences and deferred compensation paid

		528,295
Changes in net assets of governmental activities		\$ 13,063,434

See Notes to Basic Financial Statements.

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City of Waterloo, Iowa

Statement of Net Assets
Enterprise Funds
June 30, 2008

	Major Sanitary Sewer	Nonmajor Sanitation	Total
Assets			
Current assets:			
Cash	\$ 4,156,045	\$ 2,140,238	\$ 6,296,283
Customer accounts receivable	1,913,497	760,470	2,673,967
Due from other funds	70,438	-	70,438
Due from other governments:			
Federal	216,612	7,824	224,436
Waterloo Water Works	532,904	289,376	822,280
Other	27,918	8,648	36,566
Inventories and prepaids	8,457	-	8,457
Restricted assets:			
Cash	1,324,997	73,500	1,398,497
Due from other funds	2,212,065	-	2,212,065
Total current assets	10,462,933	3,280,056	13,742,989
Noncurrent assets:			
Restricted cash	2,123,500	-	2,123,500
Bond issue costs, net of accumulated amortization	156,585	-	156,585
Capital assets, net of accumulated depreciation	85,755,481	1,209,041	86,964,522
Capital assets not being depreciated	1,245,522	-	1,245,522
Net capital assets	87,001,003	1,209,041	88,210,044
Total noncurrent assets	89,281,088	1,209,041	90,490,129
Total assets	\$ 99,744,021	\$ 4,489,097	\$ 104,233,118

See Notes to Basic Financial Statements.

	Major Sanitary Sewer	Nonmajor Sanitation	Total
Liabilities and Net Assets			
Liabilities:			
Current:			
Accounts payable	\$ 260,825	\$ 88,951	\$ 349,776
Retainages payable	57,603	-	57,603
Accrued liabilities	135,961	31,569	167,530
Current maturities of general obligation bonds	1,220,000	-	1,220,000
Compensated absences and deferred compensation	135,141	27,895	163,036
Payable from restricted assets:			
Security deposits	173,500	73,500	247,000
Accrued interest, revenue bonds	92,195	-	92,195
Current portion of revenue bonds	1,485,000	-	1,485,000
Total current liabilities	3,560,225	221,915	3,782,140
Noncurrent:			
General obligation bonds	13,482,348	-	13,482,348
Revenue bonds	10,451,603	-	10,451,603
Compensated absences and deferred compensation	106,376	-	106,376
Total noncurrent liabilities	24,040,327	-	24,040,327
Total liabilities	27,600,552	221,915	27,822,467
Net assets:			
Invested in capital assets, net of related debt	62,545,680	1,209,041	63,754,721
Restricted for:			
Debt service	2,371,000	-	2,371,000
Improvements	811,802	-	811,802
Unrestricted	6,414,987	3,058,141	9,473,128
Total net assets	72,143,469	4,267,182	76,410,651
Total liabilities and net assets	\$ 99,744,021	\$ 4,489,097	\$ 104,233,118

City of Waterloo, Iowa

Statement of Revenues, Expenses and Changes in Fund Net Assets
Enterprise Funds
Year Ended June 30, 2008

	Major Sanitary Sewer	Nonmajor Sanitation	Total
Operating revenues:			
Charges for sales and service	\$ 9,585,342	\$ 3,294,443	\$ 12,879,785
Miscellaneous	13,112	-	13,112
Total operating revenues	9,598,454	3,294,443	12,892,897
Operating expenses:			
Salaries and benefits	2,256,385	912,807	3,169,192
Contractual services	1,356,929	938,140	2,295,069
Intra-city reimbursements	692,000	796,652	1,488,652
Commodities	745,734	380,012	1,125,746
Depreciation	2,157,860	235,684	2,393,544
Total operating expenses	7,208,908	3,263,295	10,472,203
Operating income	2,389,546	31,148	2,420,694
Nonoperating revenues (expenses):			
Interest income	282,603	74,915	357,518
Intergovernmental	240,678	288,866	529,544
Interest expense	(1,344,357)	-	(1,344,357)
Amortization of bond issue costs	(36,691)	-	(36,691)
Loss on disposition of equipment	(59,148)	(26,559)	(85,707)
Total nonoperating revenues (expenses)	(916,915)	337,222	(579,693)
Income before capital contributions	1,472,631	368,370	1,841,001
Capital contributions, customers and developers	127,092	-	127,092
Changes in net assets	1,599,723	368,370	1,968,093
Net assets, beginning of year	70,543,746	3,898,812	74,442,558
Net assets, end of year	\$ 72,143,469	\$ 4,267,182	\$ 76,410,651

See Notes to Basic Financial Statements.

City of Waterloo, Iowa

Statement of Cash Flows
Enterprise Funds
Year Ended June 30, 2008

	Major Sanitary Sewer	Nonmajor Sanitation	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 9,686,543	\$ 3,282,122	\$ 12,968,665
Payments to suppliers	(2,451,405)	(1,323,683)	(3,775,088)
Payments to or on behalf of employees	(2,199,484)	(908,266)	(3,107,750)
Payment for interfund services used	(692,000)	(796,652)	(1,488,652)
Net cash provided by operating activities	4,343,654	253,521	4,597,175
Cash flows from noncapital financing activities:			
(Payments of) interfund accounts	(457,851)	-	(457,851)
Operating grants	24,070	281,042	305,112
Net cash provided by (used in) noncapital financing activities	(433,781)	281,042	(152,739)
Cash flows from capital and related financing activities:			
Purchase and construction of capital assets	(593,436)	(317,773)	(911,209)
Proceeds from bonds, loans and notes	1,528,351	-	1,528,351
Principal paid on debt	(3,078,351)	-	(3,078,351)
Interest paid on debt	(1,214,363)	-	(1,214,363)
Net cash (used in) capital and related financing activities	(3,357,799)	(317,773)	(3,675,572)
Cash flows from investing activities, interest received	282,603	74,915	357,518
Increase in cash and cash equivalents	834,677	291,705	1,126,382
Cash and cash equivalents, beginning of year	6,769,865	1,922,033	8,691,898
Cash and cash equivalents, end of year	\$ 7,604,542	\$ 2,213,738	\$ 9,818,280

(Continued)

City of Waterloo, Iowa

Statement of Cash Flows (Continued)

Enterprise Funds

Year Ended June 30, 2008

	Major Sanitary Sewer	Nonmajor Sanitation	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 2,389,546	\$ 31,148	\$ 2,420,694
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	2,157,860	235,684	2,393,544
(Increase) decrease in accounts receivable	43,412	(16,611)	26,801
Decrease in due from other governments	44,677	4,290	48,967
Decrease in inventories and prepaids	17,394	-	17,394
(Decrease) in accounts payable	(366,136)	(5,531)	(371,667)
Increase in accrued liabilities	26,865	73	26,938
Increase in compensated absences and deferred compensation	30,036	4,468	34,504
Net cash provided by operating activities	\$ 4,343,654	\$ 253,521	\$ 4,597,175
Schedule of noncash capital and related financing activities:			
Payables for acquisition of capital assets	\$ 26,613	\$ -	\$ 26,613
Amortization of bond issue costs	36,691	-	36,691
Amortization of discounts and reacquisition costs	141,864	-	141,864
Donated capital assets received as capital contributions	127,092	-	127,092

See Notes to Basic Financial Statements.

City of Waterloo, Iowa

Index to the Notes to Basic Financial Statements

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Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies

Nature of operations:

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.

Reporting entity:

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements include 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 (GASB) 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 unit: The Waterloo Housing Authority (Authority) is governed by a board that includes all seven members of the City Council plus two members appointed by the Mayor, subject to approval of a majority of the City Council, for a total of nine members. Although the Authority is considered legally separate from the City, it receives administrative support from the various departments within the City's General Fund. Due to the nature of its relationship with the City, the Authority is considered part of the primary government. The Authority is reported as a special revenue fund.

Discretely presented 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 accounting principles generally accepted in the United States of America. 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 \$32,690.

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Waterloo Convention & Visitors Bureau, Inc.: The Waterloo Convention & Visitors Bureau, Inc. is a nonprofit corporation and a component unit of the 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 percent 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 activities demonstrates the degree to which the direct and indirect expenses of a given program or function are offset by program revenues. 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. Taxes 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 proprietary funds. The focus of fund financial statements is on major 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:

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.

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.

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

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

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

The City had the following major proprietary fund:

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

Description of funds: The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance/net assets, 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: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance." The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the City's 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.

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Proprietary Fund Type: Proprietary fund types are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows.

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.

Fiduciary Fund Type: To account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Agency Funds: To account for assets the City holds for others in an agency capacity. The City has one agency fund.

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. Agency funds follow accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue at the same time the related asset is recorded. For reimbursable grants, the asset is recorded as soon as all eligibility requirements imposed by the provider have been met.

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

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

The enterprise 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 (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure (ARBs).

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.

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

Summary of significant accounting policies:

The significant accounting policies followed by the City include the following:

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. As of June 30, 2008, the General Fund had allowances for uncollectible customer accounts totaling \$649,331.

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.

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Property tax revenue became due and collectible in September and March of the fiscal year with a 1½ percent per month penalty for delinquent payments; was based on January 1, 2006 assessed property valuations; was for the tax accrual period July 1, 2007 through June 30, 2008; and reflected the tax asking contained in the budget certified to the County Board of Supervisors in March 2007.

Special assessments are levied against certain property owners and become liens against the property benefited 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.

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 statement of net assets 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 percent 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.

Bond discount, premium and issuance costs: In the government-wide financial statements and proprietary fund types in the fund financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 as of June 30, 2008 was \$155,005. Amortization of bond issue costs was \$36,691 for 2008.

Original discounts of \$59,751 on general obligation bonds repaid by the sanitary sewer enterprise fund outstanding as of June 30, 2008 are being amortized using the effective interest method over the life of the bonds. Accumulated amortization as of June 30, 2008 was \$23,817. Discount amortization for 2008, which was added to interest expense, was \$4,548.

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 as of June 30, 2008 was \$557,248. Reacquisition amortization for 2008, including amortization of prior reacquisition costs, which was added to interest expense, was \$137,316.

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, 2008.

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.

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

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:

	Years
Governmental activities:	
Buildings and improvements	10 - 40
Infrastructure	15 - 100
Furniture and equipment	3 - 20
Vehicles, machinery and equipment	3 - 25
Assets under capital lease	10 - 15
Business-type activities:	
Buildings	15 - 50
Improvements other than buildings	50
Furniture and equipment	5 - 20
Vehicles, machinery and equipment	5 - 10
Discretely presented component units:	
Buildings and improvements	8 - 40
Water supply and distribution systems	10 - 99
Meters and equipment	5 - 63
Machinery and equipment	5 - 26
Leasehold improvements	5 - 39

The City's collection of works of art, library books and other similar assets are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to City policy that requires proceeds from the sale of these items to be used to acquire other collection items.

Deferred and unearned revenues: In the governmental funds, deferred revenues represent amounts due, which are measurable, but not available, or grants and similar items received, but for which the City has not met all eligibility requirements imposed by the provider. In the statement of net assets, unearned revenues represent the deferral of property tax receivables which are levied for a future period and unearned grants.

Interfund transactions: Transactions among City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues and expenditures or expenses in the funds involved.

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective fund's operating statements.

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds" in the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

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	\$ 220,000
Repayments	(220,000)
Borrowings	300,000
Balance, end of year	<u>\$ 300,000</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 percent 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, for example, as a result of employee retirements and resignations, are considered due and 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. Unspent debt proceeds for the various capital project Go Bonds Funds are \$16,520,380 and the Sanitary Sewer enterprise fund is \$2,183,628. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The government-wide statement of net assets reports \$28,766,231 of restricted net assets of which \$18,091,997 is restricted by enabling legislation.

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

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 accounting principles generally accepted in the United States of America 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.

Note 2. Cash and Investments

Interest rate risk: The City's policy allows the operating funds to be invested in instruments authorized by the City's investment policy that mature within 397 days and funds not identified as operating funds to be invested with maturities longer than 397 days. However, all investments of the City shall have maturities that are consistent with the liquidity needs to the City.

As of June 30, 2008, the City had investments in the Iowa Public Agency Investment Trust which were valued at an amortized cost of \$5,055,959 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk: In accordance with the City's investment policy, the City may invest in interest bearing savings accounts, interest bearing money markets accounts, and interest bearing checking accounts at any bank, savings and loan associations or credit union in the state of Iowa, obligations of the United States government, its agencies and instrumentalities, certificates of deposit and other evidences of deposit at federally insured Iowa depository institutions, Iowa Public Agency Investment Trust, prime bankers' acceptances that mature within 270 days of purchase and are eligible for purchase by a Federal Reserve Bank, commercial paper or other short-term corporate debt that matures within 270 days of purchase and is rated within the two highest classifications, as established by at least one of the standard rating services, repurchase agreements, open-end management investment company organized in trust form, registered with Securities & Exchanges Commission. The policy does not allow the City to invest in reverse repurchase agreements and futures and options contracts.

The investment in the Iowa Public Agency Investment Trust is a current maturity and is unrated for credit risk purposes.

Concentration of credit risk: The City's investment policy is to diversify its investment portfolio to eliminate the risk of loss resulting from overconcentration of assets in a specific maturity, a specific issuer or a specific class of securities. However, the City's policy limits them from investing in prime bankers' acceptances or commercial paper of more than 10 percent of the investment portfolio and more than 5 percent of the investment portfolio with a single issuer at the time of purchase. In addition, no more than 5 percent of all amounts invested in commercial paper and other short-term corporate debt shall be invested in paper and debt rated in the second highest classification at the time of purchase. As of June 30, 2008, the City has no investments subject to concentration of risk.

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

Custodial credit risk: For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's deposits as of June 30, 2008 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 ensure that there will be no loss of public funds. In addition, the City had no investments subject to custodial credit risk.

Note 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, as well as farm airport land. These agreements range from month-to-month leases to longer-term leases with various specified terms. Some of these lease agreements contain cancellable conditions which eliminate any future guaranteed rentals or are contingent upon income produced by the lessee. The following is a schedule by years of the future minimum lease rentals to be received under these leases as of June 30:

During the year ending June 30:

2009	\$ 205,511
2010	250,394
2011	237,600
Total future minimum lease rentals to be received	\$ 693,505

Board of Regents, State of Iowa: The City has entered into a lease agreement with the Board of Regents, State of Iowa, for the former Chicago Great Western Depot building. The term of the lease is from August 21, 2001 through August 20, 2011 at a rate of \$6,035 per month. The following is a schedule by years of the future minimum lease rentals to be received under the lease as of June 30:

During the year ending June 30:

2009	\$ 72,421
2010	72,421
2011	72,421
2012	12,070
Total future minimum lease rentals to be received	\$ 229,333

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.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 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 none to 6.5 percent.

The ending balance on these loans as of June 30, 2008 was \$71,191. Interest received by the City on Rath/UDAG loans are recorded in the General Fund as investment income.

Special Revenue Funds:

Community Development Block Grant (CDBG) Loans:

Low-interest loans: The City has eight low-interest rehabilitation and other loans due as of June 30, 2008. Of the total, two loans are being serviced by Regions Bank. The City serviced loans, with a balance of \$15,371, 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, 2008, the City had made 1,288 such loans totaling \$18,521,813.

These loans are not recorded as assets on the accompanying balance sheet or statement of net assets.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 5. Interfund Activity

The composition of interfund balances as of June 30, 2008 was as follows:

	Due From	Due To
Major governmental funds:		
General	\$ 1,550,268	\$ 27,013
Local option tax	817	-
General obligation debt service	-	55,410
Nonmajor governmental funds	27,013	3,778,178
Major Enterprise Fund, sanitary sewer	2,282,503	-
	<u>\$ 3,860,601</u>	<u>\$ 3,860,601</u>

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Due to/from primary government and component units:

Due to Enterprise Funds:	
Sanitary sewer	\$ 532,904
Sanitation	289,376
Due from Waterloo Water Works	822,280
Waterloo Water Works - due to primary government	789,590
Difference	<u>\$ 32,690</u>

The difference in the above amounts of \$32,690 results from the different year ends of the entities as described in Note 1.

