



Comprehensive Annual Financial Report

CITY OF WATERLOO, IOWA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018



CITY OF WATERLOO, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2018

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

Contents

Introductory Section	
Table of contents	i–ii
Transmittal letter	iii–viii
Officials	ix
Organizational structure	x
GFOA Certificate	xi
Financial Section	
Independent auditor’s report	1–2
Management’s discussion and analysis	3–14
Basic financial statements:	
Government-wide financial statements:	
Statement of net position	15–16
Statement of activities	17–18
Fund financial statements:	
Balance sheet—governmental funds	19–22
Reconciliation of governmental funds balance sheet to the statement of net position	23
Statement of revenues, expenditures and changes in fund balances—governmental funds	24–25
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	26
Statement of net position—enterprise funds	27–28
Statement of revenues, expenses and changes in net position—enterprise funds	29
Statement of cash flows—enterprise funds	30–31
Notes to basic financial statements	32–81
Required supplementary information:	
Schedule of changes in the City’s total OPEB liability and related ratios	82
Iowa Public Employees’ Retirement System:	
Schedule of the City’s proportionate share of the net pension liability	83
Schedule of City contributions	84
Notes to required supplementary information—IPERS pension liability	85
Municipal Fire and Police Retirement System of Iowa:	
Schedule of the City’s proportionate share of the net pension liability	86
Schedule of City contributions	87
Notes to required supplementary information—MFPRSI pension liability	88
Budgetary comparison schedule—budget and actual (modified cash basis)—all governmental funds and proprietary funds	89–90
Note to required supplementary information—budgetary reporting	91
Schedule of comparison—funds statements (GAAP basis) to budgetary (modified cash) basis	92–95
Schedule of employer contributions for Waterloo Water Works pension plan	96–97
Schedule of changes in net pension liability and related ratios for Waterloo Water Works pension plan	98
Notes to required supplementary information for Waterloo Water Works pension plan	99
IPERS schedule of the Waterloo Water Works’ proportionate share of the net pension liability	100
IPERS schedule of Waterloo Water Works contributions	101–102

Contents

Financial Section (continued)	
Supplementary information:	
Schedule of revenues, expenditures and changes in fund balances—General Fund	103–113
Nonmajor governmental funds:	
Combining balance sheet	114
Combining schedule of revenues, expenditures and changes in fund balances	115
Nonmajor special revenue funds:	
Fund descriptions	116
Combining balance sheet	117–118
Combining statement of revenues, expenditures and changes in fund balances (deficit)	119–120
Capital projects funds:	
Fund descriptions	121
Combining balance sheet	122–123
Combining statement of revenues, expenditures and changes in fund balances (deficit)	124–125
Fiduciary funds, fund descriptions	126
Agency Fund, statement of changes in assets and liabilities	127
Statistical Section (Unaudited)	
Statistical section contents	128
Net position by component	129
Changes in net position	130–131
Fund balances, governmental funds	132
Changes in fund balances, governmental funds	133
Assessed and taxable value of property	134
Property tax rates	135
Principal taxpayers	136
Property tax levies and collections	137
Ratios of outstanding debt by type	138
Ratios of general bonded debt outstanding	139
Direct and overlapping governmental activities debt	140
Legal debt margin information	141
Sewer revenue bond coverage	142
Demographic and economic statistics	143
Principal area employers	144
Full-time equivalent city government employees by function/program	145
Operating indicators by function/program	146–147
Capital asset statistics by function/program	148
Compliance Section	
Schedule of expenditures of federal awards	149–150
Notes to schedule of expenditures of federal awards	151
Summary schedule of prior audit findings	152
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	153–154
Report on compliance for each major federal program and report on internal control over compliance required by Uniform Guidance	155–156
Schedule of findings and questioned costs	157–159



CITY OF WATERLOO, IOWA

OFFICE OF THE MAYOR & CITY CLERK AND FINANCE DEPARTMENT

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

December 21, 2018

Mayor
QUENTIN
HART

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

COUNCIL MEMBERS

.....

MARGARET
KLEIN
Ward 1

BRUCE
JACOBS
Ward 2

PATRICK
MORRISSEY
Ward 3

JEROME
AMOS, JR.
Ward 4

RAY
REUSS
Ward 5

SHARON
JUON
At-Large

STEVE
SCHMITT
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, 2018 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, 2018.

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. 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 region, 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. Major employers in the City include the John Deere Waterloo Works Drivetrain Operations, Engine Works, Foundry, Product Engineering and Assembly facilities. Other major employers include Tyson Foods, Wheaton Franciscan Healthcare, Omega/Master Brand Cabinetry, Bertch Cabinets, and ConAgra Brands, Inc.

The area's regional economic development corporation, the Greater Cedar Valley Alliance & Chamber, partners with the city to stimulate development in Waterloo as well as the entire metropolitan area. Total building permit valuation for Waterloo was over \$100 million for the fifth straight year, reaching \$104.7 million for the fiscal year ended June 30, 2018. Waterloo is a regional retail center for Black Hawk and surrounding counties. Retail sales have increased steadily over the last few years, although they declined by 2.95% in 2018 to \$1.109 billion in fiscal 2018. Waterloo's population has remained relatively stable during the past decade.

The overall city tax base has also remained stable, reflecting an average annual growth level of approximately 0.6% for the last five years. The City has developed a more diverse employment base in recent years, although Deere & Co. continues to play a major role in the local economy. Deere (a Fortune 100 company) remains the city's largest employer and one of its largest taxpayers. The company has invested more than one billion dollars 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 average unemployment level stands at 2.5% compared to the state level of 2.5% and the federal level of 3.7%.

MAJOR INITIATIVES AND PROJECTS

Downtown redevelopment and the creation of economic corridors, districts of similar uses, and opportunities for other compatible development have been development priorities. The City acquired more than 4 blocks of land in the downtown core area, creating sites for development.

Cedar Valley Riverfront Renaissance

The Riverfront Renaissance project was a major project that utilized state "Vision Iowa" funds, as well as private funds, local funds, and partnerships with other businesses to create three major objectives:

- 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.

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 5,200 members.

Cedar Valley TechWorks Campus Area

At the other end of the Riverwalk Loop, the \$52 million Cedar Valley Tech Works 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 lots available for additional commercial development.

Other development in the downtown area includes the \$15 million Grand Crossing private development. Phases I and II are now complete with 108 condominium units and first floor retail and commercial space. Phase III is now underway. In addition, Hawkeye Community College has nearly completed work on its new \$8 million urban campus which will bring additional educational and student services populations downtown.

Logan Plaza

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 others under construction. In addition a new Kwik-Star fuel and convenience store is now open with additional retail being planned. Overall, there will be four phases of projects, with over \$9 million in private investment, creating a medical and retail park for this part of the

community. 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
- Improvements to the secondary road system along Highway 63, with the elimination of un-needed frontage roads for better economic outlots for developments, and improvements in lane configurations and improvements to Donald Street

Other New Development Projects

Several other major development projects are underway:

The former Greyhound Park was demolished, creating new development land near the major intersection of U.S. Highways 20 and 63.

The Boys & Girls Club has begun construction on a \$5.0 million Teen Center on E. 4th St.

Dahlstrom Real Estate has initiated a project to construct a new \$8.0 million warehouse and office building near Wagner Road and Airline Highway.

John Deere is nearing completion of a \$7.3 million addition to its Westfield Avenue manufacturing site.

A seven-story 70-unit residential tower is under construction on the riverfront, immediately adjacent to the RiverLoop Amphitheater and Upper Plaza.

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. The first segment of Highway 63 is open, and construction is well underway on the segment from Jefferson St. to Newell St. Traffic flow improvements to Kimball Avenue have been completed. The reconstruction of University Avenue from Midway Dr. to U.S. Highway 63 has begun, with estimated completion in 2020.

Airport Improvements

\$3.5 million in improvements to taxiways, runways, and parking were made to the Waterloo Regional Airport in 2018.

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.

Plans have been finalized for major improvements to Lincoln Park downtown, including improved infrastructure, new seating, lighting and walkways. Groundbreaking is scheduled in 2019 with completion in 2020.

Construction is nearly complete on the Waterloo Boat House project, and the Sherwood Park recreation area improvements have been completed.

AWARDS

The Small Business Administration named the City of Waterloo as the 2018 Iowa Small Business Community of the Year. The SBA cited key successes including the City's ongoing partnership with neighboring communities, and its support of regional economic development organizations such as the Greater Cedar Valley Alliance, the TechWorks Campus, and the Pappajohn Entrepreneurial Center.

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 2017. This is the fourteenth 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

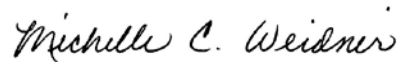
This report could not have been completed without the dedicated service of the entire Finance department and other City staff in addition to the RSM US LLP audit team. We want to thank all of the City departments for their assistance in providing data necessary for this report.

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

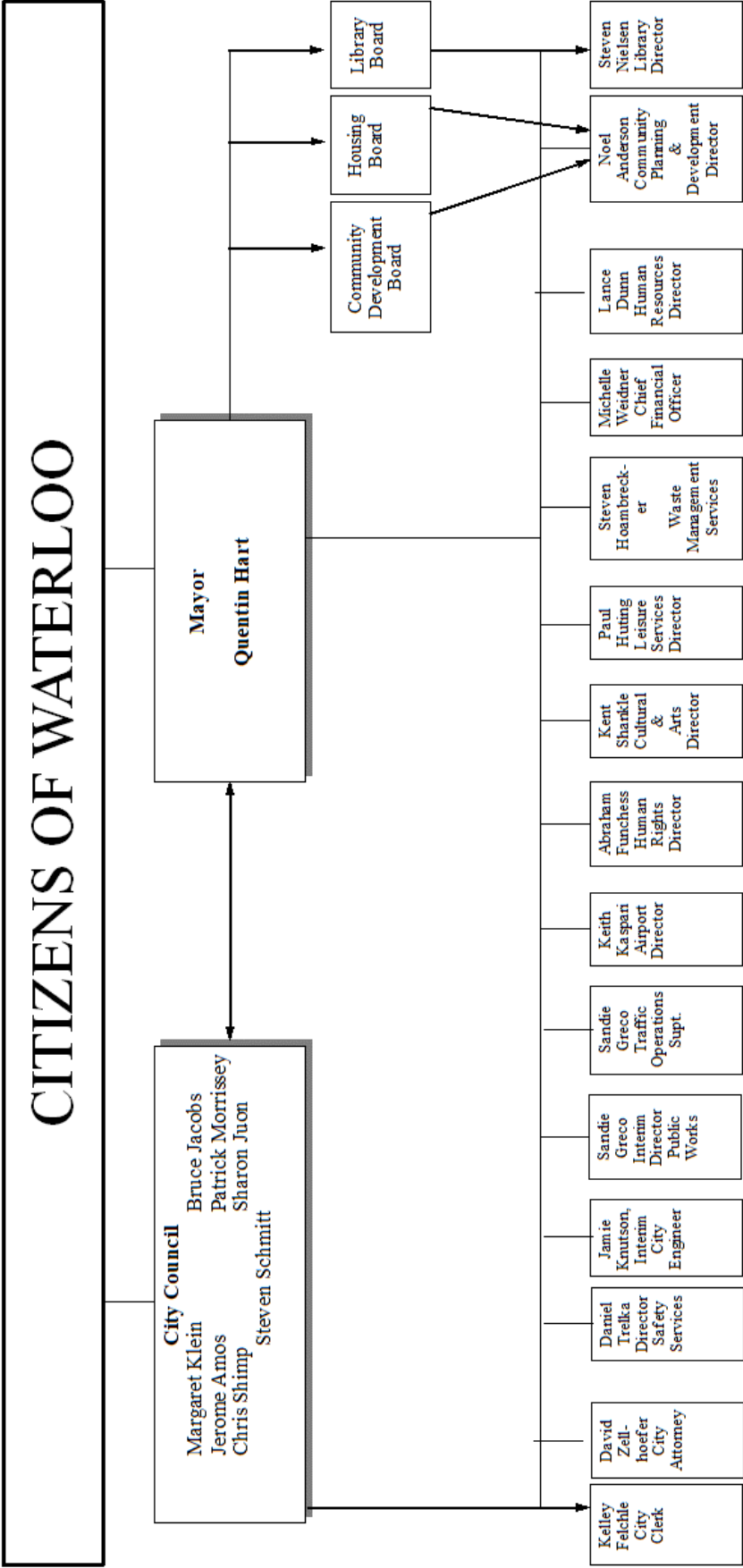
City of Waterloo, Iowa

Officials

As of June 30, 2018

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
Christopher Shimp	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
Eric Thorson, PE	City Engineer	Indefinite
Jamie Knutson, PE	Interim City Engineer	Indefinite
David Zellhoefer	City Attorney	Indefinite
Daniel Trelka	Chief of Waterloo Police Department	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, 2017

Christopher P. Morill

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, 2018, 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 percent 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, 2018, 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.

Emphasis of Matter

As explained in Note 13 to the financial statements, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which restated beginning net position and other postemployment benefits liability of the governmental activities, business-type activities, major enterprise fund and the aggregate remaining funds. Our opinion is not modified with respect to this matter.

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 December 21, 2018 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
December 21, 2018

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2018

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, 2018. 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 \$417,866,994 (net position). Of this amount, the City's unrestricted net position (\$25,659,519) is negative, due to recording the City's share of postemployment benefit liabilities as required due to the implementation of GASB Statement No. 75, an accounting standard applicable for the city's participation in postemployment benefits.
- The City's total net position increased by \$9,580,612 compared to the 2017 ending net position of \$408,286,382.
- As of the close of this current fiscal year, the City of Waterloo's governmental funds reported combined ending fund balances of \$89,774,573, a decrease of \$8,816,485 in comparison with the prior year. Approximately 7.1 percent of this total amount, \$6,387,374, 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 \$9,479,091, or 18.7 percent of total General Fund expenditures.
- The City of Waterloo's total long-term liabilities increased by \$6,471,484 or 3.9 percent during the current fiscal year, due primarily to the issuance of general obligation bonds and other loans to finance various capital improvements and economic development projects and also due to recognizing the full liability for post-employment healthcare benefits.

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, 2018

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, 2018

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, 2018.

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 \$417,866,994 at the close of the fiscal year ended June 30, 2018.

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

Statement of Net Position

A condensed version of the Statement of Net Position as of June 30, 2018 and 2017 follows:

	City of Waterloo's Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2018 As Restated	2017 Not Restated	2018 As Restated	2017 Not Restated	2018 As Restated	2017 Not Restated
Assets						
Current and other assets	\$ 153,977,327	\$ 160,262,329	\$ 24,767,384	\$ 24,940,110	\$ 178,744,711	\$ 185,202,439
Capital assets	373,738,967	361,366,873	96,833,189	96,002,802	470,572,156	457,369,675
Total assets	527,716,294	521,629,202	121,600,573	120,942,912	649,316,867	642,572,114
Deferred outflows of resources	13,519,715	21,156,718	968,914	940,474	14,488,629	22,097,192
Liabilities						
Current liabilities	22,802,051	20,229,201	4,985,775	4,186,920	27,787,826	24,416,121
Long-term liabilities	145,496,173	140,564,602	24,852,008	23,312,095	170,348,181	163,876,697
Total liabilities	168,298,224	160,793,803	29,837,783	27,499,015	198,136,007	188,292,818
Deferred inflows of resources	47,623,590	51,539,230	178,905	53,056	47,802,495	51,592,286
Net position						
Net investment in capital assets	312,634,254	306,360,558	78,421,882	79,180,253	391,056,136	385,540,811
Restricted	52,436,491	55,182,022	33,886	672,515	52,470,377	55,854,537
Unrestricted	(39,756,550)	(31,089,693)	14,097,031	14,478,547	(25,659,519)	(16,611,146)
Total net position	\$ 325,314,195	\$ 330,452,887	\$ 92,552,799	\$ 94,331,315	\$ 417,866,994	\$ 424,784,202

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2018

\$52,470,377 of the City of Waterloo's net position (12.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$25,659,519) 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 post-employment healthcare 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 2017 ending net position. Governmental-type activities' net position increased by \$9,301,404 from the 2017 net position of \$316,012,791. 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 \$279,208 from the 2017 restated net position of \$92,273,591.

Statement of Activities

A condensed version of the Statement of Activities as of June 30, 2018 and 2017 follows:

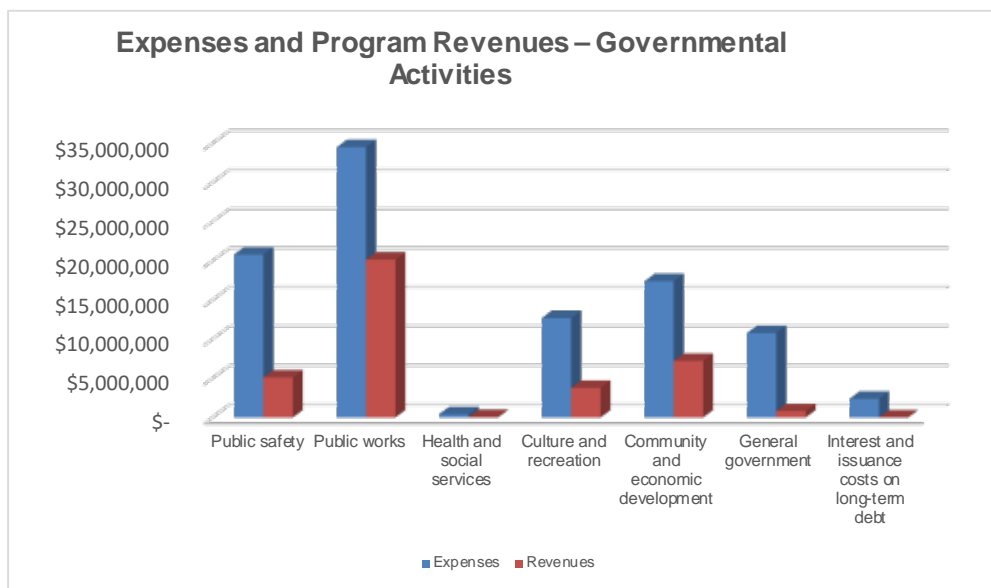
	City of Waterloo's Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017 Not Restated	2018	2017 Not Restated	2018	2017 Not Restated
Revenues:						
Program revenues:						
Charges for services	\$ 12,841,227	\$ 11,818,461	\$ 16,946,246	\$ 19,055,784	\$ 29,787,473	\$ 30,874,245
Operating grants and contributions	11,617,786	13,138,910	310,679	496,658	11,928,465	13,635,568
Capital grants and contributions	12,757,084	35,704,168	145,656	192,977	12,902,740	35,897,145
General revenues:						
Property taxes	47,404,667	46,530,686	-	-	47,404,667	46,530,686
Other taxes	17,239,619	17,260,380	-	-	17,239,619	17,260,380
Other	5,434,618	3,116,000	150,737	51,489	5,585,355	3,167,489
Total revenues	107,295,001	127,568,605	17,553,318	19,796,908	124,848,319	147,365,513
Expenses:						
Public safety	20,828,929	33,735,948	-	-	20,828,929	33,735,948
Public works	34,150,050	35,579,527	-	-	34,150,050	35,579,527
Health and social services	369,832	381,203	-	-	369,832	381,203
Culture and recreation	12,667,184	15,012,599	-	-	12,667,184	15,012,599
Community and economic development	17,417,572	12,860,289	-	-	17,417,572	12,860,289
General government	10,174,531	10,421,434	-	-	10,174,531	10,421,434
Interest on long-term debt	2,385,499	2,175,284	-	-	2,385,499	2,175,284
Sanitary sewer	-	-	13,107,645	13,635,403	13,107,645	13,635,403
Sanitation	-	-	4,166,465	4,050,778	4,166,465	4,050,778
Total expenses	97,993,597	110,166,284	17,274,110	17,686,181	115,267,707	127,852,465
Increase in net position before transfers	9,301,404	17,402,321	279,208	2,110,727	9,580,612	19,513,048
Transfers	-	-	-	-	-	-
Change in net position	9,301,404	17,402,321	279,208	2,110,727	9,580,612	19,513,048
Net position, beginning, restated	316,012,791	313,050,566	92,273,591	92,220,588	408,286,382	405,271,154
Net position, ending	\$ 325,314,195	\$ 330,452,887	\$ 92,552,799	\$ 94,331,315	\$ 417,866,994	\$ 424,784,202

City of Waterloo, Iowa

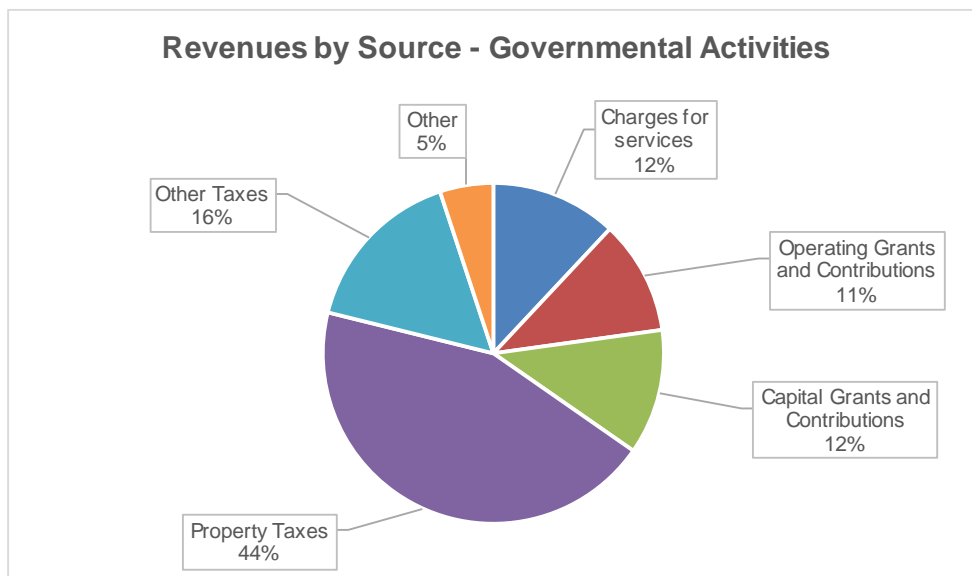
Management's Discussion and Analysis For Fiscal Year Ended June 30, 2018

Total governmental activities' revenue for the current fiscal year was \$107,295,001. The largest single revenue source for the City was property taxes of \$47,404,667. Property taxes increased by \$873,981 (1.9 percent) during the year. This increase is a result of a combination of factors, including an increase in the assessed value of property of .7 percent, an increase of 1.7 percent in the taxable value of property and a reduction of 0.03 percent in the levy rate.

