

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
OF THE  
CITY OF WAVERLY, IOWA  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2011**

Prepared by the  
Finance Department  
Jack Bachhuber, Finance Director



**CITY OF WAVERLY, IOWA  
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 FOR THE YEAR ENDED JUNE 30, 2011  
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December 16, 2011

Honorable Mayor and City Council  
City of Waverly  
Waverly, Iowa

We are pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the City of Waverly. This report is for the fiscal year ended June 30, 2011. The report is submitted each year as required by State Law, Chapter 11.6. The report is prepared according to U.S. generally accepted accounting principles (GAAP) for government as established by the Governmental Accounting Standards Board (GASB). It is audited by Williams & Company, P.C.

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

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

#### **PROFILE OF THE CITY OF WAVERLY**

The City of Waverly was incorporated in 1859 under the provisions of the Iowa State Legislature. It is located in Bremer County along the Cedar River in northeast Iowa, about 15 miles north of the Waterloo-Cedar Falls metropolitan area. Highways serving the area include State Highway 3 and U.S. Highway 218 that is connected to Interstate Highway 380, Avenue of the Saints. The U.S. Census Bureau reported 9,874 residents in 2010 which is a growth of 10% over the last ten years.

Policy-making and legislative authority in the City of Waverly are vested in a governing council. The City of Waverly operates under a Mayor-council form of government. One council member is elected from each of the

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Web Site: [www.waverlyia.com](http://www.waverlyia.com)

City's five wards, and two are elected at-large. For continuity purposes the mayor and council members serve four-year staggered terms with elections held every two years. The City Council makes policy decisions for the City through the enactment of ordinances, resolutions, and motions. The Council is also responsible for adopting the budget, appointing committees, and hiring the city administrator. The City administrator is responsible for implementing policy decisions of the City Council, overseeing the day-to-day management of the City, and hiring department directors. All departments and department directors report to the City Administrator, with the exception of the Library Director who is supervised by an appointed Board of Trustees.

## **FINANCIAL INFORMATION**

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

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

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

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

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

## **FACTORS AFFECTING FINANCIAL CONDITION**

**Local Economy.** The City of Waverly is the largest city in Bremer County, and also the County Seat. Waverly offers a convenient small town atmosphere while being only a 25 minute drive to a large metropolitan area. The last census showed Waverly's growth at 10.1% compared to the state's increase of 4.1%. The increase in the number of building permits is a good sign for Waverly. The value is less due to three large projects last year. The FY 2011 was still a strong building year with numerous projects including a remodel and expansion at three manufacturing plants, a new dialysis center, a new restaurant, and a retirement home expansion. The creation of new jobs is a solid sign of a thriving city. This year Terex Cranes committed to add 45 new positions with the

expansion of their global financial division in Waverly. All these developments will allow the City to continue receiving increased intergovernmental revenues.

The City benefits from a prosperous downtown retail area plus other shopping areas, both on the south and north side of the City. The retail economy is very important to Waverly and has gone through a period of expansion. This year the downtown benefited from the addition of several new shops and dining boutiques.

Waverly is the home of Wartburg College, a private four-year college. Wartburg continues to expand the college with major additions throughout the campus. The Wartburg Waverly Wellness Facility continues to have a strong impact on the Waverly economy.

The City of Waverly is a growing manufacturing, retailing, educational, and health services center in northeast Iowa. Major employers range from CUNA Mutual Life Insurance with 540 employees, Waverly Health Center with 434 employees, Wartburg College with 400 employees, Nestle Beverage food products with 300 employees, Waverly Shell-Rock Schools with 250 employees, and Bartels Lutheran Home with 250 employees. These figures include both full-time and part-time employees.

Taxable sales in Waverly showed a 1.5 percent increase compared to the 2009-2010 fiscal year, and the number of sales tax returns decreased by 2.3 percent over the same time period. The slight increase is a positive business sign for this area. Projections for next year include the construction of several new businesses along the southern & eastern business highways, along with continued emphasis on promoting business development in the downtown area. In July 2003 the City of Waverly started collecting local option sales tax which will allow the city to fund specific projects related to safety and infrastructure, without raising property taxes. This revenue will continue to pay for safety project debt, along with drainage and street improvements. The revenue stream has been consistent over the years with total receipts of \$786,000 in FY 2011. This was a 1 percent decrease from the prior year which could have been a timing difference between collection and distribution. Future projects for these funds include additional bond payments and various street improvements.

The City's economic outlook continues to be positive, with industry and commercial business showing continued growth in product lines and employment. Bremer County's June 2011 unemployment rate of 4.7% compares favorably to the State's rate of 6.0% for the same period. The tax base for the City is showing favorable increases. At an average increase of 4.5% a year since 2002, growth in the City's taxable valuation has been excellent compared to other cities of similar size. Assessed valuations for the same period increased at a rate of 6.2%, but the state's residential rollback continues to affect the taxing ability of cities. Although the state rollback affected taxable valuation again this year, it improved from the prior year. The FY 2011 residential rollback was 46.9094 percent compared to 45.5893 percent in FY 2010. Detail figures are provided in the statistical section.

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

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

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

The certificate of deposit annual interest rate averaged .052% compared to .085% last year. The return of Iowa Public Agency Investment Trust averaged .05% compared to .13% last year. These are two major investment areas, and the decreased rate of return affected interest revenue by \$22,767, compared to last year. A solid fund balance in major funds helped cover most of the reduction in revenue. At June 30, 2011 the city's investment position for all funds totaled \$6,653,124 compared to \$4,783,180 in 2010. Most of the cash balance increase was due to the bond revenue for the completion of the 4<sup>th</sup> Street Reconstruction Project.

**Awards and Acknowledgments.** The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Waverly for its comprehensive annual financial

report (CAFR) for the year ended June 30, 2010. In order to receive this award, the city must publish an easily readable and efficiently organized CAFR. The report must also satisfy both generally accepted accounting principles and applicable legal requirements. The award is valid for one year only. The City is submitting the 2011 annual financial report to GFOA for review to determine its eligibility for an award.

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

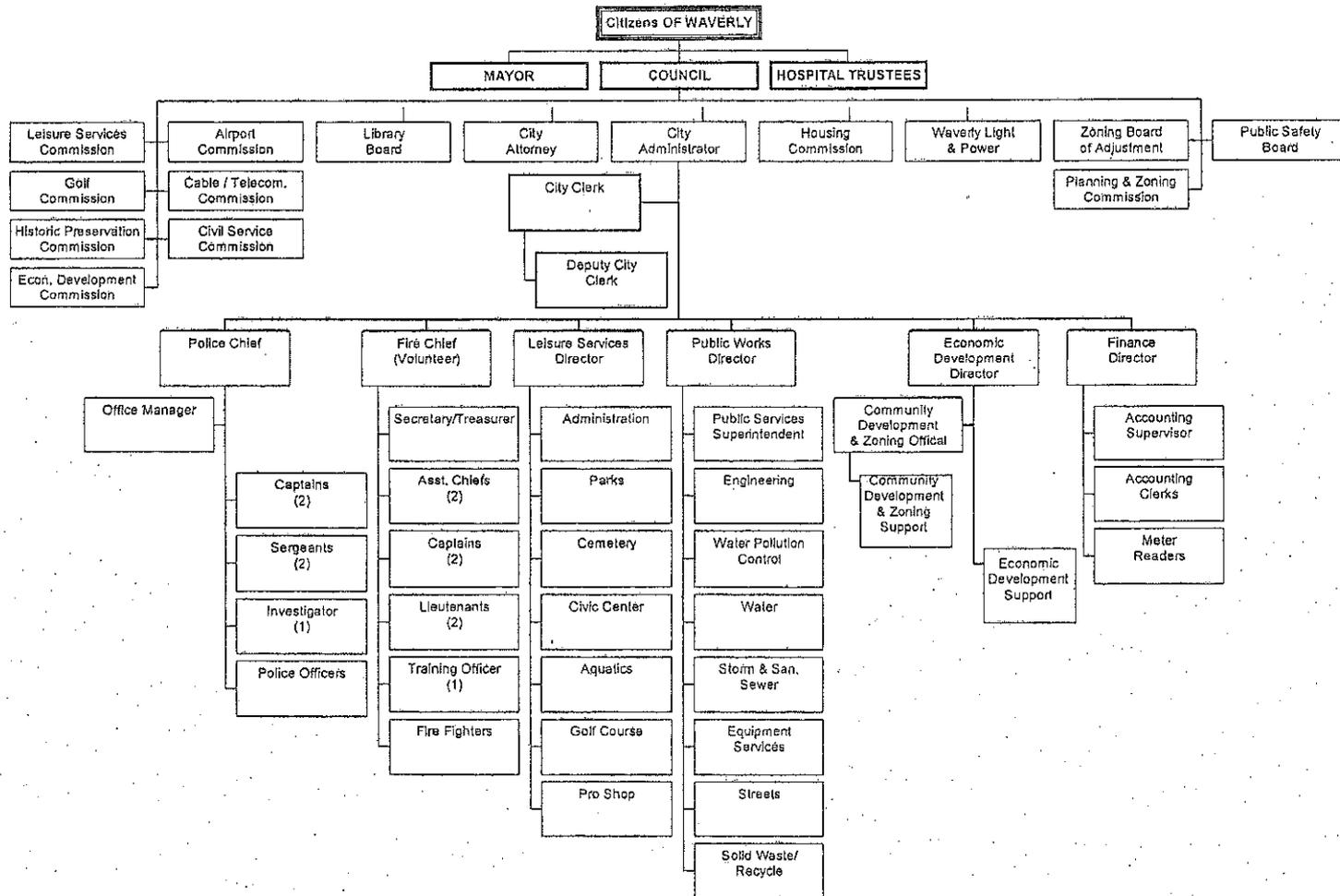
Respectfully submitted,

Richard J. Crayne  
City Administrator

Jack A. Bachhuber  
Director of Finance

# Organizational Flow Chart

## The City Of Waverly, Iowa



CITY OF WAVERLY, IOWA

List of Principal Officials  
June 30, 2011

**ELECTED OFFICIALS**

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

**APPOINTED OFFICIALS**

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

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Waverly  
Iowa

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

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



*Linda C. Davison*

President

*Jeffrey R. Emer*

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Waverly, Iowa for its comprehensive annual financial report for the fiscal year ended June 30, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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



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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waverly, Iowa, (the City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of Waverly Health Center and Waverly Light and Power (discretely presented component units), which statements reflect total assets of \$39,949,355 and \$49,971,936 as of June 30, 2011 and December 31, 2010, respectively, and total operating revenues of \$44,442,864 and \$17,257,351 for the years then ended. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Waverly Health Center and Waverly Light and Power, is based solely on the reports of the other auditors.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2011, on our consideration of the City of Waverly's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts,



and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress for the retiree health plan on pages 11 through 22 and 65 through 69, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Williams & Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
December 16, 2011



## Management's Discussion and Analysis

The discussion and analysis of the City of Waverly's financial statements for the year ended June 30, 2011 provides a narrative overview of its financial activities. Readers are encouraged to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal, which starts on page 1, of this report.

### Financial Highlights

- The assets of the City of Waverly exceeded liabilities at June 30, 2011, by \$56,878,078. Of this amount, \$3,854,801 is unrestricted and may be used to meet the government's ongoing obligations to the citizens and creditors.
- The City's net assets increased by \$7,855,469 during the year. Of this amount the assets of our Governmental Activities increased by \$7,967,662 and the assets of our Business Activities decreased \$112,193. The 22% increase of Governmental Activities is attributed to the purchase of additional homes from the flood of 2008. The decrease in Business Activities assets is immaterial.
- The City's long-term debt increased approximately \$338,000. The City issued \$2,455,000 of general obligation urban renewal bonds which were used to pay costs of planning and carrying out an urban renewal project, including the 4<sup>th</sup> Street SW Corridor Project. Despite this issue the City continues to pay off debt at a rate that keeps the debt limit well below the capacity of \$30M. Outstanding general obligation debt totals \$11,865,000, other notes payable total \$184,900, and revenue bonds total \$630,000.
- The unassigned fund balance for the general fund, at the end of the current fiscal year was \$1,492,201. This represents 22.5 percent of total general fund expenditures, which is slightly below the city goal of maintaining a 25 percent fund balance.

### Overview of the Financial Statements

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

### Reporting the City as a Whole

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

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

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

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

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

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

### **Reporting the City's Most Significant Funds**

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

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

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

The City of Waverly maintains 36 individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered a major fund, and all other major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* and individual fund statements in the City's full report.

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

**Proprietary funds.** The City of Waverly maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer, and Solid Waste Utility. Internal service funds are an accounting device used to accumulate and allocate

costs internally among the City's various functions. The City uses an internal service fund to account for the partially self-funded insurance program.

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

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

### **Reporting the City's Fiduciary Responsibilities**

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 40-64 of this report.

### **Government-wide Financial Analysis**

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

The following comparative chart shows the changes in net assets for the years ended June 30, 2011 and 2010.

	General Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 15,629,065	\$ 12,588,408	\$ 1,783,792	\$ 1,681,749	\$ 16,412,857	\$ 14,270,157
Capital Assets	48,360,090	41,221,293	12,910,253	13,684,340	61,270,343	54,905,633
Total Assets	63,989,155	53,809,701	14,694,045	15,366,089	78,683,200	69,175,790
Long-Term Liabilities Outstanding	9,453,968	8,696,535	962,412	1,514,392	10,416,380	10,210,927
Other Liabilities	10,677,846	9,223,487	710,896	718,767	11,388,742	9,942,254
Total Liabilities	20,131,814	17,920,022	1,673,308	2,233,159	21,805,122	20,153,181
Net Assets:						
Invested in Capital Assets, Net of Related Debt	38,301,899	31,003,445	11,417,580	11,665,128	49,719,479	42,668,573
Restricted	2,828,214	2,240,151	475,584	474,334	3,303,798	2,714,485
Unrestricted	2,727,228	2,646,083	1,127,573	993,468	3,854,801	3,639,551
Total Net Assets	\$ 43,857,341	\$ 35,889,679	\$ 13,020,737	\$ 13,132,930	\$ 56,878,078	\$ 49,022,609

This summary reflects an increase of 22.2% in the governmental net assets and a decrease of .85% in the business-type net assets.

By far the largest portion of the City's net assets (87.4%) reflects its investment in capital assets (e.g. land, building, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets \$3,303,798 (5.8%) represents resources that are subject to external restriction on how they may be used. Restricted net assets include the amounts restricted for debt service of \$522,213, cemetery perpetual care of \$476,204, Tax Increment Financing allowable purposes of \$882,018, Local Option Sales Tax allowable purposes of \$628,227, Road Purposes of \$551,969 and other specific revenue restrictions of \$243,167. The remaining balance of unrestricted net assets of \$3,854,801 may be used to meet the government's ongoing obligations to citizens and creditors.

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

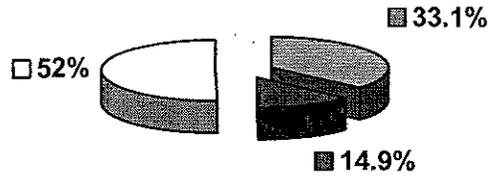
Total revenue reported in Fiscal year 2011 was \$21,099,800. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities for Fiscal Year 2011 and 2010.

Revenue Source	General Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Program Revenues:</b>						
Charges for Services	\$ 1,019,150	\$ 978,789	\$ 3,535,094	\$ 3,599,272	\$ 4,554,244	\$ 4,578,061
Operating Grants and Contributions	2,044,044	1,610,920	-	-	2,044,044	1,610,920
Capital Grants and Contributions	7,153,867	6,869,966	-	109,178	7,153,867	6,979,144
<b>Total Program Revenues</b>	<b>10,217,061</b>	<b>9,459,675</b>	<b>3,535,094</b>	<b>3,708,450</b>	<b>13,752,155</b>	<b>13,168,125</b>
<b>General Revenues:</b>						
Property Taxes	6,010,599	5,854,330	-	-	6,010,599	5,854,330
Local Option Sales Tax	790,374	828,529	-	-	790,374	828,529
Hotel / Motel Taxes	154,851	133,201	-	-	154,851	133,201
Interest	55,902	53,120	5,881	9,484	61,783	62,604
General Intergovernmental Revenues	193,778	202,440	-	-	193,778	202,440
Gain on Sale of Assets	-	563,272	-	-	-	563,272
Miscellaneous	66,833	119,104	69,427	68,398	136,260	187,502
<b>Total General Revenues</b>	<b>7,272,337</b>	<b>7,753,996</b>	<b>75,308</b>	<b>77,882</b>	<b>7,347,645</b>	<b>7,831,878</b>
<b>Total Revenues</b>	<b>\$ 17,489,398</b>	<b>\$ 17,213,671</b>	<b>\$ 3,610,402</b>	<b>\$ 3,786,332</b>	<b>\$ 21,099,800</b>	<b>\$ 21,000,003</b>

Program revenues totaled \$13,752,155 for fiscal year 2011. Governmental Activities provided \$10,217,061 and Business-Type Activities provided \$3,535,094. Revenue collected for Charges for Services during fiscal year 2011 was \$4,554,244 accounting for 33.1% of the total program revenues.

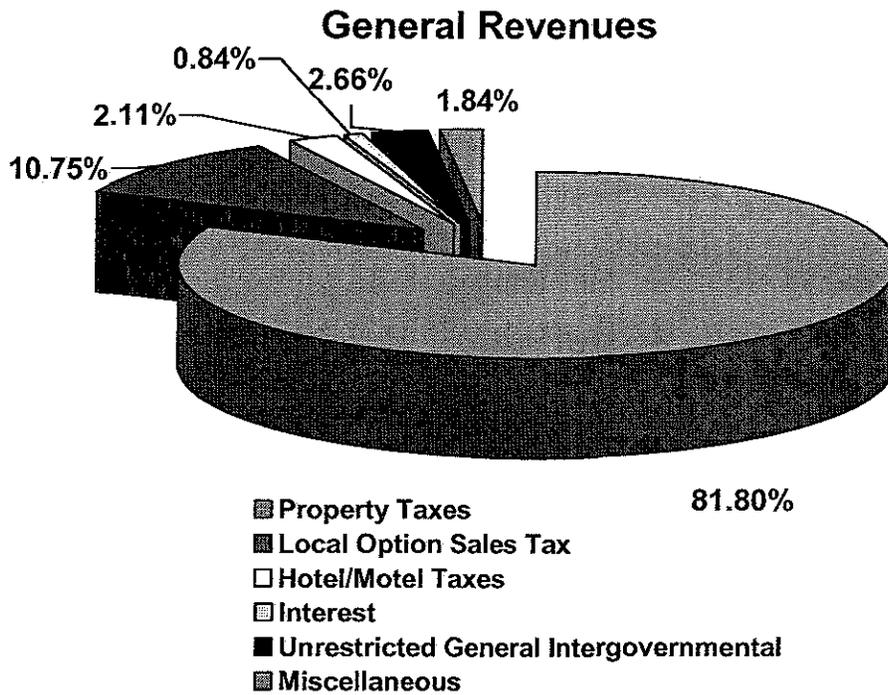
Capital grants this year were again higher due to federal disaster grants received for flood buyout homes and projects. Operating grants also increased in fiscal year 2011 as a result of public safety grants. Property tax revenue was up in fiscal year 2011 due primarily to increased TIF and Employee Benefit tax receipts. Interest income was down slightly as the interest rates continue to decrease from last year. The following chart breaks down program revenues by source:

### Program Revenues



- Charges for Service
- Operating Grants and Contributions
- Capital Grants and Contributions

General Revenues for fiscal year 2011 totaled \$7,347,645. Governmental Activities provided \$7,272,337 and Business-Type Activities provided \$75,308. Property Tax Revenues for fiscal year 2011 totaled \$6,010,599, accounting for 81.8% of General Revenues. The following chart breaks down General Revenues by source:



- Property Taxes 81.80%
- Local Option Sales Tax
- Hotel/Motel Taxes
- Interest
- Unrestricted General Intergovernmental
- Miscellaneous

Expenses for fiscal year 2011 totaled \$13,244,331. Expenses for General Governmental Activities totaled \$9,820,386 accounting for 74% of the total expenses. Business-Type Activity expenses totaled \$3,423,945, for 26% of the total. There was very little change from FY 2010. The breakdown of expenses by activity and program are as follows:

Program Level	General Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Public Safety	\$ 2,174,059	\$ 1,890,848	\$ -	\$ -	\$ 2,174,059	\$ 1,890,848
Public Works	2,910,741	3,091,315	-	-	2,910,741	3,091,315
Health & Social Services	185,670	160,307	-	-	185,670	160,307
Culture and Recreation	2,322,625	2,218,807	-	-	2,322,625	2,218,807
Community and Economic Development	1,024,662	1,081,165	-	-	1,024,662	1,081,165
General Government	842,098	806,618	-	-	842,098	806,618
Debt Service	360,531	410,454	-	-	360,531	410,454
Water System	-	-	987,418	1,046,779	987,418	1,046,779
Sewer System	-	-	1,426,007	1,449,551	1,426,007	1,449,551
Solid Waste	-	-	1,010,520	945,847	1,010,520	945,847
Total Expenses	9,820,386	9,659,514	3,423,945	3,442,177	13,244,331	13,101,691
Increase in Net Assets Before Transfers	7,669,012	7,554,157	186,457	344,155	7,855,469	7,898,312
Interfund Transfers	298,650	40,198	(298,650)	(40,198)	-	-
Increase in Net Assets	\$ 7,967,662	\$ 7,594,355	\$ (112,193)	\$ 303,957	\$ 7,855,469	\$ 7,898,312

Public Safety is up from last year due to a Secure Our School federal grant expense. Public Works expenses were down slightly in fiscal 2011 but still above normal due to costs incurred with flood related projects. Other programs are in line with last year.

