

CITY OF WATERLOO, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2013

Prepared by:
City of Waterloo Finance Department
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CITY OF WATERLOO, IOWA

CITY CLERK AND FINANCE DEPARTMENT

715 Mulberry St. • Waterloo, IA 50703 • (319) 291-4323 Fax (319) 291-4571
SUZY SCHARES • City Clerk MICHELLE WEIDNER, CPA • Chief Financial Officer

Mayor
BUCK
CLARK

December 12, 2013

COUNCIL
MEMBERS

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

DAVID
JONES
Ward 1

CAROLYN
COLE
Ward 2

HAROLD
GETTY
Ward 3

QUENTIN M.
HART
Ward 4

RON
WELPER
Ward 5

BOB
GREENWOOD
At-Large

STEVE
SCHMITT
At-Large

..... We are pleased to present the Comprehensive Annual Financial Report of the City of Waterloo, Iowa (the “City”) for the fiscal year ended June 30, 2013 in accordance with the provisions of Chapter 11 of the Code of Iowa. This report represents the eleventh consecutive year that the financial statements are presented in conformity with Governmental Accounting Standards Board Statement # 34 and the seventeenth consecutive time that it has been presented in accordance with generally accepted accounting principles. It has also been audited by an independent certified public accounting firm in accordance with generally accepted auditing standards and the single audit act requirements of the U.S. Office of Management and Budget (OMB) Circular A-133, “Audits of States, Local Governments, and Nonprofit Organizations”. McGladrey LLP, Certified Public Accountants issued an unmodified (“clean”) opinion on the financial statements for the year ended June 30, 2013. This report is published to provide the City Council, financial institutions and citizens detailed information concerning the financial condition of the City of Waterloo.

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

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

WE’RE WORKING FOR YOU!

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THE CITY'S BACKGROUND AND SERVICES

Waterloo is the fifth largest city in the state of Iowa, with a 2010 census 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. 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 20 operating departments, the activities of which are directed by the Mayor. The public services provided by the employees of the City include police and fire protection, building inspections and animal control, the construction and maintenance of highways, streets and other infrastructure through the planning, engineering, street maintenance and traffic safety departments and recreational and cultural and arts services provided through the library, leisure services, and cultural and arts departments. The City also provides solid waste collection and wastewater treatment through the waste management services department and operates a regional airport. Various other human services are provided through the community development, housing and human rights departments. In addition, the central garage provides vehicle maintenance services, while the human resources and management information systems departments, city attorney, city clerk and chief financial officer and their respective departments perform various administrative functions.

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

MAJOR INITIATIVES AND PROJECTS

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

➤ Cedar Valley Riverfront Renaissance

The construction of portions of a major project identified as the Cedar Valley Riverfront Renaissance Plan was completed in June 2012 and all facilities are now open to the public. This project is succeeding in drawing the community together around the Cedar River, one of the area's most valuable natural resources, re-establishing a strong center for downtown, aiding in the recruiting of significant new business, expanding tourism and improving the use of existing facilities. Projects completed as part of this initiative include improvements to the Cedar River Dam, the construction of a riverfront amphitheater and plaza, and the construction of recreational trails along both sides of the river through downtown. The Center for the Arts Youth Pavilion, the Veterans addition to

the Grout Museum and the construction of the East Side Ministerial Alliance Community Center were all leveraged by this project.

The Riverfront Renaissance project was funded primarily using distributions from the Black Hawk County Solid Waste Commission in addition to \$7.3 million in funds received from the state-sponsored Vision Iowa program. Several additional grants were used for portions of the project. As a part of that award, the City also participated in funding the construction of the East Side Ministerial Alliance Community Center. Black Hawk County and the cities of Cedar Falls, Evansdale and Waterloo presented a combined application to the Vision Iowa Program. A total award of \$9.5 million was received, which has resulted in a total investment of more than \$35 million in these communities. The RiverWalk Loop provides a unique recreational trail experience along the Cedar River throughout downtown Waterloo, while also connecting directly to the more than 117 miles of recreational trails in the Cedar Valley area, including the American Discovery Trail. The dam was inflated late during the summer of 2012 and was successful in raising the river level for boating. Additional docks have been installed to allow boaters to dock and visit downtown entertainment venues.

➤ RiverLoop Expo Grounds and Public Market

Construction of the RiverLoop Expo grounds and the renovation of the Public Market building near the Five Sullivan Brothers Convention Center and adjacent to the site of the new Cedar Valley SportsPlex are also complete. The City acquired a number of properties in the downtown area to create exhibition grounds that link downtown destinations, in addition to eliminating blight in the heart of downtown. Current plans define the grounds as a flexible community gathering space and outdoor exhibit space for conventions and trade shows. The Public Market is open and provides a unique area to support local fresh food products and regional food markets. The area is being used for events such as the annual Mayor's Fun Run with area 4th graders, a portion of the annual My Waterloo Days events, and the Cinco De Mayo event and is anticipated to leverage events held at the SportsPlex.

➤ Cedar Valley SportsPlex

Construction is well underway on the Cedar Valley SportsPlex, which will be a 125,000 square foot recreational facility, including such things as an area for indoor soccer fields, gyms, leisure pool, fitness facility, running track and multi-purpose activity spaces with an anticipated construction cost of \$26 million. The facility is being built on a 1.5 block area downtown. Several vacant and flood-damaged buildings were acquired and demolished by the City to redevelop this site. Construction is being completed using private donations and gaming grants. The facility is expected to open in early 2014.

➤ Former Rath Packing and John Deere Brownfields Pilot Area

The City has secured approximately \$13.5 million in funding over the past decade that has been used to revitalize the former Rath Packing and John Deere Brownfields areas, two of the oldest areas in the City. The City demolished a number of former Rath Packing buildings on the riverfront, making way for the expansion of a cold storage warehouse business and continued residential riverfront development between East 6th and East 11th Streets. Additional industrial development is also occurring in this area.

The city has partnered with three major social service agencies to create a \$16.5 million Human Services Campus at the former Rath Packing site. Operation Threshold, the

Department of Corrections, and the Northeast Iowa Food Bank have all opened new facilities on the site. This project centrally locates many services, providing easier access for citizens, in addition to helping to revitalize one of the oldest neighborhoods in the area. The new construction activity in this area has also spurred more than \$1.7 million in private investment in the general neighborhood, resulting in new commercial and industrial businesses locating in this infill neighborhood.

➤ **Significant Brownfields Redevelopment**

The City received several grants to redevelop the former Construction Machinery Company site (CMC). The City utilized those funds to demolish unsafe and fire-damaged buildings, remove underground rail cars previously used for environmental dumping, and acquire one 25,000 square foot building for redevelopment. The site is enrolled in the Iowa Department of Natural Resources Land Recycling Program.

Construction is nearing completion on a new 160,000 square foot Public Works building on this site. In addition to redeveloping a Brownfields site, the facility will consolidate many public works functions and provide more efficient and effective operations for the City. The City was awarded \$5 million in state I-Jobs funding and \$1 million in funds from the Black Hawk Gaming Association for this \$9 million project.

The City also completed the demolition of more than ten acres of buildings on the former Chamberlain Manufacturing complex. Demolition of the concrete slab foundations is expected to be completed during the fiscal year ending June 30, 2014. Chamberlain, the company that formerly operated Chamberlain Manufacturing, is working with the EPA to address potential pollution remediation needs at the site as well.

➤ **Street Improvements**

The street system continues to be kept in repair with a substantial program of reconstruction, overlays and long-term repairs funded with approximately \$9.5 million in annual local option sales tax collections. The one-cent local option tax was renewed in November 2013 by the taxpayers for another ten years, continuing to be required to be used for street repairs and improvements. Other major construction initiatives that are primarily funded with grants include the reconstruction of Highway 63 through the northern part of the city, which is currently underway and \$7 million in improvements to Kimball Avenue, which is currently being designed. The initial paving and construction of Shaulis Road in the southern part of the city and the reconstruction of East Donald Street on the north side of the city have both been completed.

➤ **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 new Riverwalk Loop trail in downtown Waterloo has been completed and a new trail is being developed along the newly constructed Shaulis Road connection. A recreational area for all-terrain vehicle trails has been developed in the Riverview neighborhood, along with new picnic shelters, fishing jetties and walking trails. Many improvements have been made to Riverfront Municipal Stadium, the city's baseball facility, over the past several years. Riverfront Sports Park has been developed next to the baseball stadium with many improvements including irrigation, field renovations, electronic scoreboards and new dugouts. Similar improvements are being made to baseball facilities at Tibbitts and Danes baseball complexes. The new RiverLoop

Amphitheatre and Mark's Park children's spray park are drawing crowds to the downtown riverfront. A new LED video board and sound system have been installed at Young Arena.

➤ **Storm Water Pump Stations**

As a result of the severe flooding that occurred in 2008, the City pursued and was awarded \$17 million in funding to construct eight storm water pump stations. Design is currently underway. Construction of the first stations began late in the summer of 2013. The pump stations will allow the City to weather future flooding with less impact on both private and public property.

ECONOMIC OUTLOOK

The outlook of the economy of Waterloo and the Cedar Valley area remains positive with continued commercial and industrial activity. The regional economic development corporation, the Greater Cedar Valley Alliance, continues to work to spur development in Waterloo as well as the entire metropolitan area. Building permit valuation declined to \$91 million compared to \$125 million earned during the fiscal year ended June 30, 2012. Although overall construction valuation was down, the number of actual permits issued rose from 8,012 to 8,682, indicating diverse continued investment citywide. Residential real estate values have continued to trend upward. The median sales price for homes in the Waterloo-Cedar Falls area has increased by 36% since 2003 (an annual average growth rate of 3.6%). Home values appreciated again with the median sales price increasing slightly (1.7%) at June 30, 2013 compared to June 30, 2012. Waterloo is a regional retail center for Black Hawk and surrounding counties. Although the growth in retail sales slowed slightly during the year ended June 30, 2012, sales have increased steadily by an annual average rate of approximately 2.3% in Waterloo during the ten years ending June 30, 2012 (the most recent period for which statistics are available). Retail sales in 2002 totaled \$919 million and increased to \$1.13 billion for the fiscal year ended June 30, 2012 (the most recent information available). The 2010 census reflected a slight population decline of 0.4% from 2000. Although Waterloo has not returned to the population levels of the seventies (prior to the major disruption in the farm economy), the official decrease in population for this decade is insignificant in relation to the total population.

Overall city tax base growth has been moderate, reflecting an average annual level of approximately 3.9% for the last five years. The City has developed a more diverse employment base since the mid-seventies, although John Deere and Company continues to play a major role in the local economy. Deere remains the city's largest employer and one of the larger taxpayers, currently accounting for about 8.2% of total county employment but 1.4% of total property values. Deere has invested more than \$140 million in its downtown Westfield Avenue site over the past several years, and is completing renovations for the foundry and drivetrain operations at a planned cost of \$90 million, reflecting the company's continued commitment to the area. Deere's staff levels in Waterloo have grown by 19% over the past several years. The Company has experienced several record-setting performance years recently. The city's average unemployment level of 5.7% (at June 30, 2013) remains above the state level of 4.6%, although it is well below the national level for June 2013 of 7.6%. The City's rate has decreased to 4.9% as of August 31, 2013.

The Isle Casino Hotel at Waterloo continues to provide a strong revenue source for the City since its grand opening June 30, 2007. The Isle is a \$98 million enterprise that employs nearly 600

Iowans and generates more than \$1.1 million in annual City property taxes. The City receives a host city fee of 0.5% of weekly adjusted gross receipts in addition to an annual development fee of 1% of weekly adjusted gross receipts.

The outlook remains positive for the continuation of these upward trends based on the continuing redevelopment occurring with the Riverfront Renaissance projects, John Deere's investment in the community, and other construction. The City has continued to see development occur in its Tax Increment Financing Districts. Major commercial expansions and new construction are occurring in the southern sector of the City, where the City has acquired 72 acres for development. The Crossroads area continues to see new retail development with over \$21 million in projects currently under construction, in addition to a campground south of Crossroads near the Lost Island Waterpark, creating over \$1.68 million in new taxable value, with amenities including a 20-acre lake attraction, a free standing convenience store, and several smaller cabins. Working with private developers, the City has seen the recent construction of several new industrial, commercial, and office buildings in the Martin Road area, and plans have been announced for the construction of additional smaller industrial buildings and a larger trucking firm planning to redevelop the former Greyhound Park dog track site into its company headquarters. New roads have been funded with State RISE funds and built in the MidPort Industrial Park, resulting in the construction of over \$1.5 million in new taxable value, and another \$1.5 million under construction (for two 40,000 square foot warehouses and two smaller 10,000 square foot businesses). A third road expansion is planned that will create additional industrial lots for development. Construction is now complete on 72 units of riverfront housing in Downtown, with additional phases to commence in the next year. A new CVS Pharmacy is now open in the Logan area and the redevelopment of this site has prepared another lot for development. This represents the western end of the Franklin Street corridor, which has another \$770,000 strip retail center under construction, and plans for over \$2 million in investment by the local television station, KWWL, for the renovation into its historic building along that corridor. One of the City's two major medical complexes completed a \$46 million renovation and addition, and the other has an \$18 million addition for emergency and magnetic resonance imaging facilities under construction.

The City is also benefiting from the one-cent local option tax for school construction. Nearly all school buildings in the city have been replaced with new construction or renovated to better address students' learning needs. A new \$16 million elementary school opened in the fall of 2013 in south Waterloo. The City of Waterloo and the Waterloo Community Schools have been working in partnership for the development and redevelopment of former school buildings and sites to be used for infill residential development, helping the City to reinvigorate existing neighborhoods with new construction, adding new tax base to the community without the expense of additional infrastructure, and utilizing land for its highest and best use. The City demolished two dilapidated former school buildings during the current year. The sites are being redeveloped into residential neighborhoods.

New residential construction is underway, including 26 new single family homes, 2 duplexes, and one 12-plex currently under construction. More than 200 new units are expected to be completed by June 30, 2014.

A new complex, the Cedar Valley TechWorks, is being developed as a combination bioproducts center and incubator marketplace to help define, expand and nurture the region's emerging bioeconomy. The TechWorks has received several grants to develop the site. The construction of a new extension to West Commercial Street has opened a new route to the Tech Works Campus

and Downtown Waterloo. Storm water improvements were also made to aid in the development of the TechWorks complex. One of the largest 3-D printers in the nation was recently installed at the TechWorks and is being used in manufacturing. The John Deere Engine and Tractor Museum is under construction (valued at \$3.5 million) on the TechWorks campus and is expected to bring 200,000 visitors to downtown annually. In addition, a \$50 million project has been announced to redevelop a former Deere factory building into a hotel and office complex.

The City of Waterloo acquired and demolished a former hotel building on the southern side of the Tech Works site to add more than four acres of new land near Downtown Waterloo for development purposes, and is seeing interest in the site, with a developer working on a project, with \$1 million in State of Iowa brownfield/greyfield tax credits approved for the site development.

The long term commercial and industrial viability of the Waterloo/Cedar Falls area is anticipated to continue to improve with the anticipated completion in the next several years of two four-lane highway corridors passing through the City with the “Avenue of the Saints” running north to St. Paul from St. Louis, and US Highway 20 running from Chicago to Highway 71 in western Iowa and programmed to continue west to Interstate 29 at Sioux City. In addition, the City and the Iowa Department of Transportation have undertaken a project to reconstruct Highway 63 through downtown Waterloo, which has resulted in the appropriation of \$11,500,000 in federal funds and over \$8 million in State funds, to complete the design and initiate construction. The primary goals of this project are to correct the highway’s current negative impact on adjacent low income and minority-populated communities, improve traffic operations and capacity and encourage private sector development along this corridor. Construction of the first segment is now underway.

FINANCIAL MANAGEMENT INFORMATION

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

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

Budgetary control is exercised at two levels in compliance with both the requirements of the Code of Iowa and the City Council’s adopted policies. Management control polices adopted by the City Council require that departmental and activity budgets comply with line-item appropriations. Amendments exceeding de minimus guidelines require the specific approval of the City Council Finance Committee. The adopted policies also require most expenditures

exceeding \$1,000 to be pre-authorized by the City Council Finance Committee, which reviews those items for budget availability and compliance with procurement procedures.

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

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Waterloo, Iowa for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. This is the ninth year that the City received this award, which is a prestigious national award, recognizing conformance with the highest standards for the preparation of state and local government financial reports.

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

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

ACKNOWLEDGMENTS

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

Sincerely,



Buck Clark,
Mayor



Michelle C. Weidner, CPA
Chief Financial Officer

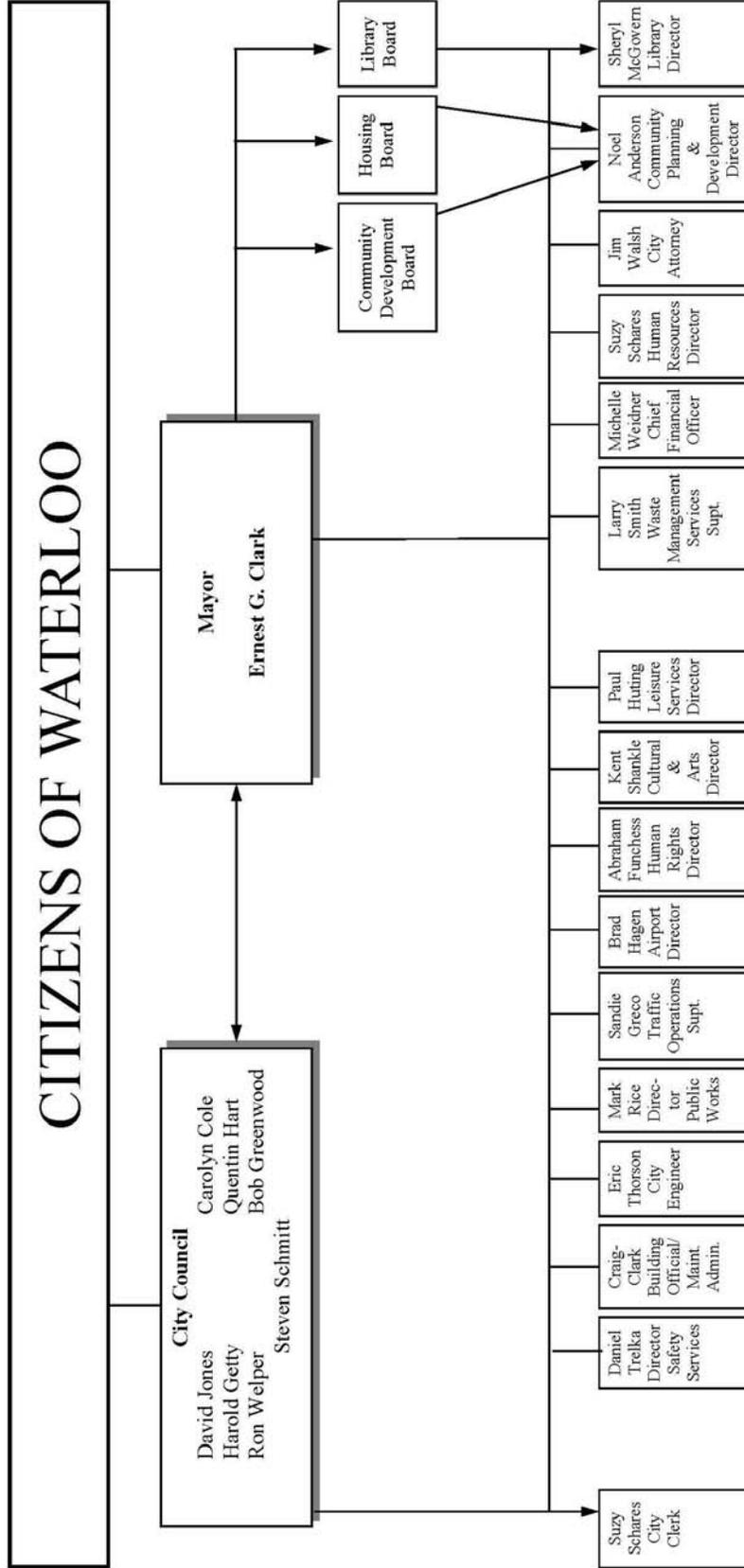
City of Waterloo, Iowa

Officials

June 30, 2013

Name	Title	Term Expires
Elected		
Ernest G. Clark	Mayor	January 2014
David Jones	Council Member - 1st Ward	January 2014
Carolyn Cole	Council Member - 2nd Ward	January 2016
Harold Getty	Council Member - 3rd Ward	January 2014
Quentin Hart	Council Member - 4th Ward	January 2016
Ron Welper	Council Member - 5th Ward	January 2014
Bob Greenwood	Council Member - At-Large	January 2014
Steven Schmitt	Council Member - At-Large	January 2016
Appointed		
Michelle Weidner, CPA	Chief Financial Officer	Indefinite
Suzy Schares, CMC	City Clerk	Indefinite
Eric Thorson, PE	City Engineer	Indefinite
James E. Walsh, Jr.	City Attorney	Indefinite
Daniel Trelka	Director of Safety Services	Indefinite

CITY OF WATERLOO, IOWA — ORGANIZATIONAL STRUCTURE





Government Finance Officers Association

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

Presented to

**City of Waterloo
Iowa**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Waterloo, Iowa
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, 2013, 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 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 report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Waterloo, Iowa as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 14, schedule of funding progress for other postemployment benefit information on page 65 and budgetary comparison information on pages 66 through 72 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 the U.S. Office of Management and Budget Circular A-133, Audit of States, Local Governments and Nonprofit Organizations 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 and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, 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 12, 2013 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

McGladrey LLP

Davenport, Iowa
December 12, 2013

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

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, 2013. 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-x 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 \$392,828,859 (net position). Of this amount, \$21,417,444 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$13,204,329.
- As of the close of this current fiscal year, the City of Waterloo's governmental funds reported combined ending fund balances of \$60,947,872, an increase of \$4,980,093 in comparison with the prior year. Approximately 7.1 percent of this total amount, \$4,298,890, is available for spending at the government'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 \$8,907,668, or 20.2 percent of total General Fund expenditures.
- The City of Waterloo's total long-term debt, increased by \$105,886 or 0.11 percent during the current fiscal year.

Overview of the Financial Statements

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

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

The statement of net 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, 2013

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 23 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, Grants Fund, Tax Increment Financing Fund and General Obligation Debt Service Fund, all of which are considered to be major funds. Data from the other 17 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

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, 2013.

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 \$392,828,859 at the close of the fiscal year ended June 30, 2013.

By far the largest portion of the City of Waterloo's net position (87 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, 2013 and 2012 follows:

	City of Waterloo's Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and other assets	\$ 119,181,001	\$ 118,781,203	\$ 29,919,170	\$ 28,927,424	\$ 149,100,171	\$ 147,708,627
Capital assets	313,428,516	305,724,912	89,925,422	86,499,786	403,353,938	392,224,698
Total assets	432,609,517	424,506,115	119,844,592	115,427,210	552,454,109	539,933,325
Deferred outflows of resources						
Deferred charge on refunding	75,536	4,014	158,594	226,675	234,130	230,689
Liabilities						
Current liabilities	18,586,797	19,979,500	4,887,538	5,395,571	23,474,335	25,375,071
Long-term liabilities	65,705,262	66,266,685	25,020,438	22,699,787	90,725,700	88,966,472
Total liabilities	84,292,059	86,246,185	29,907,976	28,095,358	114,200,035	114,341,543
Deferred inflows of resources						
Unavailable revenue	45,659,345	46,197,941	-	-	45,659,345	46,197,941
Net position						
Net investment in capital assets	264,695,106	250,819,314	74,508,694	71,243,134	339,203,800	322,062,448
Restricted	30,823,956	31,552,558	1,383,659	1,655,694	32,207,615	33,208,252
Unrestricted	7,214,587	9,694,131	14,202,857	14,659,699	21,417,444	24,353,830
Total net position	\$ 302,733,649	\$ 292,066,003	\$ 90,095,210	\$ 87,558,527	\$ 392,828,859	\$ 379,624,530

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

\$32,207,615 of the City of Waterloo's net position (8.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$21,417,444) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The City's total net position increased by \$13,204,329 during the current fiscal year. Governmental-type activities' net position increased by \$10,667,646. This increase was largely related to the net effect of capital asset transactions. See page 26 for a reconciliation of this increase. The total business-type activities' net position increased by \$2,536,683. This increase was due primarily to capital asset and related debt transactions.

