

CITY OF WATERLOO, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2010

**Prepared by:
City of Waterloo Finance Department
Michelle C. Weidner, CPA, Chief Financial Officer
Joyce Schroeder, Financial Analyst
Ruth Haley, Financial Analyst
Emily Graham, Financial Analyst**

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CITY OF WATERLOO, IOWA

CITY CLERK AND FINANCE DEPARTMENT

715 Mulberry St. • Waterloo, IA 50703 • (319) 291-4323 Fax (319) 291-4571
SUZY SCHARES • *City Clerk* MICHELLE WEIDNER, CPA • *Chief Financial Officer*

Mayor
BUCK
CLARK

December 17, 2010

COUNCIL
MEMBERS

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

DAVID
JONES
Ward 1

CAROLYN
COLE
Ward 2

HAROLD
GETTY
Ward 3

QUENTIN M.
HART
Ward 4

RON
WELPER
Ward 5

BOB
GREENWOOD
At-Large

STEVE
SCHMITT
At-Large

We are pleased to present the Comprehensive Annual Financial Report of the City of Waterloo, Iowa (the “City”) for the fiscal year ended June 30, 2010 in accordance with the provisions of Chapter 11 of the Code of Iowa. This report represents the eighth consecutive year that the financial statements are presented in conformity with Governmental Accounting Standards Board Statement # 34 and the fourteenth 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, 2010. 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.

CITY WEBSITE: www.cityofwaterlooiowa.com

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An Equal Opportunity/Affirmative Action Employer

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. Waterloo and neighboring City of Cedar Falls are the primary urban centers in the region. 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, five of whom 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 wastewater 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 2011. 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. Projects being completed as part of this initiative include improvements to the Cedar River Dam, which will raise river levels to permit boating again, the construction of a riverfront amphitheater and plaza, and the construction of recreational trails along both sides of the river through downtown. The Center for the Arts Youth Pavilion, the Veterans addition to the Grout Museum and the construction of the East Side Ministerial Alliance Community Center were all leveraged by this project.

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. These projects 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 now complete with others under construction. Improvements to the Cedar River Dam are substantially complete. The construction of a \$4.5 million Youth Pavilion addition to the City of Waterloo Center for the Arts facility is complete and open, 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, while also connecting directly to the more than 90 miles of recreational trails in the Cedar Valley area, including the American Discovery Trail.

➤ RiverLoop Expo

Construction of the RiverLoop Expo grounds and the renovation of the Public Market building near the Five Sullivan Brothers Convention Center are substantially complete. 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, 2010, the City continued the demolition of 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 working with three major social service agencies to create a Human Services Campus at the former Rath Packing site. Building construction totaling \$11 million is underway with an additional \$5 million planned. This project will centrally locate many services, providing easier access for citizens needing those services, in addition to helping to revitalize one of the oldest neighborhoods in the area.

➤ Significant Brownfields Redevelopment

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 was awarded \$5 million in state I-Jobs funding for the construction of a new Public Works building on this site.

The City also completed the demolition of additional portions of the Chamberlain Manufacturing complex during the year ended June 30, 2010. The demolition of the entire complex is expected to be completed by the summer of 2011. Chamberlain, the

company that formerly operated Chamberlain Manufacturing, is working with the EPA to address potential pollution remediation needs at the 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 November 2009 by the taxpayers for another five years, continuing to be required to be used for street repairs and improvements.

➤ **New Fire Station**

The existing Fire Station Number 8 building, near Crossroads, was sold and will be replaced with a taxable property. The construction of a replacement station, funded with the proceeds of the sale of the previous fire station, was completed in November 2010. This project also leveraged funding for roadway improvements to the LaPorte Road/Ridgeway Avenue intersection, which will improve the traffic flow and draw more potential commercial redevelopment to this area.

➤ **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.

➤ **A new boathouse on the Cedar River near downtown is substantially complete.**

Construction was funded primarily by FEMA and Black Hawk Gaming. The new facility replaces one damaged in the 2008 floods.

ECONOMIC OUTLOOK

The outlook of the economy of Waterloo and the Cedar Valley area remains positive with continued commercial and industrial activity. The regional economic development corporation, the Greater Cedar Valley Alliance, continues to work to spur development in Waterloo as well as the entire metropolitan area. Construction in Waterloo continued at a pace greater than any year in the previous decade, even though there has been a substantial decline over the past three years. Building permit valuation increased to \$82.7 million compared to \$74.9 million earned during the fiscal year ended June 30, 2009. Residential real estate values have continued to trend upward. The median sales price for homes in the Waterloo-Cedar Falls area has increased by 43% since 2000 (an annual average growth rate of 4.3). Values increased 5.6% during the fiscal year ended June 30, 2010. This follows a decrease of 20% during the fiscal year ended June 30, 2009, and an increase of 20% during the year ended June 30, 2008. Waterloo is a regional retail center for Black Hawk and surrounding counties. Retail sales have also increased steadily by an annual average rate of approximately 2% in Waterloo during the past ten years. Retail sales in 2000 totaled \$939.8 million and increased to \$1.14 billion for the fiscal year ended June 30, 2009. 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 5.3% for the last five years. The City has developed a more diverse employment base since the mid-seventies, although 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 larger taxpayers, currently accounting for about 6.3% of total county employment but less than 1% of total taxable property values. Deere has invested more than \$140 million in its downtown Westfield Avenue site over the past several years, and has announced additional redevelopment plans for the foundry and drivetrain operations at a planned cost of \$90 million, reflecting the company's continued commitment to the area. Deere's staff levels in Waterloo have grown by 19% over the past several years. The Company has experienced several record-setting performance years recently. The city's average unemployment level of 7.66% (at June 30, 2010) remains above the state average level of 6.57%, although it is well below the national level for June 2010 of 9.77%. The rate has decreased to 7.3% as of September 30, 2010.

The Isle Casino Hotel at Waterloo continues to provide a strong revenue source for the City since its grand opening June 30, 2007. The Isle is a \$98 million facility that employs nearly 600 Iowans and generates more than \$1 million in annual City property taxes. The City received 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 was in operation, with the development fee increasing to 1% of weekly adjusted gross receipts effective during the fiscal year ended June 30, 2010.

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. The City has continued to see development occur in its major Tax Increment Financing Districts. Major commercial expansions and new construction in the southern sector of the City, including a new 40,000 square foot office building, and four smaller office buildings totaling over 33,000 square feet. The City acquired 20 acres in this area for future development. The Crossroads area continues to see new retail development, such as Dick's Sporting Goods. Working with private developers, the City has seen the recent construction of several new commercial buildings in the Martin Road area. One of the City's two major medical complexes completed a \$46 million renovation and addition. The City is also benefiting from the one cent local option tax for school construction. Nearly all school buildings in the city have been replaced with new construction or renovated to better address students' learning needs. This activity shows the strong indications of continued business interest in Waterloo even with the slowdown being experienced in the national economy

A new complex, the Cedar Valley TechWorks, is being developed as a combination bioproducts center and incubator marketplace to help define, expand and nurture the region's emerging bioeconomy. The TechWorks has received several grants from the state of Iowa, including \$3.2 million from the Iowa Values Fund to develop companies for the new economy, \$2.5 million from the Physical Infrastructure Assistance Program and \$1.6 million from the US Economic Development Administration. The construction of a new extension to West Commercial Street has opened a new route to the Tech Works Campus and Downtown Waterloo. Storm water improvements were also made to aid in the development of the TechWorks complex. The National Ag-based Industrial Lubricant laboratory has opened as TechWorks' first tenant.

The long term commercial and industrial viability of the Waterloo/Cedar Falls area is anticipated to continue to improve with the anticipated completion in the next several 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 well underway and construction is expected begin in the spring of 2011.

SIGNIFICANT 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 acquired 31 properties by June 30, 2010 under the Federal Emergency Management Agency (FEMA) flood buy-out program and will convert those areas to green space to reduce the potential for future flood damage.

Damage to city facilities and infrastructure, including streets, recreational trails and traffic signals has been estimated at approximately \$1.5 million. The Riverfront Stadium baseball facility experienced the most significant damage, totaling approximately \$300,000 as well as a boathouse facility that was demolished. The boathouse has been rebuilt as mentioned previously. Many repairs and mitigation improvements that will further reduce potential future damage to the Stadium and other city buildings which experienced basement flooding have either been completed or are currently underway, 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 require 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, 2009. This is the sixth 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 Haley and Emily Graham in the Finance Department and the City Clerk's staff. 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,



Buck Clark,
Mayor



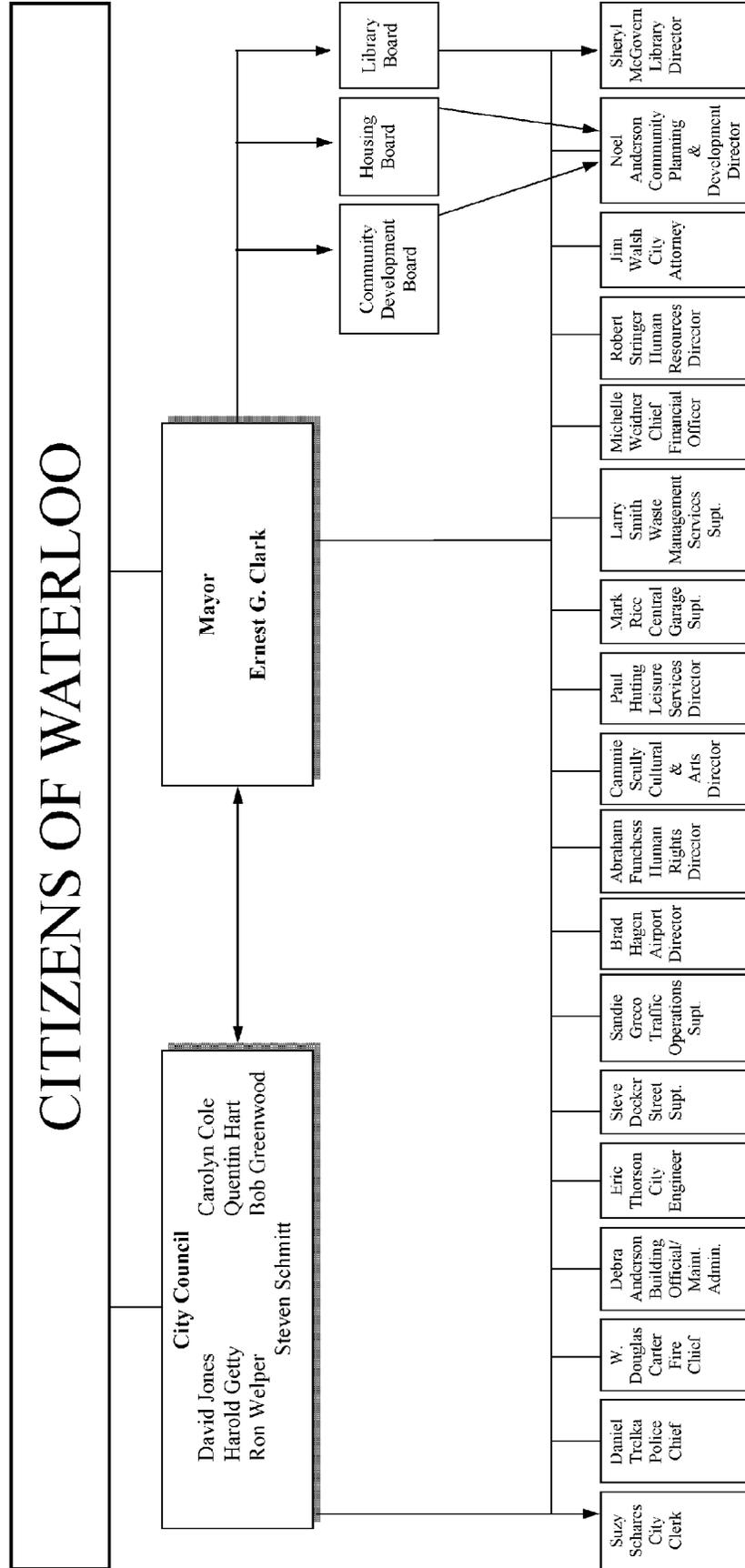
Michelle C. Weidner, CPA
Chief Financial Officer

City of Waterloo, Iowa

Officials
June 30, 2010

Name	Title	Term Expires
Elected (Before January, 2010)		
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
Elected (After December 31, 2009)		
Ernest G. Clark	Mayor	January, 2012
David Jones	Council Member - 1st Ward	January, 2014
Carolyn Cole	Council Member - 2nd Ward	January, 2012
Harold Getty	Council Member - 3rd Ward	January, 2014
Quentin Hart	Council Member - 4th Ward	January, 2012
Ron Welper	Council Member - 5th Ward	January, 2014
Bob Greenwood	Council Member - At-Large	January, 2014
Steven Schmitt	Council Member - At-Large	January, 2012
Appointed		
Michelle Weidner, CPA	Chief Financial Officer	Indefinite
Suzy Schares, 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
Daniel Trelka	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, 2009

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.



A stylized, handwritten signature in black ink.

President

A stylized, handwritten signature in black ink.

Executive Director

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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 aggregate 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, 2010, 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 collectively represent 100 percent of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other independent auditors whose reports thereon have 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Waterloo, Iowa as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 24, the City restated beginning net assets due to the implementation of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2010 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, budgetary comparison information on pages 67 through 73 and schedule of funding progress for other postemployment benefit plan on page 66 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
December 14, 2010

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2010

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, 2010. 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 \$354,485,863 (net assets). Of this amount, \$12,864,783 (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 \$22,099,620.
- As of the close of this current fiscal year, the City of Waterloo's governmental funds reported combined ending fund balances of \$48,093,349, a decrease of \$2,249,074 in comparison with the prior year. Approximately 77.28 percent of this total amount, \$37,166,071, 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 \$8,610,737, or 20.55 percent of total General Fund expenditures.
- The City of Waterloo's total long-term debt, decreased by \$38,496 or 0.04 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, 2010

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, General Obligation Debt Service Fund and Vision Iowa Projects Fund, all of which are considered to be major funds. Data from the other 16 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.

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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, 2010.

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 and the other postemployment benefit plan schedule of funding progress are 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 \$354,485,863 at the close of the fiscal year ended June 30, 2010.

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, 2010 and 2009 follows:

	City of Waterloo's Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2010	2009 As Restated	2010	2009	2010	2009 As Restated
Assets						
Current and other assets	\$ 110,367,830	\$ 110,982,359	\$ 22,815,447	\$ 17,530,378	\$ 133,183,277	\$ 128,512,737
Capital assets	287,854,656	268,667,867	85,845,577	87,294,364	373,700,233	355,962,231
Total assets	398,222,486	379,650,226	108,661,024	104,824,742	506,883,510	484,474,968
Liabilities						
Current liabilities	62,303,435	63,097,552	4,649,326	4,073,965	66,952,761	67,171,517
Long-term liabilities	61,826,194	62,197,840	23,618,692	22,719,368	85,444,886	84,917,208
Total liabilities	124,129,629	125,295,392	28,268,018	26,793,333	152,397,647	152,088,725
Net assets						
Invested in capital assets, net of related debt	233,853,135	216,963,740	66,494,749	65,420,051	300,347,884	282,383,791
Restricted	36,648,414	32,852,537	3,178,807	3,171,308	39,827,221	35,823,845
Unrestricted	3,591,308	4,738,557	10,719,450	9,440,050	14,310,758	14,178,607
Total net assets	\$ 274,092,857	\$ 254,354,834	\$ 80,393,006	\$ 78,031,409	\$ 354,485,863	\$ 332,386,243

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2010

\$39,827,221 of the City of Waterloo's net assets (11.24 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$14,310,758) 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 \$22,099,620 during the current fiscal year. Governmental-type activities' net assets increased by \$19,738,023. This increase was largely related to the net effect of capital asset transactions. See page 26 for a reconciliation of this increase. The total business-type activities' net assets increased by \$2,361,597. 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, 2010 and 2009 follows:

	City of Waterloo's Changes in Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 8,682,335	\$ 8,618,565	\$ 14,584,023	\$ 12,978,854	\$ 23,266,358	\$ 21,597,419
Operating grants and contributions	18,592,551	16,803,356	314,940	614,484	18,907,491	17,417,840
Capital grants and contributions	14,938,736	13,787,329	-	109,200	14,938,736	13,896,529
General revenues:						
Property taxes	40,497,163	38,776,426	-	-	40,497,163	38,776,426
Other taxes	13,911,219	14,208,362	-	-	13,911,219	14,208,362
Other	7,187,671	6,982,716	17,730	85,352	7,205,401	7,068,068
Total revenues	103,809,675	99,176,754	14,916,693	13,787,890	118,726,368	112,964,644
Expenses:						
Public safety	28,612,482	26,719,053	-	-	28,612,482	26,719,053
Public works	22,839,814	22,435,723	-	-	22,839,814	22,435,723
Health and social services	244,594	260,584	-	-	244,594	260,584
Culture and recreation	9,951,066	9,512,453	-	-	9,951,066	9,512,453
Community and economic development	15,138,776	13,520,082	-	-	15,138,776	13,520,082
General government	4,548,726	5,150,029	-	-	4,548,726	5,150,029
Interest on long-term debt	2,736,194	2,880,205	-	-	2,736,194	2,880,205
Sanitary sewer	-	-	8,682,068	8,573,832	8,682,068	8,573,832
Sanitation	-	-	3,873,028	3,593,300	3,873,028	3,593,300
Total expenses	84,071,652	80,478,129	12,555,096	12,167,132	96,626,748	92,645,261
Change in net assets	19,738,023	18,698,625	2,361,597	1,620,758	22,099,620	20,319,383
Net assets, beginning restated	254,354,834	235,656,209	78,031,409	76,410,651	332,386,243	312,066,860
Net assets, ending	\$ 274,092,857	\$ 254,354,834	\$ 80,393,006	\$ 78,031,409	\$ 354,485,863	\$ 332,386,243

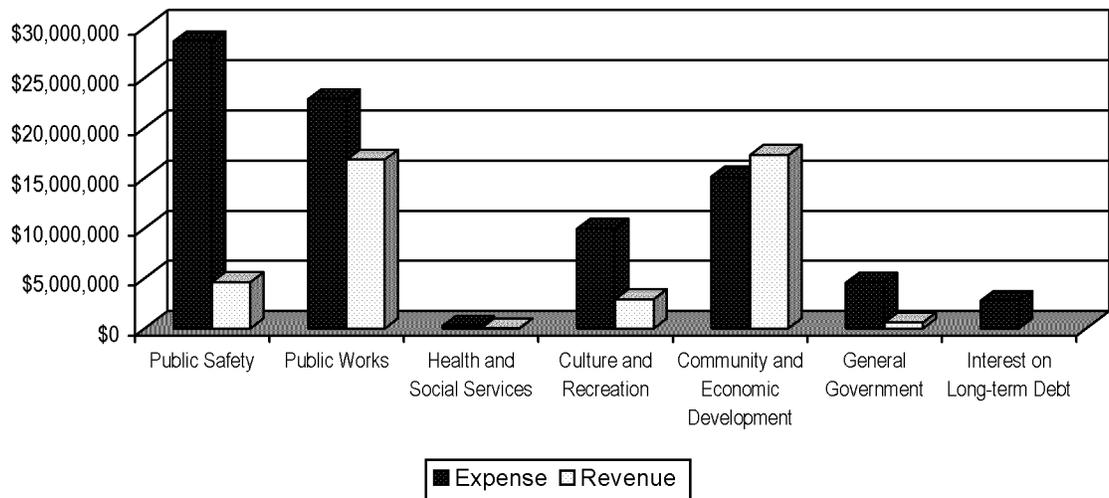
City of Waterloo, Iowa

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Total governmental activities' revenue for the current fiscal year was \$103,809,675. The largest single revenue source for the City was property taxes of \$40,497,163. Property taxes increased by \$1,720,737 (4.44 percent) during the year. This increase is a result of a combination of factors, including a 2.75 percent increase in the assessed value of property, a 4.35 percent increase in the taxable value of property, and a 0.33 percent decrease in the levy rate.

