COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
CITY OF WAVERLY, IOWA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

Prepared by the
Finance Department
Jack Bachhuber, Finance Director

**CITY OF WAVERLY, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012
TABLE OF CONTENTS**

*INTRODUCTORY SECTION*

|  |  |
| --- | --- |
|  | **Page** |
| Letterof Transmittal .............................................................................. | ............................... 1 – 4 |
| OrganizationChart ................................................................................ | ............................... 5 |
| Listof Principal Officials ........................................................................ | ............................... 6 |
| Certificateof Achievement .................................................................... | ............................... 7 – *8* |

*FINANCIAL SECTION*

|  |  |
| --- | --- |
| IndependentAuditors' Report ................................................................................................ | **9** –10 |
| Management's Discussion and Analysis ............................................................................... | 11 – 22 |
| **Basic Financial** Statements: |  |
| **GOVERNMENT-WIDE FINANCIAL STATEMENTS** |  |
| Statementof Net Assets ............................................................................................... | 23 |
| Statementof Activities .................................................................................................. | 24 – 25 |
| **FUND FINANCIAL STATEMENTS** |  |
| **Governmental Funds Financial Statements** |  |
| BalanceSheet .......................................................................................................... | 26 – 27 |
| Reconciliation of the Balance Sheet to the Statement of Net Assets ........................ | *28* |
| Statement of Revenues, Expenditures and Changes in Fund Balances ................... | 29 – 30 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in |  |
| FundBalance to the Statement of Activities ......................................................... | 31 |
| **Proprietary Funds Financial Statements** |  |
| CombiningStatement of Net Assets ......................................................................... | 32 |
| Combining Statement of Revenues, pensA nd Changes in Net A nVVmIJII **11** lJ. Statement of Expenses and gGJ **11f** Net AsJ *IJ .............* | *33-34* |
| CombiningStatement of Cash Flows ........................................................................ | 35 – *38* |
| **Fiduciary Funds Financial Statements** |  |
| Statementof Fiduciary Net Assets ............................................................................ | 39 |
| **NOTESTO FINANCIAL STATEMENTS** ........................................................................... | 40 – 64 |
| **Required Supplementary Information** |  |
| BudgetaryComparison Schedules .................................................................................... | 65 –68 |
| Scheduleof Funding Progress for the Retiree Health Plan ............................................... | 69 |

**CITY OF WAVERLY, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012
TABLE OF CONTENTS**

*FINANCIAL SECTION – (CONTINUED)*

**Page**

**Other Supplementary Information**

**Governmental Non-Major Funds Combining Financial Statements**

BalanceSheet ........................................................................................................... Schedule of Revenues, Expenditures and Changes in Fund Balances......................

70 – 77 78-85

**Fiduciary Funds Combining Financial Statements**

Scheduleof Changes in Assets and Liabilities ...........................................................

86

*STATISTICAL SECTION*

Government-Wide Net Assets by Component................................................... Changesin Net Assets ....................................................................................... TaxRevenue by Source ..................................................................................... FundBalances of Governmental Funds ............................................................. Changesin Fund Balances of Governmental Funds .......................................... Assessedand Taxable Value of Taxable Property ............................................. Property Tax Rates-Direct and Overlapping Governments ................................ PrincipalTaxpayers and Their Assessed Valuations......................................... PropertyTax Levies and Collections .................................................................. Ratiosof Outstanding Debt by Type .................................................................. Ratiosof General Bonds Debt Outstanding ....................................................... Computationof Direct and Overlapping Debt..................................................... LegalDebt Margin Information ........................................................................... WaterRevenue Bond Coverage ........................................................................ SewerRevenue Bond Coverage ........................................................................ Demographicand Economic Statistics ............................................................... PrincipalEmployers ........................................................................................... Full-Time Equivalent City Government Employees by Function ......................... OperatingIndicators by Function ....................................................................... CapitalAsset Statistics by Function ...................................................................

87 - 88
89-90
91
92-93
94 – 95

96

97

98

99

100

101

102 103– 104 105-106 107– 108

109

110

111 112-113 114-115

*SINGLE AUDIT SECTION*

Scheduleof Expenditures of Federal Awards (Cash Basis) ..................................................116
 Scheduleof Findings and Questioned Costs ........................................................................ 117– 119

 Scheduleof Prior Year Findings and Questioned Costs ........................................................ 120

Independent Auditors' Report on Compliance with Requirements That Could Have a

Direct and Material Effect on Each Major Program and on Internal Control Over

 Compliancein Accordance with OMB Circular A-133 .................................................. 121 - 122

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 ..................................* 123 – 124

 CorrectiveAction Plan ........................................................................................................... 125



December 10, 2012

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, 2012. 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* e *('AF ran* be TG di '

o p. ... .. th ..., can relied upon. The auditors'
report is included in the financial section of the report.

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 City's five wards, and two are elected at-large. For continuity purposes the mayor and council members serve

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Main Office (319) 352-4252 • Parks & Rec (319) 352-6263 • Public Works (319) 352-9065 • Fax (319) 352-5772
Web Site: www.waverlyia.com

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 manual in the training of all employees and elected officials.

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

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

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

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 number of building permits was steady in FY 2012 and of greater value in total which is a good sign for Waverly. The FY 2012 was a strong building year with numerous projects. Peoples Insurance doubled the size of their existing building with a $.5M expansion and adding 45 new jobs. General Machine and Tool completed a new $3.9M specialty building in Waverly's Southwest Business Park, adding 34 new jobs. Carmi Flavors is constructing a new $1.6M warehouse in Waverly's Northwest Industrial Park. 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 515, Waverly Health Center with 353 employees, Wartburg College with 525 employees, Nestle Beverage food products with 290 employees, Waverly Shell-Rock Schools with 320 employees, and GMT Corporation with 370 employees.

Collected sales tax and taxable sales is one method to determine positive economic growth. Taxable sales in Waverly showed a 5.1 percent increase compared to the 2010-2011 fiscal year, and the number of sales tax returns increased by 2.8 percent over the same time period. This is a substantial increase and is a positive business sign for the 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, while controlling 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 $881,166 in FY 2012. This was a 12 percent increase from the prior year. This double digit increase 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 2012 unemployment rate of 4% compares favorably to the State's rate of 5.1% for the same period. The tax base for the City is showing favorable increases. At an average increase of 4.6% a year since 2008, 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 4.2%, 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 2012 residential rollback was 48.5299 percent compared to 46.9094 percent in FY 2011. 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 0.041% compared to 0.052% last year. The return of Iowa Public Agency Investment Trust averaged 0.015% compared to 0.05% last year. These are two major investment areas, and the decreased rate of return affected interest revenue by $23,851, compared to last year. A solid fund balance in major funds helped cover most of the reduction in revenue. At June 30, 2012 the city's investment position for all funds totaled $6,273,212 compared to $6,653,124 in 2011. This was a slight decrease due to the completion of projects and use of outstanding bond funds.

**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, 2011. 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 2012 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 3. Crayne .Jack A. Bachhuber

City Administrator Director of Finance

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|  | Commission | Commission | Board Attorney | Adminlstralor |  | Commission | 1 &Power j | ofAdjuatmaEl |  |  |
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|  | Commission | Commission |  |  |  |  |
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| lJ7 |  |  |  |  |  |  |  |  | Director |  |  |  |
|  | Ofllce Manager |  | Secrelery(ireasurar | Adminisimtion | Public Services | CommunityDevelopment |  |  | Accounting |  |
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|  |  | Police Officers |  | Training Officer |  |  | Sfo m Sen. |  |  |
| ' |  |  |  | (1) | JuaIlco |  | Sewer |  | \_ |
|  |  | Fire Fighters | Golf Cou se |  | Equipment |  |  |
|  |  |  |  |  | Services |  |  |
| . |  | Pro Shop |  | .Streets |  |  |
|  |  | Solid Waste! |  |
|  | Recycle |  |

**CITY OF WAVERLY, IOWA
List of Principal Officials
June 30, 2012**

6

**ELECTED OFFICIALS**

**Mayor**..................................................................................................................................... Bob Brunkhorst CouncilMember – Ward 1 .......................................................................................................... Eugene Lieb CouncilMember– Ward 2 .......................................................................................................Dan McKenzie CouncilMember – Ward 3 ...................................................................................................... Richard Lindell CouncilMember – Ward 4 ....................................................................................................Chris Neuendorf CouncilMember – Ward 5 ...........................................................................................................Tim Kangas CouncilMember–At Large ........................................................................................................ Kathy Olson

**APPOINTED OFFICIALS**

CityAdministrator/Clerk ..................................................................................................... Richard J. Crayne DeputyCity Clerk .......................................................................................................................JoEllen Raap Attorney............................................................................................................................ William D. Werger Directorof Finance ............................................................................................................... Jack Bachhuber CityEngineer/Director of Public Works .................................................................................. Michael Cherry PoliceChief ............................................................................................................................ Richard Pursell LeisureServices Director .............................................................................................................. Tabor Ray FireChief ................................................................................................................................ Dennis Happel LibraryDirector .......................................................................................................... Sarah Meyer-Reyerson EconomicDevelopment Director .............................................................................................Brent Matthias CommunityDevelopment and Zoning Manager .......................................................................... Ben Kohout PublicServices Superintendent ................................................................................................ Brian Sullivan



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Presented to

For its Comprehensive Annual
Financial Report

for the Fiscal Year Ended
June 30, 2011

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.

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|  |  |
| **/** | President |
|  |  |
|  | Executive Director |

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Waverly, Iowa for its comprehensive annual financial report for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

8

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.

|  |  |
| --- | --- |
| **& C 1-AN** P c.Certified Public Accountants | 21 1st Avenue NWP.O. Box 1010Le Mars, IA 51031Phone (712) 546-7801Fax (712) 546-6543 |

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of Waverly Health Center and Waverly Light and Power (discretely presented component units), which statements reflect total assets of $41,166,752 and $51,121,529 as of June 30, 2012 and December 31, 2011, respectively, and total operating revenues of $49,477,383 and $17,354,345 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 we!! 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, 2012, 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 10, 2012, 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 *GovernmentAuditing Standards* and should be considered in assessing the results of our audit.

10

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 financial statements as a whole. 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-1 33, *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.

W.,. *xo .' 1P.(\_',*

Certified Public Accountants

Le Mars, Iowa December 10, 2012

CITY OF WAVERLY, IOWA

11

The discussion and analysis of the City of Waverly's financial statements for the year ended June 30, 2012 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, 2012, by $61,006,523. Of this amount, $4,258,199 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 $4,128,445 during the year. Of this amount the assets of our Governmental Activities increased by $3,903,949 and the assets of our Business Activities increased $224,496. The 9% increase of Governmental Activities is attributed to the purchase of additional homes from the flood of 2008. The increase in Business Activities assets is immaterial.

