

CITY OF WATERLOO, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2011

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

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CITY OF WATERLOO, IOWA

CITY CLERK AND FINANCE DEPARTMENT

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

Mayor
BUCK
CLARK

December 15, 2011

COUNCIL MEMBERS

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

DAVID
JONES
Ward 1

CAROLYN
COLE
Ward 2

HAROLD
GETTY
Ward 3

QUENTIN M.
HART
Ward 4

RON
WELPER
Ward 5

BOB
GREENWOOD
At-Large

STEVE
SCHMITT
At-Large

We are pleased to present the Comprehensive Annual Financial Report of the City of Waterloo, Iowa (the “City”) for the fiscal year ended June 30, 2011 in accordance with the provisions of Chapter 11 of the Code of Iowa. This report represents the ninth consecutive year that the financial statements are presented in conformity with Governmental Accounting Standards Board Statement # 34 and the fifteenth consecutive time that it has been presented in accordance with generally accepted accounting principles. It has also been audited by an independent certified public accounting firm in accordance with generally accepted auditing standards and the single audit act requirements of the U.S. Office of Management and Budget (OMB) Circular A-133, “Audits of States, Local Governments, and Nonprofit Organizations”. McGladrey & Pullen, LLP, Certified Public Accountants issued an unqualified (“clean”) opinion on the financial statements for the year ended June 30, 2011. This report is published to provide the City Council, financial institutions and citizens detailed information concerning the financial condition of the City of Waterloo.

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

Management is required to provide a narrative introduction, overview and analysis of the basic financial statements, known as Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A, found at pages 3 through 14 and should be read in conjunction with it. The information presented in the Statistical Section contains information that management believes that readers of the financial statements will find useful for understanding City operations.

CITY WEBSITE: www.cityofwaterlooiowa.com

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THE CITY'S BACKGROUND AND SERVICES

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

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

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

MAJOR INITIATIVES AND PROJECTS

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

- Cedar Valley Riverfront Renaissance
The construction of portions of a major project identified as the Cedar Valley Riverfront Renaissance Plan is currently underway, with completion expected by mid-2012. This project will draw the community together around the Cedar River, one of the area's most valuable natural resources, re-establish a strong center for downtown, help recruit significant new business, expand tourism and improve the use of existing facilities. Projects being completed as part of this initiative include improvements to the Cedar River Dam, which will raise river levels to permit boating again, the construction of a riverfront amphitheater and plaza, and the construction of recreational trails along both sides of the river through downtown. The Center for the Arts Youth Pavilion, the Veterans addition to the Grout Museum and the construction of the East Side Ministerial Alliance Community Center were all leveraged by this project.

The Riverfront Renaissance project is being funded primarily using distributions from the Black Hawk County Solid Waste Commission in addition to funds received from the state-sponsored Vision Iowa program. Several additional grants have been secured for portions of the project. These projects have been approved to receive \$7.3 million from the Vision Iowa program. As a part of that award, the City also participated in funding the construction of the East Side Ministerial Alliance Community Center. Black Hawk County and the cities of Cedar Falls, Evansdale and Waterloo presented a combined application to the Vision Iowa Program. The communities received a total award of \$9.5 million, which will result in a total investment of more than \$35 million in these communities. Several portions of the RiverWalk Loop are now complete with others under construction. Improvements to the Cedar River Dam are substantially complete. The construction of a \$4.5 million Youth Pavilion addition to the City of Waterloo Center for the Arts facility is complete and open, while the Grout Museum addition was completed and opened in November 2008. The Upper Plaza and Lower Plaza are nearing completion. The RiverWalk Loop will provide a unique recreational trail experience along the Cedar River throughout downtown Waterloo, while also connecting directly to the more than 90 miles of recreational trails in the Cedar Valley area, including the American Discovery Trail.

➤ RiverLoop Expo

Construction of the RiverLoop Expo grounds and the renovation of the Public Market building near the Five Sullivan Brothers Convention Center are substantially complete. The City has acquired a number of properties in the downtown area to create exhibition grounds that will link downtown destinations, in addition to eliminating blight in the heart of downtown. Current plans define the grounds as a flexible community gathering space and outdoor exhibit space for conventions and trade shows. The Public Market is open and provides a unique area to support local, fresh food products and regional food markets.

➤ Former Rath Packing and John Deere Brownfields Pilot Area

The City has secured approximately \$13.5 million in funding over the past eight years to be used to revitalize the former Rath Packing and John Deere Brownfields area, one of the oldest areas in the City. During the year ended June 20, 2011, the City continued the demolition of two buildings that were part of the former Rath Packing complex in preparation for a potential business expansion by Crystal Distribution.

The city has been working with three major social service agencies to create a Human Services Campus at the former Rath Packing site. Operation Threshold and the Department of Corrections have opened new buildings on the site. Building construction totaling \$11 million is underway with an additional \$5.5 million planned. This project will centrally locate many services, providing easier access for citizens, in addition to helping to revitalize one of the oldest neighborhoods in the area. The new construction activity in this area has also spurred private investment in the general neighborhood, resulting in new commercial and industrial businesses locating in infill lots.

➤ Significant Brownfields Redevelopment

The City has been awarded several grants to redevelop the former Construction Machinery Company site (CMC). The City utilized those funds to demolish unsafe and fire-damaged buildings, remove underground rail cars previously used for environmental dumping, and acquire one 25,000 square foot building for redevelopment. CMC is

enrolled in the Iowa Department of Natural Resources Land Recycling Program. The City was awarded \$5 million in state I-Jobs funding for the construction of a new Public Works building on this site.

The City also completed the demolition of all buildings (including buildings covering more than 10 acres) on the former Chamberlain Manufacturing complex during the year ended June 30, 2011. Demolition of the concrete slab foundations is expected to be completed during 2012. Chamberlain, the company that formerly operated Chamberlain Manufacturing, is working with the EPA to address potential pollution remediation needs at the site as well.

➤ **Street Improvements**

Waterloo continues to upgrade its street system with the substantial program of reconstruction, overlays and long-term repairs funded with approximately \$9 million in annual local option sales tax collections. The one-cent local option tax was renewed in November 2009 by the taxpayers for another five years, continuing to be required to be used for street repairs and improvements.

➤ **New Fire Station**

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

➤ **Recreational Facilities**

The City is also continuing to develop its extensive system of bike trails, which are being connected to countywide and regional trail networks, creating a system of more than 90 miles of trails. A new recreational area for all-terrain vehicle trails is being developed in the Riverview neighborhood. Many improvements have been made to Riverfront Municipal Stadium, the city's baseball facility over the past several years.

➤ **A new boathouse on the Cedar River near downtown opened December 2010.**

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

ECONOMIC OUTLOOK

The outlook of the economy of Waterloo and the Cedar Valley area remains positive with continued commercial and industrial activity. The regional economic development corporation, the Greater Cedar Valley Alliance, continues to work to spur development in Waterloo as well as the entire metropolitan area. Construction in Waterloo continued at a pace greater than any year in the previous decade. Building permit valuation increased 25% to \$103.2 million compared to \$82.6 million earned during the fiscal year ended June 30, 2010. Residential real estate values have continued to trend upward. The median sales price for homes in the Waterloo-Cedar Falls area has increased by 39% since 2001 (an annual average growth rate of 3.9). Home values appear to be stabilizing. Values decreased 3% during the fiscal year ended June 30, 2011, following an increase during FYE2010 of 3%. Waterloo is a regional retail center for Black Hawk and surrounding counties. Retail sales have also increased steadily by an annual average

rate of approximately 2% in Waterloo during the past ten years. Retail sales in 2000 totaled \$939.8 million and increased to \$1.14 billion for the fiscal year ended June 30, 2009, the most recent information available. The 2010 census reflected a slight population decline of 0.4% from 2000. Although Waterloo has not returned to the population levels of the seventies (prior to the major disruption in the farm economy), the official decrease in population for this decade is insignificant in relation to the total population.

Overall city tax base growth has been moderate, reflecting an average annual level of approximately 5.4% for the last five years. The City has developed a more diverse employment base since the mid-seventies, although John Deere and Company continues to play a major role in the local economy. Deere remains the city's largest employer and one of the larger taxpayers, currently accounting for about 6.3% of total county employment but less than 1% of total taxable property values. Deere has invested more than \$140 million in its downtown Westfield Avenue site over the past several years, and has announced additional redevelopment plans for the foundry and drivetrain operations at a planned cost of \$90 million, reflecting the company's continued commitment to the area. Deere's staff levels in Waterloo have grown by 19% over the past several years. The Company has experienced several record-setting performance years recently. The city's average unemployment level of 6.8% (at June 30, 2011) remains above the state level of 6.0%, although it is well below the national level for June 2011 of 9.2%. The rate has decreased to 6.6% as of September 30, 2011.

The Isle Casino Hotel at Waterloo continues to provide a strong revenue source for the City since its grand opening June 30, 2007. The Isle is a \$98 million facility that employs nearly 600 Iowans and generates more than \$1.3 million in annual City property taxes. The City receives a host city fee of 0.5% of weekly adjusted gross receipts in addition to an annual development fee of 1% of weekly adjusted gross receipts.

The outlook remains positive for the continuation of these upward trends based upon the continuing redevelopment occurring with the Riverfront Renaissance projects, John Deere's investment in the community, and the construction of the casino facility. The City has continued to see development occur in its major Tax Increment Financing Districts. Major commercial expansions and new construction is occurring in the southern sector of the City, including a new 40,000 square foot office building, and four smaller office buildings totaling over 33,000 square feet. The City acquired 20.4 acres in this area for future development. The Crossroads area continues to see new retail development, such as Dick's Sporting Goods, the new CVS Pharmacy, a new 3-tenant strip mall center, and development of a campground south of Crossroads, including a 20-acre lake attraction. Working with private developers, the City has seen the recent construction of several new industrial, commercial, and office buildings in the Martin Road area. One of the City's two major medical complexes completed a \$46 million renovation and addition, and the other is planning an \$18 million addition. The City is also benefiting from the one-cent local option tax for school construction. Nearly all school buildings in the city have been replaced with new construction or renovated to better address students' learning needs. Most recently, the school system has taken out a \$16 million building permit to replace the only remaining elementary school that hasn't yet been renovated. The City of Waterloo and the Waterloo Community Schools have been working in partnership for the development and redevelopment of former school buildings and sites to be used for infill residential development, helping the City to reinvigorate existing neighborhoods with new construction, adding new tax base to the community without the expense of additional infrastructure, and utilizing land for its highest and best use. This activity indicates continued

business interest in Waterloo even with the slowdown being experienced in the national economy.

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

The City of Waterloo has also acquired a former hotel building on the southern side of the Tech Works site, to open up over four acres of new land near Downtown Waterloo for development purposes. This site, also in close proximity to the announced construction of a \$26 million Cedar Valley Sportsplex – to be built with private funds with over \$19 million raised – will help enhance Downtown Waterloo and the entire community for new residents, employees, and work in unison with the Riverfront Renaissance Project to create a destination point in Downtown Waterloo for all.

The long term commercial and industrial viability of the Waterloo/Cedar Falls area is anticipated to continue to improve with the anticipated completion in the next several years of two four-lane highway corridors passing through the City with the “Avenue of the Saints” running north to St. Paul from St. Louis, and US Highway 20 running from Chicago to Interstate 35 and programmed to continue west to Interstate 29 at Sioux City. In addition, the City has undertaken a project to study the reconstruction and redevelopment of Highway 63 through downtown Waterloo, which has resulted in the appropriation of \$11,500,000 to complete the design and initiate construction. The primary goals of this project are to correct the highway's current negative impact on adjacent low income and minority-populated communities, improve traffic operations and capacity and encourage private sector development along this corridor. Right-of-way acquisitions are well underway and construction is expected begin in the spring of 2012. The City will also be utilizing over \$6 million in federal road funds, allocated through the Metropolitan Planning Organization, for a major southern connection in Waterloo with the extension of Shaulis Road from Ansborough Avenue to Highway 21. This connection, when complete, adds another vital route for travelers, with a direct connection to the Ansborough Avenue, Lost Island Water Park and the Isle Casino Hotel Waterloo.

SIGNIFICANT EVENT

The City, together with 80% of the State of Iowa, experienced the highest flood level in its history June 11, 2008. The extensive levee system that was constructed in the 1960's and 1970's protected most Waterloo properties from extensive flood damage, although approximately 1,500 properties experienced some level of flooding, most limited to below-grade spaces. The City acquired 31 properties by June 30, 2010 under the Federal Emergency Management Agency (FEMA) flood buy-out program and will convert those areas to green space to reduce the potential for future flood damage.

Damage to city facilities and infrastructure, including streets, recreational trails and traffic signals has been estimated at approximately \$1.5 million. The Riverfront Stadium baseball facility experienced the most significant damage, totaling approximately \$300,000 as well as a boathouse facility that was demolished. The boathouse has been rebuilt as mentioned previously. Many repairs and mitigation improvements that will further reduce potential future damage to the Stadium and other city buildings which experienced basement flooding have been completed, with the cost anticipated to be covered by a combination of insurance proceeds and the FEMA public assistance program. Design has begun for the construction of eight new lift stations, utilizing \$7 million in federal EDA funds and \$10 million in State CDBG funds, which will help to prevent future flooding in areas impacted by the 2008 Flood . These measures will allow the City to weather future flooding with less impact on both private and public property.

FINANCIAL MANAGEMENT INFORMATION

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

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

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

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

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Waterloo, Iowa for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010. This is the seventh year that the City received this award, which is a prestigious national award recognizing conformance with the highest standards for the preparation of state and local government financial reports.

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

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

ACKNOWLEDGMENTS

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

Sincerely,



Buck Clark,
Mayor



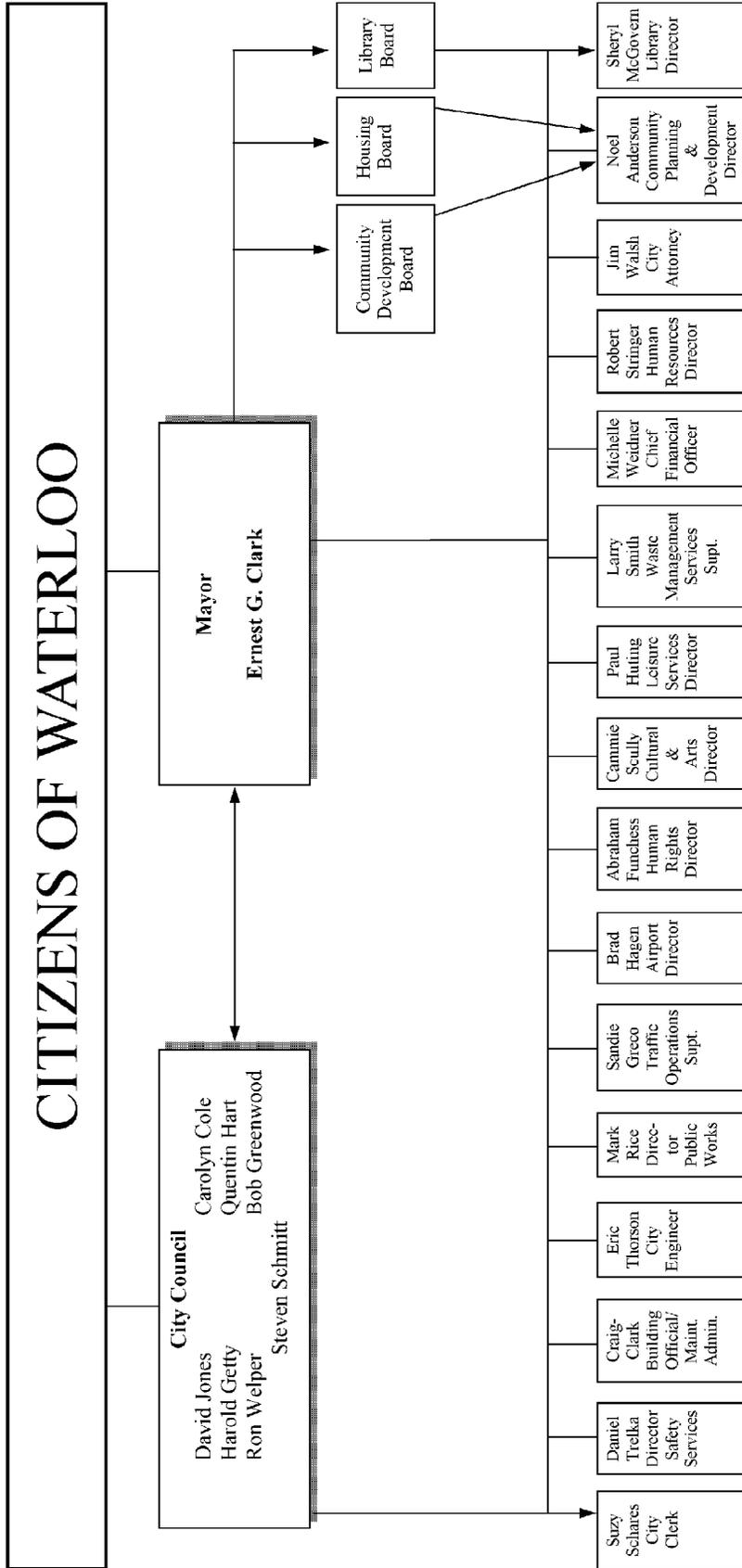
Michelle C. Weidner, CPA
Chief Financial Officer

City of Waterloo, Iowa

Officials
June 30, 2011

Name	Title	Term Expires
Elected		
Ernest G. Clark	Mayor	January 2012
David Jones	Council Member - 1st Ward	January 2014
Carolyn Cole	Council Member - 2nd Ward	January 2012
Harold Getty	Council Member - 3rd Ward	January 2014
Quentin Hart	Council Member - 4th Ward	January 2012
Ron Welper	Council Member - 5th Ward	January 2014
Bob Greenwood	Council Member - At-Large	January 2014
Steven Schmitt	Council Member - At-Large	January 2012
Appointed		
Michelle Weidner, CPA	Chief Financial Officer	Indefinite
Suzy Schares, CMC	City Clerk	Indefinite
Eric Thorson, PE	City Engineer	Indefinite
James E. Walsh, Jr.	City Attorney	Indefinite
W. Douglas Carter	Chief of Fire Department	Indefinite
Daniel Trelka	Chief of Police Department	Indefinite

CITY OF WATERLOO, IOWA — ORGANIZATIONAL STRUCTURE



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Waterloo
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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.



Linda C. Dandson

President

Jeffrey R. Emer

Executive Director

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Waterloo, Iowa as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units, Waterloo Water Works and Waterloo Convention & Visitors Bureau, Inc., which collectively represent 100 percent of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other independent auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely upon the reports of the other independent auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Waterloo, Iowa as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 23 to the basic financial statements, the District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which changed its method of accounting for governmental funds' fund balance classifications.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2011 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 14, budgetary comparison information on pages 70 through 76 and schedule of funding progress for other postemployment benefit plan on page 69 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

McGladrey & Pullen, LLP

Davenport, Iowa
December 15, 2011

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2011

As management of the City of Waterloo, we offer readers of the City of Waterloo's financial statements this narrative overview and analysis of the financial activities of the City of Waterloo for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at pages iii-x of this report.

Financial Highlights

- The assets of the City of Waterloo exceeded its liabilities at the close of the most recent fiscal year by \$364,841,402 (net assets). Of this amount, \$22,910,508 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$10,355,539.
- As of the close of this current fiscal year, the City of Waterloo's governmental funds reported combined ending fund balances of \$54,609,574, an increase of \$6,516,225 in comparison with the prior year. Approximately 6.0 percent of this total amount, \$3,267,285, is available for spending at the government's discretion (unassigned fund balance), although some funds are legally limited for specified purposes.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,417,600, or 19.3 percent of total General Fund expenditures.
- The City of Waterloo's total long-term debt, increased by \$632,135 or 0.64 percent during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2011

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

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

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

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

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

The City of Waterloo maintains 21 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Trust and Agency Fund, Local Option Tax Fund, Grants Fund and General Obligation Debt Service Fund, all of which are considered to be major funds. Data from the other 16 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Waterloo's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has one type of fiduciary fund, an agency fund. There were no assets held in the fiduciary fund as of June 30, 2011.

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

Other information. The City's budgetary comparison schedule and the other postemployment benefit plan schedule of funding progress are presented as required supplementary information immediately following the notes to the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Waterloo, assets exceeded liabilities by \$364,841,402 at the close of the fiscal year ended June 30, 2011.

By far the largest portion of the City of Waterloo's net assets (85 percent) reflects its investment in capital assets (e.g., land, buildings and improvements, infrastructure and vehicles and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Waterloo uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Waterloo's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Net Assets

A condensed version of the Statement of Net Assets as of June 30, 2011 and 2010 follows:

	City of Waterloo's Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current and other assets	\$ 114,398,834	\$ 110,367,830	\$ 28,421,237	\$ 22,815,447	\$ 142,820,071	\$ 133,183,277
Capital assets	294,578,307	287,854,656	84,670,772	85,845,577	379,249,079	373,700,233
Total assets	408,977,141	398,222,486	113,092,009	108,661,024	522,069,150	506,883,510
Liabilities						
Current liabilities	63,522,373	62,303,435	4,859,531	4,649,326	68,381,904	66,952,761
Long-term liabilities	64,447,459	61,826,194	24,398,385	23,618,692	88,845,844	85,444,886
Total liabilities	127,969,832	124,129,629	29,257,916	28,268,018	157,227,748	152,397,647
Net assets						
Invested in capital assets, net of related debt	243,084,776	233,853,135	67,576,579	66,494,749	310,661,355	300,347,884
Restricted	28,098,845	36,648,414	3,170,694	3,178,807	31,269,539	39,827,221
Unrestricted	9,823,688	3,591,308	13,086,820	10,719,450	22,910,508	14,310,758
Total net assets	\$ 281,007,309	\$ 274,092,857	\$ 83,834,093	\$ 80,393,006	\$ 364,841,402	\$ 354,485,863

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2011

\$31,269,539 of the City of Waterloo's net assets (8.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$22,910,508) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The City's total net assets increased by \$10,355,539 during the current fiscal year. Governmental-type activities' net assets increased by \$6,914,452. This increase was largely related to the net effect of capital asset transactions. See page 26 for a reconciliation of this increase. The total business-type activities' net assets increased by \$3,441,087. This increase was due to several reasons. A rate increase was implemented effective July 1, 2010 to be used to accumulate resources for system improvements required by the United States Environmental Protection Agency. The first of these improvements is currently under design and is expected to be constructed during FYE2012. Capital assets placed in service also increased.

Statement of Activities

A condensed version of the Statement of Activities as of June 30, 2011 and 2010 follows:

	City of Waterloo's Changes in Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 9,428,096	\$ 8,682,335	\$ 16,730,240	\$ 14,584,023	\$ 26,158,336	\$ 23,266,358
Operating grants and contributions	16,376,376	18,592,551	524,802	314,940	16,901,178	18,907,491
Capital grants and contributions	9,832,416	14,938,736	81,302	-	9,913,718	14,938,736
General revenues:						
Property taxes	41,028,851	40,497,163	-	-	41,028,851	40,497,163
Other taxes	14,566,088	13,911,219	-	-	14,566,088	13,911,219
Other	3,031,230	7,187,671	21,055	17,730	3,052,285	7,205,401
Transfers	70,231	-	(70,231)	-	-	-
Total revenues	94,333,288	103,809,675	17,287,168	14,916,693	111,620,456	118,726,368
Expenses:						
Public safety	29,629,282	28,612,482	-	-	29,629,282	28,612,482
Public works	23,276,707	22,839,814	-	-	23,276,707	22,839,814
Health and social services	257,618	244,594	-	-	257,618	244,594
Culture and recreation	10,080,005	9,951,066	-	-	10,080,005	9,951,066
Community and economic development	16,675,218	15,138,776	-	-	16,675,218	15,138,776
General government	4,860,959	4,548,726	-	-	4,860,959	4,548,726
Interest on long-term debt	2,639,047	2,736,194	-	-	2,639,047	2,736,194
Sanitary sewer	-	-	10,437,723	8,682,068	10,437,723	8,682,068
Sanitation	-	-	3,408,358	3,873,028	3,408,358	3,873,028
Total expenses	87,418,836	84,071,652	13,846,081	12,555,096	101,264,917	96,626,748
Change in net assets	6,914,452	19,738,023	3,441,087	2,361,597	10,355,539	22,099,620
Net assets, beginning restated	274,092,857	254,354,834	80,393,006	78,031,409	354,485,863	332,386,243
Net assets, ending	\$ 281,007,309	\$ 274,092,857	\$ 83,834,093	\$ 80,393,006	\$ 364,841,402	\$ 354,485,863

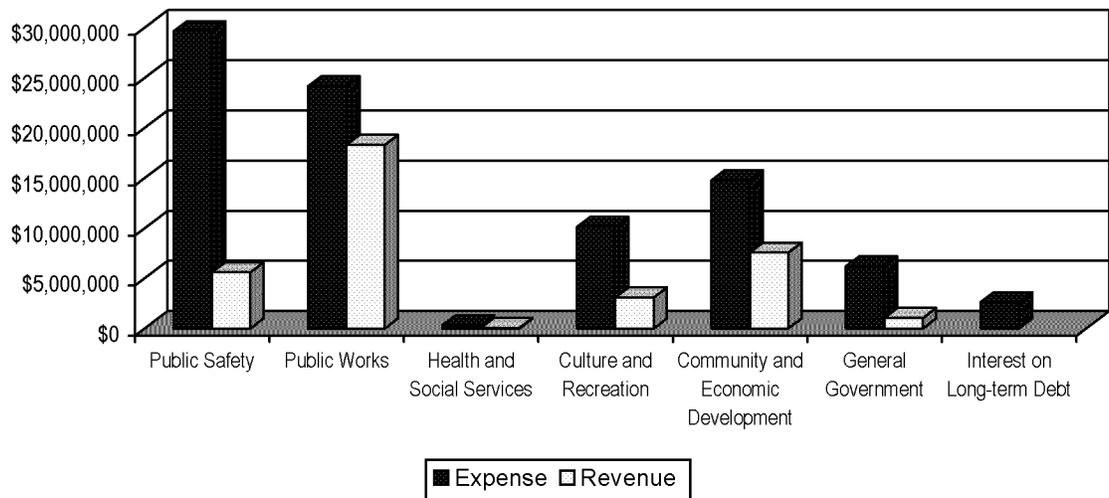
City of Waterloo, Iowa

**Management’s Discussion and Analysis
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Total governmental activities’ revenue for the current fiscal year was \$94,333,288. The largest single revenue source for the City was property taxes of \$41,028,851. Property taxes increased by \$531,688 (1.3 percent) during the year. This increase is a result of a combination of factors, including a 0.81 percent increase in assessed value of property, a 1.66 percent increase in taxable value of property and a 0.23 percent decrease in the levy rate.