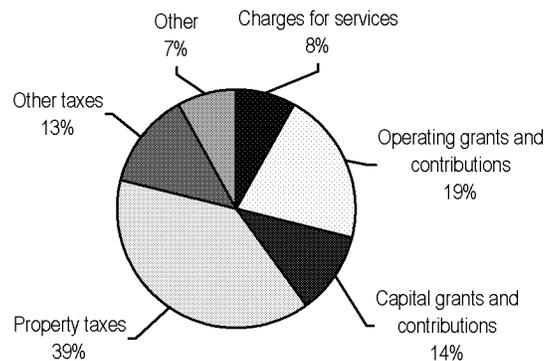
Certain revenues are generated that are specific to governmental program activities. These totaled \$42,213,622 during the fiscal year ended June 30, 2010. The graph below illustrates the comparison between the expenses by governmental activity type and the revenues generated that are specific to those 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

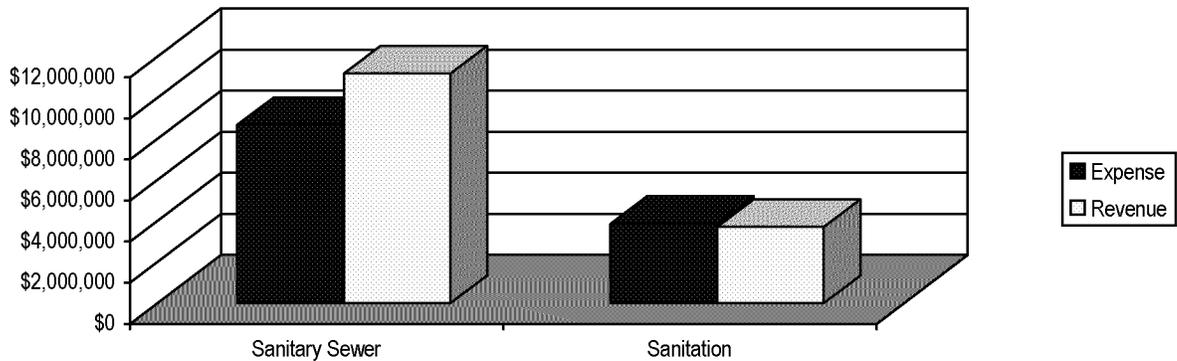


City of Waterloo, Iowa

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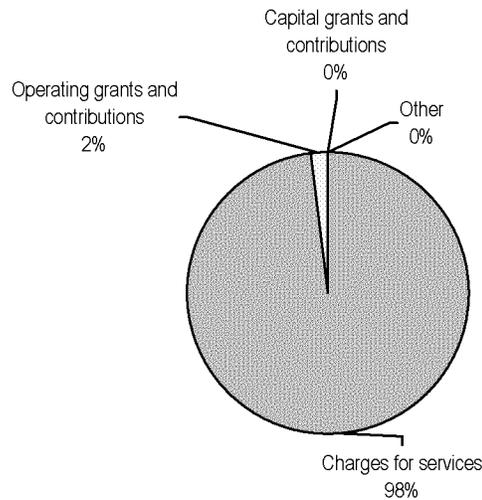
Total business-type activities' revenue for the fiscal year was \$14,916,693. \$14,898,963 of this revenue was generated for specific business-type activity expenses. The graph below shows a comparison between the business-type activity expenses and program revenues.

Expenses and Program Revenues – Business-type Activities



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

Revenues by Source – Business-type Activities



Business-type activities. Business-type activities increased the City of Waterloo's net assets by \$2,361,597, accounting for 11 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, 2010

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 \$48,093,349, a decrease of \$2,249,074 in comparison with the prior year. Fund balance in the amount of \$5,850,231 is not available for new spending because it has already been committed for a variety of restricted purposes. Approximately 87.84 percent of total fund balance (\$42,243,118) constitutes unreserved fund balance. \$28,555,334 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 \$7,602,748 which may be used only for the purposes specified in the authorizing referendum.) \$5,077,047 of the total governmental funds unreserved fund balance (\$42,243,118) has been designated by the City Council for specified purposes, leaving \$37,166,071 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 \$8,610,737, while total fund balance was \$16,751,869. 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 20.55 percent of total General Fund expenditures, while total fund balance represents 39.98 percent of that same amount.

The City originally budgeted to spend all non-restricted resources, consequently budgeting for no change in unreserved, undesignated fund balance. However, some revenue sources exceeded the amounts budgeted and some departments spent less than budgeted, resulting in a net increase of \$458,112 in unreserved, undesignated fund balance. Several significant items contributed to the overall General Fund net increase. The Leisure Services department expenses were under budget by \$195,000, while their revenue was over budget by \$74,000. Some of the factors causing this were an employee on military leave and that the Public Market operations required less resources than expected, as well as an unbudgeted reimbursement from the Federal Emergency Management Agency for work completed with the July 2009 windstorm clean-up. Clerk/Finance department expenses were less than budgeted by \$212,000. Fire department expenses were under budget, while ambulance revenues exceed budgeted, resulting in a net addition to fund balance of \$70,000. Many departments were under budget in expenses, but also under budget in revenues, resulting in the net addition to unreserved, undesignated fund balance of \$458,112.

The Trust and Agency fund has a total fund balance of \$2,823,136, of which \$1,844,107 or 65 percent is reserved for the payment of employee benefits. The net increase in fund balance during the current year was \$395,381, due primarily to health insurance costs being less than expected.

The Local Option Tax Fund net assets decreased by \$328,077 during the current year to a total fund balance of \$7,602,748, all of which is reserved for street repairs, construction and improvements. Fund balance was anticipated to decrease by \$1.5 million. Expenditures were less than planned due to a very wet construction season.

City of Waterloo, Iowa

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The General Obligation Debt Service fund has a total fund balance of \$596,747, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in this fund was \$82,245, due to using bond refinancing savings realized in prior years to reduce current year property tax askings.

Significant construction was completed on the Vision Iowa Project this year. Grant reimbursements were not received until after year-end, creating a temporary significant deficit fund balance in the project fund. The Vision Iowa Project Fund balance was (\$2,244,034) at June 30, 2010.

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 \$76,219,831, an increase of \$2,513,404. This increase was due primarily to the issuance of bonds for sewer system improvements and the scheduled retirement of 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.

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 \$153,811,967 was increased to \$185,677,049 (an increase of \$31,865,082).

- 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 (\$1.5 million).
- Expenses were increased for various repairs related to the June 2008 flood and a July 2009 windstorm and also for additional medical claims anticipated to be paid out during the year (\$1.5 million).
- The City amended the budget for additional FAA grants received after the original budget certification date and also added expenses to reflect higher than anticipated street reconstruction projects (\$4.0 million).
- Expenses were increased for an additional street overlay contract funded through an economic stimulus grant and also for construction of a new fire station (\$2.8 million).

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2010

- Expenses were increased related to replacement of the boating center destroyed in the June 2008 flood as well as for remodeling the locker rooms at Riverfront Stadium and the construction of a park with a splash play area and a performance structure along the downtown riverfront (\$2.7 million).
- The City increased the budget because certain revolving loans in the Section 108 loan activity that were not included in the original budget certification were planned to be made (\$2.2 million).
- Expenses were increased related to funding received to provide disaster recovery assistance to business and individuals affected by the floods of June 2008 (\$7.0 million).
- The City amended the budget to provide for a refunding bond issue (\$5.6 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 (\$3.4 million).
- Transfers out were increased to reflect the sewer portion of the refunding bond issue and for the use of tax increment financing (TIF) revenue for various capital projects in the TIF Districts (\$1.1 million).

The total original revenue budget, including other financing sources of \$147,499,879 was increased to \$176,551,357 (an increase of \$29,051,478).

- Local option tax revenue was increased to reflect higher revenues as well as a large adjustment payment received during the year (\$1.0 million).
- State and federal grant revenue was increased to reflect several additional grants awarded after the original budget certification for such things as Jumpstart disaster assistance, FEMA public assistance, public safety projects, airport improvements, street and traffic signal projects as well as others (\$15.0 million).
- Amendments were made to building permit fees, interest revenue and sewer charges for services to reflect lower revenues than originally anticipated with the certified budget (\$0.7 million).
- Donation revenue was increased to reflect additional donations received from Black Hawk Gaming as well as other entities for various City projects (\$2.0 million).
- Insurance refunds were added related to reimbursement through the city's property insurance for repairs to city facilities damaged in the June 2008 flood and the July 2009 windstorm as well as medical claims reimbursed by the City's stop loss insurance (\$1.4 million).
- The City amended the original budget for debt proceeds to reflect bond proceeds from a refunding bond issue and loan proceeds from a Section 108 revolving loan (\$7.5 million).
- Amendments were made to proceeds of capital asset sales to reflect sales of City property, including the sale of a fire station (\$1.8 million).
- Transfers in were increased to reflect the sewer portion of the refunding bond issue and for the use of tax increment financing (TIF) revenue for various capital projects in the TIF Districts (\$1.1 million).

See pages 67 through 73 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, 2010

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, 2010, amounts to \$373,700,233 (net of accumulated depreciation) as reflected in the following table. The total increase in the City of Waterloo's investment in capital assets for the current fiscal year was 4.98 percent (a 7.14 percent increase for governmental activities and a 1.66 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.

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 35,252,867	\$ 31,262,811	\$ 348,055	\$ 348,055	\$ 35,600,922	\$ 31,610,866
Land held for redevelopment	6,132,780	5,562,150	-	-	6,132,780	5,562,150
Buildings and improvements	46,408,959	42,807,525	53,374,216	54,371,644	99,783,175	97,179,169
Other improvements	-	-	28,944,473	29,503,810	28,944,473	29,503,810
Software	94,789	100,674	-	-	94,789	100,674
Infrastructure	169,405,333	157,245,824	-	-	169,405,333	157,245,824
Furniture, vehicles, machinery and equipment	8,589,642	8,124,198	1,809,730	2,065,746	10,399,372	10,189,944
Construction-in-progress	21,970,286	23,564,685	1,369,103	1,005,109	23,339,389	24,569,794
	\$ 287,854,656	\$ 268,667,867	\$ 85,845,577	\$ 87,294,364	\$ 373,700,233	\$ 355,962,231

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 \$609,000. Acquisitions of property damaged by the June 2008 floods were completed at a total cost of \$2.9 million. Land was also acquired in the San Maman Tax Increment Financing District at a cost of \$821,000 and in the Rath Tax Increment Financing District at a cost of \$172,000. Land for construction of a new fire station was acquired at a cost of \$270,000.
- The rehabilitation of Runway 18/36 at the Waterloo Regional Airport was completed at a total cost of \$5.6 million. A passenger bridge ground power unit was also added at the airport at a cost of \$94,000. A handicap accessible ramp, as well as the replacement of the First Base Party Deck at Municipal Stadium was completed at a total cost of \$200,000.
- Significant investments in street construction, reconstruction and overlay programs funded with local option taxes and grants were completed (\$14.6 million) and transferred to infrastructure assets. In addition, recreational trails in the amount of \$1 million were completed and transferred to infrastructure assets. An additional \$1.2 million was invested in new street construction, repair of existing streets and construction of recreational trails still in progress at June 30, 2010.
- Construction of the RiverLoop Expo grounds was completed during the year ended June 30, 2010 at a total cost \$3.5 million. Renovations totaling \$1.4 million to the Cedar River dam and riverwalls related to the Riverfront Renaissance project were added to construction in progress at June 30, 2010. In addition, construction completed on city facilities including the locker rooms at Riverfront Stadium Locker Rooms, a new fire station, replacement of the Boat House and expansion at Young Arena was added to construction in progress at June 30, 2010 at a total cost of \$2.9 million.
- A new storage building at the Water Pollution Control facility was completed at a cost of \$363,000. In addition, \$244,000 was invested in new vehicles and equipment for the Sewer and Sanitation departments.

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2010

- The City purchased various pieces of equipment, totaling \$2 million for various departments during the year.

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 \$93,240,000. Of this amount, \$83,955,000 is comprised of debt backed by the full faith and credit of the government. The remainder of the City of Waterloo's bonded debt (\$9,285,000) 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 \$1,163,496.

	City of Waterloo Long-term Outstanding Debt					
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Bonded Debt:						
General obligation bonds	\$ 66,129,600	\$ 66,076,100	\$ 17,825,400	\$ 15,168,900	\$ 83,955,000	\$ 81,245,000
Revenue bonds	-	-	9,285,000	10,870,000	9,285,000	10,870,000
Total bonded debt	66,129,600	66,076,100	27,110,400	26,038,900	93,240,000	92,115,000
Other Debt:						
Loans and notes	2,145,469	3,392,268	-	-	2,145,469	3,392,268
Deferred compensation	81,242	103,022	-	3,087	81,242	106,109
Compensated absences	3,328,308	3,233,191	264,381	251,328	3,592,689	3,484,519
Total other debt	5,555,019	6,728,481	264,381	254,415	5,819,400	6,982,896
Total long-term debt outstanding	\$ 71,684,619	\$ 72,804,581	\$ 27,374,781	\$ 26,293,315	\$ 99,059,400	\$ 99,097,896

The City of Waterloo's total long-term debt decreased by \$38,496 (0.04 percent) during the current fiscal year.

The government issued general obligation bonds in the amount of \$16,320,000 during the current fiscal year, including \$4,820,000 of general obligation refunding bonds issued to take advantage of more favorable interest rates.

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 \$177,132,165, which is significantly in excess of the City of Waterloo's outstanding general obligation debt (\$83,955,000) and other debt subject to the debt limitation (\$2,226,709). The total debt subject to this limitation is \$86,181,709, resulting in available debt margin of \$90,950,456.

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, 2010

Economic Factors and Next Year's Budgets and Rates

Property taxes provide approximately 51 percent of General Fund revenues. Over the past five years, citywide assessed valuations have risen an average of 5.4 percent annually, while property tax limitations imposed by the State of Iowa have held taxable values to an average annual growth rate of 4.56 percent. The fiscal year 2011 budget reflects total property tax and utility excise tax revenue growth of 1.5 percent.

Personnel costs make up a significant portion of City operating costs. Wage increases identified in contractual bargaining agreements are 3 percent for fiscal year 2011.

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 increase slightly as of July 1, 2009 and again as of July 1, 2010. Anticipated health care cost increases of 5.6 percent were budgeted for the fiscal year ending June 30, 2011.

The current national economic environment is also continuing to have an impact on the local economy, although the impact appears to be less. Building permit revenue for new property collected in to date during the fiscal year ending June 30, 2011 is higher than for the same period during the year ended June 30, 2010. Investment earning rates are lower.

These factors were considered in preparing the City of Waterloo's budget for fiscal year 2011.

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, 2010

	Primary Government			Waterloo Water Works	Waterloo Convention & Visitors Bureau, Inc.
	Governmental Activities	Business-Type Activities	Total		
Assets					
Current assets:					
Cash and cash equivalents	\$ 41,018,982	\$ 13,971,037	\$ 54,990,019	\$ 3,114,479	\$ 309,182
Investments	502,213	-	502,213	560,000	270,194
Receivables:					
Customer accounts, net of allowance for uncollectible accounts	2,305,074	3,484,949	5,790,023	1,130,829	-
Property taxes:					
Delinquent	383,088	-	383,088	-	-
Succeeding year	41,115,844	-	41,115,844	-	-
Internal accounts	(638,228)	638,228	-	-	-
Due from other governments:					
Component unit	-	990,052	990,052	-	-
Primary government	-	-	-	-	302,533
Other	16,102,873	60,045	16,162,918	-	-
Accrued interest	33	-	33	3,500	1,568
Loans and notes	-	-	-	8,781	-
Special assessments	64,097	-	64,097	-	-
Inventories and prepaids	452,909	-	452,909	59,161	6,700
Restricted assets:					
Cash and cash equivalents	8,722,502	1,408,095	10,130,597	-	-
Receivables	20,690	-	20,690	-	-
Total current assets	110,050,077	20,552,406	130,602,483	4,876,750	890,177
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	-	2,123,500	2,123,500	-	-
Investments	-	-	-	460,000	-
Loans and notes, net of allowance for uncollectible amounts					
	39,590	-	39,590	7,717	-
Special assessments	89,050	-	89,050	247,427	-
Debt issue cost, net of accumulated amortization	189,113	139,541	328,654	15,776	-
Capital assets, net of accumulated depreciation	224,498,723	84,128,419	308,627,142	18,923,168	164,613
Capital assets not being depreciated	63,355,933	1,717,158	65,073,091	974,204	-
Total noncurrent assets	288,172,409	88,108,618	376,281,027	20,628,292	164,613
Total assets	\$ 398,222,486	\$ 108,661,024	\$ 506,883,510	\$ 25,505,042	\$ 1,054,790

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	\$ 5,115,621	\$ 560,034	\$ 5,675,655	\$ 102,264	\$ 1,515
Accrued liabilities and other	1,979,062	212,036	2,191,098	103,009	9,425
Due to primary government	-	-	-	847,745	-
Due to component unit	302,533	-	302,533	-	-
Due to other governments	-	-	-	58,532	-
Noncurrent liabilities due and payable					
within one year	11,708,918	1,894,467	13,603,385	310,000	-
Unearned revenues	41,799,543	-	41,799,543	-	-
Current liabilities payable from restricted assets:					
Health claims	1,204,488	-	1,204,488	-	-
Other	91,146	-	91,146	-	-
Customer deposits	102,124	281,235	383,359	-	-
Accrued interest	-	71,554	71,554	-	-
Noncurrent liabilities due and payable					
within one year	-	1,630,000	1,630,000	-	-
Total current liabilities	62,303,435	4,649,326	66,952,761	1,421,550	10,940
Noncurrent:					
Customer deposits	-	-	-	123,386	-
Pollution remediation liability	805	-	805	-	-
Revenue bonds and notes, net deferred amount on refunding	-	7,408,755	7,408,755	2,105,824	-
General obligation bonds and notes, net of bond discounts, deferred amount on refunding and and premium	57,940,423	15,978,888	73,919,311	-	-
Other loans and notes	944,719	-	944,719	-	-
Other post employment benefits obligation	1,942,865	167,135	2,110,000	-	-
Compensated absences and deferred compensation	997,382	63,914	1,061,296	-	-
Total noncurrent liabilities	61,826,194	23,618,692	85,444,886	2,229,210	-
Total liabilities	124,129,629	28,268,018	152,397,647	3,650,760	10,940
Net Assets					
Invested in capital assets, net of related debt	233,853,135	66,494,749	300,347,884	17,792,373	164,613
Restricted for:					
Debt service	2,496,524	2,395,167	4,891,691	330,000	-
Employee benefits	4,147,987	-	4,147,987	-	-
Improvements	15,524,269	783,640	16,307,909	-	-
Provider designations	14,479,634	-	14,479,634	-	-
Unrestricted	3,591,308	10,719,450	14,310,758	3,731,909	879,237
Total net assets	274,092,857	80,393,006	354,485,863	21,854,282	1,043,850
Total liabilities and net assets	\$ 398,222,486	\$ 108,661,024	\$ 506,883,510	\$ 25,505,042	\$ 1,054,790

City of Waterloo, Iowa

Statement of Activities
Year Ended June 30, 2010

Programs/Functions	Program Revenues				
	Direct Expenses	Indirect Allocations	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:					
Public safety	\$ 28,612,482	\$ -	\$ 3,331,924	\$ 1,269,624	\$ -
Public works	23,404,814	(565,000)	1,887,850	6,479,418	8,457,702
Health and social services	319,594	(75,000)	10,056	-	-
Culture and recreation	10,001,066	(50,000)	2,337,191	239,393	343,158
Community and economic development	15,404,456	(265,680)	541,244	10,603,861	6,137,876
General government	5,187,226	(638,500)	574,070	255	-
Interest on long-term debt	2,736,194	-	-	-	-
Total governmental activities	85,665,832	(1,594,180)	8,682,335	18,592,551	14,938,736
Business-type activities:					
Sanitary Sewer	7,990,068	692,000	11,185,490	-	-
Sanitation	2,970,848	902,180	3,398,533	314,940	-
Total business-type activities	10,960,916	1,594,180	14,584,023	314,940	-
Total primary government	\$ 96,626,748	\$ -	\$ 23,266,358	\$ 18,907,491	\$ 14,938,736
Component unit, Waterloo Water Works	\$ 5,192,560	\$ -	\$ 6,215,465	\$ -	\$ 27,821
Component unit, Waterloo Convention & Visitors Bureau, Inc.	\$ 493,048	\$ -	\$ -	\$ 568,885	\$ -

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

Miscellaneous

Gain on sale of capital assets

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.
\$ (24,010,934)	\$ -	\$ (24,010,934)	\$ -	\$ -
(6,014,844)	-	(6,014,844)	-	-
(234,538)	-	(234,538)	-	-
(7,031,324)	-	(7,031,324)	-	-
2,144,205	-	2,144,205	-	-
(3,974,401)	-	(3,974,401)	-	-
(2,736,194)	-	(2,736,194)	-	-
(41,858,030)	-	(41,858,030)	-	-
-	2,503,422	2,503,422	-	-
-	(159,555)	(159,555)	-	-
-	2,343,867	2,343,867	-	-
(41,858,030)	2,343,867	(39,514,163)	-	-
-	-	-	1,050,726	-
-	-	-	-	75,837
28,508,924	-	28,508,924	-	-
11,988,239	-	11,988,239	-	-
9,210,213	-	9,210,213	-	-
1,652,494	-	1,652,494	-	-
989,179	-	989,179	-	-
1,120,546	-	1,120,546	-	-
872,674	-	872,674	-	-
66,113	-	66,113	-	-
170,946	17,730	188,676	50,321	13,500
5,189,217	-	5,189,217	117,305	500
1,827,508	-	1,827,508	-	-
61,596,053	17,730	61,613,783	167,626	14,000
19,738,023	2,361,597	22,099,620	1,218,352	89,837
254,354,834	78,031,409	332,386,243	20,635,930	954,013
\$ 274,092,857	\$ 80,393,006	\$ 354,485,863	\$ 21,854,282	\$ 1,043,850

City of Waterloo, Iowa

**Balance Sheet
Governmental Funds
June 30, 2010**

Assets	<u>General</u>	<u>Trust and Agency</u>	<u>Local Option Tax</u>
Cash and cash equivalents	\$ 8,694,791	\$ 938,144	\$ 7,913,660
Investments	-	-	-
Receivables:			
Customer accounts	729,928	-	-
Property tax:			
Delinquent	179,781	103,206	-
Succeeding year	16,996,510	11,319,438	-
Special assessments	153,147	-	-
Accrued interest	-	-	-
Loans and notes	39,590	-	-
Due from other funds	5,764,625	-	13,598
Due from other governments:			
Federal	134,676	-	-
Iowa	633,883	-	1,720,464
Other	264,942	168,902	14,626
Inventories and prepaids	284,106	-	-
Restricted assets:			
Cash and cash equivalents	4,247,857	1,844,107	-
Receivables	20,690	-	-
Total assets	<u>\$ 38,144,526</u>	<u>\$ 14,373,797</u>	<u>\$ 9,662,348</u>

(Continued)

General Obligation Debt Service	Vision Iowa Projects	Other Governmental	Total
\$ 1,031,124	\$ -	\$ 22,441,263	\$ 41,018,982
-	-	502,213	502,213
47,106	-	1,528,040	2,305,074
66,970	-	33,131	383,088
7,188,126	-	5,611,770	41,115,844
-	-	-	153,147
-	-	33	33
-	-	-	39,590
-	-	172,759	5,950,982
-	-	974,993	1,109,669
-	6,640,156	5,293,563	14,288,066
102,741	74,739	79,188	705,138
-	-	168,803	452,909
41,453	-	2,589,085	8,722,502
-	-	-	20,690
<u>\$ 8,477,520</u>	<u>\$ 6,714,895</u>	<u>\$ 39,394,841</u>	<u>\$ 116,767,927</u>

City of Waterloo, Iowa

Balance Sheet (Continued)
Governmental Funds
June 30, 2010

	General	Trust and Agency	Local Option Tax
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 298,724	\$ 4,794	\$ 1,088,369
Retainages payable	-	-	512,233
Accrued liabilities	1,358,627	123,223	22,452
Due to other funds	202,116	-	-
Deferred revenue	17,816,857	11,422,644	435,196
Compensated absences	118,166	-	1,350
Due to Waterloo Convention & Visitors Bureau, Inc.	302,533	-	-
Payables from restricted assets	1,295,634	-	-
Total liabilities	21,392,657	11,550,661	2,059,600
Fund balances (deficits):			
Reserved for:			
Debt service	-	-	-
Self-funded health insurance	1,324,851	1,844,107	-
Inventories and prepaids	284,106	-	-
Donor specifications	631,797	-	-
Tourism promotion	675,405	-	-
Public access television	120,683	-	-
Airport	-	-	-
Housing	27,243	-	-
Improvements	-	-	-
Unreserved, designated for:			
Vision Iowa	888,150	-	-
Insurance	2,980,139	-	-
Other post employment benefits	1,049,135	-	-
Other	159,623	-	-
Undesignated reported in:			
General Fund	8,610,737	-	-
Special revenue funds	-	979,029	7,602,748
Capital projects funds	-	-	-
Total fund balances (deficits)	16,751,869	2,823,136	7,602,748
Total liabilities and fund balances (deficits)	\$ 38,144,526	\$ 14,373,797	\$ 9,662,348

See Notes to Basic Financial Statements.