• The City's long-term debt increased approximately $1,576,368. The City issued $2,495,000 of general obligation 2012A bonds which were used to finance various capital projects and a portion was used to current refund $645,000 of general obligation bonds, series 2005. The City also issued $2,195,000 of G.O. Local Option Sales and Service Tax Refunding bonds, Series 2012B in a crossover advance refunding of Series 2006. Despite these issues 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 $13,905,000, other notes payable total $46,268, and revenue bonds total $305,000.

The unassigned fund balance for the general fund, at the end of the current fiscal year was $1,562,142. This represents 23.6 percent of total general fund expenditures, which is an increase over last year but 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.

12

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

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

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

13

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

The basic proprietary fund financial statements can be found on pages 32-38 of this report. **Reporting the City's Fiduciary Responsibilities**

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 40-64 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, 2012 and 2011.

14

General Governmental Activities Business-Type Activities Total

2012 2011 2012 2011 2012 2011

Current and Other Assets $ 17,054,364 $ 15,629,065 $ 1,802,213 $ 1,783,792 $ 18,856,577 $ 16,412,857

Capital Assets 52,446,032 48,360,090 12,845,441 12,910,253 65 291473 61,270,343

Total Assets 69,500,396 63,989,155 14,647,654 14,694,045 84,148,050 78,683,200

Long-Term Liabilities

Outstanding 9,500,249 9,453,968 695,561 962,412 10,195,810 10,416,380

Other Liabilities 12 238,857 10,677,846 706,860 710,896 12,945,717 11,388,742

Total Liabilities 21,739,106 20,131,814 1,402,421 1,673,308 23,141,527 20,805,122
Net Assets:

Invested in Capital Assets,

Net of Related Debt 42,386,586 38,301,899 11,902,943 11,417,580 54,289,529 49,719,479

Restricted 2,369,707 2,828,214 89,088 475,584 2,458,795 3,303,798

Unrestricted 3,004,997 2,727,228 1,253,202 1,127,573 4,258,199 3,854,801

Total Net Assets $ 47 761,290 $ 43 857,341 $ 13 245,233 $ 13,020,737 $ 61,006,523 $ 56,878,078

This summary reflects an increase of 8.9 percent increase in the governmental net assets and a 1.7 percent increase in the business-type net assets.

By far the largest portion of the City's net assets (88.9%) reflects its investment in capital assets (e.g. land, building, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets $2,458,795 (4.0%) 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 $89,088, cemetery perpetual care of $478,808, Tax Increment Financing allowable purposes of $668,299, Local Option Sales Tax allowable purposes of $685,328, Road Purposes of $488,800 and other specific revenue restrictions of $48,472. The remaining balance of unrestricted net assets of $4,258,199 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 2012 was $18,028,231. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities for Fiscal Year 2012 and 2011.

15

General Governmental Business-Type Activities Total Activities

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Revenue Source | 2012 | 2011 | 2012 2011 2012 | 2011 |
| **Program Revenues:** |  |  |  |  |
| Charges for Services | $ 998,805 | $ 1,019,150 | $ 3,808,594 $ 3,535,094 $ 4,807,399 | $ 4,554,244 |
| Operating Grants and |  |  |  |  |
| Contributions | 1,594,594 | 2,044,044 | - - 1,594,594 | 2,044,044 |
| Capital Grants and |  |  |  |  |
| Contributions | 3,862,415 | 7,153,867 | 12,293 - 3,874,708 | 7,153,867 |

Total Program Revenues 6,455,814 10,217,061 3,820,887 3,535,094 10,276,701 13,752,155

**General Revenues:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Property Taxes | 6,318,501 | 6,010,599 | - - 6,318,501 | 6,010,599 |
| Local Option Sales Tax | 882,114 | 790,374 | - - 882,114 | 790,374 |
| Hotel / Motel Taxes | 153,154 | 154,851 | - - 153,154 | 154,851 |
| Interest | 31,481 | 55,902 | 4,855 5,881 36,336 | 61,783 |
| General Intergovernmental |  |  |  |  |
| Revenues | 168,924 | 193,778 | - - 168,924 | 193,778 |
| Gain on Sale of Assets | 21,192 | - | - - 21,192 | - |
| Miscellaneous | 98,233 | 66,833 | 73,076 69,427 171,309 | 136,260 |

Total General **Revenues** 7,673;599 7,272,337 77,931 75,308 7,751,530 7,347,645

**Total Revenues** $ 14,129,413 $ 17,489,398 $ 3,898,818 $ 3,610 402 $ 18,028,231 $ 21,099,800

Program revenues totaled $10,276,701 for fiscal year 2012. Governmental Activities provided $6,455,814 and Business-Type Activities provided $3,820,887. Revenue collected for Charges for Services during fiscal year 2012 was $4,807,399 accounting for 46.8% of the total program revenues. This is an increase of 5.56% from last year due to an increase in utility revenue.

The City has closed out many of the 2008 Flood projects so capital grants this year showed a $3,279,157 decrease, Operating grants also decreased in fiscal year 2012 as a result of less public safety grants. Property tax revenue was up in fiscal year 2012 due primarily to increased TIF and Employee Benefit tax receipts. Interest revenue was down as the interest rates continue to decrease from last year. The following chart breaks down program revenues by source:

Program Revenues

16

037.7% **046.8%**

◼ **15.50%a**

**O Charges for** Service 0 Operating Grants and Contributions [Capital Grants and Contributions

General Revenues for fiscal year 2012 totaled $7,751,530. Governmental Activities provided $7,673,599 and Business-Type Activities provided $77,931. Property Tax Revenues for fiscal year 2012 totaled $6,318,501, accounting for 81.51% of General Revenues. The following chart breaks down General Revenues by source:



**0 Property Taxes 81.51%** ◼ **Local Option Sales Tax**

0 **Hotel/Motel Taxes**

\* **Interest**

**• Unrestricted General Intergovernmental 0 Gain on Sale of Assets**

• **Miscellaneous**

Expenses for fiscal year 2012 totaled $13,899,786. Expenses for General Governmental Activities totaled $10,405,994 accounting for 75% of the total expenses. Business-Type Activity expenses totaled $3,493,792 for 25% of the total. There was very little change from FY 2011. The breakdown of expenses by activity and program are as follows:

17

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Program Level | General Governmental Activities2012 2011 | Business-Type Activities2012 2011 | Total2012 | 2011 |
| Public Safety | $ 2,176,921 | $ 2,174,059 | $ - | $ - | $ 2,176,921 $ | 2,174,059 |
| Public Works | 3,423,797 | 2,910,741 | - | - | 3,423,797 | 2,910,741 |
| Health & Social Services | 183,493 | 185,670 | - | - | 183,493 | 185,670 |
| Culture and Recreation | 2,364,603 | 2,322,625 | - | - | 2,364,603 | 2,322,625 |
| Community and |  |  |  |  |  |  |
| Economic Development | 1,063,706 | 1,024,662 | - | - | 1,063,706 | 1,024,662 |
| General Government | 819,187 | 842,098 | - | - | 819,187 | 842,098 |
| Debt Service | 374,287 | 360,531 | - | - | 374,287 | 360,531 |
| Water System | - | - | 1,045,903 | 987,418 | 1,045,903 | 987,418 |
| Sewer System | - | - | 1,391,096 | 1,426,007 | 1,391,096 | 1,426,007 |
| Solid Waste | - | - | 1,056,793 | 1,010,520 | 1,056,793 | 1,010,520 |
| Total Expenses | 10,405,994 | 9,820,386 | 3,493,792 | 3,423,945 | 13,899,786 | 13,244,331 |
| Increase in Net Assets |  |  |  |  |  |  |
| Before Transfers | 3,723,419 | 7,669,012 | 405,026 | 186,457 | 4,128,445 | 7,855,469 |
| Interfund Transfers | 180,530 | 298,650 | (180,530) | (298,650) | - | - |
| Increase in Net Assets | $ 3,903,949 | $ 7,967,662 | $ 224,496 | $(112,193) | $ 4,128,445 $ | 7,855,469 |

Public Works expenses were up 18 percent in fiscal 2012 due to street improvement repair projects budgeted in the current year. Other programs are in line with last year.

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

PublicSafety ......................................................... Individual & Community Protection, Physical Health

PublicWorks ........................................................ 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 DebtService ........................................................ Payment of Interest

CapitalProjects ................................................... Construction of Capital Facilities

WaterSystem ...................................................... Operation of Water Supply Distribution System

SewerSystem ...................................................... 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 $2,176,921 and received $145,269 in charges for services and grants, leaving a cost to the taxpayer of $2,031,652 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:

18

PublicSafety................................................ PublicWorks................................................ Cultureand Recreation................................ GeneralGovernment..................................... CapitalProjects.............................................

Fines, Fees

Road Use Tax, State Agreements

Fees, State Aid

Licenses, Permits, Utility Reimbursement Donations, State & Federal Grants

The total cost of governmental activities this year was $10,405,994. Of these costs, $998,805 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 $5,457,009, leaving a net cost of $3,950,180 for Governmental Activities. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

Net (Expense)

Functions/Programs Revenue

2012 2011

Governmental Activities:

Public Safety $ (2,031,652) $ (1,860,536)

Public Works

Health & Social Services

Culture and Recreation

Community and Economic Development General Government

Debt Service

|  |  |
| --- | --- |
| 1,650,904 | 5,702,972 |
| (183,493) | (158,157) |
| (1,453,029) | (1,409,213) |
| (973,476) | (918,007) |
| (585,147) | (599,853) |

(374,287) (360,675)

Total Net (Expense) Revenue

Governmental Activities

(3,950,180) 396,675

General Revenues 7,673,599 7,272,337

Change in Net Assets before Transfers 3,723,419 7,669,012

Transfers 180,530 298,650

Change in Net Assets $ 3,903,949 $ 7,967,662

Total resources available during this year to finance governmental operations were $58,167,284, consisting of Net Assets at July 1, 2011 of $43,857,341, Program Revenues of $6,455,814, and General Revenues of $7,854,129. Total Governmental Activities during the year expended $10,405,994 thus; Net Assets were increased by $3,903,949, to $47,761,290.

**Business-Type Activities**

19

Business-Type Activities increased the City's net assets by $224,496, which is much improved from last year's decrease.

The cost of all Proprietary Activities this year was $3,493,792. As shown in the Statement of Activities, the amount paid by users of the systems was $3,808,594, and $12,293 from contributions, resulting in total Net Revenue for Business-Type Activities of $327,095. The Net (Expense) Revenue by Business-type Activity is shown in the following table:

Net (Expense)

Business-Type Activities Revenue

2012 2011

Water System Sewer System

Solid Waste System

Total Net (Expense) Revenue Business-Type Activities

General Revenues & Interfund Transfers

 $123,467 $98,621

 184,183 (13,835)

 19,445 26,363

 327,095 111,149

 (102,599) (223,342)

Change in Net Assets **$224,496 ($112,193)**

Total resources available during the year to finance Proprietary Fund activities were $16,739,025, consisting of Net Assets at July 1, 201 of $13,020,737; program Revenues of $3,820,887, General Revenues of ($102,599), Total Proprietary Fund Activities during the year expended $3,493,792; thus Net Assets were increased by $224,496, to $13,245,233.