Certain revenues are generated that are specific to governmental program activities. These totaled \$37,216,097 during the fiscal year ended June 30, 2018. The graph below illustrates the comparison between the expenses by governmental activity type and the revenues generated that are specific to those activities.



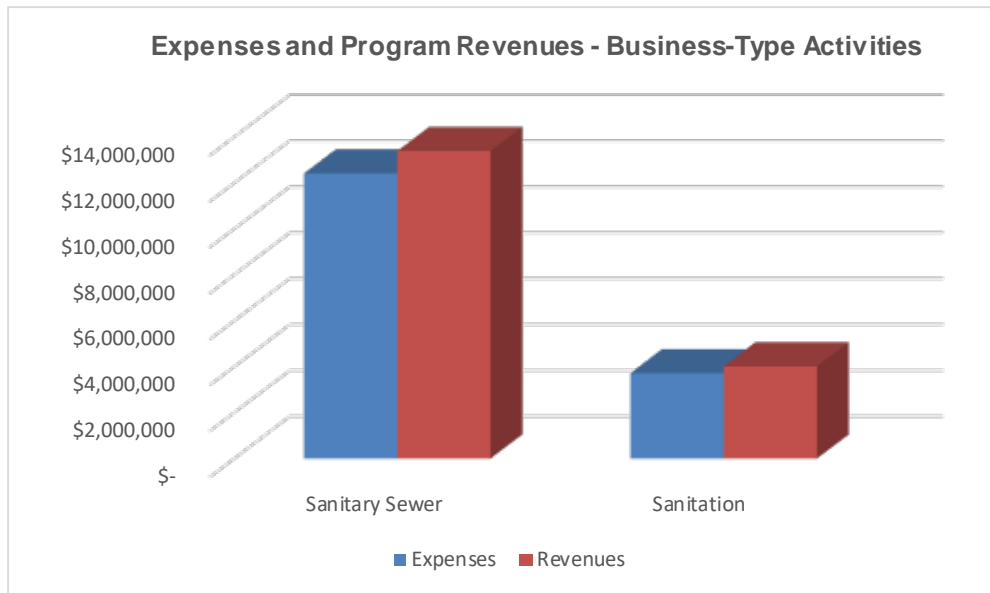
The graph below shows the percentage of the total governmental revenues allocated by each revenue type.



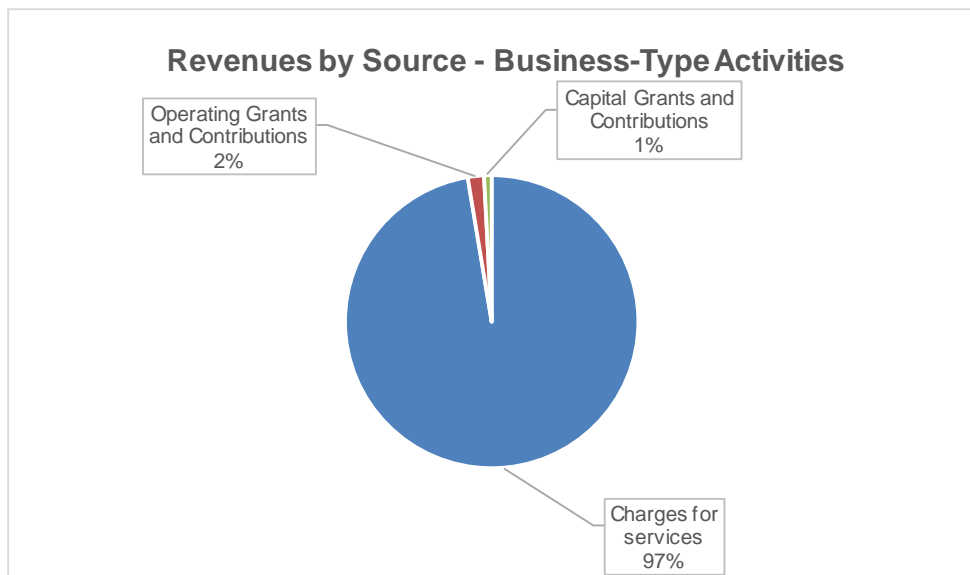
City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2018

Total business-type activities' revenue for the fiscal year was \$17,553,318. \$17,402,581 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 \$279,208 from the 2017 restated net position of \$92,273,591, accounting for 2.9 percent of the increase in the City's net position.

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2018

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 \$89,774,573, a decrease of \$8,816,485 in comparison with the prior year. Fund balance in the amount of \$83,387,199 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 7.1 percent of total fund balance or \$6,387,374, 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 \$9,479,091, while total fund balance was \$23,783,551. 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 18.7 percent of total General Fund expenditures, while total fund balance represents 47.0 percent of that same amount.

Net general fund operations resulted in an increase in total general fund balance of \$63,119, and a decrease in unassigned fund balance of \$67,771 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, 2018. While most operating activities came in under budget for the year, those savings were primarily due the health care cost savings that are restricted and not available for general use.

The City budgeted to use \$500,000 in unassigned fund balance for operations in fiscal year 2018, and an additional \$210,000 for fiscal year 2019 (\$710,000 total for 2019), which was set aside in assigned fund balance at June 30, 2018. Because unassigned fund balance decreased by only \$67,771 for the year, overall general fund performance for the year was better than expected by \$642,229. Various factors contributed to that performance, including interest revenue earned in the general fund that exceeded the amount budgeted by \$126,000; an increase in gas and electric franchise fees earned of \$193,000 and positions that were vacant for portions of the year.

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2018

The General Obligation Debt Service Fund—The net increase in fund balance of \$135,135 during the current year is largely due to savings realized from the refunding bond issue.

TIF Fund—The total fund balance of \$3,148,011 is restricted for the payment of debt service related to tax increment financing district projects. The net decrease in fund balance during the current year was \$219,032 and is the result of timing differences between revenue collections and the payment of TIF obligations.

June 2018 GO Bonds Fund – The net increase in fund balance of \$8,039,020 is due to the issuance of general obligation bonds in 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 \$88,613,394, a decrease of \$826,466 from the 2017 net position of \$89,439,860. This decrease was due to several factors, including amounts owing for sewer construction related to the Highway 63 project and other mandated sewer system improvements using bond funds sold in prior years and the expense to recognize the liability for post-employment healthcare benefits.

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 \$168,692,801 including transfers out was increased to \$191,270,434 (an increase of \$22,577,633).

- In the Public Safety program category, expenses and related revenue for various law enforcement grants and non-property tax funded projects were increased (\$.3 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 and bridge repairs. Additional revenue and expense was budgeted for traffic operations. (\$3.5 million).
- The Health and Social Services category was reduced to reflect the budgeted amount remaining from the Fair Housing project. (\$.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.

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2018

- 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 (\$.1 million).
- Additional federal revenue and expense expected to be completed using Block Grant and Housing funds were added to the Community and Economic Development category. (\$.5 million).
- Amendments reflecting the use of restricted fund balance for health and liability insurance claims and to expend grant funds received in prior years were made in the General Government category (\$1.9 million).
- Under the Debt Service category, revenue and expenses were increased to reflect the planned refunding bond issue. (\$3.7 million).
- In the Capital Projects program, additional expenses relating to grant revenue awarded during the year and not previously budgeted were added. Several construction project budgets were adjusted to more accurately reflect the work expected to be completed by June 30, 2018. (\$9.2 million).
- Transfers out were increased to reflect the transfer of TIF revenue to the capital improvement fund that was used for TIF-funded projects. Transfers necessary to properly account for the sewer portion of the refunding bond issue were added. (\$3.4 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 amounts anticipated to be spent for capital improvement projects and operations by June 30, 2018 (\$.1 million).

The total original revenue budget, including other financing sources of \$158,249,078 was increased to \$170,256,014 (an increase of \$12,006,936.)

- 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 (\$3.7 million).
- Amendments were made to various charges for services to reflect higher revenues than originally anticipated with the certified budget (\$.3 million).
- Miscellaneous revenue was increased to reflect additional donations received for various City projects and for insurance and other refunds received that exceeded original budget projections (\$.8 million).
- The City amended the original budget for debt proceeds to reflect bond proceeds from anticipated general obligation and sewer bond refunding issues (\$3.6 million).
- Transfers in were increased to reflect the sewer portion of the refunding bond issue as well as an increased transfer to the capital projects fund from the tax increment financing fund (\$3.4 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, 2018, amounts to \$470,672,168 (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 2.9 percent (a 3.4 percent increase for governmental activities and a 0.9 percent increase for business-type activities).

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2018

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	
	2018	2017	2018	2017	2018	2017
Land	\$ 44,688,184	\$ 44,395,439	\$ 534,242	\$ 534,242	\$ 45,222,426	\$ 44,929,681
Land held for redevelopment	14,614,633	10,989,706	-	-	14,614,633	10,989,706
Buildings and improvements	65,042,025	67,297,884	44,982,946	46,315,435	110,024,971	113,613,319
Other improvements	-	-	41,736,685	40,272,939	41,736,685	40,272,939
Software	94,148	205,011	-	-	94,148	205,011
Infrastructure	218,383,910	216,855,739	-	-	218,383,910	216,855,739
Furniture, vehicles, machinery and equipment	8,922,508	10,214,950	4,822,007	5,318,519	13,744,515	15,533,469
Construction-in-progress	21,993,559	11,408,144	4,757,309	3,561,667	26,750,868	14,969,811
	\$ 373,738,967	\$ 361,366,873	\$ 96,833,189	\$ 96,002,802	\$ 470,572,156	\$ 457,369,675

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

- The City acquired properties for the continued economic development of the Logan Urban Renewal Area (\$3.0 million), as well as other properties for development. (\$1.2 million).
- New additions to buildings and improvements totaled \$1.6 million, including new boilers for the Convention Center, a new chemical storage building and parking garage improvements.
- The City invested \$.8 million in new vehicles, equipment, computers and software for various city departments. The most significant of these included a tractor with mower, salt brine blender, fuel pump dispensers and an HD upgrade to the TV studio.
- New investments in infrastructure assets totaled \$11.5 million, including street reconstruction and improvements (\$9.6 million), a new bridge canopy (\$1.0 million), and recreational trail improvements (\$.9 million).
- The City invested \$2.6 million in infrastructure assets and \$.6 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.

Long-term liabilities. At the end of the current fiscal year, the City of Waterloo had total bonded debt outstanding of \$101,489,000. This entire amount is comprised of debt backed by the full faith and credit of the government.

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2018

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 increased by \$6,765,244.

The City of Waterloo's total long-term liabilities decreased by \$7,020,674 (7.8 percent) during the current fiscal year, due largely to a reduction in estimated pension liabilities.

The City issued general obligation bonds in the amount of \$11,575,000 during the current fiscal year; \$8,090,000 for general purposes, \$1,425,000 in general purpose refunding bonds and \$2,060,000 in refunding bonds for previously financed sewer 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 percent of its total assessed valuation. The current debt limitation for the City of Waterloo is \$189,304,947, which is significantly greater than the City of Waterloo's outstanding general obligation debt (\$101,105,698) and other debt subject to debt limitation (\$8,019,724). The total debt subject to this limitation is \$109,125,422, resulting in available debt margin of \$80,179,525.

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 percent of General Fund revenues. Over the past five years, citywide assessed valuations have risen an average of 0.6 percent annually, while property tax regulations imposed by the State of Iowa resulted in taxable values increasing by an average of 1.5 percent over that same time period. The fiscal 2019 budget reflects a reduction in total property tax and utility excise tax revenue of 1.6 percent. State property tax reform added a provision that the state would replace property tax revenue lost due to the implementation of a new reduction in taxable value of commercial and industrial properties. The City budgeted to receive \$1.8 million in property tax replacement payments. The gas and electric utility franchise fee was increased to 4 percent from 3 percent to further diversify revenue sources and is expected to generate approximately \$3.7 million in revenue for the year ending June 30, 2019. As discussed elsewhere in this report, the City budgeted to use \$710,000 in general fund reserves for general operations for the year ended June 30, 2019.

Personnel costs comprise a significant portion of City operating costs. Wage increases identified in contractual bargaining agreements are 2.75 percent for fiscal year 2019. The employer contribution rate required for the Municipal Fire and Police Retirement System will increase by 1.32 percent, while the contribution rate for the Iowa Public Employees Retirement System will increase by 5.71 percent. Anticipated health care costs for the year ending June 30, 2019 are expected to increase at a rate of 5 percent.

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 2019.

City of Waterloo, Iowa

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2018**

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, 2018

	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	\$ 78,204,617	\$ 15,499,984	\$ 93,704,601	\$ 12,594,129	\$ 268,962
Restricted cash and cash equivalents	1,241,336	-	1,241,336	-	-
Investments	-	-	-	397,751	471,959
Receivables:					
Customer accounts, net of allowance for uncollectible accounts	1,774,931	3,542,118	5,317,049	1,646,192	-
Property taxes:					
Delinquent	315,231	-	315,231	-	-
Succeeding year	45,855,101	-	45,855,101	-	-
Internal accounts	(38,704)	38,704	-	-	-
Due from other governments:					
Component unit	369,042	1,110,202	1,479,244	-	-
Primary government	-	-	-	-	298,340
Other	12,904,677	184,525	13,089,202	-	-
Miscellaneous	-	-	-	-	-
Accrued interest	352,230	-	352,230	10,805	210
Special assessments	135,788	365,636	501,424	-	-
Inventories and prepaids	491,670	56,091	547,761	554,778	10,133
Total current assets	141,605,919	20,797,260	162,403,179	15,203,655	1,049,604
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	12,056,283	3,970,124	16,026,407	-	-
Investments	-	-	-	188,053	336,261
Receivables	13,168	-	13,168	-	-
Loans and notes, net of allowance for uncollectible amounts	23,100	-	23,100	-	-
Special assessments receivable	278,857	-	278,857	210,911	-
Capital assets, net of accumulated depreciation	292,442,591	91,541,648	383,984,239	25,284,389	23,989
Capital assets not being depreciated	81,296,376	5,291,541	86,587,917	2,664,288	-
Total noncurrent assets	386,110,375	100,803,313	486,913,688	28,347,641	360,250
Total assets	527,716,294	121,600,573	649,316,867	43,551,296	1,409,854
Deferred Outflows of Resources,					
pension related amounts	13,519,715	968,914	14,488,629	563,744	-

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	\$ 5,344,478	\$ 2,040,530	\$ 7,385,008	\$ 912,747	\$ 9,511
Accrued liabilities and other	1,729,380	169,623	1,899,003	189,895	8,366
Due to primary government	-	-	-	1,146,149	-
Due to component unit	298,340	-	298,340	-	-
Due to other governments	-	-	-	62,093	-
Noncurrent liabilities due and payable					
within one year	13,197,153	2,729,236	15,926,389	-	-
Unearned revenues	400,403	-	400,403	-	-
Current liabilities payable from restricted assets:					
Health claims	1,241,336	-	1,241,336	-	-
Other	404,750	-	404,750	-	-
Accrued interest	186,211	46,386	232,597	-	-
Total current liabilities	22,802,051	4,985,775	27,787,826	2,310,884	17,877
Noncurrent:					
Customer deposits	57,140	397,765	454,905	188,053	-
Worker's compensation claims	636,923	-	636,923	-	-
General obligation bonds and notes, net of bond discounts and premium	72,703,300	16,602,494	89,305,794	-	-
State revolving fund capital loan	-	1,468,000	1,468,000	-	-
Other loans and notes	6,891,787	-	6,891,787	-	-
Total postemployment benefits liability	17,302,862	3,003,973	20,306,835	-	-
Compensated absences	1,844,358	142,982	1,987,340	-	-
Net pension liability	46,059,803	3,236,794	49,296,597	3,353,381	-
Total noncurrent liabilities	145,496,173	24,852,008	170,348,181	3,541,434	-
Total liabilities	168,298,224	29,837,783	198,136,007	5,852,318	17,877
Deferred Inflows of Resources					
Property taxes	46,170,332	-	46,170,332	-	-
Pension related amounts	1,165,415	128,931	1,294,346	53,980	-
OPEB related amounts	287,843	49,974	337,817	-	-
Total deferred inflows of resources	47,623,590	178,905	47,802,495	53,980	-
Net Position					
Net investment in capital assets	312,634,254	78,421,882	391,056,136	27,948,677	23,989
Restricted for:					
Debt service	3,511,412	7,904	3,519,316	-	-
Tourism promotion	1,721,229	-	1,721,229	-	-
Public access television	147,187	-	147,187	-	-
Civil rights enforcement	51,597	-	51,597	-	-
Housing	4,527,128	-	4,527,128	-	-
Donor specified	837,956	-	837,956	-	-
Library	290,701	-	290,701	-	-
Street and right-of-way maintenance	27,771,206	-	27,771,206	-	-
Improvements	6,322,545	25,982	6,348,527	-	-
Self-funded insurance	6,881,507	-	6,881,507	-	-
Employee benefits	374,023	-	374,023	-	-
Unrestricted (deficit)	(39,756,550)	14,097,031	(25,659,519)	10,260,065	1,367,988
Total net position	\$ 325,314,195	\$ 92,552,799	\$ 417,866,994	\$ 38,208,742	\$ 1,391,977