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

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

### Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. Please note that the expenses are listed in the first

column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$2,174,059 and received \$313,523 in revenue, leaving a cost to the taxpayer of \$1,860,536 to be funded by various methods including property taxes. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

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

The total cost of governmental activities this year was \$9,820,386. Of these costs, \$1,019,150 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contributions were \$9,197,911, leaving a Net Revenue of \$396,675 for Governmental Activities. These revenues were the result of the timing of grants for flood projects. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

Functions/Programs	Net (Expense) Revenue	
	2011	2010
<b>Governmental Activities:</b>		
Public Safety	\$ (1,860,536)	\$ (1,627,383)
Public Works	5,702,972	4,898,019
Health & Social Services	(158,157)	(159,419)
Culture and Recreation	(1,409,213)	(1,336,271)
Community and Economic Development	(918,007)	(983,136)
General Government	(599,853)	(581,195)
Debt Service	(360,675)	(410,454)
Total Net (Expense) Revenue Governmental Activities	396,675	(199,839)
General Revenues	7,272,337	7,753,996
Change in Net Assets before Transfers	7,669,012	7,554,157
Transfers	298,650	40,198
Change in Net Assets	\$ 7,967,662	\$ 7,594,355

Total resources available during this year to finance governmental operations were \$53,677,727, consisting of Net Assets at July 1, 2010 of \$35,889,679, Program Revenues of \$10,217,061, and General Revenues of \$7,570,987. Total Governmental Activities during the year expended \$9,820,386; thus, Net Assets were increased by \$7,967,662, to \$43,857,341.

## Business-Type Activities

Business-Type Activities decreased the City's net assets by \$112,193, which is immaterial in the change of total net assets.

The cost of all Proprietary Activities this year was \$3,423,945. As shown in the Statement of Activities, the amount paid by users of the systems was \$3,535,094, resulting in total Net Revenue for Business-Type Activities of \$111,149. The Net (Expense) Revenue by Business-type Activity is shown in the following table:

Business-Type Activities	Net (Expense) Revenue	
	2011	2010
Water System	\$98,621	\$154,956
Sewer System	(13,835)	2,222
Solid Waste System	26,363	109,095
Total Net (Expense) Revenue		
Business-Type Activities	111,149	266,273
General Revenues & Interfund Transfers	(223,342)	37,684
Change in Net Assets	<b>(\$112,193)</b>	<b>\$303,957</b>

Total resources available during the year to finance Proprietary Fund activities were \$16,444,682, consisting of Net Assets at July 1, 2010 of \$13,132,930; program Revenues of \$3,535,094, General Revenues of (\$223,342), Total Proprietary Fund Activities during the year expended \$3,423,945; thus Net Assets were decreased by \$112,193, to \$13,020,737.

## Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$6,306,935. The combined Governmental Funds balance increased \$1,806,273, as a result of the liabilities associated with various capital projects, including the 4<sup>th</sup> St SW Corridor Project.

The General Fund is the primary operating fund of the City. During the year, revenue and other financing sources exceeded expenditures in the General Fund by \$22,727. The total fund balance of \$1,563,690 is 24% of expenditures, which is slightly below the goal of 25%. The General Fund net assets increased \$22,727, which was an immaterial change. The Tax Increment Financing, Employee Benefit, and Debt Service saw very minimal changes during the year maintaining a fund balance consistent with recent years. The 4<sup>th</sup> St SW Corridor Capital Project is used to account for the construction and financing of the applicable project. The total fund balance for this fund increased significantly from (\$161,931) in fiscal 2010 to \$1,265,874 in fiscal 2011. The increase

result of proceeds from the issuance of General Obligation Urban Renewal Bonds which were not all spent on the project as of June 30, 2011.

### **Budgetary Highlights**

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

Expenditures	Amended Budget	Actual	Variance
Public Safety	\$ 1,914,391	\$ 1,978,184	\$ (63,793)
Public Works	1,992,080	1,694,909	297,171
Health & Social Services	162,450	160,670	1,780
Culture and Recreation	2,054,839	2,313,308	(258,469)
Community and Economic Development	1,152,522	1,131,682	20,840
General Government	815,243	744,213	71,030
Debt Service	2,232,779	2,002,605	230,174
Capital Projects	11,574,888	7,487,945	4,086,943
Business Type/Enterprise	3,230,398	3,217,471	12,927
<b>Total Expenditures</b>	<b>\$ 25,129,590</b>	<b>\$ 20,730,987</b>	<b>\$4,398,603</b>

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

- The total original revenue budget of \$22,392,468 was amended to \$21,424,156 (a decrease of \$968,312). This decrease was based on the timing of FEMA funds for flood recovery and a re-estimated reduction in proprietary revenue.
- The City received over \$5.9M from Federal and State emergency funds to help the City recover from the 2008 flood, for an EDA dam project, and for street projects.
- The total original expenditure budget of \$24,329,431 was amended to \$25,129,590 (an increase of \$800,159).
- The above amendments to budgets were mainly related to the timing of capital projects and purchases, the sale and refunding of non-budgeted bonds and the flood related projects. Total actual expenditures came in below budget projections by \$4,398,603. This change was again related to the extended completion dates of the many flood related and street construction projects. The City did very well this year controlling expenses based on original budget projections. The two programs, (Public Safety and Culture and Recreation) exceeded amended budget amounts which were attributed to additional grant expense; pass thru dollars, and park and open space plan.

### **Capital Assets**

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, sewer systems, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2011 was \$49,719,479 (net of accumulated depreciation and outstanding financings). This is an increase of \$7,050,906 from fiscal 2010. This sizeable increase was due to the purchase of flood related properties. The gross additions to capital assets for Fiscal 2011 and 2010 are as follows:

	General Governmental Activities		Business Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,826,089	\$ 5,249,644	\$ -	\$ -	\$ 1,826,089	\$ 5,249,644
Construction in Progress	7,001,539	1,450,633	-	57,888	7,001,539	1,508,521
Buildings and Improvements	1,383,277	27,061	-	-	1,383,277	27,061
Equipment	319,305	600,097	72,257	134,214	391,562	734,311
Infrastructure	1,998,728	549,953	-	920,486	1,998,728	1,470,439
	<u>\$ 12,528,938</u>	<u>\$ 7,877,388</u>	<u>\$ 72,257</u>	<u>\$ 1,112,588</u>	<u>\$ 12,601,195</u>	<u>\$ 8,989,976</u>

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

### **Debt Administration**

On June 30, 2011 the City had \$12,679,900 of debt outstanding. This increase of \$337,741 from the prior year is after the sale of \$2,455,000 urban renewal bonds. This small increase shows Waverly's commitment to pay down and control overall debt.

Debt administration is an important aspect of the City's financial obligation to its citizens. Any new debt is amortized over no more than twelve years. At the end of the fiscal year the City's schedule showed that 69% of the existing general obligation debt would be paid off in five years. This rapid repayment, when combined with the use of TIF and Local Option Sales Tax Revenue, has allowed the City to maintain an Aa2 rating from Moody's.

The City continues to operate well under the State of Iowa debt capacity limitations. The state limits the total outstanding General Obligation Debt to 5% of the assessed value of all taxable property in the corporate limits. This formula set the debt capacity to \$30,049,145 at the end of the 2011 fiscal year. With outstanding General Obligation Debt applicable to this limit of \$11,977,470 the City is at 40% of the maximum debt capacity. More detailed information on debt administration is provided in Note 7 of the financial statements.

### **Economic Factors**

The City of Waverly continues to report above average residential and commercial building projects. In FY 2011 the City had 22 new single family house permits which are five short of last year, but still shows the city is growing. New commercial building permits have averaged between six and eight a year over the past five years. Property tax is a major source of revenue and Waverly is fortunate it has seen minor, but consistent increases in assessed and taxable valuation.

This steady growth has allowed the City to maintain its high level of service. The City has approved a balanced budget in General Fund for two years, but has actually increased the balance the previous two years. The total General Fund Balance continues to remain solid at 22.5% of expenditures, which is slightly below the percentage set by city council of 25%.

**Requests for Information**

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

**CITY OF WAVERLY, IOWA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	Primary Government			Component Unit	
	Governmental Activities	Business-Type Activities	Total	Waverly Health Center	Waverly Light and Power
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 3,748,566	\$ 455,742	\$ 4,204,308	\$ 5,923,990	\$ 8,596,488
Investments	965,944	613,385	1,579,329	-	1,460,672
Receivables (Net, where applicable, of allowance for uncollectibles)					
Accounts	67,258	269,522	336,780	6,341,491	2,866,742
Taxes	28,166	-	28,166	-	-
Subsequent Year Taxes	6,275,353	-	6,275,353	-	-
Accrued Interest	314	211	525	9,103	-
Other	-	-	-	306,499	-
Estimated Unbilled Usage	-	111,511	111,511	-	-
Special Assessments	31,315	86,805	118,120	-	-
Internal Balances	436,343	(436,343)	-	-	-
Due from Other Governmental Agencies	3,649,326	-	3,649,326	-	-
Inventories	55,058	101,414	156,472	1,573,041	983,202
Prepaid Assets	144,300	75,321	219,621	209,483	86,087
Other	-	-	-	348,472	2,159,037
Restricted Assets:					
Cash and Cash Equivalents	-	329,750	329,750	233,703	-
Investments	-	147,854	147,854	1,716,656	1,049,369
Bond Issue Costs	192,735	28,620	221,355	261,112	35,849
Investment in Joint Venture	34,387	-	34,387	-	-
Land	9,700,116	19,191	9,719,307	2,206,302	487,396
Construction in Progress	6,212,481	-	6,212,481	1,248,665	1,655,995
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	32,447,493	12,891,062	45,338,555	19,570,838	30,591,099
<b>Total Assets</b>	<b>63,989,155</b>	<b>14,694,045</b>	<b>78,683,200</b>	<b>39,949,355</b>	<b>49,971,936</b>
<b>LIABILITIES</b>					
Accounts Payable	2,180,538	48,573	2,229,111	1,776,809	746,471
Accrued Wages	94,932	15,924	110,856	1,443,391	1,416,839
Other Accrued Expenses	-	-	-	547,961	169,417
Customer Deposits	60,000	27,662	87,662	-	-
Accrued Claims	27,782	-	27,782	-	-
Deferred Revenue - Subsequent Year Taxes	6,275,353	-	6,275,353	-	-
Unearned Revenue	8,237	22,477	30,714	-	-
Accrued Interest Payable	25,801	2,132	27,933	46,342	-
Payables from Restricted Assets:					
Accrued Revenue Bond Interest	-	2,020	2,020	-	11,252
Revenue Bonds - Current	-	325,000	325,000	1,160,000	968,421
Noncurrent Liabilities:					
Due within one year:					
General Obligation Bonds	1,775,000	230,000	2,005,000	-	-
Notes Payable	59,076	-	59,076	652,262	145,000
Compensated Absences and Benefits	171,127	37,108	208,235	-	-
Due in more than one year:					
Revenue Bonds Payable	-	290,578	290,578	9,895,000	4,273,888
General Obligation Bonds	9,191,575	647,095	9,838,670	-	-
Notes Payable	125,824	-	125,824	368,105	1,345,000
OPEB Liability	26,391	-	26,391	-	-
Compensated Absences and Benefits	110,178	24,739	134,917	-	-
<b>Total Liabilities</b>	<b>20,131,814</b>	<b>1,673,308</b>	<b>21,805,122</b>	<b>15,889,870</b>	<b>9,076,288</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	38,301,899	11,417,580	49,719,479	10,950,438	27,492,181
Restricted for:					
Debt Service	46,629	475,584	522,213	1,950,359	789,607
Tax Increment Financing	882,018	-	882,018	-	-
Employee Benefits	42,386	-	42,386	-	-
Road Purposes	551,969	-	551,969	-	-
Local Option Sales Tax	628,227	-	628,227	-	-
Capital Improvements	172,590	-	172,590	-	-
Cable TV	28,191	-	28,191	-	-
Endowments:					
Nonexpendable	476,204	-	476,204	-	-
Unrestricted	2,727,228	1,127,573	3,854,801	11,158,688	12,613,860
<b>Total Net Assets</b>	<b>\$ 43,857,341</b>	<b>\$ 13,020,737</b>	<b>\$ 56,878,078</b>	<b>\$ 24,059,485</b>	<b>\$ 40,895,648</b>

See Accompanying Notes to Financial Statements

**CITY OF WAVERLY, IOWA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Public Safety	\$ 2,174,059	\$ 69,828	\$ 243,695	\$ -
Public Works	2,910,741	60,305	1,474,541	7,078,867
Health and Social Services	185,670	-	27,513	-
Culture and Recreation	2,322,625	626,784	211,628	75,000
Community and Economic Development	1,024,662	19,988	86,667	-
General Government	842,098	242,245	-	-
Debt Service	360,531	-	-	-
Total governmental activities	<u>9,820,386</u>	<u>1,019,150</u>	<u>2,044,044</u>	<u>7,153,867</u>
<b>Business-Type Activities:</b>				
Water System	987,418	1,086,039	-	-
Sewer System	1,426,007	1,412,172	-	-
Solid Waste System	1,010,520	1,036,883	-	-
Total Business-Type Activities:	<u>3,423,945</u>	<u>3,535,094</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 13,244,331</u>	<u>\$ 4,554,244</u>	<u>\$ 2,044,044</u>	<u>\$ 7,153,867</u>
<b>Component Unit:</b>				
Waverly Health Center	<u>\$ 44,446,655</u>	<u>\$ 44,442,864</u>	<u>\$ 644,350</u>	<u>\$ -</u>
Waverly Light and Power	<u>\$ 15,152,838</u>	<u>\$ 17,257,351</u>	<u>\$ 3,407</u>	<u>\$ -</u>

General Revenues:  
Property Taxes  
Local Option Sales Tax  
Hotel/Motel Taxes  
Interest  
Unrestricted General Intergovernmental Revenues  
Miscellaneous  
Interfund Transfers  
Total general revenues and transfers  
Change in net assets  
Net assets - beginning  
Net assets - ending

Net (Expense) Revenue and Changes in Net Assets				
Governmental Activities	Business-Type Activities	Total	Component Unit	
			Waverly Health Center	Waverly Light and Power
\$ (1,860,536)		\$ (1,860,536)		
5,702,972		5,702,972		
(158,157)		(158,157)		
(1,409,213)		(1,409,213)		
(918,007)		(918,007)		
(599,853)		(599,853)		
(360,531)		(360,531)		
<u>396,675</u>		<u>396,675</u>		
	\$ 98,621	98,621		
	(13,835)	(13,835)		
	<u>26,363</u>	<u>26,363</u>		
	<u>111,149</u>	<u>111,149</u>		
<u>396,675</u>	<u>111,149</u>	<u>507,824</u>		
			\$ 640,559	\$ 2,107,920
6,010,599	-	6,010,599	-	-
790,374	-	790,374	-	-
154,851	-	154,851	-	-
55,902	5,881	61,783	134,833	104,414
193,778	-	193,778	-	-
66,833	69,427	136,260	-	33,107
298,650	(298,650)	-	-	-
<u>7,570,987</u>	<u>(223,342)</u>	<u>7,347,645</u>	<u>134,833</u>	<u>137,521</u>
7,967,662	(112,193)	7,855,469	775,392	2,245,441
35,889,679	13,132,930	49,022,609	23,284,093	38,650,207
<u>\$ 43,857,341</u>	<u>\$ 13,020,737</u>	<u>\$ 56,878,078</u>	<u>\$ 24,059,485</u>	<u>\$ 40,895,648</u>

See Accompanying Notes to Financial Statements

**CITY OF WAVERLY, IOWA**  
**BALANCE SHEET**  
**Governmental Funds**  
**JUNE 30, 2011**

	General	Special Revenue	
		Tax Increment Financing	Employee Benefit
<b>Assets</b>			
Cash and Cash Equivalents	\$ 15,350	\$ -	\$ 41,491
Investments	765,944	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	54,192	-	-
Taxes	6,779	14,534	2,791
Subsequent Year Taxes	2,660,251	1,409,233	1,154,663
Accrued Interest	314	-	-
Special Assessments	1,411	-	-
Due from Other Funds	1,447,276	869,653	-
Due from Other Governmental Agencies	50,367	-	-
Inventories	55,058	-	-
<b>Total Assets</b>	<b>5,056,942</b>	<b>2,293,420</b>	<b>1,198,945</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts Payable	684,659	2,169	1,896
Accrued Wages	82,481	-	-
Accrued Compensated Absences	5,861	-	-
Customer Deposits	60,000	-	-
Due to Other Funds	-	-	-
Deferred Revenue - Subsequent Year Taxes	2,660,251	1,409,233	1,154,663
Deferred Revenue	-	-	-
<b>Total Liabilities</b>	<b>3,493,252</b>	<b>1,411,402</b>	<b>1,156,559</b>
Fund Balances:			
Nonspendable:			
Inventory	55,058	-	-
Perpetual Care	-	-	-
Restricted for:			
Debt Service	-	-	-
Tax Increment Financing	-	882,018	-
Employee Benefits	-	-	42,386
Road Purposes	-	-	-
Local Option Sales Tax	-	-	-
Capital Improvements	-	-	-
Cable TV	-	-	-
Assigned for:			
Trees Forever	16,431	-	-
Capital Improvement	-	-	-
Unassigned	1,492,201	-	-
<b>Total Fund Balances</b>	<b>1,563,690</b>	<b>882,018</b>	<b>42,386</b>
<b>Total Liabilities and Equity</b>	<b>\$ 5,056,942</b>	<b>\$ 2,293,420</b>	<b>\$ 1,198,945</b>

See Accompanying Notes to Financial Statements

Debt Service	Capital Project				Other Governmental Funds	Total Governmental Funds
	4th St SW Corridor	CDBG Buyouts	Waverly Dam Reconstruction			
\$ 63,317	\$ 1,266,215	\$ -	\$ -	\$ 2,056,365	\$ 3,442,738	
-	-	-	-	200,000	965,944	
-	-	-	-	13,066	67,258	
3,082	-	-	-	980	28,166	
843,025	-	-	-	208,181	6,275,353	
-	-	-	-	-	314	
29,904	-	-	-	-	31,315	
-	29,043	-	-	482,915	2,828,887	
-	400,000	304,088	1,617,245	1,277,626	3,649,326	
-	-	-	-	-	55,058	
939,328	1,695,258	304,088	1,617,245	4,239,133	17,344,359	
525	429,384	3,732	572,780	482,004	2,177,149	
-	-	-	-	12,451	94,932	
-	-	-	-	-	5,861	
-	-	-	-	-	60,000	
-	-	292,680	1,106,367	993,497	2,392,544	
843,025	-	-	-	208,181	6,275,353	
23,348	-	8,237	-	-	31,585	
866,898	429,384	304,649	1,679,147	1,696,133	11,037,424	
-	-	-	-	-	55,058	
-	-	-	-	476,204	476,204	
72,430	-	-	-	-	72,430	
-	-	-	-	-	882,018	
-	-	-	-	-	42,386	
-	-	-	-	551,969	551,969	
-	-	-	-	628,227	628,227	
-	1,265,874	-	-	-	1,265,874	
-	-	-	-	28,191	28,191	
-	-	-	-	-	16,431	
-	-	-	-	1,218,091	1,218,091	
-	-	(561)	(61,902)	(359,682)	1,070,056	
72,430	1,265,874	(561)	(61,902)	2,543,000	6,306,935	
\$ 939,328	\$ 1,695,258	\$ 304,088	\$ 1,617,245	\$ 4,239,133	\$ 17,344,359	

See Accompanying Notes to Financial Statements

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**CITY OF WAVERLY, IOWA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

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

Total Fund Balance - Governmental Funds (page 27)		\$ 6,306,935	
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds.		48,360,090	
The investment in joint venture recorded in the governmental activities is not a financial resource and, therefore, is not reported in the fund.		34,387	
Internal service funds are used by management to fund and maintain the City's health insurance provided to user departments and are included in the statement of net assets.		248,266	
Assets such as special assessment receivables are not available to pay for current period expenditures and therefore are deferred in the funds.		23,348	
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.		144,300	
Accrued interest expense from the balance sheet that require current financial resources from governmental activities.		(25,801)	
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources		192,735	
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:			
General Obligation Bonds	(10,966,575)		
Notes Payable	(184,900)		
Compensated Absences	(275,444)	(11,426,919)	
Total Net Assets - Governmental Activities (page 23)			<u>\$ 43,857,341</u>

