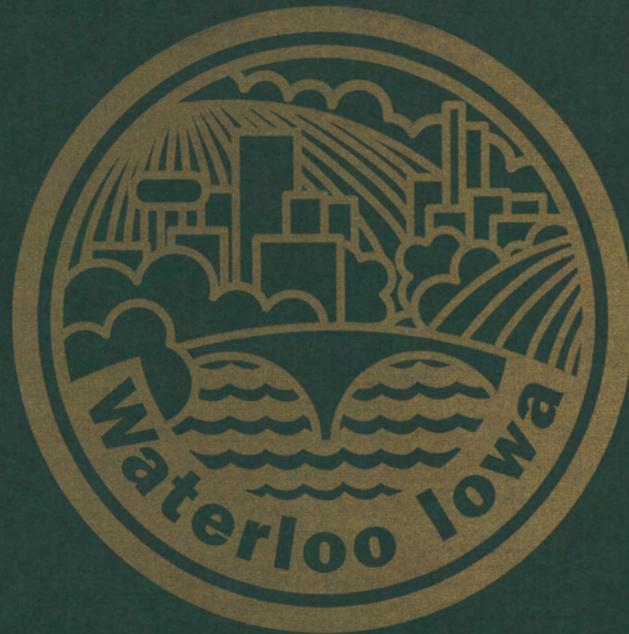


# CITY OF WATERLOO, IOWA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

# **CITY OF WATERLOO, IOWA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Year Ended June 30, 2014**

**Prepared by:**  
**City of Waterloo Finance Department**  
**Michelle C. Weidner, CPA, Chief Financial Officer**  
**Joyce Schroeder, Financial Analyst**  
**Ruth Haley, Financial Analyst**  
**Emily Graham, Financial Analyst**  
**Brent Bohlen, Financial Analyst**



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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 19, 2014

COUNCIL  
MEMBERS

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

DAVID  
JONES  
Ward 1

CAROLYN  
COLE  
Ward 2

PATRICK  
MORRISSEY  
Ward 3

QUENTIN M.  
HART  
Ward 4

RON  
WELPER  
Ward 5

TOM  
LIND  
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, 2014 in accordance with the provisions of Chapter 11 of the Code of Iowa. This report represents the twelfth consecutive year that the financial statements are presented in conformity with Governmental Accounting Standards Board Statement # 34 and the eighteenth 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, 2014. 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.

CITY WEBSITE: [www.cityofwaterlooiowa.com](http://www.cityofwaterlooiowa.com)

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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 SportsPlex**

The Cedar Valley SportsPlex, a 125,000 square foot recreational facility that includes such things as indoor soccer fields, gyms, leisure pool, fitness facility, running track and multi-purpose activity spaces opened in January 2014. Construction of this \$23 million building was completed using private donations and gaming grants. It was 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. This venue is expected to spur activity in the downtown area.

➤ 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 draws 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 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 initially 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 4<sup>th</sup> 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.

➤ Former Rath Packing and John Deere Brownfields Pilot Area

The City has invested 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, located near downtown. 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 6<sup>th</sup> and East 11<sup>th</sup> 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. This campus development is resulting in additional private investment in the area around 18<sup>th</sup> Street on both sides of the Cedar River.

➤ Significant Brownfields Redevelopment

A new City Public Works building is now open on the site of a former manufacturing company that burned. The City received several grants to redevelop the former Construction Machinery Company site (CMC) and utilized those funds to demolish the unsafe 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.

In addition to redeveloping a Brownfields site, the facility consolidated many public works functions and provides 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 was substantially completed during the fiscal year ended 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. As the work on environmental testing continues to show evidence of progress, the City will continue to work towards additional cleanup and redevelopment activities.

➤ 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, also currently under construction. 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 splash 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. Construction of three of the pump stations is now complete and five more are underway. The pump stations will allow the City to weather future flooding with less impact on both private and public property.

## **ECONOMIC OUTLOOK**

The economy of Waterloo and the Cedar Valley area remains positive with continued commercial and industrial activity, despite a slight reduction in work force by Deere. 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 increased to \$101.7 million compared to \$91 million earned during the fiscal year ended June 30, 2013. 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 2004 (an annual average growth rate of 3.6%). Home values appreciated again with the median sales price increasing slightly (2.4%) at June 30, 2014 compared to June 30, 2013. Residential construction activity increased substantially during the past year, with permits for 216 new units, almost doubling the number of units from the year before, and almost quadrupling the value (from \$13.9 million to \$51.3 million). As of September 30, 2014, the number of single family home permits, as well as overall units, is four times that of the year ended June 30, 2014. Waterloo is a regional retail center for Black Hawk and surrounding counties. Although retail sales slowed slightly during the year ended June 30, 2013, sales have increased steadily by an annual average rate of approximately 2.1% in Waterloo during the ten years ending June 30, 2013 (the most recent period for which statistics are available). Retail sales in 2003 totaled \$927 million and increased to \$1.13 billion for the fiscal year ended June 30, 2013 (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 2.2% 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 6.5% of total county employment but 2% of total property values. Deere has invested more than \$140 million in its downtown Westfield Avenue site over the past several years, and has invested \$150 million modernizing its foundry operations, reflecting the company's continued commitment to the area. Deere's staff levels in Waterloo have grown by 34% over the past several years and reflect net growth even with the lay-off of 476 employees in October 2014. The Company has continued to experience record-setting performance years recently. The city's average unemployment level of 5.3% (at September 30, 2014) remains above the state level of 4.6%, although it is below the national level for September 2014 of 5.9%.

The Isle Casino Hotel at Waterloo continues to provide a strong revenue source for the City. The Isle is a \$98 million enterprise that employs nearly 600 Iowans and generates nearly \$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 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 and Schools have demolished four dilapidated former school buildings in recent years. The sites are being redeveloped into residential neighborhoods, with over 20 new single family homes now completed, 5 under construction, and permits to be taken out in the spring for an additional 5-10 homes.

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 opened to the public in December 2014 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. A local developer is finalizing plans for a \$9 million, 72-unit multi story residential condominium project for the first of three phases of development on the site.

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 complete, with two more phases to follow in the next few years. The Avenue of the Saints provides access north through Minneapolis and south through St. Louis, while Highway 20 provides access east through Chicago and west through Sioux City.

## **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 policies adopted by the City Council require that departmental and activity budgets comply with line-item appropriations. Amendments exceeding de minimus guidelines require the specific approval of the City Council Finance Committee. 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, 2013. This is the tenth 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**

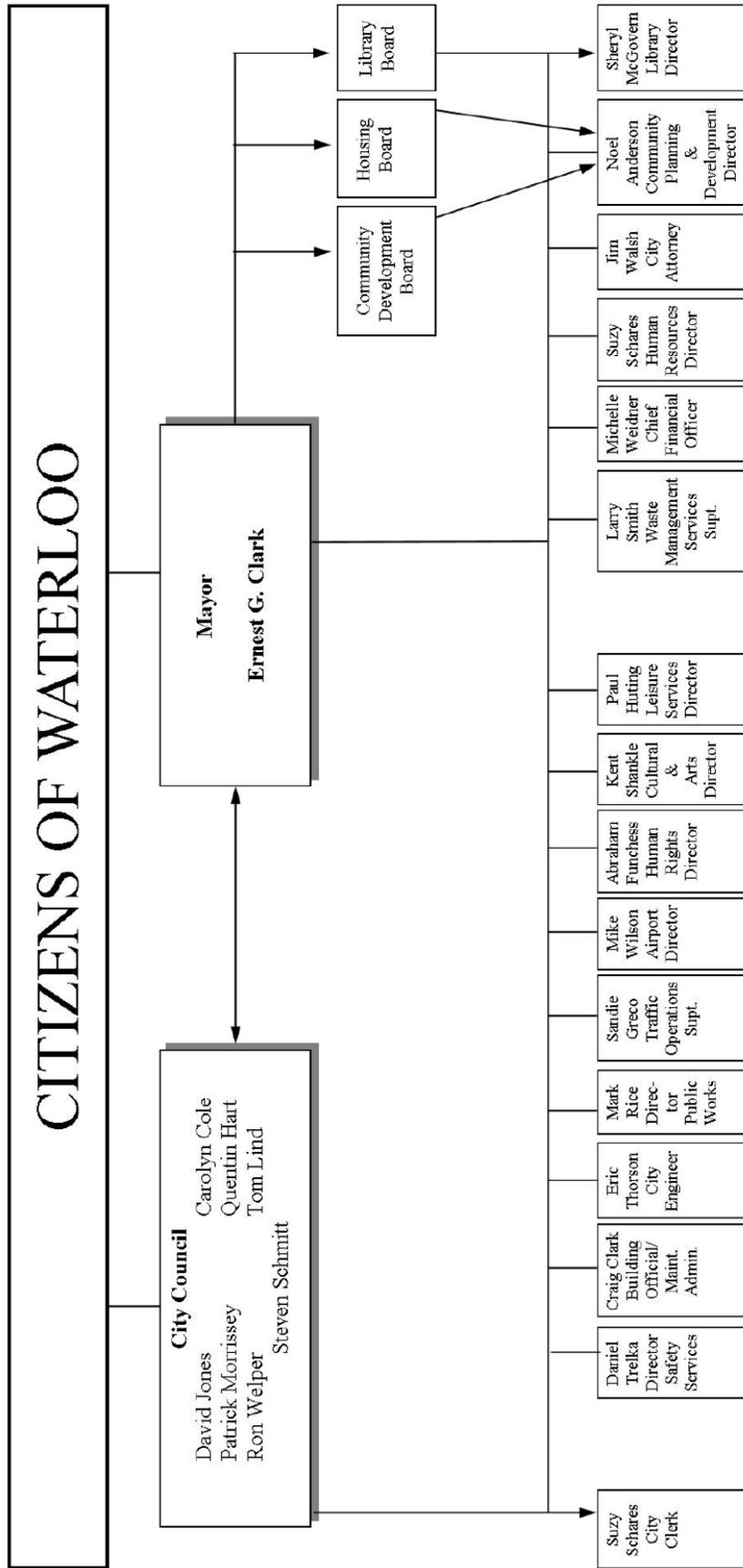
**Officials**

**June 30, 2014**

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Name	Title	Term Expires
<b>Elected</b>		
Ernest G. Clark	Mayor	January 2016
David Jones	Council Member - 1st Ward	January 2018
Carolyn Cole	Council Member - 2nd Ward	January 2016
Patrick Morrissey	Council Member - 3rd Ward	January 2018
Quentin Hart	Council Member - 4th Ward	January 2016
Ron Welper	Council Member - 5th Ward	January 2018
Tom Lind	Council Member - At-Large	January 2018
Steven Schmitt	Council Member - At-Large	January 2016
<b>Appointed</b>		
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, 2013**

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, 2014, 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, 2014, 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 66 and budgetary comparison information on pages 67 through 73 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 18, 2014 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 18, 2014

## City of Waterloo, Iowa

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2014

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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, 2014. 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 \$406,125,782 (net position). Of this amount, \$20,443,877 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$13,296,923.
- As of the close of this current fiscal year, the City of Waterloo's governmental funds reported combined ending fund balances of \$62,405,872, an increase of \$1,458,000 in comparison with the prior year. Approximately 7.9 percent of this total amount, \$4,954,220, is available for spending at the City's discretion (unassigned fund balance), although some funds are legally limited for specified purposes.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10,184,876, or 23.7 percent of total General Fund expenditures.
- The City of Waterloo's total long-term debt, decreased by \$553,249 or 0.55 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, 2014

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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, Local Option Tax 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, 2014

**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, 2014.

**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 \$406,125,782 at the close of the fiscal year ended June 30, 2014.

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, 2014 and 2013 follows:

	City of Waterloo's Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current and other assets	\$ 122,814,458	\$ 119,181,001	\$ 27,524,238	\$ 29,919,170	\$ 150,338,696	\$ 149,100,171
Capital assets	324,002,481	313,428,516	91,934,831	89,925,422	415,937,312	403,353,938
<b>Total assets</b>	<b>446,816,939</b>	<b>432,609,517</b>	<b>119,459,069</b>	<b>119,844,592</b>	<b>566,276,008</b>	<b>552,454,109</b>
<b>Deferred outflows of resources</b>						
Deferred charge on refunding	247,277	75,536	209,513	158,594	456,790	234,130
<b>Liabilities</b>						
Current liabilities	21,066,322	18,586,797	5,589,187	4,887,538	26,655,509	23,474,335
Long-term liabilities	67,843,915	65,705,262	21,402,599	25,020,438	89,246,514	90,725,700
<b>Total liabilities</b>	<b>88,910,237</b>	<b>84,292,059</b>	<b>26,991,786</b>	<b>29,907,976</b>	<b>115,902,023</b>	<b>114,200,035</b>
<b>Deferred inflows of resources</b>						
Unavailable revenue	44,313,058	45,659,345	-	-	44,313,058	45,659,345
<b>Net position</b>						
Net investment in capital assets	273,871,470	264,695,106	79,920,865	74,508,694	353,792,335	339,203,800
Restricted	30,579,471	30,823,956	1,310,099	1,383,659	31,889,570	32,207,615
Unrestricted	8,998,045	7,214,587	11,445,832	14,202,857	20,443,877	21,417,444
<b>Total net position</b>	<b>\$ 313,448,986</b>	<b>\$ 302,733,649</b>	<b>\$ 92,676,796</b>	<b>\$ 90,095,210</b>	<b>\$ 406,125,782</b>	<b>\$ 392,828,859</b>

## City of Waterloo, Iowa

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2014

\$31,889,570 of the City of Waterloo's net position (7.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$20,443,877) may be used to meet the City'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 \$13,296,923 during the current fiscal year. Governmental-type activities' net position increased by \$10,715,337. 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 \$2,581,586. 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, 2014 and 2013 follows:

	City of Waterloo's Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 11,145,858	\$ 9,857,960	\$ 16,454,801	\$ 15,901,289	\$ 27,600,659	\$ 25,759,249
Operating grants and contributions	11,938,221	14,967,188	272,755	273,869	12,210,976	15,241,057
Capital grants and contributions	12,668,122	9,364,734	-	13,585	12,668,122	9,378,319
General revenues:						
Property taxes	44,585,915	45,536,650	-	-	44,585,915	45,536,650
Other taxes	16,745,434	15,142,297	-	-	16,745,434	15,142,297
Other	2,865,983	3,971,496	25,122	16,555	2,891,105	3,988,051
<b>Total revenues</b>	<b>99,949,533</b>	<b>98,840,325</b>	<b>16,752,678</b>	<b>16,205,298</b>	<b>116,702,211</b>	<b>115,045,623</b>
<b>Expenses:</b>						
Public safety	31,773,269	31,913,280	-	-	31,773,269	31,913,280
Public works	28,531,525	24,938,888	-	-	28,531,525	24,938,888
Health and social services	293,173	299,282	-	-	293,173	299,282
Culture and recreation	11,265,704	10,491,266	-	-	11,265,704	10,491,266
Community and economic development	12,910,299	14,129,616	-	-	12,910,299	14,129,616
General government	2,111,172	3,714,993	-	-	2,111,172	3,714,993
Interest on long-term debt	2,349,054	2,680,614	-	-	2,349,054	2,680,614
Sanitary sewer	-	-	10,503,929	10,033,041	10,503,929	10,033,041
Sanitation	-	-	3,667,163	3,640,314	3,667,163	3,640,314
<b>Total expenses</b>	<b>89,234,196</b>	<b>88,167,939</b>	<b>14,171,092</b>	<b>13,673,355</b>	<b>103,405,288</b>	<b>101,841,294</b>
<b>Increase in net position before transfers</b>	<b>10,715,337</b>	<b>10,672,386</b>	<b>2,581,586</b>	<b>2,531,943</b>	<b>13,296,923</b>	<b>13,204,329</b>
Transfers	-	(4,740)	-	4,740	-	-
Change in net position	10,715,337	10,667,646	2,581,586	2,536,683	13,296,923	13,204,329
Net position, beginning	302,733,649	292,066,003	90,095,210	87,558,527	392,828,859	379,624,530
Net position, ending	\$ 313,448,986	\$ 302,733,649	\$ 92,676,796	\$ 90,095,210	\$ 406,125,782	\$ 392,828,859

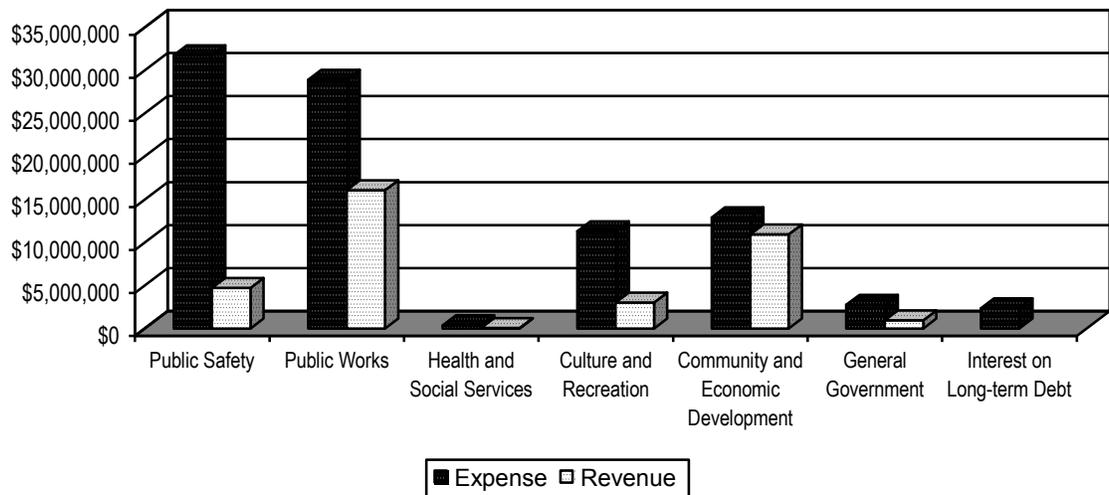
## City of Waterloo, Iowa

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2014

Total governmental activities' revenue for the current fiscal year was \$99,949,533. The largest single revenue source for the City was property taxes of \$44,585,915. Property taxes decreased by \$950,735 (2.1 percent) during the year. This decrease is a result of a combination of factors, including a reduction in the assessed value of property of 3.3 percent, a reduction of 3.2 percent in the taxable value of property and an increase of 2.62 percent in the levy rate.

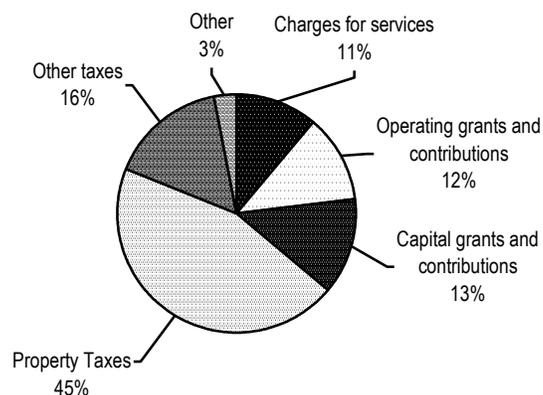
Certain revenues are generated that are specific to governmental program activities. These totaled \$35,752,201 during the fiscal year ended June 30, 2014. The graph below illustrates the comparison between the expenses by governmental activity type and the revenues generated that are specific to those 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

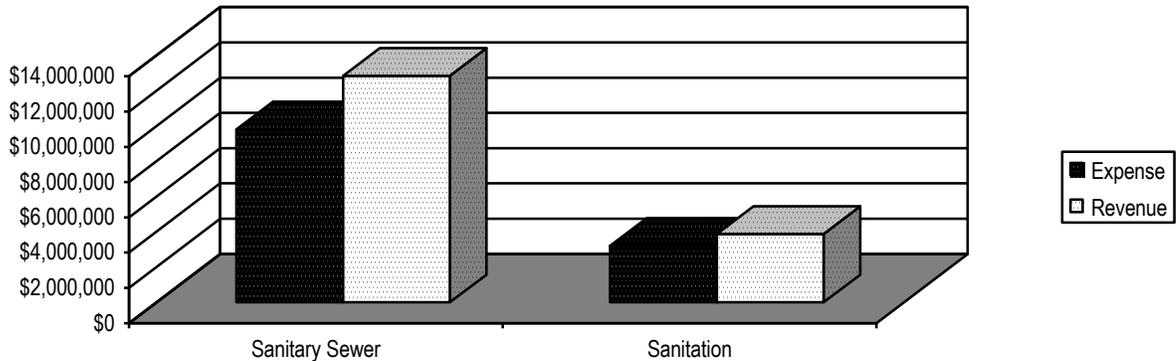


City of Waterloo, Iowa

Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2014

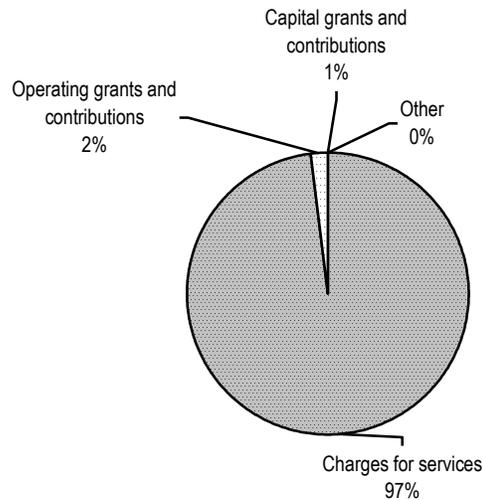
Total business-type activities' revenue for the fiscal year was \$16,752,678. \$16,727,556 of this revenue was generated for specific business-type activity expenses. The graph below shows a comparison between the business-type activity expenses and program revenues.