City of Waterloo, Iowa

Statement of Activities Year Ended June 30, 2018

Programs/Functions	Program Revenues				
	Direct Expenses	Indirect Allocations	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:					
Public safety	\$ 20,828,929	\$ -	\$ 4,410,854	\$ 706,078	\$ -
Public works	34,530,050	(380,000)	3,641,744	8,737,685	7,789,551
Health and social services	444,832	(75,000)	-	62,297	-
Culture and recreation	12,717,184	(50,000)	3,503,643	290,051	-
Community and economic development	17,417,572	-	578,477	1,691,951	4,967,533
General government	10,813,031	(638,500)	706,509	129,724	-
Interest and issuance costs on long-term debt	2,385,499	-	-	-	-
Total governmental activities	99,137,097	(1,143,500)	12,841,227	11,617,786	12,757,084
Business-type activities:					
Sanitary Sewer	12,415,645	692,000	13,208,176	37,055	145,656
Sanitation	3,714,965	451,500	3,738,070	273,624	-
Total business-type activities	16,130,610	1,143,500	16,946,246	310,679	145,656
Total primary government	\$ 115,267,707	\$ -	\$ 29,787,473	\$ 11,928,465	\$ 12,902,740
Component unit, Waterloo Water Works	\$ 6,857,317	\$ -	\$ 9,476,836	\$ -	\$ 3,839
Component unit, Waterloo Convention & Visitors Bureau, Inc.	\$ 606,633	\$ -	\$ -	\$ 645,021	\$ -
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					
Total general revenues					
Changes in net position					
Net position, beginning of year, as restated					
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.	
\$ (15,711,997)	\$ -	\$ (15,711,997)	\$ -	\$ -	
(13,981,070)	-	(13,981,070)	-	-	
(307,535)	-	(307,535)	-	-	
(8,873,490)	-	(8,873,490)	-	-	
(10,179,611)	-	(10,179,611)	-	-	
(9,338,298)	-	(9,338,298)	-	-	
(2,385,499)	-	(2,385,499)	-	-	
(60,777,500)	-	(60,777,500)	-	-	
-	283,242	283,242	-	-	
-	(154,771)	(154,771)	-	-	
-	128,471	128,471	-	-	
(60,777,500)	128,471	(60,649,029)	-	-	
-	-	-	2,623,358	-	
-	-	-	-	38,388	
47,404,667	-	47,404,667	-	-	
9,416,283	-	9,416,283	-	-	
1,422,316	-	1,422,316	-	-	
1,276,144	-	1,276,144	-	-	
1,352,467	-	1,352,467	-	-	
3,029,140	-	3,029,140	-	-	
675,681	-	675,681	-	-	
67,588	-	67,588	-	-	
842,018	104,439	946,457	96,914	8,580	
4,592,600	-	4,592,600	909,868	3,625	
-	46,298	46,298	11,500	-	
70,078,904	150,737	70,229,641	1,018,282	12,205	
9,301,404	279,208	9,580,612	3,641,640	50,593	
316,012,791	92,273,591	408,286,382	34,567,102	1,341,384	
\$ 325,314,195	\$ 92,552,799	\$ 417,866,994	\$ 38,208,742	\$ 1,391,977	

City of Waterloo, Iowa

**Balance Sheet
Governmental Funds
June 30, 2018**

	General	Trust and Agency
Assets		
Cash and cash equivalents	\$ 11,494,635	\$ 443,878
Receivables:		
Customer accounts, net	1,532,841	-
Property tax:		
Delinquent	147,701	71,015
Succeeding year	19,680,558	9,442,500
Special assessments	414,645	-
Accrued interest	198,850	2,364
Loans and notes	23,100	-
Due from other funds	4,542,648	-
Due from other governments:		
Federal	40,332	-
Iowa	408,130	-
Other	238,693	98,988
Inventories and prepaids	360,459	-
Restricted assets:		
Cash and cash equivalents	8,894,456	1,844,107
Receivables	13,168	-
Advances to other funds	-	-
Total assets	\$ 47,990,216	\$ 11,902,852

(Continued)

Tax Increment Financing	General Obligation Debt Service	Road Use Tax	Other Governmental	Total
\$ 4,801,359	\$ 894,272	\$ 26,901,280	\$ 33,669,193	\$ 78,204,617
-	-	4,681	237,409	1,774,931
39,434	52,642	-	4,439	315,231
8,823,121	7,318,740	-	590,182	45,855,101
-	-	-	-	414,645
3,151	788	-	147,077	352,230
-	-	-	-	23,100
-	-	-	-	4,542,648
-	-	-	1,457,661	1,497,993
-	-	7,113,775	3,249,566	10,771,471
200,956	89,948	310,183	65,487	1,004,255
-	-	120,287	10,924	491,670
-	99,868	-	2,459,188	13,297,619
-	-	-	-	13,168
-	-	108,189	21,423	129,612
\$ 13,868,021	\$ 8,456,258	\$ 34,558,395	\$ 41,912,549	\$ 158,688,291

City of Waterloo, Iowa

Balance Sheet (Continued)
Governmental Funds
June 30, 2018

	General	Trust and Agency
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Accounts payable	\$ 252,899	\$ 1,280
Retainages payable	-	-
Accrued liabilities	1,307,801	169,927
Due to other funds	-	-
Unearned revenue	135,826	-
Compensated absences	84,275	-
Due to Waterloo Convention & Visitors Bureau, Inc.	298,340	-
Payables from restricted assets	1,646,086	-
Advances from other funds	168,316	-
Total liabilities	3,893,543	171,207
Deferred Inflows of Resources		
Unavailable revenue—property tax	19,828,259	9,513,515
Unavailable revenue—local option sales tax	-	-
Unavailable revenue—special assessments	414,645	-
Unavailable revenue—intergovernmental	70,218	-
Total deferred inflows of resources	20,313,122	9,513,515
Fund balances		
Nonspendable	528,775	-
Restricted	7,839,825	2,218,130
Committed	33,004	-
Assigned	5,902,856	-
Unassigned	9,479,091	-
Total fund balances	23,783,551	2,218,130
Total liabilities, deferred inflows of resources and fund balances	\$ 47,990,216	\$ 11,902,852

See notes to basic financial statements.

Tax Increment Financing	General Obligation Debt Service	Road Use Tax	Other Governmental	Total
\$ 186,542	\$ 10,778	\$ 988,580	\$ 3,164,658	\$ 4,604,737
-	-	93,041	646,700	739,741
-	-	151,557	100,095	1,729,380
1,670,913	-	-	2,871,735	4,542,648
-	-	-	264,577	400,403
-	-	6,636	4,661	95,572
-	-	-	-	298,340
-	-	-	57,140	1,703,226
-	-	-	-	168,316
1,857,455	10,778	1,239,814	7,109,566	14,282,363
8,862,555	7,371,382	-	594,621	46,170,332
-	-	-	585,000	585,000
-	-	-	-	414,645
-	-	5,427,088	1,964,072	7,461,378
8,862,555	7,371,382	5,427,088	3,143,693	54,631,355
-	-	120,287	10,924	659,986
2,623,525	1,074,098	27,771,206	32,714,875	74,241,659
-	-	-	-	33,004
524,486	-	-	2,025,208	8,452,550
-	-	-	(3,091,717)	6,387,374
3,148,011	1,074,098	27,891,493	31,659,290	89,774,573
\$ 13,868,021	\$ 8,456,258	\$ 34,558,395	\$ 41,912,549	\$ 158,688,291

City of Waterloo, Iowa

**Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018**

Total governmental fund balances		\$	89,774,573
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			373,738,967
Certain revenues are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds			8,461,023
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	3,775,158		
Deferred outflows of resources—MFPRSI	9,744,557		
Deferred inflows of resources—IPERS	(502,353)		
Deferred inflows of resources—MFPRSI	(663,062)		
Deferred inflows of resources—OPEB	(287,843)		12,066,457
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	\$ (81,051,000)		
Other loans and notes	(8,019,724)		
Bond discount	204,487		
Bond premium	(1,122,787)		
Total OPEB liability	(17,302,862)		
Workers' compensation claims payable	(636,923)		
Compensated absences	(4,552,002)		
Net pension liability—IPERS	(12,611,453)		
Net pension liability—MFPRSI	(33,448,350)		
Accrued interest payable	(186,211)		(158,726,825)
Net position of governmental activities		\$	325,314,195

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, 2018

	General	Trust and Agency
Revenues:		
Property taxes	\$ 20,892,430	\$ 9,912,499
Other taxes	7,137,065	384,838
Licenses and permits	1,340,458	-
Investment income	513,942	30,970
Rent	976,538	-
Intergovernmental	993,021	-
Charges for services	7,753,197	-
Interfund charges for services	2,205,000	-
Special assessments	176,382	-
Miscellaneous	1,395,472	-
Total revenues	43,383,505	10,328,307
Expenditures:		
Current operating:		
Public safety	26,538,729	4,189,889
Public works	3,253,216	-
Health and social services	365,193	-
Culture and recreation	9,771,641	-
Community and economic development	1,859,306	-
General government	8,856,520	4,885
Debt service:		
Principal	-	-
Interest and fees	-	-
Capital outlay	-	-
Total expenditures	50,644,605	4,194,774
Excess (deficiency) of revenues over expenditures	(7,261,100)	6,133,533
Other financing sources (uses):		
Transfers in	6,221,395	-
Transfers out	(160,806)	(5,998,398)
Insurance proceeds	1,112,624	-
Bond premium	-	-
Proceeds from sale of capital assets	151,006	-
Issuance of long-term debt	-	-
Total other financing sources (uses)	7,324,219	(5,998,398)
Net changes in fund balances	63,119	135,135
Fund balances, beginning of year	23,720,432	2,082,995
Fund balances, end of year	\$ 23,783,551	\$ 2,218,130

See notes to basic financial statements.

Tax Increment Financing	General Obligation Debt Service	Road Use Tax	Other Governmental	Total
\$ 8,080,799	\$ 7,899,281	\$ -	\$ 619,658	\$ 47,404,667
-	277,359	-	9,440,357	17,239,619
-	-	24,204	-	1,364,662
38,377	17,029	-	241,700	842,018
-	58,938	-	184,310	1,219,786
-	25,394	8,612,422	10,510,920	20,141,757
-	-	126,389	208,747	8,088,333
-	-	50,000	-	2,255,000
-	-	-	-	176,382
-	453,272	45,578	1,354,718	3,249,040
8,119,176	8,731,273	8,858,593	22,560,410	101,981,264
-	-	-	4,869	30,733,487
-	-	7,671,136	11,970,830	22,895,182
-	-	-	-	365,193
-	-	-	808,988	10,580,629
1,259,141	-	-	7,390,129	10,508,576
-	32,985	-	-	8,894,390
138,261	11,198,000	-	-	11,336,261
70,668	2,274,533	-	169,560	2,514,761
-	-	3,314,637	20,606,618	23,921,255
1,468,070	13,505,518	10,985,773	40,950,994	121,749,734
6,651,106	(4,774,245)	(2,127,180)	(18,390,584)	(19,768,470)
125,000	3,421,214	-	3,386,733	13,154,342
(6,995,138)	-	-	-	(13,154,342)
-	-	-	-	1,112,624
-	33,797	-	84,558	118,355
-	-	-	55,000	206,006
-	1,425,000	-	8,090,000	9,515,000
(6,870,138)	4,880,011	-	11,616,291	10,951,985
(219,032)	105,766	(2,127,180)	(6,774,293)	(8,816,485)
3,367,043	968,332	30,018,673	38,433,583	98,591,058
\$ 3,148,011	\$ 1,074,098	\$ 27,891,493	\$ 31,659,290	\$ 89,774,573

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, 2018

Net change in fund balances—governmental funds	\$	(8,816,485)
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	\$	24,451,004
Capital contribution		4,352,849
Depreciation		(16,012,144)
		12,791,709
The net effect of various miscellaneous transactions involving capital assets is to increase/decrease net position:		
Proceeds from sale of capital assets		(206,006)
Net (loss) on disposal of capital assets		(213,609)
		(419,615)
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		(9,515,000)
Repayment of general obligation bond principal		11,198,000
Long term debt issued for governmental purposes		(6,624,713)
Repayment of other long-term debt principal		393,691
Bond premium		(118,355)
Amortization of bond discounts and premiums		148,899
Change in accrued interest		(19,636)
		(4,537,114)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds:		
Current year		8,461,023
Prior year		(8,580,759)
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		826,641
Change in workers' compensation claims payable		(101,736)
Change in compensated absences and deferred compensation liabilities		(273,399)
Pension expense—IPERS		(407,123)
Pension expense—MFPRSI		10,358,262
Change in net position of governmental activities	\$	9,301,404

See notes to basic financial statements.

City of Waterloo, Iowa

**Statement of Net Position
Enterprise Funds
June 30, 2018**

	Sanitary Sewer	Nonmajor - Sanitation	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 12,041,125	\$ 3,458,859	\$ 15,499,984
Customer accounts receivable	2,883,541	658,577	3,542,118
Special assessments receivable	65,906	299,730	365,636
Due from other governments:			
Waterloo Water Works	773,618	336,584	1,110,202
Other	151,249	33,276	184,525
Inventories	56,091	-	56,091
Total current assets	15,971,530	4,787,026	20,758,556
Noncurrent assets:			
Advances to other funds	27,003	11,701	38,704
Restricted cash and cash equivalents	3,846,414	123,710	3,970,124
Capital assets, net of accumulated depreciation	90,337,465	1,204,183	91,541,648
Capital assets not being depreciated	5,269,541	22,000	5,291,541
Net capital assets	95,607,006	1,226,183	96,833,189
Total noncurrent assets	99,480,423	1,361,594	100,842,017
Total assets	115,451,953	6,148,620	121,600,573
Deferred Outflows of Resources , pension related amounts	699,104	269,810	968,914

See notes to basic financial statements.

	Sanitary Sewer	Nonmajor - Sanitation	Total
Liabilities, Deferred Inflows of Resources, and Net Position			
Liabilities:			
Current:			
Accounts payable	\$ 1,796,895	\$ 139,629	\$ 1,936,524
Retainages payable	104,006	-	104,006
Accrued liabilities	116,232	53,391	169,623
Current maturities of general obligation and capital loans	2,580,000	-	2,580,000
Compensated absences and deferred compensation	116,224	33,012	149,236
Accrued interest	46,386	-	46,386
Total current liabilities	4,759,743	226,032	4,985,775
Noncurrent:			
Security deposits	274,055	123,710	397,765
General obligation bonds, net bond discount and premium	16,602,494	-	16,602,494
State revolving fund capital loan	1,468,000	-	1,468,000
Other postemployment benefits liability	1,884,188	1,119,785	3,003,973
Compensated absences and deferred compensation	89,353	53,629	142,982
Net pension liability	2,335,457	901,337	3,236,794
Total noncurrent liabilities	22,653,547	2,198,461	24,852,008
Total liabilities	27,413,290	2,424,493	29,837,783
Deferred Inflows of Resources			
Pension related amounts	93,028	35,903	128,931
OPEB related amounts	31,345	18,629	49,974
Total deferred inflows of resources	124,373	54,532	178,905
Net position:			
Net investment in capital assets	77,195,699	1,226,183	78,421,882
Restricted for:			
Debt service	7,904	-	7,904
Improvements	25,982	-	25,982
Unrestricted	11,383,809	2,713,222	14,097,031
Total net position	\$ 88,613,394	\$ 3,939,405	\$ 92,552,799

City of Waterloo, Iowa

**Statement of Revenues, Expenses and Changes in Net Position
Enterprise Funds
Year Ended June 30, 2018**

	Sanitary Sewer	Nonmajor - Sanitation	Total
Operating revenues:			
Charges for sales and service	\$ 13,204,179	\$ 3,720,268	\$ 16,924,447
Miscellaneous	3,997	17,802	21,799
Total operating revenues	13,208,176	3,738,070	16,946,246
Operating expenses:			
Salaries and benefits	4,069,943	1,744,875	5,814,818
Contractual services	2,817,187	1,112,317	3,929,504
Intra-city reimbursements	692,000	451,500	1,143,500
Commodities	1,687,332	549,886	2,237,218
Depreciation	3,204,445	307,887	3,512,332
Total operating expenses	12,470,907	4,166,465	16,637,372
Operating income (loss)	737,269	(428,395)	308,874
Nonoperating revenues (expenses):			
Interest income	82,488	21,951	104,439
Intergovernmental	37,055	273,624	310,679
Interest expense	(661,208)	-	(661,208)
Amortization	24,470	-	24,470
Gain on sale of capital assets	34,798	11,500	46,298
Total nonoperating revenues (expenses)	(482,397)	307,075	(175,322)
Income prior to capital contributions	254,872	(121,320)	133,552
Other financing sources, capital contributions	145,656	-	145,656
Change in net position	400,528	(121,320)	279,208
Net position, beginning of year, as restated	88,212,866	4,060,725	92,273,591
Net position, end of year	<u>\$ 88,613,394</u>	<u>\$ 3,939,405</u>	<u>\$ 92,552,799</u>

See notes to basic financial statements.

City of Waterloo, Iowa

**Statement of Cash Flows
Enterprise Funds
Year Ended June 30, 2018**

	Sanitary Sewer	Nonmajor - Sanitation	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 14,322,898	\$ 3,910,002	\$ 18,232,900
Payments to suppliers	(3,864,003)	(1,654,231)	(5,518,234)
Payments to or on behalf of employees	(3,685,501)	(1,617,710)	(5,303,211)
Payment for interfund services used	(692,000)	(451,500)	(1,143,500)
Net cash provided by (used in) operating activities	6,081,394	186,561	6,267,955
Cash flows from noncapital financing activities, intergovernmental proceeds	95,751	268,327	364,078
Cash flows from capital and related financing activities:			
Purchase and construction of capital assets	(3,660,549)	(335,214)	(3,995,763)
Proceeds from disposal of capital assets	65,549	11,500	77,049
Proceeds from bonds, loans and notes, net bond premiums	3,687,009	-	3,687,009
Principal paid on debt	(4,713,000)	-	(4,713,000)
Interest paid on debt	(652,331)	-	(652,331)
Net cash (used in) capital and related financing activities	(5,273,322)	(323,714)	(5,597,036)
Cash flows from investing activities, interest received	82,488	21,951	104,439
Increase (decrease) in cash and cash equivalents	986,311	153,125	1,139,436
Cash and cash equivalents, beginning of year	14,901,228	3,429,444	18,330,672
Cash and cash equivalents, end of year	<u>\$ 15,887,539</u>	<u>\$ 3,582,569</u>	<u>\$ 19,470,108</u>
Reconciliation of cash and cash equivalents to statement of net position:			
Unrestricted cash and cash equivalents	\$ 12,041,125	\$ 3,458,859	\$ 15,499,984
Restricted cash and cash equivalents	3,846,414	123,710	3,970,124
	<u>\$ 15,887,539</u>	<u>\$ 3,582,569</u>	<u>\$ 19,470,108</u>

(Continued)

City of Waterloo, Iowa

Statement of Cash Flows (Continued)
Enterprise Funds
Year Ended June 30, 2018

	Sanitary Sewer	Nonmajor - Sanitation	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 737,269	\$ (428,395)	\$ 308,874
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	3,204,445	307,887	3,512,332
(Increase) in accounts receivable	437,527	41,777	479,304
(Increase) decrease in due from Waterloo Water Works	677,195	130,155	807,350
(Increase) in inventories and prepaids	(27,891)	-	(27,891)
Increase (decrease) in accounts payable	(537,159)	3,841	(533,318)
Increase in security deposits	9,149	4,131	13,280
Increase in accrued liabilities	(9,238)	(1,173)	(10,411)
Increase in other post employment benefits obligation	303,343	72,610	375,953
Increase in compensated absences and deferred compensation	(29,811)	(9,677)	(39,488)
Increase in net pension liability	75,252	28,680	103,932
(Increase) in deferred outflows of resources	(40,236)	(3,992)	(44,228)
(Decrease) in deferred inflows of resources	85,132	40,717	125,849
Net cash provided by operating activities	\$ 4,884,977	\$ 186,561	\$ 5,071,538
Schedule of noncash capital and related financing activities:			
Payables for acquisition of capital assets	\$ 232,051	\$ -	\$ 232,051
Capital assets contributed	145,656	-	192,977

See notes to basic financial statements.

City of Waterloo, Iowa

Index to the Notes to Basic Financial Statements

Note Number	Title	Page Number
1	Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies	33-43
2	Cash and Investments	43-44
3	Leasing Activities	44-45
4	Loans and Notes	45
5	Interfund Activity	45-47
6	Capital Assets	47-50
7	Compensated Absences	50-51
8	Long-Term Liabilities	51-54
9	Operating Leases	54
10	Retirement Systems	55-70
11	Deficit Fund Balances	71
12	Commitments	71
13	Other Postemployment Benefits	72-75
14	Employee Health Care Plan	75-76
15	Worker's Compensation Plan	76
16	Joint Ventures and Jointly Governed Organizations	76
17	Industrial Development Revenue Bonds	77
18	Risk Management	77
19	Tax Abatements	77
20	Fund Balances	78
21	New GASB Statements and Pending Pronouncements	79-81

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 \$333,095.

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

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

The Organization is governed by a 15-member Board of Directors. Five members are appointed by the City, 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.

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)

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, 2018, the General Fund had allowances for uncollectible customer accounts totaling \$1,079,215.

