

CITY OF WATERLOO, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2009

Prepared by:
City of Waterloo Finance Department
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December 21, 2009

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

We are pleased to present the Comprehensive Annual Financial Report of the City of Waterloo, Iowa (the “City”) for the fiscal year ended June 30, 2009 in accordance with the provisions of Chapter 11 of the Code of Iowa. This report represents the seventh consecutive year that the financial statements are presented in conformity with Governmental Accounting Standards Board Statement # 34 and the thirteenth 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, 2009. This report is published to provide the City Council, financial institutions and citizens detailed information concerning the financial condition of the City of Waterloo.

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

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

THE CITY'S BACKGROUND AND SERVICES

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

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

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

MAJOR INITIATIVES AND PROJECTS

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

➤ Cedar Valley Riverfront Renaissance

The construction of portions of a major project identified as the Cedar Valley Riverfront Renaissance Plan is currently underway, with completion expected by late 2011. This project will draw the community together around the Cedar River, one of the area's most valuable natural resources, re-establish a strong center for downtown, help recruit significant new business, expand tourism and improve the use of existing facilities. It includes the following projects, among others:

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

The Riverfront Renaissance project is being funded primarily using distributions from the Black Hawk County Solid Waste Commission in addition to funds received from the state-sponsored Vision Iowa program. Several additional grants have been secured for portions of the project. The first three projects listed above have been approved to receive \$7.3 million from the Vision Iowa program. As a part of that award, the City also participated in funding the construction of the East Side Ministerial Alliance Community Center. Black Hawk County and the cities of Cedar Falls, Evansdale and Waterloo presented a combined application to the Vision Iowa Program. The communities received a total award of \$9.5 million, which will result in a total investment of more than \$35 million in these communities. Several portions of the RiverWalk Loop are either under construction or already completed. Improvements to the Cedar River Dam, expected to raise the river level enough to allow additional boating, are also underway. The construction of a \$4.5 million Youth Pavilion addition to the City of Waterloo Center for the Arts facility is complete and open, while the Grout Museum addition was completed and opened in November 2008. When completed, the RiverWalk Loop will provide a unique recreational trail experience along the Cedar River throughout downtown Waterloo.

- RiverLoop Expo
Construction is substantially complete for the RiverLoop Expo grounds and the renovation of the Public Market building near the Five Sullivan Brothers Convention Center as of November 2009. The City has acquired a number of properties in the downtown area to create exhibition grounds that will link downtown destinations, in addition to eliminating blight in the heart of downtown. Current plans define the grounds as a flexible community gathering space and outdoor exhibit space for conventions and trade shows. The Public Market is expected to provide a unique area to support regional food markets.
- Former Rath Packing and John Deere Brownfields Pilot Area
The City has secured nearly \$13.3 million in funding over the past seven years to be used to revitalize the former Rath Packing and John Deere Brownfields area, one of the oldest areas in the City. During the year ended June 20, 2009, 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 awarded several grants to redevelop the former Construction Machinery Company site (CMC). CMC is enrolled in the Iowa Department of Natural Resources Land Recycling Program. The City also completed the demolition of additional portions of the Chamberlain Manufacturing complex during the year ended June 30, 2009, with more planned. Chamberlain, the company that formerly operated Chamberlain Manufacturing, is working with the EPA to address potential remediation needs at their former site as well.

➤ **Street Improvements**

Waterloo continues to upgrade its street system with the substantial program of reconstruction, overlays and long-term repairs funded with more than \$8 million in annual local option sales tax collections. The one-cent local option tax was renewed in November 2009 by the taxpayers for another five years, continuing to be required to be used for street repairs and improvements.

➤ **Recreational facilities**

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

ECONOMIC OUTLOOK

The outlook of the economy of Waterloo and the Cedar Valley area remains positive with continued commercial and industrial activity. Construction in Waterloo continued at a pace greater than any year in the previous decade, even though there was a substantial decline over the past two years. Building permit valuation declined to \$74.9 million from \$119.9 million earned for the fiscal year ended June 30, 2008, which was the second-highest level ever experienced, exceeding all years except for June 2007, which included the permit for the casino construction. The median sales price for homes in the Waterloo-Cedar Falls area has increased by 44.5% since 1999 (an annual average growth rate of 4.45). Values decreased 20% during the fiscal year ended June 30, 2009, following an increase of 20% in the previous fiscal year. Retail sales have also increased steadily by an annual average rate of approximately 2% in Waterloo during the past ten years. Retail sales in 1999 totaled \$912 million and \$1.1 billion for the fiscal year ended March 30, 2008. The 2000 census reflected population growth of 3.4% from 1990. Although Waterloo has not returned to the population levels of the seventies (prior to the major disruption in the farm economy), this increase is significant as it indicates a change in trend from a declining population to a growing population.

Overall city tax base growth has been moderate, reflecting an average annual level of approximately 5.3% for the last five years. The City has developed a more diverse employment base since the mid-seventies, although John Deere and Company continues to play a major role in the local economy. Deere remains the city's largest employer and one of the larger taxpayers, currently accounting for about 6.4% 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, 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 5.43% remains above the state average level of 4.78%, although it is below the national level for June 2009 of 7.57%. Overall annual city employment growth has reduced the unemployment rate substantially from a peak of 7.6% in the early 1990s.

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 which employs nearly 600 Iowans and will generate more than \$1 million in annual City property taxes. The City receives a host city fee of 0.5% of weekly adjusted gross receipts in addition to an annual development fee of 0.5% of weekly adjusted gross receipts for the first two years the casino is in operation, with the development fee increasing to 1% of weekly adjusted gross receipts effective during the fiscal year ending June 30, 2010.

The outlook remains positive for the continuation of these upward trends based upon the redevelopment that will occur with the Riverfront Renaissance projects, John Deere's investment in the community, and the construction of the casino facility, as well as the growth in the Mid Port America Industrial Park with Con Agra adding 50 employees and building a 200,000 square foot expansion valued at \$46 million. The City has continued to see development occur in its major Tax Increment Financing Districts, such as the recent addition to the Tyson campus in the Northeast Industrial Park. Major commercial expansions and new construction in the southern sector of the City, including a new 40,000 square foot office building, and four smaller office buildings totaling over 33,000 square feet. Working with private developers, the City has seen the recent construction of several new commercial buildings in the Martin Road area. This activity shows the strong indications of continued business interest in Waterloo even with the slowdown being experienced in the national economy.

A new complex, the Cedar Valley TechWorks, is being developed as a combination bioproducts center and incubator marketplace to help define, expand and nurture the region's emerging bioeconomy. The TechWorks has received a grant of \$3,200,000 from the Iowa Values Fund to develop companies for the new economy, in addition to a \$2,500,000 PIAP grant. 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. Construction is underway for Tech Works first tenant, the National Ag-based Industrial Lubricant laboratory.

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 have begun and construction is expected begin in the spring of 2011.

MAJOR EVENT

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

Damage to city facilities and infrastructure, including streets, recreational trails and traffic signals is estimated at approximately \$1.5 million. The Riverfront Stadium baseball facility experienced the most significant damage, totaling approximately \$300,000 as well as a boathouse facility that was demolished. Many repairs and mitigation improvements that will further reduce potential future damage to the Stadium and other city buildings which experienced basement flooding are currently underway, anticipated to be completed during the year ending June 30, 2010, with the cost anticipated to be covered by a combination of insurance proceeds and the FEMA public assistance program.

FINANCIAL MANAGEMENT INFORMATION

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

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

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

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

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Waterloo, Iowa for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. This is the fifth year that the City received this award, which is a prestigious national award recognizing conformance with the highest standards for the preparation of state and local government financial reports.

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

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

ACKNOWLEDGMENTS

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

Sincerely,



Timothy J. Hurley,
Mayor



Michelle C. Weidner, CPA
Chief Financial Officer

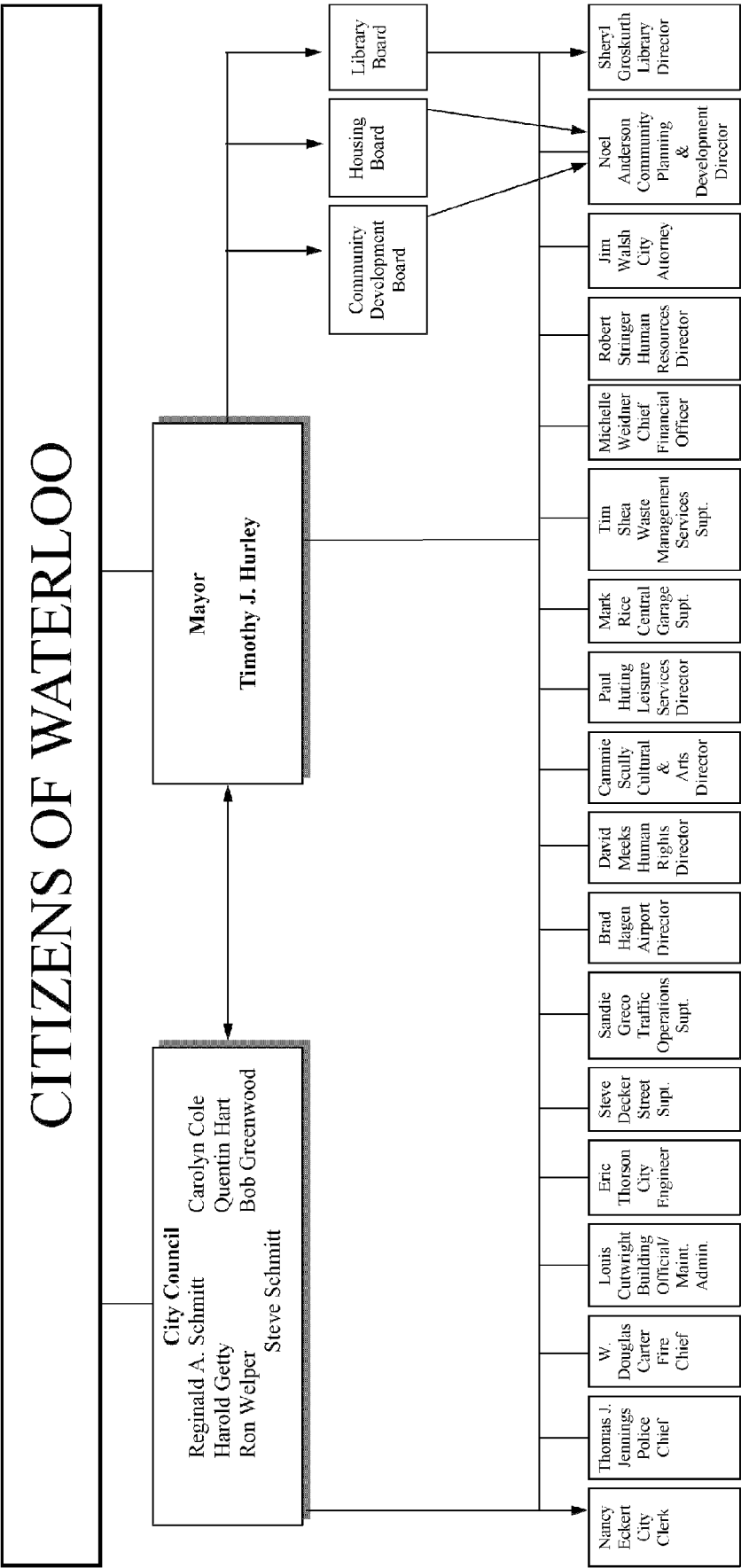
City of Waterloo, Iowa

Officials

June 30, 2009

Name	Title	Term Expires
Elected		
Timothy A. Hurley	Mayor	January 2010
Reginald Schmitt	Council Member - 1st Ward	January 2010
Carolyn Cole	Council Member - 2nd Ward	January 2012
Harold Getty	Council Member - 3rd Ward	January 2010
Quentin Hart	Council Member - 4th Ward	January 2012
Ron Welper	Council Member - 5th Ward	January 2010
Bob Greenwood	Council Member - At-Large	January 2010
Steve Schmitt	Council Member - At-Large	January 2012
Appointed		
Michelle Weidner, CPA	Chief Financial Officer	Indefinite
Nancy Eckert, CMC	City Clerk	Indefinite
Eric Thorson, PE	City Engineer	Indefinite
James E. Walsh, Jr.	City Attorney	Indefinite
W. Douglas Carter	Chief of Fire Department	Indefinite
Thomas J. Jennings	Chief of Police Department	Indefinite

CITY OF WATERLOO, IOWA — ORGANIZATIONAL STRUCTURE



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Waterloo
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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



President

Executive Director

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Waterloo, Iowa as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units, Waterloo Water Works and Waterloo Convention & Visitors Bureau, Inc., which represent 100 percent of the assets and revenues of the discretely presented component units. Those financial statements were audited by other independent auditors whose 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Waterloo, Iowa as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 14 to the basic financial statements, the City of Waterloo, Iowa changed its method of accounting for other post employment benefits.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 14, budgetary comparison information on pages 67 through 73 and schedule of funding progress for other post employment benefit plan on page 66 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

McGladrey & Pullen, LLP

Davenport, Iowa
December 17, 2009

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009

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, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at pages iii-ix of this report.

Financial Highlights

- The assets of the City of Waterloo exceeded its liabilities at the close of the most recent fiscal year by \$332,285,569 (net assets). Of this amount, \$14,178,607 (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 \$20,319,383.
- As of the close of this current fiscal year, the City of Waterloo's governmental funds reported combined ending fund balances of \$50,342,423, a decrease of \$1,433,740 in comparison with the prior year. Approximately 80.11 percent of this total amount, \$40,326,986, is available for spending at the government's discretion (unreserved undesignated fund balance), although some funds are legally limited for specified purposes.
- At the end of the current fiscal year, unreserved undesignated fund balance for the General Fund was \$8,152,625, or 19.64 percent of total General Fund expenditures.
- The City of Waterloo's total long-term debt, increased by \$624,245 or 0.63 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, 2009

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

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

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

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

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

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

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

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009

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, 2009.

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 \$332,285,569 at the close of the fiscal year ended June 30, 2009.

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, 2009 and 2008 follows:

	City of Waterloo's Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets						
Current and other assets	\$ 110,982,359	\$ 101,780,132	\$ 17,530,378	\$ 16,023,074	\$ 128,512,737	\$ 117,803,206
Capital assets	268,567,193	251,914,713	87,294,364	88,210,044	355,861,557	340,124,757
Total assets	379,549,552	353,694,845	104,824,742	104,233,118	484,374,294	457,927,963
Liabilities						
Current liabilities	63,097,552	57,341,573	4,073,965	3,782,140	67,171,517	61,123,713
Long-term liabilities	62,197,840	60,797,737	22,719,368	24,040,327	84,917,208	84,838,064
Total liabilities	125,295,392	118,139,310	26,793,333	27,822,467	152,088,725	145,961,777
Net assets						
Invested in capital assets, net of related debt	216,863,066	202,629,813	65,420,051	63,754,721	282,283,117	266,384,534
Restricted	32,652,537	25,583,429	3,171,308	3,182,802	35,823,845	28,766,231
Unrestricted	4,738,557	7,342,293	9,440,050	9,473,128	14,178,607	16,815,421
Total net assets	\$ 254,254,160	\$ 235,555,535	\$ 78,031,409	\$ 76,410,651	\$ 332,285,569	\$ 311,966,186

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009

\$35,823,845 of the City of Waterloo's net assets (10.78 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$14,178,607) 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 \$20,319,383 during the current fiscal year. Governmental-type activities' net assets increased by \$18,698,625. 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 \$1,620,758. This increase was also mainly attributable to the City's investment in capital assets during the fiscal year.

Statement of Activities

A condensed version of the Statement of Activities as of June 30, 2009 and 2008 follows:

	City of Waterloo's Changes in Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 8,618,565	\$ 9,000,548	\$ 12,978,854	\$ 12,892,897	\$ 21,597,419	\$ 21,893,445
Operating grants and contributions	16,803,356	14,018,130	614,484	529,544	17,417,840	14,547,674
Capital grants and contributions	13,787,329	8,609,193	109,200	127,092	13,896,529	8,736,285
General revenues:						
Property taxes	38,776,426	35,899,681	-	-	38,776,426	35,899,681
Other taxes	14,208,362	13,674,750	-	-	14,208,362	13,674,750
Other	6,982,716	5,332,994	85,352	357,518	7,068,068	5,690,512
Total revenues	99,176,754	86,535,296	13,787,890	13,907,051	112,964,644	100,442,347
Expenses:						
Public safety	26,719,053	26,214,669	-	-	26,719,053	26,214,669
Public works	22,435,723	21,705,472	-	-	22,435,723	21,705,472
Health and social services	260,584	268,761	-	-	260,584	268,761
Culture and recreation	9,512,453	8,408,694	-	-	9,512,453	8,408,694
Community and economic development	13,520,082	9,581,090	-	-	13,520,082	9,581,090
General government	5,150,029	4,511,057	-	-	5,150,029	4,511,057
Interest on long-term debt	2,880,205	2,782,119	-	-	2,880,205	2,782,119
Sanitary sewer	-	-	8,573,832	8,649,104	8,573,832	8,649,104
Sanitation	-	-	3,593,300	3,289,854	3,593,300	3,289,854
Total expenses	80,478,129	73,471,862	12,167,132	11,938,958	92,645,261	85,410,820
Change in net assets	18,698,625	13,063,434	1,620,758	1,968,093	20,319,383	15,031,527
Net assets, beginning	235,555,535	222,492,101	76,410,651	74,442,558	311,966,186	296,934,659
Net assets, ending	\$ 254,254,160	\$ 235,555,535	\$ 78,031,409	\$ 76,410,651	\$ 332,285,569	\$ 311,966,186

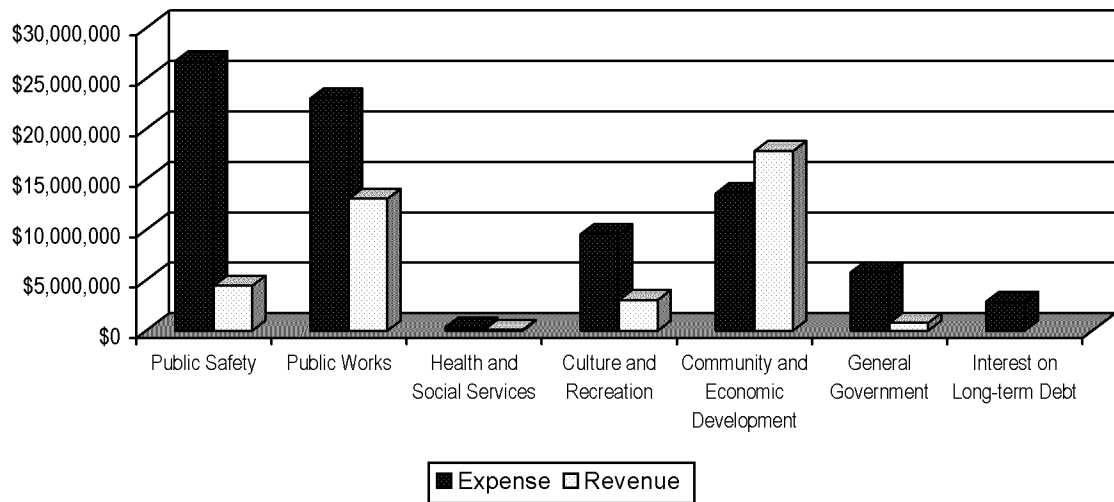
City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009

Total governmental activities' revenue for the current fiscal year was \$99,176,754. The largest single revenue source for the City was property taxes of \$38,776,426. Property taxes increased by \$2,876,745 (8.01 percent) during the year. This increase is a result of a combination of factors, including a 10 percent increase in the assessed value of property, a 8.8 percent increase in the taxable value of property, and a 2.1 percent decrease in the levy rate.

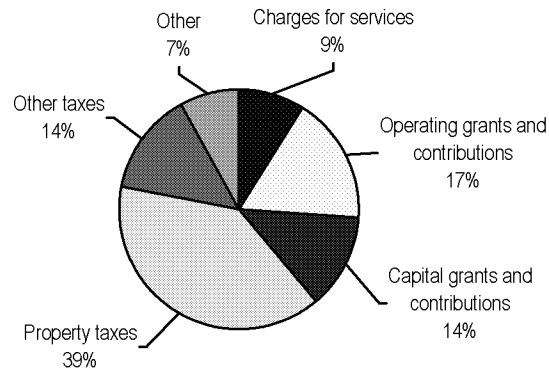
Certain revenues are generated that are specific to governmental program activities. These totaled \$39,209,280 during the fiscal year ended June 30, 2009. The graph below illustrates the comparison between the expenses by governmental activity type and the revenues generated that are specific to those activities.