**CITY OF WAVERLY, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

	General	Special Revenue	
		Tax Increment Financing	Employee Benefit
<b>Revenue:</b>			
Taxes	\$ 2,715,226	\$ 1,392,590	\$ 1,057,917
Special Assessments	20	-	-
Licenses and Permits	48,856	-	-
Intergovernmental Revenue	1,218,179	-	-
Charges for Services	789,360	-	-
Fines and Forfeits	81,432	-	-
Contributions	45,312	-	-
Revenue from Use of Property	56,533	-	-
Interest on Investments	32,632	10,302	-
Miscellaneous	65,183	17,552	1,065
<b>Total Revenue</b>	<b>5,052,733</b>	<b>1,420,444</b>	<b>1,058,982</b>
<b>Expenditures:</b>			
Public Safety	1,773,915	-	170,508
Public Works	863,936	-	-
Health and Social Services	160,670	-	-
Culture and Recreation	2,224,493	-	29,686
Community and Economic Development	880,110	253,252	-
General Government	727,688	-	-
Capital Projects	3,332	-	-
Debt Service	-	-	-
<b>Total Expenditures</b>	<b>6,634,144</b>	<b>253,252</b>	<b>200,194</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,581,411)</b>	<b>1,167,192</b>	<b>858,788</b>
<b>Other financing sources (uses):</b>			
Issuance of Debt	79,318	-	-
Premium on Bonds Issued	-	-	-
Transfers In	1,554,820	55,710	-
Transfers Out	(30,000)	(1,200,421)	(867,837)
<b>Total other financing sources (uses)</b>	<b>1,604,138</b>	<b>(1,144,711)</b>	<b>(867,837)</b>
<b>Net Change in Fund Balance</b>	<b>22,727</b>	<b>22,481</b>	<b>(9,049)</b>
<b>Fund balances (deficits) - beginning of year</b>	<b>1,540,963</b>	<b>859,537</b>	<b>51,435</b>
<b>Fund balances (deficits) - end of year</b>	<b>\$ 1,563,690</b>	<b>\$ 882,018</b>	<b>\$ 42,386</b>

See Accompanying Notes to Financial Statements

Debt Service	Capital Project			Waverly Dam Reconstruction	Other Governmental Funds	Total Governmental Funds
	4th St SW Corridor	CDBG Buyouts				
\$ 841,872	\$ -	\$ -	\$ -	\$ -	\$ 948,219	\$ 6,955,824
11,726	-	-	-	-	-	11,746
-	-	-	-	-	25,418	74,274
-	400,000	1,500,126	2,624,997	-	3,559,302	9,302,604
-	-	-	-	-	-	789,360
-	-	-	-	-	-	81,432
-	-	-	-	-	41,282	86,594
-	-	-	-	-	-	56,533
2,713	-	-	-	-	7,675	53,322
-	-	250	-	-	18,706	102,756
856,311	400,000	1,500,376	2,624,997	-	4,600,602	17,514,445
-	-	-	-	-	-	1,944,423
-	-	-	-	-	784,221	1,648,157
-	-	-	-	-	-	160,670
-	-	-	-	-	26,293	2,280,472
-	-	-	-	-	-	1,133,362
-	-	-	-	-	-	727,688
-	1,424,469	1,500,937	2,678,186	-	3,071,487	8,678,411
1,965,231	53,522	-	-	-	-	2,018,753
1,965,231	1,477,991	1,500,937	2,678,186	-	3,882,001	18,591,936
(1,108,920)	(1,077,991)	(561)	(53,189)	-	718,601	(1,077,491)
-	2,455,000	-	-	-	-	2,534,318
-	50,796	-	-	-	-	50,796
1,079,954	-	-	-	-	789,748	3,480,232
-	-	-	-	-	(1,083,324)	(3,181,582)
1,079,954	2,505,796	-	-	-	(293,576)	2,883,764
(28,966)	1,427,805	(561)	(53,189)	-	425,025	1,806,273
101,396	(161,931)	-	(8,713)	-	2,117,975	4,500,662
\$ 72,430	\$ 1,265,874	\$ (561)	\$ (61,902)	\$ -	\$ 2,543,000	\$ 6,306,935

See Accompanying Notes to Financial Statements

**CITY OF WAVERLY, IOWA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2011**

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

Net change in fund balances - total governmental funds (page 30)	\$ 1,806,273
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 9,049,543	
Depreciation expense	<u>(1,910,746)</u>	7,138,797

Gain on investment in joint venture not recorded at the fund level.	1,385
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The effect of the change in prepaid insurance which is not reported in the governmental funds as it is not available to provide current financial resources.	(1,451)
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Governmental funds report special assessments and notes receivable as revenue when it becomes available, but the statement of activities includes as revenue when levied.	(27,627)
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Accrued interest expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.	6,032
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Governmental funds do not reflect the change in accrued compensated absences as it does not consume current financial resources. The Statement of Activities reflects the change in accrued compensated absences through expenditures.	3,160
--	-------

Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and are included in the statement of net assets. The net revenue of the internal service funds is reported with governmental activities.	(53,802)
--	----------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The amount by which payments exceeded proceeds in the current year is as follows:

Repayments of long-term debt	1,665,213	
Proceeds from issuance of long-term debt	<u>(2,585,114)</u>	(919,901)

The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.	14,796
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Change in net assets of governmental activities (page 25)	<u><u>\$ 7,967,662</u></u>
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CITY OF WAVERLY, IOWA  
 COMBINING STATEMENT OF NET ASSETS  
 Proprietary Funds  
 JUNE 30, 2011

	Business Type Activities				Governmental
	Water System	Sewer System	Solid Waste	Total	Internal Service
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 400	\$ 351,411	\$ 103,931	\$ 455,742	\$ 305,828
Investments	613,385	-	-	613,385	-
Receivables (Net, where applicable, of allowance for uncollectibles)					
Accounts	91,806	110,691	67,025	269,522	-
Accrued Interest	-	211	-	211	-
Estimated Unbilled Usage	47,345	64,166	-	111,511	-
Special Assessments	10,488	76,317	-	86,805	-
Inventories	46,869	54,545	-	101,414	-
Prepaid Assets	15,545	22,699	37,077	75,321	-
<b>Restricted Assets:</b>					
Cash and Cash Equivalents	-	329,750	-	329,750	-
Investments	147,854	-	-	147,854	-
Bond Issue Costs	14,876	13,744	-	28,620	-
<b>Total Current Assets</b>	<u>988,568</u>	<u>1,023,534</u>	<u>208,033</u>	<u>2,220,135</u>	<u>305,828</u>
<b>Noncurrent Assets:</b>					
Land	-	19,191	-	19,191	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	4,526,629	7,813,512	550,921	12,891,062	-
<b>Total Noncurrent Assets</b>	<u>4,526,629</u>	<u>7,832,703</u>	<u>550,921</u>	<u>12,910,253</u>	<u>-</u>
<b>Total Assets</b>	<u>5,515,197</u>	<u>8,856,237</u>	<u>758,954</u>	<u>15,130,388</u>	<u>305,828</u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts Payable	8,891	20,117	19,565	48,573	3,389
Accrued Wages	3,348	5,756	6,820	15,924	-
Compensated Absences and Benefits	7,658	16,032	13,418	37,108	-
Customer Deposits	27,662	-	-	27,662	-
Due to Other Funds	436,343	-	-	436,343	-
Unearned Revenue	-	-	22,477	22,477	-
Accrued Interest Payable	2,132	-	-	2,132	-
Accrued Claims	-	-	-	-	27,782
<b>Payables from Restricted Assets:</b>					
Accrued Revenue Bond Interest	187	1,833	-	2,020	-
Revenue Bonds - Current	50,000	275,000	-	325,000	-
General Obligation Bonds	230,000	-	-	230,000	-
<b>Total Current Liabilities</b>	<u>766,221</u>	<u>318,738</u>	<u>62,280</u>	<u>1,147,239</u>	<u>31,171</u>
<b>Noncurrent Liabilities:</b>					
Due in more than one year:					
Revenue Bonds Payable	-	290,578	-	290,578	-
General Obligation Bonds	647,095	-	-	647,095	-
OPEB Liability	-	-	-	-	26,391
Compensated Absences and Benefits	5,105	10,688	8,946	24,739	-
<b>Total Noncurrent Liabilities</b>	<u>652,200</u>	<u>301,266</u>	<u>8,946</u>	<u>962,412</u>	<u>26,391</u>
<b>Total Liabilities</b>	<u>1,418,421</u>	<u>620,004</u>	<u>71,226</u>	<u>2,109,651</u>	<u>57,562</u>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	3,599,534	7,267,125	550,921	11,417,580	-
<b>Restricted for:</b>					
Debt Service	147,667	327,917	-	475,584	-
Unrestricted	349,575	641,191	136,807	1,127,573	248,266
<b>Total Net Assets</b>	<u>\$4,096,776</u>	<u>\$8,236,233</u>	<u>\$687,728</u>	<u>\$13,020,737</u>	<u>\$ 248,266</u>

See Accompanying Notes to Financial Statements

**CITY OF WAVERLY, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	<b>Business Type Activities</b>	
	<b>Water System</b>	<b>Sewer System</b>
<b>Operating Revenues:</b>		
Charges for Services	\$ 1,066,186	\$ 1,390,864
Miscellaneous	19,853	21,308
Reimbursement from Employees/Insurance	-	-
<b>Total Operating Revenues</b>	<u>1,086,039</u>	<u>1,412,172</u>
<b>Operating Expenses:</b>		
General Government	-	-
Employee Services	282,483	406,081
Contract Services	217,284	239,286
Supplies	58,807	53,410
Repairs and Maintenance	22,558	59,035
Utilities	97,999	150,158
Miscellaneous	5,030	4,982
Depreciation	258,646	471,433
Amortization	5,337	9,760
<b>Total Operating Expenses</b>	<u>948,144</u>	<u>1,394,145</u>
<b>Operating Income (Loss)</b>	137,895	18,027
<b>Non-Operating Income (Expense):</b>		
Interest Income	544	4,726
Revenue from Use of Property	69,427	-
Interest Expense	(39,274)	(31,862)
<b>Total Non-Operating Income (Expenses)</b>	<u>30,697</u>	<u>(27,136)</u>
<b>Income (Loss) before Contributions and Transfers</b>	168,592	(9,109)
Transfers (Out)	<u>(210,775)</u>	<u>(7,610)</u>
<b>Change in Net Assets</b>	(42,183)	(16,719)
<b>Net Assets - Beginning</b>	<u>4,138,959</u>	<u>8,252,952</u>
<b>Net Assets - Ending</b>	<u>\$ 4,096,776</u>	<u>\$ 8,236,233</u>

See Accompanying Notes to Financial Statements

<b>Business Type Activities</b>		<b>Governmental Activities</b>	
<b>Solid Waste</b>	<b>Total</b>	<b>Internal Service</b>	
\$ 1,022,455	\$ 3,479,505	\$ 208,637	
14,428	55,589	-	
-	-	10,118	
<u>1,036,883</u>	<u>3,535,094</u>	<u>218,755</u>	
-	-	275,137	
491,854	1,180,418	-	
251,277	707,847	-	
104,652	216,869	-	
49,550	131,143	-	
7,089	255,246	-	
2,084	12,096	-	
104,014	834,093	-	
-	15,097	-	
<u>1,010,520</u>	<u>3,352,809</u>	<u>275,137</u>	
26,363	182,285	(56,382)	
611	5,881	2,580	
-	69,427	-	
-	(71,136)	-	
<u>611</u>	<u>4,172</u>	<u>2,580</u>	
26,974	186,457	(53,802)	
<u>(80,265)</u>	<u>(298,650)</u>	<u>-</u>	
(53,291)	(112,193)	(53,802)	
<u>741,019</u>	<u>13,132,930</u>	<u>302,068</u>	
<u>\$ 687,728</u>	<u>\$ 13,020,737</u>	<u>\$ 248,266</u>	

See Accompanying Notes to Financial Statements

**CITY OF WAVERLY, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	<b>Business Type Activities</b>	
	<b>Water System</b>	<b>Sewer System</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 1,079,689	\$ 1,408,748
Cash Paid to Suppliers for Goods and Services	(402,472)	(521,588)
Cash Paid to Employees for Services	(292,666)	(416,626)
Other Nonoperating Income	69,427	-
Net Cash Provided (Used) by Operating Activities	<u>453,978</u>	<u>470,534</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and Construction of Capital Assets	(35,470)	(24,535)
Principal Paid on Notes and Bonds	(271,364)	(260,000)
Interest Paid on Notes and Bonds	(40,048)	(32,695)
Net Cash (Used) for Capital and Related Financing Activities	<u>(346,882)</u>	<u>(317,230)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Transfers to Other Funds	(210,775)	(7,610)
Due From (To) Other Funds	103,635	-
Net Cash (Used) for Non-Capital Financing Activities	<u>(107,140)</u>	<u>(7,610)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Investment	(500)	-
Interest and Dividends on Investments	544	4,856
Net Cash Provided for Investing Activities	<u>44</u>	<u>4,856</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	150,550
Cash and Cash Equivalents at Beginning of Year	<u>400</u>	<u>530,611</u>
Cash and Cash Equivalents at End of Year	<u>\$ 400</u>	<u>\$ 681,161</u>

<u>Business Type Activities</u>		<u>Governmental</u>
<u>Solid</u>		<u>Activities</u>
<u>Waste</u>	<u>Total</u>	<u>Internal</u>
		<u>Service</u>
\$ 1,064,887	\$ 3,553,324	\$ 218,755
(415,910)	(1,339,970)	(267,370)
(504,097)	(1,213,389)	-
-	69,427	-
<u>144,880</u>	<u>1,069,392</u>	<u>(48,615)</u>
-	(60,005)	-
-	(531,364)	-
-	(72,743)	-
-	<u>(664,112)</u>	-
(80,265)	(298,650)	-
-	103,635	-
<u>(80,265)</u>	<u>(195,015)</u>	-
-	(500)	-
<u>611</u>	<u>6,011</u>	<u>2,580</u>
611	5,511	2,580
65,226	215,776	(46,035)
<u>38,705</u>	<u>569,716</u>	<u>351,863</u>
<u>\$ 103,931</u>	<u>\$ 785,492</u>	<u>\$ 305,828</u>

(Continued)

**CITY OF WAVERLY, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	<b>Business Type Activities</b>	
	<b>Water System</b>	<b>Sewer System</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>		
Operating Income (Loss)	\$ 137,895	\$ 18,027
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Depreciation	258,646	471,433
Amortization	5,337	9,760
Miscellaneous Non-Operating Income	69,427	-
<b>(Increase) Decrease in Assets:</b>		
Accounts Receivable	(8,263)	(8,528)
Special Assessments	7,790	7,274
Estimated Unbilled Usage	(4,424)	(2,170)
Other Receivables	-	-
Prepaid Expenses	1,688	(1,593)
Inventories	1,315	(16,130)
<b>Increase (Decrease) in Liabilities</b>		
Accounts Payable	(3,797)	3,006
Accrued Wages	(7,845)	(9,387)
Accrued Compensated Absences	(2,338)	(1,158)
Unearned Revenue	-	-
Customer Deposits	(1,453)	-
OPEB Liability	-	-
Claims Incurred But Not Reported	-	-
Total Adjustments	<u>316,083</u>	<u>452,507</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 453,978</u>	<u>\$ 470,534</u>

**Reconciliation of Cash and Cash Equivalents to the Balance Sheet:**

Cash and Cash Equivalents	\$ 400	\$ 351,411
Restricted Cash and Cash Equivalents	-	329,750
	<u>\$ 400</u>	<u>\$ 681,161</u>

<u>Business Type Activities</u>		<u>Governmental</u>
<u>Solid</u>		<u>Activities</u>
<u>Waste</u>	<u>Total</u>	<u>Internal</u>
		<u>Service</u>
\$ 26,363	\$ 182,285	\$ (56,382)
104,014	834,093	-
-	15,097	-
-	69,427	-
5,421	(11,370)	-
-	15,064	-
-	(6,594)	-
20,000	20,000	-
(2,185)	(2,090)	-
-	(14,815)	-
927	136	153
(11,222)	(28,454)	-
(1,021)	(4,517)	-
2,583	2,583	-
-	(1,453)	-
-	-	8,937
-	-	(1,323)
<u>118,517</u>	<u>887,107</u>	<u>7,767</u>
<u>\$ 144,880</u>	<u>\$ 1,069,392</u>	<u>\$ (48,615)</u>
\$ 103,931	\$ 455,742	\$ 305,828
-	329,750	-
<u>\$ 103,931</u>	<u>\$ 785,492</u>	<u>\$ 305,828</u>

See Accompanying Notes to Financial Statements

**CITY OF WAVERLY, IOWA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**Agency Funds**  
**JUNE 30, 2011**

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**ASSETS**

Cash and Cash Equivalents	\$	58,660
Receivables:		
Accounts Receivable		1,133,919
Other		<u>3,493</u>
<b>Total Assets</b>		<u><u>1,196,072</u></u>

**LIABILITIES**

Due to Other Governments		1,165,753
Other Payables		<u>30,319</u>
<b>Total Liabilities</b>		<u><u>1,196,072</u></u>

**NET ASSETS**

Unrestricted		<u>-</u>
<b>Total Net Assets</b>	\$	<u><u>-</u></u>

**CITY OF WAVERLY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. REPORTING ENTITY**

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

Discretely Presented Component Units

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

**CITY OF WAVERLY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Waverly Light and Power – The City established a municipal utility by ordinance on October 3, 1977. The City appoints the governing body which in accordance with criteria set forth by the Governmental Accounting Standards Board meets the definition of a component unit which should be discretely presented. The Utilities financial data is reported in a separate column to emphasize that it is legally separate from the City. Waverly Light and Power is financially accountable to the City. During the fiscal year ended June 30, 2011, Waverly Light and Power transferred \$949,903 to the City of Waverly which is accounted for in the City's financial statements as intergovernmental revenue in the applicable City funds. The utility operates on a calendar year. Therefore financial statements presented herein are reported for the year ended December 31, 2010.

Jointly Governed Organizations

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

**B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS**

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

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

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

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

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

**CITY OF WAVERLY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

**C. Fund Accounting**

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

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

The City reports the following major governmental funds:

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

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

**CITY OF WAVERLY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- 2) Special Revenue Funds – The Employee Benefit Fund is used to account for the collection of a property tax levy to be used for employee benefit expenses. The TIF (Tax Incremental Financing Fund) is used to account for property taxes received to be expended for public improvements; construction of public infrastructure as well as economic development opportunities; incentives; sites; land; rebates; and grant agreements.
- 3) Debt Service Fund – Debt Service Fund is used to account for property taxes received to be expended to retire principal and interest on General Obligation Bonds and other debt.
- 4) Capital Project Funds – The CDBG Buyouts Capital Project Fund is used to account for the costs associated with the acquisition of flood damaged property and the related federal and state grant revenue received to finance the project. The 4<sup>th</sup> St SW Corridor Capital Project Fund is used to account for the costs associated with this project and the related state grant and debt proceeds received to finance the project. The Waverly Dam Reconstruction Capital Project Fund is used to account for the costs associated with the construction of the dam and the related federal grant revenue received to finance the project.

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

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

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

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

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

**CITY OF WAVERLY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

**D. Measurement Focus and Basis of Accounting**

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

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

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

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

**CITY OF WAVERLY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

**E. Budgets**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the public safety and culture and recreation functions.

**F. Cash And Cash Equivalents And Investments**

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

1) Cash and Cash Equivalents

Includes investments with original maturities of three months or less.

2) Investments

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

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

**CITY OF WAVERLY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Property Tax Receivable**

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2011 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010. Any county collections on the 2010-2011 tax levy remitted to the City within 60 days subsequent to June 30, 2011, are recorded as property tax revenue.

**H. Short-Term Interfund Receivables/Payables**

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2011, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

**I. Inventories**

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

**J. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2011 are recorded as prepaid items.

**CITY OF WAVERLY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Restricted Assets**

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

**L. Property and Equipment**

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

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

**M. Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and Road Use Tax Fund.

**N. Long-Term Obligations**

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

**CITY OF WAVERLY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Fund Equity**

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

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

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

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

Assigned – Amounts the City intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

Unassigned – All amounts not included in other spendable classifications.

**P. Interfund Transactions**

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

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

**Q. Deferred Revenue**

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

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

**CITY OF WAVERLY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The City's deposits at June 30, 2011, were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. There were no differences in investments held during the year from those at June 30, 2011.

At June 30, 2011 the City had the following investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

	<b>Credit Risk</b>	<b>Fair Value</b>	<b>Maturity</b>
Mutual Funds	N/A	\$ 119,020	N/A
IPAIT	AAA	\$1,379,241	N/A

The City had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at fair value. IPAIT was created pursuant to Iowa Code Chapter 28E and is registered with the Securities and Exchange Commission (SEC) in accordance with 17 C.F.R. Section 270.2a-7. The City also held \$228,922 of nonnegotiable certificates of deposit with various original maturities of less than 365 days.