Due to Waterloo Convention & Visitors Bureau, Inc.	<u>\$ 325,541</u>
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The following is a schedule of transfers as included in the basic financial statements of the City:

	Transfers In	Transfers Out
Major governmental funds:		
General	\$ 8,007,267	\$ 1,854,789
Trust and agency	-	7,693,267
Local option tax	-	1,546,649
General obligation debt service	2,475,152	220,000
Nonmajor governmental funds	2,965,228	2,132,942
	<u>\$ 13,447,647</u>	<u>\$ 13,447,647</u>

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 6. Capital Assets

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

	Beginning Balance June 30, 2007	Additions	Deletions	Transfers	Ending Balance June 30, 2008
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 28,547,118	\$ 1,257,229	\$ 253,305	\$ -	\$ 29,551,042
Land held for redevelopment	4,472,112	292,789	-	-	4,764,901
Construction-in-progress	13,420,737	17,407,737	216,809	(15,139,379)	15,472,286
Total capital assets, not being depreciated	46,439,967	18,957,755	470,114	(15,139,379)	49,788,229
Capital assets, being depreciated:					
Buildings and improvements	71,538,294	345,218	18,858	8,439,342	80,303,996
Infrastructure	217,054,392	338,553	-	6,458,358	223,851,303
Vehicles, machinery, furniture and equipment	19,781,609	1,354,842	850,141	241,679	20,527,989
Total capital assets, being depreciated	308,374,295	2,038,613	868,999	15,139,379	324,683,288
Less accumulated depreciation for:					
Buildings and improvements	37,130,973	1,749,182	6,126	-	38,874,029
Infrastructure	64,029,709	6,844,260	-	-	70,873,969
Vehicles, machinery, furniture and equipment	12,063,772	1,518,690	773,656	-	12,808,806
Total accumulated depreciation	113,224,454	10,112,132	779,782	-	122,556,804
Total capital assets, being depreciated, net	195,149,841	(8,073,519)	89,217	15,139,379	202,126,484
Governmental activities capital assets, net	\$ 241,589,808	\$ 10,884,236	\$ 559,331	\$ -	\$ 251,914,713

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

	Beginning Balance June 30, 2007	Additions	Deletions	Transfers	Ending Balance June 30, 2008
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 348,055	\$ -	\$ -	\$ -	\$ 348,055
Construction-in-progress	3,324,163	582,644	57,600	(2,951,740)	897,467
Total capital assets, not being depreciated	3,672,218	582,644	57,600	(2,951,740)	1,245,522
Capital assets, being depreciated:					
Buildings	68,144,323	-	-	-	68,144,323
Improvements other than buildings	35,727,868	127,090	-	2,951,740	38,806,698
Vehicles, machinery, furniture and equipment	6,186,741	355,180	257,267	-	6,284,654
Total capital assets, being depreciated	110,058,932	482,270	257,267	2,951,740	113,235,675
Less accumulated depreciation for:					
Buildings	11,052,073	1,360,650	-	-	12,412,723
Improvements other than buildings	8,520,610	714,558	-	-	9,235,168
Vehicles, machinery, furniture and equipment	4,534,086	318,336	229,160	-	4,623,262
Total accumulated depreciation	24,106,769	2,393,544	229,160	-	26,271,153
Total capital assets, being depreciated, net	85,952,163	(1,911,274)	28,107	2,951,740	86,964,522
Business-type activities capital assets, net	\$ 89,624,381	\$ (1,328,630)	\$ 85,707	\$ -	\$ 88,210,044

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

Discretely Presented Waterloo Water Works Component Unit Capital Assets	Beginning Balance December 31,	Additions	Deletions	Transfers	Ending Balance December 31,
	2006				2007
Capital assets, not being depreciated:					
Land	\$ 231,156	\$ -	\$ -	\$ -	\$ 231,156
Assets not in service	432,086	120,471	-	-	552,557
Construction-in-progress	810,140	803,652	9,600	-	1,604,192
Total capital assets, not being depreciated	1,473,382	924,123	9,600	-	2,387,905
Capital assets, being depreciated:					
Buildings and improvements	1,656,981	4,915	-	-	1,661,896
Water supply and distribution systems	18,826,972	276,770	-	-	19,103,742
Meters and equipment	1,447,013	13,030	-	-	1,460,043
Machinery and equipment	1,635,008	61,611	13,865	-	1,682,754
Total capital assets, being depreciated	23,565,974	356,326	13,865	-	23,908,435
Less accumulated depreciation for:					
Buildings and improvements	577,883	21,616	-	-	599,499
Water supply system	2,048,992	74,415	-	-	2,123,407
Distribution system	2,423,623	237,995	-	-	2,661,618
Meters and equipment	600,756	33,870	-	-	634,626
Machinery and equipment	899,321	83,624	13,690	-	969,255
Total accumulated depreciation	6,550,575	451,520	13,690	-	6,988,405
Total capital assets, being depreciated, net	17,015,399	(95,194)	175	-	16,920,030
Net discretely presented Waterloo Water Works component unit capital assets, net	\$ 18,488,781	\$ 828,929	\$ 9,775	\$ -	\$ 19,307,935

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

Depreciation expense was charged by the City as follows for the year ended June 30, 2008:

Governmental activities:	
Public safety	\$ 757,379
Public works	8,279,128
Health and social services	1,387
Culture and recreation	756,310
Community and economic development	234,539
General government	83,389
Total governmental activities	<u>10,112,132</u>
Business-type activities:	
Sanitary sewer	2,157,860
Sanitation	235,684
Total business-type activities	<u>2,393,544</u>
Total primary government	<u>\$ 12,505,676</u>
Component unit - Waterloo Water Works	<u>\$ 451,520</u>

Note 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. As of June 30, 2008, 22 retirees were receiving annuitized payouts, the present value of which was \$178,411, of which \$170,201 is governmental activities and \$8,211 is business-type activities.

During 2001, the City began offering an early sick leave payout option. Qualifying employees can elect to receive 60 percent of the time in their frozen sick leave bank over a five-year period prior to their retirement or termination of employment. As of June 30, 2008, 3 employees were receiving payments, the remaining balance of which was \$11,920 included in governmental activities deferred compensation.

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. As of June 30, 2008, the plan had one member with a discounted present value of deferred compensation of \$33,148. This is included in the governmental activities deferred compensation.

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

Note 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 10 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, 2008, there was \$1,913,972 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 as of 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 percent 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 percent of their frozen sick dollars beginning in July 2001. As of June 30, 2008, there was \$454,462 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 percent of the unused days are payable to the employee as a bonus and 75 percent 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. As of June 30, 2008, \$82,109, equivalent to 25 percent of unused sick leave subject to payout, has been accrued.

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. As of June 30, 2008, there was \$852,496 accrued for unused compensatory time.

The City also accrued for paid casual leave of \$48,100 and fire bargaining leave of \$22,946 as of June 30, 2008 as part of compensated absences. Employees can receive payment of 25 percent of unused casual leave annually, paid subsequent to year-end. Firefighters who are members of the bargaining unit cannot receive sick leave pay-outs until they accumulate over 1,500 hours of sick leave in their sick leave bank. Up to 75 percent of the excess over 1,500 hours may be paid out annually at the firefighter's election.

The sick leave bonus and accrued casual pay are reported as compensated absences in the applicable fund which includes \$143,452 in governmental funds, as the liabilities are considered matured and are expected to be liquidated with expendable available financial resources. Frozen sick leave, vacation pay and compensatory time liabilities are accrued when incurred in the government-wide and proprietary fund statements and reported as a liability.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 9. Long-Term Debt

The following is a summary of the changes in long-term debt for the year ended June 30, 2008:

	Restated June 30, 2007	Increases and Issues	Decreases and Retirements	June 30, 2008	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 63,940,000	\$ 11,975,000	\$ 10,170,000	\$ 65,745,000	\$ 7,260,000
Loans and notes	2,708,707	1,621,649	2,399,270	1,931,086	448,278
Deferred compensation	305,258	63,146	153,135	215,269	87,849
Compensated absences	3,555,737	3,189,372	3,632,225	3,112,884	2,470,655
	<u>70,509,702</u>	<u>16,849,167</u>	<u>16,354,630</u>	<u>71,004,239</u>	<u>10,266,782</u>
Business-type activities:					
General obligation bonds	14,900,000	1,000,000	1,055,000	14,845,000	1,220,000
Loans and notes	-	528,351	528,351	-	-
Revenue bonds	13,850,000	-	1,495,000	12,355,000	1,485,000
Deferred compensation	-	13,573	5,362	8,211	5,124
Compensated absences	238,078	299,385	276,262	261,201	157,912
Subtotal	<u>28,988,078</u>	<u>1,841,309</u>	<u>3,359,975</u>	<u>27,469,412</u>	<u>2,868,036</u>
Less unamortized discounts and reacquisition costs	702,913	-	141,864	561,049	-
Total long-term debt	<u>\$ 28,285,165</u>	<u>\$ 1,841,309</u>	<u>\$ 3,218,111</u>	<u>\$ 26,908,363</u>	<u>\$ 2,868,036</u>

Compensated absences attributable to governmental activities are generally liquidated by the General Fund.

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.

On June 17, 2008, the City issued \$10,000,000 in General Obligation Bonds, Series 2008A maturing June 1, 2009 through June 1, 2023, with interest rates ranging from 3.5 percent – 3.9 percent to refund \$3,890,000 of the outstanding General Obligation Bonds, Series 1999 with interest rates from 4.125 percent to 4.200 percent to finance costs of various essential and general purpose capital improvements in the City and pay the costs of issuance of the bonds. The net proceeds related to the refunding of \$3,917,230 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the portion on the Series 1999 being refunded. As a result, \$3,890,000 of the Series 1999 bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. The defeased bonds were subsequently paid off on August 1, 2008.

The City completed the current refunding to reduce its total debt service payments over the next six years by \$56,850 and to obtain an economic loss (difference between the present values of old and new debt service payments) of \$50,149.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 9. Long-Term Debt (Continued)

The City also issued the following general obligation bonds in the current year:

Series 2008B in the amount of \$2,975,000 maturing June 1, 2009 through June 1, 2018 with an interest rate of 5 percent. Bonds were issued for the purpose of financing the cost of various essential and general corporate purpose capital improvements in the City and pay the costs of issuance of the bonds.

Taxable Series 2008C in the amount of \$300,000 matures June 1, 2009 and has an interest rate of 4.42 percent. The bonds were issued for the purposes of paying costs of funding termination payments to retiring employees, including accrued vacation and sick leave obligations. These bonds are considered short-term and therefore are recorded in the General Fund.

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% - 5.750%	\$ 425,000	\$ -	\$ -	\$ 425,000
March 1999	Refunding	4.125 - 4.200	-	1,315,000	-	1,315,000
June 2001	Various	3.000 - 4.600	4,675,000	-	2,100,000	6,775,000
June 2002	Various	3.200 - 4.650	4,520,000	-	705,000	5,225,000
June 2002	Taxable	4.000 - 6.000	945,000	-	-	945,000
June 2003	Various	2.000 - 3.000	2,735,000	-	860,000	3,595,000
June 2003	Taxable	3.750 - 4.900	770,000	-	-	770,000
June 2004	Various	2.500 - 4.750	4,025,000	1,460,000	865,000	6,350,000
June 2004	Taxable	3.000 - 5.900	3,145,000	-	-	3,145,000
June 2005	Various	3.000 - 4.000	3,127,000	1,798,000	970,000	5,895,000
June 2005	Taxable	4.000 - 5.000	1,630,000	-	-	1,630,000
June 2006	Various	3.800 - 4.000	6,260,000	-	990,000	7,250,000
June 2006	Taxable	5.625 - 5.850	1,900,000	-	-	1,900,000
June 2007	Various	4.000 - 4.500	6,670,000	6,670,000	4,695,000	18,035,000
June 2007	Refunding	4.000	-	610,000	2,660,000	3,270,000
June 2007	Taxable	5.400 - 5.600	1,090,000	-	-	1,090,000
June 2008	Various	3.500 - 3.900	5,110,000	3,890,000	1,000,000	10,000,000
June 2008	Taxable	5.000	2,975,000	-	-	2,975,000
Total			\$ 50,002,000	\$ 15,743,000	\$ 14,845,000	\$ 80,590,000

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 9. Long-Term Debt (Continued)

Annual debt service on general obligation and revenue bonds as of June 30, 2008 are as follows:

Year ending June 30:	GO Debt Service			
	General Obligation Bonds		Sanitary Sewer Enterprise Revenue Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 7,260,000	\$ 2,737,872	\$ 1,485,000	\$ 553,173
2010	7,020,000	2,455,142	1,585,000	494,197
2011	6,820,000	2,182,966	1,630,000	429,322
2012	6,765,000	1,910,478	1,705,000	360,693
2013	6,395,000	1,638,313	1,790,000	286,053
2014 - 2018	24,235,000	4,540,065	4,160,000	409,405
2019 - 2023	7,250,000	669,382	-	-
	<u>\$ 65,745,000</u>	<u>\$ 16,134,218</u>	<u>\$ 12,355,000</u>	<u>\$ 2,532,843</u>

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$21,235,000 in sewer system revenue bonds issued August 2004. Proceeds from the bonds were used to construct improvements to the sewer plant. The bonds are payable solely from sewer customer net revenues and are payable through 2017. Annual principal and interest payments on the bonds are expected to require less than 90 percent of net revenues in any one year of the life of the bond. The total principal and interest remaining to be paid on the bonds is \$14,887,843. Principal and interest paid for the current year and total customer net revenues were \$2,099,173 and \$5,070,687, respectively.

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.

Note 9. Long-Term Debt (Continued)

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 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 accounting principles generally accepted in the United States of America, 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 percent of debt service requirements for the year. For the year ended June 30, 2008, sewer net revenue was 246 percent of sewer revenue bond debt service.

For the year ended June 30, 2008, the City complied with bond covenants.

Loans and notes: For the year ended June 30, 2008, additions to loans and notes include \$2,000,000 from the federal government and \$150,000 from the state included in other financing sources.

The City, through its blended component unit, Waterloo Housing Authority, is indebted to the Federal Financing Bank (FFB) for \$523,668 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 percent, is due on the loan each June 1. Principal is to be repaid as land in the district it is marketed; however, the City intends to repay the loan at \$10,000 per year until repaid. During the year ended June 30, 2008, the City paid principal of \$10,000 plus interest of \$1,500 on the loan. Payments are made from the TIF Debt Service Fund. As of June 30, 2008, the unpaid principal was \$40,000.

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 percent adjusted each April 1 (5.25 percent as of April 1, 2008). During the year ended June 30, 2008, the City paid principal of \$96,608 and interest of \$7,247 from the TIF Debt Service Fund. As of June 30, 2008, the note was paid in full.

Note 9. Long-Term Debt (Continued)

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 0 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 percent to none of the loan will be forgiven. The unforgiven portion will be due in 10 equal semi-annual payments. This loan was forgiven in the current year.

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 percent beginning June 1, 2006 and continuing through June 1, 2009 when the unpaid balance is due. A payment of \$32,886, principal plus interest of \$7,112 was made during the year ended June 30, 2008 from the TIF Debt Service Fund. As of June 30, 2008, a balance of \$204,259 was outstanding.

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 percent compounded annually, on or before June 1, 2008. A payment of \$80,000 plus interest of \$2,237 was applied to the loan, paying the loan in full during the year.

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 0 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 10 equal semi-annual payments as determined by the Department. This loan was forgiven during the year.

