COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF WAVERLY, IOWA FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Prepared by the
Finance Department
Jack Bachhuber, Finance Director

CITY OF WAVERLY, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2010
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December 21, 2010

Honorable Mayor and City Council
City of Waverly
Waverly, Iowa

We are pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the City of Waverly. This report is for the fiscal year ended June 30, 2010. The report is submitted each year as required by State Law, Chapter 11.6. The report is prepared according to U.S. generally accepted accounting principles (GAAP) for government as established by the Governmental Accounting Standards Board (GASB). It is audited by Williams & Company, P.C.

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

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

PROFILE OF THE CITY OF WAVERLY

The City of Waverly was incorporated in 1859 under the provisions of the Iowa State Legislature. It is located in Bremer County along the Cedar River in northeast Iowa, about 15 miles north of the Waterloo-Cedar Falls metropolitan area. Highways serving the area include State Highway 3 and U.S. Highway 218 that is connected to Interstate Highway 380, Avenue of the Saints. The U.S. Census Bureau reported 8,968 residents in 2000, and estimated the population to be 9,138 in 2009. 2010 census figures are not available until 2011.

Policy-making and legislative authority in the City of Waverly are vested in a governing council. The City of Waverly operates under a Mayor-council form of government. One council member is elected from each of the City's five wards, and two are elected at-large. For continuity purposes the mayor and council members serve

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four-year staggered terms with elections held every two years. The City Council makes policy decisions for the City through the enactment of ordinances, resolutions, and motions. The Council is also responsible for adopting the budget, appointing committees, and hiring the city administrator. The City administrator is responsible for implementing policy decisions of the City Council, overseeing the day-to-day management of the City, and hiring department directors. All departments and department directors report to the City Administrator, with the exception of the Library Director who is supervised by an appointed Board of Trustees.

FINANCIAL INFORMATION

The City of Waverly maintains an internal control structure designed to provide reasonable, but not absolute assurance that the assets of the city are protected from loss, theft, or fraud and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The requirement for reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

The foundation of the City's financial planning and control is the annual budget. The budget process includes sessions with staff, management, and the City Council. To ensure compliance with legal budgetary controls, the City Council and management receive monthly reports comparing budgeted amounts to actual expenditures. The City Council may make additional appropriations during the year for unanticipated revenues or capital projects which were not completed in the prior year. Budget-to-actual comparisons by 9 major functions are provided in the Required Supplemental Information section of this report.

Project length budgets are prepared for the various capital project funds. A "Ten Year Capital Improvement Plan" is prepared and reviewed annually with the City Council. This plan defines the long-term capital plan of the City while each specific capital project is appropriated through different revenue streams. The budget document present's function disbursements by fund; however the formal and legal level of budgetary control is at the aggregated function level, not by fund. After adoption, budget adjustments in these functions are authorized by the City Council.

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

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy. The City of Waverly is the largest city in Bremer County, and also the County Seat. Waverly offers a convenient small town atmosphere while being only a 25 minute drive to a large metropolitan area. The last five year census show Waverly growing at an annual rate of .2%. The increase in building permit values, from last year, is mainly due to rebuilding from the 2008 flood, but the construction of a new retirement facility, Waverly-Shell Rock middle school, a Goodwill Retail Store, and Fareway grocery store were huge additions to Waverly's growth this year. The FY 2010 was a strong building year compared to the previous two years, with numerous building projects in the works, including several new retail stores, a dental office, and industrial park expansions. These increases will allow the City to continue receiving increased intergovernmental revenues.

The City benefits from a prosperous downtown retail area plus other shopping areas, both on the south and north side of the City. The retail economy is very important to Waverly and has gone through a period of expansion. This is the second year the City is overseeing the area economic development and has established an Economic Development Department in City Hall. The director is involved with the Economic Development Commission of the Waverly Area which was formed to organize human resources and generate development capital to attract new business and industry in the Waverly and surrounding area.

Waverly is the home of Wartburg College, a private four-year college. Wartburg continues to expand its campus with major additions throughout the campus. Over two years ago Wartburg College opened the new $31 million Wartburg-Waverly Sports and Wellness Center. The Wartburg-Waverly Sports and Wellness Center is one of the largest NCAA Division III facilities of its kind in the nation. This facility has an extremely strong impact on the Waverly economy. Besides the normal weekly athletic events, and year round sport camps, Wartburg College was host to the NCAA National Men's and Women's Division III cross country meet this year. The event hosted teams from 27 different schools, with an estimated $561,000 impact on the local economy during that weekend.

The City of Waverly is a growing manufacturing, retailing, educational, and health services center in northeast Iowa. Major employers range from Wartburg College with 525 employees CUNA Mutual Life Insurance with 485 employees, Waverly Shell-Rock Schools with 421 employees, Waverly Health Center with 420 employees, Nestle Beverage food products with 255 employees, and Bartels Lutheran Home with 241 employees. These figures include both full-time and part-time employees.

Sales and use tax showed a decrease of 3 percent compared to the 2008-2009 fiscal year, and the number of businesses reporting sales tax decreased by 28 outlets over the same time period. Although the decrease in sales shows the affects of a down economy, it is still better than the state total sales tax decrease 4.67%. Projections for next year include the construction of several new businesses along the southern & eastern business highways, along with continued emphasis on promoting business development in the downtown area. In July 2003 the City of Waverly started collecting local option sales tax which will allow the city to fund specific projects related to safety and infrastructure, without raising property taxes. This revenue will continue to pay for safety project debt, along with drainage and street improvements. The revenue stream has been consistent over the years with total receipts of $830,000 in FY 2010. This was up 4% over the prior year which is positive given the reports from the state. Future projects for these funds include additional bond payments and various street improvements.

The City's economic outlook continues to be positive, with industry and commercial business showing continued growth in product lines and employment. Bremer County's June 2010 unemployment rate of 5.4% compares favorably to the State's rate of 6.7% for the same period. The tax base for the City is showing favorable increases. At an average increase of 2.8% a year since 2001, growth in the City's taxable valuation has been excellent compared to other cities of similar size. Assessed valuations for the same period increased at a rate of 6.2%, but the state's residential rollback continues to affect the taxing ability of cities. Although the state rollback affected taxable valuation again this year, it improved from the prior year. The FY 2010 residential rollback was 45.5893 percent compared to 44.0803 percent in FY 2009. Detail figures are provided in the statistical section.

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

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

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

The certificate of deposit annual interest rate averaged .85% compared to 1.89% last year. The return of Iowa Public Agency Investment Trust averaged .13% compared to 1.09% last year. These are two major investment areas, and the decreased rate of return affected interest revenue by $37,477, compared to last year. A solid fund balance in major funds helped cover most of the reduction in revenue. At June 30, 2010 the city's investment position for all funds totaled $4,783,180 compared to $6,314,026 in 2009. Most of the decrease was due to the completion of projects with a prior cash balance.

Awards and Acknowledgments. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Waverly for its comprehensive annual financial report (CAFR) for the year ended June 30, 2009. In order to receive this award, the city must publish an easily readable and efficiently organized CAFR. The report must also satisfy both generally accepted accounting principles and applicable legal requirements. The award is valid for one year only. The City is submitting the 2009 annual financial report to GFOA for review to determine its eligibility for an award.

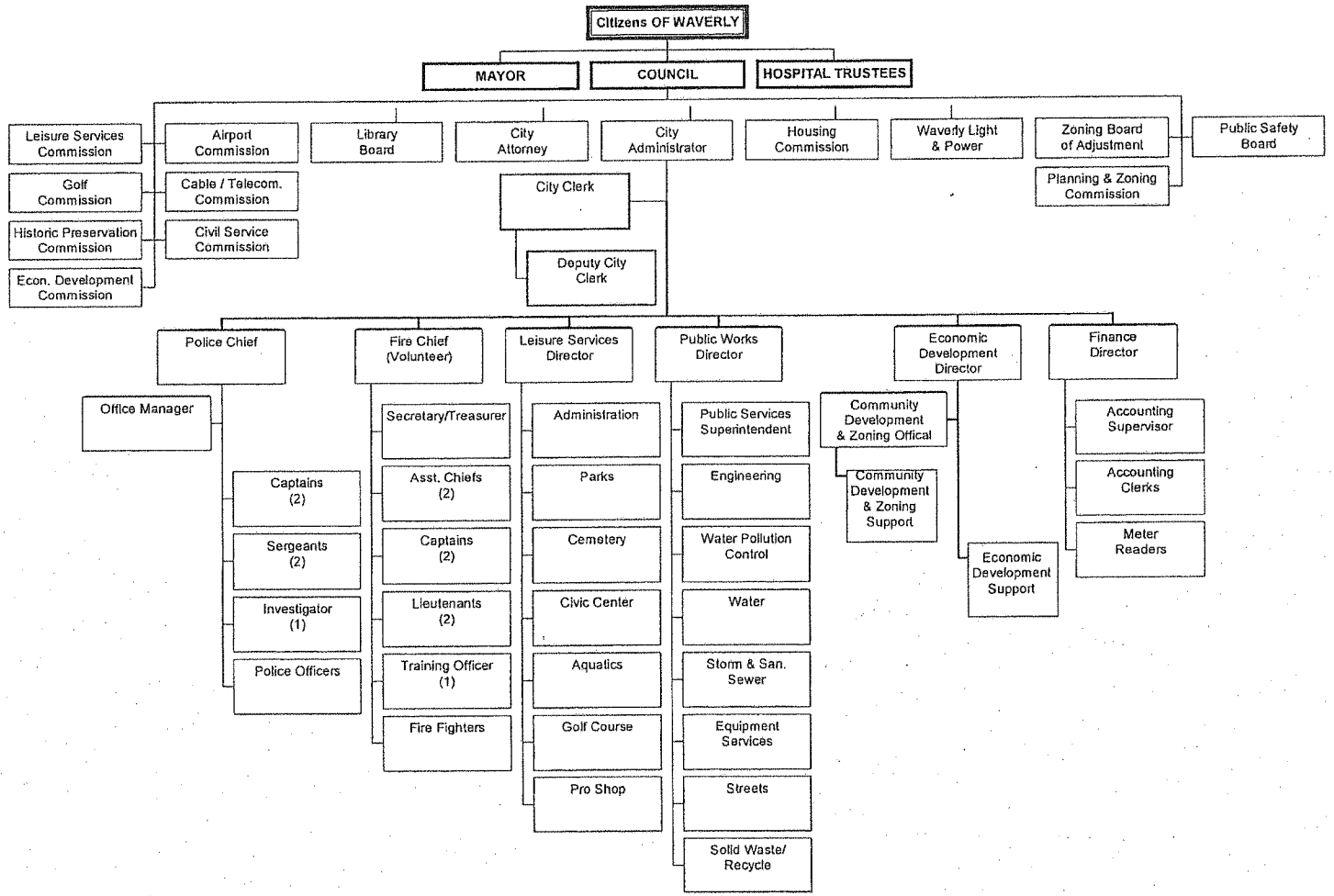
The preparation of this report could not have been accomplished without the support and dedication of the entire staff of the finance and administrative departments. Appreciation is also expressed to the mayor and city council for their support and interest in the financial operations of the City in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

Respectfully submitted,

Richard J. Crayne
City Administrator

Jack A. Bachhuber
Director of Finance

Organizational Flow Chart
The City Of Waverly, Iowa



CITY OF WAVERLY, IOWA

List of Principal Officials
June 30, 2010

ELECTED OFFICIALS

Mayor	Bob Brunkhorst
Council Member – Ward 1	Eugene Lieb
Council Member – Ward 2	Gary Grace
Council Member – Ward 3	Richard Lindell
Council Member – Ward 4	Jim Vowels
Council Member – Ward 5	Tim Kangas
Council Member – At Large	Gary Boorom
Council Member – At Large	Kathy Olson

APPOINTED OFFICIALS

City Administrator/Clerk	Richard J. Crayne
Deputy City Clerk	JoEllen Raap
Attorney	Gerald B. Carney
Director of Finance	Jack Bachhuber
City Engineer/Director of Public Works	Michael Cherry
Police Chief	Richard Pursell
Leisure Services Director	Tabor Ray
Fire Chief	Dennis Happel
Library Director	Sarah Meyer-Reyerson
Economic Development Director	Jason Passmore
Community Development and Zoning Manager	Ben Kohout

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Waverly
Iowa

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

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Waverly, Iowa for its comprehensive annual financial report for the fiscal year ended June 30, 2009. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

WILLIAMS & COMPANY P.C.
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waverly, Iowa, (the City) as of and for the year ended June 30, 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 Waverly Health Center and Waverly Light and Power (discretely presented component units), which statements reflect total assets of $41,273,035 and $48,497,674 as of June 30, 2010 and December 31, 2009, respectively, and total operating revenues of $41,264,445 and $12,491,295 for the years then ended. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Waverly Health Center and Waverly Light and Power, is based solely on the reports of the other auditors.

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

In our opinion, and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City 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 U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2010, on our consideration of the City of Waverly's internal control over financial reporting and on 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.

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress for the retiree health plan on pages 11 through 22 and 64 through 68, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining non-major fund financial statements, and statistical section 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statement of the City of Waverly, Iowa. The combining non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
December 21, 2010

Management's Discussion and Analysis

The discussion and analysis of the City of Waverly's financial statements for the year ended June 30, 2010 provides a narrative overview of its financial activities. Readers are encouraged to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal, which starts on page 1, of this report.

Financial Highlights

- The assets of the City of Waverly exceeded liabilities at June 30, 2010, by $49,022,609. Of this amount, $3,639,551 is unrestricted and may be used to meet the government's ongoing obligations to the citizens and creditors.
- The City's net assets increased by $7,898,312 during the year. Of this amount the assets of our Governmental Activities increased by $7,594,355 and the assets of our Business Activities increased $303,957. The 28% increase is attributed to the purchase of 70 homes from the flood of 2008.
- The City's long-term debt decreased approximately $2,115,000. The City issued $670,000 of general obligation refunding capital loan notes which were used to current refund two outstanding issues. As a result the City will reduce its debt service payments over the next seven years by $42,412. Over the past two years the city has been able to reduce debt by over $385,000 by taking advantage of low refunding rates. Outstanding general obligation debt totals $11,245,000, other notes payable total $157,159, and revenue bonds total $940,000.
- The unreserved fund balance for the general fund, at the end of the current fiscal year was $1,452,931. This represents 23 percent of total general fund expenditures, which is slightly below the city goal of maintaining a 25 percent fund balance.

overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Waverly's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee agent for the benefit of those outside of the government. An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

Reporting the City as a Whole

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

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in the net assets are reported as soon as the underlying

event occurs, giving rise to the change regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Waverly that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Waverly include general government, public safety, public works, economic development, and culture and recreation. The business-type activities of the City include a water, sewer, and solid waste utility.

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

The government-wide financial statements can be found on pages 23-25 of this report.

Reporting the City's Most Significant Funds

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

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

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

The City of Waverly maintains 34 individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* and individual fund statements in the City's full report.

The basic governmental fund financial statements can be found on pages 26-31 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer, and Solid Waste Utility as all are considered, or have been designated to be major funds of the City. The internal service fund is a single, aggregated presentation in the proprietary fund financial statements. Individual fund data is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 32-38 of this report.

Reporting the City's Fiduciary Responsibilities

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 40-63 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment). Less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparative chart shows the changes in net assets for the years ended June 30, 2010 and 2009.

	General Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	$ 12,588,408	$ 12,158,217	$ 1,681,749	$ 1,517,319	$ 14,270,157	$ 13,675,536
Capital Assets	41,221,293	35,437,808	13,684,340	14,162,607	54,905,633	49,600,415
Total Assets	53,809,701	47,596,025	15,366,089	15,679,926	69,175,790	63,275,951
Long-Term Liabilities Outstanding	8,696,535	10,311,061	1,514,392	2,039,147	10,210,927	12,350,208
Other Liabilities	9,223,487	8,989,640	718,767	811,806	9,942,254	9,801,446
Total Liabilities	17,920,022	19,300,701	2,233,159	2,850,953	20,153,181	22,151,654
Net Assets:						
Invested in Capital Assets, Net of Related Debt	31,003,445	23,672,634	11,665,128	11,575,601	42,668,573	35,248,235
Restricted	2,240,151	2,056,639	474,334	541,706	2,714,485	2,598,345
Unrestricted	2,646,083	2,566,051	993,468	711,666	3,639,551	3,277,717
Total Net Assets	$ 35,889,679	$ 28,295,324	$ 13,132,930	$ 12,828,973	$ 49,022,609	$ 41,124,297

This summary reflects an increase of 26.8% in the governmental net assets and an increase of 2.4% in the business-type net assets.

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

An additional portion of the City's net assets $2,714,485 (5.54%) represents resources that are subject to external restriction on how they may be used. Restricted net assets include the amounts restricted for debt service of $543,897, cemetery perpetual care of $472,007, Tax Increment Financing allowable purposes of $859,537, Local Option Sales Tax allowable purposes of $383,868, Road Purposes of $403,741 and other specific revenue restrictions of $51,435. The remaining balance of unrestricted net assets of $3,639,551 may be used to meet the government's ongoing obligations to citizens and creditors.

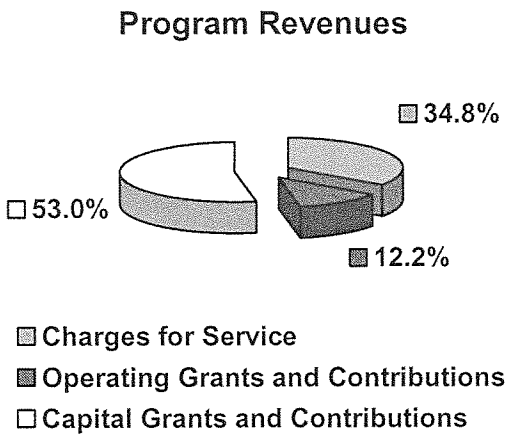
At the end of the current fiscal year, the City of Waverly is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Total revenue reported in Fiscal year 2010 was $21,000,003. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities for Fiscal Year 2010 and 2009.