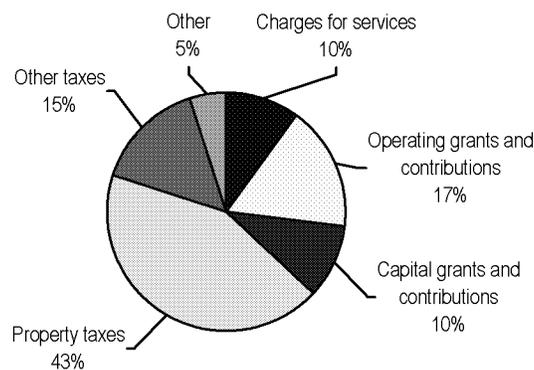
Certain revenues are generated that are specific to governmental program activities. These totaled \$35,636,888 during the fiscal year ended June 30, 2011. The graph below illustrates the comparison between the expenses by governmental activity type and the revenues generated that are specific to those activities.

Expenses and Program Revenues – Governmental Activities



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

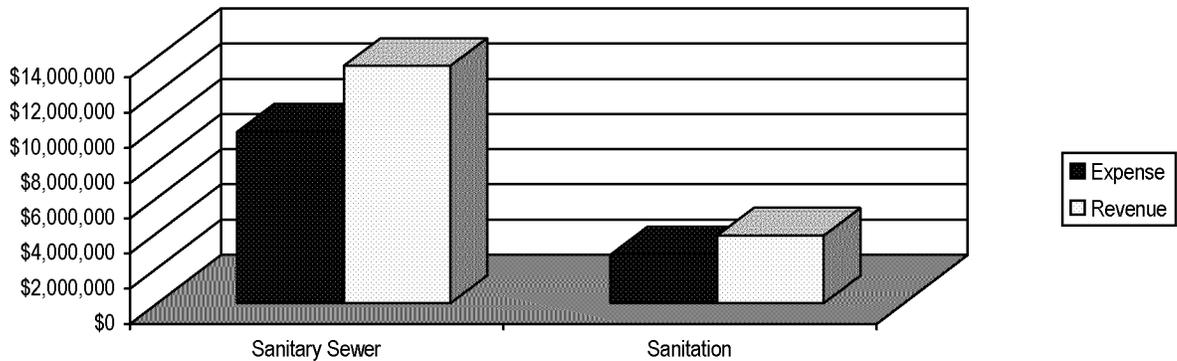
Revenues by Source – Governmental Activities



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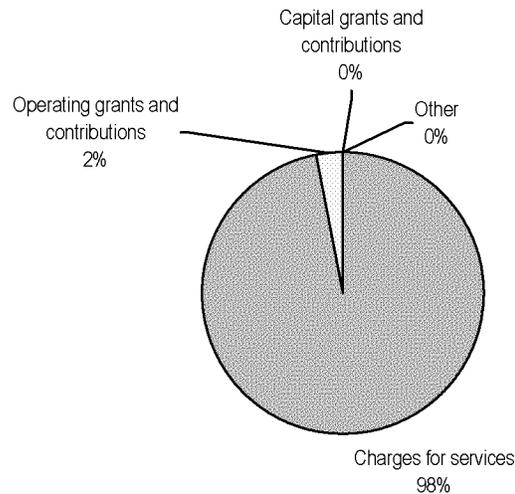
Total business-type activities' revenue for the fiscal year was \$17,357,399. \$17,336,344 of this revenue was generated for specific business-type activity expenses. The graph below shows a comparison between the business-type activity expenses and program revenues.

Expenses and Program Revenues – Business-type Activities



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

Revenues by Source – Business-type Activities



Business-type activities. Business-type activities increased the City of Waterloo's net assets by \$3,441,087, accounting for 29 percent of the growth in the government's net assets. This increase was due primarily to the generation of operating revenue that will be used for the construction of mandated sewer system improvements and repay related debt.

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2011

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Waterloo's governmental funds reported combined ending fund balances of \$54,609,574, an increase of \$6,516,225 in comparison with the prior year. Fund balance in the amount of \$51,342,289 is not available for new spending because it is nonspendable or has already been restricted, committed or assigned for a variety of purposes. Approximately 6.0 percent of total fund balance \$(3,267,285) constitutes unassigned fund balance.

The General Fund is the chief operating fund of the City of Waterloo. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$8,417,600, while total fund balance was \$17,872,015. As a measure of the General Funds' liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 19.5 percent of total General Fund expenditures, while total fund balance represents 41.3 percent of that same amount.

The City originally budgeted to use fund balance of \$228,999 for general fund operations. Variances in actual results versus amounts budgeted resulted in a net decrease in unassigned fund balance of \$193,137. Significant items that contributed to the overall General Fund decrease included activity in several departments. Revenue in the planning department exceeded the amount budgeted by \$154,977, while expenses were \$30,631 below budget. Police revenue was \$38,062 below budget, but expenses were also \$293,270 under budget. Fire department revenue was \$49,492 below budget while expenses were \$148,886 below budget. Building inspection revenue exceeded the budgeted amount by \$169,033, while expenses were \$38,307 less than the amount budgeted. Total revenue for all Leisure Services activities exceeded budget by \$13,344 while expenses were \$177,540 less than budget. Cable franchise revenue exceeded the budget by \$123,054. Operating expenses in the Clerk/Finance department were \$218,936 less than budget.

The Trust and Agency fund has a total fund balance of \$2,779,009, all of which is restricted for the payment of employee benefits. The net decrease in fund balance during the current year was \$44,127, due primarily to transferring more funds to the General Fund for eligible employee benefits paid than was originally budgeted.

The Local Option Tax Fund net assets increased by \$1,606,541 during the current year to a total fund balance of \$9,209,289, all of which is restricted or assigned for street repairs, construction and improvements. This increase arose because the City expected to begin construction on two large projects that were delayed in order to complete right-of-way acquisitions. Fund balance was expected to decrease by \$2 million if those projects had been completed. Construction is currently anticipated to begin in the spring of 2012 for both of those projects.

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2011

The General Obligation Debt Service fund has a total fund balance of \$465,858, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in this fund was \$130,889, due to using bond refinancing savings realized in prior years to reduce current year property tax askings.

The Grants fund has a total fund balance of (\$3,479,080), all of which is unassigned. The net decrease in fund balance during the current year in this fund was \$1,076,805. The City completed significant work on several large grant-funded projects for which reimbursements were not received by year-end, creating a temporary deficit fund balance in the fund.

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

Total net assets of the sanitary sewer fund at the end of the year were \$79,217,232, an increase of \$2,997,401. This increase was due primarily to the generation of operating revenue that will be used for the construction of mandated sewer system improvements and repay related debt.

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

Budgetary Highlights

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

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

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

The total original expenditure budget including transfers out of \$161,917,680 was increased to \$179,244,607 (an increase of \$17,326,927).

- The City added project budgets for several Public Safety department grants and expenses funded with other miscellaneous revenue that were approved after the original budget certification date (\$0.7 million).
- The City amended the budget for additional FAA grants received after the original budget certification date and also added expenses to reflect higher than anticipated fuel prices (\$1.8 million).
- Expenses were increased for additional grants and donations received for Leisure Services, Cultural/Arts and the Library (\$0.5 million).
- The City increased the budget for additional disaster recovery grants and Section 8 revenue received as well as to provide additional rebate payments to developers in the Martin Road Tax Increment Financing District (\$1.2 million).

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2011

- Expenses were increased to reflect increased medical, worker's compensation and liability insurance claims anticipated to be paid out during the year (\$1.3 million).
- The City amended the budget to provide for general obligation and sewer revenue bond refunding issues (\$11.2 million).
- Expenses were increased for capital projects approved for design and construction after the original budget certification date and also to reflect work completed during the current year on capital projects that were originally included in the prior year budget (\$0.3 million).
- Transfers out were increased to reflect the sewer portion of the refunding bond issue (\$0.3 million).

The total original revenue budget, including other financing sources of \$153,440,766 was increased to \$169,859,609 (an increase of \$16,418,843).

- State and federal grant revenue was increased to reflect several additional grants awarded after the original budget certification for such things as Jumpstart disaster assistance, public safety projects, airport improvements, street and traffic signal projects as well as others (\$1.2 million).
- Amendments were made to sewer charges for service as well as other miscellaneous charges for services to reflect higher revenues than originally anticipated with the certified budget (\$1.2 million).
- Donation revenue was increased to reflect additional donations received from Black Hawk Gaming as well as other entities for various city projects (\$1.1 million).
- Insurance refunds were added related to properties demolished as a result of the June 2008 flood as well as medical claims reimbursed by the City's stop loss insurance (\$1.0 million).
- Amendments were made to employee and retiree insurance contributions as well as interdepartmental charges for services to reflect higher revenues than originally anticipated with the certified budget (\$0.6 million).
- The City amended the original budget for debt proceeds to reflect bond proceeds from a refunding bond issue (\$11.0 million).
- Transfers in were increased to reflect the sewer portion of the refunding bond issue (\$0.3 million).

See pages 70 through 76 for the Budgetary Comparison Schedule - Budget and Actual (Modified Cash Basis) – All Governmental Funds and Proprietary Funds.

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2011

Capital Asset and Debt Administration

Capital Assets. The City of Waterloo's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$379,249,079 (net of accumulated depreciation) as reflected in the following table. The total increase in the City of Waterloo's investment in capital assets for the current fiscal year was 1.5 percent (a 2.3 percent increase for governmental activities and a 1.4 percent decrease for business-type activities).

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 37,545,929	\$ 35,252,867	\$ 348,055	\$ 348,055	\$ 37,893,984	\$ 35,600,922
Land held for redevelopment	7,084,373	6,132,780	-	-	7,084,373	6,132,780
Buildings and improvements	48,232,781	46,408,959	52,003,440	53,374,216	100,236,221	99,783,175
Other improvements	-	-	29,105,223	28,944,473	29,105,223	28,944,473
Software	104,423	94,789	19,940	-	124,363	94,789
Infrastructure	181,986,524	169,405,333	-	-	181,986,524	169,405,333
Furniture, vehicles, machinery and equipment	9,286,583	8,589,642	1,744,734	1,809,730	11,031,317	10,399,372
Construction-in-progress	10,337,694	21,970,286	1,449,380	1,369,103	11,787,074	23,339,389
	\$ 294,578,307	\$ 287,854,656	\$ 84,670,772	\$ 85,845,577	\$ 379,249,079	\$ 373,700,233

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

- The City continued to acquire land and buildings in the Downtown Master Plan Redevelopment Area at a total cost of \$1.0 million. Land was also acquired in the Rath Tax Increment Financing District at a cost of \$700,000 and in the former Chamberlain Manufacturing Site of \$648,000. Acquisitions and demolitions of property damaged by the June 2008 floods were completed at a total cost of \$1.4 million.
- Significant investments in street construction, reconstruction and overlay programs funded with local option taxes and grants were completed (\$9.8 million) and transferred to infrastructure assets. In addition, overlooks along the Cedar River as well as another segment of the RiverWalk Loop were completed and transferred to infrastructure assets (\$2.5 million). Renovations to the Cedar River Dam and riverwalls related to the Riverfront Renaissance project in the amount of \$6.6 million were completed and added to infrastructure assets. Flood protection improvements in the amount of \$1.0 million were also completed and added to infrastructure assets. An additional \$5.6 million was invested in new street construction, repair of existing streets and construction of recreational trails still in progress at June 30, 2011.
- Construction of a new fire station was completed during the year ended June 30, 2011 at a total cost \$1.76 million. In addition, construction on several city facilities was completed during the year including locker rooms at Riverfront Stadium, replacement of the Boat House, new women's restroom at Hoing-Rice and an expansion at Young Arena (\$2.6 million). Additional improvements completed in the amount of \$319,000 included an ice floor cover at Young Arena, covered archways at the Hoing-Rice softball diamonds, fencing at the Dane Baseball Complex and replacement of flood-damaged play equipment at Cedar River/Exchange Park. Construction on the Lower and Upper Plazas as well as the Mark's Park Play Area was added to construction in progress at June 30, 2011 at a total cost of \$2.5 million.

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2011

The City invested \$547,000 in new vehicles and equipment for the Sewer and Sanitation departments as well as added \$756,000 in sanitary sewer infrastructure.

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

Long-term debt. At the end of the current fiscal year, the City of Waterloo had total bonded debt outstanding of \$93,245,000. Of this amount, \$85,590,000 is comprised of debt backed by the full faith and credit of the government. The remainder of the City of Waterloo's bonded debt (\$7,655,000) represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City has incurred other debt to construct Ridgeway Towers, purchase land in the City's industrial parks and complete projects, as well as purchase equipment. The City has obligations to employees for benefit time not used at fiscal year end. During the current fiscal year the balance due on these obligations increased by \$627,135.

	City of Waterloo Long-term Outstanding Debt					
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Bonded Debt:						
General obligation bonds	\$ 65,483,600	\$ 66,129,600	\$ 20,106,400	\$ 17,825,400	\$ 85,590,000	\$ 83,955,000
Revenue bonds	-	-	7,655,000	9,285,000	7,655,000	9,285,000
Total bonded debt	65,483,600	66,129,600	27,761,400	27,110,400	93,245,000	93,240,000
Other Debt:						
Loans and notes	2,806,907	2,145,469	-	-	2,806,907	2,145,469
Deferred compensation	43,628	81,242	15,172	-	58,800	81,242
Compensated absences	3,325,805	3,328,308	255,023	264,381	3,580,828	3,592,689
Total other debt	6,176,340	5,555,019	270,195	264,381	6,446,535	5,819,400
Total long-term debt outstanding	\$ 71,659,940	\$ 71,684,619	\$ 28,031,595	\$ 27,374,781	\$ 99,691,535	\$ 99,059,400

The City of Waterloo's total long-term debt increased by \$632,135 (0.64 percent) during the current fiscal year.

The government issued general obligation bonds in the amount of \$17,640,000 during the current fiscal year, including \$5,500,00 of general obligation refunding bonds issued to take advantage of more favorable interest rates.

The City of Waterloo maintains an Aa2 rating from Moody's Investor Services, Inc. for general obligation debt and an Aa3 rating for sewer revenue debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total assessed valuation. The current debt limitation for the City of Waterloo is \$179,218,648, which is significantly in excess of the City of Waterloo's outstanding general obligation debt (\$85,590,000) and other debt subject to the debt limitation (\$2,865,707). The total debt subject to this limitation is \$88,455,707, resulting in available debt margin of \$89,862,715.

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

City of Waterloo, Iowa

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2011**

Economic Factors and Next Year's Budgets and Rates

Property taxes provide nearly 51 percent of General Fund revenues. Over the past five years, citywide assessed valuations have risen an average of 3.4 percent annually, while property tax limitations imposed by the State of Iowa have held taxable values to an average annual growth rate of 3.96 percent. The fiscal 2012 budget reflects total property tax and utility excise tax revenue growth of 3.8 percent.

Personnel costs make up a significant portion of City operating costs. Wage increases identified in contractual bargaining agreements are three percent for fiscal year 2012.

Funding the cost of providing health care for city employees and retirees continues to be a challenge. The portion of health care premiums paid by participating employees increased effective July 1, 2010. Anticipated health care cost increases of three percent were budgeted for the fiscal year ended June 30, 2012.

The current national economic environment is also continuing to have an impact on the local economy, although the impact appears to be less. Building permit revenue for new property increased significantly during the fiscal year ended June 30, 2011 and is higher again through November 30, 2011 over the same year-to-date period during the fiscal year ending June 30, 2012. The lack of investment return also continues to be a challenge for the city.

These factors were considered in preparing the City of Waterloo's budget for fiscal year 2012.

Requests for Information

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

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City of Waterloo, Iowa

Statement of Net Assets
June 30, 2011

	Primary Government			Waterloo Water Works	Waterloo Convention & Visitors Bureau, Inc.
	Governmental Activities	Business-Type Activities	Total		
Assets					
Current assets:					
Cash and cash equivalents	\$ 47,127,312	\$ 19,695,020	\$ 66,822,332	\$ 4,055,236	\$ 405,869
Investments	502,543	-	502,543	410,000	238,212
Receivables:					
Customer accounts, net of allowance for uncollectible accounts	2,199,315	3,414,451	5,613,766	1,266,773	-
Property taxes:					
Delinquent	398,374	-	398,374	-	-
Succeeding year	43,031,671	-	43,031,671	-	-
Internal accounts	31,528	(31,528)	-	-	-
Due from other governments:					
Component unit	-	1,129,646	1,129,646	-	-
Primary government	-	-	-	-	290,918
Other	10,513,910	270,899	10,784,809	-	-
Accrued interest	20	-	20	3,500	1,100
Loans and notes	-	-	-	8,754	-
Special assessments	83,499	136,599	220,098	-	-
Inventories and prepaids	518,532	16,430	534,962	75,110	5,996
Total current assets	104,406,704	24,631,517	129,038,221	5,819,373	942,095
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	9,468,207	3,652,208	13,120,415	-	-
Investments	-	-	-	480,000	37,533
Receivables	20,070	-	20,070	-	-
Loans and notes, net of allowance for uncollectible amounts	27,500	-	27,500	-	-
Special assessments	236,676	-	236,676	284,259	-
Debt issue cost, net of accumulated amortization	239,677	137,512	377,189	13,147	-
Capital assets, net of accumulated depreciation	239,610,311	82,873,337	322,483,648	19,470,430	150,549
Capital assets not being depreciated	54,967,996	1,797,435	56,765,431	985,678	-
Total noncurrent assets	304,570,437	88,460,492	393,030,929	21,233,514	188,082
Total assets	\$ 408,977,141	\$ 113,092,009	\$ 522,069,150	\$ 27,052,887	\$ 1,130,177

See Notes to Basic Financial Statements.

	Primary Government			Waterloo Water Works	Waterloo Convention & Visitors Bureau, Inc.
	Governmental Activities	Business-Type Activities	Total		
Liabilities					
Current:					
Accounts and retainages payable	\$ 4,507,729	\$ 482,085	\$ 4,989,814	\$ 72,819	\$ 365
Accrued liabilities and other	2,357,437	225,133	2,582,570	124,912	12,945
Due to primary government	-	-	-	1,142,874	-
Due to component unit	290,918	-	290,918	-	-
Due to other governments	-	-	-	52,385	-
Noncurrent liabilities due and payable					
within one year	11,252,983	1,965,799	13,218,782	320,000	-
Unearned revenues	43,641,789	-	43,641,789	-	-
Current liabilities payable from restricted assets:					
Health claims	1,300,239	-	1,300,239	-	-
Other	90,949	-	90,949	-	-
Customer deposits	80,329	421,399	501,728	-	-
Accrued interest	-	60,115	60,115	-	-
Noncurrent liabilities due and payable					
within one year	-	1,705,000	1,705,000	-	-
Total current liabilities	63,522,373	4,859,531	68,381,904	1,712,990	13,310
Noncurrent:					
Customer deposits	-	-	-	126,401	-
Revenue bonds and notes, net deferred amount on refunding	-	5,778,398	5,778,398	1,789,020	-
General obligation bonds and notes, net of bond discounts, deferred amount on refunding and premium	57,520,319	18,217,851	75,738,170	-	-
Other loans and notes	2,406,516	-	2,406,516	-	-
Other postemployment benefits obligation	3,751,283	340,240	4,091,523	-	-
Compensated absences and deferred compensation	769,341	61,896	831,237	-	-
Total noncurrent liabilities	64,447,459	24,398,385	88,845,844	1,915,421	-
Total liabilities	127,969,832	29,257,916	157,227,748	3,628,411	13,310
Net Assets					
Invested in capital assets, net of related debt	243,084,776	67,576,579	310,661,355	18,661,108	150,549
Restricted for:					
Debt service	1,540,373	2,407,667	3,948,040	330,000	-
Self-funded health insurance	1,740,473	-	1,740,473	-	-
Tourism promotion	792,217	-	792,217	-	-
Public access television	128,829	-	128,829	-	-
Housing	4,160,167	-	4,160,167	-	-
Donor specified	912,614	-	912,614	-	-
Employee benefits	2,779,009	-	2,779,009	-	-
Library	80,101	-	80,101	-	-
Street construction	7,393,004	-	7,393,004	-	-
Loan reserve	517,572	-	517,572	-	-
Street and right-of-way maintenance	4,473,746	-	4,473,746	-	-
Improvements	3,580,740	763,027	4,343,767	-	-
Unrestricted	9,823,688	13,086,820	22,910,508	4,433,368	966,318
Total net assets	281,007,309	83,834,093	364,841,402	23,424,476	1,116,867
Total liabilities and net assets	\$ 408,977,141	\$ 113,092,009	\$ 522,069,150	\$ 27,052,887	\$ 1,130,177

City of Waterloo, Iowa

Statement of Activities
Year Ended June 30, 2011

Programs/Functions	Program Revenues				
	Direct Expenses	Indirect Allocations	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:					
Public safety	\$ 29,629,282	\$ -	\$ 3,874,275	\$ 1,606,201	\$ 106,552
Public works	23,656,707	(380,000)	1,984,786	8,819,024	7,508,327
Health and social services	332,618	(75,000)	6,968	46,154	-
Culture and recreation	10,130,005	(50,000)	2,339,044	238,638	504,459
Community and economic development	16,874,771	(199,553)	552,756	5,292,358	1,713,078
General government	5,499,459	(638,500)	670,267	374,001	-
Interest on long-term debt	2,639,047	-	-	-	-
Total governmental activities	88,761,889	(1,343,053)	9,428,096	16,376,376	9,832,416
Business-type activities:					
Sanitary Sewer	9,745,723	692,000	13,283,908	125,802	81,302
Sanitation	2,757,305	651,053	3,446,332	399,000	-
Total business-type activities	12,503,028	1,343,053	16,730,240	524,802	81,302
Total primary government	\$ 101,264,917	\$ -	\$ 26,158,336	\$ 16,901,178	\$ 9,913,718
Component unit, Waterloo Water Works	\$ 5,318,168	\$ -	\$ 6,649,852	\$ 59,702	\$ 6,898
Component unit, Waterloo Convention & Visitors Bureau, Inc.	\$ 523,727	\$ -	\$ -	\$ 582,854	\$ -

General Revenues

Taxes:

Property taxes levied for general purposes

Property taxes levied for debt service

Other taxes:

Local option sales

Utility excise

Gaming

Hotel/motel

Cable television

Mobile home

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net assets, beginning of year

Net assets, end of year

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets			Component Units	
Governmental Activities	Business-Type Activities	Total	Waterloo Water Works	Waterloo Convention & Visitors Bureau, Inc.
\$ (24,042,254)	\$ -	\$ (24,042,254)	\$ -	\$ -
(4,964,570)	-	(4,964,570)	-	-
(204,496)	-	(204,496)	-	-
(6,997,864)	-	(6,997,864)	-	-
(9,117,026)	-	(9,117,026)	-	-
(3,816,691)	-	(3,816,691)	-	-
(2,639,047)	-	(2,639,047)	-	-
(51,781,948)	-	(51,781,948)	-	-
-	3,053,289	3,053,289	-	-
-	436,974	436,974	-	-
-	3,490,263	3,490,263	-	-
(51,781,948)	3,490,263	(48,291,685)	-	-
-	-	-	1,398,284	-
-	-	-	-	59,127
28,741,347	-	28,741,347	-	-
12,287,504	-	12,287,504	-	-
9,661,056	-	9,661,056	-	-
1,544,584	-	1,544,584	-	-
1,210,615	-	1,210,615	-	-
1,182,842	-	1,182,842	-	-
897,486	-	897,486	-	-
69,505	-	69,505	-	-
152,078	21,055	173,133	46,212	12,317
2,879,152	-	2,879,152	125,698	1,573
70,231	(70,231)	-	-	-
58,696,400	(49,176)	58,647,224	171,910	13,890
6,914,452	3,441,087	10,355,539	1,570,194	73,017
274,092,857	80,393,006	354,485,863	21,854,282	1,043,850
\$ 281,007,309	\$ 83,834,093	\$ 364,841,402	\$ 23,424,476	\$ 1,116,867

City of Waterloo, Iowa

Balance Sheet
Governmental Funds
June 30, 2011

Assets	<u>General</u>	<u>Trust and Agency</u>	<u>Local Option Tax</u>
Cash and cash equivalents	\$ 11,997,254	\$ 980,072	\$ 8,926,076
Investments	-	-	-
Receivables:			
Customer accounts, net	607,992	-	-
Property tax:			
Delinquent	187,257	112,263	-
Succeeding year	17,928,984	11,491,849	-
Special assessments	320,175	-	-
Accrued interest	-	-	-
Loans and notes	27,500	-	-
Due from other funds	2,962,859	-	13,598
Due from other governments:			
Federal	131,691	-	-
Iowa	661,302	-	1,948,151
Other	212,906	127,613	27,951
Inventories and prepaids	310,432	-	-
Restricted assets:			
Cash and cash equivalents	5,212,391	1,844,107	-
Receivables	20,070	-	-
Total assets	<u>\$ 40,580,813</u>	<u>\$ 14,555,904</u>	<u>\$ 10,915,776</u>

(Continued)

	Grants	General Obligation Debt Service	Other Governmental	Total
\$	-	\$ 376,590	\$ 24,847,320	\$ 47,127,312
	-	-	502,543	502,543
	-	-	1,591,323	2,199,315
	-	69,962	28,892	398,374
	-	7,451,605	6,159,233	43,031,671
	-	-	-	320,175
	-	-	20	20
	-	-	-	27,500
	-	-	202,891	3,179,348
	65,589	-	494,311	691,591
	3,948,440	-	2,632,925	9,190,818
	-	82,956	180,075	631,501
	-	-	208,100	518,532
	-	36,098	2,375,611	9,468,207
	-	-	-	20,070
\$	4,014,029	\$ 8,017,211	\$ 39,223,244	\$ 117,306,977

City of Waterloo, Iowa

Balance Sheet (Continued)
Governmental Funds
June 30, 2011

	General	Trust and Agency	Local Option Tax
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 288,542	\$ 8,753	\$ 977,609
Retainages payable	-	-	379,459
Accrued liabilities	1,671,470	164,030	46,392
Due to other funds	-	-	-
Deferred revenue	18,937,828	11,604,112	301,775
Compensated absences	128,852	-	1,252
Due to Waterloo Convention & Visitors Bureau, Inc.	290,918	-	-
Payables from restricted assets	1,391,188	-	-
Total liabilities	22,708,798	11,776,895	1,706,487
Fund balances (deficits):			
Nonspendable	310,432	-	-
Restricted	3,602,691	2,779,009	7,393,004
Committed	662,415	-	-
Assigned	4,878,877	-	1,816,285
Unassigned	8,417,600	-	-
Total fund balances (deficits)	17,872,015	2,779,009	9,209,289
Total liabilities and fund balances (deficits)	\$ 40,580,813	\$ 14,555,904	\$ 10,915,776

See Notes to Basic Financial Statements.