**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 $8,265,306. The combined Governmental Funds balance increased $1,958,371, as a result of the bonds issued for the crossover advance refunding of the Series 2006 Local Option Sales and Service Tax bonds.

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 $444,273. $367,798 of this total is restricted due to bond proceeds issued in 2012 but not spent to purchase a Fire Pumper Truck in the 2012-2013 fiscal year. The total fund balance of $2,007,963 less the restricted amount is 25% of expenditures, which meets the goal set by the city council. The General Fund net assets increased $444,273 due to the bond proceeds previously mentioned. The Employee Benefit fund saw very minimal changes during the year maintaining a fund balance consistent with recent years. The Debt Service fund increased significantly due to the issuance of $2,195,000 GO Local Option and Services Tax Refunding Bonds in a crossover advance refunding of the Series 2006 GO Local

Option Sales Tax Bonds. The Tax Increment Financing Fund decreased due to tax rebates paid to property owners and businesses in 2012. The Waverly Dam Construction Fund is used to account for a new dam which is close to completion.

20

**Budgetary Highlights**

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | Amended |  |  |
| Expenditures | Budget | Actual | Variance |
| Public Safety | $ 2,157,502 | $ 2,068,409 | $ 89,093 |
| Public Works | 2,163,929 | 2,035,614 | 128,315 |
| Health & Social Services | 177,386 | 158,493 | 18,893 |
| Culture and Recreation | 2,077,710 | 2,205,637 | (127,927) |
| Community and Economic Development | 1,268,523 | 1,103,298 | 165,225 |
| General Government | 822,108 | 751,798 | 70,310 |
| Debt Service | 5,016,817 | 2,286,538 | 2,730,279 |
| Capital Projects | 7,687,672 | 6,825,069 | 862,603 |
| Business Type/Enterprise | 3,405,152 | 3,706,457 | (301,305) |
|  |  |
| **Total Expenditures** | **$ 24,776,799** | **$ 21,141,313** | **$3,635,486** |

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

® The total original revenue budget of $24,032,287 was amended to $26,794,773 (an increase of $2,762,486). This increase was based on the timing of various State and Federal Grants and bond proceeds from the refunding of callable bonds.

• The City received over $5.3M 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 $20,834,213 was amended to $24,776,799 (an

increase of $3,942,586).

• 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 $3,635;486. 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, Culture and Recreation, and Business Type/Enterprise, exceeded amended budget amounts which was attributed to additional grant expense and related project expenses.

**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, 2012 was $54,289,529 (net of accumulated depreciation and outstanding financings). This is an increase of $4,570,050 from fiscal 2011. This sizeable increase was once again due to the purchase of flood

related properties and new road construction. The gross additions to capital assets for Fiscal 2012 and 2011 are as follows:

21

**General Governmental Business Type**

**Activities Activities Totals**

**2012 2011 2012 2011 2012 2011**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Land | $ 1,031,607 | $ 1,826,089 | $ 88,952 | $ - $ 1,120,559 | $ 1,826,089 |
| Construction in Progress | 4,465,744 | 7,001,539 | 503,900 | - 4,969,644 | 7,001,539 |
| Buildings and Improvements | - | 1,383,277 | - | - - | 1,383,277 |
| Equipment | 694,186 | 319,305 | 158,526 | 72,257 852,712 | 391,562 |
| Infrastructure | 3,885,694 | 1,998,728 | - | - 3,885,694 | 1,998,728 |
|  | $ 10,077,231 | $ 12,528,938 | $751,378 | $ 72,257 $ 10,828,609 | $ 12,601,195 |

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, 2012 the City had $14,256,268 of debt outstanding. This increase of $1,576,368 from the prior year is due to the issuance of the GO Local Option Sales Tax Refunding Bonds, Series 2012B, in the amount of $2,195,000 in a crossover advance refunding of the Series 2006 GO Local Option Sales Tax Bonds. Excluding this issue, the debt outstanding decreased which 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 ten years. At the end of the fiscal year the City's schedule showed that 65% 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 $30,473,254 at the end of the 2012 fiscal year. With outstanding General Obligation Debt applicable to this limit of $11,802,800 the City is at 39% of the maximum debt capacity. More detailed information on debt gym" } **ati~** d Note of }he financial statements.

awlfiniSua~iui! is provided in !~}t3uC 7 vt the IIIIQIII,lQI JlQlellte{1W. **Economic Factors**

The City of Waverly continues to report above average residential and commercial building projects. In FY 2012 the City had 25 new single family house permits which is three more than last year. New commercial building permits have averaged between six and eight a year over the past five years. Property tax is a major source of revenue and Waverly is fortunate 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 unassigned General Fund Balance continues to remain solid at 24% of expenditures, which is slightly below the percentage set *by city* council of 25%.

**Requests for Information**

22

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, 2012

|  |  |  |  |
| --- | --- | --- | --- |
|  | Primary GovernmentGovernmental Business-TypeActivities Activities | Total | Component UnitWaverly Waverly LightHealth Center and Power |
| ASSETS |  |  |  |  |  |
| Cash and Cash Equivalents | $ 4,248,553 | $ 658,865 $ | 4,907,418 | $ 7,166,417 | $ 11,172,832 |
| Investments | 969,879 | 429,540 | 1,399,419 | - | - |
| Receivables (Net, where applicable, of allowance for |  |  |  |  |  |
| uncollectibles) |  |  |  |  |  |
| Accounts | 58,592 | 331,653 | 390,245 | 7,497,009 | 2,239,611 |
| Taxes | 29,008 | - | 29,008 | - | - |
| Subsequent Year Taxes | 6,774,040 | - | 6,774,040 | - | ‑ |
| Accrued Interest | 130 | 283 | 413 | 11,086 | ‑ |
| Other | - | - | - | 211,599 | ‑ |
| Estimated Unbilled Usage | - | 117,347 | 117,347 | - | ‑ |
| Special Assessments | 19,272 | 73,634 | 92,906 | - | ‑ |
| Internal Balances | 116,531 | (116,531) | - | - | ‑ |
| Due from Other Governmental Agencies | 2,183,661 | - | 2,183,661 | - | - |
| Inventories | 55,817 | 114,351 | 170,168 | 1,496,139 | 1,041,977 |
| Prepaid Assets | 173,893 | 85,726 | 259,619 | 336,850 | 115,194 |
| Other | - | - | - | 309,753 | 2,348,905 |
| Restricted Assets: |  |  |  |  |  |
| Cash and Cash Equivalents | - | 90,000 | 90,000 | 146,801 | 954,260 |
| Investments | 2,154,768 | - | 2,154,768 | 1,744,248 | 95,312 |
| Bond Issue Costs | 227,160 | 17,345 | 244,505 | 223,857 | 30,058 |
| Investment in Joint Venture | 43,060 | - | 43,060 | - | - |
| Land | 10,731,723 | 108,143 | 10,839,866 | 2,206,302 | 357,124 |
| Construction in Progress | 6,879,655 | 503,900 | 7,383,555 | 173,821 | 2,271,710 |
| Infrastructure, Property and Equipment, Net |  |  |  |  |  |
| of Accumulated Depreciation | 34,834,654 | 12,233,398 | 47,068,052 | 19,642,870 | 30,494,546 |
| Total Assets | 69,500,396 | 14,647,654 | 84,148,050 | 41,166,752 | 51,121,529 |

LIABILITIES

Accounts Payable Accrued Wages

Other Accrued Expenses

Customer Deposits Accrued Claims

Deferred Revenue - Subsequent Year Taxes Unearned Revenue

Accrued Interest Payable

Payables from Restricted Assets:

Accrued Revenue Bond Interest

Revenue Bonds - Current

Noncurrent Liabilities: Due within one year: Revenue Bonds Payable

General Obligation Bonds

Notes Payable

Compensated Absences and Benefits Due in more than one year:

Revenue Bonds Payable

General Obligation Bonds

Notes Payable OPEB Liabilty

Compensated Absences and Benefits

Total Liabilities

NET ASSETS

Invested in Capital Assets,
Net of Related Debt

Restricted for:

Debt Service

Tax Increment Financing Employee Benefits

Road Purposes

Local Option Sales Tax Cable TV

Endowments:

Nonexpendable

Unrestricted

Total Net Assets

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1,184,311 | 314,352 | 1,498,663 | 883,621 | 790,026 |
| 99,865 | 15,967 | 115,832 | 1,750,627 | 1,538,851 |
| - | - | - | 448,285 | 171,662 |
| - | 30,353 | 30,353 | - | ‑ |
| 28,266 | - | 28,266 | - | ‑ |
| 6,774,040 | - | 6,774,040 | - | - |
| - | 26,602 | 26,602 | - | ‑ |
| 28,215 | 1,580 | 29,795 | 41,706 | - |
| - | 912 | 912 | - | 8,539 |
|  | 10,833 | 10,833 | 1,215, 000 | 1,003,421 |
| - | 119,167 | 119,167 | - | ‑ |
| 3,925,000 | 145,000 | 4,070,000 | - | ‑ |
| 24,075 | - | 24,075 | 491,310 | 145,000 |
| 175,085 | 42,094 | 217179 | - | - |

|  |  |  |
| --- | --- | --- |
| - | 164,260 | 164,260 8,680,000 3,272,134 |
| 9,304,978 | 503,238 | 9,808,216 - ‑ |
| 22,193 | - | 22,193 285,695 1,200,000 |
| 56,355 | - | 56,355 - ‑ |
| 116,723 | 28,063 | 144,786 - - |
| 21,739,106 | 1,402,421 | 23,141,527 13,796,244 8,129,633 |

 42,386, 586 11, 902, 943 54,289,529 11,350,988 29,555,239

- 89,088 89,088 1,891,049 333,619

 668,299 - 668,299 ‑

 31,508 - 31,508 ‑

 488,800 - 488,800 ‑

 685,328 - 685,328 ‑

 16,964 - 16,964 -

 478,808 - 478,808 - ‑

 3,004,997 1,253,202 4,258,199 13,828,471 13,103,038

$ 47,761,290 $ 13,245,233 $ 61,006,523 $ 27,070,508 $ 42,991,896

See Accompanying Notes to Financial Statements
23

CITY OF WAVERLY, IOWA STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

Program Revenues

Operating Capital

Charges for Grants and Grants and

**Functions/Programs Expenses Services Contributions Contributions**

Primary Government:

Governmental Activities:

Public Safety Public Works

Health and Social Services

Culture and Recreation

Community and Economic Development General Government

Debt Service

Total governmental activities

Business-Type Activities:

Water System Sewer System

Solid Waste System

Total Business-Type Activities:

Total Primary Government

Component Unit:

Waverly Health Center Waverly Light and Power

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| $ | 2,176,921 | $ | 72,235 | $ | 73,034 | $ | ‑ |
|  | 3,423,797 |  | 54,485 |  | 1,232,801 |  | 3,787,415 |
|  | 183,493 |  | - |  | - |  | ‑ |
|  | 2,364,603 |  | 628,104 |  | 208,470 |  | 75,000 |
|  | 1,063,706 |  | 9,941 |  | 80,289 |  | ‑ |
|  | 819,187 |  | 234,040 |  | - |  | ‑ |
|  | 374,287 |  | - |  | - |  | ‑ |
|  | 10,405,994 |  | 998,805 |  | 1,594,594 |  | 3,862,415 |
|  |  |  |  |  |  |  |  |
|  | 1,045,903 |  | 1,169,370 |  | - |  | ‑ |
|  | 1,391,096 |  | 1,562,986 |  | - |  | 12,293 |
|  | 1,056,793 |  | 1,076,238 |  | - |  | ‑ |
|  | 3,493,792 |  | 3,808,594 |  | - |  | 12,293 |
| $ | 13,899,786 | $ | 4,807,399 | $ | 1,594,594 | $ | 3,874,708 |
|  |  |  |  |  |  |  |  |
| $ | 47,217,511 | $ | 49,477,383 | $ | 620,582 | $ | ‑ |
| $ | 15,685,405 | $ | 17,354,345 | $ | 137,449 | $ | - |

General Revenues:

Property Taxes

Local Option Sales Tax Hotel/Motel Taxes

Interest

Unrestricted General Intergovernmental Revenues Gain on Sale of Property Miscellaneous

Interfund Transfers

Total general revenues and transfers

Change in net assets Net assets - beginning Net assets - ending

See Accompanying Notes to Financial Statements
24

**Net (Expense) Revenue**

**and Changes in Net Assets**

**Component Unit Governmental Business-Type Waverly Waverly Light**

**Activities Activities Total Health Center and Power**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **$** (2,031,652) |  | $ (2,031,652) |  |  |
| 1, 650,904 |  | 1,650, 904 |  |  |
| (183,493) |  | (183,493) |  |  |
| (1,453,029) |  | (1,453, 029) |  |  |
| (973,476) |  | (973,476) |  |  |
| (585,147) |  | (585,147) |  |  |
| (374,287) |  | (374,287) |  |  |
| (3,950,180) |  | (3,950,180) |  |  |
|  |  |
|  | $ 123,467 | 123,467 |  |  |
|  | 184,183 | 184,183 |  |  |
|  | 19,445 | 19,445 |  |  |
|  | 327,095 | 327,095 |  |  |
| (3,950,180) | 327,095 | (3,623,085) |  |  |
|  |  |  |
|  |  |  | $ 2,880,454 |  |
|  |  |  |  | $ 1,806,389 |
| 6,318,501 | - | 6,318,501 | - | ‑ |
| 882,114 | - | 882,114 | - | ‑ |
| 153,154 | - | 153,154 | - | ‑ |
| 31,481 | 4,855 | 36,336 | 130,569 | 119,610 |
| 168,924 | - | 168,924 | - | ‑ |
| 21,192 | - | 21,192 | - | 133,301 |
| 98,233 | 73,076 | 171,309 | - | 36,948 |
| 180,530 | (180,530) | - | - | ‑ |
| 7,854,129 | (102,599) | 7,751,530 | 130,569 | 289,859 |
| 3,903,949 | 224,496 | *4,128,445* | 3,0*1*1,023 | 2,096,248 |
| 43,857,341 | 13,020,737 | 56,878,078 | 24,059,485 | 40,895,648 |
| $ 47,761,290 | $ 13,245,233 | $ 61,006,523 | $ 27,070,508 | $ 42,991,896 |

See Accompanying Notes to Financial Statements
25

CITY OF WAVERLY, IOWA **BALANCE SHEET**

See Accompanying Notes to Financial Statements
26

**Governmental Funds**

**JUNE 30. 2012**

**Special Revenue**

**Tax**

**Increment Employee**

**General Financina Benefit**

**Assets**

Cash and Cash Equivalents Investments

Receivables (Net, where applicable, of allowance for uncollectibles)

Accounts

Taxes

Subsequent Year Taxes Accrued Interest

Special Assessments Due from Other Funds

Due from Other Governmental Agencies

Restricted Assets:

Investments

Inventories

Total Assets

**Liabilities and Fund Balances** Liabilities:

Accounts Payable Accrued Wages Due to Other Funds

Deferred Revenue - Subsequent Year Taxes Deferred Revenue

Total Liabilities

Fund Balances:

Nonspendable:

Inventory Perpetual Care

Restricted for: Debt Service

Tax Increment Financing

Employee Benefits

Road Purposes

Local Option Sales Tax

Capital Expenditures

Cable TV Assigned for: Trees Forever

Municipal Band

Capital Improvement

Unassigned

Total Fund Balances

Total Liabilities and Equity$ 392,037 $ 23,231 $ 30,435

 769,879 - -

 44,324 - ‑

 7,622 14,701 3,300

 2,819,276 1,632, 799 1,201, 005

 130 - -

 1,446,052 630,367 ‑

 52,335 - -

 55,817 - ‑

 5,587,472 2,301,098 1,234,740

 672,293 - 2,227

 87,940 - -

 2,819,276 1,632,799 1,201,005

 3,579,509 1,632,799 1,203,232

 55,817 - -

 668,299 ‑

 - - 31,508

 367,798 - -

 21,198 - ‑

 1,008 - -

 1,562,142 - ‑

 2,007,963 668,299 31,508

 $ 5,587,472 $ 2,301,098 $ 1,234,740

See Accompanying Notes to Financial Statements
27

|  |  |  |  |
| --- | --- | --- | --- |
| **Debt****Service** | **Capital Project****Waverly****Dam****Reconstruction** | **Other****Governmental****Funds** | **Total****Governmental****Funds** |
| **$** 11,398 | $ - | $ 3,510,434 | $ 3,967,535 |
| - | - | 200,000 | 969,879 |
| - | - | 14,268 | 58,592 |
| 3,132 | - | 253 | 29,008 |
| 807,762 | - | 313,198 | 6,774,040 |
| - | - | - | 130 |
| 19,272 | - | - | 19,272 |
| - | - | - | 2,076,419 |
|  | 505,300 | 1,626,026 | 2,183,661 |

 2,154,768 - - 2,154,768

 - - - 55,817

 2,996,332 505,300 5,664,179 18,289,121

|  |  |  |
| --- | --- | --- |
| 7,486 | 1,014 494,154 | 1,177,174 |
| - | - 11,925 | 99,865 |
| - | 630,367 1,329,521 | 1,959,888 |
| 807,762 | - 313,198 | 6,774,040 |
| 12,848 | - - | 12,848 |
| 828,096 | 631,381 2,148,798 | 10,023,815 |

- 55,817

478,808 478,806

|  |  |
| --- | --- |
| 2,168,236 - - | 2,168,236 |
| - - - | 668,299 |
| - | 31,508 |
| - 488,800 | 488,800 |
| - - 685,328 | 685,328 |
| - - 820,041 | 1,187,839 |
| - - 16,964 | 16,964 |

- - - 21,198

- - - 1,008

- - 1,559,378 1,559,378

- (126,081) (533,938) 902,123

 2,168,236 (126,081) 3,515,381 8,265,306

$ 2,996,332 $ 505,300 $ 5,664,179 $ 18,289,121

CITY OF WAVERLY, IOWA

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**

**JUNE 30, 2012**

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

Total Fund Balance - Governmental Funds (page 27) $ 8,265,306

Infrastructure, property, and equipment used in governmental activities

are not financial resources and, therefore, are not reported in the funds. 52,446,032

The investment in joint venture recorded in the governmental activities is

not a financial resource and, therefore, is not reported in the fund. 43,060

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. 189,260

Assets such as special assessment receivables are not available to pay

for current period expenditures and therefore are deferred in the funds. 12,848

Prepaid expenses are reported in the governmental activities but are not

reported in the funds as they do not provide current economic resources. 173,893

Accrued interest expense from the balance sheet that require current

financial resources from governmental activities. (28,215)

Bond issue costs are reported in the governmental activities but are not

reported in the funds as they do not provide current economic resources 227,160

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

General Obligation Bonds (13,229,978)

Notes Payable (46,268)

Compensated Absences (291,808) (13,568,054)

Total Net Assets - Governmental Activities (page 23) $ 47,761,290

See Accompanying Notes to Financial Statements
28

CITY OF WAVERLY, IOWA

See Accompanying Notes to Financial Statements
29

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES Governmental Funds**

**For the Year Ended June 30, 2012**

**Special Revenue**

**Tax**

**Increment Employee**

**General Financing Benefit** Revenue:

Taxes

Special Assessments Licenses and Permits Intergovernmental Revenue

Charges for Services Fines and Forfeits Contributions

Refunds/Reimbursements Revenue from Use of Property

Interest on Investments Miscellaneous

Total Revenue

Expenditures:

Public Safety Public Works

Health and Social Services

Culture and Recreation

Community and Economic Development General Government

Capital Projects Debt Service

Total Expenditures

Excess (deficiency) of revenues over expenditures

Other financing sources (uses):

Issuance of Debt

Premium on Bonds issued

Payment on Refunded Bonds

Proceeds from Sale of Capital Assets Transfers In

Transfers Out

Total other financing sources (uses)

Net Change in Fund Balance

Fund balances (deficits) - beginning of year Prior Period Adjustment

Fund balances (deficits) ‑

beginning of year, as restated

Fund balances (deficits) - end of year

 $ 2,817,433 $ 1,437,155 $ 1,157,521

51,321
1,040,824
782,155
82,890
39,925

 56,924 - ‑

 12,576 9,493 ‑

 75,554 - 175

 4,959,602 1,446,648 1,157,696

 1,846,942 - 215,075

 839,352 - ‑

 158,493 - ‑

 2,146,079 - 25,970

 860,280 178,885 ‑

 753,230 - ‑

 6,607 - ‑

 3,908 - ‑

 6,614,891 178,885 241,045

 (1,655,289) 1,267,763 916,651

367,798

 23,196 - ‑

 1,738,568 - ‑

 (30,000) (1,446,594) (927,529)

 2,099,562 (1,446,594) (927,529)

 444,273 (178,831) (10,878)