Expenses and Program Revenues – Governmental Activities



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

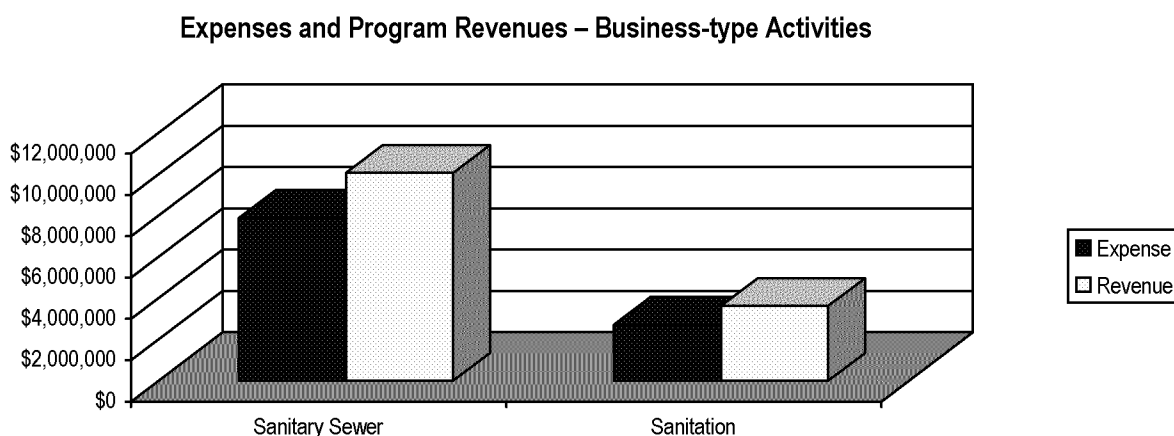
Revenues by Source – Governmental Activities



City of Waterloo, Iowa

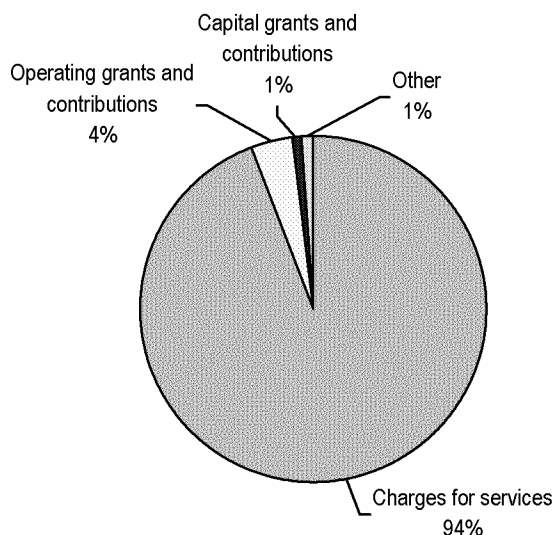
Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009

Total business-type activities' revenue for the fiscal year was \$13,787,890. \$13,702,538 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.



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

Revenues by Source – Business-type Activities



Business-type activities. Business-type activities increased the City of Waterloo's net assets by \$1,620,758, accounting for 8 percent of the growth in the government's net assets. This increase was due primarily to the generation of operating revenue to retire debt incurred for sewer plant construction.

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009

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 \$50,342,423, a decrease of \$1,433,740 in comparison with the prior year. Fund balance in the amount of \$5,294,906 is not available for new spending because it has already been committed for a variety of restricted purposes. Approximately 89.48 percent of total fund balance (\$45,047,517) constitutes unreserved fund balance. \$32,178,523 of this total balance is restricted for the type of use of the fund that generated the revenue. (For example, the Local Option Tax Fund has unreserved fund balance of \$7,930,825 which may be used only for the purposes specified in the authorizing referendum.) \$4,720,531 of the total governmental funds unreserved fund balance (\$45,047,517) has been designated by the City Council for specified purposes, leaving \$40,326,986 in uncommitted funds.

The General Fund is the chief operating fund of the City of Waterloo. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$8,152,625, while total fund balance was \$15,240,672. As a measure of the General Funds' liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 19.64 percent of total General Fund expenditures, while total fund balance represents 36.72 percent of that same amount.

The City originally budgeted to spend all non-restricted resources, consequently budgeting for no change in unreserved fund balance. However, various sources of revenue exceeded the amounts budgeted and some departments spent less than budgeted, resulting in an increase of \$714,207 in unreserved, undesignated fund balance. Several significant items contributed to the overall general fund net increase. The City experienced a relatively large decrease in building permit revenue of \$460,000 from the expected revenue as the impact of the national credit issues and economic downturn began to affect the local economy. Interest revenue was \$364,000 less than expected, due to the dramatic decline in interest rates. Several additional revenue sources came in less than expected.

However, gaming revenue and cable franchise fee revenue were \$226,400 more than expected. The police department spent a net of \$93,000 less than budgeted and the fire department spent \$84,000 less than the amount budgeted and recorded revenue exceeding of \$145,000 more than budgeted. The Leisure Services department spent a net of \$231,000 less than budgeted. The Clerk/Finance department spent \$218,000 less than budgeted. The Center for The Arts and Youth Pavilion received more revenue than expected and spent less than expected for a net of \$90,800 less than budgeted. A number of other departments spent less than the amount budgeted for their departments, such as the City Attorney, Planning and Zoning and Human Resources. A portion of the budgetary savings realized by many departments was due to employee positions that were vacant for part of the year.

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009

Reserved fund balance decreased by \$707,353, due primarily to the transfer of funds held for home construction that were moved to the housing fund. Designated fund balance decreased by \$142,852, due primarily to spending more (\$492,990) for the Vision Iowa projects than the annual equity distribution received from the Black Hawk County Solid Waste Commission. This decrease was offset by the amount allocated for future other postemployment benefits.

The Trust and Agency Fund has a total fund balance of \$2,427,755, of which \$1,619,814 or 66.72 percent is reserved for the payment of employee benefits. The net increase in fund balance during the current year was \$294,672, due primarily to health insurance costs being less than expected.

The Local Option Tax Fund net assets increased by \$503,611 during the current year to a total fund balance of \$7,930,825, all of which is reserved for street repairs, construction and improvements. The increase is due to the timing of construction expenditures.

The Debt Service Fund has a total fund balance of \$678,992, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the Debt Service Fund was \$308,685. This decrease in fund balance resulted from the use of bond refinancing savings realized in prior years being used to reduce current year property tax askings.

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 \$73,706,427, an increase of \$1,562,958. This increase was due primarily to the retirement of outstanding debt and the continued investment in capital assets for the sanitary sewer system.

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

Budgetary Highlights

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

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

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009

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 \$151,047,697 was increased to \$171,599,278 (an increase of \$20,551,581).

- The City added project budgets for several Public Safety and Culture & Recreation department grants and expenses funded with other miscellaneous revenue that were approved after the original budget certification date (\$1.2 million).
- Expenses were increased for flood repair costs to city buildings due to the June 2008 flood and also for additional medical claims anticipated to be paid out during the year (\$1.5 million).
- The City amended the budget for additional FAA grants received after the original budget certification date and also added expenses related to higher than anticipated snow removal activities (\$3.6 million).
- The City increased the budget because certain revolving loans in the Section 108 loan activity that were not included in the original budget certification were planned to be made (\$2.2 million).
- Reductions in expenses were made due to a lower than expected general obligation bond issue and to reflect that a Section 108 loan, originally anticipated to be repaid during the year, had been repaid during the prior year (\$2.3 million).
- Expenses were increased related to funding received to provide disaster assistance to business and individuals affected by the floods of June 2008 (\$2.1 million).
- The City amended the budget to provide for a refunding bond issue (\$7.1 million).
- The City added a number of capital outlay budgets for numerous projects approved for design and construction after the original budget certification date and also to reflect work completed during the current year on capital projects that were originally included in the prior year budget (\$3.8 million).
- Transfers out were decreased due to the repayment of Section 108 loan proceeds used for the Brownfields Street project being completed during the prior year (\$1.0 million).

The total original revenue budget, including other financing sources of \$147,113,424 was increased to \$166,342,081 (an increase of \$19,228,657).

- 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 (\$6.8 million).
- Additional revenue was budgeted in the Capital Improvements project fund to reflect resources received for construction of the Commercial Street Extension and TechWorks Pump Station (\$1.7 million).
- The city amended the original budget for bond proceeds to reflect proceeds from a refunding bond issue (\$7.1 million).
- Donation revenue was increased to reflect additional donations received from Black Hawk Gaming as well as other entities for various city projects (\$1.3 million).
- Insurance refunds were added related to reimbursement through the city's property insurance for repairs to city facilities damaged in the June 2008 flood as well as medical claims reimbursed by the city's stop loss insurance (\$1.5 million).
- Transfers in were decreased due to the repayment of Section 108 loan proceeds used for the Brownfields Street project being completed during the prior year (\$1.0 million).

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009

See pages 67 through 73 for the Budgetary Comparison Schedule - Budget and Actual (Modified Cash Basis) – All Governmental Funds and Proprietary Funds.

Capital Asset and Debt Administration

Capital Assets. The City of Waterloo's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounts to \$355,861,557 (net of accumulated depreciation) as reflected in the following table. The total increase in the City of Waterloo's investment in capital assets for the current fiscal year was 4.63 percent (a 6.61 percent increase for governmental activities and a 1.04 percent decrease for business-type activities).

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

	City of Waterloo's Capital Assets at Fiscal Year End (Net of Depreciation)					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 31,262,811	\$ 29,551,042	\$ 348,055	\$ 348,055	\$ 31,610,866	\$ 29,899,097
Land held for redevelopment	5,562,150	4,764,901	-	-	5,562,150	4,764,901
Buildings and improvements	42,807,525	41,429,967	54,371,644	55,731,600	97,179,169	97,161,567
Other improvements	-	-	29,503,810	29,571,530	29,503,810	29,571,530
Infrastructure	157,245,824	152,977,334	-	-	157,245,824	152,977,334
Furniture, vehicles, machinery and equipment	8,124,198	7,719,183	2,065,746	1,661,392	10,189,944	9,380,575
Construction-in-progress	23,564,685	15,472,286	1,005,109	897,467	24,569,794	16,369,753
	<u>\$ 268,567,193</u>	<u>\$ 251,914,713</u>	<u>\$ 87,294,364</u>	<u>\$ 88,210,044</u>	<u>\$ 355,861,557</u>	<u>\$ 340,124,757</u>

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 \$920,535. Demolition of portions of the Chamberlain Manufacturing complex as well as portions of the Rath complex was completed at a cost of \$430,581. Land was also acquired in the MidPort Tax Increment Financing District at a cost of \$350,000 and in the Martin Road Tax Increment Financing District at a cost of \$200,000. New plats valued at \$596,000 were contributed to the city by developers.
- Construction of the Public Market building was completed with total expenses of \$811,577. The renovation of Lafayette Park as well as construction of a restroom at Spring View Park were completed at a total cost of \$653,978.
- The rehabilitation of the general aviation apron and taxi lanes and also Taxiway A at the Waterloo Regional Airport was completed, with total expenses of \$1,970,597 at June 30, 2009. Additional work on runway rehabilitation projects totaling \$674,976 was added to construction in progress at June 30, 2009.
- Significant investments in street construction, reconstruction and overlay programs funded with local option taxes and grants were completed (\$8,344,784) and transferred to infrastructure assets. In addition, recreational trails in the amount of \$1,881,667 were completed and transferred to infrastructure assets. An additional \$4,728,641 was invested in new street construction, repair of existing streets and construction of recreational trails still in progress at June 30, 2009.

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009

- Another significant portion of the RiverLoop Expo grounds was constructed and added to construction in progress at June 30, 2009, at a total cost of \$2,313,435. Construction totaling \$2,634,387 for the renovations to the Cedar River dam and riverwalls related to the Riverfront Renaissance project was also added to construction in progress at June 30, 2009.
- Construction was started on a new storage building at the Water Pollution Control facility. Costs of \$250,842 were added to construction in progress for this project. In addition, \$606,000 was invested in new vehicles and equipment for the Sewer and Sanitation departments.

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

Long-term debt. At the end of the current fiscal year, the City of Waterloo had total bonded debt outstanding of 92,115,000. Of this amount, \$81,245,000 is comprised of debt backed by the full faith and credit of the government. The remainder of the City of Waterloo's bonded debt (\$10,870,000) 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 \$1,454,245.

	City of Waterloo Long-term Outstanding Debt					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Bonded Debt:						
General obligation bonds	\$ 66,076,100	\$ 65,745,000	\$ 15,168,900	\$ 14,845,000	\$ 81,245,000	\$ 80,590,000
Revenue bonds	-	-	10,870,000	12,355,000	10,870,000	12,355,000
Total bonded debt	66,076,100	65,745,000	26,038,900	27,200,000	92,115,000	92,945,000
Other Debt:						
Loans and notes	3,392,268	1,931,086	-	-	3,392,268	1,931,086
Deferred compensation	103,022	215,269	3,087	8,211	106,109	223,480
Compensated absences	3,233,191	3,112,884	251,328	261,201	3,484,519	3,374,085
Total other debt	6,728,481	5,259,239	254,415	269,412	6,982,896	5,528,651
Total long-term debt outstanding	\$ 72,804,581	\$ 71,004,239	\$ 26,293,315	\$ 27,469,412	\$ 99,097,896	\$ 98,473,651

The City of Waterloo's total long-term debt increased by \$624,245 (1 percent) during the current fiscal year.

The government issued general obligation bonds in the amount of \$15,190,000 during the current fiscal year, including \$6,190,000 of general obligation refunding bonds issued to take advantage of more favorable interest rates.

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total assessed valuation. The current debt limitation for the City of Waterloo is \$172,392,563, which is significantly in excess of the City of Waterloo's outstanding general obligation debt (\$81,245,000) and other debt subject to the debt limitation (\$3,498,376). The total debt subject to this limitation is \$84,743,376, resulting in available debt margin of \$87,649,187.

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

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2009**

Economic Factors and Next Year's Budgets and Rates

- Property taxes provide approximately 51 percent of General Fund revenues. Over the past five years, citywide assessed valuations have risen an average of 5.3 percent annually, while property tax limitations imposed by the State of Iowa have held taxable values to an average annual growth rate of 4.1 percent. The fiscal year 2010 budget reflects total property tax and utility excise tax revenue growth of 3.9 percent.
- Personnel costs make up a significant portion of City operating costs. Wage increases identified in contractual bargaining agreements are 3 percent for fiscal year 2010.
- The City continues to face the challenge of funding the increasing costs of employee health care. The portion of health care premiums paid by participating employees was also increased slightly effective July 1, 2008. Anticipated health care cost increases of 4 percent were budgeted for fiscal year 2010. In addition, \$482,000 was budgeted for the estimated cost to recognize future retiree health care costs during their period of service to the City.
- The current national economic environment is also having an impact on the local economy. Building permit revenue is expected to fall below the original amount budgeted for the fiscal year ending June 30, 2010. Budget adjustments were implemented to address this anticipated shortfall.

These factors were considered in preparing the City of Waterloo's budget for fiscal year 2010.

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, 2009

	Primary Government			Waterloo Water Works	Waterloo Convention & Visitors Bureau, Inc.
	Governmental Activities	Business-Type Activities	Total		
Assets					
Current assets:					
Cash and cash equivalents	\$ 45,440,061	\$ 10,305,895	\$ 55,745,956	\$ 2,368,213	\$ 377,101
Investments	498,550	-	498,550	360,000	108,676
Receivables:					
Customer accounts, net of allowance for uncollectible accounts	2,431,092	2,659,435	5,090,527	955,881	-
Property taxes:					
Delinquent	340,628	-	340,628	-	-
Succeeding year	40,500,478	-	40,500,478	-	-
Internal accounts	(13,350)	13,350	-	-	-
Due from other governments:					
Component unit	-	801,340	801,340	-	-
Primary government	-	-	-	-	294,554
Other	12,817,021	65,027	12,882,048	-	-
Accrued interest	2,590	-	2,590	8,191	2,953
Loans and notes	-	-	-	8,722	-
Special assessments	56,183	-	56,183	-	-
Inventories and prepaids	420,327	16,339	436,666	79,837	5,721
Assets held for resale	243,796	-	243,796	-	-
Restricted assets:					
Cash and cash equivalents	7,883,827	1,401,907	9,285,734	-	-
Receivables	20,599	-	20,599	-	-
Total current assets	110,641,802	15,263,293	125,905,095	3,780,844	789,005
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	-	2,123,500	2,123,500	588,291	-
Investments	-	-	-	460,000	153,664
Loans and notes, net of allowance for uncollectible amounts					
	56,596	-	56,596	17,366	-
Special assessments	148,134	-	148,134	205,240	-
Debt issue cost, net of accumulated amortization	135,827	143,585	279,412	18,405	-
Capital assets, net of accumulated depreciation	208,177,547	85,941,200	294,118,747	18,395,018	21,402
Capital assets not being depreciated	60,389,646	1,353,164	61,742,810	1,167,030	-
Total noncurrent assets	268,907,750	89,561,449	358,469,199	20,851,350	175,066
Total assets	\$ 379,549,552	\$ 104,824,742	\$ 484,374,294	\$ 24,632,194	\$ 964,071

See Notes to Basic Financial Statements.

	Primary Government			Waterloo	Waterloo
	Governmental	Business-Type	Total	Water Works	Convention & Visitors Bureau, Inc.
	Activities	Activities			
Liabilities					
Current:					
Accounts and retainages payable	\$ 6,999,167	\$ 421,584	\$ 7,420,751	\$ 110,034	\$ 3,520
Accrued liabilities and other	1,907,473	166,796	2,074,269	114,043	6,538
Due to primary government	-	-	-	887,060	-
Due to component unit	294,554	-	294,554	-	-
Due to other governments	-	-	-	57,305	-
Noncurrent liabilities due and payable					
within one year	11,080,197	1,546,484	12,626,681	295,000	-
Unearned revenues	41,466,250	-	41,466,250	-	-
Current liabilities payable from restricted assets:					
Health claims	1,118,259	-	1,118,259	-	-
Other	147,600	-	147,600	-	-
Customer deposits	84,052	271,735	355,787	-	-
Accrued interest	-	82,366	82,366	-	-
Noncurrent liabilities due and payable					
within one year	-	1,585,000	1,585,000	-	-
Total current liabilities	63,097,552	4,073,965	67,171,517	1,463,442	10,058
Noncurrent:					
Customer deposits	-	-	-	120,194	-
Pollution remediation liability	25,000	-	25,000	-	-
Capital lease obligations	-	-	-	-	-
Bond premium	-	-	-	-	-
Bond discount	-	-	-	-	-
Revenue bonds and notes, net deferred amount on refunding	-	8,951,080	8,951,080	2,412,628	-
General obligation bonds and notes, net of bond discounts, deferred amount on refunding and and premium	58,511,118	13,674,795	72,185,913	-	-
Other loans and notes	2,146,042	-	2,146,042	-	-
Other post employment benefits obligation	476,938	37,062	514,000	-	-
Compensated absences and deferred compensation	1,038,742	56,431	1,095,173	-	-
Total noncurrent liabilities	62,197,840	22,719,368	84,917,208	2,532,822	-
Total liabilities	125,295,392	26,793,333	152,088,725	3,996,264	10,058
Net Assets					
Invested in capital assets, net of related debt	216,863,066	65,420,051	282,283,117	17,750,338	21,402
Restricted for:					
Debt service	2,590,271	2,387,667	4,977,938	918,291	-
Employee benefits	3,556,451	-	3,556,451	-	-
Improvements	13,536,268	783,641	14,319,909	-	-
Provider designations	12,969,547	-	12,969,547	-	-
Unrestricted	4,738,557	9,440,050	14,178,607	1,967,301	932,611
Total net assets	254,254,160	78,031,409	332,285,569	20,635,930	954,013
Total liabilities and net assets	\$ 379,549,552	\$ 104,824,742	\$ 484,374,294	\$ 24,632,194	\$ 964,071

City of Waterloo, Iowa

Statement of Activities
Year Ended June 30, 2009

Programs/Functions	Program Revenues				
	Direct Expenses	Indirect Allocations	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:					
Public safety	\$ 26,719,053	\$ -	\$ 3,143,136	\$ 1,052,137	\$ 254,631
Public works	23,000,723	(565,000)	1,894,200	6,574,513	4,619,366
Health and social services	335,584	(75,000)	10,248	59,109	-
Culture and recreation	9,562,453	(50,000)	2,441,457	176,525	424,731
Community and economic development	13,758,915	(238,833)	551,580	8,752,056	8,488,601
General government	5,788,529	(638,500)	577,944	189,016	-
Interest on long-term debt	2,880,205	-	-	-	-
Total governmental activities	82,045,462	(1,567,333)	8,618,565	16,803,356	13,787,329
Business-type activities:					
Sanitary Sewer	7,881,832	692,000	9,628,876	339,496	106,200
Sanitation	2,717,967	875,333	3,349,978	274,988	3,000
Total business-type activities	10,599,799	1,567,333	12,978,854	614,484	109,200
Total primary government	\$ 92,645,261	\$ -	\$ 21,597,419	\$ 17,417,840	\$ 13,896,529
Component unit, Waterloo Water Works	\$ 4,871,453	\$ -	\$ 5,388,653	\$ -	\$ 25,572
Component unit, Waterloo Convention & Visitors Bureau, Inc.	\$ 393,563	\$ -	\$ -	\$ 627,035	\$ -
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					
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.
\$ (22,269,149)	\$ -	\$ (22,269,149)	\$ -	\$ -
(9,347,644)	-	(9,347,644)	-	-
(191,227)	-	(191,227)	-	-
(6,469,740)	-	(6,469,740)	-	-
4,272,155	-	4,272,155	-	-
(4,383,069)	-	(4,383,069)	-	-
(2,880,205)	-	(2,880,205)	-	-
(41,268,879)	-	(41,268,879)	-	-
-	1,500,740	1,500,740	-	-
-	34,666	34,666	-	-
-	1,535,406	1,535,406	-	-
(41,268,879)	1,535,406	(39,733,473)	-	-
-	-	-	542,772	-
-	-	-	-	233,472
27,456,508	-	27,456,508	-	-
11,319,918	-	11,319,918	-	-
9,606,678	-	9,606,678	-	-
1,616,688	-	1,616,688	-	-
798,350	-	798,350	-	-
1,254,068	-	1,254,068	-	-
860,924	-	860,924	-	-
71,654	-	71,654	-	-
426,353	85,352	511,705	81,156	13,377
6,556,363	-	6,556,363	114,884	1,625
59,967,504	85,352	60,052,856	196,040	15,002
18,698,625	1,620,758	20,319,383	738,812	248,474
235,555,535	76,410,651	311,966,186	19,897,118	705,539
\$ 254,254,160	\$ 78,031,409	\$ 332,285,569	\$ 20,635,930	\$ 954,013

City of Waterloo, Iowa

**Balance Sheet
Governmental Funds
June 30, 2009**

Assets	General	Trust and Agency	Local Option Tax
Cash and cash equivalents	\$ 12,714,343	\$ 729,135	\$ 8,286,990
Investments	-	-	-
Receivables:			
Customer accounts	646,267	-	-
Property tax:			
Delinquent	162,336	97,542	-
Succeeding year	16,575,460	11,368,926	-
Special assessments	204,317	-	-
Accrued interest	-	-	-
Loans and notes	56,596	-	-
Due from other funds	1,521,160	-	6,528
Due from other governments:			
Federal	157,467	-	-
Iowa	568,473	-	2,149,511
Other	263,606	179,682	10,914
Inventories and prepaids	256,298	-	-
Assets held for resale	-	-	-
Restricted assets:			
Cash and cash equivalents	3,537,382	1,619,814	-
Receivables	20,599	-	-
Total assets	\$ 36,684,304	\$ 13,995,099	\$ 10,453,943

(Continued)

General Obligation Debt Service	Other Governmental	Total
\$ 581,069	\$ 23,128,524	\$ 45,440,061
-	498,550	498,550
-	1,784,825	2,431,092
58,579	22,171	340,628
6,938,746	5,617,346	40,500,478
-	-	204,317
-	2,590	2,590
-	-	56,596
-	603,698	2,131,386
-	2,113,453	2,270,920
-	7,191,964	9,909,948
104,883	77,068	636,153
-	164,029	420,327
-	243,796	243,796
45,698	2,680,933	7,883,827
-	-	20,599
<u>\$ 7,728,975</u>	<u>\$ 44,128,947</u>	<u>\$ 112,991,268</u>

City of Waterloo, Iowa

Balance Sheet (Continued)
Governmental Funds
June 30, 2009

	General	Trust and Agency	Local Option Tax
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 543,046	\$ 7,651	\$ 1,659,767
Retainages payable	-	-	320,344
Accrued liabilities	1,303,081	93,225	26,639
Due to other funds	407,864	-	-
Deferred revenue	17,512,657	11,466,468	515,000
Compensated absences	116,571	-	1,368
Due to Waterloo Convention & Visitors Bureau, Inc.	294,554	-	-
Payables from restricted assets	1,265,859	-	-
Total liabilities	21,443,632	11,567,344	2,523,118
Fund balances:			
Reserved for:			
Debt service	-	-	-
Self-funded health insurance	564,351	1,619,814	-
Inventories and prepaids	256,298	-	-
Assets held for resale	-	-	-
Donor specifications	774,145	-	-
Tourism promotion	576,422	-	-
Public access television	117,647	-	-
Airport	-	-	-
Housing	78,653	-	-
Improvements	-	-	-
Unreserved:			
Designated for Vision Iowa	1,239,449	-	-
Insurance	2,693,272	-	-
Other post employment benefits	514,438	-	-
Other	273,372	-	-
Undesignated report in:			
General Fund	8,152,625	-	-
Special revenue funds	-	807,941	7,930,825
Capital projects funds	-	-	-
Total fund balances	15,240,672	2,427,755	7,930,825
Total liabilities and fund balances	\$ 36,684,304	\$ 13,995,099	\$ 10,453,943

See Notes to Basic Financial Statements.