**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 \$2,581,586, accounting for 19 percent of the growth in the City'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 slightly less than expected, due primarily to less use by industrial customers. Capital expenses were less than planned, resulting in additional cash held at June 30, 2014.

## City of Waterloo, Iowa

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2014

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#### 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 \$62,405,872, an increase of \$1,458,000 in comparison with the prior year. Fund balance in the amount of \$57,451,652 is not available for new spending because it is nonspendable or has already been restricted, committed or assigned for a variety of purposes. Approximately 7.9 percent of total fund balance or \$4,954,220, constitutes unassigned fund balance.

The General Fund is the chief operating fund of the City of Waterloo. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$10,184,876, while total fund balance was \$23,712,171. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 24 percent of total General Fund expenditures, while total fund balance represents 55 percent of that same amount.

Several significant items contributed to the increase in unassigned fund balance at June 30, 2014. The City originally budgeted to use unassigned fund balance of \$1,000,000 for general fund operations for the year ended June 30, 2014. This amount was included in assigned fund balance at June 30, 2013. In addition to the planned use of fund balance, a number of different activities contributed to the overall General Fund results. The Fire department spent \$203,523 less than budgeted, primarily due to vacant positions, and collected \$122,950 more revenue than budgeted, consisting primarily of increased ambulance revenue collections. The police department spent \$136,494 less than expected for dispatch services and other commodities and collected \$21,435 more in various categories of revenue. The City spent \$63,432 less than budgeted for Animal Control services, primarily due to delays in filling positions. Building Inspections revenue was \$162,064 more than budgeted, due to roof repairs made to many buildings as a result of a hail storm, in addition to new construction. Expenses for the Central Garage were \$62,135 less than budgeted, primarily due to vacant positions. The Central Garage Motor Pool activity collected \$93,683 less net revenue than expected. The Airport spent \$85,167 less than budgeted, due primarily to a vacant position. Airport revenue was \$33,924 more than budgeted due to increases in rental agreement rates. The Center for the Arts spent \$67,051 less than budgeted, due to vacant positions and a restructuring and collected \$5,078 more revenue than expected. The Library spent \$34,292 less than budgeted, but also received \$11,454 less revenue than expected. The Leisure Services department spent \$199,051 less than budgeted on property-tax supported activities, due to vacant positions, while actual revenues were \$48,689 less than the amount budgeted, due primarily to cool, rainy weather that reduced outdoor activity registrations. The Planning & Zoning department spent \$52,436 more than budgeted, primarily due to increased maintenance expenses for properties acquired for development. The Clerk/Finance department spent \$276,470 less than budgeted. Expenses for the City Attorney's office were \$108,232 less than budgeted, due to less general legal services used during the year than expected. \$96,107 less was spent by the Facilities Maintenance department than expected for various reasons, including an employee being off work due to an injury. Additionally, the City budgeted to use \$271,063 in unassigned fund balance at June 30, 2014 for operations for the year ending June 30, 2015 for expected property valuation appeal settlements. Variances in actual results versus amounts budgeted as well as the budgeted use of fund balance for future operations resulted in a net increase in unassigned fund balance of \$1,277,208.

## City of Waterloo, Iowa

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2014

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Health insurance costs were significantly less than expected, resulting in an increase in fund balance restricted for health claims of \$3,109,916. The city didn't budget to use fund balance to support future operations with the certified budget, resulting in a reduction in Assigned Fund balance of \$888,261.

Trust & Agency Fund— The net decrease in fund balance during the current year was \$69,755, resulting from pension expense for the Fire Department being under-budgeted and receiving less property tax revenue than expected due to property valuation court settlements.

The General Obligation Debt Service Fund—The net increase in fund balance of \$115,639 during the current year is largely due to expense savings from refunding debt transactions.

The Grants Fund—Several large grant-funded projects were under construction during the year for which grant reimbursements were not received by year-end, increasing the temporary deficit fund balance by \$559,837.

TIF Fund—The total fund balance of \$2,712,508, is restricted for the payment of debt service related to tax increment financing district projects. The net increase in fund balance during the current year was \$372,007 and is the result of timing differences between revenue collections and the payment of TIF obligations.

Local Option Tax Fund – The net decrease in fund balance of \$1,647,807 is due to good construction weather that allowed more work to be completed on contracts in the current year. The previous spring was a late spring that slowed construction for the prior fiscal year.

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

Total net position of the sanitary sewer fund at the end of the year was \$87,416,841, an increase of \$2,359,418. This increase was due primarily to the continued investment in the construction of mandated sewer system improvements using bond funds sold in prior years.

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.

## City of Waterloo, Iowa

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2014

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The total original expenditure budget including transfers out of \$165,331,872 was increased to \$186,294,625 (an increase of \$20,962,753).

- 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 as well as increased expenditures for the ambulance activity (\$0.2 million).
- The City amended the budget to increase expenditures for fuel, vehicle parts and equipment repairs, in addition to adding an air service development project at the airport and adding FAA grant carryover for construction projects at the airport that continued longer than originally expected into FY2014 (\$1.5 million).
- Expenditures were increased for additional grants and donations received for Leisure Services, Cultural/Arts and the Library (\$0.5 million).
- The City increased expenditures to reflect use of reserve funds for Section 8 housing assistance payments, to reflect additional federal HOME grant funds and disaster recovery grant funds for new construction, to reflect the use of additional hotel-motel taxes for building improvements at the Five Sullivan Brothers Convention Center as well as reflect additional maintenance expenses for city owned property (\$1.2 million).
- The City amended the debt service budget to provide for an anticipated refunding bond issue in June 2014 (\$12.6 million).
- Expenditures 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 (\$1.4 million).
- Transfers out were increased to reflect the sewer portion of the refunding bond issue as well as an increased transfer from the general fund to the capital projects fund (\$3.6 million).

The total original revenue budget, including other financing sources of \$159,676,150 was increased to \$178,411,849 (an increase of \$18,735,699).

- 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, disaster recovery and residential housing rehabilitation, as well as others (\$1.8 million).
- Amendments were made to various miscellaneous charges for services to reflect higher revenues than originally anticipated with the certified budget (\$0.1 million).
- Donation revenue was increased to reflect additional donations received from the Black Hawk County Gaming Association as well as other entities for various City projects (\$0.6 million).
- The City amended the original budget for debt proceeds to reflect bond proceeds from anticipated general obligation and sewer bond refunding issues (\$12.6 million).
- Transfers in were increased to reflect the sewer portion of the refunding bond issue as well as an increased transfer to the capital projects fund from the general fund (3.6 million).

See pages 67 through 73 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, 2014

#### 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, 2014, amounts to \$415,937,312 (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 3.1 percent (a 3.4 percent increase for governmental activities and a 2.2 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.

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 40,638,156	\$ 40,023,926	\$ 348,055	\$ 348,055	\$ 40,986,211	\$ 40,371,981
Land held for redevelopment	8,048,966	6,550,246	-	-	8,048,966	6,550,246
Buildings and improvements	53,440,645	45,131,305	50,512,767	49,265,126	103,953,412	94,396,431
Other improvements	-	-	31,664,375	31,227,422	31,664,375	31,227,422
Software	423,419	484,545	7,976	11,964	431,395	496,509
Infrastructure	197,152,848	187,727,614	-	-	197,152,848	187,727,614
Furniture, vehicles, machinery and equipment	10,580,119	9,849,799	4,335,545	2,020,345	14,915,664	11,870,144
Construction-in-progress	13,718,328	23,661,081	5,066,113	7,052,510	18,784,441	30,713,591
	<b>\$ 324,002,481</b>	<b>\$ 313,428,516</b>	<b>\$ 91,934,831</b>	<b>\$ 89,925,422</b>	<b>\$ 415,937,312</b>	<b>\$ 403,353,938</b>

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 \$497,000 as well as land for continued development in the San Marnan TIF District at a cost of \$858,000. In addition, the city acquired property in the Rath, Logan and NE Industrial Park TIF Districts for economic development in the amount of \$1,047,000.
- Buildings and improvements completed in the amount of \$11,423,000 included the new Public Works Building, playground equipment at Gates Park, a new shelter at Cedar Vista Park, a restroom at the Riverview Recreation Area, parking lot improvements at Byrnes Park, reconstruction of Taxiway B and an overlay of Taxiway E at the Waterloo Regional Airport.
- The city invested \$1.3 million in new vehicles, equipment, and software for various city departments. The most significant of these was the scoreboard at Young Arena funded with donations and a new city phone and voicemail system.
- Significant investments in street construction, reconstruction and overlay programs funded with local option taxes and grants were completed (\$13.7 million) and transferred to infrastructure assets. Another \$4.3 million in storm water and flood protection improvements were completed and transferred to infrastructure assets, including new lift stations at Westfield Avenue, Vinton Street and Virden Creek. An additional \$7.5 million was invested in new street construction, repair of existing streets and construction of storm water improvements still in progress at June 30, 2014.
- Construction of the UV Disinfection Facility was completed and added to sanitary sewer assets at a cost of \$4.9 million. An additional \$3.7 million was invested in sanitary sewer construction still in progress at June 30, 2014.

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

## City of Waterloo, Iowa

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2014

**Long-term liabilities.** At the end of the current fiscal year, the City of Waterloo had total bonded debt outstanding of \$92,635,000. Of this amount, \$90,725,000 is comprised of debt backed by the full faith and credit of the government. The remainder of the City of Waterloo's bonded debt (\$1,910,000) represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

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 decreased by \$193,249.

	City of Waterloo Long-term Outstanding Debt					
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Bonded Debt:</b>						
General obligation bonds	\$ 68,505,400	\$ 65,438,900	\$ 22,219,600	\$ 24,441,100	\$ 90,725,000	\$ 89,880,000
Revenue bonds	-	-	1,910,000	3,115,000	1,910,000	3,115,000
<b>Total bonded debt</b>	<b>68,505,400</b>	<b>65,438,900</b>	<b>24,129,600</b>	<b>27,556,100</b>	<b>92,635,000</b>	<b>92,995,000</b>
<b>Other Debt:</b>						
Loans and notes	2,282,005	2,524,320	-	-	2,282,005	2,524,320
Deferred compensation	18,958	31,285	5,781	9,137	24,739	40,422
Compensated absences	3,917,953	3,855,045	315,195	313,354	4,233,148	4,168,399
<b>Total other debt</b>	<b>6,218,916</b>	<b>6,410,650</b>	<b>320,976</b>	<b>322,491</b>	<b>6,539,892</b>	<b>6,733,141</b>
<b>Total long-term debt outstanding</b>	<b>\$ 74,724,316</b>	<b>\$ 71,849,550</b>	<b>\$ 24,450,576</b>	<b>\$ 27,878,591</b>	<b>\$ 99,174,892</b>	<b>\$ 99,728,141</b>

The City of Waterloo's total long-term liabilities decreased by \$553,249 (0.55 percent) during the current fiscal year.

The government issued general obligation bonds in the amount of \$23,550,000 during the current fiscal year, including \$8,515,000 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 \$188,105,317, which is significantly greater than the City of Waterloo's outstanding general obligation debt (\$91,412,408) and other debt subject to debt limitation (\$2,281,997). The total debt subject to this limitation is \$93,694,405, resulting in available debt margin of \$94,410,913.

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, 2014**

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#### **Economic Factors and Next Year's Budgets and Rates**

Property taxes provide 47 percent of General Fund revenues. Over the past five years, citywide assessed valuations have risen an average of 0.6 percent annually, while property tax regulations imposed by the State of Iowa resulted in taxable values increasing by an average of 2.2 percent over that same time period. The fiscal 2015 budget reflects total property tax and utility excise tax revenue to decline by 1.7 percent. The franchise fee of 2 percent for gas and electric utilities that was implemented effective July 1, 2013 to diversify revenue sources was increased to 3 percent effective July 1, 2014. This revenue source is expected to generate approximately \$2.5 million in revenue for fiscal 2015.

Personnel costs make up a significant portion of City operating costs. Wage increases identified in contractual bargaining agreements are 2.9 percent for fiscal year 2015. The employer contribution rate required for the Municipal Fire and Police Retirement System increased by 0.96 percent, while the contribution rate for the Iowa Public Employees Retirement System remained at the same rate 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 decline.

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 2015.

#### **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, 2014

	Primary Government			Waterloo Water Works	Waterloo Convention & Visitors Bureau, Inc.
	Governmental Activities	Business-Type Activities	Total		
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 50,456,370	\$ 11,041,919	\$ 61,498,289	\$ 5,727,375	\$ 295,563
Investments	-	-	-	106,664	302,089
Receivables:					
Customer accounts, net of allowance for uncollectible accounts	2,751,895	3,469,277	6,221,172	1,382,293	-
Property taxes:					
Delinquent	370,394	-	370,394	-	-
Succeeding year	44,313,058	-	44,313,058	-	-
Internal accounts	(38,704)	38,704	-	-	-
Due from other governments:					
Component unit	-	1,125,009	1,125,009	-	-
Primary government	-	-	-	-	297,013
Other	9,356,429	30,353	9,386,782	-	807
Miscellaneous	2,800	-	2,800	-	-
Accrued interest	507	1,006	1,513	1,501	1,043
Special assessments	88,327	272,143	360,470	-	-
Assets held for sale	391,935	-	391,935	-	-
Inventories and prepaids	858,906	17,383	876,289	79,138	12,835
<b>Total current assets</b>	<b>108,551,917</b>	<b>15,995,794</b>	<b>124,547,711</b>	<b>7,296,971</b>	<b>909,350</b>
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	13,589,888	11,528,444	25,118,332	-	-
Investments	-	-	-	473,336	221,504
Receivables	16,591	-	16,591	-	-
Loans and notes, net of allowance for uncollectible amounts					
	22,500	-	22,500	-	-
Special assessments	241,627	-	241,627	319,324	-
Other noncurrent assets	-	-	-	5,260	-
Capital assets, net of accumulated depreciation	261,597,031	86,520,663	348,117,694	22,908,873	86,245
Capital assets not being depreciated	62,405,450	5,414,168	67,819,618	1,069,368	-
<b>Total noncurrent assets</b>	<b>337,873,087</b>	<b>103,463,275</b>	<b>441,336,362</b>	<b>24,776,161</b>	<b>307,749</b>
<b>Total assets</b>	<b>446,425,004</b>	<b>119,459,069</b>	<b>565,884,073</b>	<b>32,073,132</b>	<b>1,217,099</b>
<b>Deferred Outflows of Resources</b>					
Deferred charge on refunding	\$ 247,277	\$ 209,513	\$ 456,790	\$ -	\$ -

See Notes to Basic Financial Statements.

	Primary Government			Waterloo Water Works	Waterloo Convention & Visitors Bureau, Inc.
	Governmental Activities	Business-Type Activities	Total		
<b>Liabilities</b>					
Current:					
Accounts and retainages payable	\$ 5,575,612	\$ 1,422,938	\$ 6,998,550	\$ 148,017	\$ 829
Accrued liabilities and other	1,196,339	170,910	1,367,249	148,943	9,642
Due to primary government	-	-	-	1,191,907	-
Due to component unit	297,013	-	297,013	-	-
Due to other governments	-	-	-	61,424	-
Noncurrent liabilities due and payable					
within one year	12,342,133	3,988,889	16,331,022	360,000	-
Unearned revenues	433,198	-	433,198	-	-
Current liabilities payable from restricted assets:					
Health claims	978,898	-	978,898	-	-
Other	243,129	-	243,129	-	-
Accrued interest	-	6,450	6,450	-	-
<b>Total current liabilities</b>	<b>21,066,322</b>	<b>5,589,187</b>	<b>26,655,509</b>	<b>1,910,291</b>	<b>10,471</b>
Noncurrent:					
Customer deposits	77,282	344,270	421,552	143,336	-
Worker's compensation claims	384,000	-	384,000	-	-
Revenue bonds and notes	-	715,000	715,000	758,608	-
General obligation bonds and notes, net of bond discounts and premium	59,787,720	19,712,372	79,500,092	-	-
Other loans and notes	2,060,954	-	2,060,954	-	-
Other postemployment benefits obligation	4,278,930	558,070	4,837,000	-	-
Compensated absences and deferred compensation	1,255,029	72,887	1,327,916	-	-
<b>Total noncurrent liabilities</b>	<b>67,843,915</b>	<b>21,402,599</b>	<b>89,246,514</b>	<b>901,944</b>	<b>-</b>
<b>Total liabilities</b>	<b>88,910,237</b>	<b>26,991,786</b>	<b>115,902,023</b>	<b>2,812,235</b>	<b>10,471</b>
<b>Deferred Inflows of Resources</b>					
Property taxes	44,313,058	-	44,313,058	-	-
<b>Net Position</b>					
Net investment in capital assets	273,871,470	79,920,865	353,792,335	23,183,242	86,245
Restricted for:					
Debt service	3,437,318	834,117	4,271,435	330,000	-
Self-funded health insurance	6,808,406	-	6,808,406	-	-
Tourism promotion	1,070,737	-	1,070,737	-	-
Public access television	131,642	-	131,642	-	-
Civil rights enforcement	48,242	-	48,242	-	-
Housing	4,115,708	-	4,115,708	-	-
Donor specified	476,941	-	476,941	-	-
Employee benefits	2,234,499	-	2,234,499	-	-
Library	103,470	-	103,470	-	-
Street construction	6,536,419	-	6,536,419	-	-
Loan reserve	517,491	-	517,491	-	-
Street and right-of-way maintenance	4,590,697	-	4,590,697	-	-
Improvements	507,901	475,982	983,883	-	-
Unrestricted	8,998,045	11,445,832	20,443,877	5,747,655	1,120,383
<b>Total net position</b>	<b>\$ 313,448,986</b>	<b>\$ 92,676,796</b>	<b>\$ 406,125,782</b>	<b>\$ 29,260,897</b>	<b>\$ 1,206,628</b>

City of Waterloo, Iowa

Statement of Activities  
Year Ended June 30, 2014

Programs/Functions	Program Revenues				
	Direct Expenses	Indirect Allocations	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:					
Public safety	\$ 31,773,269	\$ -	\$ 3,800,273	\$ 776,500	\$ 150,714
Public works	28,911,525	(380,000)	2,802,925	7,074,223	6,193,418
Health and social services	368,173	(75,000)	2,755	48,965	-
Culture and recreation	11,315,704	(50,000)	3,010,899	4,797	4,964
Community and economic development	12,910,299	-	635,238	3,992,293	6,319,026
General government	2,749,672	(638,500)	893,768	41,443	-
Interest and issuance costs on long-term debt	2,349,054	-	-	-	-
<b>Total governmental activities</b>	<b>90,377,696</b>	<b>(1,143,500)</b>	<b>11,145,858</b>	<b>11,938,221</b>	<b>12,668,122</b>
Business-type activities:					
Sanitary Sewer	9,811,929	692,000	12,845,301	-	-
Sanitation	3,215,663	451,500	3,609,500	272,755	-
<b>Total business-type activities</b>	<b>13,027,592</b>	<b>1,143,500</b>	<b>16,454,801</b>	<b>272,755</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 103,405,288</b>	<b>\$ -</b>	<b>\$ 27,600,659</b>	<b>\$ 12,210,976</b>	<b>\$ 12,668,122</b>
Component unit, Waterloo Water Works	\$ 6,036,706	\$ -	\$ 7,649,620	\$ -	\$ 83,770
Component unit, Waterloo Convention & Visitors Bureau, Inc.	\$ 616,628	\$ -	\$ -	\$ 596,897	\$ -