Grants	General Obligation Debt Service	Other Governmental	Total
\$ 389,061	\$ 29,786	\$ 1,638,794	\$ 3,332,545
86,487	-	709,238	1,175,184
4,354	-	238,661	2,124,907
2,924,574	-	223,246	3,147,820
4,088,633	7,521,567	8,538,449	50,992,364
-	-	32,044	162,148
-	-	-	290,918
-	-	80,329	1,471,517
<u>7,493,109</u>	<u>7,551,353</u>	<u>11,460,761</u>	<u>62,697,403</u>
-	-	208,100	518,532
-	465,858	28,719,297	42,959,859
-	-	-	662,415
-	-	506,321	7,201,483
<u>(3,479,080)</u>	<u>-</u>	<u>(1,671,235)</u>	<u>3,267,285</u>
<u>(3,479,080)</u>	<u>465,858</u>	<u>27,762,483</u>	<u>54,609,574</u>
<u>\$ 4,014,029</u>	<u>\$ 8,017,211</u>	<u>\$ 39,223,244</u>	<u>\$ 117,306,977</u>

City of Waterloo, Iowa

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2011

Total governmental fund balances		\$	54,609,574
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds			294,578,307
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds			7,350,575
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:			
General obligation bonds	\$	(65,483,600)	
Other loans and notes		(2,806,907)	
Bond issuance costs		239,677	
Bond discount		126,143	
Bond premium		(415,362)	
Other post employment benefits obligation		(3,751,283)	
Compensated absences and deferred compensation		(3,207,285)	
Accrued interest payable		(232,530)	(75,531,147)
Net assets of governmental activities			<u>\$ 281,007,309</u>

See Notes to Basic Financial Statements.

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City of Waterloo, Iowa

**Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Governmental Funds
Year Ended June 30, 2011**

	General	Trust and Agency	Local Option Tax
Revenues:			
Property taxes	\$ 17,497,206	\$ 10,688,481	\$ -
Other taxes	4,074,903	497,395	9,794,777
Licenses and permits	1,223,505	-	-
Investment income	94,150	14,612	16,735
Rent	779,847	-	-
Intergovernmental	2,002,023	-	-
Charges for services	6,084,239	-	-
Interfund charges for services	2,084,553	-	-
Special assessments	47,171	-	-
Miscellaneous	2,328,074	1,898	-
Total revenues	36,215,671	11,202,386	9,811,512
Expenditures:			
Current operating:			
Public safety	24,958,459	2,660,274	-
Public works	2,450,789	-	8,204,971
Health and social services	325,730	-	-
Culture and recreation	8,041,503	-	-
Community and economic development	1,757,100	-	-
General government	5,000,590	48,733	-
Debt service:			
Principal	-	-	-
Interest and fees	-	-	-
Bond issuance costs	-	-	-
Capital outlay	-	-	-
Total expenditures	42,534,171	2,709,007	8,204,971
Excess (deficiency) of revenues over expenditures	(6,318,500)	8,493,379	1,606,541
Other financing sources (uses):			
Transfers in	8,596,505	-	-
Transfers out	(1,406,838)	(8,537,506)	-
Insurance proceeds	27,172	-	-
Bond discount	-	-	-
Bond premium	-	-	-
Proceeds from sale of capital assets	221,807	-	-
Refunding bonds issued	-	-	-
Payments to refunded bond escrow agent	-	-	-
Issuance of long-term debt	-	-	-
Total other financing sources (uses)	7,438,646	(8,537,506)	-
Net changes in fund balances	1,120,146	(44,127)	1,606,541
Fund balances (deficits), beginning of year	16,751,869	2,823,136	7,602,748
Fund balances (deficits), end of year	\$ 17,872,015	\$ 2,779,009	\$ 9,209,289

See Notes to Basic Financial Statements.

	Grants	General Obligation Debt Service	Other Governmental	Total
\$	-	\$ 7,137,030	\$ 5,690,848	\$ 41,013,565
	-	310,847	25,130	14,703,052
	-	-	13,407	1,236,912
	-	6,326	20,255	152,078
	-	122,568	191,856	1,094,271
	4,479,911	86,363	23,524,135	30,092,432
	10,980	-	301,788	6,397,007
	-	-	50,000	2,134,553
	-	-	-	47,171
	8,606	134,194	819,456	3,292,228
	4,499,497	7,797,328	30,636,875	100,163,269
	57,201	-	10,476	27,686,410
	1,486,013	-	7,620,062	19,761,835
	-	-	-	325,730
	358,212	-	560,918	8,960,633
	3,446,708	-	10,536,597	15,740,405
	574,234	-	93	5,623,650
	-	9,054,858	510,804	9,565,662
	-	2,521,818	29,898	2,551,716
	-	29,782	41,540	71,322
	-	-	11,792,357	11,792,357
	5,922,368	11,606,458	31,102,745	102,079,720
	(1,422,871)	(3,809,130)	(465,870)	(1,916,451)
	-	3,626,607	1,145,037	13,368,149
	-	-	(3,353,574)	(13,297,918)
	110,985	-	-	138,157
	-	(20,360)	(16,880)	(37,240)
	-	158,477	232,646	391,123
	-	-	-	221,807
	-	5,500,000	-	5,500,000
	-	(5,586,483)	-	(5,586,483)
	235,081	-	7,500,000	7,735,081
	346,066	3,678,241	5,507,229	8,432,676
	(1,076,805)	(130,889)	5,041,359	6,516,225
	(2,402,275)	596,747	22,721,124	48,093,349
\$	(3,479,080)	\$ 465,858	\$ 27,762,483	\$ 54,609,574

City of Waterloo, Iowa

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2011**

Net change in fund balances - governmental funds \$ 6,516,225

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

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

Capital outlay	\$ 20,540,697	
Depreciation	(12,220,724)	8,319,973

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

Donated capital assets		316,383
Proceeds from sale of capital assets	(221,807)	
Net loss on disposal of capital assets	(1,690,898)	(1,912,705)

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

General obligation bonds issued for governmental purposes	(13,000,000)	
Repayment of general obligation bond principal	8,096,000	
Other long-term debt issued	(235,081)	
Economic development agreement issued	(1,896,019)	
Repayment of other long-term debt principal	1,469,662	
Payment to escrow agent, including \$36,483 deferred amount on refunding	5,586,483	
Bond issuance costs	71,322	
Bond discount	37,240	
Bond premium	(391,123)	
Amortization of issuance costs, discount, premium and deferred amount on refunding	(85,754)	
Change in accrued interest	(1,577)	(348,847)

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

Current year		7,350,575
Prior year		(11,570,774)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in other post employment benefits obligation		(1,808,418)
Change in compensated absences and deferred compensation paid		51,235
Change in pollution remediation liability		805
Changes in net assets of governmental activities		\$ 6,914,452

See Notes to Basic Financial Statements.

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City of Waterloo, Iowa

Statement of Net Assets
Enterprise Funds
June 30, 2011

	Major - Sanitary Sewer	Nonmajor - Sanitation	Total
Assets			
Current assets:			
Cash	\$ 17,029,617	\$ 2,665,403	\$ 19,695,020
Customer accounts receivable	2,701,600	712,851	3,414,451
Special assessments receivable	43,846	92,753	136,599
Due from other funds	-	11,701	11,701
Due from other governments:			
Waterloo Water Works	793,973	335,673	1,129,646
Other	176,845	94,054	270,899
Inventories	16,430	-	16,430
Total current assets	20,762,311	3,912,435	24,674,746
Noncurrent assets:			
Restricted cash	3,563,439	88,769	3,652,208
Bond issue costs, net of accumulated amortization	137,512	-	137,512
Capital assets, net of accumulated depreciation	81,871,518	1,001,819	82,873,337
Capital assets not being depreciated	1,797,435	-	1,797,435
Net capital assets	83,668,953	1,001,819	84,670,772
Total noncurrent assets	87,369,904	1,090,588	88,460,492
Total assets	\$ 108,132,215	\$ 5,003,023	\$ 113,135,238

See Notes to Basic Financial Statements.

	Major - Sanitary Sewer	Nonmajor - Sanitation	Total
Liabilities and Net Assets			
Liabilities:			
Current:			
Accounts payable	\$ 357,123	\$ 80,746	\$ 437,869
Retainages payable	44,216	-	44,216
Accrued liabilities	179,997	45,136	225,133
Due to other funds	43,229	-	43,229
Current maturities of general obligation bonds	1,757,500	-	1,757,500
Compensated absences and deferred compensation	157,499	50,800	208,299
Payable from restricted assets:			
Security deposits	332,630	88,769	421,399
Accrued interest, revenue bonds	60,115	-	60,115
Current portion of revenue bonds	1,705,000	-	1,705,000
Total current liabilities	4,637,309	265,451	4,902,760
Noncurrent:			
General obligation bonds, net bond discount, reacquisition costs and premium	18,217,851	-	18,217,851
Revenue bonds, net of deferred amount on refunding	5,778,398	-	5,778,398
Other postemployment benefits obligation	235,184	105,056	340,240
Compensated absences and deferred compensation	46,241	15,655	61,896
Total noncurrent liabilities	24,277,674	120,711	24,398,385
Total liabilities	28,914,983	386,162	29,301,145
Net assets:			
Invested in capital assets, net of related debt	66,574,760	1,001,819	67,576,579
Restricted for:			
Debt service	2,407,667	-	2,407,667
Improvements	763,027	-	763,027
Unrestricted	9,471,778	3,615,042	13,086,820
Total net assets	79,217,232	4,616,861	83,834,093
Total liabilities and net assets	\$ 108,132,215	\$ 5,003,023	\$ 113,135,238

City of Waterloo, Iowa

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Enterprise Funds
Year Ended June 30, 2011**

	Major - Sanitary Sewer	Nonmajor - Sanitation	Total
Operating revenues:			
Charges for sales and service	\$ 13,213,161	\$ 3,446,332	\$ 16,659,493
Miscellaneous	70,747	-	70,747
Total operating revenues	13,283,908	3,446,332	16,730,240
Operating expenses:			
Salaries and benefits	2,838,491	1,079,352	3,917,843
Contractual services	2,342,190	1,015,560	3,357,750
Intra-city reimbursements	692,000	651,053	1,343,053
Commodities	1,098,202	400,665	1,498,867
Depreciation	2,296,563	261,728	2,558,291
Total operating expenses	9,267,446	3,408,358	12,675,804
Operating income	4,016,462	37,974	4,054,436
Nonoperating revenues (expenses):			
Interest income	14,343	6,712	21,055
Intergovernmental	125,802	399,000	524,802
Interest expense	(1,144,375)	-	(1,144,375)
Amortization of bond issue costs	(25,902)	-	(25,902)
Total nonoperating revenues (expenses)	(1,030,132)	405,712	(624,420)
Income before capital contributions and transfers	2,986,330	443,686	3,430,016
Capital contributions	81,302	-	81,302
Transfers out	(70,231)	-	(70,231)
	11,071	-	11,071
Changes in net assets	2,997,401	443,686	3,441,087
Net assets, beginning of year	76,219,831	4,173,175	80,393,006
Net assets, end of year	\$ 79,217,232	\$ 4,616,861	\$ 83,834,093

See Notes to Basic Financial Statements.

City of Waterloo, Iowa

Statement of Cash Flows
Enterprise Funds
Year Ended June 30, 2011

	Major - Sanitary Sewer	Nonmajor - Sanitation	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 12,987,696	\$ 3,325,995	\$ 16,313,691
Payments to suppliers	(3,490,607)	(1,512,765)	(5,003,372)
Payments to or on behalf of employees	(2,731,887)	(1,000,396)	(3,732,283)
Payment for interfund services used	(692,000)	(651,053)	(1,343,053)
Net cash provided by operating activities	6,073,202	161,781	6,234,983
Cash flows from noncapital financing activities:			
Proceeds from interfund accounts	669,756	-	669,756
Transfers out	(70,231)	-	(70,231)
Operating grants	125,802	399,000	524,802
Net cash provided by noncapital financing activities	725,327	399,000	1,124,327
Cash flows from capital and related financing activities:			
Purchase and construction of capital assets	(871,583)	(238,061)	(1,109,644)
Proceeds from bonds, loans and notes, net bond issuance costs, discounts and premiums of \$21,091	4,618,909	-	4,618,909
Principal paid on debt	(3,989,000)	-	(3,989,000)
Interest paid on debt	(1,056,034)	-	(1,056,034)
Net cash (used in) capital and related financing activities	(1,297,708)	(238,061)	(1,535,769)
Cash flows from investing activities,			
interest received	14,343	6,712	21,055
Increase in cash and cash equivalents	5,515,164	329,432	5,844,596
Cash and cash equivalents, beginning of year	15,077,892	2,424,740	17,502,632
Cash and cash equivalents, end of year	\$ 20,593,056	\$ 2,754,172	\$ 23,347,228
Reconciliation of cash and cash equivalents to statement of net assets:			
Unrestricted cash	\$ 17,029,617	\$ 2,665,403	\$ 19,695,020
Restricted cash	3,563,439	88,769	3,652,208
	\$ 20,593,056	\$ 2,754,172	\$ 23,347,228

(Continued)

City of Waterloo, Iowa

Statement of Cash Flows (Continued)
Enterprise Funds
Year Ended June 30, 2011

	Major - Sanitary Sewer	Nonmajor - Sanitation	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 4,016,462	\$ 37,974	\$ 4,054,436
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	2,296,563	261,728	2,558,291
(Increase) in accounts receivable	(47,928)	(18,173)	(66,101)
(Increase) in due from other governments	(248,284)	(102,164)	(350,448)
(Increase) in inventories and prepaids	(16,430)	-	(16,430)
(Decrease) in accounts payable	(169,210)	(101,279)	(270,489)
Increase in security deposits	135,425	4,739	140,164
Increase in accrued liabilities	1,586	5,055	6,641
Increase in other post employment benefits obligation	120,589	52,516	173,105
Increase (decrease) in compensated absences and deferred compensation	(15,571)	21,385	5,814
Net cash provided by operating activities	\$ 6,073,202	\$ 161,781	\$ 6,234,983
Schedule of noncash capital and related financing activities:			
Payables for acquisition of capital assets	\$ 192,450	\$ -	\$ 192,450
Capital contributions	81,302	-	81,302
Amortization of bond issue costs	25,902	-	25,902
Amortization of discounts and reacquisition costs	93,324	-	93,324

See Notes to Basic Financial Statements.

City of Waterloo, Iowa

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City of Waterloo, Iowa

Notes to Basic Financial Statements

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

Nature of operations:

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

Reporting entity:

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

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

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

Discretely presented component units:

Waterloo Water Works: The Waterloo Water Works is a component unit that is legally separate from the City, but is financially accountable to the City. The Waterloo Water Works is governed by a three-member board appointed by the City Council and its operating budget is subject to the review of the City Council. The Waterloo Water Works operates on a calendar year-end and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. Due to the different year-end, the amount reported by the Waterloo Water Works as due to the primary government and the primary government's due from the Waterloo Water Works do not agree by \$13,228.

Notes to Basic Financial Statements

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

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

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

The Organization is governed by a 15-member Board of Directors. Five members are appointed by the City, five are appointed by the Greater Cedar Valley Chamber of Commerce and the other five are elected by other members of the Organization's Board. Although the City does not appoint the voting majority of the Organization's Board of Directors, the Organization has been determined to be fiscally dependent on the City.

Basis of presentation:

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

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

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

The City had the following major governmental funds:

General Fund is used to account for and report all financial resources not accounted for and reported in another fund.

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

Notes to Basic Financial Statements

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

Local Option Tax Special Revenue Fund is used to account for resources provided from a 1 percent sales tax approved by the citizens of Waterloo which is restricted for the construction, reconstruction and repair of City streets. This Fund is presented as a major fund for public interest purposes.

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

Grants Fund is used to account for resources received for various federal and Iowa funded projects which are not accounted for elsewhere and are restricted to specific programs.

The City had the following major proprietary fund:

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

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

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance." The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the City's governmental fund types:

General fund is used to account for and report all financial resources not accounted for and reported in another fund.

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Notes to Basic Financial Statements

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

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

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

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

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

Measurement focus and basis of accounting:

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

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

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

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

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general revenue. It is the City's policy to first apply cost-reimbursement grant resources to such programs and then by general revenue.

Notes to Basic Financial Statements

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

The enterprise funds of the City apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The City has elected not to follow FASB guidance issued subsequent to November 30, 1989.

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

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

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

Summary of significant accounting policies:

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

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

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

Receivables and payables: Receivables are reported net of any allowance for uncollectible accounts. As of June 30, 2011, the General Fund had allowances for uncollectible customer accounts totaling \$801,819.

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

Notes to Basic Financial Statements

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

Property tax revenue became due and collectible in September and March of the fiscal year with a 1½ percent per month penalty for delinquent payments; was based on January 1, 2009 assessed property valuations; was for the tax accrual period July 1, 2010 through June 30, 2011; and reflected the tax asking contained in the budget certified to the County Board of Supervisors in March 2010.

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

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

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

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

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

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

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

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

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

Notes to Basic Financial Statements

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

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

Original issuance costs of general obligation bonds repaid by the sanitary sewer enterprise fund and sanitary sewer revenue bonds totaling \$346,084 are amortized using the effective interest method over the life of the bonds. Accumulated amortization as of June 30, 2011 was \$208,572. Amortization of bond issue costs was \$25,902 for 2011.

Original discounts of \$90,406 on general obligation bonds repaid by the sanitary sewer enterprise fund outstanding as of June 30, 2011 are being amortized using the effective interest method over the life of the bonds. Accumulated amortization as of June 30, 2011 was \$12,027. Discount amortization for 2011, which was added to interest expense, was \$4,848.

Original premiums of \$34,788 on general obligation bonds repaid by the sanitary sewer enterprise fund outstanding as of June 30, 2011 are being amortized using the effective interest method over the life of the bonds.

Net reacquisition costs of refunded bonds: Reacquisition costs of \$965,353 incurred as a result of the August 2005 sewer revenue bond refunding transactions and \$135,176 as a result of the June 30, 2007, 2009 and 2010 general obligation bonds repaid by the sanitary sewer enterprise fund are being amortized over the lives of the refunding issues using the effective interest method. Accumulated amortization as of June 30, 2011 was \$841,469. Reacquisition amortization for 2011, including amortization of prior reacquisition costs, which was added to interest expense, was \$88,471.

Interest capitalized: Construction period interest for business-type activities is capitalized. For projects paid with taxable bonds, interest is capitalized at the amount of cash paid at the effective interest rate to the earlier of the date the asset is placed in service or year-end. Interest on tax-exempt debt used for construction is capitalized at the amount incurred, offset by earnings realized by investing debt proceeds until needed. \$22,453 interest expense was capitalized during the year ended June 30, 2011.

Capital assets: Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful lives are not capitalized.

Capital assets, other than infrastructure, are defined by the City as assets with an initial, individual cost in excess of \$5,000 and estimated useful lives in excess of one year. Infrastructure is defined by the City as assets available for public use, other than buildings, and having a cost of \$50,000 or more.

City of Waterloo, Iowa

Notes to Basic Financial Statements

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

Depreciation is computed using the straight-line method over the estimated useful life of the asset with no amount recorded in the year placed in service and a full year in the year removed from service. Estimated useful lives are as follows:

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

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

Deferred and unearned 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 succeeding year's property tax receivable that will not be recognized as revenue until the year for which it was levied and 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.

Unearned revenue in the statement of net assets consists of the succeeding year's property tax receivable that will not be recognized as revenue until the year for which it is levied and unearned grant proceeds.

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

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

Notes to Basic Financial Statements

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

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

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

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

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

In the governmental fund financial statements, the face amount of general obligation bonds issued is reported as an other financing source.

Fund balance: In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable: Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed: Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned: Amounts constrained by the City's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the Chief Financial Officer.

Unassigned: All amounts not included in other spendable classifications. The General Fund is the only fund that would report a positive amount in unassigned fund balance.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the City's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

Notes to Basic Financial Statements

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

Net assets: Net assets represent the difference between assets and liabilities. Amounts reported as invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Unspent debt proceeds for the various capital project GO Bonds Funds are \$14,647,177 and the Sanitary Sewer enterprise fund is \$10,364,556. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The government-wide statement of net assets reports \$28,098,845 of restricted net assets of which \$7,061,002 is restricted by enabling legislation for debt service, employee benefits, self-funded health insurance, library, tourism promotion and public access television.

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

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

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

Note 2. Cash and Investments

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

As of June 30, 2011, the City had investments in the Iowa Public Agency Investment Trust (IPAIT) which were valued at an amortized cost of \$5,176,333 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment on IPAIT is not subject to interest rate risk. Also, the City had investments in repurchase agreements valued at \$27,015,000, maturing nightly.

The discretely presented Waterloo Water Works component unit's certificates of deposit are purchased with maturities of 12 to 28 months and yields of 1.49 percent to 2.43 percent. Certain certificates of deposit are restricted to comply with debt covenants and to secure customer deposits.

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

The discretely presented Waterloo Water Works component unit's deposits in the IPAIT were valued at an amortized cost of \$1,526,436, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

The investment in IPAIT is not subject to credit risk. As of June 30, 2011, the City's investments in repurchase agreements had a credit rating of AAA by Moody's and S & P.

Concentration of credit risk: The City's investment policy is to diversify its investment portfolio to eliminate the risk of loss resulting from overconcentration of assets in a specific maturity, a specific issuer or a specific class of securities. However, the policy limits the City from investing in prime bankers' acceptances or commercial paper of more than 10 percent of the investment portfolio and more than 5 percent of the investment portfolio with a single issuer at the time of purchase. In addition, no more than 5 percent of all amounts invested in commercial paper and other short-term corporate debt shall be invested in paper and debt rated in the second highest classification at the time of purchase. As of June 30, 2011, the City's investments were not subject to concentration of credit risk since the City does not hold the underlying investments.

Custodial credit risk: For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's deposits as of June 30, 2011 were entirely covered by federal depository insurance, National Credit Union insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure that there will be no loss of public funds. In addition, the City had no investments subject to custodial credit risk.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 3. Leasing Activities

Airport: The Waterloo Municipal Airport has entered into various operating leases with airlines, fixed base operators, auto lease companies, the airport restaurant and hangar tenants, as well as farm airport land. These agreements range from month-to-month leases to longer-term leases with various specified terms. Some of these lease agreements contain cancellable conditions which eliminate any future guaranteed rentals or are contingent upon income produced by the lessee. The following is a schedule by years of the future minimum lease rentals to be received under these leases as of June 30:

During the year ending June 30:

2012	\$	248,771
2013		418,489
2014		235,977
2015		23,444
2016		5,902
Total future minimum lease rentals to be received	\$	932,583

Board of Regents, State of Iowa: The City has entered into a lease agreement with the Board of Regents, State of Iowa, for the former Chicago Great Western Depot building. The term of the lease is from August 21, 2001 through August 20, 2016 at a rate of \$6,035 per month. The following is a schedule by years of the future minimum lease rentals to be received under the lease as of June 30:

During the year ending June 30:

2012	\$	72,420
2013		72,420
2014		72,420
2015		72,420
2016		72,420
2017		12,070
Total future minimum lease rentals to be received	\$	374,170

Waterloo Hotel Equities, LLC d/b/a Ramada Waterloo Civic and Convention Center: The City has entered into a lease agreement with the Waterloo Hotel Equities, LLC d/b/a Ramada Waterloo Civic and Convention Center (Hotel) for the use of the Five Sullivan Brothers Convention Center and City parking facilities. The term of the lease is from May 23, 2005 through December 31, 2019. The rental rates are based on the gross income and sales of the Five Sullivan Brothers Convention Center, also known as the Ramada Inn Convention Center (Center) paid on a monthly basis. The amount of revenue recognized for the year ended June 30, 2011 is \$44,004. The lease includes a management agreement with the Hotel for the management of the Center.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 4. Loans and Notes

General Fund:

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

Economic development revolving loans: From time-to-time, the City has made economic development loans with repayment terms ranging from 6 months to 15 years and interest ranging from none to 6.5 percent.

The ending balance on these loans as of June 30, 2011 was \$27,500. Interest received by the City on Rath/UDAG loans is recorded in the General Fund as investment income.

Special Revenue Funds:

Community Development Block Grant (CDBG) Loans:

Low-interest loans: The City has seven low-interest rehabilitation and other loans due as of June 30, 2011. Of the total, one loan is being serviced by Regions Bank. The City serviced loans, with a balance of \$16,400, are estimated to be uncollectible. Collections of CDBG loans are considered grant program income which is reported in the Special Revenue Fund (CDBG) as charges for services as received.

Low-income housing loans: The City has provided seven loans for low-income housing projects, five of which have a below-market interest rate. All have minimal payments required each year until maturity. Maturities range from September 2018 to July 2040. Cash received is program income and considered to be charges for services. Given the nature and collection history of the loans, the City has determined these amounts are uncollectible.

Forgivable loans: The City, through its CDBG, HOME program, Economic Development Initiative program, Lead Paint Removal grant, federal and state Jumpstart funds and lowans Helping lowans funds, provides forgivable rehabilitation loans to low-income households. The loans are forgiven on a sliding scale over a five-year period, provided the home is not sold, abandoned or used as rental property. If the home is sold, abandoned or used as rental property, the City's lien against the property prevents a clear title transfer unless the unforgiven portion of the note is satisfied. As of June 30, 2011, the City had made 1,421 such loans totaling \$23,603,987. The loan balances therefore are considered forgivable and or uncollectible by the City given the nature and terms of the loans.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 5. Interfund Activity

The composition of interfund balances as of June 30, 2011 was as follows:

	Due From	Due To
Major governmental funds:		
General	\$ 2,962,859	\$ -
Local option sales tax	13,598	-
Grants	-	2,924,574
Nonmajor governmental funds	202,891	223,246
Major Enterprise Fund, sanitary sewer	-	43,229
Nonmajor Enterprise Fund, sanitation	11,701	-
	<u>\$ 3,191,049</u>	<u>\$ 3,191,049</u>

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

Due to/from primary government and component units:

Due to Enterprise Funds:	
Sanitary sewer	\$ 793,973
Sanitation	335,673
Due from Waterloo Water Works	<u>1,129,646</u>
Waterloo Water Works - due to primary government	1,142,874
Difference	<u><u>\$ (13,228)</u></u>

The difference in the above amounts of \$13,228 results from the different year ends of the entities as described in Note 1.