General Obligation Debt Service	Vision Iowa Projects	Other Governmental	Total
\$ 26,154	\$ 269,192	\$ 1,618,614	\$ 3,305,847
-	362,626	934,915	1,809,774
-	-	243,807	1,748,109
599,523	2,390,644	3,396,927	6,589,210
7,255,096	5,936,467	10,504,057	53,370,317
-	-	31,514	151,030
-	-	-	302,533
-	-	102,124	1,397,758
<u>7,880,773</u>	<u>8,958,929</u>	<u>16,831,958</u>	<u>68,674,578</u>
555,294	-	-	555,294
-	-	-	3,168,958
-	-	168,803	452,909
-	-	-	631,797
-	-	-	675,405
-	-	-	120,683
41,453	-	-	41,453
-	-	-	27,243
-	-	176,489	176,489
-	-	-	888,150
-	-	-	2,980,139
-	-	-	1,049,135
-	-	-	159,623
-	-	-	8,610,737
-	-	7,828,978	16,410,755
-	(2,244,034)	14,388,613	12,144,579
<u>596,747</u>	<u>(2,244,034)</u>	<u>22,562,883</u>	<u>48,093,349</u>
<u>\$ 8,477,520</u>	<u>\$ 6,714,895</u>	<u>\$ 39,394,841</u>	<u>\$ 116,767,927</u>

City of Waterloo, Iowa

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2010

Total governmental fund balances		\$	48,093,349
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			287,854,656
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds			11,570,774
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	\$	(66,129,600)	
Other loans and notes		(2,145,469)	
Bond issuance costs		189,113	
Bond deferred amount on refunding		22,380	
Bond discount		98,671	
Bond premium		(27,874)	
Other post employment benefits obligation		(1,942,865)	
Compensated absences and deferred compensation		(3,258,520)	
Pollution remediation liability		(805)	
Accrued interest payable		(230,953)	(73,425,922)
Net assets of governmental activities			<u><u>\$ 274,092,857</u></u>

See Notes to Basic Financial Statements.

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City of Waterloo, Iowa

**Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Governmental Funds
Year Ended June 30, 2010**

	General	Trust and Agency	Local Option Tax
Revenues:			
Property taxes	\$ 16,597,621	\$ 11,336,940	\$ -
Other taxes	3,801,807	550,295	9,290,017
Licenses and permits	986,226	-	-
Investment income	114,701	12,841	16,425
Rent	737,793	-	-
Intergovernmental	1,786,513	-	9,187
Charges for services	5,657,497	-	-
Interfund charges for services	2,150,680	-	-
Special assessments	123,098	-	-
Miscellaneous	2,202,427	-	-
Total revenues	34,158,363	11,900,076	9,315,629
Expenditures:			
Current operating:			
Public safety	24,482,644	2,230,379	-
Public works	2,339,861	-	9,643,706
Health and social services	316,974	-	-
Culture and recreation	7,963,888	-	-
Community and economic development	1,810,624	-	-
General government	4,985,223	41,064	-
Debt service:			
Principal	-	-	-
Interest and fees	2,415	-	-
Bond issuance costs	-	-	-
Capital outlay	-	-	-
Total expenditures	41,901,629	2,271,443	9,643,706
Excess (deficiency) of revenues over expenditures	(7,743,266)	9,628,633	(328,077)
Other financing sources (uses):			
Transfers in	8,997,105	-	-
Transfers out	(1,592,888)	(9,233,252)	-
Insurance proceeds	1,734,450	-	-
Bond discount	-	-	-
Proceeds from sale of capital assets	115,796	-	-
Refunding bonds issued	-	-	-
Payments to refunded bond escrow agent	-	-	-
Issuance of long-term debt	-	-	-
Total other financing sources (uses)	9,254,463	(9,233,252)	-
Net changes in fund balances	1,511,197	395,381	(328,077)
Fund balances (deficits), beginning of year	15,240,672	2,427,755	7,930,825
Fund balances (deficits), end of year	\$ 16,751,869	\$ 2,823,136	\$ 7,602,748

See Notes to Basic Financial Statements.

General Obligation		Vision Iowa	Other	
Debt Service		Projects	Governmental	Total
\$	6,918,460	\$ -	\$ 5,601,683	\$ 40,454,704
	314,424	-	25,819	13,982,362
	-	-	9,805	996,031
	6,762	-	20,217	170,946
	125,568	-	197,528	1,060,889
	86,363	789,782	28,010,117	30,681,962
	-	-	274,940	5,932,437
	-	-	235,000	2,385,680
	-	-	102,100	225,198
	80,380	2	1,491,154	3,773,963
	7,531,957	789,784	35,968,363	99,664,172
	-	-	234,887	26,947,910
	-	-	15,651,659	27,635,226
	-	-	-	316,974
	-	-	1,300,801	9,264,689
	-	-	15,613,143	17,423,767
	-	-	71,074	5,097,361
	8,591,714	-	191,585	8,783,299
	2,676,755	-	46,165	2,725,335
	28,797	-	45,698	74,495
	-	2,849,357	12,277,362	15,126,719
	11,297,266	2,849,357	45,432,374	113,395,775
	(3,765,309)	(2,059,573)	(9,464,011)	(13,731,603)
	3,635,958	27,467	1,773,773	14,434,303
	-	-	(3,608,163)	(14,434,303)
	-	-	-	1,734,450
	(20,514)	-	(42,328)	(62,842)
	-	-	2,127,505	2,243,301
	4,240,000	-	-	4,240,000
	(4,172,380)	-	-	(4,172,380)
	-	-	7,500,000	7,500,000
	3,683,064	27,467	7,750,787	11,482,529
	(82,245)	(2,032,106)	(1,713,224)	(2,249,074)
	678,992	(211,928)	24,276,107	50,342,423
\$	596,747	\$ (2,244,034)	\$ 22,562,883	\$ 48,093,349

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, 2010**

Net change in fund balances - governmental funds \$ (2,249,074)

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	\$ 30,820,623	
Depreciation	(11,218,041)	19,602,582

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

Proceeds from sale of capital assets	(2,243,301)	
Net gain on sale of capital assets	1,827,508	(415,793)

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	(11,740,000)	
Repayment of general obligation bond principal	7,536,500	
Repayment of other long-term debt principal	1,246,799	
Payment to escrow agent, including \$22,380 deferred amount on refunding	4,172,380	
Bond issuance costs	74,495	
Bond discount	62,842	
Amortization of issuance costs, discount, premium and deferred amount on refunding	(41,736)	
Change in accrued interest	30,877	1,342,157

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

Current year		11,570,774
Prior year		(8,601,549)

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 other post employment benefits obligation		(1,465,927)
Change in compensated absences and deferred compensation paid		(69,342)
Change in pollution remediation liability		24,195
Changes in net assets of governmental activities		\$ 19,738,023

See Notes to Basic Financial Statements.

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City of Waterloo, Iowa

Statement of Net Assets
Enterprise Funds
June 30, 2010

	Major Sanitary Sewer	Nonmajor Sanitation	Total
Assets			
Current assets:			
Cash	\$ 11,630,327	\$ 2,340,710	\$ 13,971,037
Customer accounts receivable	2,697,518	787,431	3,484,949
Due from other funds	626,527	11,701	638,228
Due from other governments:			
Waterloo Water Works	673,394	316,658	990,052
Other	49,140	10,905	60,045
Restricted assets, cash	1,324,065	84,030	1,408,095
Total current assets	17,000,971	3,551,435	20,552,406
Noncurrent assets:			
Restricted cash	2,123,500	-	2,123,500
Bond issue costs, net of accumulated amortization	139,541	-	139,541
Capital assets, net of accumulated depreciation	83,102,933	1,025,486	84,128,419
Capital assets not being depreciated	1,717,158	-	1,717,158
Net capital assets	84,820,091	1,025,486	85,845,577
Total noncurrent assets	87,083,132	1,025,486	88,108,618
Total assets	\$ 104,084,103	\$ 4,576,921	\$ 108,661,024

See Notes to Basic Financial Statements.

	Major Sanitary Sewer	Nonmajor Sanitation	Total
Liabilities and Net Assets			
Liabilities:			
Current:			
Accounts payable	\$ 329,475	\$ 182,025	\$ 511,500
Retainages payable	48,534	-	48,534
Accrued liabilities	171,955	40,081	212,036
Current maturities of general obligation bonds	1,694,000	-	1,694,000
Compensated absences and deferred compensation	156,786	43,681	200,467
Payable from restricted assets:			
Security deposits	197,205	84,030	281,235
Accrued interest, revenue bonds	71,554	-	71,554
Current portion of revenue bonds	1,630,000	-	1,630,000
Total current liabilities	4,299,509	349,817	4,649,326
Noncurrent:			
General obligation bonds, net bond discount and reacquisition costs	15,978,888	-	15,978,888
Revenue bonds, net of deferred amount on refunding	7,408,755	-	7,408,755
Other post employment benefits obligation	114,595	52,540	167,135
Compensated absences and deferred compensation	62,525	1,389	63,914
Total noncurrent liabilities	23,564,763	53,929	23,618,692
Total liabilities	27,864,272	403,746	28,268,018
Net assets:			
Invested in capital assets, net of related debt	65,469,263	1,025,486	66,494,749
Restricted for:			
Debt service	2,395,167	-	2,395,167
Improvements	783,640	-	783,640
Unrestricted	7,571,761	3,147,689	10,719,450
Total net assets	76,219,831	4,173,175	80,393,006
Total liabilities and net assets	\$ 104,084,103	\$ 4,576,921	\$ 108,661,024

City of Waterloo, Iowa

Statement of Revenues, Expenses and Changes in Fund Net Assets
Enterprise Funds
Year Ended June 30, 2010

	Major Sanitary Sewer	Nonmajor Sanitation	Total
Operating revenues:			
Charges for sales and service	\$ 11,162,969	\$ 3,398,533	\$ 14,561,502
Miscellaneous	22,521	-	22,521
Total operating revenues	11,185,490	3,398,533	14,584,023
Operating expenses:			
Salaries and benefits	2,303,116	1,029,419	3,332,535
Contractual services	1,648,646	1,180,308	2,828,954
Intra-city reimbursements	692,000	902,180	1,594,180
Commodities	622,522	393,494	1,016,016
Depreciation	2,281,819	267,280	2,549,099
Total operating expenses	7,548,103	3,772,681	11,320,784
Operating income (loss)	3,637,387	(374,148)	3,263,239
Nonoperating revenues (expenses):			
Interest income	9,982	7,748	17,730
Intergovernmental	-	314,940	314,940
Interest expense	(1,106,333)	-	(1,106,333)
Amortization of bond issue costs	(27,632)	-	(27,632)
Loss on disposition of equipment	-	(100,347)	(100,347)
Total nonoperating revenues (expenses)	(1,123,983)	222,341	(901,642)
Changes in net assets	2,513,404	(151,807)	2,361,597
Net assets, beginning of year	73,706,427	4,324,982	78,031,409
Net assets, end of year	\$ 76,219,831	\$ 4,173,175	\$ 80,393,006

See Notes to Basic Financial Statements.

City of Waterloo, Iowa

Statement of Cash Flows
Enterprise Funds
Year Ended June 30, 2010

	Major Sanitary Sewer	Nonmajor Sanitation	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 10,202,070	\$ 3,369,041	\$ 13,571,111
Payments to suppliers	(2,299,213)	(1,487,917)	(3,787,130)
Payments to or on behalf of employees	(2,182,296)	(972,249)	(3,154,545)
Payment for interfund services used	(692,000)	(902,180)	(1,594,180)
Net cash provided by operating activities	5,028,561	6,695	5,035,256
Cash flows from noncapital financing activities:			
Proceeds from interfund accounts	-	4,568	4,568
(Payments of) interfund accounts	(629,446)	-	(629,446)
Operating grants	3,668	314,940	318,608
Net cash provided by (used in) noncapital financing activities	(625,778)	319,508	(306,270)
Cash flows from capital and related financing activities:			
Purchase and construction of capital assets	(896,090)	(199,926)	(1,096,016)
Proceeds from sale of capital assets	-	1,806	1,806
Proceeds from bonds, loans and notes, net bond issuance costs and discounts of \$47,465	4,532,535	-	4,532,535
Principal paid on debt	(3,508,500)	-	(3,508,500)
Interest paid on debt	(1,005,211)	-	(1,005,211)
Net cash (used in) capital and related financing activities	(877,266)	(198,120)	(1,075,386)
Cash flows from investing activities,			
interest received	9,982	7,748	17,730
Increase in cash and cash equivalents	3,535,499	135,831	3,671,330
Cash and cash equivalents, beginning of year	11,542,393	2,288,909	13,831,302
Cash and cash equivalents, end of year	\$ 15,077,892	\$ 2,424,740	\$ 17,502,632

(Continued)

City of Waterloo, Iowa

Statement of Cash Flows (Continued)
Enterprise Funds
Year Ended June 30, 2010

	Major Sanitary Sewer	Nonmajor Sanitation	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 3,637,387	\$ (374,148)	\$ 3,263,239
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	2,281,819	267,280	2,549,099
(Increase) in accounts receivable	(816,412)	(9,102)	(825,514)
(Increase) in due from other governments	(167,008)	(20,390)	(187,398)
Decrease in inventories and prepaids	16,339	-	16,339
Increase (decrease) in accounts payable	(50,034)	82,035	32,001
Increase in security deposits	5,650	3,850	9,500
Increase in accrued liabilities	37,391	560	37,951
Increase in other post employment benefits obligation	89,380	40,693	130,073
Increase (decrease) in compensated absences and deferred compensation	(5,951)	15,917	9,966
Net cash provided by operating activities	\$ 5,028,561	\$ 6,695	\$ 5,035,256
Schedule of noncash capital and related financing activities:			
Payables for acquisition of capital assets	\$ 106,449	\$ -	\$ 106,449
Amortization of bond issue costs	27,632	-	27,632
Amortization of discounts and reacquisition costs	104,645	-	104,645

See Notes to Basic Financial Statements.

City of Waterloo, Iowa

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City of Waterloo, Iowa

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

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 pickup) utilities for its citizens. Through its component unit, Waterloo Water Works, water utility services are also provided.

Reporting entity:

In accordance with 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 \$142,307.

City of Waterloo, Iowa

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)

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.

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)

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.

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

Local Option Tax Special Revenue Fund is presented as a major fund for public interest purposes.

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.

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 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). The City has elected not to follow FASB pronouncements issued subsequent to November 30, 1989.

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, 2010, the General Fund had allowances for uncollectible customer accounts totaling \$698,648.

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, 2008 assessed property valuations; was for the tax accrual period July 1, 2009 through June 30, 2010; and reflected the tax asking contained in the budget certified to the County Board of Supervisors in March 2009.

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 \$322,211 are amortized using the effective interest method over the life of the bonds. Accumulated amortization as of June 30, 2010 was \$182,670. Amortization of bond issue costs was \$27,632 for 2010.

Original discounts of \$58,405 on general obligation bonds repaid by the sanitary sewer enterprise fund outstanding as of June 30, 2010 are being amortized using the effective interest method over the life of the bonds. Accumulated amortization as of June 30, 2010 was \$7,179. Discount amortization for 2010, which was added to interest expense, was \$4,111.

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 \$135,176 as a result of the June 30, 2007, 2009 and 2010 general obligation bonds 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, 2010 was \$752,998. Reacquisition amortization for 2010, including amortization of prior reacquisition costs, which was added to interest expense, was \$100,534.

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, 2010.

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.

City of Waterloo, Iowa

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:

	<u>Years</u>
Governmental activities:	
Buildings and improvements	10 - 40
Infrastructure	15 - 100
Furniture and equipment	3 - 20
Vehicles, machinery and equipment	3 - 25
Software	5
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.

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)

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."

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 \$13,371,648 and the Sanitary Sewer enterprise fund is \$7,360,815. 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 \$38,094,389 of restricted net assets of which \$18,236,450 is restricted by enabling legislation.

City of Waterloo, Iowa

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 of the City.

As of June 30, 2010, the City had investments in the Iowa Public Agency Investment Trust which were valued at an amortized cost of \$5,172,930 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

The discretely presented Waterloo Water Works component unit's certificates of deposit are stated at cost which approximates fair value. Certificates of deposit are purchased with maturities of 12 to 27 months and yields of 1.675 percent to 4.87 percent. Certain certificates of deposit are restricted to comply with debt covenants and to secure customer deposits.

The discretely presented Waterloo Water Works component unit's deposits in the Iowa Public Agency Investment Trust were valued at an amortized cost of \$1,525,020, pursuant to Rule 2a-7 under the Investment Company Act of 1940. The deposits in the Iowa Public Agency Investment Trust are unrated for credit risk purposes.

Credit risk: In accordance with the City's investment policy, the City may invest in interest bearing savings accounts, interest bearing money market 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.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

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 policy limits the City 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, 2010, the City has no investments subject to concentration of risk.

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, 2010 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:

2011	\$	172,259
2012		40,659
2013		40,659
2014		40,659
2015		23,444
2016		5,902
Total future minimum lease rentals to be received	\$	323,582

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:

2011	\$	72,420
2012		12,070
Total future minimum lease rentals to be received	\$	84,490

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 3. Leasing Activities (Continued)

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 amount of revenue recognized for the year ended June 30, 2010 is \$46,549. The lease includes a management agreement with the Hotel for the management of the Center.

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, 2010 was \$39,590. Interest received by the City on Rath/UDAG loans is recorded in the General Fund as investment income.

Special Revenue Funds:

Community Development Block Grant (CDBG) Loans:

Low-interest loans: The City has seven low-interest rehabilitation and other loans due as of June 30, 2010. Of the total, two loans are being serviced by Regions Bank. The City serviced loans, with a balance of \$16,475, 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, HOME program, Economic Development Initiative program, Lead Paint Removal grant and federal and state Jumpstart funds, 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, 2010, the City had made 1,381 such loans totaling \$22,523,900.

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, 2010 was as follows:

	Due From	Due To
Major governmental funds:		
General	\$ 5,764,625	\$ 202,116
Local option sales tax	13,598	-
General obligation debt service	-	599,523
Vision Iowa Agency Projects	-	2,390,644
Nonmajor governmental funds	172,759	3,396,927
Major Enterprise Fund, sanitary sewer	626,527	-
Nonmajor Enterprise Fund, sanitation	11,701	-
	<u>\$ 6,589,210</u>	<u>\$ 6,589,210</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	\$ 673,394
Sanitation	316,658
Due from Waterloo Water Works	990,052
Waterloo Water Works - due to primary government	847,745
Difference	<u>\$ 142,307</u>

The difference in the above amounts of \$142,307 results from the different year ends of the entities as described in Note 1.