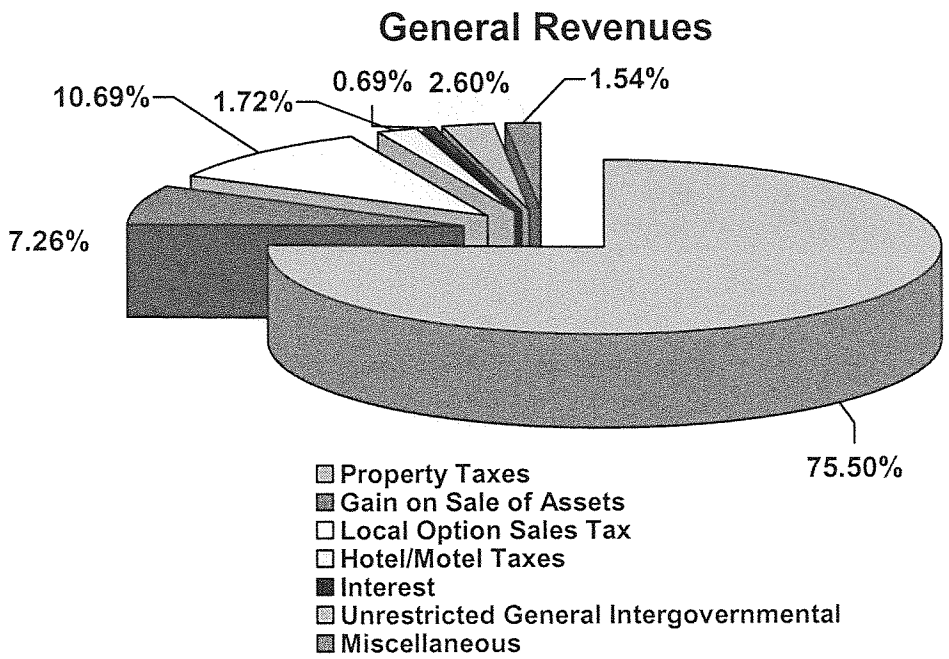
	General Governmental Activities		Business-Type Activities		Total	
Revenue Source	2010	2009	2010	2009	2010	2009
Program Revenues:						
Charges for Services	$ 978,789	$ 1,010,440	$ 3,599,272	$ 3,356,870	$ 4,578,061	$ 4,367,310
Operating Grants and Contributions	1,610,920	2,562,584	-	-	1,610,920	2,562,584
Capital Grants and Contributions	6,869,966	448,176	109,178	-	6,979,144	448,176
Total Program Revenues	9,459,675	4,021,200	3,708,450	3,356,870	13,168,125	7,378,070
General Revenues:						
Property Taxes	5,854,330	5,738,820	-	-	5,854,330	5,738,820
Local Option Sales Tax	828,529	815,438	-	-	828,529	815,438
Hotel / Motel Taxes	133,201	170,557	-	-	133,201	170,557
Interest	53,120	57,397	9,484	26,338	62,604	83,735
General Intergovernmental Revenues	202,440	190,500	-	-	202,440	190,500
Gain on Sale of Assets	563,272	30,326	-	-	563,272	30,326
Miscellaneous	119,104	54,738	68,398	58,180	187,502	112,918
Total General Revenues	7,753,996	7,057,776	77,882	84,518	7,831,878	7,142,294
Total Revenues	$ 17,213,671	$ 11,078,976	$ 3,786,332	$ 3,441,388	$ 21,000,003	$ 14,520,364

Program revenues totaled $13,168,125 for fiscal year 2010. Governmental Activities provided $9,459,675 and Business-Type Activities provided $3,708,450. Revenue collected for Charges for Services during fiscal year 2010 was $4,578,061 accounting for 35% of the total program revenues.

Capital grants this year were higher due to federal disaster grants received for flood buyout homes and projects. Operating grants decreased in fiscal year 2010 as flood related projects were completed. Property tax revenue was up in fiscal year 2010 due primarily to increased TIF tax receipts in the City's TIF district. Interest income was down slightly as the interest rates leveled off from last year. The following chart breaks down program revenues by source:



General Revenues for fiscal year 2010 totaled $7,831,878. Governmental Activities provided $7,753,996 and Business-Type Activities provided $77,882. Property Tax Revenues for fiscal year 2010 totaled $5,854,330, accounting for 74.8% of General Revenues. The following chart breaks down General Revenues by source:



Expenses for fiscal year 2010 totaled $13,101,691. Expenses for General Governmental Activities totaled $9,659,514 accounting for 74% of the total expenses. Business-Type Activity expenses totaled $3,442,177, for 26% of the total.

Program Level	General Governmental Activities 2010	General Governmental Activities 2009	Business-Type Activities 2010	Business-Type Activities 2009	Total 2010	Total 2009
Public Safety	$ 1,890,848	$ 1,842,773	$ -	$ -	$ 1,890,848	$ 1,842,773
Public Works	3,091,315	3,525,685	-	-	3,091,315	3,525,685
Health & Social Services	160,307	752,457	-	-	160,307	752,457
Culture and Recreation	2,218,807	2,266,639	-	-	2,218,807	2,266,639
Community and Economic Development	1,081,165	439,362	-	-	1,081,165	439,362
General Government	806,618	722,714	-	-	806,618	722,714
Debt Service	410,454	533,573	-	-	410,454	533,573
Water System	-	-	1,046,779	1,015,570	1,046,779	1,015,570
Sewer System	-	-	1,449,551	1,371,630	1,449,551	1,371,630
Solid Waste	-	-	945,847	960,872	945,847	960,872
Total Expenses	9,659,514	10,083,203	3,442,177	3,348,072	13,101,691	13,431,275
Increase in Net Assets Before Transfers	7,554,157	995,773	344,155	93,316	7,898,312	1,089,089
Interfund Transfers	40,198	76,489	(40,198)	(76,489)	-	-
Increase in Net Assets	$ 7,594,355	$ 1,072,262	$ 303,957	$ 16,827	$ 7,898,312	$ 1,089,089

Public Works expenses were down in fiscal 2010 but are still above normal due to costs incurred with flood related projects. Health and Social Services expenses were less in FY 2010 due to the $600,000 payment made to Wartburg College per the revenue contingency clause in the agreement for the Wartburg-Waverly Wellness Center, was moved to the Community and Economic Development Program. In order to induce the College to offer recreation programs, the City agreed that it will annually pay to the College the difference between the actual total revenues that the projected total estimated revenues beginning with the College's fiscal year ending May 31, 2010.

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

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

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden each of the functions place on the taxpayers. For example, for Public Safety, the City spent $1,890,848 and received $263,465 in revenue, leaving a cost to the taxpayer of $1,627,383 to be funded by various methods including property taxes. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

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

The total cost of governmental activities this year was $9,659,514. Of these costs, $978,789 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contributions were $8,480,886, leaving a Net Expense of $199,839 for Governmental Activities. These expenses were covered with tax revenues, interest, and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

Functions/Programs	Net (Expense) Revenue 2010	Net (Expense) Revenue 2009
Governmental Activities:		
Public Safety	$ (1,627,383)	$ (1,779,357)
Public Works	4,898,019	(942,630)
Health & Social Services	(159,419)	(752,457)
Culture and Recreation	(1,336,271)	(1,288,805)
Community and Economic Development	(983,136)	(263,254)
General Government	(581,195)	(501,927)
Debt Service	(410,454)	(533,573)
Total Net (Expense) Revenue Governmental Activities	(199,839)	(6,062,003)
General Revenues	7,753,996	7,057,776
Change in Net Assets before Transfers	7,554,157	995,773
Transfers	40,198	76,489
Change in Net Assets	$ 7,594,355	$ 1,072,262

Total resources available during this year to finance governmental operations were $45,549,193, consisting of Net Assets at July 1, 2009 of $28,295,324, Program Revenues of $9,459,675, and

General Revenues of $7,794,194. Total Governmental Activities during the year expended $9,659,514; thus, Net Assets were increased by $7,594,355, to $35,889,679.

Business-Type Activities

Business-Type Activities increased the City's net assets by $303,957, accounting for 3.85% of the growth in the City's net assets.

The cost of all Proprietary Activities this year was $3,442,177. As shown in the Statement of Activities, the amount paid by users of the systems was $3,599,272, and $109,178 by capital grants and contributions, resulting in total Net Revenue for Business-Type Activities of $266,273. The Net (Expense) Revenue by Business-type Activity is shown in the following table:

Business-Type Activities	Net (Expense) Revenue 2010	2009
Water System	$154,956	$14,517
Sewer System	2,222	25,825
Solid Waste System	109,095	(31,544)
Total Net (Expense) Revenue Business-Type Activities	266,273	8,798
General Revenues & Interfund Transfers	37,684	8,029
Change in Net Assets	**$303,957**	**$16,827**

Total resources available during the year to finance Proprietary Fund activities were $16,575,107, consisting of Net Assets at July 1, 2009 of $12,828,973; program Revenues of $3,708,450, General Revenues of $37,684, Total Proprietary Fund Activities during the year expended $3,442,177; thus Net Assets were increased by $303,957, to $13,132,930.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of $4,500,662. The combined Governmental Funds balance increased $285,258, as a result of the liabilities associated various capital projects, including the flood buyout fund.

The General Fund is the primary operating fund of the City. During the year, expenditures and other financing uses exceeded revenue and other financing sources in the General Fund by $324,243. The total fund balance of $1,522,929 is 24% of expenditures, which is slightly below the goal of 25%. The General Fund net assets decreased $324,243, which was caused by the combination of budget changes in various areas included in the general fund. The Tax Increment Financing, Employee Benefit, and Debt Service Funds saw very minimal changes during the year

the year maintaining a fund balance consistent with recent years. The Flood Buyout Capital Project Fund is used to account for the purchases of 70 properties affected by the 2008 flood. This is a combination of federal and state dollars.

Budgetary Highlights

The following table shows the general budget variances by program structure:

Expenditures	Amended Budget	Actual	Variance
Public Safety	$ 2,075,459	$ 1,955,671	$ 119,788
Public Works	1,358,085	1,498,639	(140,554)
Health & Social Services	162,680	160,307	2,373
Culture and Recreation	2,030,347	2,069,692	(39,345)
Community and Economic Development	1,395,962	1,137,342	258,620
General Government	776,238	694,515	81,723
Debt Service	3,004,456	1,994,768	1,009,688
Capital Projects	13,626,941	7,359,624	6,267,317
Business Type/Enterprise	4,024,032	3,413,497	610,535
Total Expenditures	**$ 28,454,200**	**$ 20,284,055**	**$8,170,145**

Below is a brief recap of budget activity for the year:

- The total original revenue budget of $24,540,737 was amended to $22,861,654 (a decrease of $1,679,083). This decrease was based on the timing of FEMA funds for flood recovery, risk insurance refund, and expected reduction in LOSST and hotel-motel tax revenue.
- The City received over $4.7M from Federal and State emergency funds to help the City recover from the 2008 flood.
- The total original expenditure budget of $26,364,879 was amended to $28,454,200 (an increase of $2,089,321).
- The above amendments to budgets were mainly related to the timing of capital projects and purchases, the sale and refunding of non-budgeted bonds and the flood related projects. Total actual expenditures came in below budget projections by $8,170,145. This change was again related to the extended completion dates of the many flood related projects. The City did very well this year controlling expenses based on original budget projections. The two programs, (Public Works and Culture and Recreation) exceeded amended budget amounts which were attributed to minor late expenditures in various departments.

Capital Assets

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, sewer systems, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2010 was $42,668,573 (net of accumulated depreciation and outstanding financings). This is an increase of $7,420,338 from fiscal 2009. This sizeable increase was due to the purchase of 70 flood related properties. The gross additions to capital assets for Fiscal 2010 and 2009 are as follows:

	General Governmental Activities		Business Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	$ 5,249,644	$ -	$ -	$ -	$ 5,249,644	$ -
Construction in Progress	1,450,633	2,020,961	57,888	1,053,781	1,508,521	3,074,742
Buildings and Improvements	27,061	98,528	-	19,738	27,061	118,266
Equipment	600,097	480,775	134,214	251,378	734,311	732,153
Infrastructure	549,953	2,072,438	920,486	702,398	1,470,439	2,774,836
	$ 7,877,388	$ 4,672,702	$1,112,588	$2,027,295	$ 8,989,976	$ 6,699,997

Additional information on the City of Waverly's capital assets can be found in Note 6 of the financial statements.

Debt Administration

On June 30, 2010 the City had $12,342,159 of debt outstanding. This is a decrease of $2,114,997 from the prior year and shows Waverly's commitment to pay down and control overall debt.

Debt administration is an important aspect of the City's financial obligation to its citizens. Any new debt is amortized over no more than twelve years. At the end of the fiscal year the City's schedule showed that 58% of the existing general obligation debt would be paid off in five years. This rapid repayment, when combined with the use of TIF and Local Option Sales Tax Revenue, has allowed the City to maintain an Aa2 rating from Moody's.

The City continues to operate well under the State of Iowa debt capacity limitations. The state limits the total outstanding General Obligation Debt to 5% of the assessed value of all taxable property in the corporate limits. This formula set the debt capacity to $29,758,133 at the end of the 2010 fiscal year. With outstanding General Obligation Debt applicable to this limit of $11,300,763 the City is at 38% of the maximum debt capacity. More detailed information on debt administration is provided in Note 7 of the financial statements.

Economic Factors

The City of Waverly continues to report above average residential and commercial building projects. In FY 2010 the City had 27 new single family house permits which is ahead of last year. New commercial building permits have averaged between six and eight a year over the past five years. Property tax is a major source of revenue and Waverly is fortunate that it has seen minor, but consistent increases in assessed and taxable valuation.

This steady growth has allowed the City to maintain its high level of service. The City has budgeted for use of General Fund balance for two years, but has projected a balanced budget for the next two years. The total General Fund Balance continues to remain solid at 24% of expenditures, which is slightly below the percentage set by city council of 25%.

Requests for Information

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

CITY OF WAVERLY, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government			Component Unit	
	Governmental Activities	Business-Type Activities	Total	Waverly Health Center	Waverly Light and Power
ASSETS					
Cash and Cash Equivalents	$ 2,603,048	$ 240,383	$ 2,843,431	$ 5,194,865	$ 6,956,792
Investments	946,920	612,701	1,559,621	502,363	1,328,060
Receivables (Net, where applicable, of allowance for uncollectibles)					
Accounts	66,143	258,152	324,295	7,100,956	2,395,485
Taxes	22,498	-	22,498	-	-
Subsequent Year Taxes	6,036,279	-	6,036,279	-	-
Accrued Interest	1,251	341	1,592	7,742	-
Other	-	-	-	58,428	-
Estimated Unbilled Usage	-	104,917	104,917	-	-
Special Assessments	41,266	101,869	143,135	-	-
Notes Receivable	18,371	-	18,371	-	-
Internal Balances	332,708	(332,708)	-	-	-
Due from Other Governmental Agencies	2,106,960	20,000	2,126,960	-	-
Inventories	64,963	86,599	151,562	1,555,383	1,030,127
Prepaid Assets	150,786	73,231	224,017	324,923	109,698
Other	-	-	-	-	2,323,901
Restricted Assets:					
Cash and Cash Equivalents	-	329,333	329,333	224,360	-
Investments	-	148,038	148,038	1,716,656	1,174,487
Bond Issue Costs	164,213	38,893	203,106	298,367	42,823
Investment in Joint Venture	33,002	-	33,002	-	-
Land	7,874,027	19,191	7,893,218	2,156,302	487,396
Construction in Progress	2,651,827	-	2,651,827	-	3,890,510
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	30,695,439	13,665,149	44,360,588	22,132,690	28,758,395
Total Assets	53,809,701	15,366,089	69,175,790	41,273,035	48,497,674
LIABILITIES					
Accounts Payable	993,014	48,437	1,041,451	1,680,413	561,779
Accrued Wages	239,837	44,378	284,215	1,760,759	1,364,824
Other Accrued Expenses	-	-	-	502,201	173,677
Customer Deposits	-	29,115	29,115	-	-
Claims Incurred But Not Reported	29,105	-	29,105	-	-
Deferred Revenue - Subsequent Year Taxes	6,036,279	-	6,036,279	-	-
Unearned Revenue	76,048	19,894	95,942	-	-
Accrued Interest Payable	31,833	2,722	34,555	50,555	-
Payables from Restricted Assets:					-
Accrued Revenue Bond Interest	-	3,037	3,037	-	13,787
Revenue Bonds - Current	-	310,000	310,000	1,110,000	933,421
Noncurrent Liabilities:					
Due within one year:					
General Obligation Bonds	1,613,636	221,364	1,835,000	-	-
Notes Payable	36,573	-	36,573	809,647	120,000
Compensated Absences and Benefits	167,162	39,820	206,982	-	-
Due in more than one year:					
Revenue Bonds Payable	-	611,896	611,896	11,055,000	5,239,979
General Obligation Bonds	8,447,053	875,952	9,323,005	-	-
Notes Payable	120,586	-	120,586	1,020,367	1,440,000
OPEB Liabilty	17,454	-	17,454	-	-
Compensated Absences and Benefits	111,442	26,544	137,986	-	-
Total Liabilities	17,920,022	2,233,159	20,153,181	17,988,942	9,847,467
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	31,003,445	11,665,128	42,668,573	10,293,978	27,131,224
Restricted for:					
Debt Service	69,563	474,334	543,897	1,941,016	786,690
Local Option Sales Tax	383,868	-	383,868	-	-
Road Purposes	403,741	-	403,741	-	-
Tax Increment Financing	859,537	-	859,537	-	-
Specific Revenues	51,435	-	51,435	-	-
Endowments:					
Nonexpendable	472,007	-	472,007	-	-
Unrestricted	2,646,083	993,468	3,639,551	11,049,099	10,732,293
Total Net Assets	$ 35,889,679	$ 13,132,930	$ 49,022,609	$ 23,284,093	$ 38,650,207

See Accompanying Notes to Financial Statements

CITY OF WAVERLY, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	$ 1,890,848	$ 44,690	$ 218,775	$ -
Public Works	3,091,315	85,054	1,109,314	6,794,966
Health and Social Services	160,307	-	888	-
Culture and Recreation	2,218,807	604,391	203,145	75,000
Community and Economic Development	1,081,165	19,231	78,798	-
General Government	806,618	225,423	-	-
Debt Service	410,454	-	-	-
Total governmental activities	9,659,514	978,789	1,610,920	6,869,966
Business-Type Activities:				
Water System	1,046,779	1,092,557	-	109,178
Sewer System	1,449,551	1,451,773	-	-
Solid Waste System	945,847	1,054,942	-	-
Total Business-Type Activities:	3,442,177	3,599,272	-	109,178
Total Primary Government	$13,101,691	$ 4,578,061	$ 1,610,920	$ 6,979,144
Component Unit:				
Waverly Health Center	$40,631,877	$ 41,264,445	$ 45,951	$ -
Waverly Light and Power	$10,541,681	$ 12,491,295	$ 400	$ -

General Revenues:
- Property Taxes
- Local Option Sales Tax
- Hotel/Motel Taxes
- Interest
- Unrestricted General Intergovernmental Revenues
- Gain on Sale of Uncapitalized Property
- Miscellaneous

Interfund Transfers
- Total general revenues and transfers
- Change in net assets

Net assets - beginning
Net assets - ending

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets				
			Component Unit	
Governmental Activities	Business-Type Activities	Total	Waverly Health Center	Waverly Light and Power
$ (1,627,383)		$ (1,627,383)		
4,898,019		4,898,019		
(159,419)		(159,419)		
(1,336,271)		(1,336,271)		
(983,136)		(983,136)		
(581,195)		(581,195)		
(410,454)		(410,454)		
(199,839)		(199,839)		
	$ 154,956	154,956		
	2,222	2,222		
	109,095	109,095		
	266,273	266,273		
(199,839)	266,273	66,434		
			$ 678,519	
				$ 1,950,014
5,854,330	-	5,854,330	-	-
828,529	-	828,529	-	-
133,201	-	133,201	-	-
53,120	9,484	62,604	137,028	152,628
202,440	-	202,440	-	-
563,272	-	563,272	5,944	-
119,104	68,398	187,502	-	36,028
40,198	(40,198)	-	-	-
7,794,194	37,684	7,831,878	142,972	188,656
7,594,355	303,957	7,898,312	821,491	2,138,670
28,295,324	12,828,973	41,124,297	22,462,602	36,511,537
$ 35,889,679	$ 13,132,930	$ 49,022,609	$ 23,284,093	$ 38,650,207