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 percent per month penalty for delinquent payments; was based on January 1, 2016 assessed property valuations; was for the tax accrual period July 1, 2017 through June 30, 2018; and reflected the tax asking contained in the budget certified to the County Board of Supervisors in March 2017.

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.

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.

City of Waterloo, Iowa

Notes to Basic Financial Statements

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

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

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

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

Deferred 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 a pension related deferred outflow, which consists of unrecognized items not yet charged to pension expense and 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.

Notes to Basic Financial Statements

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

In the 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.

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 percent 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.

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)

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.

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 \$20,853,846 and the Sanitary Sewer enterprise fund is \$2,239,187. 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 \$52,436,491 of restricted net position of which \$5,670,529 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.

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)

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.

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, 2018, the City had investments in the Iowa Public Agency Investment Trust (IPAIT) which were valued at an amortized cost of \$23,929,785 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 percent of the investment portfolio and more than 5 percent of the investment portfolio with a single issuer at the time of purchase. In addition, no more than 5 percent of all amounts invested in commercial paper and other short-term corporate debt shall be invested in paper and debt rated in the second highest classification at the time of purchase. As of June 30, 2018, the City's investments were not subject to concentration of credit risk.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

Custodial credit risk: For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City and Waterloo Water Works' deposits as of June 30, 2018 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.

Note 3. Leasing Activities

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

During the years ending June 30:

2019	\$ 308,517
2020	70,992
2021	70,992
2022	54,921
2023	46,213
2024	46,213
Total future minimum lease rentals to be received	<u>\$ 597,848</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:

2019	\$ 72,421
2020	72,421
2021	72,421
2022	10,058
Total future minimum lease rentals to be received	<u>\$ 227,321</u>

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 3. Leasing Activities (Continued)

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, 2018 was \$29,000, which was deferred by the governmental funds. The lease includes a management agreement with the Hotel for the management of the Center.

Note 4. Loans and Notes

Community Development Block Grant (CDBG) Loans:

Low-interest loans: The City has thirty low-interest rehabilitation and other loans due as of June 30, 2018, with a balance of \$116,193. These loans 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 2018 to August 2031. The balance of the seven loans at June 30, 2018 was \$1,301,085. Maturities range from September 2018 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, 2018, the City had made 1,682 such loans totaling \$33,341,596. 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, 2018 was as follows:

	Due From	Due To
Major governmental funds:		
General	\$ 4,542,648	\$ -
Tax increment financing	-	1,670,913
Nonmajor governmental funds	-	2,871,735
	<u>\$ 4,542,648</u>	<u>\$ 4,542,648</u>

City of Waterloo, Iowa**Notes to Basic Financial Statements****Note 5. Interfund Activity (Continued)**

Advances to and from other funds as of June 30, 2018, 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>

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	\$ 310,183
Aggregate nonmajor	58,859
Due from Water Works	<u>369,042</u>
Due to enterprise funds:	
Sanitary sewer	773,618
Sanitation	336,584
Due from Waterloo Water Works	<u>1,110,202</u>
Total due from Water Works	1,479,244
Waterloo Water Works - due to primary government	1,146,149
Difference	<u>\$ 333,095</u>

The difference in the above amounts of \$333,095 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>\$ 298,340</u>
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City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 5. Interfund Activity (Continued)

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	\$ 6,221,395	\$ 160,806
Trust and agency	-	5,998,398
Tax increment financing	125,000	6,995,138
General obligation debt service	3,421,214	-
Nonmajor governmental funds	3,386,733	-
	<u>\$ 13,154,342</u>	<u>\$ 13,154,342</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.

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance June 30, 2017	Additions	Deletions	Transfers	Ending Balance June 30, 2018
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 44,395,439	\$ 449,135	\$ 156,390	\$ -	\$ 44,688,184
Land held for redevelopment	10,989,706	3,800,541	175,614	-	14,614,633
Construction-in-progress	11,408,144	23,514,286	-	(12,928,871)	21,993,559
Total capital assets, not being depreciated	<u>66,793,289</u>	<u>27,763,962</u>	<u>332,004</u>	<u>(12,928,871)</u>	<u>81,296,376</u>
Capital assets, being depreciated:					
Buildings and improvements	130,497,260	200,712	5,912	1,417,770	132,109,830
Infrastructure	362,244,990	-	-	11,511,101	373,756,091
Vehicles, machinery, furniture and equipment	31,210,729	839,179	693,777	-	31,356,131
Software	793,600	-	13,555	-	780,045
Total capital assets, being depreciated	<u>524,746,579</u>	<u>1,039,891</u>	<u>713,244</u>	<u>12,928,871</u>	<u>538,002,097</u>
Less accumulated depreciation for:					
Buildings and improvements	63,199,376	3,873,922	5,493	-	67,067,805
Infrastructure	145,389,251	9,982,930	-	-	155,372,181
Vehicles, machinery, furniture and equipment	20,995,779	2,047,140	609,296	-	22,433,623
Software	588,589	108,152	10,844	-	685,897
Total accumulated depreciation	<u>230,172,995</u>	<u>16,012,144</u>	<u>625,633</u>	<u>-</u>	<u>245,559,506</u>
Total capital assets, being depreciated, net	<u>294,573,584</u>	<u>(14,972,253)</u>	<u>87,611</u>	<u>12,928,871</u>	<u>292,442,591</u>
Governmental activities capital assets, net	<u>\$ 361,366,873</u>	<u>\$ 12,791,709</u>	<u>\$ 419,615</u>	<u>\$ -</u>	<u>\$ 373,738,967</u>

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

	Beginning Balance June 30, 2017	Additions	Deletions	Transfers	Ending Balance June 30, 2018
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 534,242	\$ -	\$ -	\$ -	\$ 534,242
Construction-in-progress	3,561,667	3,932,655	124,543	(2,612,470)	4,757,309
Total capital assets, not being depreciated	4,095,909	3,932,655	124,543	(2,612,470)	5,291,551
Capital assets, being depreciated:					
Buildings	71,132,866	76,498	-	-	71,209,364
Improvements other than buildings	57,436,194	-	-	2,612,470	60,048,664
Vehicles, machinery, furniture and equipment	12,787,432	488,861	546,245	-	12,730,048
Total capital assets, being depreciated	141,356,492	565,359	546,245	2,612,470	143,988,076
Less accumulated depreciation for:					
Buildings	24,817,431	1,408,987	-	-	26,226,418
Improvements other than buildings	17,163,255	1,148,724	-	-	18,311,979
Vehicles, machinery, furniture and equipment	7,468,913	954,621	515,493	-	7,908,041
Total accumulated depreciation	49,449,599	3,512,332	515,493	-	52,446,438
Total capital assets, being depreciated, net	91,906,893	(2,946,973)	30,752	2,612,470	91,541,638
Business-type activities capital assets, net	\$ 96,002,802	\$ 985,682	\$ 155,295	\$ -	\$ 96,833,189

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

	Beginning Balance December 31, 2017	Additions	Deletions	Ending Balance December 31, 2018
Discretely Presented Component Unit - Waterloo Water Works Capital Assets				
Capital assets, not being depreciated:				
Land	\$ 314,543	\$ -	\$ -	\$ 314,543
Construction-in-progress	1,029,833	1,437,400	(117,488)	2,349,745
Total capital assets, not being depreciated	1,344,376	1,437,400	(117,488)	2,664,288
Capital assets, being depreciated:				
Buildings and improvements	1,781,153	-	-	1,781,153
Water supply and distribution systems	30,790,380	308,718	-	31,099,098
Meters and equipment	1,173,594	-	-	1,173,594
Machinery and equipment	3,586,324	167,280	(39,736)	3,713,868
Total capital assets, being depreciated	37,331,451	475,998	(39,736)	37,767,713
Less accumulated depreciation for:				
Buildings and improvements	842,435	28,955	-	871,390
Water supply and distribution systems	8,524,074	463,214	-	8,987,288
Meters and equipment	744,110	25,125	-	769,235
Machinery and equipment	1,654,257	240,890	(39,736)	1,855,411
Total accumulated depreciation	11,764,876	758,184	(39,736)	12,483,324
Total capital assets, being depreciated, net	25,566,575	(282,186)	-	25,284,389
Net discretely presented component unit—Waterloo Water Works capital assets, net	\$ 26,910,951	\$ 1,155,214	\$ (117,488)	\$ 27,948,677
Discretely Presented Component Unit - Waterloo Convention & Visitors Bureau, Inc.				
Capital assets, being depreciated:				
Equipment	\$ 66,802	\$ 3,971	\$ -	\$ 70,773
Leasehold improvements	125,924	-	-	125,924
Total capital assets, being depreciated	192,726	3,971	-	196,697
Less accumulated depreciation	159,675	13,033	-	172,708
Total capital assets, being depreciated, net	\$ 33,051	\$ (9,062)	\$ -	\$ 23,989

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, 2018:

Governmental activities:	
Public safety	\$ 818,196
Public works	12,669,694
Culture and recreation	2,193,922
Community and economic development	144,791
General government	185,541
Total governmental activities	<u>16,012,144</u>
Business-type activities:	
Sanitary sewer	3,204,445
Sanitation	307,887
Total business-type activities	<u>3,512,332</u>
Total primary government	<u>\$ 19,524,476</u>
Component unit—Waterloo Water Works	<u>\$ 758,184</u>
Component unit—Waterloo Convention & Visitors Bureau, Inc.	<u>\$ 13,033</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, 2018, there was \$3,187,801 accrued for vacation.

Prior to July 1, 1984, sick leave was allowed to accumulate to a maximum of 240 days, except for police and fire personnel who could accumulate a maximum of 260 days. Any unused days as of July 1, 1984 were accumulated into a frozen sick leave bank. The days frozen in the bank are paid upon use, termination or retirement (except for library employees who will only be paid upon use). If paid upon retirement, the amount due to employees is computed as the amount equal to 60 percent of the total accumulated hours times the employee's current pay rate paid to employees. Retirees have the option of receiving the payout immediately or receiving it as an annuity over 60 months. As discussed in Note 7, active employees could elect to receive a payout of 60 percent of their frozen sick dollars beginning in July 2001. As of June 30, 2018, there was \$102,631 accrued for the frozen sick leave bank.

After July 1, 1984, sick leave is allowed to accumulate up to 12 days per year. At the end of the year, 25 percent of any unused sick leave is rolled over to the employee's casual leave bank and the balance of 75 percent of the unused sick leave is added to the employee's sick leave storage bank for future use. The days accumulated in the bank after July 1, 1984 are not payable upon termination or retirement. Certain Fire Department employees are eligible to roll 75 percent 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, 2018, there was \$1,654,148 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 \$51,147 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, 2018:

	June 30, 2017, as restated	Additions	Reductions	June 30, 2018	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 82,734,000	\$ 9,515,000	\$ 11,198,000	\$ 81,051,000	\$ 9,266,000
Loans and notes	1,788,702	6,624,713	393,691	8,019,724	1,127,937
Compensated absences	4,347,734	3,812,117	3,512,277	4,647,574	2,803,216
Total OPEB liability	18,417,346	-	1,114,484	17,302,862	-
Net pension liability—IPERS	12,213,965	397,488	-	12,611,453	-
Net pension liability—MFPRSI	46,723,287	-	13,274,937	33,448,350	-
Subtotal	166,225,034	20,349,318	29,493,389	157,080,963	13,197,153
Unamortized discounts	(225,984)	-	(21,497)	(204,487)	-
Bond premium	1,174,828	118,355	170,396	1,122,787	-
Total long-term liabilities, governmental activities	<u>\$ 167,173,878</u>	<u>\$ 20,467,673</u>	<u>\$ 29,642,288</u>	<u>\$ 157,999,263</u>	<u>\$ 13,197,153</u>
Business-type activities:					
General obligation bonds	\$ 21,491,000	\$ 2,060,000	\$ 4,647,000	\$ 18,904,000	\$ 2,514,000
State revolving fund capital loan	-	1,600,000	66,000	1,534,000	66,000
Compensated absences	331,706	438,639	478,127	292,218	149,236
Total OPEB liability	2,628,020	375,953	-	3,003,973	-
Net pension liability—IPERS	3,132,862	103,932	-	3,236,794	-
Subtotal	27,583,588	4,578,524	5,191,127	26,970,985	2,729,236
Unamortized discounts	(63,755)	-	(6,672)	(57,083)	-
Bond premium	265,028	61,571	37,119	289,480	-
Total long-term liabilities, business-type activities	<u>\$ 27,784,861</u>	<u>\$ 4,640,095</u>	<u>\$ 5,221,574</u>	<u>\$ 27,203,382</u>	<u>\$ 2,729,236</u>

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 8. Long-Term Liabilities (Continued)

Compensated absences, deferred compensation and the net pension liability attributable to governmental activities are generally liquidated by the General Fund.

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

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

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.

On June 19, 2018, the City issued \$10,505,000 in General Obligation Bonds, Series 2018A maturing June 1, 2019 through June 1, 2030 with an interest rate of 3.00 percent. The City used \$3,521,772 of the proceeds to refund \$3,510,000 of the 2010A bonds (\$1,420,000 governmental activities and the \$2,090,000 for sewer). As a result of this transaction the City reduced its total debt service requirements by \$86,824, which resulted in an economic gain of \$73,067.

On June 19, 2018, the City issued \$1,070,000 in General Obligation Bonds, Series 2018B maturing June 1, 2019 through June 1, 2028 with interest rates ranging from 2.50 percent to 3.50 percent.

Reasons for issuance were to refund the General Obligation Bonds, Series 2010A as well as finance certain capital improvements, equipment and vehicle acquisitions and 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
June 2009	Taxable	1.00 - 3.00	\$ 140,000
June 2010	Taxable	1.00 - 5.00	490,000
June 2011	Tax-exempt - capital improvements/general	2.00 - 4.00	3,715,000
June 2011	Taxable	0.60 - 4.60	4,350,000
June 2012	Tax-exempt - capital improvements/general	2.00 - 2.30	4,660,000
June 2012	Refunding	0.35 - 1.35	815,000
June 2012	Taxable	2.20 - 3.50	3,125,000
June 2013	Tax-exempt - capital improvements/general	2.00 - 3.70	4,090,000
June 2013	Taxable	2.00 - 3.70	4,910,000
June 2013	Refunding	0.50 - 2.50	555,000
June 2014	Tax-exempt - capital improvements/general	2.00 - 3.12	6,365,000
June 2014	Taxable	1.00 - 4.00	3,945,000
June 2014	Refunding	2.00	3,105,000
June 2015	Tax-exempt - capital improvements/general	3.00 - 3.50	10,195,000
June 2015	Taxable	1.50 - 4.00	1,275,000
June 2016	Tax-exempt - capital improvements/general	2.00 - 2.25	7,195,000
June 2016	Taxable	0.80 - 3.10	1,605,000
June 2016	Taxable	0.90 - 3.40	8,545,000
June 2017	Tax-exempt - capital improvements/general	3.00	8,155,000
June 2017	Taxable	1.35 - 3.35	3,390,000
June 2017	Taxable - urban renewal	2.75 - 3.50	7,755,000
June 2018	Tax-exempt - capital improvements/general	3.00	10,505,000
June 2018	Taxable	2.50 - 3.50	1,070,000
			<u>\$ 99,955,000</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, 2018 are as follows:

Years ending June 30:	GO Debt Service	
	General Obligation Bonds	
	Principal	Interest
2019	\$ 9,266,000	\$ 2,260,021
2020	8,010,000	2,039,356
2021	6,763,000	1,842,609
2022	6,215,000	1,666,895
2023	5,773,000	1,503,226
2024—2028	28,299,000	5,045,255
2029—2033	13,390,000	1,503,329
2034—2036	3,335,000	204,887
	<u>\$ 81,051,000</u>	<u>\$ 16,065,578</u>

Years ending June 30:	Sanitary Sewer Enterprise	
	General Obligation Bonds	
	Principal	Interest
2019	\$ 2,514,000	\$ 566,118
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—2028	7,231,000	835,531
2029—2032	1,230,000	71,356
	<u>\$ 18,904,000</u>	<u>\$ 3,164,236</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 zero percent 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. As of June 30, 2018, 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. Since payment years and amounts are unknown, they are not included in the schedule of maturities of debt. The following agreements require a guaranteed amount of principal plus interest to be paid to the developer. As of June 30, 2018, the outstanding balance of these loans was \$8,019,724.

- Young Development, Ltd., \$20,796 plus interest at 5 percent, payable semiannually beginning November 2009 until paid in full from 100 percent of property tax payments, subject to annual appropriation.
- Deer Creek Development, LLC, \$1,643,599 plus interest at 7 percent through March 31, 2011 then at 4.750 percent, 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.
- North Crossing Development, LLC, \$6,624,713 plus interest at 1.81 percent 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.

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	
	Nonmajor Governmental Funds	
	Principal	Interest
Years ending June 30:		
2019	\$ 1,127,937	\$ 76,840
2020	1,091,619	159,467
2021	1,114,667	136,419
2022	1,138,334	112,752
2023	1,162,640	88,446
2024—2026	2,384,527	112,787
	<u>\$ 8,019,724</u>	<u>\$ 686,711</u>

Discretely presented component unit:

	Balance December 31, 2017	Additions	Deletions	Balance December 31, 2018	Due Within One Year
Compensated absences	\$ 69,914	\$ 65,224	\$ 69,914	\$ 65,224	\$ 65,224

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 \$191,500 for the year ended June 30, 2018.

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, 2018, and no capital lease liability as of June 30, 2018.

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

City of Waterloo, Iowa

Notes to Basic Financial Statements

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.

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 percent of their annual pay. The City contractually required contribution rate for the year ended June 30, 2018, was 8.93 percent 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 \$1,614,023 for the year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Inflow and Outflows of Resources Related to Pensions: At June 30, 2018, the City reported a liability of \$15,848,247 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2018, the City's proportion was 0.2379165 percent, a decrease of .00594275 percent from the City's proportion at June 30, 2017.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 10. Retirement Systems (Continued)

For the year ended June 30, 2018, the City recognized pension expense of \$407,123. At June 30, 2018, 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	\$ 145,502	\$ (137,313)
Changes of assumptions	2,753,695	-
Net difference between projected and actual earnings on pension plan investments	-	(165,529)
Changes in proportion and differences between City contributions and proportionate share of contributions	230,852	(328,442)
Total deferred amounts to be recognized in pension expense in future periods	3,130,049	(631,284)
City contributions subsequent to the measurement date	1,614,023	-
Total deferred amounts related to pensions	<u>\$ 4,744,072</u>	<u>\$ (631,284)</u>

\$1,614,023 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, 2019. 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. Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Years ended June 30:	
2019	\$ 360,862
2020	1,237,840
2021	701,284
2022	29,217
2023	169,562
	<u>\$ 2,498,765</u>

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 10. Retirement Systems (Continued)

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation	2.60 percent per annum
Rates of salary increases	3.25 to 16.25 percent, average, including inflation. Rates vary by membership group.
Long-term effective investment	7.00 percent, compounded annually, net of investment expense, including inflation.
Wage growth	3.25 percent, per annum, based on 2.60 percent inflation and 0.65 percent real wage inflation.

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the four-year period ending June 30, 2014.

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. 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%	2.25%
Domestic equity	24.0	6.25
International equity	16.0	6.71
Private equity	11.0	11.15
Private real assets	7.5	4.18
Public real assets	7.0	3.27
Public credit	3.5	3.46
Private credit	3.0	4.25
Cash	1.0	(0.31)
	<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 7.00 percent. 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 percent, 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 percent) or 1-percentage-point higher (8.00 percent) 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	\$ 26,111,554	\$ 15,848,247	\$ 7,225,098

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.

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 percent of the member's average final compensation. Additional benefits are available to members who perform more than 22 years of service (2 percent 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 percent surviving spouse benefit.

Notes to Basic Financial Statements

Note 10. Retirement Systems (Continued)

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 percent of the member's retirement benefit at the member's earliest date eligible and 100 percent 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 percent 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 percent 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 percent 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 percent 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 percent 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 percent 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.

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 9.4 percent of earnable compensation for the year ended June 30, 2018.

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 percent 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 percent of earnable compensation. The City's contribution rate was 27.68 percent for the year ended June 30, 2018.

The City's contributions to MFPRSI for the year ended June 30, 2018 were \$4,180,091.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 10. Retirement Systems (Continued)

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 percent 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, 2018.