Due to Waterloo Convention & Visitors Bureau, Inc. from General Fund	<u><u>\$ 290,918</u></u>
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The following is a schedule of transfers as included in the basic financial statements of the City:

	Transfers In	Transfers Out
Major governmental funds:		
General	\$ 8,596,505	\$ 1,406,838
Trust and agency	-	8,537,506
General obligation debt service	3,626,607	-
Nonmajor governmental funds	1,145,037	3,353,574
Major Enterprise Fund, sanitary sewer	-	70,231
	<u>\$ 13,368,149</u>	<u>\$ 13,368,149</u>

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

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance June 30, 2010	Additions	Deletions	Transfers	Ending Balance June 30, 2011
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 35,252,867	\$ 2,293,062	\$ -	\$ -	\$ 37,545,929
Land held for redevelopment	6,132,780	1,652,098	700,505	-	7,084,373
Construction-in-progress	21,970,286	14,980,683	1,187,428	(25,425,847)	10,337,694
Total capital assets, not being depreciated	63,355,933	18,925,843	1,887,933	(25,425,847)	54,967,996
Capital assets, being depreciated:					
Buildings and improvements	87,848,526	319,242	9,985	4,506,000	92,663,783
Infrastructure	254,459,041	316,384	-	19,943,628	274,719,053
Vehicles, machinery, furniture and equipment	22,975,455	1,256,086	522,158	976,219	24,685,602
Software	215,340	39,525	-	-	254,865
Total capital assets, being depreciated	365,498,362	1,931,237	532,143	25,425,847	392,323,303
Less accumulated depreciation for:					
Buildings and improvements	41,439,567	3,001,421	9,986	-	44,431,002
Infrastructure	85,053,708	7,678,821	-	-	92,732,529
Vehicles, machinery, furniture and equipment	14,385,813	1,510,591	497,385	-	15,399,019
Software	120,551	29,891	-	-	150,442
Total accumulated depreciation	140,999,639	12,220,724	507,371	-	152,712,992
Total capital assets, being depreciated, net	224,498,723	(10,289,487)	24,772	25,425,847	239,610,311
Governmental activities capital assets, net	\$ 287,854,656	\$ 8,636,356	\$ 1,912,705	\$ -	\$ 294,578,307

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

	Beginning Balance June 30, 2010	Additions	Deletions	Transfers	Ending Balance June 30, 2011
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 348,055	\$ -	\$ -	\$ -	\$ 348,055
Construction-in-progress	1,369,103	836,618	-	(756,341)	1,449,380
Total capital assets, not being depreciated	1,717,158	836,618	-	(756,341)	1,797,435
Capital assets, being depreciated:					
Buildings	68,507,219	-	-	-	68,507,219
Improvements other than buildings	39,746,514	199,340	-	756,341	40,702,195
Vehicles, machinery, furniture and equipment	6,927,200	327,588	326,403	-	6,928,385
Software	-	19,940	-	-	19,940
Total capital assets, being depreciated	115,180,933	546,868	326,403	756,341	116,157,739
Less accumulated depreciation for:					
Buildings	15,133,003	1,370,776	-	-	16,503,779
Improvements other than buildings	10,802,041	794,931	-	-	11,596,972
Vehicles, machinery, furniture and equipment	5,117,470	392,584	326,403	-	5,183,651
Total accumulated depreciation	31,052,514	2,558,291	326,403	-	33,284,402
Total capital assets, being depreciated, net	84,128,419	(2,011,423)	-	756,341	82,873,337
Business-type activities capital assets, net	\$ 85,845,577	\$ (1,174,805)	\$ -	\$ -	\$ 84,670,772

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

	Beginning Balance				Ending Balance
	December 31, 2009	Additions	Deletions	Transfers	December 31, 2010
Discretely Presented Waterloo Water Works Component Unit Capital Assets					
Capital assets, not being depreciated:					
Land	\$ 270,896	\$ -	\$ -	\$ -	\$ 270,896
Assets not in service	605,022	-	37,206	-	567,816
Construction-in-progress	98,286	1,011,372	962,692	-	146,966
Total capital assets, not being depreciated	974,204	1,011,372	999,898	-	985,678
Capital assets, being depreciated:					
Buildings and improvements	1,750,597	9,285	-	-	1,759,882
Water supply and distribution systems	21,863,705	1,011,566	-	-	22,875,271
Meters and equipment	1,472,263	-	-	-	1,472,263
Machinery and equipment	1,753,260	40,832	15,294	-	1,778,798
Total capital assets, being depreciated	26,839,825	1,061,683	15,294	-	27,886,214
Less accumulated depreciation for:					
Buildings and improvements	647,164	27,581	-	-	674,745
Water supply system	2,283,346	115,876	-	-	2,399,222
Distribution system	3,166,105	248,400	-	-	3,414,505
Meters and equipment	710,842	38,034	-	-	748,876
Machinery and equipment	1,109,200	84,530	15,294	-	1,178,436
Total accumulated depreciation	7,916,657	514,421	15,294	-	8,415,784
Total capital assets, being depreciated, net	18,923,168	547,262	-	-	19,470,430
Net discretely presented Waterloo Water Works component unit capital assets, net	\$ 19,897,372	\$ 1,558,634	\$ 999,898	\$ -	\$ 20,456,108

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

Depreciation expense was charged by the City as follows for the year ended June 30, 2011:

Governmental activities:	
Public safety	\$ 785,165
Public works	9,928,024
Health and social services	1,387
Culture and recreation	1,215,410
Community and economic development	230,984
General government	59,754
Total governmental activities	<u>12,220,724</u>
Business-type activities:	
Sanitary sewer	2,296,563
Sanitation	261,728
Total business-type activities	<u>2,558,291</u>
Total primary government	<u>\$ 14,779,015</u>
Component unit - Waterloo Water Works	<u>\$ 514,421</u>

Note 7. Deferred Compensation Plans

Deferred frozen sick leave payout: Retirees have the option of receiving their frozen sick leave (Note 8) payout immediately or receiving it as an annuity over 60 months. If the annuity option is selected, interest is paid to the retiree at the same rate as the City pays on the general obligation bonds last issued before the retirement date. As of June 30, 2011, 13 retirees were receiving annuitized payouts in Governmental funds and one retiree was receiving annuitized payouts in an Enterprise fund, the present value of which was \$43,628, attributable to governmental activities and \$15,172, attributable to business-type activities.

During 2001, the City began offering an early sick leave payout option. Qualifying employees can elect to receive 60 percent of the balance in their frozen sick leave bank over a 52-month period prior to their retirement or termination of employment. As of June 30, 2011, all employees had received their payments and no liability was recorded.

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

Notes to Basic Financial Statements

Note 8. Compensated Absences

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. A calendar year is primarily used for the calculation of vacation pay benefits while sick leave utilizes the City's fiscal year. Vacation days for most bargaining unit employees must be taken or paid during the calendar year with limited exceptions. Nonbargaining unit employees may carry forward up to 10 days vacation with proper approval. Upon termination, employees receive payment for unused vacation plus a payment for vacation hours accrued from January through the termination date. As of June 30, 2011, there was \$2,166,779 accrued for vacation.

Prior to July 1, 1984, sick leave was allowed to accumulate to a maximum of 240 days, except for police and fire personnel who could accumulate a maximum of 260 days. Any unused days as of July 1, 1984 were accumulated into a frozen sick leave bank. The days frozen in the bank are paid upon use, termination or retirement (except for library employees who will only be paid upon use). If paid upon retirement, the amount due to employees is computed as the amount equal to 60 percent of the total accumulated hours times the employee's current pay rate paid to employees. Retirees have the option of receiving the payout immediately or receiving it as an annuity over 60 months. As discussed in Note 7, active employees could elect to receive a payout of 60 percent of their frozen sick dollars beginning in July 2001. As of June 30, 2011, there was \$300,710 accrued for the frozen sick leave bank.

After July 1, 1984, sick leave is allowed to accumulate up to 12 days per year. At the end of the year, 25 percent of any unused sick leave is payable to the employee as a bonus and the balance of 75 percent of the unused sick leave is added to the employee's sick leave storage bank for future use. The days accumulated in the bank after July 1, 1984 are not payable upon termination or retirement. Certain Fire Department employees are eligible to receive pay-outs of 75 percent of their unused sick leave, with the balance of 25 percent of their unused leave added to their sick leave storage bank. As of June 30, 2011, \$124,371, equivalent to 25 percent of unused sick leave subject to payout, has been accrued.

Certain employees can elect either to be paid overtime compensation or to accrue the hours as compensatory time, defined as additional time off from regular hours. Employees are required to be paid for these services upon termination of employment. Maximum hours eligible to be used later as compensatory time are limited by law and labor contracts. Governmental funds do not recognize these accumulations as expenditures until paid. As of June 30, 2011, there was \$939,511 accrued for unused compensatory time.

Employees are also eligible to receive pay-outs of a portion of unused casual leave. The City accrued a total of \$49,457 for unused casual leave earned during the fiscal year ended June 30, 2011.

The sick leave bonus and accrued casual pay are reported as compensated absences in the applicable fund which includes \$162,148 in governmental funds, as the liabilities are considered matured and are expected to be liquidated with expendable available financial resources. Frozen sick leave, vacation pay and compensatory time liabilities are accrued when incurred in the government-wide and proprietary fund statements and reported as a liability.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 9. Long-Term Debt

The following is a summary of the changes in long-term debt for the year ended June 30, 2011:

	June 30, 2010	Increases and Issues	Decreases and Retirements	June 30, 2011	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 66,129,600	\$ 13,000,000	\$ 13,646,000	\$ 65,483,600	\$ 8,252,500
Loans and notes	2,145,469	2,131,100	1,469,662	2,806,907	400,391
Deferred compensation	81,242	-	37,614	43,628	21,914
Compensated absences	3,328,308	3,448,568	3,451,071	3,325,805	2,578,178
Subtotal	71,684,619	18,579,668	18,604,347	71,659,940	11,252,983
Less unamortized discounts and reacquisition costs	121,051	37,240	32,148	126,143	-
Add bond premium	27,874	391,123	3,635	415,362	-
	71,591,442	18,933,551	18,575,834	71,949,159	11,252,983
Business-type activities:					
General obligation bonds	17,825,400	4,640,000	2,359,000	20,106,400	1,757,500
Revenue bonds	9,285,000	-	1,630,000	7,655,000	1,705,000
Deferred compensation	-	15,713	541	15,172	2,975
Compensated absences	264,381	265,085	274,443	255,023	205,324
Subtotal	27,374,781	4,920,798	4,263,984	28,031,595	3,670,799
Less unamortized discounts and reacquisition costs	398,757	32,006	93,324	337,439	-
Add bond premium	-	34,788	-	34,788	-
Total long-term debt	\$ 26,976,024	\$ 4,923,580	\$ 4,170,660	\$ 27,728,944	\$ 3,670,799

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

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

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

On June 29, 2011, the City issued \$8,985,000 in General Obligation Bonds, Series 2011A maturing June 1, 2012 through June 1, 2026 with interest rates ranging from 2 percent to 4 percent to refund \$3,740,000 of the outstanding General Obligation Bonds, Series 2004A with interest rates from 4.00 percent to 4.75 percent. Reasons for issuance were to refund the General Obligation Bonds, Series 2004A as well as to finance certain capital improvements in the City and pay a portion of the costs of issuance of the Bonds. The City used \$3,762,090 of the bond issuance to refund the Series 2004A Bonds. As the funds were deposited into an irrevocable trust with an escrow agent who provides for all future debt service payments on the bonds, the Series 2004A bonds are considered defeased and the liability for those bonds has been removed from the City's statement of net assets. The defeased bonds were subsequently paid off on July 21, 2011.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 9. Long-Term Debt (Continued)

The City completed the current refunding to reduce its total debt service payments over the next eight years by \$328,692 and to obtain an economic gain (difference between the present values of old and new debt service payments) of \$347,997.

On June 29, 2011, the City issued \$8,655,000 in General Obligation Bonds, Taxable Series 2011B maturing June 1, 2012 through June 1, 2026 with interest rates ranging from 0.6 percent to 4.6 percent to refund \$2,475,000 of the outstanding General Obligation Bonds, Series 2004B with interest rates from 5.25 percent to 5.90 percent. Reasons for issuance were to refund the General Obligation Bonds, Series 2004B as well as to finance certain capital improvements in the City and pay a portion of the costs of issuance of the Bonds. The City used \$2,494,140 of the bond issuance to refund the Series 2004B Bonds. As the funds were deposited into an irrevocable trust with an escrow agent who provides for all future debt service payments on the bonds, the Series 2004B bonds are considered defeased and the liability for those bonds has been removed from the City's statement of net assets. The defeased bonds were subsequently paid off on July 21, 2011.

The City completed the current refunding to reduce its total debt service payments over the next eight years by \$297,669 and to obtain an economic gain (difference between the present values of old and new debt service payments) of \$295,967.

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

Issue Date	Purpose	Interest Rates	Outstanding June 30, 2011
April 1998	Airport hanger	5.400% - 5.750%	\$ 320,000
June 2002	Taxable	4.000 - 6.000	565,000
June 2003	Various	2.000 - 3.000	2,640,000
June 2003	Taxable	3.750 - 4.900	465,000
June 2005	Various	3.000 - 4.000	3,800,000
June 2005	Taxable	4.000 - 5.000	1,325,000
June 2006	Various	3.800 - 4.000	5,480,000
June 2006	Taxable	5.625 - 5.850	1,575,000
June 2007	Various	4.000 - 4.500	12,925,000
June 2007	Refunding	4.000	1,970,000
June 2007	Taxable	5.400 - 5.600	785,000
June 2008	Various	3.500 - 3.900	6,500,000
June 2008	Taxable	5.000	2,210,000
June 2009	Refunding	1.000 - 5.000	4,530,000
June 2009	Taxable	1.750 - 5.750	7,700,000
June 2010	Refunding	1.000 - 2.450	4,400,000
June 2010	Taxable	1.000 - 5.000	10,760,000
June 2011	Refunding	2.000 - 4.000	8,985,000
June 2011	Taxable	0.600 - 4.600	8,655,000
Total			\$ 85,590,000

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 9. Long-Term Debt (Continued)

Annual debt service on general obligation and revenue bonds as of June 30, 2011 are as follows:

Year ending June 30:	GO Debt Service			
	General Obligation Bonds		Sanitary Sewer Enterprise Revenue Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 8,252,500	\$ 2,338,976	\$ 1,705,000	\$ 360,692
2013	8,042,200	2,113,832	1,790,000	286,053
2014	7,540,500	1,857,953	1,450,000	204,952
2015	7,462,200	1,608,162	1,500,000	133,228
2016	6,803,000	1,355,202	880,000	57,365
2017 - 2021	21,683,200	3,542,278	330,000	13,860
2022 - 2026	5,700,000	633,375	-	-
	<u>\$ 65,483,600</u>	<u>\$ 13,449,778</u>	<u>\$ 7,655,000</u>	<u>\$ 1,056,150</u>

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$21,235,000 in sewer system revenue bonds issued August 2004. Proceeds from the bonds were used to construct improvements to the sewer plant. The bonds are payable solely from sewer customer net revenues and are payable through 2017. Annual principal and interest payments on the bonds are expected to require less than 90 percent of net revenues in any one year of the life of the bond. The total principal and interest remaining to be paid on the bonds is \$8,711,150. Principal and interest paid for the current year and total customer net revenues were \$2,059,323 and \$6,438,852, respectively.

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

1. The bonds will only be redeemed from the future earnings of the sewer system and the bondholders hold a lien on the future earnings.
2. Sufficient monthly transfers shall be made to the sewer revenue bond and interest sinking account for the purpose of making the bond principal and interest payments when due.
3. Monthly transfers will be made to establish a sewer revenue debt reserve fund. (The minimum required is currently \$2,123,500). The amounts shall be used solely for the purpose of paying principal or interest on the bonds when insufficient money is available in the sinking fund. Whenever it shall become necessary to use the funds in the debt reserve fund, monthly payments shall be established to restore the funds used within a three-year period.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 9. Long-Term Debt (Continued)

4. Monthly transfers of \$20,000 shall be made to the sewer improvement fund until the fund equals or exceeds \$450,000. Amounts in the improvement fund not otherwise specially limited by provisions of the bond resolution shall first be used for the purpose of paying principal or interest on the bonds when there shall be insufficient money in the sinking fund and the reserve fund, to pay the cost of extraordinary maintenance or repairs, renewals and replacements not included in the annual budget of revenue and current expenses, payment of rentals on any part of the system or payments due for any property purchased as a part of the system and for capital improvements to the system. Whenever it becomes necessary to use the improvement fund, the monthly payments required shall be continued or resumed until the fund is restored to the required minimum balance.
5. The City will cause to be kept proper books and accounts adapted to the system and in accordance with accounting principles generally accepted in the United States of America, and will cause the books and accounts to be audited annually not later than 270 days after the end of each fiscal year by an independent auditor.
6. The City will faithfully and punctually perform all duties with reference to the Sewer Enterprise required by the Constitution and laws of the state of Iowa.
7. The City will establish rates to allow net revenue to meet or exceed 125 percent of debt service requirements for the year. For the year ended June 30, 2011, sewer net revenue was 308 percent of sewer revenue bond debt service.

Loans and notes: The City, through its blended component unit, Waterloo Housing Authority, is indebted to the Federal Financing Bank (FFB) for \$357,887 from the purchase of the Ridgeway Towers housing complex. The debt is scheduled to mature November 1, 2015. The United States Department of Housing and Urban Development pays interest and principal of \$86,364, annually, directly to FFB. The City reports the payment transaction in the GO Debt Service Fund.

During November 1996, to obtain funding for promoting Midport America, the City's airport area tax increment financing district, the City borrowed \$100,000 from Basic Materials Corp. Interest, at 3 percent, is due on the loan each June 1. Principal is to be repaid as land in the district it is marketed; however, the City intends to repay the loan at \$10,000 per year until repaid. During the year ended June 30, 2011, the City paid principal of \$10,000 plus interest of \$600 on the loan. Payments are made from the TIF Debt Service Fund. As of June 30, 2011, the unpaid principal was \$10,000.

During the year ended June 30, 2011, the City has drawn \$235,082 in loans from the Iowa Department of Economic Development, Brownfield Redevelopment Program (Department). The loans are at zero percent with no payments due in years one through five. The loan may be forgiven if planned increases in taxable valuation of property within the redevelopment area have been attained. Repayment of unforgiven loan is to be repaid in 10 equal semiannual payments as determined by the Department at a 6 percent interest rate.

During the year ended June 30, 2009, the City drew \$1,900,000 of \$2,970,000 from the Department of Housing and Urban Development's Section 108 loan program to be used for the riverwalls reconstruction project. Variable interest is set the first day of each month at 0.2 percent above the Eastern Edition of the Wall Street Journal's published London Interbank Offered Rates (LIBOR) and is payable quarterly. The loan is secured by the Black Hawk County Solid Waste Commission distributions received by the City and the Community Development Block Grant Entitlement. The loan will be repaid using the Black Hawk County Solid Waste Commission distributions. The City paid principal of \$900,000 plus interest of \$1,544 on the loan during the year ended June 30, 2011.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 9. Long-Term Debt (Continued)

During the year ended June 30, 2008, the City has drawn a \$150,000 loan from the Iowa Department of Economic Development, Brownfield Redevelopment Program (Department). The loan is at zero percent with no payments due in years one through five. The loan may be forgiven if planned increases in taxable valuation of property within the redevelopment area have been attained. Repayment of unforgiven loan is to be repaid in 10 equal semiannual payments as determined by the Department at a 6 percent interest rate.

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

- Hy-Vee, Inc., \$223,806 plus interest at 3 percent. All accrued interest was due September 30, 2007. Semiannual payments of \$50,000 are due beginning May 1, 2008 until principal plus interest has been paid.
- Wilbert Burial Vault Co., \$102,658 plus interest at 5 percent, compounded annually. The City was to pay all accrued interest by September 30, 2007 after which 90 percent of eligible property taxes will be rebated until interest and principal have been paid.
- Lockard Development, Inc., \$53,821 plus interest at 3 percent, through September 30, 2008 then at 5 percent, compounded annually. Accrued interest was due on or before September 30, 2008. Beginning November 1, 2008, semiannual property tax rebates of 100 percent will be applied to interest and principal until the debt is retired.
- Young Development, Ltd., \$77,629 plus interest at 5 percent, payable semiannually beginning November 2009 until paid in full from 100 percent of property tax payments, subject to annual appropriation.
- Deer Creek Development, LLC, \$1,607,535 plus interest at 7 percent through March 31, 2011 then at 4.750 percent, compounded semiannually. Payable at \$300,000 in fiscal year 2011 and semiannual payments of \$100,000 are due beginning November 2011 until principal plus interest have been paid.

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

	GO Debt Service		Nonmajor Governmental Funds	
	Principal	Interest	Principal	Interest
<u>Year ending June 30:</u>				
2012	\$ 62,743	\$ 23,621	\$ 337,348	\$ 99,226
2013	66,831	19,533	314,898	92,131
2014	71,295	15,069	285,076	79,491
2015	76,001	10,363	258,673	67,632
2016	81,017	5,347	260,637	55,858
2017 - 2021	-	-	951,764	132,088
2022	-	-	40,624	995
	<u>\$ 357,887</u>	<u>\$ 73,933</u>	<u>\$ 2,449,020</u>	<u>\$ 527,421</u>

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 9. Long-Term Debt (Continued)

Discretely presented component unit:

	Balance			Deletions	Balance		Due Within One Year
	December 31, 2009	Additions			December 31, 2010		
Capital loan notes	\$ 2,435,000	\$ -	\$ 310,000	\$ 2,125,000	\$ 320,000		
Compensated absences	40,579	45,040	40,579	45,040	45,040		45,040
Subtotal	2,475,579	45,040	350,579	2,170,040	365,040		
Less unamortized discount	19,176	-	3,196	15,980	-		
Total long-term debt	\$ 2,456,403	\$ 45,040	\$ 347,383	\$ 2,154,060	\$ 365,040		

Series 2007 capital loan notes, Bankers Trust Company, N.A. due in annual payments ranging from \$320,000 to \$390,000 through December 2016, plus interest semiannually at rates ranging from 3.75 percent to 4.0 percent, depending on maturity, secured by first lien on net revenue.

The Waterloo Water Works has pledged future gross revenue, net of specified operating expense to repay \$3,300,000 in water revenue capital loan notes issued in February 2007. Proceeds from the notes provided for refunding of Series 2001 capital loan notes and costs of water main extensions and other improvements. The notes are payable solely from net revenue of the Water Works system and restricted cash held in the debt reserve account. Annual principal and interest payments are expected to be less than 80 percent of net revenue. The principal and interest remaining to be paid is \$2,427,227. For the current year, principal and interest paid and net revenue of the system were \$404,437 and \$2,400,341, respectively.

Debt indentures require that certain covenants relating to the maintenance and efficiency of the operating system, the rate structure, restrictions on borrowings, leasing or disposition of assets and minimum insurance coverage be adhered to. During 2010, Waterloo Water Works was in compliance with required covenants.

As of December 31, 2010 annual maturities of long-term debt were as follows:

Year ending December 31:	Principal	Interest	Total
2011	\$ 320,000	\$ 82,812	\$ 402,812
2012	335,000	70,652	405,652
2013	345,000	57,923	402,923
2014	360,000	44,640	404,640
2015	375,000	30,600	405,600
2016	390,000	15,600	405,600
	\$ 2,125,000	\$ 302,227	\$ 2,427,227

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 10. Operating Leases

Effective July 1, 1999, the City's sanitary sewer operations entered into a five-year agreement for the management of biosolid by-products produced at the Wastewater Treatment Facility. The agreement included the lease of a storage facility. Effective August 1, 2010, the agreement was extended for an additional five years at a monthly rental of \$4,700.

Rental expense for all material operating leases was \$104,200 for the year ended June 30, 2011.

Note 11. Retirement Systems

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

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

Plan members are required to contribute 9.40 percent of their earnable compensation and the City's contribution rate may not be less than 17 percent of annual earnable compensation. For the year ended June 30, 2011, the City's rate was 19.90 percent. Contribution requirements are established by state statute and may be amended by the state of Iowa legislature with the consent of the governor. The City's contributions to MFPRSI for the years ended June 30, 2011, 2010 and 2009 were \$2,731,277, \$2,249,021 and \$2,417,019, respectively, which met the required contributions for each year.

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

Plan members are required to contribute 4.50 percent of their annual salary and the City is required to contribute 6.95 percent of annual covered payroll. Contribution requirements are established by state statute and may be amended by the state of Iowa legislature with the consent of the governor. The City's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$1,066,879, \$991,202 and \$923,462, respectively, which met the required contributions for each year.

Component Unit

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

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 11. Retirement Systems (Continued)

Funding policy: The contribution requirements of Plan members and the Utility are established and may be amended by the Utility. Beginning January 1, 2010, plan members were required to contribute one-third of the full contribution rate of 4.1 percent and the Utility paid the rest of the required contribution. As of January 1, 2011, plan members are required to contribute two-thirds of the full contribution rate of 4.3 percent and beginning January 1, 2012, plan members will be required to contribute all of the mandatory contributions. Amounts contributed to the plan during 2010, 2009 and 2008 were \$395,818, \$379,444 and \$300,000, respectively.

Annual pension cost and net pension obligation: The Utility's annual pension cost and net pension (asset) obligation to the Plan for the year ended December 31, 2010:

Annual required contribution (ARC)	\$ 331,182
Interest on net pension obligation	26,495
Annual pension cost	<u>357,677</u>
Contributions made	<u>(395,818)</u>
Increase in net pension asset	38,141
Net pension asset, beginning of year	-
Net pension assets, end of year	<u><u>\$ 38,141</u></u>

The annual pension cost for 2010 was determined as part of the actuarial valuation using the January 1, 2010 aggregate actuarial method. This method does not identify or separately amortize unfunded actuarial accrued liabilities. The actuarial assumptions for 2010 included (a) 8 percent investment rate of return (net of administrative expenses) and (b) projected salary increases of 3 percent per year, compounded annually and retirement at age 65. The actuarial valuation at January 1, 2010 assumes retirement at age 62 with 30 years of service. The assumptions did not include any postretirement benefits. The actuarial value of assets was determined using the current market value of investments.

Three-Year Trend Information			
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
December 31, 2008	\$ 277,211	108%	\$ (18,540)
December 31, 2009	397,984	95	-
December 31, 2010	357,677	111	(38,141)

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 12. Deficit Fund Balances

Funds with deficit balances as of June 30, 2011 were as follows:

Major governmental, Special revenue, Grants	\$ 3,479,080
Nonmajor governmental:	
Special revenue,	
Community Development Block Grant	50,175

Note 13. Commitments

Construction: The City is involved in construction of capital assets, mainly streets, riverfront improvements and Brownfields reconstruction. Much of the construction is partially funded through federal, state and local grants and donations. City participation in the programs is generally funded through proceeds of debt issues, local option taxes and distributions from the Black Hawk County Solid Waste Management Commission. As of June 30, 2011, the City was committed to approximately \$20.1 million of construction contracts.