**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

Gas and electric

Cable television

Mobile home

Investment earnings

Miscellaneous

**Total general revenues**

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.
\$ (27,045,782)	\$ -	\$ (27,045,782)	\$ -	\$ -
(12,460,959)	-	(12,460,959)	-	-
(241,453)	-	(241,453)	-	-
(8,245,044)	-	(8,245,044)	-	-
(1,963,742)	-	(1,963,742)	-	-
(1,175,961)	-	(1,175,961)	-	-
(2,349,054)	-	(2,349,054)	-	-
(53,481,995)	-	(53,481,995)	-	-
-	2,341,372	2,341,372	-	-
-	215,092	215,092	-	-
-	2,556,464	2,556,464	-	-
(53,481,995)	2,556,464	(50,925,531)	-	-
-	-	-	1,696,684	-
-	-	-	-	(19,731)
30,834,085	-	30,834,085	-	-
13,751,830	-	13,751,830	-	-
9,771,003	-	9,771,003	-	-
1,533,986	-	1,533,986	-	-
1,275,760	-	1,275,760	-	-
1,192,180	-	1,192,180	-	-
2,029,106	-	2,029,106	-	-
871,459	-	871,459	-	-
71,940	-	71,940	-	-
117,515	25,122	142,637	47,751	8,859
2,748,468	-	2,748,468	105,191	2,377
64,197,332	25,122	64,222,454	152,942	11,236
10,715,337	2,581,586	13,296,923	1,849,626	(8,495)
302,733,649	90,095,210	392,828,859	27,411,271	1,215,123
\$ 313,448,986	\$ 92,676,796	\$ 406,125,782	\$ 29,260,897	\$ 1,206,628

**City of Waterloo, Iowa**

**Balance Sheet  
Governmental Funds  
June 30, 2014**

<b>Assets</b>	General	Trust and Agency	Grants
Cash and cash equivalents	\$ 9,421,413	\$ 429,322	\$ -
Receivables:			
Customer accounts, net	1,099,695	-	-
Property tax:			
Delinquent	187,386	99,637	-
Succeeding year	18,692,084	10,622,620	-
Special assessments	329,954	-	-
Miscellaneous	-	-	2,800
Accrued interest	-	-	-
Loans and notes	22,500	-	-
Due from other funds	5,627,443	-	-
Due from other governments:			
Federal	27,872	-	706,194
Iowa	391,483	-	3,578,863
Other	238,114	118,299	-
Inventories and prepaids	392,741	-	-
Restricted assets:			
Cash and cash equivalents	9,718,804	1,844,107	-
Receivables	16,591	-	-
Advances to other funds	-	-	-
<b>Total assets</b>	<b>\$ 46,166,080</b>	<b>\$ 13,113,985</b>	<b>\$ 4,287,857</b>

(Continued)

Tax Increment Financing	Local Option Tax	General Obligation Debt Service	Other Governmental	Total
\$ 4,084,836	\$ 8,679,654	\$ 1,283,630	\$ 26,557,515	\$ 50,456,370
-	-	-	1,652,200	2,751,895
13,312	-	64,707	5,352	370,394
6,992,576	-	7,435,091	570,687	44,313,058
-	-	-	-	329,954
-	-	-	-	2,800
-	-	-	507	507
-	-	-	-	22,500
-	-	-	-	5,627,443
-	-	-	562,842	1,296,908
-	1,713,266	-	1,459,848	7,143,460
140,493	322,326	90,063	6,766	916,061
-	-	-	466,165	858,906
-	-	12,769	2,014,208	13,589,888
-	-	-	-	16,591
-	13,598	-	116,014	129,612
<u>\$ 11,231,217</u>	<u>\$ 10,728,844</u>	<u>\$ 8,886,260</u>	<u>\$ 33,412,104</u>	<u>\$ 127,826,347</u>

City of Waterloo, Iowa

Balance Sheet (Continued)  
 Governmental Funds  
 June 30, 2014

	General	Trust and Agency	Grants
<b>Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 467,941	\$ 32,981	\$ 522,890
Retainages payable	2,201	-	231,756
Accrued liabilities	752,901	124,248	866
Due to other funds	-	-	2,965,531
Unearned revenue	158,544	-	274,654
Compensated absences	151,238	-	-
Due to Waterloo Convention & Visitors Bureau, Inc.	297,013	-	-
Payables from restricted assets	1,222,027	-	-
Advances from other funds	168,316	-	-
<b>Total liabilities</b>	<b>3,220,181</b>	<b>157,229</b>	<b>3,995,697</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenue - property tax	18,879,470	10,722,257	-
Unavailable revenue - local option sales tax	-	-	-
Unavailable revenue - special assessments	329,954	-	-
Unavailable revenue - intergovernmental	24,304	-	3,592,953
<b>Total deferred inflows of resources</b>	<b>19,233,728</b>	<b>10,722,257</b>	<b>3,592,953</b>
<b>Fund balances (deficits):</b>			
Nonspendable	392,741	-	-
Restricted	8,667,499	2,234,499	-
Committed	36,595	-	-
Assigned	4,430,460	-	-
Unassigned	10,184,876	-	(3,300,793)
<b>Total fund balances (deficits)</b>	<b>23,712,171</b>	<b>2,234,499</b>	<b>(3,300,793)</b>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 46,166,080</b>	<b>\$ 13,113,985</b>	<b>\$ 4,287,857</b>

See Notes to Basic Financial Statements.

Tax Increment Financing	Local Option Tax	General Obligation Debt Service	Other Governmental	Total
\$ 132,572	\$ 1,623,747	\$ 48,845	\$ 1,868,352	\$ 4,697,328
-	441,534	-	202,793	878,284
-	19,999	-	116,907	1,014,921
1,380,249	-	-	1,281,663	5,627,443
-	-	-	-	433,198
-	1,946	-	31,299	184,483
-	-	-	-	297,013
-	-	-	77,282	1,299,309
-	-	-	-	168,316
1,512,821	2,087,226	48,845	3,578,296	14,600,295
7,005,888	-	7,499,798	576,039	44,683,452
-	257,583	-	-	257,583
-	-	-	-	329,954
-	-	-	1,931,934	5,549,191
7,005,888	257,583	7,499,798	2,507,973	50,820,180
-	-	-	466,165	858,906
2,281,119	6,536,419	1,337,617	28,709,385	49,766,538
-	-	-	-	36,595
431,389	1,847,616	-	80,148	6,789,613
-	-	-	(1,929,863)	4,954,220
2,712,508	8,384,035	1,337,617	27,325,835	62,405,872
\$ 11,231,217	\$ 10,728,844	\$ 8,886,260	\$ 33,412,104	\$ 127,826,347

**City of Waterloo, Iowa**

**Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2014**

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Total governmental fund balances		\$	62,405,872
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			324,002,481
Assets held for resale			391,935
Certain revenues are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds			6,507,122
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	\$	(68,505,400)	
Other loans and notes		(2,282,005)	
Bond deferred charge on refunding		247,277	
Bond discount		150,379	
Bond premium		(871,899)	
Other post employment benefits obligation		(4,278,930)	
Worker's compensation claims payable		(384,000)	
Compensated absences and deferred compensation		(3,752,428)	
Accrued interest payable		(181,418)	(79,858,424)
<b>Net position of governmental activities</b>			<u>\$ 313,448,986</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, 2014**

	General	Trust and Agency	Grants
Revenues:			
Property taxes	\$ 19,702,253	\$ 10,568,607	\$ -
Other taxes	6,203,201	450,989	-
Licenses and permits	1,334,705	-	-
Investment income	51,809	10,620	-
Rent	1,004,877	-	-
Intergovernmental	1,225,512	-	4,948,722
Charges for services	6,595,480	-	6,928
Interfund charges for services	1,885,000	-	-
Special assessments	139,408	-	-
Miscellaneous	1,973,383	-	-
<b>Total revenues</b>	<b>40,115,628</b>	<b>11,030,216</b>	<b>4,955,650</b>
Expenditures:			
Current operating:			
Public safety	26,409,010	4,443,647	1,963
Public works	2,725,660	-	4,899,555
Health and social services	365,847	-	-
Culture and recreation	9,205,629	-	4,127
Community and economic development	1,836,966	-	640,426
General government	2,441,336	27,295	-
Debt service:			
Principal	-	-	-
Interest and fees	-	-	-
Bond issuance costs	-	-	-
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>42,984,448</b>	<b>4,470,942</b>	<b>5,546,071</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(2,868,820)</b>	<b>6,559,274</b>	<b>(590,421)</b>
Other financing sources (uses):			
Transfers in	6,717,529	-	-
Transfers out	(553,374)	(6,629,029)	-
Insurance proceeds	325,870	-	30,584
Bond discount	-	-	-
Bond premium	-	-	-
Proceeds from sale of capital assets	45,435	-	-
Refunding bonds issued	-	-	-
Payments to refunded bond escrow agent	-	-	-
Issuance of long-term debt	-	-	-
<b>Total other financing sources (uses)</b>	<b>6,535,460</b>	<b>(6,629,029)</b>	<b>30,584</b>
<b>Net changes in fund balances (deficits)</b>	<b>3,666,640</b>	<b>(69,755)</b>	<b>(559,837)</b>
Fund balances (deficits), beginning of year	20,045,531	2,304,254	(2,740,956)
Fund balances (deficits), end of year	<b>\$ 23,712,171</b>	<b>\$ 2,234,499</b>	<b>\$ (3,300,793)</b>

See Notes to Basic Financial Statements.

Tax Increment Financing	Local Option Tax	General Obligation Debt Service	Other Governmental	Total
\$ 6,278,485	\$ -	\$ 7,473,345	\$ 601,215	\$ 44,623,905
-	9,972,258	294,588	25,653	16,946,689
-	-	-	15,894	1,350,599
8,335	16,528	11,043	19,180	117,515
-	-	63,938	194,867	1,263,682
-	-	86,364	17,164,673	23,425,271
-	47,522	-	244,378	6,894,308
-	-	-	50,000	1,935,000
-	-	-	-	139,408
-	128,809	105,969	1,217,406	3,425,567
6,286,820	10,165,117	8,035,247	19,533,266	100,121,944
-	-	-	10,744	30,865,364
-	11,812,924	-	9,571,675	29,009,814
-	-	-	-	365,847
-	-	-	626,002	9,835,758
1,908,775	-	-	8,580,235	12,966,402
-	-	-	301	2,468,932
177,149	-	8,709,795	-	8,886,944
93,622	-	2,056,903	-	2,150,525
-	-	49,202	100,378	149,580
-	-	-	14,033,868	14,033,868
2,179,546	11,812,924	10,815,900	32,923,203	110,733,034
4,107,274	(1,647,807)	(2,780,653)	(13,389,937)	(10,611,090)
88,500	-	2,879,612	1,320,567	11,006,208
(3,823,767)	-	-	(38)	(11,006,208)
-	-	-	-	356,454
-	-	(206)	(29,045)	(29,251)
-	-	152,900	82,064	234,964
-	-	-	2,502	47,937
-	-	8,670,000	-	8,670,000
-	-	(8,806,014)	-	(8,806,014)
-	-	-	11,595,000	11,595,000
(3,735,267)	-	2,896,292	12,971,050	12,069,090
372,007	(1,647,807)	115,639	(418,887)	1,458,000
2,340,501	10,031,842	1,221,978	27,744,722	60,947,872
\$ 2,712,508	\$ 8,384,035	\$ 1,337,617	\$ 27,325,835	\$ 62,405,872

**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, 2014**

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Net change in fund balances - governmental funds	\$	1,458,000
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	\$ 25,094,056	
Depreciation	<u>(14,032,586)</u>	11,061,470
The net effect of various miscellaneous transactions involving capital assets is to increase/ decrease net position:		
Proceeds from sale of capital assets	(47,937)	
Net loss on disposal of capital assets	<u>(439,568)</u>	(487,505)
Change in assets held for resale		391,935
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	(20,265,000)	
Economic development agreement issued	(6,130)	
Repayment of general obligation bond principal	8,638,499	
Repayment of other long-term debt principal	248,445	
Payment to escrow agent, including \$246,013 deferred charge on refunding	8,806,014	
Bond discount	29,251	
Bond premium	(234,964)	
Amortization of bond discounts, premiums and deferred charges	(62,759)	
Change in accrued interest	<u>13,810</u>	(2,832,834)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds:		
Current year		6,507,122
Prior year		(5,100,987)
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		(106,660)
Change in worker's compensation claims payable		(140,000)
Change in compensated absences and deferred compensation liabilities		<u>(35,204)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u><u>10,715,337</u></u></b>

See Notes to Basic Financial Statements.

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**City of Waterloo, Iowa**

**Statement of Net Position  
Enterprise Funds  
June 30, 2014**

	Sanitary Sewer	Nonmajor - Sanitation	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 7,861,994	\$ 3,179,925	\$ 11,041,919
Customer accounts receivable	2,776,925	692,352	3,469,277
Accrued interest receivable	1,006	-	1,006
Special assessments receivable	51,901	220,242	272,143
Due from other governments:			
Waterloo Water Works	789,279	335,730	1,125,009
Other	3,568	26,785	30,353
Inventories	17,383	-	17,383
<b>Total current assets</b>	<b>11,502,056</b>	<b>4,455,034</b>	<b>15,957,090</b>
Noncurrent assets:			
Advances to other funds	27,003	11,701	38,704
Restricted cash and cash equivalents	11,422,674	105,770	11,528,444
Capital assets, net of accumulated depreciation	85,259,686	1,260,977	86,520,663
Capital assets not being depreciated	5,414,168	-	5,414,168
<b>Net capital assets</b>	<b>90,673,854</b>	<b>1,260,977</b>	<b>91,934,831</b>
<b>Total noncurrent assets</b>	<b>102,123,531</b>	<b>1,378,448</b>	<b>103,501,979</b>
<b>Total assets</b>	<b>113,625,587</b>	<b>5,833,482</b>	<b>119,459,069</b>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	209,513	-	209,513

See Notes to Basic Financial Statements.

	Sanitary Sewer	Nonmajor - Sanitation	Total
<b>Liabilities and Net Position</b>			
Liabilities:			
Current:			
Accounts payable	\$ 1,080,048	\$ 152,663	\$ 1,232,711
Retainages payable	190,227	-	190,227
Accrued liabilities	141,086	29,824	170,910
Current maturities of general obligation and revenue bonds	3,740,800	-	3,740,800
Compensated absences and deferred compensation	185,596	62,493	248,089
Accrued interest, revenue bonds	6,450	-	6,450
<b>Total current liabilities</b>	<b>5,344,207</b>	<b>244,980</b>	<b>5,589,187</b>
Noncurrent:			
Security deposits	238,500	105,770	344,270
General obligation bonds, net bond discount and premium	19,712,372	-	19,712,372
Revenue bonds	715,000	-	715,000
Other postemployment benefits obligation	350,880	207,190	558,070
Compensated absences and deferred compensation	57,300	15,587	72,887
<b>Total noncurrent liabilities</b>	<b>21,074,052</b>	<b>328,547</b>	<b>21,402,599</b>
<b>Total liabilities</b>	<b>26,418,259</b>	<b>573,527</b>	<b>26,991,786</b>
Net position:			
Net investment in capital assets	78,659,888	1,260,977	79,920,865
Restricted for:			
Debt service	834,117	-	834,117
Improvements	475,982	-	475,982
Unrestricted	7,446,854	3,998,978	11,445,832
<b>Total net position</b>	<b>\$ 87,416,841</b>	<b>\$ 5,259,955</b>	<b>\$ 92,676,796</b>

City of Waterloo, Iowa

Statement of Revenues, Expenses and Changes in Net Position  
 Enterprise Funds  
 Year Ended June 30, 2014

	Sanitary Sewer	Nonmajor - Sanitation	Total
Operating revenues:			
Charges for sales and service	\$ 12,827,253	\$ 3,609,500	\$ 16,436,753
Miscellaneous	18,048	-	18,048
<b>Total operating revenues</b>	<b>12,845,301</b>	<b>3,609,500</b>	<b>16,454,801</b>
Operating expenses:			
Salaries and benefits	3,505,539	1,374,493	4,880,032
Contractual services	2,042,983	911,618	2,954,601
Intra-city reimbursements	692,000	451,500	1,143,500
Commodities	1,042,111	649,790	1,691,901
Depreciation	2,409,465	279,642	2,689,107
<b>Total operating expenses</b>	<b>9,692,098</b>	<b>3,667,043</b>	<b>13,359,141</b>
<b>Operating income (loss)</b>	<b>3,153,203</b>	<b>(57,543)</b>	<b>3,095,660</b>
Nonoperating revenues (expenses):			
Interest income	18,046	7,076	25,122
Intergovernmental	-	272,755	272,755
Interest expense	(756,498)	-	(756,498)
Amortization	(55,333)	-	(55,333)
Loss on disposal of capital assets	-	(120)	(120)
<b>Total nonoperating revenues (expenses)</b>	<b>(793,785)</b>	<b>279,711</b>	<b>(514,074)</b>
<b>Change in net position</b>	<b>2,359,418</b>	<b>222,168</b>	<b>2,581,586</b>
Net position, beginning of year	85,057,423	5,037,787	90,095,210
Net position, end of year	\$ 87,416,841	\$ 5,259,955	\$ 92,676,796

See Notes to Basic Financial Statements.

City of Waterloo, Iowa

Statement of Cash Flows  
Enterprise Funds  
Year Ended June 30, 2014

	Sanitary Sewer	Nonmajor - Sanitation	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 12,624,976	\$ 3,627,915	\$ 16,252,891
Payments to suppliers	(3,419,540)	(1,535,428)	(4,954,968)
Payments to or on behalf of employees	(3,483,500)	(1,353,650)	(4,837,150)
Payment for interfund services used	(692,000)	(451,500)	(1,143,500)
<b>Net cash provided by operating activities</b>	<b>5,029,936</b>	<b>287,337</b>	<b>5,317,273</b>
Cash flows from noncapital financing activities:			
Payments to interfund accounts	(3,185)	-	(3,185)
Intergovernmental proceeds	93,803	253,031	346,834
<b>Net cash provided by noncapital financing activities</b>	<b>90,618</b>	<b>253,031</b>	<b>343,649</b>
Cash flows from capital and related financing activities:			
Purchase and construction of capital assets	(3,526,682)	(357,729)	(3,884,411)
Proceeds from disposal of capital assets	-	4,015	4,015
Proceeds from bonds, loans and notes, net bond premiums and deferred charge on refunding of \$31,595	23,405	-	23,405
Principal paid on debt	(3,481,500)	-	(3,481,500)
Interest paid on debt	(855,152)	-	(855,152)
<b>Net cash (used in) capital and related financing activities</b>	<b>(7,839,929)</b>	<b>(353,714)</b>	<b>(8,193,643)</b>
Cash flows from investing activities,			
interest received	17,040	7,076	24,116
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(2,702,335)</b>	<b>193,730</b>	<b>(2,508,605)</b>
Cash and cash equivalents, beginning of year	21,987,003	3,091,965	25,078,968
Cash and cash equivalents, end of year	<b>\$ 19,284,668</b>	<b>\$ 3,285,695</b>	<b>\$ 22,570,363</b>
Reconciliation of cash and cash equivalents to statement of net position:			
Unrestricted cash and cash equivalents	\$ 7,861,994	\$ 3,179,925	\$ 11,041,919
Restricted cash and cash equivalents	11,422,674	105,770	11,528,444
	<b>\$ 19,284,668</b>	<b>\$ 3,285,695</b>	<b>\$ 22,570,363</b>

(Continued)

City of Waterloo, Iowa

Statement of Cash Flows (Continued)  
Enterprise Funds  
Year Ended June 30, 2014

	Sanitary Sewer	Nonmajor - Sanitation	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 3,153,203	\$ (57,543)	\$ 3,095,660
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	2,409,465	279,642	2,689,107
(Increase) decrease in accounts receivable	(220,325)	18,415	(201,910)
Decrease in inventories and prepaids	18,349	-	18,349
Increase (decrease) in accounts payable	(361,470)	22,200	(339,270)
Increase in security deposits	8,675	3,780	12,455
Increase in accrued liabilities	27,389	6,668	34,057
Increase in other post employment benefits obligation	8,620	1,720	10,340
Increase (decrease) in compensated absences and deferred compensation	(13,970)	12,455	(1,515)
<b>Net cash provided by operating activities</b>	<b>\$ 5,029,936</b>	<b>\$ 287,337</b>	<b>\$ 5,317,273</b>
Schedule of noncash capital and related financing activities:			
Payables for acquisition of capital assets	\$ 732,782	\$ -	\$ 732,782
Capitalized interest	85,458	-	85,458
Issuance of general obligation refunding bonds to defease outstanding debt	3,230,000	-	3,230,000

See Notes to Basic Financial Statements.