General Obligation Debt Service		Other Governmental		Total
\$	31,234	\$	3,499,148	\$ 5,740,846
	-		937,977	1,258,321
	-		222,698	1,645,643
	21,424		1,715,448	2,144,736
	6,997,325		13,576,349	50,067,799
	-		29,096	147,035
	-		-	294,554
	-		84,052	1,349,911
	7,049,983		20,064,768	62,648,845
	633,294		-	633,294
	-		-	2,184,165
	-		164,029	420,327
	-		243,796	243,796
	-		-	774,145
	-		-	576,422
	-		-	117,647
	45,698		-	45,698
	-		-	78,653
	-		220,759	220,759
	-		-	1,239,449
	-		-	2,693,272
	-		-	514,438
	-		-	273,372
	-		-	8,152,625
	-		9,175,814	17,914,580
	-		14,259,781	14,259,781
	678,992		24,064,179	50,342,423
\$	7,728,975	\$	44,128,947	\$ 112,991,268

City of Waterloo, Iowa

**Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2009**

Total governmental fund balances \$ 50,342,423

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 268,567,193

Certain receivables are not available to pay for current period expenditures
and, therefore, are deferred in the funds 8,601,549

Long-term liabilities, including bonds payable, are not due and payable in the
current period and, therefore, are not reported in the funds:

General obligation bonds	\$ (66,076,100)	
Other loans and notes	(3,392,268)	
Bond issuance costs	135,827	
Bond deferred amount on refunding	20,992	
Bond discount	40,080	
Bond premium	(32,590)	
Other post employment benefits obligation	(476,938)	
Compensated absences and deferred compensation	(3,189,178)	
Pollution remediation liability	(25,000)	
Accrued interest payable	(261,830)	(73,257,005)
Net assets of governmental activities		<u><u>\$ 254,254,160</u></u>

See Notes to Basic Financial Statements.

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City of Waterloo, Iowa

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2009

	General	Trust and Agency	Local Option Tax
Revenues:			
Property taxes	\$ 15,914,988	\$ 11,044,107	\$ -
Other taxes	3,773,548	555,971	9,702,678
Licenses and permits	964,171	-	-
Investment income	155,804	33,070	57,382
Rent	759,016	-	-
Intergovernmental	1,629,423	-	5,219
Charges for services	5,659,106	-	-
Interfund charges for services	2,123,833	-	-
Special assessments	37,216	-	-
Miscellaneous	2,290,645	-	-
Total revenues	33,307,750	11,633,148	9,765,279
Expenditures:			
Current operating:			
Public safety	23,342,351	2,406,588	-
Public works	2,450,443	-	9,261,668
Health and social services	333,706	-	-
Culture and recreation	7,600,006	-	-
Community and economic development	2,289,780	-	-
General government	5,485,758	38,840	-
Debt service:			
Principal	-	-	-
Interest and fees	2,025	-	-
Bond issuance costs	-	-	-
Capital outlay	-	-	-
Total expenditures	41,504,069	2,445,428	9,261,668
Excess (deficiency) of revenues over expenditures	(8,196,319)	9,187,720	503,611
Other financing sources (uses):			
Transfers in	9,094,843	-	-
Transfers out	(2,244,633)	(8,893,048)	-
Insurance proceeds	1,421,521	-	-
Bond discount	-	-	-
Proceeds from sale of capital assets	74,294	-	-
Refunding bonds issued	-	-	-
Payments to refunded bond escrow agent	-	-	-
Issuance of long-term debt	-	-	-
Total other financing sources (uses)	8,346,025	(8,893,048)	-
Net changes in fund balances	149,706	294,672	503,611
Fund balances, beginning of year	15,090,966	2,133,083	7,427,214
Fund balances, end of year	\$ 15,240,672	\$ 2,427,755	\$ 7,930,825

See Notes to Basic Financial Statements.

General Obligation Debt Service		Other Governmental	Total
\$	6,568,915	\$ 5,261,685	\$ 38,789,695
	310,350	25,707	14,368,254
	-	13,135	977,306
	29,361	150,736	426,353
	118,687	182,863	1,060,566
	86,363	21,211,387	22,932,392
	-	304,554	5,963,660
	-	685,000	2,808,833
	-	-	37,216
	-	3,752,615	6,043,260
	7,113,676	31,587,682	93,407,535
	-	192,077	25,941,016
	-	12,134,734	23,846,845
	-	-	333,706
	-	1,244,290	8,844,296
	-	11,665,071	13,954,851
	100	7,859	5,532,557
	7,311,710	387,108	7,698,818
	2,826,396	76,752	2,905,173
	25,486	44,752	70,238
	-	16,639,618	16,639,618
	10,163,692	42,392,261	105,767,118
	(3,050,016)	(10,804,579)	(12,359,583)
	2,993,856	3,206,556	15,295,255
	(300,210)	(3,857,364)	(15,295,255)
	-	-	1,421,521
	(22,423)	(17,657)	(40,080)
	-	-	74,294
	4,271,100	-	4,271,100
	(4,200,992)	-	(4,200,992)
	-	9,400,000	9,400,000
	2,741,331	8,731,535	10,925,843
	(308,685)	(2,073,044)	(1,433,740)
	987,677	26,137,223	51,776,163
\$	678,992	\$ 24,064,179	\$ 50,342,423

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, 2009**

Net change in fund balances - governmental funds \$ (1,433,740)

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	\$ 26,155,181	
Depreciation	<u>(10,799,234)</u>	15,355,947

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

Donated capital assets		1,534,227
Proceeds from sale of capital assets	(74,294)	
Net loss on sale of capital assets	<u>(163,400)</u>	(237,694)

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

General obligation bonds issued for governmental purposes	(11,771,100)	
Repayment of general obligation bond principal	7,260,000	
Other long-term debt issued	(1,900,000)	
Repayment of other long-term debt principal	438,818	
Payment to escrow agent, including \$20,992 deferred amount on refunding	4,200,992	
Bond issuance costs	70,238	
Bond discount	40,080	
Amortization of issuance costs, discount, premium and deferred amount on refunding	(3,964)	
Change in accrued interest	<u>28,932</u>	(1,636,004)

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

Current year		8,601,549
Prior year		(2,979,245)

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		(476,938)
Change in compensated absences and deferred compensation paid		(4,477)
Change in pollution remediation liability		(25,000)
Changes in net assets of governmental activities	<u><u>\$</u></u>	<u><u>18,698,625</u></u>

See Notes to Basic Financial Statements.

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City of Waterloo, Iowa

Statement of Net Assets
Enterprise Funds
June 30, 2009

	Major Sanitary Sewer	Nonmajor Sanitation	Total
Assets			
Current assets:			
Cash	\$ 8,097,166	\$ 2,208,729	\$ 10,305,895
Customer accounts receivable	1,881,106	778,329	2,659,435
Due from other funds	-	16,269	16,269
Due from other governments:			
Federal	3,668	-	3,668
Waterloo Water Works	506,917	294,423	801,340
Other	48,609	12,750	61,359
Inventories and prepaids	16,339	-	16,339
Restricted assets, cash	1,321,727	80,180	1,401,907
Total current assets	11,875,532	3,390,680	15,266,212
Noncurrent assets:			
Restricted cash	2,123,500	-	2,123,500
Bond issue costs, net of accumulated amortization	143,585	-	143,585
Capital assets, net of accumulated depreciation	84,746,207	1,194,993	85,941,200
Capital assets not being depreciated	1,353,164	-	1,353,164
Net capital assets	86,099,371	1,194,993	87,294,364
Total noncurrent assets	88,366,456	1,194,993	89,561,449
Total assets	\$ 100,241,988	\$ 4,585,673	\$ 104,827,661

See Notes to Basic Financial Statements.

	Major Sanitary Sewer	Nonmajor Sanitation	Total
Liabilities and Net Assets			
Liabilities:			
Current:			
Accounts payable	\$ 288,553	\$ 99,990	\$ 388,543
Retainages payable	33,041	-	33,041
Accrued liabilities	127,275	39,521	166,796
Due to other funds	2,919	-	2,919
Current maturities of general obligation bonds	1,348,500	-	1,348,500
Compensated absences and deferred compensation	172,246	25,738	197,984
Payable from restricted assets:			
Security deposits	191,555	80,180	271,735
Accrued interest, revenue bonds	82,366	-	82,366
Current portion of revenue bonds	1,585,000	-	1,585,000
Total current liabilities	3,831,455	245,429	4,076,884
Noncurrent:			
General obligation bonds, net bond discount and reacquisition costs	13,674,795	-	13,674,795
Revenue bonds, net of deferred amount on refunding	8,951,080	-	8,951,080
Other post employment benefits obligation	25,215	11,847	37,062
Compensated absences and deferred compensation	53,016	3,415	56,431
Total noncurrent liabilities	22,704,106	15,262	22,719,368
Total liabilities	26,535,561	260,691	26,796,252
Net assets:			
Invested in capital assets, net of related debt	64,225,058	1,194,993	65,420,051
Restricted for:			
Debt service	2,387,667	-	2,387,667
Improvements	783,641	-	783,641
Unrestricted	6,310,061	3,129,989	9,440,050
Total net assets	73,706,427	4,324,982	78,031,409
Total liabilities and net assets	\$ 100,241,988	\$ 4,585,673	\$ 104,827,661

City of Waterloo, Iowa

Statement of Revenues, Expenses and Changes in Fund Net Assets
Enterprise Funds
Year Ended June 30, 2009

	Major Sanitary Sewer	Nonmajor Sanitation	Total
Operating revenues:			
Charges for sales and service	\$ 9,610,941	\$ 3,349,978	\$ 12,960,919
Miscellaneous	17,935	-	17,935
Total operating revenues	9,628,876	3,349,978	12,978,854
Operating expenses:			
Salaries and benefits	2,142,604	1,026,023	3,168,627
Contractual services	1,345,121	1,072,787	2,417,908
Intra-city reimbursements	692,000	875,333	1,567,333
Commodities	890,291	380,184	1,270,475
Depreciation	2,221,335	238,973	2,460,308
Total operating expenses	7,291,351	3,593,300	10,884,651
Operating income (loss)	2,337,525	(243,322)	2,094,203
Nonoperating revenues (expenses):			
Interest income	62,218	23,134	85,352
Intergovernmental	339,496	274,988	614,484
Interest expense	(1,247,241)	-	(1,247,241)
Amortization of bond issue costs	(26,708)	-	(26,708)
Gain (loss) on disposition of equipment	(8,532)	3,000	(5,532)
Total nonoperating revenues (expenses)	(880,767)	301,122	(579,645)
Income before capital contributions	1,456,758	57,800	1,514,558
Capital contributions, customers and developers	106,200	-	106,200
Changes in net assets	1,562,958	57,800	1,620,758
Net assets, beginning of year	72,143,469	4,267,182	76,410,651
Net assets, end of year	<u>\$ 73,706,427</u>	<u>\$ 4,324,982</u>	<u>\$ 78,031,409</u>

See Notes to Basic Financial Statements.

City of Waterloo, Iowa

Statement of Cash Flows
Enterprise Funds
Year Ended June 30, 2009

	Major Sanitary Sewer	Nonmajor Sanitation	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 9,666,563	\$ 3,322,970	\$ 12,989,533
Payments to suppliers	(2,388,659)	(1,435,252)	(3,823,911)
Payments to or on behalf of employees	(2,142,872)	(1,004,966)	(3,147,838)
Payment for interfund services used	(692,000)	(875,333)	(1,567,333)
Net cash provided by operating activities	4,443,032	7,419	4,450,451
Cash flows from noncapital financing activities:			
Proceeds from interfund accounts	2,285,422	-	2,285,422
(Payments of) interfund accounts	-	(16,269)	(16,269)
Operating grants	552,440	282,812	835,252
Net cash provided by noncapital financing activities	2,837,862	266,543	3,104,405
Cash flows from capital and related financing activities:			
Purchase and construction of capital assets	(1,055,449)	(224,925)	(1,280,374)
Proceeds from sale of capital assets	-	3,000	3,000
Proceeds from bonds, loans and notes, net bond issuance costs and discounts of \$31,773	3,387,127	-	3,387,127
Principal paid on debt	(4,580,000)	-	(4,580,000)
Interest paid on debt	(1,156,939)	-	(1,156,939)
Net cash (used in) capital and related financing activities	(3,405,261)	(221,925)	(3,627,186)
Cash flows from investing activities, interest received	62,218	23,134	85,352
Increase in cash and cash equivalents	3,937,851	75,171	4,013,022
Cash and cash equivalents, beginning of year	7,604,542	2,213,738	9,818,280
Cash and cash equivalents, end of year	\$ 11,542,393	\$ 2,288,909	\$ 13,831,302

(Continued)

City of Waterloo, Iowa

Statement of Cash Flows (Continued)

Enterprise Funds

Year Ended June 30, 2009

	Major Sanitary Sewer	Nonmajor Sanitation	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 2,337,525	\$ (243,322)	\$ 2,094,203
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	2,221,335	238,973	2,460,308
(Increase) decrease in accounts receivable	32,391	(17,859)	14,532
(Increase) decrease in due from other governments	5,296	(9,149)	(3,853)
(Increase) in inventories and prepaids	(7,882)	-	(7,882)
Increase (decrease) in accounts payable	(163,420)	11,039	(152,381)
Increase in security deposits	18,055	6,680	24,735
Increase (decrease) in accrued liabilities	(9,228)	7,952	(1,276)
Increase in other post employment benefits obligation	25,215	11,847	37,062
Increase (decrease) in compensated absences and deferred compensation	(16,255)	1,258	(14,997)
Net cash provided by operating activities	\$ 4,443,032	\$ 7,419	\$ 4,450,451
Schedule of noncash capital and related financing activities:			
Payables for acquisition of capital assets	\$ 166,586	\$ -	\$ 166,586
Amortization of bond issue costs	26,708	-	26,708
Amortization of discounts and reacquisition costs	99,589	-	99,589
Donated capital assets received as capital contributions	106,200	-	106,200

See Notes to Basic Financial Statements.

City of Waterloo, Iowa

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

Nature of operations:

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

Reporting entity:

In accordance with 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 \$85,720.

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

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

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

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

Basis of presentation:

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

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

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

The City had the following major governmental funds:

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

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

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

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

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

The City had the following major proprietary fund:

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

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

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

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

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

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

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

Notes to Basic Financial Statements

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

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

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

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

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

Measurement focus and basis of accounting:

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

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

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

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

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

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

The enterprise funds of the City apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure (ARBs). The City has elected not to follow FASB pronouncements issued subsequent to November 30, 1989.

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

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

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

Summary of significant accounting policies:

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

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

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

Receivables and payables: Receivables are reported net of any allowance for uncollectible accounts. As of June 30, 2009, the General Fund had allowances for uncollectible customer accounts totaling \$746,869.

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, 2007 assessed property valuations; was for the tax accrual period July 1, 2008 through June 30, 2009; and reflected the tax asking contained in the budget certified to the County Board of Supervisors in March 2008.

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

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

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

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

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

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

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

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

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

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 \$306,358 are amortized using the effective interest method over the life of the bonds. Accumulated amortization as of June 30, 2009 was \$162,773. Amortization of bond issue costs was \$26,708 for 2009.

Original discounts of \$47,194 on general obligation bonds repaid by the sanitary sewer enterprise fund outstanding as of June 30, 2009 are being amortized using the effective interest method over the life of the bonds. Accumulated amortization as of June 30, 2009 was \$10,507. Discount amortization for 2009, which was added to interest expense, was \$4,373.

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 \$129,949 as a result of the June 30, 2007 and 2009 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, 2009 was \$652,464. Reacquisition amortization for 2009, including amortization of prior reacquisition costs, which was added to interest expense, was \$95,216.

Interest capitalized: Construction period interest for business-type activities is capitalized. For projects paid with taxable bonds, interest is capitalized at the amount of cash paid at the effective interest rate to the earlier of the date the asset is placed in service or year-end. Interest on tax-exempt debt used for construction is capitalized at the amount incurred, offset by earnings realized by investing debt proceeds until needed. No interest expense was capitalized during the year ended June 30, 2009.

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

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

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

Notes to Basic Financial Statements

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

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

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

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

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

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

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

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

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

Notes to Basic Financial Statements

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

Short-term general obligation bonds: During the year ended June 30, 2008, the City issued a short-term general obligation capital loan note and recorded the proceeds, as well as the debt, in the General Fund. The debt was issued as reimbursement for payouts of employee termination benefits. During the following 12 months, the debt plus interest was repaid through the General Obligation Debt Service Fund. An operating transfer was used to transfer the liability from the General Fund to the General Obligation Debt Service Fund. Following is a schedule of activity for the short-term debt:

Balance, beginning of year	\$ 300,000
Repayments	(300,000)
Borrowings	-
Balance, end of year	<u>\$ -</u>

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

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

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

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

Net assets: Net assets represent the difference between assets and liabilities. Amounts reported as invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Unspent debt proceeds for the various capital project Go Bonds Funds are \$14,343,491 and the Sanitary Sewer enterprise fund is \$3,685,062. 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 \$35,823,845 of restricted net assets of which \$17,960,202 is restricted by enabling legislation.

Notes to Basic Financial Statements

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

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

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

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

Note 2. Cash and Investments

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

As of June 30, 2009, the City had investments in the Iowa Public Agency Investment Trust which were valued at an amortized cost of \$5,138,359 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, Iowa Public Agency Investment Trust, prime bankers' acceptances that mature within 270 days of purchase and are eligible for purchase by a Federal Reserve Bank, commercial paper or other short-term corporate debt that matures within 270 days of purchase and is rated within the two highest classifications, as established by at least one of the standard rating services, repurchase agreements, open-end management investment company organized in trust form, registered with Securities & Exchanges Commission. The policy does not allow the City to invest in reverse repurchase agreements and futures and options contracts.

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

Concentration of credit risk: The City's investment policy is to diversify its investment portfolio to eliminate the risk of loss resulting from overconcentration of assets in a specific maturity, a specific issuer or a specific class of securities. However, the 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, 2009, the City has no investments subject to concentration of risk.

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

Custodial credit risk: For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's deposits as of June 30, 2009 were entirely covered by federal depository insurance, National Credit Union insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure that there will be no loss of public funds. In addition, the City had no investments subject to custodial credit risk.

Note 3. Leasing Activities

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

During the year ending June 30:

2010	\$	260,718
2011		131,600
Total future minimum lease rentals to be received	\$	392,318

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

During the year ending June 30:

2010	\$	72,421
2011		72,421
2012		12,070
Total future minimum lease rentals to be received	\$	156,912

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

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, 2009 was \$56,596. 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 eight low-interest rehabilitation and other loans due as of June 30, 2009. Of the total, two loans are being serviced by Regions Bank. The City serviced loans, with a balance of \$15,371, are estimated to be uncollectible. Collections of CDBG loans are grant program income which is reported in the Special Revenue Fund (CDBG) as charges for services as received.