Property tax rebates: The City has entered into a number of development agreements with various businesses located in City tax increment financing districts. The agreements offer rebates of portions of taxes paid for up to 10 years, depending on each individual agreement. The amount of the rebates are a percentage of the actual taxes paid by the business. Rebates are reported at the time property taxes are received. See Note 9 for additional information.

Loan guarantee: The City has guaranteed a bank loan of Cedar Skyline Corporation d/b/a Main Street Waterloo. In the event the primary debtor is unable to repay the loan, the City would be required to make the payments. As of June 30, 2011, the note balance was \$241,333.

Note 14. Other Postemployment Benefits

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

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

The required contribution is based on projected pay-as-you-go financing. For fiscal year 2011, the City contributed \$1,604,711. Retiree and active members receiving benefits have required contributions of \$570.17 per month for single health coverage and \$1,443.42 for family coverage.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 14. Other Postemployment Benefits (Continued)

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

Annual required contribution	\$ 3,592,000
Interest on net OPEB obligation	94,950
Adjustment to annual required contribution	(100,716)
Annual OPEB cost (expense)	<u>3,586,234</u>
Contributions and payments made	<u>1,604,711</u>
Increase in net OPEB obligation	1,981,523
Net OPEB obligation - July 1, 2010	<u>2,110,000</u>
Net OPEB obligation - June 30, 2011	<u><u>\$ 4,091,523</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations for 2011 and the two preceding years follows. Fiscal year 2009 was the transition year of GASB Statement No. 45.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 2,775,000	81.48%	\$ 514,000
June 30, 2010	3,590,000	55.54	2,110,000
June 30, 2011	3,586,234	44.75	4,091,523

Funded status and funding progress: As of July 1, 2009, the most recent valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$42,655,000 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$42,655,000. The covered payroll (annual payroll of active employees covered by the plan) was \$30,477,806 and the ratio of the UAAL to the covered payroll was 139.95 percent.

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

Notes to Basic Financial Statements

Note 14. Other Postemployment Benefits (Continued)

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

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

Note 15. Employee Health Care Plan

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

The City purchases stop-loss insurance, \$100,000 specific and 125 percent aggregate of expected claims with individual lifetime limit of \$2,500,000.

The City's estimated unpaid claims as of June 30 and its needed reserves for claim fluctuation were determined by an actuarial study performed as of June 30. All outstanding claims are expected to be paid in fiscal year 2012. Changes and balances are as follows:

	2011	2010
Estimated unpaid claims, beginning of year	\$ 1,204,488	\$ 1,118,259
Estimated claims incurred	9,111,302	8,482,295
Claims payments	(9,015,551)	(8,396,066)
Estimated unpaid claims, end of year	<u>\$ 1,300,239</u>	<u>\$ 1,204,488</u>

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 16. Worker's Compensation Plan

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

The City's estimated unpaid claims as of June 30 are based on projected costs of future payments for injuries incurred prior to June 30. Changes and balances are as follows:

	2011	2010
Estimated unpaid claims, beginning of year	\$ 145,231	\$ 189,707
Estimated claims incurred	887,459	412,296
Claims payments	(662,681)	(456,772)
Estimated unpaid claims, end of year	<u>\$ 370,009</u>	<u>\$ 145,231</u>

Note 17. Joint Ventures and Jointly Governed Organizations

The City is a participating member of several organizations including the Black Hawk County Criminal Justice Information System (CJIS), the Consolidated Dispatch Center (Center), the Black Hawk County Solid Waste Management Commission (SWMC) and the Metropolitan Transit Authority (MET). In addition, the City pays its share of costs for CJIS, including debt service, pays its share of costs of the Center, pays landfill fees to SWMC and levies and collects property taxes from Black Hawk County and remits them to MET (\$1,393,022 during the year ended June 30, 2011). During the year ended June 30, 2011, the City received a distribution of \$1,073,828 from SWMC. Cumulative unexpended SWMC distributions are reported in the General Fund as designated for Vision Iowa projects. Also, during the year ended June 30, 2011, the Sanitation Fund received an operating grant of \$274,988 from SWMC. This grant was used to offset recycling costs.

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

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

Note 18. Industrial Development Revenue Bonds

The City has issued a total of \$143,041,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The amount outstanding as of June 30, 2011 is not reported to the City by either the debtors or creditors. Therefore, outstanding balances are unknown. The bonds and related interest are payable solely from revenue of applicable projects. Bond principal and interest do not constitute liabilities of the City.

Notes to Basic Financial Statements

Note 19. Risk Management

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

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

As of June 30, 2011, the City has assigned \$2,715,628 of its General Fund, fund balance for insurable risks retained.

Note 20. Community Economic Betterment Account Agreements

During fiscal year 2008, the City passed through \$350,000 of proceeds received from the state to two businesses under Community Economic Betterment Account (CEBA) Agreements. Two loans, in the amounts of \$150,000 and \$100,000, respectively, are set up as forgivable loans. In addition, \$100,000 is to be paid back to the state directly from the business at 0 percent interest and 60 monthly payments of \$1,668 until June 1, 2013. As of June 30, 2011, \$290,000 of the loan remained outstanding.

Note 21. Contingencies

The City is involved in various lawsuits in the normal course of business. There are several actions pending. Legal counsel has advised the City that it is reasonably possible that the City may incur losses of \$90,000 from these cases that would not be covered under the City's insurance policies.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 22. Fund Balances

In fiscal year 2011, the City adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. The details for the City's fund balances are as follows:

Fund balances:	General	Trust and Agency	Local Option Tax	General Obligation Debt Service	Grants	Nonmajor Governmental	Total
Nonspendable:							
Inventories	\$ 254,293	\$ -	\$ -	\$ -	\$ -	\$ 157,328	\$ 411,621
Prepays	56,139	-	-	-	-	50,772	106,911
Total nonspendable	310,432	-	-	-	-	208,100	518,532
Restricted:							
Debt service	-	-	-	465,858	-	1,288,352	1,754,210
Self-funded health insurance	1,740,473	-	-	-	-	-	1,740,473
Tourism promotion	792,217	-	-	-	-	-	792,217
Public access television	128,829	-	-	-	-	-	128,829
Housing	28,558	-	-	-	-	4,131,609	4,160,167
Donor specified	912,614	-	-	-	-	-	912,614
Employee benefits	-	2,779,009	-	-	-	-	2,779,009
Library	-	-	-	-	-	80,101	80,101
Street construction	-	-	7,393,004	-	-	-	7,393,004
Loan reserve	-	-	-	-	-	517,572	517,572
Street and right-of-way maintenance	-	-	-	-	-	4,473,746	4,473,746
Improvements	-	-	-	-	-	18,227,917	18,227,917
Total restricted	3,602,691	2,779,009	7,393,004	465,858	-	28,719,297	42,959,859
Committed:							
Vision Iowa projects	662,415	-	-	-	-	-	662,415
Total committed	662,415	-	-	-	-	-	662,415
Assigned:							
Insurance	2,715,628	-	-	-	-	-	2,715,628
Other postemployment benefits	1,049,135	-	-	-	-	-	1,049,135
Bi-weekly payroll	1,062,000	-	-	-	-	-	1,062,000
Other	52,114	-	-	-	-	506,321	558,435
Improvements	-	-	1,816,285	-	-	-	1,816,285
Total assigned	4,878,877	-	1,816,285	-	-	506,321	7,201,483
Unassigned	8,417,600	-	-	-	(3,479,080)	(1,671,235)	3,267,285
Total fund balances	\$ 17,872,015	\$ 2,779,009	\$ 9,209,289	\$ 465,858	\$ (3,479,080)	\$ 27,762,483	\$ 54,609,574

Notes to Basic Financial Statements

Note 23. New GASB Statements and Pending Pronouncements

The City adopted the following GASB statements during the year ended June 30, 2011:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints. As described in Note 22 to the basic financial statements, the District reclassified the fund balances for all governmental funds as a result of the implementation of this Statement.
- GASB Statement No. 59, *Financial Instruments Omnibus*. This Statement is intended to update and improve existing standards regarding financial reporting of certain financial instruments and external investment pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investment pools, addressing the applicability of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, and applying the reporting provisions for interest-earning investment contracts of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

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

- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, an amendment of GASB Statement No. 43 and No. 45, issued January 2010, will be effective for the City beginning with its year ending June 30, 2012. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans.
- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement, and disclosure requirements SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.

Notes to Basic Financial Statements

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

- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, issued November 2010, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued January 2011, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued July 2011, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.

Notes to Basic Financial Statements

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

- GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), issued July 2011, will be effective for the City beginning with its year ending June 30, 2012. This Statement clarifies that when certain conditions are met, the use of hedge accounting should not be terminated. Those conditions are: (a) the collectibility of swap payments is considered to be probable, (b) the replacement of the counterparty or credit support provider meets the criteria of an assignment or in-substance assignment as described in the Statement, and (c) the counterparty or counterparty credit support provider (and not the government) has committed the act of default or termination event. When all of these conditions exist, the GASB believes that the hedging relationship continues and hedge accounting should continue to be applied.

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

Note 24. Subsequent Event

In June 2011, the City authorized the issuance of tax-exempt sewer revenue bonds, which were issued in the principal amount of \$1,725,000 and taxable sewer revenue bonds, which were issued in the principal amount of \$4,560,000 on July 26, 2011. The proceeds were used to pay the costs of issuance and to redeem outstanding sewer revenue bonds in the amount of \$2,705,000 for the exempt issue and \$4,950,000 for the taxable issue. Sewer debt reserves of \$1,495,000 required for the prior issues were also used to retire a portion of the outstanding principal balances. The City incurred total debt service for the new issues of \$6,545,447 (\$6,285,000 principal and \$260,447 interest) and retired total debt service for the prior issues in the amount of \$8,711,150 (\$7,655,000 principal and \$1,056,150 interest). This resulted in net savings of \$670,703 in total future debt service. Interest rates on the new exempt bonds range from 2 percent to 3 percent, while rates on the new taxable bonds range from 0.65 percent to 2.05 percent.

City of Waterloo, Iowa

**Required Supplementary Information
Other Postemployment Benefit Plan**

SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Net Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2009	7/1/07	\$ -	\$ 35,372,000	\$ 35,372,000	- %	\$ 28,761,923	122.98%
2010	7/1/09	-	42,655,000	42,655,000	-	29,563,940	144.28
2011	7/1/09	-	42,655,000	42,655,000	-	30,477,806	139.95

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

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

City of Waterloo, Iowa

Budgetary Comparison Schedule
Budget and Actual (Modified Cash Basis) - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2011

	Budgeted Amounts	
	Original	Final
Revenues and other financing sources receipts:		
Receipts:		
Property taxes	\$ 37,312,210	\$ 37,312,210
Tax increment financing	5,067,418	5,067,418
Other City taxes	13,868,369	13,979,869
Licenses and permits	1,092,560	1,092,560
Use of money and property	1,297,959	1,297,959
Intergovernmental	37,652,343	38,750,307
Charges for services	21,174,669	22,412,159
Special assessments	112,100	112,100
Miscellaneous	5,570,623	8,276,260
Total receipts	123,148,251	128,300,842
Other financing sources:		
Transfer from other funds	17,648,915	17,952,026
Issuance of long-term debt	12,563,000	23,526,141
Proceeds from sale of capital assets	80,600	80,600
Total other financing sources	30,292,515	41,558,767
Total receipts and other financing sources	153,440,766	169,859,609
Disbursements and other financing uses:		
Governmental-type activities:		
Public safety	27,832,819	28,483,632
Public works	23,633,441	25,408,053
Health and social services	325,032	364,013
Culture and recreation	8,637,554	9,144,216
Community and economic development	15,269,469	16,436,340
General government	4,783,687	6,044,408
Debt service	17,629,135	21,032,246
Capital projects	27,419,584	27,637,576
Business-type activities	18,738,044	26,742,097
Total disbursements	144,268,765	161,292,581
Other financing uses, transfers to other funds	17,648,915	17,952,026
Total disbursements and other financing uses	161,917,680	179,244,607
Receipts and other financing sources over (under) disbursements and other financing uses	(8,476,914)	(9,384,998)
Balances, beginning of year	61,356,703	67,793,502
Balances, end of year	\$ 52,879,789	\$ 58,408,504

See Note to Required Supplementary Information.

Actual Amounts Budgetary Basis		Variance With Fund Budget
\$	37,354,864	\$ 42,654
	5,052,144	(15,274)
	14,409,497	429,628
	1,241,572	149,012
	1,684,752	386,793
	32,349,405	(6,400,902)
	23,228,775	816,616
	125,954	13,854
	7,842,011	(434,249)
	<u>123,288,974</u>	<u>(5,011,868)</u>
	16,865,584	(1,086,442)
	17,814,606	(5,711,535)
	221,808	141,208
	<u>34,901,998</u>	<u>(6,656,769)</u>
	<u>158,190,972</u>	<u>(11,668,637)</u>
	27,524,724	958,908
	21,575,522	3,832,531
	323,925	40,088
	8,562,227	581,989
	12,866,833	3,569,507
	5,536,757	507,651
	20,233,176	799,070
	18,217,043	9,420,533
	13,687,283	13,054,814
	<u>128,527,490</u>	<u>32,765,091</u>
	16,865,584	1,086,442
	<u>145,393,074</u>	<u>33,851,533</u>
	12,797,898	22,182,896
	67,793,502	-
\$	<u>80,591,400</u>	\$ <u>22,182,896</u>

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City of Waterloo, Iowa

**Note to Required Supplementary Information – Budgetary Reporting
Year Ended June 30, 2011**

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

Formal and legal budgetary control is based upon 10 major classes of disbursements known as functions, not by fund or fund type. These 10 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type and nonprogram. Although the budget document presents function disbursements by fund type, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, a budget amendment was adopted which increased budgeted expenditures by approximately \$17,023,816. The budget amendment is reflected in the final budgeted amount.

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

City of Waterloo, Iowa

**Schedule of Comparison
Funds Statements (GAAP Basis) to Budgetary (Modified Cash) Basis
Required Supplementary Information
Year Ended June 30, 2011**

	Governmental Fund Types Basis Actual Amounts	Enterprise Fund Types Basis Actual Amounts	Total Funds
Revenue/Receipts:			
Property taxes and TIF revenue	\$ 41,013,565	\$ -	\$ 41,013,565
Other taxes	14,703,052	-	14,703,052
Licenses and permits	1,236,912	-	1,236,912
Use of money and property	1,246,349	21,055	1,267,404
Intergovernmental	30,092,432	524,802	30,617,234
Charges for services	6,397,007	16,659,493	23,056,500
Interfund charges for services	2,134,553	-	2,134,553
Special assessments	47,171	-	47,171
Miscellaneous	3,292,228	70,747	3,362,975
Total revenue/receipts	100,163,269	17,276,097	117,439,366
Expenditures and expenses/disbursements:			
Public safety	27,686,410	-	27,686,410
Public works	19,761,835	-	19,761,835
Health and social services	325,730	-	325,730
Culture and recreation	8,960,633	-	8,960,633
Community and economic development	15,740,405	-	15,740,405
General government	5,623,650	-	5,623,650
Debt service	12,188,700	-	12,188,700
Capital projects	11,792,357	-	11,792,357
Business-type activities	-	13,846,081	13,846,081
Total expenditures and expenses/disbursements	102,079,720	13,846,081	115,925,801
Net	(1,916,451)	3,430,016	1,513,565

(Continued)

Budgetary Basis Exceptions	Property Tax Collected for and Remitted to MET	Other GAAP Conversion Adjustments	Budgetary Basis
\$ -	\$ 1,393,022	\$ 421	\$ 42,407,008
-	-	(293,555)	14,409,497
-	-	4,660	1,241,572
-	-	417,348	1,684,752
-	-	1,732,171	32,349,405
-	-	172,275	23,228,775
-	-	(2,134,553)	-
-	-	78,783	125,954
-	-	4,479,036	7,842,011
-	1,393,022	4,456,586	123,288,974
-	-	(161,686)	27,524,724
-	1,393,022	420,665	21,575,522
-	-	(1,805)	323,925
-	-	(398,406)	8,562,227
-	-	(2,873,572)	12,866,833
-	-	(86,893)	5,536,757
8,526,807 (a,b)	-	(482,331)	20,233,176
-	-	6,424,686	18,217,043
(2,940,324) (a)	-	2,781,526	13,687,283
5,586,483	1,393,022	5,622,184	128,527,490
(5,586,483)	-	(1,165,598)	(5,238,516)

City of Waterloo, Iowa

**Schedule of Comparison
Funds Statements (GAAP Basis) to Budgetary (Modified Cash) Basis (Continued)
Required Supplementary Information
Year Ended June 30, 2011**

	Governmental Fund Types Basis Actual Amounts	Enterprise Fund Types Basis Actual Amounts	Total Funds
Other financing sources (uses):			
Transfers in	\$ 13,368,149	\$ -	\$ 13,368,149
Transfers out	(13,297,918)	(70,231)	(13,368,149)
Capital Contributions	-	81,302	81,302
Insurance proceeds	138,157	-	138,157
Bond discount	(37,240)	-	(37,240)
Bond premium	391,123	-	391,123
Proceeds from sales of capital assets	221,807	-	221,807
Issuance of long-term debt	13,235,081	-	13,235,081
Payments to refunding escrow	(5,586,483)	-	(5,586,483)
Total other financing sources (uses)	8,432,676	11,071	8,443,747
Change in fund balance/net assets	6,516,225	3,441,087	9,957,312
Balance, beginning of year	48,093,349	80,393,006	128,486,355
Balance, end of year	<u>\$ 54,609,574</u>	<u>\$ 83,834,093</u>	<u>\$ 138,443,667</u>

(a) Principal and interest on general obligation debt of \$2,940,324 incurred by the Sanitary Sewer Fund was accounted and reported in the General Obligation Debt Service Fund. The Sanitary Sewer Fund reported a transfer out of that amount and the General Obligation Debt Service Fund reported a transfer in.

(b) Refunding proceeds directly wired to refunding escrow of \$5,586,483 were budgeted and reported as debt service.

Budgetary Basis Exceptions	Property Tax Collected for and Remitted to MET	Other GAAP Conversion Adjustments	Budgetary Basis
\$ 2,940,324 (a)	\$ -	\$ 557,111	\$ 16,865,584
(2,940,324) (a)	-	(557,111)	(16,865,584)
-	-	(81,302)	-
-	-	(138,157)	-
-	-	37,240	-
-	-	(391,123)	-
-	-	1	221,808
-	-	4,579,525	17,814,606
5,586,483 (b)	-	-	-
5,586,483	-	4,006,184	18,036,414
-	-	2,840,586	12,797,898
-	-	(60,692,853)	67,793,502
\$ -	\$ -	\$ (57,852,267)	\$ 80,591,400

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City of Waterloo, Iowa

**Schedule of Revenues, Expenditures and Changes in Fund Balances
General Fund
Year Ended June 30, 2011**

Revenues:	
Property taxes	\$ 17,497,206
Other taxes	4,074,903
Licenses and permits	1,223,505
Investment income	94,150
Rent	779,847
Intergovernmental	2,002,023
Charges for services	6,084,239
Indirect allocations	2,084,553
Special assessments	47,171
Miscellaneous	2,328,074
Total revenues	<u><u>\$ 36,215,671</u></u>
Expenditures:	
Public safety function	
Mayor	
Black Hawk Emergency Management Agency	
Contractual services	\$ 75,111
Total activity and department	<u>75,111</u>
Police department	
Police operations	
Compensation and benefits	10,100,208
Contractual services	791,776
Commodities	352,817
Total activity	<u>11,244,801</u>
Police computer services	
Contractual services	66,119
Commodities	58,281
Total activity	<u>124,400</u>
Police grants	
Compensation and benefits	730,698
Contractual services	65,404
Commodities	102,778
Total activity	<u>898,880</u>
Law enforcement programs	
Compensation and benefits	17,885
Contractual services	216,886
Commodities	117,772
Total activity	<u>352,543</u>
Tobacco grant	
Compensation and benefits	2,064
Total activity	<u>2,064</u>
COPS grant	
Compensation and benefits	291,348
Contractual services	45,785
Total activity	<u>337,133</u>
Public safety administration	
Compensation and benefits	90,183
Contractual services	1
Total activity	<u>90,184</u>
Total department	<u><u>13,050,005</u></u>

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2011

Expenditures:

Public safety function

Fire department

Fire protection

Compensation and benefits \$ 8,155,882

Contractual services 396,460

Commodities 174,041

Total activity 8,726,383

Fire restricted programs

Compensation and benefits 3,675

Contractual services 580

Commodities 107,546

Total activity 111,801

Fire ambulance services

Compensation and benefits 1,198,735

Contractual services 156,589

Commodities 197,999

Total activity 1,553,323

Fire safety program

Compensation and benefits 148,415

Contractual services 37,168

Commodities 2,405

Total activity 187,988

Fire Federal CDC Grant

Compensation and benefits 139,725

Contractual services 38,813

Commodities 5,646

Total activity 184,184

Total department 10,763,679

Traffic operations department

Animal Control

Contractual services 219,066

Commodities 425

Total activity and department 219,491

Building inspection department

Building and housing safety

Compensation and benefits 790,479

Contractual services 25,995

Commodities 33,699

Total activity and department 850,173

Public safety function totals

Current

Compensation and benefits 21,669,297

Contractual services 2,135,753

Commodities 1,153,409

Total public safety function \$ 24,958,459

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2011

Expenditures:

Public works function

Mayor

Telecommunications

Contractual services

\$ 58

Total activity and department

58

Clerk

Parking administration

Compensation and benefits

74,331

Contractual services

39,855

Commodities

3,714

Total activity and department

117,900

City engineer

Gateway improvements

Capital outlay

2,655

Total activity

2,655

Sidewalk repair/construction

Capital outlay

94,876

Total activity

94,876

Total activity and department

97,531

Traffic operations

Parking maintenance

Compensation and benefits

193,782

Contractual services

45,012

Commodities

12,232

Total activity and department

251,026

Central garage

Central garage

Compensation and benefits

705,295

Contractual services

21,201

Commodities

91,609

Total activity

818,105

Motor pool service

Commodities

324,575

Total activity

324,575

Total department

1,142,680

Airport

Airport administration

Compensation and benefits

480,707

Contractual services

251,833

Commodities

109,054

Total activity and department

841,594

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2011

Expenditures:

Public works function

Public works function totals

Current

Compensation and benefits

\$ 1,454,115

Contractual services

357,959

Commodities

541,184

Subtotal

2,353,258

Capital outlay

97,531

Total public works function

\$ 2,450,789

Health and social services function

Mayor

Jesse cosby neighborhood

Contractual services

\$ 3,000

Total activity

3,000

Health and sanitation

Contractual services

75,000

Total activity

75,000

Total department

78,000

Human rights department

Human rights

Compensation and benefits

174,855

Contractual services

13,449

Commodities

2,480

Total activity

190,784

Housing enforcement

Compensation and benefits

22,032

Contractual services

28,952

Total activity

50,984

Cedar Valley diversity action team

Contractual services

5,962

Total activity

5,962

Total department

247,730

Health and social services function totals

Current

Compensation and benefits

196,887

Contractual services

126,363

Commodities

2,480

Total health and social services function

\$ 325,730

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2011

Expenditures:

Culture and recreation function

Mayor

KBBG communications

Contractual services

\$ 3,000

Total activity

3,000

Fairview cemetery association

Contractual services

50,000

Total activity

50,000

Total department

53,000

Cultural/arts

Center for the arts

Compensation and benefits

606,946

Contractual services

81,796

Commodities

25,862

Total activity

714,604

Youth pavilion

Compensation and benefits

250,467

Contractual services

48,713

Commodities

25,690

Total activity

324,870

Culture and arts grants and projects

Contractual services

68,389

Total activity

68,389

Total department

1,107,863

Library

Library services

Compensation and benefits

1,166,936

Contractual services

257,056

Commodities

179,393

Total activity

1,603,385

Library Enrich Iowa

Contractual services

11,127

Commodities

2,254

Total activity

13,381

Library access plus

Commodities

6,498

Total activity

6,498

Library grants

Contractual services

354

Commodities

44,417

Capital outlay

5,624

Total activity

50,395

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2011

Expenditures:

Culture and recreation function

Library

Library gift and trust

Contractual services \$ 21,358

Commodities 84,099

Total activity 105,457

Library service area

Commodities 30,371

Total activity 30,371

County library system

Compensation and benefits 62,784

Contractual services 11,083

Commodities 9,792

Total activity 83,659

Library open access

Commodities 7,921

Total activity 7,921

Total department 1,901,067

Leisure services

Leisure services

Compensation and benefits 1,734,093

Contractual services 215,382

Commodities 296,882

Total activity 2,246,357

Downtown area maintenance

Compensation and benefits 162,869

Contractual services 19,047

Commodities 37,939

Total activity 219,855

Leisure services projects

Compensation and benefits 1,282

Contractual services 9,794

Commodities 32,294

Capital outlay 33,100

Total activity 76,470

Golf courses

Compensation and benefits 850,684

Contractual services 113,675

Commodities 142,693

Total activity 1,107,052

Golf course improvements

Contractual services 782

Commodities 10,318

Total activity 11,100

Sports and youth services

Compensation and benefits 426,185

Contractual services 43,450

Commodities 104,496

Total activity 574,131

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2011

Expenditures:

Culture and recreation function

Leisure services

Young arena

Compensation and benefits

\$ 403,305

Contractual services

156,493

Commodities

184,810

Total activity

744,608

Total department

4,979,573

Culture and recreation function totals

Current

Compensation and benefits

5,665,551

Contractual services

1,111,499

Commodities

1,225,729

Subtotal

8,002,779

Capital outlay

38,724

Total culture and recreation function

\$ 8,041,503

Community and economic development function

Mayor

Iowa northland council of governments

Contractual services

\$ 30,248

Total activity

30,248

Tourism promotion

Contractual services

253,610

Total activity

253,610

Waterloo Convention & Visitors Bureau, Inc.