	<b>Credit Risk</b>	<b>Fair Value</b>	<b>Maturity</b>
Component Unit – Waverly Light and Power: IPAIT	AAA	\$ 2,494,700	N/A
Nonnegotiable Certificates of Deposit	N/A	\$ 15,341	Various
Component Unit - Waverly Health Center: Nonnegotiable Certificates of Deposit	N/A	\$ 1,716,656	Various

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

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

**Note 3 - RECEIVABLES**

Receivables at June 30, 2011 are net of allowance for uncollectibles. The allowance for uncollectibles of the enterprise funds of the primary government was \$10,573 at June 30, 2011. The Waverly Health Center component unit had an allowance for uncollectibles of \$2,630,000 at June 30, 2011.

**CITY OF WAVERLY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 4 - DUE FROM OTHER GOVERNMENTS**

At June 30, 2011, amounts due from other governments were as follows:

Due from the Department of Justice for the Byrne Grant Program	\$ 7,990
Due from the Iowa Homeland Security for the Emergency Demolition Grant Funding	47,216
Due from the Iowa Homeland Security for the Flood Buyout Program	5,217
Due from the Economic Development Administration for the Waverly Dam Reconstruction Project	898,598
Due from the State of Iowa for local option sales taxes	145,312
Due from the State of Iowa for hotel and motel sales taxes	42,377
Due from the Iowa Department of Transportation for road use tax allocations	76,730
Due from the Iowa Homeland Security for the Flood Home Demolition Project	742,487
Due from the Iowa Homeland Security for a Historical Study	6,106
Due from the Iowa Department of Economic Development for the CDBG Buyout Program	304,088
Due from the Iowa Department of Economic Development for the Waverly Dam Reconstruction	718,647
Due from the Iowa Homeland Security for the AMVETS Buyout Project	2,425
Due from the Iowa Department of Transportation for highway improvement grants	652,133
Total Due from Other Governments	<u>\$3,649,326</u>

**Note 5 - INTERFUND RECEIVABLES AND PAYABLES**

As of June 30, 2011, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General	Capital Project – Waverly Dam Reconstruction	\$ 1,106,367
General	Capital Project – CDBG Buyouts	292,680
General	Nonmajor Governmental	48,229
TIF	Proprietary - Water	436,343
TIF	Nonmajor Governmental	433,310
Capital Project – 4 <sup>th</sup> St SW Corridor	Nonmajor Governmental	29,043
Nonmajor Governmental	Nonmajor Governmental	482,915
		<u>\$ 2,828,887</u>

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

**CITY OF WAVERLY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 6 - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

**Primary Government**

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 7,874,027	\$ 1,826,089	\$ -	\$ 9,700,116
Construction in Progress	2,651,827	7,001,539	3,440,885	6,212,481
Total capital assets not being depreciated	10,525,854	8,827,628	3,440,885	15,912,597
Capital assets being depreciated:				
Buildings and Improvements	10,772,743	1,383,277	-	12,156,020
Equipment	5,798,238	319,305	133,924	5,983,619
Infrastructure	33,385,780	1,998,728	-	35,384,508
Total capital assets being depreciated	49,956,761	3,701,310	133,924	53,524,147
Less: Accumulated Depreciation for:				
Buildings and Improvements	2,621,330	277,630	-	2,898,960
Equipment	3,165,649	393,205	95,414	3,463,440
Infrastructure	13,474,343	1,239,911	-	14,714,254
Total Accumulated Depreciation	19,261,322	1,910,746	95,414	21,076,654
Total capital assets being depreciated, net	30,695,439	1,790,564	38,510	32,447,493
Governmental activities capital assets, net	\$ 41,221,293	\$ 10,618,192	\$ 3,479,395	\$ 48,360,090

Construction in progress at June 30, 2011, for the governmental activities consisted of costs associated with the 4<sup>th</sup> St SW Corridor project, Cedar River Parkway Improvements, 2<sup>nd</sup> Ave SW Reconstruction, Waverly Dam reconstruction project, 10<sup>th</sup> Ave SW Sidewalk Project, demolition of flood buyout properties, and various other small projects.

**CITY OF WAVERLY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 6 - CAPITAL ASSETS (CONTINUED)**

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 19,191	\$ -	\$ -	\$ 19,191
Total capital assets not being depreciated	19,191	-	-	19,191
Capital assets being depreciated:				
Buildings and Improvements	6,109,870	-	-	6,109,870
Equipment	2,244,260	72,257	25,934	2,290,583
Lines and Structures	17,797,543	-	-	17,797,543
Total capital assets being depreciated	26,151,673	72,257	25,934	26,197,996
Less: Accumulated Depreciation				
Buildings and Improvements	3,683,527	142,570	-	3,826,097
Equipment	1,115,216	160,976	13,683	1,262,509
Lines and Structures	7,687,781	530,547	-	8,218,328
Total Accumulated Depreciation	12,486,524	834,093	13,683	13,306,934
Total capital assets being depreciated, net	13,665,149	(761,836)	12,251	12,891,062
Business-type activities capital assets, net	\$ 13,684,340	\$ (761,836)	\$ 12,251	\$ 12,910,253

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

<b>Governmental Activities:</b>	
Public Safety	\$ 284,134
Public Works	1,397,519
Culture and Recreation	172,996
General Government	56,097
Total depreciation expense – governmental activities	<u>\$ 1,910,746</u>
<b>Business-Type Activities:</b>	
Water	\$ 258,646
Sewer	471,433
Solid Waste	104,014
Total depreciation expense – business-type activities	<u>\$ 834,093</u>

**CITY OF WAVERLY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 6 - CAPITAL ASSETS (CONTINUED)**

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

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<b>Waverly Health Center:</b>				
Capital assets not being depreciated:				
Land	\$ 2,156,302	\$ 50,000	\$ -	\$ 2,206,302
Construction in Progress	-	1,248,665	-	1,248,665
Total capital assets not being depreciated	2,156,302	1,298,665	-	3,454,967
Capital assets being depreciated:				
Land Improvements	2,165,128	-	-	2,165,128
Buildings and Fixed Equipment	23,806,461	104,235	-	23,910,696
Major Movable Equipment	15,669,161	427,868	251,350	15,845,679
Total capital assets being depreciated	41,640,750	532,103	251,350	41,921,503
Less: Accumulated Depreciation	19,508,060	2,965,883	123,278	22,350,665
Total capital assets being depreciated, net	22,132,690	(2,433,780)	128,072	19,570,838
Component unit capital assets, net	\$ 24,288,992	\$ (1,135,115)	\$ 128,072	\$ 23,025,805

Construction in progress at June 30, 2011 for the Waverly Health Center consists of costs related to construction of a helipad and equipment installations in progress.

	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2010
<b>Waverly Light and Power:</b>				
Capital assets not being depreciated:				
Land	\$ 487,396	\$ -	\$ -	\$ 487,396
Construction in Progress	3,890,510	1,430,094	3,664,609	1,655,995
Total capital assets not being depreciated	4,377,906	1,430,094	3,664,609	2,143,391
Capital assets being depreciated:				
Improvements	28,225,324	3,186,859	299,029	31,113,154
Buildings	3,713,475	127,225	21,930	3,818,770
Equipment	5,614,047	719,967	165,525	6,168,489
Louisa Plant	10,218,523	43,915	304,751	9,957,687
WS4 Plant	5,281,182	18,617	-	5,299,799
Total capital assets being depreciated	53,052,551	4,096,583	791,235	56,357,899
Less: Accumulated Depreciation	24,294,156	1,893,194	420,550	25,766,800
Total capital assets being depreciated, net	28,758,395	2,203,389	370,685	30,591,099
Component unit capital assets, net	\$ 33,136,301	\$ 3,633,483	\$ 4,035,294	\$ 32,734,490

**CITY OF WAVERLY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 6 - CAPITAL ASSETS (CONTINUED)**

**Reconciliation of Invested in Capital Assets:**

	Governmental Activities	Business-type Activities	Component Units	
			Waverly Health Center	Waverly Light & Power
Land	\$ 9,700,116	\$ 19,191	\$ 2,206,302	\$ 487,396
Construction in Progress	6,212,481	-	1,248,665	1,655,995
Capital Assets (net of accumulated depreciation)	32,447,493	12,891,062	19,570,838	30,591,099
Less: General Obligation Bonds Payable	9,873,291*	877,095	-	-
Notes Payable	184,900	-	1,020,367	-
Revenue Bonds	-	615,578	11,055,000	5,242,309
Invested in Capital Assets, Net of Related Debt	\$ 38,301,899	\$ 11,417,580	\$10,950,438	\$ 27,492,181

\*Amount does not include \$1,093,284 of general obligation bonds not spent as of June 30, 2011. This amount is included in the restricted for capital improvement net assets as of June 30, 2011.

**Note 7 - LONG-TERM LIABILITIES**

The City's computed legal debt limit as of June 30, 2011, is \$30,049,145 of which \$11,977,470 is committed for outstanding general obligation debt.

The following is a summary of bond transactions of the City for the year ended June 30, 2011:

	Governmental Activities	Business Type Activities		Total
	General Obligation			
	Bonds and Notes Paid By Debt Service Fund	Bonds Paid By Enterprise Funds	Revenue Bonds	
<i>Primary Government:</i>				
Bonds payable July 1, 2010	\$ 10,295,795	\$ 1,106,364	\$ 940,000	\$ 12,342,159
Plus: Issued	2,534,318	-	-	2,534,318
Less: Payments	1,665,213	221,364	310,000	2,196,577
Bonds Payable June 30, 2011	\$ 11,164,900	\$ 885,000	\$ 630,000	\$ 12,679,900
Due within one year	\$ 1,834,076	\$ 230,000	\$ 325,000	\$ 2,389,076

The City of Waverly's revenue bonds are shown net of the unamortized deferred refunding asset of \$14,422 on the Statement of Net Assets.

The City of Waverly's general obligation bonds are shown net of the unamortized deferred refunding asset of \$63,798 and the unamortized premium of \$50,373 on the Statement of Net Assets.

The City of Waverly's general obligation bonds paid by enterprise funds are shown net of the unamortized deferred refunding asset of \$7,905 on the Statement of Net Assets.

**CITY OF WAVERLY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 7 - LONG-TERM LIABILITIES (CONTINUED)**

<i>Component Unit:</i>	Waverly Health Center	Waverly Light And Power	Total Component Units
Bonds Payable/ Notes Payable- June 30,2010/December 31, 2009	\$ 13,995,014	\$ 7,739,474	\$ 21,734,488
Plus: Issued	-	75,000	75,000
Less: Retired	1,919,647	1,078,412	2,998,059
Bonds Payable/ Notes Payable- June 30, 2011/December 31, 2010	<u>\$ 12,075,367</u>	<u>\$ 6,736,053</u>	<u>\$ 18,811,429</u>
Due within one year	<u>\$ 1,812,262</u>	<u>\$ 1,113,421</u>	<u>\$ 2,925,683</u>

On the Statement of Net Assets the Waverly Light and Power component unit revenue bonds are shown net of unamortized bond discount of \$3,744.

**General Obligation Bonds**

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

In June, 2011 the City issued \$2,455,000 of General Obligation Urban Renewal Bonds which were issued to pay costs of planning and carrying out an urban renewal project, including the 4<sup>th</sup> Street SW Corridor Project.

General obligation bonds outstanding as of June 30, 2011 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2011
<b>General Obligation:</b>						
2005 GO Bonds	2005	3.25-3.9%	2017	110,000-140,000	\$ 1,290,000	\$ 760,000
*2005 GO Refunding	2005	3.05-3.25%	2013	65,000-535,000	2,680,000	600,000
*2006 GO LOSST Bonds	2006	3.7-4.10%	2019	285,000-395,000	4,040,000	2,740,000
*2008 GO Refunding	2008	2.7-3.65%	2018	150,000-320,000	2,270,000	1,340,000
2009 Go Refunding	2009	2.0-3.65%	2019	255,000-555,000	4,360,000	3,420,000
2010A GO Refunding	2010	1.0-2.85%	2017	80,000-120,000	670,000	550,000
2011 GO Urban Renewal	2011	2.0-3.0%	2021	205,000-285,000	2,455,000	2,455,000
Total General Obligation					<u>\$ 17,765,000</u>	<u>\$ 11,865,000</u>

**CITY OF WAVERLY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 7 - LONG-TERM LIABILITIES (CONTINUED)**

**Revenue Bonds**

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

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

Revenue bonds outstanding as of June 30, 2011 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2011
<b>Revenue Bonds:</b>						
2002 – Sewer	2002	4.35-4.5%	2012	140,000-155,000	\$ 1,280,000	\$ 155,000
2008 – Sewer	2008	3.0-3.8%	2015	45,000-110,000	770,000	425,000
2002 – Water	2002	4.3-4.5%	2012	50,000	435,000	50,000
Total Revenue Bonds					<u>\$ 2,485,000</u>	<u>\$ 630,000</u>
2001 Golf Revenue Capital Loan Note	2001	5.1%	2015	15,000-28,000	\$ 300,000	\$ 104,524
<b>Component Units:</b>						
<b>Waverly Health Center:</b>						
1999 Hospital Capital Loan Notes	1999	5.6-5.8%	2015	150,000-180,000	\$ 2,150,000	\$ 720,000
2003 Hospital Capital Loan Notes	2003	4.5-5.5%	2018	545,000	9,800,000	5,635,000
2004 Hospital Capital Loan Notes	2004	3.80-4.9%	2019	195,000	6,200,000	4,700,000
					<u>\$ 18,150,000</u>	<u>\$ 11,055,000</u>
<b>Waverly Light and Power:</b>						
2002 Utility Rev. Bonds	2002	2.2-4.5%	2012	75,000-200,000	\$ 2,500,000	\$ 760,000
2005 Utility Rev. Bonds	2005	3.5-4.0%	2015	380,000-480,000	3,000,000	2,225,000
2007 Utility Rev. Bonds	2007	.70%	2022	188,421	2,826,316	2,261,053
					<u>\$ 8,326,316</u>	<u>\$ 5,246,053</u>
Grand Total Revenue Bonds					<u>\$ 29,261,316</u>	<u>\$ 17,035,577</u>

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

**CITY OF WAVERLY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 7 - LONG-TERM LIABILITIES (CONTINUED)**

Year Ending June 30,	General Obligation		Revenue Bond		Golf Revenue Capital Loan Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 2,005,000	\$ 355,826	\$ 325,000	\$ 24,245	\$ 24,968	\$ 5,032
2013	1,570,000	302,716	130,000	10,940	26,270	3,730
2014	1,495,000	259,519	130,000	6,390	27,627	2,373
2015	1,510,000	216,879	45,000	1,710	25,559	945
2016	1,560,000	171,671	-	-	-	-
2017-2021	3,725,000	269,118	-	-	-	-
	<u>\$ 11,865,000</u>	<u>\$ 1,575,729</u>	<u>\$ 630,000</u>	<u>\$ 43,285</u>	<u>\$ 104,524</u>	<u>\$ 12,080</u>

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

Waverly Health Center

Year Ending June 30,	Capital Loan Notes	Loan/Notes Payable	Total Principal	Interest	Total
2012	\$ 1,160,000	\$ 652,262	\$ 1,812,262	\$ 591,265	\$ 2,403,527
2013	1,215,000	368,105	1,583,105	506,776	2,089,881
2014	1,275,000	-	1,275,000	440,042	1,715,042
2015	1,335,000	-	1,335,000	376,529	1,711,529
2016	1,405,000	-	1,405,000	309,119	1,714,119
2017-2019	4,665,000	-	4,665,000	478,823	5,143,823
	<u>\$ 11,055,000</u>	<u>\$ 1,020,367</u>	<u>\$ 12,075,367</u>	<u>\$ 2,702,554</u>	<u>\$ 14,777,921</u>

Waverly Light and Power

Year Ending December 31	Revenue Bond Principal	Notes Payable	Total Principal	Interest	Total
2011	\$ 968,421	\$ 145,000	\$ 1,113,421	\$ 135,028	\$ 1,248,449
2012	1,003,421	145,000	1,148,421	102,464	1,250,885
2013	633,421	120,000	753,421	67,658	821,079
2014	653,421	120,000	773,421	49,206	822,627
2015	668,421	120,000	788,421	29,752	818,173
2016-2020	942,105	600,000	1,542,105	32,972	1,575,077
2021-2022	376,843	240,000	616,843	3,957	620,800
	<u>\$ 5,246,053</u>	<u>\$ 1,490,000</u>	<u>\$ 6,736,053</u>	<u>\$ 421,037</u>	<u>\$ 7,157,090</u>

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

**CITY OF WAVERLY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 7 - LONG-TERM LIABILITES (CONTINUED)**

The following is a summary of other long-term liabilities of the City for the year ended June 30, 2011.

	July 1, 2010	Additions	Reductions	June 30, 2011	Due Within One Year
<b>Governmental Activities:</b>					
Compensated Absences	\$ 278,604	\$ 169,863	\$ 167,162	\$ 281,305	\$ 171,127
OPEB Liability	17,454	8,937	-	26,391	-
Equipment Note	21,311	-	10,421	10,890	10,890
Equipment Note	7,566	-	2,398	5,168	2,520
Equipment Note	-	79,318	15,000	64,318	20,698
	<u>\$ 324,935</u>	<u>\$ 258,118</u>	<u>\$ 194,981</u>	<u>\$ 388,072</u>	<u>\$ 205,235</u>
<b>Business-Type Activities:</b>					
Compensated Absences	\$ 62,878	\$ 36,697	\$ 37,727	\$ 61,848	\$ 37,109

Maturities of Equipment Notes Payable is as follows:

Year Ending June 30,	Principal	Interest
2012	\$ 34,108	\$ 3,034
2013	24,076	1,687
2014	22,192	788
	<u>\$ 80,376</u>	<u>\$ 5,509</u>

Other long-term liabilities at June 30, 2011 was comprised of the following:

Included in general long-term debt:

A note payable at 4.5% interest to First National Bank dated October 9, 2006 and due October 9, 2011 for golf course improvements.	<u>\$ 10,890</u>
A note payable at 5% interest to First National Bank dated August 7, 2009 and due September 1, 2012 for a copy machine.	<u>\$ 5,168</u>
A note payable at 3.5% interest to First National Bank dated September 15, 2010 and due September 15, 2013 for golf course mowers.	<u>\$ 64,318</u>

**CITY OF WAVERLY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 8 – TRANSFERS**

The following is a summary of transfers between funds:

	General	Tax Increment Financing	Debt Service	Nonmajor Governmental	Total Transfers Out
General	\$ -	\$ -	\$ 30,000	\$ -	\$ 30,000
Tax Increment Financing	529,863	-	520,558	150,000	1,200,421
Employee Benefit	867,837	-	-	-	867,837
Nonmajor					
Governmental	144,000	55,710	529,396	354,218	1,083,324
Water	5,510	-	-	205,265	210,775
Sewer	7,610	-	-	-	7,610
Solid Waste	-	-	-	80,265	80,265
<b>Total Transfers In</b>	<b>\$1,554,820</b>	<b>\$ 55,710</b>	<b>\$1,079,954</b>	<b>\$ 789,748</b>	<b>\$ 3,480,232</b>

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. To move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due.

**Note 9 - PENSION AND RETIREMENT**

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of annual covered salary. Law enforcement employees are covered by another plan. Contribution requirements are established by state statute. The City contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$207,212, \$188,561, and \$176,614, respectively, equal to the required contributions for each year.

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

**CITY OF WAVERLY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 9 - PENSION AND RETIREMENT (CONTINUED)**

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

Legislatively appropriated contributions from the State may further reduce the employers' contribution rate. However, under the Code of Iowa, the employers' contribution rate cannot be less than 19.9% of earnable compensation. Contribution requirements are established by State statute. The City's contribution to MFPRSI for the years ended June 30, 2011, 2010 and 2009 were \$170,508, \$137,436, and \$143,268, respectively, equal to the required contributions for each year.

**Note 10 - DEFICIT FUND EQUITY**

The City has fourteen funds with deficit equity balances at June 30, 2011. The City intends to finance these deficits from various resources including; road use tax funds, general funds, special assessments, capital project debt financing, grant revenues, and utility charges. The individual fund deficits were as follows:

Special Revenue – Downtown TIF .....	\$ 137,917
Capital Project – CDBG Buyouts.....	561
Capital Project – Waverly Dam Reconstruction .....	61,902
Capital Project – Brookwood Trail .....	220
Capital Project – 5 <sup>th</sup> St NW / 5 <sup>th</sup> Ave NW .....	31,545
Capital Project – 1 <sup>st</sup> Ave SE Parking Lot.....	2,374
Capital Project – Emergency Demolition Program .....	24,719
Capital Project – Flood Home Demolition .....	60,706
Capital Project – 2008 Flood Recovery.....	18,838
Capital Project – Public Services Facility .....	1,527
Capital Project – Cent Oaks Correction .....	407
Capital Project – 12 <sup>th</sup> St SW.....	16
Capital Project – Various Small Projects.....	73,943
Capital Project – Flood Buyout Program.....	7,470

**Note 11 - RISK MANAGEMENT**

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

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

Claims payable @ June 30, 2009	\$ 22,822
Claims paid	(207,059)
Claims incurred	213,342
Claims payable @ June 30, 2010	\$ 29,105
Claims payable @ June 30, 2010	\$ 29,105
Claims paid	(255,344)
Claims incurred	254,021
Claims payable @ June 30, 2011	\$ 27,782

**CITY OF WAVERLY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 11 - RISK MANAGEMENT (CONTINUED)**

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

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

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

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

No stand alone financial report is issued.