## City of Waterloo, Iowa

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## City of Waterloo, Iowa

### Notes to Basic Financial Statements

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#### 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 \$66,898.

## City of Waterloo, Iowa

### Notes to Basic Financial Statements

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#### 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.

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

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**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.

## City of Waterloo, Iowa

### Notes to Basic Financial Statements

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

**Local Option Tax 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.

**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, Water Works kill water assessments, and building permits passed through to Black Hawk County.

#### Measurement focus and basis of accounting:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Agency funds follow accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. 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.

**Notes to Basic Financial Statements**

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

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.

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, 2014, the General Fund had allowances for uncollectible customer accounts totaling \$1,049,682.

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.

## City of Waterloo, Iowa

### Notes to Basic Financial Statements

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#### **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, 2012 assessed property valuations; was for the tax accrual period July 1, 2013 through June 30, 2014; and reflected the tax asking contained in the budget certified to the County Board of Supervisors in March 2013.

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

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

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

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

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

Prepaids consist primarily of a deposit for insurance deductibles and premiums paid in advance.

Assets held for sale: Land and buildings acquired for rehabilitation and held for sale by the City is recorded at the lower of cost or fair value (specific identification basis). The cost of land acquired and construction costs incurred by the City at year-end amounted to \$504,002 and was carried at lower of cost or fair value of \$391,935. The cost associated with these assets are reported as expenditures in the governmental funds as they do not represent a current financial resource and are reported as assets on the government-wide statement of net position.

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.

City of Waterloo, Iowa

Notes to Basic Financial Statements

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

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Bond issuance costs are reported as an expenditure in the year the costs 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. \$85,458 of interest expense in the Sanitary Sewer Fund was capitalized during the year ended June 30, 2014.

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:

	<u>Years</u>
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**

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**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 revenues remain as a deferred inflow of resources under the modified 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

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**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

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**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 \$19,005,649 and the Sanitary Sewer enterprise fund is \$9,234,628. 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 \$30,579,471 of restricted net position of which \$13,786,072 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, 2014, the City had investments in the Iowa Public Agency Investment Trust (IPAIT) which were valued at an amortized cost of \$5,178,361 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 in IPAIT is not subject to interest rate risk.

The discretely presented Waterloo Water Works component unit's certificates of deposit are purchased with maturities of 24 to 37 months and yields of 1.25 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 \$1,527,338, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

## City of Waterloo, Iowa

### Notes to Basic Financial Statements

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#### Note 2. Cash and Investments (Continued)

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 City's investment in IPAIT is not rated.

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, 2014, the City's investments were not subject to concentration of credit risk.

Custodial credit risk: For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City and Waterloo Water Works' deposits as of June 30, 2014 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.

#### 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:

2015	\$	459,732
2016		66,122
2017		41,518
2018		10,016
2019		6,093
<b>Total future minimum lease rentals to be received</b>	<b>\$</b>	<b>583,481</b>

## City of Waterloo, Iowa

### Notes to Basic Financial Statements

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#### Note 3. Leasing Activities (Continued)

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:

2015	\$	72,420
2016		72,420
2017		12,070
<b>Total future minimum lease rentals to be received</b>	<b>\$</b>	<b>156,910</b>

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, 2014 is \$65,457. The lease includes a management agreement with the Hotel for the management of the Center.

#### 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 0 to 6.5 percent.

The ending balance on the one remaining loan as of June 30, 2014 was \$22,500. Interest is no longer being charged on the loan.

##### 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, 2014. The City serviced loans, with a balance of \$15,007, 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 2031. Cash received is program income and considered to be charges for services. Given the nature and collection history of the loans, the City has determined these amounts are uncollectible.

**City of Waterloo, Iowa**

**Notes to Basic Financial Statements**

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**Note 4. Loans and Notes (Continued)**

*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, 2014, the City had made 1,619 such loans totaling \$29,674,095. The loan balances are considered forgivable and/or uncollectible by the City given the nature and terms of the loans and therefore, have not been recorded as assets on the balance sheet.

**Note 5. Interfund Activity**

The composition of interfund receivables and payables balances as of June 30, 2014 was as follows:

	Due From	Due To
Major governmental funds:		
General	\$ 5,627,443	\$ -
Grants	-	2,965,531
Tax increment financing	-	1,380,249
Nonmajor governmental funds	-	1,281,663
	<u>\$ 5,627,443</u>	<u>\$ 5,627,443</u>

	Advances To	Advances From
Major governmental funds:		
General	\$ -	\$ 168,316
Local option tax	13,598	-
Nonmajor governmental funds	116,014	-
Major Enterprise Fund, sanitary sewer	27,003	-
Nonmajor Enterprise Fund, sanitation	11,701	-
	<u>\$ 168,316</u>	<u>\$ 168,316</u>

Advances to and from other funds as of June 30, 2014, were as follows: 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.

**City of Waterloo, Iowa**

**Notes to Basic Financial Statements**

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**Note 5. Interfund Activity (Continued)**

Due to/from primary government and component units:

Due to Enterprise Funds:	
Sanitary sewer	\$ 789,279
Sanitation	335,730
Due from Waterloo Water Works	<u>1,125,009</u>
Waterloo Water Works - due to primary government	<u>1,191,907</u>
<b>Difference</b>	<u><u>\$ (66,898)</u></u>

The difference in the above amounts of \$66,898 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><u>\$ 297,013</u></u>
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The following is a schedule of transfers as included in the basic financial statements of the City:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major governmental funds:		
General	\$ 6,717,529	\$ 553,374
Trust and agency	-	6,629,029
Tax increment financing	88,500	3,823,767
General obligation debt service	2,879,612	-
Nonmajor governmental funds	1,320,567	38
	<u>\$ 11,006,208</u>	<u>\$ 11,006,208</u>

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

City of Waterloo, Iowa

Notes to Basic Financial Statements

**Note 6. Capital Assets**

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance June 30, 2013	Additions	Deletions	Transfers	Ending Balance June 30, 2014
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 40,023,926	\$ 614,230	\$ -	\$ -	\$ 40,638,156
Land held for redevelopment	6,550,246	1,904,576	405,856	-	8,048,966
Construction-in-progress	23,661,081	20,315,937	4,997	(30,253,693)	13,718,328
<b>Total capital assets, not being depreciated</b>	<b>70,235,253</b>	<b>22,834,743</b>	<b>410,853</b>	<b>(30,253,693)</b>	<b>62,405,450</b>
Capital assets, being depreciated:					
Buildings and improvements	95,518,528	278,338	689,990	11,143,543	106,250,419
Infrastructure	297,068,310	-	-	18,156,238	315,224,548
Vehicles, machinery, furniture and equipment	26,500,607	1,933,835	1,594,214	939,021	27,779,249
Software	611,304	47,140	-	14,891	673,335
<b>Total capital assets, being depreciated</b>	<b>419,698,749</b>	<b>2,259,313</b>	<b>2,284,204</b>	<b>30,253,693</b>	<b>449,927,551</b>
Less accumulated depreciation for:					
Buildings and improvements	50,387,223	3,064,427	641,876	-	52,809,774
Infrastructure	109,340,696	8,731,004	-	-	118,071,700
Vehicles, machinery, furniture and equipment	16,650,808	2,128,889	1,565,676	(14,891)	17,199,130
Software	126,759	108,266	-	14,891	249,916
<b>Total accumulated depreciation</b>	<b>176,505,486</b>	<b>14,032,586</b>	<b>2,207,552</b>	<b>-</b>	<b>188,330,520</b>
<b>Total capital assets, being depreciated, net</b>	<b>243,193,263</b>	<b>(11,773,273)</b>	<b>76,652</b>	<b>30,253,693</b>	<b>261,597,031</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 313,428,516</b>	<b>\$ 11,061,470</b>	<b>\$ 487,505</b>	<b>\$ -</b>	<b>\$ 324,002,481</b>

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

	Beginning Balance June 30, 2013	Additions	Deletions	Transfers	Ending Balance June 30, 2014
<b>Business-Type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 348,055	\$ -	\$ -	\$ -	\$ 348,055
Construction-in-progress	7,052,510	4,311,150	-	(6,297,547)	5,066,113
<b>Total capital assets, not being depreciated</b>	<b>7,400,565</b>	<b>4,311,150</b>	<b>-</b>	<b>(6,297,547)</b>	<b>5,414,168</b>
Capital assets, being depreciated:					
Buildings	68,507,219	-	-	2,616,798	71,124,017
Improvements other than buildings	44,489,787	-	-	1,326,749	45,816,536
Vehicles, machinery, furniture and equipment	7,676,114	391,501	207,666	2,354,000	10,213,949
Software	19,940	-	-	-	19,940
<b>Total capital assets, being depreciated</b>	<b>120,693,060</b>	<b>391,501</b>	<b>207,666</b>	<b>6,297,547</b>	<b>127,174,442</b>
Less accumulated depreciation for:					
Buildings	19,242,093	1,369,157	-	-	20,611,250
Improvements other than buildings	13,262,365	889,796	-	-	14,152,161
Vehicles, machinery, furniture and equipment	5,655,769	426,166	203,531	-	5,878,404
Software	7,976	3,988	-	-	11,964
<b>Total accumulated depreciation</b>	<b>38,168,203</b>	<b>2,689,107</b>	<b>203,531</b>	<b>-</b>	<b>40,653,779</b>
<b>Total capital assets, being depreciated, net</b>	<b>82,524,857</b>	<b>(2,297,606)</b>	<b>4,135</b>	<b>6,297,547</b>	<b>86,520,663</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 89,925,422</b>	<b>\$ 2,013,544</b>	<b>\$ 4,135</b>	<b>\$ -</b>	<b>\$ 91,934,831</b>

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

	Beginning Balance December 31, 2012	Additions	Deletions	Transfers	Ending Balance December 31, 2013
<b>Discretely Presented Component Unit - Waterloo Water Works Capital Assets</b>					
Capital assets, not being depreciated:					
Land	\$ 270,896	\$ -	\$ -	\$ -	\$ 270,896
Assets not in service	462,865	433,133	369,365	-	526,633
Construction-in-progress	106,067	1,786,768	1,620,996	-	271,839
<b>Total capital assets, not being depreciated</b>	<b>839,828</b>	<b>2,219,901</b>	<b>1,990,361</b>	<b>-</b>	<b>1,069,368</b>
Capital assets, being depreciated:					
Buildings and improvements	1,754,291	-	-	-	1,754,291
Water supply and distribution systems	25,999,155	1,781,018	-	-	27,780,173
Meters and equipment	1,468,956	-	295,362	-	1,173,594
Machinery and equipment	1,832,847	174,151	25,114	-	1,981,884
<b>Total capital assets, being depreciated</b>	<b>31,055,249</b>	<b>1,955,169</b>	<b>320,476</b>	<b>-</b>	<b>32,689,942</b>
Less accumulated depreciation for:					
Buildings and improvements	727,570	28,197	-	-	755,767
Water supply system	2,698,139	185,831	-	-	2,883,970
Distribution system	3,936,531	274,498	-	-	4,211,029
Meters and equipment	822,026	31,045	191,907	-	661,164
Machinery and equipment	1,197,075	92,746	20,682	-	1,269,139
<b>Total accumulated depreciation</b>	<b>9,381,341</b>	<b>612,317</b>	<b>212,589</b>	<b>-</b>	<b>9,781,069</b>
<b>Total capital assets, being depreciated, net</b>	<b>21,673,908</b>	<b>1,342,852</b>	<b>107,887</b>	<b>-</b>	<b>22,908,873</b>
<b>Net discretely presented component unit - Waterloo Water Works capital assets, net</b>	<b>\$ 22,513,736</b>	<b>\$ 3,562,753</b>	<b>\$ 2,098,248</b>	<b>\$ -</b>	<b>\$ 23,978,241</b>

	Beginning Balance June 30, 2013, As Restated	Additions	Deletions	Transfers	Ending Balance June 30, 2014
<b>Discretely Presented Component Unit - Waterloo Convention &amp; Visitors Bureau, Inc.</b>					
Capital assets, being depreciated:					
Equipment	\$ 86,274	\$ -	\$ 12,702	\$ -	\$ 73,572
Leasehold improvements	125,924	-	-	-	125,924
<b>Total capital assets, being depreciated</b>	<b>212,198</b>	<b>-</b>	<b>12,702</b>	<b>-</b>	<b>199,496</b>
Less accumulated depreciation	105,223	20,020	11,992	-	113,251
<b>Total capital assets, being depreciated, net</b>	<b>\$ 106,975</b>	<b>\$ (20,020)</b>	<b>\$ 710</b>	<b>\$ -</b>	<b>\$ 86,245</b>

City of Waterloo, Iowa

Notes to Basic Financial Statements

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**Note 6. Capital Assets (Continued)**

Depreciation expense was charged by the City as follows for the year ended June 30, 2014:

Governmental activities:	
Public safety	\$ 811,941
Public works	11,369,333
Culture and recreation	1,534,079
Community and economic development	178,563
General government	138,670
<b>Total governmental activities</b>	<u>14,032,586</u>
Business-type activities:	
Sanitary sewer	2,409,465
Sanitation	279,642
<b>Total business-type activities</b>	<u>2,689,107</u>
<b>Total primary government</b>	<u>\$ 16,721,693</u>
<b>Component unit - Waterloo Water Works</b>	<u>\$ 612,317</u>
<b>Component unit - Waterloo Convention &amp; Visitors Bureau, Inc.</b>	<u>\$ 20,020</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, 2014, two 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 \$6,314, attributable to governmental activities and \$5,781, 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, 2014, one employee was receiving payments, the remaining balance was \$12,644 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

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**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, 2014, there was \$2,664,252 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, 2014, there was \$178,229 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, 2014, \$61,792, 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, 2014, there was \$1,388,031 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 \$46,619 for unused casual leave earned during the fiscal year ended June 30, 2014.

The sick leave bonus and accrued casual pay are reported as compensated absences in the applicable fund which includes \$184,483 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, 2014:

	June 30, 2013	Increases and Issues	Decreases and Retirements	June 30, 2014	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 65,438,900	\$ 20,265,000	\$ 17,198,500	\$ 68,505,400	\$ 9,439,200
Loans and notes	2,524,320	6,130	248,445	2,282,005	221,051
Deferred compensation	31,285	347	12,674	18,958	12,518
Compensated absences	3,855,045	3,338,663	3,275,755	3,917,953	2,669,364
<b>Subtotal</b>	<b>71,849,550</b>	<b>23,610,140</b>	<b>20,735,374</b>	<b>74,724,316</b>	<b>12,342,133</b>
Unamortized discounts	(143,250)	(29,250)	(22,121)	(150,379)	-
Bond premium	670,570	234,964	33,635	871,899	-
<b>Total long-term liabilities, governmental activities</b>	<b>\$ 72,376,870</b>	<b>\$ 23,815,854</b>	<b>\$ 20,746,888</b>	<b>\$ 75,445,836</b>	<b>\$ 12,342,133</b>
<b>Business-type activities:</b>					
General obligation bonds	\$ 24,441,100	\$ 3,285,000	\$ 5,506,500	\$ 22,219,600	\$ 2,545,800
Revenue bonds	3,115,000	-	1,205,000	1,910,000	1,195,000
Deferred compensation	9,137	-	3,356	5,781	3,144
Compensated absences	313,354	327,085	325,244	315,195	244,945
<b>Subtotal</b>	<b>27,878,591</b>	<b>3,612,085</b>	<b>7,040,100</b>	<b>24,450,576</b>	<b>3,988,889</b>
Unamortized discounts	(110,997)	-	(10,254)	(100,743)	-
Bond premium	74,912	73,628	9,225	139,315	-
<b>Total long-term liabilities, business-type activities</b>	<b>\$ 27,842,506</b>	<b>\$ 3,685,713</b>	<b>\$ 7,039,071</b>	<b>\$ 24,489,148</b>	<b>\$ 3,988,889</b>

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, 2014, the City issued \$10,065,000 in General Obligation Bonds, Series 2014A maturing June 1, 2015 through June 1, 2029 with interest rates ranging from 2 percent to 3.125 percent. On June 27, 2014, the City issued \$4,970,000 in Taxable General Obligation Bonds, Series 2014B maturing June 1, 2015 through June 1, 2029 with interest rates ranging from 1 percent to 4 percent. Reasons for issuance were to finance certain capital improvements, equipment and vehicle acquisitions and urban renewal projects in the City, refund \$3,310,000 of the outstanding General Obligation Bonds, Series 2006A, and \$195,000 of the 1998 general obligation capital loan notes, and pay a portion of the costs of issuance of the bonds.

**City of Waterloo, Iowa**

**Notes to Basic Financial Statements**

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**Note 9. Long-Term Liabilities (Continued)**

On June 27, 2014, the City issued \$8,515,000 in General Obligation Refunding Bonds, Series 2014C maturing June 1, 2015 through June 1, 2022 with an interest rate of 2 percent to refund \$5,725,000 of the outstanding General Obligation Bonds, Series 2007A with interest rates ranging from 4 percent to 4.5 percent and \$2,560,000 of sewer bonds with an interest rate of 4 percent to 4.5 percent.

The City completed the 2014A, 2014B and 2014C refundings to reduce its total debt service payments over the next eight years by \$830,198 and to obtain an economic gain (difference between the present values of old and new debt service payments) of \$742,210.

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

Issue Date	Purpose	Interest Rates	Outstanding June 30, 2014
June 2002	Taxable	4.000% - 6.000%	\$ 145,000
June 2003	Taxable	3.750 - 4.900	125,000
June 2007	Refunding	4.000	520,000
June 2007	Taxable	5.400 - 5.600	420,000
June 2008	Various	3.500 - 3.900	2,965,000
June 2008	Taxable	5.000	1,350,000
June 2009	Refunding	1.000 - 5.000	1,905,000
June 2009	Taxable	1.750 - 5.750	5,200,000
June 2010	Refunding	1.000 - 2.450	2,565,000
June 2010	Taxable	1.000 - 5.000	7,305,000
June 2011	Refunding	2.000 - 4.000	8,160,000
June 2011	Taxable	0.600 - 4.600	7,540,000
June 2012	Taxable	2.000 - 2.300	7,200,000
June 2012	Refunding	0.350 - 1.350	3,955,000
June 2012	Taxable	2.200 - 3.500	4,615,000
June 2013	Taxable	2.000 - 3.700	11,950,000
June 2013	Refunding	0.500 - 2.500	1,255,000
June 2014	Taxable	1.000 - 4.000	15,035,000
June 2014	Refunding	2.000	8,515,000
<b>Total</b>			<b>\$ 90,725,000</b>

**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, 2014 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>				
2015	\$ 9,439,200	\$ 1,906,869	\$ 1,195,000	\$ 38,703
2016	8,744,000	1,708,124	575,000	17,413
2017	8,203,200	1,482,952	140,000	4,200
2018	7,258,000	1,271,776	-	-
2019	6,346,000	1,081,451	-	-
2020 - 2024	18,536,000	3,298,176	-	-
2025 - 2029	9,979,000	836,405	-	-
	<u>\$ 68,505,400</u>	<u>\$ 11,585,753</u>	<u>\$ 1,910,000</u>	<u>\$ 60,316</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 \$1,970,316. Principal and interest paid for the current year and total customer net revenues were \$1,259,403 and \$5,553,729, 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.

## City of Waterloo, Iowa

### Notes to Basic Financial Statements

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#### 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, 2014, sewer net revenue was 377 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 \$157,018 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, 2014, 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.

- Wilbert Burial Vault Co., \$46,264 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., \$40,336 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, \$1,782,949 plus interest at 7 percent through March 31, 2011 then at 4.750 percent, compounded semiannually. In fiscal year 2014, there were additions to the agreement of \$6,130. Payable at \$300,000 in fiscal year 2011 and semiannual payments of \$100,000 are due beginning November 2011 until principal plus interest have been paid.