Statement of Activities

A condensed version of the Statement of Activities as of June 30, 2013 and 2012 follows:

	City of Waterloo's Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 9,857,960	\$ 9,687,636	\$ 15,901,289	\$ 16,719,992	\$ 25,759,249	\$ 26,407,628
Operating grants and contributions	14,967,188	16,603,449	273,869	269,625	15,241,057	16,873,074
Capital grants and contributions	9,364,734	10,720,735	13,585	83,003	9,378,319	10,803,738
General revenues:						
Property taxes	45,536,650	42,822,680	-	-	45,536,650	42,822,680
Other taxes	15,142,297	14,844,322	-	-	15,142,297	14,844,322
Other	3,971,496	3,369,956	16,555	18,612	3,988,051	3,388,568
Total revenues	98,840,325	98,048,778	16,205,298	17,091,232	115,045,623	115,140,010
Expenses:						
Public safety	31,913,280	30,037,249	-	-	31,913,280	30,037,249
Public works	24,938,888	23,297,561	-	-	24,938,888	23,297,561
Health and social services	299,282	278,589	-	-	299,282	278,589
Culture and recreation	10,491,266	10,515,120	-	-	10,491,266	10,515,120
Community and economic development	14,129,616	16,138,333	-	-	14,129,616	16,138,333
General government	3,714,993	4,219,355	-	-	3,714,993	4,219,355
Interest on long-term debt	2,680,614	2,459,710	-	-	2,680,614	2,459,710
Sanitary sewer	-	-	10,033,041	9,730,465	10,033,041	9,730,465
Sanitation	-	-	3,640,314	3,680,500	3,640,314	3,680,500
Total expenses	88,167,939	86,945,917	13,673,355	13,410,965	101,841,294	100,356,882
Increase in net position before transfers	10,672,386	11,102,861	2,531,943	3,680,267	13,204,329	14,783,128
Transfers	(4,740)	(44,167)	4,740	44,167	-	-
Change in net position	10,667,646	11,058,694	2,536,683	3,724,434	13,204,329	14,783,128
Net position, beginning	292,066,003	281,007,309	87,558,527	83,834,093	379,624,530	364,841,402
Net position, ending	\$ 302,733,649	\$ 292,066,003	\$ 90,095,210	\$ 87,558,527	\$ 392,828,859	\$ 379,624,530

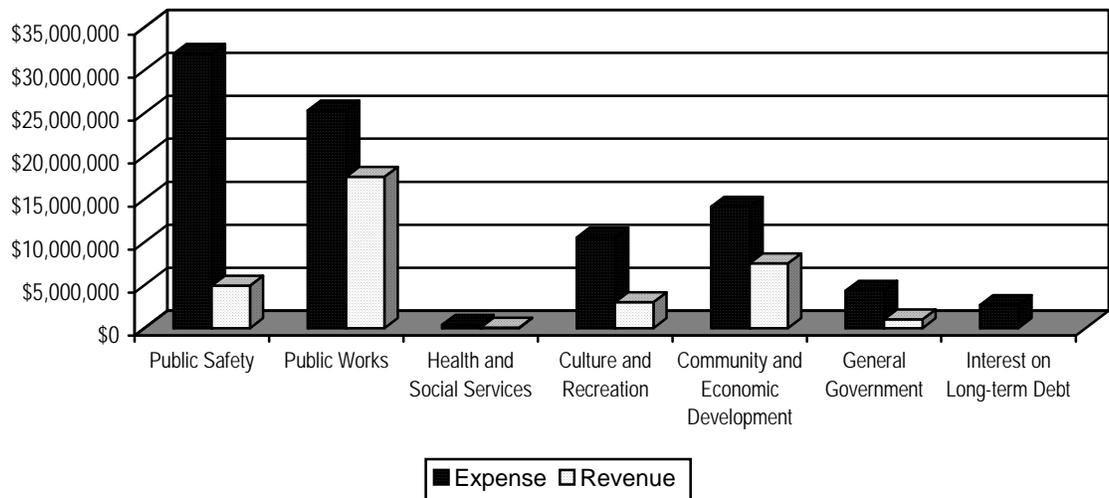
City of Waterloo, Iowa

**Management’s Discussion and Analysis
For Fiscal Year Ended June 30, 2013**

Total governmental activities’ revenue for the current fiscal year was \$98,835,585. The largest single revenue source for the City was property taxes of \$45,536,650. Property taxes increased by \$2,713,970 (6.3 percent) during the year. This increase is a result of a combination of factors, including an increase in the assessed value of property of 4.1 percent, an increase of 7.2 percent in the taxable value of property and a 1.8 percent decrease in the levy rate.

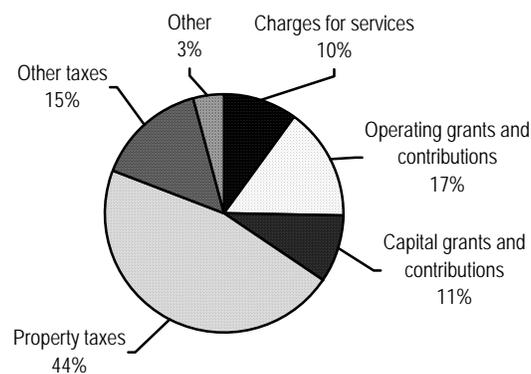
Certain revenues are generated that are specific to governmental program activities. These totaled \$34,189,882 during the fiscal year ended June 30, 2013. The graph below illustrates the comparison between the expenses by governmental activity type and the revenues generated that are specific to those activities.

Expenses and Program Revenues – Governmental Activities



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

Revenues by Source – Governmental Activities

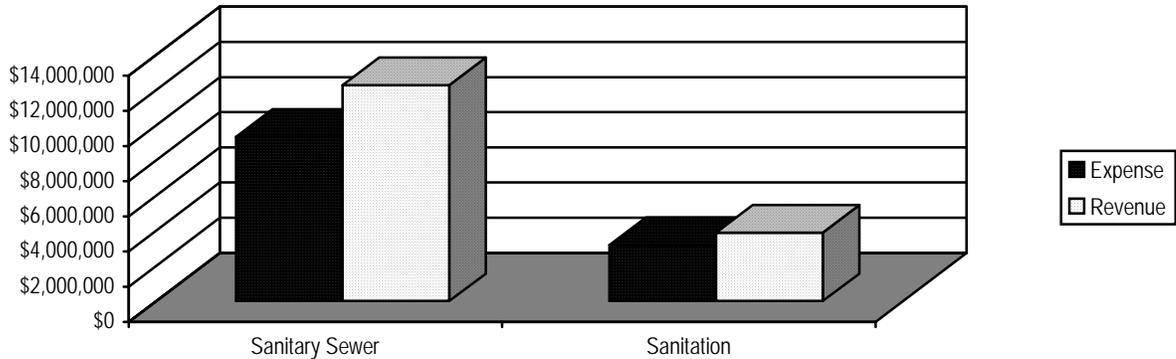


City of Waterloo, Iowa

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2013

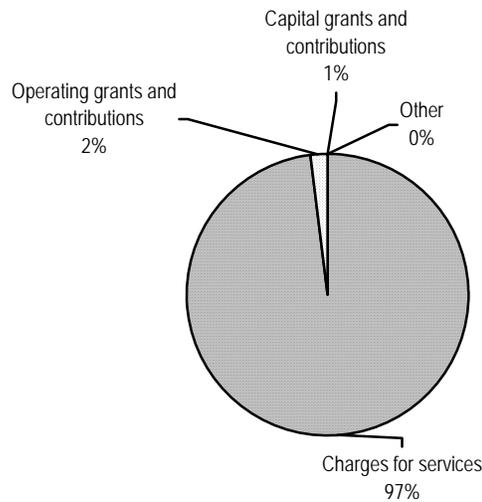
Total business-type activities' revenue for the fiscal year was \$16,210,038. \$16,188,743 of this revenue was generated for specific business-type activity expenses. The graph below shows a comparison between the business-type activity expenses and program revenues.

Expenses and Program Revenues – Business-type Activities



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

Revenues by Source – Business-type Activities



Business-type activities. Business-type activities increased the City of Waterloo's net position by \$2,536,683, accounting for 19 percent of the growth in the government's net position. This increase was due primarily to the generation of operating revenue that was used for the construction of mandated sewer system improvements and to repay related debt. Actual operating revenue was less than expected, due primarily to less use by industrial customers, including the closing of BPI, Inc. Capital expenses were less than planned, resulting in additional cash held at June 30, 2013.

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

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 \$60,947,872, an increase of \$4,980,093 in comparison with the prior year. Fund balance in the amount of \$56,648,982 is not available for new spending because it is nonspendable or has already been restricted, committed or assigned for a variety of purposes. Approximately 7.1 percent of total fund balance or \$4,298,890, 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 \$8,907,668, while total fund balance was \$20,045,531. As a measure of the General Funds' liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 20 percent of total General Fund expenditures, while total fund balance represents 46 percent of that same amount.

The City originally budgeted to use unassigned fund balance of \$574,374 for general fund operations for the year ended June 30, 2013.

In addition to the planned use of fund balance, a number of different activities contributed to the overall General Fund results. Exclusive of a portion of employee benefits (\$1,564,000) that were funded by the general fund instead of using the trust and agency employee benefits levy, several significant items contributed to overall General Fund results. The Fire department spent \$59,712 less than budgeted and collected \$128,951 more revenue than budgeted, consisting of a payment for a Hazmat call and increased ambulance revenue. The police department spent \$67,709 more than expected and collected \$33,106 more in revenue, due primarily to increased fines received. The Center for the Arts spent \$40,257 less than budgeted and collected \$18,754 more revenue than expected. The Leisure Services department spent \$281,735 less than budgeted, while actual revenues were \$8,156 less than the amount budgeted. The Planning & Zoning department spent \$8,535 more than budgeted and revenue was \$33,069 less than budgeted. The Clerk/Finance department spent \$111,372 less than budgeted and collected revenue of \$154,103 more than budgeted, consisting primarily of increases in gaming and cable franchise revenue. \$73,739 less was spent by the Facilities Maintenance department. Most of the savings in expenses were due to vacant positions that were not immediately filled. Additionally, the City also budgeted to use \$1,000,000 in unassigned fund balance at June 30, 2013 for operations for the year ending June 30, 2014. Variances in actual results versus amounts budgeted as well as the budgeted use of fund balance for future operations resulted in a net decrease in unassigned fund balance of \$737,031, which is \$262,969 better than expected.

Trust & Agency Fund—The net decrease in fund balance during the current year was \$161,507, resulting primarily from receiving less property tax revenue than expected due to property valuation court settlements.

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

The General Obligation Debt Service Fund—The net decrease in fund balance of \$3,724,816 during the current year is largely due to receiving the proceeds of a refunding bond issue near the end of the prior fiscal year but not redeeming the outstanding issues until the current fiscal year.

The Grants Fund—The City received reimbursements for several large projects, reducing the temporary deficit fund balance by \$2,602,776.

TIF Fund—The total fund balance of \$2,340,501, is restricted for the payment of debt service. The net increase in fund balance during the current year was \$838,138 and is the result of timing differences between revenue collections and the payment of TIF obligations.

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 were \$85,057,423, an increase of \$2,271,135. This increase was due primarily to the generation of operating revenue that will be used for the construction of mandated sewer system improvements and to repay related debt.

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 including transfers out of \$167,327,498 was increased to \$192,895,755 (an increase of \$25,568,257).

- The City added project budgets for several Public Safety department grants and expenses funded with other miscellaneous revenue that were approved after the original budget certification date (\$0.3 million).
- The City amended the budget to add air service development and pavement management projects at the airport, in addition to increasing expenditures for the city's crack sealing program (\$0.2 million).
- Expenses were increased for additional grants and donations received for Leisure Services, Cultural/Arts and the Library (\$0.3 million).
- The City increased expenditures to reflect use of reserve funds for capital improvements to the senior housing facility as well as to reflect additional lead paint grant funds, federal HOME grant funds and disaster recovery grant funds for new construction (\$1.5 million).

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

- Expenses were increased to reflect increased workers compensation and liability insurance claims anticipated to be paid out during the year (\$0.2 million).
- The City amended the debt service budget to provide for an anticipated refunding bond issue in June 2013 as well as to add the redemption of a bond issue that was delayed to July 2012 from June 2012 (\$12.6 million).
- Expenses were increased for capital projects approved for design and construction after the original budget certification date and also to reflect work completed during the current year on capital projects that were originally included in the prior year budget (\$5.5 million).
- Budgeted expenditures were increased for the sewer department due to a refunding bond issue, higher than anticipated sanitary sewer construction expenses and use of restricted project cash for the lagoon pump station (\$2.3 million).
- Transfers out were increased to reflect the sewer portion of the refunding bond issue as well as an increased transfer from the tax increment financing fund to the capital projects fund (\$2.6 million).

The total original revenue budget, including other financing sources of \$164,583,206 was increased to \$179,274,134 (an increase of \$14,690,928).

- State and federal grant revenue was increased to reflect several additional grants awarded after the original budget certification for such things as public safety projects, airport improvements, traffic signal projects, lead paint removal, disaster recovery and residential housing rehabilitation, as well as others (\$3.0 million).
- Amendments were made to various miscellaneous charges for services to reflect higher revenues than originally anticipated with the certified budget (\$0.2 million).
- Donation revenue was increased to reflect additional donations received from Black Hawk Gaming as well as other entities for various City projects (\$1.6 million).
- The City amended the original budget for debt proceeds to reflect bond proceeds from general obligation and sewer bond refunding issues (\$7.2 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.

See pages 66 through 72 for the Budgetary Comparison Schedule - Budget and Actual (Modified Cash Basis) – All Governmental Funds and Proprietary Funds.

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

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, 2013, amounts to \$403,353,938 (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 2.8 percent (a 2.5 percent increase for governmental activities and a 4.0 percent increase for business-type activities).

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

	City of Waterloo's Capital Assets at Fiscal Year End (Net of Depreciation)					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 40,023,926	\$ 39,465,219	\$ 348,055	\$ 348,055	\$ 40,371,981	\$ 39,813,274
Land held for redevelopment	6,550,246	6,012,930	-	-	6,550,246	6,012,930
Buildings and improvements	45,131,305	47,912,250	49,265,126	50,634,283	94,396,431	98,546,533
Other improvements	-	-	31,227,422	30,156,344	31,227,422	30,156,344
Software	484,545	314,134	11,964	15,952	496,509	330,086
Infrastructure	187,727,614	190,465,572	-	-	187,727,614	190,465,572
Furniture, vehicles, machinery and equipment	9,849,799	9,770,772	2,020,345	2,097,456	11,870,144	11,868,228
Construction-in-progress	23,661,081	11,784,035	7,052,510	3,247,696	30,713,591	15,031,731
	\$ 313,428,516	\$ 305,724,912	\$ 89,925,422	\$ 86,499,786	\$ 403,353,938	\$ 392,224,698

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

- The City continued to acquire land and buildings in the Downtown Master Plan Redevelopment Area at a total cost of \$300,000 as well as land for continued development in the San Marnan TIF District at a cost of \$343,000. In addition, the city accepted donated land for the Greenbelt Centre Plat No. 5 and South Port 2nd Addition valued at \$258,000.
- Buildings and improvements completed in the amount of \$530,000 included fencing, field lighting, scoreboards and a park shelter at Riverfront Sports Park, picnic shelters at Byrnes Park and the dog park, gallery display cabinets at the Center for the Arts and new boat docks along the north side of the Cedar River. Construction costs for the new Public Works facility were added to construction in progress at June 30, 2013 in the amount of \$4.3 million. Another \$630,000 was added to construction in progress at June 30, 2013 for improvements at the airport.
- Significant investments in street construction, reconstruction and overlay programs funded with local option taxes and grants were completed (\$5.8 million) and transferred to infrastructure assets. An additional \$4.9 million was invested in new street construction, repair of existing streets and construction of recreational trails still in progress at June 30, 2013.
- Construction of the anaerobic lagoon pump station was completed and added to sanitary sewer infrastructure at a cost of \$1.4 million. An additional \$3.8 million was invested in sanitary sewer construction still in progress at June 30, 2013.

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 \$92,995,000. Of this amount, \$89,880,000 is comprised of debt backed by the full faith and credit of the government. The remainder of the City of Waterloo's bonded debt (\$3,115,000) represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

The City has incurred other debt to construct Ridgeway Towers, purchase land in the City's industrial parks and complete projects, as well as purchase equipment. The City has obligations to employees for benefit time not used at fiscal year end. During the current fiscal year the balance due on these obligations increased by \$880,886.

	City of Waterloo Long-term Outstanding Debt					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Bonded Debt:						
General obligation bonds	\$ 65,438,900	\$ 68,171,100	\$ 24,441,100	\$ 20,898,900	\$ 89,880,000	\$ 89,070,000
Revenue bonds	-	-	3,115,000	4,700,000	3,115,000	4,700,000
Total bonded debt	65,438,900	68,171,100	27,556,100	25,598,900	92,995,000	93,770,000
Other Debt:						
Loans and notes	2,524,320	2,111,200	-	-	2,524,320	2,111,200
Deferred compensation	31,285	21,714	9,137	12,196	40,422	33,910
Compensated absences	3,855,045	3,423,687	313,354	283,458	4,168,399	3,707,145
Total other debt	6,410,650	5,556,601	322,491	295,654	6,733,141	5,852,255
Total long-term debt outstanding	\$ 71,849,550	\$ 73,727,701	\$ 27,878,591	\$ 25,894,554	\$ 99,728,141	\$ 99,622,255

The City of Waterloo's total long-term liabilities increased by \$105,886 (0.11 percent) during the current fiscal year.

The government issued general obligation bonds in the amount of \$19,035,000 during the current fiscal year, including \$2,530,000 of general obligation refunding bonds issued to take advantage of more favorable interest rates.

The City of Waterloo maintains an Aa2 rating from Moody's Investor Services, Inc. for general obligation debt and an Aa3 rating for sewer revenue 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 \$186,908,273, which is significantly in excess of the City of Waterloo's outstanding general obligation debt (\$89,880,000) and other debt subject to debt limitation (\$2,524,312). The total debt subject to this limitation is \$92,404,312, resulting in available debt margin of \$89,383,150.

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

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

Economic Factors and Next Year's Budgets and Rates

Property taxes provide 50 percent of General Fund revenues. Over the past five years, citywide assessed valuations have risen an average of 1.9 percent annually, while property tax regulations imposed by the State of Iowa resulted in taxable values increasing by 0.6 percent. The fiscal 2014 budget reflects total property tax and utility excise tax revenue to decline by 1.7 percent. The City implemented a franchise fee of 2 percent for gas and electric utilities effective July 1, 2013 to diversify revenue sources. This revenue source is expected to generate approximately \$2 million in revenue for fiscal 2014.

Personnel costs make up a significant portion of City operating costs. Wage increases identified in contractual bargaining agreements are 2.1 percent for fiscal year 2014. The employer contribution rate required for the Municipal Fire and Police Retirement System increased by 15.3 percent, while the contribution rate for the Iowa Public Employees Retirement System increased by 3 percent for fiscal 2014.

After many years of increases in health care costs, the anticipated health care costs for the year ending June 30, 2014 are expected to remain stable.

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

The current national economic environment continues to have an impact on the local economy, although to a lesser degree through the date of this report. Sales tax revenue is expected to be stable. Residential property values remain at a stable level.

These factors were considered in preparing the City of Waterloo's budget for fiscal year 2014.

Requests for Information

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

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City of Waterloo, Iowa

Statement of Net Position
June 30, 2013

	Primary Government			Waterloo Water Works	Waterloo Convention & Visitors Bureau, Inc.
	Governmental Activities	Business-Type Activities	Total		
Assets					
Current assets:					
Cash and cash equivalents	\$ 49,056,222	\$ 10,989,408	\$ 60,045,630	\$ 5,531,540	\$ 245,170
Investments	-	-	-	111,059	168,168
Receivables:					
Customer accounts, net of allowance for uncollectible accounts	2,516,679	3,280,826	5,797,505	1,279,751	-
Property taxes:					
Delinquent	408,384	-	408,384	-	-
Succeeding year	45,278,635	-	45,278,635	-	-
Internal accounts	(35,519)	35,519	-	-	-
Due from other governments:					
Component unit	-	1,062,277	1,062,277	-	-
Primary government	-	-	-	-	330,297
Other	9,677,238	167,164	9,844,402	-	-
Accrued interest	4	-	4	1,018	1,184
Special assessments	96,042	258,684	354,726	-	-
Inventories and prepaids	555,269	35,732	591,001	72,710	12,794
Total current assets	107,552,954	15,829,610	123,382,564	6,996,078	757,613
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	11,298,309	14,089,560	25,387,869	-	-
Investments	-	-	-	468,941	347,515
Receivables	17,570	-	17,570	-	-
Loans and notes, net of allowance for uncollectible amounts					
	27,500	-	27,500	-	-
Special assessments	284,668	-	284,668	339,584	-
Other noncurrent assets	-	-	-	7,889	-
Capital assets, net of accumulated depreciation	243,193,263	82,524,857	325,718,120	21,673,908	121,101
Capital assets not being depreciated	70,235,253	7,400,565	77,635,818	839,828	-
Total noncurrent assets	325,056,563	104,014,982	429,071,545	23,330,150	468,616
Total assets	432,609,517	119,844,592	552,454,109	30,326,228	1,226,229
Deferred Outflows of Resources					
Deferred charge on refunding	\$ 75,536	\$ 158,594	\$ 234,130	\$ -	\$ -

See Notes to Basic Financial Statements.

	Primary Government			Waterloo Water Works	Waterloo Convention & Visitors Bureau, Inc.
	Governmental Activities	Business-Type Activities	Total		
Liabilities					
Current:					
Accounts and retainages payable	\$ 4,111,495	\$ 1,029,426	\$ 5,140,921	\$ 76,926	\$ 830
Accrued liabilities and other	1,078,044	147,432	1,225,476	147,980	10,276
Due to primary government	-	-	-	1,038,657	-
Due to component unit	330,297	-	330,297	-	-
Due to other governments	-	-	-	52,041	-
Noncurrent liabilities due and payable					
within one year	11,168,183	3,701,613	14,869,796	345,000	-
Unearned revenues	346,688	-	346,688	-	-
Current liabilities payable from restricted assets:					
Health claims	1,383,055	-	1,383,055	-	-
Other	169,035	-	169,035	-	-
Accrued interest	-	9,067	9,067	-	-
Total current liabilities	18,586,797	4,887,538	23,474,335	1,660,604	11,106
Noncurrent:					
Customer deposits	80,305	331,815	412,120	138,941	-
Worker's compensation claims	244,000	-	244,000	-	-
Revenue bonds and notes	-	1,910,000	1,910,000	1,115,412	-
General obligation bonds and notes, net of bond					
discounts and premium	57,327,720	22,128,515	79,456,235	-	-
Other loans and notes	2,200,407	-	2,200,407	-	-
Other postemployment benefits obligation	4,172,270	547,730	4,720,000	-	-
Compensated absences and deferred compensation	1,680,560	102,378	1,782,938	-	-
Total noncurrent liabilities	65,705,262	25,020,438	90,725,700	1,254,353	-
Total liabilities	84,292,059	29,907,976	114,200,035	2,914,957	11,106
Deferred Inflows of Resources					
Unavailable revenue - property taxes	45,278,635	-	45,278,635	-	-
Unavailable revenue - special assessments	380,710	-	380,710	-	-
Total deferred inflows of resources	45,659,345	-	45,659,345	-	-
Net Position					
Net investment in capital assets	264,695,106	74,508,694	339,203,800	21,373,736	121,101
Restricted for:					
Debt service	2,935,862	838,400	3,774,262	330,000	-
Self-funded health insurance	3,698,490	-	3,698,490	-	-
Tourism promotion	1,075,773	-	1,075,773	-	-
Public access television	132,551	-	132,551	-	-
Housing	4,266,167	-	4,266,167	-	-
Donor specified	538,854	-	538,854	-	-
Employee benefits	2,304,254	-	2,304,254	-	-
Library	102,602	-	102,602	-	-
Street construction	8,200,754	-	8,200,754	-	-
Loan reserve	517,532	-	517,532	-	-
Street and right-of-way maintenance	4,765,366	-	4,765,366	-	-
Improvements	2,285,751	545,259	2,831,010	-	-
Unrestricted	7,214,587	14,202,857	21,417,444	5,707,535	1,094,022
Total net position	\$ 302,733,649	\$ 90,095,210	\$ 392,828,859	\$ 27,411,271	\$ 1,215,123

City of Waterloo, Iowa

Statement of Activities
Year Ended June 30, 2013

Programs/Functions	Program Revenues				
	Direct Expenses	Indirect Allocations	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:					
Public safety	\$ 31,913,280	\$ -	\$ 3,683,489	\$ 1,267,280	\$ -
Public works	25,318,888	(380,000)	2,192,414	9,045,868	6,345,404
Health and social services	374,282	(75,000)	6,489	62,385	-
Culture and recreation	10,541,266	(50,000)	2,492,426	369,792	159,143
Community and economic development	14,129,616	-	591,225	4,084,285	2,860,187
General government	4,353,493	(638,500)	891,917	137,578	-
Interest and issuance costs on long-term debt	2,680,614	-	-	-	-
Total governmental activities	89,311,439	(1,143,500)	9,857,960	14,967,188	9,364,734
Business-type activities:					
Sanitary Sewer	9,341,041	692,000	12,285,502	-	-
Sanitation	3,188,814	451,500	3,615,787	273,869	13,585
Total business-type activities	12,529,855	1,143,500	15,901,289	273,869	13,585
Total primary government	\$ 101,841,294	\$ -	\$ 25,759,249	\$ 15,241,057	\$ 9,378,319
Component unit, Waterloo Water Works	\$ 5,878,255	\$ -	\$ 7,528,705	\$ -	\$ 35,841
Component unit, Waterloo Convention & Visitors Bureau, Inc.	\$ 631,301	\$ -	\$ -	\$ 614,219	\$ -