 1,563,690 882,018 42,386

 - (34,888) -

 1,563,690 847,130 42,386

 $ 2,007,963 $ 668,299 $ 31,508

**Capital Project**

See Accompanying Notes to Financial Statements
30

**Waverly Other Total**

**Debt Dam Governmental Governmental**

**Service Reconstruction Funds Funds**

|  |  |  |
| --- | --- | --- |
| **$** 844,780 $ | - $ 1,094,328 $ | 7,351,217 |
| 9,619 | - - | 9,619 |
| - | - 25,514 | 76,835 |
|  | 1,373,885 2,928,747 | 5,343,456 |
|  | - - | 782,155 |
| - | - - | 82,890 |
| - | - 2,604 | 42,529 |
| - | - 240,984 | 240,984 |
| - | - - | 56,924 |
| 2,800 | - 6,612 | 31,481 |
| - | - 22,350 | 98,079 |
| 857,199 | 1,373,885 4,321,139 | 14,116,169 |

2,062,017

|  |  |
| --- | --- |
| - - 1,191,263 | 2,030,615 |
| - - | 158,493 |
| - 36,741 | 2,208,790 |
| 20,585 | 1,059,750 |
| - - - | 753,230 |
| - 1,438,064 4,422,131 | 5,866,802 |
| 2,273,952 - 15,638 | 2,293,498 |
| 2,273,952 1,438,064 5,686,358 | 16,433,195 |

(1,416,753) (64,179) (1,365,219) (2,317,026)

|  |  |  |
| --- | --- | --- |
| 2,849,990 | - 1,472,212 | 4,690,000 |
| 1,079 | - - | 1,079 |
| (645,000) | - - | (645,000) |
| - | - 25,592 | 48,788 |
| 1,306,490 | - 805,843 | 3,850,901 |
| - | - (1,266,248) | (3,670,371) |
| 3,512,559 | - 1,037,399 | 4,275,397 |

 2,095,806 (64,179) (327,820) 1,958,371

 72,430 (61,902) 3,808,313 6,306,935

- - 34,888 -

 72,430 (61,902) 3,843,201 6,306,935

$ 2,168,236 $ (126,081) $ 3,515,381 $ 8,265,306

**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. 2012**

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

because:

Net change in fund balances - total governmental funds (page 30) $ 1,958,371

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 $ 6,249,314

Depreciation expense (2,098,713) 4,150,601

Gain on investment in joint venture not recorded at the fund level. 8,673

Governmental funds report the proceeds from the sale of fixed assets as revenue

whereas the statement of activities reports the gain on the sale of fixed assets. This

is the effect on the change in net assets on the statement of activities. (64,659)

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. 29,593

|  |  |
| --- | --- |
| Governmental funds report special assessments and notes receivable as revenue |  |
| when it becomes available, but the statement of activities includes as revenue when |  |
| levied. | (10,500) |
| 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. | (2,414) |
| 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. | (16,364) |
| 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. | (59,006) |
| 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 proceeds exceeded repayments in the |  |
| current year is as follows: |  |
| Repayments of long-term debt 2,558,632 |  |
| Proceeds from issuance of long-term debt (4,690,000) | (2,131,368) |
| The effect of bond issuance costs when new debt is issued, whereas, these amounts |  |
| are deferred and amortized in the Statement of Activities. | 41,022 |

Change in net assets of governmental activities (page 25) $ 3,903,949

See Accompanying Notes to Financial Statements
31

CITY OF WAVERLY, IOWA

COMBINING STATEMENT OF NET ASSETS Proprietary Funds

JUNE 30, 2012

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | WaterSystem | Business TypeSewerSystem | ActivitiesSolidWaste | Total | GovernmentalActivitiesInternalService |
| ASSETS |  |  |  |  |  |
| Current Assets |  |  |  |  |  |
| Cash and Cash Equivalents | $ 400 | $ 643,000 | $ 15,465 | $ 658,865 | $ 281,018 |
| Investments | 429,540 | - | - | 429,540 | - |
| Receivables (Net, where applicable, of allowance |  |  |  |  |  |
| for uncollectibles) |  |  |  |  |  |
| Accounts | 109,942 | 142,776 | 78,935 | 331,653 | - |
| Accrued Interest | - | 283 | - | 283 | - |
| Estimated Unbilled Usage | 44,910 | 72,437 |  | 117,347 | ‑ |
| Special Assessments | 6,567 | 67,067 | - | 73,634 | - |
| Inventories | 62,296 | 52,055 | - | 114,351 | - |
| Prepaid Assets | 18,692 | 23,754 | 43,280 | 85,726 | - |
| Restricted Assets: |  |  |  |  |  |
| Cash and Cash Equivalents | - | 90,000 | - | 90,000 | - |
| Bond Issue Costs | 9,399 | 7,946 | - | 17,345 | - |
| Total Current Assets | 681,746 | 1,099,318 | 137,680 | 1,918,744 | 281,018 |
| Noncurrent Assets: |  |  |  |  |  |
| Land | - | 108,143 | - | 108,143 | - |
| Construction in Progress | 73,614 | 430,286 | - | 503,900 | - |
| Infrastructure, Property and Equipment, Net |  |  |  |  |  |
| of Accumulated Depreciation | 4,269,957 | 7,403,361 | 560,080 | 12,233,398 | - |
| Total Noncurrent Assets | 4,343,571 | 7,941,790 | 560,080 | 12,845,441 | - |
| Total Assets | 5,025,317 | 9,041,108 | 697,760 | 14,764,185 | 281,018 |
| LIABILITIES |  |  |  |  |  |
| Current Liabilities |  |  |  |  |  |
| Accounts Payable | 114,954 | 178,861 | 20,537 | 314,352 | 7,137 |
| Accrued Wages | 2,468 | 5,718 | 7,781 | 15,967 | - |
| Compensated Absences and Benefits | 8,981 | 17,864 | 15,249 | 42,094 | - |
| Customer Deposits | 30,353 | - | - | 30,353 | - |
| Due to Other Funds | 9,401 | 107,130 | - | 116,531 | - |
| Unearned Revenue | - | - | 26,602 | 26,602 | - |
| Accrued Interest Payable | 1,580 | - | - | 1,580 | - |
| Accrued Claims | - | - | - | - | 28,266 |
| Payables from Restricted Assets: |  |  |  |  |  |
| Accrued Revenue Bond Interest | - | 912 | - | 912 | - |
| Revenue Bonds - Current | - | 10,833 | - | 10,833 | ‑ |
| Revenue Bonds | - | 119,167 | - | 119,167 | ‑ |
| General Obligation Bonds | 145,000 | - | - | 145:000 | ‑ |
| Total Current Liabilities | 312,737 | 440,485 | 70,169 | 823,391 | 35,403 |
| Noncurrent Liabilities: |  |  |  |  |  |
| Due in more than one year: |  |  |  |  |  |
| Revenue Bonds Payable | - | 164,260 | - | 164,260 | - |
| General Obligation Bonds | 503,238 | - | - | 503,238 | - |
| OPEB Liability | - | - | - | - | 56,355 |
| Compensated Absences and Benefits | 5,988 | 11,909 | 10,166 | 28,063 | - |
| Total Noncurrent Liabilities | 509,226 | 176,169 | 10,166 | 695,561 | 56,355 |
| Total Liabilities | 821,963 | 616,654 | 80,335 | 1,518,952 | 91,758 |
| NET ASSETS |  |  |  |  |  |
| Invested in Capital Assets, |  |  |  |  |  |
| Net of Related Debt | 3,695,333 | 7,647,530 | 560,080 | 11,902,943 | - |
| Restricted for: |  |  |  |  |  |
| Debt Service | - | 89,088 | - | 89,088 | - |
| Unrestricted | 508,021 | 687,836 | 57,345 | 1,253,202 | 189,260 |
| Total Net Assets | $4,203,354 | $8,424,454 | $617,425 | $13,245,233 | $ 189,260 |

See Accompanying Notes to Financial Statements
32

CITY OF WAVERLY, IOWA

See Accompanying Notes to Financial Statements
33

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS Proprietary Funds**

**For the Year Ended June 30, 2012**

**Business Type Activities**

**Water Sewer**

**System System**

**Operating Revenues:**

Charges for Services

$ 1,150,889 $ 1,549,075

 18,481 13,911

 1,169, 370 1,562,986

Miscellaneous

Reimbursement from Employees/insurance **Total Operating Revenues**

**Operating Expenses:**

General Government

Employee Services

 291,199 416,464

 253,833 261,729

 71,396 32,722

 30,317 85,134

 100,477 118,651

 4,556 2,080

 256,673 443,062

 6,620 9,480

 1,015.071 1,369,322

 154,299 193,664

Contract Services

Supplies

Repairs and Maintenance

Utilities

Miscellaneous Depreciation Amortization

**Total Operating Expenses**

**Operating Income (Loss)**

**Non**-**Operating Income (Expense):**

Interest Income

 300 4,038
73,076

 (30, 832) (21,774)

 42,544 (17, 736)

 196,843 175 928

Revenue from Use of Property

Interest Expense

**Total Non-Operating Income (Expenses)**

**Income** (Loss) **before Contributions and Transfers**

Contributed Capital Revenue 12,293

Transfers (Out) (90,265)

**Change in Net Assets** 106,578 188,221

**Net Assets - Beginning** 4,096,776 8,236,233

**Net Assets -** Ending $ 4,203,354 $ 8,424,454

**Business Type Activities** Governmental **Activities**

See Accompanying Notes to Financial Statements
34

**Solid** Internal

**Waste Total** Service

1,051,046 25,192

1, 076,238

$ 3,751,010 57,584

3,808,594

$ 213,260

31

15,842

229,133

290,691

533,660 255,242 104,987 52,550 11,391

1,642 97,321

1,056,793 19,445

517

517 19,962

(90,265) (70,303) 687,728

$ 617,425

1,241,323
770,804
209,105
168,001
230,519
8,278
797,056
16,100
3,441,186

367,408

4,855 73,076 {52,606) 25,325

392,733

12,293 (180,530)

224,496 13,020,737 $ 13,245,233

290,691 (61,558)

2,552

2,552 (59,006)

(59,006) 248,266 $ 189,260

**CITY OF WAVERLY, IOWA**

See Accompanying Notes to Financial Statements
35

**COMBINING STATEMENT OF CASH FLOWS Proprietary Funds**

**For the Year Ended June 30, 2012**

**Business Type Activities**

**Water Sewer**

**System System**

|  |  |
| --- | --- |
| **CASH FLOWS FROM OPERATING ACTIVITIES:**Cash Received from Customers $ 1,160,281Cash Paid to Suppliers for Goods and Services (444 351)Cash Paid to Employees for Services (289,873)Other Nonoperating Income 73,076Net Cash Provided (Used) by Operating Activities 499,133 | $ 1,531,880 (510,666) (413,449)607,765 |

|  |  |  |
| --- | --- | --- |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING** |  |  |
| ACTIVITIES: |  |  |
| Acquisition and Construction of Capital Assets | (2,354) | (369,327) |
| Principal Paid on Notes and Bonds | (280,000) | (275,000) |
| Interest Paid on Notes and Bonds | (31,571) | (22,695) |
| Net Cash (Used) for Capital and Related Financing Activities | (313,925) | (667,022) |
| **CASH FLOWS FROM NON**-**CAPITAL FINANCING ACTIVITIES:** |  |  |
| Transfers to Other Funds | (90,265) | - |
| Due From (To) Other Funds | (426,942) | 107,130 |
| Net Cash Provided (Used) for Non-Capital Financing Activities | (517,207) | 107,130 |