See Accompanying Notes to Financial Statements

CITY OF WAVERLY, IOWA
BALANCE SHEET
Governmental Funds
JUNE 30, 2010

		Special Revenue	
	General	Tax Increment Financing	Employee Benefit
Assets			
Cash and Cash Equivalents	$ 295,792	$ -	$ 47,873
Investments	746,920	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	53,971	-	-
Taxes	12,855	31	4,967
Subsequent Year Taxes	2,560,613	1,415,494	1,058,015
Accrued Interest	595	-	-
Special Assessments	2,106	-	-
Notes Receivable	-	-	-
Due from Other Funds	1,145,736	859,890	-
Due from Other Governmental Agencies	110,492	-	-
Inventories	64,963	-	-
Prepaid Assets	5,035	-	-
Total Assets	4,999,078	2,275,415	1,110,855
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	704,583	384	1,405
Accrued Wages and Compensated Absences	210,953	-	-
Due to Other Funds	-	-	-
Deferred Revenue - Subsequent Year Taxes	2,560,613	1,415,494	1,058,015
Deferred Revenue	-	-	-
Total Liabilities	3,476,149	1,415,878	1,059,420
Fund Balances:			
Reserved for:			
Debt Service	-	-	-
Perpetual Care	-	-	-
Inventories	64,963	-	-
Long-term Notes	-		-
Prepaid Items	5,035		-
Unreserved:			
General Fund	1,452,931	-	-
Special Revenue Funds	-	859,537	51,435
Capital Project Funds	-	-	-
Total Fund Balances	1,522,929	859,537	51,435
Total Liabilities and Equity	$ 4,999,078	$ 2,275,415	$ 1,110,855

See Accompanying Notes to Financial Statements

Debt Service	Capital Project Flood Buyout	Other Governmental Funds	Total Governmental Funds
$ 91,106	$ -	$ 1,816,414	$ 2,251,185
-	-	200,000	946,920
-	-	12,172	66,143
3,734	-	911	22,498
841,968	-	160,189	6,036,279
-	-	656	1,251
39,160	-	-	41,266
-	-	18,371	18,371
-	-	831,339	2,836,965
-	837,404	1,159,064	2,106,960
-	-	-	64,963
-	-	-	5,035
975,968	837,404	4,199,116	14,397,836
-	24,635	258,771	989,778
-	-	28,884	239,837
-	820,536	1,683,721	2,504,257
841,968	-	160,189	6,036,279
32,604	3,594	90,825	127,023
874,572	848,765	2,222,390	9,897,174
101,396	-	-	101,396
-	-	472,007	472,007
-	-	-	64,963
-	-	18,371	18,371
-	-	-	5,035
-	-	-	1,452,931
-		665,221	1,576,193
-	(11,361)	821,127	809,766
101,396	(11,361)	1,976,726	4,500,662
$ 975,968	$ 837,404	$ 4,199,116	$ 14,397,836

See Accompanying Notes to Financial Statements

CITY OF WAVERLY, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

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

Total Fund Balance - Governmental Funds (page 27)		$ 4,500,662
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds.		41,221,293
The investment in joint venture recorded in the governmental activities is not a financial resource and, therefore, is not reported in the fund.		33,002
Internal service funds are used by management to fund and maintain the City's health insurance provided to user departments and are included in the statement of net assets.		302,068
Assets such as special assessment receivables are not available to pay for current period expenditures and therefore are deferred in the funds.		50,975
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.		145,751
Accrued interest expense from the balance sheet that require current financial resources from governmental activities.		(31,833)
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources		164,213
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(10,060,689)	
Notes Payable	(157,159)	
Compensated Absences	(278,604)	(10,496,452)
Total Net Assets - Governmental Activities (page 23)		$ 35,889,679

See Accompanying Notes to Financial Statements

CITY OF WAVERLY, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2010

		Special Revenue	
	General	Tax Increment Financing	Employee Benefit
Revenue:			
Taxes	$ 2,624,942	$ 1,364,981	$ 962,915
Special Assessments	2,545	-	-
Licenses and Permits	52,427	-	-
Intergovernmental Revenue	957,685	-	-
Charges for Services	749,174	-	-
Fines and Forfeits	57,984	-	-
Contributions	33,920	-	-
Revenue from Use of Property	71,640	-	-
Interest on Investments	25,155	11,766	-
Miscellaneous	79,193	-	700
Total Revenue	4,654,665	1,376,747	963,615
Expenditures:			
Public Safety	1,816,089	-	151,855
Public Works	612,761	-	-
Health and Social Services	160,307	-	-
Culture and Recreation	2,019,170	-	17,662
Community and Economic Development	857,861	146,561	-
General Government	750,950	-	-
Capital Projects	51,415	-	-
Debt Service	-	-	-
Total Expenditures	6,268,553	146,561	169,517
Excess (deficiency) of revenues over expenditures	(1,613,888)	1,230,186	794,098
Other financing sources (uses):			
Issuance of Debt	10,312	-	-
Payment on Refunded Bonds	-	-	-
Proceeds from Sale of Capital Assets	-	-	-
Transfers In	1,309,333	-	-
Transfers Out	(30,000)	(1,064,277)	(823,431)
Total other financing sources (uses)	1,289,645	(1,064,277)	(823,431)
Net Change in Fund Balance	(324,243)	165,909	(29,333)
Fund balances - beginning of year	1,847,172	693,628	80,768
Fund balances (deficits) - end of year	$ 1,522,929	$ 859,537	$ 51,435

See Accompanying Notes to Financial Statements

Debt Service	Capital Project Flood Buyout	Other Governmental Funds	Total Governmental Funds
$ 846,788	$ -	$ 1,016,434	$ 6,816,060
10,748	-	-	13,293
-	-	24,568	76,995
-	4,997,358	2,669,396	8,624,439
-	-	-	749,174
-	-	-	57,984
-	-	19,506	53,426
-	-	22,996	94,636
4,322	-	8,187	49,430
-	-	20,840	100,733
861,858	4,997,358	3,781,927	16,636,170
-	-	-	1,967,944
-	-	937,167	1,549,928
-	-	-	160,307
-	-	31,925	2,068,757
-	-	134,933	1,139,355
-	-	-	750,950
-	5,008,719	2,305,421	7,365,555
1,981,898	-	-	1,981,898
1,981,898	5,008,719	3,409,446	16,984,694
(1,120,040)	(11,361)	372,481	(348,524)
670,000	-	-	680,312
(650,000)	-	-	(650,000)
-	-	563,272	563,272
1,109,619	-	1,433,715	3,852,667
-	-	(1,894,761)	(3,812,469)
1,129,619	-	102,226	633,782
9,579	(11,361)	474,707	285,258
91,817	-	1,502,019	4,215,404
$ 101,396	$ (11,361)	$ 1,976,726	$ 4,500,662

See Accompanying Notes to Financial Statements

CITY OF WAVERLY, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds (page 30)		$ 285,258
Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	$ 7,622,151	
Depreciation expense	(1,838,666)	5,783,485
Loss on investment in joint venture not recorded at the fund level.		(9,972)
The effect of the change in prepaid insurance which is not reported in the governmental funds as it is not available to provide current financial resources.		7,059
Governmental funds report special assessments and notes receivable as revenue when it becomes available, but the statement of activities includes as revenue when levied.		10,539
Accrued interest expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.		19,514
Governmental funds do not reflect the change in accrued compensated absences as it does not consume current financial resources. The Statement of Activities reflects the change in accrued compensated absences through expenditures.		(10,855)
Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and are included in the statement of net assets. The net revenue of the internal service funds is reported with governmental activities.		(12,291)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The amount by which payments exceeded proceeds in the current year is as follows:		
Repayments of long-term debt	2,222,690	
Proceeds from issuance of long-term debt	(680,312)	1,542,378
The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.		(20,760)
Change in net assets of governmental activities (page 25)		$ 7,594,355

See Accompanying Notes to Financial Statements

CITY OF WAVERLY, IOWA
COMBINING STATEMENT OF NET ASSETS
Proprietary Funds
JUNE 30, 2010

	Business Type Activities				Governmental Activities
	Water System	Sewer System	Solid Waste	Total	Internal Service
ASSETS					
Current Assets					
Cash and Cash Equivalents	$ 400	$ 201,278	$ 38,705	$ 240,383	$ 351,863
Investments	612,701	-	-	612,701	-
Receivables (Net, where applicable, of allowance for uncollectibles)					
Accounts	83,543	102,163	72,446	258,152	-
Accrued Interest	-	341	-	341	-
Estimated Unbilled Usage	42,921	61,996	-	104,917	-
Special Assessments	18,278	83,591	-	101,869	-
Due from Other Governmental Agencies	-	-	20,000	20,000	-
Inventories	48,184	38,415	-	86,599	-
Prepaid Assets	17,233	21,106	34,892	73,231	-
Restricted Assets:					
Cash and Cash Equivalents	-	329,333	-	329,333	-
Investments	148,038	-	-	148,038	-
Bond Issue Costs	19,070	19,823	-	38,893	-
Total Current Assets	990,368	858,046	166,043	2,014,457	351,863
Noncurrent Assets:					
Land	-	19,191	-	19,191	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	4,749,805	8,260,409	654,935	13,665,149	-
Total Noncurrent Assets	4,749,805	8,279,600	654,935	13,684,340	-
Total Assets	5,740,173	9,137,646	820,978	15,698,797	351,863
LIABILITIES					
Current Liabilities					
Accounts Payable	12,688	17,111	18,638	48,437	3,236
Accrued Wages	11,193	15,143	18,042	44,378	-
Compensated Absences and Benefits	9,061	16,727	14,032	39,820	-
Customer Deposits	29,115	-	-	29,115	-
Due to Other Funds	332,708	-	-	332,708	-
Unearned Revenue	-	-	19,894	19,894	-
Accrued Interest Payable	2,722	-	-	2,722	-
Claims Incurred But Not Reported	-	-	-	-	29,105
Payables from Restricted Assets:					
Accrued Revenue Bond Interest	371	2,666	-	3,037	-
Revenue Bonds - Current	50,000	260,000	-	310,000	-
General Obligation Bonds	221,364	-	-	221,364	-
Total Current Liabilities	669,222	311,647	70,606	1,051,475	32,341
Noncurrent Liabilities:					
Due in more than one year:					
Revenue Bonds Payable	50,000	561,896	-	611,896	-
General Obligation Bonds	875,952	-	-	875,952	-
OPEB Liability	-	-	-	-	17,454
Compensated Absences and Benefits	6,040	11,151	9,353	26,544	-
Total Noncurrent Liabilities	931,992	573,047	9,353	1,514,392	17,454
Total Liabilities	1,601,214	884,694	79,959	2,565,867	49,795
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	3,552,489	7,457,704	654,935	11,665,128	-
Restricted for:					
Debt Service	147,667	326,667	-	474,334	-
Unrestricted	438,803	468,581	86,084	993,468	302,068
Total Net Assets	$4,138,959	$8,252,952	$741,019	$13,132,930	$ 302,068

See Accompanying Notes to Financial Statements

CITY OF WAVERLY, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Proprietary Funds
For the Year Ended June 30, 2010

	Business Type Activities	
	Water System	**Sewer System**
Operating Revenues:		
Charges for Services	$ 1,064,869	$ 1,410,722
Miscellaneous	27,688	41,051
Reimbursement from Employees/Insurance	-	-
Total Operating Revenues	1,092,557	1,451,773
Operating Expenses:		
General Government	-	-
Employee Services	276,932	398,328
Contract Services	263,059	299,639
Supplies	73,714	54,457
Repairs and Maintenance	22,719	45,207
Utilities	88,915	135,021
Miscellaneous	5,180	2,851
Depreciation	263,345	460,585
Amortization	5,508	10,686
Total Operating Expenses	999,372	1,406,774
Operating Income (Loss)	93,185	44,999
Non-Operating Income (Expense):		
Interest Income	910	7,990
Revenue from Use of Property	68,398	-
Interest Expense	(47,407)	(42,777)
Total Non-Operating Income (Expenses)	21,901	(34,787)
Income (Loss) before Contributions and Transfers	115,086	10,212
Contributed Capital Revenue	109,178	-
Transfers In	7,958	57,574
Transfers (Out)	(80,500)	(14,500)
Change in Net Assets	151,722	53,286
Net Assets - Beginning	3,987,237	8,199,666
Net Assets - Ending	$ 4,138,959	$ 8,252,952

See Accompanying Notes to Financial Statements

Business Type Activities		Governmental Activities
Solid Waste	Total	Internal Service
$ 1,013,010	$ 3,488,601	$ 205,999
41,932	110,671	-
-	-	11,127
1,054,942	3,599,272	217,126
-	-	233,107
453,378	1,128,638	-
281,114	843,812	-
73,723	201,894	-
31,446	99,372	-
4,826	228,762	-
743	8,774	-
100,617	824,547	-
-	16,194	-
945,847	3,351,993	233,107
109,095	247,279	(15,981)
584	9,484	3,690
-	68,398	-
-	(90,184)	-
584	(12,302)	3,690
109,679	234,977	(12,291)
-	109,178	-
59,270	124,802	-
(70,000)	(165,000)	-
98,949	303,957	(12,291)
642,070	12,828,973	314,359
$ 741,019	$ 13,132,930	$ 302,068

See Accompanying Notes to Financial Statements

CITY OF WAVERLY, IOWA
COMBINING STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2010

	Business Type Activities	
	Water System	Sewer System
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	$ 1,061,528	$ 1,429,371
Cash Paid to Suppliers for Goods and Services	(407,078)	(526,470)
Cash Paid to Employees for Services	(268,687)	(394,261)
Other Nonoperating Income	68,398	-
Net Cash Provided by Operating Activities	454,161	508,640
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(45,000)	(186,397)
Principal Paid on Notes and Bonds	(272,619)	(300,000)
Interest Paid on Notes and Bonds	(48,153)	(43,685)
Net Cash (Used) for Capital and Related Financing Activities	(365,772)	(530,082)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers to Other Funds	(80,500)	(14,500)
Transfers from Other Funds	7,958	57,574
Due From (To) Other Funds	(25,847)	(312,467)
Net Cash (Used) for Non-Capital Financing Activities	(98,389)	(269,393)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investment	(1,068)	
Interest and Dividends on Investments	1,068	8,446
Net Cash Provided for Investing Activities	-	8,446
Net Increase (Decrease) in Cash and Cash Equivalents	(10,000)	(282,389)
Cash and Cash Equivalents at Beginning of Year	10,400	813,000
Cash and Cash Equivalents at End of Year	$ 400	$ 530,611

See Accompanying Notes to Financial Statements

Business Type Activities		Governmental Activities
Solid Waste	Total	Internal Service
$ 984,723	$ 3,475,622	$ 217,126
(392,398)	(1,325,946)	(216,905)
(453,361)	(1,116,309)	-
-	68,398	-
138,964	1,101,765	221
(75,388)	(306,785)	-
-	(572,619)	-
-	(91,838)	-
(75,388)	(971,242)	-
(70,000)	(165,000)	-
59,270	124,802	-
(14,725)	(353,039)	-
(25,455)	(393,237)	-
	(1,068)	-
584	10,098	3,690
584	9,030	3,690
38,705	(253,684)	3,911
-	823,400	347,952
$ 38,705	$ 569,716	$ 351,863

(Continued)

CITY OF WAVERLY, IOWA
COMBINING STATEMENT OF CASH FLOWS (Continued)
Proprietary Funds
For the Year Ended June 30, 2010

	Business Type Activities	
	Water System	Sewer System
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	$ 93,185	$ 44,999
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	263,345	460,585
Amortization	5,508	10,686
Miscellaneous Non-Operating Income	68,398	-
(Increase) Decrease in Assets:		
Accounts Receivable	(28,322)	(37,964)
Special Assessments	(6,738)	11,338
Estimated Unbilled Usage	1,514	4,224
Other Receivables	-	-
Prepaid Expenses	33,914	(1,580)
Inventories	8,756	4,612
Increase (Decrease) in Liabilities		
Accounts Payable	3,839	7,673
Accrued Wages	5,067	644
Accrued Compensated Absences	3,178	3,423
Unearned Revenue	-	-
Customer Deposits	2,517	-
OPEB Liability	-	-
Claims Incurred But Not Reported	-	-
Total Adjustments	360,976	463,641
Net Cash Provided by Operating Activities	$ 454,161	$ 508,640
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Capital Contributions	$ 109,178	$ -
Reconciliation of Cash and Cash Equivalents to the Balance Sheet:		
Cash and Cash Equivalents	$ 400	$ 201,278
Restricted Cash and Cash Equivalents	-	329,333
	$ 400	$ 530,611

See Accompanying Notes to Financial Statements

Business Type Activities		Governmental Activities
Solid Waste	Total	Internal Service
$ 109,095	$ 247,279	$ (15,981)
100,617	824,547	-
-	16,194	-
-	68,398	-
(43,371)	(109,657)	-
-	4,600	-
-	5,738	-
(20,000)	(20,000)	-
(2,373)	29,961	-
-	13,368	-
1,827	13,339	1,192
2,154	7,865	-
(2,137)	4,464	-
(6,848)	(6,848)	-
-	2,517	-
-	-	8,727
-	-	6,283
29,869	854,486	16,202
$ 138,964	$ 1,101,765	$ 221
$ -	$ 109,178	$ -
$ 38,705	$ 240,383	$ 351,863
-	329,333	-
$ 38,705	$ 569,716	$ 351,863

See Accompanying Notes to Financial Statements

CITY OF WAVERLY, IOWA
STATEMENT OF FIDUCIARY NET ASSETS
Agency Funds
JUNE 30, 2010

ASSETS		
Cash and Cash Equivalents	$	45,919
Receivables:		
Accounts Receivable		1,073,660
Other		1,865
Total Assets		1,121,444
LIABILITIES		
Due to Other Governments		1,095,600
Other Payables		25,844
Total Liabilities		1,121,444
NET ASSETS		
Unrestricted		-
Total Net Assets	$	-

See Accompanying Notes to Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. REPORTING ENTITY

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

Discretely Presented Component Units

Waverly Health Center - The City established a municipal hospital, Waverly Health Center, in accordance with paragraph 392.6 of the Code of Iowa. The City provided for the election of a Board of Trustees vested with authority to provide management controls, and the rules for the hospital's economic conduct, which in accordance with criteria set forth by the Governmental Accounting Standards Board, meets the definition of a component unit which should be discretely presented. The hospital's financial data is reported in a separate column to emphasize that it is legally separate from the City. The Hospital is financially accountable to the City and its operating budget is subject to approval of the City Council.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Waverly Light and Power – The City established a municipal utility by ordinance on October 3, 1977. The City appoints the governing body which in accordance with criteria set forth by the Governmental Accounting Standards Board meets the definition of a component unit which should be discretely presented. The Utilities financial data is reported in a separate column to emphasize that it is legally separate from the City. Waverly Light and Power is financially accountable to the City. During the fiscal year ended June 30, 2010, Waverly Light and Power transferred $936,168 to the City of Waverly which is accounted for in the City's financial statements as intergovernmental revenue in the applicable City funds. The utility operates on a calendar year. Therefore financial statements presented herein are reported for the year ended December 31, 2009.

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

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services. The City's general, special revenue, debt service, and capital projects funds are classified as governmental activities. The City's health insurance internal service fund is classified as a governmental activity.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

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

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

C. Fund Accounting

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

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

The City reports the following major governmental funds:

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

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2) Special Revenue Funds – The Employee Benefit Fund is used to account for the collection of a property tax levy to be used for employee benefit expenses. The TIF (Tax Incremental Financing Fund) is used to account for property taxes received to be expended for public improvements; construction of public infrastructure as well as economic development opportunities; incentives; sites; land; rebates; and grant agreements.