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

Related to Pensions: At June 30, 2018, the City reported a liability of \$33,448,350 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2018, the City's proportion was 5.703286 percent, a decrease of 0.021249 percent from the City's proportion at June 30, 2017.

For the year ended June 30, 2018, the City recognized pension expense of \$16,645,922. At June 30, 2018, 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	\$ 1,283,586	\$ (20,332)
Changes of assumptions	2,842,389	(379,906)
Net difference between projected and actual earnings on pension plan investments	1,370,508	-
Changes in proportion and differences between City contributions and proportionate share of contributions	67,983	(262,824)
Total deferred amounts to be recognized in pension expense in future periods	5,564,466	(663,062)
City contributions subsequent to the measurement date	4,180,091	-
Total deferred amounts related to pensions	<u>\$ 9,744,557</u>	<u>\$ (663,062)</u>

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 10. Retirement Systems (Continued)

\$4,180,091 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, 2019. 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:

2019	\$ 642,707
2020	2,983,127
2021	1,581,249
2022	(533,418)
2023	227,739
	<u>\$ 4,901,404</u>

Actuarial Assumptions: The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	4.50 to 15.11 percent, average, including inflation.
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012. There were no significant changes of benefit terms.

Mortality rates were based on RP 2000 Blue Collar Combined Healthy table with males set-back two years, females set-forward one year and disabled set-forward one year (males only rates), with five years projection of future mortality improvement with Scale BB.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 10. Retirement Systems (Continued)

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. 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
U.S. equity	24%	5.85%
Non U.S. equity	16	6.32
Private equity	11	10.31
Real estate	8	3.87
Coreplus fixed income	28	1.90
Credit opportunities	5	4.48
TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
	<u>100%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at 9.40 percent 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 percent, 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 percent) or 1-percent higher (8.50 percent) 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	\$ 57,671,218	\$ 33,448,350	\$ 20,168,576

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 percent 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 percent for the year ending December 31, 2017. 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 percent 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 percent 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, 2017, the Water Works' recognized pension expense of \$372,961. At December 31, 2017, 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	\$ 54,701	\$ (30,241)
Changes in assumptions	154,618	-
Net difference between projected and actual earnings on pension plan investments	-	(3,946)
	<u>\$ 209,319</u>	<u>\$ (34,187)</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:	
2018	\$ 182,235
2019	123,155
2020	(52,418)
2021	(77,840)
Total	<u>\$ 175,132</u>

Actuarial Assumptions: The Waterloo Water Works' net pension liability was measured as of December 31, 2017, 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, 2017 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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2017 through December 31, 2017. In addition, mortality rates were based on 2018 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, 2017 are summarized in the following table:

Asset Class:	Target Allocation	Long-Term Expected Real Rate of Return
Cash and fixed income	22%	2.50%
Equity large cap	59	5.50
Equity mid cap	11	6.00
Equity small cap	8	6.00
Real estate	-	5.00
Total	100%	

Discount rate: The discount rate used to measure the total pension liability was 8.00 percent. 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 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower, or 1 percent higher than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability	\$ 3,001,774	\$ 2,317,605	\$ 1,684,115

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, 2017 were as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance, beginning of year	\$ 8,233,928	\$ 5,395,710	\$ 2,838,218
Changes for the year:			
Service cost	45,849	-	45,849
Interest	640,457	-	640,457
Difference between expected and actual experience	(45,362)	-	(45,362)
Changes in assumptions	225,356	-	225,356
Contributions, employer	-	507,287	(507,287)
Contributions, member	-	58,087	(58,087)
Net investment income	-	821,539	(821,539)
Benefit payments including refunds of employee contributions	(548,118)	(548,118)	-
Balance, end of year	<u>\$ 8,552,110</u>	<u>\$ 6,234,505</u>	<u>\$ 2,317,605</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, 2017.

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, anytime 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 percent 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 2017, pursuant to the required rate, regular members contributed 5.95 percent of covered payroll and Waterloo Water Works contributed 8.93 percent of covered payroll for a total rate of 14.88 percent.

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, 2017 were \$111,801.

As December 31, 2017, the Waterloo Water Works' liability for its proportionate share of the net pension liability totaled \$1,035,776. The net pension liability was measured as of June 30, 2017, 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, 2017, the Water Works' collective proportion was .015549 percent, which was an increase of .000878 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Water Works recognized pension expense of \$75,887. At December 31, 2017, 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	\$ 9,509	\$ 8,974
Changes of assumptions	179,970	10,819
Changes in proportion and differences between Water Works contributions and proportionate share of contributions	108,822	-
Total deferred amounts to be recognized in pension expense in future periods	298,301	19,793
Water Works contributions subsequent to the measurement date	56,124	-
Total deferred amounts related to pensions	<u>\$ 354,425</u>	<u>\$ 19,793</u>

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 10. Retirement Systems (Continued)

Deferred outflows of resources related to pensions of \$56,124 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, 2018. 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:

2018	\$ 70,299
2019	112,221
2020	65,058
2021	16,031
2022	14,899
	<u>\$ 278,508</u>

There were no nonemployer contributing entities at IPERS.

Actuarial assumptions: The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurements:

Inflation	2.60 percent
Salary increases	3.25 to 16.25 percent, average, including inflation.
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation
Wage growth	3.25 percent per annum based on 2.60 percent inflation and 0.65 percent real wage inflation

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience study dated March 24, 2017.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 10. Retirement Systems (Continued)

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%	2.25%
Domestic equity	24.0	6.25
International equity	16.0	6.71
Private equity	11.0	11.15
Private real assets	7.5	4.18
Public real assets	7.0	3.27
Public credit	3.5	3.46
Private credit	3.0	4.25
Cash	1.0	(0.31)
	<u>100.0%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.5 percent. 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 percent, 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 percent lower (6.00 percent) or 1 percent higher (8.00 percent) 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	\$ 1,706,543	\$ 1,035,776	\$ 472,202

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, 2017, Waterloo Water Works reported payables to IPERS of \$8,920 for legally required Waterloo Water Works' contributions and \$5,943 for legally required Waterloo Water Works' contributions which had been withheld from employee wages but not yet remitted to IPERS.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 11. Deficit Fund Balances

Funds with deficit balances as of June 30, 2018 were as follows:

Nonmajor governmental:

Special revenue:

Community Development Block Grant	\$ 179,405
Grants	1,051,920
Capital projects,	
Capital Improvements	1,671,600

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

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, 2018, the City was committed to approximately \$24.5 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, 2018, the loan balance was \$197,359. 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.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 13. Other Postemployment Benefits

As a result of the adoption of GASB Statement No. 75, the beginning net position of the governmental activities, business-type activities, major enterprise fund and aggregate nonmajor funds was restated. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The net OPEB obligation recorded in accordance with GASB Statement No. 45 was removed and the total OPEB liability was recorded in accordance with GASB Statement No. 75. The effect on the beginning net position is as follows:

	Governmental Activities	Business-Type Activities	Sanitary Sewer	Nonmajor Enterprise Fund
Net position July 1, 2017, as previously reported	\$ 330,452,887	\$ 94,331,315	\$ 89,439,860	\$ 4,871,455
Total OPEB liability	3,977,250	570,296	353,851	216,445
Removal of net OPEB obligation	(18,417,346)	(2,628,020)	(1,580,845)	(1,047,175)
Net position June 30, 2017, as restated	<u>\$ 316,012,791</u>	<u>\$ 92,273,591</u>	<u>\$ 88,212,866</u>	<u>\$ 4,040,725</u>

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 ears 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 percent subsidy, grading down 20 percent 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, 2018 are shown below:

	Medical	Dental	Vision
Single	\$ 518.38	\$ 27.41	\$ 3.54
Family	1,312.29	87.12	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 percent subsidy until age 65. Nonwork related incidents allow a 75 percent subsidy until age 65. Once the retiree reaches age 65, dependents of disabled retirees receive a 75 percent subsidy, grading down 20 percent each year thereafter.

Employees covered by benefit terms: At June 30, 2018, 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	492
	<u>655</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 \$20,306,835 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial methods and assumptions:

The total OPEB liability in the June 30, 2018 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	3.58% as of July 1, 2017 and 3.87% as of June 30, 2018
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, 2018 valuation were based on the results of an actuarial experience study used in the MFPRSI Actuarial Valuation Report as of July 1, 2017 and IPERS Actuarial Valuation as of June 30, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of June 30, 2017	\$ 21,045,366
Changes for the year:	
Service cost	671,816
Interest	804,928
Changes in assumptions or other inputs	(379,447)
Contributions and payments made	(1,835,828)
Net changes	(738,531)
Balance as of June 30, 2018	\$ 20,306,835

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 (2.87 percent) or 1-percentage-point higher (3.87 percent) than the current discount rate:

	1% Decrease 2.87%	Discount Rate 3.87%	1% Increase 4.87%
Total OPEB liability	21,657,187	20,306,835	19,070,415

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	22,586,323	20,306,835	18,590,763

OPEB Expense and deferred outflows of resources and deferred inflows of resources related to OPEB: For the year ended June 30, 2018, the City recognized OPEB expense of \$738,531. At June 30, 2018, 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	\$ -	\$ (337,817)

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:	
2019	\$ (41,631)
2020	(41,631)
2021	(41,631)
2022	(41,631)
2023	(41,631)
Thereafter	(129,662)
	<u>\$ (337,817)</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 percent 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 2018, 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:

	2018	2017
Estimated unpaid claims, beginning of year	\$ 1,021,123	\$ 1,117,473
Estimated claims incurred	10,000,082	10,522,908
Claims payments	(9,779,869)	(10,619,258)
Estimated unpaid claims, end of year	<u>\$ 1,241,336</u>	<u>\$ 1,021,123</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, 2018, and is recorded as a liability in the government-wide statement of net position. \$84,096 is considered matured and is recorded in the General Fund and governmental activities with accrued liabilities. Changes and balances are as follows:

	2018	2017
Estimated unpaid claims, beginning of year	\$ 597,623	\$ 494,081
Estimated claims incurred	802,838	1,004,016
Claims payments	(679,442)	(900,474)
Estimated unpaid claims, end of year	<u>\$ 721,019</u>	<u>\$ 597,623</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 (\$2,118,046 during the year ended June 30, 2018). Also, during the year ended June 30, 2018, 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, 2018 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, 2018, the City has assigned \$5,037,400 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, 2018, the City abated \$2,055,710 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	\$ 273,475	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 273,475
Advances due from funds	168,316	-	-	-	-	-	168,316
Prepays	86,984	-	-	-	120,287	10,924	218,195
Total nonspendable	528,775	-	-	-	120,287	10,924	659,986
Restricted:							
Debt service	-	-	2,623,525	1,074,098	-	-	3,697,623
Self-funded health insurance	5,037,400	1,844,107	-	-	-	-	6,881,507
Tourism promotion	1,721,229	-	-	-	-	-	1,721,229
Public access television	147,187	-	-	-	-	-	147,187
Civil rights enforcement	51,597	-	-	-	-	-	51,597
Housing	44,456	-	-	-	-	4,482,672	4,527,128
Donor specified	837,956	-	-	-	-	-	837,956
Employee benefits	-	374,023	-	-	-	-	374,023
Library	-	-	-	-	-	290,701	290,701
Street and right-of-way maintenance	-	-	-	-	27,771,206	-	27,771,206
Improvements	-	-	-	-	-	27,941,502	27,941,502
Total restricted	7,839,825	2,218,130	2,623,525	1,074,098	27,771,206	32,714,875	74,241,659
Committed, Police project	33,004	-	-	-	-	-	33,004
Assigned:							
Insurance	3,452,378	-	-	-	-	-	3,452,378
Other postemployment benefits	1,040,792	-	-	-	-	-	1,040,792
Improvements	-	-	-	-	-	1,940,822	1,940,822
Other	699,686	-	524,486	-	-	84,386	1,308,558
Use of fund balance for future budget	710,000	-	-	-	-	-	710,000
Total assigned	5,902,856	-	524,486	-	-	2,025,208	8,452,550
Unassigned	9,479,091	-	-	-	-	(3,091,717)	6,387,374
Total fund balances	\$ 23,783,551	\$ 2,218,130	\$ 3,148,011	\$ 1,074,098	\$ 27,891,493	\$ 31,659,290	\$ 89,774,573

Notes to Basic Financial Statements

Note 21. New GASB Statements and Pending Pronouncements

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. 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.

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.

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. 85, *Omnibus 2017*, issued March 2017, will be effective for the City beginning with its fiscal year ending June 30, 2018. Statement No. 85 is designed to address the practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

Notes to Basic Financial Statements

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

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, issued May 2017, will be effective for the City beginning with its fiscal year ending June 30, 2018. Statement No. 86 is designed to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also requires the inclusion of any remaining prepaid insurance related to extinguished debt in the net carrying amount of the debt when calculating the difference between the reacquisition price and the net carrying amount of the debt for debt that is extinguished through a legal extinguishment or an in-substance defeasance. This Statement also improves notes to financial statements for debt that is defeased in substance.

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. 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.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, issued June 2018, will be effective for the City beginning with its fiscal year ending June 30, 2019, with earlier adoption encouraged. Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

City of Waterloo, Iowa

Notes to Basic Financial Statements

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

GASB Statement No. 90, *Majority Equity Interests*, will be effective for the City beginning with its fiscal year ending June 30, 2019. Statement No. 90 which clarifies the accounting and financial reporting requirements for a state or local government's majority equity interest in an organization that remains legally separate after acquisition. Under Statement No. 90 a government entity should report its majority equity interest in a legally separate organization as an investment if that equity interest meets the GASB's definition of an investment. In many instances, a majority equity interest that meets the definition of an investment should be measured using the equity method. For a majority equity interest in a legally separate entity that does not meet the definition of an investment, Statement No. 90 requires a government to report the legally separate entity as a component unit. Statement No. 90 also establishes guidance for remeasuring assets and liabilities of wholly acquired governmental organizations that remain legally separate. That guidance brings the reporting of those acquisitions in line now with existing standards that apply to acquisitions that do not remain legally separate.

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.

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)

	2018
Total OPEB liability	
Service cost	\$ 671,816
Interest	804,928
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	(379,447)
Benefit payments	(1,835,828)
Net change in total OPEB liability	(738,531)
Total OPEB liability—beginning	21,045,366
Total OPEB liability—ending	<u>\$ 20,306,835</u>
Covered-employee payroll	31,567,648
Total OPEB liability as a percentage of covered-employee payroll	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:

2018	3.58% per annum
2017	3.87% 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.

Note: GASB Statement No. 75 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.

City of Waterloo, Iowa

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

	2018	2017	2016	2015
City's proportion of the net pension liability	0.2379165%	0.2438592%	0.2452672%	0.2415504%
City's proportionate share of the net pension liability	\$ 15,848,247	\$ 15,346,827	\$ 12,117,384	\$ 9,579,663
City's covered payroll	\$ 18,074,184	\$ 17,523,333	\$ 16,800,363	\$ 15,816,626
City's proportionate share of the net pension liability as a percentage of its covered payroll	87.68%	87.58%	72.13%	60.57%
Plan fiduciary net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

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.

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
2018	\$ 1,614,023	\$ 1,614,023	-	\$ 18,074,184	8.93%
2017	1,585,908	1,585,908	-	17,523,333	9.05
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
2009	923,462	923,462	-	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—IPERS Pension Liability
Year Ended June 30, 2018**

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 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

Note 2. Changes of assumptions

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

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**

	2018	2017	2016	2015
City's proportion of the net pension liability	5.703286%	5.688362%	5.724535%	5.720520%
City's proportionate share of the net pension liability	\$ 33,448,350	\$ 46,723,287	\$ 36,408,843	\$ 26,777,406
City's covered payroll	\$ 16,277,606	\$ 15,365,321	\$ 15,012,366	\$ 14,608,497
City's proportionate share of the net pension liability as a percentage of its covered payroll	205.49%	304.08%	242.53%	183.30%
Plan fiduciary net position as a percentage of the total pension liability	80.60%	78.20%	83.04%	86.27%

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.

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
2018	\$ 4,180,091	\$ 4,180,091	-	\$ 16,277,606	25.68%
2017	4,186,850	4,186,850	-	15,365,321	27.25
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
2009	2,417,019	2,417,019	-	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, 2018**

Note 1. Changes of Benefit Terms

There were no significant changes of benefit terms.

Note 2. Changes of Assumptions

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

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, 2018**

	Budgeted Amounts	
	Original	Final
Revenues and other financing sources receipts:		
Receipts:		
Property taxes	\$ 39,613,829	\$ 39,613,829
Tax increment financing	7,392,285	7,564,285
Other City taxes	17,200,755	17,223,054
Licenses and permits	1,378,050	1,378,050
Use of money and property	1,350,720	1,351,672
Intergovernmental	24,911,213	28,582,650
Charges for services	26,282,079	26,597,058
Special assessments	290,290	290,290
Miscellaneous	6,319,186	7,146,954
Total receipts	124,738,407	129,747,842
Other financing sources:		
Transfer from other funds	16,755,671	20,170,172
Issuance of long-term debt	16,755,000	20,338,000
Proceeds from sale of capital assets	-	-
Total other financing sources	33,510,671	40,508,172
Total receipts and other financing sources	158,249,078	170,256,014
Disbursements and other financing uses:		
Governmental-type activities:		
Public safety	31,831,064	32,118,676
Public works	27,883,662	31,431,509
Health and social services	412,954	401,891
Culture and recreation	11,448,385	11,576,083
Community and economic development	12,651,975	13,176,412
General government	8,047,961	9,939,775
Debt service	15,162,433	18,822,433
Capital projects	16,749,016	25,955,770
Business-type activities	27,749,680	27,677,713
Total disbursements	151,937,130	171,100,262
Other financing uses, transfers to other funds	16,755,671	20,170,172
Total disbursements and other financing uses	168,692,801	191,270,434
Receipts and other financing sources over (under) disbursements and other financing uses	(10,443,723)	(21,014,420)
Balances, beginning of year	85,254,213	85,254,213
Balances, end of year	<u>\$ 74,810,490</u>	<u>\$ 64,239,793</u>

See note to required supplementary information.