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

Forgivable loans: The City, through its CDBG, HOME program, Economic Development Initiative program, Lead Paint Removal grant and federal and state Jumpstart funds, provides forgivable rehabilitation loans to low-income households. The loans are forgiven on a sliding scale over a five-year period, provided the home is not sold. If the home is sold, the City's lien against the property prevents a clear title transfer unless the unforgiven portion of the note is satisfied. As of June 30, 2009, the City had made 1,286 such loans totaling \$19,806,116.

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

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 5. Interfund Activity

The composition of interfund balances as of June 30, 2009 was as follows:

	Due From	Due To
Major governmental funds:		
General	\$ 1,521,160	\$ 407,864
Local option sales tax	6,528	-
General obligation debt service	-	21,424
Nonmajor governmental funds	603,698	1,715,448
Major Enterprise Fund, sanitary sewer	-	2,919
Nonmajor Enterprise Fund, sanitation	16,269	-
	<u>\$ 2,147,655</u>	<u>\$ 2,147,655</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	\$ 506,917
Sanitation	294,423
Due from Waterloo Water Works	801,340
Waterloo Water Works - due to primary government	887,060
Difference	<u><u>\$ (85,720)</u></u>

The difference in the above amounts of \$85,720 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>\$ 294,554</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	\$ 9,094,843	\$ 2,244,633
Trust and agency	-	8,893,048
Local option tax	-	-
General obligation debt service	2,993,856	300,210
Nonmajor governmental funds	3,206,556	3,857,364
	<u>\$ 15,295,255</u>	<u>\$ 15,295,255</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, 2009 was as follows:

	Beginning Balance June 30, 2008	Additions	Deletions	Transfers	Ending Balance June 30, 2009
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 29,551,042	\$ 1,742,804	\$ 31,035	-	\$ 31,262,811
Land held for redevelopment	4,764,901	813,002	15,753	-	5,562,150
Construction-in-progress	15,472,286	21,923,980	12,275	(13,819,306)	23,564,685
Total capital assets, not being depreciated	49,788,229	24,479,786	59,063	(13,819,306)	60,389,646
Capital assets, being depreciated:					
Buildings and improvements	80,303,996	161,038	199,278	3,568,977	83,834,733
Infrastructure	223,851,303	1,011,959	-	10,250,329	235,113,591
Vehicles, machinery, furniture and equipment	20,527,989	2,036,625	1,153,979	-	21,410,635
Total capital assets, being depreciated	324,683,288	3,209,622	1,353,257	13,819,306	340,358,959
Less accumulated depreciation for:					
Buildings and improvements	38,874,029	2,260,072	106,893	-	41,027,208
Infrastructure	70,873,969	6,993,798	-	-	77,867,767
Vehicles, machinery, furniture and equipment	12,808,806	1,545,364	1,067,733	-	13,286,437
Total accumulated depreciation	122,556,804	10,799,234	1,174,626	-	132,181,412
Total capital assets, being depreciated, net	202,126,484	(7,589,612)	178,631	13,819,306	208,177,547
Governmental activities capital assets, net	\$251,914,713	\$ 16,890,174	\$ 237,694	\$ -	\$268,567,193

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

	Beginning Balance June 30, 2008	Additions	Deletions	Transfers	Ending Balance June 30, 2009
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 348,055	\$ -	\$ -	\$ -	\$ 348,055
Construction-in-progress	897,467	709,857	-	(602,215)	1,005,109
Total capital assets, not being depreciated	1,245,522	709,857	-	(602,215)	1,353,164
Capital assets, being depreciated:					
Buildings	68,144,323	-	-	-	68,144,323
Improvements other than buildings	38,806,698	106,200	-	602,215	39,515,113
Vehicles, machinery, furniture and equipment	6,284,654	737,103	30,486	-	6,991,271
Total capital assets, being depreciated	113,235,675	843,303	30,486	602,215	114,650,707
Less accumulated depreciation for:					
Buildings	12,412,723	1,359,956	-	-	13,772,679
Improvements other than buildings	9,235,168	776,135	-	-	10,011,303
Vehicles, machinery, furniture and equipment	4,623,262	324,217	21,954	-	4,925,525
Total accumulated depreciation	26,271,153	2,460,308	21,954	-	28,709,507
Total capital assets, being depreciated, net	86,964,522	(1,617,005)	8,532	602,215	85,941,200
Business-type activities capital assets, net	\$ 88,210,044	\$ (907,148)	\$ 8,532	\$ -	\$ 87,294,364

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

	Beginning Balance December 31, 2007	Additions	Deletions	Transfers	Ending Balance December 31, 2008
Discretely Presented Waterloo Water Works					
Component Unit Capital Assets					
Capital assets, not being depreciated:					
Land	\$ 231,156	\$ 39,740	\$ -	\$ -	\$ 270,896
Assets not in service	552,557	113,448	-	-	666,005
Construction-in-progress	1,604,192	459,447	1,833,510	-	230,129
Total capital assets, not being depreciated	2,387,905	612,635	1,833,510	-	1,167,030
Capital assets, being depreciated:					
Buildings and improvements	1,661,896	58,534	-	-	1,720,430
Water supply and distribution systems	19,103,742	1,821,877	-	-	20,925,619
Meters and equipment	1,460,043	12,220	-	-	1,472,263
Machinery and equipment	1,682,754	48,265	31,153	-	1,699,866
Total capital assets, being depreciated	23,908,435	1,940,896	31,153	-	25,818,178
Less accumulated depreciation for:					
Buildings and improvements	599,499	22,341	-	-	621,840
Water supply system	2,123,407	74,415	-	-	2,197,822
Distribution system	2,661,618	245,902	-	-	2,907,520
Meters and equipment	634,626	38,182	-	-	672,808
Machinery and equipment	969,255	84,110	30,195	-	1,023,170
Total accumulated depreciation	6,988,405	464,950	30,195	-	7,423,160
Total capital assets, being depreciated, net	16,920,030	1,475,946	958	-	18,395,018
Net discretely presented Waterloo Water Works component unit capital assets, net	\$ 19,307,935	\$ 2,088,581	\$ 1,834,468	\$ -	\$ 19,562,048

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, 2009:

Governmental activities:	
Public safety	\$ 769,295
Public works	8,674,550
Health and social services	1,387
Culture and recreation	1,041,865
Community and economic development	239,614
General government	72,523
Total governmental activities	10,799,234
Business-type activities:	
Sanitary sewer	2,221,335
Sanitation	238,973
Total business-type activities	2,460,308
Total primary government	\$ 13,259,542
Component unit - Waterloo Water Works	\$ 464,950

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, 2009, 16 retirees were receiving annuitized payouts, the present value of which was \$104,674, of which \$101,587 resulted from governmental activities and \$3,087 resulted from 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, 2009, one employee was receiving payments, the remaining balance of which was \$1,435 included in governmental activities deferred compensation.

Fire retirement plan under Code of Iowa Chapter 410: The City provides pension benefits under Chapter 410 of the Code of Iowa for certain of its retired firefighters and beneficiaries through a defined benefit plan. The City acts as the administrator of the plan as prescribed by State statute. As of June 30, 2009, all payments had been made to plan participants and there are no further liabilities due under the plan.

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, 2009, there was \$2,004,867 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, 2009, there was \$416,020 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, 2009, \$108,188, 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, 2009, there was \$906,719 accrued for unused compensatory time.

Employees are also eligible to receive pay-outs of unused casual leave. The City accrued a total of \$48,725 for unused casual leave earned during the fiscal year ended June 30, 2009.

The sick leave bonus and accrued casual pay are reported as compensated absences in the applicable fund which includes \$147,035 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, 2009:

	June 30, 2008	Increases and Issues	Decreases and Retirements	June 30, 2009	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 65,745,000	\$ 11,771,100	\$ 11,440,000	\$ 66,076,100	\$ 7,536,500
Loans and notes	1,931,086	1,900,000	438,818	3,392,268	1,246,226
Deferred compensation	215,269	-	112,247	103,022	52,026
Compensated absences	3,112,884	3,820,922	3,700,615	3,233,191	2,245,445
Subtotal	71,004,239	17,492,022	15,691,680	72,804,581	11,080,197
Less unamortized discounts and reacquisition costs	27,230	61,072	27,230	61,072	-
Add bond premium	60,281	-	27,691	32,590	-
	71,037,290	17,430,950	15,692,141	72,776,099	11,080,197
Business-type activities:					
General obligation bonds	14,845,000	3,418,900	3,095,000	15,168,900	1,348,500
Revenue bonds	12,355,000	-	1,485,000	10,870,000	1,585,000
Deferred compensation	8,211	238	5,362	3,087	3,087
Compensated absences	261,201	228,245	238,118	251,328	194,897
Subtotal	27,469,412	3,647,383	4,823,480	26,293,315	3,131,484
Less unamortized discounts and reacquisition costs	561,049	18,065	99,589	479,525	-
Total long-term debt	\$ 26,908,363	\$ 3,629,318	\$ 4,723,891	\$ 25,813,790	\$ 3,131,484

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 May 21, 2009, the City issued \$6,190,000 in General Obligation Bonds, Series 2009B maturing June 1, 2010 through June 1, 2016 with interest rates ranging from 1 percent to 3 percent to refund \$6,100,000 of the outstanding General Obligation Bonds, Series 2001 with interest rates from 3 percent to 4.6 percent. The net proceeds related to the refunding of \$6,088,393 (\$4,200,992 relating to governmental activities debt and \$1,887,401 relating to the portion of debt recorded in the Sanitary Sewer Fund) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the portion on the Series 2001 being refunded. As a result, all of the Series 2001 bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. The defeased bonds were subsequently paid off on July 15, 2009.

The City completed the current refunding to reduce its total debt service payments over the next seven years by \$412,946 and to obtain an economic gain (difference between the present values of old and new debt service payments) of \$380,231.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 9. Long-Term Debt (Continued)

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

Series 2009A in the amount of \$7,435,000 maturing June 1, 2010 through June 1, 2024 with interest rates ranging from 1.75 percent to 5.75 percent. Reasons for issuance were to finance the costs of various essential and general corporate purpose capital improvements in the City and pay costs of issuance of the bonds.

Taxable Series 2009C in the amount of \$1,565,000 matures June 1, 2010 through June 1, 2019 and has interest rates ranging from 2.5 percent to 5.125 percent. Reasons for issuance were to finance the costs of various essential and general corporate purpose capital improvements in the City and pay costs of issuance of the bonds.

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

Issue Date	Purpose	Interest Rates	Outstanding June 30, 2009
April 1998	Airport hanger	5.400% - 5.750%	\$ 390,000
March 1999	Refunding	4.125 - 4.200	80,000
June 2002	Various	3.200 - 4.650	4,825,000
June 2002	Taxable	4.000 - 6.000	805,000
June 2003	Various	2.000 - 3.000	3,285,000
June 2003	Taxable	3.750 - 4.900	670,000
June 2004	Various	2.500 - 4.750	5,380,000
June 2004	Taxable	3.000 - 5.900	2,935,000
June 2005	Various	3.000 - 4.000	5,225,000
June 2005	Taxable	4.000 - 5.000	1,535,000
June 2006	Various	3.800 - 4.000	6,730,000
June 2006	Taxable	5.625 - 5.850	1,795,000
June 2007	Various	4.000 - 4.500	16,395,000
June 2007	Refunding	4.000	2,850,000
June 2007	Taxable	5.400 - 5.600	990,000
June 2008	Various	3.500 - 3.900	9,435,000
June 2008	Taxable	5.000	2,730,000
June 2009	Various	1.000 - 5.000	6,190,000
June 2009	Taxable	1.750 - 5.750	9,000,000
Total			\$ 81,245,000

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, 2009 are as follows:

	GO Debt Service General Obligation Bonds			
	Principal	Interest		
<u>Year ending June 30:</u>				
2010	\$ 7,536,500	\$ 2,634,066		
2011	7,536,400	2,394,879		
2012	7,503,000	2,122,203		
2013	7,148,500	1,844,983		
2014	6,657,800	1,572,035		
2015 - 2019	23,918,900	4,203,776		
2020 - 2024	5,775,000	610,512		
	<u>\$ 66,076,100</u>	<u>\$ 15,382,454</u>		

	Sanitary Sewer Enterprise General Obligation Bonds		Sanitary Sewer Enterprise Revenue Bonds	
	Principal	Interest	Principal	Interest
<u>Year ending June 30:</u>				
2010	\$ 1,348,500	\$ 561,663	\$ 1,585,000	\$ 494,197
2011	1,463,600	526,012	1,630,000	429,322
2012	1,527,000	477,877	1,705,000	360,693
2013	1,581,500	425,884	1,790,000	286,053
2014	1,642,200	369,993	1,450,000	204,953
2015 - 2019	6,121,100	1,016,367	2,710,000	204,452
2020 - 2024	1,485,000	175,433	-	-
	<u>\$ 15,168,900</u>	<u>\$ 3,553,229</u>	<u>\$ 10,870,000</u>	<u>\$ 1,979,670</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 \$12,849,670. Principal and interest paid for the current year and total customer net revenues were \$2,038,173 and \$4,960,574, respectively.

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

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

Note 9. Long-Term Debt (Continued)

4. Monthly transfers of \$20,000 shall be made to the sewer improvement fund until the fund equals or exceeds \$450,000. Amounts in the improvement fund not otherwise specially limited by provisions of the bond resolution shall first be used for the purpose of paying principal or interest on the bonds when there shall be insufficient money in the sinking fund and the reserve fund, to pay the cost of extraordinary maintenance or repairs, renewals and replacements not included in the annual budget of revenue and current expenses, payment of rentals on any part of the system or payments due for any property purchased as a part of the system and for capital improvements to the system. Whenever it becomes necessary to use the improvement fund, the monthly payments required shall be continued or resumed until the fund is restored to the required minimum balance.
5. The City will cause to be kept proper books and accounts adapted to the system and in accordance with accounting principles generally accepted in the United States of America, and will cause the books and accounts to be audited annually not later than 270 days after the end of each fiscal year by an independent auditor.
6. The City will faithfully and punctually perform all duties with reference to the Sewer Enterprise required by the Constitution and laws of the state of Iowa.
7. The City will establish rates to allow net revenue to meet or exceed 125 percent of debt service requirements for the year. For the year ended June 30, 2009, sewer net revenue was 243 percent of sewer revenue bond debt service.

For the year ended June 30, 2009, the City complied with bond covenants.

Loans and notes: For the year ended June 30, 2009, additions to loans and notes include \$1,900,000 from the federal government included in other financing sources.

The City, through its blended component unit, Waterloo Housing Authority, is indebted to the Federal Financing Bank (FFB) for \$471,961 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, 2009, the City paid principal of \$10,000 plus interest of \$1,200 on the loan. Payments are made from the TIF Debt Service Fund. As of June 30, 2009, the unpaid principal was \$30,000.

Note 9. Long-Term Debt (Continued)

On May 18, 2004, the City purchased land for development from Brock, Inc. for \$385,000 under a real estate contract requiring annual payments of \$40,000 including interest at 3 percent beginning June 1, 2006 and continuing through June 1, 2009 when the unpaid balance is due. A payment of \$204,259, principal plus interest of \$6,128 was made during the year ended June 30, 2009 from the TIF Debt Service Fund. As of June 30, 2009, the note was paid in full.

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

During the year ended June 30, 2009, the City drew \$1,900,000 of \$2,970,000 from the Department of Housing and Urban Development's Section 108 loan program to be used for the riverwalls reconstruction project. Variable interest is set the first day of each month at 0.2 percent above the Eastern Edition of the Wall Street Journal's published London Interbank Offered Rates (LIBOR) and is payable quarterly. The loan is secured by the Black Hawk County Solid Waste Commission distributions received by the City and the Community Development Block Grant Entitlement. The loan will be repaid using the Black Hawk County Solid Waste Commission distributions. The City paid \$30,799 in interest on the loan during the year ended June 30, 2009.

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., \$399,885 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., \$139,463 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., \$210,959 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., \$90,000 plus interest at 5 percent, payable semiannually beginning November 2009 until paid in full from 100 percent of property tax payments, subject to annual appropriation.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 9. Long-Term Debt (Continued)

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

Year ending June 30:	GO Debt Service		Nonmajor Governmental Funds	
	Principal	Interest	Principal	Interest
2010	\$ 55,215	\$ 31,149	\$ 1,191,011	\$ 64,743
2011	58,859	27,505	1,141,892	28,110
2012	62,743	23,621	220,289	17,793
2013	66,831	19,533	161,383	10,898
2014	71,295	15,069	101,807	5,990
2015 - 2017	157,018	15,710	103,925	5,517
	<u>\$ 471,961</u>	<u>\$ 132,587</u>	<u>\$ 2,920,307</u>	<u>\$ 133,051</u>

Discretely presented component unit:

	Balance			Balance		Due Within One Year
	December 31, 2007	Additions	Deletions	December 31, 2008		
Capital loan notes	\$ 3,015,000	\$ -	\$ 285,000	\$ 2,730,000	\$ 295,000	
Compensated absences	46,891	38,411	46,891	38,411	38,411	
Subtotal	3,061,891	38,411	331,891	2,768,411	333,411	
Less unamortized discount	27,624	-	5,252	22,372	-	
Total long-term debt	\$ 3,034,267	\$ 38,411	\$ 326,639	\$ 2,746,039	\$ 333,411	

Series 2007 capital loan notes, Bankers Trust Company, N.A. due in annual payments ranging from \$295,000 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 \$3,232,165. For the current year, principal and interest paid and net revenue of the system were \$401,045 and \$1,430,084, 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 2008, Waterloo Water Works was in compliance with required covenants.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 9. Long-Term Debt (Continued)

As of December 31, 2008 annual maturities of long-term debt were as follows:

Year ending December 31:	Principal	Interest	Total
2009	\$ 295,000	\$ 105,500	\$ 400,500
2010	310,000	94,438	404,438
2011	320,000	82,812	402,812
2012	335,000	70,652	405,652
2013	345,000	57,923	402,923
2014-2017	1,125,000	90,840	1,215,840
	<u>\$ 2,730,000</u>	<u>\$ 502,165</u>	<u>\$ 3,232,165</u>

Note 10. Operating Leases

Effective July 1, 1999, the City's sanitary sewer operations entered into a five-year agreement for the management of biosolid by-products produced at the Wastewater Treatment Facility. The agreement included the lease of a storage facility at a monthly cost of \$18,000. Effective July 1, 2004, the agreement was extended for an additional five years at a monthly rental of \$4,500. As of June 30, 2009, this lease had expired.

Rental expense for all material operating leases was \$104,400 for the year ended June 30, 2009.

Note 11. Retirement Systems

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

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

Plan members are required to contribute 9.35 percent of their earnable compensation and the City's contribution rate may not be less than 17 percent of annual earnable compensation. For the year ended June 30, 2009, the City's rate was 18.75 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, 2009, 2008 and 2007 were \$2,417,019, \$3,074,329 and \$3,319,634, 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.

Notes to Basic Financial Statements

Note 11. Retirement Systems (Continued)

Plan members are required to contribute 4.10 percent of their annual salary and the City is required to contribute 6.35 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, 2009, 2008 and 2007 were \$923,462, \$843,709 and \$743,851, respectively, which met the required contributions for each year.

Component Unit

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

Funding policy: The contribution requirements of Plan members and the Utility are established and may be amended by the Utility. Plan member contributions are not currently required. The Utility is required to contribute amounts necessary to provide benefits based on the actuarial valuation. Amounts contributed to the plan during 2008, 2007 and 2006 were \$300,000, \$215,000 and \$280,000, respectively.

Annual pension cost and net pension obligation: The annual pension cost for 2008 was determined as part of the actuarial valuation using the January 1, 2008 aggregate actuarial method. This method does not identify or separately amortize unfunded actuarial accrued liabilities. The actuarial assumptions for 2007 and 2006 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, 2008 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, 2006	\$ 105,453	267%	\$	(84,001)
December 31, 2007	303,250	71		4,249
December 31, 2008	277,211	108		(18,540)

Note 12. Deficit Fund Balances

Funds with deficit balances as of June 30, 2009 were as follows:

Nonmajor governmental:	
Special revenue, grants	\$ 532,073
Capital projects, Vision Iowa agency projects	211,928

Notes to Basic Financial Statements

Note 13. Commitments

Construction: The City is involved in construction of capital assets, mainly streets, riverfront improvements and Brownfields reconstruction. Much of the construction is partially funded through federal, state and local grants and donations. City participation in the programs is generally funded through proceeds of debt issues, local option taxes and distributions from the Black Hawk County Solid Waste Management Commission. As of June 30, 2009, the City was committed to approximately \$22.3 million of construction contracts.

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

Loan guarantee: The City has guaranteed a bank loan of Cedar Skyline Corporation d/b/a Main Street Waterloo. In the event the primary debtor is unable to repay the loan, the City would be required to make the payments. As of June 30, 2009, the note balance was \$249,155.

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 2009, the City contributed \$2,261,000. Retiree and active members receiving benefits contributed \$404,802 through their required contribution of \$463.79 per month for single health coverage and \$1,174.16 for family coverage.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 14. Other Postemployment Benefits (Continued)

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

Annual required contribution	\$ 2,775,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	2,775,000
Contributions and payments made	2,261,000
Increase in net OPEB obligation	514,000
Net OPEB obligation - July 1, 2008	-
Net OPEB obligation - June 30, 2009	\$ 514,000

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2007	N/A	N/A	N/A
June 30, 2008	N/A	N/A	N/A
June 30, 2009	2,775,000	81.48%	514,000

Funded status and funding progress: As of July 1, 2007, the most recent valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$35,372,000 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$35,372,000. The covered payroll (annual payroll of active employees covered by the plan) was \$28,761,923 and the ratio of the UAAL to the covered payroll was 122.98 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 only the initial year trend information as 2009 is the transition year.

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, 2007 actuarial valuation, projected unit credit method was used. The actuarial assumptions included a 5 percent annual discount rate, a healthcare cost trend rate of 10 percent on a select basis reducing 0.5 percent each year until reaching the ultimate trend rate of 6 percent, and an annual salary increase of 4 percent. The UAAL is being amortized as a level percentage of salary. The amortization of UAAL is over a period of 30 years.