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

4) Capital Project Funds – The Flood Buyout Capital Project Fund is used to account for the costs associated with the acquisition of flood damaged property and the related federal and state grant revenue received to finance the project.

Proprietary Fund Types – The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

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

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

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

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

D. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end with the exception of expenditure driven grants for which a one-year availability period is used.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, 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 generally are 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 recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. 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 use restricted resources first, then unrestricted resources as they are needed.

E. Budgets

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amount budgeted in the public works and culture and recreation functions.

F. Cash And Cash Equivalents And Investments

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

1) Cash and Cash Equivalents

Includes investments with original maturities of three months or less.

2) Investments

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

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Property Tax Receivable

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009. Any county collections on the 2009-2010 tax levy remitted to the City within 60 days subsequent to June 30, 2010, are recorded as property tax revenue.

H. Short-Term Interfund Receivables/Payables

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2010, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

I. Inventories

All inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010 are recorded as prepaid items.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Restricted Assets

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

L. Property and Equipment

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

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

M. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and Road Use Tax Fund.

N. Long-Term Obligations

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

O. Fund Equity

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Interfund Transactions

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

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

Q. Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which they are levied as well as unspent grant proceeds.

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City's deposits at June 30, 2010, were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. There were no differences in investments held during the year from those at June 30, 2010.

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

At June 30, 2010 the City had the following investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

	Credit Risk	Fair Value	Maturity
Mutual Funds	N/A	$ 96,906	N/A
IPAIT	AAA	$1,378,335	N/A

The City had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at fair value. IPAIT was created pursuant to Iowa Code Chapter 28E and is registered with the Securities and Exchange Commission (SEC) in accordance with 17 C.F.R. Section 270.2a-7. The City also held $232,418 of nonnegotiable certificates of deposit with various original maturities of less than 365 days.

	Credit Risk	Fair Value	Maturity
Component Unit – Waverly Light and Power:			
IPAIT	AAA	$ 2,492,387	N/A
Nonnegotiable Certificates of Deposit	N/A	$ 10,160	Various
Component Unit - Waverly Health Center:			
Nonnegotiable Certificates of Deposit	N/A	$ 2,219,019	Various

Interest Rate Risk: The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and uses of the City.

Credit Risk: The City's investment policy addresses the issue of credit risk. Investments are limited to certain types of investments and by diversifying the investment portfolio.

Note 3 - RECEIVABLES

Receivables at June 30, 2010 are net of allowance for uncollectibles. The allowance for uncollectibles of the enterprise funds of the primary government was $10,573 at June 30, 2010. The Waverly Health Center component unit had an allowance for uncollectibles of $2,490,000 at June 30, 2010.

Note 4 - DUE FROM OTHER GOVERNMENTS

At June 30, 2010, amounts due from other governments were as follows:

Due from the Department of Justice for the Byrne Grant Program	$ 30,436
Due from the Iowa Department of Transportation for airport grant funding	46,827
Due from the Iowa Homeland Security for the Emergency Demolition Grant Funding	47,216
Due from the Iowa Homeland Security for the Flood Buyout Program	837,404
Due from the Economic Development Administration for the Waverly Dam Reconstruction Project	241,135
Due from the State of Iowa for local option sales taxes	141,100
Due from the State of Iowa for hotel and motel sales taxes	33,229
Due from the Iowa Department of Transportation for road use tax allocations	49,654
Due from the Iowa Homeland Security for flood funding	169,087
Due from the State of Iowa for I-Jobs	47,659
Due from the Iowa Department of Natural Resources for various grants	73,673
Due from the Iowa Department of Transportation for highway improvement grants	409,540
Total Due from Other Governments	$2,126,960

Note 5 - INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2010, short-term interfund borrowings were as follows:

Fund Due To	Fund Due From	Amount
General	Capital Project – Flood Buyout	$ 820,536
General	Nonmajor Governmental	325,200
TIF	Proprietary - Water	332,708
TIF	Nonmajor Governmental	527,182
Nonmajor Governmental	Nonmajor Governmental	831,339
		$ 2,836,965

These internal balances represent amounts due from/due to other funds to cover deficit cash balances.

Note 6 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Primary Government

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 2,624,383	$ 5,249,644	$ -	$ 7,874,027
Construction in Progress	1,456,431	1,450,633	255,237	2,651,827
Total capital assets not being depreciated	4,080,814	6,700,277	255,237	10,525,854
Capital assets being depreciated:				
Buildings and Improvements	10,745,682	27,061	-	10,772,743
Equipment	5,225,735	600,097	27,594	5,798,238
Infrastructure	32,835,827	549,953	-	33,385,780
Total capital assets being depreciated	48,807,244	1,177,111	27,594	49,956,761
Less: Accumulated Depreciation for:				
Buildings and Improvements	2,374,150	247,180	-	2,621,330
Equipment	2,817,125	376,118	27,594	3,165,649
Infrastructure	12,258,975	1,215,368	-	13,474,343
Total Accumulated Depreciation	17,450,250	1,838,666	27,594	19,261,322
Total capital assets being depreciated, net	31,356,994	(661,555)	-	30,695,439
Governmental activities capital assets, net	$ 35,437,808	$ 6,038,722	$ 255,237	$ 41,221,293

Note 6 - CAPITAL ASSETS (CONTINUED)

Construction in progress at June 30, 2010, for the governmental activities consisted of costs associated with the 5th Street NW and 5th Ave reconstruction project, traffic signal modification project, public services facility, Waverly Dam reconstruction project, Big 6 Plaza/Spillway flood repairs, and the airport runway rehabilitation project.

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 19,191	$ -	$ -	$ 19,191
Construction in Progress	708,420	57,888	766,308	-
Total capital assets not being depreciated	727,611	57,888	766,308	19,191
Capital assets being depreciated:				
Buildings and Improvements	6,109,870	-	-	6,109,870
Equipment	2,110,046	134,214	-	2,244,260
Lines and Structures	16,877,057	920,486	-	17,797,543
Total capital assets being depreciated	25,096,973	1,054,700	-	26,151,673
Less: Accumulated Depreciation				
Buildings and Improvements	3,540,957	142,570	-	3,683,527
Equipment	952,332	162,884	-	1,115,216
Lines and Structures	7,168,688	519,093	-	7,687,781
Total Accumulated Depreciation	11,661,977	824,547	-	12,486,524
Total capital assets being depreciated, net	13,434,996	230,153	-	13,665,149
Business-type activities capital assets, net	$ 14,162,607	$ 288,041	$ 766,308	$ 13,684,340

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

Governmental Activities:	
Public Safety	$ 280,230
Public Works	1,335,093
Culture and Recreation	159,444
General Government	63,899
Total depreciation expense – governmental activities	$ 1,838,666
Business-Type Activities:	
Water	$ 263,345
Sewer	460,585
Solid Waste	100,617
Total depreciation expense – business-type activities	$ 824,547

Note 6 - CAPITAL ASSETS (CONTINUED)

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

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Waverly Health Center:				
Capital assets not being depreciated:				
Land	$ 2,131,302	$ 25,000	$ -	$ 2,156,302
Total capital assets not being depreciated	2,131,302	25,000	-	2,156,302
Capital assets being depreciated:				
Land Improvements	2,165,128	-	-	2,165,128
Buildings and Fixed Equipment	23,503,281	310,768	7,588	23,806,461
Major Movable Equipment	15,184,635	536,037	51,511	15,669,161
Total capital assets being depreciated	40,853,044	846,805	59,099	41,640,750
Less: Accumulated Depreciation	16,757,038	2,810,121	59,099	19,508,060
Total capital assets being depreciated, net	24,096,006	(1,963,316)	-	22,132,690
Component unit capital assets, net	$ 26,227,308	$ (1,938,316)	$ -	$ 24,288,992

	Balance January 1, 2009	Additions	Deletions	Balance December 31, 2009
Waverly Light and Power:				
Capital assets not being depreciated:				
Land	$ 487,396	$ -	$ -	$ 487,396
Construction in Progress	2,051,712	3,557,289	1,718,491	3,890,510
Total capital assets not being depreciated	2,539,108	3,557,289	1,718,491	4,377,906
Capital assets being depreciated:				
Improvements	27,236,165	1,027,136	37,977	28,225,324
Buildings	3,558,998	179,396	24,919	3,713,475
Equipment	5,674,791	382,541	443,285	5,614,047
Louisa Plant	10,151,130	67,585	192	10,218,523
WS4 Plant	5,242,830	38,352	-	5,281,182
Total capital assets being depreciated	51,863,914	1,695,010	506,373	53,052,551
Less: Accumulated Depreciation	22,984,648	1,743,632	434,124	24,294,156
Total capital assets being depreciated, net	28,879,266	(48,622)	72,249	28,758,395
Component unit capital assets, net	$ 31,418,374	$ 3,508,667	$ 1,790,740	$ 33,136,301

Note 6 - CAPITAL ASSETS (CONTINUED)

Reconciliation of Invested in Capital Assets:

	Governmental Activities	Business-type Activities	Component Units: Waverly Health Center	Component Units: Waverly Light & Power
Land	$ 7,874,027	$ 19,191	$ 2,156,302	$ 487,396
Construction in Progress	2,651,827	-	-	3,890,510
Capital Assets (net of accumulated depreciation)	30,695,439	13,665,149	22,132,690	28,758,395
Less: General Obligation Bonds Payable	10,060,689	1,097,316	-	-
Notes Payable	157,159	-	1,830,014	-
Revenue Bonds	-	921,896	12,165,000	6,005,077
Invested in Capital Assets, Net of Related Debt	$ 31,003,445	$ 11,665,128	$10,293,978	$ 27,131,224

Note 7 - LONG-TERM LIABILITIES

The City's computed legal debt limit as of June 30, 2010, is $29,758,133 of which $11,300,763 is committed for outstanding general obligation debt.

The following is a summary of bond transactions of the City for the year ended June 30, 2010:

	Governmental Activities: General Obligation Bonds and Notes Paid By Debt Service Fund	Business Type Activities: General Obligation Bonds Paid By Enterprise Funds	Business Type Activities: Revenue Bonds	Total
Primary Government:				
Bonds payable July 1, 2009	$ 11,838,173	$ 1,373,983	$ 1,245,000	$ 14,457,156
Plus: Issued	680,312	-	-	680,312
Less: Payments	1,572,690	267,619	305,000	2,145,309
Less: Refunded	650,000	-	-	650,000
Bonds Payable June 30, 2010	$ 10,295,795	$ 1,106,364	$ 940,000	$ 12,342,159
Due within one year	$ 1,650,209	$ 221,364	$ 310,000	$ 2,181,573

The City of Waverly's revenue bonds are shown net of the unamortized deferred refunding asset of $18,104 on the Statement of Net Assets.

The City of Waverly's general obligation bonds are shown net of the unamortized deferred refunding asset of $77,947 on the Statement of Net Assets.

The City of Waverly's general obligation bonds paid by enterprise funds are shown net of the unamortized deferred refunding asset of $9,048 on the Statement of Net Assets.

Note 7 - LONG-TERM LIABILITIES (CONTINUED)

	Waverly Health Center	Waverly Light And Power	Total Component Units
Component Unit:			
Bonds Payable/ Notes Payable- June 30,2009/December 31, 2008	$ 16,021,156	$ 8,787,894	$ 24,809,050
Plus: Issued	-	-	-
Less: Retired	2,026,142	1,048,420	3,074,562
Bonds Payable/ Notes Payable- June 30, 2010/December 31, 2009	$ 13,995,014	$ 7,739,474	$ 21,734,488
Due within one year	$ 1,919,647	$ 1,053,421	$ 2,973,068

On the Statement of Net Assets the Waverly Light and Power component unit revenue bonds are shown net of unamortized bond discount of $6,074.

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for the governmental-type activities and the business-type activities.

In April, 2010 the City issued $670,000 of General Obligation Refunding Capital Loan Notes which were used to current refund $560,000 of the General Obligation Bonds, Series 2001B, and $90,000 of the General Obligation Bonds, Series 2002. The 2010 bonds have an average interest rate of 2.22% and the bonds being refunded had an average interest rate of 4.68%. As a result of this refunding the City will reduce its debt service payments over the next seven years by $42,412, and obtain an economic gain of $40,151.

General obligation bonds outstanding as of June 30, 2010 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2010
General Obligation:						
2005 GO Bonds	2005	3.25-3.9%	2017	110,000-140,000	$ 1,290,000	$ 870,000
*2005 GO Refunding	2005	3.05-3.25%	2013	65,000-535,000	2,680,000	1,115,000
*2006 GO LOSST Bonds	2006	3.7-4.10%	2019	285,000-395,000	4,040,000	3,025,000
*2008 GO Refunding	2008	2.7-3.65%	2018	150,000-320,000	2,270,000	1,660,000
2009 Go Refunding	2009	2.0-3.65%	2019	255,000-555,000	4,360,000	3,905,000
2010A GO Refunding	2010	1.0-2.85%	2017	80,000-120,000	670,000	670,000
Total General Obligation					$ 15,310,000	$ 11,245,000

Note 7 - LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds

The City also has issued revenue bonds where the City pledges income derived from the acquired constructed asset to pay debt service.

The City issued no new revenue bonds during the fiscal year.

Revenue bonds outstanding as of June 30, 2010 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2010
Revenue Bonds:						
2002 – Sewer	2002	4.35-4.5%	2012	140,000-155,000	$ 1,280,000	$ 295,000
2008 – Sewer	2008	3.0-3.8%	2015	45,000-110,000	770,000	545,000
2002 – Water	2002	4.3-4.5%	2012	50,000	435,000	100,000
Total Revenue Bonds					$ 2,485,000	$ 940,000
2001 Golf Revenue Capital Loan Note	2001	5.1%	2015	15,000-28,000	$ 300,000	$ 128,282
Component Units:						
Waverly Health Center:						
1999 Hospital Capital Loan Notes	1999	5.6-5.8%	2015	150,000-180,000	$ 2,150,000	$ 935,000
2003 Hospital Capital Loan Notes	2003	4.5-5.5%	2018	545,000	9,800,000	6,295,000
2004 Hospital Capital Loan Notes	2004	3.80-4.9%	2019	195,000	6,200,000	4,935,000
					$ 18,150,000	$ 12,165,000
Waverly Light and Power:						
2002 Utility Rev. Bonds	2002	2.2-4.5%	2012	75,000-200,000	$ 2,500,000	$ 1,110,000
2005 Utility Rev. Bonds	2005	3.5-4.0%	2015	380,000-480,000	3,000,000	2,620,000
2007 Utility Rev. Bonds	2007	.70%	2022	188,421	2,826,316	2,449,474
					$ 8,326,316	$ 6,179,474
Grand Total Revenue Bonds					$ 29,261,316	$ 19,412,756

All General Obligation Debt except those marked with (*) are to be retired through property tax levies. A portion of those (*) bonds, other than the LOSST bond, are paid with water and sewer revenues. The LOSST bond is to be retired through the tax receipts collected by the City from the local option and services tax. The revenue bonds are to be retired with water and sewer revenues.

Note 7 - LONG-TERM LIABILITIES (CONTINUED)

Year Ending June 30,	General Obligation Principal	General Obligation Interest	Revenue Bond Principal	Revenue Bond Interest	Golf Revenue Capital Loan Note Principal	Golf Revenue Capital Loan Note Interest
2011	$ 1,835,000	$ 354,068	$ 310,000	$ 36,445	$ 23,754	$ 6,246
2012	1,800,000	303,488	325,000	24,245	24,968	5,032
2013	1,340,000	253,440	130,000	10,940	26,270	3,730
2014	1,250,000	214,843	130,000	6,390	27,627	2,373
2015	1,240,000	177,103	45,000	1,710	25,663	945
2016-2020	3,780,000	314,685	-	-	-	-
	$ 11,245,000	$ 1,617,627	$ 940,000	$ 79,730	$ 128,282	$ 18,326

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

Waverly Health Center

Year Ending June 30,	Capital Loan Notes	Loan/Notes Payable	Total Principal	Interest	Total
2011	$ 1,110,000	$ 809,647	$ 1,919,647	$ 683,131	$ 2,602,778
2012	1,160,000	652,262	1,812,262	591,265	2,403,527
2013	1,215,000	368,105	1,583,105	506,776	2,089,881
2014	1,275,000	-	1,275,000	440,042	1,715,042
2015	1,335,000	-	1,335,000	376,529	1,711,529
2016-2020	6,070,000	-	6,070,000	787,942	6,857,942
	$ 12,165,000	$ 1,830,014	$ 13,995,014	$ 3,385,685	$ 17,380,699

Waverly Light and Power

Year Ending December 31	Revenue Bond Principal	Notes Payable	Total Principal	Interest	Total
2010	$ 933,421	$ 120,000	$ 1,053,421	$ 165,441	$ 1,218,862
2011	968,421	120,000	1,088,421	135,028	1,223,449
2012	1,003,421	120,000	1,123,421	102,464	1,225,885
2013	633,421	120,000	753,421	67,658	821,079
2014	653,421	120,000	773,421	49,206	822,627
2015-2019	1,422,105	600,000	2,022,105	58,768	2,080,873
2020-2022	565,264	360,000	925,264	7,913	933,177
	$ 6,179,474	$ 1,560,000	$ 7,739,474	$ 586,478	$ 8,325,952

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

Note 7 - LONG-TERM LIABILITES (CONTINUED)

The following is a summary of other long-term liabilities of the City for the year ended June 30, 2010.

	July 1, 2009	Additions	Reductions	June 30, 2010	Due Within One Year
Governmental Activities:					
Compensated Absences	$ 267,749	$ 171,504	$ 160,649	$ 278,604	$ 167,162
Equipment Note	31,283	-	9,972	21,311	10,421
Equipment Note	-	10,312	2,746	7,566	2,398
	$ 299,032	$ 181,816	$ 173,367	$ 307,481	$ 179,981
Business-Type Activities:					
Compensated Absences	$ 61,900	$ 38,118	$ 37,140	$ 62,878	$ 37,727

Maturities of Equipment Notes Payable is as follows:

Year Ending June 30,	Principal	Interest
2011	$ 12,819	$ 1,343
2012	13,410	752
2013	2,648	135
	$ 28,877	$ 2,230

Other long-term liabilities at June 30, 2010 was comprised of the following:

Included in general long-term debt:

A note payable to First National Bank dated October 9, 2006 and due October 9, 2011 for golf course improvements.	$ 21,311
A note payable to First National Bank dated August 7, 2009 and due September 1, 2012 for a copy machine.	$ 7,566

Note 8 – TRANSFERS

The following is a summary of transfers between funds:

	General	Debt Service	Nonmajor Governmental	Water	Sewer	Solid Waste	Total Transfers Out
General	$ -	$ 30,000	$ -	$ -	$ -	$ -	$ 30,000
Employee Benefit	823,431	-	-	-	-	-	823,431
T.I.F.	150,000	549,749	364,528	-	-	-	1,064,277
Nonmajor Governmental	310,902	529,870	929,187	7,958	57,574	59,270	1,894,761
Water	10,500	-	70,000	-	-	-	80,500
Sewer	14,500	-	-	-	-	-	14,500
Solid Waste	-	-	70,000	-	-	-	70,000
Total Transfers In	$1,309,333	$1,109,619	$ 1,433,715	$ 7,958	$ 57,574	$ 59,270	$ 3,977,469

Transfers are used to:

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

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

Note 9 - PENSION AND RETIREMENT

Iowa Public Employees Retirement System - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute 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.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of annual covered salary. Law enforcement employees are covered by another plan. Contribution requirements are established by state statute. The City contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were $188,561, $176,614, and $157,288, respectively, equal to the required contributions for each year.