General Revenues

Taxes:

Property taxes levied for general purposes

Property taxes levied for debt service

Other taxes:

Local option sales

Utility excise

Gaming

Hotel/motel

Cable television

Mobile home

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net position

Net position, beginning of year

Net position, end of year

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position			Component Units	
Governmental Activities	Business-Type Activities	Total	Waterloo Water Works	Waterloo Convention & Visitors Bureau, Inc.
\$ (26,962,511)	\$ -	\$ (26,962,511)	\$ -	\$ -
(7,355,202)	-	(7,355,202)	-	-
(230,408)	-	(230,408)	-	-
(7,469,905)	-	(7,469,905)	-	-
(6,593,919)	-	(6,593,919)	-	-
(2,685,498)	-	(2,685,498)	-	-
(2,680,614)	-	(2,680,614)	-	-
(53,978,057)	-	(53,978,057)	-	-
-	2,252,461	2,252,461	-	-
-	262,927	262,927	-	-
-	2,515,388	2,515,388	-	-
(53,978,057)	2,515,388	(51,462,669)	-	-
-	-	-	1,686,291	-
-	-	-	-	(17,082)
31,586,154	-	31,586,154	-	-
13,950,496	-	13,950,496	-	-
9,981,245	-	9,981,245	-	-
1,625,172	-	1,625,172	-	-
1,290,747	-	1,290,747	-	-
1,227,557	-	1,227,557	-	-
943,803	-	943,803	-	-
73,773	-	73,773	-	-
45,578	16,555	62,133	50,688	8,193
3,925,918	-	3,925,918	119,265	9,538
(4,740)	4,740	-	-	-
64,645,703	21,295	64,666,998	169,953	17,731
10,667,646	2,536,683	13,204,329	1,856,244	649
292,066,003	87,558,527	379,624,530	25,555,027	1,214,474
\$ 302,733,649	\$ 90,095,210	\$ 392,828,859	\$ 27,411,271	\$ 1,215,123

City of Waterloo, Iowa

**Balance Sheet
Governmental Funds
June 30, 2013**

Assets	General	Trust and Agency	Grants
Cash and cash equivalents	\$ 9,751,773	\$ 433,498	\$ -
Receivables:			
Customer accounts, net	724,887	-	-
Property tax:			
Delinquent	193,870	98,124	-
Succeeding year	19,817,434	10,686,013	-
Special assessments	380,710	-	-
Accrued interest	-	-	-
Loans and notes	27,500	-	-
Due from other funds	4,993,029	-	-
Due from other governments:			
Federal	99,298	-	1,027,972
Iowa	559,962	-	3,299,167
Other	284,654	139,306	-
Inventories and prepaids	322,077	-	-
Restricted assets:			
Cash and cash equivalents	6,968,328	1,844,107	-
Receivables	17,570	-	-
Advances to other funds	-	-	-
Total assets	\$ 44,141,092	\$ 13,201,048	\$ 4,327,139

(Continued)

	Tax Increment Financing	General Obligation Debt Service	Other Governmental	Total
\$	3,086,720	\$ 1,098,559	\$ 34,685,672	\$ 49,056,222
	-	-	1,791,792	2,516,679
	42,804	68,004	5,582	408,384
	6,617,844	7,549,406	607,938	45,278,635
	-	-	-	380,710
	-	-	4	4
	-	-	-	27,500
	-	3,185	261,025	5,257,239
	-	-	565,779	1,693,049
	-	-	3,428,782	7,287,911
	95,654	89,703	86,961	696,278
	-	-	233,192	555,269
	-	44,297	2,441,577	11,298,309
	-	-	-	17,570
	-	-	129,612	129,612
\$	9,843,022	\$ 8,853,154	\$ 44,237,916	\$ 124,603,371

City of Waterloo, Iowa

Balance Sheet (Continued)
Governmental Funds
June 30, 2013

	General	Trust and Agency	Grants
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)			
Liabilities:			
Accounts payable	\$ 398,735	\$ 6,983	\$ 611,378
Retainages payable	-	-	93,697
Accrued liabilities	661,763	105,674	713
Due to other funds	247,879	-	4,078,603
Unearned revenue	51,108	-	276,618
Compensated absences	139,023	-	-
Due to Waterloo Convention & Visitors Bureau, Inc.	330,297	-	-
Payables from restricted assets	1,552,090	-	-
Advances from other funds	168,316	-	-
Total liabilities	3,549,211	112,657	5,061,009
Deferred Inflows of Resources:			
Unavailable revenue - property tax	20,011,304	10,784,137	-
Unavailable revenue - local option sales tax	-	-	-
Unavailable revenue - special assessments	380,710	-	-
Unavailable revenue - intergovernmental	154,336	-	2,007,086
Total deferred inflows of resources	20,546,350	10,784,137	2,007,086
Fund balances (deficits):			
Nonspendable	322,077	-	-
Restricted	5,497,065	2,304,254	-
Assigned	5,318,721	-	-
Unassigned	8,907,668	-	(2,740,956)
Total fund balances (deficits)	20,045,531	2,304,254	(2,740,956)
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 44,141,092	\$ 13,201,048	\$ 4,327,139

See Notes to Basic Financial Statements.

Tax Increment Financing	General Obligation Debt Service	Other Governmental	Total
\$ 54,714	\$ 13,766	\$ 1,938,032	\$ 3,023,608
-	-	994,190	1,087,887
-	-	114,666	882,816
787,159	-	140,413	5,254,054
-	-	18,962	346,688
-	-	30,083	169,106
-	-	-	330,297
-	-	80,305	1,632,395
-	-	-	168,316
<u>841,873</u>	<u>13,766</u>	<u>3,316,651</u>	<u>12,895,167</u>
6,660,648	7,617,410	613,520	45,687,019
-	-	458,838	458,838
-	-	-	380,710
-	-	2,072,343	4,233,765
<u>6,660,648</u>	<u>7,617,410</u>	<u>3,144,701</u>	<u>50,760,332</u>
-	-	233,192	555,269
1,909,112	1,221,978	37,472,362	48,404,771
431,389	-	1,938,832	7,688,942
-	-	(1,867,822)	4,298,890
<u>2,340,501</u>	<u>1,221,978</u>	<u>37,776,564</u>	<u>60,947,872</u>
<u>\$ 9,843,022</u>	<u>\$ 8,853,154</u>	<u>\$ 44,237,916</u>	<u>\$ 124,603,371</u>

City of Waterloo, Iowa

**Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2013**

Total governmental fund balances		\$	60,947,872
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			313,428,516
Certain receivables are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds			5,100,987
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	\$	(65,438,900)	
Other loans and notes		(2,524,320)	
Bond deferred charge on refunding		75,536	
Bond discount		143,250	
Bond premium		(670,570)	
Other post employment benefits obligation		(4,172,270)	
Worker's compensation claims payable		(244,000)	
Compensated absences and deferred compensation		(3,717,224)	
Accrued interest payable		(195,228)	(76,743,726)
Net position of governmental activities			<u>\$ 302,733,649</u>

See Notes to Basic Financial Statements.

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City of Waterloo, Iowa

**Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Governmental Funds
Year Ended June 30, 2013**

	General	Trust and Agency	Grants
Revenues:			
Property taxes	\$ 19,141,481	\$ 11,806,033	\$ -
Other taxes	4,305,358	523,673	-
Licenses and permits	1,117,773	-	-
Investment income	15,808	4,766	-
Rent	936,215	-	-
Intergovernmental	1,794,721	-	10,227,257
Charges for services	6,230,678	-	23,918
Interfund charges for services	1,885,000	-	-
Special assessments	124,467	-	-
Miscellaneous	2,073,791	-	5,200
Total revenues	37,625,292	12,334,472	10,256,375
Expenditures:			
Current operating:			
Public safety	26,704,290	3,790,899	8,257
Public works	2,787,926	-	6,841,887
Health and social services	370,275	-	-
Culture and recreation	8,419,246	-	113,416
Community and economic development	1,778,707	-	912,425
General government	3,939,303	40,824	-
Debt service:			
Principal	-	-	-
Interest and fees	-	-	-
Bond issuance costs	-	-	-
Capital outlay	-	-	-
Total expenditures	43,999,747	3,831,723	7,875,985
Excess (deficiency) of revenues over expenditures	(6,374,455)	8,502,749	2,380,390
Other financing sources (uses):			
Transfers in	8,776,256	-	-
Transfers out	(785,847)	(8,664,256)	-
Insurance proceeds	146,359	-	27,038
Bond discount	-	-	-
Bond premium	-	-	-
Proceeds from sale of capital assets	71,014	-	-
Refunding bonds issued	-	-	-
Payments to refunded bond escrow agent	-	-	-
Issuance of long-term debt	-	-	195,348
Total other financing sources (uses)	8,207,782	(8,664,256)	222,386
Net changes in fund balances	1,833,327	(161,507)	2,602,776
Fund balances (deficits), beginning of year	18,212,204	2,465,761	(5,343,732)
Fund balances (deficits), end of year	\$ 20,045,531	\$ 2,304,254	\$ (2,740,956)

See Notes to Basic Financial Statements.

	Tax Increment Financing	General Obligation Debt Service	Other Governmental	Total
\$	6,490,153	\$ 7,460,343	\$ 587,219	\$ 45,485,229
	-	305,975	9,548,453	14,683,459
	-	-	10,740	1,128,513
	2,640	2,942	19,422	45,578
	-	61,438	193,723	1,191,376
	-	86,364	15,689,455	27,797,797
	-	-	257,866	6,512,462
	-	-	50,000	1,935,000
	-	-	-	124,467
	-	119,430	2,304,752	4,503,173
	6,492,793	8,036,492	28,661,630	103,407,054
	-	-	13,701	30,517,147
	-	-	16,656,242	26,286,055
	-	-	-	370,275
	-	-	601,892	9,134,554
	2,113,060	-	8,751,199	13,555,391
	-	-	278	3,980,405
	214,523	8,494,031	-	8,708,554
	123,297	2,150,703	2,310	2,276,310
	-	20,215	80,583	100,798
	-	-	9,646,195	9,646,195
	2,450,880	10,664,949	35,752,400	104,575,684
	4,041,913	(2,628,457)	(7,090,770)	(1,168,630)
	112,000	2,996,370	881,252	12,765,878
	(3,315,775)	-	-	(12,765,878)
	-	-	-	173,397
	-	(7,079)	(19,903)	(26,982)
	-	29,073	116,596	145,669
	-	-	-	71,014
	-	2,630,000	-	2,630,000
	-	(6,744,723)	-	(6,744,723)
	-	-	9,705,000	9,900,348
	(3,203,775)	(1,096,359)	10,682,945	6,148,723
	838,138	(3,724,816)	3,592,175	4,980,093
	1,502,363	4,946,794	34,184,389	55,967,779
\$	2,340,501	\$ 1,221,978	\$ 37,776,564	\$ 60,947,872

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, 2013**

Net change in fund balances - governmental funds \$ 4,980,093

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 and depreciation expense for the year are as follows:

Capital outlay	\$ 21,137,925	
Depreciation	(13,435,434)	7,702,491

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

Donated capital assets		257,208
Transfer of capital assets to enterprise fund		(4,740)
Proceeds from sale of capital assets	(71,014)	
Net loss on disposal of capital assets	(180,341)	(251,355)

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	(12,335,000)	
Other long-term debt issued	(195,348)	
Economic development agreement issued	(499,126)	
Repayment of general obligation bond principal	8,427,200	
Repayment of other long-term debt principal	281,354	
Payment to escrow agent, including \$104,723 deferred charge on refunding	6,744,723	
Bond discount	26,982	
Bond premium	(145,669)	
Amortization of bond discounts, premiums and deferred charges	(311,728)	
Change in accrued interest	8,222	2,001,610

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

Current year		5,100,987
Prior year		(8,163,321)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in other post employment benefits obligation		(275,609)
Change in worker's compensation claims payable		(244,000)
Change in compensated absences and deferred compensation liabilities		(435,718)

Change in net position of governmental activities		\$ 10,667,646
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See Notes to Basic Financial Statements.

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City of Waterloo, Iowa

**Statement of Net Position
Enterprise Funds
June 30, 2013**

	Sanitary Sewer	Nonmajor - Sanitation	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 7,999,433	\$ 2,989,975	\$ 10,989,408
Customer accounts receivable	2,571,852	708,974	3,280,826
Special assessments receivable	36,649	222,035	258,684
Due from other governments:			
Waterloo Water Works	738,441	323,836	1,062,277
Other	148,209	18,955	167,164
Inventories	35,732	-	35,732
Total current assets	11,530,316	4,263,775	15,794,091
Noncurrent assets:			
Advances to other funds	27,003	11,701	38,704
Restricted cash and cash equivalents	13,987,570	101,990	14,089,560
Capital assets, net of accumulated depreciation	81,337,832	1,187,025	82,524,857
Capital assets not being depreciated	7,400,565	-	7,400,565
Net capital assets	88,738,397	1,187,025	89,925,422
Total noncurrent assets	102,752,970	1,300,716	104,053,686
Total assets	114,283,286	5,564,491	119,847,777
Deferred Outflows of Resources			
Deferred charge on refunding	158,594	-	158,594

See Notes to Basic Financial Statements.

	Sanitary Sewer	Nonmajor - Sanitation	Total
Liabilities and Net Position			
Liabilities:			
Current:			
Accounts payable	\$ 548,905	\$ 130,463	\$ 679,368
Retainages payable	350,058	-	350,058
Accrued liabilities	124,276	23,156	147,432
Due to other funds	3,185	-	3,185
Current maturities of general obligation and revenue bonds	3,481,500	-	3,481,500
Compensated absences and deferred compensation	154,488	65,625	220,113
Accrued interest, revenue bonds	9,067	-	9,067
Total current liabilities	4,671,479	219,244	4,890,723
Noncurrent:			
Security deposits	229,825	101,990	331,815
General obligation bonds, net bond discount and premium	22,128,515	-	22,128,515
Revenue bonds	1,910,000	-	1,910,000
Other postemployment benefits obligation	342,260	205,470	547,730
Compensated absences and deferred compensation	102,378	-	102,378
Total noncurrent liabilities	24,712,978	307,460	25,020,438
Total liabilities	29,384,457	526,704	29,911,161
Net position:			
Net investment in capital assets	73,321,669	1,187,025	74,508,694
Restricted for:			
Debt service	838,400	-	838,400
Improvements	545,259	-	545,259
Unrestricted	10,352,095	3,850,762	14,202,857
Total net position	\$ 85,057,423	\$ 5,037,787	\$ 90,095,210

City of Waterloo, Iowa

Statement of Revenues, Expenses and Changes in Net Position
Enterprise Funds
Year Ended June 30, 2013

	Sanitary Sewer	Nonmajor - Sanitation	Total
Operating revenues:			
Charges for sales and service	\$ 12,213,055	\$ 3,615,787	\$ 15,828,842
Miscellaneous	72,447	-	72,447
Total operating revenues	12,285,502	3,615,787	15,901,289
Operating expenses:			
Salaries and benefits	3,449,193	1,474,505	4,923,698
Contractual services	1,749,282	913,134	2,662,416
Intra-city reimbursements	692,000	451,500	1,143,500
Commodities	898,112	475,201	1,373,313
Depreciation	2,344,576	325,974	2,670,550
Total operating expenses	9,133,163	3,640,314	12,773,477
Operating income (loss)	3,152,339	(24,527)	3,127,812
Nonoperating revenues (expenses):			
Interest income	13,934	2,621	16,555
Intergovernmental	-	273,869	273,869
Interest expense	(696,381)	-	(696,381)
Amortization	(203,497)	-	(203,497)
Gain on disposal of capital assets	-	13,585	13,585
Total nonoperating revenues (expenses)	(885,944)	290,075	(595,869)
Income before capital contributions	2,266,395	265,548	2,531,943
Capital contributions	4,740	-	4,740
Change in net position	2,271,135	265,548	2,536,683
Net position, beginning of year	82,786,288	4,772,239	87,558,527
Net position, end of year	\$ 85,057,423	\$ 5,037,787	\$ 90,095,210

See Notes to Basic Financial Statements.

City of Waterloo, Iowa

Statement of Cash Flows
Enterprise Funds
Year Ended June 30, 2013

	Sanitary Sewer	Nonmajor - Sanitation	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 12,504,712	\$ 3,564,989	\$ 16,069,701
Payments to suppliers	(3,389,822)	(1,531,903)	(4,921,725)
Payments to or on behalf of employees	(3,348,556)	(1,400,834)	(4,749,390)
Payment for interfund services used	(692,000)	(451,500)	(1,143,500)
Net cash provided by operating activities	5,074,334	180,752	5,255,086
Cash flows from noncapital financing activities:			
Payments to interfund accounts	(153,015)	-	(153,015)
Intergovernmental proceeds	81,958	349,257	431,215
Net cash provided by (used in) noncapital financing activities	(71,057)	349,257	278,200
Cash flows from capital and related financing activities:			
Purchase and construction of capital assets	(5,202,118)	(212,009)	(5,414,127)
Proceeds from disposal of capital assets	-	13,602	13,602
Proceeds from bonds, loans and notes, net bond discounts and premiums of \$15,715	5,444,285	-	5,444,285
Principal paid on debt	(3,502,800)	-	(3,502,800)
Interest paid on debt	(818,506)	-	(818,506)
Net cash (used in) capital and related financing activities	(4,079,139)	(198,407)	(4,277,546)
Cash flows from investing activities,			
interest received	13,934	2,621	16,555
Increase in cash and cash equivalents	938,072	334,223	1,272,295
Cash and cash equivalents, beginning of year	21,048,931	2,757,742	23,806,673
Cash and cash equivalents, end of year	<u>\$ 21,987,003</u>	<u>\$ 3,091,965</u>	<u>\$ 25,078,968</u>
Reconciliation of cash and cash equivalents to statement of net position:			
Unrestricted cash and cash equivalents	\$ 7,999,433	\$ 2,989,975	\$ 10,989,408
Restricted cash and cash equivalents	13,987,570	101,990	14,089,560
	<u>\$ 21,987,003</u>	<u>\$ 3,091,965</u>	<u>\$ 25,078,968</u>

(Continued)

City of Waterloo, Iowa

Statement of Cash Flows (Continued)
Enterprise Funds
Year Ended June 30, 2013

	Sanitary Sewer	Nonmajor - Sanitation	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 3,152,339	\$ (24,527)	\$ 3,127,812
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	2,344,576	325,974	2,670,550
(Increase) decrease in accounts receivable	219,210	(50,798)	168,412
(Increase) in inventories and prepaids	(32,536)	-	(32,536)
(Decrease) in accounts payable	(723,467)	(150,498)	(873,965)
Increase in security deposits	13,575	6,930	20,505
Increase in accrued liabilities	6,875	1,205	8,080
Increase in other post employment benefits obligation	57,117	82,274	139,391
Increase (decrease) in compensated absences and deferred compensation	36,645	(9,808)	26,837
Net cash provided by operating activities	\$ 5,074,334	\$ 180,752	\$ 5,255,086
Schedule of noncash capital and related financing activities:			
Payables for acquisition of capital assets	\$ 549,370	\$ -	\$ 549,370
Transfer of capital assets from governmental activities	4,740	-	4,740
Capitalized interest	127,966	-	127,966
Issuance of general obligation refunding bonds to defease outstanding debt	140,342	-	140,342
	1,240,000	-	1,240,000

See Notes to Basic 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

Nature of operations:

The City of Waterloo (City) is a political subdivision of the state of Iowa located in Black Hawk County. It was incorporated in 1868 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the full-time Mayor and seven part-time City Council members elected on a nonpartisan basis. The Mayor is elected for a two-year term. City Council members from five wards plus two at-large are elected for staggered four-year terms. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides sanitary sewer and sanitation (garbage 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 313 East 5th Street, Waterloo, Iowa.

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

Discretely presented component units:

Waterloo Water Works: The Waterloo Water Works is a component unit that is legally separate from the City, but is financially accountable to the City. The Waterloo Water Works is governed by a three-member board appointed by the City Council and its operating budget is subject to the review of the City Council. The Waterloo Water Works operates on a calendar year-end and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. Due to the different year-end, the amount reported by the Waterloo Water Works as due to the primary government and the primary government's due from the Waterloo Water Works do not agree by \$23,620.

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)

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

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

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

In the current year, the City adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The adoption of these Statements changed the presentation of the basic financial statements to a statement of net position format and reclassified certain assets and liabilities to deferred inflows/outflows of resources.

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.

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)

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, reserves, 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 and liabilities, the fund equity, is referred to as "fund balance." The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the City's governmental fund types:

General fund is 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.

Grants 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.

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

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.

Notes to Basic Financial Statements

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

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

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

The City had the following major proprietary 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.

Measurement focus and basis of accounting:

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

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

Property taxes when levied for, 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 and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt, premiums and discounts on the issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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)

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

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

Receivables and payables: Receivables are reported net of any allowance for uncollectible accounts. As of June 30, 2013, the General Fund had allowances for uncollectible customer accounts totaling \$977,610.

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.

Notes to Basic Financial Statements

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

Property tax revenue 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, 2011 assessed property valuations; was for the tax accrual period July 1, 2012 through June 30, 2013; and reflected the tax asking contained in the budget certified to the County Board of Supervisors in March 2012.

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. The special assessments receivable, similar to property taxes, are reported as a deferred inflow of resources (unavailable revenue), in the fund and government-wide financial statements, and will not be recognized as revenue until the year for which they are levied and budgeted to use.

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.

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

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

Bond 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.

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)

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 expense/expenditure in the year in which the costs were incurred.

Interest capitalized: Construction period interest for business-type activities is capitalized. For projects paid with taxable bonds, interest is capitalized at the amount of cash paid at the effective interest rate to the earlier of the date the asset is placed in service or year-end. Interest on tax-exempt debt used for construction is capitalized at the amount incurred, offset by earnings realized by investing debt proceeds until needed. \$127,966 of interest expense in the Sanitary Sewer Fund was capitalized during the year ended June 30, 2013.

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 fair value at the date of donation.

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

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

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

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

Notes to Basic Financial Statements

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

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

Deferred outflows of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the 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.

Deferred inflows of resources: In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from four sources: property taxes, local option sales taxes, special assessments and intergovernmental revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the City's government-wide statements, only the property tax and special assessments revenues remain under the full accrual basis of accounting and will become an inflow in the year for which they are levied.

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.

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)

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

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

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

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

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

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

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

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.

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.

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)

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 \$17,385,587 and the Sanitary Sewer enterprise fund is \$11,944,693. 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 \$30,823,956 of restricted net position of which \$10,249,532 is restricted by enabling legislation for debt service, employee benefits, self-funded health insurance, library, tourism promotion and public access television.

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

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

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

Note 2. Cash and Investments

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

As of June 30, 2013, the City had investments in the Iowa Public Agency Investment Trust (IPAIT) which were valued at an amortized cost of \$5,177,841 pursuant to Rule 2a-7 under the Investment Company Act of 1940. IPAIT is registered with the Securities and Exchange Commission. The City's investment on IPAIT is not subject to interest rate risk. Also, the City had investments in repurchase agreements valued at \$21,705,000, maturing nightly.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

The discretely presented Waterloo Water Works component unit's certificates of deposit are purchased with maturities of 12 to 29 months and yields of 0.90 percent to 1.69 percent. Certain certificates of deposit are restricted to comply with debt covenants and to secure customer deposits.

The discretely presented Waterloo Water Works component unit's deposits in the IPAIT were valued at an amortized cost of \$1,527,185, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk: In accordance with the City's investment policy, the City may invest in interest bearing savings accounts, interest bearing money market accounts, and interest bearing checking accounts at any bank, savings and loan associations or credit union in the state of Iowa, obligations of the United States government, its agencies and instrumentalities, certificates of deposit and other evidences of deposit at federally insured Iowa depository institutions, 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 IPAIT is not subject to credit risk. As of June 30, 2013, the City's investments in repurchase agreements had a credit rating of AAA by Moody's and Standard & Poor's.

Concentration of credit risk: The City's investment policy is to diversify its investment portfolio to eliminate the risk of loss resulting from overconcentration of assets in a specific maturity, a specific issuer or a specific class of securities. However, the policy limits the City from investing in prime bankers' acceptances or commercial paper of more than 10 percent of the investment portfolio and more than 5 percent of the investment portfolio with a single issuer at the time of purchase. In addition, no more than 5 percent of all amounts invested in commercial paper and other short-term corporate debt shall be invested in paper and debt rated in the second highest classification at the time of purchase. As of June 30, 2013, the City's investments were not subject to concentration of credit risk.