**CASH FLOWS FROM INVESTING ACTIVITIES:** Proceeds from Sale of Investments

Interest and Dividends on Investments

331,699

 300 3,966

 331,999 3,966 51,839

 400 681,161

$ 400 $ 733,000

Net Cash Provided for Investing Activities

Net Increase (Decrease) in Cash and Cash Equivalents Cash and Cash Equivalents at Beginning of Year Cash and Cash Equivalents at End of Year

**Business Type Activities** Governmental Activities

See Accompanying Notes to Financial Statements
36

**Solid** Internal

Waste Total Service

$ 1,068,453 (431,043) (529,648)

107,762$ 3,760,614 (1, 386, 060) (1,232,970)

73,076 1,214,660$ 229,133 (256,495)

(27,362)

 (106,480) (478,161)

(555, 000)

(54,266)
 (106,480) (1,087,427)

 (90,265) (180,530) (319,812)

 (90,265) (500,342)

517

517

(88,466)

103,931 $ 15,465

331,699 4,783

336,482 (36,627) 785.492

$ 748,865

2,552 2,552

(24, 810)

305,828

$ 281,018 (Continued)

**CITY OF WAVERLY, IOWA**

**COMBINING STATEMENT OF CASH FLOWS (Continued) Proprietary Funds**

**For the Year Ended June 30, 2012**

**Business Type Activities**

**Water Sewer**

**System System**

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities

|  |  |  |
| --- | --- | --- |
| Operating Income (Loss) $ | 154,299 | $ 193,664 |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash |  |  |
| Provided by Operating Activities: |  |  |
| Depreciation | 256,673 | 443,062 |
| Amortization | 6,620 | 9,480 |
| Miscellaneous Non-Operating Income | 73,076 | - |
| (Increase) Decrease in Assets: |  |  |
| Accounts Receivable | (18,136) | (32,085) |
| Special Assessments | 3,921 | 9,250 |
| Estimated Unbilled Usage | 2,435 | (8,271) |
| Prepaid Expenses | (3,147) | (1,055) |
| Inventories | (15,427) | 2,490 |
| Increase (Decrease) in Liabilities |  |  |
| Accounts Payable | 34,802 | (11,785) |
| Accrued Wages | (880) | (38) |
| Accrued Compensated Absences | 2,206 | 3,053 |
| Unearned Revenue | - | - |
| Customer Deposits | 2,691 | ‑ |
| OPEB Liability | - | ‑ |
| Claims Payable | - | - |
| Total Adjustments | 344,834 | 414,101 |
| Net Cash Provided (Used) by Operating Activities $ | 499,133 | $ 607,765 |

**NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:**

Exchange of Payables for Capital Assets $ 71,261 $ 170,529

Capital Contributions $ -12,293

|  |  |
| --- | --- |
| **Reconciliation of Cash and Cash Equivalents to the Balance Sheet:**Cash and Cash Equivalents $ 400Restricted Cash and Cash Equivalents ‑ $ 400See Accompanying Notes to Financial Statements37 | $ 643,000 90,000$ 733,000 |

 Business Type Activities Governmental Activities

See Accompanying Notes to Financial Statements
38

Solid Internal

Waste Total Service

$ 19,445 $ 367,408 $ (61,558)

 97,321 797,056 ‑

 - 16,100 ‑

 - 73,076 -

 (11,910) (62,131) ‑

 - 13,171 ‑

 - (5,836) -

 (6,203) (10,405) ‑

 - (12,937) -

 972 23,989

 961 43

 3,051 8,310

 4,125 4,125
2,691

 88,317 847,252

$ 107,762 $ 1,214,660

3,748

29,964

484

34,196 $ (27,362)

$ $ 241,790 $

$ $ 12,293

$ 15,465 $ 658,865 $ 281,018

 - 90,000 ‑

 $ 15,465 $ 748,865 $ 281,018

**CITY OF WAVERLY, IOWA**

**STATEMENT OF FIDUCIARY NET ASSETS Agency Funds**

**JUNE 30, 2012**

**ASSETS**

Cash and Cash Equivalents $ 50,753
Receivables:

Accounts Receivable 1,206,989

Other 6,531

**Total Assets 1,264,273
LIABILITIES**

Due to Other Governments 1,226,584

Other Payables 37,689

**Total Liabilities** 1,264,273
**NET ASSETS**

Unrestricted -

|  |  |
| --- | --- |
| Total Net Assets |  |

See Accompanying Notes to Financial Statements
39

CITY OF WAVERLY, IOWA
Notes to Financial Statements
June 30, **2012**

40

**Note I - 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, 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, 2012

**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, 2012, Waverly Light and Power transferred $934,534 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, 2011.

Jointly Governed overned 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 genera!, 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.

41

CITY OF WAVERLY, IOWA
Notes to Financial Statements
June 30, 2012

42

**Note I - 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, 2012**

43

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

1. 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.
2. 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.
3. Capital Project Funds – 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, 2012**

**Note I - 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.

44

CITY OF WAVERLY, IOWA
Notes to Financial Statements
June 30, 2012

45

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.

**TT00-**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the culture and recreation and business type / enterprises 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.

1. Investments

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

Type

Nonnegotiable Certificates of Deposit Iowa Public Agency Investment Trust

U.S. Treasury Notes, State & Local Government Series

Component Unit

Nonnegotiable Certificates of Deposit

U.S. Treasury Notes, State & Local Government Series

Iowa Public Agency Investment Trust

Debt Securities

U.S. Government Securities

Maturity of one year or less when purchased Maturity of more than one year when purchased

Method

Cost
Fair Value Determined by Current Share Prices

Fair Value Determined
Based on Quoted Market Price

Cost

Fair Value Determined
Based on Quoted Market Price

Fair Value Determined By Current Share Prices

Amortized Cost
Fair Value Based on
Quoted Market Price

CITY OF WAVERLY, IOWA
Notes to Financial Statements
June 30, 2012

46

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

1. **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, 2012 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 1 Y2% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011. Any county collections on the 2011-2012 tax levy remitted to the City within 60 days subsequent to June 30, 2012, are recorded as property tax revenue.

1. **Short-Term Interfund Receivables/Parables**

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, 2012, 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.

1. **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.

1. **Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2012 are recorded as prepaid items.

**CITY OF WAVERLY, IOWA
Notes to Financial Statements
June 30, 2012**

47

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

1. **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.

1. **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 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 |

**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, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and Road Use Tax Fund.

**N. Lone#-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, 2012

48

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

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 city ordinance 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. The finance officer or City Manager is authorized to assign amounts to a specific purpose pursuant to authority given by the City Council.

Unassigned – All amounts not included in other spendable classifications.

1. **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.

1. **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, 2012**

49

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

The City's deposits at June 30, 2012, 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 depositor 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, 2012.

At June 30, 2012 the City had the following investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

|  |  |  |
| --- | --- | --- |
| Credit | Fair |  |
| Risk | Value | Maturity |
| Mutual Funds N/A | $ 126,516 | N/A |
| IPAIT AAA | $1,047,660 | N/A |
| US Treasury Notes N/A | $2,154,768 | Various |

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 $225,243 of nonnegotiable certificates of deposit with various original maturities of less than 365 days.

|  |  |  |
| --- | --- | --- |
|  | Credit | Fair |
|  | Risk | Value Maturity |
| Component Unit – Waverly Light and Power: |  |  |
| IPAIT | AAA | $ 95,312 N/A |
| Component Unit - Waverly Health Center: |  |  |
| Nonnegotiable Certificates of Deposit | N/A | $ 1,744,248 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 maybe 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, 2012 are net of allowance for uncollectibles. The allowance for uncollectibles of the enterprise funds of the primary government was $10,573 at June 30, 2012. The Waverly Health Center component unit had an allowance for uncollectibles of $2,935,000 at June 30, 2012.

**CITY OF WAVERLY, IOWA
Notes to Financial Statements
June 30, 2012**

50

**Note 4 - DUE FROM OTHER GOVERNMENTS**

At June 30, 2012, amounts due from other governments were as follows:

|  |  |
| --- | --- |
| Due from the Department of Justice for the Bullet Proof Vest Grant Program | $ 2,588 |
| Due from the Department of Justice for the Byrne Grant Program | 615 |
| Due from the Iowa Homeland Security for the Emergency Demolition Grant Funding | 47,216 |
| Due from the Economic Development Administration for the Waverly Dam Reconstruction Project | 370,366 |
| Due from the State of Iowa for local option sales taxes | 146,260 |
| Due from the State of Iowa for hotel and motel sales taxes | 42,832 |
| Due from the Iowa Department of Transportation for road use tax allocations | 69,077 |
| Due from the Iowa Homeland Security for the Flood Home Demolition Project | 640,055 |
| Due from the Iowa Department of Economic Development for the Flood Home Demolition Project | 213,352 |
| Due from the Iowa Homeland Security for a Historical Study | 41,929 |
| Due from the Iowa Department of Economic Development for the CDBG Buyout Program | 178,267 |
| Due from the Iowa Department of Economic Development for the Waverly Dam Reconstruction | 134,934 |
| Due from the State of Iowa for State Highway Maintenance | 6,300 |
| Due from the Iowa Department of Transportation for highway and planning construction grants | 289,870 |
| Total Due from Other Governments | $2,183,661 |

**Note 5 - INTERFUND RECEIVABLES AND PAYABLES**

As of June 30, 2012, short-term interfund borrowings were as follows:

**Fund Due To Fund Due From Amount**

TIF Capital Project – Waverly Dam Reconstruction $ 630,367

General Nonmajor Governmental 1,329,521

General Proprietary - Water 9,401

General Proprietary - Sewer 107,130 $ 2,076,419

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, 2012

51

Note 6 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Primary Government

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Balance |  |  | Balance |
|  | July 1, |  |  | June 30, |
|  | 2011 | Additions | Deletions | 2012 |
| Governmental Activities: |  |  |  |  |
| Capital assets not being depreciated: |  |  |  |  |
| Land | $ 9,700,116 | $ 1,031,607 | $ - | $ 10,731,723 |
| Construction in Progress | 6,212,481 | 4,465,744 | 3,798,570 | 6,879,655 |
| Total capital assets not being depreciated | 15,912,597 | 5,497,351 | 3,798,570 | 17,611,378 |
| Capital assets being depreciated: |  |  |  |  |
| Buildings and Improvements | 12,156,020 | - | - | 12,156,020 |
| Equipment | 5,983,619 | 694,186 | 423,901 | 6,253,904 |
| Infrastructure | 35,384,508 | 3,885,694 | - | 39,270,202 |
| Total capital assets being depreciated | 53,524,147 | 4,579,880 | 423,901 | 57,680,126 |
| Less: Accumulated Depreciation for: |  |  |  |  |
| Buildings and Improvements | 2,898,960 | 276,684 | - | 3,175,644 |
| Equipment | 3,463,440 | 436,196 | 329,895 | 3,569,741 |
| Infrastructure | 14,714,254 | 1,385,833 | - | 16,100,087 |
| Total Accumulated Depreciation | 21,076,654 | 2,098,713 | 329,895 | 22,845,472 |
| Total capital assets being depreciated, net | 32,447,493 | 2,481,167 | 94,006 | 34,834,654 |
| Governmental activities capital assets, net | $ 48,360,090 | $ 7,978,518 | $ 3,892,576 | $ 52,446,032 |

Construction in progress at June 30, 2012, for the governmental activities consisted of costs associated with the Cedar River Parkway improvements, Waverly Dam reconstruction project, demolition of flood buyout properties, 12th St NW project, and various other small projects.