Municipal Fire and Police Retirement System of Iowa – The City contributes to the Municipal Fire & Police Retirement System of Iowa (MFPRSI) which is a cost-sharing multiple-employer defined benefit pension plan administered by a Board of Trustees appointed by the State of Iowa. MFPRSI provides retirement and death benefits which are established by State statute to plan members and beneficiaries. MFPRSI issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to MFPRSI, 2836 104th Street, Urbandale, Iowa 50322.

Note 9 - PENSION AND RETIREMENT (CONTINUED)

Plan members are required to contribute 9.4% of earnable compensation. The employers' contribution rate is based upon and actuarially determined normal contribution rate. The normal contribution rate is provided by the State statute to be the actuarial liabilities of the plan less current plan assets, the total then being divided by 1 percent of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions.

Legislatively appropriated contributions from the State may further reduce the employers' contribution rate. However, under the Code of Iowa, the employers' contribution rate cannot be less than 17.0% of earnable compensation. Contribution requirements are established by State statute. The City's contribution to MFPRSI for the years ended June 30, 2010, 2009 and 2008 were $137,436, $143,268, and $183,406, respectively, equal to the required contributions for each year.

Note 10 - DEFICIT FUND EQUITY

The City has eleven funds with deficit equity balances at June 30, 2010. The City intends to finance these deficits from various resources including; road use tax funds, general funds, special assessments, capital project debt financing, grant revenues, and utility charges. The individual fund deficits were as follows:

Special Revenue – Downtown TIF	$ 169,488
Capital Project – Flood Buyout	11,361
Capital Project – Kohlman/Sidewalk Project	1,760
Capital Project – 10th Avenue East	2,737
Capital Project – 1st Ave SE Parking Lot	2,374
Capital Project – Emergency Demolition Program	24,719
Capital Project – Waverly Dam Reconstruction	8,713
Capital Project – 2008 Flood	319,755
Capital Project – Public Works Facility	336,983
Capital Project – Cent Oaks IIIA & III	118
Capital Project – 4th St SW Corridor	161,931

Note 11 - RISK MANAGEMENT

Medical Insurance - The City uses a partially self-funded medical insurance program accounted for in an internal service fund. Costs of the program include medical benefits, administration fees and premiums for stop-loss coverage with limits of $5,000 per covered employee per year and 125% of expected claims for year for the City as a whole per year.

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

Claims payable @ June 30, 2008	$ 21,362
Claims paid	(175,811)
Claims incurred	177,271
Claims payable @ June 30, 2009	$ 22,822
Claims payable @ June 30, 2009	$ 22,822
Claims paid	(207,059)
Claims incurred	213,342
Claims payable @ June 30, 2010	$ 29,105

Note 11 - RISK MANAGEMENT (CONTINUED)

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

Note 12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 68 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a partially self-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

No stand alone financial report is issued.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover 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 ended June 30, 2010, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	$ 64,605
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	64,605
Contributions made	(55,878)
Increase in net OPEB obligation	8,727
Net OPEB obligation beginning of year	8,727
Net OPEB obligation end of year	$ 17,454

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

Note 12 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal years 2009 and 2010, are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$ 64,605	86.5%	$ 17,454
June 30, 2009	$ 64,605	86.5%	$ 8,727

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was $605,053, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $605,053. The covered payroll (annual payroll of active employees covered by the plan) was approximately $3,000,000 and the ratio of the UAAL to covered payroll was 20.2%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions – 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 assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts 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 in the section following the Notes to 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.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include 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.

As of the July 1, 2008 actuarial valuation date using the Alternative Measurement Method (AMM) permitted under GASB Statement, a simplified version of the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions includes a 4.5% discount rate based on the City's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5.0%. The medical trend rate is reduced 1.0% each year until reaching the 5% ultimate rate.

Mortality rates are from the 2004 United States Life Tables. Non-group specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Projected claim costs of the medical plan are $11,149 per year for retirees less than age 65 and $13,565 per year for retirees selecting spousal coverage. The salary increase rate was assumed to be 3.5% per year and the rate of inflation was assumed to be 3.0%. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 13 - COMMITMENTS

During the year ended June 30, 2010, and in previous years the City had entered into several construction contracts totaling approximately $1,860,000 of which approximately $850,000 has been expended to date. The remaining balance will be paid as work progresses.

The City entered into an agreement with Wartburg College for the joint use of the new Wartburg-Waverly Wellness Center (The "W"). The City committed to making eight annual payments to the College of $150,000 each beginning in the fiscal year ending June 30, 2008. The City has made payments totaling $450,000 as of June 30, 2010. In addition, the City also agreed to a contingent liability based on the revenues of the Wartburg-Waverly Wellness Center. In order to induce the College to offer recreation programs, the City agrees that it will annually pay to the College the difference between the actual total revenues and the projected total estimated revenues beginning with the College's fiscal year ending May 31, 2009 and continuing for each fiscal year after through May 31, 2016. The revenue payment in any fiscal year from the City shall not exceed $600,000. As of June 30, 2010 it was determined that the City was liable for the $600,000 relating to the College's fiscal year ending May 31, 2010 as total revenues generated by The "W" were $804,181 which is less than the agreed upon projected revenue amount of $2,005,705. Accordingly a liability was recorded for $600,000 in the City's general fund. This liability will be funded by transfers from the capital improvement and recreation capital improvement capital project funds with the remaining balance to be funded with TIF property tax revenues which will also be transferred to the general fund from the TIF special revenue fund.

Note 14 - CONTINGENCY

The City receives significant financial assistance from the U.S. government. Entitlement to the resources is generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund that receives the grant. As of June 30, 2010, the City estimates that no material liabilities will result from such audits.

Note 15 - BLACK HAWK COUNTY LANDFILL CONTRACT

The City has contracted with Black Hawk County Solid Waste Commission for solid waste disposal. The new contract began October 1, 2007. The County may not be accumulating sufficient financial resources and the participating governments are obligated for a proportionate share of the debt, therefore, the City of Waverly may have an ongoing financial responsibility. The City pays $33.25/ton of solid waste delivered to the landfill.

Note 16 - JOINT VENTURE

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

Note 17 - CONDUIT DEBT OBLIGATIONS

The City has issued Industrial Development Revenue Bonds to provide financial assistance to a private-sector entity for the acquisition and construction of commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and payable solely from the private-sector entity. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2010, Industrial Development Revenue Bonds had an original issue amount of $3,500,000. The outstanding balance at June 30, 2010 was $2,197,000.

Note 18 - RESERVES

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

	Inventory	Prepaid Items	Debt Service	Endowments	Long-Term Notes	Total
General Fund	$ 64,963	$ 5,035	$ -	$ -	$ -	$ 69,998
Debt Service	-	-	101,396	-	-	101,396
Capital Projects – Housing Rehab	-	-	-	-	18,371	18,371
Permanent Fund Cemetery Perpetual Care	-	-	-	472,007	-	472,007
Total Reserves of Fund Balances	$ 64,963	$ 5,035	$ 101,396	$ 472,007	$ 18,371	$661,772

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WAVERLY, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
Governmental Funds and Proprietary Funds
For the Year Ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Revenue:			
Taxes	$ 6,816,416	$ -	$ 6,816,416
Special Assessments	13,293	44,322	57,615
Licenses and Permits	76,878	-	76,878
Intergovernmental Revenue	6,842,686	-	6,842,686
Charges for Services	748,504	3,360,351	4,108,855
Fines and Forfeits	56,303	-	56,303
Contributions	53,426	-	53,426
Revenue from Use of Property	94,636	68,398	163,034
Interest on Investments	49,019	10,098	59,117
Miscellaneous	88,340	83,819	172,159
Total Revenue	14,839,501	3,566,988	18,406,489
Expenditures:			
Public Safety	1,955,671	-	1,955,671
Public Works	1,498,639	-	1,498,639
Health and Social Services	160,307	-	160,307
Culture and Recreation	2,069,692	-	2,069,692
Community and Economic Development	1,137,342	-	1,137,342
General Government	694,515	-	694,515
Capital Projects	7,359,624	-	7,359,624
Debt Service	1,994,768	-	1,994,768
Business-Type Activities	-	3,413,497	3,413,497
Total Expenditures	16,870,558	3,413,497	20,284,055
Excess (deficiency) of revenues over expenditures	(2,031,057)	153,491	(1,877,566)
Other financing sources (uses):			
Issuance of Debt	680,312	-	680,312
Refunding Bond Payments	(650,000)	-	(650,000)
Proceeds from Sale of Capital Assets	563,272	-	563,272
Transfers In	3,852,667	124,802	3,977,469
Transfers Out	(3,812,469)	(165,000)	(3,977,469)
Total other financing sources (uses)	633,782	(40,198)	593,584
Net Change in Fund Balance	(1,397,275)	113,293	(1,283,982)
Balances - beginning of year	4,928,088	884,454	5,812,542
Balances - end of year	$ 3,530,813	$ 997,747	$ 4,528,560
Reconciliation of Ending Fund Balance - Cash Basis:			
Cash and Cash Equivalents	$ 2,251,185	$ 240,383	$ 2,491,568
Investments	946,920	612,701	1,559,621
Restricted Cash and Cash Equivalents	-	329,333	329,333
Restricted Investments	-	148,038	148,038
Due from/to Other Funds	332,708	(332,708)	-
	$ 3,530,813	$ 997,747	$ 4,528,560

Budgeted Amounts		Final to Actual
Original	Final	Variance
$ 6,973,363	$ 6,895,363	$ (78,947)
25,923	55,000	2,615
22,685	22,685	54,193
12,553,475	10,804,801	(3,962,115)
4,753,256	4,871,770	(762,915)
-	-	56,303
-	-	53,426
-	-	163,034
46,485	46,485	12,632
165,550	165,550	6,609
24,540,737	22,861,654	(4,455,165)
1,694,759	2,075,459	119,788
1,254,015	1,358,085	(140,554)
159,900	162,680	2,373
1,984,227	2,030,347	(39,345)
507,962	1,395,962	258,620
756,987	776,238	81,723
14,346,941	13,626,941	6,267,317
2,334,456	3,004,456	1,009,688
3,325,632	4,024,032	610,535
26,364,879	28,454,200	8,170,145
(1,824,142)	(5,592,546)	3,714,980
3,056,012	890,000	(209,688)
-	-	(650,000)
-	800,000	(236,728)
3,439,807	4,884,560	(907,091)
(3,439,807)	(4,884,560)	907,091
3,056,012	1,690,000	(1,096,416)
1,231,870	(3,902,546)	2,618,564
5,812,542	5,812,542	-
$ 7,044,412	$ 1,909,996	$ 2,618,564

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

Formal and legal budgetary control is based upon 9 major classes of expenditures known as functions, not by fund or fund type. These 9 functions are: public safety, public works, community and economic development, health and social services, culture and recreation, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include expenditures for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted expenditures by $2,089,321. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public works and culture and recreation functions.

During the fiscal year 2010, the City had one budget amendment. The amendment was as follows:

Program	Original Budget	5/17/10 Amendment	Amended Budget
Public Safety	$ 1,694,759	$ 380,700	$ 2,075,459
Public Works	1,254,015	104,070	1,358,085
Health and Social Service	159,900	2,780	162,680
Culture & Recreation	1,984,227	46,120	2,030,347
Community & Economic Development	507,962	888,000	1,395,962
General Government	756,987	19,251	776,238
Capital Projects	14,346,941	(720,000)	13,626,941
Debt Service	2,334,456	670,000	3,004,456
Business Type/Enterprise	3,325,632	698,400	4,024,032
Total	$ 26,364,879	$ 2,089,321	$ 28,454,200

The previous schedule demonstrates the City's legal compliance to the budget. The following schedule reconciles the budgetary comparison to the actual GAAP basis financial statements.

CITY OF WAVERLY, IOWA
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
For the Year Ended June 30, 2010

	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenue:			
Taxes	$ 6,816,416	$ (356)	$ 6,816,060
Special Assessments	57,615	(44,322)	13,293
Licenses and Permits	76,878	117	76,995
Intergovernmental Revenue	6,842,686	1,781,753	8,624,439
Charges for Services	4,108,855	128,920	4,237,775
Fines and Forfeits	56,303	1,681	57,984
Contributions	53,426	-	53,426
Revenue from Use of Property	163,034	-	163,034
Interest on Investments	59,117	(203)	58,914
Miscellaneous	172,159	39,245	211,404
Total Revenue	18,406,489	1,906,835	20,313,324
Expenditures/Expenses:			
Public Safety	1,955,671	12,273	1,967,944
Public Works	1,498,639	51,289	1,549,928
Health and Social Services	160,307	-	160,307
Culture and Recreation	2,069,692	(935)	2,068,757
Community and Economic Development	1,137,342	2,013	1,139,355
General Government	694,515	56,435	750,950
Capital Projects	7,359,624	5,931	7,365,555
Debt Service	1,994,768	(12,870)	1,981,898
Business-Type Activities	3,413,497	28,680	3,442,177
Total Expenditures/Expenses	20,284,055	142,816	20,426,871
Excess (Deficiency) of Revenues Over Expenditures/Expenses	(1,877,566)	1,764,019	(113,547)
Other financing sources (uses):			
Issuance of Debt	680,312	-	680,312
Refunding Bond Payments	(650,000)	-	(650,000)
Proceeds from Sale of Capital Assets	563,272	-	563,272
Contributed Capital Revenue	-	109,178	109,178
Transfers In	3,977,469	-	3,977,469
Transfers Out	(3,977,469)	-	(3,977,469)
Total other financing sources (uses)	593,584	109,178	702,762
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures/Expenses and Other (Uses)	(1,283,982)	1,873,197	589,215
Fund Balance/Retained Earnings - beginning of year	5,812,542	11,231,835	17,044,377
Fund Balance/Retained Earnings - end of year	$ 4,528,560	$ 13,105,032	$ 17,633,592

CITY OF WAVERLY, IOWA
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
For the Year Ended June 30, 2010

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008 *	$ -	$ 605,053	$ 605,053	0.00%	$ 2,998,246	20.2%
2010	July 1, 2008	$ -	$ 605,053	$ 605,053	0.00%	$ 3,000,000	20.2%

* Fiscal 2009 was the first year for calculating the Post Employment Benefit Obligation so information from previous years in not available.

See Note 12 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and Net OPEB Obligation, funding status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

CITY OF WAVERLY, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2010

	Special Revenue Funds		
	Road Use Tax	Local Option Sales Tax	Downtown TIF
Assets			
Cash and Cash Equivalents	$ 437,477	$ 242,112	$ -
Investments	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	-	-	-
Taxes	-	-	911
Subsequent Year Taxes	-	-	160,189
Accrued Interest	-	656	-
Notes Receivable	-	-	-
Due from Other Funds	-	-	-
Due from Other Governmental Agencies	49,654	141,100	-
Total Assets	487,131	383,868	161,100
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	54,506	-	-
Accrued Wages	28,884	-	-
Due to Other Funds	-	-	170,399
Deferred Revenue - Subsequent Year Taxes	-	-	160,189
Deferred Revenue	-	-	-
Total Liabilities	83,390	-	330,588
Fund Balances:			
Reserved for:			
Perpetual Care	-	-	-
Long-term Notes	-	-	-
Unreserved	403,741	383,868	(169,488)
Total Fund Balances	403,741	383,868	(169,488)
Total Liabilities and Equity	$ 487,131	$ 383,868	$ 161,100

Special Revenue Funds			Capital Projects			
Trees Forever	Cable TV	Municipal Band	2nd Ave SW Project	Capital Improvement Fund	10th Avenue East	I-Job Project
$ 17,898	$ 18,659	$ 416	$ -	$ 42,934	$ -	$ -
-	-	-	-	-	-	-
-	12,172	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	47,659
17,898	30,831	416	-	42,934	-	47,659
280	1,765	-	-	-	-	47,659
-	-	-	-	-	-	-
-	-	-	1,760	-	2,737	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
280	1,765	-	1,760	-	2,737	47,659
-	-	-	-	-	-	-
-	-	-	-	-	-	-
17,618	29,066	416	(1,760)	42,934	(2,737)	-
17,618	29,066	416	(1,760)	42,934	(2,737)	-
$ 17,898	$ 30,831	$ 416	$ -	$ 42,934	$ -	$ 47,659

CITY OF WAVERLY, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2010

	Capital Projects		
	5th St NW/ 5th Ave NW	1st Ave SE Parking Lot	Bremer Ave Traffic Signal
Assets			
Cash and Pooled Investments	$ 409,652	$ -	$ -
Investments	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	-	-	-
Taxes	-	-	-
Subsequent Year Taxes	-	-	-
Accrued Interest	-	-	-
Notes Receivable	-	-	-
Due from Other Funds	-	-	-
Due from Other Governmental Agencies	-	-	409,540
Total Assets	409,652	-	409,540
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	55,167	-	15,054
Accrued Wages	-	-	-
Due to Other Funds	-	2,374	309,539
Deferred Revenue - Subsequent Year Taxes	-	-	-
Deferred Revenue	-	-	-
Total Liabilities	55,167	2,374	324,593
Fund Balances:			
Reserved for:			
Perpetual Care	-	-	-
Long-term Notes	-	-	-
Unreserved	354,485	(2,374)	84,947
Total Fund Balances	354,485	(2,374)	84,947
Total Liabilities and Equity	$ 409,652	$ -	$ 409,540

Capital Projects						
Recreation Capital Improvement	Emergency Demolition Program	Waverly Dam Reconstruction	Green Bridge	2008 Flood	Housing Rehab	Public Works Facility
$ 3,082	$ -	$ -	$ 56,604	$ -	$ 11,196	$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	18,371	-
-	-	-	-	-	-	-
-	47,216	241,135	-	169,087	-	-
3,082	47,216	241,135	56,604	169,087	29,567	-
-	7,986	65,863	-	-	-	2,100
-	-	-	-	-	-	-
-	63,949	183,985	-	416,388	-	334,883
-	-	-	-	-	-	-
-	-	-	-	72,454	18,371	-
-	71,935	249,848	-	488,842	18,371	336,983
-	-	-	-	-	-	-
-	-	-	-	-	18,371	-
3,082	(24,719)	(8,713)	56,604	(319,755)	(7,175)	(336,983)
3,082	(24,719)	(8,713)	56,604	(319,755)	11,196	(336,983)
$ 3,082	$ 47,216	$ 241,135	$ 56,604	$ 169,087	$ 29,567	$ -

CITY OF WAVERLY, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2010

	Capital Projects		
	Dry Run	Flood Mitigation Dry Run	Old Yard Waste Reclamation
Assets			
Cash and Pooled Investments	$ 139,173	$ 165,204	$ -
Investments	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	-	-	-
Taxes	-	-	-
Subsequent Year Taxes	-	-	-
Accrued Interest	-	-	-
Notes Receivable	-	-	-
Due from Other Funds	-	-	-
Due from Other Governmental Agencies	-	-	53,673
Total Assets	139,173	165,204	53,673
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	-	-	5,333
Accrued Wages	-	-	-
Due to Other Funds	-	-	38,716
Deferred Revenue - Subsequent Year Taxes	-	-	-
Deferred Revenue	-	-	-
Total Liabilities	-	-	44,049
Fund Balances:			
Reserved for:			
Perpetual Care	-	-	-
Long-term Notes	-	-	-
Unreserved	139,173	165,204	9,624
Total Fund Balances	139,173	165,204	9,624
Total Liabilities and Equity	$ 139,173	$ 165,204	$ 53,673