Custodial credit risk: For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's deposits as of June 30, 2013 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.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 3. Leasing Activities

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

During the year ending June 30:

2014	\$	290,072
2015		66,460
2016		27,722
2017		15,918
2018		15,918
2019		15,918
Total future minimum lease rentals to be received	\$	432,008

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, 2016 at a rate of \$6,035 per month. The following is a schedule by years of the future minimum lease rentals to be received under the lease as of June 30:

During the year ending June 30:

2014	\$	72,420
2015		72,420
2016		72,420
2017		12,070
Total future minimum lease rentals to be received	\$	229,330

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, 2013 is \$34,839. The lease includes a management agreement with the Hotel for the management of the Center.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 4. Loans and Notes

General Fund:

Rath/Urban Development Action Grant (UDAG) Loans: In prior years, the City received federal aid in the form of UDAGs to assist local businesses, including Rath Packing Company (Rath). Rath subsequently liquidated and the City received real estate and cash as a result of the liquidation. A portion of the cash has been loaned to local businesses to assist in their economic development:

Economic development revolving loans: From time-to-time, the City has made economic development loans with repayment terms of 5 years and interest ranging from 6.25 to 6.5 percent.

The ending balance on these loans as of June 30, 2013 was \$27,500. Interest received by the City on Rath/UDAG loans is recorded in the General Fund as investment income.

Special Revenue Funds:

Community Development Block Grant (CDBG) Loans:

Low-interest loans: The City has five low-interest rehabilitation and other loans due as of June 30, 2013. The City serviced loans, with a balance of \$15,209, are estimated to be uncollectible. Collections of CDBG loans are considered 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 2024. 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.

Forgivable loans: The City, through its CDBG, HOME program, Economic Development Initiative program, Lead Paint Removal grant, federal and state Jumpstart funds and lowans Helping lowans 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, 2013, the City had made 1,560 such loans totaling \$27,828,185. 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.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 5. Interfund Activity

The composition of interfund receivables and payables balances as of June 30, 2013 was as follows:

	Due From	Due To
Major governmental funds:		
General	\$ 4,993,029	\$ 247,879
Grants	-	4,078,603
Tax increment financing	-	787,159
General obligation debt service	3,185	-
Nonmajor governmental funds	261,025	140,413
Major Enterprise Fund, sanitary sewer	-	3,185
	<u>\$ 5,257,239</u>	<u>\$ 5,257,239</u>

Advances to and from other funds as of June 30, 2013, were as follows:

	Advances To	Advances From
Major governmental fund, general	\$ -	\$ 168,316
Nonmajor governmental funds	129,612	-
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 Enterprise Funds:	
Sanitary sewer	\$ 738,441
Sanitation	323,836
Due from Waterloo Water Works	1,062,277
Waterloo Water Works - due to primary government	1,038,657
Difference	<u>\$ 23,620</u>

The difference in the above amounts of \$23,620 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>\$ 330,297</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	\$ 8,776,256	\$ 785,847
Trust and agency	-	8,664,256
Tax increment financing	112,000	3,315,775
General obligation debt service	2,996,370	-
Nonmajor governmental funds	881,252	-
	<u>\$ 12,765,878</u>	<u>\$ 12,765,878</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, 2013 was as follows:

	Beginning Balance June 30, 2012	Additions	Deletions	Transfers	Ending Balance June 30, 2013
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 39,465,219	\$ 558,707	\$ -	\$ -	\$ 40,023,926
Land held for redevelopment	6,012,930	632,670	95,354	-	6,550,246
Construction-in-progress	11,784,035	18,455,910	-	(6,578,864)	23,661,081
Total capital assets, not being depreciated	<u>57,262,184</u>	<u>19,647,287</u>	<u>95,354</u>	<u>(6,578,864)</u>	<u>70,235,253</u>
Capital assets, being depreciated:					
Buildings and improvements	95,312,959	325,709	162,886	42,746	95,518,528
Infrastructure	291,286,734	-	-	5,781,576	297,068,310
Vehicles, machinery, furniture and equipment	26,139,385	1,199,343	1,501,950	663,829	26,500,607
Software	503,022	222,794	148,112	33,600	611,304
Total capital assets, being depreciated	<u>413,242,100</u>	<u>1,747,846</u>	<u>1,812,948</u>	<u>6,521,751</u>	<u>419,698,749</u>
Less accumulated depreciation for:					
Buildings and improvements	47,400,709	3,112,488	125,974	-	50,387,223
Infrastructure	100,821,162	8,519,534	-	-	109,340,696
Vehicles, machinery, furniture and equipment	16,368,613	1,717,429	1,382,861	(52,373)	16,650,808
Software	188,888	85,983	148,112	-	126,759
Total accumulated depreciation	<u>164,779,372</u>	<u>13,435,434</u>	<u>1,656,947</u>	<u>(52,373)</u>	<u>176,505,486</u>
Total capital assets, being depreciated, net	<u>248,462,728</u>	<u>(11,687,588)</u>	<u>156,001</u>	<u>6,574,124</u>	<u>243,193,263</u>
Governmental activities capital assets, net	<u>\$ 305,724,912</u>	<u>\$ 7,959,699</u>	<u>\$ 251,355</u>	<u>\$ (4,740)</u>	<u>\$ 313,428,516</u>

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

	Beginning Balance June 30, 2012	Additions	Deletions	Transfers	Ending Balance June 30, 2013
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 348,055	\$ -	\$ -	\$ -	\$ 348,055
Construction-in-progress	3,247,696	5,727,257	17	(1,922,426)	7,052,510
Total capital assets, not being depreciated	3,595,751	5,727,257	17	(1,922,426)	7,400,565
Capital assets, being depreciated:					
Buildings	68,507,219	-	-	-	68,507,219
Improvements other than buildings	42,567,361	-	-	1,922,426	44,489,787
Vehicles, machinery, furniture and equipment	7,678,665	364,206	423,870	57,113	7,676,114
Software	19,940	-	-	-	19,940
Total capital assets, being depreciated	118,773,185	364,206	423,870	1,979,539	120,693,060
Less accumulated depreciation for:					
Buildings	17,872,936	1,369,157	-	-	19,242,093
Improvements other than buildings	12,411,017	851,348	-	-	13,262,365
Vehicles, machinery, furniture and equipment	5,581,209	446,057	423,870	52,373	5,655,769
Software	3,988	3,988	-	-	7,976
Total accumulated depreciation	35,869,150	2,670,550	423,870	52,373	38,168,203
Total capital assets, being depreciated, net	82,904,035	(2,306,344)	-	1,927,166	82,524,857
Business-type activities capital assets, net	\$ 86,499,786	\$ 3,420,913	\$ 17	\$ 4,740	\$ 89,925,422

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

	Beginning Balance				Ending Balance
	December 31,				December 31,
	2011	Additions	Deletions	Transfers	2012
Discretely Presented Component Unit - Waterloo Water Works Capital Assets					
Capital assets, not being depreciated:					
Land	\$ 270,896	\$ -	\$ -	\$ -	\$ 270,896
Assets not in service	463,403	-	538	-	462,865
Construction-in-progress	100,829	54,271	49,033	-	106,067
Total capital assets, not being depreciated	835,128	54,271	49,571	-	839,828
Capital assets, being depreciated:					
Buildings and improvements	1,754,291	-	-	-	1,754,291
Water supply and distribution systems	23,759,262	2,239,893	-	-	25,999,155
Meters and equipment	1,468,956	-	-	-	1,468,956
Machinery and equipment	1,761,904	142,521	71,578	-	1,832,847
Total capital assets, being depreciated	28,744,413	2,382,414	71,578	-	31,055,249
Less accumulated depreciation for:					
Buildings and improvements	699,373	28,197	-	-	727,570
Water supply system	2,543,392	154,747	-	-	2,698,139
Distribution system	3,671,250	265,281	-	-	3,936,531
Meters and equipment	784,375	37,651	-	-	822,026
Machinery and equipment	1,188,080	80,573	71,578	-	1,197,075
Total accumulated depreciation	8,886,470	566,449	71,578	-	9,381,341
Total capital assets, being depreciated, net	19,857,943	1,815,965	-	-	21,673,908
Net discretely presented component unit - Waterloo Water Works capital assets, net	\$ 20,693,071	\$ 1,870,236	\$ 49,571	\$ -	\$ 22,513,736

	Beginning Balance				Ending Balance
	June 30, 2012				June 30, 2013
		Additions	Deletions	Transfers	
Discretely Presented Component Unit - Waterloo Convention & Visitors Bureau, Inc.					
Capital assets, being depreciated:					
Equipment	\$ 86,845	\$ 3,136	\$ 3,707	\$ -	\$ 86,274
Leasehold improvements	125,924	-	-	-	125,924
Total capital assets, being depreciated	212,769	3,136	3,707	-	212,198
Less accumulated depreciation	76,974	17,393	3,270	-	91,097
Total capital assets, being depreciated, net	\$ 135,795	\$ (14,257)	\$ 437	\$ -	\$ 121,101

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, 2013:

Governmental activities:	
Public safety	\$ 860,466
Public works	10,779,415
Culture and recreation	1,470,975
Community and economic development	208,762
General government	115,816
Total governmental activities	<u>13,435,434</u>
Business-type activities:	
Sanitary sewer	2,344,576
Sanitation	325,974
Total business-type activities	<u>2,670,550</u>
Total primary government	<u>\$ 16,105,984</u>
Component unit - Waterloo Water Works	<u>\$ 566,449</u>
Component unit - Waterloo Convention & Visitors Bureau, Inc.	<u>\$ 17,393</u>

Note 7. Deferred Compensation Plans

Deferred frozen sick leave payout: Retirees have the option of receiving their frozen sick leave (Note 8) payout immediately or receiving it as an annuity over 60 months. If the annuity option is selected, interest is paid to the retiree at the same rate as the City pays on the general obligation bonds last issued before the retirement date. As of June 30, 2013, three retirees were receiving annuitized payouts in Governmental funds and one retiree was receiving annuitized payouts in an Enterprise fund, the present value of which was \$12,439, attributable to governmental activities and \$9,137, attributable to business-type activities.

During 2001, the City began offering an early sick leave payout option. Qualifying employees can elect to receive 60 percent of the balance in their frozen sick leave bank over a 52-month period prior to their retirement or termination of employment. As of June 30, 2013, one employee was receiving payments, the remaining balance was \$18,846 and is attributable to governmental activities.

Deferred compensation is reported in business-type activities as accrued liabilities and in the governmental-type activities as a long-term liability.

Notes to Basic Financial Statements

Note 8. Compensated Absences

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. A calendar year is primarily used for the calculation of vacation pay benefits while sick leave utilizes the City's fiscal year. Vacation days for most bargaining unit employees must be taken or paid during the calendar year with limited exceptions. Nonbargaining unit employees may carry forward up to 10 days vacation with proper approval. Upon termination, employees receive payment for unused vacation plus a payment for vacation hours accrued from January through the termination date. As of June 30, 2013, there was \$2,664,844 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, 2013, there was \$216,013 accrued for the frozen sick leave bank.

After July 1, 1984, sick leave is allowed to accumulate up to 12 days per year. At the end of the year, 25 percent of any unused sick leave is payable to the employee as a bonus and the balance of 75 percent of the unused sick leave is added to the employee's sick leave storage bank for future use. The days accumulated in the bank after July 1, 1984 are not payable upon termination or retirement. Certain Fire Department employees are eligible to receive pay-outs of 75 percent of their unused sick leave, with the balance of 25 percent of their unused leave added to their sick leave storage bank. As of June 30, 2013, \$55,089, equivalent to 25 percent of unused sick leave subject to payout, has been accrued.

Certain employees can elect either to be paid overtime compensation or to accrue the hours as compensatory time, defined as additional time off from regular hours. Employees are required to be paid for these services upon termination of employment. Maximum hours eligible to be used later as compensatory time are limited by law and labor contracts. Governmental funds do not recognize these accumulations as expenditures until paid. As of June 30, 2013, there was \$1,352,181 accrued for unused compensatory time.

Employees are also eligible to receive pay-outs of a portion of unused casual leave. The City accrued a total of \$43,947 for unused casual leave earned during the fiscal year ended June 30, 2013.

The sick leave bonus and accrued casual pay are reported as compensated absences in the applicable fund which includes \$169,106 in governmental funds, as the liabilities are considered matured and are expected to be liquidated with expendable available financial resources. Frozen sick leave, vacation pay and compensatory time liabilities are accrued when incurred in the government-wide and proprietary fund statements and reported as a liability.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 9. Long-Term Liabilities

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2013:

	June 30, 2012	Increases and Issues	Decreases and Retirements	June 30, 2013	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 68,171,100	\$ 12,335,000	\$ 15,067,200	\$ 65,438,900	\$ 8,638,500
Loans and notes	2,111,200	694,474	281,354	2,524,320	323,913
Deferred compensation	21,714	25,392	15,821	31,285	12,326
Compensated absences	3,423,687	2,774,914	2,343,556	3,855,045	2,193,444
Subtotal	73,727,701	15,829,780	17,707,931	71,849,550	11,168,183
Unamortized discounts	(138,214)	(26,982)	(21,946)	(143,250)	-
Bond premium	546,898	145,669	21,997	670,570	-
Total long-term liabilities, governmental activities	\$ 74,136,385	\$ 15,948,467	\$ 17,707,982	\$ 72,376,870	\$ 11,168,183
Business-type activities:					
General obligation bonds	\$ 20,898,900	\$ 6,700,000	\$ 3,157,800	\$ 24,441,100	\$ 2,276,500
Revenue bonds	4,700,000	-	1,585,000	3,115,000	1,205,000
Deferred compensation	12,196	297	3,356	9,137	3,143
Compensated absences	283,458	309,747	279,851	313,354	216,970
Subtotal	25,894,554	7,010,044	5,026,007	27,878,591	3,701,613
Unamortized discounts	(89,618)	(31,037)	(9,658)	(110,997)	-
Bond premium	74,174	15,322	14,584	74,912	-
Total long-term liabilities, business-type activities	\$ 25,879,110	\$ 6,994,329	\$ 5,030,933	\$ 27,842,506	\$ 3,701,613

Compensated absences attributable to governmental activities are generally liquidated by the General Fund.

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

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

On June 27, 2013, the City issued \$5,835,000 in General Obligation Bonds, Series 2013A maturing June 1, 2014 through June 1, 2028 with interest rates ranging from 2 percent to 3 percent. On June 27, 2013, the City issued \$6,565,000 in General Obligation Bonds, Series 2013B maturing June 1, 2014 through June 1, 2028 with interest rates ranging from 2 percent to 3.7 percent. Reasons for issuance were to 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.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 9. Long-Term Liabilities (Continued)

On July 25, 2012, the City issued \$5,205,000 in General Obligation Bonds, Series 2012C maturing June 1, 2013 through June 1, 2017 with interest rates ranging from 2.2 percent to 3.5 percent to refund \$1,210,000 of the outstanding General Obligation Bonds, Series 2005B with interest rates ranging from 4 percent to 5 percent. On June 27, 2013, the City issued \$1,430,000 in General Obligation Refunding Bonds, Series 2013D maturing June 1, 2014 through June 1, 2021 with interest rates ranging from 0.5 percent to 2.5 percent to refund \$1,320,000 of the outstanding General Obligation Bonds, Series 2006B with interest rates from 5.625 percent to 5.850 percent.

The City completed the 2012C and 2013D refunding to reduce its total debt service payments over the next eight years by \$178,101 and \$136,690, respectively, and to obtain an economic gain (difference between the present values of old and new debt service payments) of \$167,553 and \$128,623, respectively.

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

Issue Date	Purpose	Interest Rates	Outstanding June 30, 2013
April 1998	Airport hanger	5.400% - 5.750%	\$ 240,000
June 2002	Taxable	4.000 - 6.000	285,000
June 2003	Taxable	3.750 - 4.900	245,000
June 2006	Various	3.800 - 4.000	4,055,000
June 2007	Various	4.000 - 4.500	9,440,000
June 2007	Refunding	4.000	1,020,000
June 2007	Taxable	5.400 - 5.600	550,000
June 2008	Various	3.500 - 3.900	3,995,000
June 2008	Taxable	5.000	1,650,000
June 2009	Refunding	1.000 - 5.000	2,805,000
June 2009	Taxable	1.750 - 5.750	6,065,000
June 2010	Refunding	1.000 - 2.450	3,260,000
June 2010	Taxable	1.000 - 5.000	8,475,000
June 2011	Refunding	2.000 - 4.000	8,430,000
June 2011	Taxable	0.600 - 4.600	8,030,000
June 2012	Taxable	2.000 - 2.300	7,815,000
June 2012	Refunding	0.350 - 1.350	4,700,000
June 2012	Taxable	2.200 - 3.500	4,990,000
June 2013	Taxable	2.000 - 3.700	12,400,000
June 2013	Refunding	0.500 - 2.500	1,430,000
Total			\$ 89,880,000

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 9. Long-Term Liabilities (Continued)

Annual debt service on general obligation and revenue bonds as of June 30, 2013 are as follows:

	GO Debt Service			
	General Obligation Bonds		Sanitary Sewer Enterprise	
	Principal	Interest	General Obligation Bonds	Revenue Bonds
<u>Year ending June 30:</u>				
2014	\$ 8,638,500	\$ 2,031,908	\$ 1,205,000	\$ 54,401
2015	8,674,200	1,802,460	1,195,000	38,703
2016	7,999,000	1,551,398	575,000	17,413
2017	7,498,200	1,314,907	140,000	4,200
2018	6,633,000	1,091,209	-	-
2019 - 2023	18,482,000	2,912,511	-	-
2024 - 2028	7,514,000	600,718	-	-
	<u>\$ 65,438,900</u>	<u>\$ 11,305,111</u>	<u>\$ 3,115,000</u>	<u>\$ 114,717</u>

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$21,235,000 in sewer system revenue bonds issued August 2004 and \$6,285,000 in sewer system refunding revenue bonds issued July 2011. Proceeds from the bonds issued August 2004 were used to construct improvements to the sewer plant. Proceeds from the bonds issued July 2011 were used to currently refund the 2004 bonds and pay costs of issuance on the 2011 bonds. The bonds are payable solely from sewer customer net revenues and are payable through 2017. Annual principal and interest payments on the bonds are expected to require less than 90 percent of net revenues in any one year of the life of the bond. The total principal and interest remaining to be paid on the bonds is \$3,229,717. Principal and interest paid for the current year and total customer net revenues were \$1,659,883 and \$5,424,183, respectively.

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

1. The bonds will only be redeemed from the future earnings of the sewer system and the bondholders hold a lien on the future earnings.
2. Sufficient monthly transfers shall be made to the sewer revenue bond and interest sinking account for the purpose of making the bond principal and interest payments when due.
3. Monthly transfers will be made to establish a sewer revenue debt reserve fund. (The minimum required is currently \$628,500). The amounts shall be used solely for the purpose of paying principal or interest on the bonds when insufficient money is available in the sinking fund. Whenever it shall become necessary to use the funds in the debt reserve fund, monthly payments shall be established to restore the funds used within a three-year period.

Note 9. Long-Term Liabilities (Continued)

4. Monthly transfers of \$20,000 shall be made to the sewer improvement fund until the fund equals or exceeds \$450,000. Amounts in the improvement fund not otherwise specially limited by provisions of the bond resolution shall first be used for the purpose of paying principal or interest on the bonds when there shall be insufficient money in the sinking fund and the reserve fund, to pay the cost of extraordinary maintenance or repairs, renewals and replacements not included in the annual budget of revenue and current expenses, payment of rentals on any part of the system or payments due for any property purchased as a part of the system and for capital improvements to the system. Whenever it becomes necessary to use the improvement fund, the monthly payments required shall be continued or resumed until the fund is restored to the required minimum balance.
5. The City will cause to be kept proper books and accounts adapted to the system and in accordance with accounting principles generally accepted in the United States of America, and will cause the books and accounts to be audited annually not later than 270 days after the end of each fiscal year by an independent auditor.
6. The City will faithfully and punctually perform all duties with reference to the Sewer Enterprise required by the Constitution and laws of the state of Iowa.
7. The City will establish rates to allow net revenue to meet or exceed 125 percent of debt service requirements for the year. For the year ended June 30, 2013, sewer net revenue was 459 percent of sewer revenue bond debt service.

Loans and notes: The City, through its blended component unit, Waterloo Housing Authority, is indebted to the Federal Financing Bank (FFB) for \$228,313 from the purchase of the Ridgeway Towers housing complex. The debt is scheduled to mature November 1, 2015. The United States Department of Housing and Urban Development pays interest and principal of \$86,364, annually, directly to FFB. The City reports the payment transaction in the GO Debt Service Fund.

During 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 may be forgiven if planned increases in taxable valuation of property within the redevelopment area have been attained. Repayment of unforgiven loan is to be repaid in 10 equal semiannual payments as determined by the Department at a 6 percent interest rate. As of June 30, 2013, the unpaid principal was \$255,430.

The City has entered into development agreements including rebates of property taxes paid by other parties to the agreements. Most agreements include a set percentage of taxes paid for a specified number of years. Since payment years and amounts are unknown, they are not included in the schedule of maturities of debt. The following agreements require a guaranteed amount of principal plus interest to be paid to the developer.

- Hy-Vee, Inc., \$34,814 plus interest at 3 percent. All accrued interest was due September 30, 2007. Semiannual payments of \$50,000 are due beginning May 1, 2008 until principal plus interest has been paid.
- Wilbert Burial Vault Co., \$64,383 plus interest at 5 percent, compounded annually. The City was to pay all accrued interest by September 30, 2007 after which 90 percent of eligible property taxes will be rebated until interest and principal have been paid.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 9. Long-Term Liabilities (Continued)

- Young Development, Ltd., \$53,232 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, \$1,888,139 plus interest at 7 percent through March 31, 2011 then at 4.750 percent, compounded semiannually. In fiscal year 2013, there were additions to the agreement of \$499,126. 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.

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

Year ending June 30:	GO Debt Service		Nonmajor Governmental Funds	
	Principal	Interest	Principal	Interest
2014	\$ 71,295	\$ 15,069	\$ 178,492	\$ 68,450
2015	76,001	10,363	150,650	59,575
2016	81,017	5,347	157,966	50,932
2017	-	-	186,712	42,076
2018	-	-	177,868	33,627
2019 - 2022	-	-	1,444,318	52,721
	<u>\$ 228,313</u>	<u>\$ 30,779</u>	<u>\$ 2,296,006</u>	<u>\$ 307,381</u>

Discretely presented component unit:

	Balance			Balance	Due Within
	December 31, 2011	Additions	Deletions		
Capital loan notes	\$ 1,805,000	\$ -	\$ 335,000	\$ 1,470,000	\$ 345,000
Compensated absences	58,704	58,335	58,704	58,335	58,335
Subtotal	1,863,704	58,335	393,704	1,528,335	403,335
Less unamortized discount	12,784	-	3,196	9,588	-
Total long-term debt	\$ 1,850,920	\$ 58,335	\$ 390,508	\$ 1,518,747	\$ 403,335

Series 2007 capital loan notes, Bankers Trust Company, N.A. due in annual payments ranging from \$345,000 to \$390,000 through December 2016, plus interest semiannually at rates ranging from 3.8 percent to 4.0 percent, depending on maturity, secured by first lien on net revenue.

The Waterloo Water Works has pledged future gross revenue, net of specified operating expense to repay \$3,300,000 in water revenue capital loan notes issued in February 2007. Proceeds from the notes provided for refunding of Series 2001 capital loan notes and costs of water main extensions and other improvements. The notes are payable solely from net revenue of the Water Works system and restricted cash held in the debt reserve account. Annual principal and interest payments are expected to be less than 80 percent of net revenue. The principal and interest remaining to be paid is \$1,618,763. For the current year, principal and interest paid and net revenue of the system were \$405,652 and \$2,801,425, respectively.

Debt indentures require that certain covenants relating to the maintenance and efficiency of the operating system, the rate structure, restrictions on borrowings, leasing or disposition of assets and minimum insurance coverage be adhered to. During 2012, Waterloo Water Works was in compliance with required covenants.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 9. Long-Term Liabilities (Continued)

As of December 31, 2012 annual maturities of long-term debt were as follows:

Year ending December 31:	Principal	Interest	Total
2013	\$ 345,000	\$ 57,923	\$ 402,923
2014	360,000	44,640	404,640
2015	375,000	30,600	405,600
2016	390,000	15,600	405,600
	<u>\$ 1,470,000</u>	<u>\$ 148,763</u>	<u>\$ 1,618,763</u>

Note 10. Operating Leases

Effective July 1, 1999, the City's sanitary sewer operations entered into a five-year agreement for the management of biosolid by-products produced at the Wastewater Treatment Facility. The agreement included the lease of a storage facility. Effective August 1, 2010, the agreement was extended for an additional five years at a monthly rental of \$4,700.

Rental expense for all material operating leases was \$106,800 for the year ended June 30, 2013.

Note 11. Retirement Systems

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

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

Plan members are required to contribute 9.40 percent of their earnable compensation and the City's contribution rate may not be less than 17 percent of annual earnable compensation. For the year ended June 30, 2013 the City's rate was 26.12 percent. Contribution requirements are established by state statute and may be amended by the state of Iowa legislature with the consent of the governor. The City's contributions to MFPRSI for the years ended June 30, 2013, 2012 and 2011 were \$3,844,363, \$3,522,615 and \$2,731,277, respectively, which met the required contributions for each year.