During the year ended June 30, 2008, the City has drawn a \$150,000 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 been attained. Repayment of unforgiven loan is to be repaid in 10 equal semi-annual payments as determined by the Department at a 6 percent interest rate.

During the year ended June 30, 2008, the City drew \$2,000,000 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 percent above the Eastern Edition of the *Wall Street Journal's* published London Interbank Offered Rates (UBOR) and is payable quarterly. The loan is secured by City Local Option Tax revenue and the Community Block Grant Entitlement. The City repaid the principal from Local Option Taxes and sewer revenues during the 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., \$483,380 plus interest at 3 percent. All accrued interest was due September 30, 2007. Semiannual payments of \$50,000 are due beginning May 1, 2008 until principal plus interest has been paid.
- Wilbert Burial Vault Co., \$149,051 plus interest at 5 percent, compounded annually. The City was to pay all accrued interest by September 30, 2007 after which 90 percent of eligible property taxes will be rebated until interest and principal have been paid.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 9. Long-Term Debt (Continued)

- Lockard Development, Inc., \$290,728 plus interest at 3 percent, through September 30, 2008 then at 5 percent, compounded annually. Accrued interest is due on or before September 30, 2008. Beginning November 1, 2008, semiannual property tax rebates of 100 percent will be applied to interest and principal until the debt is retired.
- Young Development, Ltd., \$90,000 plus interest at 5 percent, payable semiannually beginning November 2009 until paid in full from 100 percent 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:	GO Debt Service		Nonmajor Governmental Funds	
	Principal	Interest	Principal	Interest
2009	\$ 51,707	\$ 34,657	\$ 396,571	\$ 68,734
2010	55,215	31,149	194,111	47,743
2011	58,859	27,505	245,136	26,418
2012	62,743	23,621	215,547	17,075
2013	66,831	19,533	162,363	10,384
2014 - 2017	228,313	30,778	193,690	9,062
	<u>\$ 523,668</u>	<u>\$ 167,243</u>	<u>\$ 1,407,418</u>	<u>\$ 179,416</u>

Discretely presented component unit:

	Balance			Balance		Due Within One Year
	December 31, 2006	Additions	Deletions	December 31, 2007		
Capital loan notes	\$ 290,000	\$ 3,300,000	\$ 575,000	\$ 3,015,000	\$ 285,000	
Capital lease	12,031	-	12,031	-	-	
Compensated absences	46,029	46,891	46,029	46,891	46,891	
Subtotal	<u>348,060</u>	<u>3,346,891</u>	<u>633,060</u>	<u>3,061,891</u>	<u>331,891</u>	
Less unamortized discount	1,977	27,624	1,977	27,624	-	
Total long-term debt	<u>\$ 346,083</u>	<u>\$ 3,319,267</u>	<u>\$ 631,083</u>	<u>\$ 3,034,267</u>	<u>\$ 331,891</u>	

Series 2007 capital loan notes, Bankers Trust Company, N.A. due in annual payments ranging from \$285,000 to \$390,000 through December 2016, plus interest semiannually at rates ranging from 3.7 percent to 4.0 percent, depending on maturity, secured by first lien on net revenue.

The Waterloo Water Works has pledged future gross revenue, net of specified operating expense to repay \$3,300,000 in water revenue capital loan notes issued in February 2007. Proceeds from the notes provided for refunding of Series 2001 capital loan notes and costs of water main extensions and other improvements. The notes are payable solely from net revenue of the Water Works system and restricted cash held in the debt reserve account. Annual principal and interest payments are expected to be less than 83 percent of net revenue. The principal and interest remaining to be paid is \$3,633,210. For the current year, principal and interest paid and net revenue of the system were \$401,041 and \$940,404, respectively.

Debt indentures require that certain covenants relating to the maintenance and efficiency of the operating system, the rate structure, restrictions on borrowings, leasing or disposition of assets and minimum insurance coverage be adhered to. During 2007, Waterloo Water Works was in compliance with required covenants.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 9. Long-Term Debt (Continued)

As of December 31, 2007 annual maturities of long-term debt were as follows:

Year ending December 31:	Principal	Interest	Total
2008	\$ 285,000	\$ 116,045	\$ 401,045
2009	295,000	105,500	400,500
2010	310,000	94,438	404,438
2011	320,000	82,812	402,812
2012	335,000	70,652	405,652
2013-2016	1,470,000	148,763	1,618,763
	<u>\$ 3,015,000</u>	<u>\$ 618,210</u>	<u>\$ 3,633,210</u>

Note 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 future minimum lease payments required under this operating lease are \$54,000 for year ending June 30, 2009.

Rental expense for all material operating leases was \$118,000 for the year ended June 30, 2008.

Note 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 percent of their earnable compensation and the City's contribution rate may not be less than 17 percent of annual earnable compensation. For the year ended June 30, 2008, the City's rate was 25.48 percent. 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, 2008, 2007 and 2006 were \$3,074,329, \$3,319,634 and \$3,290,718, 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.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 11. Retirement Systems (Continued)

Plan members are required to contribute 3.90 percent of their annual salary and the City is required to contribute 6.05 percent 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, 2008, 2007 and 2006 were \$843,709, \$743,851 and \$722,024, respectively, which met the required contributions for each year.

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 2007, 2006 and 2005 were \$215,000, \$280,000 and \$110,000, respectively.

Annual pension cost and net pension obligation: The annual pension cost for 2007 was determined as part of the actuarial valuation using the January 1, 2007 aggregate actuarial method. This method does not identify or separately amortize unfunded actuarial accrued liabilities. The actuarial assumptions for 2006 and 2005 included (a) 8 percent investment rate of return (net of administrative expenses) and (b) projected salary increases of 3 percent per year, compounded annually and retirement at age 65. The actuarial valuation at January 1, 2007 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, 2005	\$ 74,155	148%	\$ 90,546
December 31, 2006	105,453	267	(84,001)
December 31, 2007	303,250	71	4,249

Note 12. Deficit Fund Balances

Funds with deficit balances as of June 30, 2008 were as follows:

Nonmajor governmental:

Special revenue:

Section 108 Loan Program	\$ 1,154,865
Grants	74,254
Capital projects, capital improvements	90,378

Note 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. As of June 30, 2008, the City was committed to approximately \$18.3 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 10 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. As of June 30, 2008, the note balance was \$252,356.

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, 2008, the City incurred approximately \$1,685,000 for retirees' health care coverage and received approximately \$131,000 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.

Note 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 percent aggregate of expected claims with individual lifetime limit of \$2,500,000.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 14. Employee Health Care Plan (Continued)

The City's estimated unpaid claims as of 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:

	2008	2007
Estimated unpaid claims, beginning of year	\$ 1,025,120	\$ -
Estimated claims incurred	7,083,251	6,611,185
Claims payments	(7,096,056)	(5,586,065)
Estimated unpaid claims, end of year	<u>\$ 1,012,315</u>	<u>\$ 1,025,120</u>

Estimated claim fluctuation reserves required:

Reserved fund balance, General Fund	\$ 701,589
Reserved fund balance, Trust and Agency Fund	1,358,190
Total	<u>\$ 2,059,779</u>

Note 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 as of June 30 are based on projected costs of future payments for injuries incurred prior to June 30. Changes and balances are as follows:

	2008	2007
Estimated unpaid claims, beginning of year	\$ 141,267	\$ -
Estimated claims incurred	488,723	237,012
Claims payments	(477,806)	(95,745)
Estimated unpaid claims, end of year	<u>\$ 152,184</u>	<u>\$ 141,267</u>

Note 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 (\$1,242,755 during the year ended June 30, 2008). During the year ended June 30, 2008, 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, 2008, the Sanitation Fund received an operating grant of \$274,988 from SWMC. This grant was used to offset recycling costs.

Notes to Basic Financial Statements

Note 16. Joint Ventures and Jointly Governed Organizations (Continued)

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 Auditor of State's website <http://auditor.iowa.gov/reports>.

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

Note 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 as of June 30, 2008 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.

Note 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.

As of June 30, 2008, the City has designated \$2,639,290 of its General Fund, fund balance for insurable risks retained.

Note 19. Community Economic Betterment Account Agreements

During fiscal year 2008, the City passed through \$350,000 of proceeds received from the state to two businesses under Community Economic Betterment Account (CEBA) Agreements. Two loans, in the amounts of \$150,000 and \$100,000, respectively, are set up as forgivable loans. In addition, \$100,000 is to be paid back to the state directly from the business at 0 percent interest and 60 monthly payments of \$1,668 until June 1, 2013. As of June 30, 2008, the full award amount of the loan remained outstanding.

Note 20. 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. There are several actions pending. Legal counsel has advised the City that it is reasonably possible that the City may incur losses of \$85,000 from these cases that would not be covered under the City's insurance policies.

Notes to Basic Financial Statements

Note 21. Subsequent Event

Subsequent to June 30, 2008, the City drew a total of \$1,900,000 from the Department of Housing and Urban Development Section 108 loan program to be used for the modifications to the Cedar River dam. Variable interest is set the first day of each month at 0.2 percent above the Eastern Edition of the Wall Street Journal's published London Interbank Offered Rates (LIBOR) and is payable quarterly. The loan is secured by the full faith and credit of the City and secondarily by the Community Block Grant Entitlement. The City's intent is to repay the principal and interest using the distributions from the Black Hawk County Solid Waste Commission, as designated for the Riverfront Renaissance project.

Note 22. New GASB Statements and Pending Pronouncements

The City adopted the following GASB statements during the year ended June 30, 2008:

- GASB Statement No. 43, *Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans*. This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supersedes existing guidance. This Statement had no effect on the City in the current year.
- GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also provides disclosure requirements for a government that pledges or commits future cash flows from a specific revenue source. In addition, this Statement establishes accounting and financial reporting standards for intra-entity transfers of assets and future revenues. The effect of the adoption of this Statement to the City was the addition of note disclosures regarding pledged revenue for long-term obligations.
- GASB Statement No. 50, *Pension Disclosures*, an amendment of GASB Statement Nos. 25 and 27. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to the financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. This Statement had no effect on the City in the current year.

The GASB has issued several statements not yet implemented by the City. The statements which might impact the City are as follows:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the City beginning with its year ending June 30, 2009. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

Note 22. New GASB Statements and Pending Pronouncements (Continued)

- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the City beginning with its year ending June 30, 2009. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. This standard requires the government to estimate the components of expected pollution remediation outlays and determine whether the outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired.
- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued July 2007, will be effective for the City beginning with its year ending June 30, 2010. This Statement provides guidance regarding how to identify, account for and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks. This standard provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets.
- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, issued November 2007, will be effective for the City beginning with its year ending June 30, 2009. This Statement establishes consistent standards for the reporting of land and other real estate held as investments. Endowments were previously required to report their land and other real estate held for investment purposes at historical cost. However, such investments are reported at fair value by similar entities, such as pension plans. The Statement requires endowments to report land and other real estate investments at fair value. The changes in the fair value are to be reported as investment income.
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the City beginning with its year ending June 30, 2010. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements.

The City's management has not yet determined the effect these Statements will have on the City's financial statements.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 23. Restatement

The City restated the following fund balance/net asset balances previously reported:

Fund Type	Balance June 30, 2007 as Previously Reported	Restatement	Balance June 30, 2007 as Restated
Governmental funds, major:			
General	\$ 14,237,680	\$ 647,155	\$ 14,884,835
Local option tax	7,333,569	9,501	7,343,070
Governmental funds, nonmajor	23,225,005	1,164,402	24,389,407
Governmental activities	221,518,056	974,045	222,492,101
	\$ 266,314,310	\$ 2,795,103	\$ 269,109,413

The restatements in the General Fund, local option tax fund and governmental nonmajor funds was due to an error in recording unmatured accrued vacation in the fund financial statements resulting in a total restatement of \$847,013.

The restatement in the governmental activities and also in the nonmajor road use tax fund was due to an error in not recording receivables relating to road use tax payments remitted to the City in July and August 2007 for the months of May and June 2007 resulting in a restatement of \$974,045.

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City of Waterloo, Iowa

Budgetary Comparison Schedule
Budget and Actual (Modified Cash Basis) - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2008

	Budgeted Amounts	
	Original	Final
Revenues and other financing sources receipts:		
Receipts:		
Property taxes	\$ 33,302,685	\$ 33,302,685
Tax increment financing	3,522,574	3,555,471
Other City taxes	11,685,615	13,110,587
Licenses and permits	1,290,567	1,290,567
Use of money and property	2,102,714	2,167,763
Intergovernmental	29,405,746	29,504,586
Charges for services	18,167,345	18,885,408
Special assessments	130,350	114,350
Miscellaneous	8,800,131	9,970,685
Total receipts	108,407,727	111,902,102
Other financing sources:		
Transfer from other funds	15,863,633	17,716,283
Debt issued	17,194,586	18,308,700
Bond premium	-	-
Proceeds from sale of capital assets	67,275	81,875
Total other financing sources	33,125,494	36,106,858
Total receipts and other financing sources	141,533,221	148,008,960
Disbursements and other financing uses:		
Governmental-type activities:		
Public safety	25,499,085	26,504,740
Public works	22,245,353	25,732,539
Health and social services	388,717	399,017
Culture and recreation	8,297,395	8,754,673
Community and economic development	15,572,154	13,301,759
General government	4,455,067	4,528,317
Debt service	16,411,680	18,186,914
Capital projects	22,412,847	23,577,545
Business-type activities	13,110,512	13,825,305
Total disbursements	128,392,810	134,810,809
Other financing uses, transfers to other funds	15,863,633	17,716,283
Total disbursements and other financing uses	144,256,443	152,527,092
Receipts and other financing sources over (under) disbursements and other financing uses	(2,723,222)	(4,518,132)
Balances, beginning of year	58,428,573	60,972,335
Balances, end of year	\$ 55,705,351	\$ 56,454,203

See Note to Required Supplementary Information.

Actual Amounts Budgetary Basis	Actual Over (Under) Final Budget
\$ 34,557,577	\$ 1,254,892
3,708,644	153,173
13,794,529	683,942
1,276,943	(13,624)
2,785,123	617,360
22,234,231	(7,270,355)
20,224,019	1,338,611
84,602	(29,748)
4,260,052	(5,710,633)
<u>102,925,720</u>	<u>(8,976,382)</u>
15,018,536	(2,697,747)
14,898,423	(3,410,277)
60,280	60,280
69,598	(12,277)
<u>30,046,837</u>	<u>(6,060,021)</u>
<u>132,972,557</u>	<u>(15,036,403)</u>
25,849,475	(655,265)
26,156,907	424,368
328,293	(70,724)
7,746,612	(1,008,061)
10,213,005	(3,088,754)
4,425,091	(103,226)
16,794,776	(1,392,138)
12,455,658	(11,121,887)
13,749,256	(76,049)
<u>117,719,073</u>	<u>(17,091,736)</u>
<u>13,871,854</u>	<u>(3,844,429)</u>
<u>131,590,927</u>	<u>(20,936,165)</u>
1,381,630	5,899,762
84,210,528	-
<u>\$ 85,592,158</u>	<u>\$ 5,899,762</u>

City of Waterloo, Iowa

Note to Required Supplementary Information – Budgetary Reporting Year Ended June 30, 2008

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 10 major classes of disbursements known as functions, not by fund or fund type. These 10 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, a budget amendment was adopted which increased budgeted expenditures by approximately \$6,418,000. The budget amendment is reflected in the final budgeted amount.

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.