Capital Projects					Permanent	
Cent Oaks IIIA & III	NRCS Bank Stabilization	Crestwood Trail Project	4th St SW Corridor	Industrial Tech Plaza	Cemetery Perpetual Care Fund	Governmental Nonmajor Funds
$ -	$ -	$ -	$ -	$ -	$ 272,007	$ 1,816,414
-	-	-	-	-	200,000	200,000
-	-	-	-	-	-	12,172
-	-	-	-	-	-	911
-	-	-	-	-	-	160,189
-	-	-	-	-	-	656
-	-	-	-	-	-	18,371
-	-	-	-	831,339	-	831,339
-	-	-	-	-	-	1,159,064
-	-	-	-	831,339	472,007	4,199,116
-	-	-	3,058	-	-	258,771
-	-	-	-	-	-	28,884
118	-	-	158,873	-	-	1,683,721
-	-	-	-	-	-	160,189
-	-	-	-	-	-	90,825
118	-	-	161,931	-	-	2,222,390
-	-	-	-	-	472,007	472,007
-	-	-	-	-	-	18,371
(118)	-	-	(161,931)	831,339	-	1,486,348
(118)	-	-	(161,931)	831,339	472,007	1,976,726
$ -	$ -	$ -	$ -	$ 831,339	$ 472,007	$ 4,199,116

CITY OF WAVERLY, IOWA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2010

	Special Revenue Funds		
	Road Use Tax	Local Option Sales Tax	Downtown TIF
Revenue:			
Taxes	$ -	$ 828,529	$ 187,905
Licenses and Permits	-	-	-
Intergovernmental Revenue	781,662	-	-
Contributions	-	-	-
Rental Income	-	-	-
Interest	-	5,985	-
Miscellaneous	10,625	6,553	-
Total Revenue	792,287	841,067	187,905
Expenditures:			
Public Works	936,822	345	-
Culture and Recreation	-	-	-
Community and Economic Development	-	-	118,062
Capital Projects	-	-	-
Total Expenditures	936,822	345	118,062
Excess (deficiency) of revenues over expenditures	(144,535)	840,722	69,843
Other financing sources (uses):			
Proceeds from Sale of Capital Assets	-	-	-
Transfers In	293,710	-	-
Transfers Out	-	(978,060)	(126,810)
Total other financing sources (uses)	293,710	(978,060)	(126,810)
Net Change in Fund Balance	149,175	(137,338)	(56,967)
Fund balances (deficits) -beginning of year	254,566	521,206	(112,521)
Fund balances (deficits) - end of year	$ 403,741	$ 383,868	$ (169,488)

Special Revenue Funds			Capital Projects			
Trees Forever	Cable TV	Municipal Band	2nd Ave SW Project	Capital Improvement Fund	10th Avenue East	I-Job Project
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	24,568	-	-	-	-	-
-	-	-	-	340,950	-	86,829
11,500	-	2,000	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	1,619	-	-
-	-	-	-	-	-	-
11,500	24,568	2,000	-	342,569	-	86,829
-	-	-	-	-	-	-
-	29,518	2,407	-	-	-	-
16,871	-	-	-	-	-	-
-	-	-	1,760	106,271	2,737	86,829
16,871	29,518	2,407	1,760	106,271	2,737	86,829
(5,371)	(4,950)	(407)	(1,760)	236,298	(2,737)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	(249,282)	-	-
-	-	-	-	(249,282)	-	-
(5,371)	(4,950)	(407)	(1,760)	(12,984)	(2,737)	-
22,989	34,016	823	-	55,918	-	-
$ 17,618	$ 29,066	$ 416	$ (1,760)	$ 42,934	$ (2,737)	$ -

CITY OF WAVERLY, IOWA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2010

	Capital Projects		
	5th St NW/ 5th Ave NW	1st Ave SE Parking Lot	Bremer Ave Traffic Signal
Revenue:			
Taxes	$ -	$ -	$ -
Licenses and Permits	-	-	-
Intergovernmental Revenue	-	2,210	409,540
Contributions	-	-	-
Rental Income	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
Total Revenue	-	2,210	409,540
Expenditures:			
Public Works	-	-	-
Culture and Recreation	-	-	-
Community and Economic Development	-	-	-
Capital Projects	62,573	-	431,149
Total Expenditures	62,573	-	431,149
Excess (deficiency) of revenues over expenditures	(62,573)	2,210	(21,609)
Other financing sources (uses):			
Proceeds from Sale of Capital Assets	-	-	-
Transfers In	425,000	-	199,528
Transfers Out	-	-	-
Total other financing sources (uses)	425,000	-	199,528
Net Change in Fund Balance	362,427	2,210	177,919
Fund balances (deficits) -beginning of year	(7,942)	(4,584)	(92,972)
Fund balances (deficits) - end of year	$ 354,485	$ (2,374)	$ 84,947

Capital Projects						
Recreation Capital Improvement	Emergency Demolition Program	Waverly Dam Reconstruction	Green Bridge	2008 Flood	Housing Rehab	Public Works Facility
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-
75,000	271,943	241,135	-	282,385	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
219	-	-	-	-	-	364
-	-	-	-	-	1,422	2,000
75,219	271,943	241,135	-	282,385	1,422	2,364
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	287,405	221,339	3,396	373,781	-	346,049
-	287,405	221,339	3,396	373,781	-	346,049
75,219	(15,462)	19,796	(3,396)	(91,396)	1,422	(343,685)
-	-	-	-	-	-	-
-	-	-	20,000	-	-	140,000
(75,000)	-	-	-	(465,609)	-	-
(75,000)	-	-	20,000	(465,609)	-	140,000
219	(15,462)	19,796	16,604	(557,005)	1,422	(203,685)
2,863	(9,257)	(28,509)	40,000	237,250	9,774	(133,298)
$ 3,082	$ (24,719)	$ (8,713)	$ 56,604	$ (319,755)	$ 11,196	$ (336,983)

CITY OF WAVERLY, IOWA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2010

	Capital Projects		
	Dry Run	Flood Mitigation Dry Run	Old Yard Waste Reclamation
Revenue:			
Taxes	$ -	$ -	$ -
Licenses and Permits	-	-	-
Intergovernmental Revenue	-	-	53,673
Contributions	-	-	-
Rental Income	-	-	-
Interest	-	-	-
Miscellaneous	-	-	240
Total Revenue	-	-	53,913
Expenditures:			
Public Works	-	-	-
Culture and Recreation	-	-	-
Community and Economic Development	-	-	-
Capital Projects	713	1,110	69,289
Total Expenditures	713	1,110	69,289
Excess (deficiency) of revenues over expenditures	(713)	(1,110)	(15,376)
Other financing sources (uses):			
Proceeds from Sale of Capital Assets	-	-	-
Transfers In	40,000	175,000	25,000
Transfers Out	-	-	-
Total other financing sources (uses)	40,000	175,000	25,000
Net Change in Fund Balance	39,287	173,890	9,624
Fund balances (deficits) -beginning of year	99,886	(8,686)	-
Fund balances (deficits) - end of year	$ 139,173	$ 165,204	$ 9,624

Capital Projects					Permanent	
Cent Oaks IIIA & III	NRCS Bank Stabilization	Crestwood Trail Project	4th St SW Corridor	Industrial Tech Plaza	Cemetery Perpetual Care Fund	Governmental Nonmajor Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ 1,016,434
-	-	-	-	-	-	24,568
-	124,069	-	-	-	-	2,669,396
-	-	-	-	-	6,006	19,506
-	-	-	-	22,996	-	22,996
-	-	-	-	-	-	8,187
-	-	-	-	-	-	20,840
-	124,069	-	-	22,996	6,006	3,781,927
-	-	-	-	-	-	937,167
-	-	-	-	-	-	31,925
-	-	-	-	-	-	134,933
-	237,264	-	47,024	26,732	-	2,305,421
-	237,264	-	47,024	26,732	-	3,409,446
-	(113,195)	-	(47,024)	(3,736)	6,006	372,481
-	-	-	-	563,272	-	563,272
-	113,195	2,282	-	-	-	1,433,715
-	-	-	-	-	-	(1,894,761)
-	113,195	2,282	-	563,272	-	102,226
-	-	2,282	(47,024)	559,536	6,006	474,707
(118)	-	(2,282)	(114,907)	271,803	466,001	1,502,019
$ (118)	$ -	$ -	$ (161,931)	$ 831,339	$ 472,007	$ 1,976,726

CITY OF WAVERLY, IOWA
Schedule of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Electric Utility				
Assets				
Cash in Bank	$ 151,612	$ 13,863,753	$ 13,993,218	$ 22,147
Accounts Receivable	686,750	12,737,200	12,350,290	1,073,660
Other Receivable	-	376,741	374,876	1,865
Total Assets	838,362	26,977,694	26,718,384	1,097,672
Liabilities				
Due to Other Governments	816,689	26,951,850	26,696,711	1,071,828
Other Payables	21,673	25,844	21,673	25,844
Total Liabilities	838,362	26,977,694	26,718,384	1,097,672
Warburg-Waverly Wellness Center				
Assets				
Cash in Bank	25,486	840,230	841,944	23,772
Total Assets	25,486	840,230	841,944	23,772
Liabilities				
Due to Other Governments	25,486	840,230	841,944	23,772
Total Liabilities	25,486	840,230	841,944	23,772
Totals				
Assets				
Cash in Bank	177,098	14,703,983	14,835,162	45,919
Accounts Receivable	686,750	12,737,200	12,350,290	1,073,660
Other Receivable	-	376,741	374,876	1,865
Total Assets	863,848	27,817,924	27,560,328	1,121,444
Liabilities				
Due to Other Governments	842,175	27,792,080	27,538,655	1,095,600
Other Payables	21,673	25,844	21,673	25,844
Total Liabilities	$ 863,848	$ 27,817,924	$ 27,560,328	$ 1,121,444

CITY OF WAVERLY
STATISTICAL SECTION

This part of the City of Waverly'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 government's overall financial health.

Contents: Pages

Financial Trends 82 – 90

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity 91 – 94

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity 95 – 103

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information 104

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information 105 – 110

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual reports for the relevant year.

City of Waverly, Iowa
Government-Wide Net Assets by Component[2]
Last Seven Fiscal Years[1]
(accrual basis of accounting)

	Fiscal Year		
	2004	2005	2006
Governmental Activities			
Invested in Capital Assets, net of related debt	$ 15,223,416	$ 13,769,685	$ 13,874,528
Restricted	439,592	2,642,776	451,600
Unrestricted	3,575,388	4,288,547	7,690,383
Total Governmental Activities Net Assets	$ 19,238,396	$ 20,701,008	$ 22,016,511
Business-type Activities			
Invested in Capital Assets, net of related debt	$ 8,819,772	$ 9,024,813	$ 10,367,357
Restricted	-	689,551	268,943
Unrestricted	2,640,049	2,325,551	1,461,106
Total Business-type Activities Net Assets	$ 11,459,821	$ 12,039,915	$ 12,097,406
Primary Government			
Invested in Capital Assets, net of related debt	$ 24,043,188	$ 22,794,498	$ 24,241,885
Restricted	439,592	3,332,327	720,543
Unrestricted	6,215,437	6,614,098	9,151,489
Total Primary Government Activities Net Assets	$ 30,698,217	$ 32,740,923	$ 34,113,917

Notes:

1) The City implemented GASB Statement No. 34 in fiscal year 2004, therefore, seven years of government-wide financial data is presented.

2) Accounting standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted and unrestricted. Net assets are considered restricted only when (1) an external party, such as the State of Iowa or the federal government, places a restriction on how the resources may be used, or (2) enabling legislation is enacted by the City.

Fiscal Year			
2007	2008	2009	2010
$ 18,880,181	$ 21,032,486	$ 23,672,634	$ 31,003,445
907,320	1,901,399	2,056,639	2,240,151
5,696,327	4,289,177	2,566,051	2,646,083
$ 25,483,828	$ 27,223,062	$ 28,295,324	$ 35,889,679
$ 10,825,782	$ 10,839,282	$ 11,575,601	$ 11,665,128
294,728	182,668	541,706	474,334
1,510,592	1,790,196	711,666	993,468
$ 12,631,102	$ 12,812,146	$ 12,828,973	$ 13,132,930
$ 29,705,963	$ 31,871,768	$ 35,248,235	$ 42,668,573
1,202,048	2,084,067	2,598,345	2,714,485
7,206,919	6,079,373	3,277,717	3,639,551
$ 38,114,930	$ 40,035,208	$ 41,124,297	$ 49,022,609

City of Waverly, Iowa
Changes in Net Assets
Last Seven Fiscal Years (1)

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Expenses							
Governmental Activities:							
General Government	$ 717,406	$ 653,628	$ 337,530	$ 636,525	$ 657,669	$ 722,714	$ 806,618
Public Safety	1,457,558	2,375,953	1,702,173	1,594,179	1,826,343	1,842,773	1,890,848
Public Works	337,158	2,346,295	2,229,068	2,583,298	3,051,121	3,525,685	3,091,315
Health and Social Services	-	5,956	4,470	40,492	371,172	752,457	160,307
Community & Economic Development	145,857	100,224	260,829	323,131	453,463	439,362	1,081,165
Culture and Recreation	1,890,816	1,848,445	1,940,735	2,008,138	2,391,710	2,266,639	2,218,807
Debt Service	558,303	616,883	677,574	629,037	581,318	533,573	410,454
Capital Projects	772,802	-	124,404	-	-	-	-
Total Governmental Activities Expenses	5,879,900	7,947,384	7,276,783	7,814,800	9,332,796	10,083,203	9,659,514
Business-type Activities							
Water	934,857	1,009,669	935,603	992,197	1,004,759	1,015,570	1,046,779
Sewer	1,302,613	1,294,864	1,363,527	1,340,567	1,459,406	1,371,630	1,449,551
Solid waste	677,072	720,941	787,681	794,029	917,857	960,872	945,847
Total Business-type Activities Expenses	2,914,542	3,025,474	3,086,811	3,126,793	3,382,022	3,348,072	3,442,177
Total Primary Government Expenses	8,794,442	10,972,858	10,363,594	10,941,593	12,714,818	13,431,275	13,101,691
Program Revenues (2)							
Governmental Activities:							
Charges for Services							
General Government	214,684	197,218	276,152	248,926	288,618	220,787	225,423
Public Safety	175,223	209,491	190,165	66,869	53,784	40,546	44,690
Public Works	215,740	241,750	57,233	94,986	76,341	106,013	85,054
Community & Economic Development	-	-	-	-	24,002	28,000	19,231
Culture and Recreation	618,652	640,162	646,625	668,242	574,588	615,094	604,391
Operating Grants and Contributions	1,273,888	1,083,524	1,102,485	1,380,110	2,162,998	2,562,584	1,610,920
Capital Grants and Contributions	-	1,330,195	23,000	1,404,076	803,799	448,176	6,869,966
Total Governmental Activities Program Revenues	2,498,187	3,702,340	2,295,660	3,863,209	3,984,130	4,021,200	9,459,675
Business-type Activities:							
Charges for services:							
Water	915,628	940,144	928,360	1,065,811	1,086,607	1,030,087	1,092,557
Sewer	1,060,088	1,173,966	1,323,162	1,423,835	1,426,363	1,397,455	1,451,773
Solid waste	749,942	810,682	828,387	838,647	913,187	929,328	1,054,942
Capital Grants and Contributions	-	511,096	159,028	369,790	138,522	-	109,178
Total Business-Type Activities Program Revenues	2,725,658	3,435,888	3,238,937	3,698,083	3,564,679	3,356,870	3,708,450
Total Primary Government Program Revenues	$ 5,223,845	$ 7,138,228	$ 5,534,597	$ 7,561,292	$ 7,548,809	$ 7,378,070	$ 13,168,125

	2004	2005	2006	2007	2008	2009	2010
Net (Expense)/Revenue[1]							
Governmental Activities:	$ (3,381,713)	$ (4,245,044)	$ (4,981,123)	$ (3,951,591)	$ (5,348,666)	$(6,062,003)	$ (199,839)
Business-type Activities	(188,884)	410,414	152,126	571,290	182,657	8,798	266,273
Total Primary Government Net Expense	(3,570,597)	(3,834,630)	(4,828,997)	(3,380,301)	(5,166,009)	(6,053,205)	66,434
General Revenues							
Governmental Activities:							
Property Taxes	3,243,081	3,405,718	3,623,336	4,955,605	5,269,029	5,738,820	5,854,330
Other Taxes	562,401	636,502	711,455	-	-	-	-
Local Option Sales Tax	500,793	782,317	619,941	708,172	803,943	815,438	828,529
Hotel/Motel Taxes	58,176	140,467	143,631	144,854	173,098	170,557	133,201
Special Assessment	19,781	-	-	-	-	-	-
Interest	49,554	78,837	223,744	283,245	193,573	57,397	53,120
General Intergovernmental Revenues	280,986	496,854	635,103	169,440	178,926	190,500	202,440
Contributions	131,292	-	-	-	-	-	-
Gain (Loss) on Sale of Assets	32,749	(14,730)	-	910,094	259,062	30,326	563,272
Miscellaneous	120,097	81,691	156,570	53,029	75,766	54,738	119,104
Transfers	32,633	100,000	182,846	194,469	134,503	76,489	40,198
Total Governmental Activities	5,031,543	5,707,656	6,296,626	7,418,908	7,087,900	7,134,265	7,794,194
Business-type Activities:							
Investment Earnings	64,284	68,664	101,656	103,118	70,915	26,338	9,484
Contributions	51,000	-		-	-	-	-
Miscellaneous	47,332	78,070	68,474	53,757	61,975	58,180	68,398
Transfers	(32,633)	(100,000)	(182,846)	(194,469)	(134,503)	(76,489)	(40,198)
Total Business-type Activities	129,983	46,734	(12,716)	(37,594)	(1,613)	8,029	37,684
Total Primary Government	5,161,526	5,754,390	6,283,910	7,381,314	7,086,287	7,142,294	7,831,878
Change in Net Assets							
Governmental Activities	1,649,830	1,462,612	1,315,503	3,467,317	1,739,234	1,072,262	7,594,355
Business-type Activities	(58,901)	457,148	139,410	533,696	181,044	16,827	303,957
Total Primary Government	$ 1,590,929	$ 1,919,760	$ 1,454,913	$ 4,001,013	$ 1,920,278	$ 1,089,089	$ 7,898,312

Notes:

1) The City implemented GASB Statement No. 34 in fiscal year 2004, therefore, seven years of government-wide financial data is presented.

2) Net (expense)/revenue is the difference between the expenses and program revenues of a function or program. It indicates the degree to which a function or program supports itself with its own fees and grants versus its reliance upon funding from taxes and other general revenues.