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

Plan members are required to contribute 5.78 percent of their annual salary and the City is required to contribute 8.67 percent of annual covered payroll. Contribution requirements are established by state statute and may be amended by the state of Iowa legislature with the consent of the governor. The City's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$1,358,920, \$1,250,399 and \$1,066,879, respectively, which met the required contributions for each year.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 11. Retirement Systems (Continued)

Component Unit

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

Funding policy: The contribution requirements of Plan members and the Utility are established and may be amended by the Utility. Mandatory contributions to the Plan are equal to the IPERS rate effective January 1 of the previous year. During 2009, plan members contributions were not required and the Utility made all the required contributions. Beginning January 1, 2010, plan members were required to contribute one-third of the full contribution rate of 4.1 percent and the Utility paid the rest of the required contribution. As of January 1, 2011, plan members are required to contribute two-thirds of the full contribution rate of 4.3 percent and beginning January 1, 2012, plan members will be required to contribute all of the mandatory contributions. Amounts contributed to the plan during 2012, 2011 and 2010 were \$423,689, \$376,664 and \$395,818, respectively.

Annual pension cost and net pension obligation: The Utility's annual pension cost and net pension (asset) obligation to the Plan for the year ended December 31, 2012:

Annual required contribution (ARC)	\$ 392,305
Interest on net pension obligation	31,384
Annual pension cost	<u>423,689</u>
Contributions made	(423,689)
Expensing of prior year prepaid contribution	<u>31,401</u>
Increase in net pension asset	(31,401)
Net pension asset, beginning of year	31,401
Net pension asset, end of year	<u><u>\$ -</u></u>

The annual pension cost for 2012 was determined as part of the actuarial valuation using the January 1, 2012 projected unit credit cost method. The actuarial assumptions for 2012 included (a) 8 percent investment rate of return (net of administrative expenses) and (b) projected salary increases of 3 percent per year, compounded annually and retirement at age 62. The actuarial valuation at January 1, 2012 assumes retirement at age 62 with 30 years of service. The assumptions did not include any postretirement benefits. The actuarial value of assets was determined using the current market value of investments.

Three-Year Trend Information			
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
December 31, 2010	\$ 357,677	111%	\$ (38,141)
December 31, 2011	383,404	98	(31,401)
December 31, 2012	423,689	100	-

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 12. Deficit Fund Balances

Funds with deficit balances as of June 30, 2013 were as follows:

Major governmental, Special revenue, Grants	\$ 2,740,956
Nonmajor governmental:	
Capital projects,	
Vision Iowa Projects	92,538

Note 13. Commitments

Construction: The City is involved in construction of capital assets, mainly streets, riverfront improvements and Brownfields reconstruction. Much of the construction is partially funded through federal, state and local grants and donations. City participation in the programs is generally funded through proceeds of debt issues, local option taxes and distributions from the Black Hawk County Solid Waste Management Commission. As of June 30, 2013, the City was committed to approximately \$22.2 million of construction contracts.

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

Loan guarantee: The City has guaranteed a bank loan of Cedar Skyline Corporation d/b/a Main Street Waterloo. In the event the primary debtor is unable to repay the loan, the City would be required to make the payments. As of June 30, 2013, the note balance was \$229,614.

Note 14. Other Postemployment Benefits

Plan description: The City sponsors a single-employer health care plan that provides self-insured medical, prescription drug, dental and vision benefits to all active and retired employees and their eligible dependents. As required by state law, employees who retire from service with the City prior to age 65 are eligible for coverage in the plan. Police and fire employees must have completed four years of service, be age 55 and vested in the Municipal Fire and Police Retirement System. All other employees must have completed four years of service, be age 55 and be vested in IPERS to participate in the plan. Retirees are allowed to be covered by the plan until they are medicare eligible at age 65. Spouses of retirees are eligible to be covered on the plan for an additional eight years or until they reach age 65, whichever is sooner. Other dependents are allowed to be covered under the plan while an eligible dependent. The plan does not issue a stand-alone financial report.

Funding policy: Management develops the health insurance plan contributions based on expected claims. The current funding policy of the City is to pay health claims as they occur. Retirees are responsible for the portion of premium rates not covered by the City.

The required contribution is based on projected pay-as-you-go financing. For fiscal year 2013, the City contributed \$1,832,227. Retiree and active members receiving benefits have required contributions of \$691.70 per month for single health coverage and \$1,751.13 for family coverage.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 14. Other Postemployment Benefits (Continued)

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

Annual required contribution	\$ 2,257,000
Interest on net OPEB obligation	193,725
Adjustment to annual required contribution	(203,498)
Annual OPEB cost (expense)	<u>2,247,227</u>
Contributions and payments made	<u>1,832,227</u>
Increase in net OPEB obligation	415,000
Net OPEB obligation - July 1, 2012	<u>4,305,000</u>
Net OPEB obligation - June 30, 2013	<u><u>\$ 4,720,000</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations for 2013 and the two preceding years follows.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 3,586,234	44.75%	\$ 4,091,523
June 30, 2012	2,285,080	90.66	4,305,000
June 30, 2013	2,247,227	81.53	4,720,000

Funded status and funding progress: As of July 1, 2011, the most recent valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$29,248,000 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$29,248,000. The covered payroll (annual payroll of active employees covered by the plan) was \$31,774,140 and the ratio of the UAAL to the covered payroll was 92.05 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 14. Other Postemployment Benefits (Continued)

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

In the July 1, 2011 actuarial valuation, projected unit credit method was used. The actuarial assumptions included a 4.5 percent annual discount rate, a healthcare cost trend rate of 10 percent on a select basis reducing 0.5 percent each year until reaching the ultimate trend rate of 5 percent, and an annual salary increase of 3.5 percent. The UAAL is being amortized as a level percentage of salary on an open basis. The amortization of UAAL is over a period of 20 years for the explicit portion of the subsidy and a period of 30 years for the implicit portion of the subsidy.

Note 15. Employee Health Care Plan

The City provides health care, including dental, vision and prescription coverages, to its employees and certain former employees through a self-funded health insurance plan. Administration is provided by contracted providers. The City accounts for the plan in the General Fund, City Clerk and Finance Department, Health/Life Insurance Activity. Other funds, departments and activities are assessed for costs based on current and former employees within the activity. General Fund costs 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 with individual lifetime limit of \$2,500,000.

The City's estimated unpaid claims as of June 30 and its needed reserves for claim fluctuation were determined by an actuarial study performed as of June 30. All outstanding claims are considered matured and expected to be paid in fiscal year 2014, 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:

	2013	2012
Estimated unpaid claims, beginning of year	\$ 1,266,554	\$ 1,300,239
Estimated claims incurred	10,169,173	9,555,950
Claims payments	(10,052,672)	(9,589,635)
Estimated unpaid claims, end of year	<u>\$ 1,383,055</u>	<u>\$ 1,266,554</u>

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 16. Worker's Compensation Plan

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

The City's estimated unpaid claims as of June 30 are based on projected costs of future payments for injuries incurred prior to June 30, 2013, and is recorded as a liability in the government-wide statement of net position. \$40,320 is considered matured and is recorded in the General Fund with accrued liabilities. Changes and balances are as follows:

	2013	2012
Estimated unpaid claims, beginning of year	\$ 22,987	\$ 370,009
Estimated claims incurred	819,071	197,771
Claims payments	(557,738)	(544,793)
Estimated unpaid claims, end of year	<u>\$ 284,320</u>	<u>\$ 22,987</u>

Note 17. Joint Ventures and Jointly Governed Organizations

The City is a participating member of several organizations including the Black Hawk County Criminal Justice Information System (CJIS), the Consolidated Dispatch Center (Center), the Black Hawk County Solid Waste Management Commission (SWMC) and the Metropolitan Transit Authority (MET). In addition, the City pays its share of costs for CJIS, including debt service, pays its share of costs of the Center, pays landfill fees to SWMC and levies and collects property taxes from Black Hawk County and remits them to MET (\$1,437,796 during the year ended June 30, 2013). During the year ended June 30, 2013, the City received a distribution of \$521,938 from SWMC. Cumulative unexpended SWMC distributions are reported in the General Fund as designated for Vision Iowa projects. Also, during the year ended June 30, 2013, 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.

Note 18. Industrial Development Revenue Bonds

The City has issued a total of \$157,041,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The amount outstanding as of June 30, 2013 is not reported to the City by either the debtors or creditors. Therefore, outstanding balances are unknown. The bonds and related interest are payable solely from revenue of applicable projects. Bond principal and interest do not constitute liabilities of the City.

Notes to Basic Financial Statements

Note 19. Risk Management

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

The City assumes the risks of loss of both mobile vehicles and equipment, except 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, 2013, the City has assigned \$3,237,561 of its General Fund, fund balance for insurable risks retained.

Note 20. Community Economic Betterment Account Agreements

During fiscal year 2008, the City passed through \$350,000 of proceeds received from the state to two businesses under Community Economic Betterment Account (CEBA) Agreements. Two loans, in the amounts of \$150,000 and \$100,000, respectively, are set up as forgivable loans. During fiscal year 2012, the \$150,000 loan was forgiven as all necessary conditions for forgiveness were satisfied. During fiscal year 2013, the \$100,000 loan was paid. As of June 30, 2013, \$0 of the loan remained outstanding.

Note 21. Contingencies

The City is involved in various lawsuits in the normal course of business. There are several actions pending. Legal counsel has advised the City that it is reasonably possible that the City may incur losses of \$40,000 from these cases that would not be covered under the City's insurance policies.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 22. 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	Grants	Tax Increment Financing	General Obligation Debt Service	Nonmajor Governmental	Total
Nonspendable:							
Inventories	\$ 269,024	\$ -	\$ -	\$ -	\$ -	\$ 226,206	\$ 495,230
Prepays	53,053	-	-	-	-	6,986	60,039
Total nonspendable	322,077	-	-	-	-	233,192	555,269
Restricted:							
Debt service	-	-	-	1,909,112	1,221,978	-	3,131,090
Self-funded health insurance	3,698,490	-	-	-	-	-	3,698,490
Tourism promotion	1,075,773	-	-	-	-	-	1,075,773
Public access television	132,551	-	-	-	-	-	132,551
Housing	51,397	-	-	-	-	4,214,770	4,266,167
Donor specified	538,854	-	-	-	-	-	538,854
Employee benefits	-	2,304,254	-	-	-	-	2,304,254
Library	-	-	-	-	-	102,602	102,602
Street construction	-	-	-	-	-	8,200,754	8,200,754
Loan reserve	-	-	-	-	-	517,532	517,532
Street and right-of-way maintenance	-	-	-	-	-	4,765,366	4,765,366
Improvements	-	-	-	-	-	19,671,338	19,671,338
Total restricted	5,497,065	2,304,254	-	1,909,112	1,221,978	37,472,362	48,404,771
Assigned:							
Insurance	3,237,561	-	-	-	-	-	3,237,561
Other postemployment benefits	1,040,792	-	-	-	-	-	1,040,792
Other	40,368	-	-	431,389	-	79,823	551,580
Fiscal year 2014 operations	1,000,000	-	-	-	-	-	1,000,000
Improvements	-	-	-	-	-	1,859,009	1,859,009
Total assigned	5,318,721	-	-	431,389	-	1,938,832	7,688,942
Unassigned	8,907,668	-	(2,740,956)	-	-	(1,867,822)	4,298,890
Total fund balances (deficit)	\$ 20,045,531	\$ 2,304,254	\$ (2,740,956)	\$ 2,340,501	\$ 1,221,978	\$ 37,776,564	\$ 60,947,872

Notes to Basic Financial Statements

Note 23. 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. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the City for fiscal years beginning after June 15, 2015. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Under Statement No. 68, each employer participating in a multiple-employer defined benefit pension plan will be required to record a liability representing their "proportionate share" of the plan's net pension liability. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013, will be effective for the City beginning with its year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement provides guidance for: determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations; using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations; measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and reporting the disposal of government operations that have been transferred or sold.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued April 2013, will be effective for the City beginning with its year ending June 30, 2014. This Statement provides accounting and financial reporting guidance to state and local governments that offer nonexchange financial guarantees and for governments that receive guarantees on their obligations. This Statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is *more likely than not* that the guarantor will be required to make a payment to the obligation holders under the agreement. A nonexchange financial guarantee is a credit enhancement or assurance offered by a guarantor without receiving equal or approximately equal value in exchange. The guarantor agrees to pay an obligation holder in the event that the issuer of the obligation is not able to make its required payments to the obligation holder. Nonexchange financial guarantees can include guarantees by a state for bonds issued by local governments within that state or guarantees of mortgage loans to individuals, if equal or approximately equal value is not received in exchange.

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

City of Waterloo, Iowa

**Required Supplementary Information
Other Postemployment Benefit Plan**

SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2011	7/1/09	\$ -	\$ 42,655,000	\$ 42,655,000	- %	\$ 30,477,806	139.95%
2012	7/1/11	-	29,248,000	29,248,000	-	32,295,003	90.57
2013	7/1/11	-	29,248,000	29,248,000	-	31,774,140	92.05

The information presented in the required supplementary schedule was determined as part of the actuarial valuation date as of July 1, 2011.

Additional information follows:

- a. The actuarial method used to determine the ARC is the projected unit credit method.
- b. There are no plan assets.
- c. The actuarial assumptions included: a) 4.5 percent annual discount rate, b) a healthcare cost trend rate of 10 percent initially, decreasing 0.5 percent each year until reaching the ultimate trend rate of 5 percent, and c) an annual salary increase of 3.5 percent.
- d. The amortization method is level percentage of pay on an open basis over 30 years.

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City of Waterloo, Iowa

**Budgetary Comparison Schedule
Budget and Actual (Modified Cash Basis) - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2013**

	Budgeted Amounts	
	Original	Final
Revenues and other financing sources receipts:		
Receipts:		
Property taxes	\$ 40,620,062	\$ 40,620,062
Tax increment financing	6,504,881	6,504,881
Other City taxes	14,596,298	14,644,298
Licenses and permits	1,118,683	1,118,683
Use of money and property	1,273,526	1,273,526
Intergovernmental	42,951,137	45,975,504
Charges for services	22,812,794	23,015,140
Special assessments	139,251	187,651
Miscellaneous	6,619,828	8,164,559
Total receipts	136,636,460	141,504,304
Other financing sources:		
Transfer from other funds	15,861,046	18,484,130
Issuance of long-term debt	12,000,000	19,200,000
Proceeds from sale of capital assets	85,700	85,700
Total other financing sources	27,946,746	37,769,830
Total receipts and other financing sources	164,583,206	179,274,134
Disbursements and other financing uses:		
Governmental-type activities:		
Public safety	30,516,995	30,799,881
Public works	26,415,205	26,634,515
Health and social services	368,324	419,938
Culture and recreation	9,234,132	9,492,232
Community and economic development	13,052,801	14,580,010
General government	5,473,715	5,713,183
Debt service	14,070,766	26,665,188
Capital projects	33,816,916	39,305,695
Business-type activities	18,517,598	20,800,983
Total disbursements	151,466,452	174,411,625
Other financing uses, transfers to other funds	15,861,046	18,484,130
Total disbursements and other financing uses	167,327,498	192,895,755
Receipts and other financing sources over (under) disbursements and other financing uses	(2,744,292)	(13,621,621)
Balances, beginning of year	75,497,588	78,728,308
Balances, end of year	\$ 72,753,296	\$ 65,106,687

See Note to Required Supplementary Information.

Actual Amounts Budgetary Basis	Variance With Final Budget
\$ 40,294,370	\$ (325,692)
6,525,669	20,788
14,746,096	101,798
1,115,106	(3,577)
1,447,063	173,537
29,905,632	(16,069,872)
22,797,493	(217,647)
232,389	44,738
9,492,202	1,327,643
<u>126,556,020</u>	<u>(14,948,284)</u>
17,384,356	(1,099,774)
19,230,348	30,348
71,014	(14,686)
<u>36,685,718</u>	<u>(1,084,112)</u>
<u>163,241,738</u>	<u>(16,032,396)</u>
30,280,445	519,436
22,825,295	3,809,220
374,944	44,994
9,037,858	454,374
12,914,619	1,665,391
5,044,904	668,279
21,330,453	5,334,735
18,890,389	20,415,306
18,154,742	2,646,241
<u>138,853,649</u>	<u>35,557,976</u>
<u>17,384,356</u>	<u>1,099,774</u>
<u>156,238,005</u>	<u>36,657,750</u>
7,003,733	20,625,354
78,728,308	-
<u>\$ 85,732,041</u>	<u>\$ 20,625,354</u>

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City of Waterloo, Iowa

**Note to Required Supplementary Information – Budgetary Reporting
Year Ended June 30, 2013**

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 \$22,945,173. The budget amendment is reflected in the final budgeted amount.

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

City of Waterloo, Iowa

**Schedule of Comparison
Funds Statements (GAAP Basis) to Budgetary (Modified Cash) Basis
Required Supplementary Information
Year Ended June 30, 2013**

	Governmental Fund Types Basis Actual Amounts	Enterprise Fund Types Basis Actual Amounts	Total Funds
Revenue/Receipts:			
Property taxes and TIF revenue	\$ 45,485,229	\$ -	\$ 45,485,229
Other taxes	14,683,459	-	14,683,459
Licenses and permits	1,128,513	-	1,128,513
Use of money and property	1,236,954	16,555	1,253,509
Intergovernmental	27,797,797	273,869	28,071,666
Charges for services	6,512,462	15,828,842	22,341,304
Interfund charges for services	1,935,000	-	1,935,000
Special assessments	124,467	-	124,467
Miscellaneous	4,503,173	86,032	4,589,205
Total revenue/receipts	103,407,054	16,205,298	119,612,352
Expenditures and expenses/disbursements:			
Public safety	30,517,147	-	30,517,147
Public works	26,286,055	-	26,286,055
Health and social services	370,275	-	370,275
Culture and recreation	9,134,554	-	9,134,554
Community and economic development	13,555,391	-	13,555,391
General government	3,980,405	-	3,980,405
Debt service	11,085,662	-	11,085,662
Capital projects	9,646,195	-	9,646,195
Business-type activities	-	13,673,355	13,673,355
Total expenditures and expenses/ disbursements	104,575,684	13,673,355	118,249,039
Net	(1,168,630)	2,531,943	1,363,313

(Continued)

Budgetary Basis Exceptions	Property Tax Collected for and Remitted to MET	Other GAAP Conversion Adjustments	Budgetary Basis
\$ -	\$ 1,437,796	\$ (102,986)	\$ 46,820,039
-	-	62,637	14,746,096
-	-	(13,407)	1,115,106
-	-	193,554	1,447,063
-	-	1,833,966	29,905,632
-	-	456,189	22,797,493
-	-	(1,935,000)	-
-	-	107,922	232,389
-	-	4,902,997	9,492,202
-	1,437,796	5,505,872	126,556,020
-	-	(236,702)	30,280,445
-	1,437,796	(4,898,556)	22,825,295
-	-	4,669	374,944
-	-	(96,696)	9,037,858
-	-	(640,772)	12,914,619
-	-	1,064,499	5,044,904
-	-	10,244,791	21,330,453
-	-	9,244,194	18,890,389
-	-	4,481,387	18,154,742
-	1,437,796	19,166,814	138,853,649
-	-	(13,660,942)	(12,297,629)

City of Waterloo, Iowa

**Schedule of Comparison
Funds Statements (GAAP Basis) to Budgetary (Modified Cash) Basis (Continued)
Required Supplementary Information
Year Ended June 30, 2013**

	Governmental Fund Types Basis Actual Amounts	Enterprise Fund Types Basis Actual Amounts	Total Funds
Other financing sources (uses):			
Transfers in	\$ 12,765,878	\$ -	\$ 12,765,878
Transfers out	(12,765,878)	-	(12,765,878)
Capital Contributions	-	4,740	4,740
Insurance proceeds	173,397	-	173,397
Bond discount	(26,982)	-	(26,982)
Bond premium	145,669	-	145,669
Proceeds from sales of capital assets	71,014	-	71,014
Issuance of long-term debt	12,530,348	-	12,530,348
Payments to refunded bond escrow agent	(6,744,723)	-	(6,744,723)
Total other financing sources (uses)	6,148,723	4,740	6,153,463
Change in fund balance/net position	4,980,093	2,536,683	7,516,776
Balance, beginning of year	55,967,779	87,558,527	143,526,306
Balance, end of year	\$ 60,947,872	\$ 90,095,210	\$ 151,043,082

Budgetary Basis Exceptions	Property Tax Collected for and Remitted to MET	Other GAAP Conversion Adjustments	Budgetary Basis
\$ -	\$ -	\$ 4,618,478	\$ 17,384,356
-	-	(4,618,478)	(17,384,356)
-	-	(4,740)	-
-	-	(173,397)	-
-	-	26,982	-
-	-	(145,669)	-
-	-	-	71,014
-	-	6,700,000	19,230,348
-	-	6,744,723	-
-	-	13,147,899	19,301,362
-	-	(513,043)	7,003,733
-	-	(64,797,998)	78,728,308
\$ -	\$ -	\$ (65,311,041)	\$ 85,732,041

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City of Waterloo, Iowa

**Schedule of Revenues, Expenditures and Changes in Fund Balances
General Fund
Year Ended June 30, 2013**

Revenues:	
Property taxes	\$ 19,141,481
Other taxes	4,305,358
Licenses and permits	1,117,773
Investment income	15,808
Rent	936,215
Intergovernmental	1,794,721
Charges for services	6,230,678
Indirect allocations	1,885,000
Special assessments	124,467
Miscellaneous	2,073,791
Total revenues	<u>\$ 37,625,292</u>
Expenditures:	
Public safety function	
Mayor	
Black Hawk Emergency Management Agency	
Contractual services	\$ 127,251
Total activity and department	<u>127,251</u>
Police department	
Police operations	
Compensation and benefits	11,168,929
Contractual services	811,517
Commodities	364,440
Total activity	<u>12,344,886</u>
Police computer services	
Contractual services	69,982
Commodities	73,786
Total activity	<u>143,768</u>
Police grants	
Compensation and benefits	777,337
Contractual services	65,130
Commodities	109,908
Capital outlay	33,151
Total activity	<u>985,526</u>
Law enforcement programs	
Compensation and benefits	3,463
Contractual services	229,766
Commodities	101,858
Capital outlay	9,240
Total activity	<u>344,327</u>
Tobacco grant	
Compensation and benefits	3,482
Total activity	<u>3,482</u>
COPS grant	
Compensation and benefits	119,351
Contractual services	37,758
Total activity	<u>157,109</u>

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2013

Expenditures (continued):

Public safety function (continued)

Police department (continued)

Public safety administration

Compensation and benefits	\$ 135,683
Contractual services	692
Commodities	262
Total activity	<u>136,637</u>
Total department	<u>14,115,735</u>

Fire department

Fire protection

Compensation and benefits	8,892,607
Contractual services	381,557
Commodities	175,395
Total activity	<u>9,449,559</u>

Fire restricted programs

Compensation and benefits	27,539
Total activity	<u>27,539</u>

Fire ambulance services

Compensation and benefits	1,139,808
Contractual services	173,702
Commodities	213,613
Total activity	<u>1,527,123</u>

Fire safety program

Compensation and benefits	136,275
Contractual services	30,599
Commodities	1,069
Total activity	<u>167,943</u>
Total department	<u>11,172,164</u>

Traffic operations department

Animal Control

Compensation and benefits	17,375
Contractual services	177,644
Commodities	5,572
Total activity and department	<u>200,591</u>

Building inspection department

Building and housing safety

Compensation and benefits	1,023,488
Contractual services	29,804
Commodities	35,257
Total activity and department	<u>1,088,549</u>

(Continued)

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
 General Fund
 Year Ended June 30, 2013

Expenditures:

Public safety function totals

Current

Compensation and benefits	\$ 23,445,337
Contractual services	2,135,402
Commodities	1,081,160
Subtotal	<u>26,661,899</u>
Capital outlay	42,391
Total public safety function	<u><u>\$ 26,704,290</u></u>

Public works function

Clerk

Parking administration

Compensation and benefits	\$ 84,371
Contractual services	38,958
Commodities	4,783
Total activity and department	<u>128,112</u>

Sidewalk repair/construction

Commodities	280
Capital outlay	183,405
Total activity	<u>183,685</u>
Total activity and department	<u>183,685</u>

Traffic operations

Parking maintenance

Compensation and benefits	203,718
Contractual services	48,844
Commodities	14,897
Total activity and department	<u>267,459</u>

Central garage

Central garage

Compensation and benefits	694,736
Contractual services	41,528
Commodities	96,022
Capital outlay	14,345
Total activity	<u>846,631</u>

Motor pool service

Commodities	415,476
Total activity	<u>415,476</u>
Total department	<u>1,262,107</u>

Airport

Airport administration

Compensation and benefits	543,486
Contractual services	275,382
Commodities	127,695
Total activity and department	<u>946,563</u>

