

Comprehensive Annual Financial Report

FISCAL YEAR ENDED JUNE 30, 2019
CITY OF WATERLOO, IOWA



CITY OF WATERLOO, IOWA

CITY OF WATERLOO, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2019

Prepared by:
City of Waterloo Finance Department
Michelle C. Weidner, CPA, Chief Financial Officer
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Brent Bohlen, Financial Analyst
Kim Bahr, Financial Analyst

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CITY OF WATERLOO, IOWA

OFFICE OF THE MAYOR ----- FINANCE DEPARTMENT

QUENTIN HART • Mayor MICHELLE WEIDNER, CPA • Chief Financial Officer

January 31, 2020

Mayor
QUENTIN
HART

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

COUNCIL MEMBERS

.....

MARGARET
KLEIN
Ward 1

JONATHAN
GRIEDER
Ward 2

PATRICK
MORRISSEY
Ward 3

JEROME
AMOS, JR.
Ward 4

RAY
FEUSS
Ward 5

SHARON
JUON
At-Large

DAVE
BOESEN
At-Large

We are pleased to present the Comprehensive Annual Financial Report of the City of Waterloo, Iowa (City) for the year ended June 30, 2019 in accordance with the provisions of Chapter 11 of the Code of Iowa. This report is published to provide the City Council and citizens detailed information concerning the financial condition of the City. It has also been audited by an independent certified public accounting firm in accordance with generally accepted auditing standards and the federal single audit act requirements, including the provisions of Title 2 of the U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). RSM US LLP issued an unmodified (“clean”) opinion on the financial statements for the year ended June 30, 2019.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Management’s Discussion and Analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

THE CITY’S BACKGROUND AND SERVICES

Waterloo is the 6th largest and historically one of the most diverse cities in the state of Iowa, with a population of 68,406, according to the 2010 census. (Current census estimates indicate growth to 72,000.) The City was incorporated in 1868 and is the county seat of Black Hawk County. Waterloo and the neighboring City of Cedar Falls are the primary urban centers in the area, serving as a retail and healthcare hub for the region. The City is empowered to levy a property tax on real property located within its boundaries. The City operates under a Mayor – Council form of government, with the mayor as the elected chief executive. The City Council is comprised of seven members, five of whom are elected from separate wards and two who are elected at-large. The Mayor is elected to two-year terms, and the City Council members are elected to four-year staggered terms.

The City of Waterloo provides a full range of municipal services to its citizens and is organized into a number of operating departments, the activities of which are directed by the Mayor. The public services provided by the employees of the City include police and fire protection, building inspections and animal control, a regional airport, construction and maintenance of highways, streets and other infrastructure, and recreational and cultural and arts services. The City also provides solid waste collection and wastewater treatment services. Other human services are provided through the community development, housing and human rights departments. The central garage provides vehicle maintenance services, and the human resources, management information systems, city attorney, city clerk and finance departments perform various administrative functions.

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

ECONOMIC OUTLOOK

The economy of Waterloo and the Cedar Valley area is seeing continued commercial and industrial activity. The largest employer in the City is Deere & Company through its Waterloo Works Drivetrain Operations, Engine Works, Foundry, Product Engineering and Assembly facilities. Other major employers include Tyson Foods, Mercy One, University of Northern Iowa, Unity Point Health, Hy-Vee and Western Home Communities.

The area's regional economic development corporation, GROW Cedar Valley, works with the city to help create development in Waterloo as well as the entire metropolitan area. Total building permit valuation for Waterloo was over \$100 million for the sixth straight year, reaching \$142.3 million for the fiscal year ended June 30, 2019. New housing starts hit a record high of 314 units. Waterloo is a regional retail center for Black Hawk and surrounding counties. After increasing steadily for several years, retail sales dipped in 2018 and then rose slightly in fiscal 2019 to \$1.118 billion. Waterloo's population has remained relatively stable during the past decade.

The overall city tax base has reflected an average annual growth of approximately 0.5% during the last five years. The City has developed a more diverse employment base in recent years, although Deere & Company continues to play a major role in the local economy. Deere (a Fortune 100 company) remains the city's largest employer and also its largest taxpayer. The company has invested over \$1.0 billion in its Waterloo facilities since 2010, including the Westfield advanced manufacturing facility and the Waterloo Foundry, the largest electric foundry in the state. The City's unemployment level as of September 30, 2019 was 2.9% compared to the state level of 2.5% and the federal level of 3.5%.

Downtown/Cedar Valley Riverfront Renaissance

The Riverfront Renaissance project utilized state "Vision Iowa" funds, as well as private funds, local funds, and partnerships with other businesses to create three new developments in the downtown area along the Cedar River:

- The RiverWalk Loop – a walking and recreational trail system along the banks of Cedar River from 1st Street to 18th Street in Downtown Waterloo.
- The Cedar River Dam improvements – an inflatable bladder dam system that improved boatable recreational water depth upstream of the dam at 4th Street.
- The Riverfront Amphitheater – this space has become a popular destination for many activities, and is bringing more residents and visitors to downtown Waterloo and the riverfront.

Downtown/Cedar Valley SportsPlex

The Cedar Valley SportsPlex is a 125,000 square-foot recreational facility with indoor soccer fields, gyms, a leisure pool and slide, fitness facility, running track and multi-purpose activity spaces. The facility opened in 2014 and now has over 6,100 members.

Downtown/Cedar Valley TechWorks Campus

At the other end of the Riverwalk Loop, the \$52 million Cedar Valley TechWorks Campus Project has transformed two former Deere and Co. 6-story industrial buildings into a Marriott Hotel, Deere Training center and a multi-tenant green technology and advanced manufacturing innovation center. This was the first project approved under the Iowa Reinvestment District program. This development will also include the creation of a Marina along the Cedar River and other lots available for additional commercial development.

Lincoln Savings Bank has announced that they will acquire and renovate the top three floors in the Tech 1 building to be used for a financial technology operation adding approximately 200 employees. They will make significant infrastructure improvements to the building. The estimated project cost is approximately \$11 million.

Downtown/Other Developments

Other developments in the downtown area include the \$15 million Grand Crossing development. Phases I and II are complete with 108 condominium units and first floor retail and commercial space. Hawkeye Community College has opened its new \$8 million urban campus which is bringing additional educational and student services populations downtown.

The \$2.1 million renovation of the historic Friedl Bakery building is now underway. A seven-story 72-unit residential tower is under construction on the riverfront near the RiverLoop Amphitheater, in a space created by the Riverfront Renaissance project.

Makenda LLC has begun a \$10 million interior and exterior renovation of the former Ramada Hotel in downtown Waterloo, and plans to reopen with 168 rooms in the summer of 2020.

Lincoln Park is currently undergoing a \$1 million facelift including improved infrastructure, new seating, lighting and walkways. Groundbreaking began in 2019 with completion scheduled in 2020.

North Crossing

North Crossing, the former Logan Plaza Shopping Center in the northern part of the City was acquired by a developer and completely demolished, with plans to replace it with several new buildings. The first two new medical office buildings are now open, with construction of a \$1.5 million orthopedic office underway. A new Kwik-Star fuel and convenience store is now open with additional retail planned. Overall, there will be four phases of projects, with over \$10 million in private investment, creating a medical and retail park for this part of the community and with more than 40 acres of land available for further redevelopment. The public-private partnership for the redevelopment of this area has also been created from:

- The \$30 million Highway 63 redevelopment project which created green space, aesthetics, recreational trails, and economic opportunity along the corridor, as well as improving traffic movements with turning lanes.
- The continued investment by Unity Point Health (formerly Allen Hospital) with over \$40 million in improvements and expansions to the hospital campus, and over \$8 million in the Nursing College campus.
- The new Carver Academy middle school built on the former Logan School site, offering a more aesthetically pleasing campus setup for students with a greenhouse, and partnerships with other entities.
- A site created by the redevelopment of the Highway 63 Corridor is seeing its first project under construction as a new medical building just south of the Unity Point campus.

Midport

- The Waterloo Air & Rail Park located near the Waterloo Regional Airport is platting over 400 acres for commercial and industrial development.
- Dahlstrom Real Estate is planning construction on a new \$8.0 million warehouse and office building near Wagner Road and Airline Highway.
- A-Line ALO has begun construction of a \$1.1 million hangar at the Airport.

Other New Development Projects

Lost Worlds Theme Park is a \$100 million investment by the Bertch family to create a new theme park near Lost Island Waterpark on the city's southeast side. Groundbreaking began in 2019 and the theme park is scheduled to open in the summer of 2022.

The former Greyhound Park has been demolished, creating new development land near the major intersection of U.S. Highways 20 and 63. The Love's Travel Center is now open and Warren Transport has announced an \$8.6 million project for a new headquarters and vehicle maintenance facility. Additional developments are planned in this area.

Tyson Foods, the City's second largest employer, is working on a \$30 million expansion project that will add 245 new jobs.

Con-trol is constructing a \$12 million warehouse project in the Northeast Industrial Park.

The Boys & Girls Club recently opened a \$5.0 million Teen Center on E. 4th St. near the downtown area.

John Deere has completed a \$7.3 million expansion to its Westfield Avenue manufacturing site.

The former landfill property near Highway 63 and Ridgeway Road was acquired by a developer and several new projects have been completed or are in process, including new retail and medical offices.

Cardinal Construction recently constructed a new warehouse/office building along Martin Road.

Street Improvements

The one-cent local option tax was approved in 2013 for another ten years, to be used for street repairs and improvements. Other major construction initiatives that are primarily funded with grants include the reconstruction of Highway 63 through the northern part of the city, which is scheduled to be completed in December, 2019. The reconstruction of University Avenue from Midway Dr. to U.S. Highway 63 has begun, with estimated completion in 2020. The City has been awarded \$12.5 million to assist with the reconstruction of the Park Avenue and 11th St. bridges in the downtown area.

Recreational Facilities

The City is also continuing to develop its extensive system of bike trails, which are being connected to countywide and regional trail networks, creating a system of more than 117 miles of trails. The Riverwalk Loop trail in downtown Waterloo has been completed and a new trail has been constructed along the newly constructed Shaulis Road connection from Highway 21 to Highway 63. A recreational area for all-terrain vehicle trails has been developed in the Riverview neighborhood, and a new bike trail is being constructed as part of the University Avenue reconstruction project.

A new skate park is being designed and moved out of the floodway.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Waterloo, Iowa for its Comprehensive Annual Financial Report (CAFR) for fiscal year 2018. This is the fifteenth year that the City received this award, which is a prestigious national award, recognizing conformance with the highest standards for the preparation of state and local government financial reports.

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

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

FINANCIAL MANAGEMENT INFORMATION

Budgetary Controls - The City's management staff is responsible and is actively involved in the financial planning and management of the City for daily operations and long-range strategic planning. The objective of budgetary controls is to ensure compliance with the annual budget approved by the City Council, as well as the budget control procedures mandated by the State of Iowa.

Management control policies adopted by the City Council require that departmental and activity budgets comply with line-item appropriations. Amendments exceeding de minimus guidelines require the specific approval of the City Council Finance Committee. These policies also require expenditures exceeding \$1,000 to be pre-authorized by the City Council Finance Committee.

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

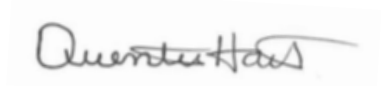
The City met the minimum fund balance requirement for the General Fund and adhered to all other financial policies approved by the City Council.

ACKNOWLEDGMENTS

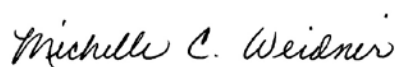
This report could not have been completed without the dedicated service of the entire Finance department and other City staff in addition to the RSM US LLP audit team. We want to thank all of the City departments for their assistance in providing data necessary for this report.

Special thanks go to Emily Graham, Brent Bohlen and Kimberly Bahr in the Finance Department and also the City Clerk staff. Each of you has our appreciation and respect for your contributions to this report. We also want to thank the members of the City Council for their support of our efforts to conduct the financial operations of the City in a responsible and progressive manner.

Sincerely,



Quentin M. Hart
Mayor



Michelle C. Weidner, CPA
Chief Financial Officer

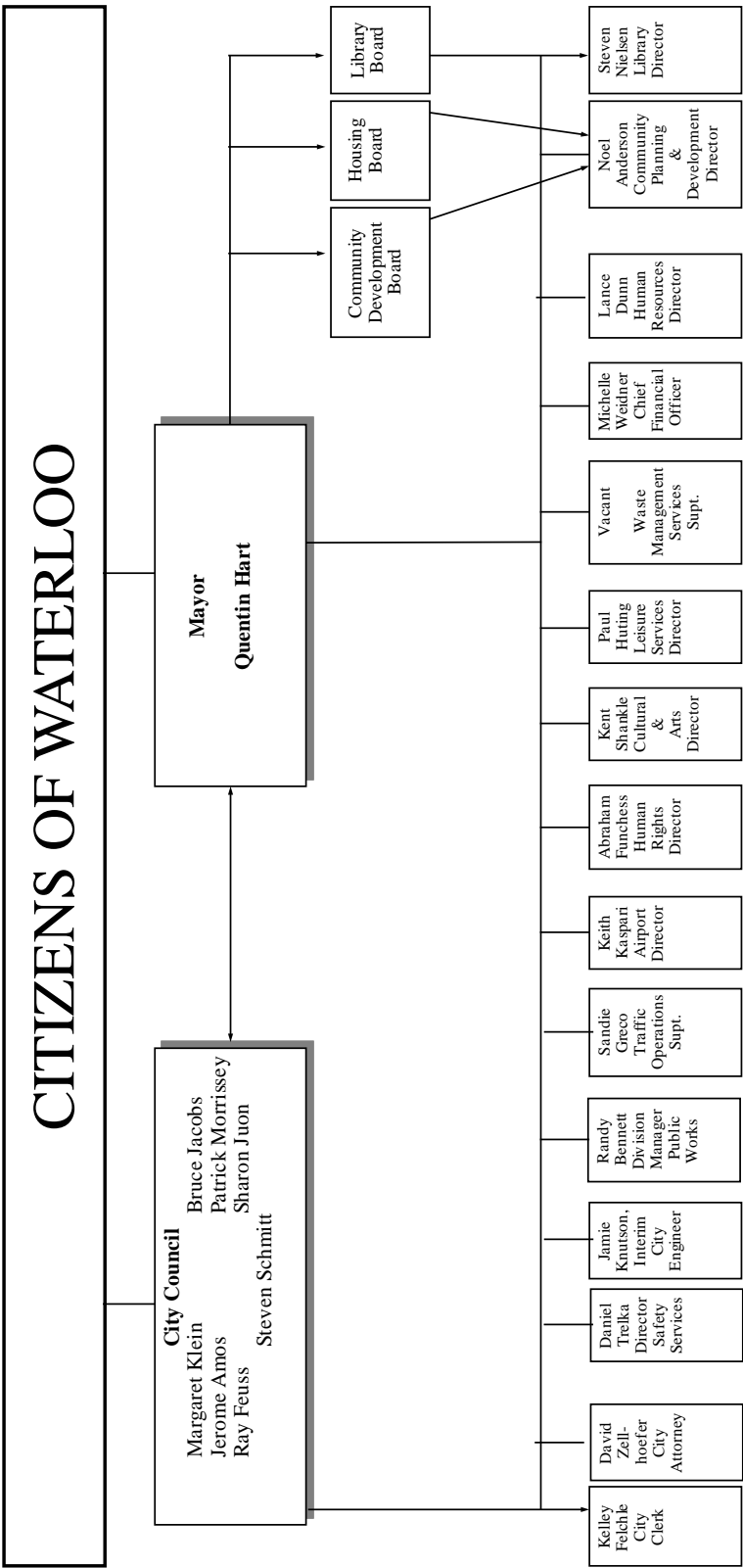
City of Waterloo, Iowa

Officials

As of June 30, 2019

Name	Title	Term Expires
Elected		
Quentin Hart	Mayor	January, 2020
Margaret Klein	Council Member - 1st Ward	January, 2022
Bruce Jacobs	Council Member - 2nd Ward	January, 2020
Patrick Morrissey	Council Member - 3rd Ward	January, 2022
Jerome Amos	Council Member - 4th Ward	January, 2020
Ray Feuss	Council Member - 5th Ward	January, 2022
Sharon Juon	Council Member - At-Large	January, 2022
Steven Schmitt	Council Member - At-Large	January, 2020
Appointed		
Michelle Weidner, CPA	Chief Financial Officer	Indefinite
Kelley Felchle, CMC	City Clerk	December 31, 2019
Jamie Knutson, PE	City Engineer	Indefinite
David Zellhoefer	City Attorney	Indefinite
Daniel Trelka	Chief of Waterloo Police Department	Indefinite
Pat Treloar	Chief of Fire Services	Indefinite

CITY OF WATERLOO, IOWA — ORGANIZATIONAL STRUCTURE





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Waterloo
Iowa**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrell

Executive Director/CEO

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Waterloo, Iowa (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units, Waterloo Water Works and Waterloo Convention & Visitors Bureau, Inc., which collectively represent 100% of the assets, net position and revenues of the aggregate discretely presented component units. Those 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 the discretely presented component units, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Waterloo Convention & Visitors Bureau, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Waterloo, Iowa as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the schedule of changes in the City's total OPEB liability and related ratios, the schedule of the City's proportionate share of the net pension liability and schedule of contributions for the Iowa Public Employees' Retirement System, the schedule of the City's proportionate share of the net pension liability and schedule of City contributions for the Municipal Fire and Police Retirement System of Iowa, budgetary comparison schedule, and the Schedule of Contributions for Waterloo Water Works Pension Plan and Schedule of changes in net pension liability and related ratios for the Waterloo Water Works Pension Plan, as listed in the table of contents, 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining individual and nonmajor fund financial statements and other schedules and statements, listed in the table of contents as supplementary information, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit and the procedures performed as described above, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2020 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

RSM US LLP

Davenport, Iowa
January 31, 2020

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2019

As management of the City of Waterloo, we offer readers of the City of Waterloo's financial statements this narrative overview and analysis of the financial activities of the City of Waterloo for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at pages iii - vii of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City of Waterloo exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$427,251,471 (net position). Of this amount, the City's unrestricted net position (\$28,777,521) is negative, due to recording the City's share of postemployment benefit liabilities and pension liabilities.
- The City's total net position increased by \$9,384,477 compared to the 2018 ending net position of \$417,866,994.
- As of the close of this current fiscal year, the City of Waterloo's governmental funds reported combined ending fund balances of \$95,453,776, a decrease of \$85,679,203 in comparison with the prior year. Approximately 6.9% of this total amount, \$6,595,650, is available for spending at the City's discretion (unassigned fund balance), although some funds are legally limited for specified purposes.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10,277,115, or 20.0% of total General Fund expenditures.
- The City of Waterloo's total long-term liabilities decreased by \$2,191,841 or 2.0% during the current fiscal year, due primarily to payments made on economic development debt that were more than new debt issued.

Overview of the Financial Statements

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

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

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

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

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2019

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

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

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

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

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

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

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

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2019

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Waterloo's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has one type of fiduciary fund, an agency fund. There were no assets held in the fiduciary fund as of June 30, 2019.

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Waterloo, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$427,251,471 at the close of the fiscal year ended June 30, 2019.

By far the largest portion of the City of Waterloo's net position (94%) reflects its investment in capital assets (e.g., land, buildings and improvements, infrastructure and vehicles and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Waterloo uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Waterloo's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position

A condensed version of the Statement of Net Position as of June 30, 2019 and 2018 follows:

	City of Waterloo's Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 155,726,342	\$ 153,977,327	\$ 25,095,669	\$ 24,767,384	\$ 180,822,011	\$ 178,744,711
Capital assets	378,952,399	373,738,967	98,402,473	96,833,189	477,354,872	470,572,156
Total assets	534,678,741	527,716,294	123,498,142	121,600,573	658,176,883	649,316,867
Deferred outflows of resources	13,508,321	13,519,715	919,390	968,914	14,427,711	14,488,629
Liabilities						
Current liabilities	21,720,479	22,802,051	5,294,902	4,985,775	27,015,381	27,787,826
Long-term liabilities	145,102,116	145,496,173	22,764,480	24,852,008	167,866,596	170,348,181
Total liabilities	166,822,595	168,298,224	28,059,382	29,837,783	194,881,977	198,136,007
Deferred inflows of resources	50,231,977	47,623,590	239,169	178,905	50,471,146	47,802,495
Net position						
Net investment in capital assets	320,748,412	312,634,254	81,369,121	78,421,882	402,117,533	391,056,136
Restricted	53,863,633	52,436,491	47,826	33,886	53,911,459	52,470,377
Unrestricted	(43,479,555)	(39,756,550)	14,702,034	14,097,031	(28,777,521)	(25,659,519)
Total net position	\$ 331,132,490	\$ 325,314,195	\$ 96,118,981	\$ 92,552,799	\$ 427,251,471	\$ 417,866,994

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2019

\$53,911,459 of the City of Waterloo's net position (12.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$28,777,521) is a negative position, due to the net pension liabilities for the city's share of liabilities in the IPERS and MFPRSI pension plans and the city's liability for other postemployment health care benefits.

The separate governmental activities had positive balances in the net investment in capital assets and fund balances restricted for specific purposes. Business-type activities also reported positive balances in all categories. The same situation held true for the prior fiscal year.

The City's total net position increased compared to the 2018 ending net position. Governmental-type activities' net position increased by \$5,818,295 from the 2018 net position of \$325,314,195. This increase was largely related to capital contributions received from City infrastructure projects. See page 26 for a reconciliation of this increase. The total business-type activities' net position increased by \$3,566,182 from the 2018 net position of \$92,552,799, due primarily to a rate increase adopted to fund capital projects and capital contributions of tax increment financing revenue for the extension of infrastructure to newly developed areas.

Statement of Activities

A condensed version of the Statement of Activities as of June 30, 2019 and 2018 follows:

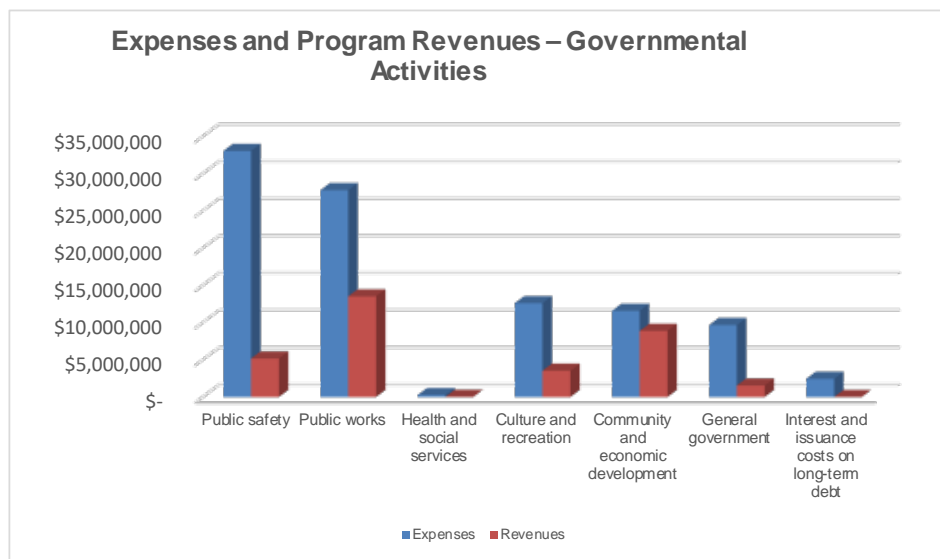
City of Waterloo's Changes in Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 11,721,123	\$ 12,841,227	\$ 18,549,691	\$ 16,946,246	\$ 30,270,814	\$ 29,787,473
Operating grants and contributions	12,380,601	11,617,786	273,624	310,679	12,654,225	11,928,465
Capital grants and contributions	8,651,622	12,757,084	310,250	145,656	8,961,872	12,902,740
General revenues:						
Property taxes	47,722,089	47,404,667	-	-	47,722,089	47,404,667
Other taxes	18,757,207	17,239,619	-	-	18,757,207	17,239,619
Other	3,654,703	5,434,618	249,909	150,737	3,904,612	5,585,355
Total revenues	102,887,345	107,295,001	19,383,474	17,553,318	122,270,819	124,848,319
Expenses:						
Public safety	33,071,755	20,828,929	-	-	33,071,755	20,828,929
Public works	27,415,746	34,150,050	-	-	27,415,746	34,150,050
Health and social services	279,470	369,832	-	-	279,470	369,832
Culture and recreation	12,573,777	12,667,184	-	-	12,573,777	12,667,184
Community and economic development	11,593,102	17,417,572	-	-	11,593,102	17,417,572
General government	9,049,085	10,174,531	-	-	9,049,085	10,174,531
Interest on long-term debt	2,452,792	2,385,499	-	-	2,452,792	2,385,499
Sanitary sewer	-	-	12,254,389	13,107,645	12,254,389	13,107,645
Sanitation	-	-	4,196,226	4,166,465	4,196,226	4,166,465
Total expenses	96,435,727	97,993,597	16,450,615	17,274,110	112,886,342	115,267,707
Increase in net position before transfers	6,451,618	9,301,404	2,932,859	279,208	9,384,477	9,580,612
Transfers	(633,323)	-	633,323	-	-	-
Change in net position	5,818,295	9,301,404	3,566,182	279,208	9,384,477	9,580,612
Net position, beginning, restated	325,314,195	316,012,791	92,552,799	92,273,591	417,866,994	408,286,382
Net position, ending	\$ 331,132,490	\$ 325,314,195	\$ 96,118,981	\$ 92,552,799	\$ 427,251,471	\$ 417,866,994

City of Waterloo, Iowa

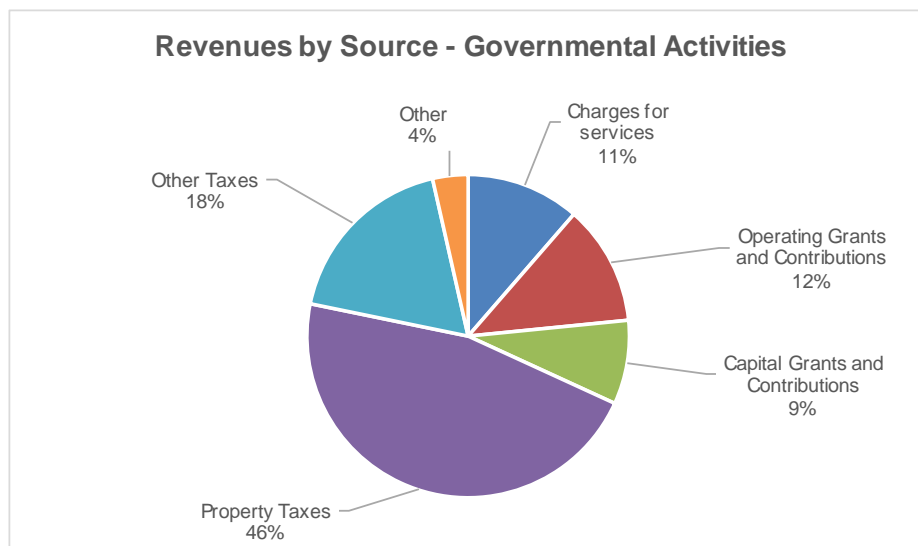
Management's Discussion and Analysis For Fiscal Year Ended June 30, 2019

Total governmental activities' revenue for the current fiscal year was \$108,136,620. The largest single revenue source for the City was property taxes of \$47,720,396. Property taxes increased by \$315,729 (0.7%) during the year. This increase is a result of a combination of factors, including an increase in the assessed value of property of 1.52%, an increase of 0.39% in the taxable value of property and a reduction of 0.82% in the levy rate.

Certain revenues are generated that are specific to governmental program activities. These totaled \$32,753,346 during the fiscal year ended June 30, 2019. The graph below illustrates the comparison between the expenses by governmental activity type and the revenues generated that are specific to those activities.



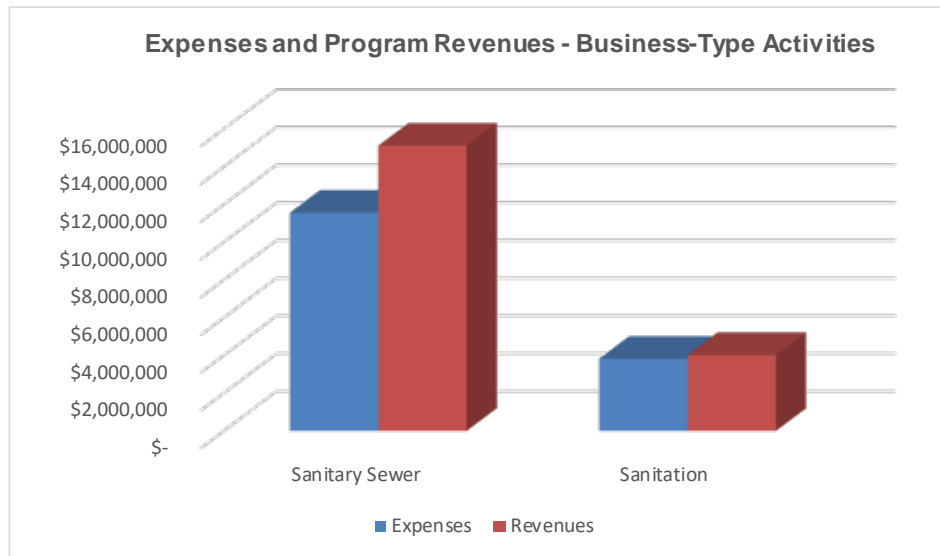
The graph below shows the percentage of the total governmental revenues allocated by each revenue type.