City of Waverly, Iowa
Tax Revenues By Source
Last Ten Fiscal Years
(cash basis of accounting)

Fiscal Year	General Property Tax	Local Option Sales Tax [1]	Bank Franchise Tax [2]	Tax Increment Financing Taxes	Cable TV Franchise Tax	Hotel - Motel Tax [1]	Total Taxes
2001	$ 2,819,551	$ -	$ 23,279	$ 508,446	$ 34,068	$ -	$3,385,344
2002	2,951,815	-	38,305	463,321	35,742	-	3,489,183
2003	3,105,328	-	41,078	485,238	40,292	-	3,671,936
2004	3,243,081	455,716	47,092	562,401	45,714	58,176	4,412,180
2005	3,405,718	762,930	14,351	637,467	48,750	131,802	5,001,018
2006	3,623,336	613,218	-	688,065	48,070	146,890	5,119,579
2007	3,962,657	708,172	-	992,950	52,620	144,852	5,861,251
2008	4,227,819	803,943	-	1,041,210	49,784	173,098	6,295,854
2009	4,319,975	815,438	-	1,418,845	46,878	170,557	6,771,693
2010	$ 4,301,441	$ 828,529	$ -	$ 1,552,889	$ 49,136	$ 133,201	$6,865,196
Percentage Change In Dollars Over 10 Years	52.56%	81.81%	N/A	205.42%	44.23%	128.96%	102.79%

Notes:

[1] Local Option tax started in July of 2003. Hotel-Motel tax started in January 2004.

[2] Bank franchise taxes were implemented for ten years and were completed during fiscal year 2005.

City of Waverly, Iowa
Fund Balances of Governments Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2001	2002	2003	2004	2005
General Fund					
Reserved	$ 87,889	$ 117,216	$ 33,165	$ 48,370	$ 47,265
Unreserved	1,423,146	1,307,610	1,347,586	1,314,653	1,453,064
Total General Fund	$ 1,511,035	$ 1,424,826	$ 1,380,751	$ 1,363,023	$ 1,500,329
All Other Governmental Funds					
Reserved	$ 71,770	$ 50,051	$ 5,406	$ 452,714	$ 2,642,776
Unreserved, reported in:					
Special Revenue Funds	661,255	578,201	488,445	239,392	848,604
Capital Projects Funds	1,727,904	1,686,968	1,461,858	1,760,337	1,780,788
Total All Other Governmental Funds [1]	$ 2,460,929	$ 2,315,220	$ 1,955,709	$ 2,452,443	$ 5,272,168
Total Governmental Funds					
Reserved	$ 159,659	$ 167,267	$ 38,571	$ 501,084	$ 2,690,041
Unreserved, reported in:					
General Fund	1,423,146	1,307,610	1,347,586	1,314,653	1,453,064
Special Revenue Funds	661,255	578,201	488,445	239,392	848,604
Capital Projects Funds	1,727,904	1,686,968	1,461,858	1,760,337	1,780,788
Total Governmental Funds	$ 3,971,964	$ 3,740,046	$ 3,336,460	$ 3,815,466	$ 6,772,497

Notes:

[1] The fluctuations in the fund balance result from construction projects in which funds are borrowed in one year and spent in another fiscal year.

Fiscal Year				
2006	2007	2008	2009	2010
$ 56,105	$ 65,635	$ 59,122	$ 64,791	$ 69,998
1,377,426	2,688,512	2,896,720	1,782,381	1,452,931
$ 1,433,531	$ 2,754,147	$ 2,955,842	$ 1,847,172	$ 1,522,929
$ 470,369	$ 511,995	$ 516,770	$ 557,818	$ 591,774
1,287,143	1,604,900	1,415,982	1,495,475	1,576,193
4,674,246	1,898,051	1,165,065	314,939	809,766
$ 6,431,758	$ 4,014,946	$ 3,097,817	$ 2,368,232	$ 2,977,733
$ 526,474	$ 577,630	$ 575,892	$ 622,609	$ 661,772
1,377,426	2,688,512	2,896,720	1,782,381	1,452,931
1,287,143	1,604,900	1,415,982	1,495,475	1,576,193
4,674,246	1,898,051	1,165,065	314,939	809,766
$ 7,865,289	$ 6,769,093	$ 6,053,659	$ 4,215,404	$ 4,500,662

City of Waverly, Iowa
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2001	2002	2003	2004
Revenues				
Taxes	$ 3,328,017	$ 3,415,136	$ 3,590,566	$ 4,364,451
Licenses and Permits	108,410	173,340	124,133	181,939
Intergovernmental	1,795,639	2,445,506	2,036,841	1,554,873
Charges for Services	606,146	638,450	741,935	998,372
Fines and Forfeits	-	-	-	43,989
Investment Earnings	278,247	159,424	85,070	48,082
Rental Income	-	-	-	-
Special Assessments	-	-	-	19,781
Contributions	-	-	1,679	131,292
Proceeds from the Sale of Real Estate & Equipment	-	-	-	62,724
Refunds	-	-	-	-
Miscellaneous	400,919	393,088	481,661	124,136
Total Revenues	$ 6,517,378	$ 7,224,944	$ 7,061,885	$ 7,529,639
Expenditures [1]				
Public Safety	-	-	1,275,046	1,436,963
Community Protection	1,224,628	1,304,717	-	-
Public Works	-	-	939,123	1,061,314
Health and Social Services	-	-	-	-
Culture and Recreation	-	-	1,702,179	1,894,714
Human Development	1,443,020	1,483,736	-	-
Community and Economic Development	-	-	112,626	145,857
Home and Community Development	1,583,322	1,636,001	-	-
General Government	-	-	650,401	584,231
Policy and Administration	528,207	566,585	-	-
Debt Service				
Principal	1,130,000	1,219,228	1,678,632	1,081,664
Interest	361,152	318,522	707,969	615,031
Capital Projects	4,262,075	5,411,214	1,391,725	772,802
Total Expenditures	$ 10,532,404	$ 11,940,003	$ 8,457,701	$ 7,592,576
Excess (Deficiency) of Revenues over (under) Expenditures	(4,015,026)	(4,715,059)	(1,395,816)	(62,937)
Other Financing Sources (Uses)				
Issuance of Bonds and Notes	3,119,650	4,339,154	693,336	81,610
Payment of Refunded Bonds				
Transfers In	2,971,114	1,530,721	1,482,771	1,621,927
Transfers Out	(2,451,114)	(1,387,292)	(1,356,247)	(1,589,294)
Sale of Fixed Assets	7,110	-	171,501	-
Total Other Financing Sources (Uses)	$ 3,646,760	$ 4,482,583	$ 991,361	$ 114,243
Net change in fund balances	$ (368,266)	$ (232,476)	$ (404,455)	$ 51,306
Debt service as a percentage of non-capital expenditures [2]	23.78%	23.55%	33.78%	24.88%

Notes:
[1] The State of Iowa program levels changed in 2003.
[2] The non-capital expenditures for years 2001-2003 is not readily available.

Fiscal Year					
2005	2006	2007	2008	2009	2010
$ 4,965,004	$ 5,098,363	$ 5,808,631	$ 6,246,070	$ 6,724,815	$ 6,816,060
132,251	20,461	104,771	89,096	70,932	76,995
1,653,304	1,862,099	2,289,765	2,839,001	3,133,340	8,624,439
804,429	816,965	826,422	762,581	753,881	749,174
46,214	48,530	43,692	60,519	55,617	57,984
78,837	223,744	281,232	190,953	53,475	49,430
50,450	48,460	86,141	105,137	130,010	94,636
53,956	29,557	14,824	24,624	8,107	13,293
32,699	52,076	19,943	46,245	62,145	53,426
4,000	9,690	-	-	-	-
-	424,806	-	-	-	-
81,691	155,922	60,087	75,766	54,738	100,733
$ 7,902,835	$ 8,790,673	$ 9,535,508	$ 10,439,992	$ 11,047,060	$ 16,636,170
2,142,727	1,806,846	1,505,718	2,527,463	1,865,308	1,967,944
-	-	-	-	-	-
1,106,425	1,150,898	1,120,069	1,361,664	1,398,593	1,549,928
5,956	4,470	40,492	371,172	752,457	160,307
1,749,569	1,870,055	2,092,858	1,965,203	2,112,607	2,068,757
-	-	-	-	-	-
100,224	683,676	211,505	424,329	379,384	1,139,355
-	-	-	-	-	-
587,689	681,145	708,594	759,889	708,822	750,950
-	-	-	-	-	-
1,086,164	3,264,741	1,465,223	1,365,468	1,492,422	1,559,972
549,564	626,454	608,512	598,918	578,130	421,926
1,240,044	1,787,442	4,116,093	2,671,634	3,837,918	7,365,555
$ 8,568,362	$ 11,875,727	$ 11,869,064	$ 12,045,740	$ 13,125,641	$ 16,984,694
(665,527)	(3,085,054)	(2,333,556)	(1,605,748)	(2,078,581)	(348,524)
3,522,558	4,040,000	124,983	1,093,267	4,360,000	680,312
			(589,612)	(4,295,000)	(650,000)
1,601,076	1,829,403	2,439,569	3,836,910	3,383,978	3,852,667
(1,501,076)	(1,691,557)	(2,245,100)	(3,709,313)	(3,238,978)	(3,812,469)
-	-	917,908	259,062	30,326	563,272
$ 3,622,558	$ 4,177,846	$ 1,237,360	$ 890,314	$ 240,326	$ 633,782
$ 2,957,031	$ 1,092,792	$ (1,096,196)	$ (715,434)	$ (1,838,255)	$ 285,258
22.32%	38.57%	26.75%	21.52%	20.73%	21.17%

City of Waverly, Iowa
Assessed and Taxable Value of Taxable Property [1]
Last Ten Fiscal Years

Fiscal Year	Real Property Assessed Value	Real Property Taxable Value [2]	Utilities [3] Assessed Value	Utilities [3] Taxable Value	Total Assessed Value	Total Taxable Value	Total Direct Tax Rate	Total Taxable Value To Total Assessed Value
2001	$342,645,740	$224,675,982	$ 5,824,544	$5,822,822	$348,470,284	$230,498,804	12.051	66.15%
2002	337,725,070	226,919,161	5,793,703	5,793,703	343,518,773	232,712,864	12.472	67.74%
2003	370,510,662	230,667,689	6,131,301	6,127,965	376,641,963	236,795,654	12.969	62.87%
2004	373,740,464	231,242,928	6,391,538	6,391,538	380,132,002	237,634,466	13.472	62.51%
2005	387,241,882	228,587,942	5,739,643	6,122,573	392,981,525	234,710,515	14.305	59.73%
2006	400,227,354	234,339,310	5,813,677	5,898,577	406,041,031	240,237,887	14.852	59.17%
2007	463,670,117	256,420,559	6,391,451	6,095,819	470,061,568	262,516,378	14.699	55.85%
2008	490,500,027	268,565,295	6,910,814	5,536,691	497,410,841	274,101,986	15.071	55.11%
2009	575,400,233	324,797,829	7,911,996	5,527,775	583,312,229	330,325,604	14.781	56.63%
2010	$586,382,560	$336,384,219	$ 8,780,101	$5,527,775	$595,162,661	$341,911,994	14.340	57.45%

Source: Bremer County, Iowa; County Auditor

Notes: The county reassesses by January 1 for the following fiscal year. The state sets the rollback percentage for the taxable value. In FY 2010 this percentage is 45.5893%.

[1] Taxable Value does not include the Tax Increment Levy
[2] Taxable value = (percent rollback * assessed value) - exemptions (military, homestead, elderly, etc.)
[3] Utilities includes Railroads, Utilities, and Gas & Electric

City of Waverly, Iowa
Property Tax Rates- Direct and Overlapping Governments
(Per $1,000 of Taxable Value)
Last Ten Fiscal Years
Tax Rates

	City of Waverly				Overlapping Rates				
Fiscal Year	General	Special Revenue	Debt Service	Total Direct	Waverly - Shell Rock School	Bremer County	Hawkeye Community College	Total Overlapping	Total Direct and Overlapping
2001	$ 8.741	$ 0.774	$ 2.536	$ 12.051	$ 12.286	$ 4.645	$ 0.694	$ 17.625	$ 29.676
2002	8.733	0.973	2.766	12.472	12.002	4.430	0.699	17.131	29.603
2003	8.804	1.126	3.039	12.969	12.370	4.453	0.784	17.608	30.577
2004	8.814	1.353	3.305	13.472	12.259	4.954	0.746	17.959	31.431
2005	8.793	2.234	3.278	14.305	12.101	6.318	0.995	19.415	33.720
2006	8.837	2.814	3.201	14.852	12.020	6.668	1.067	19.755	34.607
2007	8.850	2.835	3.014	14.699	12.371	6.337	1.040	19.748	34.447
2008	8.555	3.782	2.734	15.071	12.390	6.520	0.828	19.738	34.809
2009	8.564	3.601	2.616	14.781	12.375	7.098	1.001	20.474	35.255
2010	$ 8.573	$ 3.321	$ 2.446	$ 14.340	$ 12.242	$ 6.630	$ 0.932	$ 19.804	$ 34.144

Source: Bremer County Iowa: County Auditor

City of Waverly, Iowa
Principal Taxpayers and Their Assessed Valuations
June 30, 2010

	2010			2001		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
CUNA Mutual Life Insurance	$ 9,654,280	1	2.82%	$ 9,291,130	2	2.53%
Wal-Mart	7,613,500	2	2.23%	-		-
Nestle' USA	7,319,110	3	2.14%	10,701,320	1	2.92%
Birdworks LLC	6,788,040	4	1.99%	-		-
First National Bank	4,295,700	5	1.26%	1,708,252	8	0.47%
GMT Corporation	4,295,700	6	1.26%	3,432,130	4	0.94%
MDMPartnership	3,326,290	7	0.97%	3,013,420	5	0.82%
Terex Cranes, Inc. - Waverly	3,080,190	8	0.90%	4,102,146	3	1.12%
Village Square Plaza	2,864,320	9	0.84%	2,381,350	6	0.65%
State Bank & Trust Co.	2,568,540	10	0.75%	-	-	-
Clover, LLC	2,464,900	11	-	-		0.00%
Wav/Kaz Inc.	-	-	-	2,111,140	7	0.58%
Waverly Partners, L.P.	-	-	-	1,546,380	9	0.42%
Total Principal Taxpayers	54,270,570		15.15%	38,287,268		10.44%
All Other Taxpayers	287,641,424		84.13%	328,616,405		89.56%
Total Assessed Valuation	$ 341,911,994		99.28%	$ 366,903,673		100.00%

Source: Bremer County, Iowa: County Treasurer

City of Waverly, Iowa
Property Tax Levies and Collections [1]
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections (2)	Percent of Levy Collected	Collections in Subsequent Years (2)	Total Tax Collec-tions	Percent of Total Tax Collections to Tax Levy
2001	$ 2,749,411	$ 2,819,551	102.55%	N/A	$ 2,819,551	102.55%
2002	2,872,431	2,951,815	102.76%	N/A	2,951,815	102.76%
2003	3,048,979	3,105,328	101.85%	N/A	3,105,328	101.85%
2004	3,236,314	3,243,081	100.21%	N/A	3,243,081	100.21%
2005	3,400,347	3,405,718	100.16%	N/A	3,405,718	100.16%
2006	3,612,645	3,623,336	100.30%	N/A	3,623,336	100.30%
2007	3,903,182	4,107,509	105.23%	N/A	4,107,509	105.23%
2008	4,215,820	4,227,818	100.28%	N/A	4,227,818	100.28%
2009	4,307,395	4,319,975	100.29%	N/A	4,319,975	100.29%
2010	$ 4,290,422	$ 4,301,445	100.26%	N/A	$ 4,301,445	100.26%

Source: Bremer County Treasurer, Bremer County, Iowa

Notes:
[1] GAAP Basis
[2] Collected totals for each fiscal year include delinquent and current property taxes. The Bremer County Treasurer's Office does not record for which year delinquent payments are made therefore delinquent collections are included in year collected.

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

	Governmental Activities		Business-Type Activities					
Fiscal Year	General Obligation Bonds	Notes Payable	General Obligation Bonds	Revenue Bonds	Special Assessment Loan Notes	Total Primary Government	Percentage of Personal Income [2]	Per Capita [1]
2001	$ 10,768,965	$ 155,140	$ 1,766,035	$ 2,130,000	$ 465,000	$ 15,285,140	9.32%	$ 1,704
2002	14,037,365	429,162	1,657,635	3,650,000	410,000	20,184,162	12.31%	2,251
2003	13,069,612	333,395	1,505,388	3,365,000	-	18,273,395	11.14%	2,038
2004	12,004,612	252,350	1,375,388	3,035,000	-	16,667,350	10.16%	1,859
2005	14,494,612	257,744	1,705,388	2,700,000	-	19,157,744	11.68%	2,136
2006	15,309,612	218,003	1,105,388	2,340,000	-	18,973,003	11.57%	2,116
2007	13,894,612	292,763	950,388	1,975,000	-	17,112,763	10.44%	1,908
2008	13,048,267	238,158	1,636,733	1,535,000	-	16,458,158	7.94%	1,835
2009	11,656,017	182,156	1,373,983	1,245,000	-	14,457,156	6.95%	1,612
2010	$ 10,138,636	$ 157,159	$ 1,106,364	$ 940,000	$ -	$ 12,342,159	5.44%	$ 1,376

Notes:

[1] Population data used was the actual census from the year 2000 of 8,968.

[2] See the Schedule of Demographic and Economic Statistics on page 103 for personal income data. The 2000 figure was used for all years except 2008 and 2009. The revised figure for 2010 was used this year.

City of Waverly
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual [1] Taxable Value of Property	Per Capita [2]
2001	$ 12,535,000	$ 71,770	$ 12,463,230	5.41%	$ 1,390
2002	15,695,000	50,051	15,644,949	6.72%	1,745
2003	14,575,000	5,406	14,569,594	6.15%	1,625
2004	13,380,000	13,122	13,366,878	5.62%	1,491
2005	16,200,000	2,197,444	14,002,556	5.97%	1,561
2006	16,415,000	18,769	16,396,231	6.82%	1,828
2007	14,845,000	55,356	14,789,644	5.63%	1,649
2008	14,685,000	32,626	14,652,374	5.35%	1,634
2009	13,030,000	91,817	12,938,183	4.54%	1,443
2010	$ 11,245,000	$ 101,396	$ 11,143,604	3.83%	$ 1,243

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

[1] See the Table of Assessed Values and Taxable Value of Taxable Property for property value data.
[2] Population data used was the actual census from the year 2000 of 8,968.

City of Waverly, Iowa
Computation of Direct and Overlapping Debt[3]
June 30, 2010

Name of Governmental Unit	Debt Outstanding	Percentage[4] Applicable to City	Amount Applicable to City
Direct:			
City of Waverly	$ 10,295,795	100%	$ 10,295,795
Overlapping:			
Bremer County [1]	4,605,000	18%	828,900
Waverly-Shell Rock School District[2]	5,080,000	44%	2,235,200
Total Overlapping Debt	9,685,000		3,064,100
Total Direct and Overlapping Debt	$ 19,980,795		$ 13,359,895

Sources:
[1] County Auditor, Bremer County, Iowa
[2] Waverly-Shell Rock School District

Notes:
[3] Excluding General Obligation bonds reported in the Enterprise Funds.
[4] For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using assessed property values. Applicable percentages were estimated by determining the portion of another government unit's assessed value that is within the City's boundaries and dividing it by each unit's total assessed value.