(Continued)

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
 General Fund
 Year Ended June 30, 2013

Expenditures:

Public works function totals

Current

Compensation and benefits	\$ 1,526,311
Contractual services	404,712
Commodities	659,153
Subtotal	<u>2,590,176</u>
Capital outlay	197,750
Total public works function	<u>\$ 2,787,926</u>

Health and social services function

Mayor

Health and sanitation

Contractual services	\$ 75,000
Total activity	<u>75,000</u>
Total department	<u>75,000</u>

Human rights department

Human rights

Compensation and benefits	216,810
Contractual services	12,068
Commodities	4,035
Total activity	<u>232,913</u>

Housing enforcement

Contractual services	62,272
Total activity	<u>62,272</u>

Cedar Valley diversity action team

Contractual services	90
Total activity	<u>90</u>
Total department	<u>295,275</u>

Health and social services function totals

Current

Compensation and benefits	216,810
Contractual services	149,430
Commodities	4,035
Total health and social services function	<u>\$ 370,275</u>

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2013

Expenditures:

Culture and recreation function

Mayor

Fairview cemetery association

Contractual services

\$ 60,000

Total activity

60,000

Total department

60,000

Cultural/arts

Center for the arts

Compensation and benefits

671,777

Contractual services

72,945

Commodities

27,151

Total activity

771,873

Youth pavilion

Compensation and benefits

275,690

Contractual services

45,733

Commodities

31,533

Total activity

352,956

Culture and arts grants and projects

Contractual services

74,460

Total activity

74,460

Total department

1,199,289

Library

Library services

Compensation and benefits

1,242,737

Contractual services

264,125

Commodities

194,238

Total activity

1,701,100

Library Enrich Iowa

Contractual services

10,386

Total activity

10,386

Library access plus

Commodities

4,407

Total activity

4,407

Library grants

Contractual services

1,277

Commodities

19,387

Total activity

20,664

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2013

Expenditures (continued):	
Culture and recreation function (continued):	
Library (continued):	
Library gift and trust	
Contractual services	\$ 37,320
Commodities	130,001
Total activity	<u>167,321</u>
Library service area	
Commodities	13,313
Total activity	<u>13,313</u>
County library system	
Compensation and benefits	67,492
Commodities	4,091
Total activity	<u>71,583</u>
Library open access	
Contractual services	3,682
Commodities	16,133
Total activity	<u>19,815</u>
Total department	<u>2,008,589</u>
Leisure services	
Leisure services	
Compensation and benefits	1,705,027
Contractual services	209,733
Commodities	269,245
Capital outlay	20,316
Total activity	<u>2,204,321</u>
Downtown area maintenance	
Compensation and benefits	179,430
Contractual services	34,513
Commodities	30,651
Total activity	<u>244,594</u>
Leisure services projects	
Compensation and benefits	2,296
Contractual services	48,630
Commodities	31,512
Capital outlay	30,087
Total activity	<u>112,525</u>
Golf courses	
Compensation and benefits	902,466
Contractual services	123,595
Commodities	141,191
Total activity	<u>1,167,252</u>
Golf course improvements	
Contractual services	4,442
Commodities	6,414
Total activity	<u>10,856</u>

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2013

Expenditures (continued):

Culture and recreation function (continued):

Leisure services (continued)

Sports and youth services

Compensation and benefits

\$ 453,316

Contractual services

30,569

Commodities

125,470

Total activity

609,355

Young arena

Compensation and benefits

427,600

Contractual services

169,944

Commodities

204,921

Total activity

802,465

Total department

5,151,368

Culture and recreation function totals

Current

Compensation and benefits

5,927,831

Contractual services

1,191,354

Commodities

1,249,658

Subtotal

8,368,843

Capital outlay

50,403

Total culture and recreation function

\$ 8,419,246

Community and economic development function

Mayor

Iowa northland council of governments

Contractual services

\$ 30,783

Total activity

30,783

Tourism promotion

Contractual services

188,411

Capital outlay

35,279

Total activity

223,690

Waterloo Convention & Visitors Bureau, Inc.

Contractual services

613,778

Total activity

613,778

Total department

868,251

Planning and zoning

Planning and zoning

Compensation and benefits

452,096

Contractual services

16,158

Commodities

5,971

Capital outlay

2,000

Total activity

476,225

City property management

Contractual services

76,258

Total activity

76,258

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2013

Expenditures (continued):

Community and economic development function (continued):

Planning and zoning (continued)

Economic development

Compensation and benefits

\$ 61,612

Total activity

61,612

Total department

614,095

Five Sullivans Civic Center

Compensation and benefits

93,299

Contractual services

181,991

Commodities

21,071

Total activity and department

296,361

Community and economic development function totals

Current

Compensation and benefits

607,007

Contractual services

1,107,379

Commodities

27,042

Subtotal

1,741,428

Capital outlay

37,279

Total community and economic development function

\$ 1,778,707

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2013

Expenditures:

General government function

Mayor

Mayor's office

Compensation and benefits	\$ 200,352
Contractual services	10,985
Commodities	1,481
Total activity	<u>212,818</u>

Mayor restricted projects

Contractual services	6,088
Total activity	<u>6,088</u>

Administrative and management information services

Compensation and benefits	109,877
Contractual services	166,082
Commodities	5,215
Total activity	<u>281,174</u>
Total department	<u>500,080</u>

City council

City council

Compensation and benefits	64,440
Total activity and department	<u>64,440</u>

City clerk and finance

Telecommunications

Compensation and benefits	148,858
Contractual services	973
Commodities	153
Total activity	<u>149,984</u>

City clerk and finance

Compensation and benefits	747,143
Contractual services	291,846
Claims, judgments, contingencies	102
Commodities	55,640
Total activity	<u>1,094,731</u>

Liability insurance

Compensation and benefits	41,118
Contractual services	1,292,154
Total activity	<u>1,333,272</u>

Health/life insurance

Compensation and benefits	69
Contractual services	(997,980)
Total activity	<u>(997,911)</u>

Self-funded worker's compensation

Contractual services	575,087
Total activity	<u>575,087</u>

Print shop

Contractual services	51,648
Total activity	<u>51,648</u>
Total department	<u>2,206,811</u>

(Continued)

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
 General Fund
 Year Ended June 30, 2013

Expenditures (continued):

General government function (continued):

City attorney

City attorney	
Compensation and benefits	\$ 163,514
Contractual services	189,052
Commodities	9,922
Total activity and department	<u>362,488</u>

Human resources

Employee assistance program

Contractual services	1,600
Total activity	<u>1,600</u>

Human resources

Compensation and benefits	266,993
Contractual services	43,504
Commodities	2,272
Total activity	<u>312,769</u>

Safety committee

Compensation and benefits	1,286
Contractual services	8,150
Commodities	3,199
Total activity	<u>12,635</u>
Total department	<u>327,004</u>

Building inspection

Facilities maintenance

Compensation and benefits	221,394
Contractual services	193,687
Commodities	53,186
Total activity	<u>468,267</u>

Facilities restricted project

Contractual services	400
Commodities	2,830
Total activity	<u>3,230</u>

Veteran's memorial hall

Contractual services	6,983
Total activity	<u>6,983</u>
Total department	<u>478,480</u>

General government function totals

Current

Compensation and benefits	1,965,044
Contractual services	1,840,361
Commodities	133,898
Total general government function	<u>\$ 3,939,303</u>

(Continued)

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
General Fund
Year Ended June 30, 2013

Expenditures:	
Public safety	\$ 26,704,290
Public works	2,787,926
Health and social services	370,275
Culture and recreation	8,419,246
Community and economic development	1,778,707
General government	<u>3,939,303</u>
Total expenditures	<u>\$ 43,999,747</u>
Revenue under expenditures	<u>\$ (6,374,455)</u>
Other financing sources (uses):	
Transfers in	8,776,256
Transfers out	(785,847)
Insurance proceeds	146,359
Proceeds from sale of capital assets	<u>71,014</u>
Total other financing sources	<u>8,207,782</u>
Net change in fund balance	1,833,327
Fund balance, beginning of year	<u>18,212,204</u>
Fund balance, end of year	<u>\$ 20,045,531</u>

City of Waterloo, Iowa

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	Special Revenue	Capital Projects	Total
Assets			
Cash and cash equivalents	\$ 15,953,675	\$ 18,731,997	\$ 34,685,672
Receivables:			
Customer accounts	4,509	1,787,283	1,791,792
Property taxes:			
Delinquent	5,582	-	5,582
Succeeding year	607,938	-	607,938
Accrued interest	4	-	4
Due from other funds	-	261,025	261,025
Due from other governments:			
Federal	565,779	-	565,779
Iowa	3,367,782	61,000	3,428,782
Other	55,422	31,539	86,961
Inventories and prepaids	233,192	-	233,192
Restricted assets, cash and cash equivalents	2,441,577	-	2,441,577
Advances to other funds	129,612	-	129,612
Total assets	\$ 23,365,072	\$ 20,872,844	\$ 44,237,916
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,234,456	\$ 703,576	\$ 1,938,032
Retainages payable	399,035	595,155	994,190
Accrued liabilities	114,666	-	114,666
Due to other funds	47,874	92,539	140,413
Deferred revenue	18,962	-	18,962
Compensated absences	30,083	-	30,083
Payable from restricted assets	80,305	-	80,305
Total liabilities	1,925,381	1,391,270	3,316,651
Deferred inflows of resources:			
Unavailable revenue - property taxes	613,520	-	613,520
Unavailable revenue - local option sales tax	458,838	-	458,838
Unavailable revenue - intergovernmental	204,521	1,867,822	2,072,343
Total deferred inflows of resources	1,276,879	1,867,822	3,144,701
Fund Balances:			
Nonspendable	233,192	-	233,192
Restricted	17,990,788	19,481,574	37,472,362
Assigned	1,938,832	-	1,938,832
Unassigned	-	(1,867,822)	(1,867,822)
Total fund balances	20,162,812	17,613,752	37,776,564
Total liabilities, deferred inflows of resources and fund balances	\$ 23,365,072	\$ 20,872,844	\$ 44,237,916

City of Waterloo, Iowa

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2013**

	Special Revenue	Capital Projects	Total
Revenues:			
Property taxes	\$ 587,219	\$ -	\$ 587,219
Other taxes	9,548,453	-	9,548,453
Licenses and permits	10,740	-	10,740
Investment income	7,389	12,033	19,422
Rent	193,723	-	193,723
Intergovernmental	15,617,046	72,409	15,689,455
Charges for services	257,866	-	257,866
Interfund charges for services	50,000	-	50,000
Miscellaneous	61,542	2,243,210	2,304,752
Total revenues	26,333,978	2,327,652	28,661,630
Expenditures:			
Current:			
Public safety	13,701	-	13,701
Public works	16,656,242	-	16,656,242
Culture and recreation	601,892	-	601,892
Community and economic development	8,751,199	-	8,751,199
General government	278	-	278
Debt service:			
Interest and fees	-	2,310	2,310
Bond issuance costs	-	80,583	80,583
Capital outlay	-	9,646,195	9,646,195
Total expenditures	26,023,312	9,729,088	35,752,400
Revenues over (under) expenditures	310,666	(7,401,436)	(7,090,770)
Other financing sources (uses):			
Transfers in	-	881,252	881,252
Bond premium	-	116,596	116,596
Bond discount	-	(19,903)	(19,903)
Issuance of long-term debt	-	9,705,000	9,705,000
Total other financing sources (uses)	-	10,682,945	10,682,945
Net change in fund balance	310,666	3,281,509	3,592,175
Fund balance, beginning of year	19,852,146	14,332,243	34,184,389
Fund balance, end of year	\$ 20,162,812	\$ 17,613,752	\$ 37,776,564

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City of Waterloo, Iowa

Special Revenue Funds June 30, 2013

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:

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

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

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

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

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

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.

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

City of Waterloo, Iowa

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2013

	Special Revenue			
	Library Tax Levy	Community Development Block Grant	Section 108 Loan Program	Road Use Tax
Assets				
Cash and cash equivalents	\$ 181,818	\$ 700	\$ 517,532	\$ 3,593,095
Receivables:				
Customer accounts	-	-	-	4,509
Property taxes:				
Delinquent	5,582	-	-	-
Succeeding year	607,938	-	-	-
Accrued interest	-	-	-	-
Due from other governments:				
Federal	-	207,177	-	-
Iowa	-	1,715	-	1,279,363
Other	6,929	-	-	-
Inventories and prepaids	-	-	-	226,206
Restricted cash and cash equivalents	-	-	-	-
Advances to other funds	7,825	-	-	108,189
Total assets	\$ 810,092	\$ 209,592	\$ 517,532	\$ 5,211,362
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 127,182	\$ -	\$ 79,513
Retainages payable	-	961	-	-
Accrued liabilities	12,205	10,018	-	66,221
Due to other funds	-	42,028	-	-
Unearned revenue	-	18,962	-	-
Compensated absences	1,942	4,259	-	18,191
Payable from restricted assets	-	-	-	-
Total liabilities	14,147	203,410	-	163,925
Deferred inflows of resources:				
Unavailable revenue - property taxes	613,520	-	-	-
Unavailable revenue - local option sales tax	-	-	-	-
Unavailable revenue - intergovernmental	-	-	-	55,865
Total deferred inflows of resources	613,520	-	-	55,865
Fund balances:				
Nonspendable	-	-	-	226,206
Restricted	102,602	6,182	517,532	4,765,366
Assigned	79,823	-	-	-
Total fund balances	182,425	6,182	517,532	4,991,572
Total liabilities, deferred inflows of resources and fund balances	\$ 810,092	\$ 209,592	\$ 517,532	\$ 5,211,362

Special Revenue

Housing Programs	Federal Aviation Agency Projects	Local Option Tax	Total
\$ 2,132,142	\$ -	\$ 9,528,388	\$ 15,953,675
-	-	-	4,509
-	-	-	5,582
-	-	-	607,938
4	-	-	4
126	358,476	-	565,779
-	43,261	2,043,443	3,367,782
-	-	48,493	55,422
6,986	-	-	233,192
2,230,257	211,320	-	2,441,577
-	-	13,598	129,612
\$ 4,369,515	\$ 613,057	\$ 11,633,922	\$ 23,365,072
\$ 40,389	\$ 217,939	\$ 769,433	\$ 1,234,456
20,000	22,931	355,143	399,035
8,984	-	17,238	114,666
-	5,846	-	47,874
-	-	-	18,962
4,263	-	1,428	30,083
80,305	-	-	80,305
153,941	246,716	1,143,242	1,925,381
-	-	-	613,520
-	-	458,838	458,838
-	148,656	-	204,521
-	148,656	458,838	1,276,879
6,986	-	-	233,192
4,208,588	189,764	8,200,754	17,990,788
-	27,921	1,831,088	1,938,832
4,215,574	217,685	10,031,842	20,162,812
\$ 4,369,515	\$ 613,057	\$ 11,633,922	\$ 23,365,072

City of Waterloo, Iowa

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2013**

	Special Revenue			
	Library Tax Levy	Community Development Block Grant	Section 108 Loan Program	Road Use Tax
Revenues:				
Property taxes	\$ 587,219	\$ -	\$ -	\$ -
Other taxes	26,046	-	-	-
Licenses and permits	-	-	-	10,740
Investment income	129	-	257	-
Rent	-	-	-	-
Intergovernmental	-	3,194,037	-	6,586,301
Charges for services	-	60,672	-	98,450
Interfund charges for services	-	-	-	50,000
Miscellaneous	-	33,300	-	22,962
Total revenues	613,394	3,288,009	257	6,768,453
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	7,004,759
Culture and recreation	601,892	-	-	-
Community and economic development	-	3,297,313	-	-
General government	-	-	278	-
Total expenditures	601,892	3,297,313	278	7,004,759
Net change in fund balances	11,502	(9,304)	(21)	(236,306)
Fund balances, beginning of year	170,923	15,486	517,553	5,227,878
Fund balances, end of year	\$ 182,425	\$ 6,182	\$ 517,532	\$ 4,991,572

Special Revenue

Housing Programs	Federal Aviation Agency Projects	Local Option Tax	Total
\$ -	\$ -	\$ -	\$ 587,219
-	-	9,522,407	9,548,453
-	-	-	10,740
51	417	6,535	7,389
193,723	-	-	193,723
5,043,139	793,569	-	15,617,046
19,283	74,468	4,993	257,866
-	-	-	50,000
5,280	-	-	61,542
<u>5,261,476</u>	<u>868,454</u>	<u>9,533,935</u>	<u>26,333,978</u>
-	13,701	-	13,701
-	820,797	8,830,686	16,656,242
-	-	-	601,892
5,453,886	-	-	8,751,199
-	-	-	278
<u>5,453,886</u>	<u>834,498</u>	<u>8,830,686</u>	<u>26,023,312</u>
(192,410)	33,956	703,249	310,666
4,407,984	183,729	9,328,593	19,852,146
<u>\$ 4,215,574</u>	<u>\$ 217,685</u>	<u>\$ 10,031,842</u>	<u>\$ 20,162,812</u>

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City of Waterloo, Iowa

Capital Projects Funds June 30, 2013

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

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

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

June 2010 GO Bonds Fund – This fund is used to account for proceeds from the 2010 general obligation bond sale until expended for the restricted purpose.

June 2011 GO Bonds Fund – This fund is used to account for proceeds from the 2011 general obligation bond sale until expended for the restricted purpose.

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.

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

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

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

City of Waterloo, Iowa

Combining Balance Sheet
 Capital Projects Funds
 June 30, 2013

	June 2007 GO Bonds	June 2008 GO Bonds	June 2009 GO Bonds	June 2010 GO Bonds
Assets				
Cash and cash equivalents	\$ 42,004	\$ 116,805	\$ 780,953	\$ 944,954
Receivables, customer accounts	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments:				
Iowa	-	-	-	-
Other	-	-	-	-
Total assets	\$ 42,004	\$ 116,805	\$ 780,953	\$ 944,954
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)				
Liabilities:				
Accounts payable	\$ 9,210	\$ -	\$ 7,308	\$ 219,130
Retainages payable	-	1,071	15,302	-
Due to other funds	-	-	-	-
Total liabilities	9,210	1,071	22,610	219,130
Deferred inflows of resources, unavailable revenue - intergovernmental	-	-	-	-
Fund balances (deficit):				
Restricted	32,794	115,734	758,343	725,824
Unassigned	-	-	-	-
Total fund balances (deficit)	32,794	115,734	758,343	725,824
Total liabilities, deferred inflows of resources and fund balances (deficit)	\$ 42,004	\$ 116,805	\$ 780,953	\$ 944,954

June 2011 GO Bonds	June 2012 GO Bonds	June 2013 GO Bonds	Rath Area Redevelopment	Vision Iowa Projects	Capital Improvements	Total
\$ 2,591,595	\$ 5,450,311	\$ 8,455,245	\$ 70,396	\$ -	\$ 279,734	\$ 18,731,997
-	-	-	-	-	1,787,283	1,787,283
-	-	-	-	247,879	13,146	261,025
-	-	-	-	61,000	-	61,000
-	-	-	-	31,539	-	31,539
<u>\$ 2,591,595</u>	<u>\$ 5,450,311</u>	<u>\$ 8,455,245</u>	<u>\$ 70,396</u>	<u>\$ 340,418</u>	<u>\$ 2,080,163</u>	<u>\$ 20,872,844</u>
\$ 57,911	\$ 101,944	\$ 192,540	\$ 115	\$ 90,096	\$ 25,322	\$ 703,576
15,526	354,536	21,801	-	157,782	29,137	595,155
-	-	-	-	92,539	-	92,539
<u>73,437</u>	<u>456,480</u>	<u>214,341</u>	<u>115</u>	<u>340,417</u>	<u>54,459</u>	<u>1,391,270</u>
-	-	-	-	92,539	1,775,283	1,867,822
2,518,158	4,993,831	8,240,904	70,281	-	2,025,705	19,481,574
-	-	-	-	(92,538)	(1,775,284)	(1,867,822)
<u>2,518,158</u>	<u>4,993,831</u>	<u>8,240,904</u>	<u>70,281</u>	<u>(92,538)</u>	<u>250,421</u>	<u>17,613,752</u>
<u>\$ 2,591,595</u>	<u>\$ 5,450,311</u>	<u>\$ 8,455,245</u>	<u>\$ 70,396</u>	<u>\$ 340,418</u>	<u>\$ 2,080,163</u>	<u>\$ 20,872,844</u>

City of Waterloo, Iowa

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Capital Projects Funds
Year Ended June 30, 2013**

	June 2007 GO Bonds	June 2008 GO Bonds	June 2009 GO Bonds	June 2010 GO Bonds
Revenues:				
Investment income	\$ 101	\$ 150	\$ 923	\$ 1,517
Intergovernmental	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	101	150	923	1,517
Expenditures:				
Debt service:				
Interest and fees	-	-	2,310	-
Bond issuance costs	-	-	-	-
Capital outlay	101,871	32,858	349,728	1,360,105
Total expenditures	101,871	32,858	352,038	1,360,105
Revenues over (under) expenditures	(101,770)	(32,708)	(351,115)	(1,358,588)
Other financing sources (uses):				
Transfers in	-	-	-	-
Bond premium	-	-	-	-
Bond discount	-	-	-	-
Issuance of long-term debt	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances (deficit)	(101,770)	(32,708)	(351,115)	(1,358,588)
Fund balances (deficit), beginning of year	134,564	148,442	1,109,458	2,084,412
Fund balances (deficit), end of year	\$ 32,794	\$ 115,734	\$ 758,343	\$ 725,824

June 2011 GO Bonds	June 2012 GO Bonds	June 2013 GO Bonds	Rath Area Redevelopment	Vision Iowa Projects	Capital Improvements	Total
\$ 3,144	\$ 6,161	\$ -	\$ 37	\$ -	\$ -	\$ 12,033
-	-	-	-	72,409	-	72,409
-	-	-	-	-	2,243,210	2,243,210
3,144	6,161	-	37	72,409	2,243,210	2,327,652
-	-	-	-	-	-	2,310
-	10,588	69,995	-	-	-	80,583
2,070,281	2,223,520	176,175	3,040	124,610	3,204,007	9,646,195
2,070,281	2,234,108	246,170	3,040	124,610	3,204,007	9,729,088
(2,067,137)	(2,227,947)	(246,170)	(3,003)	(52,201)	(960,797)	(7,401,436)
-	-	-	-	226,299	654,953	881,252
-	9,619	106,977	-	-	-	116,596
-	-	(19,903)	-	-	-	(19,903)
-	1,305,000	8,400,000	-	-	-	9,705,000
-	1,314,619	8,487,074	-	226,299	654,953	10,682,945
(2,067,137)	(913,328)	8,240,904	(3,003)	174,098	(305,844)	3,281,509
4,585,295	5,907,159	-	73,284	(266,636)	556,265	14,332,243
\$ 2,518,158	\$ 4,993,831	\$ 8,240,904	\$ 70,281	\$ (92,538)	\$ 250,421	\$ 17,613,752

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City of Waterloo, Iowa

**Fiduciary Funds
June 30, 2013**

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.