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

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 64,605
Interest on net OPEB obligation	2,782
Adjustment to annual required contribution	<u>(2,782)</u>
 Annual OPEB cost	 64,605
Contributions made	<u>(55,668)</u>
 Increase in net OPEB obligation	 8,937
Net OPEB obligation beginning of year	<u>17,454</u>
 Net OPEB obligation end of year	 <u>\$ 26,391</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

**CITY OF WAVERLY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 64,605	86.2%	\$ 26,391
June 30, 2010	\$ 64,605	86.5%	\$ 17,454
June 30, 2009	\$ 64,605	86.5%	\$ 8,727

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$605,053, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$605,053. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,000,000 and the ratio of the UAAL to covered payroll was 20.2%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

**CITY OF WAVERLY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

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

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

**Note 13 - COMMITMENTS**

During the year ended June 30, 2011, and in previous years the City had entered into several construction contracts totaling approximately \$8,900,000 of which approximately \$4,820,000 has been expended to date. The remaining balance will be paid as work progresses.

The City entered into an agreement with Wartburg College for the joint use of the new Wartburg-Waverly Wellness Center (The "W"). The City committed to making eight annual payments to the College of \$150,000 each beginning in the fiscal year ending June 30, 2008. The City has made payments totaling \$600,000 as of June 30, 2011. In addition, the City also agreed to a contingent liability based on the revenues of the Wartburg-Waverly Wellness Center. In order to induce the College to offer recreation programs, the City agrees that it will annually pay to the College the difference between the actual total revenues and the projected total estimated revenues beginning with the College's fiscal year ending May 31, 2009 and continuing for each fiscal year after through May 31, 2016. The revenue payment in any fiscal year from the City shall not exceed \$600,000. As of June 30, 2011 it was determined that the City was liable for the \$600,000 relating to the College's fiscal year ending May 31, 2011 as total revenues generated by The "W" were \$995,479 which is less than the agreed upon projected revenue amount of \$2,211,602. Accordingly a liability was recorded for \$600,000 in the City's general fund. This liability will be funded by transfers from the capital improvement and recreation capital improvement capital project funds with the remaining balance to be funded with TIF property tax revenues which will also be transferred to the general fund from the TIF special revenue fund.

**Note 14 - CONTINGENCY**

The City receives significant financial assistance from the U.S. government. Entitlement to the resources is generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund that receives the grant. As of June 30, 2011, the City estimates that no material liabilities will result from such audits.

**Note 15 - BLACK HAWK COUNTY LANDFILL CONTRACT**

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

**CITY OF WAVERLY, IOWA**  
**Notes to Financial Statements**  
**June 30, 2011**

**Note 16 - JOINT VENTURE**

The City is a participant with Bremer County in a joint venture to operate the Bremer – Waverly Public Safety Board. The City is obligated to remit 27% of the operating budget of the Bremer – Waverly Public Safety Board to the Organization. On dissolution of the Board, the net assets are to be contributed for the operation. The Organization is governed by a five member board composed of two designated representatives from the City and two from the County. The fifth member of the board is chosen by the four designated representatives. Complete financial statements for the Bremer – Waverly Public Safety Board can be obtained from the Board’s administrative office.

**Note 17 - CONDUIT DEBT OBLIGATIONS**

The City has issued Industrial Development Revenue Bonds to provide financial assistance to a private-sector entity for the acquisition and construction of commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and payable solely from the private-sector entity. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, Industrial Development Revenue Bonds had an original issue amount of \$3,500,000. The outstanding balance at June 30, 2011 was \$2,074,570.

**Note 18 – ACCOUNTING CHANGE / RESTATEMENT**

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<b>General Fund</b>	<b>Special Revenue, Trees Forever</b>	<b>Special Revenue, Municipal Band</b>
Balances June 30, 2010, as previously reported	\$ 1,522,929	\$ 17,618	\$ 416
Change in fund type classification per implementation of GASB Statement No. 54	18,034	(17,618)	(416)
Balances July 1, 2010, as restated	<u>\$ 1,540,963</u>	<u>\$ -</u>	<u>\$ -</u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF WAVERLY, IOWA**  
**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN**  
**BALANCES - BUDGET AND ACTUAL (CASH BASIS) -**  
**Governmental Funds and Proprietary Funds**  
**For the Year Ended June 30, 2011**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
<b>Revenue:</b>			
Taxes	\$ 6,936,796	\$ -	\$ 6,936,796
Special Assessments	11,746	16,717	28,463
Licenses and Permits	72,944	-	72,944
Intergovernmental Revenue	7,691,690	-	7,691,690
Charges for Services	782,853	3,476,166	4,259,019
Fines and Forfeits	80,137	-	80,137
Contributions	86,594	-	86,594
Revenue from Use of Property	56,533	69,427	125,960
Interest on Investments	54,258	6,011	60,269
Miscellaneous	170,413	60,441	230,854
<b>Total Revenue</b>	<u>15,943,964</u>	<u>3,628,762</u>	<u>19,572,726</u>
<b>Expenditures:</b>			
Public Safety	1,978,184	-	1,978,184
Public Works	1,694,909	-	1,694,909
Health and Social Services	160,670	-	160,670
Culture and Recreation	2,313,308	-	2,313,308
Community and Economic Development	1,131,682	-	1,131,682
General Government	744,213	-	744,213
Capital Projects	7,487,945	-	7,487,945
Debt Service	2,002,605	-	2,002,605
Business-Type Activities	-	3,217,471	3,217,471
<b>Total Expenditures</b>	<u>17,513,516</u>	<u>3,217,471</u>	<u>20,730,987</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,569,552)</u>	<u>411,291</u>	<u>(1,158,261)</u>
<b>Other financing sources (uses):</b>			
Issuance of Debt	2,585,114	-	2,585,114
Transfers In	3,480,232	-	3,480,232
Transfers Out	(3,181,582)	(298,650)	(3,480,232)
<b>Total other financing sources (uses)</b>	<u>2,883,764</u>	<u>(298,650)</u>	<u>2,585,114</u>
<b>Net Change in Fund Balance</b>	1,314,212	112,641	1,426,853
<b>Balances - beginning of year</b>	<u>3,530,813</u>	<u>997,747</u>	<u>4,528,560</u>
<b>Balances - end of year</b>	<u>\$ 4,845,025</u>	<u>\$ 1,110,388</u>	<u>\$ 5,955,413</u>
<b>Reconciliation of Ending Fund Balance - Cash Basis:</b>			
Cash and Cash Equivalents	\$ 3,442,738	\$ 455,742	\$ 3,898,480
Investments	965,944	613,385	1,579,329
Restricted Cash and Cash Equivalents	-	329,750	329,750
Restricted Investments	-	147,854	147,854
Due from/to Other Funds	436,343	(436,343)	-
	<u>\$ 4,845,025</u>	<u>\$ 1,110,388</u>	<u>\$ 5,955,413</u>

<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
<u>Original</u>	<u>Final</u>	
\$ 7,098,142	\$ 7,098,142	\$ (161,346)
22,027	24,000	4,463
22,485	22,485	50,459
10,288,098	9,357,721	(1,666,031)
4,811,047	4,763,560	(504,541)
-	-	80,137
-	-	86,594
-	-	125,960
41,419	39,000	21,269
109,250	119,248	111,606
<u>22,392,468</u>	<u>21,424,156</u>	<u>(1,851,430)</u>
1,743,400	1,914,391	(63,793)
1,812,929	1,992,080	297,171
159,650	162,450	1,780
1,955,936	2,054,839	(258,469)
400,022	1,152,522	20,840
771,621	815,243	71,030
12,139,888	11,574,888	4,086,943
2,232,779	2,232,779	230,174
3,113,206	3,230,398	12,927
<u>24,329,431</u>	<u>25,129,590</u>	<u>4,398,603</u>
<u>(1,936,963)</u>	<u>(3,705,434)</u>	<u>2,547,173</u>
2,500,000	2,500,000	85,114
3,674,020	3,674,020	(193,788)
<u>(3,674,020)</u>	<u>(3,674,020)</u>	<u>193,788</u>
<u>2,500,000</u>	<u>2,500,000</u>	<u>85,114</u>
563,037	(1,205,434)	2,632,287
<u>7,044,412</u>	<u>1,909,996</u>	<u>(2,618,564)</u>
<u>\$ 7,607,449</u>	<u>\$ 704,562</u>	<u>\$ 13,723</u>

**CITY OF WAVERLY**  
**Required Supplementary Information – Budgetary Reporting**  
**June 30, 2011**

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

Formal and legal budgetary control is based upon 9 major classes of expenditures known as functions, not by fund or fund type. These 9 functions are: public safety, public works, community and economic development, health and social services, culture and recreation, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include expenditures for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted expenditures by \$800,159. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the public safety and culture and recreation functions.

During the fiscal year 2011, the City had one budget amendment. The amendment was as follows:

<u>Program</u>	<u>Original Budget</u>	<u>5/16/11 Amendment</u>	<u>Amended Budget</u>
Public Safety	\$ 1,743,400	\$ 170,991	\$ 1,914,391
Public Works	1,812,929	179,151	1,992,080
Health and Social Service	159,650	2,800	162,450
Culture & Recreation	1,955,936	98,903	2,054,839
Community & Economic Development	400,022	752,500	1,152,522
General Government	771,621	43,622	815,243
Capital Projects	12,139,888	(565,000)	11,574,888
Debt Service	2,232,779	-	2,232,779
Business Type/Enterprise	3,113,206	117,192	3,230,398
<b>Total</b>	<b>\$ 24,329,431</b>	<b>\$ 800,159</b>	<b>\$ 25,129,590</b>

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

**CITY OF WAVERLY, IOWA**  
**BUDGET TO GAAP RECONCILIATION**  
**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**  
**For the Year Ended June 30, 2011**

	Cash Basis	Accrual Adjustments	Modified Accrual Basis
<b>Revenue:</b>			
Taxes	\$ 6,936,796	\$ 19,028	\$ 6,955,824
Special Assessments	28,463	(16,717)	11,746
Licenses and Permits	72,944	1,330	74,274
Intergovernmental Revenue	7,691,690	1,610,914	9,302,604
Charges for Services	4,259,019	9,846	4,268,865
Fines and Forfeits	80,137	1,295	81,432
Contributions	86,594	-	86,594
Revenue from Use of Property	125,960	-	125,960
Interest on Investments	60,269	(1,066)	59,203
Miscellaneous	230,854	(72,509)	158,345
Total Revenue	<u>19,572,726</u>	<u>1,552,121</u>	<u>21,124,847</u>
<b>Expenditures/Expenses:</b>			
Public Safety	1,978,184	(33,761)	1,944,423
Public Works	1,694,909	(46,752)	1,648,157
Health and Social Services	160,670	-	160,670
Culture and Recreation	2,313,308	(32,836)	2,280,472
Community and Economic Development	1,131,682	1,680	1,133,362
General Government	744,213	(16,525)	727,688
Capital Projects	7,487,945	1,190,466	8,678,411
Debt Service	2,002,605	16,148	2,018,753
Business-Type Activities	3,217,471	206,474	3,423,945
Total Expenditures/Expenses	<u>20,730,987</u>	<u>1,284,894</u>	<u>22,015,881</u>
Excess (Deficiency) of Revenues Over Expenditures/Expenses	<u>(1,158,261)</u>	<u>267,227</u>	<u>(891,034)</u>
<b>Other financing sources (uses):</b>			
Issuance of Debt	2,585,114	-	2,585,114
Transfers In	3,480,232	-	3,480,232
Transfers Out	(3,480,232)	-	(3,480,232)
Total other financing sources (uses)	<u>2,585,114</u>	<u>-</u>	<u>2,585,114</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures/Expenses and Other (Uses)	1,426,853	267,227	1,694,080
Fund Balance/Retained Earnings - beginning of year	<u>4,528,560</u>	<u>13,105,032</u>	<u>17,633,592</u>
Fund Balance/Retained Earnings - end of year	<u>\$ 5,955,413</u>	<u>\$ 13,372,259</u>	<u>\$ 19,327,672</u>

CITY OF WAVERLY, IOWA  
 SCHEDULE OF FUNDING PROGRESS FOR THE  
 RETIREE HEALTH PLAN  
 For the Year Ended June 30, 2011

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008 *	\$ -	\$ 605,053	\$ 605,053	0.00%	\$ 2,998,246	20.2%
2010	July 1, 2008	\$ -	\$ 605,053	\$ 605,053	0.00%	\$ 3,000,000	20.2%
2011	July 1, 2008	\$ -	\$ 605,053	\$ 605,053	0.00%	\$ 3,000,000	20.2%

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

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

**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF WAVERLY, IOWA  
 COMBINING BALANCE SHEET  
 Governmental Nonmajor Funds  
 JUNE 30, 2011**

	Special Revenue Funds			
	Road Use Tax	Local Option Sales Tax	Downtown TIF	Cable TV
<b>Assets</b>				
Cash and Cash Equivalents	\$ 554,511	\$ -	\$ -	\$ 17,483
Investments	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	-	-	-	13,066
Taxes	-	-	980	-
Subsequent Year Taxes	-	-	208,181	-
Due from Other Funds	-	482,915	-	-
Due from Other Governmental Agencies	76,730	145,312	-	-
<b>Total Assets</b>	<b>631,241</b>	<b>628,227</b>	<b>209,161</b>	<b>30,549</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts Payable	66,821	-	-	2,358
Accrued Wages	12,451	-	-	-
Due to Other Funds	-	-	138,897	-
Deferred Revenue - Subsequent Year Taxes	-	-	208,181	-
<b>Total Liabilities</b>	<b>79,272</b>	<b>-</b>	<b>347,078</b>	<b>2,358</b>
<b>Fund Balances:</b>				
Nonspendable:				
Perpetual Care	-	-	-	-
Restricted for:				
Road Purposes	551,969	-	-	-
Local Option Sales Tax	-	628,227	-	-
Cable TV	-	-	-	28,191
Assigned for:				
Capital Improvement	-	-	-	-
Unassigned	-	-	(137,917)	-
<b>Total Fund Balances</b>	<b>551,969</b>	<b>628,227</b>	<b>(137,917)</b>	<b>28,191</b>
<b>Total Liabilities and Equity</b>	<b>\$ 631,241</b>	<b>\$ 628,227</b>	<b>\$ 209,161</b>	<b>\$ 30,549</b>

Capital Project Funds						
AMVETS Buyout	2nd Ave SW Project	Capital Improvement Fund	Cedar River Parkway	Brookwood Trail	5th St NW/ 5th Ave NW	1st Ave SE Parking Lot
\$ -	\$ 130,617	\$ 98,045	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,425	-	-	83,079	-	169,054	-
2,425	130,617	98,045	83,079	-	169,054	-
227	-	3,855	22,733	-	128,904	-
-	-	-	-	-	-	-
2,198	-	-	46,086	220	71,695	2,374
-	-	-	-	-	-	-
2,425	-	3,855	68,819	220	200,599	2,374
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	130,617	94,190	14,260	-	-	-
-	-	-	-	(220)	(31,545)	(2,374)
-	130,617	94,190	14,260	(220)	(31,545)	(2,374)
\$ 2,425	\$ 130,617	\$ 98,045	\$ 83,079	\$ -	\$ 169,054	\$ -

**CITY OF WAVERLY, IOWA  
 COMBINING BALANCE SHEET  
 Governmental Nonmajor Funds  
 JUNE 30, 2011**

	Capital Project Funds		
	Bremer Ave Traffic Signal	Recreation Capital Improvement	Emergency Demolition Program
<b>Assets</b>			
Cash and Pooled Investments	\$ -	\$ 3,143	\$ -
Investments	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	-	-	-
Taxes	-	-	-
Subsequent Year Taxes	-	-	-
Due from Other Funds	-	-	-
Due from Other Governmental Agencies	-	-	47,216
<b>Total Assets</b>	<b>-</b>	<b>3,143</b>	<b>47,216</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts Payable	-	-	-
Accrued Wages	-	-	-
Due to Other Funds	-	-	71,935
Deferred Revenue - Subsequent Year Taxes	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>71,935</b>
<b>Fund Balances:</b>			
Nonspendable:			
Perpetual Care	-	-	-
Restricted for:			
Road Purposes	-	-	-
Local Option Sales Tax	-	-	-
Cable TV	-	-	-
Assigned for:			
Capital Improvement	-	3,143	-
Unassigned	-	-	(24,719)
<b>Total Fund Balances</b>	<b>-</b>	<b>3,143</b>	<b>(24,719)</b>
<b>Total Liabilities and Equity</b>	<b>\$ -</b>	<b>\$ 3,143</b>	<b>\$ 47,216</b>

Capital Project Funds						
Historical Survey	3rd Street SE Bridge	2008 Flood Recovery	Housing Rehab	Flood Home Demolition	Public Services Facility	
\$ -	\$ 67,241	\$ -	\$ 13,907	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
6,106	-	-	-	742,487	-	-
6,106	67,241	-	13,907	742,487	-	-
-	-	-	-	235,714	1,527	-
6,106	-	18,838	-	567,479	-	-
6,106	-	18,838	-	803,193	1,527	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	67,241	-	13,907	-	-	-
-	-	(18,838)	-	(60,706)	(1,527)	-
-	67,241	(18,838)	13,907	(60,706)	(1,527)	-
\$ 6,106	\$ 67,241	\$ -	\$ 13,907	\$ 742,487	\$ -	\$ -

**CITY OF WAVERLY, IOWA  
 COMBINING BALANCE SHEET  
 Governmental Nonmajor Funds  
 JUNE 30, 2011**

	Capital Project Funds		
	Storm Drainage Improvements	Flood Mitigation Dry Run	Old Yard Waste Reclamation
<b>Assets</b>			
Cash and Pooled Investments	\$ 140,512	\$ 130,024	\$ -
Investments	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	-	-	-
Taxes	-	-	-
Subsequent Year Taxes	-	-	-
Due from Other Funds	-	-	-
Due from Other Governmental Agencies	-	-	-
<b>Total Assets</b>	<u>140,512</u>	<u>130,024</u>	<u>-</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts Payable	-	181	-
Accrued Wages	-	-	-
Due to Other Funds	-	-	-
Deferred Revenue - Subsequent Year Taxes	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>181</u>	<u>-</u>
<b>Fund Balances:</b>			
Nonspendable:			
Perpetual Care	-	-	-
Restricted for:			
Road Purposes	-	-	-
Local Option Sales Tax	-	-	-
Cable TV	-	-	-
Assigned for:			
Capital Improvement	140,512	129,843	-
Unassigned	-	-	-
<b>Total Fund Balances</b>	<u>140,512</u>	<u>129,843</u>	<u>-</u>
<b>Total Liabilities and Equity</b>	<u>\$ 140,512</u>	<u>\$ 130,024</u>	<u>\$ -</u>

Capital Project Funds					Permanent	Governmental Nonmajor Funds
Cent Oaks Correction	12th Street SW	Various Small Projects	Flood Buyout Program	South Industrial Park	Cemetery Perpetual Care Fund	
\$ -	\$ -	\$ -	\$ -	\$ 624,678	\$ 276,204	\$ 2,056,365
-	-	-	-	-	200,000	200,000
-	-	-	-	-	-	13,066
-	-	-	-	-	-	980
-	-	-	-	-	-	208,181
-	-	-	-	-	-	482,915
-	-	-	5,217	-	-	1,277,626
-	-	-	5,217	624,678	476,204	4,239,133
-	-	19,384	-	300	-	482,004
-	-	-	-	-	-	12,451
407	16	54,559	12,687	-	-	993,497
-	-	-	-	-	-	208,181
407	16	73,943	12,687	300	-	1,696,133
-	-	-	-	-	476,204	476,204
-	-	-	-	-	-	551,969
-	-	-	-	-	-	628,227
-	-	-	-	-	-	28,191
-	-	-	-	624,378	-	1,218,091
(407)	(16)	(73,943)	(7,470)	-	-	(359,682)
(407)	(16)	(73,943)	(7,470)	624,378	476,204	2,543,000
\$ -	\$ -	\$ -	\$ 5,217	\$ 624,678	\$ 476,204	\$ 4,239,133

**CITY OF WAVERLY, IOWA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Nonmajor Funds**  
**For the Year Ended June 30, 2011**

	Special Revenue Funds			
	Road Use Tax	Local Option Sales Tax	Downtown TIF	Cable TV
Revenue:				
Taxes	\$ -	\$ 790,374	\$ 157,845	\$ -
Licenses and Permits	-	-	-	25,418
Intergovernmental Revenue	867,331	-	-	-
Contributions	-	-	-	-
Interest	-	3,681	-	-
Miscellaneous	8,544	-	-	-
Total Revenue	<u>875,875</u>	<u>794,055</u>	<u>157,845</u>	<u>25,418</u>
Expenditures:				
Public Works	783,147	1,074	-	-
Culture and Recreation	-	-	-	26,293
Capital Projects	-	-	-	-
Total Expenditures	<u>783,147</u>	<u>1,074</u>	<u>-</u>	<u>26,293</u>
Excess (deficiency) of revenues over expenditures	<u>92,728</u>	<u>792,981</u>	<u>157,845</u>	<u>(875)</u>
Other financing sources (uses):				
Transfers In	55,500	-	-	-
Transfers Out	-	(548,622)	(126,274)	-
Total other financing sources (uses)	<u>55,500</u>	<u>(548,622)</u>	<u>(126,274)</u>	<u>-</u>
Net Change in Fund Balance	148,228	244,359	31,571	(875)
Fund balances (deficits) -beginning of year	<u>403,741</u>	<u>383,868</u>	<u>(169,488)</u>	<u>29,066</u>
Fund balances (deficits) - end of year	<u>\$ 551,969</u>	<u>\$ 628,227</u>	<u>\$ (137,917)</u>	<u>\$ 28,191</u>