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City of Waterloo, Iowa

Schedule of Comparison
 Funds Statements (GAAP Basis) to Budgetary (Modified Cash) Basis
 Required Supplementary Information
 Year Ended June 30, 2008

	Governmental Fund Types Basis Actual Amounts	Enterprise Fund Types Basis Actual Amounts	Total Funds
Revenue/Receipts:			
Property taxes and TIF revenue	\$ 35,863,457	\$ -	\$ 35,863,457
Other taxes	13,532,878	-	13,532,878
Licenses and permits	1,274,948	-	1,274,948
Use of money and property	2,425,361	357,518	2,782,879
Intergovernmental	21,833,988	529,544	22,363,532
Charges for services	5,767,327	12,879,785	18,647,112
Interfund charges for services	2,825,152	-	2,825,152
Special assessments	39,931	-	39,931
Miscellaneous	4,683,887	140,204	4,824,091
Total revenue/receipts	88,246,929	13,907,051	102,153,980
Expenditures and expenses/disbursements:			
Public safety	26,041,098	-	26,041,098
Public works	22,832,044	-	22,832,044
Health and social services	346,169	-	346,169
Culture and recreation	7,849,883	-	7,849,883
Community and economic development	10,656,703	-	10,656,703
General government	4,539,873	-	4,539,873
Debt service	11,043,045	-	11,043,045
Capital projects	12,097,381	-	12,097,381
Business-type activities	-	11,938,958	11,938,958
Total expenditures and expenses/disbursements	95,406,196	11,938,958	107,345,154
Net	(7,159,267)	1,968,093	(5,191,174)

(Continued)

Budgetary Basis Exceptions	Property Tax Collected for and Remitted to MET	Other GAAP Conversion Adjustments	Budgetary Basis
\$ -	\$ 1,242,755	\$ 1,160,009	\$ 38,266,221
-	-	261,651	13,794,529
-	-	1,995	1,276,943
-	-	2,244	2,785,123
-	-	(129,301)	22,234,231
-	-	1,576,907	20,224,019
-	-	(2,825,152)	-
-	-	44,671	84,602
-	-	(564,039)	4,260,052
-	1,242,755	(471,015)	102,925,720
-	-	(191,623)	25,849,475
-	1,242,755	2,082,108	26,156,907
-	-	(17,876)	328,293
-	-	(103,271)	7,746,612
-	-	(443,698)	10,213,005
-	-	(114,782)	4,425,091
5,567,840 (a,b)	-	183,891	16,794,776
-	-	358,277	12,455,658
(1,650,610) (a)	-	3,460,908	13,749,256
3,917,230	1,242,755	5,213,934	117,719,073
(3,917,230)	-	(5,684,949)	(14,793,353)

City of Waterloo, Iowa

Schedule of Comparison
 Funds Statements (GAAP Basis) to Budgetary (Modified Cash) Basis (Continued)
 Required Supplementary Information
 Year Ended June 30, 2008

	Governmental Fund Types Basis Actual Amounts	Enterprise Fund Types Basis Actual Amounts	Total Funds
Other financing sources (uses):			
Transfers in	\$ 13,447,647	\$ -	\$ 13,447,647
Transfers out	(13,447,647)	-	(13,447,647)
Bond premium	60,280	-	60,280
Proceeds from sales of capital assets	41,491	-	41,491
Debt issued	13,596,649	-	13,596,649
Payments to refunding escrow	(3,917,230)	-	(3,917,230)
Total other financing sources (uses)	9,781,190	-	9,781,190
Change in fund balance/net assets	2,621,923	1,968,093	4,590,016
Balance, beginning of year, as restated	49,154,240	74,442,558	123,596,798
Balance, end of year	<u>\$ 51,776,163</u>	<u>\$ 76,410,651</u>	<u>\$ 128,186,814</u>

(a) Principal and interest on general obligation debt of \$1,650,610 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.

(b) Refunding proceeds directly wired to refunding escrow of \$3,917,230 were budgeted and reported as debt service.

Budgetary Basis Exceptions		Property Tax Collected for and Remitted to MET		Other GAAP Conversion Adjustments		Budgetary Basis
\$ 1,650,610	(a)	\$ -		\$ (79,721)	\$	15,018,536
(1,650,610)	(a)	-		1,226,403		(13,871,854)
-		-		-		60,280
-		-		28,107		69,598
-		-		1,301,774		14,898,423
3,917,230	(b)	-		-		-
3,917,230		-		2,476,563		16,174,983
-		-		(3,208,386)		1,381,630
-		-		(39,386,270)		84,210,528
\$ -		\$ -		\$ (42,594,656)	\$	85,592,158

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City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances
 General Fund
 Year Ended June 30, 2008

Revenues:

Property taxes	14,809,834
Other taxes	3,298,934
Licenses and permits	1,266,368
Investment income	465,936
Rent	694,326
Intergovernmental	1,640,053
Charges for services	5,516,886
Indirect allocations	2,140,152
Special assessments	39,931
Miscellaneous	2,609,317
Total revenues	<u>\$ 32,481,737</u>

Expenditures:

Public Safety Function	
Mayor	
Black Hawk Emergency Management Agency	
Contractual services	\$ 45,426
Total Activity and Department	<u>45,426</u>
Police Department	
Police Operations	
Compensation and benefits	9,222,828
Contractual services	774,906
Commodities	335,298
Total Activity	<u>10,333,032</u>
Police Computer Services	
Contractual services	38,744
Commodities	48,365
Total Activity	<u>87,109</u>
Police Grants	
Compensation and benefits	655,929
Contractual services	50,961
Commodities	66,138
Capital outlay	12,434
Total Activity	<u>785,462</u>
Law Enforcement Programs	
Contractual services	179,163
Commodities	116,438
Capital outlay	-
Total Activity	<u>295,601</u>
Tobacco Grant	
Compensation and benefits	3,091
Total Activity	<u>3,091</u>
Total Department	<u>11,504,295</u>

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances
 General Fund
 Year Ended June 30, 2008

Expenditures:

Public Safety Function		
Fire Department		
Fire Protection		
Compensation and benefits	\$	7,402,340
Contractual services		373,328
Commodities		150,362
Total Activity		<u>7,926,030</u>
Fire Restricted Programs		
Contractual services		8,191
Commodities		72,112
Capital outlay		135,032
Total Activity		<u>215,335</u>
Fire Ambulance Services		
Compensation and benefits		1,103,720
Contractual services		149,584
Commodities		154,678
Total Activity		<u>1,407,982</u>
Fire Safety Program		
Compensation and benefits		159,702
Contractual services		42,316
Commodities		4,155
Total Activity		<u>206,173</u>
Fire Federal CDC Grant		
Compensation and benefits		106,773
Contractual services		34,522
Commodities		2,158
Total Activity		<u>143,453</u>
Total Department		<u>9,898,973</u>
Traffic Operations Department		
Animal Control		
Contractual services		190,050
Commodities		431
Total Activity and Department		<u>190,481</u>
Building Inspection Department		
Building and Housing Safety		
Compensation and benefits		854,132
Contractual services		22,980
Commodities		43,741
Total Activity and Department		<u>920,853</u>
Public Safety Function Totals		
Current		
Compensation and benefits		19,508,515
Contractual services		1,910,171
Commodities		993,876
Subtotal		<u>22,412,562</u>
Capital outlay		147,466
Total Public Safety Function	\$	<u>22,560,028</u>

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances
 General Fund
 Year Ended June 30, 2008

Expenditures:

Public Works Function

Mayor

Telecommunications

Contractual services

\$ 457

Total Activity and Department

457

Clerk

Parking Administration

Compensation and benefits

53,654

Contractual services

63,129

Commodities

2,957

Total Activity and Department

119,740

City Engineer

Sidewalk Repair/Construction

Capital outlay

98,790

Total Activity and Department

98,790

Traffic Operations

Parking Maintenance

Compensation and benefits

206,586

Contractual services

42,752

Commodities

15,509

Total Activity and Department

264,847

Central Garage

Central Garage

Compensation and benefits

647,537

Contractual services

32,787

Commodities

80,698

Total Activity

761,022

Motor Pool Service

Commodities

234,521

Total Activity

234,521

Total Department

995,543

Airport

Airport Administration

Compensation and benefits

432,658

Contractual services

310,586

Commodities

134,687

Total Activity and Department

877,931

Public Works Function Totals

Current

Compensation and benefits

1,340,434

Contractual services

449,711

Commodities

468,372

Subtotal

2,258,517

Capital outlay

98,790

Total Public Works Function

\$ 2,357,307

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances

General Fund

Year Ended June 30, 2008

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

85,000

Total Activity

85,000

Total Department

110,000

Human Rights Department

Human Rights

Compensation and benefits

150,254

Contractual services

20,766

Commodities

3,332

Total Activity

174,352

Housing Enforcement

Compensation and benefits

20,762

Contractual services

39,614

Commodities

641

Total Activity

61,017

Cedar Valley Diversity Action Team

Contractual services

800

Total Activity

800

Total Department

236,169

Health and Social Services Function Totals

Current

Compensation and benefits

171,016

Contractual services

171,180

Commodities

3,973

Total Health and Social Services Function

\$ 346,169

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances
 General Fund
 Year Ended June 30, 2008

Expenditures:

Culture and Recreation Function

Mayor

KBBG Communications

Contractual services

\$ 2,500

Total Activity

2,500

Fairfiew Cemetery Association

Contractual services

41,500

Total Activity

41,500

Total Department

44,000

Cultural/Arts

Center for the Arts

Compensation and benefits

555,470

Contractual services

78,896

Commodities

17,492

Total Activity

651,858

Youth Pavilion

Compensation and benefits

144,715

Contractual services

41,275

Commodities

14,127

Total Activity

200,117

Culture and Arts Grants and Projects

Contractual services

48,914

Commodities

9,775

Capital outlay

89,583

Total Activity

148,272

Total Department

1,000,247

Library

Library Services

Compensation and benefits

1,003,695

Contractual services

256,467

Commodities

161,819

Total Activity

1,421,981

Library Access Plus

Commodities

4,763

Total Activity

4,763

Library Grants

Commodities

18,437

Capital outlay

39,450

Total Activity

57,887

Library Gift and Trust

Contractual services

41,462

Commodities

63,009

Total Activity

104,471

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances

General Fund

Year Ended June 30, 2008

Expenditures:

Culture and Recreation Function

Library

Library Service Area

Commodities

\$ 23,159

Capital outlay

4,000

Total Activity

27,159

County Library System

Compensation and benefits

55,308

Contractual services

11,148

Commodities

6,444

Total Activity

72,900

Library Open Access

Commodities

16,479

Total Activity

16,479

Total Department

1,705,640

Leisure Services

Leisure Services

Compensation and benefits

1,467,507

Contractual services

222,458

Commodities

268,605

Total Activity

1,958,570

Downtown Area Maintenance

Compensation and benefits

69,333

Contractual services

496

Total Activity

69,829

Leisure Services Projects

Compensation and benefits

16,163

Contractual services

1,925

Commodities

115,606

Capital outlay

50,864

Total Activity

184,558

Golf Courses

Compensation and benefits

733,223

Contractual services

96,347

Commodities

139,904

Total Activity

969,474

Golf Course Improvements

Contractual services

4,726

Commodities

6,695

Total Activity

11,421

Sports and Youth Services

Compensation and benefits

380,627

Contractual services

35,873

Commodities

92,782

Total Activity

509,282

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances

General Fund

Year Ended June 30, 2008

Expenditures:

Culture and Recreation Function

Leisure Services

Young Arena

Compensation and benefits

\$ 355,252

Contractual services

152,958

Commodities

198,793

Total Activity

707,003

Total Department

4,410,137

Culture and Recreation Function Totals

Current

Compensation and benefits

4,781,293

Contractual services

1,036,945

Commodities

1,157,889

Subtotal

6,976,127

Capital outlay

183,897

Total Culture and Recreation Function

7,160,024

Community and Economic Development Function

Mayor

Iowa Northland Council of Governments

Contractual services

29,561

Total Activity

29,561

Tourism Promotion

Contractual services

144,205

Total Activity

144,205

Waterloo Convention & Visitors Bureau, Inc.

Contractual services

425,595

Total Activity

425,595

Economic Development

Contractual services

3,200

Total Activity

3,200

Total Department

602,561

Planning and Zoning

Planning and Zoning

Compensation and benefits

417,188

Contractual services

10,422

Commodities

4,692

Capital outlay

1,200

Total Activity

433,502

Historic Preservation

Contractual services

(4,791)

Total Activity

(4,791)

City Property Management

Contractual services

29,572

Total Activity

29,572

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances

General Fund

Year Ended June 30, 2008

Expenditures:

Community and Economic Development Function

Planning and Zoning

Economic Development

Compensation and benefits

\$ 43,069

Contractual services

21,000

Total Activity

64,069

Special Projects

Contractual services

22,272

Commodities

298

Total Activity

22,570

Total Department

544,922

Building Inspection

Code Enforcement

Compensation and benefits

121,277

Contractual services

37,238

Commodities

4,552

Total Activity

163,067

Five Sullivans Civic Center

Compensation and benefits

69,245

Contractual services

64,658

Commodities

17,836

Capital outlay

23,126

Total Activity

174,865

Total Department

337,932

Community Development

Emergency Shelter Pass Through

Compensation and benefits

4,708

Contractual services

31,901

Total Activity and Department

36,609

Housing Authority

Housing Pool

Capital outlay

31,535

Total Activity and Department

31,535

Community and Economic Development Function Totals

Current

Compensation and benefits

655,487

Contractual services

814,833

Commodities

27,378

Subtotal

1,497,698

Capital outlay

55,861

Total Community and Economic Development Function

\$ 1,553,559

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances

General Fund

Year Ended June 30, 2008

Expenditures:

General Government Function

Mayor

Mayor's Office

Compensation and benefits \$ 147,303

Contractual services 7,495

Commodities 336

Total Activity 155,134

Administrative and Management Information Services

Compensation and benefits 165,239

Contractual services 85,569

Commodities 7,236

Total Activity 258,044

Total Department 413,178

City Council

City Council

Compensation and benefits 56,073

Contractual services 459

Total Activity and Department 56,532

City Clerk and Finance

Telecommunications

Compensation and benefits 110,302

Contractual services 790

Commodities 4,048

Total Activity 115,140

City Clerk and Finance

Compensation and benefits 589,444

Contractual services 321,138

Claims, judgments, contingencies 1,722

Commodities 9,473

Total Activity 921,777

Liability Insurance

Compensation and benefits 50,847

Contractual services 1,289,108

Total Activity 1,339,955

Health/Life Insurance

Compensation and benefits 1,796

Contractual services 92,623

Total Activity 94,419

Self-Funded Worker's Compensation

Contractual services 488,724

Total Activity 488,724

Print Shop

Contractual services 50,211

Total Activity 50,211

Total Department 3,010,226

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances
 General Fund
 Year Ended June 30, 2008

Expenditures:

General Government Function

City Attorney

City Attorney

Compensation and benefits

\$ 137,499

Contractual services

157,655

Commodities

11,247

Total Activity and Department

306,401

Human Resources

Human Resources

Compensation and benefits

229,702

Contractual services

26,797

Commodities

3,224

Total Activity and Department

259,723

Building Inspection

Facilities Maintenance

Compensation and benefits

125,394

Contractual services

211,779

Commodities

79,789

Total Activity

416,962

Facilities Restricted Project

Contractual services

42

Commodities

23,905

Total Activity

23,947

Veteran's Memorial Hall

Contractual services

5,519

Total Activity

5,519

Total Department

446,428

General Government Function Totals

Current

Compensation and benefits

1,613,599

Contractual services

2,739,631

Commodities

139,258

Total General Government Function

\$ 4,492,488

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances

General Fund

Year Ended June 30, 2008

Expenditures:

Public Safety	\$	22,560,028
Public Works		2,357,307
Health and Social Services		346,169
Culture and Recreation		7,160,024
Community and Economic Development		1,553,559
General Government		4,492,488

Total Expenditures	\$	38,469,575
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Revenue Under Expenditures		(5,987,838)
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Other Financing Sources (Uses)

Transfers in		8,007,267
Transfers out		(1,854,789)
Proceeds from sale of capital assets		41,491
Total Other Financing Sources		6,193,969