Actual Amounts Budgetary Basis		Variance With Final Budget	
\$	39,611,362	\$	(2,467)
	7,597,223		32,938
	17,237,897		14,843
	1,386,326		8,276
	2,011,316		659,644
	27,134,821		(1,447,829)
	26,573,256		(23,802)
	223,703		(66,587)
	7,621,290		474,336
	129,397,194		(350,648)
	19,084,246		(1,085,926)
	13,217,566		(7,120,434)
	211,006		211,006
	32,512,818		(7,995,354)
	161,910,012		(8,346,002)
	30,672,609		1,446,067
	27,547,712		3,883,797
	382,696		19,195
	10,986,941		589,142
	10,976,027		2,200,385
	8,886,011		1,053,764
	18,814,157		8,276
	20,556,180		5,399,590
	16,292,521		11,385,192
	145,114,854		25,985,408
	19,084,246		1,085,926
	164,199,100		27,071,334
	(2,289,088)		18,725,332
	113,276,163		-
\$	110,987,075	\$	18,725,332

City of Waterloo, Iowa

Note to Required Supplementary Information—Budgetary Reporting Year Ended June 30, 2018

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

Formal and legal budgetary control is based upon 10 major classes of disbursements known as functions, not by fund or fund type. These 10 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type and nonprogram. Although the budget document presents function disbursements by fund type, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, a budget amendment was adopted which increased budgeted expenditures by \$22,977,633. 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, 2018**

	Governmental Fund Types GAAP Basis Actual Amounts	Enterprise Fund Types GAAP Basis Actual Amounts	Total Funds
Revenue/Receipts:			
Property taxes and TIF revenue	\$ 47,404,667	\$ -	\$ 47,404,667
Other taxes	17,239,619	-	17,239,619
Licenses and permits	1,364,662	-	1,364,662
Use of money and property	2,061,804	104,439	2,166,243
Intergovernmental	20,141,757	310,679	20,452,436
Charges for services	8,088,333	16,924,447	25,012,780
Interfund charges for services	2,255,000	-	2,255,000
Special assessments	176,382	-	176,382
Miscellaneous	3,249,040	238,223	3,487,263
Total revenue/receipts	101,981,264	17,577,788	119,559,052
Expenditures and expenses/disbursements:			
Public safety	30,733,487	-	30,733,487
Public works	22,895,182	-	22,895,182
Health and social services	365,193	-	365,193
Culture and recreation	10,580,629	-	10,580,629
Community and economic development	10,508,576	-	10,508,576
General government	8,894,390	-	8,894,390
Debt service	13,851,022	-	13,851,022
Capital projects	23,921,255	-	23,921,255
Business-type activities	-	17,298,580	17,298,580
Total expenditures and expenses/ disbursements	121,749,734	17,298,580	139,048,314
Net	(19,768,470)	279,208	(19,489,262)

(Continued)

Budgetary Basis Exceptions	Property Tax Collected for and Remitted to MET, Grout and Water Works	Other GAAP Conversion Adjustments	Budgetary Basis
\$ -	\$ 2,118,046	\$ (2,314,128)	\$ 47,208,585
-	-	(1,722)	17,237,897
-	-	21,664	1,386,326
-	-	(154,927)	2,011,316
-	-	6,682,385	27,134,821
-	-	1,560,476	26,573,256
-	-	(2,255,000)	-
-	-	47,321	223,703
-	-	4,134,027	7,621,290
-	2,118,046	7,720,096	129,397,194
-	-	(60,878)	30,672,609
-	2,118,046	2,534,484	27,547,712
-	-	17,503	382,696
-	-	406,312	10,986,941
-	-	467,451	10,976,027
-	-	(8,379)	8,886,011
-	-	4,963,135	18,814,157
-	-	(3,365,075)	20,556,180
-	-	(1,006,059)	16,292,521
-	2,118,046	3,948,494	145,114,854
-	-	3,771,602	(15,717,660)

City of Waterloo, Iowa

**Schedule of Comparison
Funds Statements (GAAP Basis) to Budgetary (Modified Cash) Basis (Continued)
Required Supplementary Information
Year Ended June 30, 2018**

	Governmental Fund Types Basis Actual Amounts	Enterprise Fund Types Basis Actual Amounts	Total Funds
Other financing sources (uses):			
Transfers in	\$ 13,154,342	\$ -	\$ 13,154,342
Transfers out	(13,154,342)	-	(13,154,342)
Insurance proceeds	1,112,624	-	1,112,624
Bond premium	118,355	-	118,355
Proceeds from sale of capital assets	206,006	-	206,006
Issuance of long-term debt	9,515,000	-	9,515,000
Total other financing sources (uses)	10,951,985	-	10,951,985
Change in fund balance/net position	(8,816,485)	279,208	(8,537,277)
Balance, beginning of year	98,591,058	92,273,591	190,864,649
Balance, end of year	<u>\$ 89,774,573</u>	<u>\$ 92,552,799</u>	<u>\$ 182,327,372</u>

Budgetary Basis Exceptions		Property Tax Collected for and Remitted to MET, Grout and Water Works		Other GAAP Conversion Adjustments		Budgetary Basis
\$	-	\$	-	\$	5,929,904	\$ 19,084,246
	-		-		(5,929,904)	(19,084,246)
	-		-		(1,112,624)	-
	-		-		(118,355)	-
	-		-		5,000	211,006
	-		-		3,702,566	13,217,566
	-		-		2,476,587	13,428,572
	-		-		6,248,189	(2,289,088)
	-		-		(77,588,486)	113,276,163
\$	-	\$	-	\$	(71,340,297)	\$ 110,987,075

City of Waterloo, Iowa

Required Supplementary Information

Schedule of Employer Contributions for Waterloo Water Works Pension Plan

Last Nine Fiscal Years

	2017	2016	2015	2014
Actuarially determined contribution	\$ 505,125	\$ 489,448	\$ 475,911	\$ 481,861
Contributions in relation to actuarially determined contribution	565,374	550,161	540,043	570,419
Contribution deficiency (excess)	(60,249)	(60,713)	(64,132)	(88,558)
Covered payroll	\$ 1,047,371	\$ 1,004,723	\$ 1,045,603	\$ 1,064,651
Contributions as a percentage of covered payroll	54.0%	54.8%	51.6%	53.6%

2013		2012		2011		2010		2009		2008	
\$	480,199	\$	423,689	\$	383,404	\$	357,677	\$	379,444	\$	281,460
	538,658		473,114		445,212		396,550		379,444		505,000
	(58,459)		(49,425)		(61,808)		(38,873)		-		(223,540)
\$	1,100,185	\$	1,105,893	\$	1,248,200	\$	1,306,209	\$	1,374,782	\$	1,356,797
	49.0%		42.8%		35.7%		30.4%		27.6%		37.2%

City of Waterloo, Iowa

Required Supplementary Information

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

	2018	2017
Total pension liability		
Service cost	\$ 45,849	\$ 53,886
Interest	640,457	616,847
Difference between expected and actual experience	(45,362)	164,103
Changes in assumptions	225,356	13,141
Benefit payments including refunds	(548,118)	(541,494)
Change in total pension liability	318,182	306,483
Total pension liability, beginning of year	8,233,928	7,927,445
Total pension liability, end of year	8,552,110	8,233,928
Plan fiduciary net position		
Contributions, employer	507,287	489,448
Contributions, member	58,087	60,713
Net investment income	821,539	281,674
Benefit payments including refunds	(548,118)	(541,494)
Change in plan fiduciary net position	838,795	290,341
Plan fiduciary net position, beginning of year	5,395,710	5,105,369
Plan fiduciary net position, end of year	6,234,505	5,395,710
Net pension liability, end of year	\$ 2,317,605	\$ 2,838,218
Plan fiduciary net position as a % of total pension liability	72.9%	65.5%
Covered payroll	\$ 943,430	\$ 1,004,723
Net pension liability as a % of covered payroll	245.7%	282.5%

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, 2017**

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	2018 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,			
	2017	2016	2015	2014
Water Work's proportion of the net pension liability	0.015549%	0.014805%	0.014220%	0.012797%
Water Work's total proportionate share of the net pension liability	\$ 1,035,776	\$ 923,262	\$ 706,956	\$ 524,011
Water Work's covered-employee payroll	\$ 1,079,261	\$ 1,018,040	\$ 885,398	\$ 791,254
Water Work's proportionate share of the net pension liability as a percentage of its covered-employee payroll	96%	91%	80%	61%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

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

City of Waterloo, Iowa

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

	2017	2016	2015	2014
Statutorily required contribution	\$ 111,801	\$ 96,378	\$ 90,911	\$ 79,066
Contributions in relation to the Statutorily required contribution	(111,801)	(96,378)	(90,911)	(79,066)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Water Work's covered-employee payroll	\$ 1,251,971	\$ 1,079,261	\$ 1,018,040	\$ 885,398
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%

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

2013		2012		2011		2010	
\$	70,659	\$	56,189	\$	43,676	\$	35,136
	(70,659)		(56,189)		(43,676)		(35,136)
\$	-	\$	-	\$	-	\$	-
\$	791,254	\$	648,085	\$	541,214	\$	505,554
	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, 2018**

Revenues:	
Property taxes	\$ 20,892,430
Other taxes	7,137,065
Licenses and permits	1,340,458
Investment income	513,942
Rent	976,538
Intergovernmental	993,021
Charges for services	7,753,197
Indirect allocations	2,205,000
Special assessments	176,382
Miscellaneous	1,395,472
Total revenues	\$ 43,383,505
Expenditures:	
Public safety function	
Mayor	
Black Hawk Emergency Management Agency	
Contractual services	\$ 81,344
Total activity and department	81,344
Police department	
Police operations	
Compensation and benefits	11,839,289
Contractual services	942,146
Commodities	251,266
Total activity	13,032,701
Police computer services	
Contractual services	79,507
Commodities	112,761
Total activity	192,268
Police grants	
Compensation and benefits	511,736
Contractual services	295
Commodities	45,179
Total activity	557,210
Law enforcement programs	
Compensation and benefits	67,867
Contractual services	154,590
Commodities	239,245
Total activity	461,702
Tobacco grant	
Compensation and benefits	2,373
Total activity	2,373

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2018

Expenditures (continued):	
Public safety function (continued)	
Police department (continued)	
Public safety administration	
Compensation and benefits	\$ 150,976
Total activity	<u>150,976</u>
Total department	<u>14,397,230</u>
Fire department	
Fire protection	
Compensation and benefits	8,037,748
Contractual services	461,090
Commodities	<u>82,274</u>
Total activity	<u>8,581,112</u>
Fire restricted programs	
Compensation and benefits	6,094
Commodities	<u>1,070</u>
Total activity	<u>7,164</u>
Fire ambulance services	
Compensation and benefits	1,642,600
Contractual services	203,558
Commodities	<u>152,614</u>
Total activity	<u>1,998,772</u>
Fire safety program	
Compensation and benefits	135,455
Contractual services	30,183
Commodities	<u>896</u>
Total activity	<u>166,534</u>
Fire Federal CDC Grant	
Compensation and benefits	19,265
Contractual services	<u>3,817</u>
Total activity	<u>23,082</u>
Total department	<u>10,776,664</u>
Building inspection department	
Building and housing safety	
Compensation and benefits	1,021,041
Contractual services	37,491
Commodities	<u>32,348</u>
Total activity and department	<u>1,090,880</u>

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2018

Expenditures:

Public safety function (continued)

Central garage department

Fire - garage parts & service

Compensation and benefits

\$ 84,911

Commodities

82,619

Total activity

167,530

Ambulance - garage parts & service

Commodities

25,081

Total activity

25,081

Total department

192,611

Public safety function totals

Current

Compensation and benefits

23,519,355

Contractual services

1,994,021

Commodities

1,025,353

Subtotal

26,538,729

Total public safety function

\$ 26,538,729

Public works function

Clerk

Sidewalk repair/construction

Capital outlay

\$ 330,806

Total activity and department

330,806

Traffic operations

Parking maintenance

Compensation and benefits

15,120

Total activity and department

15,120

Central garage

Central garage

Compensation and benefits

670,680

Contractual services

19,689

Commodities

110,068

Total activity

800,437

Motor pool service

Commodities

614,633

Total activity

614,633

Total department

1,415,070

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2018

Expenditures:

Public works function (continued)

Airport

Airport administration

Compensation and benefits	\$ 597,703
---------------------------	------------

Contractual services	266,481
----------------------	---------

Commodities	83,521
-------------	--------

Capital outlay	1,901
----------------	-------

Total activity and department	<u>949,606</u>
--------------------------------------	----------------

Airport construction

Capital outlay	6,111
----------------	-------

Total activity and department	<u>6,111</u>
--------------------------------------	--------------

Parking operations

Contractual services	477,661
----------------------	---------

Commodities	58,842
-------------	--------

Total activity and department	<u>536,503</u>
--------------------------------------	----------------

Public works function totals

Current

Compensation and benefits	1,283,503
---------------------------	-----------

Contractual services	763,831
----------------------	---------

Commodities	867,064
-------------	---------

Subtotal	<u>2,914,398</u>
-----------------	------------------

Capital outlay	338,818
----------------	---------

Total public works function	<u>\$ 3,253,216</u>
------------------------------------	---------------------

Health and social services function

Mayor

Health and sanitation

Contractual services	\$ 56,250
----------------------	-----------

Total activity and department	<u>56,250</u>
--------------------------------------	---------------

Human rights department

Human rights

Compensation and benefits	233,741
---------------------------	---------

Contractual services	14,997
----------------------	--------

Commodities	3,496
-------------	-------

Total activity	<u>252,234</u>
-----------------------	----------------

EEOC contract

Compensation and benefits	10,000
---------------------------	--------

Contractual services	33,055
----------------------	--------

Total activity	<u>43,055</u>
-----------------------	---------------

Housing enforcement

Contractual services	13,654
----------------------	--------

Total activity	<u>13,654</u>
-----------------------	---------------

Total department	<u>308,943</u>
-------------------------	----------------

Health and social services function totals

Current

Compensation and benefits	243,741
---------------------------	---------

Contractual services	117,956
----------------------	---------

Commodities	3,496
-------------	-------

Total health and social services function	<u>\$ 365,193</u>
--	-------------------

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2018

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

569,718

Contractual services

80,521

Commodities

28,971

Total activity

679,210

Youth pavilion

Compensation and benefits

342,570

Contractual services

49,034

Commodities

26,436

Total activity

418,040

Culture and arts grants and projects

Compensation and benefits

3,686

Contractual services

59,742

Commodities

6,239

Total activity

69,667

Total department

1,166,917

Library

Library services

Compensation and benefits

1,308,670

Contractual services

148,982

Commodities

223,967

Total activity

1,681,619

Library Enrich Iowa

Compensation and benefits

11,804

Contractual services

329

Commodities

25

Total activity

12,158

Library access plus

Commodities

2,999

Total activity

2,999

Library grants

Contractual services

23,090

Commodities

43,456

Total activity

66,546

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2018

Expenditures (continued):

Culture and recreation function (continued):

Library (continued):

Library gift and trust

Contractual services

\$ 10,436

Commodities

30,082

Capital outlay

99

Total activity

40,617

Library service area

Commodities

4,041

Total activity

4,041

County library system

Compensation and benefits

58,660

Total activity

58,660

Library open access

Contractual services

411

Commodities

5,341

Total activity

5,752

Total department

1,872,392

Leisure services

Leisure services

Compensation and benefits

1,837,065

Contractual services

231,896

Commodities

237,354

Total activity

2,306,315

Downtown area maintenance

Compensation and benefits

236,025

Contractual services

32,597

Commodities

21,946

Total activity

290,568

Leisure services projects

Compensation and benefits

1,000

Contractual services

43,503

Commodities

68,339

Capital outlay

15,671

Total activity

128,513

Golf courses

Compensation and benefits

914,479

Contractual services

110,845

Commodities

151,970

Total activity

1,177,294

Golf course improvements

Contractual services

2,938

Total activity

2,938

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2018

Expenditures (continued):	
Culture and recreation function (continued):	
Leisure services (continued)	
Sports and youth services	
Compensation and benefits	\$ 476,235
Contractual services	29,984
Commodities	117,197
Total activity	623,416
Young arena	
Compensation and benefits	464,035
Contractual services	187,637
Commodities	172,343
Total activity	824,015
Sportsplex	
Compensation and benefits	783,122
Contractual services	376,340
Commodities	169,811
Total activity	1,329,273
Total department	6,682,332
Culture and recreation function totals	
Current	
Compensation and benefits	7,007,069
Contractual services	1,438,285
Commodities	1,310,517
Subtotal	9,755,871
Capital outlay	15,770
Total culture and recreation function	\$ 9,771,641
Community and economic development function	
Mayor	
Iowa northland council of governments	
Contractual services	\$ 32,151
Total activity	32,151
Tourism promotion	
Contractual services	244,132
Total activity	244,132
Waterloo Convention & Visitors Bureau, Inc.	
Contractual services	645,021
Total activity	645,021
Total department	921,304
Planning and zoning	
Planning and zoning	
Compensation and benefits	597,030
Contractual services	14,781
Commodities	3,845
Capital outlay	726
Total activity	616,382
City property management	
Contractual services	110,878
Total activity	110,878

(Continued)

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
General Fund
Year Ended June 30, 2018

Expenditures (continued):	
Community and economic development function (continued):	
Planning and zoning (continued)	
Economic development	
Compensation and benefits	\$ 81,955
Total activity	81,955
Total department	809,215
Building inspection department	
Five Sullivans Civic Center	
Compensation and benefits	90,131
Contractual services	27,143
Commodities	8,636
Capital outlay	2,877
Total activity and department	128,787
Community and economic development function totals	
Current	
Compensation and benefits	769,116
Contractual services	1,074,106
Commodities	12,481
Subtotal	1,855,703
Capital outlay	3,603
Total community and economic development function	\$ 1,859,306
General government function	
Mayor	
Mayor's office	
Compensation and benefits	\$ 251,969
Contractual services	115,183
Commodities	819
Total activity	367,971
Administrative and management information services	
Compensation and benefits	230,890
Contractual services	114,181
Commodities	38,990
Total activity	384,061
Communication	
Contractual services	3,942
Commodities	190
Total activity	4,132
Total department	756,164
City council	
Compensation and benefits	68,679
Contractual services	1,636
Total activity and department	70,315

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2018

Expenditures:

General government function (continued):

City clerk and finance

Telecommunications

Compensation and benefits	\$ 143,883
---------------------------	------------

Contractual services	1,441
----------------------	-------

Commodities	2,596
-------------	-------

Total activity	<u>147,920</u>
-----------------------	----------------

City clerk and finance

Compensation and benefits	699,311
---------------------------	---------

Contractual services	224,821
----------------------	---------

Commodities	103,257
-------------	---------

Total activity	<u>1,027,389</u>
-----------------------	------------------

Liability insurance

Compensation and benefits	53,390
---------------------------	--------

Contractual services	1,712,998
----------------------	-----------

Total activity	<u>1,766,388</u>
-----------------------	------------------

Self-funded health/life insurance

Compensation and benefits	188
---------------------------	-----

Contractual services	3,147,645
----------------------	-----------

Total activity	<u>3,147,833</u>
-----------------------	------------------

Self-funded worker's compensation

Contractual services	701,101
----------------------	---------

Total activity	<u>701,101</u>
-----------------------	----------------

Print shop

Contractual services	32,458
----------------------	--------

Total activity	<u>32,458</u>
-----------------------	---------------

Total department	<u>6,823,089</u>
-------------------------	------------------

City attorney

City attorney

Compensation and benefits	164,674
---------------------------	---------

Contractual services	62,912
----------------------	--------

Commodities	6,574
-------------	-------

Total activity and department	<u>234,160</u>
--------------------------------------	----------------

Human resources

Employee assistance program

Contractual services	12,238
----------------------	--------

Total activity	<u>12,238</u>
-----------------------	---------------

Human resources

Compensation and benefits	365,209
---------------------------	---------

Contractual services	55,174
----------------------	--------

Commodities	2,791
-------------	-------

Total activity	<u>423,174</u>
-----------------------	----------------

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2018

Expenditures (continued):

General government function (continued):

Human resources (continued):

Safety committee

Contractual services	\$ 3,333
----------------------	----------

Commodities	2,398
-------------	-------

Total activity	<u>5,731</u>
-----------------------	--------------

Total department	<u>441,143</u>
-------------------------	----------------

Building inspection department

Facilities maintenance

Compensation and benefits	260,305
---------------------------	---------

Contractual services	211,531
----------------------	---------

Commodities	43,770
-------------	--------

Total activity	<u>515,606</u>
-----------------------	----------------

Facilities restricted project

Compensation and benefits	560
---------------------------	-----

Contractual services	264
----------------------	-----

Commodities	8,017
-------------	-------

Total activity	<u>8,841</u>
-----------------------	--------------

Veteran's memorial hall

Contractual services	7,202
----------------------	-------

Total activity	<u>7,202</u>
-----------------------	--------------

Total department	<u>531,649</u>
-------------------------	----------------

General government function totals

Current

Compensation and benefits	2,239,058
---------------------------	-----------

Contractual services	6,408,060
----------------------	-----------

Commodities	209,402
-------------	---------

Total general government function	<u><u>\$ 8,856,520</u></u>
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(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2018

Expenditures:	
Public safety	\$ 26,538,729
Public works	3,253,216
Health and social services	365,193
Culture and recreation	9,771,641
Community and economic development	1,859,306
General government	<u>8,856,520</u>
Total expenditures	<u><u>\$ 50,644,605</u></u>
Revenue under expenditures	<u><u>\$ (7,261,100)</u></u>
Other financing sources (uses):	
Transfers in	6,221,395
Transfers out	(160,806)
Insurance proceeds	1,112,624
Proceeds from sale of capital assets	<u>151,006</u>
Total other financing sources	<u><u>7,324,219</u></u>
Net change in fund balance	63,119
Fund balance, beginning of year	<u>23,720,432</u>
Fund balance, end of year	<u><u>\$ 23,783,551</u></u>

City of Waterloo, Iowa

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018**

	Special Revenue	Capital Projects	Total
Assets			
Cash and cash equivalents	\$ 11,580,364	\$ 22,088,829	\$ 33,669,193
Receivables:			
Customer accounts	13,064	224,345	237,409
Property taxes:			
Delinquent	4,439	-	4,439
Succeeding year	590,182	-	590,182
Accrued interest	95,365	51,712	147,077
Due from other governments:			
Federal	1,457,661	-	1,457,661
Iowa	3,249,566	-	3,249,566
Other	65,487	-	65,487
Inventories and prepaids	10,924	-	10,924
Restricted assets, cash and cash equivalents	2,459,188	-	2,459,188
Advances to other funds	21,423	-	21,423
Total assets	\$ 19,547,663	\$ 22,364,886	\$ 41,912,549
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,650,097	\$ 1,514,561	\$ 3,164,658
Retainages payable	542,529	104,171	646,700
Accrued liabilities	100,095	-	100,095
Due to other funds	1,393,600	1,478,135	2,871,735
Compensated absences	4,661	-	4,661
Payable from restricted assets	57,140	-	57,140
Unearned revenue	264,577	-	264,577
Total liabilities	4,012,699	3,096,867	7,109,566
Deferred inflows of resources:			
Unavailable revenue—property taxes	594,621	-	594,621
Unavailable revenue—local option sales tax	585,000	-	585,000
Unavailable revenue—intergovernmental	1,878,302	85,770	1,964,072
Total deferred inflows of resources	3,057,923	85,770	3,143,693
Fund Balances:			
Nonspendable	10,924	-	10,924
Restricted	11,811,969	20,902,906	32,714,875
Assigned	2,025,208	-	2,025,208
Unassigned	(1,371,060)	(1,720,657)	(3,091,717)
Total fund balances	12,477,041	19,182,249	31,659,290
Total liabilities, deferred inflows of resources and fund balances	\$ 19,547,663	\$ 22,364,886	\$ 41,912,549

City of Waterloo, Iowa

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2018**

	Special Revenue	Capital Projects	Total
Revenues:			
Property taxes	\$ 619,658	\$ -	\$ 619,658
Other taxes	9,440,357	-	9,440,357
Investment income	74,971	166,729	241,700
Rent	184,310	-	184,310
Intergovernmental	10,510,920	-	10,510,920
Charges for services	208,747	-	208,747
Miscellaneous	11,831	1,342,887	1,354,718
Total revenues	21,050,794	1,509,616	22,560,410
Expenditures:			
Current:			
Public safety	4,869	-	4,869
Public works	11,970,830	-	11,970,830
Culture and recreation	808,988	-	808,988
Community and economic development	7,390,129	-	7,390,129
Debt service, interest and fees	-	169,560	169,560
Capital outlay	-	20,606,618	20,606,618
Total expenditures	20,174,816	20,776,178	40,950,994
Revenues over (under) expenditures	875,978	(19,266,562)	(18,390,584)
Other financing sources (uses):			
Transfers in	-	3,386,733	3,386,733
Bond premium	-	84,558	84,558
Issuance of long-term debt	-	8,090,000	8,090,000
Proceeds from the sale of capital assets	55,000	-	55,000
Total other financing sources (uses)	55,000	11,561,291	11,616,291
Net change in fund balance	930,978	(7,705,271)	(6,774,293)
Fund balance, beginning of year	11,546,063	26,887,520	38,433,583
Fund balance, end of year	\$ 12,477,041	\$ 19,182,249	\$ 31,659,290

City of Waterloo, Iowa

Nonmajor Special Revenue Funds June 30, 2018

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 percent 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.