City of Waterloo, Iowa

Statement of Changes in Assets and Liabilities
Agency Fund
Year Ended June 30, 2013

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Metropolitan Transit Agency				
Assets, cash	\$ -	\$ 1,455,664	\$ 1,455,664	\$ -
Liabilities, due to private entities	\$ -	\$ 1,455,664	\$ 1,455,664	\$ -

**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.	99
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	104
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.	108
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.	113
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.	115

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)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets										
Restricted	\$ 46,671,542	\$ 56,719,559	\$ 69,770,404	\$ 193,678,687	\$ 202,629,813	\$ 216,863,066	\$ 233,853,135	\$ 243,084,776	\$ 250,819,314	\$ 264,695,106
Unrestricted	27,827,667	29,460,969	34,279,423	22,213,054	25,663,429	32,652,537	36,648,414	28,098,845	31,552,558	30,823,956
	4,725,340	6,160,850	6,043,616	5,626,315	7,342,293	4,738,557	3,591,308	9,823,688	9,694,131	7,214,587
Total governmental activities net position	\$ 79,224,549	\$ 92,341,378	\$ 110,093,443	\$ 221,518,056	\$ 235,555,535	\$ 254,254,160	\$ 274,092,857	\$ 281,007,309	\$ 292,066,003	\$ 302,733,649
Business-type activities										
Net investment in capital assets										
Restricted	\$ 55,900,582	\$ 56,679,067	\$ 57,945,809	\$ 63,144,916	\$ 63,754,721	\$ 65,420,051	\$ 66,494,749	\$ 67,576,579	\$ 71,243,134	\$ 74,508,694
Unrestricted	6,086,695	4,969,352	6,300,746	3,334,062	3,182,802	3,171,308	3,178,807	3,170,694	1,655,694	1,383,659
	5,624,562	8,055,394	7,422,263	7,963,580	9,473,128	9,440,050	10,719,450	13,086,820	14,659,699	14,202,857
Total business-type activities net position	\$ 67,611,839	\$ 69,703,813	\$ 71,668,818	\$ 74,442,558	\$ 76,410,651	\$ 78,031,409	\$ 80,393,006	\$ 83,834,093	\$ 87,558,527	\$ 90,095,210
Primary government										
Net investment in capital assets										
Restricted	\$ 102,572,124	\$ 113,398,626	\$ 127,716,213	\$ 256,823,603	\$ 266,384,534	\$ 282,283,117	\$ 300,347,884	\$ 310,661,355	\$ 322,062,448	\$ 339,203,800
Unrestricted	33,914,362	34,430,321	40,580,169	25,547,116	28,766,231	35,823,845	39,827,221	31,269,539	33,208,252	32,207,615
	10,349,902	14,216,244	13,465,879	13,589,895	16,815,421	14,178,607	14,310,758	22,910,508	24,353,830	21,417,444
Total primary government net position	\$ 146,836,388	\$ 162,045,191	\$ 181,762,261	\$ 295,960,614	\$ 311,966,186	\$ 332,285,569	\$ 354,485,863	\$ 364,841,402	\$ 379,624,530	\$ 392,828,859

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
Public safety	\$ 20,214,741	\$ 22,484,306	\$ 25,251,052	\$ 26,046,236	\$ 26,214,669	\$ 26,719,053	\$ 28,612,482	\$ 29,629,282	\$ 30,037,249	\$ 31,913,280
Public works	14,829,494	13,689,867	11,579,825	17,265,784	21,705,472	22,435,723	22,839,814	23,276,707	23,297,561	24,938,888
Health and social services	439,033	251,534	331,759	258,818	268,761	260,584	244,594	257,618	278,589	299,282
Culture and recreation	6,121,952	6,425,956	6,786,963	8,059,963	8,408,694	9,512,453	9,951,066	10,080,005	10,515,120	10,491,266
Community and economic development	10,274,832	11,909,166	13,741,135	9,666,943	9,581,090	13,520,082	15,138,776	16,675,218	16,138,333	14,129,616
General government	2,935,962	2,783,145	3,415,216	3,903,632	4,511,057	5,150,029	4,548,726	4,860,959	4,219,355	3,714,993
Interest on long-term debt	2,410,195	2,540,869	2,625,800	2,728,225	2,782,119	2,880,205	2,736,194	2,639,047	2,459,710	2,680,614
Total governmental activities expenses	57,226,209	60,084,843	63,731,750	67,929,801	73,471,862	80,478,129	84,071,652	87,418,836	86,945,917	88,167,939
Business-type activities:										
Sanitary sewer	8,646,899	8,246,811	8,666,232	8,242,650	8,649,104	8,573,832	8,682,068	10,437,723	9,730,465	10,033,041
Sanitation	2,920,290	3,025,161	3,196,360	3,226,802	3,289,854	3,593,300	3,873,028	3,408,358	3,680,500	3,640,314
Total business-type activities expenses	11,567,189	11,271,972	11,862,592	11,469,452	11,938,958	12,167,132	12,555,096	13,846,081	13,410,965	13,673,355
Total primary government expenses	\$ 68,793,398	\$ 71,356,815	\$ 75,594,342	\$ 79,399,053	\$ 85,410,820	\$ 92,645,261	\$ 96,626,748	\$ 101,264,917	\$ 100,356,882	\$ 101,841,294
Program Revenue										
Governmental activities:										
Charges for services:										
Public safety	\$ 1,159,259	\$ 1,689,116	\$ 1,872,956	\$ 1,940,446	\$ 3,441,302	\$ 3,143,136	\$ 3,331,924	\$ 3,874,275	\$ 3,602,246	\$ 3,683,489
Public works	1,688,900	1,765,757	1,831,575	1,774,681	1,933,607	1,894,200	1,887,850	1,984,786	2,224,870	2,192,414
Culture and recreation	2,073,891	1,902,088	2,027,873	2,077,330	2,263,815	2,441,457	2,337,191	2,339,044	2,592,204	2,492,426
Other activities	89,454	216,203	637,103	580,948	1,361,824	1,139,772	1,125,370	1,229,991	1,268,316	1,489,631
Operating grants and contributions	16,531,573	15,780,383	18,358,119	16,568,953	14,018,130	16,803,356	18,592,551	16,376,376	16,603,449	14,967,188
Capital grants and contributions	4,548,472	3,970,432	6,241,861	5,911,499	8,609,193	13,787,329	14,938,736	9,832,416	10,720,735	9,364,734
Total governmental activities program revenue	26,091,549	25,323,979	30,969,487	28,853,857	31,627,871	39,209,250	42,213,622	35,636,888	37,011,820	34,189,882
Business-type activities:										
Charges for services:										
Sanitary sewer	9,585,766	9,496,202	9,905,507	9,321,295	9,598,454	9,628,876	11,185,490	13,283,908	13,147,754	12,285,502
Sanitation	3,072,299	3,210,265	3,201,266	3,274,550	3,294,443	3,349,978	3,398,533	3,446,332	3,572,238	3,615,787
Operating grants and contributions:										
Sanitary sewer	-	64,006	7,361	-	240,678	339,496	-	125,802	54,041	-
Sanitation	274,988	274,988	-	315,437	288,866	274,988	314,940	399,000	215,584	273,869
Capital grants and contributions:										
Sanitary sewer	483,456	115,481	311,303	799,265	127,092	106,200	-	81,302	82,443	-
Sanitation	-	-	-	-	-	3,000	-	-	560	-
Total business-type activities program revenue	13,416,509	13,160,942	13,425,437	13,710,547	13,549,533	13,702,538	14,898,963	17,336,344	17,072,620	13,585
Total primary government program revenue	\$ 39,508,058	\$ 38,484,921	\$ 44,394,924	\$ 42,564,404	\$ 45,177,404	\$ 52,911,788	\$ 57,112,585	\$ 52,973,232	\$ 54,084,440	\$ 50,378,625
Net (Expense)/Revenue										
Governmental activities	\$ (31,134,660)	\$ (34,760,864)	\$ (32,762,263)	\$ (39,075,744)	\$ (41,843,991)	\$ (41,268,879)	\$ (41,858,030)	\$ (51,781,948)	\$ (49,934,097)	\$ (53,978,057)
Business-type activities	1,849,320	1,888,970	1,562,845	2,241,095	1,610,575	1,535,406	2,343,867	3,490,263	3,661,655	2,515,388
Total primary government net expense	\$ (29,285,340)	\$ (32,871,894)	\$ (31,199,418)	\$ (36,834,649)	\$ (40,233,416)	\$ (39,733,473)	\$ (39,514,163)	\$ (48,291,685)	\$ (46,272,442)	\$ (51,462,669)

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenue and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Property taxes levied for general purposes	\$ 23,949,802	\$ 25,822,607	\$ 24,206,180	\$ 25,835,947	\$ 25,848,956	\$ 27,456,508	\$ 28,508,924	\$ 28,741,347	\$ 29,825,135	\$ 31,586,154
Property taxes levied for debt service	7,743,121	7,219,345	9,407,057	9,727,666	10,050,725	11,319,918	11,988,239	12,287,504	12,997,545	13,950,496
Other taxes	9,725,075	11,464,827	12,496,242	12,101,827	13,674,750	14,208,362	13,911,219	14,566,088	14,844,322	15,142,297
Investment earnings	661,458	668,736	1,276,389	1,924,494	1,432,651	426,353	170,946	152,078	54,485	45,578
Miscellaneous	3,073,954	2,847,102	3,128,460	4,030,419	3,900,343	6,556,363	5,189,217	2,879,152	3,315,471	3,925,918
Gain (loss) on sale of assets	116,629	(144,924)	-	-	-	-	1,827,508	-	-	-
Transfers	12,613	-	-	-	-	-	-	70,231	(44,167)	(4,740)
Total governmental activities	\$ 45,282,652	\$ 47,877,693	\$ 50,514,328	\$ 53,620,353	\$ 54,907,425	\$ 59,967,504	\$ 61,596,053	\$ 58,696,400	\$ 60,992,791	\$ 64,645,703
Business-type activities:										
Investment earnings	78,470	203,004	402,160	532,645	357,518	85,352	17,730	21,055	18,612	16,555
Gain (loss) on sale of assets	(34,206)	-	-	-	-	-	-	-	-	-
Transfers	(12,613)	-	-	-	-	-	-	(70,231)	44,167	4,740
Total business-type activities	\$ 31,651	\$ 203,004	\$ 402,160	\$ 532,645	\$ 357,518	\$ 85,352	\$ 17,730	\$ (49,176)	\$ 62,779	\$ 21,295
Total primary government	\$ 45,314,303	\$ 48,080,697	\$ 50,916,488	\$ 54,152,998	\$ 55,264,943	\$ 60,052,856	\$ 61,613,783	\$ 58,647,224	\$ 61,055,570	\$ 64,666,998
Changes in Net Assets										
Governmental activities	\$ 14,147,992	\$ 13,116,829	\$ 17,752,065	\$ 14,544,609	\$ 13,063,434	\$ 18,698,625	\$ 19,738,023	\$ 6,914,452	\$ 11,058,694	\$ 10,667,646
Business-type activities	1,880,971	2,091,974	1,965,005	2,773,740	1,968,093	1,620,758	2,361,597	3,441,087	3,724,434	2,536,683
Total primary government	\$ 16,028,963	\$ 15,208,803	\$ 19,717,070	\$ 17,318,349	\$ 15,031,527	\$ 20,319,383	\$ 22,099,620	\$ 10,355,539	\$ 14,783,128	\$ 13,204,329

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 310,432	\$ 326,276	\$ 322,077
Restricted	-	-	-	-	-	-	-	3,602,691	3,438,392	5,497,065
Committed	-	-	-	-	-	-	-	662,415	-	-
Assigned	-	-	-	-	-	-	-	4,878,877	4,802,837	5,318,721
Unassigned	-	-	-	-	-	-	-	8,417,600	9,644,699	8,907,668
Reserved	2,106,686	2,048,163	1,841,389	2,159,691	3,074,869	2,367,516	3,064,085	-	-	-
Unreserved:										
Designated	2,166,703	4,073,524	5,186,521	5,131,230	4,577,679	4,720,531	5,077,047	-	-	-
Undesignated	3,783,989	4,285,725	5,679,449	6,946,759	7,438,418	8,152,625	8,610,737	-	-	-
Total general fund	\$ 8,057,378	\$ 10,407,412	\$ 12,707,359	\$ 14,237,680	\$ 15,090,966	\$ 15,240,672	\$ 16,751,869	\$ 17,872,015	\$ 18,212,204	\$ 20,045,531
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 208,100	\$ 297,516	\$ 233,192
Restricted	-	-	-	-	-	-	-	39,357,168	42,286,946	42,907,706
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	2,322,606	2,332,997	2,370,221
Unassigned	-	-	-	-	-	-	-	(5,150,315)	(7,161,884)	(4,608,778)
Reserved	838,562	994,790	1,576,334	2,103,658	2,633,730	2,923,228	2,786,146	-	-	-
Undesignated, reported in:										
Special revenue funds	9,773,272	11,594,768	12,385,708	13,021,323	16,846,339	17,918,742	16,410,755	-	-	-
Debt service funds	615,679	1,439,650	1,008,597	1,529,968	-	-	-	-	-	-
Capital project funds	11,434,780	11,624,349	15,962,472	16,440,553	17,205,128	14,259,781	12,144,579	-	-	-
Total all other governmental funds	\$ 22,662,293	\$ 25,643,557	\$ 30,933,111	\$ 33,095,502	\$ 36,685,197	\$ 35,101,751	\$ 31,341,480	\$ 36,737,559	\$ 37,755,575	\$ 40,902,341

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenue										
Property taxes	\$ 31,726,881	\$ 32,915,568	\$ 33,582,387	\$ 35,550,774	\$ 35,863,457	\$ 38,789,695	\$ 40,454,704	\$ 41,013,565	\$ 42,864,091	\$ 45,485,229
Other taxes	9,187,463	11,241,073	12,907,521	11,609,390	13,532,878	14,368,254	13,982,362	14,703,052	15,460,718	14,683,459
Licenses and permits	1,151,715	1,173,147	1,216,278	1,528,961	1,274,948	977,306	996,031	1,236,912	1,119,886	1,128,513
Investment income	661,458	668,736	1,276,389	1,924,494	1,432,651	426,353	170,946	152,078	54,485	45,578
Rent*	814,762	879,420	920,475	1,023,689	992,710	1,060,566	1,060,889	1,094,271	1,186,419	1,191,376
Intergovernmental	19,963,676	21,104,290	22,716,457	21,107,074	21,833,988	22,932,392	30,681,962	30,092,432	25,596,988	27,797,797
Charges for services*	5,048,840	4,980,587	5,429,979	5,584,760	5,767,327	5,963,660	5,932,437	6,397,007	6,748,285	6,512,462
Interfund charges for service	2,671,780	2,659,797	2,801,492	2,825,327	2,825,152	2,808,833	2,385,680	2,134,553	1,935,000	1,935,000
Special assessments	109,999	56,694	52,698	39,932	39,931	37,216	225,198	47,171	93,870	124,467
Miscellaneous	2,336,581	2,008,009	3,253,989	3,878,401	4,683,887	6,043,260	3,773,963	3,292,228	3,702,763	4,503,173
Total revenue	73,673,155	77,687,321	84,157,665	85,019,802	88,246,929	93,407,535	99,664,172	100,163,269	98,762,505	103,407,054
Expenditures										
Current:										
Public safety	20,081,214	22,140,431	24,487,582	25,074,830	25,958,017	25,941,016	26,947,910	27,686,410	29,272,717	30,517,147
Public works	17,121,845	18,582,433	20,508,737	22,688,730	15,508,737	23,846,845	27,635,226	19,761,835	25,565,737	26,286,055
Health and social services	517,555	325,147	401,647	332,431	346,169	333,706	316,974	325,730	346,952	370,275
Culture and recreation	6,506,123	6,576,723	6,875,715	7,385,038	7,683,720	8,844,296	9,264,689	8,960,633	9,396,914	9,134,554
Community and economic development	11,966,597	11,422,953	11,177,833	9,097,089	10,075,134	13,954,851	17,423,767	15,740,405	13,794,104	13,555,391
General government	3,501,031	3,261,058	3,698,896	4,128,315	4,539,873	5,532,557	5,097,361	5,623,650	4,956,104	3,980,405
Debt service										
Principal	6,471,606	6,399,291	6,551,624	7,353,618	8,134,849	7,698,818	8,783,299	9,565,662	8,623,207	8,708,554
Interest and fees	2,424,613	2,575,772	2,627,808	2,909,085	2,908,196	2,975,411	2,799,830	2,623,038	2,536,705	2,276,310
Bond Issuance Costs**	-	-	-	-	-	-	-	-	-	100,798
Capital projects	7,820,334	7,150,058	9,570,650	11,035,051	20,405,512	16,639,618	15,126,719	11,792,357	14,140,916	9,646,195
Total expenditures	76,410,918	78,433,866	85,900,492	90,004,187	95,406,196	105,767,118	113,395,775	102,079,720	108,633,356	104,575,684
Revenue over (under) expenditures	(2,737,763)	(746,545)	(1,742,827)	(4,984,385)	(7,159,267)	(12,359,583)	(13,731,603)	(1,916,451)	(9,870,851)	(1,168,630)
Other financing sources (uses)										
Transfers in	7,226,431	8,484,336	10,433,905	10,871,913	13,447,647	15,295,255	14,434,303	13,368,149	14,206,860	12,765,878
Transfers out	(7,213,818)	(8,484,336)	(10,433,905)	(10,871,913)	(13,447,647)	(15,295,255)	(14,434,303)	(13,297,918)	(14,206,860)	(12,765,878)
Insurance proceeds	-	-	-	-	-	1,421,521	1,734,450	138,157	19,968	173,397
Proceeds from sale of assets	197,945	119,573	232,328	88,102	41,491	74,294	2,243,301	221,807	-	71,014
Capital lease obligations incurred	436,266	-	-	-	-	-	-	-	-	-
Refunding bonds issued	2,705,000	2,720,000	-	7,995,000	3,935,000	4,271,100	4,240,000	5,500,000	4,200,000	2,630,000
Payment to refunded bond escrow agent	(2,648,652)	(2,667,302)	-	(7,932,132)	(3,917,230)	(4,200,992)	(4,172,380)	(5,586,483)	-	(6,744,723)
Proceeds from debt issued	10,150,000	6,000,000	9,100,000	8,526,127	9,661,649	9,400,000	7,500,000	7,735,081	6,740,000	9,900,348
Bond discounts and issue costs	(148,943)	(94,428)	-	-	60,280	(40,080)	(62,842)	353,883	269,088	118,687
Total other financing sources (uses)	10,704,229	6,077,843	9,332,328	8,677,097	9,781,190	10,925,843	11,482,529	8,432,676	11,229,056	6,148,723
Net change in fund balances	\$ 7,966,466	\$ 5,331,298	\$ 7,589,501	\$ 3,692,712	\$ 2,621,923	\$ (1,433,740)	\$ (2,249,074)	\$ 6,516,225	\$ 1,358,205	\$ 4,980,093
Debt service as a percentage of noncapital expenditures	13.0%	12.6%	12.0%	13.0%	14.7%	12.0%	11.8%	13.5%	11.8%	13.2%

* 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,	Less:					Total Taxable Assessed Value	Total Direct Tax Rate	Total Assessed Value	Total Taxable Value as a Percentage of Assessed Value
		Residential Property	Commercial Property	Industrial Property	TIF Property	Other Property				
2002	2004	839,572,381	576,211,617	96,108,365	49,231,256	114,239,978	1,666,105,485	18.90914	2,366,125,563	70.41%
2003	2005	893,839,054	672,183,148	97,124,065	64,568,282	112,393,854	1,831,106,142	18.78999	2,789,882,310	65.63%
2004	2006	894,181,940	667,846,702	99,012,385	63,981,335	107,833,856	1,824,347,104	19.15566	2,805,711,189	65.02%
2005	2007	957,337,336	668,759,754	102,622,530	91,641,046	108,515,161	1,920,465,963	18.84580	3,075,559,088	62.44%
2006	2008	965,742,730	680,175,443	101,833,850	95,440,962	106,356,577	1,941,432,330	18.76669	3,133,666,442	61.95%
2007	2009	1,021,046,822	766,647,219	98,127,515	125,534,846	109,339,414	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	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	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	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	2,469,886,911	18.20505	3,738,165,467	66.07%

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										Total Direct & Overlapping Rates
	City of Waterloo			Black Hawk County			Schools			Total School Millage	
	Operating Millage	Debt Service	Total City Millage	Operating Millage	Debt Service	Total County Millage	Operating Millage	Debt Service	Other		
2004	14.26784	4.64130	18.90914	7.15152	0.59469	7.74621	14.85083	1.00000	1.13876	15.85083	43.64494
2005	14.62934	4.16065	18.78999	6.90953	0.58284	7.49237	14.62496	1.00000	1.36743	15.62496	43.27475
2006	15.04360	4.11206	19.15566	7.04780	0.56052	7.60832	14.99110	1.00000	1.42197	15.99110	44.17705
2007	15.47706	3.36874	18.84580	6.83182	0.55784	7.38966	15.33395	1.00000	1.34392	16.33395	43.91333
2008	15.33540	3.43129	18.76669	6.82613	0.58407	7.41020	15.74972	1.00000	1.18405	16.74972	44.11066
2009	15.10748	3.25939	18.36687	6.35616	0.57975	6.93591	15.65725	1.00000	1.36422	16.65725	43.32425
2010	15.01876	3.28813	18.30689	6.12831	0.57689	6.70520	15.45746	1.00000	1.33721	16.45746	42.80676
2011	14.92433	3.33973	18.26406	6.22972	0.44212	6.67184	15.43697	1.00000	1.38794	16.43697	42.76081
2012	15.16068	3.37267	18.53335	5.92415	0.67322	6.59737	15.28141	1.00000	1.28109	16.28141	42.69322
2013	15.03346	3.17159	18.20505	5.59849	0.64144	6.23993	14.80265	1.00000	1.33770	15.80265	41.58533

Source: Black Hawk County Auditor.

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

Employer	2013			2004		
	Assessed Value 01/01/2011	Rank	Percentage of Total Assessed Value	Assessed Value 01/01/2002	Rank	Percentage of Total Assessed Value
Mid American Energy	\$ 136,419,021	1	3.65%	\$ 94,737,838	2	4.00%
IOC Black Hawk County, Inc.	64,833,320	2	1.73%	--		--
Deere and Company	52,071,200	3	1.39%	112,006,460	1	4.73%
GG and A Crossroads Center, LP/ Equitable Life Assurance in 2003	37,125,830	4	0.99%	25,779,520	4	1.09%
Con Agra k/n/a Hunt Wesson, Inc.	25,000,000	5	0.67%	16,317,760	5	0.69%
Ferguson Enterprises, Inc.	20,707,670	6	0.55%			--
Bertch Cabinet Manufacturing	18,397,840	7	0.49%	14,435,450	7	0.61%
Tyson Fresh Meats (formerly IBP, Inc.)	17,330,150	8	0.46%	35,471,050	3	1.50%
Howard L. Allen Investments, Inc.	16,117,540	9	0.43%			--
Menard Inc	15,485,960	10	0.41%			--
Qwest Corporation (formerly US West)	--		--	14,566,751	6	0.62%
HyVee Food Stores, Inc.	--		--	9,326,490	8	0.39%
Banco Mortgage Company	--		--	8,676,050	9	0.37%
Walmart Stores	--		--	8,627,190	10	0.36%
Total	\$ 403,488,531		10.79%	\$ 339,944,559		14.37%

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

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

Assessment Date January 1,	Fiscal Year Ended June 30,	Total Tax Levy	Current Tax Collections	Percent of Current Tax Collections To Tax Levy	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections To Tax Levy
2002	2004	\$29,033,374	\$29,059,188	100.09%	\$ 17,377	\$29,076,565	100.15%
2003	2005	31,690,701	31,509,489	99.43%	12,616	31,522,105	99.47%
2004	2006	32,344,654	32,344,856	100.00%	10,483	32,355,339	100.03%
2005	2007	33,117,028	33,098,938	99.95%	20,019	33,118,957	100.01%
2006	2008	33,302,685	33,292,118	99.97%	22,716	33,314,834	100.04%
2007	2009	35,238,473	35,092,505	99.59%	40,319	35,132,824	99.70%
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%

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.

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					
2004	\$ 59,290,000	\$ 330,000	\$ 339,513	\$ 1,603,114	\$ 13,539,231	\$ 19,870,000	--	--	--	\$ 94,971,858	4.97%	\$ 1,381	
2005	59,295,000	150,000	157,024	2,235,577	13,963,692	18,520,000	--	--	--	94,321,293	4.58%	1,372	
2006	62,260,000	250,000	--	3,097,325	14,337,655	16,195,000	--	--	--	96,139,980	4.54%	1,398	
2007	63,940,000	220,000	--	2,708,707	14,859,518	13,850,000	--	--	--	95,578,225	4.31%	1,390	
2008	65,745,000	300,000	--	1,931,086	14,809,064	12,355,000	--	-	-	95,140,150	4.09%	1,384	
2009	66,083,590	--	--	3,392,268	15,132,212	10,870,000	--	-	-	95,478,070	3.98%	1,389	
2010	66,200,396	--	--	2,145,466	17,774,123	9,285,000	--	--	--	95,404,985	3.85%	1,388	
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	4,712,459	--	-	-	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	

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**

Fiscal Year	General Obligation Bonds	Total Assessed Value of Property	Percentage of Assessed Value of Property	Per Capita*
2004	\$ 73,159,231	\$ 2,366,125,563	3.09%	\$ 1,064
2005	73,408,692	2,789,882,310	2.63%	1,068
2006	76,847,655	2,805,711,189	2.74%	1,118
2007	79,019,518	3,075,559,088	2.57%	1,149
2008	80,854,064	3,133,666,442	2.58%	1,176
2009	81,200,822	3,447,851,253	2.36%	1,181
2010	83,832,977	3,542,643,298	2.37%	1,219
2011	85,257,190	3,566,368,445	2.39%	1,246
2012	84,100,781	3,747,030,046	2.38%	1,302
2013	90,366,627	3,738,165,467	2.42%	1,321

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, 2013

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable to City*	Estimated Share of Overlapping Debt
City of Waterloo direct debt	\$ 68,490,532	100.00%	\$ 68,490,532
Overlapping:			
Black Hawk County	\$ 39,020,000	46.47%	18,132,594
Hudson Community Schools	185,366	7.32%	13,569
Hawkeye Community College	<u>4,770,000</u>	27.64%	<u>1,318,428</u>
Subtotal, overlapping debt	<u>\$ 43,975,366</u>		<u>\$ 19,464,591</u>
Total direct and overlapping debt	<u><u>\$ 112,465,898</u></u>		<u><u>\$ 87,955,123</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.