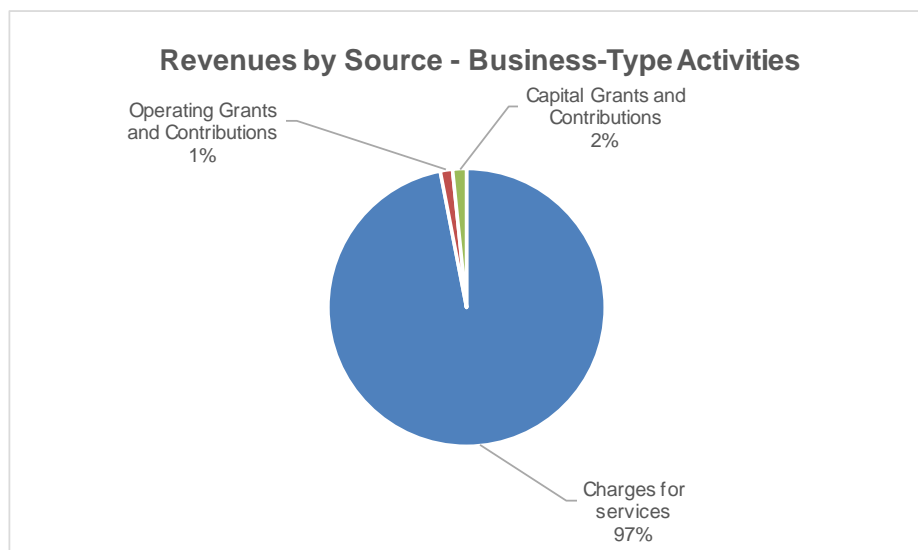
City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2019

Total business-type activities' revenue for the fiscal year was \$19,383,474. \$19,133,565 of this revenue was generated for specific business-type activity expenses. The graph below shows a comparison between the business-type activity expenses and program revenues.



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



Business-type activities. Business-type activities increased the City of Waterloo's net position by \$3,566,182 from the 2018 net position of \$92,552,799, accounting for 38.0% of the increase in the City's net position.

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2019

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Waterloo's governmental funds reported combined ending fund balances of \$95,453,776, an increase of \$5,679,203 in comparison with the prior year. Fund balance in the amount of \$88,858,126 is not available for new spending because it represents amounts previously paid for items that were not exhausted at year-end (nonspendable) or has already been restricted, committed or assigned to be used for a variety of purposes. Approximately 6.9% of total fund balance or \$6,595,650, constitutes unassigned fund balance.

The General Fund is the chief operating fund of the City of Waterloo. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$10,277,115, while total fund balance was \$22,674,057. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 20.0% of total General Fund expenditures, while total fund balance represents 44.1% of that same amount.

Net general fund operations resulted in a decrease in total general fund balance of \$1,109,494, and an increase in unassigned fund balance of \$798,024 for the year.

Because of the large health insurance reserves built up the past several years, the City chose to reduce property taxes for health insurance and instead used a portion of the restricted health reserves to pay claims during the year ended June 30, 2019.

The City budgeted to use \$835,000 in unassigned fund balance for operations in fiscal year 2019 and an additional \$350,000 for the year ending June 30, 2020, which was set aside in assigned fund balance at June 30, 2019. Unassigned fund balance increased by \$798,024 for the year, meaning that overall general fund performance was better than expected. Various factors contributed to that performance. While overall revenue was close to budget, undesignated interest revenue earned in the general fund exceeded the amount budgeted by \$190,000; building department permit fees exceeded the amount budgeted by \$165,000, while other revenue sources did not perform as well as expected, including golf and ambulance fees. Expenses were under budget due primarily to positions that were vacant for portions of the year. Other expenses were also below budget for most program areas.

The General Obligation Debt Service Fund—The net increase in fund balance of \$338,451 during the current year is primarily due to a developer reimbursement for interest expense.

Trust and Agency Fund – The net increase in fund balance of \$124,869 during the current year is due primarily to employee benefits expense being lower than expected due to vacant positions.

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2019

TIF Fund—The total fund balance of \$3,529,651 is restricted for the payment of debt service related to tax increment financing district projects. The net increase in fund balance during the current year was \$381,640 and is the result of timing differences between revenue collections and the payment of TIF obligations.

Road Use Tax Fund – The net decrease in fund balance in the road use tax fund of \$1,370,359 is due primarily to the use of transfer of jurisdiction funds received from the State of Iowa for University Avenue in prior years that were spent on construction during the current year.

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

Total net position of the sanitary sewer fund at the end of the year was \$92,305,923, an increase of \$3,692,529 from the 2018 net position of \$88,613,394. This increase was due to several factors, including a sewer rate increase implemented effective January 1, 2019 to be used to pay for the construction of mandated sewer system improvements, and sewer infrastructure extended to new areas built using tax increment financing revenue. . Operating expenses were lower due to engineering feasibility studies and footing drain removal homeowner assistance payments made in the prior year.

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

Budgetary Highlights

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

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

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

The total original expenditure budget of \$172,101,503 including transfers out was increased to \$186,755,317 (an increase of \$14,653,814).

- In the Public Safety program category, expenses and related revenue for various law enforcement grants and non-property tax funded projects were increased (\$.7 million).
- In the Public Works category, the use of Road Use Tax fund balance was added to fund the anticipated increase in expenses for the University Avenue reconstruction (\$9.9 million). Additional revenue and expense was budgeted for the Automated Traffic Enforcement program (\$.1 million).
- The Culture & Recreation program category was increased to reflect a number of additional grants and donations received by the Cultural and Arts department, the Library and Leisure Services. Revenue and expenses were increased for the Sportsplex to more closely match operations and the use of unassigned fund balance was increased for Young Arena operations (\$.2 million).

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2019

- Additional federal revenue and expense expected to be completed using Block Grant and Housing funds were added to the Community and Economic Development category (\$.3 million).
- Amendments reflecting the use of restricted health insurance reserves and insurance refunds to fund additional claims were made in the General Government category (\$3.1 million).
- In the Capital Projects program, additional expenses relating to grant revenue awarded during the year that was not originally budgeted were added. Several construction project budgets were adjusted to more accurately reflect the work expected to be completed by June 30, 2019 (\$.2 million).
- In the Business Type/Enterprises activity, which accounts for the activities of the sewer and garbage funds, line item adjustments were made to more accurately reflect the amount that will be spent for capital improvement projects and operations by June 30, 2019 (\$.2 million).

The total original revenue budget, including other financing sources of \$163,400,928 was increased to \$167,218,055 (an increase of \$3,817,127).

- State and federal grant revenue was increased to reflect additional grants awarded after the original budget certification for community development block grants, public safety projects, airport and traffic improvements, and storm water lift stations, as well as others (\$1.8 million).
- Other city tax revenue was decreased to reflect an increase in hotel/motel tax and a reduction in the Iowa Reinvestment District sales tax estimate (\$-.2 million).
- Amendments were made to various charges for services to reflect higher revenues than originally anticipated with the certified budget (\$.2 million).
- Miscellaneous revenue was increased to reflect additional donations received for various City projects, insurance and other refunds, and interest revenue received that exceeded original budget projections (\$2.0 million).

See pages 84 through 85 for the Budgetary Comparison Schedule - Budget and Actual (Modified Cash Basis) – All Governmental Funds and Proprietary Funds.

Capital Asset and Debt Administration

Capital Assets. The City of Waterloo's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$477,354,872 (net of accumulated depreciation) as reflected in the following table. The total increase in the City of Waterloo's investment in capital assets for the current fiscal year was 1.4% (a 1.4% increase for governmental activities and a 1.6% increase for business-type activities).

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2019

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

City of Waterloo's Capital Assets at Fiscal Year End (Net of Depreciation)						
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 44,849,615	\$ 44,688,184	\$ 657,900	\$ 534,242	\$ 45,507,515	\$ 45,222,426
Land held for redevelopment	14,491,090	14,614,633	-	-	14,491,090	14,614,633
Buildings and improvements	61,912,764	65,042,025	44,056,597	44,982,946	105,969,361	110,024,971
Other improvements	-	-	43,735,483	41,736,685	43,735,483	41,736,685
Software	90,012	94,148	-	-	90,012	94,148
Infrastructure	225,192,278	218,383,910	-	-	225,192,278	218,383,910
Furniture, vehicles, machinery and equipment	8,951,060	8,922,508	4,139,194	4,822,007	13,090,254	13,744,515
Construction-in-progress	23,465,580	21,993,559	5,813,299	4,757,309	29,278,879	26,750,868
	\$ 378,952,399	\$ 373,738,967	\$ 98,402,473	\$ 96,833,189	\$ 477,354,872	\$ 470,572,156

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

- The City acquired properties for economic development (\$.7 million) and transferred land to private parties for development (\$.5million).
- New additions to buildings and improvements totaled \$1 million, including a new restroom for the Center for the arts, a new yard waste storage building and Airport parking improvements.
- The City invested \$1.9 million in new vehicles, equipment, computers and software for various city departments. The most significant of these included a pumper fire engine, two snow plows, and a spray patcher for street repair.
- New investments in infrastructure assets totaled \$16.8 million, including street reconstruction and improvements.
- The City invested \$3.1 million in infrastructure assets and \$.3 million in new vehicles and equipment for the sewer and sanitation departments.

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

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2019

Long-term liabilities. At the end of the current fiscal year, the City of Waterloo had total bonded debt outstanding of \$99,462,639. This entire amount is comprised of debt backed by the full faith and credit of the government.

The City has incurred other debt to purchase land in the City's industrial parks and complete projects, as well as purchase equipment. The City has obligations to employees for benefit time not used at fiscal year-end. During the current fiscal year the balance due on these obligations decreased by \$517,155.

The City of Waterloo's total long-term liabilities decreased by \$2,941,660 (1.6%) during the current fiscal year, due to reductions in outstanding borrowing and a reduction in estimated pension liabilities.

The City issued general obligation bonds in the amount of \$10,000,000 during the current fiscal year for a variety of projects..

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation. The current debt limitation for the City of Waterloo is \$192,927,673, which is significantly greater than the City of Waterloo's outstanding general obligation debt (\$99,462,639) and other debt subject to debt limitation (\$6,905,931). The total debt subject to this limitation is \$106,368,570, resulting in available debt margin of \$86,559,103.

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

Economic Factors and Next Year's Budgets and Rates

Property taxes provide 47% of General Fund revenues. Over the past five years, citywide assessed valuations have risen an average of 0.5% annually, while property tax regulations imposed by the State of Iowa resulted in taxable values increasing by an average of 0.06% over that same time period. The fiscal 2020 budget reflects an increase in total property tax and utility excise tax revenue of 4%. As discussed elsewhere in this report, the City budgeted to use \$619,705 in general fund reserves for general operations for the year ended June 30, 2020.

Personnel costs comprise a significant portion of City operating costs. Wage increases identified in contractual bargaining agreements range from 2.5% to 4.25% for fiscal year 2020. The employer contribution rate required for the Municipal Fire and Police Retirement System will decrease by 6.19%. Anticipated health care costs for the year ending June 30, 2020 are expected to increase at a rate of 7.5%.

Federal and state mandates for clean water continue to result in additional costs both for sewer system users and property taxpayers.

These factors were considered in preparing the City of Waterloo's budget for fiscal year 2020.

City of Waterloo, Iowa

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2019**

Requests for Information

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

City of Waterloo, Iowa

Statement of Net Position
June 30, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Waterloo Water Works	Waterloo Convention & Visitors Bureau, Inc.
Assets					
Current assets:					
Cash and cash equivalents	\$ 85,389,911	\$ 16,914,300	\$ 102,304,211	\$ 14,843,393	\$ 309,621
Restricted cash and cash equivalents	1,050,406	-	1,050,406	-	-
Investments	-	-	-	445,136	152,429
Receivables:					
Customer accounts, net of allowance for uncollectible accounts	2,085,704	3,700,175	5,785,879	1,659,532	-
Property taxes:					
Delinquent	316,924	-	316,924	-	-
Succeeding year	47,611,420	-	47,611,420	-	-
Internal accounts	(38,704)	38,704	-	-	-
Due from other governments:					
Component unit	734,415	1,172,847	1,907,262	-	-
Primary government	-	-	-	-	183,092
Other	6,858,443	39,048	6,897,491	-	-
Miscellaneous	-	-	-	-	-
Accrued interest	299,114	-	299,114	11,002	2,246
Special assessments	82,243	317,184	399,427	-	-
Inventories and prepaids	481,816	52,919	534,735	567,177	9,974
Total current assets	144,871,692	22,235,177	167,106,869	17,526,240	657,362
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	10,664,802	2,860,492	13,525,294	-	-
Investments	-	-	-	190,615	663,125
Receivables	12,068	-	12,068	-	-
Loans and notes, net of allowance for uncollectible amounts	18,700	-	18,700	-	-
Special assessments receivable	159,080	-	159,080	214,618	-
Capital assets, net of accumulated depreciation	296,146,114	91,931,274	388,077,388	26,260,170	37,004
Capital assets not being depreciated	82,806,285	6,471,199	89,277,484	4,392,961	-
Total noncurrent assets	389,807,049	101,262,965	491,070,014	31,058,364	700,129
Total assets	534,678,741	123,498,142	658,176,883	48,584,604	1,357,491
Deferred Outflows of Resources					
Pension related amounts	13,141,764	863,293	14,005,057	1,151,289	-
OPEB related amounts	366,557	56,097	422,654	-	-
Total deferred outflows of resources	13,508,321	919,390	14,427,711	1,151,289	-

See notes to basic financial statements.

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Waterloo Water Works	Waterloo Convention & Visitors Bureau, Inc.
Liabilities					
Current:					
Accounts and retainages payable	\$ 4,757,003	\$ 2,649,981	\$ 7,406,984	\$ 1,244,851	\$ 13,894
Accrued liabilities and other	1,798,460	183,636	1,982,096	135,921	13,871
Due to primary government	-	-	-	1,194,770	-
Due to component unit	183,092	-	183,092	-	-
Due to other governments	-	-	-	55,808	-
Noncurrent liabilities due and payable					
within one year	12,939,646	2,416,040	15,355,686	71,547	-
Unearned revenues	450,550	-	450,550	-	-
Current liabilities payable from restricted assets:					
Health claims	1,050,406	-	1,050,406	-	-
Other	260,805	-	260,805	-	-
Accrued interest	280,517	45,245	325,762	-	-
Total current liabilities	21,720,479	5,294,902	27,015,381	2,702,897	27,765
Noncurrent:					
Customer deposits	71,766	417,030	488,796	190,615	-
Worker's compensation claims	472,501	-	472,501	-	-
General obligation bonds and notes, net of bond discounts and premium	74,024,507	14,515,716	88,540,223	-	-
State revolving fund capital loan	-	1,899,522	1,899,522	-	-
Other loans and notes	5,862,151	-	5,862,151	-	-
Total postemployment benefits liability	17,575,071	2,689,657	20,264,728	-	-
Compensated absences	1,647,525	121,477	1,769,002	-	-
Net pension liability	45,448,595	3,121,078	48,569,673	3,987,204	-
Total noncurrent liabilities	145,102,116	22,764,480	167,866,596	4,177,819	-
Total liabilities	166,822,595	28,059,382	194,881,977	6,880,716	27,765
Deferred Inflows of Resources					
Property taxes	47,928,344	-	47,928,344	-	-
Pension related amounts	2,046,759	199,857	2,246,616	104,637	-
OPEB related amounts	256,874	39,312	296,186	-	-
Total deferred inflows of resources	50,231,977	239,169	50,471,146	104,637	-
Net Position					
Net investment in capital assets	320,748,412	81,369,121	402,117,533	30,653,131	37,004
Restricted for:					
Debt service	4,052,825	21,844	4,074,669	-	-
Tourism promotion	1,783,393	-	1,783,393	-	-
Public access television	170,400	-	170,400	-	-
Civil rights enforcement	57,294	-	57,294	-	-
Housing	4,789,001	-	4,789,001	-	-
Donor specified	998,876	-	998,876	-	-
Library	337,111	-	337,111	-	-
Street and right-of-way maintenance	26,334,958	-	26,334,958	-	-
Improvements	9,670,777	25,982	9,696,759	-	-
Self-funded insurance	5,170,109	-	5,170,109	-	-
Employee benefits	498,889	-	498,889	-	-
Unrestricted (deficit)	(43,479,555)	14,702,034	(28,777,521)	12,097,409	1,292,722
Total net position	\$ 331,132,490	\$ 96,118,981	\$ 427,251,471	\$ 42,750,540	\$ 1,329,726

City of Waterloo, Iowa

Statement of Activities Year Ended June 30, 2019

Programs/Functions	Program Revenues				
	Direct Expenses	Indirect Allocations	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:					
Public safety	\$ 33,071,755	\$ -	\$ 4,460,965	\$ 730,108	\$ -
Public works	27,795,746	(380,000)	2,451,369	8,742,916	2,345,553
Health and social services	279,470	-	-	25,879	-
Culture and recreation	12,623,777	(50,000)	3,370,198	166,756	7,438
Community and economic development	11,593,102	-	688,424	2,513,285	5,692,662
General government	9,687,585	(638,500)	750,167	201,657	605,969
Interest and issuance costs on long-term debt	2,452,792	-	-	-	-
Total governmental activities	97,504,227	(1,068,500)	11,721,123	12,380,601	8,651,622
Business-type activities:					
Sanitary Sewer	11,562,389	692,000	14,802,101	-	310,250
Sanitation	3,819,726	376,500	3,747,590	273,624	-
Total business-type activities	15,382,115	1,068,500	18,549,691	273,624	310,250
Total primary government	\$ 112,886,342	\$ -	\$ 30,270,814	\$ 12,654,225	\$ 8,961,872
Component unit, Waterloo Water Works	\$ 7,160,519	\$ -	\$ 10,179,180	\$ -	\$ 4,640
Component unit, Waterloo Convention & Visitors Bureau, Inc.	\$ 780,064	\$ -	\$ -	\$ 700,522	\$ -

General Revenues

Taxes:

Property taxes

Other taxes:

Local option sales

Utility excise

Gaming

Hotel/motel

Gas and electric

Cable television

Mobile home

Investment earnings

Miscellaneous

Gain on sale of capital assets

Transfers

Total general revenues and transfers

Changes in net position

Net position, beginning of year

Net position, end of year

See notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-Type Activities	Total	Waterloo Water Works	Waterloo Convention & Visitors Bureau, Inc.	
\$ (27,880,682)	\$ -	\$ (27,880,682)	\$ -	\$ -	
(13,875,908)	-	(13,875,908)	-	-	
(253,591)	-	(253,591)	-	-	
(9,029,385)	-	(9,029,385)	-	-	
(2,698,731)	-	(2,698,731)	-	-	
(7,491,292)	-	(7,491,292)	-	-	
(2,452,792)	-	(2,452,792)	-	-	
(63,682,381)	-	(63,682,381)	-	-	
-	2,857,962	2,857,962	-	-	
-	(175,012)	(175,012)	-	-	
-	2,682,950	2,682,950	-	-	
(63,682,381)	2,682,950	(60,999,431)	-	-	
-	-	-	3,023,301	-	
-	-	-	-	(79,542)	
47,722,089	-	47,722,089	-	-	
10,345,599	-	10,345,599	-	-	
1,354,131	-	1,354,131	-	-	
1,255,839	-	1,255,839	-	-	
1,338,618	-	1,338,618	-	-	
3,726,027	-	3,726,027	-	-	
669,425	-	669,425	-	-	
67,568	-	67,568	-	-	
1,468,222	246,059	1,714,281	226,812	10,100	
2,186,481	-	2,186,481	1,272,821	7,191	
-	3,850	3,850	18,864	-	
(633,323)	633,323	-	-	-	
69,500,676	883,232	70,383,908	1,518,497	17,291	
5,818,295	3,566,182	9,384,477	4,541,798	(62,251)	
325,314,195	92,552,799	417,866,994	38,208,742	1,391,977	
\$ 331,132,490	\$ 96,118,981	\$ 427,251,471	\$ 42,750,540	\$ 1,329,726	

City of Waterloo, Iowa

**Balance Sheet
Governmental Funds
June 30, 2019**

	General	Trust and Agency
Assets		
Cash and cash equivalents	\$ 11,229,032	\$ 564,867
Receivables:		
Customer accounts, net	2,059,678	-
Property tax:		
Delinquent	135,103	70,815
Succeeding year	20,385,867	10,662,999
Special assessments	241,323	-
Accrued interest	157,511	3,035
Loans and notes	18,700	-
Due from other funds	5,115,742	-
Due from other governments:		
Federal	50,870	-
Iowa	403,455	-
Other	247,189	102,957
Inventories and prepaids	392,145	-
Restricted assets:		
Cash and cash equivalents	7,100,556	1,844,107
Receivables	12,068	-
Advances to other funds	-	-
Total assets	\$ 47,549,239	\$ 13,248,780

(Continued)

Tax Increment Financing	General Obligation Debt Service	Road Use Tax	Other Governmental	Total
\$ 6,006,408	\$ 1,186,067	\$ 25,394,824	\$ 41,008,713	\$ 85,389,911
-	-	4,663	21,363	2,085,704
60,371	46,562	-	4,073	316,924
8,951,016	6,998,270	-	613,268	47,611,420
-	-	-	-	241,323
4,553	1,518	-	132,497	299,114
-	-	-	-	18,700
-	-	-	-	5,115,742
-	-	-	815,609	866,479
-	-	1,807,021	3,162,371	5,372,847
71,726	77,589	674,249	179,822	1,353,532
-	-	77,987	11,684	481,816
-	155,142	-	2,615,403	11,715,208
-	-	-	-	12,068
-	-	108,189	21,423	129,612
\$ 15,094,074	\$ 8,465,148	\$ 28,066,933	\$ 48,586,226	\$ 161,010,400

City of Waterloo, Iowa

Balance Sheet (Continued)
Governmental Funds
June 30, 2019

	General	Trust and Agency
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Accounts payable	\$ 453,807	\$ -
Retainages payable	8,744	-
Accrued liabilities	1,372,750	171,967
Due to other funds	-	-
Unearned revenue	172,628	-
Compensated absences	87,528	-
Due to Waterloo Convention & Visitors Bureau, Inc.	183,092	-
Payables from restricted assets	1,311,211	-
Advances from other funds	168,316	-
Total liabilities	3,758,076	171,967
Deferred Inflows of Resources		
Unavailable revenue—property tax	20,520,970	10,733,814
Unavailable revenue—local option sales tax	-	-
Unavailable revenue—special assessments	241,323	-
Unavailable revenue—intergovernmental and other	354,813	-
Total deferred inflows of resources	21,117,106	10,733,814
Fund balances		
Nonspendable	392,145	-
Restricted	6,384,873	2,342,999
Committed	154,511	-
Assigned	5,465,413	-
Unassigned	10,277,115	-
Total fund balances	22,674,057	2,342,999
Total liabilities, deferred inflows of resources and fund balances	\$ 47,549,239	\$ 13,248,780

See notes to basic financial statements.

Tax Increment Financing	General Obligation Debt Service	Road Use Tax	Other Governmental	Total
\$ 194,671	\$ 7,767	\$ 943,407	\$ 2,108,082	\$ 3,707,734
-	-	441,061	599,464	1,049,269
-	-	157,774	95,969	1,798,460
2,358,365	-	-	2,757,377	5,115,742
-	-	-	277,922	450,550
-	-	3,557	6,777	97,862
-	-	-	-	183,092
-	-	-	71,766	1,382,977
-	-	-	-	168,316
2,553,036	7,767	1,545,799	5,917,357	13,954,002
9,011,387	7,044,832	-	617,341	47,928,344
-	-	-	578,000	578,000
-	-	-	-	241,323
-	-	-	2,500,142	2,854,955
9,011,387	7,044,832	-	3,695,483	51,602,622
-	-	186,176	33,107	611,428
2,920,793	1,412,549	26,334,958	40,466,730	79,862,902
-	-	-	-	154,511
608,858	-	-	2,155,014	8,229,285
-	-	-	(3,681,465)	6,595,650
3,529,651	1,412,549	26,521,134	38,973,386	95,453,776
\$ 15,094,074	\$ 8,465,148	\$ 28,066,933	\$ 48,586,226	\$ 161,010,400

City of Waterloo, Iowa

**Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019**

Total governmental fund balances		\$	95,453,776
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds			378,952,399
Certain revenues are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds			3,674,278
Pension and other post employment benefits obligation (OPEB) related deferred outflows of resources and deferred inflows of resources are not reported in the governmental funds, but are amortized and recognized as a component of pension/OPEB expense in the government-wide financial statements, as follows:			
Deferred outflows of resources—IPERS	\$	3,319,869	
Deferred outflows of resources—MFPRSI		9,821,895	
Deferred outflows of resources—OPEB		366,557	
Deferred inflows of resources—IPERS		(775,121)	
Deferred inflows of resources—MFPRSI		(1,271,638)	
Deferred inflows of resources—OPEB		(256,874)	11,204,688
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:			
General obligation bonds		(81,785,000)	
Other loans and notes		(6,905,932)	
Bond discount		186,544	
Bond premium		(1,281,051)	
Total OPEB liability		(17,575,071)	
Workers' compensation claims payable		(472,501)	
Compensated absences		(4,590,528)	
Net pension liability—IPERS		(12,104,732)	
Net pension liability—MFPRSI		(33,343,863)	
Accrued interest payable		(280,517)	(158,152,651)
Net position of governmental activities		\$	331,132,490

See notes to basic financial statements.

City of Waterloo, Iowa

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds Year Ended June 30, 2019

	General	Trust and Agency
Revenues:		
Property taxes	\$ 20,545,205	\$ 9,779,113
Other taxes	7,761,122	370,802
Licenses and permits	1,420,722	-
Investment income	766,025	64,102
Rent	1,026,422	-
Intergovernmental	1,083,042	-
Charges for services	7,596,846	-
Interfund charges for services	2,130,000	-
Special assessments	201,637	-
Miscellaneous	1,863,624	-
Total revenues	44,394,645	10,214,017
Expenditures:		
Current operating:		
Public safety	27,709,146	4,398,877
Public works	3,192,827	-
Health and social services	276,922	-
Culture and recreation	9,743,007	-
Community and economic development	2,020,269	-
General government	8,472,560	10,475
Debt service:		
Principal	-	-
Interest and fees	-	-
Capital outlay	-	-
Total expenditures	51,414,731	4,409,352
Excess (deficiency) of revenues over expenditures	(7,020,086)	5,804,665
Other financing sources (uses):		
Transfers in	5,853,416	-
Transfers out	(64,250)	(5,679,796)
Bond premium	-	-
Proceeds from sale of capital assets	121,426	-
Issuance of long-term debt	-	-
Total other financing sources (uses)	5,910,592	(5,679,796)
Net changes in fund balances	(1,109,494)	124,869
Fund balances, beginning of year	23,783,551	2,218,130
Fund balances, end of year	\$ 22,674,057	\$ 2,342,999

See notes to basic financial statements.