Note 15. Employee Health Care Plan

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

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

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

	2009	2008
Estimated unpaid claims, beginning of year	\$ 1,012,315	\$ 1,025,120
Estimated claims incurred	8,696,186	7,083,251
Claims payments	(8,590,242)	(7,096,056)
Estimated unpaid claims, end of year	<u>\$ 1,118,259</u>	<u>\$ 1,012,315</u>
Estimated claim fluctuation reserves required:		
Reserved fund balance, General Fund		\$ 564,351
Reserved fund balance, Trust and Agency Fund		1,619,814
Total		<u><u>\$ 2,184,165</u></u>

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 16. Worker's Compensation Plan

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

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

	2009	2008
Estimated unpaid claims, beginning of year	\$ 152,184	\$ 141,267
Estimated claims incurred	497,736	488,723
Claims payments	(460,213)	(477,806)
Estimated unpaid claims, end of year	<u>\$ 189,707</u>	<u>\$ 152,184</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 (\$1,322,263 during the year ended June 30, 2009). During the year ended June 30, 2009, 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, 2009, the Sanitation Fund received an operating grant of \$274,988 from SWMC. This grant was used to offset recycling costs.

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

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

Note 18. Industrial Development Revenue Bonds

The City has issued a total of \$137,809,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The amount outstanding as of June 30, 2009 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 certain fire equipment with large per-unit costs which are insured against loss and deductibles.

As of June 30, 2009, the City has designated \$2,693,272 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, 2009, \$348,000 of the loan remained outstanding.

Note 21. Contingencies

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

The City is involved in various lawsuits in the normal course of business. There are several actions pending. Legal counsel has advised the City that is reasonably possible that the City may incur losses of \$95,000 from these cases that would not be covered under the City's insurance policies.

Note 22. Pollution Remediation Liability

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

Notes to Basic Financial Statements

Note 23. New GASB Statements and Pending Pronouncements

The City adopted the following GASB statements during the year ended June 30, 2009:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The effect of the adoption of this Statement to the City was to record a liability of \$25,215, \$11,847 and \$476,938 in the Sewer Fund, Sanitation Fund and governmental activities, respectively. Additional note disclosures pertaining to the plan have been added to the notes to the basic financial statements which disclose the City's unfunded actuarial accrued liability for other postemployment benefits of \$35,372,000.
- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. This standard requires the City to estimate the components of expected pollution remediation outlays and determine whether the outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. As a result, the City has recorded a liability of \$25,000 in the governmental activities and added a footnote disclosure pertaining to the nature of the pollution and the methods and assumptions used for the estimate.
- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement established consistent standards for the reporting of land and other real estate held as investments. Endowments were previously required to report their land and other real estate held for investment purposes at historical cost. However, such investments are reported at fair value by similar entities, such as pension plans. The Statement requires endowments to report land and other real estate investments at fair value. This Statement had no effect on the City in the current year.

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

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued July 2007, will be effective for the City beginning with its year ending June 30, 2010. This Statement provides guidance regarding how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks. This standard provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets.
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the City beginning with its year ending June 30, 2010. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements.

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

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, will be effective for the City beginning with its year ending June 30, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints.

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

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%

Note: Fiscal year 2009 is the transition year for GASB Statement No. 45

The information presented in the required supplementary schedule was determined as part of the actuarial valuation date as of July 1, 2007.
Additional information follows:

- The actuarial method used to determine the ARC is the projected unit credit method.
- There are no plan assets.
- The actuarial assumptions included: a) 5 percent annual discount rate, b) a healthcare cost trend rate of 10 percent initially, decreasing 0.5 percent each year until reaching the ultimate trend rate of 6 percent, and c) an annual salary increase of 4 percent.
- The amortization method is level percentage of pay over 30 years.

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City of Waterloo, Iowa

Budgetary Comparison Schedule

Budget and Actual (Modified Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year Ended June 30, 2009

	Budgeted Amounts	
	Original	Final
Revenues and other financing sources receipts:		
Receipts:		
Property taxes	\$ 35,238,473	\$ 35,238,473
Tax increment financing	4,806,055	4,806,055
Other City taxes	12,937,243	13,181,114
Licenses and permits	1,296,914	1,296,914
Use of money and property	2,274,200	2,274,200
Intergovernmental	30,334,866	37,689,982
Charges for services	18,862,599	19,140,462
Special assessments	120,102	1,820,339
Miscellaneous	7,892,134	10,808,704
Total receipts	113,762,586	126,256,243
Other financing sources:		
Transfer from other funds	20,872,298	19,872,298
Insurance proceeds	-	-
Issuance of long-term debt	12,425,000	20,160,000
Proceeds from sale of capital assets	53,540	53,540
Total other financing sources	33,350,838	40,085,838
Total receipts and other financing sources	147,113,424	166,342,081
Disbursements and other financing uses:		
Governmental-type activities:		
Public safety	26,046,284	26,772,891
Public works	23,932,844	28,131,919
Health and social services	372,962	376,567
Culture and recreation	9,005,650	9,503,640
Community and economic development	13,451,230	17,240,739
General government	4,822,321	6,360,489
Debt service	13,641,699	19,686,699
Capital projects	25,802,324	29,919,135
Business-type activities	13,100,085	13,734,901
Total disbursements	130,175,399	151,726,980
Other financing uses:		
Transfers to other funds	20,872,298	19,872,298
Bond discount	-	-
Total other financing uses	20,872,298	19,872,298
Total disbursements and other financing uses	151,047,697	171,599,278
Receipts and other financing sources over (under) disbursements and other financing uses	(3,934,273)	(5,257,197)
Balances, beginning of year	58,249,113	65,726,557
Balances, end of year	\$ 54,314,840	\$ 60,469,360

See Note to Required Supplementary Information.

Actual Amounts		Variance	
Budgetary Basis		Favorable (Unfavorable)	
\$	36,455,076	\$	1,216,603
	4,729,804		(76,251)
	14,210,521		1,029,407
	1,005,430		(291,484)
	1,581,800		(692,400)
	23,815,954		(13,874,028)
	20,286,674		1,146,212
	98,659		(1,721,680)
	6,145,639		(4,663,065)
	108,329,557		(17,926,686)
	18,502,006		(1,370,292)
	1,421,521		1,421,521
	17,088,701		(3,071,299)
	74,294		20,754
	37,086,522		(2,999,316)
	145,416,079		(20,926,002)
	25,920,367		852,524
	27,201,479		930,440
	333,464		43,103
	8,898,872		604,768
	13,678,470		3,562,269
	5,878,862		481,627
	18,556,251		1,130,448
	15,154,407		14,764,728
	10,239,603		3,495,298
	125,861,775		25,865,205
	15,711,234		4,161,064
	40,080		(40,080)
	15,751,314		4,120,984
	141,613,089		29,986,189
	3,802,990		9,060,187
	85,592,158		-
\$	89,395,148	\$	9,060,187

City of Waterloo, Iowa

Note to Required Supplementary Information – Budgetary Reporting Year Ended June 30, 2009

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 \$21,551,581. The budget amendment is reflected in the final budgeted amount.

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

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City of Waterloo, Iowa

Schedule of Comparison
Funds Statements (GAAP Basis) to Budgetary (Modified Cash) Basis
Required Supplementary Information
Year Ended June 30, 2009

	Governmental Fund Types Basis Actual Amounts	Enterprise Fund Types Basis Actual Amounts	Total Funds
Revenue/Receipts:			
Property taxes and TIF revenue	\$ 38,789,695	\$ -	\$ 38,789,695
Other taxes	14,368,254	-	14,368,254
Licenses and permits	977,306	-	977,306
Use of money and property	1,486,919	85,352	1,572,271
Intergovernmental	22,932,392	614,484	23,546,876
Charges for services	5,963,660	12,960,919	18,924,579
Interfund charges for services	2,808,833	-	2,808,833
Special assessments	37,216	-	37,216
Miscellaneous	6,043,260	124,135	6,167,395
Total revenue/receipts	93,407,535	13,784,890	107,192,425
Expenditures and expenses/disbursements:			
Public safety	25,941,016	-	25,941,016
Public works	23,846,845	-	23,846,845
Health and social services	333,706	-	333,706
Culture and recreation	8,844,296	-	8,844,296
Community and economic development	13,954,851	-	13,954,851
General government	5,532,557	-	5,532,557
Debt service	10,674,229	-	10,674,229
Capital projects	16,639,618	-	16,639,618
Business-type activities	-	12,164,132	12,164,132
Total expenditures and expenses/disbursements	105,767,118	12,164,132	117,931,250
Net	(12,359,583)	1,620,758	(10,738,825)

(Continued)

Budgetary Basis Exceptions		Property Tax Collected for and Remitted to MET	Other GAAP Conversion Adjustments	Budgetary Basis
\$	-	\$ 1,322,263	\$ 1,072,922	\$ 41,184,880
	-	-	(157,733)	14,210,521
	-	-	28,124	1,005,430
	-	-	9,529	1,581,800
	-	-	269,078	23,815,954
	-	-	1,362,095	20,286,674
	-	-	(2,808,833)	-
	-	-	61,443	98,659
	-	-	(21,756)	6,145,639
	-	1,322,263	(185,131)	108,329,557
	-	-	(20,649)	25,920,367
	-	1,322,263	2,032,371	27,201,479
	-	-	(242)	333,464
	-	-	54,576	8,898,872
	-	-	(276,381)	13,678,470
	-	-	346,305	5,878,862
6,012,357	(a,b)	-	1,869,665	18,556,251
-		-	(1,485,211)	15,154,407
(1,811,365)	(a)	-	(113,164)	10,239,603
4,200,992		1,322,263	2,407,270	125,861,775
(4,200,992)		-	(2,592,401)	(17,532,218)

City of Waterloo, Iowa

**Schedule of Comparison
Funds Statements (GAAP Basis) to Budgetary (Modified Cash) Basis (Continued)
Required Supplementary Information
Year Ended June 30, 2009**

	Governmental Fund Types Basis Actual Amounts	Enterprise Fund Types Basis Actual Amounts	Total Funds
Other financing sources (uses):			
Transfers in	\$ 15,295,255	\$ -	\$ 15,295,255
Transfers out	(15,295,255)	-	(15,295,255)
Insurance proceeds	1,421,521	-	1,421,521
Bond discount	(40,080)	-	(40,080)
Proceeds from sales of capital assets	74,294	-	74,294
Issuance of long-term debt	13,671,100	-	13,671,100
Payments to refunding escrow	(4,200,992)	-	(4,200,992)
Total other financing sources (uses)	10,925,843	-	10,925,843
 Change in fund balance/net assets	 (1,433,740)	 1,620,758	 187,018
Balance, beginning of year	51,776,163	76,410,651	128,186,814
Balance, end of year	<u>\$ 50,342,423</u>	<u>\$ 78,031,409</u>	<u>\$ 128,373,832</u>

(a) Principal and interest on general obligation debt of \$1,811,365 incurred by the Sanitary Sewer Fund was accounted and reported in the General Obligation Debt Service Fund. The Sanitary Sewer Fund reported a transfer out of that amount and the General Obligation Debt Service Fund reported a transfer in.

(b) Refunding proceeds directly wired to refunding escrow of \$4,200,992 were budgeted and reported as debt service.

Budgetary Basis Exceptions		Property Tax Collected for and Remitted to MET	Other GAAP Conversion Adjustments	Budgetary Basis
\$	1,811,365 (a)	\$ -	\$ 1,395,386	\$ 18,502,006
	(1,811,365) (a)	-	1,395,386	(15,711,234)
	-	-	-	1,421,521
	-	-	-	(40,080)
	-	-	-	74,294
	-	-	3,417,601	17,088,701
	4,200,992 (b)	-	-	-
	4,200,992	-	6,208,373	21,335,208
	-	-	3,615,972	3,802,990
	-	-	(42,594,656)	85,592,158
\$	-	\$ -	\$ (38,978,684)	\$ 89,395,148

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City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances

General Fund

Year Ended June 30, 2009

Revenues:

Property taxes	\$	15,914,988
Other taxes		3,773,548
Licenses and permits		964,171
Investment income		155,804
Rent		759,016
Intergovernmental		1,629,423
Charges for services		5,659,106
Indirect allocations		2,123,833
Special assessments		37,216
Miscellaneous		2,290,645
Total revenues	\$	33,307,750

Expenditures:

Public Safety Function

Mayor

Black Hawk Emergency Management Agency

Contractual services

\$ 44,100

Total Activity and Department

44,100

Police Department

Police Operations

Compensation and benefits

9,463,356

Contractual services

792,382

Commodities

295,647

Total Activity

10,551,385

Police Computer Services

Contractual services

56,359

Commodities

59,769

Total Activity

116,128

Police Grants

Compensation and benefits

759,812

Contractual services

50,642

Commodities

56,888

Capital outlay

189,287

Total Activity

1,056,629

Law Enforcement Programs

Contractual services

155,232

Commodities

151,083

Total Activity

306,315

Tobacco Grant

Compensation and benefits

4,189

Total Activity

4,189

Total Department

12,034,646

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances

General Fund

Year Ended June 30, 2009

Expenditures:

Public Safety Function

Fire Department

Fire Protection

Compensation and benefits	\$ 7,769,012
Contractual services	370,809
Commodities	141,539
Total Activity	8,281,360

Fire Restricted Programs

Compensation and benefits	52,943
Contractual services	7,211
Commodities	996
Capital outlay	101,203
Total Activity	162,353

Fire Ambulance Services

Compensation and benefits	1,148,979
Contractual services	157,621
Commodities	165,254
Total Activity	1,471,854

Fire Safety Program

Compensation and benefits	144,755
Contractual services	42,028
Commodities	1,626
Total Activity	188,409

Fire Federal CDC Grant

Compensation and benefits	20,272
Contractual services	10,007
Commodities	466
Total Activity	30,745
Total Department	10,134,721

Traffic Operations Department

Animal Control

Contractual services	208,446
Commodities	465
Total Activity and Department	208,911

Building Inspection Department

Building and Housing Safety

Compensation and benefits	863,030
Contractual services	27,841
Commodities	29,102
Total Activity and Department	919,973

Public Safety Function Totals

Current

Compensation and benefits	20,226,348
Contractual services	1,922,678
Commodities	902,835
Subtotal	23,051,861
Capital outlay	290,490

Total Public Safety Function	\$ 23,342,351
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City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances

General Fund

Year Ended June 30, 2009

Expenditures:

Public Works Function

Mayor

Telecommunications

Contractual services

\$ 288

Total Activity and Department

288

Clerk

Parking Administration

Compensation and benefits

54,142

Contractual services

62,235

Commodities

475

Total Activity and Department

116,852

City Engineer

Sidewalk Repair/Construction

Capital outlay

165,238

Total Activity and Department

165,238

Traffic Operations

Parking Maintenance

Compensation and benefits

222,501

Contractual services

41,061

Commodities

11,231

Total Activity and Department

274,793

Central Garage

Central Garage

Compensation and benefits

678,408

Contractual services

21,385

Commodities

86,657

Total Activity

786,450

Motor Pool Service

Commodities

223,530

Total Activity

223,530

Total Department

1,009,980

Airport

Airport Administration

Compensation and benefits

464,459

Contractual services

300,140

Commodities

118,693

Total Activity and Department

883,292

Public Works Function Totals

Current

Compensation and benefits

1,419,510

Contractual services

425,109

Commodities

440,586

Subtotal

2,285,205

Capital outlay

165,238

Total Public Works Function

\$ 2,450,443

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances

General Fund

Year Ended June 30, 2009

Expenditures:

Health and Social Services Function

Mayor

Youth Initiative/Juvenile Justice Grant

Contractual services

\$ 25,000

Total Activity

25,000

Jesse Cosby Neighborhood

Contractual services

6,000

Total Activity

6,000

Health and Sanitation

Contractual services

75,000

Total Activity

75,000

Total Department

106,000

Human Rights Department

Human Rights

Compensation and benefits

127,452

Contractual services

39,107

Commodities

480

Total Activity

167,039

Housing Enforcement

Compensation and benefits

18,264

Contractual services

41,003

Total Activity

59,267

Cedar Valley Diversity Action Team

Contractual services

1,400

Total Activity

1,400

Total Department

227,706

Health and Social Services Function Totals

Current

Compensation and benefits

145,716

Contractual services

187,510

Commodities

480

Total Health and Social Services Function

\$ 333,706

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances

General Fund

Year Ended June 30, 2009

Expenditures:

Culture and Recreation Function

Mayor

KBBG Communications

Contractual services

\$ 3,000

Total Activity

3,000

Fairfiew Cemetery Association

Contractual services

42,500

Total Activity

42,500

Total Department

45,500

Cultural/Arts

Center for the Arts

Compensation and benefits

582,684

Contractual services

84,957

Commodities

25,619

Total Activity

693,260

Youth Pavilion

Compensation and benefits

227,968

Contractual services

55,990

Commodities

28,807

Total Activity

312,765

Junior Art Gallery

Contractual services

15,025

Total Activity

15,025

Public Art

Contractual services

200

Total Activity

200

Culture and Arts Grants and Projects

Contractual services

89,370

Commodities

1,494

Capital outlay

5,000

Total Activity

95,864

Total Department

1,117,114

Library

Library Services

Compensation and benefits

1,079,345

Contractual services

258,852

Commodities

156,184

Total Activity

1,494,381

Library Enrich Iowa

Contractual services

11,002

Commodities

3,795

Total Activity

14,797

Library Access Plus

Commodities

5,115

Total Activity

5,115

Library Grants

Commodities

15,993

Total Activity

15,993

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances

General Fund

Year Ended June 30, 2009

Expenditures:

Culture and Recreation Function

Library

Library Gift and Trust

Contractual services

32,451

Commodities

42,502

Total Activity

74,953

Library Service Area

Commodities

29,778

Total Activity

29,778

County Library System

Compensation and benefits

57,272

Contractual services

11,178

Commodities

4,857

Total Activity

73,307

Library Open Access

Commodities

11,597

Total Activity

11,597

Total Department

1,719,921

Leisure Services

Leisure Services

Compensation and benefits

1,556,627

Contractual services

217,738

Commodities

242,640

Total Activity

2,017,005

Downtown Area Maintenance

Compensation and benefits

115,284

Contractual services

22,329

Commodities

14,093

Total Activity

151,706

Leisure Services Projects

Compensation and benefits

4,551

Contractual services

25,829

Commodities

44,466

Capital outlay

117,644

Total Activity

192,490

Golf Courses

Compensation and benefits

797,286

Contractual services

107,020

Commodities

134,270

Total Activity

1,038,576

Golf Course Improvements

Contractual services

869

Commodities

9,778

Total Activity

10,647

Sports and Youth Services

Compensation and benefits

418,095

Contractual services

37,169

Commodities

94,649

Total Activity

549,913

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances

General Fund

Year Ended June 30, 2009

Expenditures:

Culture and Recreation Function

Leisure Services

Young Arena

Compensation and benefits

\$ 362,728

Contractual services

183,997

Commodities

210,409

Total Activity

757,134

Total Department

4,717,471

Culture and Recreation Function Totals

Current

Compensation and benefits

5,201,840

Contractual services

1,199,476

Commodities

1,076,046

Subtotal

7,477,362

Capital outlay

122,644

Total Culture and Recreation Function

\$ 7,600,006

Community and Economic Development Function

Mayor

Iowa Northland Council of Governments

Contractual services

\$ 29,561

Total Activity

29,561

Tourism Promotion

Contractual services

271,327

Total Activity

271,327

Waterloo Convention & Visitors Bureau, Inc.