Net Change in Fund Balance		206,131
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Fund Balance, beginning of year, as restated		14,884,835
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Fund Balance, end of year	\$	15,090,966
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City of Waterloo, Iowa

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2008

	Special Revenue	Capital Projects	Total
Assets			
Cash and cash equivalents	\$ 6,390,700	\$ 20,395,808	\$ 26,786,508
Investments	490,523	-	490,523
Receivables:			
Customer accounts	-	426,147	426,147
Property taxes:			
Delinquent	41,023	-	41,023
Succeeding year	5,317,562	-	5,317,562
Due from other funds	-	27,013	27,013
Due from other governments:			
Federal	1,484,224	1,430	1,485,654
Iowa	1,944,675	46,211	1,990,886
Other	39,021	-	39,021
Inventories and prepaids	100,898	-	100,898
Restricted assets, cash and cash equivalents	2,734,798	-	2,734,798
Total assets	\$ 18,543,424	\$ 20,896,609	\$ 39,440,033
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,570,444	\$ 849,860	\$ 2,420,304
Retainages payable	232,313	314,531	546,844
Accrued liabilities	194,724	-	194,724
Due to other funds	1,388,499	2,389,679	3,778,178
Deferred revenue	6,099,825	137,411	6,237,236
Compensated absences	26,402	-	26,402
Payable from restricted assets	99,122	-	99,122
Total liabilities	9,611,329	3,691,481	13,302,810
Fund Balances:			
Reserved for inventories and prepaids	100,898	-	100,898
Reserved for improvements	186,965	-	186,965
Unreserved, undesignated	8,644,232	17,205,128	25,849,360
Total fund balances	8,932,095	17,205,128	26,137,223
Total liabilities and fund balances	\$ 18,543,424	\$ 20,896,609	\$ 39,440,033

City of Waterloo, Iowa

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2008

	Special Revenue	Capital Projects	Total
Revenues:			
Property taxes	\$ 4,178,430	\$ -	\$ 4,178,430
Other taxes	24,944	-	24,944
Licenses and permits	8,580	-	8,580
Investment income	219,880	385,488	605,368
Rent	173,061	-	173,061
Intergovernmental	18,926,744	1,120,432	20,047,176
Charges for services	250,214	227	250,441
Interfund charges for services	685,000	-	685,000
Miscellaneous	50,597	2,023,973	2,074,570
Total revenues	24,517,450	3,530,120	28,047,570
Expenditures:			
Current:			
Public safety	424,613	-	424,613
Public works	12,534,403	-	12,534,403
Culture and recreation	689,859	-	689,859
Community and economic development	9,103,144	-	9,103,144
General government	9,180	-	9,180
Debt service:			
Principal	1,806,255	-	1,806,255
Interest and fees	109,920	-	109,920
Bond issuance costs	-	47,018	47,018
Capital outlay	-	12,097,381	12,097,381
Total expenditures	24,677,374	12,144,399	36,821,773
Revenues (under) expenditures	(159,924)	(8,614,279)	(8,774,203)
Other financing sources (uses):			
Transfers in	1,640,649	1,324,579	2,965,228
Transfers out	(2,119,133)	(13,809)	(2,132,942)
Bond premium	-	28,084	28,084
Issuance of debt	1,621,649	8,040,000	9,661,649
Total other financing sources	1,143,165	9,378,854	10,522,019
Net change in fund balance	983,241	764,575	1,747,816
Fund balance, beginning of year, as restated	7,948,854	16,440,553	24,389,407
Fund balance, end of year	\$ 8,932,095	\$ 17,205,128	\$ 26,137,223

City of Waterloo, Iowa

Special Revenue Funds June 30, 2008

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 percent 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 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.

Tax Increment Financing – This 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.

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City of Waterloo, Iowa

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2008

	Special Revenue			
	Library Tax Levy	Community Development Block Grant	Section 108 Loan Program	Road Use Tax
Assets				
Cash and cash equivalents	\$ 139,013	\$ 7,054	\$ -	\$ 2,758,352
Investments	-	-	-	-
Receivables:				
Property taxes:				
Delinquent	4,622	-	-	-
Succeeding year	511,507	-	-	-
Due from other governments:				
Federal	-	183,879	120,549	-
Iowa	-	-	-	968,919
Other	6,592	-	-	-
Inventories and prepaids	-	-	-	100,898
Restricted cash and cash equivalents	-	-	-	-
Total assets	\$ 661,734	\$ 190,933	\$ 120,549	\$ 3,828,169
Liabilities and Fund Balances (Deficits)				
Liabilities:				
Accounts payable	\$ -	\$ 140,013	\$ 126,615	\$ 43,043
Retainages payable	-	1,000	59,342	-
Accrued liabilities	20,446	23,447	-	133,132
Due to other funds	-	-	1,088,108	-
Deferred revenue	516,129	-	1,349	26,266
Compensated absences	2,038	4,212	-	16,499
Payable from restricted assets	-	-	-	-
Total liabilities	538,613	168,672	1,275,414	218,940
Fund balances (deficits):				
Reserved for inventories and prepaids	-	-	-	100,898
Reserved for improvements	-	-	-	-
Unreserved, undesignated	123,121	22,261	(1,154,865)	3,508,331
Total fund balances (deficits)	123,121	22,261	(1,154,865)	3,609,229
Total liabilities and fund balances (deficits)	\$ 661,734	\$ 190,933	\$ 120,549	\$ 3,828,169

Special Revenue					
Housing Programs	Grants	Federal Aviation Agency Projects	Tax Increment Financing	Total	
\$ 1,247,977	\$ -	\$ -	\$ 2,238,304	\$ 6,390,700	
490,523	-	-	-	490,523	
-	-	-	36,401	41,023	
-	-	-	4,806,055	5,317,562	
30,954	32,553	1,116,289	-	1,484,224	
-	925,494	50,262	-	1,944,675	
-	-	-	32,429	39,021	
-	-	-	-	100,898	
2,502,204	-	232,594	-	2,734,798	
<u>\$ 4,271,658</u>	<u>\$ 958,047</u>	<u>\$ 1,399,145</u>	<u>\$ 7,113,189</u>	<u>\$ 18,543,424</u>	
\$ 9,706	\$ 412,116	\$ 816,415	\$ 22,536	\$ 1,570,444	
-	75,794	96,177	-	232,313	
17,561	138	-	-	194,724	
-	67,513	232,878	-	1,388,499	
24,828	476,740	212,057	4,842,456	6,099,825	
3,653	-	-	-	26,402	
99,122	-	-	-	99,122	
<u>154,870</u>	<u>1,032,301</u>	<u>1,357,527</u>	<u>4,864,992</u>	<u>9,611,329</u>	
-	-	-	-	100,898	
-	-	186,965	-	186,965	
4,116,788	(74,254)	(145,347)	2,248,197	8,644,232	
<u>4,116,788</u>	<u>(74,254)</u>	<u>41,618</u>	<u>2,248,197</u>	<u>8,932,095</u>	
<u>\$ 4,271,658</u>	<u>\$ 958,047</u>	<u>\$ 1,399,145</u>	<u>\$ 7,113,189</u>	<u>\$ 18,543,424</u>	

City of Waterloo, Iowa

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
 Nonmajor Special Revenue Funds
 Year Ended June 30, 2008

	Special Revenue			
	Library Tax Levy	Community Development Block Grant	Section 108 Loan Program	Road Use Tax
Revenues:				
Property taxes	\$ 473,689	\$ -	\$ -	\$ -
Other taxes	24,944	-	-	-
Licenses and permits	-	-	-	8,580
Investment income	3,403	-	6,585	-
Rent	-	-	-	-
Intergovernmental	-	2,507,341	409,193	5,951,286
Charges for services	-	43,889	5,879	73,468
Interfund charges for services	-	-	-	685,000
Miscellaneous	-	21,511	202	23,264
Total revenues	502,036	2,572,741	421,859	6,741,598
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	1,280,461	6,812,727
Culture and recreation	515,583	-	131,616	-
Community and economic development	-	2,578,504	235,790	-
General government	-	-	155	-
Debt services:				
Principal	-	-	1,546,649	-
Interest and fees	-	-	55,644	-
Total expenditures	515,583	2,578,504	3,250,315	6,812,727
Revenue over (under) expenditures	(13,547)	(5,763)	(2,828,456)	(71,129)
Other financing sources (uses):				
Transfers in	-	-	1,546,649	-
Transfers out	-	-	-	-
Issuance of long-term debt	-	-	1,471,649	-
Total other financing sources (uses)	-	-	3,018,298	-
Net changes in fund balance (deficits)	(13,547)	(5,763)	189,842	(71,129)
Fund balances (deficits), beginning of year, as restated	136,668	28,024	(1,344,707)	3,680,358
Fund balances (deficits), end of year	\$ 123,121	\$ 22,261	\$ (1,154,865)	\$ 3,609,229

Special Revenue

Housing Programs	Grants	Federal Aviation Agency Projects	Tax Increment Financing	Total
\$ -	\$ -	\$ -	\$ 3,704,741	\$ 4,178,430
-	-	-	-	24,944
-	-	-	-	8,580
121,180	-	1,048	87,664	219,880
173,061	-	-	-	173,061
4,468,027	3,929,725	1,661,172	-	18,926,744
18,711	-	108,267	-	250,214
-	-	-	-	685,000
2,828	-	2,792	-	50,597
<u>4,783,807</u>	<u>3,929,725</u>	<u>1,773,279</u>	<u>3,792,405</u>	<u>24,517,450</u>
-	253,757	170,856	-	424,613
-	2,977,589	1,463,626	-	12,534,403
-	42,660	-	-	689,859
4,512,416	1,041,273	-	735,161	9,103,144
-	9,025	-	-	9,180
-	-	-	259,606	1,806,255
-	-	-	54,276	109,920
<u>4,512,416</u>	<u>4,324,304</u>	<u>1,634,482</u>	<u>1,049,043</u>	<u>24,677,374</u>
271,391	(394,579)	138,797	2,743,362	(159,924)
-	-	-	94,000	1,640,649
-	-	-	(2,119,133)	(2,119,133)
-	150,000	-	-	1,621,649
-	150,000	-	(2,025,133)	1,143,165
271,391	(244,579)	138,797	718,229	983,241
3,845,397	170,325	(97,179)	1,529,968	7,948,854
<u>\$ 4,116,788</u>	<u>\$ (74,254)</u>	<u>\$ 41,618</u>	<u>\$ 2,248,197</u>	<u>\$ 8,932,095</u>

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City of Waterloo, Iowa

Debt Service Fund

June 30, 2008

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.

City of Waterloo, Iowa

Capital Projects Funds

June 30, 2008

Capital Projects 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 projects 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.

June 2008 GO Bonds Fund – This fund is used to account for proceeds from the 2008 general obligation bond sale until expended for the proper purpose.

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.

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City of Waterloo, Iowa

Combining Balance Sheet
 Capital Projects Funds
 June 30, 2008

	June 2003 Go Bonds	June 2004 Go Bonds	June 2005 Go Bonds	June 2006 Go Bonds
Assets				
Cash and cash equivalents	\$ -	\$ 328,624	\$ 921,965	\$ 2,365,548
Receivables, customer accounts	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments:				
Federal	-	-	-	-
Iowa	-	-	-	-
Total assets	\$ -	\$ 328,624	\$ 921,965	\$ 2,365,548
Liabilities and Fund Balances (Deficits)				
Liabilities:				
Accounts payable	\$ -	\$ 51,985	\$ 12,003	\$ 139,474
Retainages payable	-	7,556	-	155,897
Due to other funds	-	-	216,392	1,150
Deferred revenue	-	-	-	-
Total liabilities	-	59,541	228,395	296,521
Fund balances (deficits), unreserved, undesignated	-	269,083	693,570	2,069,027
Total liabilities and fund balances (deficits)	\$ -	\$ 328,624	\$ 921,965	\$ 2,365,548

June 2007 Go Bonds	June 2008 Go Bonds	Rath Area Projects	Vision Iowa Agency Projects	Capital Improvements	Total
\$ 6,943,580	\$ 9,057,175	\$ 72,768	\$ 706,148	\$ -	\$ 20,395,808
-	-	-	-	426,147	426,147
-	-	-	27,013	-	27,013
-	-	1,430	-	-	1,430
-	-	-	46,211	-	46,211
<u>\$ 6,943,580</u>	<u>\$ 9,057,175</u>	<u>\$ 74,198</u>	<u>\$ 779,372</u>	<u>\$ 426,147</u>	<u>\$ 20,896,609</u>
\$ 306,482	\$ 112,920	\$ 1,430	\$ 24,553	\$ 201,013	\$ 849,860
12,851	70,249	-	4,820	63,158	314,531
992,753	1,016,800	-	-	162,584	2,389,679
-	-	1,430	46,211	89,770	137,411
<u>1,312,086</u>	<u>1,199,969</u>	<u>2,860</u>	<u>75,584</u>	<u>516,525</u>	<u>3,691,481</u>
5,631,494	7,857,206	71,338	703,788	(90,378)	17,205,128
<u>\$ 6,943,580</u>	<u>\$ 9,057,175</u>	<u>\$ 74,198</u>	<u>\$ 779,372</u>	<u>\$ 426,147</u>	<u>\$ 20,896,609</u>

City of Waterloo, Iowa

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)
 Capital Projects Funds
 Year Ended June 30, 2008

	June 2003 Go Bonds	June 2004 Go Bonds	June 2005 Go Bonds	June 2006 Go Bonds
Revenues:				
Investment income	\$ 3,372	\$ 21,651	\$ 26,608	\$ 110,875
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	3,372	21,651	26,608	110,875
Expenditures:				
Debt service, bond issuance costs	-	-	-	-
Capital outlay	169,607	727,842	426,707	3,545,348
Total expenditures	169,607	727,842	426,707	3,545,348
Revenues over (under) expenditures	(166,235)	(706,191)	(400,099)	(3,434,473)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(13,809)	-	-	-
Bond premium	-	-	-	-
Issuance of long-term debt	-	-	-	-
Total other financing sources (uses)	(13,809)	-	-	-
Net changes in fund balance (deficit)	(180,044)	(706,191)	(400,099)	(3,434,473)
Fund balances (deficits), beginning of year	180,044	975,274	1,093,669	5,503,500
Fund balances (deficits), end of year	\$ -	\$ 269,083	\$ 693,570	\$ 2,069,027

June 2007 Go Bonds	June 2008 Go Bonds	Rath Area Projects	Vision Iowa Agency Projects	Capital Improvements	Total
\$ 214,538	\$ 6,562	\$ 1,882	\$ -	\$ -	\$ 385,488
-	-	460,755	659,677	-	1,120,432
-	-	227	-	-	227
-	-	-	-	2,023,973	2,023,973
214,538	6,562	462,864	659,677	2,023,973	3,530,120
-	47,018	-	-	-	47,018
2,859,436	170,422	447,759	1,933,007	1,817,253	12,097,381
2,859,436	217,440	447,759	1,933,007	1,817,253	12,144,399
(2,644,898)	(210,878)	15,105	(1,273,330)	206,720	(8,614,279)
-	-	-	1,315,379	9,200	1,324,579
-	-	-	-	-	(13,809)
-	28,084	-	-	-	28,084
-	8,040,000	-	-	-	8,040,000
-	8,068,084	-	1,315,379	9,200	9,378,854
(2,644,898)	7,857,206	15,105	42,049	215,920	764,575
8,276,392	-	56,233	661,739	(306,298)	16,440,553
\$ 5,631,494	\$ 7,857,206	\$ 71,338	\$ 703,788	\$ (90,378)	\$ 17,205,128

City of Waterloo, Iowa

Proprietary Funds

June 30, 2008

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.