Tax Increment Financing	General Obligation Debt Service	Road Use Tax	Other Governmental	Total
\$ 9,190,440	\$ 7,594,416	\$ -	\$ 611,222	\$ 47,720,396
-	256,508	-	10,375,775	18,764,207
-	-	33,825	-	1,454,547
84,372	31,891	-	521,832	1,468,222
-	55,274	-	191,640	1,273,336
-	-	14,261,952	9,029,724	24,374,718
-	-	89,881	236,671	7,923,398
-	-	50,000	-	2,180,000
-	-	-	-	201,637
-	463,934	13,695	434,906	2,776,159
9,274,812	8,402,023	14,449,353	21,401,770	108,136,620
-	-	-	-	32,108,023
-	-	7,936,549	3,083,145	14,212,521
-	-	-	-	276,922
-	-	-	610,760	10,353,767
1,715,694	-	-	7,706,841	11,442,804
-	-	-	249	8,483,284
1,113,792	9,266,000	-	-	10,379,792
91,123	2,279,414	-	132,431	2,502,968
-	-	7,883,163	15,306,288	23,189,451
2,920,609	11,545,414	15,819,712	26,839,714	112,949,532
6,354,203	(3,143,391)	(1,370,359)	(5,437,944)	(4,812,912)
64,251	3,481,842	-	2,510,856	11,910,365
(6,036,814)	-	-	(129,505)	(11,910,365)
-	-	-	320,689	320,689
-	-	-	50,000	171,426
-	-	-	10,000,000	10,000,000
(5,972,563)	3,481,842	-	12,752,040	10,492,115
381,640	338,451	(1,370,359)	7,314,096	5,679,203
3,148,011	1,074,098	27,891,493	31,659,290	89,774,573
\$ 3,529,651	\$ 1,412,549	\$ 26,521,134	\$ 38,973,386	\$ 95,453,776

City of Waterloo, Iowa

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2019

Net change in fund balances—governmental funds	\$	5,679,203
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or construct capital assets are reported in the governmental funds as expenditures. However, those costs are reported in the statement of net position and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlay, capital contributions and depreciation expense for the year are as follows:		
Capital outlay	\$	21,426,428
Capital contribution		605,969
Depreciation		(15,565,356)
		6,467,041
The net effect of various miscellaneous transactions involving capital assets is to increase/decrease net position:		
Proceeds from sale of capital assets		(171,426)
Net (loss) on disposal of capital assets		(448,860)
Transfer to Sanitary Sewer		(633,323)
		(1,253,609)
The issuance of long-term debt provides current financial resources to governmental funds while repayment of the principal of long-term debt consumes current financial resources. These transactions have no effect on the change in net position in the statement of activities. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In addition, interest is accrued on outstanding debt in the statement of net position whereas in the governmental funds an interest expenditure is reported only when due. The following is a detail of the net effect on these differences in the treatment of long-term debt and related items:		
General obligation bonds issued for governmental purposes	(10,000,000)	
Repayment of general obligation bond principal	9,266,000	
Repayment of other long-term debt principal	1,113,792	
Bond premium	(320,689)	
Amortization of bond discounts and premiums	144,482	
Change in accrued interest	(94,306)	109,279
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds:		
Current year		3,674,278
Prior year		(8,461,023)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
OPEB expense		125,317
Change in workers' compensation claims payable		164,422
Change in compensated absences and deferred compensation liabilities		(38,526)
Pension expense—IPERS		(221,336)
Pension expense—MFPRSI		(426,751)
Change in net position of governmental activities	\$	5,818,295

See notes to basic financial statements.

City of Waterloo, Iowa

**Statement of Net Position
Enterprise Funds
June 30, 2019**

	Sanitary Sewer	Nonmajor - Sanitation	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 13,687,561	\$ 3,226,739	\$ 16,914,300
Customer accounts receivable	3,103,053	597,122	3,700,175
Special assessments receivable	59,156	258,028	317,184
Due from other governments:			
Waterloo Water Works	829,760	343,087	1,172,847
Other	8,996	30,052	39,048
Inventories	52,919	-	52,919
Total current assets	17,741,445	4,455,028	22,196,473
Noncurrent assets:			
Advances to other funds	27,003	11,701	38,704
Restricted cash and cash equivalents	2,730,662	129,830	2,860,492
Capital assets, net of accumulated depreciation	90,327,014	1,604,260	91,931,274
Capital assets not being depreciated	6,471,199	-	6,471,199
Net capital assets	96,798,213	1,604,260	98,402,473
Total noncurrent assets	99,555,878	1,745,791	101,301,669
Total assets	117,297,323	6,200,819	123,498,142
Deferred Outflows of Resources			
Pension related amounts	604,041	259,252	863,293
OPEB related amounts	32,929	23,168	56,097
Total deferred outflows of resources	\$ 636,970	\$ 282,420	\$ 919,390

See notes to basic financial statements.

	Sanitary Sewer	Nonmajor - Sanitation	Total
Liabilities, Deferred Inflows of Resources, and Net Position			
Liabilities:			
Current:			
Accounts payable	\$ 2,249,858	\$ 247,869	\$ 2,497,727
Retainages payable	152,254	-	152,254
Accrued liabilities	126,834	56,802	183,636
Current maturities of general obligation and capital loans	2,247,000	-	2,247,000
Compensated absences and deferred compensation	126,861	42,179	169,040
Accrued interest	45,245	-	45,245
Total current liabilities	4,948,052	346,850	5,294,902
Noncurrent:			
Security deposits	287,200	129,830	417,030
General obligation bonds, net bond discount and premium	14,515,716	-	14,515,716
State revolving fund capital loan	1,899,522	-	1,899,522
Other postemployment benefits liability	1,578,844	1,110,813	2,689,657
Compensated absences and deferred compensation	74,412	47,065	121,477
Net pension liability	2,163,039	958,039	3,121,078
Total noncurrent liabilities	20,518,733	2,245,747	22,764,480
Total liabilities	25,466,785	2,592,597	28,059,382
Deferred Inflows of Resources			
Pension related amounts	138,509	61,348	199,857
OPEB related amounts	23,076	16,236	39,312
Total deferred inflows of resources	161,585	77,584	239,169
Net position:			
Net investment in capital assets	79,764,861	1,604,260	81,369,121
Restricted for:			
Debt service	21,844	-	21,844
Improvements	25,982	-	25,982
Unrestricted	12,493,236	2,208,798	14,702,034
Total net position	\$ 92,305,923	\$ 3,813,058	\$ 96,118,981

City of Waterloo, Iowa

**Statement of Revenues, Expenses and Changes in Net Position
Enterprise Funds
Year Ended June 30, 2019**

	Sanitary Sewer	Nonmajor - Sanitation	Total
Operating revenues:			
Charges for sales and service	\$ 14,772,101	\$ 3,728,781	\$ 18,500,882
Miscellaneous	30,000	18,809	48,809
Total operating revenues	14,802,101	3,747,590	18,549,691
Operating expenses:			
Salaries and benefits	3,623,720	1,703,357	5,327,077
Contractual services	2,942,654	1,227,498	4,170,152
Intra-city reimbursements	692,000	376,500	1,068,500
Commodities	1,175,192	583,027	1,758,219
Depreciation	3,256,963	305,844	3,562,807
Total operating expenses	11,690,529	4,196,226	15,886,755
Operating income (loss)	3,111,572	(448,636)	2,662,936
Nonoperating revenues (expenses):			
Interest income	201,244	44,815	246,059
Intergovernmental	-	273,624	273,624
Interest expense	(595,638)	-	(595,638)
Amortization	31,778	-	31,778
Gain on sale of capital assets	-	3,850	3,850
Total nonoperating revenues (expenses)	(362,616)	322,289	(40,327)
Income prior to capital contributions	2,748,956	(126,347)	2,622,609
Capital contributions	943,573	-	943,573
Change in net position	3,692,529	(126,347)	3,566,182
Net position, beginning of year	88,613,394	3,939,405	92,552,799
Net position, end of year	\$ 92,305,923	\$ 3,813,058	\$ 96,118,981

See notes to basic financial statements.

City of Waterloo, Iowa

**Statement of Cash Flows
Enterprise Funds
Year Ended June 30, 2019**

	Sanitary Sewer	Nonmajor - Sanitation	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 14,533,197	\$ 3,844,244	\$ 18,377,441
Payments to suppliers	(5,439,511)	(1,779,146)	(7,218,657)
Payments to or on behalf of employees	(3,995,838)	(1,639,171)	(5,635,009)
Payment for interfund services used	(692,000)	(376,500)	(1,068,500)
Net cash provided by operating activities	4,405,848	49,427	4,455,275
Cash flows from noncapital financing activities, intergovernmental proceeds	142,253	276,848	419,101
Cash flows from capital and related financing activities:			
Purchase and construction of capital assets	(1,666,417)	(600,940)	(2,267,357)
Proceeds from disposal of capital assets	1,013	3,850	4,863
Proceeds from notes	720,522	-	720,522
Principal paid on debt	(2,677,000)	-	(2,677,000)
Interest paid on debt	(596,779)	-	(596,779)
Net cash used in capital and related financing activities	(4,218,661)	(597,090)	(4,815,751)
Cash flows from investing activities, interest received	201,244	44,815	246,059
Increase (decrease) in cash and cash equivalents	530,684	(226,000)	304,684
Cash and cash equivalents, beginning of year	15,887,539	3,582,569	19,470,108
Cash and cash equivalents, end of year	<u>\$ 16,418,223</u>	<u>\$ 3,356,569</u>	<u>\$ 19,774,792</u>
Reconciliation of cash and cash equivalents to statement of net position:			
Unrestricted cash and cash equivalents	\$ 13,687,561	\$ 3,226,739	\$ 16,914,300
Restricted cash and cash equivalents	2,730,662	129,830	2,860,492
	<u>\$ 16,418,223</u>	<u>\$ 3,356,569</u>	<u>\$ 19,774,792</u>

(Continued)

City of Waterloo, Iowa

Statement of Cash Flows (Continued)

Enterprise Funds

Year Ended June 30, 2019

	Sanitary Sewer	Nonmajor - Sanitation	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 3,111,572	\$ (448,636)	\$ 2,662,936
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	3,256,963	305,844	3,562,807
(Increase) in accounts receivable	(212,762)	103,157	(109,605)
(Increase) decrease in due from Waterloo Water Works	(56,142)	(6,503)	(62,645)
(Increase) in inventories and prepaids	3,172	-	3,172
Increase (decrease) in accounts payable	(1,337,982)	25,259	(1,312,723)
Increase in security deposits	13,145	6,120	19,265
Increase in accrued liabilities	10,602	3,411	14,013
Increase in other post employment benefits obligation	(305,344)	(8,972)	(314,316)
Increase in compensated absences and deferred compensation	(4,304)	2,603	(1,701)
Increase in net pension liability	(172,418)	56,702	(115,716)
(Increase) in deferred outflows of resources	62,134	(12,610)	49,524
(Decrease) in deferred inflows of resources	37,212	23,052	60,264
Net cash provided by operating activities	\$ 4,405,848	\$ 49,427	\$ 4,455,275
Schedule of noncash capital and related financing activities:			
Payables for acquisition of capital assets	\$ 1,839,193	\$ 82,981	\$ 1,922,174
Capital assets contributed	943,573	-	192,977

See notes to basic financial statements.

City of Waterloo, Iowa

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City of Waterloo, Iowa

Notes to Basic Financial Statements

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

Nature of operations:

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

Reporting entity:

In accordance with Governmental Accounting and Financial Reporting Standards, the basic financial statements include all funds, organizations, agencies, boards, commissions, authorities and material component units and have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City has 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 GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the City.

These financial statements present the City of Waterloo (the primary government) and its discretely presented component units, the Waterloo Water Works and Waterloo Convention & Visitors Bureau, Inc. Complete financial statements of the Waterloo Water Works component unit can be obtained from the Waterloo Water Works administrative office, 325 Sycamore Street, Waterloo, Iowa. Complete financial statements of the Waterloo Convention & Visitors Bureau, Inc. can be obtained from their office at 500 Jefferson Street, Waterloo, Iowa.

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

City of Waterloo, Iowa

Notes to Basic Financial Statements

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

Discretely presented component units:

Waterloo Water Works: The Waterloo Water Works is a component unit that is legally separate from the City, but is financially accountable to the City. The Waterloo Water Works is governed by a three-member board appointed by the City Council and its operating budget is subject to the review of the City Council. The Waterloo Water Works operates on a calendar year-end and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. Due to the different year-end, the amount reported by the Waterloo Water Works as due to the primary government and the primary government's due from the Waterloo Water Works do not agree by \$712,492.

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

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

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

Basis of presentation:

Government-wide financial statements: The statement of net position and the statement of activities report information on all of the activities of the City. For the most part, the effect of interfund activity has been removed from these statements. However, interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by tax and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate Waterloo Water Works and Waterloo Convention & Visitors Bureau, Inc. component units.

The statement of net position presents the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position.

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

Notes to Basic Financial Statements

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

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

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

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

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

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

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

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

The City had the following major governmental funds:

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

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

Notes to Basic Financial Statements

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

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

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

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

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

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

The City had the following major enterprise fund:

Sanitary Sewer Fund: Operates the sewage collection system and wastewater treatment plant.

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

Agency Fund: This is an Agency Fund used to account for property taxes collected on behalf of the Metropolitan Transit Agency, Water Works kill water assessments, Grout Museum District and building permits passed through to Black Hawk County.

Measurement focus and basis of accounting:

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

Notes to Basic Financial Statements

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

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

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

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

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

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

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

Summary of significant accounting policies:

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

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

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

Notes to Basic Financial Statements

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

Receivables and payables: Receivables are reported net of any allowance for uncollectible accounts. As of June 30, 2019, the General Fund and the enterprise funds had allowances for uncollectible customer accounts totaling \$374,406 and \$278,532 respectively.

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

Property tax revenue which became due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; was based on January 1, 2017 assessed property valuations; was for the tax accrual period July 1, 2018 through June 30, 2019; and reflected the tax asking contained in the budget certified to the County Board of Supervisors in March 2018.

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

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

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

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

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

Prepaids consist primarily of a deposit for insurance deductibles and premiums paid in advance, which are recorded as an expenditure or an expense when consumed.

City of Waterloo, Iowa

Notes to Basic Financial Statements

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

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

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Bond issuance costs are reported as an expenditure in the year the costs are incurred.

Capital assets: Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position and in the fund financial statements for proprietary funds. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

Depreciation is computed using the straight-line method over the estimated useful life of the asset. Estimated useful lives are as follows:

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

Notes to Basic Financial Statements

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

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

Deferred outflows of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. The first is a deferred charge on refunding reported in the government-wide and enterprise funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is pension and OPEB related deferred outflows of resources, which consists of unrecognized items not yet charged to pension and OPEB expense and pension contributions from the City after the measurement date but before the end of the City's reporting period.

Deferred inflows of resources: In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from four sources: property taxes, local option sales taxes, special assessments and intergovernmental revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

In the City's government-wide statements, the property tax revenues are reported as a deferred inflow of resources and will become an inflow in the year for which they are levied and budgeted for. The City's government-wide statements also include unrecognized pension and OPEB related amounts as deferred inflows.

Pensions: The net pension liability, deferred inflows and outflows of resources related to pensions, pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and the Municipal Fire and Police Retirement System of Iowa (MFPRSI) and additions to/deductions from IPERS' and MFPRSI's fiduciary net position have been determined on the same basis as they are reported by IPERS and MFPRSI. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Total OPEB liability: For purposes of measuring the total other postemployment benefit (OPEB) liability, deferred inflows of resources related to OPEB and OPEB expense, information has been based on an actuary report. For that purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total of OPEB liability attributable to governmental activities will be paid primarily by the General Fund.

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

Notes to Basic Financial Statements

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

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

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

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

Noncurrent portions of long-term interfund loan receivables and payables are reported as advances within the governmental and enterprise funds.

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

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

In the governmental fund financial statements, the face amount of long-term debt issued is reported as an other financing source.

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

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

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

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

City of Waterloo, Iowa

Notes to Basic Financial Statements

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

Assigned: Amounts constrained by the City's intent to use them for a specific purpose. The authority to assign fund balance has been delegated by the City Council to the Chief Financial Officer in accordance with the City's Fund Balance and Reserve Policy.

Unassigned: All amounts not included in other spendable classifications. The General Fund is the only fund that would report a positive amount in unassigned fund balance. Residual deficit amounts of other governmental funds would also be reported as unassigned.

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

Net position: Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Amounts reported as net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Unspent debt proceeds for the various capital project GO Bonds Funds are \$25,730,782 and the Sanitary Sewer enterprise fund is \$1,628,887. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The government-wide statement of net position reports \$54,496,029 of restricted net position of which \$6,351,554 is restricted by enabling legislation for debt service, library, tourism promotion and public access television.

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

Indirect allocations: Operating funds, departments and activities receive services from supporting funds, departments and activities. Annually, management estimates the value of those services and records applicable indirect allocations. Activities related to federal grant programs have not been included in the indirect cost calculations, but are reported within the function the grant serves.

Estimates and assumptions: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 2. Cash and Investments

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

As of June 30, 2019, the City had investments in the Iowa Public Agency Investment Trust (IPAIT) which were valued at an amortized cost of \$24,399,024 pursuant to GASB Statement No. 79. IPAIT is registered with the Securities and Exchange Commission. The City's investment in IPAIT is not subject to interest rate risk.

The discretely presented Waterloo Water Works component unit's certificates of deposit are restricted to comply with debt covenants and to secure customer deposits.

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

The investment in the Iowa Public Agency Investment Trust is rated AAAM by Standard & Poors.

Concentration of credit risk: The City's investment policy is to diversify its investment portfolio to eliminate the risk of loss resulting from overconcentration of assets in a specific maturity, a specific issuer or a specific class of securities. Accordingly, the policy limits the City from investing in prime bankers' acceptances or commercial paper of more than 10% of the investment portfolio and more than 5% of the investment portfolio with a single issuer at the time of purchase. In addition, no more than 5% of all amounts invested in commercial paper and other short-term corporate debt shall be invested in paper and debt rated in the second highest classification at the time of purchase. As of June 30, 2019, the City's investments were not subject to concentration of credit risk.

Custodial credit risk: For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City and Waterloo Water Works' deposits as of June 30, 2019 were entirely covered by federal depository insurance, National Credit Union insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure that there will be no loss of public funds. In addition, the City had no investments subject to custodial credit risk since the City does not hold the underlying investments.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 3. Leasing Activities

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

During the years ending June 30:

2020	\$ 484,319
2021	411,152
2022	315,489
2023	50,588
2024	50,588
2025-2029	4,375
Total future minimum lease rentals to be received	<u>\$ 1,316,511</u>

Board of Regents, State of Iowa: The City has entered into a lease agreement with the Board of Regents, State of Iowa, for the former Chicago Great Western Depot building. The term of the lease is from August 21, 2001 through August 20, 2021 at a rate of \$6,035 per month. The following is a schedule by years of the future minimum lease rentals to be received under the lease as of June 30:

During the years ending June 30:

2020	\$ 72,421
2021	72,421
2022	6,058
Total future minimum lease rentals to be received	<u>\$ 150,900</u>

Waterloo Hotel Equities, LLC d/b/a Ramada Waterloo Civic and Convention Center: The City has entered into a lease agreement with the Waterloo Hotel Equities, LLC d/b/a Ramada Waterloo Civic and Convention Center (Hotel) for the use of the Five Sullivan Brothers Convention Center and City parking facilities. The term of the lease is from May 23, 2005 through December 31, 2019. The rental rates are based on the gross income and sales of the Five Sullivan Brothers Convention Center, also known as the Ramada Inn Convention Center (Center) paid on a monthly basis. The amount of revenue recognized for the year ended June 30, 2019 was \$72,257, which was deferred by the governmental funds. The lease includes a management agreement with the Hotel for the management of the Center.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 4. Loans and Notes

Community Development Block Grant (CDBG) Loans:

Low-interest loans: The City has eleven low-interest rehabilitation and other loans due as of June 30, 2019, with a balance of \$31,599. Two of these loans with a balance of \$1,812 are estimated to be uncollectible. Collections of CDBG loans are grant program income which is reported in the Special Revenue Fund (CDBG) as charges for services as received.

Low-income housing loans: The City has provided seven loans for low-income housing projects, five of which have a below-market interest rate. All have minimal payments required each year until maturity. Maturities range from September 2019 to August 2031. The balance of the seven loans at June 30, 2019 was \$1,320,161. Maturities range from September 2019 to August 2031. Cash received is program income and considered to be charges for services. Given the nature and collection history of the loans, the City has determined these amounts are uncollectible and has recorded an allowance for the full amount of the loans.

Forgivable loans: The City, through its CDBG, HOME program, Economic Development Initiative program, Lead Paint Removal grant, federal and state Jumpstart funds and Iowans Helping Iowans funds, provides forgivable rehabilitation loans to low-income households. The loans are forgiven on a sliding scale over a five-year period, provided the home is not sold or abandoned. If the home is sold or abandoned, the City's lien against the property prevents a clear title transfer unless the unforgiven portion of the note is satisfied. As of June 30, 2019, the City had made 1,706 such loans totaling \$34,213,707. The loan balances are considered forgivable and/or uncollectible by the City given the nature and terms of the loans and therefore, have not been recorded as assets on the balance sheet.

Note 5. Interfund Activity

The composition of interfund receivables and payables balances as of June 30, 2019 was as follows:

	Due From	Due To
Major governmental funds:		
General	\$ 5,115,742	\$ -
Tax increment financing	-	2,358,365
Nonmajor governmental funds	-	2,757,377
	<u>\$ 5,115,742</u>	<u>\$ 5,115,742</u>

Advances to and from other funds as of June 30, 2019, were as follows:

	Advances To	Advances From
Major governmental funds:		
General	\$ -	\$ 168,316
Road Use Tax	108,189	-
Nonmajor governmental funds	21,423	-
Major Enterprise Fund, sanitary sewer	27,003	-
Nonmajor Enterprise Fund, sanitation	11,701	-
	<u>\$ 168,316</u>	<u>\$ 168,316</u>

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 5. Interfund Activity (Continued)

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. The interfund receivables and payables are scheduled to be collected in the subsequent year whereas the interfund advances are not.

Due to/from primary government and component units:

Due to governmental funds:

Road use tax	\$ 674,249
Aggregate nonmajor	60,166
Due from Water Works	<u>734,415</u>

Due to enterprise funds:

Sanitary sewer	829,760
Sanitation	343,087
Due from Waterloo Water Works	<u>1,172,847</u>

Total due from Water Works	1,907,262
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Waterloo Water Works - due to primary government	1,194,770
Difference	<u>\$ 712,492</u>

The difference in the above amounts of \$712,492 results from the different year ends of the entities as described in Note 1.

Due to Waterloo Convention & Visitors Bureau, Inc. from General Fund	<u>\$ 183,092</u>
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The following is a schedule of transfers as included in the basic financial statements of the City:

	Transfers In	Transfers Out
Major governmental funds:		
General	\$ 5,853,416	\$ 64,250
Trust and agency	-	5,679,796
Tax increment financing	64,251	6,036,814
General obligation debt service	3,481,842	-
Nonmajor governmental funds	2,510,856	129,505
	<u>\$ 11,910,365</u>	<u>\$ 11,910,365</u>

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

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Ending Balance June 30, 2018	Additions	Deletions	Transfers	Ending Balance June 30, 2019
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 44,688,184	\$ 197,331	\$ 35,900	\$ -	\$ 44,849,615
Land held for redevelopment	14,614,633	408,638	532,181	-	14,491,090
Construction-in-progress	21,993,559	18,530,135	633,322	(16,424,792)	23,465,580
Total capital assets, not being depreciated	81,296,376	19,136,104	1,201,403	(16,424,792)	82,806,285
Capital assets, being depreciated:					
Buildings and improvements	132,109,830	19,527	32,260	507,013	132,604,110
Infrastructure	373,756,091	1,175,424	-	15,672,599	390,604,114
Vehicles, machinery, furniture and equipment	31,356,131	1,664,094	651,332	245,180	32,614,073
Software	780,045	37,248	-	-	817,293
Total capital assets, being depreciated	538,002,097	2,896,293	683,592	16,424,792	556,639,590
Less accumulated depreciation for:					
Buildings and improvements	67,067,805	3,655,801	32,260	-	70,691,346
Infrastructure	155,372,181	10,039,655	-	-	165,411,836
Vehicles, machinery, furniture and equipment	22,433,623	1,828,516	599,126	-	23,663,013
Software	685,897	41,384	-	-	727,281
Total accumulated depreciation	245,559,506	15,565,356	631,386	-	260,493,476
Total capital assets, being depreciated, net	292,442,591	(12,669,063)	52,206	16,424,792	296,146,114
Governmental activities capital assets, net	\$ 373,738,967	\$ 6,467,041	\$ 1,253,609	\$ -	\$ 378,952,399

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

	Ending Balance June 30, 2018	Additions	Deletions	Transfers	Ending Balance June 30, 2019
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 534,242	\$ 123,658	\$ -	\$ -	\$ 657,900
Construction-in-progress	4,757,309	4,528,336	1,013	(3,471,333)	5,813,299
Total capital assets, not being depreciated	5,291,551	4,651,994	1,013	(3,471,333)	6,471,199
Capital assets, being depreciated:					
Buildings	71,209,364	-	-	483,488	71,692,852
Improvements other than buildings	60,048,664	211,927	-	2,987,845	63,248,436
Vehicles, machinery, furniture and equipment	12,730,048	269,183	348,868	-	12,650,363
Total capital assets, being depreciated	143,988,076	481,110	348,868	3,471,333	147,591,651
Less accumulated depreciation for:					
Buildings	26,226,418	1,409,837	-	-	27,636,255
Improvements other than buildings	18,311,979	1,200,974	-	-	19,512,953
Vehicles, machinery, furniture and equipment	7,908,041	951,996	348,868	-	8,511,169
Total accumulated depreciation	52,446,438	3,562,807	348,868	-	55,660,377
Total capital assets, being depreciated, net	91,541,638	(3,081,697)	-	3,471,333	91,931,274
Business-type activities capital assets, net	\$ 96,833,189	\$ 1,570,297	\$ 1,013	\$ -	\$ 98,402,473

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

	Ending Balance December 31, 2018	Additions	Deletions	Ending Balance December 31, 2019
Discretely Presented Component Unit - Waterloo Water Works Capital Assets				
Capital assets, not being depreciated:				
Land	\$ 314,543	\$ 157,819	\$ -	\$ 472,362
Construction-in-progress	2,349,745	2,813,522	(1,242,668)	3,920,599
Total capital assets, not being depreciated	2,664,288	2,971,341	(1,242,668)	4,392,961
Capital assets, being depreciated:				
Buildings and improvements	1,781,153	6,161	-	1,787,314
Water supply and distribution systems	31,099,098	1,580,692	-	32,679,790
Meters and equipment	1,173,594	-	-	1,173,594
Machinery and equipment	3,713,868	203,245	(39,590)	3,877,523
Total capital assets, being depreciated	37,767,713	1,790,098	(39,590)	39,518,221
Less accumulated depreciation for:				
Buildings and improvements	871,390	28,399	-	899,789
Water supply and distribution systems	8,987,288	520,208	-	9,507,496
Meters and equipment	769,235	17,583	-	786,818
Machinery and equipment	1,855,411	248,127	(39,590)	2,063,948
Total accumulated depreciation	12,483,324	814,317	(39,590)	13,258,051
Total capital assets, being depreciated, net	25,284,389	975,781	-	26,260,170
Net discretely presented component unit—Waterloo Water Works capital assets, net	\$ 27,948,677	\$ 3,947,122	\$ (1,242,668)	\$ 30,653,131
Discretely Presented Component Unit - Waterloo Convention & Visitors Bureau, Inc.				
Capital assets, being depreciated:				
Equipment	\$ 70,773	\$ 32,429	\$ -	\$ 103,202
Leasehold improvements	125,924	-	-	125,924
Total capital assets, being depreciated	196,697	32,429	-	229,126
Less accumulated depreciation	172,708	19,414	-	192,122
Total capital assets, being depreciated, net	\$ 23,989	\$ 13,015	\$ -	\$ 37,004

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

Depreciation expense was charged by the City as follows for the year ended June 30, 2019:

Governmental activities:	
Public safety	\$ 694,596
Public works	12,597,174
Culture and recreation	2,065,498
Community and economic development	75,628
General government	132,460
Total governmental activities	<u>15,565,356</u>
Business-type activities:	
Sanitary sewer	3,256,963
Sanitation	305,844
Total business-type activities	<u>3,562,807</u>
 Total primary government	 <u>\$ 19,128,163</u>
 Component unit—Waterloo Water Works	 <u>\$ 814,317</u>
 Component unit—Waterloo Convention & Visitors Bureau, Inc.	 <u>\$ 19,414</u>

Note 7. Compensated Absences

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. A calendar year is primarily used for the calculation of vacation pay benefits while sick leave utilizes the City's fiscal year. Vacation days for most bargaining unit employees must be taken or paid during the calendar year with limited exceptions. Nonbargaining unit employees may carry forward up to 10 days' vacation with proper approval. Upon termination, employees receive payment for unused vacation plus a payment for vacation hours accrued from January through the termination date. As of June 30, 2019, there was \$3,236,031 accrued for vacation.

Prior to July 1, 1984, sick leave was allowed to accumulate to a maximum of 240 days, except for police and fire personnel who could accumulate a maximum of 260 days. Any unused days as of July 1, 1984 were accumulated into a frozen sick leave bank. The days frozen in the bank are paid upon use, termination or retirement (except for library employees who will only be paid upon use). If paid upon retirement, the amount due to employees is computed as the amount equal to 60% of the total accumulated hours times the employee's current pay rate paid to employees. Retirees have the option of receiving the payout immediately or receiving it as an annuity over 60 months. As discussed in Note 7, active employees could elect to receive a payout of 60% of their frozen sick dollars beginning in July 2001. As of June 30, 2019, there was \$64,938 accrued for the frozen sick leave bank.

After July 1, 1984, sick leave is allowed to accumulate up to 12 days per year. At the end of the year, 25% of any unused sick leave is rolled over to the employee's casual leave bank and the balance of 75% of the unused sick leave is added to the employee's sick leave storage bank for future use. The days accumulated in the bank after July 1, 1984 are not payable upon termination or retirement. Certain Fire Department employees are eligible to roll 75% of their unused sick leave, with the balance added to their sick leave storage bank.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 7. Compensated Absences (Continued)

Certain employees can elect either to be paid overtime compensation or to accrue the hours as compensatory time, defined as additional time off from regular hours. Employees are required to be paid for these services upon termination of employment. Maximum hours eligible to be used later as compensatory time are limited by law and labor contracts. Governmental funds do not recognize these accumulations as expenditures until paid. As of June 30, 2019, there was \$1,640,870 accrued for unused compensatory time, which includes unused sick leave and frozen sick leave bank.