Capital Project Funds						
AMVETS Buyout	2nd Ave SW Project	Capital Improvement Fund	Cedar River Parkway	Brookwood Trail	5th St NW/ 5th Ave NW	1st Ave SE Parking Lot
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
279,045	-	307,612	422,882	-	344,054	715
-	-	1,094	-	-	-	-
-	-	531	-	-	-	-
279,045	-	309,237	422,882	-	344,054	715
-	-	-	-	-	-	-
279,045	42,623	205,699	555,885	220	730,084	715
279,045	42,623	205,699	555,885	220	730,084	715
-	(42,623)	103,538	(133,003)	(220)	(386,030)	-
-	175,000	8,718	150,000	-	-	-
-	-	(61,000)	-	-	-	-
-	175,000	(52,282)	150,000	-	-	-
-	132,377	51,256	16,997	(220)	(386,030)	-
-	(1,760)	42,934	(2,737)	-	354,485	(2,374)
\$ -	\$ 130,617	\$ 94,190	\$ 14,260	\$ (220)	\$ (31,545)	\$ (2,374)

**CITY OF WAVERLY, IOWA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Nonmajor Funds**  
**For the Year Ended June 30, 2011**

	Capital Project Funds		
	Bremer Ave Traffic Signal	Recreation Capital Improvement	Emergency Demolition Program
Revenue:			
Taxes	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-
Intergovernmental Revenue	-	75,000	-
Contributions	-	-	-
Interest	-	61	-
Miscellaneous	-	-	-
Total Revenue	-	75,061	-
Expenditures:			
Public Works	-	-	-
Culture and Recreation	-	-	-
Capital Projects	29,237	-	-
Total Expenditures	29,237	-	-
Excess (deficiency) of revenues over expenditures	(29,237)	75,061	-
Other financing sources (uses):			
Transfers In	-	-	-
Transfers Out	(55,710)	(75,000)	-
Total other financing sources (uses)	(55,710)	(75,000)	-
Net Change in Fund Balance	(84,947)	61	-
Fund balances (deficits) -beginning of year	84,947	3,082	(24,719)
Fund balances (deficits) - end of year	\$ -	\$ 3,143	\$ (24,719)

Capital Project Funds					
Historical Survey	3rd Street SE Bridge	2008 Flood Recovery	Housing Rehab	Flood Home Demolition	Public Services Facility
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6,106	-	300,953	-	885,240	-
-	-	-	-	-	-
-	-	-	2,711	-	-
6,106	-	300,953	2,711	885,240	-
-	-	-	-	-	-
6,106	9,363	36	-	945,946	5,074
6,106	9,363	36	-	945,946	5,074
-	(9,363)	300,917	2,711	(60,706)	(5,074)
-	20,000	-	-	-	340,530
-	-	-	-	-	-
-	20,000	-	-	-	340,530
-	10,637	300,917	2,711	(60,706)	335,456
-	56,604	(319,755)	11,196	-	(336,983)
\$ -	\$ 67,241	\$ (18,838)	\$ 13,907	\$ (60,706)	\$ (1,527)

**CITY OF WAVERLY, IOWA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Nonmajor Funds**  
**For the Year Ended June 30, 2011**

	Capital Project Funds		
	Storm Drainage Improvements	Flood Mitigation Dry Run	Old Yard Waste Reclamation
Revenue:			
Taxes	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-
Intergovernmental Revenue	-	-	-
Contributions	-	37,085	-
Interest	-	-	-
Miscellaneous	-	1,620	-
Total Revenue	-	38,705	-
Expenditures:			
Public Works	-	-	-
Culture and Recreation	-	-	-
Capital Projects	38,661	74,066	906
Total Expenditures	38,661	74,066	906
Excess (deficiency) of revenues over expenditures	(38,661)	(35,361)	(906)
Other financing sources (uses):			
Transfers In	40,000	-	-
Transfers Out	-	-	(8,718)
Total other financing sources (uses)	40,000	-	(8,718)
Net Change in Fund Balance	1,339	(35,361)	(9,624)
Fund balances (deficits) -beginning of year	139,173	165,204	9,624
Fund balances (deficits) - end of year	\$ 140,512	\$ 129,843	\$ -

Capital Project Funds					Permanent		Governmental Nonmajor Funds
Cent Oaks Correction	12th Street SW	Various Small Projects	Flood Buyout Program	South Industrial Park	Cemetery Perpetual Care Fund		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 948,219
-	-	-	-	-	-	-	25,418
-	-	-	70,364	-	-	-	3,559,302
-	-	-	-	-	4,197	-	41,282
-	-	-	-	2,839	-	-	7,675
-	-	5,300	-	-	-	-	18,706
-	-	5,300	70,364	2,839	4,197	-	4,600,602
-	-	-	-	-	-	-	784,221
-	-	-	-	-	-	-	26,293
289	16	79,243	66,473	1,800	-	-	3,071,487
289	16	79,243	66,473	1,800	-	-	3,882,001
(289)	(16)	(73,943)	3,891	1,039	4,197	-	718,601
-	-	-	-	-	-	-	789,748
-	-	-	-	(208,000)	-	-	(1,083,324)
-	-	-	-	(208,000)	-	-	(293,576)
(289)	(16)	(73,943)	3,891	(206,961)	4,197	-	425,025
(118)	-	-	(11,361)	831,339	472,007	-	2,117,975
\$ (407)	\$ (16)	\$ (73,943)	\$ (7,470)	\$ 624,378	\$ 476,204	\$ -	\$ 2,543,000

**CITY OF WAVERLY, IOWA**  
**Schedule of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2011**

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b><u>Electric Utility</u></b>				
<u>Assets</u>				
Cash in Bank	\$ 22,147	\$ 15,951,868	\$ 15,944,525	\$ 29,490
Accounts Receivable	1,073,660	14,495,393	14,435,134	1,133,919
Other Receivable	1,865	412,402	410,774	3,493
Total Assets	<u>1,097,672</u>	<u>30,859,663</u>	<u>30,790,433</u>	<u>1,166,902</u>
<u>Liabilities</u>				
Due to Other Governments	1,071,828	30,829,344	30,764,589	1,136,583
Other Payables	25,844	30,319	25,844	30,319
Total Liabilities	<u>1,097,672</u>	<u>30,859,663</u>	<u>30,790,433</u>	<u>1,166,902</u>
<b><u>Warburg-Waverly Wellness Center</u></b>				
<u>Assets</u>				
Cash in Bank	23,772	856,077	850,679	29,170
Total Assets	<u>23,772</u>	<u>856,077</u>	<u>850,679</u>	<u>29,170</u>
<u>Liabilities</u>				
Due to Other Governments	23,772	856,077	850,679	29,170
Total Liabilities	<u>23,772</u>	<u>856,077</u>	<u>850,679</u>	<u>29,170</u>
<b><u>Totals</u></b>				
<u>Assets</u>				
Cash in Bank	45,919	16,807,945	16,795,204	58,660
Accounts Receivable	1,073,660	14,495,393	14,435,134	1,133,919
Other Receivable	1,865	412,402	410,774	3,493
Total Assets	<u>1,121,444</u>	<u>31,715,740</u>	<u>31,641,112</u>	<u>1,196,072</u>
<u>Liabilities</u>				
Due to Other Governments	1,095,600	31,685,421	31,615,268	1,165,753
Other Payables	25,844	30,319	25,844	30,319
Total Liabilities	<u>\$ 1,121,444</u>	<u>\$ 31,715,740</u>	<u>\$ 31,641,112</u>	<u>\$ 1,196,072</u>

## CITY OF WAVERLY STATISTICAL SECTION

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

Contents:	Pages
Financial Trends	83 – 91
<p>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</p>	
Revenue Capacity	92 – 95
<p>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</p>	
Debt Capacity	96 – 104
<p>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</p>	
Demographic and Economic Information	105
<p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</p>	
Operating Information	106 – 111
<p>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</p>	

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

City of Waverly, Iowa  
 Government-Wide Net Assets by Component<sup>2</sup>  
 Last Eight Fiscal Years<sup>1</sup>  
 (accrual basis of accounting)

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

Notes:

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

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

Fiscal Year

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 18,880,181	\$ 21,032,486	\$ 23,672,634	\$ 31,003,445	\$ 38,301,899
907,320	1,901,399	2,056,639	2,240,151	2,828,214
5,696,327	4,289,177	2,566,051	2,646,083	2,727,228
<u>\$ 25,483,828</u>	<u>\$ 27,223,062</u>	<u>\$ 28,295,324</u>	<u>\$ 35,889,679</u>	<u>\$ 43,857,341</u>
\$ 10,825,782	\$ 10,839,282	\$ 11,575,601	\$ 11,665,128	\$ 11,417,580
294,728	182,668	541,706	474,334	475,584
1,510,592	1,790,196	711,666	993,468	1,127,573
<u>\$ 12,631,102</u>	<u>\$ 12,812,146</u>	<u>\$ 12,828,973</u>	<u>\$ 13,132,930</u>	<u>\$ 13,020,737</u>
\$ 29,705,963	\$ 31,871,768	\$ 35,248,235	\$ 42,668,573	\$ 49,719,479
1,202,048	2,084,067	2,598,345	2,714,485	3,303,798
7,206,919	6,079,373	3,277,717	3,639,551	3,854,801
<u>\$ 38,114,930</u>	<u>\$ 40,035,208</u>	<u>\$ 41,124,297</u>	<u>\$ 49,022,609</u>	<u>\$ 56,878,078</u>

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

Fiscal Year

	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>								
<b>Governmental Activities:</b>								
General Government	\$ 717,406	\$ 653,628	\$ 337,530	\$ 636,525	\$ 657,669	\$ 722,714	\$ 806,618	\$ 842,098
Public Safety	1,457,558	2,375,953	1,702,173	1,594,179	1,826,343	1,842,773	1,890,848	2,174,059
Public Works	337,158	2,346,295	2,229,068	2,583,298	3,051,121	3,525,685	3,091,315	2,910,741
Health and Social Services	-	5,956	4,470	40,492	371,172	752,457	160,307	185,670
Community & Economic Development	145,857	100,224	260,829	323,131	453,463	439,362	1,081,165	1,024,662
Culture and Recreation	1,890,816	1,848,445	1,940,735	2,008,138	2,391,710	2,266,639	2,218,807	2,322,625
Debt Service	558,303	616,883	677,574	629,037	581,318	533,573	410,454	360,531
Capital Projects	772,802	-	124,404	-	-	-	-	-
<b>Total Governmental Activities Expenses</b>	<b>5,879,900</b>	<b>7,947,384</b>	<b>7,276,783</b>	<b>7,814,800</b>	<b>9,332,796</b>	<b>10,083,203</b>	<b>9,659,514</b>	<b>9,820,386</b>
<b>Business-type Activities</b>								
Water	934,857	1,009,669	935,603	992,197	1,004,759	1,015,570	1,046,779	987,418
Sewer	1,302,613	1,294,864	1,363,527	1,340,567	1,459,406	1,371,630	1,449,551	1,426,007
Solid waste	677,072	720,941	787,681	794,029	917,857	960,872	945,847	1,010,520
<b>Total Business-type Activities Expenses</b>	<b>2,914,542</b>	<b>3,025,474</b>	<b>3,086,811</b>	<b>3,126,793</b>	<b>3,382,022</b>	<b>3,348,072</b>	<b>3,442,177</b>	<b>3,423,945</b>
<b>Total Primary Government Expenses</b>	<b>8,794,442</b>	<b>10,972,858</b>	<b>10,363,594</b>	<b>10,941,593</b>	<b>12,714,818</b>	<b>13,431,275</b>	<b>13,101,691</b>	<b>13,244,331</b>
<b>Program Revenues (2)</b>								
<b>Governmental Activities:</b>								
<b>Charges for Services</b>								
General Government	214,684	197,218	276,152	248,926	288,618	220,787	225,423	242,245
Public Safety	175,223	209,491	190,165	66,869	53,784	40,546	44,690	69,828
Public Works	215,740	241,750	57,233	94,986	76,341	106,013	85,054	60,305
Community & Economic Development	-	-	-	-	24,002	28,000	19,231	19,988
Culture and Recreation	618,652	640,162	646,625	668,242	574,588	615,094	604,391	626,784
Operating Grants and Contributions	1,273,888	1,083,524	1,102,485	1,380,110	2,162,998	2,562,584	1,610,920	2,044,044
Capital Grants and Contributions	-	1,330,195	23,000	1,404,076	803,799	448,176	6,869,966	7,153,867
<b>Total Governmental Activities Program Revenues</b>	<b>2,498,187</b>	<b>3,702,340</b>	<b>2,295,660</b>	<b>3,863,209</b>	<b>3,984,130</b>	<b>4,021,200</b>	<b>9,459,675</b>	<b>10,217,061</b>
<b>Business-type Activities:</b>								
<b>Charges for services:</b>								
Water	915,628	940,144	928,360	1,065,811	1,086,607	1,030,087	1,092,557	1,086,039
Sewer	1,060,088	1,173,966	1,323,162	1,423,835	1,426,363	1,397,455	1,451,773	1,412,172
Solid waste	749,942	810,682	828,387	838,647	913,187	929,328	1,054,942	1,036,883
Capital Grants and Contributions	-	511,096	159,028	369,790	138,522	-	109,178	-
<b>Total Business-Type Activities Program Revenues</b>	<b>2,725,658</b>	<b>3,435,888</b>	<b>3,238,937</b>	<b>3,698,083</b>	<b>3,564,679</b>	<b>3,356,870</b>	<b>3,708,450</b>	<b>3,535,094</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 5,223,845</b>	<b>\$ 7,138,228</b>	<b>\$ 5,534,597</b>	<b>\$ 7,561,292</b>	<b>\$ 7,548,809</b>	<b>\$ 7,378,070</b>	<b>\$ 13,168,125</b>	<b>\$ 13,752,155</b>

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net (Expense)/Revenue <sup>1</sup>								
Governmental Activities:	\$(3,381,713)	\$(4,245,044)	\$(4,981,123)	\$(3,951,591)	\$(5,348,666)	\$(6,062,003)	\$ (199,839)	\$ 396,675
Business-type Activities	<u>(188,884)</u>	<u>410,414</u>	<u>152,126</u>	<u>571,290</u>	<u>182,657</u>	<u>8,798</u>	<u>266,273</u>	<u>111,149</u>
Total Primary Government Net Expense	<u><u>(3,570,597)</u></u>	<u><u>(3,834,630)</u></u>	<u><u>(4,828,997)</u></u>	<u><u>(3,380,301)</u></u>	<u><u>(5,166,009)</u></u>	<u><u>(6,053,205)</u></u>	<u><u>66,434</u></u>	<u><u>507,824</u></u>
<b>General Revenues</b>								
Governmental Activities:								
Property Taxes	3,243,081	3,405,718	3,623,336	4,955,605	5,269,029	5,738,820	5,854,330	6,010,599
Other Taxes	562,401	636,502	711,455	-	-	-	-	-
Local Option Sales Tax	500,793	782,317	619,941	708,172	803,943	815,438	828,529	790,374
Hotel/Motel Taxes	58,176	140,467	143,631	144,854	173,098	170,557	133,201	154,851
Special Assessment	19,781	-	-	-	-	-	-	-
Interest	49,554	78,837	223,744	283,245	193,573	57,397	53,120	55,902
General Intergovernmental Revenues	280,986	496,854	635,103	169,440	178,926	190,500	202,440	193,778
Contributions	131,292	-	-	-	-	-	-	-
Gain (Loss) on Sale of Assets	32,749	(14,730)	-	910,094	259,062	30,326	563,272	-
Miscellaneous	120,097	81,691	156,570	53,029	75,766	54,738	119,104	66,833
Transfers	32,633	100,000	182,846	194,469	134,503	76,489	40,198	298,650
Total Governmental Activities	<u>5,031,543</u>	<u>5,707,656</u>	<u>6,296,626</u>	<u>7,418,908</u>	<u>7,087,900</u>	<u>7,134,265</u>	<u>7,794,194</u>	<u>7,570,987</u>
Business-type Activities:								
Investment Earnings	64,284	68,664	101,656	103,118	70,915	26,338	9,484	5,881
Contributions	51,000	-	-	-	-	-	-	-
Miscellaneous	47,332	78,070	68,474	53,757	61,975	58,180	68,398	69,427
Transfers	<u>(32,633)</u>	<u>(100,000)</u>	<u>(182,846)</u>	<u>(194,469)</u>	<u>(134,503)</u>	<u>(76,489)</u>	<u>(40,198)</u>	<u>(298,650)</u>
Total Business-type Activities	<u>129,983</u>	<u>46,734</u>	<u>(12,716)</u>	<u>(37,594)</u>	<u>(1,613)</u>	<u>8,029</u>	<u>37,684</u>	<u>(223,342)</u>
Total Primary Government	<u><u>5,161,526</u></u>	<u><u>5,754,390</u></u>	<u><u>6,283,910</u></u>	<u><u>7,381,314</u></u>	<u><u>7,086,287</u></u>	<u><u>7,142,294</u></u>	<u><u>7,831,878</u></u>	<u><u>7,347,645</u></u>
<b>Change in Net Assets</b>								
Governmental Activities	1,649,830	1,462,612	1,315,503	3,467,317	1,739,234	1,072,262	7,594,355	7,967,662
Business-type Activities	<u>(58,901)</u>	<u>457,148</u>	<u>139,410</u>	<u>533,696</u>	<u>181,044</u>	<u>16,827</u>	<u>303,957</u>	<u>(112,193)</u>
Total Primary Government	<u><u>\$ 1,590,929</u></u>	<u><u>\$ 1,919,760</u></u>	<u><u>\$ 1,454,913</u></u>	<u><u>\$ 4,001,013</u></u>	<u><u>\$ 1,920,278</u></u>	<u><u>\$ 1,089,089</u></u>	<u><u>\$ 7,898,312</u></u>	<u><u>\$ 7,855,469</u></u>

Notes:

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

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

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

<b>Fiscal Year</b>	<b>General Property Tax</b>	<b>Local Option Sales Tax<sup>1</sup></b>	<b>Bank Franchise Tax<sup>2</sup></b>	<b>Tax Increment Financing Taxes</b>	<b>Cable TV Franchise Tax</b>	<b>Hotel - Motel Tax<sup>1</sup></b>	<b>Total Taxes</b>
2002	\$ 2,951,815	\$ -	\$ 38,305	\$ 463,321	\$ 35,742	\$ -	\$3,489,183
2003	3,105,328	-	41,078	485,238	40,292	-	3,671,936
2004	3,243,081	455,716	47,092	562,401	45,714	58,176	4,412,180
2005	3,405,718	762,930	14,351	637,467	48,750	131,802	5,001,018
2006	3,623,336	613,218	-	688,065	48,070	146,890	5,119,579
2007	3,962,657	708,172	-	992,950	52,620	144,852	5,861,251
2008	4,227,819	803,943	-	1,041,210	49,784	173,098	6,295,854
2009	4,319,975	815,438	-	1,418,845	46,878	170,557	6,771,693
2010	4,301,441	828,529	-	1,552,889	49,136	133,201	6,865,196
2011	\$ 4,460,164	\$ 790,374	\$ -	\$ 1,550,435	\$ 50,836	\$ 154,851	\$7,006,660
Percentage Change In Dollars Over 10 Years	51.10%	73.44%	N/A	234.64%	42.23%	166.18%	100.81%

**Notes:**

<sup>1</sup> Local Option tax started in July of 2003. Hotel-Motel tax started in January 2004.

<sup>2</sup> Bank franchise taxes were implemented for ten years and were completed during fiscal year 2005.