City of Waterloo, Iowa

Fiduciary Funds

June 30, 2008

Fiduciary Funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City of Waterloo has the following fiduciary fund:

Metropolitan Transit Agency – This fund is used to account for property taxes collected on behalf of the Metropolitan Transit Agency.

City of Waterloo, Iowa

Statement of Changes in Assets and Liabilities

Agency Fund

Year Ended June 30, 2008

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Metropolitan Transit Agency				
Assets, cash	\$ -	\$ 1,242,755	\$ 1,242,755	\$ -
Liabilities, due to private entities	\$ -	\$ 1,242,755	\$ 1,242,755	\$ -

**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.	99
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	104
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.	108
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.	113
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.	115

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 Six Fiscal Years
(accrual basis of accounting)**

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
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	\$ 202,629,813
Restricted	20,983,272	27,827,667	29,460,969	34,279,423	22,213,054	25,583,429
Unrestricted	<u>3,132,625</u>	<u>4,725,340</u>	<u>6,160,850</u>	<u>6,043,616</u>	<u>5,626,315</u>	<u>7,342,293</u>
Total governmental activities net assets	<u>\$ 65,076,557</u>	<u>\$ 79,224,549</u>	<u>\$ 92,341,378</u>	<u>\$ 110,093,443</u>	<u>\$ 221,518,056</u>	<u>\$ 235,555,535</u>
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	63,754,721
Restricted	5,417,860	6,086,695	4,969,352	6,300,746	3,334,062	3,182,802
Unrestricted	<u>4,882,349</u>	<u>5,624,562</u>	<u>8,055,394</u>	<u>7,422,263</u>	<u>7,963,580</u>	<u>9,473,128</u>
Total business-type activities net assets	<u>\$ 65,730,868</u>	<u>\$ 67,611,839</u>	<u>\$ 69,703,813</u>	<u>\$ 71,668,818</u>	<u>\$ 74,442,558</u>	<u>\$ 76,410,651</u>
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	266,384,534
Restricted	26,401,132	33,914,362	34,430,321	40,580,169	25,547,116	28,766,231
Unrestricted	<u>8,014,974</u>	<u>10,349,902</u>	<u>14,216,244</u>	<u>13,465,879</u>	<u>13,589,895</u>	<u>16,815,421</u>
Total primary government net assets	<u>\$ 130,807,425</u>	<u>\$ 146,836,388</u>	<u>\$ 162,045,191</u>	<u>\$ 181,762,261</u>	<u>\$ 295,960,614</u>	<u>\$ 311,966,186</u>

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
Public safety	\$ 19,924,337	\$ 20,214,741	\$ 22,484,306	\$ 25,251,052	\$ 26,046,236	\$ 26,214,669
Public works	8,856,045	14,829,494	13,689,867	11,579,825	17,265,784	21,705,472
Health and social services	432,228	439,033	251,534	331,759	258,818	268,761
Culture and recreation	6,856,469	6,121,952	6,425,956	6,786,963	8,059,963	8,408,694
Community and economic development	9,817,412	10,274,832	11,909,166	13,741,135	9,666,943	9,581,090
General government	2,889,784	2,935,962	2,783,145	3,415,216	3,903,632	4,511,057
Interest on long-term debt	2,757,830	2,410,195	2,540,869	2,625,800	2,728,225	2,782,119
Total governmental activities expenses	51,534,105	57,226,209	60,084,843	63,731,750	67,929,601	73,471,862
Business-type activities:						
Sanitary sewer	8,204,312	8,646,899	8,246,811	8,666,232	8,242,650	8,649,104
Sanitation	2,858,267	2,920,290	3,025,161	3,196,360	3,226,802	3,289,854
Total business-type activities expenses	11,062,579	11,567,189	11,271,972	11,862,592	11,469,452	11,938,958
Total primary government expenses	\$ 62,596,684	\$ 68,793,398	\$ 71,356,815	\$ 75,594,342	\$ 79,399,053	\$ 85,410,820
Program Revenue						
Governmental activities:						
Charges for services:						
Public safety	2,065,503	1,159,259	1,689,116	1,872,956	1,940,446	3,441,302
Public works	1,539,702	1,688,900	1,765,757	1,831,575	1,774,681	1,933,607
Culture and recreation	2,048,075	2,073,891	1,902,088	2,027,873	2,077,330	2,263,815
Other activities	188,489	89,454	216,203	637,103	580,948	1,361,824
Operating grants and contributions	14,395,839	16,531,573	15,780,383	18,358,119	16,568,953	14,018,130
Capital grants and contributions	2,707,872	4,548,472	3,970,432	6,241,861	5,911,499	8,609,193
Total governmental activities program revenue	22,945,480	26,091,549	25,323,979	30,969,487	28,853,857	31,627,871
Business-type activities:						
Charges for services:						
Sanitary sewer	9,178,611	9,585,766	9,496,202	9,905,507	9,321,295	9,598,454
Sanitation	2,863,391	3,072,299	3,210,265	3,201,266	3,274,550	3,294,443
Operating grants and contributions:						
Sanitary sewer	-	-	64,006	7,361	-	240,678
Sanitation	274,988	274,988	274,988	-	315,437	288,866
Capital grants and contributions - sanitary sewer	364,413	483,456	115,481	311,303	799,265	127,092
Total business-type activities program revenue	12,681,403	13,416,509	13,160,942	13,425,437	13,710,547	13,549,533
Total primary government program revenue	\$ 35,626,883	\$ 39,508,058	\$ 38,484,921	\$ 44,394,924	\$ 42,564,404	\$ 45,177,404
Net (Expense)/Revenue						
Governmental activities	(28,588,625)	(31,134,660)	(34,760,864)	(32,762,263)	(39,075,744)	(41,843,991)
Business-type activities	1,618,824	1,849,320	1,888,970	1,562,845	2,241,095	1,610,575
Total primary government net expense	(26,969,801)	(29,285,340)	(32,871,894)	(31,199,418)	(36,834,649)	(40,233,416)

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
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	\$ 25,848,956
Property taxes levied for debt service	7,470,268	7,743,121	7,219,345	9,407,057	9,727,666	10,050,725
Other taxes	10,299,221	9,725,075	11,464,827	12,496,242	12,101,827	13,674,750
Investment earnings	587,676	661,458	668,736	1,276,389	1,924,494	1,432,651
Miscellaneous	4,456,570	3,073,954	2,847,102	3,128,460	4,030,419	3,900,343
Gain (loss) on sale of assets	234,169	116,629	(144,924)	-	-	-
Transfers	73,391	12,613	-	-	-	-
Total governmental activities	<u>44,336,960</u>	<u>45,282,652</u>	<u>47,877,693</u>	<u>50,514,328</u>	<u>53,620,353</u>	<u>54,907,425</u>
Business-type activities:						
Investment earnings	\$ 90,658	78,470	203,004	402,160	532,645	357,518
Gain (loss) on sale of assets	-	(34,206)	-	-	-	-
Transfers	(73,391)	(12,613)	-	-	-	-
Total business-type activities	<u>17,267</u>	<u>31,651</u>	<u>203,004</u>	<u>402,160</u>	<u>532,645</u>	<u>357,518</u>
Total primary government	<u>\$ 44,354,227</u>	<u>\$ 45,314,303</u>	<u>\$ 48,080,697</u>	<u>\$ 50,916,488</u>	<u>\$ 54,152,998</u>	<u>\$ 55,264,943</u>
Changes in Net Assets						
Governmental activities	15,748,335	14,147,992	13,116,829	17,752,065	14,544,609	13,063,434
Business-type activities	1,636,091	1,880,971	2,091,974	1,965,005	2,773,740	1,968,093
Total primary government	<u>\$ 17,384,426</u>	<u>\$ 16,028,963</u>	<u>\$ 15,208,803</u>	<u>\$ 19,717,070</u>	<u>\$ 17,318,349</u>	<u>\$ 15,031,527</u>

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General Fund						
Reserved	\$ 1,984,128	\$ 2,106,686	\$ 2,048,163	\$ 1,841,389	\$ 2,159,691	\$ 3,074,869
Unreserved:						
Designated	1,373,828	2,166,703	4,073,524	5,186,521	5,131,230	4,577,679
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>	<u>7,438,418</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>	<u>\$ 15,090,966</u>
All Other Governmental Funds						
Reserved	631,468	838,562	994,790	1,576,334	2,103,658	2,633,730
Undesignated, reported in:						
Special revenue funds	8,447,258	9,773,272	11,584,768	12,385,708	13,021,323	16,846,339
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>	<u>17,205,128</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>	<u>\$ 36,685,197</u>

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Revenue						
Property taxes	\$ 28,916,809	\$ 31,726,881	\$ 32,915,568	\$ 33,582,387	\$ 35,550,774	\$ 35,863,457
Other taxes	10,299,221	9,187,463	11,241,073	12,907,521	11,609,390	13,532,878
Licenses and permits	988,352	1,151,715	1,173,147	1,216,278	1,528,961	1,274,948
Investment income	587,676	661,458	668,736	1,276,389	1,924,494	1,432,651
Rent*	678,590	814,762	879,420	920,475	1,023,689	992,710
Intergovernmental	18,779,334	19,963,676	21,104,290	22,716,457	21,107,074	21,833,988
Charges for services*	5,236,433	5,048,840	4,980,587	5,429,979	5,554,760	5,767,327
Interfund charges for service	2,645,250	2,671,780	2,659,797	2,801,492	2,802,327	2,825,152
Special assessments	115,852	109,999	56,694	52,698	39,932	39,931
Miscellaneous	2,180,685	2,336,581	2,008,009	3,253,989	3,878,401	4,683,887
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>	<u>88,246,929</u>
Expenditures						
Current:						
Public safety	19,393,834	20,081,214	22,140,431	24,487,582	25,074,830	25,958,017
Public works	18,719,419	17,121,845	18,582,433	20,508,737	22,688,730	15,354,726
Health and social services	510,114	517,555	325,147	401,647	332,431	346,169
Culture and recreation	5,987,808	6,506,123	6,576,723	6,875,715	7,385,038	7,683,720
Community and economic development	10,257,455	11,966,597	11,422,953	11,177,833	9,097,089	10,075,134
General government	3,310,503	3,501,031	3,261,058	3,698,896	4,128,315	4,539,873
Debt service						
Principal	6,625,485	6,471,606	6,399,291	6,551,624	7,353,618	8,134,849
Interest and fees and bond issuance costs	2,661,437	2,424,613	2,575,772	2,627,808	2,909,085	2,908,196
Capital projects	5,289,432	7,820,334	7,150,058	9,570,650	11,035,051	20,405,512
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>	<u>95,406,196</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>	<u>(7,159,267)</u>
Other financing sources (uses)						
Transfers in	7,268,799	7,226,431	8,484,336	10,433,905	10,871,913	13,447,647
Transfers out	(7,195,408)	(7,213,818)	(8,484,336)	(10,433,905)	(10,871,913)	(13,447,647)
Proceeds from sale of assets	234,169	197,945	119,573	232,328	88,102	41,491
Capital lease obligations incurred	-	436,266	-	-	-	-
Refunding bonds issued	2,685,000	2,705,000	2,720,000	-	7,995,000	3,935,000
Payment to refunded bond escrow agent	(2,617,506)	(2,648,652)	(2,667,302)	-	(7,932,132)	(3,917,230)
Issuance of debt	6,010,000	10,150,000	6,000,000	9,100,000	8,526,127	9,661,649
Bond (discounts) and premiums	(89,847)	(148,943)	(94,428)	-	-	60,280
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>	<u>9,781,190</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>	<u>\$ 2,621,923</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>	<u>14.7%</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,	Property						Less:		Total Taxable Assessed Value	Total Direct Tax Rate	Total Assessed Value	Total Taxable Value as a Percentage of Assessed Value
		Residential Property	Commercial Property	Industrial Property	TIF Property	Other Property	Military Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate				
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	1,565,404,474	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%		
2006	2008	965,742,730	680,175,443	101,833,850	95,440,962	106,356,577	8,117,232	1,941,432,330	18.76669	3,133,666,442	61.95%		

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	
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
2008	15.33540	3.43129	18.76669	6.82613	0.58407	7.41020	15.74972	1.00000	16.74972	1.18405	44.11066

Source: Black Hawk County Auditor.

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

Employer	2008			1999		
	Assessed Value 01/01/2006	Rank	Percentage of Total Assessed Value	Assessed Value 01/01/1997	Rank	Percentage of Total Assessed Value
Mid American Energy	\$ 117,777,075	1	3.76%	\$ 121,584,594	2	6.00%
GG and A Crossroads Center, LP/ Equitable Life Assurance in 1999	30,996,870	2	0.99%	25,788,530	4	1.27%
Deere and Company	25,099,360	3	0.80%	131,659,730	1	6.49%
Ferguson Enterprises, Inc.	22,690,240	4	0.72%	--	--	--
Tyson Fresh Meats (formerly IBP, Inc.)	19,968,530	5	0.64%	40,833,530	3	2.01%
Hunt Wesson, Inc.	16,357,690	6	0.52%	--	--	--
Bertch Cabinet Manufacturing	15,518,840	8	0.50%	10,598,580	7	0.52%
Qwest Corporation (formerly US West)	12,440,593	5	0.40%	12,430,036	5	0.61%
Banco Mortgage Company	10,487,300	9	0.33%	--	--	--
Menard, Inc.	9,939,390	10	0.32%	--	--	--
Magna Bank Group	--		--	11,095,780	6	0.55%
Omega Cabinets, Inc.	--		--	8,011,430	8	0.40%
GMAC Mortgage	--		--	7,483,000	9	0.37%
Dillard Department Stores	--		--	5,566,250	10	0.27%
Total	\$ 281,275,888		8.98%	\$ 375,051,460		18.50%

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>
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%
2006	2008	33,302,685	33,292,118	99.97%	22,716	33,314,834	100.04%

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	Other Debt			
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
2008	65,745,000	300,000	--	2,146,355	14,845,000	12,355,000	--	8,211	95,399,566	4.10%	1,388

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*
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
2008	80,890,000	3,133,666,442	2.58%	1,177

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, 2008

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
City of Waterloo direct debt	<u>\$ 80,890,000</u>	100.00%	<u>\$ 80,890,000</u>
Overlapping:			
Black Hawk County	\$ 23,615,000	47.87%	\$ 11,303,553
Hudson Community Schools	1,845,000	6.16%	113,652
Hawkeye Community College	<u>10,975,000</u>	27.70%	<u>3,040,080</u>
Subtotal, overlapping debt	<u>\$ 36,435,000</u>		<u>\$ 14,457,285</u>
Total direct and overlapping debt	<u><u>\$ 117,325,000</u></u>		<u><u>\$ 95,347,285</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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt Limit	\$ 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	\$ 156,683,322
Total net debt applicable to limit	66,684,403	66,347,753	73,069,875	70,326,351	70,833,660	75,643,160	77,219,958	80,363,486	82,040,954	83,036,355
Legal debt margin	\$ 34,472,067	\$ 34,088,723	\$ 30,586,977	\$ 50,287,949	\$ 49,692,608	\$ 45,450,504	\$ 59,397,458	\$ 59,922,073	\$ 71,737,000	\$ 73,646,967
Total net debt applicable to the limit as a percentage of debt limit	65.92%	66.06%	70.49%	58.31%	58.77%	62.47%	56.52%	57.29%	53.35%	53.00%

Legal Debt Margin Calculation for Fiscal Year 2008

Estimated actual valuation (assessed) as of January 1, 2006	\$ 3,133,666,442
Debt limit (5% of total estimated actual valuation)	156,683,322
Debt applicable to debt limit:	
General obligation bonds	80,590,000
General obligation capital loan notes	300,000
Other debt	2,146,355
Total net debt applicable to limit	83,036,355
Legal debt margin	\$ 73,646,967

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
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
2008	10,121,735	5,051,048	5,070,687	2,099,173	2.4156

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, capital costs or amortization of bond issue costs.