Employees are also eligible to receive pay-outs of a portion of unused casual leave. The accrued casual pay is reported as compensated absences in the applicable fund which includes \$53,207 in governmental funds, as the liabilities are considered matured and are expected to be liquidated with expendable available financial resources. Frozen sick leave, vacation pay and compensatory time liabilities are accrued when incurred in the government-wide and proprietary fund statements and reported as a liability.

Note 8. Long-Term Liabilities

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2019:

	June 30, 2018	Additions	Reductions	June 30, 2019	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 81,051,000	\$ 10,000,000	\$ 9,266,000	\$ 81,785,000	\$ 8,855,000
Loans and notes (direct borrowing)	8,019,724	-	1,113,792	6,905,932	1,043,781
Compensated absences	4,647,574	3,728,734	3,687,918	4,688,390	3,040,865
Total OPEB liability	17,302,862	272,209	-	17,575,071	-
Net pension liability—IPERS	12,611,453	-	506,721	12,104,732	-
Net pension liability—MFPRSI	33,448,350	-	104,487	33,343,863	-
Subtotal	157,080,963	14,000,943	14,678,918	156,402,988	12,939,646
Unamortized discounts	(204,487)	-	(17,943)	(186,544)	-
Bond premium	1,122,787	320,689	162,425	1,281,051	-
Total long-term liabilities, governmental activities	<u>\$ 157,999,263</u>	<u>\$ 14,321,632</u>	<u>\$ 14,823,400</u>	<u>\$ 157,497,495</u>	<u>\$ 12,939,646</u>
Business-type activities:					
General obligation bonds	\$ 18,904,000	\$ -	\$ 2,514,000	\$ 16,390,000	\$ 2,055,000
State revolving fund capital loans (direct borrowing)	1,534,000	720,522	163,000	2,091,522	192,000
Compensated absences	292,218	505,308	507,009	290,517	169,040
Total OPEB liability	3,003,973	-	314,316	2,689,657	-
Net pension liability—IPERS	3,236,794	-	115,716	3,121,078	-
Subtotal	26,970,985	1,225,830	3,614,041	24,582,774	2,416,040
Unamortized discounts	(76,986)	-	(12,516)	(64,470)	-
Bond premium	289,480	-	44,294	245,186	-
Total long-term liabilities, business-type activities	<u>\$ 27,203,382</u>	<u>\$ 1,225,830</u>	<u>\$ 3,645,819</u>	<u>\$ 24,763,490</u>	<u>\$ 2,416,040</u>

Compensated absences and net pension and OPEB liabilities attributable to governmental activities are generally liquidated by the General Fund.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 8. Long-Term Liabilities (Continued)

General obligation bonds and notes are direct obligations and pledge the full faith and credit of the City. Revenue bonds are the obligations of the Sanitary Sewer Enterprise Fund and are generally payable solely from the revenue of the Sanitary Sewer Enterprise Fund. Bonds generally issued for the purpose of financing the acquisition and construction of major capital facilities or infrastructure.

Debt indentures require that certain covenants relating to the maintenance and efficiency of the operating system, the rate structure, restrictions on borrowings, leasing or disposition of assets and minimum insurance coverage be adhered to. These covenants are: (a) the interest on the tax-exempt bonds are to be excludable from gross income for federal income tax purposes, (b) the annual report must be submitted within 270 days after year-end, and (c) the City must give notice of significant events including those events causing delinquency of payment, bond calls, defeasances of bonds, or rating changes of bonds no later than ten business days after the event.

On June 18, 2019, the City issued \$6,790,000 in tax-exempt General Obligation Bonds, Series 2019A maturing June 1, 2020 through June 1, 2031 with an interest rate of 3.00%.

On June 18, 2019, the City issued \$3,210,000 in General Obligation Bonds, Series 2019B maturing June 1, 2020 through June 1, 2029 with an interest rate of 2.73%.

Reasons for issuances were to finance a variety of capital improvements, including flood control and bridge improvements, city facility improvements, street reconstruction; equipment and technology needs; vehicle acquisitions; urban renewal projects in the City; and pay a portion of the costs of issuance of the Bonds.

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

Issue Date	Purpose	Interest Rates	Outstanding June 30, 2018
Publicly issued long-term debt:			
June 2010	Taxable	1.00 - 4.00	\$ 250,000
June 2011	Tax-exempt-capital improvements/general	2.00 - 4.00	2,715,000
June 2011	Taxable	0.60 - 4.60	3,515,000
June 2012	Tax-exempt-capital improvements/general	2.00 - 2.30	4,000,000
June 2012	Refunding	0.35 - 1.35	410,000
June 2012	Taxable	2.20 - 3.50	2,680,000
June 2013	Tax-exempt-capital improvements/general	2.00 - 3.70	3,705,000
June 2013	Taxable	2.00 - 3.70	4,455,000
June 2013	Refunding	0.50 - 2.50	375,000
June 2014	Tax-exempt-capital improvements/general	2.00 - 3.12	5,530,000
June 2014	Taxable	1.00 - 4.00	3,705,000
June 2014	Refunding	2.00	1,690,000
June 2015	Tax-exempt-capital improvements/general	3.00 - 3.50	9,430,000
June 2015	Taxable	1.50 - 4.00	1,185,000
June 2016	Tax-exempt-capital improvements/general	2.00 - 2.25	6,485,000
June 2016	Taxable	0.80 - 3.10	1,500,000
June 2016	Taxable	0.90 - 3.40	8,195,000
June 2017	Tax-exempt-capital improvements/general	3.00	7,360,000
June 2017	Taxable	1.35 - 3.35	3,180,000
June 2017	Taxable-urban renewal	2.75 - 3.50	7,420,000
June 2018	Tax-exempt-capital improvements/general	3.00	9,415,000
June 2018	Taxable	2.50 - 3.50	975,000
June 2019	Tax-exempt-capital improvements/general	3.00	6,790,000
June 2019	Taxable	2.73	3,210,000
			<u>\$ 98,175,000</u>

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 8. Long-Term Liabilities (Continued)

Annual debt service on general obligation and revenue bonds as of June 30, 2019 are as follows:

	GO Debt Service General Obligation Bonds	
	Principal	Interest
Years ending June 30:		
2020	\$ 8,855,000	\$ 2,315,371
2021	7,658,000	2,108,094
2022	7,135,000	1,906,670
2023	6,723,000	1,716,581
2024	6,565,000	1,530,899
2025—2029	31,709,000	4,634,040
2030—2034	10,965,000	1,110,985
2035—2036	2,175,000	96,753
	<u>\$ 81,785,000</u>	<u>\$ 15,419,393</u>
	Sanitary Sewer Enterprise General Obligation Bonds	
	Principal	Interest
Years ending June 30:		
2020	\$ 2,055,000	\$ 506,343
2021	2,002,000	451,543
2022	1,950,000	394,945
2023	1,922,000	338,400
2024	1,885,000	279,648
2025—2029	5,876,000	596,839
2030—2032	700,000	30,400
	<u>\$ 16,390,000</u>	<u>\$ 2,598,118</u>

Loans and notes: During the years ended June 30, 2013 and 2011, the City had drawn \$195,348 and \$235,082, respectively, in loans from the Iowa Department of Economic Development, Brownfield Redevelopment Program (Department). The loans are at 0% with no payments due in years one through five. The loan has been forgiven as planned increases in taxable valuation of property within the redevelopment area have been attained. During the year ended June 30, 2019, the unpaid principal of \$255,430 was forgiven.

The City has entered into development agreements including rebates of property taxes paid by other parties to the agreements. Most agreements include a set percentage of taxes paid for a specified number of years. The following agreements require a guaranteed amount of principal plus interest to be paid to the developer. As of June 30, 2019, the outstanding balance of these loans was \$6,905,931.

- Deer Creek Development, LLC, original loan amount of \$1,896,017 plus interest at 7% through March 31, 2011 then at 4.75%, compounded semiannually. In fiscal year 2014, there were additions to the agreement of \$6,130. Payable at \$300,000 in fiscal year 2011 and semiannual payments of \$100,000 are due beginning November 2011 until principal plus interest have been paid. The loan balance was \$1,258,879 at June 30, 2019.
- North Crossing Development, LLC, original loan amount of \$7,000,000 plus interest at 1.81% through September 1, 2025. Payable in annual payments of \$1,000,000 are due beginning August 29, 2019 until principal plus interest have been paid. The loan balance was \$5,647,052 at June 30, 2019.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 8. Long-Term Liabilities (Continued)

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

	Governmental Activities	
	Principal	Interest
Years ending June 30:		
2020	\$ 1,043,781	\$ 156,220
2021	1,063,241	136,759
2022	1,086,895	113,105
2023	1,111,187	88,813
2024	1,136,139	63,861
2025—2026	1,464,688	50,114
	<u>\$ 6,905,931</u>	<u>\$ 608,872</u>

State revolving fund capital notes: During fiscal years 2018 and 2019, the City entered into two agreements with the Iowa Finance Authority for Clean Water Revolving Loans with an approved loan amount totaling \$3,677,000. As of June 30, 2019, the notes had an outstanding balance of \$2,091,522. The notes bear interest at 2.0%, with annual principal and interest payments through 2044.

These notes mature as follows:

	Business-type activities	
	Principal	Interest
Years ending June 30:		
2020	\$ 192,000	\$ 30,738
2021	195,000	37,955
2022	198,000	34,285
2023	203,000	30,556
2024	192,522	26,770
2025-2029	394,000	87,171
2030-2034	435,000	47,792
2035-2037	282,000	9,940
	<u>\$ 2,091,522</u>	<u>\$ 305,207</u>

Discretely presented component unit:

	Balance December 31, 2018	Additions	Deletions	Balance December 31, 2019	Due Within One Year
Compensated absences	\$ 65,224	\$ 71,547	\$ 65,224	\$ 71,547	\$ 71,547

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 9. Operating Leases

Effective July 1, 1999, the City's sanitary sewer operations entered into a five-year agreement for the management of biosolid by-products produced at the Wastewater Treatment Facility. The agreement included the lease of a storage facility. This lease was extended August 1, 2014 for another five-year period, at a monthly rental of \$4,900. Rental expense for all material operating leases was \$182,900 for the year ended June 30, 2019.

Cedar Valley SportsPlex: The Cedar Valley SportsPlex, a 125,000 square foot recreational facility that includes indoor soccer fields, gyms, a leisure pool, fitness facility, running track and multi-purpose activity spaces, opened in January 2014. The facility is a joint project of the City and the Waterloo Development Corporation. The Waterloo Development Corporation raised the funds, through a combination of private donations and grants from the Black Hawk County Gaming Association, to construct the \$23 million facility. The City acquired the property where the facility is located and signed a lease purchase agreement to operate the facility for \$100 per year. The lease purchase agreement gave the City the option to take ownership of the facility at the end of the lease term or to cease operating the facility at that time. In August 2014, the lease agreement was amended to remove that option, so the property will automatically transfer to the City at the end of the lease term. The Waterloo Development Corporation signed an agreement with the City which guarantees that the fundraising for construction will be completed. Because there was an automatic transfer of the assets at the end of the term of the agreement, and that future lease payments to the Waterloo Development Corporation are nominal, the City has no capital contribution to report for the year ended June 30, 2019, and no capital lease liability as of June 30, 2019.

The Leisure Services department of the General Fund is operating the facility with the intent for it to be self-supporting.

Note 10. Retirement Systems

Iowa Public Employees' Retirement System:

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

Benefits provided: IPERS provides retirement, disability and death benefits. Retirement benefits are determined based on the employee's highest five-year average salary and a multiplier based on the years of service. Employees are eligible for full retirement age 65; at age 62 with at least 20 years of covered employment or when the years of service plus the employee's age equals or exceeds 88. Four years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are calculated based on the actuarial present value of the employee's accrued benefit at the time of death or a calculation based on the employee's contributions, highest covered annual wage and years of service.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 10. Retirement Systems (Continued)

Contributions: Per Iowa Code Section 97B.4(4)(d) the required contribution rate is determined by the IPERS actuary as the rate necessary to fully fund the benefits as defined by Iowa Code Chapter 97B. Employees are required to contribute 5.95% of their annual pay. The City contractually required contribution rate for the year ended June 30, 2019, was 8.93% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$1,796,401 for the year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Inflow and Outflows of Resources Related to Pensions: At June 30, 2019, the City reported a liability of \$15,225,810 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2019, the City's proportion was 0.2406008%, an increase of 0.00268430% from the City's proportion at June 30, 2018.

For the year ended June 30, 2019, the City recognized pension expense of \$1,487,234. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 83,481	\$ (344,128)
Changes of assumptions	2,172,056	-
Net difference between projected and actual earnings on pension plan investments	-	(418,356)
Changes in proportion and differences between City contributions and proportionate share of contributions	158,224	(212,494)
Total deferred amounts to be recognized in pension expense in future periods	2,413,761	(974,978)
City contributions subsequent to the measurement date	1,769,401	-
Total deferred amounts related to pensions	<u>\$ 4,183,162</u>	<u>\$ (974,978)</u>

\$1,769,401 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The deferred outflows and deferred inflows resulting from the difference between projected and actual earnings on pension plan investments will be recognized as a reduction of pension expense over five years. The other deferred inflows and outflows will be recognized in pension expense using the average expected remaining service lives of all IPERS members. The average is determined by taking the calculated total future service years of the Plan divided by the number of the people in the Plan including retirees.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 10. Retirement Systems (Continued)

Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Years ended June 30:	
2020	\$ 1,067,896
2021	530,067
2022	(143,634)
2023	(7,435)
2024	(8,111)
	<u>\$ 1,438,783</u>

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation 2.60% per annum
(effective June 30, 2019)

Rates of salary increases 3.25% to 16.25%, average, including inflation.
(effective June 30, 2019) Rates vary by membership group.

Long-term effective investment 7.00%, compounded annually, net of investment
(effective June 30, 2019) expense, including inflation.

Wage growth 3.25%, per annum, based on 2.60%
(effective June 30, 2019) inflation and 0.65% real wage inflation.

Mortality rates were based on the RP-2014 Employee and Health Annuitant Tables with MP 2017 generational economic adjustments.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an assumption study dated March 24, 2017 and demographic assumption study dated June 24, 2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 10. Retirement Systems (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core-plus fixed income	27.0%	1.97%
Domestic equity	22.0	6.01
Global smart beta equity	3.0	6.23
International equity	15.0	6.48
Private equity	11.0	10.81
Private real assets	7.5	4.14
Public real assets	7.0	2.91
Public credit	3.5	3.93
Private credit	3.0	3.11
Cash	1.0	(0.25)
	<u>100.0%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from cities will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00 %)	1% Increase (8.00 %)
City's proportionate share of the net pension liability	\$ 25,841,259	\$ 15,225,810	\$ 6,321,026

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report; which can be located at www.ipers.org.

Municipal Fire and Police Retirement System of Iowa

Plan description: MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at www.mfprsi.org.

Notes to Basic Financial Statements

Note 10. Retirement Systems (Continued)

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension benefits: Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member's highest 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66% of the member's average final compensation. Additional benefits are available to members who perform more than 22 years of service (2% for each additional year of service, up to a maximum of 8 years). Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50% surviving spouse benefit.

Active members, at least 55 years of age, with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4, or 5 year DROP period. By electing to participate in DROP the member is signing a contract indicating the member will retire at the end of the selected DROP period. During the DROP period the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

Disability and death benefits: Disability coverage is broken down into two types, accidental and ordinary. Accidental disability is defined as permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60% of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50% of the member's average final compensation, for those with 5 or more years of service, or the member's service retirement benefit calculation amount, and 25% of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50% of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40% of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50% of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

Benefits are increased (escalated) annually in accordance with Chapter 411.6 of the Code of Iowa which states a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 10. Retirement Systems (Continued)

Contributions: Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa as modified by act of the 1994 General Assembly, to establish compliance with the Federal Older Workers Benefit Protections Act, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2019.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa the employer's contribution rate cannot be less than 17% of earnable compensation. The City's contribution rate was 26.02% for the year ended June 30, 2019.

The City's contributions to MFPRSI for the year ended June 30, 2019 were \$4,396,834.

If approved by the state legislature, state appropriation may further reduce the employer's contribution rate, but not below the minimum statutory contribution rate of 17% of earnable compensation. The State of Iowa therefore is considered to be a nonemployer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67 – Financial Reporting for Pension Plans, (GASB 67).

There were no state appropriations to MFPRSI during their fiscal year ended June 30, 2019.

Net Pension Liabilities, Pension Expense, and Deferred Inflows and Outflows of Resources

Related to Pensions: At June 30, 2019, the City reported a liability of \$33,343,863 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. At June 30, 2019, the City's proportion was 5.600213%, a decrease of 0.103073% from the City's proportion at June 30, 2018.

For the year ended June 30, 2019, the City recognized pension expense of \$426,751. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 895,120	\$ (452,326)
Changes of assumptions	2,847,906	(266,458)
Net difference between projected and actual earnings on pension plan investments	1,630,989	-
Changes in proportion and differences between City contributions and proportionate share of contributions	51,046	(552,854)
Total deferred amounts to be recognized in pension expense in future periods	5,425,061	(1,271,638)
City contributions subsequent to the measurement date	4,396,834	-
Total deferred amounts related to pensions	\$ 9,821,895	\$ (1,271,638)

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 10. Retirement Systems (Continued)

\$4,396,834 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The deferred outflows and deferred inflows resulting from the difference between projected and actual earnings on pension plan investments will be recognized as a reduction of pension expense over five years. The other deferred inflows and outflows will be recognized in pension expense using the average expected remaining service lives of all MFPRSI members. The average is determined by taking the calculated total future service years of the Plan divided by the number of the people in the Plan including retirees. Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Years ended June 30:

2020	\$ 2,918,768
2021	1,543,245
2022	(532,964)
2023	214,552
2024	9,822
	<u>\$ 4,153,423</u>

Actuarial Assumptions: The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75% to 15.11%, average, including inflation.
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2007 to June 30, 2017.

Mortality rates were based on RP 2014 Blue Collar Combined Healthy table with males set-forward zero years, females set-forward two year and disabled set-forward three year (males only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning 2017.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (i.e., expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 10. Retirement Systems (Continued)

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Large cap		5.50%
Small cap		5.80
International large cap		7.30
Core plus fixed income		3.30
Emerging markets		9.00
Emerging market debt		6.30
Master limited partnerships		9.00
Core Investments	40.00%	
Private Equity/Debt	15.00	9.00
Private core real estate		6.00
Private non-core real estate		8.00
Real Estate	10.00	
Tactical Asset Allocation	35.00	6.40
	<u>100.00%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at 9.40% of covered payroll and the City contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent lower (6.50%) or 1-percent higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50 %)	1% Increase (8.50 %)
City's proportionate share of the net pension liability	\$ 55,633,097	\$ 33,343,863	\$ 14,889,126

Component Unit

Waterloo Water Works contributes to the Waterloo Water Works Pension Plan (WWW Plan) and the Iowa Public Employees' Retirement System (IPERS).

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 10. Retirement Systems (Continued)

Waterloo Water Works Pension Plan:

Plan description: The Waterloo Water Works Pension Plan is a single-employer defined benefit plan administered by the Pension Committee of Waterloo Water Works. The WWW Plan provides retirement benefits to plan members and beneficiaries. No new WWW Plan members were allowed after December 31, 2007. The WWW Plan does not issue a stand-alone financial report. The actuarial report on the Plan is held at the Waterloo Water Work's office.

The following brief description is provided for general informational purposes only. Refer to the WWW plan documents for more information.

Pension Benefits: Retirement benefits are calculated using the highest three consecutive years of pensionable earnings during the last ten years of employment. The accrued benefit is determined to be 60% of average compensation, reduced if years of service is less than thirty years. Normal retirement age is 65. Married members may receive a benefit for life; however, members are required by law to receive a reduced qualified joint and survivor benefit, unless formally elected otherwise. In no event shall pensionable earnings exceed the limitation specified in Section 401(a)(17) of the Internal Revenue Code. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Committee.

As of December 31, the following members were covered by the WWW Plan:

Inactive plan members and beneficiaries currently receiving benefits	34
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	16
Total members	51

Contributions: The contribution requirements of the Plan members (employees) and Waterloo Water Works are established and may be amended by Waterloo Water Works. Mandatory contributions to the WWW Plan by WWW Plan members are equal to the IPERS rate effective January 1 of the previous year, 5.95% for the year ending December 31, 2018. Prior to 2010, WWW Plan member contributions were not required and Waterloo Water Works made all the required contributions. Beginning January 1, 2010, WWW Plan members were required to contribute one-third of the full contribution rate of 4.1% and Waterloo Water Works paid the rest of the required contribution. As of January 1, 2011, WWW Plan members were required to contribute two-thirds of the full contribution rate of 4.3% and beginning January 1, 2012, WWW Plan members were required to contribute all of the mandatory contributions. The Waterloo Water Works Board of Trustees has approved Waterloo Water Works contributions to the Plan in excess of the amount determined annually by the actuary in an effort to eliminate over time the net pension liability as computed by the actuary.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 10. Retirement Systems (Continued)

Net pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions: At December 31, 2018, the Water Works' recognized pension expense of \$541,511. At December 31, 2018, the Water Works' reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,297	\$ (15,120)
Changes in assumptions	75,118	(36,213)
Net difference between projected and actual earnings on pension plan investments	705,974	-
	<u>\$ 819,389</u>	<u>\$ (51,333)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

	Pension Expense Amount
Years ending December 31:	
2019	\$ 318,508
2020	140,851
2021	115,429
2022	193,268
Total	<u>\$ 768,056</u>

Actuarial Assumptions: The Waterloo Water Works' net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the December 31, 2018 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation	2.50% per annum
Rates of salary increases	3.00% per annum
Long-term investment rate of return	8.00%, compounded annually, net of investment expenses.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 10. Retirement Systems (Continued)

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2018 through December 31, 2018. In addition, mortality rates were based on 2019 IRS Combined Mortality Table as appropriate.

The long-term expected rate of return on WWW Plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the WWW Plan's target asset allocation as of December 31, 2018 are summarized in the following table:

Asset Class:	Target Allocation	Long-Term Expected Real Rate of Return
Cash and fixed income	24%	2.50%
Equity large cap	61	5.50
Equity mid cap	8	6.00
Equity small cap	7	6.00
Real estate	-	5.00
Total	100%	

Discount rate: The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that WWW Plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the differences between actuarially determined contribution rates and the member rate. Professional judgement on future contributions has been applied in those cases where contribution patterns deviate from the actuarially determined rates. Based on those assumptions the WWW Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability calculated using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower, or 1% higher than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability	\$ 3,673,464	\$ 2,922,798	\$ 2,269,353

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 10. Retirement Systems (Continued)

Changes in Waterloo Water Works' net pension liability: Changes in the Waterloo Water Works' net pension liability for the year ended December 31, 2018 were as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance, beginning of year	\$ 8,552,110	\$ 6,234,505	\$ 2,317,605
Changes for the year:			
Service cost	46,090	-	46,090
Interest	665,421	-	665,421
Difference between expected and actual experience	76,594	-	76,594
Changes in assumptions	(72,427)	-	(72,427)
Contributions, employer	-	529,242	(529,242)
Contributions, member	-	48,166	(48,166)
Net investment income	-	(466,923)	466,923
Benefit payments including refunds of employee contributions	(548,118)	(548,118)	-
Balance, end of year	<u>\$ 8,719,670</u>	<u>\$ 5,796,872</u>	<u>\$ 2,922,798</u>

Payables to the Waterloo Water Works' Plan: All required Waterloo Water Works contributions and required employee contributions which had been withheld from employee wages were remitted to the WWW Plan by December 31, 2018.

IPERS – Waterloo Water Works:

Plan Description: IPERS membership is mandatory for employees of Waterloo Water Works, except for those covered by another retirement system. Employees of Waterloo Water Works are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, IA 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Notes to Basic Financial Statements

Note 10. Retirement Systems (Continued)

Pension benefits: A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest of three-year average salary as of that date will be used if it is greater than the highest five-year average salary).

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1, 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits: A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions: Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to one percentage point. IPERS' Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2018, pursuant to the required rate, regular members contributed 5.95% of covered payroll and Waterloo Water Works contributed 8.93% of covered payroll for a total rate of 14.88%.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 10. Retirement Systems (Continued)

The Waterloo Water Works' contributions to IPERS for the year ended December 31, 2018 were \$116,656.

As December 31, 2018, the Waterloo Water Works' liability for its proportionate share of the net pension liability totaled \$1,064,406. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Water Works' proportion of the net pension liability was based on the Water Works' share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2019, the Water Works' collective proportion was 0.016820%, which was an increase of 0.001271% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Water Works recognized pension expense of \$84,666. At December 31, 2018, the Water Works reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,836	\$ (24,057)
Changes of assumptions	151,844	-
Net difference between projected and actual earnings on IPERS' investments	-	(29,247)
Changes in proportion and differences between Water Works contributions and proportionate share of contributions	114,331	-
Total deferred amounts to be recognized in pension expense in future periods	272,011	(53,304)
Water Works contributions subsequent to the measurement date	59,889	-
Total deferred amounts related to pensions	<u>\$ 331,900</u>	<u>\$ (53,304)</u>

Deferred outflows of resources related to pensions of \$59,889 represent the amount Waterloo Water Works contributed subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ended December 31:	
2019	\$ 117,311
2020	67,798
2021	15,741
2022	15,105
2023	2,752
	<u>\$ 218,707</u>

There were no nonemployer contributing entities at IPERS.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 10. Retirement Systems (Continued)

Actuarial assumptions: The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurements:
The actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience study dated June 28, 2018.

Rate of inflation 2.60% per annum
(effective June 30, 2019)

Rates of salary increases 3.25% to 16.25%, average, including inflation.
(effective June 30, 2019) Rates vary by membership group.

Long-term effective investment 7.00%, compounded annually, net of investment
(effective June 30, 2019) expense, including inflation.

Wage growth 3.25%, per annum, based on 2.60%
(effective June 30, 2019) inflation and 0.65% real wage inflation.

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core-plus fixed income	27.0%	1.97%
Domestic equity	22.0	6.01
Global smart beta equity	3.0	6.23
International equity	15.0	6.48
Private equity	11.0	10.81
Private real assets	7.5	4.14
Public real assets	7.0	2.91
Public credit	3.5	3.93
Private credit	3.0	3.11
Cash	1.0	(0.25)
	<u>100.0%</u>	

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 10. Retirement Systems (Continued)

Discount rate: The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from Waterloo Water Works will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Waterloo Water Works' proportionate share of the net pension liability to changes in the discount rate: The following presents the Waterloo Water Works' proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Waterloo Water Works' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Water Work's proportionate share of the net pension liability	\$ 1,806,510	\$ 1,064,406	\$ 441,890

IPERS' Fiduciary Net Position: Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the pension plan: At December 31, 2018, Waterloo Water Works reported payables to IPERS of \$9,509 for legally required Waterloo Water Works' contributions and \$6,336 for legally required Waterloo Water Works' contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 11. Deficit Fund Balances

Funds with deficit balances as of June 30, 2019 were as follows:

Nonmajor governmental:

Special revenue:

Community Development Block Grant	\$ 445,490
Grants	1,154,258
Capital projects,	
Capital Improvements	1,725,268

The deficit of the above funds are expected to be eliminated through future transfers from other funds, grant proceeds or bond proceeds.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 12. Commitments

Construction: The City is involved in construction of capital assets, mainly streets, riverfront improvements and Brownfields reconstruction. Much of the construction is partially funded through federal, state and local grants and donations. City participation in the programs is generally funded through proceeds of debt issues and local option taxes. As of June 30, 2019, the City was committed to approximately \$28.2 million of construction contracts.

Property tax rebates: The City has entered into a number of development agreements with various businesses located in City tax increment financing districts. The agreements offer rebates of portions of taxes paid for up to 10 years, depending on each individual agreement. The amount of the rebates are a percentage of the actual taxes paid by the business. Rebates are reported at the time property taxes are received. See Note 19 for additional information.

Loan guarantee: The City has guaranteed a bank loan of Cedar Skyline Corporation d/b/a Main Street Waterloo, a not-for-profit corporation. Main Street Waterloo and the City are not part of the same reporting entity. In 1999, Main Street Waterloo entered into a loan agreement with a financial institution, which was amended in 2006, 2010 and 2016. The note matures monthly through August 17, 2020. When the loan was entered into, the City voted to extend a nonexchange financial guarantee on the Main Street Waterloo loan. In the event that Main Street Waterloo is unable to repay the loan, the City would be required to make the payment, with no requirements for Main Street Waterloo to repay the City if the City has to pay any amount on the loan. As of June 30, 2019, the loan balance was \$188,366. Based on City management's assessment of the qualitative factors and historical data, the City has not recorded a liability for this nonexchange financial guarantee.