Contractual services

591,421

Total activity

591,421

Economic development

Contractual services

5,900

Total activity

5,900

Total department

881,179

Planning and zoning

Planning and zoning

Compensation and benefits

356,788

Contractual services

15,445

Commodities

4,604

Total activity

376,837

City property management

Contractual services

47,386

Total activity

47,386

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2011

Expenditures:

Community and economic development function

Planning and zoning

Economic development

Compensation and benefits

\$ 62,050

Contractual services

9,500

Total activity

71,550

Special projects

Contractual services

1,760

Total activity

1,760

Total department

497,533

Police department

Code enforcement

Compensation and benefits

182,318

Contractual services

9,971

Commodities

7,547

Total activity and department

199,836

Five Sullivans Civic Center

Compensation and benefits

82,213

Contractual services

75,714

Commodities

20,625

Total activity and department

178,552

Community and economic development function totals

Current

Compensation and benefits

683,369

Contractual services

1,040,955

Commodities

32,776

Total community and economic development function

\$ 1,757,100

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2011

Expenditures:

General government function

Mayor

Mayor's office

Compensation and benefits \$ 173,085

Contractual services 7,953

Commodities 1,374

Total activity 182,412

Administrative and management information services

Compensation and benefits 187,373

Contractual services 83,069

Commodities 5,585

Total activity 276,027

Total department 458,439

City council

City council

Compensation and benefits 61,091

Total activity and department 61,091

City clerk and finance

Telecommunications

Compensation and benefits 128,568

Contractual services 798

Commodities 1,627

Total activity 130,993

City clerk and finance

Compensation and benefits 706,651

Contractual services 328,107

Claims, judgments, contingencies 700

Commodities 14,742

Total activity 1,050,200

Liability insurance

Compensation and benefits 62,957

Contractual services 1,125,504

Total activity 1,188,461

Health/life insurance

Compensation and benefits (12,682)

Contractual services 129,888

Total activity 117,206

Self-funded worker's compensation

Contractual services 875,847

Total activity 875,847

Print shop

Contractual services 37,843

Total activity 37,843

Total department 3,400,550

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2011

Expenditures:

General government function

City attorney

City attorney

Compensation and benefits

\$ 155,628

Contractual services

184,785

Commodities

11,558

Total activity and department

351,971

Human resources

Employee assistance program

Contractual services

2,384

Total activity

2,384

Human resources

Compensation and benefits

266,186

Contractual services

20,197

Commodities

2,075

Total activity

288,458

Safety committee

Compensation and benefits

6,029

Contractual services

6,498

Commodities

3,286

Total activity

15,813

Total department

306,655

Building inspection

Facilities maintenance

Compensation and benefits

158,282

Contractual services

209,144

Commodities

42,435

Total activity

409,861

Facilities restricted project

Contractual services

79

Commodities

3,906

Total activity

3,985

Veteran's memorial hall

Contractual services

8,038

Total activity

8,038

Total department

421,884

General government function totals

Current

Compensation and benefits

1,893,168

Contractual services

3,020,834

Commodities

86,588

Total general government function

\$ 5,000,590

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2011

Expenditures:

Public safety	\$ 24,958,459
Public works	2,450,789
Health and social services	325,730
Culture and recreation	8,041,503
Community and economic development	1,757,100
General government	<u>5,000,590</u>

Total expenditures \$ 42,534,171

Revenue under expenditures \$ (6,318,500)

Other financing sources (uses):

Transfers in	8,596,505
Transfers out	(1,406,838)
Insurance proceeds	27,172
Proceeds from sale of capital assets	<u>221,807</u>
Total other financing sources	<u>7,438,646</u>

Net change in fund balance 1,120,146

Fund balance, beginning of year	<u>16,751,869</u>
Fund balance, end of year	<u><u>\$ 17,872,015</u></u>

City of Waterloo, Iowa

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2011

	Special Revenue	Capital Projects	Total
Assets			
Cash and cash equivalents	\$ 7,365,315	\$ 17,482,005	\$ 24,847,320
Investments	502,543	-	502,543
Receivables:			
Customer accounts	10,214	1,581,109	1,591,323
Property taxes:			
Delinquent	28,892	-	28,892
Succeeding year	6,159,233	-	6,159,233
Accrued interest	20	-	20
Due from other funds	131,634	71,257	202,891
Due from other governments:			
Federal	494,311	-	494,311
Iowa	1,515,072	1,117,853	2,632,925
Other	42,811	137,264	180,075
Inventories and prepaids	208,100	-	208,100
Restricted assets, cash and cash equivalents	2,375,611	-	2,375,611
Total assets	\$ 18,833,756	\$ 20,389,488	\$ 39,223,244
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 426,237	\$ 1,212,557	\$ 1,638,794
Retainages payable	29,250	679,988	709,238
Accrued liabilities	238,661	-	238,661
Due to other funds	223,246	-	223,246
Deferred revenue	6,541,461	1,996,988	8,538,449
Compensated absences	32,044	-	32,044
Payable from restricted assets	80,329	-	80,329
Total liabilities	7,571,228	3,889,533	11,460,761
Fund Balances:			
Nonspendable	208,100	-	208,100
Restricted	10,693,563	18,025,734	28,719,297
Assigned	506,321	-	506,321
Unassigned	(145,456)	(1,525,779)	(1,671,235)
Total fund balances	11,262,528	16,499,955	27,762,483
Total liabilities and fund balances	\$ 18,833,756	\$ 20,389,488	\$ 39,223,244

City of Waterloo, Iowa

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2011**

	Special Revenue	Capital Projects	Total
Revenues:			
Property taxes	\$ 5,690,848	\$ -	\$ 5,690,848
Other taxes	25,130	-	25,130
Licenses and permits	13,407	-	13,407
Investment income	9,071	11,184	20,255
Rent	191,856	-	191,856
Intergovernmental	16,906,788	6,617,347	23,524,135
Charges for services	301,788	-	301,788
Interfund charges for services	50,000	-	50,000
Miscellaneous	57,437	762,019	819,456
Total revenues	23,246,325	7,390,550	30,636,875
Expenditures:			
Current:			
Public safety	10,476	-	10,476
Public works	7,620,062	-	7,620,062
Culture and recreation	560,918	-	560,918
Community and economic development	10,536,597	-	10,536,597
General government	93	-	93
Debt service:			
Principal	510,804	-	510,804
Interest and fees	26,818	3,080	29,898
Bond issuance costs	-	41,540	41,540
Capital outlay	-	11,792,357	11,792,357
Total expenditures	19,265,768	11,836,977	31,102,745
Revenues over (under) expenditures	3,980,557	(4,446,427)	(465,870)
Other financing sources (uses):			
Transfers in	59,000	1,086,037	1,145,037
Transfers out	(3,353,574)	-	(3,353,574)
Bond discount	-	(16,880)	(16,880)
Bond premium	-	232,646	232,646
Issuance of long-term debt	-	7,500,000	7,500,000
Total other financing sources (uses)	(3,294,574)	8,801,803	5,507,229
Net change in fund balance	685,983	4,355,376	5,041,359
Fund balance, beginning of year	10,576,545	12,144,579	22,721,124
Fund balance, end of year	\$ 11,262,528	\$ 16,499,955	\$ 27,762,483

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City of Waterloo, Iowa

**Special Revenue Funds
June 30, 2011**

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

Nonmajor:

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

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

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

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

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

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

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

City of Waterloo, Iowa

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2011

	Special Revenue			
	Library Tax Levy	Community Development Block Grant	Section 108 Loan Program	Road Use Tax
Assets				
Cash and cash equivalents	\$ 173,445	\$ 700	\$ 517,572	\$ 3,361,765
Investments	-	-	-	-
Receivables:				
Customer accounts	-	-	-	10,214
Property taxes:				
Delinquent	5,431	-	-	-
Succeeding year	555,937	-	-	-
Accrued interest	-	-	-	-
Due from other funds	7,825	2,211	-	108,189
Due from other governments:				
Federal	-	165,790	-	-
Iowa	-	-	-	1,305,324
Other	6,446	-	-	-
Inventories and prepaids	-	45,000	-	157,328
Restricted cash and cash equivalents	-	-	-	-
Total assets	\$ 749,084	\$ 213,701	\$ 517,572	\$ 4,942,820
Liabilities and Fund Balances (Deficits)				
Liabilities:				
Accounts payable	\$ -	\$ 165,276	\$ -	\$ 66,782
Retainages payable	-	-	-	-
Accrued liabilities	25,306	27,737	-	160,834
Due to other funds	-	-	-	-
Deferred revenue	561,368	65,662	-	65,073
Compensated absences	2,763	5,201	-	19,057
Payable from restricted assets	-	-	-	-
Total liabilities	589,437	263,876	-	311,746
Fund balances (deficits):				
Nonspendable	-	45,000	-	157,328
Restricted	80,101	-	517,572	4,473,746
Assigned	79,546	-	-	-
Unassigned	-	(95,175)	-	-
Total fund balances (deficits)	159,647	(50,175)	517,572	4,631,074
Total liabilities and fund balances (deficits)	\$ 749,084	\$ 213,701	\$ 517,572	\$ 4,942,820

Special Revenue				
Housing Programs	Federal Aviation Agency Projects	Tax Increment Financing	Total	
\$ 1,593,384	\$ -	\$ 1,718,449	\$ 7,365,315	
502,543	-	-	502,543	
-	-	-	10,214	
-	-	23,461	28,892	
-	-	5,603,296	6,159,233	
20	-	-	20	
13,409	-	-	131,634	
6,504	322,017	-	494,311	
-	209,748	-	1,515,072	
-	-	36,365	42,811	
5,772	-	-	208,100	
2,173,428	202,183	-	2,375,611	
<u>\$ 4,295,060</u>	<u>\$ 733,948</u>	<u>\$ 7,381,571</u>	<u>\$ 18,833,756</u>	
\$ 47,543	\$ 107,975	\$ 38,661	\$ 426,237	
-	29,250	-	29,250	
24,784	-	-	238,661	
-	222,220	1,026	223,246	
-	222,601	5,626,757	6,541,461	
5,023	-	-	32,044	
80,329	-	-	80,329	
<u>157,679</u>	<u>582,046</u>	<u>5,666,444</u>	<u>7,571,228</u>	
5,772	-	-	208,100	
4,131,609	202,183	1,288,352	10,693,563	
-	-	426,775	506,321	
-	(50,281)	-	(145,456)	
<u>4,137,381</u>	<u>151,902</u>	<u>1,715,127</u>	<u>11,262,528</u>	
<u>\$ 4,295,060</u>	<u>\$ 733,948</u>	<u>\$ 7,381,571</u>	<u>\$ 18,833,756</u>	

City of Waterloo, Iowa

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Nonmajor Special Revenue Funds
Year Ended June 30, 2011**

	Special Revenue			
	Library Tax Levy	Community Development Block Grant	Section 108 Loan Program	Road Use Tax
Revenues:				
Property taxes	\$ 540,374	\$ -	\$ -	\$ -
Other taxes	25,130	-	-	-
Licenses and permits	-	-	-	13,407
Investment income	314	-	261	-
Rent	-	-	-	-
Intergovernmental	-	3,815,294	-	6,808,362
Charges for services	-	103,898	-	88,478
Interfund charges for services	-	-	-	50,000
Miscellaneous	-	15,828	-	30,087
Total revenues	565,818	3,935,020	261	6,990,334
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	6,415,756
Culture and recreation	560,918	-	-	-
Community and economic development	-	4,000,684	-	-
General government	-	-	93	-
Debt services:				
Principal	-	-	-	-
Interest and fees	-	-	-	-
Total expenditures	560,918	4,000,684	93	6,415,756
Revenue over (under) expenditures	4,900	(65,664)	168	574,578
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balance (deficits)	4,900	(65,664)	168	574,578
Fund balances (deficits), beginning of year	154,747	15,489	517,404	4,056,496
Fund balances (deficits), end of year	\$ 159,647	\$ (50,175)	\$ 517,572	\$ 4,631,074

Special Revenue				
Housing Programs	Federal Aviation Agency Projects	Tax Increment Financing	Total	
\$ -	\$ -	\$ 5,150,474	\$	5,690,848
-	-	-		25,130
-	-	-		13,407
318	976	7,202		9,071
191,856	-	-		191,856
4,977,697	1,305,435	-		16,906,788
26,538	82,874	-		301,788
-	-	-		50,000
11,522	-	-		57,437
5,207,931	1,389,285	5,157,676		23,246,325
-	10,476	-		10,476
-	1,204,306	-		7,620,062
-	-	-		560,918
5,092,753	-	1,443,160		10,536,597
-	-	-		93
-	-	510,804		510,804
-	-	26,818		26,818
5,092,753	1,214,782	1,980,782		19,265,768
115,178	174,503	3,176,894		3,980,557
-	-	59,000		59,000
-	-	(3,353,574)		(3,353,574)
-	-	(3,294,574)		(3,294,574)
115,178	174,503	(117,680)		685,983
4,022,203	(22,601)	1,832,807		10,576,545
\$ 4,137,381	\$ 151,902	\$ 1,715,127	\$	11,262,528

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City of Waterloo, Iowa

Capital Projects Funds June 30, 2011

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

Nonmajor:

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

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

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

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

June 2010 GO Bonds Fund – This fund is used to account for proceeds from the 2010 general obligation bond sale until expended for the restricted purpose.

June 2011 GO Bonds Fund – This fund is used to account for proceeds from the 2011 general obligation bond sale until expended for the restricted purpose.

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

Vision Iowa Projects Fund – This fund is used to account for resources used for costs identified to the Vision Iowa group of projects.

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

City of Waterloo, Iowa

Combining Balance Sheet
 Capital Projects Funds
 June 30, 2011

	June 2007 GO Bonds	June 2008 GO Bonds	June 2009 GO Bonds
Assets			
Cash and cash equivalents	\$ 471,012	\$ 865,622	\$ 1,846,247
Receivables, customer accounts	-	-	-
Due from other funds	-	-	-
Due from other governments:			
Iowa	-	-	-
Other	-	-	-
Total assets	\$ 471,012	\$ 865,622	\$ 1,846,247
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 56,798	\$ 28,299	\$ 33,855
Retainages payable	50,017	90,858	-
Deferred revenue	-	-	-
Total liabilities	106,815	119,157	33,855
Fund balances:			
Restricted	364,197	746,465	1,812,392
Unassigned	-	-	-
Total fund balances	364,197	746,465	1,812,392
Total liabilities and fund balances	\$ 471,012	\$ 865,622	\$ 1,846,247

June 2010 GO Bonds	June 2011 GO Bonds	Rath Area Redevelopment	Vision Iowa Projects	Capital Improvements	Total
\$ 4,298,450	\$ 7,704,788	\$ 73,246	\$ 1,294,571	\$ 928,069	\$ 17,482,005
-	-	-	-	1,581,109	1,581,109
-	-	-	70,231	1,026	71,257
-	-	-	1,117,853	-	1,117,853
-	-	-	137,264	-	137,264
<u>\$ 4,298,450</u>	<u>\$ 7,704,788</u>	<u>\$ 73,246</u>	<u>\$ 2,619,919</u>	<u>\$ 2,510,204</u>	<u>\$ 20,389,488</u>
\$ 148,824	\$ 70,331	\$ -	\$ 785,480	\$ 88,970	\$ 1,212,557
55,771	4,189	-	377,427	101,726	679,988
-	-	-	471,210	1,525,778	1,996,988
<u>204,595</u>	<u>74,520</u>	<u>-</u>	<u>1,634,117</u>	<u>1,716,474</u>	<u>3,889,533</u>
4,093,855	7,630,268	73,246	985,802	2,319,509	18,025,734
-	-	-	-	(1,525,779)	(1,525,779)
<u>4,093,855</u>	<u>7,630,268</u>	<u>73,246</u>	<u>985,802</u>	<u>793,730</u>	<u>16,499,955</u>
<u>\$ 4,298,450</u>	<u>\$ 7,704,788</u>	<u>\$ 73,246</u>	<u>\$ 2,619,919</u>	<u>\$ 2,510,204</u>	<u>\$ 20,389,488</u>

City of Waterloo, Iowa

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Capital Projects Funds
 Year Ended June 30, 2011

	June 2006 GO Bonds	June 2007 GO Bonds	June 2008 GO Bonds	June 2009 GO Bonds
Revenues:				
Investment income	\$ 214	\$ 955	\$ 1,295	\$ 2,561
Intergovernmental	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	214	955	1,295	2,561
Expenditures:				
Debt service:				
Interest and fees	-	-	-	3,080
Bond issuance costs	-	-	-	-
Capital outlay	287,882	955,015	552,417	1,441,322
Total expenditures	287,882	955,015	552,417	1,444,402
Revenues over (under) expenditures	(287,668)	(954,060)	(551,122)	(1,441,841)
Other financing sources (uses):				
Transfers in	-	-	-	-
Bond discount	-	-	-	-
Bond premium	-	-	-	-
Issuance of long-term debt	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balance (deficit)	(287,668)	(954,060)	(551,122)	(1,441,841)
Fund balances, beginning of year	287,668	1,318,257	1,297,587	3,254,233
Fund balances, end of year	\$ -	\$ 364,197	\$ 746,465	\$ 1,812,392

June 2010 GO Bonds	June 2011 GO Bonds	Rath Area Redevelopment	Vision Iowa Projects	Capital Improvements	Total
\$ 6,107	\$ -	\$ 52	\$ -	\$ -	\$ 11,184
-	-	-	6,617,347	-	6,617,347
-	-	-	-	762,019	762,019
6,107	-	52	6,617,347	762,019	7,390,550
-	-	-	-	-	3,080
-	41,540	-	-	-	41,540
3,126,155	43,958	-	3,457,742	1,927,866	11,792,357
3,126,155	85,498	-	3,457,742	1,927,866	11,836,977
(3,120,048)	(85,498)	52	3,159,605	(1,165,847)	(4,446,427)
-	-	-	70,231	1,015,806	1,086,037
-	(16,880)	-	-	-	(16,880)
-	232,646	-	-	-	232,646
-	7,500,000	-	-	-	7,500,000
-	7,715,766	-	70,231	1,015,806	8,801,803
(3,120,048)	7,630,268	52	3,229,836	(150,041)	4,355,376
7,213,903	-	73,194	(2,244,034)	943,771	12,144,579
\$ 4,093,855	\$ 7,630,268	\$ 73,246	\$ 985,802	\$ 793,730	\$ 16,499,955

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City of Waterloo, Iowa

Proprietary Funds

June 30, 2011

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

Major:

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

Nonmajor:

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

City of Waterloo, Iowa

**Fiduciary Funds
June 30, 2011**

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

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

City of Waterloo, Iowa

Statement of Changes in Assets and Liabilities

Agency Fund

Year Ended June 30, 2011

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Metropolitan Transit Agency				
Assets, cash	\$ -	\$ 1,393,022	\$ 1,393,022	\$ -
Liabilities, due to private entities	\$ -	\$ 1,393,022	\$ 1,393,022	\$ -

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**City of Waterloo, Iowa
Statistical Section**

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

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

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities									
Invested in capital assets, net of related debt	\$ 40,960,660	\$ 46,671,542	\$ 56,719,559	\$ 69,770,404	\$ 193,678,687	\$ 202,629,813	\$ 216,863,066	\$ 233,853,135	\$ 243,084,776
Restricted	20,983,272	27,827,667	29,460,969	34,279,423	22,213,054	25,583,429	32,652,537	36,648,414	28,098,845
Unrestricted	3,132,625	4,725,340	6,160,850	6,043,616	5,626,315	7,342,293	4,738,557	3,591,308	9,823,688
Total governmental activities net assets	\$ 65,076,557	\$ 79,224,549	\$ 92,341,378	\$ 110,093,443	\$ 221,518,056	\$ 235,555,535	\$ 254,254,160	\$ 274,092,857	\$ 281,007,309
Business-type activities									
Invested in capital assets, net of related debt	55,430,659	55,900,582	56,679,067	57,945,809	63,144,916	63,754,721	65,420,051	66,494,749	67,576,579
Restricted	5,417,860	6,086,695	4,969,352	6,300,746	3,334,062	3,182,802	3,171,308	3,178,807	3,170,694
Unrestricted	4,882,349	5,624,562	8,055,394	7,422,263	7,963,580	9,473,128	9,440,050	10,719,450	13,086,820
Total business-type activities net assets	\$ 65,730,868	\$ 67,611,839	\$ 69,703,813	\$ 71,668,818	\$ 74,442,558	\$ 76,410,651	\$ 78,031,409	\$ 80,393,006	\$ 83,834,093
Primary government									
Invested in capital assets, net of related debt	96,391,319	102,572,124	113,398,626	127,716,213	256,823,603	266,384,534	282,283,117	300,347,884	310,661,355
Restricted	26,401,132	33,914,362	34,430,321	40,580,169	25,547,116	28,766,231	35,823,845	39,827,221	31,269,539
Unrestricted	8,014,974	10,349,902	14,216,244	13,465,879	13,589,895	16,815,421	14,178,607	14,310,758	22,910,508
Total primary government net assets	\$ 130,807,425	\$ 146,836,388	\$ 162,045,191	\$ 181,762,261	\$ 295,960,614	\$ 311,966,186	\$ 332,285,569	\$ 354,485,863	\$ 364,841,402

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental activities:									
Public safety	\$ 19,924,337	\$ 20,214,741	\$ 22,484,306	\$ 25,251,052	\$ 26,046,236	\$ 26,214,669	\$ 26,719,053	\$ 28,612,482	\$ 29,629,282
Public works	8,856,045	14,829,494	13,689,867	11,579,825	17,265,784	21,705,472	22,435,723	22,839,814	23,276,707
Health and social services	432,228	439,033	251,534	331,759	258,818	268,761	260,584	244,594	257,618
Culture and recreation	6,856,469	6,121,952	6,425,956	6,786,963	8,059,963	8,408,694	9,512,453	9,951,066	10,080,005
Community and economic development	9,817,412	10,274,832	11,909,166	13,741,135	9,666,943	9,581,090	13,520,082	15,138,776	16,675,218
General government	2,889,784	2,935,962	2,783,145	3,415,216	3,903,632	4,511,057	5,150,029	4,548,726	4,860,959
Interest on long-term debt	2,757,830	2,410,195	2,540,869	2,625,800	2,728,225	2,782,119	2,880,205	2,736,194	2,639,047
Total governmental activities expenses	51,534,105	57,226,209	60,084,843	63,731,750	67,929,601	73,471,862	80,478,129	84,071,652	87,418,836
Business-type activities:									
Sanitary sewer	8,204,312	8,646,899	8,246,811	8,666,232	8,242,650	8,649,104	8,573,832	8,682,068	10,437,723
Sanitation	2,858,267	2,920,290	3,025,161	3,196,360	3,228,802	3,289,854	3,593,300	3,873,028	3,408,358
Total business-type activities expenses	11,062,579	11,567,189	11,271,972	11,862,592	11,469,452	11,938,958	12,167,132	12,555,096	13,846,081
Total primary government expenses	\$ 62,596,684	\$ 68,793,398	\$ 71,356,815	\$ 75,594,342	\$ 79,399,053	\$ 85,410,820	\$ 92,645,261	\$ 96,626,748	\$ 101,264,917
Program Revenue									
Governmental activities:									
Charges for services:									
Public safety	2,065,503	1,159,259	1,689,116	1,872,956	1,940,446	3,441,302	3,143,136	3,331,924	3,874,275
Public works	1,539,702	1,688,900	1,765,757	1,831,575	1,774,681	1,933,607	1,894,200	1,887,850	1,984,786
Culture and recreation	2,048,075	2,073,891	1,902,088	2,027,873	2,077,330	2,263,815	2,441,457	2,337,191	2,339,044
Other activities	188,489	89,454	216,203	637,103	580,948	1,361,824	1,139,772	1,125,370	1,229,991
Operating grants and contributions	14,395,839	16,531,573	15,780,383	18,358,119	16,568,953	14,018,130	16,803,356	18,592,551	16,376,376
Capital grants and contributions	2,707,872	4,548,472	3,970,432	6,241,861	5,911,499	8,609,193	13,787,329	14,938,736	9,832,416
Total governmental activities program revenue	22,945,480	26,091,549	25,323,979	30,969,487	28,853,857	31,627,871	39,209,250	42,213,622	35,636,888
Business-type activities:									
Charges for services:									
Sanitary sewer	9,178,611	9,585,766	9,496,202	9,905,507	9,321,295	9,598,454	9,628,876	11,185,490	13,283,908
Sanitation	2,863,391	3,072,299	3,210,265	3,201,266	3,274,550	3,294,443	3,349,978	3,398,533	3,446,332
Operating grants and contributions:									
Sanitary sewer	-	-	64,006	7,361	-	240,678	339,496	-	125,802
Sanitation	274,988	274,988	274,988	-	315,437	288,866	274,988	314,940	399,000
Capital grants and contributions:									
Sanitary sewer	364,413	483,456	115,481	311,303	799,265	127,092	106,200	-	81,302
Sanitation	-	-	-	-	-	-	3,000	-	-
Total business-type activities program revenue	12,681,403	13,416,509	13,160,942	13,425,437	13,710,547	13,549,533	13,702,538	14,898,963	17,336,344
Total primary government program revenue	\$ 35,626,883	\$ 39,508,058	\$ 38,484,921	\$ 44,394,924	\$ 42,564,404	\$ 45,177,404	\$ 52,911,788	\$ 57,112,585	\$ 52,973,232
Net (Expense)/Revenue									
Governmental activities	(28,588,625)	(31,134,660)	(34,760,864)	(32,762,263)	(39,075,744)	(41,843,991)	(41,268,879)	(41,858,030)	(51,781,948)
Business-type activities	1,618,824	1,849,320	1,888,970	1,562,845	2,241,095	1,610,575	1,535,406	2,343,867	3,490,263
Total primary government net expense	(26,969,801)	(29,285,340)	(32,871,894)	(31,199,418)	(36,834,649)	(40,233,416)	(39,733,473)	(39,514,163)	(48,291,685)

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Revenue and Other Changes in Net Assets									
Governmental activities:									
Taxes:									
Property taxes levied for general purposes	\$ 21,215,665	\$ 23,949,802	\$ 25,822,607	\$ 24,206,180	\$ 25,835,947	\$ 25,848,956	\$ 27,456,508	\$ 28,508,924	\$ 28,741,347
Property taxes levied for debt service	7,470,268	7,743,121	7,219,345	9,407,057	9,727,666	10,050,725	11,319,918	11,988,239	12,287,504
Other taxes	10,299,221	9,725,075	11,464,827	12,496,242	12,101,827	13,674,750	14,208,362	13,911,219	14,566,088
Investment earnings	587,676	661,458	668,736	1,276,389	1,924,494	1,432,651	426,353	170,946	152,078
Miscellaneous	4,456,570	3,073,954	2,847,102	3,128,460	4,030,419	3,900,343	6,556,363	5,189,217	2,879,152
Gain (loss) on sale of assets	234,169	116,629	(144,924)	-	-	-	-	1,827,508	-
Transfers	73,391	12,613	-	-	-	-	-	-	70,231
Total governmental activities	44,336,960	45,282,652	47,877,693	50,514,328	53,620,353	54,907,425	59,967,504	61,596,053	58,696,400
Business-type activities:									
Investment earnings	90,658	78,470	203,004	402,160	532,645	357,518	85,352	17,730	21,055
Gain (loss) on sale of assets	-	(34,206)	-	-	-	-	-	-	-
Transfers	(73,391)	(12,613)	-	-	-	-	-	-	(70,231)
Total business-type activities	17,267	31,651	203,004	402,160	532,645	357,518	85,352	17,730	(49,176)
Total primary government	\$ 44,354,227	\$ 45,314,303	\$ 48,080,697	\$ 50,916,488	\$ 54,152,998	\$ 55,264,943	\$ 60,052,856	\$ 61,613,783	\$ 58,647,224
Changes in Net Assets									
Governmental activities	15,748,335	14,147,992	13,116,829	17,752,065	14,544,609	13,063,434	18,698,625	19,738,023	6,914,452
Business-type activities	1,636,091	1,880,971	2,091,974	1,965,005	2,773,740	1,968,093	1,620,758	2,361,597	3,441,087
Total primary government	\$ 17,384,426	\$ 16,028,963	\$ 15,208,803	\$ 19,717,070	\$ 17,318,349	\$ 15,031,527	\$ 20,319,383	\$ 22,099,620	\$ 10,355,539