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

Year	Population ¹	Personal Income	Per Capita Personal Income ²	Median Age ¹	Unemployment Rate ³	School Enrollment ⁴
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
2007	68,747	2,326,329,733	33,839	35.9	4.3%	10,039

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 Apr

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	2008			1999		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Deere & Company	5,600	1	16.57%	6,000	1	18.07%
Wheaton Franciscan Health Care *	3,030	2	8.96%	2,000	2	6.02%
Tyson Fresh Meats (formerly IBP, Inc.)	2,500	3	7.40%	2,000	2	6.02%
Allen Memorial Hospital	1,980	4	5.86%	1,100	6	3.31%
University of Northern Iowa	1,780	5	5.27%	1,650	3	4.97%
Bertch Cabinet Manufacturing	1,500	6	4.44%	760	9	2.29%
Omega Cabinets, Ltd.	1,500	6	4.44%	750	10	2.26%
Waterloo Public Schools	1,450	7	4.29%	1,300	4	3.92%
Hy-Vee	1,155	8	3.42%	1,200	5	3.61%
Area Education Agency 7	1,150	9	3.40%	1,000	7	3.01%
Hawkeye Community College	830	10	2.46%	--	--	--
GMAC Mortgage Corp.	--	--	--	900	8	2.71%
Total	22,475		66.49%	18,660		56.20%

Source: Official Bond Statements from Speer Financial, Inc.

* Formerly known as Covenant Medical Center

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

Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Safety										
Police	130.0	134.0	127.0	127.0	134.0	126.0	132.0	130.0	130.0	128.0
Fire	125.0	122.0	119.0	119.0	119.0	117.0	117.0	121.0	115.0	118.0
Building Inspection	13.0	13.0	13.0	13.0	13.0	14.0	14.0	15.0	15.0	16.0
Public Works										
City Engineer	19.0	18.0	18.0	17.0	18.0	18.0	18.0	19.0	19.0	19.0
Traffic	16.0	17.0	15.0	16.0	15.0	17.0	16.0	12.5	13.5	12.0
Central Garage	12.0	12.0	11.0	11.0	11.0	10.5	9.5	9.5	9.5	10.0
Street	50.0	52.0	47.0	43.0	41.0	41.0	41.0	36.0	36.0	34.0
Airport	4.0	5.0	4.0	4.0	4.0	5.5	5.5	5.5	5.5	5.5
Health & Social Services										
Human Rights	4.0	4.0	5.0	5.0	5.0	5.0	3.0	3.0	3.0	2.0
Culture & Recreation										
Cultural & Arts	8.0	8.0	8.5	8.5	8.5	8.5	8.0	9.5	10.0	12.0
Library	33.5	29.0	27.5	27.0	25.5	24.0	24.5	25.0	25.5	24.0
Leisure Services	39.5	38.0	36.0	35.0	35.0	35.0	42.0	38.0	37.0	39.0
Community & Economic Development										
Community Planning & Development	23.0	20.0	22.0	24.0	23.0	25.0	27.0	26.0	25.0	24.0
General Government										
Mayor's Office	1.5	1.0	1.0	1.0	1.0	1.5	1.5	1.0	1.0	1.0
Administrative Services/MIS	3.0	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
City Clerk & Finance	11.5	11.0	11.0	9.0	12.0	12.0	12.0	13.0	13.0	13.0
City Attorney	2.0	2.0	2.0	2.0	1.0	1.5	1.5	1.5	1.5	1.5
Human Resources	4.0	4.0	3.0	3.0	3.0	2.0	3.0	3.0	3.0	3.0
Facilities Maintenance	6.0	6.0	6.0	6.0	5.0	4.0	4.0	3.0	3.0	3.0
Waste Management Services										
Sewer	35.0	33.0	29.0	31.1	31.1	30.1	28.1	30.1	30.1	30.1
Sanitation	18.0	16.0	16.0	14.9	12.9	12.9	12.9	12.9	13.9	13.9
Total	<u>558.0</u>	<u>548.0</u>	<u>523.0</u>	<u>518.5</u>	<u>520.0</u>	<u>512.5</u>	<u>522.5</u>	<u>516.5</u>	<u>511.5</u>	<u>511.0</u>

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	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Safety										
Police *										
Traffic accidents	2,641	2,596	2,567	2,350	2,089	2,196	2,110	2,129	1,788	1,942
Cases	16,070	14,767	14,660	14,516	15,118	14,910	14,622	14,857	13,928	14,468
Citations	9,455	10,278	13,540	9,179	13,166	11,415	11,610	12,601	11,651	9,816
Calls for service	N/A	N/A	N/A	N/A	66,590	66,411	66,447	68,365	70,037	73,690
Total arrests	4,939	4,677	4,523	4,456	5,146	5,330	5,510	6,157	5,771	6,176
Fire										
Fire responses	4,151	4,133	3,848	3,541	5,831	5,614	5,536	5,631	5,759	6,223
Ambulance responses	5,770	5,379	5,726	5,158	6,442	6,685	6,656	6,744	7,030	7,503
Building Inspection										
Construction permits issued	8,013	9,550	8,913	9,238	9,396	10,168	8,988	8,448	9,124	8,961
Construction value of permits	\$ 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	\$119,894,709
Public Works										
Engineering										
Street reconstruction (miles)	3.00	2.46	2.86	2.59	3.09	2.56	1.94	3.39	1.94	1.57
Street resurfacing (miles)	29.48	35.91	19.76	25.48	26.22	29.72	29.83	31.30	17.60	13.57
Street Department										
Tons of salt used for streets	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	6,185.86
Man hours for road maintenance	99,380	97,300	97,300	84,820	71,530	71,530	73,390	75,580	72,800	66,560
Airport										
Commercial Enplanements	65,689	64,244	42,032	35,538	42,281	39,408	40,140	38,750	33,507	27,026
Aircraft take-offs and landings	52,345	51,815	34,212	35,321	42,301	41,919	42,690	41,717	39,288	35,728
Based aircraft	92	94	97	96	97	99	102	101	98	101
Health & Social Services										
Human Rights										
Civil Rights complaints	N/A	N/A	N/A	N/A	70	62	61	75	74	109
New cases opened	N/A	N/A	N/A	N/A	8	65	81	29	58	63
Cases closed	N/A	N/A	N/A	113	175	172	152	198	214	262
Active cases at year-end										
Culture & Recreation										
Leisure Services										
Young Arena facility usage										
Black Hawk USHL attendance	76,270	74,911	72,384	62,292	78,637	86,558	85,931	81,955	107,895	110,619
Public skating admissions	13,907	14,934	13,041	10,195	6,705	5,906	4,817	6,235	6,589	4,800
Sports - youth programs	4,015	4,116	4,312	4,251	4,165	4,216	4,056	4,119	4,517	4,677
Sports - adult programs	1,015	1,025	989	1,003	1,222	1,172	1,216	1,158	1,277	1,261
Pool attendance	N/A	53,655	51,816	53,655	44,540	44,279	41,028	39,512	41,580	40,789
Golf rounds	143,521	147,046	124,405	125,547	116,401	113,968	105,939	102,131	95,851	86,268
Annual flowers grown for parks	28,588	23,776	26,752	25,264	25,288	24,536	25,368	23,520	21,768	21,765
Public Library										
Total Circulation	475,816	451,127	445,934	475,015	490,708	466,903	422,663	433,072	427,921	413,525
Total Library Visits	279,563	263,154	223,775	270,614	259,583	265,439	269,589	266,356	261,261	259,144
Waterloo Center for the Arts										
In House Visitors	N/A	100,237	104,100	105,000	102,741	96,668	97,926	98,897	99,097	104,499

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

Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Community & Economic Development										
Planning and Zoning										
Planning commission agenda items	93	86	75	98	97	113	100	93	84	69
CURA applications received **	N/A	48	40	30	35	37	60	46	51	35
CURA improvements value	N/A	\$ 3,324,373	\$ 841,425	\$ 984,607	\$ 2,103,121	\$ 5,792,611	\$ 5,304,997	\$ 6,856,057	\$ 13,391,834	\$ 7,346,601
Community Development										
Down payment assistance	N/A	44	77	73	39	60	57	58	36	41
Home buyer education	N/A	201	46	232	202	256	203	188	168	193
Owner-occupied homes rehabilitated	30	22	50	35	26	19	24	35	28	46
Emergency repairs (including roofs)	28	40	26	38	29	45	52	58	36	34
Demolitions (residential & commercial)	13	24	18	43	7	9	10	7	8	19
Housing										
Actual vouchers	392	650	854	903	1,031	1,022	1,015	957	961	1,032
Actual certificates ***	367	195	27	-	-	-	-	-	-	-
Public housing units	50	50	50	50	50	50	50	50	50	49
Family self sufficiency participants	96	103	89	92	105	98	101	74	65	75
Sewer										
Sewer system customers	24,164	24,546	24,507	25,320	25,416	25,524	25,716	25,728	25,637	25,843

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	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
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	30	30	30	30	30	30	30	30
Public Works										
Miles of streets - paved	360	360	360	360	360	360	352	352	354	354
Miles of streets - unpaved	65	65	65	65	65	65	74	74	74	74
Street lights	N/A	1,800	1,800							
Traffic Signals	N/A	198	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	8	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	2	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	1	1	1	1	1	1	1	1
Skatepark	0	0	0	1	1	1	1	1	1	1
Center for the Arts collection size	1,020	1,023	1,325	1,339	1,352	1,417	1,489	1,615	2,494	2,794
Library collection size	189,945	191,840	180,021	180,698	199,482	201,158	205,149	210,020	190,092	192,678
Sewer										
Miles of sanitary sewer	353	353	353	353	353	353	353	353	356	356

Source: Various city departments
* Effective July 1, 2007, fire station at the Airport being maintained by Airport maintenance personnel
N/A - not available

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City of Waterloo, Iowa

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
Department of Housing and Urban Development			
Direct:			
Community Development Block Grants/Entitlement Grants		14.218	\$ 1,237,283
HOME Investment Partnerships Program		14.239	733,277
Community Development Block Grants - Brownfields Economic Development Initiative		14.246	410,544
Community Development Block Grants - Section 108 Loan Guarantees		14.248	1,411,615
Fair Housing Assistance Program - State and Local		14.401	55,940
Public and Indian Housing		14.850	658,992
Section 8 Housing Choice Vouchers		14.871	4,332,695
Public Housing Capital Fund		14.872	56,916
Public Housing Family Self-Sufficiency Under Resident Opportunity and Supportive Services		14.877	24,396
Lead-Based Paint Hazard Control in Privately-Owned Housing		14.900	142,248
Title 1, VA-HUD Independent Agencies Appropriations Act for Fiscal Year 2004, PL 108-199		14.XXX	102,207
Title 1, VA-HUD Independent Agencies Appropriations Act for Fiscal Year 2004, PL 108-199		14.XXX	242,083
Total Direct			<u>9,408,196</u>
Indirect:			
Pass Through Iowa Department of Economic Development: HOME Investment Partnerships Program	05-HM-105-69	14.239	<u>50,000</u>
Total Department of Housing and Urban Development			<u>9,458,196</u>
National Park Service, Department of Interior			
Indirect:			
Pass through Silos and Smokestacks, Save America's Treasures		15.929	<u>4,750</u>
Department of Justice			
Direct:			
Bulletproof Vest Partnership Program		16.607	6,670
Public Safety Partnership and Community Policing Grants		16.710	205,632
Public Safety Partnership and Community Policing Grants		16.710	13,901
Public Safety Partnership and Community Policing Grants		16.710	42,167
Edward Byrne Memorial Justice Assistance Grant Program		16.738	1,838
Edward Byrne Memorial Justice Assistance Grant Program		16.738	87,833
Total Direct			<u>358,041</u>

(Continued)

City of Waterloo, Iowa

Schedule of Expenditures of Federal Awards (Continued)
 Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
Department of Justice (Continued)			
Indirect:			
Pass Through Iowa Governor's Alliance on Substance, Byrne Justice Assistance Grant	07-JAG/CO6-A19	16.738	283,173
Pass Through Iowa Department of Crime Victims Assistance Division, Federal Violence Against Women Act	VW-08-60B	16.588	33,195
Pass Through Office of Drug Control Policy, Community Prosecution & Project Safe Neighborhoods	06-PSNAG-ND11	16.609	11,118
Pass Through Iowa Department of Human Rights, Division of Criminal and Juvenile Justice Planning Enforcing Juvenile Accountability Incentive Block Grants	06-JD01-F502	16.727	1,685
Total Indirect			<u>329,171</u>
Total Department of Justice			<u>687,212</u>
Department of Transportation			
Direct:			
Federal Aviation Administration, Airport Improvement Program		20.106	2,730
		20.106	223,953
		20.106	564,919
		20.106	498,092
		20.106	65,075
		20.106	7,230
Office of the Secretary, Payments for Small Community Air Service Development		20.930	160,721
Total Direct			<u>1,522,720</u>
Indirect:			
Federal Highway Administration Pass Through Iowa Department of Transportation:			
Highway Planning and Construction	STP-E-8155(678)-8V-07	20.205	9,524
	STP-E-8155(690)-8V-07	20.205	2,365
	NHSX-63-6(69)-3H-07	20.205	406,909
	HDP-8155(698)--71-07	20.205	996,526
	STP-U-8155(689)-70-07	20.205	412,250
	STP-U-8155(696)-70-07	20.205	99,927
	STP-U-8155(686)-8I-07	20.205	454,625
	STP-U-8155(653)-8I-07	20.205	228,991
Recreational Trails Program	NRT-NT08(001)-9G07	20.219	9,440
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	PAP-07-163 Task 84	20.601	10,006
	PAP-07-410 Task 38	20.601	13,135
	PAP-08-410 Task 67	20.601	24,337
Total Indirect			<u>2,668,035</u>
Total Department of Transportation			<u>4,190,755</u>

City of Waterloo, Iowa

Schedule of Expenditures of Federal Awards (Continued)
 Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
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	OSP 1420, FY 07 08, 09	45.129	12,991
Environmental Protection Agency			
Direct:			
Surveys, Studies, Investigations, Training Demonstrations and Educational Outreach		66.716	34,301
Brownfield Pilots Cooperative Agreements		66.811	350,000
Brownfield Assessment and Cleanup Cooperative Agreements		66.818	69,061
		66.818	1,320
		66.818	73,818
		66.818	97,532
Total Environmental Protection Agency			<u>626,032</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	143,404
Department of Homeland Security			
Direct:			
Federal Emergency Management Agency Assistance to Firefighters Grant		97.044	68,831
		97.044	137,005
Disaster Housing Assistance Grant		97.109	12,968
			<u>218,804</u>
Indirect:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	13-82425-00	97.036	550,554
Law Enforcement Terrorism Prevention Program	FY2006-LETPP-LEIN2-02	97.074	233,542
			<u>784,096</u>
Total Department of Homeland Security			<u>1,002,900</u>
Total Expenditures and Federal Awards			<u>\$ 16,126,240</u>

City of Waterloo, Iowa

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008**

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 accounting principles generally accepted in the United States of America 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 State, Local Governments and Nonprofit 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	\$ 213,747
Edward Byrne Memorial Justice Assistance Grant	16.738	123,284
Community Development Block Grants/Entitlement Grants	14.218	47,897
Public Safety Partnership and Community Policing Grants	16.710	219,533

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, 2008, the principal balance on the loan was \$523,668. 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	\$ 48,960
Debt subsidy	86,364
Subtotal cash assistance	135,324
Loan balance	523,668
Total	\$ 658,992

City of Waterloo, Iowa

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

	Finding	Status	Corrective Action Plan or Other Explanation
Significant Deficiencies in Internal Control			
07-II-A	The Sanitary Sewer fund was not reporting its own assets, receipts, disbursements and fund balance as it related to debt proceeds and payments, but rather transfers were made from governmental funds.	Corrected	
Instances of Noncompliance			
07-III-C-1	Certain checks for the Community Development Block Grant program, a reimbursement grant, were held until a lien release was signed which in some cases resulted in a lapse of greater than 20 days.	Corrected	
Other Findings Related to Required Statutory Reporting			
07-IV-H	The Section 108 Loan Program fund, FAA Projects fund, and the Capital Improvements fund reported deficit balances as of June 30, 2007.	Not corrected	See corrective action plan at 08-IV-H.
07-IV-J	Airport operations did not maintain a positive cash balance in accordance with City ordinance.	Not corrected	See corrective action plan at 08-IV-J.
07-IV-K	The City pledged local option sales tax for "street improvements and other public infrastructure" to obtain a loan from the federal government. Proceeds were used for street reconstruction and other infrastructure. The "other public infrastructure" may not meet the allowable use of the local option sales tax.	Corrected	

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited the financial statements of the governmental activities, 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, 2008, and have issued our report thereon dated March 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Waterloo Water Works as of and for the year ended December 31, 2007 and the Waterloo Convention & Visitors Bureau, Inc. as of and for the year ended June 30, 2008, both discretely presented component units, as described in our report on the City of Waterloo, Iowa's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

The financial statements of Waterloo Convention & Visitors Bureau, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity'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 that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 08-II-A, 08-II-B and 08-II-C, to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above, as item 08-II-C, is a material weakness.