Note 13. Other Postemployment Benefits

Plan description: The City's defined benefit OPEB plan, a single-employer health care plan provides OPEB for all active and retired employees and their eligible dependents. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The plan does not issue a stand-alone financial report.

Benefits provided: Individuals who are employed by the City are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. As required by state law, employees who retire from service with the City prior to age 65 are eligible for coverage in the plan. Police and fire employees must have completed four years of service, be age 55 and vested in the Municipal Fire and Police Retirement System. All other employees must have completed four years of service (seven years of service after July 1, 2012), be age 55 and be vested in IPERS to participate in the plan. Retirees are allowed to be covered by the plan until they are Medicare eligible at 65. Spouses of retirees are eligible to be covered on the plan for an additional eight years or until they reach age 65.

Contributions: The current funding policy of the City is to pay health claims as they occur. Contributions are required for both retiree and dependent coverage. Retirees are required to pay the current premium equivalent amounts less a contribution subsidy provided by the City for those employees hired prior to July 1, 1990.

The contribution subsidy available to retirees and their eligible dependents is determined by years of service and the date of retirement. The subsidy is available until a retiree reaches age 65. Once the retiree reaches age 65, the dependent may continue coverage at a 100% subsidy, grading down 20% each year thereafter. This benefit is available only to those hired before July 1, 1990. The percentage of the month contribution that the City subsidizes is detailed in the table on the next page.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 13. Other Postemployment Benefits (Continued)

Criteria	Employer Subsidy Percentage
Retire prior to September 1, 1990:	
All employees	100%
Retire on or after September 1, 1990:	
Hired prior to July 1, 1990:	
28+ continuous years of service	100
20-27 continuous years of service	80
15-19 continuous years of service	60
10-14 continuous years of service	40
< 10 continuous years of service	-
Hired on or after July 1, 1990:	
All employees	-

The current full premium equivalent amounts as of June 30, 2019 are shown below:

	Medical	Dental	Vision
Single	\$ 518.38	\$ 33.08	\$ 3.54
Family	1,312.29	83.75	8.96

Disabled retirees follow a contribution schedule that is slightly different from regular retirees. Work related incidents allow disabled retirees and their dependents a 100% subsidy until age 65. Nonwork related incidents allow a 75% subsidy until age 65. Once the retiree reaches age 65, dependents of disabled retirees receive a 75% subsidy, grading down 20% each year thereafter.

Employees covered by benefit terms: At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	123
Active employees, fully eligible for benefits	40
Active employees, not fully eligible for benefits	494
	<u>657</u>

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 13. Other Postemployment Benefits (Continued)

Total OPEB Liability

The City's total OPEB liability of \$20,264,728 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

Actuarial methods and assumptions: The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0% per annum
Salary increases	3.5% per annum
Discount rate	3.87% as of July 1, 2018 and 3.50% as of June 30, 2019
Health care cost trend rates:	
Premedicare medical and Rx benefits	7.0% reduced 0.5% per annum to ultimate of 4.5%
Medicare benefits	6.0% reduced 0.5% per annum to ultimate of 4.5%
Stop loss fees	7.0% reduced 0.5% per annum to ultimate of 4.5%
Administrative fees	4.5% reduced 0.5% per annum to ultimate of 4.5%
Mortality rates	RP-2014 generational table scaled using MP-17 and applied on a gender-specific basis

The discount rate was based on Bond Buyer 20-Bond GO index.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study used in the MFPRSI Actuarial Valuation Report as of July 1, 2018 and IPERS Actuarial Valuation as of June 30, 2018.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of June 30, 2018	\$ 20,306,835
Changes for the year:	
Service cost	697,815
Interest	774,392
Changes in assumptions or other inputs	474,740
Contributions and payments made	(1,989,054)
Net changes	(42,107)
Balance as of June 30, 2019	\$ 20,264,728

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability of the City, as well as what the City's approximate total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate:

	1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
Total OPEB liability	\$ 21,612,000	\$ 20,264,728	\$ 19,031,000

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 13. Other Postemployment Benefits (Continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Health Care Current Trend	1% Increase
Total OPEB liability	\$ 18,552,000	\$ 20,264,728	\$ 22,540,000

OPEB Expense and deferred outflows of resources and deferred inflows of resources related to OPEB: For the year ended June 30, 2019, the City recognized OPEB expense of (\$42,107). At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following source:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Changes of assumptions or other inputs	\$ 422,654	\$ (296,186)

Amounts reported as the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense over the average future service to retirement of plan participants as follows:

Years ending June 30:	
2020	\$ 10,455
2021	10,455
2022	10,455
2023	10,455
2024	10,455
Thereafter	74,193
	<u>\$ 126,468</u>

Note 14. Employee Health Care Plan

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

The City purchases stop-loss insurance, \$100,000 specific and 125% aggregate of expected claims.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 14. Employee Health Care Plan (Continued)

The City's estimated unpaid claims as of June 30 and its needed reserves for claim fluctuation were determined by an actuarial study performed as of June 30. All outstanding claims are considered matured and expected to be paid in fiscal year 2019, with current available financial resources, and accordingly, a liability payable from restricted resources is reported within the General Fund. Changes and balances are as follows:

	2019	2018
Estimated unpaid claims, beginning of year	\$ 1,241,336	\$ 1,021,123
Estimated claims incurred	11,514,762	10,000,082
Claims payments	(11,705,692)	(9,779,869)
Estimated unpaid claims, end of year	<u>\$ 1,050,406</u>	<u>\$ 1,241,336</u>

Note 15. Worker's Compensation Plan

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

The City's estimated unpaid claims as of June 30 are based on projected costs of future payments for injuries incurred prior to June 30, 2019, and is recorded as a liability in the government-wide statement of net position. \$78,007 is considered matured and is recorded in the General Fund and governmental activities with accrued liabilities. Changes and balances are as follows:

	2019	2018
Estimated unpaid claims, beginning of year	\$ 721,019	\$ 597,623
Estimated claims incurred	537,910	802,838
Claims payments	(708,421)	(679,442)
Estimated unpaid claims, end of year	<u>\$ 550,508</u>	<u>\$ 721,019</u>

Note 16. Joint Ventures and Jointly Governed Organizations

The City is a participating member of several organizations including the Black Hawk County Criminal Justice Information System (CJIS), the Consolidated Dispatch Center (Center), the Black Hawk County Solid Waste Management Commission (SWMC) and the Metropolitan Transit Authority (MET). In addition, the City pays its share of costs for CJIS, including debt service, pays its share of costs of the Center, pays landfill fees to SWMC and levies and collects property taxes from Black Hawk County and remits them to MET (\$1,412,016 during the year ended June 30, 2019). Also, during the year ended June 30, 2019, the Sanitation Fund received an operating grant of \$273,624 from SWMC. This grant was used to offset recycling costs.

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

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

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 17. Industrial Development Revenue Bonds

The City has issued a total of \$160,401,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The amount outstanding as of June 30, 2019 is not reported to the City by either the debtors or creditors. Therefore, outstanding balances are unknown. The bonds and related interest are payable solely from revenue of applicable projects. Bond principal and interest do not constitute liabilities of the City.

Note 18. Risk Management

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

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

As of June 30, 2019, the City has assigned \$2,936,436 of its General Fund, fund balance for insurable risks retained.

Note 19. Tax Abatements

GASB Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement that has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City tax abatements: The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2019, the City abated \$2,058,463 of property tax under the urban renewal and economic development projects.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 20. Fund Balances

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

Fund balances:	General	Trust and Agency	Tax Increment Financing	General Obligation Debt Service	Road Use Tax	Nonmajor Governmental	Total
Nonspendable:							
Inventories	\$ 319,612	\$ -	\$ -	\$ -	\$ 77,987	\$ -	\$ 397,599
Advances due from funds	-	-	-	-	108,189	21,423	129,612
Prepays	72,533	-	-	-	-	11,684	84,217
Total nonspendable	392,145	-	-	-	186,176	33,107	611,428
Restricted:							
Debt service	-	-	2,920,793	1,412,549	-	-	4,333,342
Self-funded health insurance	3,325,999	1,844,110	-	-	-	-	5,170,109
Tourism promotion	1,783,393	-	-	-	-	-	1,783,393
Public access television	170,400	-	-	-	-	-	170,400
Civil rights enforcement	57,294	-	-	-	-	-	57,294
Housing	48,911	-	-	-	-	4,740,090	4,789,001
Donor specified	998,876	-	-	-	-	-	998,876
Employee benefits	-	498,889	-	-	-	-	498,889
Library	-	-	-	-	-	337,111	337,111
Street and right-of-way maintenance	-	-	-	-	26,334,958	-	26,334,958
Improvements	-	-	-	-	-	35,389,529	35,389,529
Total restricted	6,384,873	2,342,999	2,920,793	1,412,549	26,334,958	40,466,730	79,862,902
Committed, Police project	154,511	-	-	-	-	-	154,511
Assigned:							
Insurance	2,932,436	-	-	-	-	-	2,932,436
Other postemploy- ment benefits	1,040,792	-	-	-	-	-	1,040,792
Improvements	-	-	-	-	-	2,065,938	2,065,938
Other	872,480	-	608,858	-	-	89,076	1,570,414
Use of fund balance for future budget	619,705	-	-	-	-	-	619,705
Total assigned	5,465,413	-	608,858	-	-	2,155,014	8,229,285
Unassigned	10,277,115	-	-	-	-	(3,681,465)	6,595,650
Total fund balances	\$ 22,674,057	\$ 2,342,999	\$ 3,529,651	\$ 1,412,549	\$ 26,521,134	\$ 38,973,386	\$ 95,453,776

Notes to Basic Financial Statements

Note 21. New GASB Statements and Pending Pronouncements

As of June 30, 2019, the City adopted the following Governmental Accounting Standards Board (GASB) Statements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, issued December 2016, will be effective for the City beginning with its fiscal year ending June 30, 2019. Under Statement No. 83, a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and a corresponding deferred outflow of resources. The Statement identifies the circumstances that trigger the recognition of these transactions. The Statement also requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred while the deferred outflow of resources associated with the asset retirement obligation will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. The Statement requires disclosures including a general description of the asset retirement obligation and associated tangible capital assets; the source of the obligation to retire the assets; the methods and assumptions used to measure the liability; and other relevant information. It was determined that the City does not have a liability related to future asset retirement activities related to its tangible capital assets; therefore, no additional accrual or disclosure is necessary.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement*, issued March 2018, will be effective for the City beginning with its fiscal year ending June 30, 2019, with earlier adoption encouraged. Statement No. 88 clarifies which liabilities governments should include in their note disclosures related to debt. This Statement defines debt that must be disclosed in the notes to financial statements as a liability that arises from a contractual obligation to pay cash in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Governments must also disclose amounts of unused lines of credit, assets pledged as collateral for debt and the terms specified in debt agreements related to significant events of default with finance-related consequences, termination events with finance-related consequences, and subjective acceleration clauses. Within the notes, governments should separate information regarding direct borrowings and direct placements of debt from other debt. See Note 8 to the financial statements for the required disclosures.

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

- GASB Statement No. 84, *Fiduciary Activities*, issued February 2017, will be effective for the City beginning with its fiscal year ending June 30, 2020. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

Notes to Basic Financial Statements

Note 21. New GASB Statements and Pending Pronouncements (Continued)

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets.

- GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the City beginning with its fiscal year ending June 30, 2021, with earlier adoption encouraged. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. In addition, the [City, Authority, County] must report the (1) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (2) interest expense on the lease liability and (3) note disclosures about the lease. The Statement provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments and certain regulated leases. This statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, non-lease components embedded in lease contracts (such as service agreements), and leases with related parties.
- GASB Statement No. 91, *Conduit Debt Obligations*, will be effective for reporting periods beginning after December 15, 2020. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

The City's management has not yet determined the effect these Statements will have on the City's financial statements, which may have a material effect on the financial statements.

Note 22. Subsequent events

The City issued \$2,770,000 in refunding tax-exempt bonds, General Obligation Bonds, Series 2019C, October 30, 2019 at a stated interest rate of 2 percent. This issue refunded the balance outstanding of \$2,715,000 of the series 2011A bonds. Total debt service requirements were reduced by \$191,698, or 2.057%, which resulted in an economic gain of \$182,334, or 6.582%.

The city also issued \$3,645,000 in refunding taxable bonds, General Obligation Bonds, Series 2019D, October 30, 2019, at a stated interest rates ranging from 1.95 percent - 2.0 percent. This issue refunded the balance outstanding of \$3,515,000 of the series 2011B bonds (\$1,185,000 for governmental activities and \$2,330,000 for sewer uses). Total debt service requirements for this issue were reduced by \$267,201, or 2.338%, which resulted in an economic gain of \$250,645, or 6.914%.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 22. Subsequent events (Continued)

The city entered into a development agreement with Lincoln Savings Bank October 7, 2019 to redevelop the top three floors of the Tech I building. The City committed a development grant in the amount of \$550,000, to be paid upon the issuance of a certificate of occupancy for the building. Reinvestment District proceeds programmed for the Tech I building will be remitted to Lincoln Savings Bank, with a minimum commitment of \$200,000 per year until the total commitment of \$3,000,000 is paid. The building will be subject to a minimum assessment value of \$8.5 million and will also receive property tax rebates of 70% for 20 year, for value in excess of \$750,000.

The city entered into a development agreement with Makenda, LLC to acquire and redevelop the former Ramada Hotel property into a Best Western Plus/Executive Residency property with a minimum assessment value of \$9.5 million. The city paid an economic development grant of \$450,000 at the date of closing on the purchase of the property. In addition to agreeing to pay property tax rebates of 85% of the property taxes paid on value exceeding \$1,617,050 for a period of 20 years, hotel/motel tax rebates in the amount of hotel/motel tax generated by the hotel exceeding \$125,000 annually will be rebated to the hotel for a period of 20 years. The city also committed to invest between \$4.9 million and \$9.8 million in improvements to the Convention Center as part of the agreement.

City of Waterloo, Iowa

Required Supplementary Information

Schedule of Changes in the City's Total OPEB Liability and Related Ratios

Last 10 Fiscal Years

(Dollar amounts in thousands)

	2019	2018
Total OPEB liability		
Service cost	\$ 697,815	\$ 671,816
Interest	774,392	804,928
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions or other inputs	474,740	(379,447)
Benefit payments	(1,989,054)	(1,835,828)
Net change in total OPEB liability	(42,107)	(738,531)
Total OPEB liability—beginning	20,306,835	21,045,366
Total OPEB liability—ending	<u>\$ 20,264,728</u>	<u>\$ 20,306,835</u>
Covered payroll	\$ 32,673,000	\$ 31,567,648
Total OPEB liability as a percentage of covered-employee payroll	62%	64%

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2019	3.50% per annum
2018	3.87% per annum
2017	3.58% per annum

In 2018, amounts reflect a 0.5-percentage-point decrease in the health care cost trend rates from the prior year and adjustments to assumptions regarding spousal coverage to better reflect actual plan experience.

In 2019, there was no changes to the benefit terms.

Note: GASB Statement No. 75 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Waterloo, Iowa

**Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System**

	2019	2018
Measurement date	June 30, 2018	June 30, 2017
City's proportion of the net pension liability	0.2406008%	0.2379165%
City's proportionate share of the net pension liability	\$ 15,225,810	\$ 15,848,247
City's covered payroll	\$ 18,743,655	\$ 18,074,184
City's proportionate share of the net pension liability as a percentage of its covered payroll	81.23%	87.68%
Plan fiduciary net position as a percentage of the total pension liability	83.62%	82.21%

Note: GASB Statement No. 68 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available. The amounts presented each year are as of the City's measurement date.

See notes to required supplementary information.

2017	2016	2015
June 30, 2016	June 30, 2015	June 30, 2014
0.2438592%	0.2452672%	0.2415504%
\$ 15,346,827	\$ 12,117,384	\$ 9,579,663
\$ 17,759,314	\$ 17,523,333	\$ 16,800,363
86.42%	69.15%	57.02%
81.82%	85.19%	87.61%

City of Waterloo, Iowa

**Required Supplementary Information
Schedule of City Contributions
Iowa Public Employees' Retirement System**

	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contributions Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
Fiscal year ending:					
2019	\$ 1,769,401	\$ 1,769,401	-	\$ 18,743,655	9.44%
2018	1,614,023	1,614,023	-	18,074,184	8.93
2017	1,585,908	1,585,908	-	17,759,314	8.93
2016	1,564,955	1,564,955	-	17,523,333	8.93
2015	1,500,510	1,500,510	-	16,800,363	8.93
2014	1,420,507	1,420,507	-	15,816,626	8.98
2013	1,358,920	1,358,920	-	N/A	N/A
2012	1,250,399	1,250,399	-	N/A	N/A
2011	1,066,879	1,066,879	-	N/A	N/A
2010	991,202	991,202	-	N/A	N/A

N/A - information was not available

Note: The amounts reported in this schedule are as of the City's fiscal year-end.

See notes to required supplementary information.

Notes to Required Supplementary Information—IPERS Pension Liability
Year Ended June 30, 2019

Note 1. Changes of benefit terms

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Note 2. Changes of assumptions

The 2018 valuation implemented the following refinements as a result of an experience study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

City of Waterloo, Iowa

**Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Municipal Fire and Police Retirement System of Iowa**

	2019	2018
	June 30, 2018	June 30, 2017
Measurement date		
City's proportion of the net pension liability	5.600213%	5.703286%
City's proportionate share of the net pension liability	\$ 33,343,863	\$ 33,448,350
City's covered payroll	\$ 16,897,902	\$ 16,277,606
City's proportionate share of the net pension liability as a percentage of its covered payroll	197.33%	205.49%
Plan fiduciary net position as a percentage of the total pension liability	81.07%	80.60%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available. The amounts presented each year are as of the City's measurement date.

See notes to required supplementary information.

2017	2016	2015
June 30, 2016	June 30, 2015	June 30, 2014
5.688362%	5.724535%	5.720520%
\$ 46,723,287	\$ 36,408,843	\$ 26,777,406
\$ 16,060,279	\$ 15,365,321	\$ 15,012,366
290.92%	236.95%	178.37%
78.20%	83.04%	86.27%

City of Waterloo, Iowa

**Required Supplementary Information
Schedule of City Contributions
Municipal Fire and Police Retirement System of Iowa**

	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contributions Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
Fiscal year ending:					
2019	\$ 4,396,834	\$ 4,396,834	-	\$ 16,897,902	26.02%
2018	4,180,091	4,180,091	-	16,277,606	25.68
2017	4,186,850	4,186,850	-	16,060,279	26.07
2016	4,280,766	4,280,766	-	15,365,321	27.86
2015	4,565,261	4,565,261	-	15,012,366	30.41
2014	4,418,650	4,418,650	-	14,608,497	30.25
2013	3,844,363	3,844,363	-	N/A	N/A
2012	3,522,615	3,522,615	-	N/A	N/A
2011	2,731,277	2,731,277	-	N/A	N/A
2010	2,249,021	2,249,021	-	N/A	N/A

N/A - information was not available

Note: The amounts reported in this schedule are as of the City's fiscal year-end.

See notes to required supplementary information.

City of Waterloo, Iowa

**Notes to Required Supplementary Information—MFPRSI Pension Liability
Year Ended June 30, 2019**

Note 1. Changes of Benefit Terms

There were no significant changes of benefit terms.

Note 2. Changes of Assumptions

The 2018 valuation changed postretirement mortality rates were based on the RP-2014 Blue Collar Healthy Annuitant Table with males set forward zero years, females set forward two years and disabled individuals set forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.

The 2017 valuation added five years projection to future mortality improvement scale BB.

The 2016 valuation changed postretirement mortality rates to the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years, females set-forward one year and disabled individuals set-forward one year (male only rates), with no projection of future mortality improvement.

The 2015 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted in a weighting of 1/12 of the 1971 Group Annuity Mortality Table and 11/12 of the 1994 Group Annuity Mortality Table.

The 2014 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

City of Waterloo, Iowa

**Budgetary Comparison Schedule
Budget and Actual (Modified Cash Basis)—All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2019**

	Budgeted Amounts	
	Original	Final
Revenues and other financing sources receipts:		
Receipts:		
Property taxes	\$ 38,984,631	\$ 38,984,631
Tax increment financing	8,976,579	8,976,579
Other City taxes	18,197,610	17,988,122
Licenses and permits	1,398,276	1,398,276
Use of money and property	1,450,720	1,506,714
Intergovernmental	25,603,941	27,379,084
Charges for services	26,270,691	26,439,891
Special assessments	252,000	252,000
Miscellaneous	6,129,656	8,155,934
Total receipts	127,264,104	131,081,231
Other financing sources:		
Transfer from other funds	19,416,824	19,416,824
Issuance of long-term debt	16,400,000	16,400,000
Proceeds from sale of capital assets	320,000	320,000
Total other financing sources	36,136,824	36,136,824
Total receipts and other financing sources	163,400,928	167,218,055
Disbursements and other financing uses:		
Governmental-type activities:		
Public safety	32,141,872	32,868,911
Public works	27,944,660	37,962,660
Health and social services	380,422	380,422
Culture and recreation	11,358,926	11,526,540
Community and economic development	13,031,683	13,283,750
General government	8,883,617	11,978,617
Debt service	14,759,729	14,759,729
Capital projects	17,791,600	17,950,694
Business-type activities	26,392,170	26,627,170
Total disbursements	152,684,679	167,338,493
Other financing uses, transfers to other funds	19,416,824	19,416,824
Total disbursements and other financing uses	172,101,503	186,755,317
Receipts and other financing sources over (under) disbursements and other financing uses	(8,700,575)	(19,537,262)
Balances, beginning of year	102,832,440	102,832,440
Balances, end of year	<u>\$ 94,131,865</u>	<u>\$ 83,295,178</u>

See note to required supplementary information.

Actual Amounts Budgetary Basis	Variance With Final Budget
\$ 39,002,328	\$ 17,697
8,948,992	(27,587)
18,800,615	812,493
1,478,661	80,385
3,444,579	1,937,865
28,635,739	1,256,655
26,828,357	388,466
253,328	1,328
7,825,802	(330,132)
135,218,401	4,137,170
16,624,633	(2,792,191)
11,041,211	(5,358,789)
125,276	(194,724)
27,791,120	(8,345,704)
163,009,521	(4,208,534)
31,999,480	869,431
32,251,551	5,711,109
274,475	105,947
10,308,075	1,218,465
12,245,194	1,038,556
10,935,225	1,043,392
14,628,543	131,186
11,063,813	6,886,881
16,757,178	9,869,992
140,463,534	26,874,959
16,624,633	2,792,191
157,088,167	29,667,150
5,921,354	25,458,616
110,987,075	-
\$ 116,908,429	\$ 25,458,616

City of Waterloo, Iowa

Note to Required Supplementary Information—Budgetary Reporting Year Ended June 30, 2019

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

Formal and legal budgetary control is based upon 10 major classes of disbursements known as functions, not by fund or fund type. These 10 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type and nonprogram. Although the budget document presents function disbursements by fund type, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, two budget amendments were adopted which increased budgeted expenditures by \$14,653,814. The budget amendment is reflected in the final budgeted amount.

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

City of Waterloo, Iowa

**Schedule of Comparison
Funds Statements (GAAP Basis) to Budgetary (Modified Cash) Basis
Required Supplementary Information
Year Ended June 30, 2019**

	Governmental Fund Types GAAP Basis Actual Amounts	Enterprise Fund Types GAAP Basis Actual Amounts	Total Funds
Revenue/Receipts:			
Property taxes and TIF revenue	\$ 47,720,396	\$ -	\$ 47,720,396
Other taxes	18,764,207	-	18,764,207
Licenses and permits	1,454,547	-	1,454,547
Use of money and property	2,741,558	246,059	2,987,617
Intergovernmental	24,374,718	273,624	24,648,342
Charges for services	7,923,398	18,500,882	26,424,280
Interfund charges for services	2,180,000	-	2,180,000
Special assessments	201,637	-	201,637
Miscellaneous	2,776,159	1,028,010	3,804,169
Total revenue/receipts	108,136,620	20,048,575	128,185,195
Expenditures and expenses/disbursements:			
Public safety	32,108,023	-	32,108,023
Public works	14,212,521	-	14,212,521
Health and social services	276,922	-	276,922
Culture and recreation	10,353,767	-	10,353,767
Community and economic development	11,442,804	-	11,442,804
General government	8,483,284	-	8,483,284
Debt service	12,882,760	-	12,882,760
Capital projects	23,189,451	-	23,189,451
Business-type activities	-	16,482,393	16,482,393
Total expenditures and expenses/ disbursements	112,949,532	16,482,393	129,431,925
Net	(4,812,912)	3,566,182	(1,246,730)

(Continued)

Budgetary Basis Exceptions	Property Tax Collected for and Remitted to MET, Grout and Water Works	Other GAAP Conversion Adjustments	Budgetary Basis
\$ -	\$ 2,102,956	\$ (1,872,032)	\$ 47,951,320
-	-	36,408	18,800,615
-	-	24,114	1,478,661
-	-	456,962	3,444,579
-	-	3,987,397	28,635,739
-	-	404,077	26,828,357
-	-	(2,180,000)	-
-	-	51,691	253,328
-	-	4,021,633	7,825,802
-	2,102,956	4,930,250	135,218,401
-	-	(108,543)	31,999,480
-	2,102,956	15,936,074	32,251,551
-	-	(2,447)	274,475
-	-	(45,692)	10,308,075
-	-	802,390	12,245,194
-	-	2,451,941	10,935,225
-	-	1,745,783	14,628,543
-	-	(12,125,638)	11,063,813
-	-	274,785	16,757,178
-	2,102,956	8,928,653	140,463,534
-	-	(3,998,403)	(5,245,133)

City of Waterloo, Iowa

**Schedule of Comparison
Funds Statements (GAAP Basis) to Budgetary (Modified Cash) Basis (Continued)
Required Supplementary Information
Year Ended June 30, 2019**

	Governmental Fund Types Basis Actual Amounts	Enterprise Fund Types Basis Actual Amounts	Total Funds
Other financing sources (uses):			
Transfers in	\$ 11,910,365	\$ -	\$ 11,910,365
Transfers out	(11,910,365)	-	(11,910,365)
Bond premium	320,689	-	320,689
Proceeds from sale of capital assets	171,426	-	171,426
Issuance of long-term debt	10,000,000	-	10,000,000
Total other financing sources (uses)	10,492,115	-	10,492,115
Change in fund balance/net position	5,679,203	3,566,182	9,245,385
Balance, beginning of year	89,774,573	92,552,799	182,327,372
Balance, end of year	<u>\$ 95,453,776</u>	<u>\$ 96,118,981</u>	<u>\$ 191,572,757</u>

Budgetary Basis Exceptions		Property Tax Collected for and Remitted to MET, Grout and Water Works		Other GAAP Conversion Adjustments		Budgetary Basis
\$	-	\$	-	\$	4,714,268	\$ 16,624,633
	-		-		(4,714,268)	(16,624,633)
	-		-		(320,689)	-
	-		-		(46,150)	125,276
	-		-		1,041,211	11,041,211
	-		-		674,372	11,166,487
	-		-		(3,324,031)	5,921,354
	-		-		(71,340,297)	110,987,075
\$	-	\$	-	\$	(74,664,328)	\$ 116,908,429

City of Waterloo, Iowa

Required Supplementary Information

Schedule of Employer Contributions for Waterloo Water Works Pension Plan

Last Ten Fiscal Years

	2018	2017	2016	2015
Actuarially determined contribution	\$ 529,242	\$ 505,125	\$ 489,448	\$ 475,911
Contributions in relation to actuarially determined contribution	577,408	565,374	550,161	540,043
Contribution deficiency (excess)	(48,166)	(60,249)	(60,713)	(64,132)
Covered payroll	\$ 943,430	\$ 1,047,371	\$ 1,004,723	\$ 1,045,603
Contributions as a percentage of covered payroll	61.2%	54.0%	54.8%	51.6%

2014	2013	2012	2011	2010	2009
\$ 481,861	\$ 480,199	\$ 423,689	\$ 383,404	\$ 357,677	\$ 379,444
570,419	538,658	473,114	445,212	396,550	379,444
(88,558)	(58,459)	(49,425)	(61,808)	(38,873)	-
\$ 1,064,651	\$ 1,100,185	\$ 1,105,893	\$ 1,248,200	\$ 1,306,209	\$ 1,374,782
53.6%	49.0%	42.8%	35.7%	30.4%	27.6%

City of Waterloo, Iowa

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios for Waterloo Water Works Pension Plan

	2019	2018	2017
Total pension liability			
Service cost	\$ 46,090	\$ 45,849	\$ 53,886
Interest	665,421	640,457	616,847
Difference between expected and actual experience	76,594	(45,362)	164,103
Changes in assumptions	(72,427)	225,356	13,141
Benefit payments including refunds	(560,887)	(548,118)	(541,494)
Change in total pension liability	154,791	318,182	306,483
Total pension liability, beginning of year	8,552,110	8,233,928	7,927,445
Total pension liability, end of year	8,706,901	8,552,110	8,233,928
Plan fiduciary net position			
Contributions, employer	529,242	507,287	489,448
Contributions, member	48,166	58,087	60,713
Net investment income	(466,923)	821,539	281,674
Benefit payments including refunds	(560,887)	(548,118)	(541,494)
Change in plan fiduciary net position	(450,402)	838,795	290,341
Plan fiduciary net position, beginning of year	6,234,505	5,395,710	5,105,369
Plan fiduciary net position, end of year	5,784,103	6,234,505	5,395,710
Net pension liability, end of year	\$ 2,922,798	\$ 2,317,605	\$ 2,838,218
Plan fiduciary net position as a % of total pension liability	66.4%	72.9%	65.5%
Covered payroll	\$ 979,376	\$ 943,430	\$ 1,047,371
Net pension liability as a % of covered payroll	298.4%	245.7%	271.0%

Additional years will be added going forward as information becomes available.