City of Waterloo, Iowa

**Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2018**

	Local Option Sales Tax	Library Tax Levy	Community Development Block Grant
Assets			
Cash and cash equivalents	\$ 8,784,125	\$ 383,813	\$ 700
Receivables:			
Customer accounts	-	-	-
Property taxes:			
Delinquent	-	4,439	-
Succeeding year	-	590,182	-
Accrued interest	9,454	788	13,869
Due from other governments:			
Federal	-	-	480,465
Iowa	1,422,736	-	-
Other	58,859	6,188	-
Inventories and prepaids	-	-	-
Restricted cash and cash equivalents	-	-	-
Advances to other funds	13,598	7,825	-
Total assets	\$ 10,288,772	\$ 993,235	\$ 495,034
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)			
Liabilities:			
Accounts payable	\$ 482,448	\$ -	\$ 80,026
Retainages payable	396,296	-	8,062
Accrued liabilities	39,367	21,368	20,105
Due to other funds	-	-	373,676
Compensated absences	-	2,159	-
Payable from restricted assets	-	-	-
Unearned revenue	-	-	-
Total liabilities	918,111	23,527	481,869
Deferred inflows of resources:			
Unavailable revenue - property taxes	-	594,621	-
Unavailable revenue - local option sales tax	585,000	-	-
Unavailable revenue - intergovernmental	30,659	-	192,570
Total deferred inflows of resources	615,659	594,621	192,570
Fund balances (deficit):			
Nonspendable	-	-	-
Restricted	6,814,180	290,701	-
Assigned	1,940,822	84,386	-
Unassigned	-	-	(179,405)
Total fund balances (deficit)	8,755,002	375,087	(179,405)
Total liabilities, deferred inflows of resources and fund balances (deficit)	\$ 10,288,772	\$ 993,235	\$ 495,034

Special Revenue				
Housing Programs		Grants	Federal Aviation Agency Projects	Total
\$	2,411,726	\$ -	\$ -	\$ 11,580,364
	13,064	-	-	13,064
	-	-	-	4,439
	-	-	-	590,182
	11,254	60,000	-	95,365
	26,507	18,118	932,571	1,457,661
	-	1,793,923	32,907	3,249,566
	-	-	440	65,487
	10,924	-	-	10,924
	2,165,465	-	293,723	2,459,188
	-	-	-	21,423
\$	4,638,940	\$ 1,872,041	\$ 1,259,641	\$ 19,547,663
\$	60,546	\$ 134,284	\$ 892,793	\$ 1,650,097
	-	34,036	104,135	542,529
	18,854	401	-	100,095
	-	943,074	76,850	1,393,600
	2,502	-	-	4,661
	57,140	-	-	57,140
	-	264,577	-	264,577
	139,042	1,376,372	1,073,778	4,012,699
	-	-	-	594,621
	-	-	-	585,000
	6,302	1,547,589	101,182	1,878,302
	6,302	1,547,589	101,182	3,057,923
	10,924	-	-	10,924
	4,482,672	-	224,416	11,811,969
	-	-	-	2,025,208
	-	(1,051,920)	(139,735)	(1,371,060)
	4,493,596	(1,051,920)	84,681	12,477,041
\$	4,638,940	\$ 1,872,041	\$ 1,259,641	\$ 19,547,663

City of Waterloo, Iowa

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Nonmajor Special Revenue Funds
Year Ended June 30, 2018

	Local Option Sales Tax	Library Tax Levy	Community Development Block Grant
Revenues:			
Property taxes	\$ -	\$ 619,658	\$ -
Other taxes	9,416,283	24,074	-
Investment income	50,382	2,655	-
Rent	-	-	-
Intergovernmental	-	-	1,782,053
Charges for services	-	-	53,597
Miscellaneous	-	-	10,049
Total revenues	9,466,665	646,387	1,845,699
Expenditures:			
Current:			
Public safety	-	-	-
Public works	8,891,295	-	-
Culture and recreation	-	556,989	-
Community and economic development	-	-	1,881,248
Total expenditures	8,891,295	556,989	1,881,248
Excess of revenues over expenditures	575,370	89,398	(35,549)
Other financing sources (uses):			
Transfers in	-	-	-
Proceed from the sale of capital assets	-	-	-
Total other financing sources (uses)	-	-	-
Change in fund balance (deficit)	575,370	89,398	(35,549)
Fund balances (deficit), beginning of year	8,179,632	285,689	(143,856)
Fund balances (deficit), end of year	\$ 8,755,002	\$ 375,087	\$ (179,405)

Special Revenue							
Housing Programs		Grants	Federal Aviation Agency Projects	Total			
\$	-	\$	-	\$	619,658		
	-	-	-		9,440,357		
	20,476	-	1,458		74,971		
	184,310	-	-		184,310		
	5,268,621	1,255,510	2,204,736		10,510,920		
	51,609	-	103,541		208,747		
	1,782	-	-		11,831		
	5,526,798	1,255,510	2,309,735		21,050,794		
	-	4,869	-		4,869		
	-	508,429	2,571,106		11,970,830		
	-	251,999	-		808,988		
	5,398,937	109,944	-		7,390,129		
	5,398,937	875,241	2,571,106		20,174,816		
	127,861	380,269	(261,371)		875,978		
	-	-	-		-		
	-	55,000	-		55,000		
	-	55,000	-		55,000		
	127,861	435,269	(261,371)		930,978		
	4,365,735	(1,487,189)	346,052		11,546,063		
\$	4,493,596	\$	(1,051,920)	\$	84,681	\$	12,477,041

City of Waterloo, Iowa

Capital Projects Funds June 30, 2018

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 2012 GO Bonds Fund: This fund is used to account for proceeds from the 2012 general obligation bond sale until expended for the restricted purpose.

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 purpose.

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 purpose.

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 purpose.

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 purpose.

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 purpose.

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 purpose.

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, 2018**

	June 2013 GO Bonds	June 2014 GO Bonds	June 2015 GO Bonds
Assets			
Cash and cash equivalents	\$ 978,350	\$ 492,719	\$ 1,789,209
Receivables, customer accounts	-	-	-
Accrued interest	2,756	1,333	4,948
Total assets	\$ 981,106	\$ 494,052	\$ 1,794,157
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)			
Liabilities:			
Accounts payable	\$ 101,324	\$ 186,063	\$ 590,094
Retainages payable	2,236	-	-
Due to other funds	-	-	-
Total liabilities	103,560	186,063	590,094
Deferred inflows of resources, unavailable revenue—intergovernmental	-	-	-
Fund balances (deficit):			
Restricted	877,546	307,989	1,204,063
Unassigned	-	-	-
Total fund balances (deficit)	877,546	307,989	1,204,063
Total liabilities, deferred inflows of resources and fund balances (deficit)	\$ 981,106	\$ 494,052	\$ 1,794,157

June 2016 GO Bonds	June 2017 GO Bonds	June 2018 GO Bonds	Capital Improvements	Total
\$ 4,111,257	\$ 6,630,064	\$ 8,087,230	\$ -	\$ 22,088,829
-	-	-	224,345	224,345
9,519	13,347	19,809	-	51,712
<u>\$ 4,120,776</u>	<u>\$ 6,643,411</u>	<u>\$ 8,107,039</u>	<u>\$ 224,345</u>	<u>\$ 22,364,886</u>
\$ 182,454	\$ 113,222	\$ 68,019	\$ 273,385	\$ 1,514,561
23,023	20,257	-	58,655	104,171
-	-	-	1,478,135	1,478,135
<u>205,477</u>	<u>133,479</u>	<u>68,019</u>	<u>1,810,175</u>	<u>3,096,867</u>
-	-	-	85,770	85,770
3,915,299	6,509,932	8,039,020	49,057	20,902,906
-	-	-	(1,720,657)	(1,720,657)
<u>3,915,299</u>	<u>6,509,932</u>	<u>8,039,020</u>	<u>(1,671,600)</u>	<u>19,182,249</u>
<u>\$ 4,120,776</u>	<u>\$ 6,643,411</u>	<u>\$ 8,107,039</u>	<u>\$ 224,345</u>	<u>\$ 22,364,886</u>

City of Waterloo, Iowa

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Capital Projects Funds
Year Ended June 30, 2018**

	June 2012 GO Bonds	June 2013 GO Bonds	June 2014 GO Bonds
Revenues:			
Investment income	\$ 5,083	\$ 9,705	\$ 5,636
Miscellaneous	-	-	-
Total revenues	5,083	9,705	5,636
Expenditures:			
Debt service, interest expense	130	2,479	7,000
Capital outlay	1,019,336	214,620	590,630
Total expenditures	1,019,466	217,099	597,630
Revenues over (under) expenditures	(1,014,383)	(207,394)	(591,994)
Other financing sources (uses):			
Transfers in	-	-	-
Bond premium	-	-	-
Issuance of long-term debt	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances (deficit)	(1,014,383)	(207,394)	(591,994)
Fund balances (deficit), beginning of year	1,014,383	1,084,940	899,983
Fund balances (deficit), end of year	\$ -	\$ 877,546	\$ 307,989

June 2015 GO Bonds	June 2016 GO Bonds	June 2017 GO Bonds	June 2018 GO Bonds	Capital Improvements	Total
\$ 18,464	\$ 39,210	\$ 64,239	\$ 24,392	\$ -	\$ 166,729
-	-	-	-	1,342,887	1,342,887
18,464	39,210	64,239	24,392	1,342,887	1,509,616
-	-	21	159,930	-	169,560
1,681,057	1,731,257	10,796,234	-	4,573,484	20,606,618
1,681,057	1,731,257	10,796,255	159,930	4,573,484	20,776,178
(1,662,593)	(1,692,047)	(10,732,016)	(135,538)	(3,230,597)	(19,266,562)
-	-	-	-	3,386,733	3,386,733
-	-	-	84,558	-	84,558
-	-	-	8,090,000	-	8,090,000
-	-	-	8,174,558	3,386,733	11,561,291
(1,662,593)	(1,692,047)	(10,732,016)	8,039,020	156,136	(7,705,271)
2,866,656	5,607,346	17,241,948	-	(1,827,736)	26,887,520
\$ 1,204,063	\$ 3,915,299	\$ 6,509,932	\$ 8,039,020	\$ (1,671,600)	\$ 19,182,249

City of Waterloo, Iowa

Fiduciary Funds

June 30, 2018

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, 2018

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Assets, cash	\$ -	\$ 2,118,046	\$ 2,118,046	\$ -
Liabilities, due to private entities	\$ -	\$ 2,118,046	\$ 2,118,046	\$ -

**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.	129
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	134
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.	138
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.	143
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.	145

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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 216,863,066	\$ 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
Restricted	32,652,537	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
Unrestricted	4,738,557	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)
Total governmental activities net position	<u>\$ 254,254,160</u>	<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>
Business-type activities										
Net investment in capital assets	\$ 65,420,051	\$ 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
Restricted	3,171,308	3,178,807	3,170,694	1,655,694	1,383,659	1,310,099	727,235	672,515	672,515	672,515
Unrestricted	9,440,050	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
Total business-type activities net position	<u>\$ 78,031,409</u>	<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>
Primary government										
Net investment in capital assets	\$ 282,283,117	\$ 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
Restricted	35,823,845	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
Unrestricted	14,178,607	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)
Total primary government net position	<u>\$ 332,285,569</u>	<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>

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
Public safety	\$ 26,719,053	\$ 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
Public works	22,435,723	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
Health and social services	260,584	244,594	257,618	278,589	299,282	368,173	325,607	295,088	381,203	369,832
Culture and recreation	9,512,453	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
Community and economic development	13,520,082	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
General government	5,150,029	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
Interest on long-term debt	2,880,205	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
Total governmental activities expenses	<u>80,478,129</u>	<u>84,071,652</u>	<u>87,418,836</u>	<u>86,945,917</u>	<u>88,167,939</u>	<u>90,377,696</u>	<u>87,830,050</u>	<u>97,085,907</u>	<u>110,166,284</u>	<u>97,993,597</u>
Business-type activities:										
Sanitary sewer	8,573,832	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
Sanitation	3,593,300	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
Total business-type activities expenses	<u>12,167,132</u>	<u>12,555,096</u>	<u>13,846,081</u>	<u>13,410,965</u>	<u>13,673,355</u>	<u>13,027,592</u>	<u>16,130,876</u>	<u>17,940,099</u>	<u>17,686,181</u>	<u>17,274,110</u>
Total primary government expenses	<u>\$ 92,645,261</u>	<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>
Program Revenue										
Governmental activities:										
Charges for services:										
Public safety	\$ 3,143,136	\$ 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
Public works	1,894,200	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
Culture and recreation	2,441,457	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
Other activities	1,139,772	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
Operating grants and contributions	16,803,356	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
Capital grants and contributions	13,787,329	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
Total governmental activities program revenue	<u>39,209,250</u>	<u>42,213,622</u>	<u>35,636,888</u>	<u>37,011,820</u>	<u>34,189,882</u>	<u>35,752,201</u>	<u>61,997,499</u>	<u>37,671,773</u>	<u>60,661,539</u>	<u>37,216,097</u>
Business-type activities:										
Charges for services:										
Sanitary sewer	9,628,876	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
Sanitation	3,349,978	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
Operating grants and contributions:										
Sanitary sewer	339,496	-	125,802	54,041	-	-	24,236	1,892	206,145	37,055
Sanitation	274,988	314,940	399,000	215,584	273,869	272,755	274,324	273,624	290,513	273,624
Capital grants and contributions:										
Sanitary sewer	106,200	-	81,302	82,443	-	-	-	1,271,776	192,977	145,656
Sanitation	3,000	-	-	560	13,585	-	-	-	-	-
Total business-type activities program revenue	<u>13,702,538</u>	<u>14,898,963</u>	<u>17,336,344</u>	<u>17,072,620</u>	<u>16,188,743</u>	<u>16,727,556</u>	<u>16,545,432</u>	<u>19,475,315</u>	<u>19,745,419</u>	<u>17,402,581</u>
Total primary government program revenue	<u>\$ 52,911,788</u>	<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>
Net (Expense)/Revenue										
Governmental activities	\$ (41,268,879)	\$ (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)
Business-type activities	1,535,406	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
Total primary government net expense	<u>\$ (39,733,473)</u>	<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>

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenue and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 38,776,426	\$ 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
Other taxes	14,208,362	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
Investment earnings	426,353	170,946	152,078	54,485	45,578	117,515	180,123	187,046	339,895	842,018
Miscellaneous	6,556,363	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
Gain on sale of assets	-	1,827,508	-	-	-	-	-	188,433	34,865	-
Transfers	-	-	70,231	(44,167)	(4,740)	-	(2,035)	-	-	-
Total governmental activities	<u>59,967,504</u>	<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>
Business-type activities:										
Investment earnings	85,352	17,730	21,055	18,612	16,555	25,122	39,714	49,277	51,489	104,439
Gain (loss) on sale of assets	-	-	-	-	-	-	1,711	-	-	46,298
Transfers	-	-	(70,231)	44,167	4,740	-	2,035	-	-	-
Total business-type activities	<u>85,352</u>	<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>
Total primary government	<u>\$ 60,052,856</u>	<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>
Changes in Net Position										
Governmental activities	\$ 18,698,625	\$ 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
Business-type activities	<u>1,620,758</u>	<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>
Total primary government	<u>\$ 20,319,383</u>	<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>

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Nonspendable	\$ -	\$ -	\$ 310,432	\$ 326,276	\$ 322,077	\$ 392,741	\$ 323,781	\$ 267,413	\$ 197,324	\$ 528,775
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
Committed	-	-	662,415	-	-	36,595	-	-	-	33,004
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
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
Reserved	2,367,516	3,064,085	-	-	-	-	-	-	-	-
Unreserved:										
Designated	4,720,531	5,077,047	-	-	-	-	-	-	-	-
Undesignated	8,152,625	8,610,737	-	-	-	-	-	-	-	-
Total general fund	<u>\$ 15,240,672</u>	<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>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ 208,100	\$ 297,516	\$ 233,192	\$ 466,165	\$ 298,880	\$ 290,117	\$ 261,770	\$ 131,211
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
Assigned	-	-	2,322,606	2,332,997	2,370,221	80,148	2,396,279	2,424,601	2,458,279	2,549,694
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)
Reserved	2,923,228	2,786,146	-	-	-	-	-	-	-	-
Undesignated, reported in:										
Special revenue funds	17,918,742	16,410,755	-	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-	-	-
Capital project funds	14,259,781	12,144,579	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 35,101,751</u>	<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>

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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue										
Property taxes	\$ 38,789,695	\$ 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
Other taxes	14,368,254	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
Licenses and permits	977,306	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
Investment income	426,353	170,946	152,078	54,485	45,578	117,515	183,938	187,047	339,895	842,018
Rent*	1,060,566	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
Intergovernmental	22,932,392	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
Charges for services*	5,963,660	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
Interfund charges for service	2,808,833	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
Special assessments	37,216	225,198	47,171	93,870	124,467	139,408	127,266	138,434	133,943	176,382
Miscellaneous	6,043,260	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
Total revenue	<u>93,407,535</u>	<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>
Expenditures										
Current:										
Public safety	25,941,016	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
Public works	23,846,845	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
Health and social services	333,706	316,974	325,730	346,952	370,275	365,847	407,060	375,769	379,958	365,193
Culture and recreation	8,844,296	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
Community and economic development	13,954,851	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
General government	5,532,557	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
Debt service										
Principal	7,698,818	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
Interest and fees	2,975,411	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
Bond Issuance Costs**	-	-	-	-	100,798	149,580	-	-	-	-
Capital projects	16,639,618	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
Total expenditures	<u>105,767,118</u>	<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>
Revenue over (under) expenditures	<u>(12,359,583)</u>	<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>
Other financing sources (uses)										
Transfers in	15,295,255	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
Transfers out	(15,295,255)	(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)
Insurance proceeds	1,421,521	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	74,294	2,243,301	221,807	-	71,014	47,937	(6,168)	335,618	95,564	206,006
Refunding bonds issued	4,271,100	4,240,000	5,500,000	4,200,000	2,630,000	8,670,000	-	-	-	1,425,000
Payment to refunded bond escrow agent	(4,200,992)	(4,172,380)	(5,586,483)	-	(6,744,723)	(8,806,014)	-	-	(2,040,000)	-
Proceeds from debt issued	9,400,000	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
Bond discounts and premiums	(40,080)	(62,842)	353,883	269,088	118,687	205,713	129,606	107,806	276,585	118,355
Total other financing sources (uses)	<u>10,925,843</u>	<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>
Net change in fund balances	<u>\$ (1,433,740)</u>	<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>
Debt service as a percentage of noncapital expenditures	<u>12.0%</u>	<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>

* 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	3,623,346,971	67.51%
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	100,143,383	5,774,986	2,523,121,864	17.60000	3,786,098,936	66.64%

Source: Black Hawk County Auditor.