City of Waverly
Legal Debt Margin Information
Last Ten Fiscal Years

	2001	2002	2003	2004
Debt Limit	$ 18,345,184	$ 19,640,231	$ 19,758,691	$ 20,047,576
Total Net Debt Applicable to Limit	12,667,697	15,793,339	14,638,096	13,366,878
Legal Debt Margin	$ 31,012,881	$ 3,846,892	$ 5,120,595	$ 6,680,698
Total Net Debt Applicable to the Limit as a percentage of debt limit	69.05%	80.41%	74.08%	66.68%

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed Value			
Real and Personal Property Within the City			$ 595,162,661
TOTAL ESTIMATED VALUATION			595,162,661
DEBT LIMIT - 5% of ESTIMATED VALUATION			29,758,133
Amount of Debt Applicable to Limit			
Total Debt and Long-Term Notes Payable		12,342,159	
Less:			
Revenue Bonds:			
Sewer Revenue Bonds	840,000		
Water Revenue Bonds	100,000		
		940,000	
Amount Available for Repayment of General Obligation Debt		101,396	
Debt Applicable to Debt Limit			11,300,763
Legal Debt Margin			$ 18,457,370

Notes: Under Title IX, Subtitle 2, Chapter 358C, paragraph 16 of the Iowa State Code, the City's debt limit should not exceed 5% of the estimated value of the taxable property within that district.

2005	2006	2007	2008	2009	2010
$ 20,751,823	$ 21,449,800	$ 25,194,381	$ 26,574,137	$ 29,165,611	$ 29,758,133
16,200,000	16,832,236	15,082,395	14,890,532	13,120,339	11,300,763
$ 4,551,823	$ 4,617,564	$ 10,111,986	$ 11,683,605	$ 16,045,272	$ 18,457,370
78.07%	78.47%	59.86%	56.03%	44.99%	37.98%

City of Waverly, Iowa
Water Revenue Bond Coverage
Last Ten Fiscal Years [1]

Fiscal Year	Net Operating Revenue	Direct Operating Expense	Depreciation & Amortization Included in Expenses	Net Revenue Available for Debt Service	Payments On Principal	Payments For Interest
2001	$ 732,462	$ 711,199	$ 204,559	$ 21,263	$ 190,800	$ 100,058
2002	693,298	699,280	181,974	(5,982)	193,800	110,925
2003	802,011	816,543	222,506	(14,532)	245,000	118,007
2004	915,628	844,817	226,489	70,811	220,000	90,040
2005	940,144	918,528	225,896	21,616	225,000	91,141
2006	928,360	839,001	234,258	89,359	245,000	96,602
2007	1,065,811	939,067	254,098	126,744	255,000	53,130
2008	1,086,607	958,476	259,751	128,131	260,000	46,283
2009	1,030,087	959,049	260,422	71,038	257,750	56,521
2010	$ 1,092,557	$ 999,372	$ 268,853	$ 93,185	$ 272,619	$ 47,407

Notes

[1] GAAP Basis

Total Debt Service Payments	Coverage	Net Revenue Available For Debt Service Plus Depreciation	Coverage Without Depreciation
$ 290,858	0.07	$ 225,822	0.78
304,725	(0.02)	175,992	0.58
363,007	(0.04)	207,974	0.57
310,040	0.23	297,300	0.96
316,141	0.07	247,512	0.78
341,602	0.26	323,617	0.95
308,130	0.41	380,842	1.24
306,283	0.42	387,882	1.27
314,271	0.23	331,460	1.05
$ 320,026	0.29	$ 362,038	1.13

City of Waverly, Iowa
Sewer Revenue Bond Coverage
Last Ten Fiscal Years[1]

Fiscal Year	Net Operating Revenue	Direct Operating Expense	Depreciation & Amortization Included in Expenses	Net Revenue Available For Debt Service	Payments On Principal	Payments For Interest
2001	$ 834,254	$ 948,780	$ 364,038	$ (114,526)	$ 157,600	$ 108,043
2002	873,799	1,012,818	356,616	(139,019)	164,600	106,146
2003	981,281	1,080,629	373,630	(99,348)	221,500	136,717
2004	1,060,088	1,185,001	377,805	(124,913)	240,000	117,612
2005	1,173,966	1,178,154	417,531	(4,188)	245,000	116,710
2006	1,323,162	1,255,668	421,538	67,494	255,000	107,859
2007	1,423,835	1,249,868	442,856	173,967	265,000	90,699
2008	1,426,363	1,379,356	455,447	47,007	280,000	80,050
2009	1,397,455	1,317,802	448,663	79,653	295,000	53,828
2010	$ 1,451,773	$ 1,406,774	$ 471,271	$ 44,999	$ 300,000	$ 42,777

Notes

[1] GAAP Basis

Total Debt Service Payments	Coverage	Net Revenue Available For Debt Service Plus Depreciation	Coverage Without Depreciation
$ 265,643	(0.43)	$ 249,512	0.94
270,746	(0.51)	217,597	0.80
358,217	(0.28)	274,282	0.77
357,612	(0.35)	252,892	0.71
361,710	(0.01)	413,343	1.14
362,859	0.19	489,032	1.35
355,699	0.49	616,823	1.73
360,050	0.13	502,454	1.40
348,828	0.23	528,316	1.51
$ 342,777	0.13	$ 516,270	1.51

City of Waverly, Iowa
Demographic and Economic Statistics [1]
Selected Years

Fiscal Year	Population	Total Personal Income [2]	Per Capita Personal Income	Median Age	Educational Attainment Bachelor's Degree or Higher	School Enrollment	Unemployment Rate
1970	7,205	$ 21,334,005	$ 2,961	25.2	n/a	2,582	3.80%
1980	8,444	60,644,808	7,182	27.4	n/a	2,282	4.60%
1990	8,539	101,972,738	11,942	32.5	n/a	2,120	4.20%
2000	8,968	163,979,880	18,285	34.1	1,618	1,944	2.40%
2010	8,968 (3)	$ 226,684,136	$ 25,277 (4)	34.6 (4)	2,297 (4)	1,895 (5)	5.40% (6)

Sources: U.S. Census Bureau

Notes:

1. Accurate statistical figures are only available every ten years.
2. Computation of per capita personal income multiplied by population.
3. Actual 2000 Census.
4. According to Downtown Waverly Market Study October 2009.
5. WSR school enrollment for 09-10.
6. Iowa Workforce Development June 2010 (Bremer County.)

City of Waverly, Iowa
Principal Employers
Current Year [1]

	2010		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**
Wartburg College	525	1	8.20%
CUNA Mutual Life Insurance	485	2	7.57%
Waverly Shell Rock Schools	421	3	6.58%
Waverly Health Center	420	4	6.56%
Nestle USA, Beverage Division	255	5	3.98%
Bartels Lutheran Home	241	6	3.76%
GMT Corporation	235	7	3.67%
Lutheran Services in Iowa, Inc	200	8	3.12%
Walmart	200	9	3.12%
TDS Automation	148	10	2.31%
Total Employees of Principal Employers	2,605		40.68%
Other Employees	3,798		59.32%
Total Employees [2]	6,403		100.00%

Source:
Waverly Laborshed Analysis, Iowa Workforce Development, August 2010
Phone Survey

Note:

[1] Comparative data from nine years ago not currently available.
[2] Includes full-time and part-time employees based on an August survey.

City of Waverly, Iowa
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Function										
General Government	9.5	9.5	10	10	11	10.5	11	11	11	11
Library	9.5	9.5	10	9.5	9.5	9.5	10	10	10	10
Public Safety										
Police										
Officers	15	15	15	15	15	15	16	16	16	16
Secretaries	1	1	1	1	1	1	1	1	1	1
Fire										
Firefighters and Officers	0.5	1	1	1	1	1	1	1	1	1
Volunteers	36	36	36	36	36	36	36	36	36	36
Highways and Streets										
Engineering/Zoning/Economic	5	5	5	5	5	5	6	7.5	7.5	7.5
Equipment Maintenance	2	2	2	2	2	2	2	2	2	2
Street Maintenance	7	7	7	7	7	7	7	7	7	7
Building Inspection [1]	2	2	2	2	2	1	0	0	0	0
Sanitation [2]	7.5	8	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Culture and Recreation [2]	21	20.5	23.5	24.5	23	24	23	20	17	17
Water	4	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Sewer	6	6	6	6	6	6	6	6	6	6
	126	126	130.5	131	130.5	130	131	129.5	126.5	126.5

Source: City of Waverly Accounting Department

Notes:

[1] In 2005 the building inspection responsibilities was moved to Bremer County.

[2] Fluctuations in these functions were due to the number of part-time seasonal personnel.

City of Waverly, Iowa
Operating Indicators by Function
Last Ten Fiscal Years [1]

	Fiscal Year			
	2001	2002	2003	2004
Function				
Police				
Physical Arrests	286	315	375	376
Parking Violations	1,103	892	846	777
Traffic Violations	721	827	917	934
Fire				
Number of Calls Answered	88	103	102	103
Highways and Streets				
Street Maintenance (Blocks)	133	64	94	133
Street Reconstruction (Blocks)	-	22.6	10.6	9.7
Building Permits				
Number	368	383	336	375
Value	$ 14,143,415	$ 14,867,213	$ 41,115,598	$ 35,655,597
Permit Fees	$ 65,612	$ 69,099	$ 113,815	$ 122,646
Sanitation				
Solid Waste Collected (tons)	3,624	3,793	3,814	4,129
Recyclables Collected (pounds)	1,942,798	1,828,084	1,812,570	1,819,223
Water				
Water Pumped (in thousands of gallons)	371,024	364,192	408,101	389,947
Water Billed (in thousands of gallons)	259,232	263,336	282,336	290,155
Percent Accountable	70%	72%	69%	74%

Source: Annual reports from each department.

Notes:
[1] Indicators are not available in all areas for all ten years.

Fiscal Year					
2005	2006	2007	2008	2009	2010
458	488	555	691	556	490
1,006	911	840	1,037	937	850
935	1,087	1,021	1,516	1,155	1,152
118	100	131	135	127	120
120	110	100	120	103	112
4.8	15.1	2.85	7	9	0
355	362	404	357	402	414
$ 32,289,223	$ 19,223,833	$ 55,475,429	$ 12,722,997	$ 21,983,939	$ 37,596,455
$ 115,576	$ 78,111	$ 147,000	$ 70,269	$ 103,873	$ 35,259
4,028	3,985	4,143	4,532	4,186	3,939
1,885,863	1,812,279	1,836,893	1,892,803	1,954,793	1,816,441
336,927	320,782	333,907	352,075	367,679	356,739
262	267,137	271,203	268,325	257,857	242,962
78%	83%	81%	76%	70%	68%

City of Waverly, Iowa
Capital Asset Statistics by Functiom
Last Ten Fiscal Years

	Fiscal Year			
	2001	2002	2003	2004
Function				
Police:				
Stations	1	1	1	1
Patrol Units	4	4	4	4
Fire Stations	1	1	1	1
Sanitation				
Collection Trucks	3	3	3	3
Recycling Trucks		1	1	1
Highways and Streets				
Streets City Maintained (miles)	62	62	63	64
Culture and Recreation				
Parks Acreage	93	93	100	110
Parks	21	21	21	22
Miles of Recreational Trails	7	7	7	10
Swimming Pools	1	1	1	1
Libraries	1	1	1	1
Community Centers	1	1	1	1
Airports	1	1	1	1
Golf Courses	2	2	2	2
Boat Ramps	2	2	2	2
Boat Docks	1	1	1	1
Skate Parks	1	1	1	1
Cemetery				
Cemeteries (acres)	47	47	47	47
Water				
Water Mains (miles)	60	60	60	64
Number of Service Connections	3,427	3,427	3,422	3,214
Daily Ave. Consumption in Gallons	948,000	1,059,000	1,107,583	1,071,000
Fire Hydrants	650	650	650	587
Maximum Daily Capacity (thousands of gallons)	7,000,000	7,000,000	7,000,000	7,000,000
Sewer				
Sanitary Sewers (miles)	60	60	60	62
Number of Treatment Plants	1	1	1	1
Number of Service Connections	3,427	3,427	3,427	3,427
Daily Ave. Treatments in Gallons	1,185,288	895,562	906,767	975,871
Maximum Daily Capacity (thousands of gallons)	2,330,000	2,330,000	2,330,000	2,330,000

Source: Annual reports from each department.

Fiscal Year					
2005	2006	2007	2008	2009	2010
1	1	1	1	1	1
4	4	8	8	8	8
1	1	1	1	1	1
3	3	3	4	4	4
1	1	1	1	1	1
65	67	67	67	67	67
115	120	120	120	120	120
23	24	24	24	24	24
10	10	10	12	14	14
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
2	2	2	2	2	2
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
47	47	47	47	47	47
64	66	66	68	68	68
3,323	3,353	3,447	3,527	3,476	3,477
923,088	881,000	914,814	961,750	1,012,819	977,367
587	634	640	660	660	660
7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
62	62	62	62	62	62
1	1	1	1	1	1
3,160	3,160	3,397	3,468	3,427	3,423
1,040,274	1,027,151	1,029,500	1,829,100	1,174,000	1,076,884
2,330,000	2,330,000	2,330,000	2,330,000	2,330,000	2,330,000

CITY OF WAVERLY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CASH BASIS)
For the Year Ended June 30, 2010

Federal Grantor Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Identifying Number	Federal Expenditures
Direct:			
U.S Department of Agriculture, Natural Resources Conservation Service:			
Emergency Watershed Protection Program	10.923	69-6114-10-06	$ 124,069
U.S. Department of Commerce, Economic Development Administration:			
Economic Adjustment Assistance	11.307	05-79-04806	136,892
U.S. Department of Justice:			
Edward Byrne Memorial Justice Assistance Grant-ARRA	16.804	2009-SB-B9-3375	30,435
Indirect:			
U.S. Department of Agriculture			
Passed through the Iowa Department of Natural Resources:			
Cooperative Forestry Assistance Grant	10.664		1,075
U.S. Department of Housing and Urban Development			
Passed through the Iowa Department of Economic Development:			
Community Development Block Grant/State's program	14.228	08-DRMH-042	1,164,878
Community Development Block Grant/State's program	14.228	08-OT-007	38,380
			1,203,258
U.S. Department of Transportation			
Passed through the Iowa Department of Transportation:			
Highway Planning and Construction (ARRA)	20.205	2009-E-223	397,253
Passed through the Governor's Traffice Safety Bureau:			
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	09-406, Task 169	4,162
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	10-406, Task 175	4,325
			8,487
U.S. Department of Education			
Passed through the Iowa Department of Transportation:			
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act (ARRA)	84.397	S397A090016A	10,709
U.S. Department of Homeland Security			
Passed through the Iowa Homeland Security and Emergency Management Division:			
Disaster Grants- Public Assistance (Presidentially Declared Disasters)	97.036	2008 Flood	295,261
Disaster Grants- Public Assistance (Presidentially Declared Disasters)	97.036	Emergency Demolition	268,612
			563,873
Hazard Mitigation Grant	97.039	DR-1763-09-01	3,729,543
Total expenditures of federal awards			$ 6,205,594

Note 1 - **Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Waverly, Iowa, and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Part I: Summary of the Independent Auditors' Results

(a) Unqualified opinions were issued on the financial statements.
(b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, and is considered to be a material weakness.
(c) The audit did not disclose any non-compliance which is material to the financial statements.
(d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements and is also considered to be a material weakness.
(e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
(f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
(g) The major programs were are follows:
- CFDA #97.039 – Hazard Mitigation Grant
- CFDA #14.228 – Community Development Block Grant/State's Program
- CFDA #20.205 – Highway Planning and Construction (ARRA)

(h) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.
(i) The City of Waverly did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

Instances of Non-Compliance:

No matters were noted.

There were no prior year audit findings.

Significant Deficiencies:

II-A-10 Financial Reporting

Observation – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were noted.

Significant Deficiencies:

III-A-10 Grant Administration

Observation – During the audit, we identified adjustments necessary for the Schedule of Expenditures of Federal Awards. Adjustments were subsequently made by the City to properly include all amounts and information in the Schedule Expenditures of Federal Awards.

Recommendation – The City should implement procedures to ensure all federal grants are identified and included in the City's Schedule of Expenditures of Federal Awards at the appropriate amounts.

Response – The City understands the nature of the weakness and will double check all grants in the future to ensure all information is properly included in the Schedule of Expenditures of Federal Awards.

Conclusion – Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-10 - Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the public works and culture and recreation functions.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

IV-B-10 - Questionable Expenditures - We noted no questionable expenditures during our audit.

IV-C-10 - Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

Part IV: Other Findings Related to Required Statutory Reporting (Continued)

IV-D-10 - Business Transactions – Business transactions between the City and employees are detailed as follows:

Name, Title	Transaction/Description	Amount
Craig Mehmen, Cemetery Supervisor	Mehmen Monument Sales	$ 3,390 *
Cyndi Ecker, City Council	Eckers Flowers & Greenhouse	$ 2,441 *

* These transactions may represent a conflict of interest and the City should contact legal counsel for determination.

IV-E-10 - Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-10 - Council Minutes - We noted no transactions requiring approval which had not been approved by the Council.

IV-G-10 - Revenue Bonds - No violations of revenue bond resolutions were noted.

IV-H-10 Cash and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

Part V: Findings – Year Ended June 30, 2009

III-A-09 Financial Accounting/Grant Administration

Condition: During the audit, we identified material amounts of receivables and payables not recorded in the City's financial statements as well as adjustments required for the Schedule of Expenditures of Federal Awards. Adjustments were subsequently made by the City to properly include all amounts in the Schedule Expenditures of Federal Awards.

Recommendation: The City should implement procedures to ensure all receivables and payables are identified and included in the City's financial statements and that the Schedule of Expenditures of Federal Awards is properly completed.

Current Status: This finding still exists at June 30, 2010 (See Comment III-A-10).

WILLIAMS & COMPANY P.C.
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Waverly, Iowa (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 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 U.S. generally accepted auditing standards; 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 are applicable to its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

The 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 of the effectiveness of the City of Waverly's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can

be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item III-A-10 to be a material weakness.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Waverly's response and, accordingly, we express no opinion on it.

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

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
December 21, 2010

WILLIAMS & COMPANY P.C.
Certified Public Accountants

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INDEPENDENT AUDITORS' 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*

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF WAVERLY, IOWA as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 21, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of Waverly Municipal Hospital or Waverly Light and Power (discretely presented component units). Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our report on these financial statements, insofar as it relates to the amounts included for the discretely presented component units was based solely on the reports of other auditors.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item II-A-10 to be a material weakness.

Compliance and Other Matters:
As part of obtaining reasonable assurance about whether the City of Waverly's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws,

regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Waverly, Iowa's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Waverly, Iowa's responses and, accordingly, we express no opinion on them.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.

Williams + Company, P.C.
Certified Public Accountants

December 21, 2010
Le Mars, Iowa

City of Waverly

Schedule of Findings and Questioned Costs
Corrective Action Plan
June 30, 2010

Department of Homeland Security

The City of Waverly, Iowa, respectfully submits the following corrective action plan for the year ended June 30, 2010.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended June 30, 2010.

The finding from the June 30, 2010 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

SIGNIFICANT DEFICIENCY:

III-A-10 - Grant Administration

Observation – During the audit we identified adjustments necessary for the Schedule of Expenditures of Federal Awards. Adjustments were subsequently made by the City to properly include all amounts and information in the Schedule Expenditures of Federal Awards.

Recommendation – The City should implement procedures to ensure all federal grants are identified and included in the City's Schedule of Expenditures of Federal Awards at the appropriate amounts.

Response – The City understands the nature of the weakness and will double check all grants in the future to ensure all information is properly included in the Schedule of Expenditures of Federal Awards.

If the Department of Homeland Security has questions regarding this plan, please call Jack Bachhuber at 319-352-4252.

Sincerely yours,

CITY OF WAVERLY, IOWA

Jack Bachhuber

Jack Bachhuber, Director of Finance

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