Due to Waterloo Convention & Visitors Bureau, Inc. from General Fund	<u>\$ 302,533</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	\$ 8,997,105	\$ 1,592,888
Trust and agency	-	9,233,252
General obligation debt service	3,635,958	-
Vision Iowa Agency Projects	27,467	-
Nonmajor governmental funds	1,773,773	3,608,163
	<u>\$ 14,434,303</u>	<u>\$ 14,434,303</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance, as restated June 30, 2009	Additions	Deletions	Transfers	Ending Balance June 30, 2010
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 31,262,811	\$ 4,000,281	\$ 10,225	\$ -	\$ 35,252,867
Land held for redevelopment	5,562,150	841,058	270,428	-	6,132,780
Construction-in-progress	23,564,685	23,655,229	78,546	(25,171,082)	21,970,286
Total capital assets, not being depreciated	60,389,646	28,496,568	359,199	(25,171,082)	63,355,933
Capital assets, being depreciated:					
Buildings and improvements	83,834,733	251,551	2,025,952	5,788,194	87,848,526
Infrastructure	235,113,591	176,873	-	19,168,577	254,459,041
Vehicles, machinery, furniture and equipment	21,410,635	1,875,625	525,116	214,311	22,975,455
Software	195,334	20,006	-	-	215,340
Total capital assets, being depreciated	340,554,293	2,324,055	2,551,068	25,171,082	365,498,362
Less accumulated depreciation for:					
Buildings and improvements	41,027,208	2,438,311	2,025,952	-	41,439,567
Infrastructure	77,867,767	7,185,941	-	-	85,053,708
Vehicles, machinery, furniture and equipment	13,286,437	1,567,898	468,522	-	14,385,813
Software	94,660	25,891	-	-	120,551
Total accumulated depreciation	132,276,072	11,218,041	2,494,474	-	140,999,639
Total capital assets, being depreciated, net	208,278,221	(8,893,986)	56,594	25,171,082	224,498,723
Governmental activities capital assets, net	\$ 268,667,867	\$ 19,602,582	\$ 415,793	\$ -	\$ 287,854,656

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

	Beginning Balance				Ending Balance
	June 30, 2009	Additions	Deletions	Transfers	June 30, 2010
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 348,055	\$ -	\$ -	\$ -	\$ 348,055
Construction-in-progress	1,005,109	936,561	-	(572,567)	1,369,103
Total capital assets, not being depreciated	1,353,164	936,561	-	(572,567)	1,717,158
Capital assets, being depreciated:					
Buildings	68,144,323	-	-	362,896	68,507,219
Improvements other than buildings	39,515,113	21,730	-	209,671	39,746,514
Vehicles, machinery, furniture and equipment	6,991,271	244,174	308,245	-	6,927,200
Total capital assets, being depreciated	114,650,707	265,904	308,245	572,567	115,180,933
Less accumulated depreciation for:					
Buildings	13,772,679	1,360,324	-	-	15,133,003
Improvements other than buildings	10,011,303	790,738	-	-	10,802,041
Vehicles, machinery, furniture and equipment	4,925,525	398,037	206,092	-	5,117,470
Total accumulated depreciation	28,709,507	2,549,099	206,092	-	31,052,514
Total capital assets, being depreciated, net	85,941,200	(2,283,195)	102,153	572,567	84,128,419
Business-type activities capital assets, net	\$ 87,294,364	\$ (1,346,634)	\$ 102,153	\$ -	\$ 85,845,577

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

	Beginning Balance December 31,				Ending Balance December 31,
	2008	Additions	Deletions	Transfers	2009
Discretely Presented Waterloo Water Works Component Unit Capital Assets					
Capital assets, not being depreciated:					
Land	\$ 270,896	\$ -	\$ -	\$ -	\$ 270,896
Assets not in service	666,005	-	60,983	-	605,022
Construction-in-progress	230,129	800,702	932,545	-	98,286
Total capital assets, not being depreciated	1,167,030	800,702	993,528	-	974,204
Capital assets, being depreciated:					
Buildings and improvements	1,720,430	30,167	-	-	1,750,597
Water supply and distribution systems	20,925,619	938,086	-	-	21,863,705
Meters and equipment	1,472,263	-	-	-	1,472,263
Machinery and equipment	1,699,866	53,394	-	-	1,753,260
Total capital assets, being depreciated	25,818,178	1,021,647	-	-	26,839,825
Less accumulated depreciation for:					
Buildings and improvements	621,840	25,324	-	-	647,164
Water supply system	2,197,822	85,524	-	-	2,283,346
Distribution system	2,907,520	258,585	-	-	3,166,105
Meters and equipment	672,808	38,034	-	-	710,842
Machinery and equipment	1,023,170	86,030	-	-	1,109,200
Total accumulated depreciation	7,423,160	493,497	-	-	7,916,657
Total capital assets, being depreciated, net	18,395,018	528,150	-	-	18,923,168
Net discretely presented Waterloo Water Works component unit capital assets, net	\$ 19,562,048	\$ 1,328,852	\$ 993,528	\$ -	\$ 19,897,372

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, 2010:

Governmental activities:	
Public safety	\$ 875,457
Public works	8,881,685
Health and social services	1,387
Culture and recreation	1,162,868
Community and economic development	235,562
General government	61,082
Total governmental activities	<u>11,218,041</u>
Business-type activities:	
Sanitary sewer	2,281,819
Sanitation	267,280
Total business-type activities	<u>2,549,099</u>
Total primary government	<u>\$ 13,767,140</u>
Component unit - Waterloo Water Works	<u>\$ 493,497</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, 2010, 18 retirees were receiving annuitized payouts, the present value of which was \$81,242, all attributable to governmental activities.

During 2001, the City began offering an early sick leave payout option. Qualifying employees can elect to receive 60 percent of the balance in their frozen sick leave bank over a 52-month period prior to their retirement or termination of employment. As of June 30, 2010, all employees had received their payments and no liability was recorded.

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, 2010, the plan had no members so the discounted present value of deferred compensation was \$0.

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

Notes to Basic Financial Statements

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, 2010, there was \$2,095,207 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, the amount due to employees is computed as the amount equal to 60 percent of the total accumulated hours times the employee's current pay rate 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, 2010, there was \$393,176 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 any unused sick leave is payable to the employee as a bonus and the balance of 75 percent of the unused sick leave is added to the employee's sick leave storage bank for future use. The days accumulated in the bank after July 1, 1984 are not payable upon termination or retirement. Certain Fire Department employees are eligible to receive pay-outs of 75 percent of their unused sick leave, with the balance of 25 percent of their unused leave added to their sick leave storage bank. As of June 30, 2010, \$111,271, 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, 2010, there was \$942,780 accrued for unused compensatory time.

Employees are also eligible to receive pay-outs of unused casual leave. The City accrued a total of \$50,255 for unused casual leave earned during the fiscal year ended June 30, 2010.

The sick leave bonus and accrued casual pay are reported as compensated absences in the applicable fund which includes \$151,030 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, 2010:

	June 30, 2009	Increases and Issues	Decreases and Retirements	June 30, 2010	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 66,076,100	\$ 11,740,000	\$ 11,686,500	\$ 66,129,600	\$ 8,096,000
Loans and notes	3,392,268	-	1,246,799	2,145,469	1,200,750
Deferred compensation	103,022	33,272	55,052	81,242	37,615
Compensated absences	3,233,191	3,313,059	3,217,942	3,328,308	2,374,553
Subtotal	72,804,581	15,086,331	16,206,293	71,684,619	11,708,918
Less unamortized discounts and reacquisition costs	61,072	85,222	25,243	121,051	-
Add bond premium	32,590	-	4,716	27,874	-
	72,776,099	15,001,109	16,185,766	71,591,442	11,708,918
Business-type activities:					
General obligation bonds	15,168,900	4,580,000	1,923,500	17,825,400	1,694,000
Revenue bonds	10,870,000	-	1,585,000	9,285,000	1,630,000
Deferred compensation	3,087	42	3,129	-	-
Compensated absences	251,328	242,903	229,850	264,381	200,467
Subtotal	26,293,315	4,822,945	3,741,479	27,374,781	3,524,467
Less unamortized discounts and reacquisition costs	479,525	23,877	104,645	398,757	-
Total long-term debt	\$ 25,813,790	\$ 4,799,068	\$ 3,636,834	\$ 26,976,024	\$ 3,524,467

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 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 29, 2010, the City issued \$4,820,000 in General Obligation Bonds, Series 2010B maturing June 1, 2011 through June 1, 2017 with interest rates ranging from 1 percent to 2.45 percent to refund \$4,725,000 of the outstanding General Obligation Bonds, Series 2002A with interest rates from 3.35 percent to 4.6 percent. The net proceeds related to the refunding of \$4,797,587 (\$4,172,380 relating to governmental activities debt and \$625,207 relating to the portion of debt recorded in the Sanitary Sewer Fund) 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 2002A being refunded. As a result, all of the Series 2002A 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 July 15, 2010.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 9. Long-Term Debt (Continued)

The City completed the current refunding to reduce its total debt service payments over the next seven years by \$464,995 and to obtain an economic gain (difference between the present values of old and new debt service payments) of \$436,687.

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

Series 2010A in the amount of \$9,165,000 maturing June 1, 2011 through June 1, 2025 with interest rates ranging from 1 percent to 5 percent. Reasons for issuance were to finance the costs of various essential and general corporate purpose capital improvements in the City and pay costs of issuance of the bonds.

Taxable Series 2010C in the amount of \$2,335,000 matures June 1, 2011 through June 1, 2020 and has interest rates ranging from 1 percent to 4 percent. Reasons for issuance were to finance the costs of various essential and general corporate purpose capital improvements in the City and pay costs of issuance of the bonds.

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

Issue Date	Purpose	Interest Rates	Outstanding June 30, 2010
April 1998	Airport hanger	5.400% - 5.750%	\$ 355,000
June 2002	Taxable	4.000 - 6.000	705,000
June 2003	Various	2.000 - 3.000	2,970,000
June 2003	Taxable	3.750 - 4.900	570,000
June 2004	Various	2.500 - 4.750	4,575,000
June 2004	Taxable	3.000 - 5.900	2,710,000
June 2005	Various	3.000 - 4.000	4,525,000
June 2005	Taxable	4.000 - 5.000	1,435,000
June 2006	Various	3.800 - 4.000	6,160,000
June 2006	Taxable	5.625 - 5.850	1,690,000
June 2007	Various	4.000 - 4.500	14,685,000
June 2007	Refunding	4.000	2,415,000
June 2007	Taxable	5.400 - 5.600	890,000
June 2008	Various	3.500 - 3.900	7,645,000
June 2008	Taxable	5.000	2,475,000
June 2009	Refunding	1.000 - 5.000	5,360,000
June 2009	Taxable	1.750 - 5.750	8,470,000
June 2010	Refunding	1.000 - 2.450	4,820,000
June 2010	Taxable	1.000 - 5.000	11,500,000
Total			\$ 83,955,000

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, 2010 are as follows:

Year ending June 30:	GO Debt Service			
	General Obligation Bonds		Sanitary Sewer Enterprise Revenue Bonds	
	Principal	Interest	Principal	Interest
2011	\$ 8,096,000	\$ 2,484,120	\$ 1,630,000	\$ 429,322
2012	8,452,500	2,237,687	1,705,000	360,692
2013	8,092,200	1,960,062	1,790,000	286,053
2014	7,605,500	1,683,358	1,450,000	204,952
2015	7,197,200	1,414,087	1,500,000	133,228
2016 - 2020	22,041,200	3,628,734	1,210,000	71,225
2021 - 2025	4,645,000	488,883	-	-
	<u>\$ 66,129,600</u>	<u>\$ 13,896,931</u>	<u>\$ 9,285,000</u>	<u>\$ 1,485,472</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 \$10,770,472. Principal and interest paid for the current year and total customer net revenues were \$2,079,198 and \$5,929,188, 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.

Notes to Basic Financial Statements

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, 2010, sewer net revenue was 298 percent of sewer revenue bond debt service.

Loans and notes: The City, through its blended component unit, Waterloo Housing Authority, is indebted to the Federal Financing Bank (FFB) for \$416,746 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, 2010, the City paid principal of \$10,000 plus interest of \$900 on the loan. Payments are made from the TIF Debt Service Fund. As of June 30, 2010, the unpaid principal was \$20,000.

Notes to Basic Financial Statements

Note 9. Long-Term Debt (Continued)

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, 2009, the City drew \$1,900,000 of \$2,970,000 from the Department of Housing and Urban Development's Section 108 loan program to be used for the riverwalls reconstruction project. 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 Black Hawk County Solid Waste Commission distributions received by the City and the Community Development Block Grant Entitlement. The loan will be repaid using the Black Hawk County Solid Waste Commission distributions. The City paid principal of \$1,000,000 plus interest of \$8,110 on the loan during the year ended June 30, 2010.

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., \$313,403 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., \$121,533 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.
- Lockard Development, Inc., \$134,362 plus interest at 3 percent, through September 30, 2008 then at 5 percent, compounded annually. Accrued interest was 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., \$89,425 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.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 9. Long-Term Debt (Continued)

Other loans and notes: Other governmental activity loans and notes mature as follows:

	GO Debt Service		Nonmajor Governmental Funds	
	Principal	Interest	Principal	Interest
<u>Year ending June 30:</u>				
2011	\$ 58,859	\$ 27,505	\$ 1,141,891	\$ 28,110
2012	62,743	23,621	220,289	17,793
2013	66,831	19,533	161,383	10,898
2014	71,295	15,069	101,807	5,990
2015	76,001	10,363	68,859	3,576
2016 - 2017	81,017	5,347	34,494	1,941
	<u>\$ 416,746</u>	<u>\$ 101,438</u>	<u>\$ 1,728,723</u>	<u>\$ 68,308</u>

Discretely presented component unit:

	Balance			Balance	Due Within
	December 31, 2008	Additions	Deletions		
Capital loan notes	\$ 2,730,000	\$ -	\$ 295,000	\$ 2,435,000	\$ 310,000
Compensated absences	38,411	40,579	38,411	40,579	40,579
Subtotal	<u>2,768,411</u>	<u>40,579</u>	<u>333,411</u>	<u>2,475,579</u>	<u>350,579</u>
Less unamortized discount	22,372	-	3,196	19,176	-
Total long-term debt	<u>\$ 2,746,039</u>	<u>\$ 40,579</u>	<u>\$ 330,215</u>	<u>\$ 2,456,403</u>	<u>\$ 350,579</u>

Series 2007 capital loan notes, Bankers Trust Company, N.A. due in annual payments ranging from \$310,000 to \$390,000 through December 2016, plus interest semiannually at rates ranging from 3.75 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 80 percent of net revenue. The principal and interest remaining to be paid is \$2,831,665. For the current year, principal and interest paid and net revenue of the system were \$400,500 and \$1,961,964, 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 2009, 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, 2009 annual maturities of long-term debt were as follows:

Year ending December 31:	Principal	Interest	Total
2010	\$ 310,000	\$ 94,438	\$ 404,438
2011	320,000	82,812	402,812
2012	335,000	70,652	405,652
2013	345,000	57,923	402,923
2014	360,000	44,640	404,640
2015-2017	765,000	46,200	811,200
	<u>\$ 2,435,000</u>	<u>\$ 396,665</u>	<u>\$ 2,831,665</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 August 1, 2010, the agreement was extended for an additional five years at a monthly rental of \$4,500. As of June 30, 2009, this lease had expired.

Rental expense for all material operating leases was \$104,400 for the year ended June 30, 2010.

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 9.40 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, 2010, the City's rate was 17 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, 2010, 2009 and 2008 were \$2,249,021, \$2,417,019 and \$3,074,329, 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 4.30 percent of their annual salary and the City is required to contribute 6.65 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, 2010, 2009 and 2008 were \$991,202, \$923,462 and \$843,709, 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 2009, 2008 and 2007 were \$379,444, \$300,000 and \$215,000, respectively.

Annual pension cost and net pension obligation: The annual pension cost for 2009 was determined as part of the actuarial valuation using the January 1, 2009 aggregate actuarial method. This method does not identify or separately amortize unfunded actuarial accrued liabilities. The actuarial assumptions for 2008 and 2007 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, 2009 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, 2007	\$ 303,250	71%	\$ 4,249
December 31, 2008	277,211	108	(18,540)
December 31, 2009	397,984	95	-

Note 12. Deficit Fund Balances

Funds with deficit balances as of June 30, 2010 were as follows:

Major governmental, Capital projects, Vision Iowa agency projects	\$ 2,244,034
Nonmajor governmental:	
Special revenue:	
Grants	2,402,275
Federal aviation agency projects	22,601

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 13. Commitments

Construction: The City is involved in construction of capital assets, mainly streets, riverfront improvements and Brownfields reconstruction. 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, 2010, the City was committed to approximately \$15.3 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, 2010, the note balance was \$245,763.

Note 14. Other Postemployment Benefits

Plan description: The City sponsors a single-employer health care plan that provides self-insured medical, prescription drug, dental and vision benefits to all active and retired employees and their eligible dependents. As required by state law, employees who retire from service with the City prior to age 65 are eligible for coverage in the plan. Police and fire employees must have completed four years of service, be age 55 and vested in the Municipal Fire and Police Retirement System. All other employees must have completed four years of service, be age 55 and be vested in IPERS to participate in the plan. Retirees are allowed to be covered by the plan until they are medicare eligible at age 65. Spouses of retirees are eligible to be covered on the plan for an additional eight years or until they reach age 65, whichever is sooner. Other dependents are allowed to be covered under the plan while an eligible dependent. The plan does not issue a stand-alone financial report.

Funding policy: Management develops the health insurance plan contributions based on expected claims. The current funding policy of the City is to pay health claims as they occur. Retirees are responsible for the portion of premium rates not covered by the City.

The required contribution is based on projected pay-as-you-go financing. For fiscal year 2010, the City contributed \$1,994,000. Retiree and active members receiving benefits have required contributions of \$539.85 per month for single health coverage and \$1,367.72 for family coverage.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 14. Other Postemployment Benefits (Continued)

Annual OPEB cost and net OPEB obligation: The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance to the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actuarially contributed to the plan and changes in the City's annual OPEB obligation:

Annual required contribution	\$ 3,592,000
Interest on net OPEB obligation	23,000
Adjustment to annual required contribution	(25,000)
Annual OPEB cost (expense)	<u>3,590,000</u>
Contributions and payments made	<u>1,994,000</u>
Increase in net OPEB obligation	1,596,000
Net OPEB obligation - July 1, 2009	<u>514,000</u>
Net OPEB obligation - June 30, 2010	<u>\$ 2,110,000</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations for 2010 and the two preceding years follows. 2009 is the transition year of GASB Statement No. 45.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	N/A	N/A	N/A
June 30, 2009	2,775,000	81.48%	514,000
June 30, 2010	3,590,000	55.54	2,110,000

Funded status and funding progress: As of July 1, 2009, the most recent valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$42,655,000 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$42,655,000. The covered payroll (annual payroll of active employees covered by the plan) was \$29,563,940 and the ratio of the UAAL to the covered payroll was 144.28 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 14. Other Postemployment Benefits (Continued)

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

In the July 1, 2009 actuarial valuation, projected unit credit method was used. The actuarial assumptions included a 4.5 percent annual discount rate, a healthcare cost trend rate of 11 percent on a select basis reducing 0.5 percent each year until reaching the ultimate trend rate of 5 percent, and an annual salary increase of 3.5 percent. The UAAL is being amortized as a level percentage of salary on an open basis. The amortization of UAAL is over a period of 30 years.

Note 15. Employee Health Care Plan

The City provides health care, including dental, vision 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.

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:

	2010	2009
Estimated unpaid claims, beginning of year	\$ 1,118,259	\$ 1,012,315
Estimated claims incurred	8,482,295	8,696,186
Claims payments	(8,396,066)	(8,590,242)
Estimated unpaid claims, end of year	<u>\$ 1,204,488</u>	<u>\$ 1,118,259</u>
Estimated claim fluctuation reserves required:		
Reserved fund balance, General Fund		\$ 1,324,851
Reserved fund balance, Trust and Agency Fund		1,844,107
Total		<u><u>\$ 3,168,958</u></u>

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 16. 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:

	2010	2009
Estimated unpaid claims, beginning of year	\$ 189,707	\$ 152,184
Estimated claims incurred	412,296	497,736
Claims payments	(456,772)	(460,213)
Estimated unpaid claims, end of year	<u>\$ 145,231</u>	<u>\$ 189,707</u>

Note 17. 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 (\$1,360,024 during the year ended June 30, 2010). During the year ended June 30, 2010, 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, 2010, the Sanitation Fund received an operating grant of \$274,988 from SWMC. This grant was used to offset recycling costs.

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 18. 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, 2010 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.

In December 2010, the City authorized the issuance of an additional \$5,232,000 of industrial revenue bonds under the provisions of Chapter 419 of the Code of Iowa.

Notes to Basic Financial Statements

Note 19. 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, 2010, the City has designated \$2,980,139 of its General Fund, fund balance for insurable risks retained.

Note 20. 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, 2010, \$310,000 of the loan remained outstanding.

Note 21. Contingencies

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 is reasonably possible that the City may incur losses of \$95,000 from these cases that would not be covered under the City's insurance policies.

Note 22. Pollution Remediation Liability

The City acquired the former Construction Machinery Corporation site and subsequently obtained a grant to demolish the burned out building and complete environmental clean-up activities. The City has enrolled the property in the Iowa Land Recycling Program for closure in place. The City is required to complete groundwater monitoring on the site for two years prior to this closure. The City has recorded a liability of \$805 in the government-wide financial statements. The amount is the remainder to be paid on the \$25,000 two-year signed contract for the services.