CITY OF WAVERLY, IOWA
Notes to Financial Statements
June **30, 2012**

52

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

Balance Balance

July **1, June 30,**

2011 Additions Deletions **2012 Business-Type Activities:**

Capital assets not being depreciated:

Land $ 19,191 $ 88,952 $ - $ 108,143

Construction in Progress - 503,900 - 503,900

Total capital assets not being depreciated 19,191 592,852 - 612,043

Capital assets being depreciated:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Buildings and Improvements | 6,109,870 | - | - | 6,109,870 |
| Equipment | 2,290,583 | 158,526 | 74,401 | 2,374,708 |
| Lines and Structures | 17,797,543 | - | - | 17,797,543 |
| Total capital assets being depreciated | 26,197,996 | 158,526 | 74,401 | 26,282,121 |
| Less: Accumulated Depreciation |  |  |  |  |
| Buildings and Improvements | 3,826,097 | 112,571 | - | 3,938,668 |
| Equipment | 1,262,509 | 154,481 | 55,267 | 1,361,723 |
| Lines and Structures | 8,218,328 | 530,004 | - | 8,748,332 |
| Total Accumulated Depreciation | 13,306,934 | 797,056 | 55,267 | 14,048,723 |
| Total capital assets being depreciated, net | 12,891,062 | (638,530) | 19,134 | 12,233,398 |
| Business-type activities capital assets, net | $ 12,910,253 | $ (45,678) | $ 19,134 | $ 12,845,441 |

|  |
| --- |
| Depreciation expense was charged to functions/programs of the primary government as follows: |
| Governmental Activities: |  |  |
| Public Safety | $ | 298,928 |
| Public Works |  | 1,563,781 |
| Culture and Recreation |  | 174,706 |
| General Government |  | 61,298 |
| Total depreciation expense — governmental activities | $ | 2,098,713 |
| Business-Type Activities: |  |  |
| Water | $ | 256,673 |
| Sewer |  | 443,062 |
| Solid Waste |  | 97,321 |
| Total depreciation expense — business-type activities | $ | 797,056 |

CITY OF WAVERLY, IOWA
Notes to Financial Statements
June **30, 2012**

Capital assets being depreciated: Improvements

Buildings Equipment Louisa Plant WS4 Plant

Total capital assets being depreciated

Less: Accumulated Depreciation

Total capital assets being depreciated, net Component unit capital assets, net

|  |  |  |  |
| --- | --- | --- | --- |
| 31,113,154 | 1,416,779 | 475,190 | 32,054,743 |
| 3,818,770 | 70,262 | - | 3,889,032 |
| 6,168,489 | 376,118 | 112,837 | 6,431,770 |
| 9,957,687 | 116,079 | 34,816 | 10,038,950 |
| 5,299,799 | 8,177 | - | 5,307,976 |
| 56,357,899 | 1,987,415 | 622,843 | 57,722,471 |

 25,766,800 2,001,612 540,487 27,227,925

 30,591,099 (14,197) 82,356 30,494,546

 $ 32,734,490 $ 2,571,512 $ 2,182,622 $ 33,123,380

53

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

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

Balance Balance

July **1, June 30,**

2011 Additions Deletions **2012 Waverly Health Center:**

Capital assets not being depreciated:

Land $ 2,206,302 $ - $ - $ 2,206,302

Construction in Progress 1,248,665 173,821 1,248,665 173,821

Total capital assets not being depreciated 3,454,967 173,821 1,248,665 2,380,123

Capital assets being depreciated:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Land Improvements | 2,165,128 | 52,007 | - | 2,217,135 |
| Buildings and Fixed Equipment | 23,910,696 | 1,123,783 | - | 25,034,479 |
| Major Movable Equipment | 15,845,679 | 1,983,138 | 305,069 | 17,523,748 |
| Total capital assets being depreciated | 41,921,503 | 3,158,928 | 305,069 | 44,775,362 |
| Less: Accumulated Depreciation | 22,350,665 | 2,932,246 | 150,419 | 25,132,492 |
| Total capital assets being depreciated, net | 19,570,838 | 226,682 | 154,650 | 19,642,870 |
| Component unit capital assets, net | $ 23,025,805 | $ 400,503 | $ 1,403,315 | $ 22,022,993 |

Construction in progress at June 30, 2012 for the Waverly Health Center consists of costs related to construction of a retaining wall and equipment installations in progress.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Balance |  |  | **Balance** |
|  | January 1, |  |  | December **31,** |
|  | **2011** | Additions | Deletions | **2011** |
| **Waverly Light and** Power: |  |  |  |  |
| Capital assets not being depreciated: |  |  |  |  |
| Land | $ 487,396 | $ 213,030 | $ 343,302 | $ 357,124 |
| Construction in Progress | 1,655,995 | 2,372,679 | 1,756,964 | 2,271,710 |
| Total capital assets not being depreciated | 2,143,391 | 2,585,709 | 2,100,266 | 2,628,834 |

CITY OF WAVERLY, IOWA
Notes to Financial Statements
**June 30, 2012**

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

Reconciliation of Invested in Capital Assets: Component Units

Governmental Business-type Waverly Waverly

 Activities Activities Health Center Light & Power

Land

Construction in Progress

Capital Assets (net of accumulated depreciation)

Less: General Obligation Bonds Payable Notes Payable

Revenue Bonds

Add: Unspent GO Bond Proceeds

Reserve from Borrowing

Invested in Capital Assets, Net of Related Debt

 $ 10,731,723 $ 108,143 $ 2,206,302 $ 357,124

 6,879,655 503,900 173,821 2,271,710

 34,834,654 12,233,398 19,642,870 30,494,546

 13,229,978 648,238 - ‑

 46,268 - 777,005 ‑

 - 294,260 9,895,000 4,275,555

 3,216,800 - - ‑

 - - - 707,414

 $ 42,386,586 $ 11,902,943 $11,350,988 $ 29,555,239

**Note 7 - LONG**-**TERM LIABILITIES**

The City's computed legal debt limit as of June 30, 2012, is $30,473,254 of which $11,802,600 is committed for outstanding general obligation debt.

The following is a summary of bond transactions of the City for the year ended June 30, 2012:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Governmental | Business Type |  |
|  | Activities | Activities |  |
|  | General Obligation |  |  |
|  | Bonds and |  |  |  |
|  | Notes | Bonds Paid |  |  |
|  | Paid By | By |  |  |
|  | Debt Service | Enterprise | Revenue |  |
|  | Fund | Funds | Bonds | Total |
| *Primary Government:* |  |  |  |  |
| Bonds payable |  |  |  |  |
| July 1, *2011* | *$ 11,164,900* | *$ 885,000* | *$ 630,000* | *$ 12,679,900* |
| *Plus:* Issued | *4,690,000* | *-* | *-* | *4,690,000* |
| Less: Payments | *2,558,632* | *230,000* | *325,000* | *3,113,632* |
| Bonds Payable |  |  |  |  |
| June *30, 2012* | *$ 13,296,268* | *$ 655,000* | *$ 305,000* | *$ 14,256,268* |
| Due within one year | $ *3,949,075* | *$ 145,000* | *$ 130,000* | *$ 4,224,075* |

The City of Waverly's revenue bonds are shown net of the unamortized deferred refunding asset of $10,740 on the Statement *of* Net Assets.

The City of Waverly's general obligation bonds are shown net of the unamortized deferred refunding asset of $65,315 and gross of the unamortized premium of $45,293 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 $6,762 on the Statement *of* Net Assets.

*54*

CITY OF WAVERLY, IOWA
**Notes to Financial Statements
June 30, 2012**

55

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

Waverly

 Waverly Light Total

 Health And Component

 Center Power Units

|  |  |  |  |
| --- | --- | --- | --- |
| *Component Unit:* |  |  |  |
| Bonds Payable/ Notes Payable‑ |  |  |  |
| June 30,2011/December 31, 2010 | $ 12,075,367 | $ 6,736,053 | $ 18,811,420 |
| Plus: Issued | 480,300 | - | 480,300 |
| Less: Retired | 1,883,662 | 1,113,421 | 2,997,083 |
| Bonds Payable/ Notes Payable‑ |  |  |  |
| June 30, 2012/December 31, 2011 | $ 10,672,005 | $ 5,622,632 | $ 16,294,637 |
| Due within one year | $ 1,706,310 | $ 1,148,421 | $ 2,854,731 |

On the Statement of Net Assets the Waverly Light and Power component unit revenue bonds are shown net of unamortized bond discount of $2,077.

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 govern mental-type activities and the business-type activities.

On May 16, 2012, the City issued $2,495,000 of General Obligation Bonds, Series, 2012A which were used to finance various capital projects in the City and a portion was used to current refund $645,000 of General Obligation Bonds, Series 2005. As a result of this refunding, the City will reduce its debt service payments over the next five years by $51,461, and obtain an economic gain of $53,995.

On May 16, 2012, the City issued $2,195,000 of GO Local Option Sales and Services Tax Refunding Bonds, Series 2012B in a crossover advance refunding of the Series 2006 GO Local Option Sales Tax Bonds. The 2012 bonds have an average interest rate of 1.15% and the 2006 bonds being refunded have an average interest rate of 4.0%. The net proceeds from the issuance were used to purchase U.S. government securities and were deposited in an escrow account with Bankers Trust Company. As of June 30, 2012 the amount in escrow was $2,154,768. This amount will be used to refund the remaining $2,130,000 of the 2006 bonds on June 1, 2013 when these notes become callable. The assets deposited with the escrow agent are shown as a restricted asset in the City's Debt Service Fund. As a result of this refunding, the City will reduce its debt service payments over the next six years by $158,100, and obtain an economic gain of $152,257.