City of Waterloo, Iowa

**Notes to Required Supplementary Information for Waterloo Water Works Pension Plan
For the Year Ended December 31, 2018**

Note 1: Valuation Date: Actuarially determined contributions rates are calculated as of December 31 of the current fiscal year.

Note 2: Methods and assumptions used to determine contribution rates.

Actuarial cost method	Entry age cost method
Amortization method	Level dollar
Remaining amortization period	20 years
Asset valuation method	Market value of assets
Inflation	2.50%
Annual pay increases	3.00%
Investment rate of return	8.00%
Retirement age	100% at age 62
Mortality rates	2019 IRS combined mortality

City of Waterloo, Iowa

Required Supplementary Information

IPERS Schedule of the Waterloo Water Works' Proportionate Share of the Net Pension Liability

	Measurement Date June 30,	
	2018	2017
Water Work's proportion of the net pension liability	0.016820%	0.015549%
Water Work's total proportionate share of the net pension liability	\$ 1,064,406	\$ 1,035,776
Water Work's covered payroll	\$ 1,251,971	\$ 1,079,261
Water Work's proportionate share of the net pension liability as a percentage of its covered payroll	85%	96%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%

Additional years will be added going forward as information becomes available.

Measurement Date June 30,		
2016	2015	2014
0.014805%	0.014220%	0.012797%
\$ 923,262	\$ 706,956	\$ 524,011
\$ 1,018,040	\$ 885,398	\$ 791,254
91%	80%	61%
81.82%	85.19%	87.61%

City of Waterloo, Iowa

**Required Supplementary Information
IPERS Schedule of Waterloo Water Works Contributions**

	2018	2017	2016	2015
Statutorily required contribution	\$ 116,656	\$ 111,801	\$ 96,378	\$ 90,911
Contributions in relation to the Statutorily required contribution	(116,656)	(111,801)	(96,378)	(90,911)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Water Work's covered payroll	\$ 1,270,103	\$ 1,251,971	\$ 1,079,261	\$ 1,018,040
Contributions as a percentage of covered payroll	9.18%	8.93%	8.93%	8.93%

Additional years will be added going forward as information becomes available.

2014		2013		2012		2011		2010	
\$	79,066	\$	70,659	\$	56,189	\$	43,676	\$	35,136
	(79,066)		(70,659)		(56,189)		(43,676)		(35,136)
\$	-	\$	-	\$	-	\$	-	\$	-
\$	885,398	\$	791,254	\$	648,085	\$	541,214	\$	505,554
	8.93%		8.93%		8.67%		8.07%		6.95%

City of Waterloo, Iowa

**Schedule of Revenues, Expenditures and Changes in Fund Balances
General Fund
Year Ended June 30, 2019**

Revenues:	
Property taxes	\$ 20,545,205
Other taxes	7,761,122
Licenses and permits	1,420,722
Investment income	766,025
Rent	1,026,422
Intergovernmental	1,083,042
Charges for services	7,596,846
Indirect allocations	2,130,000
Special assessments	201,637
Miscellaneous	1,863,624
Total revenues	\$ 44,394,645
Expenditures:	
Public safety function	
Mayor	
Black Hawk Emergency Management Agency	
Contractual services	\$ 103,472
Total activity and department	103,472
Police department	
Police operations	
Compensation and benefits	12,141,589
Contractual services	1,017,217
Commodities	258,237
Total activity	13,417,043
Police computer services	
Contractual services	88,234
Commodities	128,004
Total activity	216,238
Police grants	
Compensation and benefits	577,915
Contractual services	304
Commodities	41,367
Total activity	619,586
Law enforcement programs	
Compensation and benefits	102,568
Contractual services	423,854
Commodities	199,874
Total activity	726,296
Tobacco grant	
Compensation and benefits	430
Total activity	430

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2019

Expenditures (continued):	
Public safety function (continued)	
Police department (continued)	
Public safety administration	
Compensation and benefits	\$ 155,585
Contractual Services	600
Total activity	156,185
Total department	15,135,778
Fire department	
Fire protection	
Compensation and benefits	8,462,325
Contractual services	477,364
Commodities	98,822
Total activity	9,038,511
Fire restricted programs	
Compensation and benefits	4,532
Contractual services	194
Commodities	4,104
Total activity	8,830
Fire ambulance services	
Compensation and benefits	1,612,287
Contractual services	194,003
Commodities	149,400
Total activity	1,955,690
Fire safety program	
Compensation and benefits	142,352
Contractual services	29,285
Commodities	1,100
Total activity	172,737
Fire Federal CDC Grant	
Compensation and benefits	-
Contractual services	-
Total activity	-
Total department	11,175,768
Building inspection department	
Building and housing safety	
Compensation and benefits	1,034,838
Contractual services	16,194
Commodities	30,514
Total activity and department	1,081,546

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2019

Expenditures:

Public safety function (continued)

Central garage department

Fire - garage parts & service
Compensation and benefits
Commodities

\$	93,411
	73,912
	<u>167,323</u>

Total activity

Ambulance - garage parts & service

Commodities

	45,259
--	--------

Total activity

	<u>45,259</u>
--	---------------

Total department

	<u>212,582</u>
--	----------------

Public safety function totals

Current

Compensation and benefits
Contractual services
Commodities

24,327,832
2,350,721
<u>1,030,593</u>

Subtotal

<u>27,709,146</u>

Total public safety function

<u>\$ 27,709,146</u>

Public works function

Engineering

Sidewalk repair/construction

Capital outlay

\$	183,626
----	---------

Total activity and department

<u>183,626</u>

Traffic operations

Parking maintenance

Compensation and benefits

15,900

Total activity and department

<u>15,900</u>

Central garage

Central garage

Compensation and benefits
Contractual services
Commodities

697,135
17,750
<u>116,161</u>

Total activity

<u>831,046</u>

Motor pool service

Commodities

618,133

Total activity

<u>618,133</u>

Total department

<u>1,449,179</u>

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2019

Expenditures:	
Public works function (continued)	
Airport	
Airport administration	
Compensation and benefits	\$ 621,329
Contractual services	312,621
Commodities	96,780
Capital outlay	8,923
Total activity and department	1,039,653
Airport construction	
Capital outlay	-
Total activity and department	-
Parking operations	
Contractual services	461,461
Commodities	43,008
Total activity and department	504,469
Public works function totals	
Current	
Compensation and benefits	1,334,364
Contractual services	791,832
Commodities	874,082
Subtotal	3,000,278
Capital outlay	192,549
Total public works function	\$ 3,192,827
Health and social services function	
Mayor	
Health and sanitation	
Contractual services	\$ -
Total activity and department	-
Human rights department	
Human rights	
Compensation and benefits	234,138
Contractual services	12,066
Commodities	399
Total activity	246,603
EEOC contract	
Compensation and benefits	10,000
Contractual services	20,373
Total activity	30,373
Housing enforcement	
Contractual services	(54)
Total activity	(54)
Total department	276,922
Health and social services function totals	
Current	
Compensation and benefits	244,138
Contractual services	32,385
Commodities	399
Total health and social services function	\$ 276,922

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2019

Expenditures:

Culture and recreation function

Mayor

Fairview cemetery association

Contractual services

\$ 50,000

Total activity and department

50,000

Cultural/arts

Center for the arts

Compensation and benefits

494,794

Contractual services

78,876

Commodities

26,337

Total activity

600,007

Youth pavilion

Compensation and benefits

312,422

Contractual services

44,513

Commodities

24,024

Total activity

380,959

Culture and arts grants and projects

Compensation and benefits

21,281

Contractual services

67,707

Commodities

468

Total activity

89,456

Total department

1,070,422

Library

Library services

Compensation and benefits

1,355,143

Contractual services

149,660

Commodities

260,067

Total activity

1,764,870

Library Enrich Iowa

Compensation and benefits

10,249

Contractual services

-

Commodities

15

Total activity

10,264

Library access plus

Commodities

2,994

Total activity

2,994

Library grants

Contractual services

10,090

Commodities

2,448

Total activity

12,538

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2019

Expenditures (continued):

Culture and recreation function (continued):

Library (continued):

Library gift and trust

Contractual services

\$ 6,703

Commodities

20,114

Capital outlay

-

Total activity

26,817

Library service area

Commodities

4,280

Capital Outlay

357

Total activity

4,637

County library system

Compensation and benefits

60,552

Total activity

60,552

Library open access

Contractual services

1,107

Commodities

1,813

Total activity

2,920

Total department

1,885,592

Leisure services

Leisure services

Compensation and benefits

1,895,549

Contractual services

214,405

Commodities

265,282

Total activity

2,375,236

Downtown area maintenance

Compensation and benefits

287,754

Contractual services

50,005

Commodities

29,122

Total activity

366,881

Leisure services projects

Compensation and benefits

-

Contractual services

46,409

Commodities

69,610

Capital outlay

5,000

Total activity

121,019

Golf courses

Compensation and benefits

868,468

Contractual services

101,841

Commodities

133,261

Total activity

1,103,570

Golf course improvements

Contractual services

520

Commodities

4,500

Total activity

5,020

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2019

Expenditures (continued):	
Culture and recreation function (continued):	
Leisure services (continued)	
Sports and youth services	
Compensation and benefits	\$ 462,121
Contractual services	44,357
Commodities	101,340
Total activity	607,818
Young arena	
Compensation and benefits	464,612
Contractual services	191,804
Commodities	145,392
Total activity	801,808
Sportsplex	
Compensation and benefits	883,660
Contractual services	332,665
Commodities	139,316
Total activity	1,355,641
Total department	6,736,993
Culture and recreation function totals	
Current	
Compensation and benefits	7,116,605
Contractual services	1,390,662
Commodities	1,230,383
Subtotal	9,737,650
Capital outlay	5,357
Total culture and recreation function	\$ 9,743,007
Community and economic development function	
Mayor	
Iowa northland council of governments	
Contractual services	\$ 32,835
Total activity	32,835
Tourism promotion	
Contractual services	247,993
Total activity	247,993
Waterloo Convention & Visitors Bureau, Inc.	
Contractual services	700,522
Total activity	700,522
Total department	981,350
Planning and zoning	
Planning and zoning	
Compensation and benefits	601,341
Contractual services	23,154
Commodities	5,359
Capital outlay	-
Total activity	629,854
City property management	
Contractual services	151,810
Total activity	151,810

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2019

Expenditures (continued):

Community and economic development function (continued):

Planning and zoning (continued)

Economic development

Compensation and benefits

\$ 109,541

Contractual Services

980

Total activity

110,521

Special Project

Contractual Services

500

Total activity

500

Total department

892,685

Building inspection department

Five Sullivans Civic Center

Compensation and benefits

92,463

Contractual services

41,336

Commodities

12,435

Capital outlay

-

Total activity and department

146,234

Community and economic development function totals

Current

Compensation and benefits

803,345

Contractual services

1,199,130

Commodities

17,794

Subtotal

2,020,269

Capital outlay

-

Total community and economic development function

\$ 2,020,269

General government function

Mayor

Mayor's office

Compensation and benefits

\$ 249,016

Contractual services

59,939

Commodities

1,323

Total activity

310,278

Administrative and management information services

Compensation and benefits

244,571

Contractual services

114,220

Commodities

45,064

Total activity

403,855

Communication

Contractual services

7,524

Commodities

79

Total activity

7,603

Total department

721,736

City council

Compensation and benefits

67,276

Contractual services

2,267

Total activity and department

69,543

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2019

Expenditures:

General government function (continued):

City clerk and finance

Telecommunications

Compensation and benefits	\$ 146,867
---------------------------	------------

Contractual services	628
----------------------	-----

Commodities	3,099
-------------	-------

Total activity	<u>150,594</u>
-----------------------	----------------

City clerk and finance

Compensation and benefits	800,959
---------------------------	---------

Contractual services	149,408
----------------------	---------

Commodities	108,359
-------------	---------

Total activity	<u>1,058,726</u>
-----------------------	------------------

Liability insurance

Compensation and benefits	55,822
---------------------------	--------

Contractual services	(68,367)
----------------------	----------

Total activity	<u>(12,545)</u>
-----------------------	-----------------

Self-funded health/life insurance

Compensation and benefits	(5,891)
---------------------------	---------

Contractual services	4,474,689
----------------------	-----------

Total activity	<u>4,468,798</u>
-----------------------	------------------

Self-funded worker's compensation

Contractual services	702,330
----------------------	---------

Total activity	<u>702,330</u>
-----------------------	----------------

Print shop

Contractual services	31,227
----------------------	--------

Total activity	<u>31,227</u>
-----------------------	---------------

Total department	<u>6,399,130</u>
-------------------------	------------------

City attorney

City attorney

Compensation and benefits	168,840
---------------------------	---------

Contractual services	45,936
----------------------	--------

Commodities	2,555
-------------	-------

Total activity and department	<u>217,331</u>
--------------------------------------	----------------

Human resources

Employee assistance program

Contractual services	13,175
----------------------	--------

Total activity	<u>13,175</u>
-----------------------	---------------

Human resources

Compensation and benefits	381,585
---------------------------	---------

Contractual services	72,789
----------------------	--------

Commodities	2,121
-------------	-------

Total activity	<u>456,495</u>
-----------------------	----------------

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2019

Expenditures (continued):

General government function (continued):

Human resources (continued):

Safety committee

Contractual services

\$ 8,500

Commodities

1,967

Total activity

10,467

Total department

480,137

Building inspection department

Facilities maintenance

Compensation and benefits

292,162

Contractual services

220,120

Commodities

56,788

Total activity

569,070

Facilities restricted project

Compensation and benefits

44

Contractual services

321

Commodities

6,776

Total activity

7,141

Veteran's memorial hall

Contractual services

8,472

Total activity

8,472

Total department

584,683

General government function totals

Current

Compensation and benefits

2,401,251

Contractual services

5,843,178

Commodities

228,131

Total general government function

\$ 8,472,560

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2019

Expenditures:	
Public safety	\$ 27,709,146
Public works	3,192,827
Health and social services	276,922
Culture and recreation	9,743,007
Community and economic development	2,020,269
General government	<u>8,472,560</u>
Total expenditures	<u>\$ 51,414,731</u>
Revenue under expenditures	<u>\$ (7,020,086)</u>
Other financing sources (uses):	
Transfers in	5,853,416
Transfers out	(64,250)
Insurance proceeds	-
Proceeds from sale of capital assets	<u>121,426</u>
Total other financing sources	<u>5,910,592</u>
Net change in fund balance	(1,109,494)
Fund balance, beginning of year	<u>23,783,551</u>
Fund balance, end of year	<u>\$ 22,674,057</u>

City of Waterloo, Iowa

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019**

	Special Revenue	Capital Projects	Total
Assets			
Cash and cash equivalents	\$ 14,009,794	\$ 26,998,919	\$ 41,008,713
Receivables:			
Customer accounts	21,363	-	21,363
Property taxes:			
Delinquent	4,073	-	4,073
Succeeding year	613,268	-	613,268
Accrued interest	54,035	78,462	132,497
Due from other governments:			
Federal	815,609	-	815,609
Iowa	3,162,371	-	3,162,371
Other	66,601	113,221	179,822
Inventories and prepaids	11,684	-	11,684
Restricted assets, cash and cash equivalents	2,615,403	-	2,615,403
Advances to other funds	21,423	-	21,423
Total assets	\$ 21,395,624	\$ 27,190,602	\$ 48,586,226
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 472,043	\$ 1,636,039	\$ 2,108,082
Retainages payable	503,356	96,108	599,464
Accrued liabilities	95,969	-	95,969
Due to other funds	1,417,658	1,339,719	2,757,377
Compensated absences	6,777	-	6,777
Payable from restricted assets	71,766	-	71,766
Unearned revenue	277,922	-	277,922
Total liabilities	2,845,491	3,071,866	5,917,357
Deferred inflows of resources:			
Unavailable revenue—property taxes	617,341	-	617,341
Unavailable revenue—local option sales tax	578,000	-	578,000
Unavailable revenue—intergovernmental and other	2,386,921	113,221	2,500,142
Total deferred inflows of resources	3,582,262	113,221	3,695,483
Fund Balances:			
Nonspendable	33,107	-	33,107
Restricted	14,610,667	25,856,063	40,466,730
Assigned	2,155,014	-	2,155,014
Unassigned	(1,830,917)	(1,850,548)	(3,681,465)
Total fund balances	14,967,871	24,005,515	38,973,386
Total liabilities, deferred inflows of resources and fund balances	\$ 21,395,624	\$ 27,190,602	\$ 48,586,226

City of Waterloo, Iowa

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2019**

	Special Revenue	Capital Projects	Total
Revenues:			
Property taxes	\$ 611,222	\$ -	\$ 611,222
Other taxes	10,375,775	-	10,375,775
Investment income	168,119	353,713	521,832
Rent	191,640	-	191,640
Intergovernmental	9,029,724	-	9,029,724
Charges for services	236,671	-	236,671
Miscellaneous	19,289	415,617	434,906
Total revenues	20,632,440	769,330	21,401,770
Expenditures:			
Current:			
Public works	3,083,145	-	3,083,145
Culture and recreation	610,760	-	610,760
Community and economic development	7,706,841	-	7,706,841
General government	249	-	249
Debt service, interest and fees	-	132,431	132,431
Capital outlay	6,661,110	8,645,178	15,306,288
Total expenditures	18,062,105	8,777,609	26,839,714
Revenues over (under) expenditures	2,570,335	(8,008,279)	(5,437,944)
Other financing sources (uses):			
Transfers in	-	2,510,856	2,510,856
Transfers out	(129,505)	-	(129,505)
Bond premium	-	320,689	320,689
Issuance of long-term debt	-	10,000,000	10,000,000
Proceeds from the sale of capital assets	50,000	-	50,000
Total other financing sources (uses)	(79,505)	12,831,545	12,752,040
Net change in fund balance	2,490,830	4,823,266	7,314,096
Fund balance, beginning of year	12,477,041	19,182,249	31,659,290
Fund balance, end of year	\$ 14,967,871	\$ 24,005,515	\$ 38,973,386

City of Waterloo, Iowa

Nonmajor Special Revenue Funds

June 30, 2019

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

Nonmajor:

Local Option Tax Fund: This fund is used to account for resources provided from a 1% sales tax approved by the citizens of Waterloo which is restricted for the construction, reconstruction and repair of City streets.

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

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

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

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

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

Iowa Reinvestment District Fund: This fund is used to account for resources received from the State of Iowa to reinvest sales tax monies to improve the quality of life for the City of Waterloo's citizens and substantially benefit the community, region and state.

City of Waterloo, Iowa

**Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2019**

	Local Option Sales Tax	Library Tax Levy	Community Development Block Grant
Assets			
Cash and cash equivalents	\$ 11,098,944	\$ 442,033	\$ 700
Receivables:			
Customer accounts	-	-	-
Property taxes:			
Delinquent	-	4,073	-
Succeeding year	-	613,268	-
Accrued interest	13,659	759	12,899
Due from other governments:			
Federal	-	-	552,842
Iowa	1,386,094	-	-
Other	60,166	6,435	-
Inventories and prepaids	-	-	-
Restricted cash and cash equivalents	-	-	-
Advances to other funds	13,598	7,825	-
Total assets	\$ 12,572,461	\$ 1,074,393	\$ 566,441
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)			
Liabilities:			
Accounts payable	\$ 369,652	\$ -	\$ 21,045
Retainages payable	303,640	-	9,771
Accrued liabilities	36,320	20,705	16,859
Due to other funds	-	-	485,027
Compensated absences	-	2,335	700
Payable from restricted assets	-	-	-
Unearned revenue	-	-	7,489
Total liabilities	709,612	23,040	540,891
Deferred inflows of resources:			
Unavailable revenue - property taxes	-	617,341	-
Unavailable revenue - local option sales tax	578,000	-	-
Unavailable revenue - intergovernmental	-	-	471,040
Total deferred inflows of resources	578,000	617,341	471,040
Fund balances (deficit):			
Nonspendable	13,598	7,825	-
Restricted	9,205,717	337,111	-
Assigned	2,065,534	89,076	-
Unassigned	-	-	(445,490)
Total fund balances (deficit)	11,284,849	434,012	(445,490)
Total liabilities, deferred inflows of resources and fund balances (deficit)	\$ 12,572,461	\$ 1,074,393	\$ 566,441

Special Revenue					
Housing Programs	Grants	Federal Aviation Agency Projects	Iowa Reinvestment District	Total	
\$ 2,456,451	\$ -	\$ -	\$ 11,666	\$	14,009,794
21,363	-	-	-		21,363
-	-	-	-		4,073
-	-	-	-		613,268
26,718	-	-	-		54,035
19,126	21,282	222,359	-		815,609
-	1,659,286	18,451	98,540		3,162,371
-	-	-	-		66,601
11,684	-	-	-		11,684
2,341,229	-	274,174	-		2,615,403
-	-	-	-		21,423
<hr/>					
\$ 4,876,571	\$ 1,680,568	\$ 514,984	\$ 110,206	\$	21,395,624
<hr/>					
\$ 21,930	\$ 52,341	\$ 7,075	\$ -	\$	472,043
-	60,024	129,921	-		503,356
21,503	582	-	-		95,969
-	807,958	124,673	-		1,417,658
3,742	-	-	-		6,777
71,766	-	-	-		71,766
5,856	264,577	-	-		277,922
124,797	1,185,482	261,669	-		2,845,491
<hr/>					
-	-	-	-		617,341
-	-	-	-		578,000
-	1,649,344	222,359	44,178		2,386,921
<hr/>					
-	1,649,344	222,359	44,178		3,582,262
<hr/>					
11,684	-	-			33,107
4,740,090	-	262,125	65,624		14,610,667
-	-	-	404		2,155,014
-	(1,154,258)	(231,169)	-		(1,830,917)
4,751,774	(1,154,258)	30,956	66,028		14,967,871
<hr/>					
\$ 4,876,571	\$ 1,680,568	\$ 514,984	\$ 110,206	\$	21,395,624
<hr/>					

City of Waterloo, Iowa

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Nonmajor Special Revenue Funds
Year Ended June 30, 2019

	Local Option Sales Tax	Library Tax Levy	Community Development Block Grant
Revenues:			
Property taxes	\$ -	\$ 611,222	\$ -
Other taxes	10,352,599	23,176	-
Investment income	124,712	4,691	-
Rent	-	-	-
Intergovernmental	30,659	-	1,634,411
Charges for services	5,743	-	62,622
Miscellaneous	-	-	17,985
Total revenues	10,513,713	639,089	1,715,018
Expenditures:			
Current:			
Public works	1,322,756	-	-
Culture and recreation	-	580,164	-
Community and economic development	-	-	1,981,103
General government	-	-	-
Capital outlay	6,661,110	-	-
Total expenditures	7,983,866	580,164	1,981,103
Excess of revenues over expenditures	2,529,847	58,925	(266,085)
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Proceed from the sale of capital assets	-	-	-
Total other financing sources (uses)	-	-	-
Change in fund balance (deficit)	2,529,847	58,925	(266,085)
Fund balances (deficit), beginning of year	8,755,002	375,087	(179,405)
Fund balances (deficit), end of year	\$ 11,284,849	\$ 434,012	\$ (445,490)

Special Revenue					
Housing Programs		Grants	Federal Aviation Agency Projects	Iowa Reinvestment District	Total
\$	-	\$	-	\$	611,222
	-		-		10,375,775
	35,551		2,760	405	168,119
	191,640		-	-	191,640
	5,481,142	1,191,508	496,627	195,377	9,029,724
	65,899		102,407	-	236,671
	1,304		-	-	19,289
	5,775,536	1,191,508	601,794	195,782	20,632,440
	-	1,104,870	655,519	-	3,083,145
	-	30,596	-	-	610,760
	5,517,358	208,380	-	-	7,706,841
	-	-	-	249	249
	-	-	-	-	6,661,110
	5,517,358	1,343,846	655,519	249	18,062,105
	258,178	(152,338)	(53,725)	195,533	2,570,335
	-	-	-	-	-
	-	-	-	(129,505)	(129,505)
	-	50,000	-	-	50,000
	-	50,000	-	(129,505)	(79,505)
	258,178	(102,338)	(53,725)	66,028	2,490,830
	4,493,596	(1,051,920)	84,681	-	12,477,041
\$	4,751,774	\$ (1,154,258)	\$ 30,956	\$ 66,028	\$ 14,967,871

City of Waterloo, Iowa

Capital Projects Funds June 30, 2019

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

Nonmajor:

June 2013 GO Bonds Fund: This fund is used to account for proceeds from the 2013 general obligation bond sale until expended for the restricted purposes.

June 2014 GO Bonds Fund: This fund is used to account for proceeds from the 2014 general obligation bond sale until expended for the restricted purposes.

June 2015 GO Bonds Fund: This fund is used to account for proceeds from the 2015 general obligation bond sale until expended for the restricted purposes.

June 2016 GO Bonds Fund: This fund is used to account for proceeds from the 2016 general obligation bond sale until expended for the restricted purposes.

June 2017 GO Bonds Fund: This fund is used to account for proceeds from the 2017 general obligation bond sale until expended for the restricted purposes.

June 2018 GO Bonds Fund: This fund is used to account for proceeds from the 2018 general obligation bond sale until expended for the restricted purposes.

June 2019 GO Bonds Fund: This fund is used to account for proceeds from the 2019 general obligation bond sale until expended for the restricted purposes.

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

City of Waterloo, Iowa

**Combining Balance Sheet
Capital Projects Funds
June 30, 2019**

	June 2015 GO Bonds	June 2016 GO Bonds	June 2017 GO Bonds
Assets			
Cash and cash equivalents	\$ 1,375,292	\$ 3,283,850	\$ 5,280,590
Receivables, other	-	-	-
Accrued interest	7,629	15,004	22,505
Total assets	\$ 1,382,921	\$ 3,298,854	\$ 5,303,095
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)			
Liabilities:			
Accounts payable	\$ 482,847	\$ 391,588	\$ 121,528
Retainages payable	-	-	8,189
Due to other funds	-	-	-
Total liabilities	482,847	391,588	129,717
Deferred inflows of resources, unavailable revenue—other	-	-	-
Fund balances (deficit):			
Restricted	900,074	2,907,266	5,173,378
Unassigned	-	-	-
Total fund balances (deficit)	900,074	2,907,266	5,173,378
Total liabilities, deferred inflows of resources and fund balances (deficit)	\$ 1,382,921	\$ 3,298,854	\$ 5,303,095

June 2018 GO Bonds	June 2019 GO Bonds	Capital Improvements	Total
\$ 6,811,704	\$ 10,247,483	\$ -	\$ 26,998,919
-	-	113,221	113,221
33,324	-	-	78,462
<u>\$ 6,845,028</u>	<u>\$ 10,247,483</u>	<u>\$ 113,221</u>	<u>\$ 27,190,602</u>
\$ 234,950	\$ 79,436	\$ 325,690	\$ 1,636,039
24,876	3,184	59,859	96,108
-	-	1,339,719	1,339,719
<u>259,826</u>	<u>82,620</u>	<u>1,725,268</u>	<u>3,071,866</u>
-	-	113,221	113,221
6,585,202	10,164,863	125,280	25,856,063
-	-	(1,850,548)	(1,850,548)
<u>6,585,202</u>	<u>10,164,863</u>	<u>(1,725,268)</u>	<u>24,005,515</u>
<u>\$ 6,845,028</u>	<u>\$ 10,247,483</u>	<u>\$ 113,221</u>	<u>\$ 27,190,602</u>

City of Waterloo, Iowa

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Capital Projects Funds
Year Ended June 30, 2019**

	June 2013 GO Bonds	June 2014 GO Bonds	June 2015 GO Bonds
Revenues:			
Investment income	\$ 3,470	\$ 2,023	\$ 31,413
Miscellaneous	-	-	-
Total revenues	3,470	2,023	31,413
Expenditures:			
Debt service, interest expense	-	-	-
Capital outlay	881,016	310,012	335,402
Total expenditures	881,016	310,012	335,402
Revenues over (under) expenditures	(877,546)	(307,989)	(303,989)
Other financing sources (uses):			
Transfers in	-	-	-
Bond premium	-	-	-
Issuance of long-term debt	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances (deficit)	(877,546)	(307,989)	(303,989)
Fund balances (deficit), beginning of year	877,546	307,989	1,204,063
Fund balances (deficit), end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 900,074</u>

June 2016 GO Bonds	June 2017 GO Bonds	June 2018 GO Bonds	June 2019 GO Bonds	Capital Improvements	Total
\$ 68,481	\$ 99,922	\$ 139,951	\$ 8,453	\$ -	\$ 353,713
-	-	-	-	415,617	415,617
68,481	99,922	139,951	8,453	415,617	769,330
-	-	-	132,431	-	132,431
1,076,514	1,436,476	1,593,769	31,848	2,980,141	8,645,178
1,076,514	1,436,476	1,593,769	164,279	2,980,141	8,777,609
(1,008,033)	(1,336,554)	(1,453,818)	(155,826)	(2,564,524)	(8,008,279)
-	-	-	-	2,510,856	2,510,856
-	-	-	320,689	-	320,689
-	-	-	10,000,000	-	10,000,000
-	-	-	10,320,689	2,510,856	12,831,545
(1,008,033)	(1,336,554)	(1,453,818)	10,164,863	(53,668)	4,823,266
3,915,299	6,509,932	8,039,020	-	(1,671,600)	19,182,249
\$ 2,907,266	\$ 5,173,378	\$ 6,585,202	\$ 10,164,863	\$ (1,725,268)	\$ 24,005,515

City of Waterloo, Iowa

Fiduciary Funds

June 30, 2019

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

Agency Fund: This fund is used to account for property taxes collected on behalf of the Metropolitan Transit Agency, Grout Museum District, Water Works kill water assessments and building permits passed through to Black Hawk County.