Notes to Basic Financial Statements

Note 23. New GASB Statements and Pending Pronouncements

The City adopted the following GASB statements during the year ended June 30, 2010:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. 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. 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). As a result of implementation, the City capitalized intangible assets acquired prior to fiscal year ended June 30, 2010 and restated beginning governmental activities net assets by \$100,674.
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. 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. This Statement had no effect on the City in the current year.
- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. This Statement provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs. 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. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, will be effective for the City beginning with its year ending June 30, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints.
- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, an amendment of GASB Statement No. 43 and No. 45, issued January 2010, will be effective for the City beginning with its year ending June 30, 2012. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 23. New GASB Statements and Pending Pronouncements (Continued)

- GASB Statement No. 59, *Financial Instruments Omnibus*, issued June 2010, will be effective for the City beginning with its year ending June 30, 2011. This Statement is intended to update and improve existing standards regarding financial reporting of certain financial instruments and external investment pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investment pools, addressing the applicability of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, and applying the reporting provisions for interest-earning investment contracts of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

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

Note 24. Restatement

The City adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, in the current year. As a result fiscal year 2009 governmental activities balances were restated as follows:

	Balance June 30, 2009 as Previously Reported	Restatement	Balance June 30, 2010 as Restated
Capital assets, being depreciated, net	\$ 208,177,547	\$ 100,674	\$ 208,278,221
Net assets invested in capital assets net of related debt	216,863,066	100,674	216,963,740
Governmental activities, net assets	254,254,160	100,674	254,354,834

City of Waterloo, Iowa

**Required Supplementary Information
Other Postemployment Benefit Plan**

SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Net Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2009	7/1/07	\$ -	\$ 35,372,000	\$ 35,372,000	- %	\$ 28,761,923	122.98%
2010	7/1/09	-	42,655,000	42,655,000	-	29,563,940	144.28

The information presented in the required supplementary schedule was determined as part of the actuarial valuation date as of July 1, 2009. Additional information follows:

- a. The actuarial method used to determine the ARC is the projected unit credit method.
- b. There are no plan assets.
- c. The actuarial assumptions included: a) 4.5 percent annual discount rate, b) a healthcare cost trend rate of 11 percent initially, decreasing 0.5 percent each year until reaching the ultimate trend rate of 5 percent, and c) an annual salary increase of 3.5 percent.
- d. The amortization method is level percentage of pay on an open basis over 30 years.

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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, 2010

	Budgeted Amounts	
	Original	Final
Revenues and other financing sources receipts:		
Receipts:		
Property taxes	\$ 36,645,462	\$ 36,645,462
Tax increment financing	5,083,941	5,083,941
Other City taxes	13,321,393	14,307,393
Licenses and permits	1,275,124	1,054,330
Use of money and property	1,537,290	1,388,521
Intergovernmental	34,810,853	49,780,097
Charges for services	19,725,437	19,368,730
Special assessments	148,671	148,671
Miscellaneous	5,952,517	9,420,112
Total receipts	118,500,688	137,197,257
Other financing sources:		
Transfer from other funds	19,528,591	20,588,591
Issuance of long-term debt	9,400,000	16,900,000
Proceeds from sale of capital assets	70,600	1,865,509
Total other financing sources	28,999,191	39,354,100
Total receipts and other financing sources	147,499,879	176,551,357
Disbursements and other financing uses:		
Governmental-type activities:		
Public safety	26,324,971	27,784,511
Public works	25,908,588	29,869,763
Health and social services	392,685	376,784
Culture and recreation	8,647,752	9,045,889
Community and economic development	13,288,640	18,961,073
General government	4,893,572	6,432,137
Debt service	13,057,342	18,657,342
Capital projects	27,615,773	39,940,465
Business-type activities	14,154,053	14,020,494
Total disbursements	134,283,376	165,088,458
Other financing uses,		
transfers to other funds	19,528,591	20,588,591
Total disbursements and other financing uses	153,811,967	185,677,049
Receipts and other financing sources over (under)		
disbursements and other financing uses	(6,312,088)	(9,125,692)
Balances, beginning of year	61,792,284	67,668,791
Balances, end of year	\$ 55,480,196	\$ 58,543,099

See Note to Required Supplementary Information.

Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
\$ 36,636,206	\$ (9,256)
5,052,144	(31,797)
14,353,337	45,944
991,903	(62,427)
1,263,928	(124,593)
30,239,688	(19,540,409)
19,660,529	291,799
404,905	256,234
9,059,819	(360,293)
<u>117,662,459</u>	<u>(19,534,798)</u>
17,003,046	(3,585,545)
16,272,894	(627,106)
2,088,642	223,133
<u>35,364,582</u>	<u>(3,989,518)</u>
<u>153,027,041</u>	<u>(23,524,316)</u>
26,435,677	1,348,834
27,107,517	2,762,246
317,426	59,358
8,458,641	587,248
12,586,360	6,374,713
5,251,257	1,180,880
17,996,275	661,067
25,799,554	14,140,911
11,946,577	2,073,917
<u>135,899,284</u>	<u>29,189,174</u>
<u>17,003,046</u>	<u>3,585,545</u>
<u>152,902,330</u>	<u>32,774,719</u>
124,711	9,250,403
67,668,791	-
<u>\$ 67,793,502</u>	<u>\$ 9,250,403</u>

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City of Waterloo, Iowa

**Note to Required Supplementary Information – Budgetary Reporting
Year Ended June 30, 2010**

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 \$30,805,082. 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.

City of Waterloo, Iowa

**Schedule of Comparison
Funds Statements (GAAP Basis) to Budgetary (Modified Cash) Basis
Required Supplementary Information
Year Ended June 30, 2010**

	Governmental Fund Types Basis Actual Amounts	Enterprise Fund Types Basis Actual Amounts	Total Funds
Revenue/Receipts:			
Property taxes and TIF revenue	\$ 40,454,704	\$ -	\$ 40,454,704
Other taxes	13,982,362	-	13,982,362
Licenses and permits	996,031	-	996,031
Use of money and property	1,231,835	17,730	1,249,565
Intergovernmental	30,681,962	314,940	30,996,902
Charges for services	5,932,437	14,561,502	20,493,939
Interfund charges for services	2,385,680	-	2,385,680
Special assessments	225,198	-	225,198
Miscellaneous	3,773,963	22,521	3,796,484
Total revenue/receipts	99,664,172	14,916,693	114,580,865
Expenditures and expenses/disbursements:			
Public safety	26,947,910	-	26,947,910
Public works	27,635,226	-	27,635,226
Health and social services	316,974	-	316,974
Culture and recreation	9,264,689	-	9,264,689
Community and economic development	17,423,767	-	17,423,767
General government	5,097,361	-	5,097,361
Debt service	11,583,129	-	11,583,129
Capital projects	15,126,719	-	15,126,719
Business-type activities	-	12,555,096	12,555,096
Total expenditures and expenses/disbursements	113,395,775	12,555,096	125,950,871
Net	(13,731,603)	2,361,597	(11,370,006)

(Continued)

Budgetary Basis Exceptions	Property Tax Collected for and Remitted to MET	Other GAAP Conversion Adjustments	Budgetary Basis
\$ -	\$ 1,360,024	\$ (126,378)	\$ 41,688,350
-	-	370,975	14,353,337
-	-	(4,128)	991,903
-	-	14,363	1,263,928
-	-	(757,214)	30,239,688
-	-	(833,410)	19,660,529
-	-	(2,385,680)	-
-	-	179,707	404,905
-	-	5,263,335	9,059,819
-	1,360,024	1,721,570	117,662,459
-	-	(512,233)	26,435,677
-	1,360,024	(1,887,733)	27,107,517
-	-	452	317,426
-	-	(806,048)	8,458,641
-	-	(4,837,407)	12,586,360
-	-	153,896	5,251,257
6,082,543 (a,b)	-	330,603	17,996,275
-	-	10,672,835	25,799,554
(1,910,163) (a)	-	1,301,644	11,946,577
4,172,380	1,360,024	4,416,009	135,899,284
(4,172,380)	-	(2,694,439)	(18,236,825)

City of Waterloo, Iowa

**Schedule of Comparison
Funds Statements (GAAP Basis) to Budgetary (Modified Cash) Basis (Continued)
Required Supplementary Information
Year Ended June 30, 2010**

	Governmental Fund Types Basis Actual Amounts	Enterprise Fund Types Basis Actual Amounts	Total Funds
Other financing sources (uses):			
Transfers in	\$ 14,434,303	\$ -	\$ 14,434,303
Transfers out	(14,434,303)	-	(14,434,303)
Insurance proceeds	1,734,450	-	1,734,450
Bond discount	(62,842)	-	(62,842)
Proceeds from sales of capital assets	2,243,301	-	2,243,301
Issuance of long-term debt	11,740,000	-	11,740,000
Payments to refunding escrow	(4,172,380)	-	(4,172,380)
Total other financing sources (uses)	11,482,529	-	11,482,529
Change in fund balance/net assets	(2,249,074)	2,361,597	112,523
Balance, beginning of year	50,342,423	78,031,409	128,373,832
Balance, end of year	<u>\$ 48,093,349</u>	<u>\$ 80,393,006</u>	<u>\$ 128,486,355</u>

(a) Principal and interest on general obligation debt of \$1,910,163 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 \$4,172,380 were budgeted and reported as debt service.

Budgetary Basis Exceptions		Property Tax Collected for and Remitted to MET		Other GAAP Conversion Adjustments	Budgetary Basis
\$ 1,910,163	(a)	\$ -		\$ 658,580	\$ 17,003,046
(1,910,163)	(a)	-		(658,580)	(17,003,046)
-		-		(1,734,450)	-
-		-		62,842	-
-		-		(154,659)	2,088,642
-		-		4,532,894	16,272,894
4,172,380	(b)	-		-	-
4,172,380		-		2,706,627	18,361,536
-		-		12,188	124,711
-		-		(60,705,041)	67,668,791
\$ -		\$ -		\$ (60,692,853)	\$ 67,793,502

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City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)

General Fund
Year Ended June 30, 2010

Revenues:	
Property taxes	\$ 16,597,621
Other taxes	3,801,807
Licenses and permits	986,226
Investment income	114,701
Rent	737,793
Intergovernmental	1,786,513
Charges for services	5,657,497
Indirect allocations	2,150,680
Special assessments	123,098
Miscellaneous	2,202,427
Total revenues	<u><u>\$ 34,158,363</u></u>
Expenditures:	
Public Safety Function	
Mayor	
Black Hawk Emergency Management Agency	
Contractual services	\$ 47,132
Total Activity and Department	<u>47,132</u>
Police Department	
Police Operations	
Compensation and benefits	10,151,429
Contractual services	854,541
Commodities	334,188
Total Activity	<u>11,340,158</u>
Police Computer Services	
Contractual services	65,092
Commodities	53,617
Total Activity	<u>118,709</u>
Police Grants	
Compensation and benefits	697,892
Contractual services	46,359
Commodities	56,525
Capital outlay	31,328
Total Activity	<u>832,104</u>
Law Enforcement Programs	
Contractual services	196,922
Commodities	153,251
Total Activity	<u>350,173</u>
Tobacco Grant	
Compensation and benefits	3,227
Total Activity	<u>3,227</u>
COPS Grant	
Compensation and benefits	124,343
Contractual services	17,257
Total Activity	<u>141,600</u>
Total Department	<u><u>12,785,971</u></u>

(Continued)

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)

General Fund

Year Ended June 30, 2010

Expenditures:

Public Safety Function

Fire Department

Fire Protection

Compensation and benefits \$ 8,122,619

Contractual services 369,655

Commodities 153,566

Total Activity 8,645,840

Fire Restricted Programs

Contractual services 7,252

Commodities 1,391

Total Activity 8,643

Fire Ambulance Services

Compensation and benefits 1,164,998

Contractual services 144,485

Commodities 171,085

Total Activity 1,480,568

Fire Safety Program

Compensation and benefits 175,255

Contractual services 33,804

Commodities 429

Total Activity 209,488

Fire Federal CDC Grant

Compensation and benefits 133,698

Contractual services 33,198

Commodities 3,436

Total Activity 170,332

Total Department 10,514,871

Traffic Operations Department

Animal Control

Contractual services 227,122

Commodities 452

Total Activity and Department 227,574

Building Inspection Department

Building and Housing Safety

Compensation and benefits 846,402

Contractual services 33,632

Commodities 27,062

Total Activity and Department 907,096

Public Safety Function Totals

Current

Compensation and benefits 21,419,863

Contractual services 2,076,451

Commodities 955,002

Subtotal 24,451,316

Capital outlay 31,328

Total Public Safety Function \$ 24,482,644

(Continued)

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)

General Fund

Year Ended June 30, 2010

Expenditures:

Public Works Function

Mayor

Telecommunications

Contractual services

\$ 147

Total Activity and Department

147

Clerk

Parking Administration

Compensation and benefits

75,704

Contractual services

50,993

Commodities

3,775

Total Activity and Department

130,472

City Engineer

Sidewalk Repair/Construction

Commodities

423

Capital outlay

112,679

Total Activity and Department

113,102

Traffic Operations

Parking Maintenance

Compensation and benefits

187,948

Contractual services

47,153

Commodities

12,339

Total Activity and Department

247,440

Central Garage

Central Garage

Compensation and benefits

690,834

Contractual services

30,237

Commodities

93,883

Total Activity

814,954

Motor Pool Service

Commodities

200,070

Total Activity

200,070

Total Department

1,015,024

Airport

Airport Administration

Compensation and benefits

471,307

Contractual services

264,778

Commodities

97,591

Total Activity and Department

833,676

Public Works Function Totals

Current

Compensation and benefits

1,425,793

Contractual services

393,308

Commodities

408,081

Subtotal

2,227,182

Capital outlay

112,679

Total Public Works Function

\$ 2,339,861

(Continued)

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)

General Fund

Year Ended June 30, 2010

Expenditures:

Health and Social Services Function

Mayor

Jesse Cosby Neighborhood

Contractual services

\$ 3,000

Total Activity

3,000

Health and Sanitation

Contractual services

75,000

Total Activity

75,000

Total Department

78,000

Human Rights Department

Human Rights

Compensation and benefits

166,610

Contractual services

11,410

Commodities

1,559

Total Activity

179,579

Housing Enforcement

Compensation and benefits

21,878

Contractual services

32,283

Total Activity

54,161

Cedar Valley Diversity Action Team

Contractual services

5,234

Total Activity

5,234

Total Department

238,974

Health and Social Services Function Totals

Current

Compensation and benefits

188,488

Contractual services

126,927

Commodities

1,559

Total Health and Social Services Function

\$ 316,974

(Continued)

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)

General Fund

Year Ended June 30, 2010

Expenditures:

Culture and Recreation Function

Mayor

KBBG Communications

Contractual services

\$ 1,500

Total Activity

1,500

Fairfiew Cemetery Association

Contractual services

40,000

Total Activity

40,000

Total Department

41,500

Cultural/Arts

Center for the Arts

Compensation and benefits

613,445

Contractual services

80,886

Commodities

23,691

Total Activity

718,022

Youth Pavilion

Compensation and benefits

237,935

Contractual services

49,048

Commodities

26,283

Total Activity

313,266

Culture and Arts Grants and Projects

Contractual services

111,303

Total Activity

111,303

Total Department

1,142,591

Library

Library Services

Compensation and benefits

1,143,145

Contractual services

255,076

Commodities

156,799

Total Activity

1,555,020

Library Enrich Iowa

Contractual services

10,597

Commodities

7,313

Total Activity

17,910

Library Access Plus

Commodities

6,500

Total Activity

6,500

Library Grants

Contractual services

1,223

Commodities

5,549

Total Activity

6,772

(Continued)

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)

General Fund

Year Ended June 30, 2010

Expenditures:

Culture and Recreation Function

Library

Library Gift and Trust

Contractual services \$ 20,110

Commodities 56,429

Total Activity 76,539

Library Service Area

Commodities 32,466

Total Activity 32,466

County Library System

Compensation and benefits 58,676

Contractual services 5,845

Commodities 9,464

Total Activity 73,985

Library Open Access

Commodities 5,000

Total Activity 5,000

Total Department 1,774,192

Leisure Services

Leisure Services

Compensation and benefits 1,649,844

Contractual services 227,485

Commodities 254,208

Total Activity 2,131,537

Downtown Area Maintenance

Compensation and benefits 148,191

Contractual services 19,719

Commodities 25,575

Total Activity 193,485

Leisure Services Projects

Compensation and benefits 5,691

Contractual services 12,191

Commodities 83,296

Capital outlay 182,488

Total Activity 283,666

Golf Courses

Compensation and benefits 840,701

Contractual services 108,102

Commodities 111,895

Total Activity 1,060,698

Golf Course Improvements

Contractual services 17,726

Commodities 11,390

Total Activity 29,116

Sports and Youth Services

Compensation and benefits 418,994

Contractual services 31,796

Commodities 104,631

Total Activity 555,421

(Continued)

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)

General Fund

Year Ended June 30, 2010

Expenditures:

Culture and Recreation Function

Leisure Services

Young Arena

Compensation and benefits

\$ 401,887

Contractual services

164,640

Commodities

185,155

Total Activity

751,682

Total Department

5,005,605

Culture and Recreation Function Totals

Current

Compensation and benefits

5,518,509

Contractual services

1,157,247

Commodities

1,105,644

Subtotal

7,781,400

Capital outlay

182,488

Total Culture and Recreation Function

\$ 7,963,888

Community and Economic Development Function

Mayor

Iowa Northland Council of Governments

Contractual services

\$ 30,248

Total Activity

30,248

Tourism Promotion

Compensation and benefits

688

Contractual services

191,182

Total Activity

191,870

Waterloo Convention & Visitors Bureau, Inc.

Contractual services

560,274

Total Activity

560,274

Economic Development

Contractual services

13,941

Total Activity

13,941

Total Department

796,333

Planning and Zoning

Planning and Zoning

Compensation and benefits

349,044

Contractual services

13,560

Commodities

6,906

Capital outlay

2,306

Total Activity

371,816

City Property Management

Contractual services

44,008

Total Activity

44,008

(Continued)

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)

General Fund

Year Ended June 30, 2010

Expenditures:

Community and Economic Development Function

Planning and Zoning

Economic Development

Compensation and benefits

\$ 61,461

Contractual services

21,000

Total Activity

82,461

Special Projects

Contractual services

44,084

Total Activity

44,084

Total Department

542,369

Building Inspection

Code Enforcement

Compensation and benefits

245,717

Contractual services

14,908

Commodities

5,604

Total Activity

266,229

Five Sullivans Civic Center

Compensation and benefits

79,446

Contractual services

96,389

Commodities

12,260

Capital outlay

17,598

Total Activity

205,693

Total Department

471,922

Community and Economic Development Function Totals

Current

Compensation and benefits

736,356

Contractual services

1,029,594

Commodities

24,770

Subtotal

1,790,720

Capital outlay

19,904

Total Community and Economic Development Function

\$ 1,810,624

(Continued)

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)

General Fund

Year Ended June 30, 2010

Expenditures:

General Government Function

Mayor

Mayor's Office

Compensation and benefits	\$ 172,439
Contractual services	13,205
Commodities	1,265
Total Activity	<u>186,909</u>

Administrative and Management Information Services

Compensation and benefits	181,924
Contractual services	92,511
Commodities	341
Total Activity	<u>274,776</u>
Total Department	<u>461,685</u>

City Council

City Council

Compensation and benefits	56,541
Contractual services	225
Total Activity and Department	<u>56,766</u>

City Clerk and Finance

Telecommunications

Compensation and benefits	125,438
Contractual services	1,782
Commodities	9,935
Total Activity	<u>137,155</u>

City Clerk and Finance

Compensation and benefits	687,851
Contractual services	376,189
Claims, judgments, contingencies	74,327
Commodities	15,836
Total Activity	<u>1,154,203</u>

Liability Insurance

Compensation and benefits	51,416
Contractual services	1,680,784
Total Activity	<u>1,732,200</u>

Health/Life Insurance

Compensation and benefits	5,605
Contractual services	(83,583)
Total Activity	<u>(77,978)</u>

Self-Funded Worker's Compensation

Contractual services	409,536
Total Activity	<u>409,536</u>

Print Shop

Contractual services	67,888
Total Activity	<u>67,888</u>
Total Department	<u>3,423,004</u>

(Continued)

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances

General Fund

Year Ended June 30, 2010

Expenditures:

General Government Function

City Attorney

City Attorney

Compensation and benefits

\$ 164,333

Contractual services

163,136

Commodities

10,992

Total Activity and Department

338,461

Human Resources

Employee Assistance Program

Contractual services

2,490

Total Activity

2,490

Human Resources

Compensation and benefits

250,004

Contractual services

18,617

Commodities

1,903

Total Activity

270,524

Safety Committee

Compensation and benefits

5,136

Contractual services

3,466

Commodities

8,864

Total Activity

17,466

Total Department

290,480

Building Inspection

Facilities Maintenance

Compensation and benefits

157,423

Contractual services

185,906

Commodities

63,084

Total Activity

406,413

Facilities Restricted Project

Contractual services

56

Commodities

3,529

Total Activity

3,585

Veteran's Memorial Hall

Contractual services

7,244

Total Activity

7,244

Total Department

417,242

General Government Function and Debt Service Function Totals

Current

Compensation and benefits

1,858,110

Contractual services

3,013,779

Commodities

115,749

Total General Government and Debt Service Function

\$ 4,987,638

(Continued)

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)