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

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

Fiscal Year	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

Source: Black Hawk County Auditor.

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

Employer	2018			2009		
	Assessed Value 1/1/2016	Rank	Percentage of Total Assessed Value	Assessed Value 1/1/2007	Rank	Percentage of Total Assessed Value
Deere and Company	\$ 54,809,060	1	1.45%	\$ 26,613,160	4	0.77%
IOC Black Hawk County, Inc.	54,593,550	2	1.44%	\$ 31,395,090	3	0.91%
Con Agra k/n/a Hunt Wesson, Inc.	28,194,870	3	0.74%	23,573,110	6	0.68%
Crossroads Realty LLC	25,408,870	4	0.67%	40,167,120	2	1.16%
Ferguson Enterprises, Inc.	20,707,670	5	0.55%	24,732,360	5	0.72%
Tyson Fresh Meats (formerly IBP, Inc.)	17,693,715	6	0.47%	20,042,040	7	0.58%
Bertch Cabinet Manufacturing	16,383,920	7	0.43%	15,608,870	8	0.45%
VGM Management	14,209,941	8	0.38%	--	--	--
Walmart Stores	13,346,060	9	0.35%	--	--	--
Ocwen Financial Corporation	11,202,670	10	0.30%	--	--	--
MidAmerican Energy	--		--	112,802,634	1	3.27%
Qwest Corporation (formerly US West)	--		--	12,570,171	9	0.36%
Banco Mortgage Company	--		--	11,431,160	10	0.33%
Total	<u>\$ 256,550,326</u>		<u>6.78%</u>	<u>\$ 318,935,715</u>		<u>9.25%</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>
2007	2009	\$ 35,238,473	35,092,505	99.59%	40,319	\$ 35,132,824	99.70%
2008	2010	36,645,462	36,619,212	99.93%	16,989	36,636,201	99.97%
2009	2011	37,312,210	37,186,887	99.66%	34,746	37,221,633	99.76%
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	33,086,343	33,010,145	99.77%	9,310 *	33,019,455	99.80%
2016	2018	39,598,288	39,602,704	100.01%	8,658 *	39,611,362	100.03%

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

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>
2009	\$ 83,832,977	\$ 3,542,643,298	2.37%	1,219
2010	85,835,630	3,566,368,445	2.41%	1,249
2011	89,522,781	3,747,030,046	2.39%	1,309
2012	90,366,627	3,747,030,046	2.38%	1,302
2013	91,480,632	3,738,165,467	2.42%	1,321
2014	93,637,457	3,623,346,971	2.58%	1,369
2015	99,096,543	3,656,417,436	2.71%	1,449
2016	105,375,117	3,770,142,165	2.79%	1,540
2017	105,375,117	3,770,142,165	2.79%	1,540
2018	101,105,698	3,786,098,936	2.67%	1,478

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, 2018

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable To City*</u>	<u>Estimated Share of Overlapping Debt</u>
City of Waterloo direct debt	<u>\$ 89,989,025</u>	100.00%	<u>\$ 89,989,025</u>
Overlapping:			
Black Hawk County	\$ 24,175,000	43.37%	10,484,698
Hudson Community Schools	243,072	6.38%	15,508
Hawkeye Community College	<u>8,430,000</u>	24.93%	<u>2,101,599</u>
Subtotal, overlapping debt	<u>\$ 32,848,072</u>		<u>\$ 12,601,805</u>
Total direct and overlapping debt	<u><u>\$ 122,837,097</u></u>		<u><u>\$ 102,590,830</u></u>

Source: Black Hawk County Auditor

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

*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**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$ 172,392,563	\$ 178,318,422	\$ 178,318,423	\$ 187,351,502	\$ 186,908,273	\$ 188,105,317	\$ 181,167,349	\$ 182,820,872	\$ 188,507,108	\$ 189,304,947
Total net debt applicable to limit	85,978,443	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
Legal debt margin	<u>\$ 86,414,120</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	49.87%	49.71%	51.49%	49.58%	49.02%	49.44%	49.44%	55.26%	55.26%	57.65%

Legal Debt Margin Calculation for Fiscal Year 2018

Estimated actual valuation (assessed) as of January 1, 2016	\$ 3,786,098,936
Debt limit (5% of total estimated actual valuation)	189,304,947
Debt applicable to debt limit:	
General obligation bonds	101,105,698
General obligation capital loan notes	8,019,724
Total net debt applicable to limit	<u>109,125,422</u>
Legal debt margin	<u>\$ 80,179,525</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>
2009	10,030,590	5,070,016	4,960,574	2,038,173	2.4338
2010	11,195,472	5,266,284	5,929,188	2,079,198	2.8517
2011	13,468,610	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

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

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	2018			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Deere & Company	5,600	1	17.55%	5,600	1	16.67%
Tyson Fresh Meats (formerly IBP, Inc.)	2,900	3	9.09%	2,500	3	7.44%
Wheaton Franciscan Health Care *	2,885	2	9.04%	3,025	2	9.00%
Unity Point Health (Allen Memorial Hospital)	2,520	4	7.90%	1,980	4	5.89%
University of Northern Iowa	1,815	5	5.69%	1,780	5	5.30%
Hy-Vee	1,735	6	5.44%	1,155	8	3.44%
Waterloo Community Schools	1,605	7	5.03%	1,450	6	4.32%
Omega Cabinetry Ltd	995	8	3.12%	1,200	7	3.57%
Target Regional Distribution Center	840	9	2.63%	--	--	--
Bertch Cabinet Manufacturing	825	10	--	1,100	10	3.27%
Waterloo Community Schools	--	--	--	1,450	6	4.32%
Area Education Agency 7	--	--	--	1,150	9	3.42%
Total	21,720		65.50%	22,390		66.64%

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Police	131.0	135.0	139.0	138.0	131.0	130.0	130.0	130.0	130.0	129.0
Fire	113.0	116.5	114.5	112.5	109.5	108.5	106.5	109.5	107.5	104.5
Building Inspection	15.0	15.5	10.5	12.5	12.5	12.5	13.5	13.5	13.0	11.0
Public Works										
City Engineer	20.0	19.0	18.0	20.0	20.0	20.0	20.0	20.0	20.0	21.0
Traffic	13.0	12.0	12.0	12.0	15.0	16.0	16.0	14.0	15.0	14.0
Central Garage	10.0	8.0	9.0	9.0	9.0	10.0	10.0	9.0	9.0	9.0
Street	40.0	39.0	37.0	38.0	36.0	34.0	37.0	35.0	36.0	35.0
Airport	5.5	5.5	5.5	6.0	5.0	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	13.5	14.0	14.5	13.0	11.0	13.0	12.0	13.0	10.0
Library	24.5	25.0	24.5	24.5	25.0	25.0	24.5	24.0	23.5	22.5
Leisure Services	41.0	40.0	40.0	39.0	36.0	40.0	43.0	42.0	41.0	43.0
Community & Economic Development										
Community Planning & Development	24.0	24.0	24.0	24.0	22.0	23.0	23.0	22.0	21.0	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	2.0	1.0	1.0	1.0	2.0	4.0	5.0
City Clerk & Finance	13.0	13.0	13.0	13.0	14.0	14.0	12.0	12.0	9.0	10.0
City Attorney/Code Enforcement	1.5	1.5	1.5	1.5	1.5	1.5	1.5	6.0	6.0	6.0
Human Resources	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0	4.0
Facilities Maintenance	3.0	3.0	3.0	3.0	3.0	4.0	4.0	4.0	4.0	5.0
Waste Management Services										
Sewer	30.1	29.0	32.0	35.0	33.9	41.0	39.0	40.0	39.0	36.0
Sanitation	13.9	13.0	15.0	14.0	17.1	13.0	17.0	13.0	13.0	13.0
Total	<u>520.0</u>	<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>

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Police *										
Traffic accidents	2,141	1,941	1,712	1,630	1,598	1,839	1,726	1,607	1,633	1,441
Cases	13,740	13,411	12,079	11,591	11,344	11,298	11,111	10,110	9,683	8,930
Citations	6,781	7,983	6,851	7,271	6,448	6,989	5,060	4,917	3,947	3,748
Calls for service	75,932	82,044	81,110	80,872	75,626	77,161	67,717	61,944	60,652	50,773
Total arrests	5,506	5,590	5,243	5,244	4,984	4,931	4,728	4,004	3,874	3,444
Fire										
Fire responses	5,208	4,885	4,238	4,307	4,622	5,011	5,129	5,232	5,638	5,542
Ambulance responses	7,234	6,928	5,328	6,062	6,997	6,729	6,830	6,650	7,036	8,720
Building Inspection										
Construction permits issued	8,143	8,657	9,386	8,012	8,682	9,969	10,327	10,620	9,704	8,483
Construction value of permits	\$ 74,920,243	\$ 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
Public Works										
Engineering										
Street reconstruction (miles)	2.55	2.45	1.98	2.90	3.08	3.15	1.59	2.61	3.35	3.08
Street resurfacing (miles)	18.63	12.42	14.15	12.64	14.05	12.21	18.63	12.53	0.64	1.66
Street Department										
Tons of salt used for streets	5,506.97	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
Man hours for road maintenance	71,448	71,448	72,800	68,640	67,345	66,650	67,320	79,357	66,924	68,644
Airport										
Commercial Enplanements	25,467	22,255	23,206	22,173	19,897	21,573	26,170	27,325	25,534	22,836
Aircraft take-offs and landings	25,921	22,738	20,772	21,521	20,589	19,109	19,550	21,037	18,585	18,943
Based aircraft	100	100	101	101	104	104	74	75	75	75
Health & Social Services										
Human Rights										
Civil Rights complaints										
New cases opened	62	74	78	95	106	64	66	50	57	49
Cases closed	182	88	76	103	59	43	100	50	69	72
Active cases at year-end	126	109	113	103	154	177	143	142	129	105
Culture & Recreation										
Leisure Services										
SportsPlex Members	N/A	N/A	N/A	N/A	N/A	2,594	4,450	4,965	5,095	5,243
Young Arena facility usage										
Event Visitors	121,324	118,286	118,089	127,508	118,639	119,903	100,064	100,913	103,547	105,938
Recreational Visitors	138,541	143,370	153,018	164,315	174,780	186,384	189,121	189,586	183,749	180,545
Sports - youth programs	5,034	5,117	5,691	5,720	5,451	5,571	5,623	5,689	5,573	5,434
Sports - adult programs	1,461	1,665	1,621	1,620	1,588	1,598	1,617	1,543	1,497	1,412
Pool attendance	40,561	41,743	42,883	44,741	39,611	37,603	33,866	34,733	28,861	22,065
Golf rounds	93,932	95,898	87,173	97,032	81,218	75,737	74,891	76,137	69,989	60,640
Annual flowers grown for parks	22,880	28,008	24,984	22,488	23,304	-	-	-	-	-
Public Library										
Total Circulation	426,593	441,746	419,333	424,435	405,341	422,204	470,786	446,467	365,656	299,035
Total Library Visits	\$ 241,539	\$ 274,903	\$ 290,161	\$ 207,597	\$ 263,261	\$ 271,603	\$ 278,431	\$ 253,929	\$ 262,073	\$ 250,804
Waterloo Center for the Arts										
In House Visitors	\$ 125,351	\$ 118,541	\$ 113,411	\$ 119,404	\$ 125,958	\$ 118,970	\$ 128,140	\$ 122,334	\$ 157,628	\$ 189,153
Events, meetings, and programs	\$ 1,839	\$ 1,683	\$ 1,625	\$ 1,578	\$ 1,563	\$ 1,074	\$ 1,103	\$ 1,003	\$ 1,261	\$ 1,513

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Community & Economic Development										
Planning and Zoning										
Planning commission agenda items	50	54	77	65	72	91	100	86	63	70
CURA applications received **	46	29	20	12	24	30	41	31	35	25
CURA improvements value	\$ 5,972,779	\$ 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
CLURA applications received***	-	-	-	6	19	58	69	41	74	46
CLURA improvments value	\$ -	\$ -	\$ -	\$ 1,249,100	\$ 4,385,349	\$ 14,418,617	\$ 15,057,131	\$ 8,849,239	\$ 17,426,350	\$ 11,090,817
Community Development										
Down payment assistance	50	57	12	22	10	3	4	8	7	-
Home buyer education	183	147	-	-	-	-	-	-	-	-
Owner-occupied homes rehabilitated	36	10	32	46	31	42	26	24	24	25
Emergency repairs (including roofs)	38	44	39	45	49	37	33	34	32	21
Demolitions (residential & commercial)	20	27	11	20	18	21	-	13	-	1
Housing										
Actual vouchers	1,007	1,003	994	996	1,005	931	937	975	1,017	1,010
Public housing units	50	48	50	50	50	50	50	50	50	50
Family self sufficiency participants	59	49	53	54	47	36	31	34	28	26
Sewer										
Sewer system customers	25,769	25,565	25,450	25,707	25,393	26,102	25,584	26,498	26,522	25,235

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

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	32	34	31	29 **	29	30	33	35
Public Works										
Miles of streets - paved	356	357	364	364	364	364	364	360	360	361
Miles of streets - unpaved	73	73	72	72	72	72	72	68	68	68
Street lights	1,800	1,800	1,800	1,800	1,800	1,807	1,807	1,807	1,807	1,847
Traffic Signals	198	197	200	200	200	197	198	198	199	200
Airport runway lengths										
Runway 12/30	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400
Runway 18/36	6,002	6,002	6,002	6,002	6,002	6,002	6,002	6,002	6,002	6,002
Runway 6/24	5,403	5,403	5,403	5,403	5,403	5,403	5,403	5,403	5,403	5,403
Culture & Recreation										
City 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	23	20	20
Baseball diamonds	8	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	0	1	1	1	1	1	1	1
Splash Park	0	0	0	1	1	1	1	1	1	1
SPORTSPLEX	0	0	0	0	0	0	1	1	1	1
Center for the Arts collection size	3,153	3,362	3,766	4,178	4,352	4,682	5,102	5,498	5,647	6,001
Library collection size	200,246	168,295	172,580	163,247	161,462	164,486	138,540	138,305	124,649	112,777
Sewer										
Miles of sanitary sewer	356	356	356	356	356	357	358	368	372	373

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, 2018**

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:				
Community Development Block Grants/Entitlement Grants		14.218	\$ 42,663	\$ 1,046,412
HOME Investments Partnerships Program		14.239	78,082	652,102
Fair Housing Assistance Program-State and Local		14.401	-	13,654
Public and Indian Housing		14.850	-	232,850
Section 8 Housing Choice Vouchers		14.871	-	5,096,789
Public Housing Capital Fund		14.872	-	14,000
Public Housing Capital Fund		14.872	-	35,924
Subtotal			-	49,924
Lead-Based Paint Hazard Control		14.900	650	173,365
Total Department of Housing and Urban Development			121,395	7,265,096
Department of Justice				
Direct:				
Bulletproof Vest Partnership Program		16.607	-	7,937
Bulletproof Vest Partnership Program		16.607	-	4,763
Subtotal			-	12,700
Edward Byrne Memorial Justice Assistance Grant Program *		16.738	-	33,101
Edward Byrne Memorial Justice Assistance Grant Program *		16.738	-	57,781
Subtotal			-	90,882
Total direct			-	103,582
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	7,999	24,726
Edward Byrne Memorial Justice Assistance Grant Program *	15-JAG-197189	16.738	115,884	182,385
Total indirect			123,883	243,224
Total Department of Justice			123,883	346,806

(Continued)

City of Waterloo, Iowa

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2018

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	\$ -	\$ 2,069,350
Total direct			-	2,069,350
Indirect:				
Federal Highway Administration Pass Through Iowa				
Department of Transportation:				
Highway Planning and Construction	TAP-U-8155(741)--81--07	20.205	-	11,305
	NHSX-63-6(69)--3H-07	20.205	-	1,603
	STP-U-8155(74)--70-07	20.205	-	23,069
	STP-U-8155(756)--70-07	20.205	-	30,000
	STP-U-8155(754)--86-07	20.205	-	135,567
	STP-U-8155(743)--86-07	20.205	-	94,308
	STP-U-8155(757)--86-07	20.205	-	525
Subtotal 20.205			-	296,377
National Highway Traffic Safety Administration Pass Through Iowa Department of Public Safety Governor's Traffic National Priority Safety Programs	PAP-17-405d-M6OT, Task 54	20.616	-	14,055
	PAP-17-405d-M6OT, Task 42	20.616	-	21,931
Subtotal			-	35,986
Total indirect			-	332,363
Total Department of Transportation			-	2,401,713
U.S. Equal Employment Opportunity Commission				
Direct:				
Employment Discrimination Title VII of the Civil Rights Act of 1964		30.001	-	22,967
Employment Discrimination Title VII of the Civil Rights Act of 1964		30.001	-	25,676
Total U.S. Equal Employment Opportunity Commission			-	48,643
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	-	17,608
Environmental Protection Agency				
Direct:				
Brownfield Assessment & Cleanup Cooperative		66.818	-	110,603
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 4187	97.036	-	335
	013-82425-00 DR 4289	97.036	-	119,120
Subtotal			-	119,455
Staffing for Adequate Fire & Emergency Response (SAFER)	EMW-2014-FH-00136	97.083	-	23,245
Total Department of Homeland Security			-	142,700
Total expenditures of federal awards			\$ 245,278	\$ 10,333,169

* 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, 2018**

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

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* or Uniform Guidance, as appropriate, 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 percent de minimis indirect cost rate allowed under the Uniform Guidance.

City of Waterloo, Iowa

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018**

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2018. The City's beginning net position of the governmental activities, business-types activities, major enterprise fund and aggregate remaining fund information, have been restated due to the implementation of GASB Statement No. 75 to recognize the total other postemployment liability. 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, 2017 and the Waterloo Convention & Visitors Bureau, Inc. as of and for the year ended June 30, 2018, 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, 2018 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
December 21, 2018

**Report on Compliance For Each 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 Each 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 each of the City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2017 and June 30, 2018, 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 each of the City of Waterloo, Iowa's major federal programs 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 each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on each 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, 2018.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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
December 21, 2018

City of Waterloo, Iowa

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2018**

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
14.218	Community Development Block Grants/Entitlement Grants
20.106	Airport Improvement Program

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

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

(Continued)

City of Waterloo, Iowa

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2018

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

A. Significant Deficiency in 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

18-IV-A Certified Budget

Expenditure/expenses during the year ended June 30, 2018, did not exceed the budgeted amounts.

18-IV-B Questionable Disbursements

No questionable disbursements were noted.

18-IV-C Travel Expenses

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

18-IV-D Business Transactions

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

18-IV-E Bond Coverage

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

18-IV-F Council Minutes and Resolutions

No instances of noncompliance with the council minutes and resolutions.

18-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.

18-IV-H Deficit Balances

Finding: The following funds had deficit balances as of June 30, 2018:

Grants, Special Revenue	\$ 1,051,920
Community Development Block Grant, Special Revenue	179,405
Capital Improvements, Capital Projects	1,671,600

City of Waterloo, Iowa

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2018

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.

18-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.

18-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, 2018, the accumulative cash deficit totaled \$491,719.

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.