**CITY OF WAVERLY, IOWA
Notes to Financial Statements
June 30, 2012**

56

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

General obligation bonds outstanding as of June 30, 2012 are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Date | Final | Amount | Outstanding |
| of | Interest Due | Annual Originally | June **30,** |
| Issue | Rates Date | Payments Issued | **2012** |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| General Obligation: |  |  |  |  |  |  |
| \*2005 GO Refunding | 2005 3.25% | 2013 | 65,000 | $ | 2,680,000 | $ 65,000 |
| \*2006 GO LOSST Bonds | 2006 3.75-4.10% | 2019 | 310,000-395,000 |  | 4,040,000 | 2,445,000 |
| \*2008 GO Refunding | 2008 3.0-3.65% | 2018 | 150,000-255,000 |  | 2,270,000 | 1,095,000 |
| 2009 GO Refunding | 2009 2.3-3.65% | 2019 | 255,000-555,000 |  | 4,360,000 | 2,930,000 |
| 201OA GO Refunding | 2010 1.6-2.85% | 2017 | 80,000-90,000 |  | 670,000 | 430,000 |
| 2011 GO Urban Renewal | 2011 2.0-3.0% | 2021 | 225,000-285,000 |  | 2,455,000 | 2,250,000 |
| 2012A GO Bonds | 2012 .5-1.5% | 2017 | 450,000-630,000 |  | 2,495,000 | 2,495,000 |
| 2012B GO LOSST Bonds | 2012 .65-1.5% | 2019 | 355,000-380,000 |  | 2,195,000 | 2,195,000 |
| Total General Obligation |  |  |  | $ | 21,160,000 | $ 13,905,000 |
|  |  |
| 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 bonds, | are paid with water | and sewer | revenues. The |
| revenue bonds are to be retired with water and | sewer revenues. |  |  |  |

**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, 2012 are as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | DateofIssue | InterestRates | FinalDueDate | AnnualPayments | Amount OutstandingOriginally June **30,**Issued **2012** |
| Revenue Bonds: |  |  |  |  |  |  |
| 2008–Sewer | 2008 | 3.5-3.8% | 2015 | 45,000-130,000 | $ 770,000 $ | 305,000 |
| Total Revenue Bonds |  |  |  |  | $ 770,000 $ | 305,000 |
| Component Units: |  |  |  |  |  |  |
| Waverly Health Center: |  |  |  |  |  |  |
| 1999 Hospital Capital Loan |  |  |  |  |  |  |
| Notes | 1999 | 5.7-5.8% | 2015 | 150,000-180,000 | $ 2,150,000 $ | 495,000 |
| 2003 Hospital Capital Loan |  |  |  |  |  |  |
| Notes | 2003 | 5.0-5.5% | 2018 | 545,000 | 9,800,000 | 4,945,000 |
| 2004 Hospital Capital Loan |  |  |  |  |  |  |
| Notes | 2004 | 4.2-4.85% | 2019 | 195,000 | 6,200,000 | 4,455,000 |

$ 18,150,000 $ 9,895,000 Waverly Light and Power

|  |  |  |
| --- | --- | --- |
| 2002 Utility Rev. Bonds 2002 | 2.2-4.5% 2012 75,000-200,000 $ 2,500,000 $ | 390,000 |
| 2005 Utility Rev. Bonds 2005 | 3.5-4.0% 2015 380,000-480,000 3,000,000 | 1,815,000 |
| 2007 Utility Rev. Bonds 2007 | .70% 2022 188,421 2,826,316 | 2,072,632 |
|  | $ 8,326,316 $ | 4,277,632 |
| Grand Total Revenue Bonds | $ 27,246,316 $ | 14,477,632 |

CITY OF WAVERLY, IOWA
Notes **to Financial Statements
June 30, 2012**

57

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

General Obligation Revenue Bond Year Ending

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| June **30,** | Principal | Interest | Principal | Interest |
| 2013 | $ 4,075,000 | $ 322,979 | $ 130,000 | $ 10,940 |
| 2014 | 2,040,000 | 195,275 | 130,000 | 6,390 |
| 2015 | 1,855,000 | 163,027 | 45,000 | 1,710 |
| 2016 | 1,900,000 | 129,407 | - | ‑ |
| 2017 | 1,625,000 | 91,408 | - | ‑ |
| 2018-2021 | 2,410,000 | 114,975 | - | - |
|  | $ 13,905,000 | $ 1,017,071 | $ 305,000 | $ 19,040 |

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

Year Ending Capital Loan/Notes Total

June 30, Loan Notes Payable Principal Interest Total

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2013 | $ 1,215,000 | $ 491,310 | $ 1,706,310 | $ 522,594 | $ 2,228,904 |
| 2014 | 1,275,000 | 131,308 | 1,406,308 | 450,650 | 1,856,958 |
| 2015 | 1,335,000 | 91,215 | 1,426,215 | 381,713 | 1,807,928 |
| 2016 | 1,405,000 | 63,172 | 1,468,172 | 310,212 | 1,778,384 |
| 2017 | 1,475,000 | - | 1,475,000 | 237,761 | 1,712,761 |
| 2018-2019 | 3,190,000 | - | 3,190,000 | 241,062 | 3,431,062 |
|  | $ 9,895,000 | $ 777,005 | $ 10,672,005 | $ 2,143,992 | $ 12,815,997 |

Waverly Light and Power

Revenue

Year Ending Bond Notes Total

December 31 Principal Payable Principal Interest Total

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 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 | 188,421 | 120,000 | 308,421 | 9,232 | 317,653 |
| 2017-2021 | 942,105 | 600,000 | 1,542,105 | 26,378 | 1,568,483 |
| 2022 | 188,422 | 120,000 | 308,422 | 1,319 | 309,741 |
|  | $ 4,277,632 | $ 1,345,000 | $ 5,622,632 | $ 286,009 | $ 5,908,641 |

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, 2012**

58

**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, 2012.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | Due |
|  | July 1, |  |  | **June** 30, | Within |
|  | **2011** | Additions | Reductions | **2012** | One Year |
| Governmental Activities: |  |  |  |  |  |
| Compensated Absences | $ 281,305 | $ 179,286 | $ 168,783 | $ 291,808 | $ 175,085 |
| OPEB Liability | 26,391 | 29,964 | - | 56,355 | ‑ |
| Equipment Note | 10,890 | - | 10,890 | - | - |
| Equipment Note | 5,168 |  | 2,520 | 2,648 | 2,648 |
| Equipment Note | 64,318 | - | 20,698 | 43,620 | 21,427 |
|  | $ 388,072 | $ 209,250 | $ 202,891 | $ 394,431 | $ 199,160 |
| Business-Type Activities: |  |  |  |  |  |
| Compensated Absences | $ 61,848 | $ 45,418 | $ 37,109 | $ 70,157 | $ 42,094 |

Maturities of Equipment Notes Payable is as follows:

**Year Ending**

 **June 30, Principal Interest**

2013 $ 24,075 $ 1,687

2014 22,193 788

 $ 46,268 $ 2,475

Other long-term liabilities at June 30, 2012 was comprised of the following: Included in general long-term debt:

A note payable at 5% interest to First National Bank dated August 7, 2009 and due

September 1, 2012 for a copy machine. $ 2,648

A note payableat *3..****5i°****'* erest to First National Bank dated

 Int Septet i fiber 15, 20 1 0 a! d due

September 15, 2013 for golf course mowers. $ 43,620

CITY OF WAVERLY, IOWA

59

**Notes to Financial Statements**

**June 30, 2012**

**Note 8 – TRANSFERS**

The following is a summary of transfers between funds:

Debt Nonmajor Total

General Service Governmental Transfers Out

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| General | $ - | $ 30,000 $ | - | $ 30,000 |
| Tax Increment Financing | 544,297 | 777,297 | 125,000 | 1,446,594 |
| Employee Benefit | 927,529 | - | - | 927,529 |
| Nonmajor |  |  |  |  |
| Governmental | 266,742 | 499,193 | 500,313 | 1,266,248 |
| Water | - | - | 90,265 | 90,265 |
| Solid Waste | - | - | 90,265 | 90,265 |
| Total Transfers In | $1,738,568 | $1,306,490 $ | 805,843 | $ 3,850,901 |

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. 1PERS 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 5.38% of their annual covered salary and the City is required to contribute 8.07% of 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, 2012, 2011, and 2010 were $273,002, $207,212, and $188,561, respectively, equal to the required contributions for each year.

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

CITY OF WAVERLY, IOWA
Notes to Financial Statements
June 30, 2012

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 24.76% of earnable compensation. Contribution requirements are established by State statute. The City's contribution to MFPRSI for the years ended June 30, 2012, 2011 and 2010 were $215,075, $170,508, and $137,436, respectively, equal to the required contributions for each year.

**Note 10 - DEFICIT FUND EQUITY**

The City has sixteen funds with deficit equity balances at June 30, 2012. 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:

|  |  |
| --- | --- |
| SpecialRevenue — Downtown TIF ...................................................... | $ 42,903 |
| Capital Project — Waverly Dam Reconstruction .................................. | 126,081 |
| CapitalProject —Brookwood Trail ....................................................... | 23,596 |
| CapitalProject — 5'" St NW! 5tfl Ave NW ............................................ | 37,331 |
| CapitalProject — 4`' St Project ............................................................ | 164 |
| Capital Project — Emergency Demolition Program .............................. | 24,719 |
| CapitalProject — Downtown Streetscape West .................................. | 447 |
| CapitalProject — Public Services Facility ............................................ | 1,527 |
| CapitalProject — Dr' Run Project ....................................................... | 633 |
| CapitalProject —12" St SW ............................................................... | 198,773 |
| CapitalProject —16`" St Reconstruction ............................................ | 355 |
| CapitalProject — Flood Buyout Program ............................................. | 22,380 |
| CapitalProject — AMVETS Buyout ...................................................... | 12,261 |
| CapitalProject—AMVETS Riverbank ................................................. | 1,172 |
| CapitalProject — Fair/Ball Diamond Project ........................................ | 3,600 |
| CapitalProject — GMT Rail Spur ......................................................... | 164,077 |

Note 1 i - 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, 2010 | $ 29,105 |
| Claims paid | (255,344) |
| Claims incurred | 254,021 |
| Claims payable @ June 30, 2011 | $ 27,782 |

|  |  |
| --- | --- |
| Claims payable @ June 30, 2011 | $ 27,782 |
| Claims paid | (249,888) |
| Claims incurred | 250,372 |
| Claims payable @ June 30, 2012 | $ 28,266 |

CITY OF WAVERLY, **IOWA
Notes to Financial Statements
June 30, 2012**

61

**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 70 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, 2012, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution $ 55,126

Interest on net OPEB obligation 1,188

Adjustment to annual required contribution (1,620)

Annual OPEB cost 54,694

Contributions made (24,730)

Increase in net OPEB obligation 29,964

Net OPEB obligation beginning of year 26,391

Net OPEB obligation end of year $ 56,355

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, 2012.