General Fund

Year Ended June 30, 2010

Expenditures:	
Public Safety	\$ 24,482,644
Public Works	2,339,861
Health and Social Services	316,974
Culture and Recreation	7,963,888
Community and Economic Development	1,810,624
General Government and Debt Service	<u>4,987,638</u>
Total Expenditures	<u>\$ 41,901,629</u>
Revenue Under Expenditures	<u>\$ (7,743,266)</u>
Other Financing Sources (Uses)	
Transfers in	8,997,105
Transfers out	(1,592,888)
Insurance proceeds	1,734,450
Proceeds from sale of capital assets	<u>115,796</u>
Total Other Financing Sources	<u>9,254,463</u>
Net Change in Fund Balance	1,511,197
Fund Balance, beginning of year	<u>15,240,672</u>
Fund Balance, end of year	<u>\$ 16,751,869</u>

City of Waterloo, Iowa

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010**

	Special Revenue	Capital Projects	Total
Assets			
Cash and cash equivalents	\$ 6,707,484	\$ 15,733,779	\$ 22,441,263
Investments	502,213	-	502,213
Receivables:			
Customer accounts	4,127	1,523,913	1,528,040
Property taxes:			
Delinquent	33,131	-	33,131
Succeeding year	5,611,770	-	5,611,770
Accrued interest	33	-	33
Due from other funds	129,307	43,452	172,759
Due from other governments:			
Federal	974,993	-	974,993
Iowa	5,293,563	-	5,293,563
Other	79,188	-	79,188
Inventories and prepaids	168,803	-	168,803
Restricted assets, cash and cash equivalents	2,589,085	-	2,589,085
Total assets	\$ 22,093,697	\$ 17,301,144	\$ 39,394,841
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 851,741	\$ 766,873	\$ 1,618,614
Retainages payable	313,170	621,745	934,915
Accrued liabilities	243,807	-	243,807
Due to other funds	3,396,927	-	3,396,927
Deferred revenue	8,980,144	1,523,913	10,504,057
Compensated absences	31,514	-	31,514
Payable from restricted assets	102,124	-	102,124
Total liabilities	13,919,427	2,912,531	16,831,958
Fund Balances:			
Reserved for inventories and prepaids	168,803	-	168,803
Reserved for improvements	176,489	-	176,489
Unreserved, undesignated	7,828,978	14,388,613	22,217,591
Total fund balances	8,174,270	14,388,613	22,562,883
Total liabilities and fund balances	\$ 22,093,697	\$ 17,301,144	\$ 39,394,841

City of Waterloo, Iowa

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2010**

	Special Revenue	Capital Projects	Total
Revenues:			
Property taxes	\$ 5,601,683	\$ -	\$ 5,601,683
Other taxes	25,819	-	25,819
Licenses and permits	9,805	-	9,805
Investment income	8,249	11,968	20,217
Rent	197,528	-	197,528
Intergovernmental	27,980,117	30,000	28,010,117
Charges for services	269,190	5,750	274,940
Interfund charges for services	235,000	-	235,000
Special assessments	-	102,100	102,100
Miscellaneous	151,271	1,339,883	1,491,154
Total revenues	34,478,662	1,489,701	35,968,363
Expenditures:			
Current:			
Public safety	234,887	-	234,887
Public works	15,651,659	-	15,651,659
Culture and recreation	1,300,801	-	1,300,801
Community and economic development	15,613,143	-	15,613,143
General government	71,074	-	71,074
Debt service:			
Principal	191,585	-	191,585
Interest and fees	46,165	-	46,165
Bond issuance costs	-	45,698	45,698
Capital outlay	-	12,277,362	12,277,362
Total expenditures	33,109,314	12,323,060	45,432,374
Revenues over (under) expenditures	1,369,348	(10,833,359)	(9,464,011)
Other financing sources (uses):			
Transfers in	577,051	1,196,722	1,773,773
Transfers out	(3,576,527)	(31,636)	(3,608,163)
Bond discount	-	(42,328)	(42,328)
Proceeds from sale of capital assets	-	2,127,505	2,127,505
Issuance of long-term debt	-	7,500,000	7,500,000
Total other financing sources (uses)	(2,999,476)	10,750,263	7,750,787
Net change in fund balance	(1,630,128)	(83,096)	(1,713,224)
Fund balance, beginning of year	9,804,398	14,471,709	24,276,107
Fund balance, end of year	\$ 8,174,270	\$ 14,388,613	\$ 22,562,883

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City of Waterloo, Iowa

**Special Revenue Funds
June 30, 2010**

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.

City of Waterloo, Iowa

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2010

	Special Revenue			
	Library Tax Levy	Community Development Block Grant	Section 108 Loan Program	Road Use Tax
Assets				
Cash and cash equivalents	\$ 166,332	\$ 700	\$ 517,404	\$ 2,943,340
Investments	-	-	-	-
Receivables:				
Customer accounts	-	-	-	4,127
Property taxes:				
Delinquent	5,214	-	-	-
Succeeding year	544,352	-	-	-
Accrued interest	-	-	-	-
Due from other funds	7,825	-	-	108,189
Due from other governments:				
Federal	-	428,699	-	-
Iowa	-	-	-	1,082,698
Other	7,924	-	-	-
Inventories and prepaids	-	-	-	162,983
Restricted cash and cash equivalents	-	-	-	-
Total assets	\$ 731,647	\$ 429,399	\$ 517,404	\$ 4,301,337
Liabilities and Fund Balances (Deficits)				
Liabilities:				
Accounts payable	\$ -	\$ 121,579	\$ -	\$ 60,518
Retainages payable	-	-	-	-
Accrued liabilities	24,697	26,724	-	164,374
Due to other funds	-	260,267	-	-
Deferred revenue	549,566	-	-	945
Compensated absences	2,637	5,340	-	19,004
Payable from restricted assets	-	-	-	-
Total liabilities	576,900	413,910	-	244,841
Fund balances (deficits):				
Reserved for inventories and prepaids	-	-	-	162,983
Reserved for improvements	-	-	-	-
Unreserved, undesignated	154,747	15,489	517,404	3,893,513
Total fund balances (deficits)	154,747	15,489	517,404	4,056,496
Total liabilities and fund balances (deficits)	\$ 731,647	\$ 429,399	\$ 517,404	\$ 4,301,337

Special Revenue

Housing Programs	Grants	Federal Aviation Agency Projects	Tax Increment Financing	Total
\$ 1,525,234	\$ -	\$ -	\$ 1,554,474	\$ 6,707,484
502,213	-	-	-	502,213
-	-	-	-	4,127
-	-	-	27,917	33,131
-	-	-	5,067,418	5,611,770
33	-	-	-	33
13,293	-	-	-	129,307
13,545	50,954	481,795	-	974,993
-	4,195,715	15,150	-	5,293,563
-	-	-	71,264	79,188
5,820	-	-	-	168,803
2,132,596	-	176,489	280,000	2,589,085
<u>\$ 4,192,734</u>	<u>\$ 4,246,669</u>	<u>\$ 673,434</u>	<u>\$ 7,001,073</u>	<u>\$ 22,093,697</u>
\$ 41,401	\$ 550,072	\$ 45,203	\$ 32,968	\$ 851,741
-	67,003	246,167	-	313,170
22,473	5,539	-	-	243,807
-	3,061,522	35,175	39,963	3,396,927
-	2,964,808	369,490	5,095,335	8,980,144
4,533	-	-	-	31,514
102,124	-	-	-	102,124
<u>170,531</u>	<u>6,648,944</u>	<u>696,035</u>	<u>5,168,266</u>	<u>13,919,427</u>
5,820	-	-	-	168,803
-	-	176,489	-	176,489
4,016,383	(2,402,275)	(199,090)	1,832,807	7,828,978
<u>4,022,203</u>	<u>(2,402,275)</u>	<u>(22,601)</u>	<u>1,832,807</u>	<u>8,174,270</u>
<u>\$ 4,192,734</u>	<u>\$ 4,246,669</u>	<u>\$ 673,434</u>	<u>\$ 7,001,073</u>	<u>\$ 22,093,697</u>

City of Waterloo, Iowa

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Nonmajor Special Revenue Funds
Year Ended June 30, 2010**

	Special Revenue			
	Library Tax Levy	Community Development Block Grant	Section 108 Loan Program	Road Use Tax
Revenues:				
Property taxes	\$ 531,904	\$ -	\$ -	\$ -
Other taxes	25,819	-	-	-
Licenses and permits	-	-	-	9,805
Investment income	247	-	260	-
Rent	-	-	-	-
Intergovernmental	-	3,460,901	-	6,494,054
Charges for services	-	78,996	-	87,042
Interfund charges for services	-	-	-	235,000
Miscellaneous	-	39,388	-	46,826
Total revenues	557,970	3,579,285	260	6,872,727
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	6,860,050
Culture and recreation	536,793	-	-	-
Community and economic development	-	3,572,139	-	-
General government	-	-	-	-
Debt services:				
Principal	-	-	-	-
Interest and fees	-	-	-	-
Total expenditures	536,793	3,572,139	-	6,860,050
Revenue over (under) expenditures	21,177	7,146	260	12,677
Other financing sources (uses):				
Transfers in	-	-	-	340,147
Transfers out	-	-	(10,631)	-
Total other financing sources (uses)	-	-	(10,631)	340,147
Net changes in fund balance (deficits)	21,177	7,146	(10,371)	352,824
Fund balances (deficits), beginning of year	133,570	8,343	527,775	3,703,672
Fund balances (deficits), end of year	\$ 154,747	\$ 15,489	\$ 517,404	\$ 4,056,496

Special Revenue				
Housing Programs	Grants	Federal Aviation Agency Projects	Tax Increment Financing	Total
\$ -	\$ -	\$ -	\$ 5,069,779	\$ 5,601,683
-	-	-	-	25,819
-	-	-	-	9,805
1,107	-	872	5,763	8,249
197,528	-	-	-	197,528
4,899,208	8,261,323	4,864,631	-	27,980,117
27,834	6,275	69,043	-	269,190
-	-	-	-	235,000
5,296	9,812	49,949	-	151,271
5,130,973	8,277,410	4,984,495	5,075,542	34,478,662
-	217,314	17,573	-	234,887
-	3,637,033	5,154,576	-	15,651,659
-	764,008	-	-	1,300,801
5,165,739	5,479,469	-	1,395,796	15,613,143
-	71,074	-	-	71,074
-	-	-	191,585	191,585
-	-	-	46,165	46,165
5,165,739	10,168,898	5,172,149	1,633,546	33,109,314
(34,766)	(1,891,488)	(187,654)	3,441,996	1,369,348
-	21,286	111,618	104,000	577,051
-	-	-	(3,565,896)	(3,576,527)
-	21,286	111,618	(3,461,896)	(2,999,476)
(34,766)	(1,870,202)	(76,036)	(19,900)	(1,630,128)
4,056,969	(532,073)	53,435	1,852,707	9,804,398
\$ 4,022,203	\$ (2,402,275)	\$ (22,601)	\$ 1,832,807	\$ 8,174,270

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City of Waterloo, Iowa

Debt Service Fund
June 30, 2010

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, 2010

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:

Major:

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.

Nonmajor:

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.

June 2009 GO Bonds Fund – This fund is used to account for proceeds from the 2009 general obligation bond sale until expended for the proper purpose.

June 2010 GO Bonds Fund – This fund is used to account for proceeds from the 2010 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.

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, 2010

	June 2005 GO Bonds	June 2006 GO Bonds	June 2007 GO Bonds	June 2008 GO Bonds
Assets				
Cash and cash equivalents	\$ -	\$ 378,824	\$ 1,393,974	\$ 1,573,833
Receivables, customer accounts	-	-	-	-
Due from other funds	-	-	-	-
Total assets	\$ -	\$ 378,824	\$ 1,393,974	\$ 1,573,833
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 31,334	\$ 56,139	\$ 90,911
Retainages payable	-	59,822	19,578	185,335
Deferred revenue	-	-	-	-
Total liabilities	-	91,156	75,717	276,246
Fund balances, unreserved, undesignated	-	287,668	1,318,257	1,297,587
Total liabilities and fund balances	\$ -	\$ 378,824	\$ 1,393,974	\$ 1,573,833

June 2009 GO Bonds	June 2010 GO Bonds	Rath Area Redevelopment	Capital Improvements	Total
\$ 3,483,062	\$ 7,447,852	\$ 73,194	\$ 1,383,040	\$ 15,733,779
-	-	-	1,523,913	1,523,913
-	-	-	43,452	43,452
<u>\$ 3,483,062</u>	<u>\$ 7,447,852</u>	<u>\$ 73,194</u>	<u>\$ 2,950,405</u>	<u>\$ 17,301,144</u>
\$ 208,102	\$ 71,025	\$ -	\$ 309,362	\$ 766,873
20,727	162,924	-	173,359	621,745
-	-	-	1,523,913	1,523,913
<u>228,829</u>	<u>233,949</u>	<u>-</u>	<u>2,006,634</u>	<u>2,912,531</u>
3,254,233	7,213,903	73,194	943,771	14,388,613
<u>\$ 3,483,062</u>	<u>\$ 7,447,852</u>	<u>\$ 73,194</u>	<u>\$ 2,950,405</u>	<u>\$ 17,301,144</u>

City of Waterloo, Iowa

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Capital Projects Funds

Year Ended June 30, 2010

	June 2005 GO Bonds	June 2006 GO Bonds	June 2007 GO Bonds	June 2008 GO Bonds
Revenues:				
Investment income	\$ 175	\$ 792	\$ 2,060	\$ 2,890
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	175	792	2,060	2,890
Expenditures:				
Debt service, bond issuance costs	-	-	-	2,800
Capital outlay	382,832	751,328	1,110,655	1,958,694
Total expenditures	382,832	751,328	1,110,655	1,961,494
Revenues over (under) expenditures	(382,657)	(750,536)	(1,108,595)	(1,958,604)
Other financing sources (uses):				
Transfers in	-	-	10,350	-
Transfers out	-	-	-	(21,286)
Bond discount	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Issuance of long-term debt	-	-	-	-
Total other financing sources (uses)	-	-	10,350	(21,286)
Net changes in fund balance (deficit)	(382,657)	(750,536)	(1,098,245)	(1,979,890)
Fund balances, beginning of year	382,657	1,038,204	2,416,502	3,277,477
Fund balances, end of year	\$ -	\$ 287,668	\$ 1,318,257	\$ 1,297,587

June 2009 GO Bonds	June 2010 GO Bonds	Rath Area Redevelopment	Capital Improvements	Total
\$ 5,686	\$ 328	\$ 37	\$ -	\$ 11,968
-	-	-	30,000	30,000
-	-	-	5,750	5,750
-	-	-	102,100	102,100
-	-	-	1,339,883	1,339,883
5,686	328	37	1,477,733	1,489,701
-	42,898	-	-	45,698
3,977,164	201,199	-	3,895,490	12,277,362
3,977,164	244,097	-	3,895,490	12,323,060
(3,971,478)	(243,769)	37	(2,417,757)	(10,833,359)
-	-	-	1,186,372	1,196,722
-	-	-	(10,350)	(31,636)
-	(42,328)	-	-	(42,328)
-	-	-	2,127,505	2,127,505
-	7,500,000	-	-	7,500,000
-	7,457,672	-	3,303,527	10,750,263
(3,971,478)	7,213,903	37	885,770	(83,096)
7,225,711	-	73,157	58,001	14,471,709
\$ 3,254,233	\$ 7,213,903	\$ 73,194	\$ 943,771	\$ 14,388,613

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City of Waterloo, Iowa

Proprietary Funds

June 30, 2010

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, 2010**

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, 2010

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Metropolitan Transit Agency				
Assets, cash	\$ -	\$ 1,360,024	\$ 1,360,024	\$ -
Liabilities, due to private entities	\$ -	\$ 1,360,024	\$ 1,360,024	\$ -

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**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.	102
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	107
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.	111
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.	116
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.	118

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 Eight Fiscal Years
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010
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	\$ 216,863,066	\$ 233,853,135
Restricted	20,983,272	27,827,667	29,460,969	34,279,423	22,213,054	25,583,429	32,652,537	36,648,414
Unrestricted	3,132,625	4,725,340	6,160,850	6,043,616	5,626,315	7,342,293	4,738,557	3,591,308
Total governmental activities net assets	\$ 65,076,557	\$ 79,224,549	\$ 92,341,378	\$ 110,093,443	\$ 221,518,056	\$ 235,555,535	\$ 254,254,160	\$ 274,092,857
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	65,420,051	66,494,749
Restricted	5,417,860	6,086,695	4,969,352	6,300,746	3,334,062	3,182,802	3,171,308	3,178,807
Unrestricted	4,882,349	5,624,562	8,055,394	7,422,263	7,963,580	9,473,128	9,440,050	10,719,450
Total business-type activities net assets	\$ 65,730,868	\$ 67,611,839	\$ 69,703,813	\$ 71,668,818	\$ 74,442,558	\$ 76,410,651	\$ 78,031,409	\$ 80,393,006
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	282,283,117	300,347,884
Restricted	26,401,132	33,914,362	34,430,321	40,580,169	25,547,116	28,766,231	35,823,845	39,827,221
Unrestricted	8,014,974	10,349,902	14,216,244	13,465,879	13,589,895	16,815,421	14,178,607	14,310,758
Total primary government net assets	\$ 130,807,425	\$ 146,836,388	\$ 162,045,191	\$ 181,762,261	\$ 295,960,614	\$ 311,966,186	\$ 332,285,569	\$ 354,485,863

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

	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental activities:								
Public safety	\$ 19,924,337	\$ 20,214,741	\$ 22,484,306	\$ 25,251,052	\$ 26,046,236	\$ 26,214,669	\$ 26,719,053	\$ 28,612,482
Public works	8,856,045	14,829,494	13,689,867	11,579,825	17,265,784	21,705,472	22,435,723	22,839,814
Health and social services	432,228	439,033	251,534	331,759	258,818	268,761	260,584	244,594
Culture and recreation	6,856,469	6,121,952	6,425,956	6,786,963	8,059,963	8,408,694	9,512,453	9,951,066
Community and economic development	9,817,412	10,274,832	11,909,166	13,741,135	9,666,943	9,581,090	13,520,082	15,138,776
General government	2,889,784	2,935,962	2,783,145	3,415,216	3,903,632	4,511,057	5,150,029	4,548,776
Interest on long-term debt	2,757,830	2,410,195	2,540,869	2,625,800	2,728,225	2,782,119	2,880,205	2,736,194
Total governmental activities expenses	51,534,105	57,226,209	60,084,843	63,731,750	67,929,601	73,471,862	80,478,129	84,071,652
Business-type activities:								
Sanitary sewer	8,204,312	8,646,899	8,246,811	8,666,232	8,242,650	8,649,104	8,573,832	8,682,068
Sanitation	2,858,267	2,920,290	3,025,161	3,196,360	3,226,802	3,289,854	3,593,300	3,873,028
Total business-type activities expenses	11,062,579	11,567,189	11,271,972	11,862,592	11,469,452	11,938,958	12,167,132	12,555,096
Total primary government expenses	\$ 62,596,684	\$ 68,793,398	\$ 71,356,815	\$ 75,594,342	\$ 79,399,053	\$ 85,410,820	\$ 92,645,261	\$ 96,626,748
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	3,143,136	3,331,924
Public works	1,539,702	1,688,900	1,765,757	1,831,575	1,774,681	1,933,607	1,894,200	1,887,850
Culture and recreation	2,048,075	2,073,891	1,902,088	2,027,873	2,077,330	2,263,815	2,441,457	2,337,191
Other activities	188,489	89,454	216,203	637,103	580,948	1,361,824	1,139,772	1,125,370
Operating grants and contributions	14,395,839	16,531,573	15,780,383	18,358,119	16,568,953	14,018,130	16,803,356	18,592,551
Capital grants and contributions	2,707,872	4,548,472	3,970,432	6,241,861	5,911,499	8,609,193	13,787,329	14,938,736
Total governmental activities program revenue	22,945,480	26,091,549	25,323,979	30,969,487	28,853,857	31,627,871	39,209,250	42,213,622
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	9,628,876	11,185,490
Sanitation	2,863,391	3,072,299	3,210,265	3,201,266	3,274,550	3,294,443	3,349,978	3,398,533
Operating grants and contributions:								
Sanitary sewer	-	-	64,006	7,361	-	240,678	339,496	-
Sanitation	274,988	274,988	274,988	-	315,437	288,866	274,988	314,940
Capital grants and contributions:								
Sanitary sewer	364,413	483,456	115,481	311,303	799,265	127,092	106,200	-
Sanitation	-	-	-	-	-	-	3,000	-
Total business-type activities program revenue	12,681,403	13,416,509	13,160,942	13,425,437	13,710,547	13,549,533	13,702,538	14,898,963
Total primary government program revenue	\$ 35,626,883	\$ 39,508,058	\$ 38,484,921	\$ 44,394,924	\$ 42,564,404	\$ 45,177,404	\$ 52,911,788	\$ 57,112,585
Net (Expense)/Revenue								
Governmental activities	(28,588,625)	(31,134,660)	(34,760,864)	(32,762,263)	(39,075,744)	(41,843,991)	(41,268,879)	(41,858,030)
Business-type activities	1,618,824	1,849,320	1,888,970	1,562,845	2,241,095	1,610,575	1,535,406	2,343,867
Total primary government net expense	(26,969,801)	(29,285,340)	(32,871,894)	(31,199,418)	(36,834,649)	(40,233,416)	(39,733,473)	(39,514,163)