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

	Governmental Activities			
	GO Debt Service		Nonmajor Governmental Funds	
	Principal	Interest	Principal	Interest
<u>Year ending June 30:</u>				
2015	\$ 76,001	\$ 10,363	\$ 145,050	\$ 88,335
2016	81,017	5,347	153,125	80,261
2017	-	-	193,560	72,821
2018	-	-	182,804	65,254
2019	-	-	192,383	58,703
2020 - 2022	-	-	1,258,065	134,401
	<u>\$ 157,018</u>	<u>\$ 15,710</u>	<u>\$ 2,124,987</u>	<u>\$ 499,775</u>

Discretely presented component unit:

	Balance			Balance	Due Within
	December 31, 2012	Additions	Deletions		
Capital loan notes	\$ 1,470,000	\$ -	\$ 345,000	\$ 1,125,000	\$ 360,000
Compensated absences	58,335	50,137	58,335	50,137	50,137
<b>Subtotal</b>	<u>1,528,335</u>	<u>50,137</u>	<u>403,335</u>	<u>1,175,137</u>	<u>410,137</u>
Less unamortized discount	9,588	-	3,196	6,392	-
<b>Total long-term debt</b>	<u>\$ 1,518,747</u>	<u>\$ 50,137</u>	<u>\$ 400,139</u>	<u>\$ 1,168,745</u>	<u>\$ 410,137</u>

Series 2007 capital loan notes, Bankers Trust Company, N.A. due in annual payments ranging from \$360,000 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 \$1,215,840. For the current year, principal and interest paid and net revenue of the system were \$402,922 and \$2,691,836, 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.

## City of Waterloo, Iowa

### Notes to Basic Financial Statements

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#### Note 9. Long-Term Liabilities (Continued)

As of December 31, 2013 annual maturities of long-term debt were as follows:

Year ending December 31:	Principal	Interest	Total
2014	\$ 360,000	\$ 44,640	\$ 404,640
2015	375,000	30,600	405,600
2016	390,000	15,600	405,600
	<u>\$ 1,125,000</u>	<u>\$ 90,840</u>	<u>\$ 1,215,840</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 \$110,400 for the year ended June 30, 2014.

Cedar Valley SportsPlex: The Cedar Valley SportsPlex, a 125,000 square foot recreational facility that includes indoor soccer fields, gyms, a leisure pool, fitness facility, running track and multi-purpose activity spaces, opened in January 2014. The facility is a joint project of the City and the Waterloo Development Corporation. The Waterloo Development Corporation raised the funds, through a combination of private donations and grants from the Black Hawk County Gaming Association, to construct the \$23 million facility. The City acquired the property where the facility is located and signed a lease purchase agreement to operate the facility. The lease purchase agreement gave the City the option to take ownership of the facility at the end of the lease term or to cease operating the facility at that time. Subsequent to year-end, in August 2014, the lease agreement was amended to remove that option. The Waterloo Development Corporation signed an agreement with the City which guarantees that the fundraising for construction will be completed.

The Leisure Services department is operating the facility with a combination of existing and additional staff positions. The intent is for the facility to be self-supporting.

#### 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, 2014 the City's rate was 30.12 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, 2014, 2013 and 2012 were \$4,418,650, \$3,844,363 and \$3,522,615, respectively, which met the required contributions for each year.

**City of Waterloo, Iowa**

**Notes to Basic Financial Statements**

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**Note 11. Retirement Systems (Continued)**

**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 5.95 percent of their annual salary and the City is required to contribute 8.93 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, 2014, 2013 and 2012 were \$1,420,507, \$1,358,920 and \$1,250,399, respectively, which met the required contributions for each year.

**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 were required to contribute all of the mandatory contributions. Amounts contributed to the plan during 2013, 2012 and 2011 were \$480,199, \$423,689 and \$376,664, respectively.

Annual pension cost and net pension obligation: The annual pension cost for 2013 was determined as part of the actuarial valuation using the January 1, 2013 projected unit credit cost method. The actuarial assumptions for 2013 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 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, 2011	\$ 383,404	98%	\$ (31,401)
December 31, 2012	423,689	100	-
<b>December 31, 2013</b>	<b>480,199</b>	<b>100</b>	<b>-</b>

## City of Waterloo, Iowa

### Notes to Basic Financial Statements

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#### Note 12. Deficit Fund Balances

Funds with deficit balances as of June 30, 2014 were as follows:

Major governmental, Special revenue, Grants	\$ 3,300,793
Nonmajor governmental:	
Special revenue:	
Community Development Block Grant	57,633
Federal Aviation Agency Projects	92,914
Capital projects,	
Capital Improvements	1,271,415

#### 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, 2014, the City was committed to approximately \$30.3 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, a not-for-profit corporation. Main Street Waterloo and the City are not part of the same reporting entity. In 1999, Main Street Waterloo entered into a loan agreement with a financial institution, which was amended in 2006 and 2010. The note matures monthly through July 15, 2015. When the loan was entered into, the City voted to extend a nonexchange financial guarantee on the Main Street Waterloo loan. In the event that Main Street Waterloo is unable to repay the loan, the City would be required to make the payment, with no requirements for Main Street Waterloo to repay the City if the City has to pay any amount on the loan. As of June 30, 2014, the loan balance was \$223,593. Based on City management's assessment of the qualitative factors and historical data, the City has not recorded a liability for this nonexchange financial guarantee.

#### Note 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 (seven years of service after July 1, 2012), be age 55 and be vested in IPERS to participate in the plan. Retirees are allowed to be covered by the plan until they are medicare eligible at 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.

**City of Waterloo, Iowa**

**Notes to Basic Financial Statements**

**Note 14. Other Postemployment Benefits (Continued)**

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 2014, the City contributed \$1,606,884. 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.

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	\$ 1,744,000
Interest on net OPEB obligation	212,000
Adjustment to annual required contribution	(232,116)
Annual OPEB cost (expense)	<u>1,723,884</u>
Contributions and payments made	<u>1,606,884</u>
Increase in net OPEB obligation	117,000
Net OPEB obligation - July 1, 2013	<u>4,720,000</u>
Net OPEB obligation - June 30, 2014	<u><u>\$ 4,837,000</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 2,285,080	90.66%	\$ 4,305,000
June 30, 2013	2,247,227	81.53	4,720,000
<b>June 30, 2014</b>	<b>1,723,884</b>	<b>93.21</b>	<b>4,837,000</b>

OPEB obligations for 2014 and the two preceding years follows.

Funded status and funding progress: As of July 1, 2013, the most recent valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$22,667,000 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$22,667,000. The covered payroll (annual payroll of active employees covered by the plan) was \$32,617,036 and the ratio of the UAAL to the covered payroll was 69.49 percent.

## City of Waterloo, Iowa

### Notes to Basic Financial Statements

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#### Note 14. Other Postemployment Benefits (Continued)

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.

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, 2013 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 8.5 percent on a select basis reducing 0.5 percent each year until reaching the ultimate trend rate of 5 percent, an annual salary increase of 3.5 percent, and an inflation rate 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 2015, 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:

	2014	2013
Estimated unpaid claims, beginning of year	\$ 1,383,055	\$ 1,266,554
Estimated claims incurred	8,047,440	10,169,173
Claims payments	(8,451,597)	(10,052,672)
Estimated unpaid claims, end of year	<u>\$ 978,898</u>	<u>\$ 1,383,055</u>

As of June 30, 2014, the City has \$6,808,406 of net position restricted for the payment of future health claims.

## City of Waterloo, Iowa

### Notes to Basic Financial Statements

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#### 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, 2014, and is recorded as a liability in the government-wide statement of net position. \$17,986 is considered matured and is recorded in the General Fund with accrued liabilities. Changes and balances are as follows:

	2014	2013
Estimated unpaid claims, beginning of year	\$ 284,320	\$ 22,987
Estimated claims incurred	653,572	819,071
Claims payments	(535,906)	(557,738)
Estimated unpaid claims, end of year	<u>\$ 401,986</u>	<u>\$ 284,320</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 (\$1,465,287 during the year ended June 30, 2014). During the year ended June 30, 2014, 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, 2014, 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, 2014 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.

**City of Waterloo, Iowa**

**Notes to Basic Financial Statements**

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**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, 2014, the City has assigned \$3,075,042 of its General Fund, fund balance for insurable risks retained.

**Note 20. 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 21. 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	Local Option Tax	General Obligation Debt Service	Nonmajor Governmental	Total
<b>Nonspendable:</b>								
Inventories	\$ 318,204	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 139,085	\$ 457,289
Prepays	74,537	-	-	-	-	-	327,080	401,617
<b>Total nonspendable</b>	<b>392,741</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>466,165</b>	<b>858,906</b>
<b>Restricted:</b>								
Debt service	-	-	-	2,281,119	-	1,337,617	-	3,618,736
Self-funded health insurance	6,808,406	-	-	-	-	-	-	6,808,406
Tourism promotion	1,070,737	-	-	-	-	-	-	1,070,737
Public access television	131,642	-	-	-	-	-	-	131,642
Civil rights enforcement	48,242	-	-	-	-	-	-	48,242
Housing	131,531	-	-	-	-	-	3,984,177	4,115,708
Donor specified	476,941	-	-	-	-	-	-	476,941
Employee benefits	-	2,234,499	-	-	-	-	-	2,234,499
Library	-	-	-	-	-	-	103,470	103,470
Street construction	-	-	-	-	6,536,419	-	-	6,536,419
Loan reserve	-	-	-	-	-	-	517,491	517,491
Street and right-of-way maintenance	-	-	-	-	-	-	4,590,697	4,590,697
Improvements	-	-	-	-	-	-	19,513,550	19,513,550
<b>Total restricted</b>	<b>8,667,499</b>	<b>2,234,499</b>	<b>-</b>	<b>2,281,119</b>	<b>6,536,419</b>	<b>1,337,617</b>	<b>28,709,385</b>	<b>49,766,538</b>
<b>Committed:</b>								
Vision Iowa projects	36,595	-	-	-	-	-	-	36,595
<b>Assigned:</b>								
Insurance	3,075,042	-	-	-	-	-	-	3,075,042
Other postemployment benefits	1,040,792	-	-	-	-	-	-	1,040,792
Other	43,563	-	-	431,389	-	-	80,148	555,100
Use of fund balance for property valuation settlements	271,063	-	-	-	-	-	-	271,063
Improvements	-	-	-	-	1,847,616	-	-	1,847,616
<b>Total assigned</b>	<b>4,430,460</b>	<b>-</b>	<b>-</b>	<b>431,389</b>	<b>1,847,616</b>	<b>-</b>	<b>80,148</b>	<b>6,789,613</b>
<b>Unassigned</b>	<b>10,184,876</b>	<b>-</b>	<b>(3,300,793)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,929,863)</b>	<b>4,954,220</b>
<b>Total fund balances (deficit)</b>	<b>\$ 23,712,171</b>	<b>\$ 2,234,499</b>	<b>\$ (3,300,793)</b>	<b>\$ 2,712,508</b>	<b>\$ 8,384,035</b>	<b>\$ 1,337,617</b>	<b>\$ 27,325,835</b>	<b>\$ 62,405,872</b>

**Notes to Basic Financial Statements**

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**Note 22. 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. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, issued November 2013, will be effective for the City beginning with its year ending June 30, 2015. This Statement eliminates a potential source of understatement of restated beginning net position and expense in a government’s first year of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. To correct this potential understatement, Statement 71 requires a state or local government, when transitioning to the new pension standards, to recognize a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. This amount will be recognized regardless of whether it is practical to determine the beginning amounts of all other deferred outflows of resources and deferred inflows of resources related to pensions.

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

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**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]
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
2014	<b>7/1/13</b>	-	<b>22,667,000</b>	<b>22,667,000</b>	-	<b>32,617,036</b>	<b>69.49</b>

The information presented in the required supplementary schedule was determined as part of the actuarial valuation date as of July 1, 2013. 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 8.5 percent initially, decreasing 0.5 percent each year until reaching the ultimate trend rate of 5 percent, c) an annual salary increase of 3.5 percent, and d) an inflation rate of 3.5 percent.
- d. The amortization method is level percentage of pay on an open basis over 30 years.

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, 2014**

	Budgeted Amounts	
	Original	Final
Revenues and other financing sources receipts:		
Receipts:		
Property taxes	\$ 39,993,210	\$ 39,993,210
Tax increment financing	6,617,844	6,617,844
Other City taxes	16,406,745	16,442,960
Licenses and permits	1,137,036	1,137,036
Use of money and property	1,246,800	1,271,800
Intergovernmental	36,675,603	38,467,733
Charges for services	23,792,466	23,950,747
Special assessments	174,000	174,000
Miscellaneous	6,571,570	7,148,497
<b>Total receipts</b>	<b>132,615,274</b>	<b>135,203,827</b>
Other financing sources:		
Transfer from other funds	14,972,876	18,536,397
Issuance of long-term debt	12,000,000	24,575,000
Proceeds from sale of capital assets	88,000	96,625
<b>Total other financing sources</b>	<b>27,060,876</b>	<b>43,208,022</b>
<b>Total receipts and other financing sources</b>	<b>159,676,150</b>	<b>178,411,849</b>
Disbursements and other financing uses:		
Governmental-type activities:		
Public safety	31,270,848	31,422,170
Public works	27,265,482	28,760,480
Health and social services	365,503	406,630
Culture and recreation	10,332,384	10,807,435
Community and economic development	13,544,292	14,776,433
General government	5,809,710	5,836,368
Debt service	14,166,914	26,762,914
Capital projects	29,111,130	30,479,065
Business-type activities	18,492,733	18,506,733
<b>Total disbursements</b>	<b>150,358,996</b>	<b>167,758,228</b>
Other financing uses, transfers to other funds	14,972,876	18,536,397
<b>Total disbursements and other financing uses</b>	<b>165,331,872</b>	<b>186,294,625</b>
<b>Receipts and other financing sources over (under) disbursements and other financing uses</b>	<b>(5,655,722)</b>	<b>(7,882,776)</b>
Balances, beginning of year	75,984,016	85,732,041
Balances, end of year	\$ 70,328,294	\$ 77,849,265

See Note to Required Supplementary Information.

Actual Amounts Budgetary Basis	Variance With Final Budget
\$ 39,690,828	\$ (302,382)
6,233,647	(384,197)
16,688,546	245,586
1,343,179	206,143
1,406,806	135,006
25,882,186	(12,585,547)
23,326,996	(623,751)
227,243	53,243
7,751,539	603,042
<u>122,550,970</u>	<u>(12,652,857)</u>
18,241,045	(295,352)
23,858,593	(716,407)
245,771	149,146
<u>42,345,409</u>	<u>(862,613)</u>
<u>164,896,379</u>	<u>(13,515,470)</u>
30,844,491	577,679
26,324,108	2,436,372
364,983	41,647
9,728,169	1,079,266
12,822,005	1,954,428
3,484,271	2,352,097
25,999,792	763,122
19,647,962	10,831,103
16,321,304	2,185,429
<u>145,537,085</u>	<u>22,221,143</u>
18,241,045	295,352
<u>163,778,130</u>	<u>22,516,495</u>
1,118,249	9,001,025
85,732,041	-
<u>\$ 86,850,290</u>	<u>\$ 9,001,025</u>

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**City of Waterloo, Iowa**

**Note to Required Supplementary Information – Budgetary Reporting  
Year Ended June 30, 2014**

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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 \$17,399,232. 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, 2014**

	Governmental Fund Types Basis Actual Amounts	Enterprise Fund Types Basis Actual Amounts	Total Funds
Revenue/Receipts:			
Property taxes and TIF revenue	\$ 44,623,905	\$ -	\$ 44,623,905
Other taxes	16,946,689	-	16,946,689
Licenses and permits	1,350,599	-	1,350,599
Use of money and property	1,381,197	25,122	1,406,319
Intergovernmental	23,425,271	272,755	23,698,026
Charges for services	6,894,308	16,436,753	23,331,061
Interfund charges for services	1,935,000	-	1,935,000
Special assessments	139,408	-	139,408
Miscellaneous	3,425,567	17,928	3,443,495
<b>Total revenue/receipts</b>	<b>100,121,944</b>	<b>16,752,558</b>	<b>116,874,502</b>
Expenditures and expenses/disbursements:			
Public safety	30,865,364	-	30,865,364
Public works	29,009,814	-	29,009,814
Health and social services	365,847	-	365,847
Culture and recreation	9,835,758	-	9,835,758
Community and economic development	12,966,402	-	12,966,402
General government	2,468,932	-	2,468,932
Debt service	11,187,049	-	11,187,049
Capital projects	14,033,868	-	14,033,868
Business-type activities	-	14,170,972	14,170,972
<b>Total expenditures and expenses/ disbursements</b>	<b>110,733,034</b>	<b>14,170,972</b>	<b>124,904,006</b>
<b>Net</b>	<b>(10,611,090)</b>	<b>2,581,586</b>	<b>(8,029,504)</b>

(Continued)

Budgetary Basis Exceptions	Property Tax Collected for and Remitted to MET	Other GAAP Conversion Adjustments	Budgetary Basis
\$ -	\$ 1,465,287	\$ (164,717)	\$ 45,924,475
-	-	(258,143)	16,688,546
-	-	(7,420)	1,343,179
-	-	487	1,406,806
-	-	2,184,160	25,882,186
-	-	(4,065)	23,326,996
-	-	(1,935,000)	-
-	-	87,835	227,243
-	-	4,308,044	7,751,539
-	1,465,287	4,211,181	122,550,970
-	-	(20,873)	30,844,491
-	1,465,287	(4,150,993)	26,324,108
-	-	(864)	364,983
-	-	(107,589)	9,728,169
-	-	(144,397)	12,822,005
-	-	1,015,339	3,484,271
-	-	14,812,743	25,999,792
-	-	5,614,094	19,647,962
-	-	2,150,332	16,321,304
-	1,465,287	19,167,792	145,537,085
-	-	(14,956,611)	(22,986,115)

City of Waterloo, Iowa

Schedule of Comparison  
 Funds Statements (GAAP Basis) to Budgetary (Modified Cash) Basis (Continued)  
 Required Supplementary Information  
 Year Ended June 30, 2014

	Governmental Fund Types Basis Actual Amounts	Enterprise Fund Types Basis Actual Amounts	Total Funds
Other financing sources (uses):			
Transfers in	\$ 11,006,208	\$ -	\$ 11,006,208
Transfers out	(11,006,208)	-	(11,006,208)
Insurance proceeds	356,454	-	356,454
Bond discount	(29,251)	-	(29,251)
Bond premium	234,964	-	234,964
Proceeds from sales of capital assets	47,937	-	47,937
Issuance of long-term debt	20,265,000	-	20,265,000
Payments to refunded bond escrow agent	(8,806,014)	-	(8,806,014)
<b>Total other financing sources (uses)</b>	<b>12,069,090</b>	<b>-</b>	<b>12,069,090</b>
<b>Change in fund balance/net position</b>	<b>1,458,000</b>	<b>2,581,586</b>	<b>4,039,586</b>
Balance, beginning of year	60,947,872	90,095,210	151,043,082
Balance, end of year	<u>\$ 62,405,872</u>	<u>\$ 92,676,796</u>	<u>\$ 155,082,668</u>

Budgetary Basis Exceptions	Property Tax Collected for and Remitted to MET	Other GAAP Conversion Adjustments	Budgetary Basis
\$ -	\$ -	\$ 7,234,837	\$ 18,241,045
-	-	(7,234,837)	(18,241,045)
-	-	(356,454)	-
-	-	29,251	-
-	-	(234,964)	-
-	-	197,834	245,771
-	-	3,593,593	23,858,593
-	-	8,806,014	-
-	-	12,035,274	24,104,364
-	-	(2,921,337)	1,118,249
-	-	(65,311,041)	85,732,041
\$ -	\$ -	\$ (68,232,378)	\$ 86,850,290

**City of Waterloo, Iowa**

**Schedule of Revenues, Expenditures and Changes in Fund Balances**

**General Fund**

**Year Ended June 30, 2014**

Revenues:	
Property taxes	\$ 19,702,253
Other taxes	6,203,201
Licenses and permits	1,334,705
Investment income	51,809
Rent	1,004,877
Intergovernmental	1,225,512
Charges for services	6,595,480
Indirect allocations	1,885,000
Special assessments	139,408
Miscellaneous	1,973,383
<b>Total revenues</b>	<b><u>\$ 40,115,628</u></b>
Expenditures:	
Public safety function	
Mayor	
Black Hawk Emergency Management Agency	
Contractual services	\$ 76,246
<b>Total activity and department</b>	<b><u>76,246</u></b>
Police department	
Police operations	
Compensation and benefits	11,372,526
Contractual services	834,331
Commodities	333,779
<b>Total activity</b>	<b><u>12,540,636</u></b>
Police computer services	
Contractual services	69,347
Commodities	75,850
<b>Total activity</b>	<b><u>145,197</u></b>
Police grants	
Compensation and benefits	611,817
Contractual services	25,425
Commodities	44,519
<b>Total activity</b>	<b><u>681,761</u></b>
Law enforcement programs	
Compensation and benefits	12,420
Contractual services	161,598
Commodities	152,648
Capital outlay	10,760
<b>Total activity</b>	<b><u>337,426</u></b>
Tobacco grant	
Compensation and benefits	3,164
<b>Total activity</b>	<b><u>3,164</u></b>