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

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund				
Reserved	\$ 117,216	\$ 33,165	\$ 48,370	\$ 47,265
Unreserved	1,307,610	1,347,586	1,314,653	1,453,064
Nonspendable <sup>2</sup>	-	-	-	-
Restricted <sup>2</sup>	-	-	-	-
Committed <sup>2</sup>	-	-	-	-
Assigned <sup>2</sup>	-	-	-	-
Unassigned <sup>2</sup>	-	-	-	-
Total General Fund	<u>\$ 1,424,826</u>	<u>\$ 1,380,751</u>	<u>\$ 1,363,023</u>	<u>\$ 1,500,329</u>
All Other Governmental Funds				
Reserved	\$ 50,051	\$ 5,406	\$ 452,714	\$ 2,642,776
Unreserved, reported in:				
Special Revenue Funds	578,201	488,445	239,392	848,604
Capital Projects Funds	1,686,968	1,461,858	1,760,337	1,780,788
Nonspendable <sup>2</sup>	-	-	-	-
Restricted <sup>2</sup>	-	-	-	-
Committed <sup>2</sup>	-	-	-	-
Assigned <sup>2</sup>	-	-	-	-
Unassigned <sup>2</sup>	-	-	-	-
Total All Other Governmental Funds <sup>1</sup>	<u>\$ 2,315,220</u>	<u>\$ 1,955,709</u>	<u>\$ 2,452,443</u>	<u>\$ 5,272,168</u>
Total Governmental Funds				
Reserved	\$ 167,267	\$ 38,571	\$ 501,084	\$ 2,690,041
Unreserved, reported in:				
General Fund	1,307,610	1,347,586	1,314,653	1,453,064
Special Revenue Funds	578,201	488,445	239,392	848,604
Capital Projects Funds	1,686,968	1,461,858	1,760,337	1,780,788
Nonspendable <sup>2</sup>	-	-	-	-
Restricted <sup>2</sup>	-	-	-	-
Committed <sup>2</sup>	-	-	-	-
Assigned <sup>2</sup>	-	-	-	-
Unassigned <sup>2</sup>	-	-	-	-
Total Governmental Funds	<u>\$ 3,740,046</u>	<u>\$ 3,336,460</u>	<u>\$ 3,815,466</u>	<u>\$ 6,772,497</u>

Notes:

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

<sup>1</sup>

<sup>2</sup> The City implemented GASB 54 in fiscal 2011, which changed fund balance classifications for periods beginning after June 15, 2010.

Fiscal Year

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 56,105	\$ 65,635	\$ 59,122	\$ 64,791	\$ 69,998	\$ -
1,377,426	2,688,512	2,896,720	1,782,381	1,452,931	-
-	-	-	-	-	55,058
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	16,431
-	-	-	-	-	1,492,201
<u>\$ 1,433,531</u>	<u>\$ 2,754,147</u>	<u>\$ 2,955,842</u>	<u>\$ 1,847,172</u>	<u>\$ 1,522,929</u>	<u>\$ 1,563,690</u>
\$ 470,369	\$ 511,995	\$ 516,770	\$ 557,818	\$ 591,774	\$ -
1,287,143	1,604,900	1,415,982	1,495,475	1,576,193	-
4,674,246	1,898,051	1,165,065	314,939	809,766	-
-	-	-	-	-	476,204
-	-	-	-	-	3,471,095
-	-	-	-	-	-
-	-	-	-	-	1,218,091
-	-	-	-	-	(422,145)
<u>\$ 6,431,758</u>	<u>\$ 4,014,946</u>	<u>\$ 3,097,817</u>	<u>\$ 2,368,232</u>	<u>\$ 2,977,733</u>	<u>\$ 4,743,245</u>
\$ 526,474	\$ 577,630	\$ 575,892	\$ 622,609	\$ 661,772	\$ -
1,377,426	2,688,512	2,896,720	1,782,381	1,452,931	-
1,287,143	1,604,900	1,415,982	1,495,475	1,576,193	-
4,674,246	1,898,051	1,165,065	314,939	809,766	-
-	-	-	-	-	531,262
-	-	-	-	-	3,471,095
-	-	-	-	-	-
-	-	-	-	-	1,234,522
-	-	-	-	-	1,070,056
<u>\$ 7,865,289</u>	<u>\$ 6,769,093</u>	<u>\$ 6,053,659</u>	<u>\$ 4,215,404</u>	<u>\$ 4,500,662</u>	<u>\$ 6,306,935</u>

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

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Revenues</b>				
Taxes	\$ 3,415,136	\$ 3,590,566	\$ 4,364,451	\$ 4,965,004
Licenses and Permits	173,340	124,133	181,939	132,251
Intergovernmental	2,445,506	2,036,841	1,554,873	1,653,304
Charges for Services	638,450	741,935	998,372	804,429
Fines and Forfeits	-	-	43,989	46,214
Investment Earnings	159,424	85,070	48,082	78,837
Rental Income	-	-	-	50,450
Special Assessments	-	-	19,781	53,956
Contributions	-	1,679	131,292	32,699
Proceeds from the Sale of Real Estate & Equipment	-	-	62,724	4,000
Refunds	-	-	-	-
Miscellaneous	393,088	481,661	124,136	81,691
<b>Total Revenues</b>	<u>\$ 7,224,944</u>	<u>\$ 7,061,885</u>	<u>\$ 7,529,639</u>	<u>\$ 7,902,835</u>
<b>Expenditures<sup>1</sup></b>				
Public Safety	-	1,275,046	1,436,963	2,142,727
Community Protection	1,304,717	-	-	-
Public Works	-	939,123	1,061,314	1,106,425
Health and Social Services	-	-	-	5,956
Culture and Recreation	-	1,702,179	1,894,714	1,749,569
Human Development	1,483,736	-	-	-
Community and Economic Development	-	112,626	145,857	100,224
Home and Community Development	1,636,001	-	-	-
General Government	-	650,401	584,231	587,689
Policy and Administration	566,585	-	-	-
Debt Service				
Principal	1,219,228	1,678,632	1,081,664	1,086,164
Interest	318,522	707,969	615,031	549,564
Capital Projects	5,411,214	1,391,725	772,802	1,240,044
<b>Total Expenditures</b>	<u>\$ 11,940,003</u>	<u>\$ 8,457,701</u>	<u>\$ 7,592,576</u>	<u>\$ 8,568,362</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(4,715,059)	(1,395,816)	(62,937)	(665,527)
<b>Other Financing Sources (Uses)</b>				
Issuance of Bonds and Notes	4,339,154	693,336	81,610	3,522,558
Premiums on Bonds Issued	-	-	-	-
Payment of Refunded Bonds	-	-	-	-
Transfers In	1,530,721	1,482,771	1,621,927	1,601,076
Transfers Out	(1,387,292)	(1,356,247)	(1,589,294)	(1,501,076)
Sale of Fixed Assets	-	171,501	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>\$ 4,482,583</u>	<u>\$ 991,361</u>	<u>\$ 114,243</u>	<u>\$ 3,622,558</u>
<b>Net change in fund balances</b>	<u>\$ (232,476)</u>	<u>\$ (404,455)</u>	<u>\$ 51,306</u>	<u>\$ 2,957,031</u>
Debt service as a percentage of non-capital expenditures <sup>2</sup>	23.55%	33.78%	24.88%	22.32%

**Notes:**

<sup>1</sup> The State of Iowa program levels changed in 2003.

<sup>2</sup> The non-capital expenditures for years 2002-2003 is not readily available.

Fiscal Year						
2006	2007	2008	2009	2010	2011	
\$ 5,098,363	\$ 5,808,631	\$ 6,246,070	\$ 6,724,815	\$ 6,816,060	\$ 6,955,824	
20,461	104,771	89,096	70,932	76,995	74,274	
1,862,099	2,289,765	2,839,001	3,133,340	8,624,439	9,302,604	
816,965	826,422	762,581	753,881	749,174	789,360	
48,530	43,692	60,519	55,617	57,984	81,432	
223,744	281,232	190,953	53,475	49,430	53,322	
48,460	86,141	105,137	130,010	94,636	56,533	
29,557	14,824	24,624	8,107	13,293	11,746	
52,076	19,943	46,245	62,145	53,426	86,594	
9,690	-	-	-	-	-	
424,806	-	-	-	-	-	
155,922	60,087	75,766	54,738	100,733	102,756	
<u>\$ 8,790,673</u>	<u>\$ 9,535,508</u>	<u>\$ 10,439,992</u>	<u>\$ 11,047,060</u>	<u>\$ 16,636,170</u>	<u>\$ 17,514,445</u>	
1,806,846	1,505,718	2,527,463	1,865,308	1,967,944	1,944,423	
-	-	-	-	-	-	
1,150,898	1,120,069	1,361,664	1,398,593	1,549,928	1,648,157	
4,470	40,492	371,172	752,457	160,307	160,670	
1,870,055	2,092,858	1,965,203	2,112,607	2,068,757	2,280,472	
-	-	-	-	-	-	
683,676	211,505	424,329	379,384	1,139,355	1,133,362	
-	-	-	-	-	-	
681,145	708,594	759,889	708,822	750,950	727,688	
-	-	-	-	-	-	
3,264,741	1,465,223	1,365,468	1,492,422	1,559,972	1,637,393	
626,454	608,512	598,918	578,130	421,926	381,360	
1,787,442	4,116,093	2,671,634	3,837,918	7,365,555	8,678,411	
<u>\$ 11,875,727</u>	<u>\$ 11,869,064</u>	<u>\$ 12,045,740</u>	<u>\$ 13,125,641</u>	<u>\$ 16,984,694</u>	<u>\$ 18,591,936</u>	
(3,085,054)	(2,333,556)	(1,605,748)	(2,078,581)	(348,524)	(1,077,491)	
4,040,000	124,983	1,093,267	4,360,000	680,312	2,534,318	
-	-	-	-	-	50,796	
-	-	(589,612)	(4,295,000)	(650,000)	-	
1,829,403	2,439,569	3,836,910	3,383,978	3,852,667	3,480,232	
(1,691,557)	(2,245,100)	(3,709,313)	(3,238,978)	(3,812,469)	(3,181,582)	
-	917,908	259,062	30,326	563,272	-	
<u>\$ 4,177,846</u>	<u>\$ 1,237,360</u>	<u>\$ 890,314</u>	<u>\$ 240,326</u>	<u>\$ 633,782</u>	<u>\$ 2,883,764</u>	
<u>\$ 1,092,792</u>	<u>\$ (1,096,196)</u>	<u>\$ (715,434)</u>	<u>\$ (1,838,255)</u>	<u>\$ 285,258</u>	<u>\$ 1,806,273</u>	
38.57%	26.75%	21.52%	20.73%	21.17%	21.16%	

City of Waverly, Iowa  
Assessed and Taxable Value of Taxable Property<sup>1</sup>  
Last Ten Fiscal Years

Fiscal Year	Real Property		Utilities <sup>3</sup>		Total		Total Direct Tax Rate	Total Taxable Value To Total Assessed Value
	Assessed Value	Taxable Value <sup>2</sup>	Assessed Value	Taxable Value	Assessed Value	Taxable Value		
2002	\$ 337,725,070	\$ 226,919,161	\$ 5,793,703	\$ 5,793,703	\$ 343,518,773	\$ 232,712,864	12.472	67.74%
2003	370,510,662	230,667,689	6,131,301	6,127,965	376,641,963	236,795,654	12.969	62.87%
2004	373,740,464	231,242,928	6,391,538	6,391,538	380,132,002	237,634,466	13.472	62.51%
2005	387,241,882	228,587,942	5,739,643	6,122,573	392,981,525	234,710,515	14.305	59.73%
2006	400,227,354	234,339,310	5,813,677	5,898,577	406,041,031	240,237,887	14.852	59.17%
2007	463,670,117	256,420,559	6,391,451	6,095,819	470,061,568	262,516,378	14.699	55.85%
2008	490,500,027	268,565,295	6,910,814	5,536,691	497,410,841	274,101,986	15.071	55.11%
2009	575,400,233	324,797,829	7,911,996	5,527,775	583,312,229	330,325,604	14.781	56.63%
2010	586,382,560	336,384,219	8,780,101	5,527,775	595,162,661	341,911,994	14.340	57.45%
2011	\$ 591,931,845	\$ 345,447,343	\$ 9,051,046	\$ 5,764,139	\$ 600,982,891	\$ 351,211,482	14.504	58.44%

Source: Bremer County, Iowa; County Auditor

The county reassesses by January 1 for the following fiscal year. The state sets the rollback percentage for the taxable value. For FY 2011 this Notes: percentage is 46.9094%.

<sup>1</sup> Taxable Value does not include the Tax Increment Levy

<sup>2</sup> Taxable value = (percent rollback \* assessed value) - exemptions (military, homestead, elderly, etc.)

<sup>3</sup> Utilities includes Railroads, Utilities, and Gas & Electric

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

Fiscal Year	City of Waverly				Overlapping Rates				Total Direct and Overlapping
	General	Special Revenue	Debt Service	Total Direct	Waverly - Shell Rock School	Bremer County	Hawkeye Community College	Total Overlapping	
2002	\$ 8.733	\$ 0.973	\$ 2.766	\$ 12.472	\$ 12.002	\$ 4.430	\$ 0.699	\$ 17.131	\$ 29.603
2003	8.804	1.126	3.039	12.969	12.370	4.453	0.784	17.608	30.577
2004	8.814	1.353	3.305	13.472	12.259	4.954	0.746	17.959	31.431
2005	8.793	2.234	3.278	14.305	12.101	6.318	0.995	19.415	33.720
2006	8.837	2.814	3.201	14.852	12.020	6.668	1.067	19.755	34.607
2007	8.850	2.835	3.014	14.699	12.371	6.337	1.040	19.748	34.447
2008	8.555	3.782	2.734	15.071	12.390	6.520	0.828	19.738	34.809
2009	8.564	3.601	2.616	14.781	12.375	7.098	1.001	20.474	35.255
2010	8.573	3.321	2.446	14.340	12.242	6.630	0.932	19.804	34.144
2011	\$ 8.579	\$ 3.553	\$ 2.371	\$ 14.504	\$ 13.691	\$ 6.114	\$ 0.997	\$ 20.802	\$ 35.306

Source: Bremer County Iowa: County Auditor

City of Waverly, Iowa  
Principal Taxpayers and Their Assessed Valuations  
June 30, 2011

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
CUNA Mutual Life Insurance	\$ 9,654,280	1	2.75%	\$ 9,759,200	1	4.19%
Wal-Mart	7,613,500	2	2.17%	-	-	-
Nestle' USA	7,319,110	3	2.08%	7,156,840	2	3.08%
Birdworks LLC	6,788,040	4	1.93%	-	-	-
First National Bank	4,216,250	5	1.20%	1,622,690	9	0.70%
GMT Corporation	3,326,290	6	0.95%	5,397,780	3	2.32%
MDMPartnership	3,279,670	7	0.93%	3,064,140	5	1.32%
Terex Cranes, Inc. - Waverly	3,080,190	8	0.88%	3,660,250	4	1.57%
Village Square Plaza	2,864,320	9	0.82%	2,319,510	6	1.00%
State Bank & Trust Co.	2,568,540	10	0.73%	-	-	-
Clover, LLC	2,464,900	11	0.70%	-	-	-
Wav/Kaz Inc.	-	-	-	1,834,900	8	0.79%
Meier-Hanson Properties	-	-	-	2,005,320	7	0.86%
Total Principal Taxpayers	53,175,090		15.14%	36,820,630		15.82%
All Other Taxpayers	<u>298,036,392</u>		<u>84.86%</u>	<u>195,892,234</u>		<u>84.18%</u>
Total Assessed Valuation	<u>\$ 351,211,482</u>		<u>100.00%</u>	<u>\$ 232,712,864</u>		<u>100.00%</u>

Source: Bremer County, Iowa: County Treasurer

**City of Waverly, Iowa**  
**Property Tax Levies and Collections <sup>1</sup>**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections (2)</u>	<u>Percent of Levy Collected</u>	<u>Collections in Subsequent Years (2)</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>
2002	\$ 2,872,431	\$ 2,951,815	102.76%	N/A	\$ 2,951,815	102.76%
2003	3,048,979	3,105,328	101.85%	N/A	3,105,328	101.85%
2004	3,236,314	3,243,081	100.21%	N/A	3,243,081	100.21%
2005	3,400,347	3,405,718	100.16%	N/A	3,405,718	100.16%
2006	3,612,645	3,623,336	100.30%	N/A	3,623,336	100.30%
2007	3,903,182	4,107,509	105.23%	N/A	4,107,509	105.23%
2008	4,215,820	4,227,818	100.28%	N/A	4,227,818	100.28%
2009	4,307,395	4,319,975	100.29%	N/A	4,319,975	100.29%
2010	4,290,422	4,301,445	100.26%	N/A	4,301,445	100.26%
2011	\$ 4,460,591	\$ 4,469,070	100.19%	N/A	\$ 4,469,070	100.19%

Source: Bremer County Treasurer, Bremer County, Iowa

Notes:

<sup>1</sup> GAAP Basis

<sup>2</sup> Collected totals for each fiscal year include delinquent and current property taxes. The Bremer County Treasurer's Office does not record for which year delinquent payments are made therefore delinquent collections are included in year collected.

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

Fiscal Year	Governmental Activities		Business-Type Activities		Special Assessment Loan Notes	Total Primary Government	Percentage of Personal Income <sup>2</sup>	Per Capita <sup>1</sup>
	General Obligation Bonds	Notes Payable	General Obligation Bonds	Revenue Bonds				
2002	\$ 14,037,365	\$ 429,162	\$ 1,657,635	\$ 3,650,000	\$ 410,000	\$ 20,184,162	12.31%	\$ 2,251
2003	13,069,612	333,395	1,505,388	3,365,000	-	18,273,395	11.14%	2,038
2004	12,004,612	252,350	1,375,388	3,035,000	-	16,667,350	10.16%	1,859
2005	14,494,612	257,744	1,705,388	2,700,000	-	19,157,744	11.68%	2,136
2006	15,309,612	218,003	1,105,388	2,340,000	-	18,973,003	11.57%	2,116
2007	13,894,612	292,763	950,388	1,975,000	-	17,112,763	10.44%	1,908
2008	13,048,267	238,158	1,636,733	1,535,000	-	16,458,158	7.94%	1,835
2009	11,656,017	182,156	1,373,983	1,245,000	-	14,457,156	6.95%	1,612
2010	10,138,636	157,159	1,106,364	940,000	-	12,342,159	5.44%	1,376
2011	\$ 10,980,000	\$ 184,900	\$ 885,000	\$ 630,000	\$ -	12,679,900	5.20%	\$ 1,284

Notes:

<sup>1</sup> Population data used was the actual census from the year 2010 of 9,874.

<sup>2</sup> See the Schedule of Demographic and Economic Statistics on page 104 for personal income data.

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

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual <sup>1</sup> Taxable Value of Property</u>	<u>Per Capita<sup>2</sup></u>
2002	\$ 15,695,000	\$ 50,051	\$ 15,644,949	6.72%	\$ 1,745
2003	14,575,000	5,406	14,569,594	6.15%	1,625
2004	13,380,000	13,122	13,366,878	5.62%	1,491
2005	16,200,000	2,197,444	14,002,556	5.97%	1,561
2006	16,415,000	18,769	16,396,231	6.82%	1,828
2007	14,845,000	55,356	14,789,644	5.63%	1,649
2008	14,685,000	32,626	14,652,374	5.35%	1,634
2009	13,030,000	91,817	12,938,183	4.54%	1,443
2010	11,245,000	101,396	11,143,604	3.83%	1,243
2011	\$ 11,865,000	\$ 72,430	\$ 11,792,570	3.41%	\$ 1,194

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

<sup>1</sup> See the Table of Assessed Values and Taxable Value of Taxable Property for property value data.

<sup>2</sup> Population data used was the actual census from the year 2010 of 9,874.

**City of Waverly, Iowa**  
**Computation of Direct and Overlapping Debt<sup>3</sup>**  
**June 30, 2011**

Name of Governmental Unit	Debt Outstanding	Percentage <sup>4</sup> Applicable to City	Amount Applicable to City
Direct:			
City of Waverly	\$ 11,164,900	100%	\$ 11,164,900
Overlapping:			
Bremer County <sup>1</sup>	3,130,000	18%	563,400
Waverly-Shell Rock School District <sup>2</sup>	<u>4,535,000</u>	44%	<u>1,995,400</u>
Total Overlapping Debt	<u>7,665,000</u>		<u>2,558,800</u>
Total Direct and Overlapping Debt	<u>\$ 18,829,900</u>		<u>\$ 13,723,700</u>

Sources:

<sup>1</sup> County Auditor, Bremer County, Iowa

<sup>2</sup> Waverly-Shell Rock School District

Notes:

<sup>3</sup> Excluding General Obligation bonds reported in the Enterprise Funds.

<sup>4</sup> For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using assessed property values. Applicable percentages were estimated by determining the portion of another government unit's assessed value that is within the City's boundaries and dividing it by each unit's total assessed value.