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	\$ 121,093,664	\$ 136,617,416	\$ 140,285,559	\$ 153,777,954	\$ 156,683,322	\$ 172,392,563	\$ 178,318,422	\$ 178,318,423	\$ 187,351,502	\$ 186,908,273
Total net debt applicable to limit	75,643,160	77,219,958	80,363,486	82,040,954	83,044,566	84,743,377	85,224,685	86,859,685	91,838,068	92,404,312
Legal debt margin	<u>\$ 45,450,504</u>	<u>\$ 59,397,458</u>	<u>\$ 59,922,073</u>	<u>\$ 71,737,000</u>	<u>\$ 73,638,756</u>	<u>\$ 87,649,186</u>	<u>\$ 93,093,737</u>	<u>\$ 91,458,738</u>	<u>\$ 95,513,435</u>	<u>\$ 94,503,961</u>
Total net debt applicable to the limit as a percentage of debt limit	62.47%	56.52%	57.29%	53.35%	53.00%	49.16%	47.79%	48.71%	49.02%	49.44%

Legal Debt Margin Calculation for Fiscal Year 2013	
Estimated actual valuation (assessed) as of January 1, 2011	\$ 3,738,165,467
Debt limit (5% of total estimated actual valuation)	186,908,273
Debt applicable to debt limit:	
General obligation bonds	89,880,000
General obligation capital loan notes	2,524,312
Other debt	94,503,961
Total net debt applicable to limit	92,404,312
Legal debt margin	<u>\$ 94,503,961</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**

Fiscal Year	Gross Revenue	Less: Applicable Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements	Coverage
2004	9,653,550	4,445,425	5,208,125	3,401,386	1.5312
2005	9,735,550	4,455,001	5,280,549	3,664,551	1.4410
2006	10,564,246	4,860,721	5,703,525	3,060,298	1.8637
2007	9,761,167	4,580,852	5,180,315	3,020,198	1.7152
2008	10,121,735	5,051,048	5,070,687	2,099,173	2.4156
2009	10,030,590	5,070,016	4,960,574	2,038,173	2.4338
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	6,552,170	6,664,913	1,655,847	4.0251
2013	12,312,670	6,875,254	5,437,416	1,659,883	3.2758

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>
2003	68,747	\$ 1,911,235,347	\$ 27,801	35.9	5.8%	10,465
2004	68,747	2,057,735,204	29,932	35.9	6.1%	10,472
2005	68,747	2,117,888,829	30,807	35.9	5.3%	10,391
2006	68,747	2,216,265,786	32,238	35.9	4.3%	10,192
2007	68,747	2,326,329,733	33,839	35.9	4.3%	10,039
2008	68,747	2,396,932,902	34,866	35.9	4.7%	10,069
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

N/A = Not available.

Sources:

¹ 2000 and 2010 U.S. Census

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

³ Iowa Dept. of Revenue and Finance

⁴ Waterloo Community Schools

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

Employer	2013			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Deere & Company	6,000	1	17.65%	5,400	1	15.38%
Wheaton Franciscan Health Care *	2,691	2	7.91%	2,479	3	7.06%
Tyson Fresh Meats (formerly IBP, Inc.)	2,600	3	7.65%	2,500	4	7.12%
Allen Memorial Hospital	1,908	4	5.61%	1,400	6	3.99%
University of Northern Iowa	1,811	5	5.33%	5,100	2	14.53%
Waterloo Community Schools	1,786	6	5.25%	1,300	7	3.70%
Area Education Agency 267	1,137	7	3.34%	1,000	10	2.85%
Hy-Vee	1,071	8	3.15%	1,200	8	3.42%
Omega Cabinets	1,000	9	2.94%	1,200	9	3.42%
GMAC Mortgage Corp.	875	10	2.57%	--	--	--
Bertch Cabinet Manufacturing	--	--	--	1,500	5	4.27%
	--	--	--			
Total	20,879		61.41%	23,079		65.75%

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	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety										
Police	126.0	132.0	130.0	130.0	128.0	131.0	135.0	139.0	138.0	131.0
Fire	117.0	117.0	121.0	115.0	118.0	113.0	116.5	114.5	112.5	109.5
Building Inspection	14.0	14.0	15.0	15.0	16.0	15.0	15.5	10.5	12.5	12.5
Public Works										
City Engineer	18.0	18.0	19.0	19.0	19.0	20.0	19.0	18.0	20.0	20.0
Traffic	17.0	16.0	12.5	13.5	12.0	13.0	12.0	12.0	12.0	15.0
Central Garage	10.5	9.5	9.5	9.5	10.0	10.0	8.0	9.0	9.0	9.0
Street	41.0	41.0	36.0	36.0	34.0	40.0	39.0	37.0	38.0	36.0
Airport	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	6.0	5.0
Health & Social Services										
Human Rights	5.0	3.0	3.0	3.0	2.0	3.0	3.0	3.0	3.0	3.0
Culture & Recreation										
Cultural & Arts	8.5	8.0	9.5	10.0	12.0	13.5	13.5	14.0	14.5	13.0
Library	24.0	24.5	25.0	25.5	24.0	24.5	25.0	24.5	24.5	25.0
Leisure Services	35.0	42.0	38.0	37.0	39.0	41.0	40.0	40.0	39.0	36.0
Community & Economic Development										
Community Planning & Development	25.0	27.0	26.0	25.0	24.0	24.0	24.0	24.0	24.0	22.0
General Government										
Mayor's Office	1.5	1.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Administrative Services/MIS	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0
City Clerk & Finance	12.0	12.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	14.0
City Attorney	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Human Resources	2.0	3.0	3.0	3.0	3.0	2.0	3.0	3.0	3.0	3.0
Facilities Maintenance	4.0	4.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Waste Management Services										
Sewer	30.1	28.1	30.1	30.1	30.1	30.1	29.0	32.0	35.0	33.9
Sanitation	12.9	12.9	12.9	13.9	13.9	13.9	13.0	15.0	14.0	17.1
Total	<u>512.5</u>	<u>522.5</u>	<u>516.5</u>	<u>511.5</u>	<u>511.0</u>	<u>520.0</u>	<u>521.5</u>	<u>521.5</u>	<u>525.5</u>	<u>511.5</u>

Source: City Human Resources Department records.

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

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety										
Police *										
Traffic accidents	2,196	2,110	2,129	1,788	1,942	2,141	1,941	1,712	1,630	1,598
Cases	14,910	14,622	14,857	13,928	14,468	13,740	13,411	12,079	11,591	11,344
Citations	11,415	11,610	12,601	11,651	9,816	6,781	7,983	6,851	7,271	6,448
Calls for service	66,411	66,447	68,365	70,037	73,690	75,932	82,044	81,110	80,872	75,626
Total arrests	5,330	5,510	6,157	5,771	6,176	5,506	5,590	5,243	5,244	4,984
Fire										
Fire responses	5,614	5,536	5,631	5,759	6,223	5,208	4,885	4,238	4,307	4,622
Ambulance responses	6,685	6,656	6,744	7,030	7,503	7,234	6,928	5,328	6,062	6,997
Building inspection										
Construction permits issued	10,168	8,988	8,448	9,124	8,961	8,143	8,657	9,386	8,012	8,682
Construction value of permits	\$ 102,794,224	\$ 106,704,462	\$ 110,122,334	\$ 181,082,614	\$ 119,894,709	\$ 74,920,243	\$ 82,650,598	\$ 103,199,063	\$ 124,803,841	\$ 91,192,766
Public Works										
Engineering										
Street reconstruction (miles)	2.56	1.94	3.39	1.94	1.57	2.55	2.45	1.98	2.90	3.08
Street resurfacing (miles)	29.72	29.83	31.30	17.60	13.57	18.63	12.42	14.15	12.64	14.05
Street Department										
Tons of salt used for streets	5,001.08	4,508.17	5,556.52	4,505.35	6,185.86	5,506.97	6,043.06	5,012.05	4,816.00	5,700.00
Man hours for road maintenance	71,530	73,390	75,580	72,800	66,560	71,448	71,448	72,800	68,640	67,345
Airport										
Commercial Enplanements	39,408	40,140	38,750	33,507	27,026	25,467	22,255	23,206	22,173	19,897
Aircraft take-offs and landings	41,919	42,690	41,717	39,288	35,728	33,209	27,285	25,312	24,868	32,031
Based aircraft	99	102	101	98	101	100	100	101	101	104
Health & Social Services										
Human Rights										
Civil Rights complaints										
New cases opened	62	61	75	74	109	62	74	78	95	106
Cases closed	65	81	29	58	63	182	88	76	103	59
Active cases at year-end	172	152	198	214	262	126	109	113	103	154
Culture & Recreation										
Leisure Services										
Young Arena facility usage										
Event Visitors	138,246	124,157	114,492	133,540	142,278	121,324	118,286	118,089	127,508	118,639
Recreational Visitors	136,066	137,207	136,520	139,824	138,285	138,541	143,370	153,018	164,315	174,780
Sports - youth programs	4,216	4,056	4,119	4,517	4,677	5,034	5,117	5,691	5,720	5,451
Sports - adult programs	1,172	1,216	1,158	1,277	1,261	1,461	1,665	1,621	1,620	1,588
Pool attendance	44,279	41,028	39,512	41,580	40,789	40,561	41,743	42,883	44,741	39,611
Golf rounds	113,968	105,939	102,131	95,851	86,268	93,932	95,898	87,173	97,032	81,218
Annual flowers grown for parks	24,536	25,368	23,520	21,768	21,765	22,880	28,008	24,984	22,488	23,304
Public Library										
Total Circulation	466,903	422,663	433,072	427,921	413,525	426,593	441,746	419,333	424,435	405,341
Total Library Visits	265,439	269,589	266,356	261,261	259,144	241,539	274,903	290,161	207,597 #	263,261
Waterloo Center for the Arts										
In House Visitors	96,668	97,926	98,897	99,097	104,499	125,351	118,541	113,411	119,404	125,958
Events, meetings, and programs	1,467	1,449	1,387	1,268	1,479	1,839	1,683	1,625	1,578	1,563

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

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Community & Economic Development										
Planning and Zoning										
Planning commission agenda items	113	100	93	84	69	50	54	77	65	72
CURA applications received **	37	60	46	51	35	46	29	20	12	24
CURA improvements value	\$ 5,792,611	\$ 5,304,997	\$ 6,856,057	\$ 13,391,834	\$ 7,346,601	\$ 5,972,779	\$ 12,309,630	\$ 2,063,995	\$ 9,307,075	\$ 2,776,663
CLURA applications received***	-	-	-	-	-	-	-	-	6	19
CLURA improvements value	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,249,100	\$ 4,385,349
Community Development										
Down payment assistance	60	57	58	36	41	50	57	12	22	10
Home buyer education	256	203	188	168	193	183	147	-	-	-
Owner-occupied homes rehabilitated	19	24	35	28	46	36	10	32	46	31
Emergency repairs (including roofs)	45	52	58	36	34	38	44	39	45	49
Demolitions (residential & commercial)	9	10	7	8	19	20	27	11	20	18
Housing										
Actual vouchers	1,022	1,015	957	961	1,032	1,007	1,003	994	996	1,005
Public housing units	50	50	50	50	49	50	48	50	50	50
Family self sufficiency participants	98	101	74	65	75	59	49	53	54	47
Sewer										
Sewer system customers	25,524	25,716	25,728	25,637	25,843	25,769	25,565	25,450	25,707	25,393

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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety											
Police											
Stations	1	1	1	1	1	1	1	1	1	1	1
Fire*											
Stations	7	7	7	7	7	7	7	7	7	7	7
Trucks and special vehicles	30	30	30	30	30	30	32	32	32	34	**
Public Works											
Miles of streets - paved	360	360	352	352	354	354	356	357	364	364	364
Miles of streets - unpaved	65	65	74	74	74	74	73	73	72	72	72
Street lights	N/A	N/A	N/A	N/A	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Traffic Signals	N/A	N/A	N/A	N/A	198	198	198	197	200	200	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	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	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	5,403
Culture & Recreation											
City parks	48	48	48	48	48	48	48	48	48	48	48
Golf courses	3	3	3	3	3	3	3	3	3	3	3
Swimming pools	2	2	2	2	2	2	2	2	2	2	2
Softball diamonds	23	23	23	23	23	23	23	23	23	23	23
Baseball diamonds	9	8	8	8	8	8	8	6	6	6	6
Baseball stadium	1	1	1	1	1	1	1	1	1	1	1
Softball complexes	1	1	1	1	2	2	2	2	2	2	2
Tennis courts	27	27	27	27	27	27	27	27	27	27	27
Ice arena	1	1	1	1	1	1	1	1	1	1	1
Soccer complex	1	1	1	1	1	1	1	1	1	1	1
Exposition plaza	0	0	0	0	0	0	1	1	1	1	1
Skatepark	1	1	1	1	1	1	1	1	1	1	1
Dog park	0	0	0	0	0	0	1	1	1	1	1
Amphitheater	0	0	0	0	0	0	0	0	0	0	0
Splash Park	0	0	0	0	0	0	0	0	0	0	0
Center for the Arts collection size	1,352	1,417	1,489	1,615	2,494	2,794	3,153	3,362	3,766	4,178	4,352
Library collection size	199,482	201,158	205,149	210,020	190,092	192,678	200,246	168,295	172,580	163,247	161,462
Sewer											
Miles of sanitary sewer	353	353	353	353	356	356	356	356	356	356	356

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

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City of Waterloo, Iowa

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
Department of Commerce			
Direct:			
Economic Adjustment Assistance: Disaster Recovery	N/A	11.307	\$ 560,872
Department of Housing and Urban Development			
Direct:			
Community Development Block Grants/Entitlement Grants	N/A	14.218	1,411,500
HOME Investments Partnerships Program	N/A	14.239	552,931
Title 1, VA-HUD Independent Agencies Appropriations Act for FY 2005, PL 108-447	N/A	14.251	22,794
Title 1, VA-HUD Independent Agencies Appropriations Act for FY 2008, PL 110-161	N/A	14.251	59,861
HUD Appropriations Act for FY 2009, PL 111-8	N/A	14.251	130,980
			<u>213,635</u>
Fair Housing Assistance Program-State and Local	N/A	14.401	62,272
Public and Indian Housing	N/A	14.850	348,256
Section 8 Housing Choice Vouchers	N/A	14.871	5,021,354
Public Housing Capital Fund	N/A	14.872	78,351
Public Housing Family Self-Sufficiency under Resident Opportunity and Supportive Services	N/A	14.877	15,947
Lead Based Paint Hazard Control in Privately Owned Housing	N/A	14.900	468,898
Total direct			<u>8,173,144</u>
Indirect:			
Pass Through Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	08-DRH-011	14.228	53
	08-DRH-211	14.228	547,020
	08-DRB-205	14.228	21,447
	08-NSP-018	14.228	39,255
	11-NSP-018	14.228	507,489
	08-DRMH-246	14.228	1,739
Disaster Recovery Infrastructure	08-DRI-078	14.228	318,340
	08-DRI-277	14.228	540,440
Total indirect			<u>1,975,783</u>
Total Department of Housing and Urban Development			<u>10,148,927</u>
Department of Justice			
Direct:			
Public Safety Partnership and Community Policing Grants	N/A	16.710	7,014
ARRA - Public Safety Partnership and Community Policing Grants	N/A	16.710	155,977
			<u>162,991</u>
Edward Byrne Memorial Justice Assistance Grant Program	N/A	16.738	65,212
ARRA - Recovery Act/Byrnes/JAG Grant	N/A	16.804	118,688
Total direct			<u>346,891</u>

(Continued)

City of Waterloo, Iowa

Schedule of Expenditures of Federal Awards (Continued)
 Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
Department of Justice (Continued)			
Indirect:			
Pass Through Crime Victims Assistance Division:			
Federal Violence Against Women Act Contract	VW-12-76B	16.588	34,587
Pass Through Office of Drug Control Policy:			
Project Safe Neighborhoods	10-PSN-6482	16.609	6,905
ARRA - Public Safety Partnership and Community Policing Grants	10-PSN-6482	16.710	1,734
Pass Through Office of Drug Control Policy:			
ARRA - Byrne/Iowa - Justice Assistance Grant	10-JAG/ARRA-42075	16.803	259,567
Total indirect			<u>302,793</u>
Total Department of Justice			<u>649,684</u>
Department of Transportation			
Direct:			
Federal Aviation Administration:			
Airport Improvement Program	N/A	20.106	59,192
	N/A	20.106	42,389
	N/A	20.106	62,931
	N/A	20.106	360,303
	N/A	20.106	170,474
Total direct			<u>695,289</u>
Indirect:			
Federal Highway Administration Pass Through Iowa			
Department of Transportation:			
Highway Planning and Construction	NHSX-63-6(69)--3H-07	20.205	39,572
	STP-U-8155(711)--70-07	20.205	1,549,250
	STP-U-8155(714)--70-07	20.205	835,989
	STP-E-8155(723)--8V-07	20.205	69,036
	SRTS-U-8155(718)--8U-07	20.205	133,820
	STP-U-8155(731)--70-07	20.205	155,905
	STP-U-8155(710)--70-07	20.205	36,285
			<u>2,819,857</u>
Recreational Trails Program	NRT-NT08(001)--9G-07	20.219	23,302
National Highway Traffic Safety Administration Pass			
Through Iowa Department of Public Safety Governor's Traffic			
Safety Bureau Alcohol Traffic Safety and Drunk Driving			
Prevention Incentive Grants	PAP-12-410 Task 77	20.601	18,507
	PAP-13-410 Task 57	20.601	49,902
Total indirect			<u>2,911,568</u>
Total Department of Transportation			<u>3,606,857</u>

(Continued)

City of Waterloo, Iowa

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
National Foundation on the Arts and the Humanities			
Indirect:			
National Endowment for the Humanities Pass Through Iowa Arts Council Promotion of the Humanities Federal/State Partnership	OSP 1420 FY07, FY08, FY09	45.129	<u>17,298</u>
Environmental Protection Agency			
Direct:			
Brownfield Assessment & Cleanup Cooperative Agreements	N/A	66.818	<u>103,005</u>
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 1763	97.036	106,178
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	013-82425-00 DR 1930	97.036	<u>216</u>
			<u>106,394</u>
Hazard Mitigation Grant	HGMP 1763-DR-IA	97.039	5,219
Law Enforcement Terrorism Prevention Program	FFY2010-SS-T00031-09	97.067	113,147
Law Enforcement Terrorism Prevention Program	2011-SS-00071-S01-18 & 19	97.067	<u>185,460</u>
			<u>298,607</u>
Total Department of Homeland Security			<u>410,220</u>
Total Expenditures of Federal Awards			<u>\$ 15,496,863</u>

See Notes to Schedule of Expenditures of Federal Awards.

(Concluded)

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City of Waterloo, Iowa

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Waterloo, Iowa. 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 OMB Circular A-133, *Audits of State, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Program expenditures include only amounts subject to reimbursements from the grantor agency or program income; thus, they are net of local matching.

Note 2. Significant Accounting Policies

Revenue from federal awards is recognized when the City has done everything necessary to establish its right to revenue. In the governmental funds, revenue from federal grants is recognized when they become both measurable and available. Expenditures of federal awards are recognized in the accounting period in which the liability is incurred.

Note 3. Subrecipients

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants/Entitlement Grants	14.218	\$ 262,335
Community Development Block Grant	14.228	488,040
HOME Investment Partnerships Program	14.239	278,142
Lead Based Paint Hazard Controls in Privately-Owned Housing	14.900	42,201
Edward Byrne Memorial Justice Assistance Grant	16.738	28,940
Public Safety Partnership and Community Policing Grants	16.710	7,817
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.803	124,974
ARRA - Recovery Act/Byrnes/SAG Grant	16.804	70,553

Note 4. Program 14.850

The City's blended component unit, Waterloo Housing Authority, has a long-term debt payable to the Federal Financing Bank (FFB). Each November 1, the City receives a debt subsidy of \$86,364 as a principal and interest payment on the loan. The City records the subsidy as revenue and an expenditure for debt service. On June 30, 2013, the principal balance on the loan was \$228,313. Since there are continuing compliance obligations regarding the loan, the principal balance is considered federal financial assistance. Federal expenditures for the program consisted of the following:

Operating subsidy and other	\$ 33,579
Debt subsidy	86,364
Subtotal cash assistance	<u>119,943</u>
Loan balance	228,313
Total	<u><u>\$ 348,256</u></u>

City of Waterloo, Iowa

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013**

	Finding	Status	Corrective Action Plan or Other Explanation
Significant Deficiencies in Internal Control			
12-II-A	The City has an improper segregation of duties over the payroll cycle.	Corrected	
12-II-B	The City has improper segregation of duties over cash collections at locations outside of the City Clerk's office.	Corrected	
Other Findings Related to Required Statutory Reporting			
12-IV-F	The City is required to publish the minutes from a Council meeting within 15 days of the meeting. The City did not publish certain minutes within this time frame.	Not corrected	See corrective action plan at 13-IV-F.
12-IV-H	The Grants, Special Revenue Fund, and the Community Development Block Grant, Special Revenue Fund had deficit fund balances as of June 30, 2012.	Partially corrected	See corrective action plan at 13-IV-H.
12-IV-J	The City did not amend the airport ordinance to repeal the positive cash balance requirement. Through June 30, 2012, the accumulative cash deficit totaled \$841,437.	Not corrected	See corrective action plan at 13-IV-J.
12-IV-K	The City did not publish certain capital bidding notices and acceptances within the required timeframe. Bid notices are required within 4-20 days of public hearing. Bid acceptance is required within 4-45 days of filing the bid.	Corrected	



**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**

Independent Auditor's Report

To the Honorable Mayor and
Members of City Council
City of Waterloo, Iowa
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, 2013, 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 12, 2013. 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, 2012 and the Waterloo Convention & Visitors Bureau, Inc. as of and for the year ended June 30, 2013, 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*.

We noted immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying schedule of findings and questioned costs.

The City's Response to Findings

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

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.

The image shows a handwritten signature in cursive script that reads "McGladrey LLP".

Davenport, Iowa
December 12, 2013



Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Waterloo, Iowa
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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. 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.

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, 2012 and June 30, 2013, 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 laws, regulations, contracts and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, 2013.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

McGladrey LLP

Davenport, Iowa
December 12, 2013

City of Waterloo, Iowa

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

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 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
11.307	Economic Adjustment Assistance: Disaster Recovery
14.218	Community Development Block Grants/Entitlement Grants
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants

Justice Assistance Grant (JAG) Program Cluster:

16.738	Edward Byrne Memorial JAG Program
16.803	ARRA - Byrne/Iowa - JAG
16.804	ARRA - Recovery Act/Byrne/JAG Grant
20.106	Airport Improvement Programs

Dollar threshold used to distinguish between type A and type B programs: \$464,905

Auditee qualified as low-risk auditee? Yes No

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2013

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

A. Internal Control

None reported.

B. Compliance findings

None reported.

III. Findings and Questioned Costs for Federal Awards.

A. Internal Control

None reported.

B. Compliance Findings

None reported.

IV. Findings Related to Statutory Reporting

13-IV-A Certified Budget

Expenditure/expenses during the year ended June 30, 2013, did not exceed the budgeted amounts.

13-IV-B Questionable Disbursements

No questionable disbursements were noted.

13-IV-C Travel Expenses

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

13-IV-D Business Transactions

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

(Continued)

City of Waterloo, Iowa

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2013**

13-IV-E Bond Coverage

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

13-IV-F Council Minutes and Resolutions

We noted no transactions where the required Council approval was not obtained. However the City did not publish Council minutes from certain meetings timely.

Finding: The City is required to publish the minutes from a Council meeting within 15 days of the meeting. The minutes for the October 15, 2012, February 11, 2013; February 25, 2013; May 6, 2013 and May 28, 2013 meetings were published after 15 days and up to 71 days after the council meetings.

Recommendations: The City should publish minutes within 15 days of Council Meetings as required by the Code of Iowa.

Response and Corrective Action Plan: The City will begin publishing Council minutes in a timely manner.

13-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.

13-IV-H Deficit Balances

Finding: The following funds had deficit balances as of June 30, 2013:

Grants, Special Revenue	\$2,740,956
Vision Iowa Projects, Capital Projects Fund	\$92,538

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

Response and Corrective Action Plan: The Grants, Special Revenue Fund 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.

(Continued)

City of Waterloo, Iowa

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2013

13-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.

13-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, 2013, the accumulative cash deficit totaled \$820,466.

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

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

City of Waterloo, Iowa

**Corrective Action Plan
Year Ended June 30, 2013**

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Other Findings Related to Required Statutory Reporting				
13-IV-F	The City is required to publish the minutes from a Council meeting within 15 days of the meeting. The City did not publish within this time frame.	See corrective action plan at 13-IV-F.	June 2014	Michelle Weidner, CFO
13-IV-H	The Grants, Special Revenue Fund, and the Vision Iowa Projects, Capital Projects Fund had deficit fund balances as of June 30, 2013.	See corrective action plan at 13-IV-H.	June 2014	Michelle Weidner, CFO
13-IV-J	The City did not amend the airport ordinance to repeal the positive cash balance requirement. Through June 30, 2013, the accumulative cash deficit totaled \$820,466.	See corrective action plan at 13-IV-J.	June 2014	Michelle Weidner, CFO

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