Contractual services

813,732

Total Activity

813,732

Economic Development

Contractual services

35,000

Total Activity

35,000

Total Department

1,149,620

Planning and Zoning

Planning and Zoning

Compensation and benefits

370,920

Contractual services

12,092

Commodities

5,257

Capital outlay

3,256

Total Activity

391,525

City Property Management

Contractual services

33,449

Total Activity

33,449

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances

General Fund

Year Ended June 30, 2009

Expenditures:

Community and Economic Development Function

Planning and Zoning

Economic Development

Compensation and benefits

\$ 43,489

Contractual services

21,000

Total Activity

64,489

Special Projects

Contractual services

26,529

Total Activity

26,529

Total Department

515,992

Building Inspection

Code Enforcement

Compensation and benefits

199,022

Contractual services

32,936

Commodities

6,375

Total Activity

238,333

Five Sullivans Civic Center

Compensation and benefits

77,866

Contractual services

105,956

Commodities

15,262

Total Activity

199,084

Total Department

437,417

Community Development

Emergency Shelter Pass Through

Compensation and benefits

289

Contractual services

65,231

Total Activity

65,520

Housing Pool

Contractual services

121,731

Total Activity

121,731

Total Department

187,251

Housing Authority

Housing Pool

Capital outlay

(500)

Total Activity and Department

(500)

Community and Economic Development Function Totals

Current

Compensation and benefits

691,586

Contractual services

1,568,544

Commodities

26,894

Subtotal

2,287,024

Capital outlay

2,756

Total Community and Economic Development Function

\$ 2,289,780

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances

General Fund

Year Ended June 30, 2009

Expenditures:

General Government Function

Mayor

Mayor's Office

Compensation and benefits	\$ 154,879
Contractual services	28,566
Commodities	736
Total Activity	184,181

Administrative and Management Information Services

Compensation and benefits	172,753
Contractual services	84,095
Commodities	3,951
Total Activity	260,799
Total Department	444,980

City Council

City Council

Compensation and benefits	58,646
Contractual services	519
Total Activity and Department	59,165

City Clerk and Finance

Telecommunications

Compensation and benefits	117,071
Contractual services	987
Commodities	305
Total Activity	118,363

City Clerk and Finance

Compensation and benefits	651,097
Contractual services	308,170
Claims, judgments, contingencies	543
Commodities	10,790
Total Activity	970,600

Liability Insurance

Compensation and benefits	54,625
Contractual services	1,033,800
Total Activity	1,088,425

Health/Life Insurance

Compensation and benefits	7,417
Contractual services	1,197,589
Total Activity	1,205,006

Self-Funded Worker's Compensation

Contractual services	514,632
Total Activity	514,632

Printing Services

Contractual services	43,861
Total Activity	43,861
Total Department	3,940,887

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances

General Fund

Year Ended June 30, 2009

Expenditures:

General Government Function

City Attorney

City Attorney

Compensation and benefits

\$ 143,702

Contractual services

144,147

Commodities

11,718

Total Activity and Department

299,567

Human Resources

Employee Assistance Program

Contractual services

1,845

Total Activity

1,845

Human Resources

Compensation and benefits

229,783

Contractual services

30,593

Commodities

2,131

Total Activity

262,507

Safety Committee

Compensation and benefits

2,753

Contractual services

21,680

Total Activity

24,433

Total Department

288,785

Building Inspection

Facilities Maintenance

Compensation and benefits

156,191

Contractual services

207,858

Commodities

81,405

Total Activity

445,454

Facilities Restricted Project

Contractual services

82

Commodities

1,926

Total Activity

2,008

Veteran's Memorial Hall

Contractual services

6,937

Total Activity

6,937

Total Department

454,399

General Government Function Totals

Current

Compensation and benefits

1,748,917

Contractual services

3,625,904

Commodities

112,962

Total General Government Function

\$ 5,487,783

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances

General Fund

Year Ended June 30, 2009

Expenditures:	
Public Safety	\$ 23,342,351
Public Works	2,450,443
Health and Social Services	333,706
Culture and Recreation	7,600,006
Community and Economic Development	2,289,780
General Government	5,487,783
	<hr/>
Total Expenditures	\$ 41,504,069
	<hr/>
Revenue Under Expenditures	(8,196,319)
	<hr/>
Other Financing Sources (Uses)	
Transfers in	9,094,843
Transfers out	(2,244,633)
Insurance proceeds	1,421,521
Proceeds from sale of capital assets	74,294
Total Other Financing Sources	8,346,025
	<hr/>
Net Change in Fund Balance	149,706
	<hr/>
Fund Balance, beginning of year	15,090,966
	<hr/>
Fund Balance, end of year	\$ 15,240,672
	<hr/>

City of Waterloo, Iowa

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	Special Revenue	Capital Projects	Total
Assets			
Cash and cash equivalents	\$ 6,156,186	\$ 16,972,338	\$ 23,128,524
Investments	498,550	-	498,550
Receivables:			
Customer accounts	55,438	1,729,387	1,784,825
Property taxes:			
Delinquent	22,171	-	22,171
Succeeding year	5,617,346	-	5,617,346
Accrued interest	2,590	-	2,590
Due from other funds	374,577	229,121	603,698
Due from other governments:			
Federal	2,113,453	-	2,113,453
Iowa	2,746,374	4,445,590	7,191,964
Other	61,936	15,132	77,068
Inventories and prepaids	164,029	-	164,029
Assets held for resale	243,796	-	243,796
Restricted assets, cash and cash equivalents	2,680,933	-	2,680,933
Total assets	\$ 20,737,379	\$ 23,391,568	\$ 44,128,947
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,470,095	\$ 2,029,053	\$ 3,499,148
Retainages payable	191,798	746,179	937,977
Accrued liabilities	222,698	-	222,698
Due to other funds	1,310,885	404,563	1,715,448
Deferred revenue	7,624,357	5,951,992	13,576,349
Compensated absences	29,096	-	29,096
Payable from restricted assets	84,052	-	84,052
Total liabilities	10,932,981	9,131,787	20,064,768
Fund Balances:			
Reserved for inventories and prepaids	164,029	-	164,029
Reserved for assets held for resale	243,796	-	243,796
Reserved for improvements	220,759	-	220,759
Unreserved, undesignated	9,175,814	14,259,781	23,435,595
Total fund balances	9,804,398	14,259,781	24,064,179
Total liabilities and fund balances	\$ 20,737,379	\$ 23,391,568	\$ 44,128,947

City of Waterloo, Iowa

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

	Special Revenue	Capital Projects	Total
Revenues:			
Property taxes	\$ 5,261,685	\$ -	\$ 5,261,685
Other taxes	25,707	-	25,707
Licenses and permits	13,135	-	13,135
Investment income	57,088	93,648	150,736
Rent	182,863	-	182,863
Intergovernmental	21,157,399	53,988	21,211,387
Charges for services	279,461	25,093	304,554
Interfund charges for services	685,000	-	685,000
Miscellaneous	55,029	3,697,586	3,752,615
Total revenues	27,717,367	3,870,315	31,587,682
Expenditures:			
Current:			
Public safety	192,077	-	192,077
Public works	12,134,734	-	12,134,734
Culture and recreation	1,244,290	-	1,244,290
Community and economic development	11,665,071	-	11,665,071
General government	7,859	-	7,859
Debt service:			
Principal	387,108	-	387,108
Interest and fees	76,752	-	76,752
Bond issuance costs	-	44,752	44,752
Capital outlay	-	16,639,618	16,639,618
Total expenditures	25,707,891	16,684,370	42,392,261
Revenues (under) expenditures	2,009,476	(12,814,055)	(10,804,579)
Other financing sources (uses):			
Transfers in	820,182	2,386,374	3,206,556
Transfers out	(3,857,355)	(9)	(3,857,364)
Bond discount	-	(17,657)	(17,657)
Issuance of long-term debt	1,900,000	7,500,000	9,400,000
Total other financing sources	(1,137,173)	9,868,708	8,731,535
Net change in fund balance	872,303	(2,945,347)	(2,073,044)
Fund balance, beginning of year, as restated	8,932,095	17,205,128	26,137,223
Fund balance, end of year	\$ 9,804,398	\$ 14,259,781	\$ 24,064,179

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City of Waterloo, Iowa

Special Revenue Funds June 30, 2009

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

Major:

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

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

Nonmajor:

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

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

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

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

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

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

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

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

City of Waterloo, Iowa

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2009

	Special Revenue			
	Library Tax Levy	Community Development Block Grant	Section 108 Loan Program	Road Use Tax
Assets				
Cash and cash equivalents	\$ 145,966	\$ 12,474	\$ 553,994	\$ 2,727,710
Investments	-	-	-	-
Receivables:				
Customer accounts	-	-	-	4,889
Property taxes:				
Delinquent	4,729	-	-	-
Succeeding year	533,405	-	-	-
Accrued interest	-	-	-	-
Due from other funds	3,943	8,343	-	56,521
Due from other governments:				
Federal	-	524,509	-	-
Iowa	-	20,000	-	1,030,580
Other	8,308	-	-	-
Inventories and prepaids	-	-	-	159,867
Assets held for resale	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-
Total assets	\$ 696,351	\$ 565,326	\$ 553,994	\$ 3,979,567
Liabilities and Fund Balances (Deficits)				
Liabilities:				
Accounts payable	\$ -	\$ 526,968	\$ 26,219	\$ 51,935
Retainages payable	-	-	-	-
Accrued liabilities	22,673	24,668	-	155,074
Due to other funds	-	-	-	-
Deferred revenue	538,134	-	-	51,610
Compensated absences	1,974	5,347	-	17,276
Payable from restricted assets	-	-	-	-
Total liabilities	562,781	556,983	26,219	275,895
Fund balances (deficits):				
Reserved for inventories and prepaids	-	-	-	159,867
Reserved for assets held for resale	-	-	-	-
Reserved for improvements	-	-	-	-
Unreserved, undesignated	133,570	8,343	527,775	3,543,805
Total fund balances (deficits)	133,570	8,343	527,775	3,703,672
Total liabilities and fund balances (deficits)	\$ 696,351	\$ 565,326	\$ 553,994	\$ 3,979,567

Special Revenue					
Housing Programs	Grants	Federal Aviation Agency Projects	Tax Increment Financing	Total	
\$ 977,340	\$ -	\$ -	\$ 1,738,702	\$	6,156,186
498,550	-	-	-		498,550
17	-	50,532	-		55,438
-	-	-	17,442		22,171
-	-	-	5,083,941		5,617,346
2,590	-	-	-		2,590
266,063	39,707	-	-		374,577
31,169	92,278	1,465,497	-		2,113,453
-	1,680,498	15,296	-		2,746,374
-	-	-	53,628		61,936
4,162	-	-	-		164,029
243,796	-	-	-		243,796
2,176,677	-	224,256	280,000		2,680,933
<u>\$ 4,200,364</u>	<u>\$ 1,812,483</u>	<u>\$ 1,755,581</u>	<u>\$ 7,173,713</u>	<u>\$</u>	<u>20,737,379</u>
\$ 19,781	\$ 590,513	\$ 178,048	\$ 76,631	\$	1,470,095
-	65,265	126,533	-		191,798
19,750	533	-	-		222,698
-	-	1,167,893	142,992		1,310,885
15,313	1,688,245	229,672	5,101,383		7,624,357
4,499	-	-	-		29,096
84,052	-	-	-		84,052
143,395	2,344,556	1,702,146	5,321,006		10,932,981
4,162	-	-	-		164,029
243,796	-	-	-		243,796
-	-	220,759	-		220,759
3,809,011	(532,073)	(167,324)	1,852,707		9,175,814
4,056,969	(532,073)	53,435	1,852,707		9,804,398
<u>\$ 4,200,364</u>	<u>\$ 1,812,483</u>	<u>\$ 1,755,581</u>	<u>\$ 7,173,713</u>	<u>\$</u>	<u>20,737,379</u>

City of Waterloo, Iowa

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)

Nonmajor Special Revenue Funds

Year Ended June 30, 2009

	Special Revenue			
	Library Tax Levy	Community Development Block Grant	Section 108 Loan Program	Road Use Tax
Revenues:				
Property taxes	\$ 510,682	\$ -	\$ -	\$ -
Other taxes	25,707	-	-	-
Licenses and permits	-	-	-	13,135
Investment income	870	-	11,653	-
Rent	-	-	-	-
Intergovernmental	-	3,279,886	1,587,250	5,974,533
Charges for services	-	112,539	-	54,317
Interfund charges for services	-	-	-	685,000
Miscellaneous	-	14,350	-	7,633
Total revenues	537,259	3,406,775	1,598,903	6,734,618
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	1,246,482	6,833,549
Culture and recreation	526,810	-	423,383	-
Community and economic development	-	3,420,693	146,398	-
General government	-	-	210	-
Debt services:				
Principal	-	-	-	-
Interest and fees	-	-	-	-
Total expenditures	526,810	3,420,693	1,816,473	6,833,549
Revenue over (under) expenditures	10,449	(13,918)	(217,570)	(98,931)
Other financing sources (uses):				
Transfers in	-	-	210	193,374
Transfers out	-	-	-	-
Issuance of long-term debt	-	-	1,900,000	-
Total other financing sources (uses)	-	-	1,900,210	193,374
Net changes in fund balance (deficits)	10,449	(13,918)	1,682,640	94,443
Fund balances (deficits), beginning of year	123,121	22,261	(1,154,865)	3,609,229
Fund balances (deficits), end of year	\$ 133,570	\$ 8,343	\$ 527,775	\$ 3,703,672

Special Revenue				
Housing Programs	Grants	Federal Aviation Agency Projects	Tax Increment Financing	Total
\$ -	\$ -	\$ -	\$ 4,751,003	\$ 5,261,685
-	-	-	-	25,707
-	-	-	-	13,135
22,215	-	582	21,768	57,088
182,863	-	-	-	182,863
4,085,811	4,784,091	1,445,828	-	21,157,399
22,106	-	90,499	-	279,461
-	-	-	-	685,000
33,046	-	-	-	55,029
4,346,041	4,784,091	1,536,909	4,772,771	27,717,367
-	176,553	15,524	-	192,077
-	2,515,611	1,539,092	-	12,134,734
-	294,097	-	-	1,244,290
4,907,766	2,248,000	-	942,214	11,665,071
-	7,649	-	-	7,859
-	-	-	387,108	387,108
-	-	-	76,752	76,752
4,907,766	5,241,910	1,554,616	1,406,074	25,707,891
(561,725)	(457,819)	(17,707)	3,366,697	2,009,476
501,906	-	29,524	95,168	820,182
-	-	-	(3,857,355)	(3,857,355)
-	-	-	-	1,900,000
501,906	-	29,524	(3,762,187)	(1,137,173)
(59,819)	(457,819)	11,817	(395,490)	872,303
4,116,788	(74,254)	41,618	2,248,197	8,932,095
\$ 4,056,969	\$ (532,073)	\$ 53,435	\$ 1,852,707	\$ 9,804,398

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City of Waterloo, Iowa

Debt Service Fund
June 30, 2009

Major:

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

City of Waterloo, Iowa

Capital Projects Funds June 30, 2009

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

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

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

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

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

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

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

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

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

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City of Waterloo, Iowa

Combining Balance Sheet
Capital Projects Funds
June 30, 2009

	June 2004 Go Bonds	June 2005 Go Bonds	June 2006 Go Bonds	June 2007 Go Bonds
Assets				
Cash and cash equivalents	\$ -	\$ 391,712	\$ 1,353,443	\$ 3,272,899
Receivables, customer accounts	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments:				
Iowa	-	-	-	-
Other	-	-	-	-
Total assets	\$ -	\$ 391,712	\$ 1,353,443	\$ 3,272,899
Liabilities and Fund Balances (Deficits)				
Liabilities:				
Accounts payable	\$ -	\$ 9,055	\$ 306,894	\$ 698,506
Retainages payable	-	-	822	157,254
Due to other funds	-	-	7,523	637
Deferred revenue	-	-	-	-
Total liabilities	-	9,055	315,239	856,397
Fund balances (deficits), unreserved, undesignated	-	382,657	1,038,204	2,416,502
Total liabilities and fund balances (deficits)	\$ -	\$ 391,712	\$ 1,353,443	\$ 3,272,899

June 2008 Go Bonds	June 2009 Go Bonds	Rath Area Redevelopment	Vision Iowa Agency Projects	Capital Improvements	Total
\$ 4,222,689	\$ 7,431,190	\$ 73,157	\$ 227,248	\$ -	\$ 16,972,338
-	-	-	-	1,729,387	1,729,387
-	-	-	7,523	221,598	229,121
-	-	-	4,445,590	-	4,445,590
-	-	-	15,132	-	15,132
<u>\$ 4,222,689</u>	<u>\$ 7,431,190</u>	<u>\$ 73,157</u>	<u>\$ 4,695,493</u>	<u>\$ 1,950,985</u>	<u>\$ 23,391,568</u>
\$ 331,373	\$ 162,418	\$ -	\$ 205,010	\$ 315,797	\$ 2,029,053
217,436	43,061	-	264,419	63,187	746,179
396,403	-	-	-	-	404,563
-	-	-	4,437,992	1,514,000	5,951,992
945,212	205,479	-	4,907,421	1,892,984	9,131,787
3,277,477	7,225,711	73,157	(211,928)	58,001	14,259,781
<u>\$ 4,222,689</u>	<u>\$ 7,431,190</u>	<u>\$ 73,157</u>	<u>\$ 4,695,493</u>	<u>\$ 1,950,985</u>	<u>\$ 23,391,568</u>

City of Waterloo, Iowa

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

Capital Projects Funds

Year Ended June 30, 2009

	June 2004 Go Bonds	June 2005 Go Bonds	June 2006 Go Bonds	June 2007 Go Bonds
Revenues:				
Investment income	\$ 1,429	\$ 3,906	\$ 11,451	\$ 31,446
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	1,429	3,906	11,451	31,446
Expenditures:				
Debt service, bond issuance costs	-	-	-	-
Capital outlay	270,503	314,819	1,042,274	3,246,438
Total expenditures	270,503	314,819	1,042,274	3,246,438
Revenues over (under) expenditures	(269,074)	(310,913)	(1,030,823)	(3,214,992)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(9)	-	-	-
Bond discount	-	-	-	-
Issuance of long-term debt	-	-	-	-
Total other financing sources (uses)	(9)	-	-	-
Net changes in fund balance (deficit)	(269,083)	(310,913)	(1,030,823)	(3,214,992)
Fund balances (deficits), beginning of year	269,083	693,570	2,069,027	5,631,494
Fund balances (deficits), end of year	\$ -	\$ 382,657	\$ 1,038,204	\$ 2,416,502

June 2008 Go Bonds	June 2009 Go Bonds	Rath Area Redevelopment	Vision Iowa Agency Projects	Capital Improvements	Total
\$ 44,540	\$ 487	\$ 389	\$ -	\$ -	\$ 93,648
-	-	31,258	22,730	-	53,988
-	-	-	-	25,093	25,093
-	-	-	1,254	3,696,332	3,697,586
44,540	487	31,647	23,984	3,721,425	3,870,315
-	44,752	-	-	-	44,752
4,624,269	212,367	29,828	2,078,640	4,820,480	16,639,618
4,624,269	257,119	29,828	2,078,640	4,820,480	16,684,370
(4,579,729)	(256,632)	1,819	(2,054,656)	(1,099,055)	(12,814,055)
-	-	-	1,138,940	1,247,434	2,386,374
-	-	-	-	-	(9)
-	(17,657)	-	-	-	(17,657)
-	7,500,000	-	-	-	7,500,000
-	7,482,343	-	1,138,940	1,247,434	9,868,708
(4,579,729)	7,225,711	1,819	(915,716)	148,379	(2,945,347)
7,857,206	-	71,338	703,788	(90,378)	17,205,128
\$ 3,277,477	\$ 7,225,711	\$ 73,157	\$ (211,928)	\$ 58,001	\$ 14,259,781

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City of Waterloo, Iowa

Proprietary Funds June 30, 2009

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, 2009

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, 2009

	Balance June 30, 2008		Additions		Deletions		Balance June 30, 2009
Metropolitan Transit Agency							
Assets, cash	\$ -	\$	1,322,263	\$	1,322,263	\$	-
Liabilities, due to private entities	\$ -	\$	1,322,263	\$	1,322,263	\$	-

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**City of Waterloo, Iowa
Statistical Section**

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	102
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	107
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	111
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	116
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the city provides and the activities it performs.	118

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

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
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
Restricted	20,983,272	27,827,667	29,460,969	34,279,423	22,213,054	25,583,429	32,652,537
Unrestricted	3,132,625	4,725,340	6,160,850	6,043,616	5,626,315	7,342,293	4,738,557
Total governmental activities net assets	<u>\$ 65,076,557</u>	<u>\$ 79,224,549</u>	<u>\$ 92,341,378</u>	<u>\$110,093,443</u>	<u>\$221,518,056</u>	<u>\$235,555,535</u>	<u>\$254,254,160</u>
Business-type activities							
Invested in capital assets, net of related debt	55,430,659	55,900,582	56,679,067	57,945,809	63,144,916	63,754,721	65,420,051
Restricted	5,417,860	6,086,695	4,969,352	6,300,746	3,334,062	3,182,802	3,171,308
Unrestricted	4,882,349	5,624,562	8,055,394	7,422,263	7,963,580	9,473,128	9,440,050
Total business-type activities net assets	<u>\$ 65,730,868</u>	<u>\$ 67,611,839</u>	<u>\$ 69,703,813</u>	<u>\$ 71,668,818</u>	<u>\$ 74,442,558</u>	<u>\$ 76,410,651</u>	<u>\$ 78,031,409</u>
Primary government							
Invested in capital assets, net of related debt	96,391,319	102,572,124	113,398,626	127,716,213	256,823,603	266,384,534	282,283,117
Restricted	26,401,132	33,914,362	34,430,321	40,580,169	25,547,116	28,766,231	35,823,845
Unrestricted	8,014,974	10,349,902	14,216,244	13,465,879	13,589,895	16,815,421	14,178,607
Total primary government net assets	<u>\$130,807,425</u>	<u>\$146,836,388</u>	<u>\$162,045,191</u>	<u>\$181,762,261</u>	<u>\$295,960,614</u>	<u>\$311,966,186</u>	<u>\$332,285,569</u>

GASB Statement No. 34 implemented in fiscal year 2003.