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

	2003	2004	2005	2006	2007	2008	2009	2010
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	\$ 27,456,508	\$ 28,508,924
Property taxes levied for debt service	7,470,268	7,743,121	7,219,345	9,407,057	9,727,666	10,050,725	11,319,918	11,988,239
Other taxes	10,299,221	9,725,075	11,464,827	12,496,242	12,101,827	13,674,750	14,208,362	13,911,219
Investment earnings	587,676	661,458	668,736	1,276,389	1,924,494	1,432,651	426,353	170,946
Miscellaneous	4,456,570	3,073,954	2,847,102	3,128,460	4,030,419	3,900,343	6,556,363	5,189,217
Gain (loss) on sale of assets	234,169	116,629	(144,924)	-	-	-	-	1,827,508
Transfers	73,391	12,613	-	-	-	-	-	-
Total governmental activities	\$ 44,336,960	\$ 45,282,652	\$ 47,877,693	\$ 50,514,328	\$ 53,620,353	\$ 54,907,425	\$ 59,967,504	\$ 61,596,053
Business-type activities:								
Investment earnings	90,658	78,470	203,004	402,160	532,645	357,518	85,352	17,730
Gain (loss) on sale of assets	-	(34,206)	-	-	-	-	-	-
Transfers	(73,391)	(12,613)	-	-	-	-	-	-
Total business-type activities	\$ 17,267	\$ 31,651	\$ 203,004	\$ 402,160	\$ 532,645	\$ 357,518	\$ 85,352	\$ 17,730
Total primary government	\$ 44,354,227	\$ 45,314,303	\$ 48,080,697	\$ 50,916,488	\$ 54,152,998	\$ 55,264,943	\$ 60,052,856	\$ 61,613,783
Changes in Net Assets								
Governmental activities	15,748,335	14,147,992	13,116,829	17,752,065	14,544,609	13,063,434	18,698,625	19,738,023
Business-type activities	1,636,091	1,880,971	2,091,974	1,965,005	2,773,740	1,968,093	1,620,758	2,361,597
Total primary government	\$ 17,384,426	\$ 16,028,963	\$ 15,208,803	\$ 19,717,070	\$ 17,318,349	\$ 15,031,527	\$ 20,319,383	\$ 22,099,620

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

	2003	2004	2005	2006	2007	2008	2009	2010
General Fund								
Reserved	\$ 1,984,128	\$ 2,106,686	\$ 2,048,163	\$ 1,841,389	\$ 2,159,691	\$ 3,074,869	\$ 2,367,516	\$ 3,064,085
Underserved:								
Designated	1,373,828	2,166,703	4,073,524	5,186,521	5,131,230	4,577,679	4,720,531	5,077,047
Undesignated	2,459,726	3,783,989	4,285,725	5,679,449	6,946,759	7,438,418	8,152,625	8,610,737
Total general fund	\$ 5,817,682	\$ 8,057,378	\$ 10,407,412	\$ 12,707,359	\$ 14,237,680	\$ 15,090,966	\$ 15,240,672	\$ 16,751,869
All Other Governmental Funds								
Reserved	631,468	838,562	994,790	1,576,334	2,103,658	2,633,730	2,923,228	2,786,146
Undesignated, reported in:								
Special revenue funds	8,447,258	9,773,272	11,584,768	12,385,708	13,021,323	16,846,339	17,918,742	16,410,755
Debt service funds	407,914	615,679	1,439,650	1,008,597	1,529,968	-	-	-
Capital project funds	7,448,883	11,434,780	11,624,349	15,962,472	16,440,553	17,205,128	14,259,781	12,144,579
Total all other governmental funds	\$ 16,935,523	\$ 22,662,293	\$ 25,643,557	\$ 30,933,111	\$ 33,095,502	\$ 36,685,197	\$ 35,101,751	\$ 31,341,480

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

	2003	2004	2005	2006	2007	2008	2009	2010
Revenue								
Property taxes	\$ 28,916,809	\$ 31,726,881	\$ 32,915,568	\$ 33,582,387	\$ 35,550,774	\$ 35,863,457	\$ 38,789,695	\$ 40,454,704
Other taxes	10,299,221	9,187,463	11,241,073	12,907,521	11,609,390	13,532,878	14,368,254	13,982,362
Licenses and permits	988,352	1,151,715	1,173,147	1,216,278	1,528,961	1,274,948	977,306	996,031
Investment income	587,676	661,458	668,736	1,276,389	1,924,494	1,432,651	426,353	170,946
Rent*	678,590	814,762	879,420	920,475	1,023,689	992,710	1,060,566	1,060,889
Intergovernmental	18,779,334	19,963,676	21,104,290	22,716,457	21,107,074	21,833,988	22,932,392	30,681,962
Charges for services*	5,236,433	5,048,840	4,980,587	5,429,979	5,554,760	5,767,327	5,963,660	5,932,437
Interfund charges for service	2,645,250	2,671,780	2,659,797	2,801,492	2,802,327	2,825,152	2,808,833	2,385,680
Special assessments	115,852	109,999	56,694	52,698	39,932	39,931	37,216	225,198
Miscellaneous	2,180,685	2,336,581	2,008,009	3,253,989	3,878,401	4,683,887	6,043,260	3,773,963
Total revenue	70,428,202	73,673,155	77,687,321	84,157,665	85,019,802	88,246,929	93,407,535	99,664,172
Expenditures								
Current:								
Public safety	19,393,834	20,081,214	22,140,431	24,487,582	25,074,830	25,958,017	25,941,016	26,947,910
Public works	18,719,419	17,121,845	18,582,433	20,508,737	22,688,730	15,354,726	23,846,845	27,635,226
Health and social services	510,114	517,555	325,147	401,647	332,431	346,169	333,706	316,874
Culture and recreation	5,987,808	6,506,123	6,576,723	6,875,715	7,385,038	7,683,720	8,844,296	9,264,689
Community and economic development	10,257,455	11,966,597	11,422,953	11,177,833	9,097,089	10,075,134	13,954,851	17,423,767
General government	3,310,503	3,501,031	3,261,058	3,698,896	4,128,315	4,539,873	5,532,557	5,097,361
Debt service								
Principal	6,625,485	6,471,606	6,399,291	6,551,624	7,353,618	8,134,849	7,698,818	8,783,299
Interest and fees	2,661,437	2,424,613	2,575,772	2,627,808	2,909,085	2,908,196	2,975,411	2,799,830
Capital projects	5,289,432	7,820,334	7,150,058	9,570,650	11,035,051	20,405,512	16,639,618	15,126,719
Total expenditures	72,755,487	76,410,918	78,433,866	85,900,492	90,004,187	95,406,196	105,767,118	113,395,775
Revenue over (under) expenditures	(2,327,285)	(2,737,763)	(746,545)	(1,742,827)	(4,984,385)	(7,159,267)	(12,359,583)	(13,731,603)
Other financing sources (uses)								
Transfers in	7,268,799	7,226,431	8,484,336	10,433,905	10,871,913	13,447,647	15,295,255	14,434,303
Transfers out	(7,195,408)	(7,213,818)	(8,484,336)	(10,433,905)	(10,871,913)	(13,447,647)	(15,295,255)	(14,434,303)
Insurance proceeds	-	-	-	-	-	-	1,421,521	1,734,450
Proceeds from sale of assets	234,169	197,945	119,573	232,328	88,102	41,491	74,294	2,243,301
Capital lease obligations incurred	-	436,266	-	-	-	-	-	-
Refunding bonds issued	2,685,000	2,705,000	2,720,000	-	7,995,000	3,935,000	4,271,100	4,240,000
Payment to refunded bond escrow agent	(2,617,506)	(2,648,652)	(2,667,302)	-	(7,932,132)	(3,917,230)	(4,200,992)	(4,172,380)
Proceeds from debt issued	6,010,000	10,150,000	6,000,000	9,100,000	8,526,127	9,661,649	9,400,000	7,500,000
Bond discounts and issue costs	(89,847)	(148,943)	(94,428)	-	-	60,280	(40,080)	(62,842)
Total other financing sources (uses)	6,295,207	10,704,229	6,077,843	9,332,328	8,677,097	9,781,190	10,925,843	11,482,529
Net change in fund balances	\$ 3,967,922	\$ 7,966,466	\$ 5,331,298	\$ 7,589,501	\$ 3,692,712	\$ 2,621,923	\$ (1,433,740)	\$ (2,249,074)
Debt service as a percentage of noncapital expenditures	13.8%	13.0%	12.6%	12.0%	13.0%	14.7%	12.0%	11.8%

* 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. 106

**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				
1999	2001	\$ 740,122,939	\$ 559,273,594	\$ 88,265,205	\$ 43,566,447	\$ 163,883,974	\$ 9,707,685	\$ 1,585,404,474	\$ 16.49097	\$ 2,106,995,793	75.24%	
2000	2002	765,250,014	558,678,367	95,392,555	44,318,302	150,640,114	9,536,884	1,604,742,468	17.80075	2,104,182,394	76.26%	
2001	2003	837,053,686	551,766,201	96,112,125	47,929,362	127,688,371	9,308,934	1,651,240,811	18.37162	2,354,407,942	70.13%	
2002	2004	839,572,381	576,211,617	96,108,365	49,231,256	114,239,978	9,258,112	1,666,105,485	18.90914	2,366,125,563	70.41%	
2003	2005	893,839,054	672,183,148	97,124,065	64,566,282	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%	
2007	2009	1,021,046,822	766,647,219	98,127,515	125,534,846	109,339,414	7,908,493	2,112,787,323	18.36687	3,447,851,253	61.28%	
2008	2010	1,080,004,413	787,580,318	99,231,835	134,668,232	110,644,404	7,754,888	2,204,374,314	18.30689	3,542,643,298	62.22%	

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	City of Waterloo				Black Hawk County				Overlapping Rates				Total Direct & Overlapping Rates
	Operating Millage	Debt Service	Total City Millage	Total	Operating Millage	Debt Service	County Millage	Total	Schools		Other	Total	
									Operating Millage	Debt Service			
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		
2009	15.10748	3.25939	18.36687	6.35616	0.57975	6.93591	15.65725	1.00000	16.65725	1.36422	43.32425		
2010	15.01876	3.28813	18.30689	6.12831	0.57689	6.70520	15.45746	1.00000	16.45746	1.33721	42.80676		

Source: Black Hawk County Auditor.

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

Employer	2010			2001		
	Assessed Value 01/01/2008	Rank	Percentage of Total Assessed Value	Assessed Value 01/01/1999	Rank	Percentage of Total Assessed Value
Mid American Energy	\$ 126,466,575	1	3.57%	\$ 95,574,939	2	4.54%
IOC Black Hawk County, Inc.	73,670,230	2	2.08%	--		--
GG and A Crossroads Center, LP/ Equitable Life Assurance in 2001	40,354,170	3	1.14%	27,929,240	4	1.33%
Con Agra k/n/a Hunt Wesson, Inc.	26,580,220	4	0.75%	16,317,760	5	0.77%
Deere and Company	25,829,140	5	0.73%	142,144,310	1	6.75%
Ferguson Enterprises, Inc.	24,732,360	6	0.70%	--		--
Tyson Fresh Meats (formerly IBP, Inc.)	23,292,040	7	0.66%	37,109,300	3	1.76%
Bertch Cabinet Manufacturing	15,608,870	8	0.44%	14,800,670	6	0.70%
Qwest Corporation (formerly US West)	12,818,350	9	0.36%	13,405,364	7	0.64%
Banco Mortgage Company	11,431,160	10	0.32%	--		--
LXP ILP	--		--	10,246,410	8	0.49%
HyVee Food Stores, Inc.	--		--	9,326,490	9	0.44%
Albert Trostel and Sons, Inc.	--		--	8,522,680	10	0.40%
Total	\$ 380,783,115		10.75%	\$ 375,377,163		17.82%

Source: Official Bond Statements from Speer Financial, Inc.

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

<u>Assessment Date</u> January 1,	<u>Fiscal Year Ended</u> June 30,	<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>
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%
2007	2009	35,238,473	35,092,505	99.59%	40,319	35,132,824	99.70%
2008	2010	36,645,462	36,619,212	99.93%	16,989	36,636,201	99.97%

Note: Current year tax collections can exceed the total tax levy in certain instances, such as when property valuation adjustments are made after the tax levy certifications are completed.

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					
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	399,513	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	8,211	95,399,566	4.10%	1,388	
2009	66,076,100	--	--	3,495,290	15,168,900	10,870,000	--	3,087	3,087	95,613,377	3.99%	1,391	
2010	66,129,600	--	--	2,226,708	17,825,400	9,285,000	--	--	--	95,466,708	3.86%	1,389	

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*
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
2009	81,245,000	3,447,851,253	2.36%	1,182
2010	83,955,000	3,542,643,298	2.37%	1,221

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, 2010

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
City of Waterloo direct debt	\$ 83,955,000	100.00%	\$ 83,955,000
Overlapping:			
Black Hawk County	\$ 28,120,000	47.87%	13,461,044
Hudson Community Schools	1,220,000	5.03%	61,366
Hawkeye Community College	<u>6,325,000</u>	28.18%	<u>1,782,385</u>
Subtotal, overlapping debt	<u>\$ 35,665,000</u>		<u>\$ 15,304,795</u>
Total direct and overlapping debt	<u><u>\$ 119,620,000</u></u>		<u><u>\$ 99,259,795</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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	\$ 103,656,852	\$ 120,614,300	\$ 120,526,268	\$ 121,093,664	\$ 136,617,416	\$ 140,285,559	\$ 153,777,954	\$ 156,683,322	\$ 172,392,563	\$ 177,132,165
Total net debt applicable to limit	73,069,875	70,326,351	70,833,660	75,643,160	77,219,958	80,363,486	82,040,954	83,044,566	84,743,377	86,181,708
Legal debt margin	<u>\$ 30,586,977</u>	<u>\$ 50,287,949</u>	<u>\$ 49,692,608</u>	<u>\$ 45,450,504</u>	<u>\$ 59,397,458</u>	<u>\$ 59,922,073</u>	<u>\$ 71,737,000</u>	<u>\$ 73,638,756</u>	<u>\$ 87,649,186</u>	<u>\$ 90,950,457</u>

Total net debt applicable to the limit as a percentage of debt limit	70.49%	58.31%	58.77%	62.47%	56.52%	57.29%	53.35%	53.00%	49.16%	48.65%
--	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------

Legal Debt Margin Calculation for Fiscal Year 2010

Estimated actual valuation (assessed) as of January 1, 2008	\$ 3,542,643,298
Debt limit (5% of total estimated actual valuation)	177,132,165
Debt applicable to debt limit:	
General obligation bonds	83,955,000
General obligation capital loan notes	-
Other debt	2,226,708
Total net debt applicable to limit	86,181,708
Legal debt margin	<u>\$ 90,950,457</u>

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

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

Fiscal Year	Gross Revenue	Less: Applicable Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements	Coverage
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
2009	10,030,590	5,070,016	4,960,574	2,038,173	2.4338
2010	11,195,472	5,266,284	5,929,188	2,079,198	2.8517

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

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

<u>Year</u>	<u>Population¹</u>	<u>Personal Income</u>	<u>Per Capita Personal Income²</u>	<u>Median Age¹</u>	<u>Unemployment Rate³</u>	<u>School Enrollment⁴</u>
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
2008	68,747	2,396,932,902	34,866	35.9	4.7%	10,069
2009	68,747	2,475,029,494	36,002	35.9	6.8%	10,150

N/A = Not available.

Sources:

¹ 1990 and 2000 U.S. Census

² U.S. Department of Commerce, Bureau of Economic Analysis

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	2010			2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Deere & Company	5,600	1	16.57%	5,380	1	15.46%
Wheaton Franciscan Health Care *	3,020	2	8.93%	2,000	4	5.75%
Tyson Fresh Meats (formerly IBP, Inc.)	2,500	3	7.40%	2,000	3	5.75%
University of Northern Iowa	1,850	4	5.47%	5,100	2	14.66%
Allen Memorial Hospital	1,750	5	5.18%	1,100	8	3.16%
Waterloo Community Schools	1,440	6	4.26%	1,300	5	3.74%
Hy-Vee	1,120	7	3.31%	1,200	6	3.45%
Area Education Agency 267	1,110	8	3.28%	1,000	9	2.87%
Bertch Cabinet Manufacturing	900	9	2.66%	1,200	7	3.45%
Wal-Mart Stores	755	10	2.23%	--	--	--
GMAC Mortgage Corp.	--	--	--	900	10	2.59%
Total	20,045		59.30%	21,180		60.86%

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	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public Safety										
Police	127.0	127.0	134.0	126.0	132.0	130.0	130.0	128.0	131.0	135.0
Fire	119.0	119.0	119.0	117.0	117.0	121.0	115.0	118.0	113.0	116.5
Building Inspection	13.0	13.0	13.0	14.0	14.0	15.0	15.0	16.0	15.0	15.5
Public Works										
City Engineer	18.0	17.0	18.0	18.0	18.0	19.0	19.0	19.0	20.0	19.0
Traffic	15.0	16.0	15.0	17.0	16.0	12.5	13.5	12.0	13.0	12.0
Central Garage	11.0	11.0	11.0	10.5	9.5	9.5	9.5	10.0	10.0	8.0
Street	47.0	43.0	41.0	41.0	41.0	36.0	36.0	34.0	40.0	39.0
Airport	4.0	4.0	4.0	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Health & Social Services										
Human Rights	5.0	5.0	5.0	5.0	3.0	3.0	3.0	2.0	3.0	3.0
Culture & Recreation										
Cultural & Arts	8.5	8.5	8.5	8.5	8.0	9.5	10.0	12.0	13.5	13.5
Library	27.5	27.0	25.5	24.0	24.5	25.0	25.5	24.0	24.5	25.0
Leisure Services	36.0	35.0	35.0	35.0	42.0	38.0	37.0	39.0	41.0	40.0
Community & Economic Development										
Community Planning & Development	22.0	24.0	23.0	25.0	27.0	26.0	25.0	24.0	24.0	24.0
General Government										
Mayor's Office	1.0	1.0	1.0	1.5	1.5	1.0	1.0	1.0	1.0	1.0
Administrative Services/MIS	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
City Clerk & Finance	11.0	9.0	12.0	12.0	12.0	13.0	13.0	13.0	13.0	13.0
City Attorney	2.0	2.0	1.0	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Human Resources	3.0	3.0	3.0	2.0	3.0	3.0	3.0	3.0	2.0	3.0
Facilities Maintenance	6.0	6.0	5.0	4.0	4.0	3.0	3.0	3.0	3.0	3.0
Waste Management Services										
Sewer	29.0	31.1	31.1	30.1	28.1	30.1	30.1	30.1	30.1	29.0
Sanitation	16.0	14.9	12.9	12.9	12.9	12.9	13.9	13.9	13.9	13.0
Total	<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>	<u>520.0</u>	<u>521.5</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	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public Safety										
Police *										
Traffic accidents	2,567	2,350	2,089	2,196	2,110	2,129	1,788	1,942	2,141	1,941
Cases	14,660	14,516	15,118	14,910	14,622	14,857	13,928	14,468	13,740	13,411
Citations	13,540	9,179	13,166	11,415	11,610	12,601	11,651	9,816	6,781	7,983
Calls for service	N/A	N/A	66,590	66,411	66,447	68,365	70,037	73,690	75,932	82,044
Total arrests	4,523	4,456	5,146	5,330	5,510	6,157	5,771	6,176	5,506	5,590
Fire										
Fire responses	3,848	3,541	5,831	5,614	5,536	5,631	5,759	6,223	5,208	4,885
Ambulance responses	5,726	5,158	6,442	6,685	6,656	6,744	7,030	7,503	7,234	6,928
Building Inspection										
Construction permits issued	8,913	9,238	9,396	10,168	8,988	8,448	9,124	8,961	8,143	8,657
Construction value of permits	\$ 62,936,151	\$ 52,971,240	\$ 75,434,613	\$ 102,794,224	\$ 106,704,462	\$ 110,122,334	\$ 181,082,614	\$ 119,894,709	\$ 74,920,243	\$ 82,650,598
Public Works										
Engineering										
Street reconstruction (miles)	2.86	2.59	3.09	2.56	1.94	3.39	1.94	1.57	2.55	2.45
Street resurfacing (miles)	19.76	25.48	26.22	29.72	29.83	31.30	17.60	13.57	18.63	12.42
Street Department										
Tons of salt used for streets	5,035.61	2,500.32	3,396.93	5,001.08	4,508.17	5,556.52	4,505.35	6,185.86	5,506.97	6,043.06
Man hours for road maintenance	97,300	84,820	71,530	71,530	73,390	75,580	72,800	66,560	71,448	71,448
Airport										
Commercial Enplanements	42,032	35,538	42,281	39,408	40,140	38,750	33,507	27,026	25,467	22,255
Aircraft take-offs and landings	34,212	35,321	42,301	41,919	42,690	41,717	39,288	35,728	33,209	27,285
Based aircraft	97	96	97	99	102	101	98	101	100	100
Health & Social Services										
Human Rights										
Civil Rights complaints										
New cases opened	N/A	N/A	70	62	61	75	74	109	62	74
Cases closed	N/A	N/A	8	65	81	29	58	63	182	88
Active cases at year-end	N/A	113	175	172	152	198	214	262	126	109
Culture & Recreation										
Leisure Services										
Young Arena facility usage										
Event Visitors	105,411	91,633	124,650	138,246	124,157	114,492	133,540	142,278	121,324	118,286
Recreational Visitors	147,151	144,980	135,690	136,066	137,207	136,520	139,824	138,285	138,541	143,370
Sports - youth programs	4,312	4,251	4,165	4,216	4,056	4,119	4,517	4,677	5,034	5,117
Sports - adult programs	989	1,003	1,222	1,172	1,216	1,158	1,277	1,261	1,461	1,665
Pool attendance	51,816	53,655	44,540	44,279	41,028	39,512	41,580	40,789	40,561	41,743
Golf rounds	124,405	125,547	116,401	113,968	109,939	102,131	95,851	86,288	93,932	95,898
Annual flowers grown for parks	26,752	25,264	25,288	24,536	25,368	23,520	21,768	21,765	22,880	28,008
Public Library										
Total Circulation	445,934	475,015	490,708	466,903	422,663	433,072	427,921	413,525	426,593	441,746
Total Library Visits	223,775	270,614	259,583	265,439	269,589	266,356	261,261	259,144	241,539	274,903
Waterloo Center for the Arts										
In House Visitors	104,100	105,000	102,741	96,668	97,926	98,897	99,097	104,499	125,351	118,541