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund									
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 310,432
Restricted	-	-	-	-	-	-	-	-	3,602,691
Committed	-	-	-	-	-	-	-	-	662,415
Assigned	-	-	-	-	-	-	-	-	4,878,877
Unassigned	-	-	-	-	-	-	-	-	8,417,600
Reserved	1,984,128	2,106,686	2,048,163	1,841,389	2,159,691	3,074,869	2,367,516	3,064,085	-
Unreserved:									
Designated	1,373,828	2,166,703	4,073,524	5,186,521	5,131,230	4,577,679	4,720,531	5,077,047	-
Undesignated	2,459,726	3,783,969	4,285,725	5,679,449	6,946,759	7,438,418	8,152,625	8,610,737	-
Total general fund	\$ 5,817,682	\$ 8,057,378	\$ 10,407,412	\$ 12,707,359	\$ 14,237,680	\$ 15,090,966	\$ 15,240,672	\$ 16,751,869	\$ 17,872,015
All Other Governmental Funds									
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 208,100
Restricted	-	-	-	-	-	-	-	-	39,357,168
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	2,322,606
Unassigned	-	-	-	-	-	-	-	-	(5,150,315)
Reserved	631,468	838,562	994,790	1,576,334	2,103,658	2,633,730	2,923,228	2,786,146	-
Undesignated, reported in:									
Special revenue funds	8,447,258	9,773,272	11,584,768	12,385,708	13,021,323	16,846,339	17,918,742	16,410,755	-
Debt service funds	407,914	615,679	1,439,650	1,008,597	1,529,968	-	-	-	-
Capital project funds	7,448,883	11,434,780	11,624,349	15,962,472	16,440,553	17,205,128	14,259,781	12,144,579	-
Total all other governmental funds	\$ 16,935,523	\$ 22,662,293	\$ 25,643,557	\$ 30,933,111	\$ 33,095,502	\$ 36,685,197	\$ 35,101,751	\$ 31,341,480	\$ 36,737,559

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, implemented in fiscal year 2011

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenue									
Property taxes	\$ 28,916,809	\$ 31,726,881	\$ 32,915,568	\$ 33,582,387	\$ 35,550,774	\$ 35,863,457	\$ 38,789,695	\$ 40,454,704	\$ 41,013,565
Other taxes	10,299,221	9,187,463	11,241,073	12,907,521	11,609,390	13,532,878	14,368,254	13,982,362	14,703,052
Licenses and permits	988,352	1,151,715	1,173,147	1,216,278	1,528,961	1,274,948	977,306	996,031	1,236,912
Investment income	587,676	661,458	668,736	1,276,389	1,924,494	1,432,651	426,353	170,946	152,078
Rent*	678,590	814,762	879,420	920,475	1,023,689	992,710	1,060,566	1,060,889	1,094,271
Intergovernmental	18,779,334	19,963,676	21,104,290	22,716,457	21,107,074	21,833,988	22,932,392	30,681,962	30,092,432
Charges for services*	5,236,433	5,048,840	4,980,587	5,429,979	5,554,760	5,767,327	5,963,660	5,932,437	6,397,007
Interfund charges for service	2,645,250	2,671,780	2,659,797	2,801,492	2,802,327	2,825,152	2,808,833	2,385,680	2,134,553
Special assessments	115,852	109,999	56,694	52,698	39,932	39,931	37,216	225,198	47,171
Miscellaneous	2,180,685	2,336,581	2,008,009	3,253,989	3,878,401	4,683,887	6,043,260	3,773,963	3,292,228
Total revenue	70,428,202	73,673,155	77,687,321	84,157,665	85,019,802	88,246,929	93,407,555	99,664,172	100,163,269
Expenditures									
Current:									
Public safety	19,393,834	20,081,214	22,140,431	24,487,582	25,074,830	25,958,017	25,941,016	26,947,910	27,686,410
Public works	18,719,419	17,121,845	18,582,433	20,508,737	22,688,730	15,354,726	23,846,845	27,635,226	19,761,835
Health and social services	510,114	517,555	325,147	401,647	332,431	346,169	333,706	316,974	325,730
Culture and recreation	5,987,808	6,506,123	6,576,723	6,875,715	7,385,038	7,683,720	8,844,296	9,264,689	8,960,633
Community and economic development	10,257,455	11,966,597	11,422,953	11,177,833	9,097,089	10,075,134	13,954,851	17,423,767	15,740,405
General government	3,310,503	3,501,031	3,261,058	3,698,896	4,128,315	4,539,873	5,532,557	5,097,361	5,623,650
Debt service									
Principal	6,625,485	6,471,606	6,399,291	6,551,624	7,353,618	8,134,849	7,698,818	8,783,299	9,565,662
Interest and fees	2,661,437	2,424,613	2,575,772	2,627,808	2,909,085	2,908,196	2,975,411	2,799,830	2,623,038
Capital projects	5,289,432	7,820,334	7,150,058	9,570,650	11,035,051	20,405,512	16,639,618	15,126,719	11,792,357
Total expenditures	72,755,487	76,410,918	78,433,866	85,900,492	90,004,187	95,406,196	105,767,118	113,395,775	102,079,720
Revenue over (under) expenditures	(2,327,285)	(2,737,763)	(746,545)	(1,742,827)	(4,984,385)	(7,159,267)	(12,359,583)	(13,731,603)	(1,916,451)
Other financing sources (uses)									
Transfers in	7,268,799	7,226,431	8,484,336	10,433,905	10,871,913	13,447,647	15,295,255	14,434,303	13,368,149
Transfers out	(7,195,408)	(7,213,818)	(8,484,336)	(10,433,905)	(10,871,913)	(13,447,647)	(15,295,255)	(14,434,303)	(13,297,918)
Insurance proceeds							1,421,521	1,734,450	138,157
Proceeds from sale of assets	234,169	197,945	119,573	232,328	88,102	41,491	74,294	2,243,301	221,807
Capital lease obligations incurred		436,266							
Refunding bonds issued	2,685,000	2,705,000	2,720,000		7,995,000	3,935,000	4,271,100	4,240,000	5,500,000
Payment to refunded bond escrow agent	(2,617,506)	(2,648,652)	(2,667,302)		(7,932,132)	(3,917,230)	(4,200,992)	(4,172,380)	(5,566,483)
Proceeds from debt issued	6,010,000	10,150,000	6,000,000	9,100,000	8,526,127	9,661,649	9,400,000	7,500,000	7,735,081
Bond discounts, premiums and issue costs	(89,847)	(148,943)	(94,428)			60,280	(40,080)	(62,842)	353,883
Total other financing sources (uses)	6,295,207	10,704,229	6,077,843	9,332,328	8,677,097	9,781,190	10,925,843	11,482,529	8,432,676
Net change in fund balances	\$ -3,967,922	\$ 7,966,466	\$ 5,331,298	\$ 7,589,501	\$ 3,692,712	\$ 2,621,923	\$ (1,433,740)	\$ (2,249,074)	\$ 6,516,225
Debt service as a percentage of noncapital expenditures	13.8%	13.0%	12.6%	12.0%	13.0%	14.7%	12.0%	14.0%	14.9%

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

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

Assessment Date January 1,	For Fiscal Year Ended June 30,	Less:							Total Taxable Assessed Value	Total Direct Tax Rate	Total Assessed Value	Total Taxable Value as a Percentage of Assessed Value
		Residential Property	Commercial Property	Industrial Property	TIF Property	Other Property	Military Tax-Exempt Property	Total Taxable Assessed Value				
2000	2002	\$ 765,250,014	\$ 558,678,367	\$ 95,392,555	\$ 44,318,302	\$ 150,640,114	\$ 9,536,884	\$ 1,604,742,468	\$ 17.80075	\$ 2,104,182,394	76.26%	
2001	2003	837,053,686	551,766,201	96,112,125	47,929,362	127,688,371	9,308,934	1,651,240,811	18.37162	2,354,407,942	70.13%	
2002	2004	839,572,381	576,211,617	96,108,365	49,231,256	114,239,978	9,258,112	1,666,105,485	18.90914	2,366,125,563	70.41%	
2003	2005	893,839,054	672,183,148	97,124,065	64,558,282	112,393,854	8,992,261	1,831,106,142	18.78999	2,789,882,310	65.63%	
2004	2006	894,181,940	667,846,702	99,012,385	63,981,335	107,833,856	8,509,114	1,824,347,104	19.15566	2,805,711,189	65.02%	
2005	2007	957,337,336	668,759,754	102,622,530	91,641,046	108,515,161	8,409,864	1,920,465,963	18.84580	3,075,559,088	62.44%	
2006	2008	965,742,730	680,175,443	101,833,850	95,440,962	106,356,577	8,117,232	1,941,432,330	18.76669	3,133,666,442	61.95%	
2007	2009	1,021,046,822	766,647,219	98,127,515	125,534,846	109,339,414	7,908,493	2,112,787,323	18.36687	3,447,851,253	61.28%	
2008	2010	1,080,004,413	787,580,318	99,231,835	134,688,232	110,644,404	7,754,888	2,204,374,314	18.30689	3,542,643,298	62.22%	
2009	2011	1,119,328,144	786,637,586	99,943,010	136,188,661	106,874,812	7,498,605	2,241,473,608	18.26406	3,566,368,445	62.85%	

Source: Black Hawk County Auditor.

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

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

Fiscal Year	City of Waterloo				Black Hawk County				Overlapping Rates				Total Direct & Overlapping Rates
	Operating Millage	Debt Service	Total City Millage	Total	Operating Millage	Debt Service	County Millage	Total	Operating Millage	Debt Service	School Millage	Other	
2002	12.63743	5.16332	17.80075	7.20942	0.47949	7.68891	14.15557	1.00000	15.15557	1.13632	41.78155		
2003	13.55586	4.81576	18.37162	7.01176	0.60721	7.61897	14.52456	1.00000	15.52456	1.17929	42.69444		
2004	14.26784	4.64130	18.90914	7.15152	0.59469	7.74621	14.85083	1.00000	15.85083	1.13876	43.64494		
2005	14.62934	4.16065	18.78999	6.90953	0.58284	7.49237	14.62496	1.00000	15.62496	1.36743	43.27475		
2006	15.04360	4.11206	19.15566	7.04780	0.56052	7.60832	14.99110	1.00000	15.99110	1.42197	44.17705		
2007	15.47706	3.36874	18.84580	6.83182	0.55784	7.38966	15.33395	1.00000	16.33395	1.34392	43.91333		
2008	15.33540	3.43129	18.76669	6.82613	0.58407	7.41020	15.74972	1.00000	16.74972	1.18405	44.11066		
2009	15.10748	3.25939	18.36687	6.35616	0.57975	6.93591	15.65725	1.00000	16.65725	1.36422	43.32425		
2010	15.01876	3.28813	18.30689	6.12831	0.57689	6.70520	15.45746	1.00000	16.45746	1.33721	42.80676		
2011	14.92433	3.33973	18.26406	6.22972	0.44212	6.67184	15.43697	1.00000	16.43697	1.38794	42.76081		

Source: Black Hawk County Auditor.

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

Employer	2011			2002		
	Assessed Value 01/01/2009	Rank	Percentage of Total Assessed Value	Assessed Value 01/01/2000	Rank	Percentage of Total Assessed Value
Mid American Energy	\$ 131,420,956	1	3.69%	\$ 95,466,249	2	4.54%
IOC Black Hawk County, Inc.	73,670,230	2	2.07%	--		--
GG and A Crossroads Center, LP/ Equitable Life Assurance in 2002	40,083,710	3	1.12%	27,929,240	4	1.33%
Con Agra k/n/a Hunt Wesson, Inc.	26,580,220	4	0.75%	16,317,760	5	0.78%
Deere and Company	25,844,550	5	0.72%	127,364,570	1	6.05%
Tyson Fresh Meats (formerly IBP, Inc.)	25,138,920	6	0.70%	36,515,170	3	1.74%
Ferguson Enterprises, Inc.	24,732,360	7	0.69%	--		--
Bertch Cabinet Manufacturing	15,607,970	8	0.44%	14,645,450	6	0.70%
Howard L. Allen Investments, Inc.	13,418,490	9	0.38%	--		--
Qwest Corporation (formerly US West)	12,704,937	10	0.36%	13,463,574	7	0.64%
LXP ILP	--		--	10,246,410	8	0.49%
HyVee Food Stores, Inc.	--		--	9,326,490	9	0.44%
Gerald Schoenfelder	--		--	9,165,920	10	0.44%
Total	\$ 389,202,343		10.91%	\$ 360,440,833		17.13%

Source: Official Bond Statements from Speer Financial, Inc.

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

<u>Assessment Date January 1,</u>	<u>Fiscal Year Ended June 30,</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Tax Collections To Tax Levy</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections To Tax Levy</u>
2000	2002	\$26,384,840	\$25,866,384	98.04%	\$ 451,479	\$26,317,863	99.75%
2001	2003	28,020,783	28,022,406	100.01%	118,932	28,141,338	100.43%
2002	2004	29,033,374	29,059,188	100.09%	17,377	29,076,565	100.15%
2003	2005	31,690,701	31,509,489	99.43%	12,616	31,522,105	99.47%
2004	2006	32,344,654	32,344,856	100.00%	10,483	32,355,339	100.03%
2005	2007	33,117,028	33,098,938	99.95%	20,019	33,118,957	100.01%
2006	2008	33,302,685	33,292,118	99.97%	22,716	33,314,834	100.04%
2007	2009	35,238,473	35,092,505	99.59%	40,319	35,132,824	99.70%
2008	2010	36,645,462	36,619,212	99.93%	16,989	36,636,201	99.97%
2009	2011	37,312,210	37,186,887	99.66%	34,746	37,221,633	99.76%

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

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income*	Per Capita*
	General Obligation Bonds	General Obligation Capital Loan Notes	Capital Leases	Other Debt	General Obligation Bonds	Revenue Bonds	Capital Leases	Other Debt			
2002	\$ 54,940,000	--	\$ 863,118	\$ 2,278,686	\$ 12,145,000	\$ 23,925,000	\$ 99,547	--	\$ 94,251,351	5.33%	\$ 1,371
2003	55,270,000	385,000	315,511	1,947,845	12,890,000	21,940,000	25,304	--	92,773,660	4.96%	1,349
2004	59,290,000	330,000	339,513	2,073,647	13,610,000	19,870,000	--	--	95,513,160	5.00%	1,389
2005	59,295,000	150,000	157,024	3,592,934	14,025,000	18,520,000	--	--	95,739,958	4.65%	1,393
2006	62,260,000	250,000	--	3,463,486	14,390,000	16,195,000	--	--	96,558,486	4.56%	1,405
2007	63,940,000	220,000	--	2,980,954	14,900,000	13,850,000	--	--	95,890,954	4.33%	1,395
2008	65,745,000	300,000	--	2,146,355	14,845,000	12,355,000	--	8,211	95,399,566	4.10%	1,388
2009	66,076,100	--	--	3,495,290	15,168,900	10,870,000	--	3,087	95,613,377	3.99%	1,391
2010	66,129,600	--	--	2,226,708	17,825,400	9,285,000	--	--	95,466,708	3.86%	1,389
2011	65,483,600	--	--	2,850,535	20,106,400	7,655,000	--	15,172	96,110,707	3.84%	1,405

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

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

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

Fiscal Year	General Obligation Bonds	Total Assessed Value of Property	Percentage of Assessed Value of Property	Per Capita*
2002	\$ 67,085,000	\$ 2,104,182,394	3.19%	\$ 976
2003	68,545,000	2,354,407,942	2.91%	997
2004	73,230,000	2,366,125,563	3.09%	1,065
2005	73,470,000	2,789,882,310	2.63%	1,069
2006	76,900,000	2,805,711,189	2.74%	1,119
2007	79,060,000	3,075,559,088	2.57%	1,150
2008	80,890,000	3,133,666,442	2.58%	1,177
2009	81,245,000	3,447,851,253	2.36%	1,182
2010	83,955,000	3,542,643,298	2.37%	1,221
2011	85,590,000	3,566,368,445	2.40%	1,251

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

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

City of Waterloo, Iowa
Direct and Overlapping Governmental Activities Debt
As of June 30, 2011

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
City of Waterloo direct debt, governmental activities	\$ 65,483,600	100.00%	\$ 65,483,600
Overlapping:			
Black Hawk County	\$ 43,815,000	47.38%	20,759,547
Hudson Community Schools	2,195,000	5.40%	118,530
Hawkeye Community College	10,035,000	27.89%	2,798,762
Subtotal, overlapping debt	\$ 56,045,000		\$ 23,676,839
Total direct and overlapping debt	\$ 121,528,600		\$ 89,160,439

Source: Black Hawk County Auditor

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

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	\$ 120,614,300	\$ 120,526,268	\$ 121,093,664	\$ 136,617,416	\$ 140,285,559	\$ 153,777,954	\$ 156,683,322	\$ 172,392,563	\$ 178,318,422	\$ 178,318,422
Total net debt applicable to limit	70,326,351	70,833,660	75,643,160	77,219,958	80,363,486	82,040,954	83,044,566	84,743,377	85,224,685	88,455,707
Legal debt margin	<u>\$ 50,287,949</u>	<u>\$ 49,692,608</u>	<u>\$ 45,450,504</u>	<u>\$ 59,397,458</u>	<u>\$ 59,922,073</u>	<u>\$ 71,737,000</u>	<u>\$ 73,638,756</u>	<u>\$ 87,649,186</u>	<u>\$ 93,093,737</u>	<u>\$ 89,862,715</u>

Total net debt applicable to the limit as a percentage of debt limit	58.31%	58.77%	62.47%	56.52%	57.29%	53.35%	53.00%	49.16%	47.79%	49.61%
--	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------

Legal Debt Margin Calculation for Fiscal Year 2011

Estimated actual valuation (assessed) as of January 1, 2009	\$ 3,566,368,445
Debt limit (5% of total estimated actual valuation)	178,318,422
Debt applicable to debt limit:	
General obligation bonds	85,590,000
General obligation capital loan notes	-
Other debt	<u>2,865,707</u>
Total net debt applicable to limit	<u>88,455,707</u>
Legal debt margin	<u>\$ 89,862,715</u>

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

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

Fiscal Year	Gross Revenue	Less: Applicable Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements	Coverage
2002	\$ 8,646,771	\$ 4,330,170	\$ 4,316,601	\$ 3,436,606	1.2561
2003	9,257,236	4,336,741	4,920,495	3,427,576	1.4356
2004	9,653,550	4,445,425	5,208,125	3,401,386	1.5312
2005	9,735,550	4,455,001	5,280,549	3,664,551	1.4410
2006	10,564,246	4,860,721	5,703,525	3,060,298	1.8637
2007	9,761,167	4,580,852	5,180,315	3,020,198	1.7152
2008	10,121,735	5,051,048	5,070,687	2,099,173	2.4156
2009	10,030,590	5,070,016	4,960,574	2,038,173	2.4338
2010	11,195,472	5,266,284	5,929,188	2,079,198	2.8517
2011	13,326,400	6,970,883	6,438,852	2,059,323	3.1267

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

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

<u>Year</u>	<u>Population¹</u>	<u>Personal Income</u>	<u>Per Capita Personal Income²</u>	<u>Median Age¹</u>	<u>Unemployment Rate³</u>	<u>School Enrollment⁴</u>
2001	68,747	\$ 1,768,585,322	\$ 25,726	35.9	4.3%	10,311
2002	68,747	1,869,093,436	27,188	35.9	5.0%	10,402
2003	68,747	1,911,235,347	27,801	35.9	5.8%	10,465
2004	68,747	2,057,735,204	29,932	35.9	6.1%	10,472
2005	68,747	2,117,888,829	30,807	35.9	5.3%	10,391
2006	68,747	2,216,265,786	32,238	35.9	4.3%	10,192
2007	68,747	2,326,329,733	33,839	35.9	4.3%	10,039
2008	68,747	2,396,932,902	34,866	35.9	4.7%	10,069
2009	68,747	2,475,029,494	36,002	35.9	6.8%	10,150
2010	68,406	2,501,812,638	36,573	35.9	7.3%	10,020

N/A = Not available.

Sources:

¹ 2000 and 2010 U.S. Census

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

³ Iowa Dept. of Revenue and Finance

⁴ Waterloo Community Schools

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

Employer	2011			2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Deere & Company	5,300	1	15.77%	5,380	1	15.11%
Wheaton Franciscan Health Care *	2,680	2	7.98%	2,479	3	6.96%
Tyson Fresh Meats (formerly IBP, Inc.)	2,500	3	7.44%	2,230	4	6.26%
Allen Memorial Hospital	2,080	4	6.19%	1,400	5	3.93%
University of Northern Iowa	1,850	5	5.51%	5,100	2	14.33%
Waterloo Community Schools	1,560	6	4.64%	1,300	6	3.65%
Area Education Agency 267	1,150	7	3.42%	1,000	8	2.81%
Hy-Vee	1,130	8	3.36%	1,200	7	3.37%
GMAC Mortgage Corp.	805	9	2.40%	900	9	2.53%
Bertch Cabinet Manufacturing	775	10	2.31%	1,200	7	3.37%
Omega Cabinets	--	--	--	900	9	2.53%
Viking Pump Division	--	--	--	750	10	2.11%
Total	19,830		59.02%	23,839		66.96%

Source: Official Bond Statements from Speer Financial, Inc.

* Formerly known as Covenant Medical Center

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police	127.0	134.0	126.0	132.0	130.0	130.0	128.0	131.0	135.0	139.0
Fire	119.0	119.0	117.0	117.0	121.0	115.0	118.0	113.0	116.5	114.5
Building Inspection	13.0	13.0	14.0	14.0	15.0	15.0	16.0	15.0	15.5	10.5
Public Works										
City Engineer	17.0	18.0	18.0	18.0	19.0	19.0	19.0	20.0	19.0	18.0
Traffic	16.0	15.0	17.0	16.0	12.5	13.5	12.0	13.0	12.0	12.0
Central Garage	11.0	11.0	10.5	9.5	9.5	9.5	10.0	10.0	8.0	9.0
Street	43.0	41.0	41.0	41.0	36.0	36.0	34.0	40.0	39.0	37.0
Airport	4.0	4.0	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Health & Social Services										
Human Rights	5.0	5.0	5.0	3.0	3.0	3.0	2.0	3.0	3.0	3.0
Culture & Recreation										
Cultural & Arts	8.5	8.5	8.5	8.0	9.5	10.0	12.0	13.5	13.5	14.0
Library	27.0	25.5	24.0	24.5	25.0	25.5	24.0	24.5	25.0	24.5
Leisure Services	35.0	35.0	35.0	42.0	38.0	37.0	39.0	41.0	40.0	40.0
Community & Economic Development										
Community Planning & Development	24.0	23.0	25.0	27.0	26.0	25.0	24.0	24.0	24.0	24.0
General Government										
Mayor's Office	1.0	1.0	1.5	1.5	1.0	1.0	1.0	1.0	1.0	1.0
Administrative Services/MIS	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
City Clerk & Finance	9.0	12.0	12.0	12.0	13.0	13.0	13.0	13.0	13.0	13.0
City Attorney	2.0	1.0	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Human Resources	3.0	3.0	2.0	3.0	3.0	3.0	3.0	2.0	3.0	3.0
Facilities Maintenance	6.0	5.0	4.0	4.0	3.0	3.0	3.0	3.0	3.0	3.0
Waste Management Services										
Sewer	31.1	31.1	30.1	28.1	30.1	30.1	30.1	30.1	29.0	32.0
Sanitation	14.9	12.9	12.9	12.9	12.9	13.9	13.9	13.9	13.0	15.0
Total	518.5	520.0	512.5	522.5	516.5	511.5	511.0	520.0	521.5	521.5

Source: City Human Resources Department records.