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*. However, we noted certain immaterial instances of noncompliance that is described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008, are based exclusively on knowledge obtained from procedures performed during our audit of the basic 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 interpretation of those statutes.

We noted certain matters that we reported to management of the City in a separate letter dated March 24, 2009.

The City of Waterloo'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 is intended solely for the information and use of management, City Council and appropriate regulatory or oversight bodies and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
March 24, 2009

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Honorable Mayor and
Members of the City Council
City of Waterloo, Iowa
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* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit. We did not audit the compliance with the requirements of laws, regulations, contracts and grant agreements to its major program of the discretely presented component units.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City'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's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. 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 and which are described in the accompanying schedule of findings and questioned costs as item 08-III-A.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City'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 any entity's internal control.

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

The City's responses 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 responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, City Council and appropriate regulatory or oversight bodies and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
March 24, 2009

City of Waterloo, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? 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 program:

CFDA Number	Name of Federal Program or Cluster
14.871	Section 8 Housing Choice Vouchers
14.850	Public and Indian Housing
20.106	Airport Improvement Program
20.205	Highway Planning and Construction
97.036	Presidential Disaster Program

Dollar threshold used to distinguish between type A and type B programs: \$483,787

Auditee qualified as low-risk auditee? Yes No

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2008

II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance With Generally Accepted Government Auditing Standards.

A. Significant Deficiencies in Internal Control.

08-II-A

Finding: A good internal control system contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. The City has an improper segregation of duties over the payroll cycle.

Context: Pervasive to payroll transactions.

Condition: The same employee has the ability to create a new employee, process and approve payroll, print checks and is the only one with access to download the direct deposit information from the payroll software to the bank. In addition this employee can make changes to the payroll master file including pay rates, employee addresses, deductions, etc. Further, there is not a payroll edit/change report that is reviewed by someone independent of an employee involved in the processing of payroll. A payroll report is sent to Department Heads to review each pay period. However, this report only includes hours worked and not dollar amounts.

Effect: Transaction errors could occur and not be detected in a timely manner.

Recommendation: We recommend the City investigate alternative solutions to segregating the payroll functions so the same individual does not have the capability of initiating, processing or approving the payroll transactions. In addition, a payroll edit/change report should be printed and formally reviewed each pay period by someone independent of the payroll processing function.

Response: The City is investigating alternatives available to us to review payroll edits and changes by someone independent of the payroll process.

08-II-B

Finding: Industrial sewer billing internal controls are not effectively operating as they have been designed.

Context: Pervasive to the industrial sewer revenues and receivables.

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2008

Condition: For two of 12 invoices tested, there was not a separate agreement in place for the rates being charged to the customers and the first 300 cubic feet were being charged a different rate than the City Council approved sewer rate ordinance. Four of 12 invoices tested did not have City Council approval of a higher rate for the first 300 cubic feet used for billing. One of 12 invoices tested calculated the billing on the incorrect month's usage. One of the 12 invoices tested was prorated using three months of 2007 charges for the customer to compute the June, July and August 2008 billing. Upon the review of the 2007 invoices used for the prorating, it was noted the first 300 cubic feet to be charged was not included on two of the three months. Also, the June portion of this invoice was not recorded as a receivable for fiscal year ending June 30, 2008.

Effect: Misstatements could occur and not be detected timely.

Recommendation: We recommend the controls over the industrial sewer billing be followed as designed and all supporting documentation be reviewed to ensure proper billing.

Response: The City will implement a review process for the calculations for industrial sewer billing.

08-II-C

Finding: There were two matters that materially affected the June 30, 2007 financial statements and resulted in restatements to the related June 30, 2007 fund balance/net assets.

Context: Pervasive to compensated absences and road use tax receivables and related revenue are as follows:

- Compensated absences – restatement of the governmental activities, General Fund and nonmajor fund for accrued compensated absences of \$661,009 and \$186,005, respectively, related to the accrued vacation recorded in the fund financial statements as of June 30, 2007.
- Road use tax - a restatement of the Road Use Tax Fund and governmental activities for receivables totaling \$974,045 relating to road use tax payments remitted to the City in July and August of 2007 for the months of May and June 2007.

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2008

Condition: The restatements pertaining to compensated absences and road use tax receivable and revenue are as follows:

- Compensated absences - Per GASB Interpretation No. 6, paragraph 14: "Governmental fund liabilities and expenditures for compensated absences should be recognized to the extent the liabilities are "normally expected to be liquidated with expendable available financial resources." Governments, in general, are normally expected to liquidate liabilities with expendable available financial resources to the extent that the liabilities mature (come due for payment) each period. For example, compensated absences liabilities are normally liquidated with expendable available financial resources, and a governmental fund liability and expenditure should be recognized, as payments come due each period upon the occurrence of relevant events such as employee resignations and retirements. In all cases, the criterion for modified accrual recognition is whether and to what extent the liability has matured, independent of the method and timing of resource accumulation."

As these amounts were not matured as of June 30, 2007, as the employees did not separate from the City, the payable related to the accrued vacation should have been recorded as a government-wide liability on the financial statements and not a liability at the fund level.

- Road Use Tax - The State collects this tax on a daily and monthly basis from several sources. The road use tax is allocated to the cities based on population. The allocation distribution for May tax sources is determined in June and then paid out to the local governments in mid-July. Likewise, the allocation distribution for June tax sources is determined in July and then paid out to the local governments in mid-August.

Per GASB Statement No. 33, the assets and revenues pertaining to "Derived Tax Revenue" transactions should be recorded in the period when the underlying exchange has occurred or when resources are received, whichever is first. Further, the revenues should also be "available" when modified accrual accounting is used.

Effect: Misstatements of compensated absences and road use tax receivable and revenues accounts occurred.

Recommendation: We recommend compensated absences and road use tax receivables and revenue be recorded in accordance with guidance referred to above.

Response: The City has made the changes to record accrual vacation only on the government-wide statements and to record a receivable for road use taxes due the City but not received by year-end.

B. Compliance findings.

None

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2008

III. Findings and Questioned Costs for Federal Awards.

C. Significant Deficiencies in Administering Federal Awards

None

D. Instances on Noncompliance

08-III-A

Department of Housing and Urban Development
Section 8 Housing Choice Voucher (CFDA 14.871)
Federal Award Year: 2007/2008
Public and Indian Housing (CFDA 14.850)
Federal Award Year: 2007/2008

Department of Transportation
Airport Improvement Program (CFDA 20.106)
Federal Award Year: 2007/2008

Department of Transportation, passed through Iowa Department
of Transportation
Highway and Planning and Construction (CFDA 20.205)
Federal Award Year 2007/2008

Department of Homeland Security, passed through Iowa Homeland Security and Emergency
Management Division
Presidential Disaster Program (CFDA 97.036)
Federal Award Year 2007/2008

Finding: The Single Audit package was not submitted to the Federal Clearinghouse within the required time period and an extension was not granted by the oversight agency.

Criteria: 45 CFR 74.26(d) essentially incorporates the deadlines of OMB Circular A-133 and dictates that audits' reporting packages should be completed and submitted within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the organization's fiscal year.

Condition: The City accepted the June 30, 2007 audited financial report on January 7, 2008, therefore, the Single Audit package should have been submitted to the Federal Clearinghouse by February 7, 2008. The reporting package was submitted to the Federal Clearinghouse on March 18, 2008.

Effect: Federal compliance requirements for timely reporting were not met.

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2008

Questioned Costs: None

Recommendation: We recommend that either the City file the reporting package timely to the Federal Audit Clearinghouse or ensure an extension for late filing is granted from the oversight agency.

Response and Corrective Action Plan: The City's understanding was that the reporting package needed to be submitted to the Federal Clearinghouse within nine months of year-end. The City mailed the reports March 14, 2008, which was prior to the required deadline. In the future, the completed audit, data collection form and reporting packages will be submitted to the Federal Clearinghouse within 30 days after receipt of the audit report or nine months after the end of the audit period, whichever is earlier.

IV. Findings Related to Statutory Reporting

08-IV-A Certified Budget

Expenditure/expenses during the year ended June 30, 2008, did not exceed the budgeted amounts.

08-IV-B Questionable Disbursements

No questionable disbursements were noted.

08-IV-C Travel Expenses

No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

08-IV-D Business Transactions

No material business transactions between the City and City officials or employees were noted.

08-IV-E Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions.

08-IV-F Council Minutes and Resolutions

We noted no transactions where the required Council approval was not obtained.

08-IV-G Deposits and Investments

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 were noted.

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2008

08-IV-H Deficit Balances

Finding: The following funds had deficit balances as of June 30, 2008:

Section 108 Loan Program, Special Revenue	\$1,154,876
Grants, Special Revenue	74,254
Capital Improvements, Capital Projects	90,381

Recommendations: The City should investigate alternatives to eliminate these deficits in order to return the funds to sound financial positions.

Response and Corrective Action Plan: The Grants Special Revenue Fund and the Capital Improvements Capital Projects funds carry deficit fund balances due to timing delays in receiving grant reimbursements. Most grants that the City receives require the City request and receive reimbursement from the granting agencies only after the City has expended the funds. This creates a temporary deficit in the funds. Because the City's books are maintained on an accrual basis, expenses are recorded for invoices that may not be paid until after year-end. The City can not request reimbursements until after the invoices are paid, creating temporary timing deficits.

A loan was approved for the Section 108 Loan Program Special Revenue Fund prior to spending funds on the grant-approved project. There were delays in processing paperwork that created the temporary deficit fund balance as of June 30, 2008. Loan proceeds were released by the Department of Housing and Urban Development August 3, 2008, correcting the deficit fund balance.

The City continues to investigate alternatives for shortening the turnaround time between spending grant funds and receiving reimbursements where possible.

Auditor's Conclusion: Response and corrective action plan accepted.

08-IV-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.

08-IV-J Airport Ordinance

Finding: 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, 2008, the accumulative cash deficit totaled \$874,572.

Recommendations: 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.

(Continued)

City of Waterloo, Iowa

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2008

Response and Corrective Action Plan: 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.

City of Waterloo, Iowa

**Corrective Action Plan
Year Ended June 30, 2008**

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Significant Deficiencies and Material Weaknesses in Internal Control				
08-II-A	The City has an improper segregation of duties over the payroll cycle.	See corrective action plan at 08-II-A.	June 2009	Michelle Weidner
08-II-B	Industrial sewer billing internal controls are not effectively operating as they are not functioning as designed.	See corrective action plan at 08-II-B.	June 2009	Michelle Weidner
08-II-C	Our audit revealed two matters that materially affected the June 20, 2007 financial statements and resulted in restatements to the related June 30, 2007 fund balance/net assets.	See corrective action plan at 08-II-C.	June 2009	Michelle Weidner
Instance of Noncompliance in Administering Federal Awards				
08-III-A	The Single Audit package was not submitted to the Federal Clearinghouse within the required time period and an extension was not granted by the oversight agency.	See corrective action plan at 08-III-A.	June 2009	Michelle Weidner
Other Findings Related to Required Statutory Reporting				
08-IV-H	The Section 108 Loan Program fund, Grants fund and Capital Improvements fund had deficit fund balances as of June 30, 2008.	See corrective action plan at 08-IV-H.	June 2009	Michelle Weidner
08-IV-J	The City did not amend the airport ordinance to repeal the positive cash balance requirement. Through June 30, 2008, the accumulative cash deficit totaled \$874,572.	See corrective action plan at 08-IV-J.	June 2009	Michelle Weidner

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McGladrey & Pullen

Certified Public Accountants

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

In connection with our audit of the financial statements of the City of Waterloo, Iowa as of and for the year ended June 30, 2008, we identified deficiencies in internal control over financial reporting (control deficiencies).

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect financial statement misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to authorize, initiate, 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 that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

We have separately communicated, to you and the Mayor and City Council, identified deficiencies that we determined to be significant deficiencies or material weaknesses.

Following are descriptions of other identified control deficiencies that we determined did not constitute significant deficiencies or material weaknesses:

Capital assets: Capital assets related to the HUD grant monies are tracked by the housing accountant, which is an outside accounting firm. While the City receives reports from the housing accountant, these reports are at a summarized level and no detail is provided to document which expenditures make up the capital asset addition. Due to the additions being based on projects, there are several expenditures included in one addition which the City attempts to reconcile to the City's general ledger postings. We recommend the City review this process to ensure the appropriate information is received for documentation of the capital asset additions.

Financial reporting: During the audit, we identified amounts of capital assets, miscellaneous accounts receivable, long-term debt, including bond issuance costs and bond premiums, deferred revenues and interfund transfers that were not recorded appropriately in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements. We recommend the City implement procedures to ensure all transactions are properly accounted for and recorded in the City's financial statements.

Authorization of journal entries: Nonstandard journal entries can be made to the general ledger by all finance personnel. The Chief Financial Officer only reviews and approves the majority, but not all, entries made by the Financial Analyst – Banking (the employee in finance responsible for reconciling the bank accounts) before they are posted. There is not a formal review process in place over all nonstandard journal entries made at the time they are prepared and before being posted. Budget to actual reports are sent monthly to department heads who review the activity in the accounts they are responsible for. However, we recommend the City consider implementing a process whereby journal entries are approved by a Supervisory personnel prior to being posted to the general ledger.

Tenant rent payment: During our eligibility testing for the Public and Indian Housing grant, a major program, we noted one of the 12 tenants tested used the incorrect income amount to calculate the tenant's portion of the monthly rent. We recommend a second individual review the tenant rent calculations to ensure the correct information is used for the calculation and the correct amount is being charged to the tenant.

Public housing waiting list: One of the four applicants tested for proper removal from the waiting list for the Public and Indian Housing grant was removed in the incorrect order. We recommend the City keep written documentation to support any departures from written policies in removing potential tenants from the waiting list.

In addition to the control deficiencies noted above, we also offer the following constructive suggestions below to be considered as part of the ongoing process of modifying and improving the City's practices and procedures:

Policy and procedures: The City currently does not have an ethics policy in place. We recommend the City review their policies and consider implementing an ethics policy.

Capital assets: The capital asset listing is maintained on several excel spreadsheets rather than on a capital asset software package. Maintaining the capital asset listings in excel requires management to review depreciation expense calculations on a regular basis rather than relying on a capital asset software package to calculate depreciation expense. We recommend that management consider purchasing capital asset software to track capital assets and related depreciation expense.

This communication is intended solely for the information and use of management, the Mayor and the City Council, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
March 24, 2009