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
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
Public works	8,856,045	14,829,494	13,689,867	11,579,825	17,265,784	21,705,472	22,435,723
Health and social services	432,228	439,033	251,534	331,759	258,818	268,761	260,584
Culture and recreation	6,856,469	6,121,952	6,425,956	6,786,963	8,059,963	8,408,694	9,512,453
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
General government	2,889,784	2,935,962	2,783,145	3,415,216	3,903,632	4,511,057	5,150,029
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
Total governmental activities expenses	<u>51,534,105</u>	<u>57,226,209</u>	<u>60,084,843</u>	<u>63,731,750</u>	<u>67,929,601</u>	<u>73,471,862</u>	<u>80,478,129</u>
Business-type activities:							
Sanitary sewer	8,204,312	8,646,899	8,246,811	8,666,232	8,242,650	8,649,104	8,573,832.00
Sanitation	2,858,267	2,920,290	3,025,161	3,196,360	3,226,802	3,289,854	3,593,300.00
Total business-type activities expenses	<u>11,062,579</u>	<u>11,567,189</u>	<u>11,271,972</u>	<u>11,862,592</u>	<u>11,469,452</u>	<u>11,938,958</u>	<u>12,167,132</u>
Total primary government expenses	<u>\$ 62,596,684</u>	<u>\$ 68,793,398</u>	<u>\$ 71,356,815</u>	<u>\$ 75,594,342</u>	<u>\$ 79,399,053</u>	<u>\$ 85,410,820</u>	<u>\$ 92,645,261</u>
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
Public works	1,539,702	1,688,900	1,765,757	1,831,575	1,774,681	1,933,607	1,894,200
Culture and recreation	2,048,075	2,073,891	1,902,088	2,027,873	2,077,330	2,263,815	2,441,457
Other activities	188,489	89,454	216,203	637,103	580,948	1,361,824	1,139,772
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
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
Total governmental activities program revenue	<u>22,945,480</u>	<u>26,091,549</u>	<u>25,323,979</u>	<u>30,969,487</u>	<u>28,853,857</u>	<u>31,627,871</u>	<u>39,209,250</u>
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
Sanitation	2,863,391	3,072,299	3,210,265	3,201,266	3,274,550	3,294,443	3,349,978
Operating grants and contributions:							
Sanitary sewer	-	-	64,006	7,361	-	240,678	339,496
Sanitation	274,988	274,988	274,988	-	315,437	288,866	274,988
Capital grants and contributions - sanitary sewer							
Sanitary sewer	364,413	483,456	115,481	311,303	799,265	127,092	106,200
Sanitation	-	-	-	-	-	-	3,000
Total business-type activities program revenue	<u>12,316,990</u>	<u>12,933,053</u>	<u>13,045,461</u>	<u>13,114,134</u>	<u>12,911,282</u>	<u>13,422,441</u>	<u>13,702,538</u>
Total primary government program revenue	<u>\$ 35,262,470</u>	<u>\$ 39,024,602</u>	<u>\$ 38,369,440</u>	<u>\$ 44,083,621</u>	<u>\$ 41,765,139</u>	<u>\$ 45,050,312</u>	<u>\$ 52,911,788</u>
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)
Business-type activities	<u>1,254,411</u>	<u>1,365,864</u>	<u>1,773,489</u>	<u>1,251,542</u>	<u>1,441,830</u>	<u>1,483,483</u>	<u>1,535,406</u>
Total primary government net expense	<u>(27,334,214)</u>	<u>(29,768,796)</u>	<u>(32,987,375)</u>	<u>(31,510,721)</u>	<u>(37,633,914)</u>	<u>(40,360,508)</u>	<u>(39,733,473)</u>

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
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
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
Other taxes	10,299,221	9,725,075	11,464,827	12,496,242	12,101,827	13,674,750	14,208,362
Investment earnings	587,676	661,458	668,736	1,276,389	1,924,494	1,432,651	426,353
Miscellaneous	4,456,570	3,073,954	2,847,102	3,128,460	4,030,419	3,900,343	6,556,363
Gain (loss) on sale of assets	234,169	116,629	(144,924)	-	-	-	-
Transfers	73,391	12,613	-	-	-	-	-
Total governmental activities	44,336,960	45,282,652	47,877,693	50,514,328	53,620,353	54,907,425	59,967,504
Business-type activities:							
Investment earnings	\$ 90,658	78,470	203,004	402,160	532,645	357,518	85,352
Gain (loss) on sale of assets	-	(34,206)	-	-	-	-	-
Transfers	(73,391)	(12,613)	-	-	-	-	-
Total business-type activities	17,267	31,651	203,004	402,160	532,645	357,518	85,352
Total primary government	\$ 44,354,227	\$ 45,314,303	\$ 48,080,697	\$ 50,916,488	\$ 54,152,998	\$ 55,264,943	\$ 60,052,856
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
Business-type activities	1,271,678	1,397,515	1,976,493	1,653,702	1,974,475	1,841,001	1,620,758
Total primary government	\$ 17,020,013	\$ 15,545,507	\$ 15,093,322	\$ 19,405,767	\$ 16,519,084	\$ 14,904,435	\$ 20,319,383

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
General Fund							
Reserved	\$ 1,984,128	\$ 2,106,686	\$ 2,048,163	\$ 1,841,389	\$ 2,159,691	\$ 3,074,869	\$ 2,367,516
Unreserved:							
Designated	1,373,828	2,166,703	4,073,524	5,186,521	5,131,230	4,577,679	4,720,531
Undesignated	2,459,726	3,783,989	4,285,725	5,679,449	6,946,759	7,438,418	8,152,625
Total general fund	<u>\$ 5,817,682</u>	<u>\$ 8,057,378</u>	<u>\$ 10,407,412</u>	<u>\$ 12,707,359</u>	<u>\$ 14,237,680</u>	<u>\$ 15,090,966</u>	<u>\$ 15,240,672</u>
All Other Governmental Funds							
Reserved	631,468	838,562	994,790	1,576,334	2,103,658	2,633,730	2,923,228
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
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
Total all other governmental funds	<u>\$ 16,935,523</u>	<u>\$ 22,662,293</u>	<u>\$ 25,643,557</u>	<u>\$ 30,933,111</u>	<u>\$ 33,095,502</u>	<u>\$ 36,685,197</u>	<u>\$ 35,101,751</u>

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Revenue							
Property taxes	\$ 28,916,809	\$ 31,726,881	\$ 32,915,568	\$ 33,582,387	\$ 35,550,774	\$ 35,863,457	\$ 38,789,695
Other taxes	10,299,221	9,187,463	11,241,073	12,907,521	11,609,390	13,532,878	14,368,254
Licenses and permits	988,352	1,151,715	1,173,147	1,216,278	1,528,961	1,274,948	977,306
Investment income	587,676	661,458	668,736	1,276,389	1,924,494	1,432,651	426,353
Rent*	678,590	814,762	879,420	920,475	1,023,689	992,710	1,060,566
Intergovernmental	18,779,334	19,963,676	21,104,290	22,716,457	21,107,074	21,833,988	22,932,392
Charges for services*	5,236,433	5,048,840	4,980,587	5,429,979	5,554,760	5,767,327	5,963,660
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
Special assessments	115,852	109,999	56,694	52,698	39,932	39,931	37,216
Miscellaneous	2,180,685	2,336,581	2,008,009	3,253,989	3,878,401	4,683,887	6,043,260
Total revenue	<u>70,428,202</u>	<u>73,673,155</u>	<u>77,687,321</u>	<u>84,157,665</u>	<u>85,019,802</u>	<u>88,246,929</u>	<u>93,407,535</u>
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
Public works	18,719,419	17,121,845	18,582,433	20,508,737	22,688,730	15,354,726	23,846,845
Health and social services	510,114	517,555	325,147	401,647	332,431	346,169	333,706
Culture and recreation	5,987,808	6,506,123	6,576,723	6,875,715	7,385,038	7,683,720	8,844,296
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
General government	3,310,503	3,501,031	3,261,058	3,698,896	4,128,315	4,539,873	5,532,557
Debt service							
Principal	6,625,485	6,471,606	6,399,291	6,551,624	7,353,618	8,134,849	7,698,818
Interest and fees	2,661,437	2,424,613	2,575,772	2,627,808	2,909,085	2,908,196	2,975,411
Capital projects	5,289,432	7,820,334	7,150,058	9,570,650	11,035,051	20,405,512	16,639,618
Total expenditures	<u>72,755,487</u>	<u>76,410,918</u>	<u>78,433,866</u>	<u>85,900,492</u>	<u>90,004,187</u>	<u>95,406,196</u>	<u>105,767,118</u>
Revenue over (under) expenditures	<u>(2,327,285)</u>	<u>(2,737,763)</u>	<u>(746,545)</u>	<u>(1,742,827)</u>	<u>(4,984,385)</u>	<u>(7,159,267)</u>	<u>(12,359,583)</u>
Other financing sources (uses)							
Transfers in	7,268,799	7,226,431	8,484,336	10,433,905	10,871,913	13,447,647	15,295,255
Transfers out	(7,195,408)	(7,213,818)	(8,484,336)	(10,433,905)	(10,871,913)	(13,447,647)	(15,295,255)
Insurance proceeds	-	-	-	-	-	-	1,421,521
Proceeds from sale of assets	234,169	197,945	119,573	232,328	88,102	41,491	74,294
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
Payment to refunded bond escrow agent	(2,617,506)	(2,648,652)	(2,667,302)	-	(7,932,132)	(3,917,230)	(4,200,992)
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
Bond discounts and issue costs	(89,847)	(148,943)	(94,428)	-	-	60,280	(40,080)
Total other financing sources (uses)	<u>6,295,207</u>	<u>10,704,229</u>	<u>6,077,843</u>	<u>9,332,328</u>	<u>8,677,097</u>	<u>9,781,190</u>	<u>10,925,843</u>
Net change in fund balances	<u>\$ 3,967,922</u>	<u>\$ 7,966,466</u>	<u>\$ 5,331,298</u>	<u>\$ 7,589,501</u>	<u>\$ 3,692,712</u>	<u>\$ 2,621,923</u>	<u>\$ (1,433,740)</u>
Debt service as a percentage of noncapital expenditures	<u>13.8%</u>	<u>13.0%</u>	<u>12.6%</u>	<u>12.0%</u>	<u>13.0%</u>	<u>14.7%</u>	<u>13.4%</u>

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

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

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

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	Schools		Total County Millage	Operating Millage	Debt Service	Total School Millage		
				Operating Millage	Debt Service						
											Other
2000	11.69338	4.80858	16.50196	6.90463	0.58975	7.49438	13.69924	1.00000	14.69924	1.11145	39.80703
2001	11.51238	4.97859	16.49097	6.78238	0.53875	7.32113	13.57901	1.00000	14.57901	1.08713	39.47824
2002	12.63743	5.16332	17.80075	7.20942	0.47949	7.68891	14.15557	1.00000	15.15557	1.13632	41.78155
2003	13.55586	4.81576	18.37162	7.01176	0.60721	7.61897	14.52456	1.00000	15.52456	1.17929	42.69444
2004	14.26784	4.64130	18.90914	7.15152	0.59469	7.74621	14.85083	1.00000	15.85083	1.13876	43.64494
2005	14.62934	4.16065	18.78999	6.90953	0.58284	7.49237	14.62496	1.00000	15.62496	1.36743	43.27475
2006	15.04360	4.11206	19.15566	7.04780	0.56052	7.60832	14.99110	1.00000	15.99110	1.42197	44.17705
2007	15.47706	3.36874	18.84580	6.83182	0.55784	7.38966	15.33395	1.00000	16.33395	1.34392	43.91333
2008	15.33540	3.43129	18.76669	6.82613	0.58407	7.41020	15.74972	1.00000	16.74972	1.18405	44.11066
2009	15.10748	3.25939	18.36687	6.35616	0.57975	6.93591	15.65725	1.00000	16.65725	1.36422	43.32425

Source: Black Hawk County Auditor.

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

Employer	2009			2000		
	Assessed Value 1/1/2007	Rank	Percentage of Total Assessed Value	Assessed Value 1/1/1998	Rank	Percentage of Total Assessed Value
Mid American Energy	\$ 112,802,634	1	3.27%	\$ 121,479,020	2	6.02%
GG and A Crossroads Center, LP/ Equitable Life Assurance in 2000	40,167,120	2	1.16%	25,788,530	4	1.28%
IOC Black Hawk County, Inc.	31,395,090	3	0.91%	--	--	--
Deere and Company	26,613,160	4	0.77%	131,581,590	1	6.52%
Ferguson Enterprises, Inc.	24,732,360	5	0.72%	--	--	--
Con Agra k/n/a Hunt Wesson, Inc.	23,573,110	6	0.68%	--	--	--
Tyson Fresh Meats (formerly IBP, Inc.)	20,042,040	7	0.58%	40,833,530	3	2.02%
Bertch Cabinet Manufacturing	15,608,870	8	0.45%	11,451,280	6	0.57%
Qwest Corporation (formerly US West)	12,570,171	9	0.36%	12,430,037	5	0.62%
Banco Mortgage Company	11,431,160	10	0.33%	--	--	--
Friends of Faith Retirement Homes, Inc.	--	--	--	11,269,300	7	--
HyVee Food Stores, Inc.	--	--	--	9,326,490	8	0.46%
Beef Products, Inc.	--	--	--	8,907,360	9	0.44%
Albert Trostel and Sons, Inc.	--	--	--	8,522,680	10	0.42%
Total	<u>\$ 318,935,715</u>		<u>9.25%</u>	<u>\$ 381,589,817</u>		<u>18.35%</u>

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>
1998	2000	\$24,140,238	\$24,004,504	99.44%	\$ 403,035	\$24,407,539	101.11%
1999	2001	24,105,745	24,277,383	100.71%	281,374	24,558,757	101.88%
2000	2002	26,384,840	25,866,384	98.04%	451,479	26,317,863	99.75%
2001	2003	28,020,783	28,022,406	100.01%	118,932	28,141,338	100.43%
2002	2004	29,033,374	29,059,188	100.09%	17,377	29,076,565	100.15%
2003	2005	31,690,701	31,509,489	99.43%	12,616	31,522,105	99.47%
2004	2006	32,344,654	32,344,856	100.00%	10,483	32,355,339	100.03%
2005	2007	33,117,028	33,098,938	99.95%	20,019	33,118,957	100.01%
2006	2008	33,302,685	33,292,118	99.97%	22,716	33,314,834	100.04%
2007	2009	35,238,473	35,092,505	99.59%	40,319	35,132,824	99.70%

Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income*	Per Capita*
	General Obligation Bonds	Obligation Capital Loan Notes	Capital Leases	Other Debt	General Obligation Bonds	Revenue Bonds	Capital Leases	Other Debt			
2000	\$ 53,948,888	--	\$ 1,831,875	\$ 1,928,904	\$ 8,400,000	\$ 25,630,881	\$ 238,086	--	\$ 91,978,634	5.94%	\$ 1,384
2001	57,769,091	410,000	1,392,935	1,937,683	11,390,000	25,815,000	170,166	--	98,884,875	5.80%	1,438
2002	54,940,000	--	863,118	2,278,686	12,145,000	23,925,000	99,547	--	94,251,351	5.33%	1,371
2003	55,270,000	385,000	315,511	1,947,845	12,890,000	21,940,000	25,304	--	92,773,660	4.96%	1,349
2004	59,290,000	330,000	339,513	2,073,647	13,610,000	19,870,000	--	--	95,513,160	5.00%	1,389
2005	59,295,000	150,000	157,024	3,592,934	14,025,000	18,520,000	--	--	95,739,958	4.65%	1,393
2006	62,260,000	250,000	--	3,463,486	14,390,000	16,195,000	--	--	96,558,486	4.56%	1,405
2007	63,940,000	220,000	--	2,980,954	14,900,000	13,850,000	--	--	95,890,954	4.33%	1,395
2008	65,745,000	300,000	--	2,146,355	14,845,000	12,355,000	--	8,211	95,399,566	4.10%	1,388
2009	66,076,100	--	--	3,495,290	15,168,900	10,870,000	--	3,087	95,613,377	3.99%	1,391

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

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Total Assessed Value of Property</u>	<u>Percentage of Assessed Value of Property</u>	<u>Per Capita*</u>
2000	\$ 62,348,888	\$ 2,017,843,361	3.09%	\$ 938
2001	69,569,091	2,106,995,793	3.30%	1,012
2002	67,085,000	2,104,182,394	3.19%	976
2003	68,545,000	2,354,407,942	2.91%	997
2004	73,230,000	2,366,125,563	3.09%	1,065
2005	73,470,000	2,789,882,310	2.63%	1,069
2006	76,900,000	2,805,711,189	2.74%	1,119
2007	79,060,000	3,075,559,088	2.57%	1,150
2008	80,890,000	3,133,666,442	2.58%	1,177
2009	81,245,000	3,447,851,253	2.36%	1,182

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, 2009

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City of Waterloo direct debt	<u>\$ 81,245,000</u>	100.00%	<u>\$ 81,245,000</u>
Overlapping:			
Black Hawk County	\$ 23,960,000	48.12%	11,529,552
Hudson Community Schools	1,540,000	5.17%	79,618
Hawkeye Community College	<u>8,820,000</u>	28.33%	<u>2,498,706</u>
Subtotal, overlapping debt	<u>\$ 34,320,000</u>		<u>\$ 14,107,876</u>
Total direct and overlapping debt	<u><u>\$ 115,565,000</u></u>		<u><u>\$ 95,352,876</u></u>

Source: Black Hawk County Auditor

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

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt Limit	\$ 100,436,476	\$ 103,656,852	\$ 120,614,300	\$ 120,526,268	\$ 121,093,664	\$ 136,617,416	\$ 140,285,559	\$ 153,777,954	\$ 156,683,322	\$ 172,392,563
Total net debt applicable to limit	66,347,753	73,069,875	70,326,351	70,833,660	75,643,160	77,219,958	80,363,486	82,040,954	83,044,566	84,743,376
Legal debt margin	<u>\$ 34,088,723</u>	<u>\$ 30,586,977</u>	<u>\$ 50,287,949</u>	<u>\$ 49,692,608</u>	<u>\$ 45,450,504</u>	<u>\$ 59,397,458</u>	<u>\$ 59,922,073</u>	<u>\$ 71,737,000</u>	<u>\$ 73,638,756</u>	<u>\$ 87,649,187</u>
Total net debt applicable to the limit as a percentage of debt limit	66.06%	70.49%	58.31%	58.77%	62.47%	56.52%	57.29%	53.35%	53.00%	49.16%
Legal Debt Margin Calculation for Fiscal Year 2009										
Estimated actual valuation (assessed) as of January 1, 2007	\$ 3,447,851,253									
Debt limit (5% of total estimated actual valuation)	172,392,563									
Debt applicable to debt limit:										
General obligation bonds	81,245,000									
General obligation capital loan notes	-									
Other debt	<u>3,498,376</u>									
Total net debt applicable to limit	<u>84,743,376</u>									
Legal debt margin	<u>\$ 87,649,187</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**

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Less: Applicable Operating Expenses</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements</u>	<u>Coverage</u>
2000	\$ 8,738,606	\$ 4,306,393	\$ 4,432,213	\$ 3,522,199	1.2584
2001	8,620,518	4,063,694	4,556,824	3,466,156	1.3147
2002	8,646,771	4,330,170	4,316,601	3,436,606	1.2561
2003	9,257,236	4,336,741	4,920,495	3,427,576	1.4356
2004	9,653,550	4,445,425	5,208,125	3,401,386	1.5312
2005	9,735,550	4,455,001	5,280,549	3,664,551	1.4410
2006	10,564,246	4,860,721	5,703,525	3,060,298	1.8637
2007	9,761,167	4,580,852	5,180,315	3,020,198	1.7152
2008	10,121,735	5,051,048	5,070,687	2,099,173	2.4156
2009	10,030,590	5,070,016	4,960,574	2,038,173	2.4338

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, amortization of bond issue costs or loss on sale of capital assets.

**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>
1999	66,467	\$ 1,547,750,562	\$ 23,286	N/A	4.7%	10,397
2000	68,747	1,704,444,371	24,793	35.9	3.8%	10,290
2001	68,747	1,768,585,322	25,726	35.9	4.3%	10,311
2002	68,747	1,869,093,436	27,188	35.9	5.0%	10,402
2003	68,747	1,911,235,347	27,801	35.9	5.8%	10,465
2004	68,747	2,057,735,204	29,932	35.9	6.1%	10,472
2005	68,747	2,117,888,829	30,807	35.9	5.3%	10,391
2006	68,747	2,216,265,786	32,238	35.9	4.3%	10,192
2007	68,747	2,326,329,733	33,839	35.9	4.3%	10,039
2008	68,747	2,396,932,902	34,866	35.9	4.7%	10,069

N/A = Not available.

Sources:

¹ 1990 and 2000 U.S. Census

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

³ Iowa Dept. of Revenue and Finance

⁴ Waterloo Community Schools

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

Employer	2009			2000		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Deere & Company	5,600	1	16.42%	6,000	1	17.34%
Wheaton Franciscan Health Care *	3,025	2	8.87%	2,000	3	5.78%
Tyson Fresh Meats (formerly IBP, Inc.)	2,500	3	7.33%	2,000	3	5.78%
Allen Memorial Hospital	1,980	4	5.81%	1,100	6	3.18%
University of Northern Iowa	1,780	5	5.22%	5,100	2	14.74%
Waterloo Community Schools	1,450	6	4.25%	1,300	4	3.76%
Omega Cabinets, Ltd.	1,200	7	3.52%	750	10	2.17%
Hy-Vee	1,155	8	3.39%	1,200	5	3.47%
Area Education Agency 267	1,150	9	3.37%	1,000	7	2.89%
Bertch Cabinet Manufacturing	1,100	10	3.23%	760	9	2.20%
GMAC Mortgage Corp.	--	--	--	900	8	2.60%
Total	<u>20,940</u>		<u>61.41%</u>	<u>22,110</u>		<u>63.90%</u>

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	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public Safety										
Police	134.0	127.0	127.0	134.0	126.0	132.0	130.0	130.0	128.0	131.0
Fire	122.0	119.0	119.0	119.0	117.0	117.0	121.0	115.0	118.0	113.0
Building Inspection	13.0	13.0	13.0	13.0	14.0	14.0	15.0	15.0	16.0	15.0
Public Works										
City Engineer	18.0	18.0	17.0	18.0	18.0	18.0	19.0	19.0	19.0	20.0
Traffic	17.0	15.0	16.0	15.0	17.0	16.0	12.5	13.5	12.0	13.0
Central Garage	12.0	11.0	11.0	11.0	10.5	9.5	9.5	9.5	10.0	10.0
Street	52.0	47.0	43.0	41.0	41.0	41.0	36.0	36.0	34.0	40.0
Airport	5.0	4.0	4.0	4.0	5.5	5.5	5.5	5.5	5.5	5.5
Health & Social Services										
Human Rights	4.0	5.0	5.0	5.0	5.0	3.0	3.0	3.0	2.0	3.0
Culture & Recreation										
Cultural & Arts	8.0	8.5	8.5	8.5	8.5	8.0	9.5	10.0	12.0	13.5
Library	29.0	27.5	27.0	25.5	24.0	24.5	25.0	25.5	24.0	24.5
Leisure Services	38.0	36.0	35.0	35.0	35.0	42.0	38.0	37.0	39.0	41.0
Community & Economic Development										
Community Planning & Development	20.0	22.0	24.0	23.0	25.0	27.0	26.0	25.0	24.0	24.0
General Government										
Mayor's Office	1.0	1.0	1.0	1.0	1.5	1.5	1.0	1.0	1.0	1.0
Administrative Services/MIS	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
City Clerk & Finance	11.0	11.0	9.0	12.0	12.0	12.0	13.0	13.0	13.0	13.0
City Attorney	2.0	2.0	2.0	1.0	1.5	1.5	1.5	1.5	1.5	1.5
Human Resources	4.0	3.0	3.0	3.0	2.0	3.0	3.0	3.0	3.0	2.0
Facilities Maintenance	6.0	6.0	6.0	5.0	4.0	4.0	3.0	3.0	3.0	3.0
Waste Management Services										
Sewer	33.0	29.0	31.1	31.1	30.1	28.1	30.1	30.1	30.1	30.1
Sanitation	16.0	16.0	14.9	12.9	12.9	12.9	12.9	13.9	13.9	13.9
Total	<u>548.0</u>	<u>523.0</u>	<u>518.5</u>	<u>520.0</u>	<u>512.5</u>	<u>522.5</u>	<u>516.5</u>	<u>511.5</u>	<u>511.0</u>	<u>520.0</u>

Source: City Human Resources Department records.