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police *										
Traffic accidents	2,350	2,089	2,196	2,110	2,129	1,788	1,942	2,141	1,941	1,712
Cases	14,516	15,118	14,910	14,622	14,857	13,928	14,468	13,740	13,411	12,079
Citations	9,179	13,166	11,415	11,610	12,601	11,651	9,816	6,781	7,983	6,851
Calls for service	N/A	66,590	66,411	66,447	68,365	70,037	73,690	75,932	82,044	81,110
Total arrests	4,456	5,146	5,330	5,510	6,157	5,771	6,176	5,506	5,590	5,243
Fire										
Fire responses	3,541	5,831	5,614	5,536	5,631	5,759	6,223	5,208	4,885	4,238
Ambulance responses	5,158	6,442	6,685	6,656	6,744	7,030	7,503	7,234	6,928	5,328
Building Inspection										
Construction permits issued	9,238	9,396	10,168	8,988	8,448	9,124	8,961	8,143	8,657	9,386
Construction value of permits	\$ 52,971,240	\$ 75,434,613	\$ 102,794,224	\$ 106,704,462	\$ 110,122,334	\$ 181,082,614	\$ 119,894,709	\$ 74,920,243	\$ 82,650,598	\$ 103,199,063
Public Works										
Engineering										
Street reconstruction (miles)	2.59	3.09	2.56	1.94	3.39	1.94	1.57	2.55	2.45	1.98
Street resurfacing (miles)	25.48	26.22	29.72	29.83	31.30	17.60	13.57	18.63	12.42	14.15
Street Department										
Tons of salt used for streets	2,500.32	3,396.93	5,001.08	4,508.17	5,556.52	4,505.35	6,185.86	5,506.97	6,043.06	5,012.05
Man hours for road maintenance	84,820	71,530	71,530	73,390	75,580	72,800	66,560	71,448	71,448	72,800
Airport										
Commercial Enplanements	35,538	42,281	39,408	40,140	38,750	33,507	27,026	25,467	22,255	23,206
Aircraft take-offs and landings	35,321	42,301	41,919	42,690	41,717	39,288	35,728	33,209	27,285	25,312
Based aircraft	96	97	99	102	101	98	101	100	100	101
Health & Social Services										
Human Rights										
Civil Rights complaints		70	62	61	75	74	109	62	74	78
New cases opened	N/A		65	81	29	58	63	182	88	76
Cases closed	113	175	172	152	198	214	262	126	109	113
Active cases at year-end										
Culture & Recreation										
Leisure Services										
Young Arena facility usage										
Event Visitors	91,633	124,650	138,246	124,157	114,492	133,540	142,278	121,324	118,286	118,089
Recreational Visitors	144,980	135,690	136,066	137,207	136,520	139,824	138,285	138,541	143,370	153,018
Sports - youth programs	4,251	4,165	4,216	4,056	4,119	4,517	4,677	5,034	5,117	5,691
Sports - adult programs	1,003	1,222	1,172	1,216	1,158	1,277	1,261	1,461	1,665	1,621
Pool attendance	53,655	44,540	44,279	41,028	39,512	41,580	40,789	40,561	41,743	42,883
Golf rounds	125,547	116,401	113,968	105,939	102,131	95,851	86,268	93,932	95,898	87,173
Annual flowers grown for parks	25,264	25,288	24,536	25,368	23,520	21,768	21,765	22,880	28,008	24,964
Public Library										
Total Circulation	475,015	490,708	466,903	422,663	433,072	427,921	413,525	426,593	441,746	419,333
Total Library Visits	270,614	259,583	265,439	269,589	266,356	261,261	259,144	241,539	274,903	290,161
Waterloo Center for the Arts										
In House Visitors	105,000	102,741	96,668	97,926	98,897	99,097	104,499	125,351	118,541	113,411

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Community & Economic Development										
Planning and Zoning										
Planning commission agenda items	98	97	113	100	93	84	69	50	54	77
CURA applications received **	30	35	37	60	46	51	35	46	29	20
CURA improvements value	\$ 984,607	\$ 2,103,121	\$ 5,792,611	\$ 5,304,997	\$ 6,856,057	\$ 13,391,834	\$ 7,346,601	\$ 5,972,779	\$ 12,309,630	\$ 2,063,995
Community Development										
Down payment assistance	73	39	60	57	58	36	41	50	43	4
Home buyer education	232	202	256	203	188	168	193	183	147	-
Owner-occupied homes rehabilitated	35	26	19	24	35	28	46	36	10	32
Emergency repairs (including roofs)	38	29	45	52	58	36	34	38	44	39
Demolitions (residential & commercial)	43	7	9	10	7	8	19	20	27	11
Housing										
Actual vouchers	903	1,031	1,022	1,015	957	961	1,032	1,007	1,003	994
Public housing units	50	50	50	50	50	50	49	50	48	50
Family self sufficiency participants	92	105	98	101	74	65	75	59	49	53
Sewer										
Sewer system customers	25,320	25,416	25,524	25,716	25,728	25,637	25,843	25,769	25,565	25,450

Source: Various city departments
 * Statistics for Police Department are for the calendar year ending within the fiscal year shown.
 ** Consolidated Urban Revitalization Area.
 N/A - not available

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Stations	7	7	7	7	7	7	7*	7*	7*	7*
Trucks and special vehicles	30	30	30	30	30	30	30	32	32	32
Public Works										
Miles of streets - paved	360	360	360	352	352	354	354	356	357	364
Miles of streets - unpaved	65	65	65	74	74	74	74	73	73	72
Street lights	N/A	N/A	N/A	N/A	N/A	1,800	1,800	1,800	1,800	1,800
Traffic Signals	N/A	N/A	N/A	N/A	N/A	198	198	198	197	200
Airport runway lengths										
Runway 12/30	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400
Runway 18/36	6,002	6,002	6,002	6,002	6,002	6,002	6,002	6,002	6,002	6,002
Runway 6/24	5,403	5,403	5,403	5,403	5,403	5,403	5,403	5,403	5,403	5,403
Culture & Recreation										
City parks	48	48	48	48	48	48	48	48	48	48
Golf courses	3	3	3	3	3	3	3	3	3	3
Swimming pools	2	2	2	2	2	2	2	2	2	2
Softball diamonds	23	23	23	23	23	23	23	23	23	23
Baseball diamonds	9	9	8	8	8	8	8	8	6	6
Baseball stadium	1	1	1	1	1	1	1	1	1	1
Softball complex	1	1	1	1	1	2	2	2	2	2
Tennis courts	27	27	27	27	27	27	27	27	27	27
Ice arena	1	1	1	1	1	1	1	1	1	1
Soccer complex	1	1	1	1	1	1	1	1	1	1
Exposition plaza	0	0	0	0	0	0	0	1	1	1
Skatepark	1	1	1	1	1	1	1	1	1	1
Dog park	0	0	0	0	0	0	0	1	1	1
Center for the Arts collection size	1,339	1,352	1,417	1,489	1,615	2,494	2,794	3,153	3,362	3,766
Library collection size	180,698	199,482	201,158	205,149	210,020	190,092	192,678	200,246	168,295	172,580
Sewer										
Miles of sanitary sewer	353	353	353	353	353	356	356	356	356	356

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

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City of Waterloo, Iowa

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
Department of Commerce			
Direct:			
Economic Adjustment Assistance: Disaster Recovery	N/A	11.307	\$ 21,614
Department of Housing and Urban Development			
Direct:			
Community Development Block Grants/Entitlement Grants	N/A	14.218	1,511,021
ARRA - Community Development Block Grants/Entitlement Grants	N/A	14.218	77,088
HOME Investments Partnerships Program	N/A	14.239	517,103
Public Law 108-7, FY 2003 Appropriations Act	N/A	14.251	73,628
Title 1, VA-HUD Independent Agencies Appropriations Act for FY 2004, PL 108-199	N/A	14.251	34,188
Title 1, VA-HUD Independent Agencies Appropriations Act for FY 2005, PL 108-447	N/A	14.251	85,168
Title 1, VA-HUD Independent Agencies Appropriations Act for FY 2008, PL 110-161	N/A	14.251	311,571
HUD Appropriations Act for FY 2009, PL 111-8	N/A	14.251	34,300
ARRA - Homelessness Prevention Program	N/A	14.257	203,998
Fair Housing Assistance Program-State and Local	N/A	14.401	46,927
Public and Indian Housing	N/A	14.850	394,644
Public Housing Capital Fund	N/A	14.872	24,224
Section 8 Housing Choice Vouchers	N/A	14.871	5,013,246
Public Housing Family Self-Sufficiency under Resident Opportunity and Supportive Services	N/A	14.877	18,327
Lead Based Paint Hazard Control in Privately Owned Housing	N/A	14.900	396,111
Total direct			<u>8,741,544</u>
Indirect:			
Pass Through Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	08-DRH-011	14.228	636,780
	08-DRB-205	14.228	727,251
	08-NSP-018	14.228	388,245
	08-DRMH-246	14.228	307,889
Disaster Recovery Infrastructure	08-DRI-078	14.228	8,078
	08-DRI-277	14.228	1,970
Total indirect			<u>2,070,213</u>
Total Department of Housing and Urban Development			<u>10,811,757</u>
Department of the Interior			
Indirect:			
Pass Through Silos and Smokestacks:			
Save America's Treasures	N/A	15.929	1,471
Department of Justice			
Direct:			
Bulletproof Vest Partnership Program	N/A	16.607	8,385
Public Safety Partnership and Community Policing Grants	N/A	16.710	52,038
ARRA - Public Safety Partnership and Community Policing Grants	N/A	16.710	338,058
Edward Byrne Memorial Justice Assistance Grant Program	N/A	16.738	89,688
Total direct			<u>488,169</u>

(Continued)

City of Waterloo, Iowa

Schedule of Expenditures of Federal Awards (Continued)
 Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
Department of Justice (Continued)			
Indirect:			
Pass Through Crime Victims Assistance Division:			
Federal Violence Against Women Act Contract	VW-11-76B	16.588	38,051
Pass Through Office of Drug Control Policy:			
Community Prosecution & Project Safe Neighborhoods	07-PSNAG-ND11	16.609	4,850
	08-PSNAG-ND11	16.609	11,927
	09-PSNAG-ND11	16.609	11,026
Public Safety Partnership and Community Policing Grants	09-Hotspots-Enforcement-07	16.710	27,065
Pass Through Iowa Department of Human Rights, Division of Criminal and Juvenile Justice Planning Enforcing :			
Juvenile Accountability Incentive Block Grants	N/A	16.727	7,375
Pass Through Office of Drug Control Policy:			
ARRA - Byrne/Iowa - Justice Assistance Grant	09-JAG/ARRA-285	16.803	6,816
	09-JAG/ARRA-3817B	16.803	349,085
Total indirect			<u>456,195</u>
Total Department of Justice			<u>944,365</u>
Department of Transportation			
Direct:			
Federal Aviation Administration:			
Airport Improvement Program	N/A	20.106	47,334
	N/A	20.106	47,158
	N/A	20.106	718,614
	N/A	20.106	34,964
	N/A	20.106	21,375
ARRA - Airport Improvement Program	N/A	20.106	64,921
Total direct			<u>934,366</u>
Indirect:			
Federal Highway Administration Pass Through Iowa Department of Transportation:			
Highway Planning and Construction	HDP-8155(701)--6B-07	20.205	47,760
	HDP-8155(698)--71-07	20.205	(310)
	NHSX-63-6(69)--3H-07	20.205	131,781
	STP-U-8155(696)--70-07	20.205	22,980
	STP-U-8155(711)--70-07	20.205	100,000
	STP-U-8155(714)--70-07	20.205	28,578
	STP-U-8155(715)--70-07	20.205	358,905
	SRTS-U-8155(718)--8U-07	20.205	2,080
	STP-U-8155(719)--70-07	20.205	18,205
	STP-U-8155(713)--70-07	20.205	33,600
	STP-U-8155(710)--70-07	20.205	45,739
	STP-E-8155(721)--8V-07	20.205	78,104
ARRA - Highway Planning and Construction	ESL-8155(709)--7S-07	20.205	431,208
Recreational Trails Program	NRT-NT08(001)--9G-07	20.219	95,448
National Highway Traffic Safety Administration Pass Through Iowa Department of Public Safety Governor's Traffic Safety Bureau Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	PAP-10-410 Task 81	20.601	9,898
	PAP-11-410 Task 82	20.601	21,434
Total indirect			<u>1,425,410</u>
Total Department of Transportation			<u>2,359,776</u>

(Continued)

City of Waterloo, Iowa

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
National Foundation on the Arts and the Humanities			
Indirect:			
National Endowment for the Humanities Pass Through Iowa Arts Council Promotion of the Humanities Federal/State Partnership	OSP 1420 FY07, FY08, FY09	45.129	<u>11,689</u>
Environmental Protection Agency			
Direct:			
Brownfield Assessment & Cleanup Cooperative Agreements	N/A	66.818	<u>127,361</u>
Department of Energy			
Direct:			
ARRA - Energy Efficiency and Conservation Block Grant Program	N/A	81.128	<u>429,677</u>
Indirect:			
Pass Through Iowa Office of Energy Independence ARRA - Energy Efficiency and Conservation Block Grant Program	N/A	81.128	<u>50,000</u>
Total Department of Energy			<u>479,677</u>
Department of Health and Human Services			
Direct:			
Injury Prevention and Control Research and State and Community Based Programs	N/A	93.136	<u>184,384</u>
Department of Homeland Security			
Direct:			
Assistance to Firefighters Grant Program	N/A	97.044	<u>106,552</u>
Indirect:			
Pass Through Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	013-82425-00 DR 1763	97.036	782,774
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	013-82425-00 DR 1930	97.036	(685)
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	013-82425-00 DR 1930	97.036	281,934
Hazard Mitigation Grant	HGMP 1763-DR-IA	97.039	923,668
Law Enforcement Terrorism Prevention Program	FY2007-LETPP-LEIN2-02	97.067	8,563
Law Enforcement Terrorism Prevention Program	FFY2008-GE-T8-2008-012	97.067	103,980
Law Enforcement Terrorism Prevention Program	FFY2009-SS-T9-0034-08	97.067	<u>162,586</u>
Total Indirect			<u>2,262,820</u>
Total Department of Homeland Security			<u>2,369,372</u>
Total Expenditures of Federal Awards			<u>\$ 17,311,464</u>

See Notes to Schedule of Expenditures of Federal Awards.

(Concluded)

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City of Waterloo, Iowa

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Waterloo, Iowa. The schedule of expenditures of federal awards does not include the federal grant activity of the City's discretely presented component units. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies are included in this schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Program expenditures include only amounts subject to reimbursements from the grantor agency or program income; thus, they are net of local matching.

Note 2. Significant Accounting Policies

Revenue from federal awards is recognized when the City has done everything necessary to establish its right to revenue. For governmental funds, revenue from federal grants is recognized when they become both measureable and available. Expenditures of federal awards are recognized in the accounting period when the liability is incurred.

Note 3. Subrecipients

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants/Entitlement Grants	14.218	\$ 65,629
CDBG-Supplemental funds for 208 Disaster Relief PL 110-252	14.228	436,160
HOME Investment Partnerships Program	14.239	490,874
ARRA - Homeless Prevention and Rapid Re-Housing Program	14.257	203,998
Lead Based Paint Hazard Controls in Privately-Owned Housing	14.900	30,617
Edward Byrne Memorial Justice Assistance Grant	16.738	32,225
Public Safety Partnership and Community Policing Grants	16.710	58,573
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.803	172,694
ARRA - Energy Efficiency and Conservation Block Grant	81.128	50,000

Note 4. Program 14.850

The City's blended component unit, Waterloo Housing Authority, has a long-term debt payable to the Federal Financing Bank (FFB). Each November 1, the City receives a debt subsidy of \$86,364 as a principal and interest payment on the loan. The City records the subsidy as revenue and an expenditure for debt service. On June 30, 2011, the principal balance on the loan was \$357,887. Since there are continuing compliance obligations regarding the loan, the principal balance is considered federal financial assistance. Federal expenditures for the program consisted of the following:

Operating subsidy	\$ 1,171
Debt subsidy	86,364
Program income	(50,778)
Subtotal cash assistance	<u>36,757</u>
Loan balance	<u>357,887</u>
Total	<u><u>\$ 394,644</u></u>

City of Waterloo, Iowa

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2011**

	Finding	Status	Corrective Action Plan or Other Explanation
Significant Deficiencies in Internal Control			
10-II-A	The City has an improper segregation of duties over the payroll cycle.	Not corrected	See corrective action plan at 11-II-A.
10-II-B	Industrial sewer billing internal controls are not effectively operating as they are not functioning as designed.	Corrected	
10-II-C	The City has improper segregation of duties over cash collections at locations outside of the City Clerk's office.	Not corrected	See corrective action plan at 11-II-B.
Findings and Questioned Costs for Federal Awards			
10-III-A	The City (Planning and Zoning Department) did not meet the requirements of OMB Circular A-133 relating to suspension and debarment requirement under the City's Hazard Mitigation Grant.	Not corrected	See corrective action plan at 11-III-A.
10-III-B	The City did not comply with subrecipient monitoring requirements of OMB Circular A-133, for the Public Safety and Community Policing Grant program.	Corrected	
Other Findings Related to Required Statutory Reporting			
10-IV-F	The City is required to publish the minutes from a Council meeting within 15 days of the meeting. The City did not publish within this time frame.	Not corrected	See corrective action plan at 11-IV-F.
10-IV-H	The Grants, Special Revenue Fund, reported a deficit fund balance as of June 30, 2010.	Not corrected	See corrective action plan at 11-IV-H.
10-IV-J	The City did not amend the airport ordinance to repeal the positive cash balance requirement. Through June 30, 2010, the accumulative cash deficit totaled \$857,767.	Not corrected	See corrective action plan at 11-IV-J.



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

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

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Waterloo, Iowa as of and for the year ended June 30, 2011, which collectively comprise the City of Waterloo's basic financial statements, and have issued our report thereon dated December 15, 2011. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Waterloo Water Works as of and for the year ended December 31, 2010 and the Waterloo Convention & Visitors Bureau, Inc. as of and for the year ended June 30, 2011, both discretely presented component units, as described in our report on the City of Waterloo, Iowa's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

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

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, as items 11-II-A and 11-II-B, that we consider to be significant deficiencies internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011, are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretation of those statutes.

We noted certain matters that we reported to management of the City in a separate letter dated December 15, 2011.

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

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

McGladrey & Pullen, LLP

Davenport, Iowa
December 15, 2011



**Independent Auditor's Report on Compliance With Requirements
That Could Have a Direct and Material Effect on Each
Major Program and Internal Control Over
Compliance in Accordance With OMB Circular A-133**

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

Scope

City of Waterloo, Iowa's basic financial statements include the operations of the Waterloo Water Works and the Waterloo Convention & Visitors Bureau, Inc. discretely presented component units which did not have a single audit performed for their fiscal years ended December 31, 2010 and June 30, 2011, respectively. Our audit described below does not include the operations of the Waterloo Water Works or the Waterloo Convention and Visitors Bureau, Inc. because these discretely presented component units were audited by other auditors.

Compliance

We have audited the compliance of the City of Waterloo, Iowa with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and, which is described in the accompanying schedule of findings and questioned costs as item 11-III-A.

Internal Control Over Compliance

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

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

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

We noted certain matters that we reported to management at the City in a separate letter dated December 15, 2011.

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

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

McGladrey & Pullen, LLP

Davenport, Iowa
December 15, 2011

City of Waterloo, Iowa

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2011**

I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiencies identified?
- Noncompliance material to financial statements noted?

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

Federal Awards

Internal control over major programs:

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

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

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

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

- | | |
|---|-----------------------------|
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
|---|-----------------------------|

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
14.251	Economic Development Initiative Grants
14.257	ARRA - Homelessness Prevention Program
16.710	Public Safety Partnership & Community Policing Grants
16.710	ARRA - Public Safety Partnership & Community Policing Grants
	Jag Program Cluster:
16.738	Edward Byrne Memorial Justice Assistance Grant Program
16.803	ARRA - Byrne/Iowa - Justice Assistance Grant
	Highway Planning and Construction Cluster:
20.205	Highway Planning and Construction
20.205	ARRA - Highway Planning and Construction
20.219	Recreational Trails Program
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between type A and type B programs: \$519,343

Auditee qualified as low-risk auditee?

- | | |
|---|-----------------------------|
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
|---|-----------------------------|

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2011

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

A. Significant Deficiencies in Internal Control.

11-II-A

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

Criteria: A good internal control system contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition: The City Clerk and Deputy City Clerk have the ability to create a new employee, process and approve payroll, print checks and are the only ones with access to download the direct deposit information from the payroll software to the bank. In addition these employees can make changes to the payroll master file including pay rates, employee addresses, deductions, etc. an independent employee reviews a payroll edit/change report to supporting documentation. A payroll report is sent to Department Heads to review each pay period. However, this report only includes hours worked and not dollar amounts. We stress the importance of maintaining the independent review of the payroll edit and change report to supporting documentation.

Context: Pervasive to payroll transactions.

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

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

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

Response and Corrective Action Plan: The City changed its procedures so that employees independent of the payroll function are reviewing payroll edit reports, including comparing employee job classification and pay information to approved budgeted salaries and approved personnel action forms.

11-II-B

Finding: The City has an improper segregation of duties over cash collections at locations outside of the City Clerk's Office namely at Young Arena, Municipal golf courses, and at the Waterloo Regional Airport.

Criteria: A good internal control system contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion

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

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2011

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

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

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

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

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

B. Compliance findings.

None reported.

III. Findings and Questioned Costs for Federal Awards.

A. Significant Deficiencies in Administering Federal Awards

None reported.

B. Instances of Noncompliance

11-III-A

U.S. Department of Homeland Security

Passed through Iowa Homeland Security and Emergency Management Division

Presidential Disaster Grant (CFDA 97.036)

Federal Year Award 2009/2010

U.S Department of Housing and Urban Development

Economic Development Initiative Grants (CFDA 14.251)

Federal Year Award 2003 - 2011

Finding: The City did not perform procedures or retain documentation to ensure certain vendors were not suspended or debarred from receiving Federal funds.

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

Questioned Costs: None

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2011

Condition: Certain City departments did not have procedures in place prior to June 30, 2010 to ensure that vendors with contracts over \$25,000 are not suspended or debarred from receiving Federal funds. One contract is still in effect for which the city has not retroactively applied proper suspension & debarment procedures. The Community Development Department did not retain documentation to substantiate the City's compliance with OMB Circular A-133's suspension and debarment requirements.

Context: Prevalent to all vendors with contracts beginning prior to June 30, 2010 with the Presidential Disaster Grant. Prevalent to all vendors with covered transactions performed by the Community Development Department.

Effect: Suspended or debarred vendors could be improperly funded with federal funds.

Cause: The City did not retroactively perform procedures to ensure vendors with contracts beginning prior to June 30, 2010 were not suspended or debarred. The City indicated, Community Development Department, that they had performed the reviews; however supporting documentation was not maintained by the City to substantiate this.

Recommendation: We recommend that the City retroactively apply suspension & debarment procedures to covered transactions. The City should complete this by either having vendors and subrecipients sign certifications or by checking the Excluded Parties List System (EPLS) (<http://epls.arnet.gov>) prior to entering into a covered transaction with vendors to be paid with federal funds.

Response: The City is aware of this requirement and will retroactively perform EPLS checks for vendors with covered transactions.

IV. Findings Related to Statutory Reporting

11-IV-A Certified Budget

Expenditure/expenses during the year ended June 30, 2011, did not exceed the budgeted amounts.

11-IV-B Questionable Disbursements

No questionable disbursements were noted.

11-IV-C Travel Expenses

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

11-IV-D Business Transactions

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

11-IV-E Bond Coverage

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

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2011

11-IV-F Council Minutes and Resolutions

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

Finding: The City is required to publish the minutes from a Council meeting within 15 days of the meeting. The minutes for the December 6, 2010, August 9, 2010 and June 27, 2011 meetings were published after 15 days and up to 36 days after the council meetings.

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

Response and Corrective Action Plan: The City will begin publishing Council minutes in a timely manner.

11-IV-G Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

11-IV-H Deficit Balances

Finding: The following funds had deficit balances as of June 30, 2011:

Grants, Special Revenue	\$3,479,080
Community Development Block Grant Fund	\$50,175

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

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

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

11-IV-I Revenue Bonds

The City has complied with the provisions of the revenue bond indentures. Information required by sewer revenue bond resolutions is reported in the statistical section.

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2011

11-IV-J Airport Ordinance

Finding: The City adopted ordinance number 4400 on December 13, 1999 which established an Airport Board of Directors and requires the Board to “Maintain a positive cash balance at all times in airport operations.” Airport operations are accounted for in the General Fund (Fund 010), Airport Commission Department (Department number 29), Airport Administration Activity (activity number 7700). Through June 30, 2011, the accumulative cash deficit totaled \$858,520.

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

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

11-IV-K Capital Bidding

Finding: The City is required to publish public notice of hearings and acceptance of contract bids. Per Iowa Code Chapter 26.12, the City must publish notice of the hearing not less than 4 days and not more than 20 days from the public hearing. Per Iowa Code Chapter 26.3, the City is also required to publish notice that they are accepting bids for capital projects not less than 4 days and not more than 45 days prior to the date of filing bids. In 3 of the 12 capital projects tested, the City failed to publish neither the notice of the hearing nor the notice of accepting bids until 3 days before the public hearing.

Recommendation: The City should publish the date of the hearing more than 4 days but less than 20 days prior to the public hearing. The City should also post notice that the City is accepting bids more than 4 days but less than 45 days prior to the filing date of capital project bids.

Response and Corrective Action Plan: The City will begin publishing the notices of hearings and bids within the acceptable time frame as required by Iowa Law.

City of Waterloo, Iowa

**Corrective Action Plan
Year Ended June 30, 2011**

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Significant Deficiencies in Internal Control				
11-II-A	The City has an improper segregation of duties over the payroll cycle.	See corrective action plan at 11-II-A.	June 2012	Michelle Weidner, CFO
11-II-B	The City has improper segregation of duties over cash collections at locations outside of the City Clerk's office.	See corrective action plan at 11-II-B.	June 2012	Michelle Weidner, CFO
Findings and Questioned Costs for Federal Awards				
11-III-A	The City did not perform procedures or retain documentation to ensure a vendor was not suspended or debarred from receiving federal funds.	See corrective action plan at 11-III-A.	June 2012	Michelle Weidner, CFO
Other Findings Related to Required Statutory Reporting				
11-IV-F	The City is required to publish the minutes from a Council meeting within 15 days of the meeting. The City did not publish within this time frame.	See corrective action plan at 11-IV-F.	June 2012	Michelle Weidner, CFO
11-IV-H	The Grants, Special Revenue Fund, and the Community Development Block Grant, Special Revenue Fund had deficit fund balances as of June 30, 2011.	See corrective action plan at 11-IV-H.	June 2012	Michelle Weidner, CFO
11-IV-J	The City did not amend the airport ordinance to repeal the positive cash balance requirement. Through June 30, 2011, the accumulative cash deficit totaled \$858,520.	See corrective action plan at 11-IV-J.	June 2012	Michelle Weidner, CFO
11-IV-K	The City did not publish capital bidding notices and acceptances within the required timeframe. Bid notices are required within 4-20 days of public hearing. Bid acceptance is required within 4-45 days of filing the bid.	See corrective action plan at 11-IV-K.	June 2012	Michelle Weidner, CFO

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

In connection with our audit of the financial statements of the City of Waterloo, Iowa ("the City") as of and for the year ended June 30, 2011, we identified deficiencies in internal control over financial reporting (control deficiencies).

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

A 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 financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Certain control deficiencies that have been previously communicated to you, in writing, by us or by others within your organization are not repeated herein.

We have separately communicated, to you and management, identified deficiencies that we determined to be significant deficiencies.

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

Schedule of expenditures of federal awards: We noted certain expenditures of federal awards were expended in fiscal year 2010 but not recorded as federal expenditures on the schedule of expenditures of federal awards until fiscal year 2011. Additionally, adjustments to revenue and deferred income were required to properly recognize grant income during the year. Failure to properly record and report expenditures of federal awards can result in noncompliance with federal grant agreements. We recommend that the City continue to review expenditures of federal awards to ensure they are recorded and reported in the proper period.

Grant expense allocation: In the City's Economic Development Initiative program we noted one instance of an employee's salary being charged to the grant for time spent on non-grant related activities. The employee's allocation of \$7 retirement contribution was incorrectly charged to the grant. We recommend management perform reviews over employee time cards to ensure time spent on program-related activities is properly charged to those respective programs.

Other postemployment benefits: The City initially recognized employer contributions based upon the 2010 actuarial report suggested contribution rather than actual contributions for fiscal year 2011. We recommend the City review the contribution and disclosure requirements of other postemployment benefits and adjust the liability based upon actual contributions on a yearly basis.

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

McGladrey & Pullen, LLP

Davenport, Iowa
December 15, 2011