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**City of Waverly  
Legal Debt Margin Information  
Last Ten Fiscal Years**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Debt Limit	\$ 19,640,231	\$ 19,758,691	\$ 20,047,576	\$ 20,751,823
Total Net Debt Applicable to Limit	<u>15,793,339</u>	<u>14,638,096</u>	<u>13,366,878</u>	<u>16,200,000</u>
Legal Debt Margin	\$ 3,846,892	\$ 5,120,595	\$ 6,680,698	\$ 4,551,823
Total Net Debt Applicable to the Limit as a percentage of debt limit	80.41%	74.08%	66.68%	78.07%

**Legal Debt Margin Calculation for Fiscal Year 2011**

Assessed Value			
Real and Personal Property Within the City			\$ 600,982,891
TOTAL ESTIMATED VALUATION			<u>600,982,891</u>
 DEBT LIMIT - 5% of ESTIMATED VALUATION			 30,049,145
 Amount of Debt Applicable to Limit			
Total Debt and Long-Term Notes Payable		12,679,900	
Less:			
Revenue Bonds:			
Sewer Revenue Bonds	580,000		
Water Revenue Bonds	<u>50,000</u>		
		630,000	
Amount Available for Repayment of General Obligation Debt		<u>72,430</u>	
 Debt Applicable to Debt Limit			 <u>11,977,470</u>
 Legal Debt Margin			 <u>\$ 18,071,675</u>

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

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 21,449,800	\$ 25,194,381	\$ 26,574,137	\$ 29,165,611	\$ 29,758,133	\$ 30,049,145
<u>16,832,236</u>	<u>15,082,395</u>	<u>14,890,532</u>	<u>13,120,339</u>	<u>11,300,763</u>	<u>11,977,470</u>
\$ 4,617,564	\$ 10,111,986	\$ 11,683,605	\$ 16,045,272	\$ 18,457,370	\$ 18,071,675
78.47%	59.86%	56.03%	44.99%	37.98%	39.86%

**City of Waverly, Iowa  
Water Revenue Bond Coverage  
Last Ten Fiscal Years<sup>1</sup>**

Fiscal Year	Net Operating Revenue	Direct Operating Expense	Depreciation & Amortization Included in Expenses	Net Revenue Available for Debt Service	Payments On Principal	Payments For Interest
2002	\$ 693,298	\$ 699,280	\$ 181,974	\$ (5,982)	\$ 193,800	\$ 110,925
2003	802,011	816,543	222,506	(14,532)	245,000	118,007
2004	915,628	844,817	226,489	70,811	220,000	90,040
2005	940,144	918,528	225,896	21,616	225,000	91,141
2006	928,360	839,001	234,258	89,359	245,000	96,602
2007	1,065,811	939,067	254,098	126,744	255,000	53,130
2008	1,086,607	958,476	259,751	128,131	260,000	46,283
2009	1,030,087	959,049	260,422	71,038	257,750	56,521
2010	1,092,557	999,372	268,853	93,185	272,619	47,407
2011	\$ 1,086,039	\$ 948,144	\$ 263,983	\$ 137,895	\$ 271,364	\$ 39,274

Notes

<sup>1</sup> GAAP Basis

<b>Total Debt Service Payments</b>	<b>Coverage</b>	<b>Net Revenue Available For Debt Service Plus Depreciation</b>	<b>Coverage Without Depreciation</b>
\$ 304,725	(0.02)	\$ 175,992	0.58
363,007	(0.04)	207,974	0.57
310,040	0.23	297,300	0.96
316,141	0.07	247,512	0.78
341,602	0.26	323,617	0.95
308,130	0.41	380,842	1.24
306,283	0.42	387,882	1.27
314,271	0.23	331,460	1.05
320,026	0.29	362,038	1.13
\$ 310,638	0.44	\$ 401,878	1.29

**City of Waverly, Iowa  
Sewer Revenue Bond Coverage  
Last Ten Fiscal Years<sup>1</sup>**

<b>Fiscal Year</b>	<b>Net Operating Revenue</b>	<b>Direct Operating Expense</b>	<b>Depreciation &amp; Amortization Included in Expenses</b>	<b>Net Revenue Available For Debt Service</b>	<b>Payments On Principal</b>	<b>Payments For Interest</b>
2002	\$ 873,799	\$ 1,012,818	\$ 356,616	\$ (139,019)	\$ 164,600	\$ 106,146
2003	981,281	1,080,629	373,630	(99,348)	221,500	136,717
2004	1,060,088	1,185,001	377,805	(124,913)	240,000	117,612
2005	1,173,966	1,178,154	417,531	(4,188)	245,000	116,710
2006	1,323,162	1,255,668	421,538	67,494	255,000	107,859
2007	1,423,835	1,249,868	442,856	173,967	265,000	90,699
2008	1,426,363	1,379,356	455,447	47,007	280,000	80,050
2009	1,397,455	1,317,802	448,663	79,653	295,000	53,828
2010	1,451,773	1,406,774	471,271	44,999	300,000	42,777
2011	\$ 1,412,172	\$ 1,394,145	\$ 481,193	\$ 18,027	\$ 260,000	\$ 31,862

Notes

<sup>1</sup> GAAP Basis

<b>Total Debt Service Payments</b>		<b>Coverage</b>	<b>Net Revenue Available For Debt Service Plus Depreciation</b>		<b>Coverage Without Depreciation</b>
\$	270,746	(0.51)	\$	217,597	0.80
	358,217	(0.28)		274,282	0.77
	357,612	(0.35)		252,892	0.71
	361,710	(0.01)		413,343	1.14
	362,859	0.19		489,032	1.35
	355,699	0.49		616,823	1.73
	360,050	0.13		502,454	1.40
	348,828	0.23		528,316	1.51
	342,777	0.13		516,270	1.51
\$	291,862	0.06	\$	499,220	1.71

**City of Waverly, Iowa  
Demographic and Economic Statistics <sup>1</sup>  
Selected Years**

<u>Fiscal Year</u>	<u>Population</u>	<u>Total Personal Income<sup>2</sup></u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Educational Attainment Bachelor's Degree or Higher</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
1970	7,205	\$ 21,334,005	\$ 2,961	25.2	n/a	2,582	3.80%
1980	8,444	60,644,808	7,182	27.4	n/a	2,282	4.60%
1990	8,539	101,972,738	11,942	32.5	n/a	2,120	4.20%
2000	8,968	163,979,880	18,285	34.1	1,618	1,944	2.40%
2010	9,874 (3)	\$ 243,670,572	\$ 24,678 (4)	34.1 (5)	3,545 (6)	1,889 (7)	4.70% (8)

Sources: U.S. Census Bureau

Notes:

1. Accurate statistical figures are only available every ten years.
2. Computation of per capita personal income multiplied by population.
3. Actual 2010 Census
4. State of Iowa Quick Facts
5. 2009 estimate from [www.city-data.com](http://www.city-data.com)
6. State of Iowa Quick Facts
7. WSR school enrollment for 10-11
8. Iowa Workforce Development June 2011 (Bremer County.)

**City of Waverly, Iowa  
Principal Employers  
Current Year <sup>1</sup>**

Employer	2011		
	Employees	Rank	Percentage of Total City Employment
CUNA Mutual Life Insurance	540	1	8.49%
Waverly Health Center	434	2	6.83%
Wartburg College	400	3	6.29%
Nestle USA, Beverage Division	300	4	4.72%
Waverly Shell Rock Schools	250	5	3.93%
GMT Corporation	235	6	3.70%
Lutheran Services in Iowa, Inc	300	7	4.72%
Bartels Lutheran Home	230	8	3.62%
Walmart	200	9	3.15%
Terex Cranes, Inc., Waverly	181	10	2.85%
Total Employees of Principal Employers	3,070		39.80%
Other Employees	3,287		60.20%
Total Employees <sup>2</sup>	6,357		100.00%

Source:  
Waverly Chamber of Commerce  
Waverly Laborshed Analysis

Note:

- <sup>1</sup> Comparative data from nine years ago not currently available.
- <sup>2</sup> Includes full-time and part-time employees based on 2011 Laborshed Analysis.

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

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government	9.5	10	10	11	10.5	11	11	11	11	14.5
Library	9.5	10	9.5	9.5	9.5	10	10	10	10	10.5
Public Safety										
Police										
Officers	15	15	15	15	15	16	16	16	16	16
Secretaries	1	1	1	1	1	1	1	1	1	1
Fire										
Firefighters and Officers	1	1	1	1	1	1	1	1	1	8
Volunteers	36	36	36	36	36	36	36	36	36	29
Highways and Streets										
Engineering/Zoning/Economic	5	5	5	5	5	6	7.5	7.5	7.5	4.75
Equipment Maintenance	2	2	2	2	2	2	2	2	2	2
Street Maintenance	7	7	7	7	7	7	7	7	7	7
Building Inspection <sup>1</sup>	2	2	2	2	1	0	0	0	0	0
Sanitation <sup>2</sup>	8	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Culture and Recreation <sup>2</sup>	20.5	23.5	24.5	23	24	23	20	17	17	18
Water	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Sewer	6	6	6	6	6	6	6	6	6	5.5
	<u>126</u>	<u>130.5</u>	<u>131</u>	<u>130.5</u>	<u>130</u>	<u>131</u>	<u>129.5</u>	<u>126.5</u>	<u>126.5</u>	<u>128.25</u>

Source: City of Waverly Accounting Department

Notes:

<sup>1</sup> In 2005 the building inspection responsibilities was moved to Bremer County.

<sup>2</sup> Fluctuations in these functions were due to the number of part-time seasonal personnel.

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**City of Waverly, Iowa**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year			
	2002	2003	2004	2005
<b>Police</b>				
Physical Arrests	315	375	376	458
Parking Violations	892	846	777	1,006
Traffic Violations	827	917	934	935
<b>Fire</b>				
Number of Calls Answered	103	102	103	118
<b>Highways and Streets</b>				
Street Maintenance (Blocks)	64	94	133	120
Street Reconstruction (Blocks)	22.6	10.6	9.7	4.8
<b>Building Permits</b>				
Number	383	336	375	355
Value	\$ 14,867,213	\$ 41,115,598	\$ 35,655,597	\$ 32,289,223
Permit Fees	\$ 69,099	\$ 113,815	\$ 122,646	\$ 115,576
<b>Sanitation</b>				
Solid Waste Collected (tons)	3,793	3,814	4,129	4,028
Recyclables Collected (pounds)	1,828,084	1,812,570	1,819,223	1,885,863
<b>Water</b>				
Water Pumped (in thousands of gallons)	364,192	408,101	389,947	336,927
Water Billed (in thousands of gallons)	263,336	282,336	290,155	262
Percent Accountable	72%	69%	74%	78%

Source: Annual reports from each department.

Fiscal Year						
2006	2007	2008	2009	2010	2011	
488	555	691	556	490	456	
911	840	1,037	937	850	881	
1,087	1,021	1,516	1,155	1,152	1,174	
100	131	135	127	120	118	
110	100	120	103	112	92	
15.1	2.85	7	9	0	22	
362	404	357	402	414	455	
\$ 19,223,833	\$ 55,475,429	\$ 12,722,997	\$ 21,983,939	\$ 37,596,455	\$ 16,635,779	
\$ 78,111	\$ 147,000	\$ 70,269	\$ 103,873	\$ 35,259	\$ 89,506	
3,985	4,143	4,532	4,186	3,939	4,109	
1,812,279	1,836,893	1,892,803	1,954,793	1,816,441	1,974,000	
320,782	333,907	352,075	367,679	356,739	327,325	
267,137	271,203	268,325	257,857	242,962	273,135	
83%	81%	76%	70%	68%	83%	

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

Function	Fiscal Year			
	2002	2003	2004	2005
<b>Police:</b>				
Stations	1	1	1	1
Patrol Units	4	4	4	4
Fire Stations	1	1	1	1
<b>Sanitation</b>				
Collection Trucks	3	3	3	3
Recycling Trucks	1	1	1	1
<b>Highways and Streets</b>				
Streets City Maintained (miles)	62	63	64	65
<b>Culture and Recreation</b>				
Parks Acreage	93	100	110	115
Parks	21	21	22	23
Miles of Recreational Trails	7	7	10	10
Swimming Pools	1	1	1	1
Libraries	1	1	1	1
Community Centers	1	1	1	1
Airports	1	1	1	1
Golf Courses	2	2	2	2
Boat Ramps	2	2	2	2
Boat Docks	1	1	1	1
Skate Parks	1	1	1	1
<b>Cemetery</b>				
Cemeteries (acres)	47	47	47	47
<b>Water</b>				
Water Mains (miles)	60	60	64	64
Number of Service Connections	3,427	3,422	3,214	3,323
Daily Ave. Consumption in Gallons	1,059,000	1,107,583	1,071,000	923,088
Fire Hydrants	650	650	587	587
Maximum Daily Capacity (thousands of gallons)	7,000,000	7,000,000	7,000,000	7,000,000
<b>Sewer</b>				
Sanitary Sewers (miles)	60	60	62	62
Number of Treatment Plants	1	1	1	1
Number of Service Connections	3,427	3,427	3,427	3,160
Daily Ave. Treatments in Gallons	895,562	906,767	975,871	1,040,274
Maximum Daily Capacity (thousands of gallons)	2,330,000	2,330,000	2,330,000	2,330,000

Source: Annual reports from each department.

	Fiscal Year					
	2006	2007	2008	2009	2010	2011
	1	1	1	1	1	1
	4	8	8	8	8	8
	1	1	1	1	1	1
	3	3	4	4	4	4
	1	1	1	1	1	1
	67	67	67	67	67	76
	120	120	120	120	120	140
	24	24	24	24	24	25
	10	10	12	14	14	15
	1	1	1	1	1	1
	1	1	1	1	1	1
	1	1	1	1	1	1
	1	1	1	1	1	1
	2	2	2	2	2	2
	2	2	2	2	2	2
	1	1	1	1	1	1
	1	1	1	1	1	1
	47	47	47	47	47	47
	66	66	68	68	68	73
	3,353	3,447	3,527	3,476	3,477	3,518
	881,000	914,814	961,750	1,012,819	977,367	909,236
	634	640	660	660	660	679
	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
	62	62	62	62	62	62
	1	1	1	1	1	1
	3,160	3,397	3,468	3,427	3,423	3,461
	1,027,151	1,029,500	1,829,100	1,174,000	1,076,884	1,370,000
	2,330,000	2,330,000	2,330,000	2,330,000	2,330,000	3,800,000

**CITY OF WAVERLY, IOWA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CASH BASIS)**  
**For the Year Ended June 30, 2011**

Federal Grantor Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Identifying Number	Federal Expenditures
<b>Direct:</b>			
U.S. Department of Commerce, Economic Development Administration:			
Economic Adjustment Assistance	11.307	05-79-04806	\$ 1,585,808
U.S. Department of Justice:			
Public Safety Partnership and Community Policing Grants	16.710	2010CKWX0689	165,021
Edward Byrne Memorial Justice Assistance Grant Program Cluster:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-1301	11,659
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-1012	10,786
Edward Byrne Memorial Justice Assistance Grant - ARRA	16.804	2009-SB-B9-3375	28,393
			<u>50,838</u>
U.S. Department of Transportation:			
Airport Improvement Program	20.106	3-19-0096-03-2010	266,568
<b>Indirect:</b>			
U.S. Department of Housing and Urban Development			
Passed through the Iowa Department of Economic Development:			
Community Development Block Grant/State's program	14.228	08-DRMH-042	18,658
Community Development Block Grant/State's program	14.228	08-DRMH-2142	69,705
Community Development Block Grant/State's program	14.228	08-DRHB-223	1,496,395
Community Development Block Grant/State's program	14.228	08-OT-007	535,964
			<u>2,120,722</u>
U.S. Department of Transportation			
Passed through the Iowa Department of Transportation:			
Highway Planning and Construction	20.205	2-10-STPU-017	65,931
Highway Planning and Construction	20.205	2-08-STPU-029	175,000
Highway Planning and Construction	20.205	2010-E-191	404,150
			<u>645,081</u>
Passed through the Governor's Traffic Safety Bureau:			
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	11-03, Task 579	4,325
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	10-406, Task 175	255
			<u>4,580</u>
U.S. Department of Homeland Security			
Passed through the Iowa Homeland Security and Emergency Management Division:			
Disaster Grants- Public Assistance (Presidentially Declared Disasters)	97.036	2008 Flood	150,818
Disaster Grants- Public Assistance (Presidentially Declared Disasters)	97.036	Historical Survey	6,106
			<u>156,924</u>
Hazard Mitigation Grant	97.039	DR-1763-09-01	209,114
Hazard Mitigation Grant	97.039	DR-1763-09-01	697,529
Hazard Mitigation Grant	97.039	DR-1763-09-01	55,975
			<u>962,618</u>
Total expenditures of federal awards			<u><u>\$ 5,958,160</u></u>

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

**CITY OF WAVERLY, IOWA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2011**

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**Part I: Summary of the Independent Auditors' Results**

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, and is considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements and is also considered to be a material weakness.
- (e) A qualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were are follows:
  - CFDA #11.307 – Economic Adjustment Assistance
  - CFDA #14.228 – Community Development Block Grant/State's Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Waverly did not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements**

**Instances of Non-Compliance:**

No matters were noted.

There were no prior year audit findings.

**Significant Deficiency and Material Weakness:**

**II-A-11     Financial Reporting**

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

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

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

Conclusion – Response accepted

**CITY OF WAVERLY, IOWA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2011**

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**Part III: Findings and Questioned Costs for Federal Awards**

**Instances of Non-Compliance:**

**CFDA Number 14.228: Community Development Block Grant**  
**Federal Award Year: 2011**  
**U.S. Department of Housing and Urban Development**

III-A-11 Cash Management – During the audit, we discovered that the City requested and received reimbursement of federal grant funds prior to the actual federal expenditure by the City. The grant agreement did allow for advances however funds were to be used within ten days. The amount in question was drawn down but not paid by the City in the allowable timeframe.

Recommendation – The City should implement procedures to ensure allowable grant costs are paid before the request for reimbursement is made or within the ten day allowable timeframe.

Response – The City understands the nature of the non-compliance and will double check all grant reimbursement requests in the future to ensure that funds are not drawn down in advance of the proper expenditure. The City has since corrected and the expense was properly paid out by the City.

Conclusion – Response accepted.

**Significant Deficiency and Material Weakness:**

III-B-11 Grant Administration

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

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

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

Conclusion – Response accepted.

**CITY OF WAVERLY, IOWA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2011**

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**Part IV: Other Findings Related to Required Statutory Reporting**

IV-A-11 - Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the public safety and culture and recreation functions.

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

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

Conclusion – Response accepted.

IV-B-11 - Questionable Expenditures - We noted no questionable expenditures during our audit.

IV-C-11 - Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-11 - Business Transactions – Business transactions between the City and employees are detailed as follows:

<u>Name, Title</u>	<u>Transaction/Description</u>	<u>Amount</u>
Craig Mehmen, Cemetery Supervisor	Mehmen Monument Sales	\$ 117 *

\* In accordance with Chapter 362.5(3)(j) of the Code of Iowa the transaction above does not appear to represent a conflict of interest since total transactions with the individual were less than \$1,500 during the fiscal year.

IV-E-11 - Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-11 - Council Minutes - We noted no transactions requiring approval which had not been approved by the Council.

IV-G-11 - Revenue Bonds - No violations of revenue bond resolutions were noted.

IV-H-11 Cash and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

CITY OF WAVERLY, IOWA  
Schedule of Prior Year Findings and Questioned Costs  
For the Year Ended June 30, 2011

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**Part V: Findings – Year Ended June 30, 2010**

**III-A-10            Financial Accounting/Grant Administration**

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

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

*Current Status:* This finding still exists at June 30, 2011 (See Comment III-B-11).



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

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

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

As described in item III-A-11 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding cash management that are applicable to its Community Development Block Grant Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over

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compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of the City of Waverly's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item III-B-11 to be a material weakness.

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

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

*Williams & Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
December 16, 2011

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF WAVERLY, IOWA as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 16, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of Waverly Municipal Hospital or Waverly Light and Power (discretely presented component units). Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our report on these financial statements, insofar as it relates to the amounts included for the discretely presented component units was based solely on the reports of other auditors.

***Internal Control Over Financial Reporting:***

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item II-A-11 to be a material weakness.

***Compliance and Other Matters:***

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

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

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

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

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

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

*Williams + Company, P.C.*  
Certified Public Accountants

December 16, 2011  
Le Mars, Iowa

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Schedule of Findings and Questioned Costs  
Corrective Action Plan  
June 30, 2011

Department of Commerce, Economic Development Administration  
Department of Housing and Urban Development

The City of Waverly, Iowa, respectfully submits the following corrective action plan for the year ended June 30, 2011.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended June 30, 2011.

The findings from the June 30, 2011 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

INSTANCE OF NON-COMPLIANCE:

III-A-11 Cash Management – During the audit, we discovered that the City requested and received reimbursement of federal grant funds prior to the actual federal expenditure by the City. The grant agreement did allow for advances however funds were to be used within ten days. The amount in question was drawn down but not paid by the City in the allowable timeframe.

Recommendation – The City should implement procedures to ensure allowable grant costs are paid before the request for reimbursement is made or within the ten day allowable timeframe.

Response – The City understands the nature of the non-compliance and will double check all grant reimbursement requests in the future to ensure that funds are not drawn down in advance of the proper expenditure. The City has since corrected and the expense was properly paid out by the City.

Conclusion – Response accepted.

SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS:

III-B-11 - Grant Administration

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

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

200 First Street NE • P.O. Box 616 • Waverly, IA 50677

Main Office (319) 352-4252 • Parks & Rec (319) 352-6263 • Public Works (319) 352-9065 • Fax (319) 352-5772

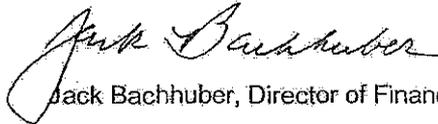
Web Site: [www.waverlyia.com](http://www.waverlyia.com)

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

If the Department of Commerce or Department of Housing and Urban Development has questions regarding this plan, please call Jack Bachhuber at 319-352-4252.

Sincerely yours,

CITY OF WAVERLY, IOWA

  
Jack Bachhuber, Director of Finance