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2014

Expenditures (continued):

Public safety function (continued)

Police department (continued)

Public safety administration

Compensation and benefits

\$ 138,258

Contractual services

842

Commodities

247

**Total activity**

139,347

**Total department**

13,847,531

Fire department

Fire protection

Compensation and benefits

8,703,937

Contractual services

406,302

Commodities

96,680

**Total activity**

9,206,919

Fire restricted programs

Compensation and benefits

17,137

Commodities

93

**Total activity**

17,230

Fire ambulance services

Compensation and benefits

1,270,140

Contractual services

172,262

Commodities

157,025

**Total activity**

1,599,427

Fire safety program

Compensation and benefits

126,562

Contractual services

30,308

Commodities

1,271

**Total activity**

158,141

**Total department**

10,981,717

Traffic operations department

Animal Control

Compensation and benefits

94,646

Contractual services

31,336

Commodities

35,912

**Total activity**

161,894

Animal control restricted projects

Commodities

568

**Total activity**

568

**Total department**

162,462

Building inspection department

Building and housing safety

Compensation and benefits

1,091,703

Contractual services

28,512

Commodities

35,136

**Total activity and department**

1,155,351

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2014

Expenditures:

Public safety function (continued)

Central garage department

Fire - garage parts & service

Compensation and benefits 83,332

Commodities 82,156

**Total activity and department** 165,488

Ambulance - garage parts & service

Commodities 20,215

**Total activity and department** 20,215

Public safety function totals

Current

Compensation and benefits \$ 23,525,642

Contractual services 1,836,509

Commodities 1,036,099

**Subtotal** 26,398,250

Capital outlay 10,760

**Total public safety function** \$ 26,409,010

Public works function

Clerk

Parking administration

Compensation and benefits \$ 87,907

Contractual services 37,690

Commodities 3,732

**Total activity and department** 129,329

Sidewalk repair/construction

Commodities 144

Capital outlay 115,057

**Total activity and department** 115,201

Traffic operations

Parking maintenance

Compensation and benefits 209,101

Contractual services 50,488

Commodities 20,049

**Total activity and department** 279,638

Central garage

Central garage

Compensation and benefits 717,115

Contractual services 37,687

Commodities 103,128

Capital outlay 2,683

**Total activity** 860,613

Motor pool service

Commodities 465,662

**Total activity** 465,662

**Total department** 1,326,275

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2014

Expenditures:

Public works function (continued)

Airport

Airport administration

Compensation and benefits

465,741

Contractual services

292,058

Commodities

117,418

**Total activity and department**

875,217

Public works function totals

Current

Compensation and benefits

\$ 1,479,864

Contractual services

417,923

Commodities

710,133

**Subtotal**

2,607,920

Capital outlay

117,740

**Total public works function**

\$ 2,725,660

Health and social services function

Mayor

Health and sanitation

Contractual services

\$ 75,000

**Total activity and department**

75,000

Human rights department

Human rights

Compensation and benefits

226,166

Contractual services

13,609

Commodities

3,904

**Total activity**

243,679

EEOC contract

Contractual services

7,758

**Total activity**

7,758

Housing enforcement

Contractual services

38,665

**Total activity**

38,665

Cedar Valley diversity action team

Contractual services

745

**Total activity**

745

**Total department**

290,847

Health and social services function totals

Current

Compensation and benefits

226,166

Contractual services

135,777

Commodities

3,904

**Total health and social services function**

\$ 365,847

(Continued)

**City of Waterloo, Iowa**

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

**General Fund**

**Year Ended June 30, 2014**

Expenditures:

Culture and recreation function

Mayor

Fairview cemetery association

Contractual services

\$ 60,000

**Total activity and department**

60,000

Cultural/arts

Center for the arts

Compensation and benefits

608,504

Contractual services

90,371

Commodities

27,464

**Total activity**

726,339

Youth pavilion

Compensation and benefits

226,614

Contractual services

51,022

Commodities

28,643

**Total activity**

306,279

Culture and arts grants and projects

Compensation and benefits

1,944

Contractual services

57,547

**Total activity**

59,491

**Total department**

1,092,109

Library

Library services

Compensation and benefits

1,271,636

Contractual services

239,881

Commodities

215,882

**Total activity**

1,727,399

Library Enrich Iowa

Contractual services

11,604

Commodities

2,463

**Total activity**

14,067

Library access plus

Commodities

2,996

**Total activity**

2,996

Library grants

Contractual services

2,561

Commodities

37,696

**Total activity**

40,257

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2014

Expenditures (continued):

Culture and recreation function (continued):

Library (continued):

Library gift and trust

Contractual services

Commodities

**Total activity**

\$ 40,265  
53,356  
93,621

Library service area

Commodities

**Total activity**

3,996  
3,996

County library system

Compensation and benefits

Commodities

**Total activity**

56,648  
831  
57,479

Library open access

Contractual services

Commodities

**Total activity**

**Total department**

3,100  
4,910  
8,010  
1,947,825

Leisure services

Leisure services

Compensation and benefits

Contractual services

Commodities

**Total activity**

1,790,338  
239,055  
290,807  
2,320,200

Downtown area maintenance

Compensation and benefits

Contractual services

Commodities

**Total activity**

191,088  
60,592  
37,316  
288,996

Leisure services projects

Compensation and benefits

Contractual services

Commodities

Capital outlay

**Total activity**

933  
121,756  
51,004  
69,948  
243,641

Golf courses

Compensation and benefits

Contractual services

Commodities

**Total activity**

922,726  
116,564  
155,813  
1,195,103

Golf course improvements

Contractual services

Commodities

**Total activity**

(537)  
11,261  
10,724

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2014

Expenditures (continued):

Culture and recreation function (continued):

Leisure services (continued)

Sports and youth services

Compensation and benefits	\$ 475,162
Contractual services	23,584
Commodities	119,776
<b>Total activity</b>	<u>618,522</u>

Young arena

Compensation and benefits	438,346
Contractual services	186,850
Commodities	221,890
<b>Total activity</b>	<u>847,086</u>

Sportsplex

Compensation and benefits	367,502
Contractual services	149,921
Commodities	64,000
<b>Total activity</b>	<u>581,423</u>
<b>Total department</b>	<u>6,105,695</u>

Culture and recreation function totals

Current

Compensation and benefits	6,351,441
Contractual services	1,454,136
Commodities	1,330,104
<b>Subtotal</b>	<u>9,135,681</u>

Capital outlay

	69,948
<b>Total culture and recreation function</b>	<u>\$ 9,205,629</u>

Community and economic development function

Mayor

Iowa northland council of governments

Contractual services	\$ 31,467
<b>Total activity</b>	<u>31,467</u>

Tourism promotion

Contractual services	234,466
<b>Total activity</b>	<u>234,466</u>

Waterloo Convention & Visitors Bureau, Inc.

Contractual services	596,090
<b>Total activity</b>	<u>596,090</u>
<b>Total department</b>	<u>862,023</u>

Planning and zoning

Planning and zoning

Compensation and benefits	422,161
Contractual services	18,064
Commodities	6,533
<b>Total activity</b>	<u>446,758</u>

City property management

Contractual services	117,137
<b>Total activity</b>	<u>117,137</u>

(Continued)

**City of Waterloo, Iowa**

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

**General Fund**

**Year Ended June 30, 2014**

Expenditures (continued):

Community and economic development function (continued):

Planning and zoning (continued)

Economic development

Compensation and benefits

\$	75,785
	<u>75,785</u>

**Total activity**

Special projects

Contractual services

	1,500
	<u>1,500</u>

**Total activity**

**Total department**

	<u>641,180</u>
--	----------------

Five Sullivans Civic Center

Compensation and benefits

95,845

Contractual services

207,744

Commodities

16,583

Capital outlay

8,591

**Total activity and department**

	<u>328,763</u>
--	----------------

Community development

Housing pool

Contractual services

5,000

**Total activity and department**

	<u>5,000</u>
--	--------------

Community and economic development function totals

Current

Compensation and benefits

593,791

Contractual services

1,211,468

Commodities

23,116

**Subtotal**

1,828,375

Capital outlay

8,591

**Total community and economic development function**

\$	<u><u>1,836,966</u></u>
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(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2014

Expenditures:

General government function

Mayor

Mayor's office

Compensation and benefits	\$ 200,804
Contractual services	14,220
Commodities	986
<b>Total activity</b>	<u>216,010</u>

Administrative and management information services

Compensation and benefits	94,229
Contractual services	197,316
Commodities	5,378
<b>Total activity</b>	<u>296,923</u>
<b>Total department</b>	<u>512,933</u>

City council

City council

Compensation and benefits	68,096
Contractual services	662
<b>Total activity and department</b>	<u>68,758</u>

City clerk and finance

Telecommunications

Compensation and benefits	150,611
Contractual services	798
Commodities	454
<b>Total activity</b>	<u>151,863</u>

City clerk and finance

Compensation and benefits	752,360
Contractual services	247,585
Claims, judgments, contingencies	5,178
Commodities	65,414
<b>Total activity</b>	<u>1,070,537</u>

Liability insurance

Compensation and benefits	42,326
Contractual services	1,291,190
<b>Total activity</b>	<u>1,333,516</u>

Health/life insurance

Compensation and benefits	(2,025)
Contractual services	(2,387,516)
<b>Total activity</b>	<u>(2,389,541)</u>

Self-funded worker's compensation

Contractual services	513,573
<b>Total activity</b>	<u>513,573</u>

Print shop

Contractual services	44,718
<b>Total activity</b>	<u>44,718</u>
<b>Total department</b>	<u>724,666</u>

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2014

Expenditures (continued):

General government function (continued):

City attorney

City attorney	
Compensation and benefits	\$ 167,649
Contractual services	124,901
Commodities	7,551
<b>Total activity and department</b>	<u>300,101</u>

Human resources

Employee assistance program

Contractual services	825
<b>Total activity</b>	<u>825</u>

Human resources

Compensation and benefits	277,874
Contractual services	21,031
Commodities	14,947
<b>Total activity</b>	<u>313,852</u>

Safety committee

Compensation and benefits	293
Contractual services	8,179
Commodities	2,930
<b>Total activity</b>	<u>11,402</u>
<b>Total department</b>	<u>326,079</u>

Building inspection

Facilities maintenance

Compensation and benefits	244,682
Contractual services	200,373
Commodities	41,565
<b>Total activity</b>	<u>486,620</u>

Facilities restricted project

Contractual services	12,652
Commodities	985
<b>Total activity</b>	<u>13,637</u>

Veteran's memorial hall

Contractual services	8,542
<b>Total activity</b>	<u>8,542</u>
<b>Total department</b>	<u>508,799</u>

General government function totals

Current

Compensation and benefits	1,996,899
Contractual services	304,227
Commodities	140,210
<b>Total general government function</b>	<u>\$ 2,441,336</u>

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2014

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Expenditures:	
Public safety	\$ 26,409,010
Public works	2,725,660
Health and social services	365,847
Culture and recreation	9,205,629
Community and economic development	1,836,966
General government	<u>2,441,336</u>
<b>Total expenditures</b>	<b>\$ 42,984,448</b>
<b>Revenue under expenditures</b>	<b>\$ (2,868,820)</b>
Other financing sources (uses):	
Transfers in	6,717,529
Transfers out	(553,374)
Insurance proceeds	325,870
Proceeds from sale of capital assets	<u>45,435</u>
<b>Total other financing sources</b>	<b><u>6,535,460</u></b>
<b>Net change in fund balance</b>	<b>3,666,640</b>
Fund balance, beginning of year	<u>20,045,531</u>
Fund balance, end of year	<b><u>\$ 23,712,171</u></b>

City of Waterloo, Iowa

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2014

	Special Revenue	Capital Projects	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 6,253,178	\$ 20,304,337	\$ 26,557,515
Receivables:			
Customer accounts	2,771	1,649,429	1,652,200
Property taxes:			
Delinquent	5,352	-	5,352
Succeeding year	570,687	-	570,687
Accrued interest	507	-	507
Due from other governments:			
Federal	562,842	-	562,842
Iowa	1,459,848	-	1,459,848
Other	6,766	-	6,766
Inventories and prepaids	466,165	-	466,165
Restricted assets, cash and cash equivalents	2,014,208	-	2,014,208
Advances to other funds	116,014	-	116,014
<b>Total assets</b>	<b>\$ 11,458,338</b>	<b>\$ 21,953,766</b>	<b>\$ 33,412,104</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 423,623	\$ 1,444,729	\$ 1,868,352
Retainages payable	141,046	61,747	202,793
Accrued liabilities	116,907	-	116,907
Due to other funds	137,386	1,144,277	1,281,663
Compensated absences	31,299	-	31,299
Payable from restricted assets	77,282	-	77,282
<b>Total liabilities</b>	<b>927,543</b>	<b>2,650,753</b>	<b>3,578,296</b>
Deferred inflows of resources:			
Unavailable revenue - property taxes	576,039	-	576,039
Unavailable revenue - intergovernmental	363,155	1,568,779	1,931,934
<b>Total deferred inflows of resources</b>	<b>939,194</b>	<b>1,568,779</b>	<b>2,507,973</b>
Fund Balances:			
Nonspendable	466,165	-	466,165
Restricted	9,406,372	19,303,013	28,709,385
Assigned	80,148	-	80,148
Unassigned	(361,084)	(1,568,779)	(1,929,863)
<b>Total fund balances</b>	<b>9,591,601</b>	<b>17,734,234</b>	<b>27,325,835</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 11,458,338</b>	<b>\$ 21,953,766</b>	<b>\$ 33,412,104</b>

City of Waterloo, Iowa

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2014**

	Special Revenue	Capital Projects	Total
<b>Revenues:</b>			
Property taxes	\$ 601,215	\$ -	\$ 601,215
Other taxes	25,653	-	25,653
Licenses and permits	15,894	-	15,894
Investment income	1,501	17,679	19,180
Rent	194,867	-	194,867
Intergovernmental	17,072,135	92,538	17,164,673
Charges for services	244,378	-	244,378
Interfund charges for services	50,000	-	50,000
Miscellaneous	41,443	1,175,963	1,217,406
<b>Total revenues</b>	<b>18,247,086</b>	<b>1,286,180</b>	<b>19,533,266</b>
<b>Expenditures:</b>			
<b>Current:</b>			
Public safety	10,744	-	10,744
Public works	9,571,675	-	9,571,675
Culture and recreation	626,002	-	626,002
Community and economic development	8,580,235	-	8,580,235
General government	301	-	301
<b>Debt service:</b>			
Bond issuance costs	-	100,378	100,378
Capital outlay	-	14,033,868	14,033,868
<b>Total expenditures</b>	<b>18,788,957</b>	<b>14,134,246</b>	<b>32,923,203</b>
<b>Revenues over (under) expenditures</b>	<b>(541,871)</b>	<b>(12,848,066)</b>	<b>(13,389,937)</b>
<b>Other financing sources (uses):</b>			
Transfers in	-	1,320,567	1,320,567
Transfers out	-	(38)	(38)
Bond discount	-	(29,045)	(29,045)
Bond premium	-	82,064	82,064
Proceeds from sale of capital assets	2,502	-	2,502
Issuance of long-term debt	-	11,595,000	11,595,000
<b>Total other financing sources (uses)</b>	<b>2,502</b>	<b>12,968,548</b>	<b>12,971,050</b>
<b>Net change in fund balance</b>	<b>(539,369)</b>	<b>120,482</b>	<b>(418,887)</b>
Fund balance, beginning of year	10,130,970	17,613,752	27,744,722
Fund balance, end of year	<b>\$ 9,591,601</b>	<b>\$ 17,734,234</b>	<b>\$ 27,325,835</b>

**City of Waterloo, Iowa**

**Special Revenue Funds**

**June 30, 2014**

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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.

City of Waterloo, Iowa

Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2014

	Special Revenue			
	Library Tax Levy	Community Development Block Grant	Section 108 Loan Program	Road Use Tax
<b>Assets</b>				
Cash and cash equivalents	\$ 183,738	\$ 700	\$ 517,514	\$ 3,363,381
Receivables:				
Customer accounts	-	-	-	2,771
Property taxes:				
Delinquent	5,352	-	-	-
Succeeding year	570,687	-	-	-
Accrued interest	-	-	-	-
Due from other governments:				
Federal	-	222,837	-	-
Iowa	-	112,286	-	1,303,768
Other	6,730	-	-	-
Inventories and prepaids	-	-	-	139,085
Restricted cash and cash equivalents	-	-	-	-
Advances to other funds	7,825	-	-	108,189
<b>Total assets</b>	<b>\$ 774,332</b>	<b>\$ 335,823</b>	<b>\$ 517,514</b>	<b>\$ 4,917,194</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ 185,234	\$ 23	\$ 87,251
Retainages payable	-	21,795	-	-
Accrued liabilities	12,297	11,438	-	80,879
Due to other funds	-	134,947	-	-
Compensated absences	2,378	4,205	-	19,282
Payable from restricted assets	-	-	-	-
<b>Total liabilities</b>	<b>14,675</b>	<b>357,619</b>	<b>23</b>	<b>187,412</b>
Deferred inflows of resources:				
Unavailable revenue - property taxes	576,039	-	-	-
Unavailable revenue - intergovernmental	-	35,837	-	-
<b>Total deferred inflows of resources</b>	<b>576,039</b>	<b>35,837</b>	<b>-</b>	<b>-</b>
Fund balances:				
Nonspendable	-	-	-	139,085
Restricted	103,470	-	517,491	4,590,697
Assigned	80,148	-	-	-
Unassigned	-	(57,633)	-	-
<b>Total fund balances</b>	<b>183,618</b>	<b>(57,633)</b>	<b>517,491</b>	<b>4,729,782</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 774,332</b>	<b>\$ 335,823</b>	<b>\$ 517,514</b>	<b>\$ 4,917,194</b>

Special Revenue

Housing Programs	Federal Aviation Agency Projects	Total
\$ 2,187,845	\$ -	\$ 6,253,178
-	-	2,771
-	-	5,352
-	-	570,687
507	-	507
18,821	321,184	562,842
-	43,794	1,459,848
-	36	6,766
327,080	-	466,165
1,901,537	112,671	2,014,208
-	-	116,014
<u>\$ 4,435,790</u>	<u>\$ 477,685</u>	<u>\$ 11,458,338</u>
\$ 29,524	\$ 121,591	\$ 423,623
-	119,251	141,046
12,293	-	116,907
-	2,439	137,386
5,434	-	31,299
77,282	-	77,282
<u>124,533</u>	<u>243,281</u>	<u>927,543</u>
-	-	576,039
-	327,318	363,155
-	327,318	939,194
327,080	-	466,165
3,984,177	210,537	9,406,372
-	-	80,148
-	(303,451)	(361,084)
<u>4,311,257</u>	<u>(92,914)</u>	<u>9,591,601</u>
<u>\$ 4,435,790</u>	<u>\$ 477,685</u>	<u>\$ 11,458,338</u>

City of Waterloo, Iowa

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 Year Ended June 30, 2014

	Special Revenue			
	Library Tax Levy	Community Development Block Grant	Section 108 Loan Program	Road Use Tax
Revenues:				
Property taxes	\$ 601,215	\$ -	\$ -	\$ -
Other taxes	25,653	-	-	-
Licenses and permits	-	-	-	15,894
Investment income	327	-	260	-
Rent	-	-	-	-
Intergovernmental	-	3,335,372	-	6,910,865
Charges for services	-	63,953	-	51,797
Interfund charges for services	-	-	-	50,000
Miscellaneous	-	33,690	-	7,053
<b>Total revenues</b>	<b>627,195</b>	<b>3,433,015</b>	<b>260</b>	<b>7,035,609</b>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	7,297,399
Culture and recreation	626,002	-	-	-
Community and economic development	-	3,496,830	-	-
General government	-	-	301	-
<b>Total expenditures</b>	<b>626,002</b>	<b>3,496,830</b>	<b>301</b>	<b>7,297,399</b>
<b>Excess of revenues over expenditures</b>	<b>1,193</b>	<b>(63,815)</b>	<b>(41)</b>	<b>(261,790)</b>
Other financing sources, proceeds from sale of capital assets	-	-	-	-
<b>Net change in fund balances</b>	<b>1,193</b>	<b>(63,815)</b>	<b>(41)</b>	<b>(261,790)</b>
Fund balances, beginning of year	182,425	6,182	517,532	4,991,572
Fund balances, end of year	\$ 183,618	\$ (57,633)	\$ 517,491	\$ 4,729,782

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Special Revenue

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Housing Programs	Federal Aviation Agency Projects	Total
\$ -	\$ -	\$ 601,215
-	-	25,653
-	-	15,894
553	361	1,501
194,867	-	194,867
4,947,296	1,878,602	17,072,135
33,170	95,458	244,378
-	-	50,000
700	-	41,443
<hr/> 5,176,586	<hr/> 1,974,421	<hr/> 18,247,086
-	10,744	10,744
-	2,274,276	9,571,675
-	-	626,002
5,083,405	-	8,580,235
-	-	301
<hr/> 5,083,405	<hr/> 2,285,020	<hr/> 18,788,957
<hr/> 93,181	<hr/> (310,599)	<hr/> (541,871)
<hr/> 2,502	<hr/> -	<hr/> 2,502
95,683	(310,599)	(539,369)
4,215,574	217,685	10,130,970
<hr/> <u>\$ 4,311,257</u>	<hr/> <u>\$ (92,914)</u>	<hr/> <u>\$ 9,591,601</u>

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## City of Waterloo, Iowa

### Capital Projects Funds

June 30, 2014

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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.