City of Waterloo, Iowa

Statement of Changes in Assets and Liabilities

Agency Fund

Year Ended June 30, 2019

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Assets, cash	\$ -	\$ 2,102,956	\$ 2,102,956	\$ -
Liabilities, due to private entities	\$ -	\$ 2,102,956	\$ 2,102,956	\$ -

City of Waterloo, Iowa Statistical Section

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	131
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	136
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	140
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	145
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the city provides and the activities it performs.	147

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

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 233,853,135	\$ 243,084,776	\$ 250,819,314	\$ 264,695,106	\$ 273,871,470	\$ 307,415,275	\$ 316,701,068	\$ 306,360,558	\$ 313,405,227	\$ 320,748,412
Restricted	36,648,414	28,098,845	31,552,558	30,823,956	30,579,471	30,438,501	20,032,995	55,182,022	52,436,491	53,863,633
Unrestricted	3,591,308	9,823,688	9,694,131	7,214,587	8,998,045	(31,681,588)	(23,683,497)	(31,089,693)	(40,527,523)	(43,479,555)
Total governmental activities net position	<u>\$ 274,092,857</u>	<u>\$ 281,007,309</u>	<u>\$ 292,066,003</u>	<u>\$ 302,733,649</u>	<u>\$ 313,448,986</u>	<u>\$ 306,172,188</u>	<u>\$ 313,050,566</u>	<u>\$ 330,452,887</u>	<u>\$ 325,314,195</u>	<u>\$ 331,132,490</u>
Business-type activities										
Net investment in capital assets	\$ 66,494,749	\$ 67,576,579	\$ 71,243,134	\$ 74,508,694	\$ 79,920,865	\$ 78,270,214	\$ 79,522,665	\$ 79,180,253	\$ 82,504,631	\$ 81,369,121
Restricted	3,178,807	3,170,694	1,655,694	1,383,659	1,310,099	727,235	672,515	672,515	672,515	47,826
Unrestricted	10,719,450	13,086,820	14,659,699	14,202,857	11,445,832	11,638,646	12,025,408	14,478,547	9,375,653	14,702,034
Total business-type activities net position	<u>\$ 80,393,006</u>	<u>\$ 83,834,093</u>	<u>\$ 87,558,527</u>	<u>\$ 90,095,210</u>	<u>\$ 92,676,796</u>	<u>\$ 90,636,095</u>	<u>\$ 92,220,588</u>	<u>\$ 94,331,315</u>	<u>\$ 92,552,799</u>	<u>\$ 96,118,981</u>
Primary government										
Net investment in capital assets	\$ 300,347,884	\$ 310,661,355	\$ 322,062,448	\$ 339,203,800	\$ 353,792,335	\$ 385,685,489	\$ 396,223,733	\$ 385,540,811	\$ 395,909,858	\$ 402,117,533
Restricted	39,827,221	31,269,539	33,208,252	32,207,615	31,889,570	31,165,736	20,705,510	55,854,537	53,109,006	53,911,459
Unrestricted	14,310,758	22,910,508	24,353,830	21,417,444	20,443,877	(20,042,942)	(11,658,089)	(16,611,146)	(31,151,870)	(28,777,521)
Total primary government net position	<u>\$ 354,485,863</u>	<u>\$ 364,841,402</u>	<u>\$ 379,624,530</u>	<u>\$ 392,828,859</u>	<u>\$ 406,125,782</u>	<u>\$ 396,808,283</u>	<u>\$ 405,271,154</u>	<u>\$ 424,784,202</u>	<u>\$ 417,866,994</u>	<u>\$ 427,251,471</u>

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
Public safety	\$ 28,612,482	\$ 29,629,282	\$ 30,037,249	\$ 31,913,280	\$ 31,773,269	\$ 25,988,767	\$ 34,120,160	\$ 33,735,948	\$ 20,828,929	\$ 33,071,755
Public works	22,839,814	23,276,707	23,297,561	24,938,888	28,911,525	29,570,277	29,670,192	35,579,527	34,150,050	27,415,746
Health and social services	244,594	257,618	278,589	299,282	368,173	325,607	295,088	381,203	369,832	279,470
Culture and recreation	9,951,066	10,080,005	10,515,120	10,491,266	11,315,704	11,676,287	11,950,688	15,012,599	12,667,184	12,573,777
Community and economic development	15,138,776	16,675,218	16,138,333	14,129,616	12,910,299	13,190,672	13,753,669	12,860,289	17,417,572	11,593,102
General government	4,548,726	4,860,959	4,219,355	3,714,993	2,749,672	4,869,696	5,247,593	10,421,434	10,174,531	9,049,085
Interest on long-term debt	2,736,194	2,639,047	2,459,710	2,680,614	2,349,054	2,208,744	2,048,517	2,175,284	2,385,499	2,452,792
Total governmental activities expenses	84,071,652	87,418,836	86,945,917	88,167,939	90,377,696	87,830,050	97,085,907	110,166,284	97,993,597	96,435,727
Business-type activities:										
Sanitary sewer	8,682,068	10,437,723	9,730,465	10,033,041	9,811,929	12,518,569	14,018,836	13,635,403	13,107,645	12,254,389
Sanitation	3,873,028	3,408,358	3,680,500	3,640,314	3,215,663	3,612,307	3,921,263	4,050,778	4,166,465	4,196,226
Total business-type activities expenses	12,555,096	13,846,081	13,410,965	13,673,355	13,027,592	16,130,876	17,940,099	17,686,181	17,274,110	16,450,615
Total primary government expenses	<u>\$ 96,626,748</u>	<u>\$ 101,264,917</u>	<u>\$ 100,356,882</u>	<u>\$ 101,841,294</u>	<u>\$ 103,405,288</u>	<u>\$ 103,960,926</u>	<u>\$ 115,026,006</u>	<u>\$ 127,852,465</u>	<u>\$ 115,267,707</u>	<u>\$ 112,886,342</u>
Program Revenue										
Governmental activities:										
Charges for services:										
Public safety	\$ 3,331,924	\$ 3,874,275	\$ 3,602,246	\$ 3,683,489	\$ 3,800,273	\$ 4,018,731	\$ 4,325,957	\$ 4,231,224	\$ 4,410,854	\$ 4,460,965
Public works	1,887,850	1,984,786	2,224,870	2,192,414	2,802,925	2,498,057	1,284,289	2,474,497	3,641,744	2,451,369
Culture and recreation	2,337,191	2,339,044	2,592,204	2,492,426	3,010,899	3,361,891	3,645,647	3,538,243	3,503,643	3,370,198
Other activities	1,125,370	1,229,991	1,268,316	1,489,631	1,531,761	1,667,019	769,733	1,574,497	1,284,986	1,438,591
Operating grants and contributions	18,592,551	16,376,376	16,603,449	14,967,188	11,938,221	11,335,064	18,581,010	13,138,910	11,617,786	12,380,601
Capital grants and contributions	14,938,736	9,832,416	10,720,735	9,364,734	12,668,122	39,116,737	9,065,137	35,704,168	12,757,084	8,651,622
Total governmental activities program revenue	42,213,622	35,636,888	37,011,820	34,189,882	35,752,201	61,997,499	37,671,773	60,661,539	37,216,097	32,753,346
Business-type activities:										
Charges for services:										
Sanitary sewer	11,185,490	13,283,908	13,147,754	12,285,502	12,845,301	12,661,602	14,277,752	15,235,503	13,208,176	14,802,101
Sanitation	3,398,533	3,446,332	3,572,238	3,615,787	3,609,500	3,585,270	3,650,271	3,820,281	3,738,070	3,747,590
Operating grants and contributions:										
Sanitary sewer	-	125,802	54,041	-	-	24,236	1,892	206,145	37,055	-
Sanitation	314,940	399,000	215,584	273,869	272,755	274,324	273,624	290,513	273,624	273,624
Capital grants and contributions:										
Sanitary sewer	-	81,302	82,443	-	-	-	1,271,776	192,977	145,656	310,250
Sanitation	-	-	560	13,585	-	-	-	-	-	-
Total business-type activities program revenue	14,898,963	17,336,344	17,072,620	16,188,743	16,727,556	16,545,432	19,475,315	19,745,419	17,402,581	19,133,565
Total primary government program revenue	<u>\$ 57,112,585</u>	<u>\$ 52,973,232</u>	<u>\$ 54,084,440</u>	<u>\$ 50,378,625</u>	<u>\$ 52,479,757</u>	<u>\$ 78,542,931</u>	<u>\$ 57,147,088</u>	<u>\$ 80,406,958</u>	<u>\$ 54,618,678</u>	<u>\$ 51,886,911</u>
Net (Expense)/Revenue										
Governmental activities	\$ (41,858,030)	\$ (51,781,948)	\$ (49,934,097)	\$ (53,978,057)	\$ (54,625,495)	\$ (25,832,551)	\$ (59,414,134)	\$ (49,504,745)	\$ (60,777,500)	\$ (63,682,381)
Business-type activities	2,343,867	3,490,263	3,661,655	2,515,388	3,699,964	414,556	1,535,216	2,059,238	128,471	2,682,950
Total primary government net expense	<u>\$ (39,514,163)</u>	<u>\$ (48,291,685)</u>	<u>\$ (46,272,442)</u>	<u>\$ (51,462,669)</u>	<u>\$ (50,925,531)</u>	<u>\$ (25,417,995)</u>	<u>\$ (57,878,918)</u>	<u>\$ (47,445,507)</u>	<u>\$ (60,649,029)</u>	<u>\$ (60,999,431)</u>

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Revenue and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 40,497,163	\$ 41,028,851	\$ 42,822,680	\$ 45,536,650	\$ 44,585,915	\$ 45,514,979	\$ 46,327,997	\$ 46,530,686	\$ 47,404,667	\$ 47,722,089
Other taxes	13,911,219	14,566,088	14,844,322	15,142,297	16,745,434	17,471,721	17,554,079	17,260,380	17,239,619	18,757,207
Investment earnings	170,946	152,078	54,485	45,578	117,515	180,123	187,046	339,895	842,018	1,468,222
Miscellaneous	5,189,217	2,879,152	3,315,471	3,925,918	2,748,468	1,108,633	2,034,957	2,741,240	4,592,600	2,186,481
Gain on sale of assets	1,827,508	-	-	-	-	-	188,433	34,865	-	-
Transfers	-	70,231	(44,167)	(4,740)	-	(2,035)	-	-	-	(633,323)
Total governmental activities	<u>61,596,053</u>	<u>58,696,400</u>	<u>60,992,791</u>	<u>64,645,703</u>	<u>64,197,332</u>	<u>64,273,421</u>	<u>66,292,512</u>	<u>66,907,066</u>	<u>70,078,904</u>	<u>69,500,676</u>
Business-type activities:										
Investment earnings	17,730	21,055	18,612	16,555	25,122	39,714	49,277	51,489	104,439	246,059
Gain (loss) on sale of assets	-	-	-	-	-	1,711	-	-	46,298	3,850
Transfers	-	(70,231)	44,167	4,740	-	2,035	-	-	-	633,323
Total business-type activities	<u>17,730</u>	<u>(49,176)</u>	<u>62,779</u>	<u>21,295</u>	<u>25,122</u>	<u>43,460</u>	<u>49,277</u>	<u>51,489</u>	<u>150,737</u>	<u>883,232</u>
Total primary government	<u>\$ 61,613,783</u>	<u>\$ 58,647,224</u>	<u>\$ 61,055,570</u>	<u>\$ 64,666,998</u>	<u>\$ 64,222,454</u>	<u>\$ 64,316,881</u>	<u>\$ 66,341,789</u>	<u>\$ 66,958,555</u>	<u>\$ 70,229,641</u>	<u>\$ 70,383,908</u>
Changes in Net Position										
Governmental activities	\$ 19,738,023	\$ 6,914,452	\$ 11,058,694	\$ 10,667,646	\$ 10,715,337	\$ 38,440,870	\$ 6,878,378	\$ 17,402,321	\$ 9,301,404	\$ 5,818,295
Business-type activities	<u>2,361,597</u>	<u>3,441,087</u>	<u>3,724,434</u>	<u>2,536,683</u>	<u>2,581,586</u>	<u>458,016</u>	<u>1,584,493</u>	<u>2,110,727</u>	<u>279,208</u>	<u>3,566,182</u>
Total primary government	<u>\$ 22,099,620</u>	<u>\$ 10,355,539</u>	<u>\$ 14,783,128</u>	<u>\$ 13,204,329</u>	<u>\$ 13,296,923</u>	<u>\$ 38,898,886</u>	<u>\$ 8,462,871</u>	<u>\$ 19,513,048</u>	<u>\$ 9,580,612</u>	<u>\$ 9,384,477</u>

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Nonspendable	\$ -	\$ 310,432	\$ 326,276	\$ 322,077	\$ 392,741	\$ 323,781	\$ 267,413	\$ 197,324	\$ 528,775	\$ 392,145
Restricted	-	3,602,691	3,438,392	5,497,065	8,667,499	9,109,347	10,390,434	8,565,653	7,839,825	6,384,873
Committed	-	662,415	-	-	36,595	-	-	-	33,004	154,511
Assigned	-	4,878,877	4,802,837	5,318,721	4,430,460	4,848,307	5,007,033	5,410,593	5,902,856	5,465,413
Unassigned	-	8,417,600	9,644,699	8,907,668	10,184,876	10,224,959	9,836,132	9,546,862	9,479,091	10,277,115
Reserved	3,064,085	-	-	-	-	-	-	-	-	-
Unreserved:										
Designated	5,077,047	-	-	-	-	-	-	-	-	-
Undesignated	8,610,737	-	-	-	-	-	-	-	-	-
Total general fund	<u>\$ 16,751,869</u>	<u>\$ 17,872,015</u>	<u>\$ 18,212,204</u>	<u>\$ 20,045,531</u>	<u>\$ 23,712,171</u>	<u>\$ 24,506,394</u>	<u>\$ 25,501,012</u>	<u>\$ 23,720,432</u>	<u>\$ 23,783,551</u>	<u>\$ 22,674,057</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ 208,100	\$ 297,516	\$ 233,192	\$ 466,165	\$ 298,880	\$ 290,117	\$ 261,770	\$ 131,211	\$ 219,283
Restricted	-	39,357,168	42,286,946	42,907,706	28,709,385	38,887,421	47,673,892	75,498,203	66,401,834	73,478,029
Assigned	-	2,322,606	2,332,997	2,370,221	80,148	2,396,279	2,424,601	2,458,279	2,549,694	2,763,872
Unassigned	-	(5,150,315)	(7,161,884)	(4,608,778)	(1,929,863)	(5,711,850)	(4,495,025)	(3,347,626)	(3,091,717)	(3,681,465)
Reserved	2,786,146	-	-	-	-	-	-	-	-	-
Undesignated, reported in:										
Special revenue funds	16,410,755	-	-	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-	-	-
Capital project funds	12,144,579	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 31,341,480</u>	<u>\$ 36,737,559</u>	<u>\$ 37,755,575</u>	<u>\$ 40,902,341</u>	<u>\$ 27,325,835</u>	<u>\$ 35,870,730</u>	<u>\$ 45,893,585</u>	<u>\$ 74,870,626</u>	<u>\$ 65,991,022</u>	<u>\$ 72,779,719</u>

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

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue										
Property taxes	\$ 40,454,704	\$ 41,013,565	\$ 42,864,091	\$ 45,485,229	\$ 44,623,905	\$ 45,440,607	\$ 46,259,411	\$ 46,530,686	\$ 47,404,667	\$ 47,720,396
Other taxes	13,982,362	14,703,052	15,460,718	14,683,459	16,946,689	17,599,304	17,309,079	17,541,380	17,239,619	18,764,207
Licenses and permits	996,031	1,236,912	1,119,886	1,128,513	1,350,599	1,413,739	1,491,131	1,543,716	1,364,662	1,454,547
Investment income	170,946	152,078	54,485	45,578	117,515	183,938	187,047	339,895	842,018	1,468,222
Rent*	1,060,889	1,094,271	1,186,419	1,191,376	1,263,682	1,293,559	1,235,525	1,257,433	1,219,786	1,273,336
Intergovernmental	30,681,962	30,092,432	25,596,988	27,797,797	23,425,271	28,647,425	26,670,622	43,647,665	20,141,757	24,374,718
Charges for services*	5,932,437	6,397,007	6,748,285	6,512,462	6,894,308	7,371,370	8,142,707	8,025,850	8,088,333	7,923,398
Interfund charges for service	2,385,680	2,134,553	1,935,000	1,935,000	1,935,000	1,935,000	1,935,000	2,185,000	2,255,000	2,180,000
Special assessments	225,198	47,171	93,870	124,467	139,408	127,266	138,434	133,943	176,382	201,637
Miscellaneous	3,773,963	3,292,228	3,702,763	4,503,173	3,425,567	2,760,949	2,032,729	1,765,900	3,249,040	2,776,159
Total revenue	<u>99,664,172</u>	<u>100,163,269</u>	<u>98,762,505</u>	<u>103,407,054</u>	<u>100,121,944</u>	<u>106,773,157</u>	<u>105,401,685</u>	<u>122,971,468</u>	<u>101,981,264</u>	<u>108,136,620</u>
Expenditures										
Current:										
Public safety	26,947,910	27,686,410	29,272,717	30,517,147	30,865,364	30,588,630	31,380,988	30,518,380	30,733,487	32,108,023
Public works	27,635,226	19,761,835	25,565,737	26,286,055	29,009,814	34,515,685	26,664,570	19,526,031	22,895,182	14,212,521
Health and social services	316,974	325,730	346,952	370,275	365,847	407,060	375,769	379,958	365,193	276,922
Culture and recreation	9,264,689	8,960,633	9,396,914	9,134,554	9,835,758	10,633,238	10,837,983	10,616,332	10,580,629	10,353,767
Community and economic development	17,423,767	15,740,405	13,794,104	13,555,391	12,966,402	11,783,311	13,483,447	12,265,460	10,508,576	11,442,804
General government	5,097,361	5,623,650	4,956,104	3,980,405	2,468,932	5,459,817	5,671,640	10,042,300	8,894,390	8,483,284
Debt service										
Principal	8,783,299	9,565,662	8,623,207	8,708,554	8,886,944	9,659,890	11,314,503	9,698,561	11,336,261	10,379,792
Interest and fees	2,799,830	2,623,038	2,536,705	2,276,310	2,150,525	2,023,366	2,169,997	2,268,663	2,514,761	2,502,968
Bond Issuance Costs**	-	-	-	100,798	149,580	-	-	-	-	-
Capital projects	15,126,719	11,792,357	14,140,916	9,646,195	14,033,868	11,855,746	12,835,209	19,625,850	23,921,255	23,189,451
Total expenditures	<u>113,395,775</u>	<u>102,079,720</u>	<u>108,633,356</u>	<u>104,575,684</u>	<u>110,733,034</u>	<u>116,926,743</u>	<u>114,734,106</u>	<u>114,941,535</u>	<u>121,749,734</u>	<u>112,949,532</u>
Revenue over (under) expenditures	<u>(13,731,603)</u>	<u>(1,916,451)</u>	<u>(9,870,851)</u>	<u>(1,168,630)</u>	<u>(10,611,090)</u>	<u>(10,153,586)</u>	<u>(9,332,421)</u>	<u>8,029,933</u>	<u>(19,768,470)</u>	<u>(4,812,912)</u>
Other financing sources (uses)										
Transfers in	14,434,303	13,368,149	14,206,860	12,765,878	11,006,208	10,276,970	14,882,427	11,857,853	13,154,342	11,910,365
Transfers out	(14,434,303)	(13,297,918)	(14,206,860)	(12,765,878)	(11,006,208)	(10,276,970)	(14,882,427)	(11,857,853)	(13,154,342)	(11,910,365)
Insurance proceeds	1,734,450	138,157	19,968	173,397	356,454	1,400	766,470	1,624,380	1,112,624	-
Proceeds from sale of assets	2,243,301	221,807	-	71,014	47,937	(6,168)	335,618	95,564	206,006	171,426
Refunding bonds issued	4,240,000	5,500,000	4,200,000	2,630,000	8,670,000	-	-	-	1,425,000	-
Payment to refunded bond escrow agent	(4,172,380)	(5,586,483)	-	(6,744,723)	(8,806,014)	-	-	(2,040,000)	-	-
Proceeds from debt issued	7,500,000	7,735,081	6,740,000	9,900,348	11,595,000	8,000,000	19,140,000	19,210,000	8,090,000	10,000,000
Bond discounts and premiums	(62,842)	353,883	269,088	118,687	205,713	129,606	107,806	276,585	118,355	320,689
Total other financing sources (uses)	<u>11,482,529</u>	<u>8,432,676</u>	<u>11,229,056</u>	<u>6,148,723</u>	<u>12,069,090</u>	<u>8,124,838</u>	<u>20,349,894</u>	<u>19,166,529</u>	<u>10,951,985</u>	<u>10,492,115</u>
Net change in fund balances	<u>\$ (2,249,074)</u>	<u>\$ 6,516,225</u>	<u>\$ 1,358,205</u>	<u>\$ 4,980,093</u>	<u>\$ 1,458,000</u>	<u>\$ (2,028,748)</u>	<u>\$ 11,017,473</u>	<u>\$ 27,196,462</u>	<u>\$ (8,816,485)</u>	<u>\$ 5,679,203</u>
Debt service as a percentage of noncapital expenditures	<u>11.8%</u>	<u>13.5%</u>	<u>11.8%</u>	<u>13.2%</u>	<u>12.3%</u>	<u>13.2%</u>	<u>13.2%</u>	<u>12.6%</u>	<u>14.2%</u>	<u>14.4%</u>

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

**For the fiscal years prior to June 30, 2013, bond issuance costs were included with interest and fees

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

Assessment Date January 1,	For Fiscal Year Ended June 30,	Residential Property	Commercial Property	Industrial Property	TIF Property	Other Property	Less: Military Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Total Assessed Value	Total Taxable Value as a Percentage of Assessed Value
2007	2009	1,021,046,822	766,647,219	98,127,515	125,534,846	109,339,414	7,908,493	2,112,787,323	18.36687	3,447,851,253	61.28%
2008	2010	1,080,004,413	787,580,318	99,231,835	134,668,232	110,644,404	7,754,888	2,204,374,314	18.30689	3,542,643,298	62.22%
2009	2011	1,119,328,144	786,637,586	99,943,010	136,188,661	106,874,812	7,498,605	2,241,473,608	18.26406	3,566,368,445	62.85%
2010	2012	1,166,201,221	781,318,790	100,090,080	150,383,839	111,996,683	7,253,351	2,302,737,262	18.53335	3,747,030,046	61.45%
2011	2013	1,251,445,651	813,065,056	121,443,090	179,551,015	111,367,841	6,985,742	2,469,886,911	18.20505	3,738,165,467	66.07%
2012	2014	1,316,533,993	800,057,810	122,324,860	183,333,664	111,068,231	6,742,623	2,526,575,935	17.49319	3,762,106,346	67.16%
2013	2015	1,303,730,888	717,175,119	112,118,499	207,637,570	112,027,732	6,558,362	2,446,131,446	17.95159	3,629,362,635	67.40%
2014	2016	1,347,497,993	662,021,833	105,004,150	214,993,747	110,527,435	6,267,608	2,433,777,550	17.76370	3,656,417,436	66.56%
2015	2017	1,383,126,415	620,075,361	104,318,361	229,899,157	151,573,034	6,008,327	2,482,984,001	17.60522	3,770,142,165	65.86%
2016	2018	1,426,734,942	626,685,915	102,735,087	230,753,488	141,987,418	5,774,986	2,523,121,864	17.60000	3,797,591,542	66.44%
2017	2019	1,400,102,962	614,016,517	101,985,208	263,287,703	158,466,327	5,436,059	2,532,422,658	17.45595	3,858,553,457	65.63%

Source: Black Hawk County Auditor.

Notes: (1) Does not include tax-exempt property. Tax rates are per \$1,000 of assessed value.
(2) Property tax on machinery and equipment was phased out during the period FYE2001 through FYE2003.
(3) A new category for multi-residential property was created by the state beginning with FYE2017

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

Fiscal Year	Overlapping Rates										
	City of Waterloo			Black Hawk County			Schools			Other	Total Direct & Overlapping Rates
	Operating Millage	Debt Service	Total City Millage	Operating Millage	Debt Service	Total County Millage	Operating Millage	Debt Service	Total School Millage		
2009	15.10748	3.25939	18.36687	6.35616	0.57975	6.93591	15.65725	1.00000	16.65725	1.36422	43.32425
2010	15.01876	3.28813	18.30689	6.12831	0.57689	6.70520	15.45746	1.00000	16.45746	1.33721	42.80676
2011	14.92433	3.33973	18.26406	6.22972	0.44212	6.67184	15.43697	1.00000	16.43697	1.38794	42.76081
2012	15.16068	3.37267	18.53335	5.92415	0.67322	6.59737	15.28141	1.00000	16.28141	1.28109	42.69322
2013	15.03346	3.17159	18.20505	5.59849	0.64144	6.23993	14.80265	1.00000	15.80265	1.33770	41.58533
2014	14.39276	3.10043	17.49319	5.39234	0.62882	6.02116	13.12135	2.60683	15.72818	1.36950	40.61203
2015	14.74920	3.20239	17.95159	5.52447	0.59472	6.11919	13.28631	2.68895	15.97526	1.35851	41.40455
2016	14.50433	3.25937	17.76370	5.43985	1.30832	6.74817	12.92607	2.69825	15.62432	1.34988	41.48607
2017	14.44418	3.16104	17.60522	5.48507	0.96070	6.44577	12.72660	2.67340	15.40000	1.33315	40.78414
2018	14.48927	3.11073	17.60000	5.60805	0.80702	6.41507	12.33034	2.65121	14.98155	1.33495	40.33157
2019	14.46767	2.98828	17.45595	5.96158	0.73145	6.69303	11.96864	2.60324	14.57188	1.36344	40.08430

Source: Black Hawk County Auditor.

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

Employer	2019			2010		
	Assessed Value 1/1/2017	Rank	Percentage of Total Assessed Value	Assessed Value 1/1/2008	Rank	Percentage of Total Assessed Value
Deere and Company	\$ 55,049,906	1	1.43%	\$ 25,829,140	5	6.78%
IOC Black Hawk County, Inc.	54,393,550	2	1.41%	73,670,230	2	19.35%
Con Agra k/n/a Hunt Wesson, Inc.	32,734,430	3	0.85%	26,580,220	4	6.98%
Ferguson Enterprises, Inc.	20,707,670	4	0.54%	24,732,360	6	6.50%
Tyson Fresh Meats (formerly IBP, Inc.)	17,693,836	5	0.46%	23,292,040	7	6.12%
VGM Management, Inc.	17,302,467	6	0.45%	--	--	--
Bertch Cabinet Manufacturing, Inc.	15,909,640	7	0.41%	15,608,870	8	4.10%
Walmart	13,346,060	8	0.35%	--	--	--
Menards, Inc.	11,274,130	9	0.29%	--	--	--
Ocwen Financial Corporation	11,202,670	10	0.29%	--	--	--
MidAmerican Energy	--	--	--	126,466,575	1	33.21%
Crossroads Realty LLC	--	--	--	40,354,170	3	10.60%
Qwest Corporation (formerly US West)	--	--	--	12,818,350	9	3.37%
Banco Mortgage Company	--	--	--	11,431,160	10	3.00%
Total	<u>\$ 249,614,358</u>		<u>6.47%</u>	<u>\$ 380,783,115</u>		<u>100.00%</u>

Source: Official Bond Statements prepared by Speer Financial, Inc.