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

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Community & Economic Development										
Planning and Zoning										
Planning commission agenda items	75	98	97	113	100	93	84	69	50	54
CURA applications received **	40	30	35	37	60	46	51	35	46	29
CURA improvements value	\$ 841,425	\$ 984,607	\$ 2,103,121	\$ 5,792,611	\$ 5,304,997	\$ 6,856,057	\$ 13,391,834	\$ 7,346,601	\$ 5,972,779	\$ 12,309,630
Community Development										
Down payment assistance	77	73	39	60	57	58	36	41	50	43
Home buyer education	46	232	202	256	203	188	168	193	183	147
Owner-occupied homes rehabilitated	50	35	26	19	24	35	28	46	36	10
Emergency repairs (including roofs)	26	38	29	45	52	58	36	34	38	44
Demolitions (residential & commercial)	18	43	7	9	10	7	8	19	20	27
Housing										
Actual vouchers	854	903	1,031	1,022	1,015	957	961	1,032	1,007	1,003
Actual certificates ***	27	-	-	-	-	-	-	-	-	-
Public housing units	50	50	50	50	50	50	50	49	50	48
Family self sufficiency participants	89	92	105	98	101	74	65	75	59	49
Sewer										
Sewer system customers	24,507	25,320	25,416	25,524	25,716	25,728	25,637	25,843	25,769	25,565

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	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
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	30	30	30	30	30	30	30	30	32	32
Public Works										
Miles of streets - paved	360	360	360	360	352	352	354	354	356	357
Miles of streets - unpaved	65	65	65	65	74	74	74	74	73	73
Street lights	N/A	N/A	N/A	N/A	N/A	N/A	1,800	1,800	1,800	1,800
Traffic Signals	N/A	N/A	N/A	N/A	N/A	N/A	198	198	198	197
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	8	8	8	8	8	8	6
Baseball stadium	1	1	1	1	1	1	1	1	1	1
Softball complex	1	1	1	1	1	1	2	2	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	1	1	1	1	1	1	1	1	1	1
Exposition plaza	0	0	0	0	0	0	0	0	1	1
Skatepark	0	1	1	1	1	1	1	1	1	1
Dog park	0	0	0	0	0	0	0	0	1	1
Center for the Arts collection size	1,325	1,339	1,352	1,417	1,489	1,615	2,494	2,794	3,153	3,362
Library collection size	180,021	180,698	199,482	201,158	205,149	210,020	190,092	192,678	200,246	168,295
Sewer										
Miles of sanitary sewer	353	353	353	353	353	353	356	356	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, 2010**

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	\$ 703,297
HOME Investment Partnerships Program		14.239	528,553
Title 1, VA-HUD Independent Agencies Appropriations Act for FY 2004, PL 108-199		14.251	17,410
Title 1, VA-HUD Independent Agencies Appropriations Act for FY 2008, PL 110-161		14.251	176,436
Title 1, VA-HUD Independent Agencies Appropriations Act for FY 2009, PL 111-8		14.251	56
Public Law 108-7, FY 2003 Appropriations Act		14.251	26,400
Homelessness Prevention Fund		14.257	344,547
Public and Indian Housing		14.850	546,475
Section 8 Housing Choice Vouchers		14.871	4,844,581
Public Housing Capital Fund		14.872	53,427
Public Housing Family Self-Sufficiency Under Resident Opportunity and Supportive Services		14.877	17,500
Lead-Based Paint Hazard Control in Privately-Owned Housing		14.900	144,541
ARRA - Community Development Block Grants/Entitlement Grants		14.218	296,052
ARRA - Public Housing Capital Fund		14.884	78,413
Total Direct			<u>7,777,688</u>
Indirect:			
Pass Through Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	08-DRH-011	14.228	1,223,622
	08-DRMH-046	14.228	753,863
	08-DRB-205	14.228	1,456,793
	08-NSP-18	14.228	285,384
Total Indirect			<u>3,719,662</u>
Total Department of Housing and Urban Development			<u>11,497,350</u>
Department of the Interior			
Indirect:			
Pass Through Silos and Smokestacks:			
Save America's Treasures	N/A	15.929	7,029
Department of Justice			
Direct:			
Bulletproof Vest Partnership Program		16.607	3,638
Public Safety Partnership and Community Policing Grants		16.710	9,696
Public Safety Partnership and Community Policing Grants		16.710	69,858
ARRA - Public Safety Partnership and Community Policing Grants		16.710	143,593
ARRA - Recovery Act/Byrnes/JAG		16.803	329,078
ARRA - Recovery Act/Byrnes/JAG		16.804	59,762
Total Direct			<u>615,625</u>

(Continued)

City of Waterloo, Iowa

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2010

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 Department of Crime Victims Assistance Division, Federal Violence Against Women Act	VW-10-60B	16.588	34,480
Pass Through Office of Drug Control Policy: Community Prosecution & Project Safe Neighborhoods	06-PSNAG-ND11	16.609	3,338
Pass Through Iowa Department of Human Rights, Division of Criminal and Juvenile Justice Planning Enforcing Juvenile Accountability Incentive Block Grants	N/A	16.727	5,750
Total Indirect			<u>43,568</u>
Total Department of Justice			<u>659,193</u>
Department of Transportation			
Direct:			
Federal Aviation Administration: Airport Improvement Program		20.106	14,459
		20.106	1,799,007
		20.106	27,041
		20.106	52,986
ARRA - Airport Improvement Program		20.106	3,054,307
		20.106	83,439
Total Direct			<u>5,031,239</u>
Indirect:			
Federal Highway Administration Pass Through Iowa Department of Transportation: Highway Planning and Construction	NHSX-63-6(69)-3H-07	20.205	84,236
	STP-U-8155(696)-70-07	20.205	1,060,281
	STP-U-8155(715)-70-07	20.205	28,537
	STP-U-8155(713)-70-07	20.205	11,200
	STP-U-8155(710)-70-07	20.205	30,987
	STP-U-8155(694)-81-07	20.205	133,172
ARRA - Highway Planning and Construction	ESL-8155(708)--7S0-07	20.205	1,226,592
	ESL-8155(709)--7S0-07	20.205	53,659
Recreational Trails Program	NRT-NT08(001)-9G07	20.219	36,978
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-09-410 Task 76	20.601	3,825
	PAP-10-410 Task 81	20.601	13,976
Total Indirect			<u>2,683,443</u>
Total Department of Transportation			<u>7,714,682</u>

(Continued)

City of Waterloo, Iowa

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2010**

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	<u>16,875</u>
Environmental Protection Agency			
Direct:			
Surveys, Studies, Investigations, Training Demonstrations and Educational Outreach		66.716	17,993
Brownfield Assessment and Cleanup Cooperative Agreements		66.818	37,157
		66.818	47,100
		66.818	<u>72,639</u>
Total Environmental Protection Agency			<u>174,889</u>
Department of Education			
Indirect:			
ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act	S397A090016A	84.397	<u>82,093</u>
Department of Homeland Security			
Direct:			
Injury Prevention and Control Research and State and Community Based Programs		93.136	<u>170,651</u>
Indirect:			
Iowa Homeland Security and Emergency Management Division:			
Pre-Disaster Mitigation	PDMC-2008-07-04-014	97.017	4,130
Hazard Mitigation Grant	HGMP 1763-DR-IA	97.039	2,255,990
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	13-82425-00	97.036	806,053
Law Enforcement Terrorism Prevention Program	FY2007-LETPP-LEIN2-02	97.067	111,467
Law Enforcement Terrorism Prevention Program	FY2008-GE-T8-2008-012	97.067	169,209
Law Enforcement Terrorism Prevention Program	#2008-GE-T8-2008-009-EOD	97.067	1,114
			<u>3,347,963</u>
Total Department of Homeland Security			<u>3,518,614</u>
Total Expenditures and Federal Awards			<u>\$ 23,670,725</u>

See Notes to Schedule of Expenditures of Federal Awards.

(Concluded)

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City of Waterloo, Iowa

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010**

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 basic financial statements. Program expenditures include only amounts subject to reimbursements 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 subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
HOME Investment Partnerships Program	14.239	\$ 276,198
Edward Byrne Memorial Justice Assistance Grant	16.803	126,188
Community Development Block Grants/Entitlement Grants	14.218	45,550
Homeless Prevention and Rapid Re-housing Program	14.257	344,277
Lead Based Paint Hazard Controls in Privately Owned Housing	14.900	4,889
Public Safety Partnership and Community Policing Grants	16.710	12,872
Surveys, Studies, Investigations, Training Demos and Education Outreach	66.716	17,142

Note 3. Program 14.850

The City's blended component unit, 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, 2010, the principal balance on the loan was \$416,746. 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	\$ 43,365
Debt subsidy	86,364
Subtotal cash assistance	129,729
Loan balance	416,746
Total	\$ 546,475

Note 4. Discretely Presented Component Units

No single audit is required for either of the City's discretely presented component units.

City of Waterloo, Iowa

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2010**

	Finding	Status	Corrective Action Plan or Other Explanation
Significant Deficiencies in Internal Control			
09-II-A	The City has an improper segregation of duties over the payroll cycle.	Not corrected	See corrective action plan at 10-II-A.
09-II-B	Industrial sewer billing internal controls are not effectively operating as they are not functioning as designed.	Not corrected	See corrective action plan at 10-II-B.
09-II-C	The City has improper segregation of duties over cash collections at locations outside of the City Clerk's office.	Not corrected	See corrective action plan at 10-II-C.
Other Findings Related to Required Statutory Reporting			
09-IV-H	The Grants, Special Revenue Fund, the Vision Iowa Agency Projects, and the Capital Projects Fund had deficit fund balances as of June 30, 2009.	Not corrected	See corrective action plan at 10-IV-H.
09-IV-J	The City did not amend the airport ordinance to repeal the positive cash balance requirement. Through June 30, 2009, the accumulative cash deficit totaled \$868,637.	Not corrected	See corrective action plan at 10-IV-J.



**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, the aggregate 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, 2010, which collectively comprise the City of Waterloo's basic financial statements, and have issued our report thereon dated December 14, 2010. Our report includes a reference to other 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. Other auditors audited the financial statements of the Waterloo Water Works as of and for the year ended December 31, 2009 and the Waterloo Convention & Visitors Bureau, Inc. as of and for the year ended June 30, 2010, 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, as items 10-II-A, 10-II-B and 10-II-C, that we consider to be significant deficiencies internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 or other matters that are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010, 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 December 14, 2010.

The City of Waterloo's responses to the findings are identified in our audit 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, others within the entity 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
December 14, 2010



**Independent Auditor's Report on Compliance With Requirements
That Could Have a Direct and Material Effect on 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

Scope

City of Waterloo, Iowa's basic financial statements include the operations of the Waterloo Water Works and the Waterloo Convention & Visitors Bureau, Inc., discretely presented component units which did not have a single audit performed for their fiscal years ended December 31, 2009 and June 30, 2010, respectively. Our audit described below does not include the operations of the Waterloo Water Works or the Waterloo Convention and Visitors Bureau, Inc. because these discretely presented component units were audited by other auditors.

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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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 conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City'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 of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which 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 items 10-III-A and 10-III-B.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the 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 and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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, others within the entity, appropriate regulatory or oversight bodies, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
December 14, 2010

City of Waterloo, Iowa

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2010**

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?
- Significant deficiencies identified?
- Noncompliance material to financial statements noted?

<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiencies identified?

<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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?

<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
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Identification of major program:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grants - Entitlement Grants
14.218	ARRA - Community Development Block Grants - Entitlement Grants
14.228	Community Development Block Grants - State's Program
14.872	Public Housing Capital Fund
14.884	ARRA - Public Housing Capital Fund
16.710	Public Safety Partnership & Community Policing Grants
16.710	ARRA - Public Safety Partnership & Community Policing Grants
20.106	Airport Improvement Program
20.106	ARRA Airport Improvement Program
20.205	Highway Planning and Construction
20.205	ARRA Highway Planning and Construction
20.219	Recreational Trails Program
97.039	Hazard Mitigation Grant

Dollar threshold used to distinguish between type A and type B programs: \$710,122

Auditee qualified as low-risk auditee?

<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
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(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2010

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.

10-II-A

Finding: The City has an improper segregation of duties over the payroll cycle.

Criteria: 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.

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. an independent employee reviews a payroll edit/change report to supporting documentation. A payroll report is sent to Department Heads to review each pay period. However, this report only includes hours worked and not dollar amounts. We stress the importance of maintaining the independent review of the payroll edit and change report to supporting documentation.

Context: Pervasive to payroll transactions.

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

Cause: The City has not assigned duties in payroll to achieve an adequate segregation of duties.

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.

Response and Corrective Action Plan: The City changed its procedures so that employees independent of the payroll function are reviewing payroll edit reports.

10-II-B

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

Criteria: A good internal control system contemplates an adequate segregation of duties and a proper review process is in place.

Condition: One customer (two selections) were only billed the flat rate and not for usage during the month, and one customer was billed less than the amounts established in their agreement. Six of the seven selections tested were billed at incorrect rates.

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2010

Context: Pervasive to the industrial sewer revenues and receivables.

Effect: Misstatements could occur and not be detected timely.

Cause: The City has not implemented an appropriate review process for the calculations for industrial sewer billings.

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 and Corrective Action Plan: The City has implemented a review process for the calculations for industrial sewer billing.

10-II-C

Finding: The City has an improper segregation of duties over cash collections at locations outside of the City Clerk's Office.

Criteria: 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

Condition: Several outside departments have an employee with the ability to collect, reconcile, and deposit cash receipts in which there is not an adequate independent review of this process or other compensating controls in place.

Context: Pervasive to certain cash collections outside of the City Clerk's Office.

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

Cause: The City does not have proper compensating controls in place to mitigate the lack of segregation of duties at these outside departments.

Recommendation: We recommend the City investigate alternative solutions to segregating the cash receipts functions so the same individual does not have the capability of initiating, processing or approving the cash receipt transactions.

Response and Corrective Action Plan: The City is investigating alternatives to improve the segregation of duties in various locations where the benefit exceeds the cost of implementing the procedures.

B. Compliance findings.

None

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2010

III. Findings and Questioned Costs for Federal Awards.

A. Significant Deficiencies in Administering Federal Awards

None

B. Instances of Noncompliance

10-III-A

**U.S. Department of Homeland Security,
Passed through Iowa Homeland Security and Emergency Management Division
Hazard Mitigation Grant (CFDA 97.039)
Federal Year Award 2009/2010**

Finding: The City (Planning and Zoning Department) did not meet the requirements of OMB Circular A-133 relating to suspension and debarment requirements under the City's Hazard Mitigation Grant.

Criteria: The Office of Management and Budget Circular A-133 dictates when a nonfederal entity enters into a contract or purchase order with an entity under a "covered transaction," the nonfederal entity must verify the entity is not suspended or debarred from participation in federal programs. A "covered transaction" includes all procurement contracts for goods and services that are expected to equal or exceed \$25,000 and all nonprocurement transactions (i.e., subawards to subrecipients) irrespective of award amount.

Condition: The City did not ensure that vendors or recipients of subawards (subrecipients) were not suspended or debarred from participation in federal programs.

Question Costs: None

Context: One contractor was authorized with a contract not to exceed the amount of \$50,000. The total amount paid to the contractor was \$10,145.

Effect: Noncompliance with federal grant requirements.

Cause: The City (Planning and Zoning Department) was not aware of the requirement.

Recommendation: We recommend the City's Planning and Zoning Department ensure vendors and recipients of subawards (subrecipients) used under federal grant programs have not been suspended or debarred from participation in federal programs. The City should do this by either having the vendors and subrecipients sign certifications or by checking the *Excluded Parties List System* (EPLS) (<http://epls.arnet.gov>).

Response and Corrective Action Plan: The Planning and Zoning Department is aware of this requirement and has performed a check on the two contractors. The Planning and Zoning Department is working with City administration to implement a written policy.

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2010

10-III-B

U.S. Department of Justice

Public Safety Partnership and Community Policing Grant (CFDA 16.710)

ARRA – Public Safety Partnership and Community Policing Grant (CFDA 16.710)

Federal Year Award 2009/2010

Finding: The City did not comply with subrecipient monitoring requirements of OMB Circular A-133, for the Public Safety and Community Policing Grant program.

Criteria: As stated in OMB Circular No. A-133, the City, a pass-through entity, is responsible for ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipient's audit period, issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report; and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions

Condition: The City did not obtain and review single audit reports of its subrecipients under this program.

Questioned Costs: \$9,696

Context: The City made subawards to one subrecipient in the amount of \$9,696 in fiscal year 2010.

Effect: The City is not in compliance with subrecipient monitoring requirements.

Cause: The City was not aware of the requirement.

Recommendation: We recommend the City implement procedures to ensure subrecipient's Single Audit reports have been received and reviewed for any findings relating to the program for which grant funds are being provided to a subrecipient.

Response and Corrective Action Plan: The City is developing a process to ensure all departments that administer grants are aware of the subrecipient monitoring requirements.

IV. Findings Related to Statutory Reporting

10-IV-A Certified Budget

Expenditure/expenses during the year ended June 30, 2010, did not exceed the budgeted amounts.

10-IV-B Questionable Disbursements

No questionable disbursements were noted.

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2010

10-IV-C Travel Expenses

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

10-IV-D Business Transactions

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

10-IV-E Bond Coverage

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

10-IV-F Council Minutes and Resolutions

We noted no transactions where the required Council approval was not obtained. However the City did not publish Council minutes timely.

Finding: The City is required to publish the minutes from a Council meeting within 15 days of the meeting. The City did not publish meeting minutes that occurred during the fiscal year until June 2010, which is after the 15-day requirement.

Recommendations: The City should publish minutes within 15 days of Council Meetings as required by the Code of Iowa.

Response and Corrective Action Plan: The City will begin publishing Council minutes in a timely manner. The former City Clerk retired during the fiscal year. Due to workload constraints, all minutes were not published timely. The situation has been corrected and minutes are now being published in accordance with the 15-day requirement.

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

10-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.

10-IV-H Deficit Balances

Finding: The following funds had deficit balances as of June 30, 2010:

Grants, Special Revenue	\$2,402,275
Vision Iowa Agency Projects, Capital Projects Fund	2,244,034
Federal Aviation Agency Projects, Special Revenue Fund	22,601

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

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2010

Response and Corrective Action Plan: The Grants, Special Revenue Fund, the Vision Iowa Agency Projects, Capital Projects Fund and the Airport Federal Aviation Agency, Special Revenue Fund 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.

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.

10-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.

10-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, 2010, the accumulative cash deficit totaled \$857,767.

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.

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, 2010**

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Significant Deficiencies in Internal Control				
10-II-A	The City has an improper segregation of duties over the payroll cycle.	See corrective action plan at 10-II-A.	June 2011	Michelle Weidner
10-II-B	Industrial sewer billing internal controls are not effectively operating as they are not functioning as designed.	See corrective action plan at 10-II-B.	June 2011	Michelle Weidner
10-II-C	The City has improper segregation of duties over cash collections at locations outside of the City Clerk's office.	See corrective action plan at 10-II-C.	June 2011	Michelle Weidner
Findings and Questioned Costs for Federal Awards				
10-III-A	The City (Planning and Zoning Department) did not meet the requirements of OMB Circular A-133 relating to suspension and debarment requirement under the City's Hazard Mitigation Grant.	See corrective action plan at 10-III-A.	June 2011	Michelle Weidner
10-III-B	The City did not comply with subrecipient monitoring requirements of OMB Circular A-133, for the Public Safety and Community Policing Grant program.	See corrective action plan at 10-III-B.	June 2011	Michelle Weidner
Other Findings Related to Required Statutory Reporting				
10-IV-F	The City is required to publish the minutes from a Council meeting within 15 days of the meeting. The City did not publish within this time frame.	See corrective action plan at 10-IV-F.	June 2011	Michelle Weidner
10-IV-H	The Grants, Special Revenue Fund, the Vision Iowa Agency Projects, Capital Projects Fund and the Airport Federal Aviation Agency Projects Fund had deficit fund balances as of June 30, 2010.	See corrective action plan at 10-IV-H.	June 2011	Michelle Weidner
10-IV-J	The City did not amend the airport ordinance to repeal the positive cash balance requirement. Through June 30, 2010, the accumulative cash deficit totaled \$857,767.	See corrective action plan at 10-IV-J.	June 2011	Michelle Weidner



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

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the basic financial statements of the City of Waterloo, Iowa for the year ended June 30, 2010. These items are offered as constructive suggestions 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 and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
December 14, 2010