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

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public Safety										
Police *										
Traffic accidents	2,596	2,567	2,350	2,089	2,196	2,110	2,129	1,788	1,942	2,141
Cases	14,767	14,660	14,516	15,118	14,910	14,622	14,857	13,928	14,468	13,740
Citations	10,278	13,540	9,179	13,166	11,415	11,610	12,601	11,651	9,816	6,781
Calls for service	N/A	N/A	N/A	66,590	66,411	66,447	68,365	70,037	73,690	75,932
Total arrests	4,677	4,523	4,456	5,146	5,330	5,510	6,157	5,771	6,176	5,506
Fire										
Fire responses	4,133	3,848	3,541	5,831	5,614	5,536	5,631	5,759	6,223	5,208
Ambulance responses	5,379	5,726	5,158	6,442	6,685	6,656	6,744	7,030	7,503	7,234
Building Inspection										
Construction permits issued	9,550	8,913	9,238	9,396	10,168	8,988	8,448	9,124	8,961	8,143
Construction value of permits	\$ 65,445,292	\$ 62,936,151	\$ 52,971,240	\$ 75,434,613	\$ 102,794,224	\$ 106,704,462	\$ 110,122,334	\$ 181,082,614	\$ 119,894,709	\$ 74,920,243
Public Works										
Engineering										
Street reconstruction (miles)	2.46	2.86	2.59	3.09	2.56	1.94	3.39	1.94	1.57	2.55
Street resurfacing (miles)	35.91	19.76	25.48	26.22	29.72	29.83	31.30	17.60	13.57	18.63
Street Department										
Tons of salt used for streets	5,169.73	5,035.61	2,500.32	3,396.93	5,001.08	4,508.17	5,556.52	4,505.35	6,185.86	5,506.97
Man hours for road maintenance	97,300	97,300	84,820	71,530	71,530	73,390	75,580	72,800	66,560	71,448
Airport										
Commercial Enplanements	64,244	42,032	35,538	42,281	39,408	40,140	38,750	33,507	27,026	25,467
Aircraft take-offs and landings	51,815	34,212	35,321	42,301	41,919	42,690	41,717	39,288	35,728	33,209
Based aircraft	94	97	96	97	99	102	101	98	101	100
Health & Social Services										
Human Rights										
Civil Rights complaints	N/A	N/A	N/A	70	62	61	75	74	109	62
New cases opened	N/A	N/A	N/A	8	65	81	29	58	63	182
Cases closed	N/A	N/A	113	175	172	152	198	214	262	126
Active cases at year-end										
Culture & Recreation										
Leisure Services										
Young Arena facility usage										
Event Visitors	111,979	105,411	91,633	124,650	138,246	124,157	114,492	133,540	142,278	121,324
Recreational Visitors	146,150	147,151	144,980	135,690	136,066	137,207	136,520	139,824	138,285	138,541
Sports - youth programs	4,116	4,312	4,251	4,165	4,216	4,056	4,119	4,517	4,677	5,034
Sports - adult programs	1,025	989	1,003	1,222	1,172	1,216	1,158	1,277	1,261	1,461
Pool attendance	53,655	51,816	53,655	44,540	44,279	41,028	39,512	41,580	40,789	40,561
Golf rounds	147,046	124,405	125,547	116,401	113,968	105,939	102,131	95,851	86,268	93,932
Annual flowers grown for parks	23,776	26,752	25,264	25,288	24,536	25,368	23,520	21,768	21,765	22,880
Public Library										
Total Circulation	451,127	445,934	475,015	490,708	466,903	422,663	433,072	427,921	413,525	426,593
Total Library Visits	263,154	223,775	270,614	259,583	265,439	269,589	266,356	261,261	259,144	241,539
Waterloo Center for the Arts										
In House Visitors	100,237	104,100	105,000	102,741	96,668	97,926	98,897	99,097	104,499	125,351

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

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Community & Economic Development										
Planning and Zoning										
Planning commission agenda items	86	75	98	97	113	100	93	84	69	50
CURA applications received **	48	40	30	35	37	60	46	51	35	46
CURA improvements value	\$ 3,324,373	\$ 841,425	\$ 984,607	\$ 2,103,121	\$ 5,792,611	\$ 5,304,997	\$ 6,856,057	\$ 13,391,834	\$ 7,346,601	\$ 5,972,779
Community Development										
Down payment assistance	44	77	73	39	60	57	58	36	41	50
Home buyer education	201	46	232	202	256	203	188	168	193	183
Owner-occupied homes rehabilitated	22	50	35	26	19	24	35	28	46	36
Emergency repairs (including roofs)	40	26	38	29	45	52	58	36	34	38
Demolitions (residential & commercial)	24	18	43	7	9	10	7	8	19	20
Housing										
Actual vouchers	650	854	903	1,031	1,022	1,015	957	961	1,032	1,007
Actual certificates ***	195	27	-	-	-	-	-	-	-	-
Public housing units	50	50	50	50	50	50	50	50	49	50
Family self sufficiency participants	103	89	92	105	98	101	74	65	75	59
Sewer										
Sewer system customers	24,546	24,507	25,320	25,416	25,524	25,716	25,728	25,637	25,843	25,769

Source: Various city departments

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

** Consolidated Urban Revitalization Area.

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

N/A - not available

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

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Stations	7	7	7	7	7	7	7	7	7*	7
Trucks and special vehicles	28	30	30	30	30	30	30	30	30	32
Public Works										
Miles of streets - paved	360	360	360	360	360	352	352	354	354	356
Miles of streets - unpaved	65	65	65	65	65	74	74	74	74	73
Street lights	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,800	1,800	1,800
Traffic Signals	N/A	N/A	N/A	N/A	N/A	N/A	N/A	198	198	198
Airport runway lengths										
Runway 12/30	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400
Runway 18/36	6,002	6,002	6,002	6,002	6,002	6,002	6,002	6,002	6,002	6,002
Runway 6/24	5,403	5,403	5,403	5,403	5,403	5,403	5,403	5,403	5,403	5,403
Culture & Recreation										
City parks	48	48	48	48	48	48	48	48	48	48
Golf courses	3	3	3	3	3	3	3	3	3	3
Swimming pools	2	2	2	2	2	2	2	2	2	2
Softball diamonds	23	23	23	23	23	23	23	23	23	23
Baseball diamonds	9	9	9	9	8	8	8	8	8	8
Baseball stadium	1	1	1	1	1	1	1	1	1	1
Softball complex	1	1	1	1	1	1	1	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	0	1	1	1	1	1	1	1	1	1
Exposition plaza	0	0	0	0	0	0	0	0	0	1
Skatepark	0	0	1	1	1	1	1	1	1	1
Dog park	0	0	0	0	0	0	0	0	0	1
Center for the Arts collection size	1,023	1,325	1,339	1,352	1,417	1,489	1,615	2,494	2,794	3,153
Library collection size	191,840	180,021	180,698	199,482	201,158	205,149	210,020	190,092	192,678	200,246
Sewer										
Miles of sanitary sewer	353	353	353	353	353	353	353	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, 2009**

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
Department of Housing and Urban Development			
Direct:			
Community Development Block Grants/Entitlement Grants		14.218	\$ 1,432,244
HOME Investment Partnerships Program		14.239	701,009
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants		14.251	198,400
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants		14.251	9,088
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants		14.251	8,007
Community Development Block Grants - Brownfields Economic Development Initiative		14.246	1,585,901
Community Development Block Grants - Section 108 Loan Guarantees		14.248	746,483
Fair Housing Assistance Program - State and Local		14.401	57,671
Public and Indian Housing		14.850	606,048
Section 8 Housing Choice Vouchers		14.871	3,875,867
Public Housing Capital Fund		14.872	14,824
Public Housing Family Self-Sufficiency Under Resident Opportunity and Supportive Services		14.877	29,293
Lead-Based Paint Hazard Control in Privately-Owned Housing		14.900	396,435
Title 1, VA-HUD Independent Agencies Appropriations Act for Fiscal Year 2004, PL 108-199		14.XXX	2,250
Title 1, VA-HUD Independent Agencies Appropriations Act for Fiscal Year 2004, PL 108-199		14.XXX	15,891
Title 1, VA-HUD Independent Agencies Appropriations Act for Fiscal Year 2004, PL 108-199		14.XXX	350,021
Total Direct			10,029,432
Indirect:			
Pass Through Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	08-DRH-011	14.228	106,788
HOME Investment Partnerships Program	05-HM-105-69	14.239	30,000
HOME Investment Partnerships Program	06-HM-126-69	14.239	30,000
Total Indirect			166,788
Total Department of Housing and Urban Development			10,196,220
Department of Justice			
Direct:			
Bulletproof Vest Partnership Program		16.607	1,375
Public Safety Partnership and Community Policing Grants		16.710	65,345
Public Safety Partnership and Community Policing Grants		16.710	257,339
Edward Byrne Memorial Justice Assistance Grant Program		16.738	9,027
Edward Byrne Memorial Justice Assistance Grant Program		16.738	13,813
Total Direct			346,899

(Continued)

City of Waterloo, Iowa

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
Department of Justice (Continued)			
Indirect:			
Pass Through Iowa Governor's Alliance on Substance, Byrne Justice Assistance Grant	08-JAG/CO6-A29	16.738	295,248
Pass Through Iowa Department of Crime Victims Assistance Division, Federal Violence Against Women Act	VW-09-60B	16.588	31,555
Pass Through Office of Drug Control Policy:			
Community Prosecution & Project Safe Neighborhoods	06-PSNAG-ND11	16.609	14,923
Community Prosecution & Project Safe Neighborhoods	07-PSNAG-ND11	16.609	10,976
Pass Through Iowa Department of Human Rights, Division of Criminal and Juvenile Justice Planning Enforcing Juvenile Accountability Incentive Block Grants	06-JD01-F502	16.727	1,580
Total Indirect			354,282
Total Department of Justice			701,181
Department of Transportation			
Direct:			
Federal Aviation Administration:		20.106	7,211
Airport Improvement Program		20.106	159,057
		20.106	97,733
		20.106	398,936
		20.106	29,089
		20.106	170,050
		20.106	14,179
ARRA - Airport Improvement Program		20.106	470,551
		20.106	10,500
Total Direct			1,357,306
Indirect:			
Federal Highway Administration Pass Through Iowa Department of Transportation:			
Highway Planning and Construction	STP-E-8155(678)--8V-07	20.205	368,424
	STP-U-8155(616)--70-07	20.205	2,385
	NHSX-63-6(69)-3H-07	20.205	558,886
	HDP-8155(698)--71-07	20.205	29,229
	STP-U-8155(689)-70-07	20.205	12,750
	STP-U-8155(696)-70-07	20.205	162,727
	STP-U-8155(694)-81-07	20.205	320,204
ARRA - Highway Planning and Construction	ESL-8155(708)--7S0-07	20.205	204,890
Recreational Trails Program	NRT-NT08(001)-9G07	20.219	5,693
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-08-410 Task 67	20.601	5,230
	PAP-09-410 Task 76	20.601	13,979
	PAP-07-410 Task 75	20.601	265
Total Indirect			1,684,662
Total Department of Transportation			3,041,968

City of Waterloo, Iowa

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
National Foundation on the Arts and the Humanities			
Indirect:			
National Endowment for the Humanities Pass Through Iowa Arts Council Promotion of the Humanities Federal/State Partnership	OSP 1420, FY 07, 08, 09	45.129	16,386
Environmental Protection Agency			
Direct:			
Surveys, Studies, Investigations, Training Demonstrations and Educational Outreach		66.716	47,705
Brownfield Assessment and Cleanup Cooperative Agreements		66.818	44,540
		66.818	40,269
		66.818	29,829
Total Environmental Protection Agency			162,343
Department of Homeland Security			
Direct:			
Federal Emergency Management Agency Assistance to Firefighters Grant		97.044	483
		97.044	60,000
Disaster Housing Assistance Grant		97.109	7,611
Injury Prevention and Control Research and State and Community Based Programs		93.136	30,561
			98,655
Indirect:			
Iowa Homeland Security and Emergency Management Division:			
Pre-Disaster Mitigation	PDMC-2008-07-04-014	97.017	1,120
Hazard Mitigation Grant	HGMP 1763-DR-IA	97.039	16,802
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	13-82425-00	97.036	1,374,247
Law Enforcement Terrorism Prevention Program	FY2005-LETPP-LEIN2-02	97.074	37
Law Enforcement Terrorism Prevention Program	FY2006-LETPP-LEIN2-02	97.074	63,796
Law Enforcement Terrorism Prevention Program	FY2007-LETPP-LEIN2-02	97.067	196,587
			1,652,589
Total Department of Homeland Security			1,751,244
Total Expenditures and Federal Awards			\$ 15,869,342

See Notes to Schedule of Expenditures of Federal Awards.

City of Waterloo, Iowa

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2009

Note 1. Basis of Presentation

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

Note 2. Subrecipients

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
HOME Investment Partnerships Program	14.239	\$ 251,952
Edward Byrne Memorial Justice Assistance Grant	16.738	184,799
Community Development Block Grants/Entitlement Grants	14.218	103,058
Public Safety Partnership and Community Policing Grants	16.710	68,749

Note 3. Program 14.850

The City's blended component unit, Waterloo Housing Authority has long-term debt payable to the Federal Financing Bank (FFB). Each November 1, the City receives a debt subsidy of \$86,364 as a principal and interest payment on the loan. The City records the subsidy as revenue and an expenditure for debt service. On June 30, 2009, the principal balance on the loan was \$471,961. 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	\$ 47,723
Debt subsidy	86,364
Subtotal cash assistance	<u>134,087</u>
Loan balance	471,961
Total	<u><u>\$ 606,048</u></u>

Note 4. Discretely Presented Component Units

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

City of Waterloo, Iowa

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2009**

	Finding	Status	Corrective Action Plan or Other Explanation
Significant Deficiencies in Internal Control			
08-II-A	The City has an improper segregation of duties over the payroll cycle.	Not corrected	See corrective action plan at 09-II-A.
08-II-B	Industrial sewer billing internal controls are not effectively operating as they are not functioning as designed.	Not corrected	See corrective action plan at 09-II-B.
08-II-C	Our audit revealed two matters that materially affected the June 30, 2007 financial statements and resulted in restatements to the related June 30, 2007 fund balance/net assets.	Corrected	
Instances of Noncompliance			
08-III-A	The Single Audit package was not submitted to the Federal Clearinghouse within the required time period and an extension was not granted by the oversight agency.	Corrected	
Other Findings Related to Required Statutory Reporting			
08-IV-H	The Section 108 Loan Program fund, Grants fund and Capital Improvements fund had deficit fund balances as of June 30, 2008.	Not corrected	See corrective action plan at 09-IV-H.
08-IV-J	The City did not amend the airport ordinance to repeal the positive cash balance requirement. Through June 30, 2008, the accumulative cash deficit totaled \$874,572.	Not corrected	See corrective action plan at 09-IV-J.

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McGladrey & Pullen

Certified Public Accountants

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

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

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented components 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, 2009, and have issued our report thereon dated December 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Waterloo Water Works as of and for the year ended December 31, 2008 and the Waterloo Convention & Visitors Bureau, Inc. as of and for the year ended June 30, 2009, both discretely presented component units, as described in our report on the City of Waterloo, Iowa's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

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

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 09-II-A, 09-II-B and 09-II-C to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009, 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 17, 2009.

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

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

McGladrey & Pullen, LLP

Davenport, Iowa
December 17, 2009

McGladrey & Pullen

Certified Public Accountants

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

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

Scope

We did not audit the compliance with the requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133 of the discretely presented component units, Waterloo Water Works and Waterloo Convention & Visitors Bureau, Inc.

Compliance

We have audited the compliance of the City of Waterloo, Iowa with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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 Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

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

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

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

McGladrey & Pullen, LLP

Davenport, Iowa
December 17, 2009

City of Waterloo, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

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 that are not considered to be material weaknesses?
- Noncompliance material to financial statements noted?

☐ Yes ☒ No
☒ Yes ☐ None Reported
☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiencies identified that are not considered to be material weaknesses?

☐ Yes ☒ No
☐ Yes ☒ None Reported

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

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

☐ Yes ☒ No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
14.246	Community Development Block Grants - Brownsfield Economic Development Initiative
14.871	Section 8 Housing Choice Vouchers
20.106	Airport Improvement Program
20.106	ARRA Airport Improvement Program
20.205	Highway Planning and Construction
20.205	ARRA Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs: \$476,080

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

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.

09-II-A

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

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

Condition: The same employee has the ability to create a new employee, process and approve payroll, print checks and is the only one with access to download the direct deposit information from the payroll software to the bank. In addition this employee can make changes to the payroll master file including pay rates, employee addresses, deductions, etc. Further, there was not a payroll edit/change report that was reviewed by someone independent of an employee involved in the processing of payroll during the entire year. A payroll report is sent to Department Heads to review each pay period. However, this report only includes hours worked and not dollar amounts. However, effective April 2009, the City did implement a new procedure that an independent employee reviews a payroll edit/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. In addition, a payroll edit/change report should be printed and formally reviewed each pay period by someone independent of the payroll processing function.

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

09-II-B

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

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

Condition: For three of 12 invoices tested, the customer was being charged a different rate for the first 300 cubic feet than the City Council approved sewer rate ordinance. There was not a separate agreement in place for the rates being charged. One of 12 invoices tested calculated the billing on the incorrect usage amount.

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

Context: Pervasive to the industrial sewer revenues and receivables.

Effect: Misstatements could occur and not be detected timely.

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

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

Response: The City has implemented a review process for the calculations for industrial sewer billing.

09-III-C

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

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

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

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

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

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

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

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

B. Compliance findings.

None

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

III. Findings and Questioned Costs for Federal Awards.

C. Significant Deficiencies in Administering Federal Awards

None

D. Instances of Noncompliance

None

IV. Findings Related to Statutory Reporting

09-IV-A Certified Budget

Expenditure/expenses during the year ended June 30, 2009, did not exceed the budgeted amounts.

09-IV-B Questionable Disbursements

No questionable disbursements were noted.

09-IV-C Travel Expenses

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

09-IV-D Business Transactions

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

09-IV-E Bond Coverage

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

09-IV-F Council Minutes and Resolutions

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

09-IV-G Deposits and Investments

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

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

09-IV-H Deficit Balances

Finding: The following funds had deficit balances as of June 30, 2009:

Grants, Special Revenue	\$532,073
Vision Iowa Agency Projects, Capital Projects	211,928

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

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

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

09-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.

09-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, 2009, the accumulative cash deficit totaled \$868,637.

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

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

Auditor's Conclusion: Response accepted.

City of Waterloo, Iowa

**Corrective Action Plan
Year Ended June 30, 2009**

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Significant Deficiencies and Material Weaknesses in Internal Control				
09-II-A	The City has an improper segregation of duties over the payroll cycle.	See corrective action plan at 09-II-A.	June 2010	Michelle Weidner
09-II-B	Industrial sewer billing internal controls are not effectively operating as they are not functioning as designed.	See corrective action plan at 09-II-B.	June 2010	Michelle Weidner
09-II-C	The City has improper segregation of duties over cash collections at locations outside of the City Clerk's office.	See corrective action plan at 09-II-C.	June 2010	Michelle Weidner
Other Findings Related to Required Statutory Reporting				
09-IV-H	The Grants, Special Revenue Fund and the Vision Iowa Agency Projects, Capital Projects Fund had deficit fund balances as of June 30, 2009.	See corrective action plan at 09-IV-H.	June 2010	Michelle Weidner
09-IV-J	The City did not amend the airport ordinance to repeal the positive cash balance requirement. Through June 30, 2009, the accumulative cash deficit totaled \$868,637.	See corrective action plan at 09-IV-J.	June 2010	Michelle Weidner

McGladrey & Pullen

Certified Public Accountants

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

In connection with our audit of the financial statements of the City of Waterloo, Iowa as of and for the year ended June 30, 2009, we identified deficiencies in internal control over financial reporting (control deficiencies).

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

A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to authorize, initiate, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

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

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

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

Financial reporting: During the audit, we identified amounts of capital assets that were not recorded appropriately in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements. In addition, certain transactions were not adjusted timely within certain funds subsequent to the City's fiscal year-end. We recommend the City implement procedures to ensure all transactions are properly accounted for and recorded in the City's financial statements and recorded within a reasonable time subsequent to the City's fiscal year-end.

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

Highway Planning grant Davis Bacon testing: During our Davis Bacon testing for the Highway Planning grant, a major program, we noted the City does collect the required payroll certification reports from contractors prior to payment and is therefore in compliance. However, the OMB Circular A-133 also requires that these payroll certification reports are collected on a weekly basis and there was no documented evidence of the dates each of the reports was received to ensure they were collected timely. We recommend the City include the date received on the certified payroll reports to document their timely receipt.

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

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

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

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

McGladrey & Pullen, LLP

Davenport, Iowa
December 17, 2009