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

<u>Assessment Date January 1,</u>	<u>Fiscal Year Ended June 30,</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Tax Collections To Tax Levy</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections To Tax Levy</u>
2008	2010	36,645,462	36,619,212	99.93%	16,989	36,636,201	99.97%
2009	2011	37,312,210	37,186,887	99.66%	34,746	37,221,633	99.76%
2010	2012	38,703,447	38,469,916	99.40%	20,895	38,490,811	99.45%
2011	2013	40,620,062	40,275,404	99.15%	18,966	40,294,370	99.20%
2012	2014	39,993,210	39,763,526	99.43%	(72,698) *	39,690,828	99.24%
2013	2015	39,200,603	38,901,557	99.24%	(362,370) *	38,539,187	98.31%
2014	2016	38,480,720	38,405,051	99.80%	(176,170) *	38,228,881	99.35%
2015	2017	38,823,734	33,010,145	99.77%	10,998	33,019,455	99.80%
2016	2018	39,613,829	39,602,704	99.97%	8,658	39,611,362	99.99%
2017	2019	38,984,631	38,980,335	99.99%	21,994	39,002,329	100.05%

Source: Black Hawk County Auditor's office.

Current year tax collections can exceed the total tax levy in certain instances, such as when property valuation adjustments are made after the tax levy certifications are completed. Information regarding changes to levies and the years that delinquent payments are attributable is not available to the City.

* A number of property valuation appeals for the valuation at the January 1, 2011 assessment date were settled during the fiscal years ended June 30, 2014, 2015 and 2016 which resulted in refunds owed for prior taxes paid on those properties. Black Hawk County netted those refunds from delinquent taxes paid to the City, resulting in negative delinquent tax collections.

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

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income*	Per Capita*
	General Obligation Bonds	General Obligation Capital Loan Notes	Capital Leases	Other Debt	General Obligation Bonds	Revenue Bonds	Capital Leases	Other Debt			
2009	\$ 66,068,610	--	--	\$ 3,392,268	\$ 15,132,212	\$ 10,870,000	--	-	\$ 95,463,090	3.98%	1,389
2010	66,058,804	--	--	2,145,466	17,774,173	9,285,000	--	--	95,263,443	3.85%	1,386
2011	65,772,821	--	--	2,806,900	20,062,809	7,655,000	--	-	96,297,530	3.85%	1,408
2012	68,651,784	--	--	2,111,193	20,870,997	4,727,951	--	-	96,538,068	3.82%	1,411
2013	65,966,220	--	--	2,524,312	24,400,407	3,119,608	--	-	96,010,547	3.58%	1,404
2014	69,226,920	--	--	2,281,997	22,253,712	1,914,460	--	-	95,677,089	3.38%	1,399
2015	67,833,111	--	--	2,061,307	25,804,346	719,286	--	-	96,418,050	3.37%	1,409
2016	75,897,719	--	--	1,934,063	23,198,824	142,604	--	-	101,173,210	3.59%	1,479
2017	83,682,844	--	--	1,788,702	21,692,273	-	--	-	107,163,819	3.78%	1,566
2018	81,969,301	--	--	8,019,724	19,136,397	1,534,000	--	-	110,659,422	3.81%	1,598
2019	82,879,508	--	--	6,905,931	16,583,131	2,091,522	--	-	108,460,092	3.65%	1,586

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

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

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

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Total Assessed Value of Property</u>	<u>Percentage of Assessed Value of Property</u>	<u>Per Capita*</u>
2010	83,832,977	3,542,643,298	2.37%	1,226
2011	85,835,630	3,566,368,445	2.41%	1,255
2012	89,522,781	3,747,030,046	2.39%	1,309
2013	90,366,627	3,738,165,467	2.42%	1,321
2014	91,480,632	3,762,106,346	2.43%	1,337
2015	93,637,457	3,629,362,635	2.58%	1,369
2016	99,096,543	3,656,417,436	2.71%	1,449
2017	105,375,117	3,770,142,165	2.79%	1,540
2018	101,105,698	3,797,591,542	2.66%	1,478
2019	99,462,639	3,858,553,457	2.58%	1,454

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

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

City of Waterloo, Iowa
Direct and Overlapping Governmental Activities Debt
As of June 30, 2019

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable To City*	Estimated Share of Overlapping Debt
City of Waterloo direct debt	\$ 89,785,439	100.00%	\$ 89,785,439
Overlapping:			
Black Hawk County	\$ 17,170,000	43.06%	7,393,402
Hudson Community Schools	122,525	6.35%	7,780
Hawkeye Community College	6,050,000	24.71%	1,494,955
Subtotal, overlapping debt	\$ 23,342,525		\$ 8,896,137
Total direct and overlapping debt	\$ 113,127,964		\$ 98,681,576

Source: Black Hawk County Auditor

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

*The percentage of overlapping debt applicable is estimated using net taxable property values. Applicable percentages were estimated by determining the portion of the County's net value that is within the government's boundaries and dividing it by the County's total value.

Source: Black Hawk County Auditor

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit	\$ 178,318,422	\$ 178,318,423	\$ 187,351,502	\$ 186,908,273	\$ 188,105,317	\$ 181,167,349	\$ 182,820,872	\$ 188,507,108	\$ 189,879,577	\$ 192,927,673
Total net debt applicable to limit	88,642,530	91,810,117	92,890,939	93,762,629	95,698,764	101,030,606	101,030,606	107,163,819	109,125,422	106,368,570
Legal debt margin	<u>\$ 89,675,892</u>	<u>\$ 86,508,306</u>	<u>\$ 95,513,435</u>	<u>\$ 94,503,961</u>	<u>\$ 92,406,553</u>	<u>\$ 80,136,743</u>	<u>\$ 81,790,266</u>	<u>\$ 81,343,289</u>	<u>\$ 80,179,525</u>	<u>\$ 86,559,103</u>
Total net debt applicable to the limit as a percentage of debt limit	49.71%	51.49%	49.58%	49.02%	49.44%	49.44%	55.26%	55.26%	57.65%	55.13%

Legal Debt Margin Calculation for Fiscal Year 2019

Estimated actual valuation (assessed) as of January 1, 2016	\$ 3,858,553,457
Debt limit (5% of total estimated actual valuation)	192,927,673
Debt applicable to debt limit:	
General obligation bonds	99,462,639
General obligation capital loan notes	6,905,931
Total net debt applicable to limit	<u>106,368,570</u>
Legal debt margin	<u>\$ 86,559,103</u>

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

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

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Less: Applicable Operating Expenses</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements</u>	<u>Coverage</u>
2010	11,195,472	5,266,284	5,929,188	2,079,198	2.8517
2011	13,468,610	7,041,089	6,427,521	2,059,323	3.1212
2012	13,217,083	6,450,294	6,766,789	1,655,847	4.0866
2013	12,312,670	6,803,784	5,508,886	1,659,883	3.3188
2014	12,863,347	8,069,660	4,793,687	1,259,403	3.8063
2015	12,716,670	9,894,071	2,822,599	1,233,703	2.2879
2016	14,261,375	11,319,925	2,941,450	592,413	4.9652
2017	15,229,015	11,307,231	3,921,784	144,200	29.2810
2018	13,362,514	9,263,755	4,098,759	66,469	61.6642
2019	15,003,345	8,433,566	6,569,779	193,738	33.9106

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

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

<u>Year</u>	<u>Population¹</u>	<u>Personal Income</u>	<u>Per Capita Personal Income²</u>	<u>Median Age¹</u>	<u>Unemployment Rate³</u>	<u>School Enrollment⁴</u>
2008	68,747	2,396,932,902	34,866	35.9	4.7%	10,069
2009	68,747	2,475,029,494	36,002	35.9	6.8%	10,150
2010	68,406	2,501,812,638	36,573	35.9	7.3%	10,020
2011	68,406	2,524,386,618	36,903	35.9	7.1%	10,103
2012	68,406	2,681,173,170	39,195	35.9	6.5%	10,239
2013	68,406	2,827,835,634	41,339	35.7	5.6%	10,483
2014	68,406	2,857,250,214	41,769	35.5	6.5%	10,611
2015	68,406	2,817,779,952	41,192	35.8	5.4%	10,445
2016	68,406	2,837,344,068	41,478	36.2	4.8%	10,357
2017	68,406	2,871,842,930	41,982	36.5	4.7%	10,401
2018	68,406	2,967,454,000	43,452	36.6	2.6%	10,777

N/A = Not available.

Sources:

¹ 2000 and 2010 U.S. Census

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

³ Iowa Workforce Development

⁴ Waterloo Community Schools

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

Employer	2019			2010		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Deere & Company	5,600	1	16.99%	5,600	1	16.67%
Tyson Fresh Meats	2,980	2	9.04%	2,500	3	7.44%
Mercy One (formerly Wheaton Franciscan)	2,670	3	8.10%	3,020	2	8.99%
University of Northern Iowa	1,810	4	5.49%	1,850	4	5.51%
Waterloo Community Schools	1,715	5	5.20%	1,440	6	4.29%
Unity Point Health (formerly Allen Hospital)	1,500	6	4.55%	1,750	5	5.21%
Hy-Vee	1,325	7	4.02%	1,120	7	3.33%
Western Home Communities	1,050	8	3.19%	--	--	--
CBE Companies	980	9	2.97%	--	--	--
VGM Group	950	10	2.88%	--	--	--
Area Education Agency 7	--	--	--	1,110	8	3.30%
Bertch Cabinet Manufacturing	--	--	--	900	9	2.68%
Walmart	--	--	--	755	10	2.25%
Total	20,580		62.45%	20,045		59.66%

Source: Official Bond Statements from Speer Financial, Inc.

* Formerly known as Covenant Medical Center

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

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety										
Police	135.0	139.0	138.0	131.0	130.0	130.0	130.0	130.0	129.0	129.0
Fire	116.5	114.5	112.5	109.5	108.5	106.5	109.5	107.5	104.5	108.5
Building Inspection	15.5	10.5	12.5	12.5	12.5	13.5	13.5	13.0	11.0	12.0
Public Works										
City Engineer	19.0	18.0	20.0	20.0	20.0	20.0	20.0	20.0	21.0	21.0
Traffic	12.0	12.0	12.0	15.0	16.0	16.0	14.0	15.0	14.0	15.0
Central Garage	8.0	9.0	9.0	9.0	10.0	10.0	9.0	9.0	9.0	7.0
Street	39.0	37.0	38.0	36.0	34.0	37.0	35.0	36.0	35.0	38.0
Airport	5.5	5.5	6.0	5.0	6.0	6.0	6.0	6.0	6.0	6.0
Health & Social Services										
Human Rights	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Culture & Recreation										
Cultural & Arts	13.5	14.0	14.5	13.0	11.0	13.0	12.0	13.0	10.0	10.0
Library	25.0	24.5	24.5	25.0	25.0	24.5	24.0	23.5	22.5	22.0
Leisure Services	40.0	40.0	39.0	36.0	40.0	43.0	42.0	41.0	43.0	42.0
Community & Economic Development										
Community Planning & Development	24.0	24.0	24.0	22.0	23.0	23.0	22.0	21.0	22.0	22.0
General Government										
Mayor's Office	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Info Tech	2.0	2.0	2.0	1.0	1.0	1.0	2.0	4.0	5.0	4.0
City Clerk & Finance	13.0	13.0	13.0	14.0	14.0	12.0	12.0	9.0	10.0	10.0
City Attorney/Code Enforcement	1.5	1.5	1.5	1.5	1.5	1.5	6.0	6.0	6.0	6.0
Human Resources	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0	4.0	4.0
Facilities Maintenance	3.0	3.0	3.0	3.0	4.0	4.0	4.0	4.0	5.0	4.0
Waste Management Services										
Sewer	29.0	32.0	35.0	33.9	41.0	39.0	40.0	39.0	36.0	38.0
Sanitation	13.0	15.0	14.0	17.1	13.0	17.0	13.0	13.0	13.0	11.0
Total	<u>521.5</u>	<u>521.5</u>	<u>525.5</u>	<u>511.5</u>	<u>517.5</u>	<u>524.0</u>	<u>521.0</u>	<u>518.0</u>	<u>510.0</u>	<u>513.5</u>

Source: City Human Resources Department records.

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

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety										
Police *										
Traffic accidents	1,941	1,712	1,630	1,598	1,839	1,726	1,607	1,633	1,441	1,527
Cases	13,411	12,079	11,591	11,344	11,298	11,111	10,110	9,683	8,930	9,103
Citations	7,983	6,851	7,271	6,448	6,989	5,060	4,917	3,947	3,748	4,195
Calls for service	82,044	81,110	80,872	75,626	77,161	67,717	61,944	60,652	50,773	50,986
Total arrests	5,590	5,243	5,244	4,984	4,931	4,728	4,004	3,874	3,444	3,496
Fire										
Fire responses	4,885	4,238	4,307	4,622	5,011	5,129	5,232	5,638	5,542	5,623
Ambulance responses	6,928	5,328	6,062	6,997	6,729	6,830	6,650	7,036	8,720	9,180
Building Inspection										
Construction permits issued	8,657	9,386	8,012	8,682	9,969	10,327	10,620	9,704	8,483	7,124
Construction value of permits	\$ 82,650,598	\$ 103,199,063	\$ 124,803,841	\$ 91,192,766	\$ 101,677,108	\$ 100,224,478	\$ 127,513,038	\$ 108,699,337	\$ 104,700,306	\$ 142,264,758
Public Works										
Engineering										
Street reconstruction (miles)	2.45	1.98	2.90	3.08	3.15	1.59	2.61	3.35	3.08	3.30
Street resurfacing (miles)	12.42	14.15	12.64	14.05	12.21	18.63	12.53	0.64	1.66	2.60
Street Department										
Tons of salt used for streets	6,043.06	5,012.05	4,816.00	5,700.00	5,162.00	4,217.00	3,024.00	3,307.00	5,699.72	4,000.00
Man hours for road maintenance	71,448	72,800	68,640	67,345	66,650	67,320	79,357	66,924	68,644	38,485
Airport										
Commercial Enplanements	22,255	23,206	22,173	19,897	21,573	26,170	27,325	25,534	22,836	23,446
Aircraft take-offs and landings	22,738	20,772	21,521	20,589	19,109	19,550	21,037	18,585	18,943	20,072
Based aircraft	100	101	101	104	104	74	75	75	75	81
Health & Social Services										
Human Rights										
Civil Rights complaints										
New cases opened	74	78	95	106	64	66	50	57	49	58
Cases closed	88	76	103	59	43	100	50	69	72	85
Active cases at year-end	109	113	103	154	177	143	142	129	105	83
Culture & Recreation										
Leisure Services										
SportsPlex Members	N/A	N/A	N/A	N/A	2,594	4,450	4,965	5,095	5,243	6,167
Young Arena facility usage										
Event Visitors	118,286	118,089	127,508	118,639	119,903	100,064	100,913	103,547	105,938	104,635
Recreational Visitors	143,370	153,018	164,315	174,780	186,384	189,121	189,586	183,749	180,545	167,900
Sports - youth programs	5,117	5,691	5,720	5,451	5,571	5,623	5,689	5,573	5,434	5,413
Sports - adult programs	1,665	1,621	1,620	1,588	1,598	1,617	1,543	1,497	1,412	1,384
Pool attendance @	41,743	42,883	44,741	39,611	37,603	33,866	34,733	28,861	22,065	9,980
Golf rounds	95,898	87,173	97,032	81,218	75,737	74,891	76,137	69,989	60,640	52,076
Annual flowers grown for parks	28,008	24,984	22,488	23,304	-	-	-	-	-	-
Public Library										
Total Circulation	441,746	419,333	424,435	405,341	422,204	470,786	446,467	365,656	299,035	295,877
Total Library Visits	\$ 274,903	\$ 290,161	\$ 207,597	\$ 263,261	\$ 271,603	\$ 278,431	\$ 253,929	\$ 262,073	\$ 250,804	\$ 181,867
Waterloo Center for the Arts										
In House Visitors	\$ 118,541	\$ 113,411	\$ 119,404	\$ 125,958	\$ 118,970	\$ 128,140	\$ 122,334	\$ 157,628	\$ 189,153	\$ 191,675
Events, meetings, and programs	\$ 1,683	\$ 1,625	\$ 1,578	\$ 1,563	\$ 1,074	\$ 1,103	\$ 1,003	\$ 1,261	\$ 1,513	\$ 1,757

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

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Community & Economic Development										
Planning and Zoning										
Planning commission agenda items	54	77	65	72	91	100	86	63	70	59
CURA applications received **	29	20	12	24	30	41	31	35	25	28
CURA improvements value	\$ 12,309,630	\$ 2,063,995	\$ 9,307,075	\$ 2,776,663	\$ 11,368,905	\$ 7,856,518	\$ 13,451,612	\$ 13,439,875	\$ 3,793,731	\$ 3,037,684
CLURA applications received***	-	-	6	19	58	69	41	74	46	39
CLURA improvements value	\$ -	\$ -	\$ 1,249,100	\$ 4,385,349	\$ 14,418,617	\$ 15,057,131	\$ 8,849,239	\$ 17,426,350	\$ 11,090,817	\$ 11,533,082
Community Development										
Down payment assistance	57	12	22	10	3	4	8	7	-	-
Home buyer education	147	-	-	-	-	-	-	-	-	-
Owner-occupied homes rehabilitated	10	32	46	31	42	26	24	24	25	33
Emergency repairs (including roofs)	44	39	45	49	37	33	34	32	21	25
Demolitions (residential & commercial)	27	11	20	18	21	-	13	-	1	2
Housing										
Actual vouchers	1,003	994	996	1,005	931	937	975	1,017	1,010	1,020
Public housing units	48	50	50	50	50	50	50	50	50	50
Family self sufficiency participants	49	53	54	47	36	31	34	28	26	23
Sewer										
Sewer system customers	25,565	25,450	25,707	25,393	26,102	25,584	26,498	26,522	25,235	26,732

Source: Various city departments

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

** Consolidated Urban Revitalization Area.

*** City Limits Urban Revitalization Area Started FY12

Door counter was broken for several months, so not all visitors could be counted.

N/A - not available

@ One pool could not be opened in the spring of 2019 due to needed repairs

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

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire*										
Stations	7	7	7	7	7	7	7	7	7	7
Trucks and special vehicles	32	32	34	31	29 **	29	30	33	35	31
Public Works										
Miles of streets - paved	357	364	364	364	364	364	360	360	361	362
Miles of streets - unpaved	73	72	72	72	72	72	68	68	68	68
Street lights	1,800	1,800	1,800	1,800	1,807	1,807	1,807	1,807	1,847	1,847
Traffic Signals	197	200	200	200	197	198	198	199	200	202
Airport runway lengths										
Runway 12/30	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400
Runway 18/36	6,002	6,002	6,002	6,002	6,002	6,002	6,002	6,002	6,002	6,002
Runway 6/24	5,403	5,403	5,403	5,403	5,403	5,403	5,403	5,403	5,403	5,403
Culture & Recreation										
City recreation areas	3	3	3	3	3	3	3	3	3	3
City parks	48	48	48	48	48	48	48	48	48	48
Golf courses	3	3	3	3	3	3	3	3	3	3
Swimming pools	2	2	2	2	2	2	2	2	2	2
Softball diamonds	23	23	23	23	23	23	23	20	20	20
Baseball diamonds	6	6	6	6	6	6	6	6	6	6
Baseball stadium	1	1	1	1	1	1	1	1	1	1
Softball complexes	2	2	2	2	2	2	2	2	2	2
Tennis courts	27	27	27	27	27	27	27	27	27	27
Ice arena	1	1	1	1	1	1	1	1	1	1
Soccer complex	1	1	1	1	1	1	1	1	1	1
Exposition plaza	1	1	1	1	1	1	1	1	1	1
Skatepark	1	1	1	1	1	1	1	1	1	1
Dog park	1	1	1	1	1	1	1	1	1	1
Amphitheater	0	0	1	1	1	1	1	1	1	1
Splash Park	0	0	1	1	1	1	1	1	1	1
SPORTSPLEX	0	0	0	0	0	1	1	1	1	1
Center for the Arts collection size	3,362	3,766	4,178	4,352	4,682	5,102	5,498	5,647	6,001	6,475
Library collection size	168,295	172,580	163,247	161,462	164,486	138,540	138,305	124,649	112,777	795,706
Sewer										
Miles of sanitary sewer	356	356	356	356	357	358	368	372	373	374

Source: Various city departments

* Effective July 1, 2007, fire station at the Airport being maintained by Airport maintenance personnel

** Added boats

N/A - not available

City of Waterloo, Iowa

Schedule of Expenditures of Federal Awards Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Amount Provided to Subrecipients	Federal Expenditures
Department of Housing and Urban Development				
Direct:				
CDBG Entitlement Grants Cluster, Entitlement Grant		14.218	\$ 105,085	\$ 1,207,598
HOME Investments Partnerships Program		14.239	842	105,615
Public and Indian Housing		14.850	-	32,207
Section 8 Housing Choice Vouchers		14.871	-	5,208,515
Public Housing Capital Fund		14.872	-	11,162
Public Housing Capital Fund		14.872	-	69,051
Public Housing Capital Fund		14.872	-	13,640
Subtotal			-	93,853
Lead-Based Paint Hazard Control		14.900	-	663,128
Total Department of Housing and Urban Development			105,927	7,310,916
Department of Interior				
Direct:				
Historic Preservation Fund Grants-In-Aid Civil Rights History Study		15.904	-	12,000
Total direct			-	12,000
Indirect:				
Historic Preservation Fund Grants-In-Aid Certified Local Gov't Travel Grant	2017-510	15.904	-	500
Smokey Row Neighborhood Survey	2018-15	15.904	-	10,000
Total indirect			-	10,500
Total Department of Interior			-	22,500
Department of Justice				
Direct:				
Bulletproof Vest Partnership Program		16.607	-	6,141
Bulletproof Vest Partnership Program		16.607	-	4,341
Subtotal			-	10,482
Edward Byrne Memorial Justice Assistance Grant Program *		16.738	-	46,885
Edward Byrne Memorial Justice Assistance Grant Program *		16.738	-	33,006
Subtotal			-	79,891
Total direct			-	90,373
Indirect:				
Pass Through Crime Victims Assistance Division, Federal Violence Against Women Act Contract	VW-16-92-CJ	16.588	-	36,113
Pass Through Governor's Office of Drug Control Policy, Public Safety Partnership and Community Policing Grants	16-CAMP-04	16.710	8,705	19,856
Edward Byrne Memorial Justice Assistance Grant Program *	16-JAG-197189	16.738	123,937	191,504
Total indirect			132,642	247,473
Total Department of Justice			132,642	337,846

(Continued)

City of Waterloo, Iowa

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Amount Provided to Subrecipients	Federal Expenditures
Department of Transportation				
Direct:				
Federal Aviation Administration:				
Airport Improvement Program		20.106	\$ -	\$ 561,715
Total direct			-	561,715
Indirect:				
Federal Highway Administration Pass Through Iowa				
Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	STP-U-8155(744)--70-07	20.205	-	14,460
Highway Planning and Construction	STP-A-8155(754)--86-07	20.205	-	3,266
Highway Planning and Construction	STP-A-8155(755)--70-07	20.205	-	6,748
Highway Planning and Construction	2017-ICAAP-02	20.205	-	387,070
Highway Planning and Construction	STP-A-8155(743)--86-07	20.205	-	205,692
Highway Planning and Construction	STP-A-8155(757)--86-07	20.205	-	35,673
Total Highway Planning and Construction Cluster			-	652,909
National Highway Traffic Safety Administration Pass				
Through Iowa Department of Public Safety Governor's Traffic				
Safety Bureau, Highway Safety Cluster				
National Priority Safety Program	PAP-17-405d-M6OT, Task 42	20.616	-	14,156
National Priority Safety Program	PAP-17-405d-M6OT, Task 48	20.616	-	40,756
Total Highway Safety Cluster			-	54,912
Total indirect			-	707,821
Total Department of Transportation			-	1,269,536
U.S. Equal Employment Opportunity Commission				
Direct:				
Employment Discrimination Title VII of the Civil Rights Act of 1964		30.001	-	12,547
Employment Discrimination Title VII of the Civil Rights Act of 1964		30.001	-	17,826
Total U.S. Equal Employment Opportunity Commission			-	30,373
National Foundation on the Arts and the Humanities				
Indirect:				
National Endowment for the Humanities Pass Through				
Iowa Arts Council Promotion of the Humanities:				
Federal/State Partnership	OSP 1420 FY15	45.129	-	23,012
Environmental Protection Agency				
Direct:				
Brownfield Assessment & Cleanup Cooperative		66.818	-	185,797
Department of Homeland Security				
Indirect:				
Pass Through Iowa Homeland Security and Emergency Management				
Division:				
Disaster Grants - Public Assistance (Presidentially Declared				
Disasters)	013-82425-00 DR 4289	97.036	-	866
Total expenditures of federal awards			\$ 238,569	\$ 9,180,846

* Total Edward Byrne Memorial Justice Assistance Grant
Program (CFDA No. 16.738): \$273,267

See notes to schedule of expenditures of federal awards.

City of Waterloo, Iowa

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Waterloo, Iowa (the City). The schedule of expenditures of federal awards does not include the federal grant activity of the City's discretely presented component units. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies are included in this Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 2. Significant Accounting Policies

The accompanying schedule of federal awards is presented on the accrual basis of accounting in the proprietary funds and the modified accrual basis of accounting in the governmental funds. Expenditures of federal awards are recognized in the accounting period in which the liability is incurred. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

City of Waterloo, Iowa

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2019**

The prior year Single Audit disclosed no findings in the *Schedule of Findings and Questioned Costs* and no uncorrected or unresolved findings exist from prior audits *Summary of Prior Audit Findings*.

**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***

RSM US LLP

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Waterloo, Iowa, (the City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 31, 2020. Our report includes a reference to other auditors who audited the financial statements of the Waterloo Water Works as of and for the year ended December 31, 2018 and the Waterloo Convention & Visitors Bureau, Inc. as of and for the year ended June 30, 2019, both discretely presented component units, as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of Waterloo Convention & Visitors Bureau, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Comments involving statutory or other legal matters about the City's operations for the year ended June 30, 2019 are based exclusively on the knowledge obtained from procedures during our audit of the basic financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretation of those statutes.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Davenport, Iowa
January 31, 2020

**Report on Compliance For the Major Federal Program and
Report on Internal Control Over Compliance
Required by the Uniform Guidance**

RSM US LLP

Independent Auditor's Report

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

Report on Compliance for the Major Federal Program

We have audited the City of Waterloo, Iowa's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2019. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Scope

The City's basic financial statements include the operations of the Waterloo Water Works and the Waterloo Convention & Visitors Bureau, Inc. discretely presented component units which did not have a single audit performed for their fiscal years ended December 31, 2018 and June 30, 2019, respectively. Our audit, described below, does not include the operations of the Waterloo Water Works or the Waterloo Convention and Visitors Bureau, Inc. because these discretely presented component units were audited by other auditors.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Waterloo, Iowa's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

Davenport, Iowa
January 31, 2020

City of Waterloo, Iowa

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2019**

I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☐

Yes

☒

No

Significant deficiencies identified?

☐

Yes

☒

None Reported

Noncompliance material to financial statements noted?

☐

Yes

☒

No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

☐

Yes

☒

No

Significant deficiencies identified?

☐

Yes

☒

None Reported

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

Any audit findings disclosed that are required to be reported in accordance with
Section 2 CFR 200.516(a)?

☐

Yes

☒

No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?

☒

Yes

☐

No

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019

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

A. Internal Control

None reported.

B. Compliance findings

None reported.

III. Findings and Questioned Costs for Federal Awards

A. Internal Control

None reported.

B. Compliance Findings

None reported.

IV. Findings Related to Statutory Reporting

19-IV-A Certified Budget

Expenditure/expenses during the year ended June 30, 2019, did not exceed the budgeted amounts.

19-IV-B Questionable Disbursements

No questionable disbursements were noted.

19-IV-C Travel Expenses

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

19-IV-D Business Transactions

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

19-IV-E Bond Coverage

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

19-IV-F Council Minutes and Resolutions

No instances of noncompliance with the council minutes and resolutions.

19-IV-G Deposits and Investments

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

City of Waterloo, Iowa

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019

19-IV-H Deficit Balances

Finding: The following funds had deficit balances as of June 30, 2019:

Grants, Special Revenue	\$ 1,154,258
Community Development Block Grant, Special Revenue	445,490
Capital Improvements, Capital Projects	1,725,268

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

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

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

19-IV-I Revenue Bonds

No instances of noncompliance noted regarding the provisions of the revenue bond indentures. Information required by sewer revenue bond resolutions is reported in the statistical section.

19-IV-J Airport Ordinance

Finding: The City adopted ordinance number 4400 on December 13, 1999 which established an Airport Board of Directors and requires the Board to "Maintain a positive cash balance at all times in airport operations." Airport operations are accounted for in the General Fund (Fund 010), Airport Commission Department (Department number 29), Airport Administration Activity (Activity number 7700). Through June 30, 2019, the accumulative cash deficit totaled \$483,606.

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

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