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

**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, 2014

	June 2009 GO Bonds	June 2010 GO Bonds	June 2011 GO Bonds	June 2012 GO Bonds
<b>Assets</b>				
Cash and cash equivalents	\$ 519,223	\$ 589,118	\$ 1,319,647	\$ 2,605,898
Receivables, customer accounts	-	-	-	-
<b>Total assets</b>	<b>\$ 519,223</b>	<b>\$ 589,118</b>	<b>\$ 1,319,647</b>	<b>\$ 2,605,898</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)</b>				
Liabilities:				
Accounts payable	\$ 7,345	\$ 63,299	\$ 207,097	\$ 180,517
Retainages payable	593	-	11,696	3,775
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>7,938</b>	<b>63,299</b>	<b>218,793</b>	<b>184,292</b>
Deferred inflows of resources, unavailable revenue - intergovernmental	-	-	-	-
Fund balances (deficit):				
Restricted	511,285	525,819	1,100,854	2,421,606
Unassigned	-	-	-	-
<b>Total fund balances (deficit)</b>	<b>511,285</b>	<b>525,819</b>	<b>1,100,854</b>	<b>2,421,606</b>
<b>Total liabilities, deferred inflows of resources and fund balances (deficit)</b>	<b>\$ 519,223</b>	<b>\$ 589,118</b>	<b>\$ 1,319,647</b>	<b>\$ 2,605,898</b>

June 2013 GO Bonds	June 2014 GO Bonds	Capital Improvements	Total
\$ 4,234,759	\$ 11,035,692	\$ -	\$ 20,304,337
-	-	1,649,429	1,649,429
<u>\$ 4,234,759</u>	<u>\$ 11,035,692</u>	<u>\$ 1,649,429</u>	<u>\$ 21,953,766</u>
\$ 262,379	\$ 526,446	\$ 197,646	\$ 1,444,729
31,127	4,414	10,142	61,747
-	-	1,144,277	1,144,277
<u>293,506</u>	<u>530,860</u>	<u>1,352,065</u>	<u>2,650,753</u>
-	-	1,568,779	1,568,779
3,941,253	10,504,832	297,364	19,303,013
-	-	(1,568,779)	(1,568,779)
<u>3,941,253</u>	<u>10,504,832</u>	<u>(1,271,415)</u>	<u>17,734,234</u>
<u>\$ 4,234,759</u>	<u>\$ 11,035,692</u>	<u>\$ 1,649,429</u>	<u>\$ 21,953,766</u>

City of Waterloo, Iowa

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficit)  
Capital Projects Funds  
Year Ended June 30, 2014**

	June 2007 GO Bonds	June 2008 GO Bonds	June 2009 GO Bonds	June 2010 GO Bonds
<b>Revenues:</b>				
Investment income	\$ 9	\$ 106	\$ 1,029	\$ 1,075
Intergovernmental	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>9</b>	<b>106</b>	<b>1,029</b>	<b>1,075</b>
<b>Expenditures:</b>				
Debt service, bond issuance costs	-	-	-	-
Capital outlay	32,803	115,840	265,801	201,080
<b>Total expenditures</b>	<b>32,803</b>	<b>115,840</b>	<b>265,801</b>	<b>201,080</b>
<b>Revenues over (under) expenditures</b>	<b>(32,794)</b>	<b>(115,734)</b>	<b>(264,772)</b>	<b>(200,005)</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	17,714	-
Transfers out	-	-	-	-
Bond discount	-	-	-	-
Bond premium	-	-	-	-
Issuance of long-term debt	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>17,714</b>	<b>-</b>
<b>Net change in fund balances (deficit)</b>	<b>(32,794)</b>	<b>(115,734)</b>	<b>(247,058)</b>	<b>(200,005)</b>
Fund balances (deficit), beginning of year	32,794	115,734	758,343	725,824
Fund balances (deficit), end of year	\$ -	\$ -	\$ 511,285	\$ 525,819

June 2011 GO Bonds	June 2012 GO Bonds	June 2013 GO Bonds	June 2014 GO Bonds	Rath Area Redevelopment	Vision Iowa Projects
\$ 2,446	\$ 5,140	\$ 7,841	\$ -	\$ 33	\$ -
-	-	-	-	-	92,538
-	-	-	-	-	38
2,446	5,140	7,841	-	33	92,576
5,426	3,815	-	91,137	-	-
1,414,324	2,573,550	4,307,492	1,052,050	70,314	-
1,419,750	2,577,365	4,307,492	1,143,187	70,314	-
(1,417,304)	(2,572,225)	(4,299,651)	(1,143,187)	(70,281)	92,576
-	-	-	-	-	-
-	-	-	-	-	(38)
-	-	-	(29,045)	-	-
-	-	-	82,064	-	-
-	-	-	11,595,000	-	-
-	-	-	11,648,019	-	(38)
(1,417,304)	(2,572,225)	(4,299,651)	10,504,832	(70,281)	92,538
2,518,158	4,993,831	8,240,904	-	70,281	(92,538)
\$ 1,100,854	\$ 2,421,606	\$ 3,941,253	\$ 10,504,832	\$ -	\$ -

City of Waterloo, Iowa

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficit) (Continued)  
 Capital Projects Funds  
 Year Ended June 30, 2014

	Capital Improvements	Total
Revenues:		
Investment income	\$ -	\$ 17,679
Intergovernmental	-	92,538
Miscellaneous	1,175,925	1,175,963
<b>Total revenues</b>	<b>1,175,925</b>	<b>1,286,180</b>
Expenditures:		
Debt service, bond issuance costs	-	100,378
Capital outlay	4,000,614	14,033,868
<b>Total expenditures</b>	<b>4,000,614</b>	<b>14,134,246</b>
<b>Revenues over (under) expenditures</b>	<b>(2,824,689)</b>	<b>(12,848,066)</b>
Other financing sources (uses):		
Transfers in	1,302,853	1,320,567
Transfers out	-	(38)
Bond premium	-	82,064
Bond discount	-	(29,045)
Issuance of long-term debt	-	11,595,000
<b>Total other financing sources (uses)</b>	<b>1,302,853</b>	<b>12,968,548</b>
<b>Net change in fund balances (deficit)</b>	<b>(1,521,836)</b>	<b>120,482</b>
Fund balances (deficit), beginning of year	250,421	17,613,752
Fund balances (deficit), end of year	<b>\$ (1,271,415)</b>	<b>\$ 17,734,234</b>

**City of Waterloo, Iowa**

**Fiduciary Funds  
June 30, 2014**

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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, Water Works kill water assessments, and building permits passed through to Black Hawk County.

City of Waterloo, Iowa

Statement of Changes in Assets and Liabilities  
Agency Fund  
Year Ended June 30, 2014

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	Balance June 30, 2013		Additions		Deletions		Balance June 30, 2014
<b>Assets</b> , cash	\$ -	\$	1,465,287	\$	1,465,287	\$	-
<b>Liabilities</b> , due to private entities	\$ -	\$	1,465,287	\$	1,465,287	\$	-

**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.

<b><u>Contents</u></b>	<b><u>Page</u></b>
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.	101
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	106
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.	110
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.	115
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.	117

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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental activities</b>										
Net investment in capital assets										
Restricted	\$ 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	\$ 273,871,470
Unrestricted	29,460,969	34,279,423	22,213,054	25,583,429	32,652,537	36,648,414	28,098,845	31,552,568	30,823,956	30,579,471
	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	8,998,045
Total governmental activities net position	\$ 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	\$ 313,448,986
<b>Business-type activities</b>										
Net investment in capital assets										
Restricted	\$ 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	\$ 79,920,865
Unrestricted	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	1,310,099
	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	11,445,832
Total business-type activities net position	\$ 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	\$ 92,676,796
<b>Primary government</b>										
Net investment in capital assets										
Restricted	\$ 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	\$ 353,792,335
Unrestricted	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	31,889,570
	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	20,443,877
Total primary government net position	\$ 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	\$ 406,125,782

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses</b>										
Governmental activities:										
Public safety	\$ 22,484,306	\$ 25,251,052	\$ 26,046,236	\$ 26,214,869	\$ 26,719,053	\$ 28,612,482	\$ 29,629,282	\$ 30,037,249	\$ 31,913,280	\$ 31,773,269
Health and social services	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	28,531,525
Culture and recreation	251,534	331,759	258,818	268,761	260,584	244,594	257,618	278,589	299,282	293,173
Community and economic development	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	11,265,704
General government	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	12,910,299
Interest on long-term debt	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	2,111,172
Total governmental activities expenses	2,540,869	2,625,800	2,728,119	2,782,119	2,880,205	2,736,194	2,639,047	2,459,710	2,680,614	2,349,054
Total governmental activities expenses	60,084,843	63,731,750	67,929,601	73,471,862	80,478,129	84,071,652	87,418,836	86,945,917	88,167,939	89,234,196
Business-type activities:										
Sanitary sewer	8,246,811	8,666,232	8,242,650	8,649,104	8,573,832	8,662,068	10,437,723	9,730,465	10,033,041	10,503,929
Sanitation	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	3,667,163
Total business-type activities expenses	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	14,171,092
Total primary government expenses	\$ 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	\$ 103,405,288
<b>Program Revenue</b>										
Governmental activities:										
Charges for services:										
Public safety	\$ 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	\$ 3,800,273
Public works	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	2,802,925
Culture and recreation	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	3,010,899
Other activities	216,203	637,103	580,948	1,361,824	1,139,772	1,125,370	1,229,991	1,268,316	1,489,631	1,531,761
Operating grants and contributions	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	11,938,221
Capital grants and contributions	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	12,668,122
Total governmental activities program revenue	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	35,752,201
Business-type activities:										
Charges for services:										
Sanitary sewer	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	12,845,301
Sanitation	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	3,609,500
Operating grants and contributions:										
Sanitary sewer	64,006	7,361	-	240,678	339,496	-	125,802	54,041	-	-
Sanitation	274,988	-	315,437	288,866	274,988	314,940	399,000	215,584	273,869	272,755
Capital grants and contributions:										
Sanitary sewer	115,481	311,303	799,265	127,092	106,200	-	81,302	82,443	-	-
Sanitation	-	-	-	-	3,000	-	-	560	-	-
Total business-type activities program revenue	13,160,942	13,425,437	13,710,547	13,549,533	13,702,538	14,898,963	17,336,344	17,072,620	16,188,743	16,727,556
Total primary government program revenue	\$ 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	\$ 52,479,757
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (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)	\$ (53,481,995)
Business-type activities	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	2,556,464
Total primary government net expense	\$ (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)	\$ (50,925,531)

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General Revenue and Other Changes in Net Assets</b>										
Governmental activities:										
Taxes:										
Property taxes levied for general purposes	\$ 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	\$ 30,834,085
Property taxes levied for debt service	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	13,751,830
Other taxes	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	16,745,434
Investment earnings	668,736	1,276,389	1,924,494	1,432,651	426,353	170,946	152,078	54,485	45,578	117,515
Miscellaneous	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	2,748,468
Gain (loss) on sale of assets	(144,924)	-	-	-	-	1,827,508	-	(44,167)	-	-
Transfers	-	-	-	-	-	-	70,231	(44,167)	(4,740)	-
Total governmental activities	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	64,197,332
Business-type activities:										
Investment earnings	203,004	402,160	532,645	357,518	85,352	17,730	21,055	18,612	16,555	25,122
Gain (loss) on sale of assets	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	(70,231)	44,167	4,740	-
Total business-type activities	203,004	402,160	532,645	357,518	85,352	17,730	(49,176)	62,779	21,295	25,122
Total primary government	\$ 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	\$ 64,222,454
<b>Changes in Net Assets</b>										
Governmental activities	\$ 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	\$ 10,715,337
Business-type activities	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	2,581,586
Total primary government	\$ 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	\$ 13,296,923

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General Fund</b>										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 310,432	\$ 326,276	\$ 322,077	\$ 392,741
Restricted	-	-	-	-	-	-	3,602,691	3,438,392	5,497,065	8,667,499
Committed	-	-	-	-	-	-	662,415	-	-	36,595
Assigned	-	-	-	-	-	-	4,878,877	4,802,837	5,318,721	4,430,460
Unassigned	-	-	-	-	-	-	8,417,600	9,644,699	8,907,668	10,184,876
Reserved	2,048,163	1,841,369	2,159,691	3,074,869	2,367,516	3,064,085	-	-	-	-
Unreserved:										
Designated	4,073,524	5,186,521	5,131,230	4,577,679	4,720,531	5,077,047	-	-	-	-
Undesignated	4,285,725	5,679,449	6,946,759	7,438,418	8,152,625	8,610,737	-	-	-	-
Total general fund	\$ 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	\$ 23,712,171
<b>All Other Governmental Funds</b>										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 208,100	\$ 297,516	\$ 233,192	\$ 466,165
Restricted	-	-	-	-	-	-	39,357,168	42,286,946	42,907,706	41,099,039
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	2,322,606	2,332,997	2,370,221	2,359,153
Unassigned	-	-	-	-	-	-	(5,150,315)	(7,161,884)	(4,608,778)	(5,230,656)
Reserved	994,790	1,576,334	2,103,658	2,633,730	2,923,228	2,786,146	-	-	-	-
Undesignated, reported in:										
Special revenue funds	11,584,768	12,385,708	13,021,323	16,846,339	17,918,742	16,410,755	-	-	-	-
Debt service funds	1,439,650	1,008,597	1,529,968	-	-	-	-	-	-	-
Capital project funds	11,624,349	15,962,472	16,440,553	17,205,128	14,259,781	12,144,579	-	-	-	-
Total all other governmental funds	\$ 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	\$ 38,693,701

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenue</b>										
Property taxes	\$ 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	\$ 44,623,905
Other taxes	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	16,946,689
Licenses and permits	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	1,350,599
Investment income	668,736	1,276,389	1,924,494	1,432,651	426,353	170,946	152,078	54,485	45,578	117,515
Rent*	879,420	920,475	1,023,689	992,710	1,060,566	1,060,566	1,094,271	1,186,419	1,191,376	1,263,682
Intergovernmental	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	23,425,271
Charges for services*	4,980,587	5,429,979	5,564,760	5,767,327	5,963,660	5,932,437	6,397,007	6,748,285	6,512,462	6,894,308
Interfund charges for service	2,659,797	2,801,482	2,802,327	2,825,152	2,808,833	2,385,680	2,134,553	1,935,000	1,935,000	1,935,000
Special assessments	56,694	52,698	39,932	39,931	37,216	225,198	47,171	93,870	124,467	139,408
Miscellaneous	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	3,425,567
Total revenue	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	100,121,944
<b>Expenditures</b>										
Current:										
Public safety	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	30,865,364
Public works	18,582,433	20,508,737	22,688,730	15,354,726	23,846,845	27,635,226	19,761,835	25,565,737	26,286,055	29,009,814
Health and social services	325,147	401,647	332,431	346,169	333,706	316,974	325,730	346,952	370,275	365,847
Culture and recreation	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	9,835,758
Community and economic development	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	12,966,402
General government	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	2,468,932
Debt service										
Principal	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	8,886,944
Interest and fees	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	2,150,525
Bond Issuance Costs**	-	-	-	-	-	-	-	-	100,798	149,580
Capital projects	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	14,033,868
Total expenditures	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	110,733,034
Revenue over (under) expenditures	(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)	(10,611,090)
<b>Other financing sources (uses)</b>										
Transfers in	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	11,006,208
Transfers out	(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)	(11,006,208)
Insurance proceeds	-	-	-	-	1,421,521	1,734,450	138,157	19,968	173,397	356,454
Proceeds from sale of assets	119,573	232,328	88,102	41,491	74,294	2,243,301	221,807	-	71,014	47,937
Capital lease obligations incurred	-	-	-	-	-	-	-	-	-	-
Refunding bonds issued	2,720,000	-	7,995,000	3,935,000	4,271,100	4,240,000	5,500,000	4,200,000	2,630,000	8,670,000
Payment to refunded bond escrow agent	(2,667,302)	-	(7,932,132)	(3,917,230)	(4,200,992)	(4,172,380)	(5,586,483)	-	(6,744,723)	(8,806,014)
Proceeds from debt issued	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	11,595,000
Bond discounts and issue costs	(94,428)	-	-	(60,280)	(40,080)	(62,842)	353,883	269,088	118,687	205,713
Total other financing sources (uses)	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	12,069,090
Net change in fund balances	\$ 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	\$ 1,458,000
Debt service as a percentage of noncapital expenditures	12.6%	12.0%	13.0%	14.7%	12.0%	11.8%	13.5%	11.8%	13.2%	12.3%

\* 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	Military Tax-Exempt Property	Total Taxable Assessed Value				
2002	2004	839,572,381	576,211,617	96,108,365	49,231,256	114,239,978	9,258,112	1,666,105,485	18.90914	2,366,125,563	70.41%	
2003	2005	893,839,054	672,183,148	97,124,065	64,558,282	112,393,854	8,992,261	1,831,106,142	18.78989	2,789,882,310	65.63%	
2004	2006	894,181,940	667,846,702	99,012,385	63,981,335	107,833,856	8,509,114	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	8,409,864	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	8,117,232	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	7,908,493	2,112,787,323	18.36687	3,447,851,253	61.28%	
2008	2010	1,080,004,413	787,580,318	99,231,835	134,668,232	110,644,404	7,754,888	2,204,374,314	18.30689	3,542,643,298	62.22%	
2009	2011	1,119,328,144	786,637,586	99,943,010	136,188,661	106,874,812	7,498,605	2,241,473,608	18.26406	3,566,368,445	62.85%	
2010	2012	1,166,201,221	781,318,790	100,090,080	150,383,839	111,996,683	7,253,351	2,302,737,262	18.53335	3,747,030,046	61.45%	
2011	2013	1,251,445,651	813,065,056	121,443,090	179,551,015	111,367,841	6,985,742	2,469,886,911	18.20505	3,738,165,467	66.07%	
2012	2014	1,316,533,993	800,057,810	122,324,860	183,333,664	111,068,231	6,742,623	2,526,575,935	17.49319	3,762,106,346	67.16%	

Source: Black Hawk County Auditor.

Notes: (1) Does not include tax-exempt property. Tax rates are per \$1,000 of assessed value.

(2) Property tax on machinery and equipment was phased out during the period FYE2001 through FYE2003.

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

Fiscal Year	Overlapping Rates										
	City of Waterloo				Black Hawk County			Schools			Total Direct & Overlapping Rates
	Operating Millage	Debt Service	Total City Millage	Operating Millage	Debt Service	Total County Millage	Operating Millage	Debt Service	Total School Millage		
2005	14.62934	4.16065	18.78999	6.90953	0.58284	7.49237	14.62496	1.00000	15.62496	1.36743	43.27475
2006	15.04360	4.11206	19.15566	7.04780	0.56052	7.60832	14.99110	1.00000	15.99110	1.42197	44.17705
2007	15.47706	3.36874	18.84580	6.83182	0.55784	7.38966	15.33395	1.00000	16.33395	1.34392	43.91333
2008	15.33540	3.43129	18.76669	6.82613	0.58407	7.41020	15.74972	1.00000	16.74972	1.18405	44.11066
2009	15.10748	3.25939	18.36687	6.35616	0.57975	6.93591	15.65725	1.00000	16.65725	1.36422	43.32425
2010	15.01876	3.28813	18.30689	6.12831	0.57689	6.70520	15.45746	1.00000	16.45746	1.33721	42.80676
2011	14.92433	3.33973	18.26406	6.22972	0.44212	6.67184	15.43697	1.00000	16.43697	1.38794	42.76081
2012	15.16068	3.37267	18.53335	5.92415	0.67322	6.59737	15.28141	1.00000	16.28141	1.28109	42.69322
2013	15.03346	3.17159	18.20505	5.59849	0.64144	6.23993	14.80265	1.00000	15.80265	1.33770	41.58533
2014	14.39276	3.10043	17.49319	5.39234	0.62882	6.02116	13.12135	2.60683	15.72818	1.36950	40.61203

Source: Black Hawk County Auditor.

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

Employer	2014			2005		
	Assessed Value 01/01/2012	Rank	Percentage of Total Assessed Value	Assessed Value 01/01/2003	Rank	Percentage of Total Assessed Value
IOC Black Hawk County, Inc.	\$ 64,833,320	1	1.72%	\$ -		
Deere and Company	52,058,836	2	1.38%	13,721,650	6	0.58%
GG and A Crossroads Center, LP/ Equitable Life Assurance in 2003	35,727,920	3	0.95%	25,779,520	2	1.09%
Con Agra k/n/a Hunt Wesson, Inc.	21,601,640	4	--	16,317,760	4	0.69%
Ferguson Enterprises, Inc.	20,707,670	5	--			--
Bertch Cabinet Manufacturing	17,557,550	6	0.47%	12,267,940	7	0.52%
Tyson Fresh Meats (formerly IBP, Inc.)	16,921,524	7	0.45%	19,804,880	3	0.84%
Menard Inc	15,456,021	8	0.41%			--
Howard L. Allen Investments, Inc.	14,946,474	9	0.40%			--
Walmart Stores	13,355,510	10	0.36%	8,627,190	10	0.36%
MidAmerican Energy	--		--	95,720,851	1	4.05%
Qwest Corporation (formerly US West)	--		--	16,007,613	5	0.68%
HyVee Food Stores, Inc.	--		--	9,326,490	8	0.39%
Banco Mortgage Company	--		--	8,676,050	9	0.37%
<b>Total</b>	<b>\$ 273,166,465</b>		<b>6.14%</b>	<b>\$ 226,249,944</b>		<b>9.56%</b>

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
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%
2012	2014	39,993,210	39,763,526	99.43%	(72,698) *	39,690,828	99.24%

Source: Black Hawk County Auditor's office.

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

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

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

Fiscal Year	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Personal Income*	Per Capita*
	General Obligation Bonds	General Obligation Capital Loan Notes	Capital Leases	Other Debt	General Obligation Bonds	Revenue Bonds	Capital Leases	Other Debt					
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	
2014	69,226,920	--	--	2,281,997	22,038,059	1,847,916	--	--	--	95,394,892	3.37%	1,395	

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*
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
2014	90,169,678	3,762,106,346	2.40%	1,318

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, 2014**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable to City *	Estimated Share of Overlapping Debt
City of Waterloo direct debt	\$ 71,474,805	100.00%	\$ 71,474,805
Overlapping:			
Black Hawk County	\$ 40,495,000	46.16%	18,692,492
Hawkeye Community College	2,000,000	27.30%	546,000
Subtotal, overlapping debt	\$ 42,495,000		\$ 19,238,492
Total direct and overlapping debt	\$ 113,969,805		\$ 90,713,297

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**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	\$ 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	\$ 188,105,317
Total net debt applicable to limit	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	93,694,405
Legal debt margin	\$ 59,397,458	\$ 59,922,073	\$ 71,737,000	\$ 73,638,756	\$ 87,649,186	\$ 93,093,737	\$ 91,458,738	\$ 95,513,435	\$ 94,503,961	\$ 94,410,913
Total net debt applicable to the limit as a percentage of debt limit	56.52%	57.29%	53.35%	53.00%	49.16%	47.79%	48.71%	49.02%	49.44%	49.81%

<b>Legal Debt Margin Calculation for Fiscal Year 2014</b>	
Estimated actual valuation (assessed) as of January 1, 2012	\$ 3,762,106,346
Debt limit (5% of total estimated actual valuation)	188,105,317
Debt applicable to debt limit:	
General obligation bonds	91,412,408
General obligation capital loan notes	2,281,997
Other debt	93,694,405
Total net debt applicable to limit	\$ 94,410,913
Legal debt margin	

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
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
2014	12,826,171	7,309,616	5,516,555	1,259,403	4.3803

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>Population<sup>1</sup></u>	<u>Personal Income</u>	<u>Per Capita Personal Income<sup>2</sup></u>	<u>Median Age<sup>1</sup></u>	<u>Unemployment Rate<sup>3</sup></u>	<u>School Enrollment<sup>4</sup></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
2013	68,406	2,827,835,634	41,339	35.7	5.6%	10,483

N/A = Not available.

Sources:

<sup>1</sup> 2000 and 2010 U.S. Census

<sup>2</sup> U.S. Department of Commerce, Bureau of Economic Analysis

<sup>3</sup> Iowa Workforce Development

<sup>4</sup> Waterloo Community Schools

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

Employer	2014			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Deere & Company	6,000	1	17.49%	5,400	1	16.12%
Wheaton Franciscan Health Care *	3,060	2	8.92%	3,005	2	8.97%
Tyson Fresh Meats (formerly IBP, Inc.)	2,500	3	7.29%	2,500	3	7.46%
University of Northern Iowa	1,738	4	5.07%	2,170	4	6.48%
Unity Point Health(Allen Memorial Hospital)	1,616	5	4.71%	1,605	6	4.79%
Waterloo Community Schools	1,608	6	4.69%	1,800	5	5.37%
Hy-Vee	1,547	7	4.51%	980	9	2.93%
Wal-Mart	1,047	8	3.05%	--		--
GMAC Mortgage Corp.	875	9	2.55%	920	10	2.75%
Target Distribution	860	10	2.51%	--		--
Bertch Cabinet Manufacturing	--	--	--	1,500	7	4.48%
Allen Memorial Hospital	--	--	--	1,200	8	3.58%
Omega Cabinets						
<b>Total</b>	<b>20,851</b>		<b>60.79%</b>	<b>21,080</b>		<b>62.93%</b>
Area Education Agency 267						
Omega Cabinets						

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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Public Safety</b>										
Police	132.0	130.0	130.0	128.0	131.0	135.0	139.0	138.0	131.0	130.0
Fire	117.0	121.0	115.0	118.0	113.0	116.5	114.5	112.5	109.5	108.5
Building Inspection	14.0	15.0	15.0	16.0	15.0	15.5	10.5	12.5	12.5	12.5
<b>Public Works</b>										
City Engineer	18.0	19.0	19.0	19.0	20.0	19.0	18.0	20.0	20.0	20.0
Traffic	16.0	12.5	13.5	12.0	13.0	12.0	12.0	12.0	15.0	16.0
Central Garage	9.5	9.5	9.5	10.0	10.0	8.0	9.0	9.0	9.0	10.0
Street	41.0	36.0	36.0	34.0	40.0	39.0	37.0	38.0	36.0	34.0
Airport	5.5	5.5	5.5	5.5	5.5	5.5	5.5	6.0	5.0	6.0
<b>Health &amp; Social Services</b>										
Human Rights	3.0	3.0	3.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0
<b>Culture &amp; Recreation</b>										
Cultural & Arts	8.0	9.5	10.0	12.0	13.5	13.5	14.0	14.5	13.0	11.0
Library	24.5	25.0	25.5	24.0	24.5	25.0	24.5	24.5	25.0	25.0
Leisure Services	42.0	38.0	37.0	39.0	41.0	40.0	40.0	39.0	36.0	41.0
<b>Community &amp; Economic Development</b>										
Community Planning & Development	27.0	26.0	25.0	24.0	24.0	24.0	24.0	24.0	22.0	23.0
<b>General Government</b>										
Mayor's Office	1.5	1.0	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	1.0	1.0
City Clerk & Finance	12.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	14.0	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	3.0	3.0	3.0	3.0	2.0	3.0	3.0	3.0	3.0	3.0
Facilities Maintenance	4.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
<b>Waste Management Services</b>										
Sewer	28.1	30.1	30.1	30.1	30.1	29.0	32.0	35.0	33.9	37.0
Sanitation	12.9	12.9	13.9	13.9	13.9	13.0	15.0	14.0	17.1	17.0
<b>Total</b>	<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>	<u>517.5</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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Public Safety</b>										
Police *										
Traffic accidents	2,110	2,129	1,788	1,942	2,141	1,941	1,712	1,630	1,598	1,839
Cases	14,622	14,857	13,928	14,468	13,740	13,411	12,079	11,591	11,344	11,298
Citations	11,610	12,601	11,651	9,816	6,781	7,983	6,851	7,271	6,448	6,989
Calls for service	66,447	68,365	70,037	73,690	75,932	82,044	81,110	80,872	75,626	77,161
Total arrests	5,510	6,157	5,771	6,176	5,506	5,590	5,243	5,244	4,984	4,931
Fire										
Fire responses	5,536	5,631	5,759	6,223	5,208	4,885	4,238	4,307	4,622	5,011
Ambulance responses	6,656	6,744	7,030	7,503	7,234	6,928	5,328	6,062	6,997	6,729
Building Inspection										
Construction permits issued	8,988	8,448	9,124	8,961	8,143	8,657	9,386	8,012	8,682	9,969
Construction value of permits	\$ 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	\$ 101,677,108
<b>Public Works</b>										
Engineering										
Street reconstruction (miles)	1.94	3.39	1.94	1.57	2.55	2.45	1.98	2.90	3.08	3.15
Street resurfacing (miles)	29.83	31.30	17.60	13.57	18.63	12.42	14.15	12.64	14.05	12.21
Street Department										
Tons of salt used for streets	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	5,162.00
Man hours for road maintenance	73,390	75,580	72,800	66,560	71,448	71,448	72,800	68,640	67,345	66,650
Airport										
Commercial Enplanements	40,140	38,750	33,507	27,026	25,467	22,255	23,206	22,173	19,897	21,573
Aircraft take-offs and landings	42,690	30,538	30,644	25,979	25,921	22,738	20,772	21,521	20,589	19,109
Based aircraft	102	101	98	101	100	100	101	101	104	104
<b>Health &amp; Social Services</b>										
Human Rights										
Civil Rights complaints										
New cases opened	61	75	74	109	62	74	78	95	106	64
Cases closed	81	29	58	63	182	88	76	103	59	43
Active cases at year-end	152	198	214	262	126	109	113	103	154	177
<b>Culture &amp; Recreation</b>										
Leisure Services										
Young Arena facility usage										
Event Visitors	124,157	114,492	133,540	142,278	121,324	118,286	118,089	127,508	118,639	119,903
Recreational Visitors	137,207	136,520	139,824	138,285	138,541	143,370	153,018	164,315	174,780	186,384
Sports - youth programs	4,056	4,119	4,517	4,677	5,034	5,117	5,691	5,720	5,451	5,571
Sports - adult programs	1,216	1,158	1,277	1,261	1,461	1,665	1,621	1,620	1,588	1,598
Pool attendance	41,028	39,512	41,580	40,789	40,561	41,743	42,883	44,741	39,611	37,603
Golf rounds	105,939	102,131	95,851	86,268	93,932	95,898	87,173	97,032	81,218	75,737
Annual flowers grown for parks	25,368	23,520	21,768	21,765	22,880	28,008	24,984	22,488	23,304	-
Public Library										
Total Circulation	422,663	433,072	427,921	413,525	426,593	441,746	419,333	424,435	405,341	422,204
Total Library Visits	269,589	266,356	261,261	259,144	241,539	274,903	290,161	207,597	263,261	271,603
Waterloo Center for the Arts										
In House Visitors	97,926	98,897	99,097	104,499	125,351	118,541	113,411	119,404	125,958	118,970
Events, meetings, and programs	1,449	1,387	1,268	1,479	1,839	1,683	1,625	1,578	1,563	1,074

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

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Community &amp; Economic Development</b>										
Planning and Zoning										
Planning commission agenda items	100	93	84	69	50	54	77	65	72	91
CURA applications received **	60	46	51	35	46	29	20	12	24	30
CURA improvements value	\$ 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	\$ 11,368,905
CLURA applications received***	-	-	-	-	-	-	-	6	19	58
CLURA improvements value	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,249,100	\$ 4,385,349	\$ 14,418,617
Community Development										
Down payment assistance	57	58	36	41	50	57	12	22	10	3
Home buyer education	203	188	168	193	183	147	-	-	-	-
Owner-occupied homes rehabilitated	24	35	28	46	36	10	32	46	31	42
Emergency repairs (including roofs)	52	58	36	34	38	44	39	45	49	37
Demolitions (residential & commercial)	10	7	8	19	20	27	11	20	18	21
Housing										
Actual vouchers	1,015	957	961	1,032	1,007	1,003	994	996	1,005	931
Public housing units	50	50	50	49	50	48	50	50	50	50
Family self sufficiency participants	101	74	65	75	59	49	53	54	47	36
<b>Sewer</b>										
Sewer system customers	25,716	25,728	25,637	25,843	25,769	25,565	25,450	25,707	25,393	26,102

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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Public Safety</b>										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire*										
Stations	7	7	7	7	7	7	7	7	7	7
Trucks and special vehicles	30	30	30	30	32	32	32	34 **	31	29
<b>Public Works</b>										
Miles of streets - paved	352	352	354	354	356	357	364	364	364	364
Miles of streets - unpaved	74	74	74	74	73	73	72	72	72	72
Street lights	N/A	N/A	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,807
Traffic Signals	N/A	N/A	198	198	198	197	200	200	200	197
Airport runway lengths										
Runway 12/30	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400
Runway 18/36	6,002	6,002	6,002	6,002	6,002	6,002	6,002	6,002	6,002	6,002
Runway 6/24	5,403	5,403	5,403	5,403	5,403	5,403	5,403	5,403	5,403	5,403
<b>Culture &amp; Recreation</b>										
City parks	48	48	48	48	48	48	48	48	48	48
Golf courses	3	3	3	3	3	3	3	3	3	3
Swimming pools	2	2	2	2	2	2	2	2	2	2
Softball diamonds	23	23	23	23	23	23	23	23	23	23
Baseball diamonds	8	8	8	8	8	6	6	6	6	6
Baseball stadium	1	1	1	1	1	1	1	1	1	1
Softball complexes	1	1	2	2	2	2	2	2	2	2
Tennis courts	27	27	27	27	27	27	27	27	27	27
Ice arena	1	1	1	1	1	1	1	1	1	1
Soccer complex	1	1	1	1	1	1	1	1	1	1
Exposition plaza	0	0	0	0	0	0	0	0	0	0
Skatepark	1	1	1	1	1	1	1	1	1	1
Dog park	0	0	0	0	0	0	0	0	0	0
Amphitheater	0	0	0	0	0	0	0	0	0	0
Splash Park	0	0	0	0	0	0	0	0	0	0
Center for the Arts collection size	1,489	1,615	2,494	2,794	3,153	3,362	3,766	4,178	4,352	4,682
Library collection size	205,149	210,020	190,092	192,678	200,246	168,295	172,580	163,247	161,462	164,486
<b>Sewer</b>										
Miles of sanitary sewer	353	353	356	356	356	356	356	356	356	357

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, 2014**

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
<b>Department of Commerce</b>			
Direct:			
Economic Adjustment Assistance: Disaster Recovery	N/A	11.307	\$ 2,316,682
<b>Department of Housing and Urban Development</b>			
Direct:			
Community Development Block Grants/Entitlement Grants	N/A	14.218	1,269,999
HOME Investments Partnerships Program	N/A	14.239	743,912
Title 1, VA-HUD Independent Agencies Appropriations Act for FY 2008, PL 110-161	N/A	14.251	76,179
HUD Appropriations Act for FY 2009, PL 111-8	N/A	14.251	137,169
Subtotal			<u>213,348</u>
Fair Housing Assistance Program-State and Local	N/A	14.401	38,665
Public and Indian Housing	N/A	14.850	200,324
Section 8 Housing Choice Vouchers	N/A	14.871	5,207,070
Public Housing Capital Fund	N/A	14.872	54,562
Public Housing Family Self-Sufficiency under Resident Opportunity and Supportive Services	N/A	14.877	4,375
Lead Based Paint Hazard Control in Privately Owned Housing	N/A	14.900	477,377
<b>Total direct</b>			<u>8,209,632</u>
Indirect:			
Pass Through Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	08-DRH-011	14.228	398,047
	08-DRH-211	14.228	198,719
	11-NSP-018	14.228	274,221
Disaster Recovery Infrastructure	08-DRI-078	14.228	1,292,173
	08-DRI-277	14.228	36,040
<b>Total indirect</b>			<u>2,199,200</u>
<b>Total Department of Housing and Urban Development</b>			<u>10,408,832</u>
<b>Department of Justice</b>			
Direct:			
Bulletproof Vest Partnership Program	N/A	16.607	1,473
Edward Byrne Memorial Justice Assistance Grant Program	N/A	16.738	69,206
<b>Total direct</b>			<u>70,679</u>
Indirect:			
Pass Through Crime Victims Assistance Division, Federal Violence Against Women Act Contract	VW-12-76B	16.588	36,180
Pass Through Governor's Office of Drug Control Policy, Edward Byrne Memorial Justice Assistance Grant Program	11-JAG-58456	16.738	275,000
<b>Total indirect</b>			<u>311,180</u>
<b>Total Department of Justice</b>			<u>381,859</u>

(Continued)

City of Waterloo, Iowa

Schedule of Expenditures of Federal Awards (Continued)  
 Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
<b>Department of Transportation</b>			
Direct:			
Federal Aviation Administration:			
Airport Improvement Program	N/A	20.106	523,808
	N/A	20.106	860,312
	N/A	20.106	561,462
	N/A	20.106	<u>7,524</u>
<b>Total direct</b>			<u>1,953,106</u>
Indirect:			
Federal Highway Administration Pass Through Iowa			
Department of Transportation:			
Highway Planning and Construction	NHSX-63-6(69)--3H-07	20.205	37,529
	NHSX-063-6(75)--3H-07	20.205	5,003
	STP-U-8155(711)--70-07	20.205	185,496
	STP-U-8155(714)--70-07	20.205	509,107
	STP-E-8155(723)--8V-07	20.205	656
	STP-U-8155(715)--70-07	20.205	(4,370)
	STP-U-8155(731)--70-07	20.205	403,290
	STP-U-8155(710)--70-07	20.205	6,376
	STP-U-8155(719)--70-07	20.205	<u>25,991</u>
Subtotal			<u>1,169,078</u>
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-13-410 Task 57	20.601	9,857
Impaired Driving Countermeasures Grant	PAP-14-405d-M6OT, Task 56	20.616	<u>15,840</u>
<b>Total indirect</b>			<u>1,194,775</u>
<b>Total Department of Transportation</b>			<u>3,147,881</u>
<b>U.S. Equal Employment Opportunity Commission</b>			
Direct,			
Employment Discrimination Title VII of the Civil Rights Act of 1964	N/A	30.001	<u>7,758</u>

(Continued)

**City of Waterloo, Iowa**

**Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2014**

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
<b>National Foundation on the Arts and the Humanities</b>			
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>15,924</u>
<b>Environmental Protection Agency</b>			
Direct,			
Brownfield Assessment & Cleanup Cooperative Agreements	N/A	66.818	<u>229,564</u>
<b>Department of Homeland Security</b>			
Direct,			
Assistance to Firefighters Grant Program	N/A	94.044	<u>17,714</u>
Indirect:			
Pass Through Iowa Homeland Security and Emergency Management			
Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	013-82425-00 DR 1763	97.036	(85,238)
Law Enforcement Terrorism Prevention Program	FFY2010-SS-T00031-09	97.067	(1,759)
Law Enforcement Terrorism Prevention Program	2011-SS-00071-S01-18 & 19	97.067	75,994
Law Enforcement Terrorism Prevention Program	2012-SS-00028-02	97.067	<u>37,609</u>
Subtotal			<u>111,844</u>
<b>Total Department of Homeland Security</b>			<u>26,606</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 16,552,820</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, 2014**

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**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 City). The schedule of expenditures of federal awards does not include the federal grant activity of the City's discretely presented component units. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies are included in this schedule. The information in this schedule is presented in accordance with the requirements of 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**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary funds, whereas expenditures/expenses are recognized in the accounting period in which the cost is incurred. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**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	\$ 135,095
Community Development Block Grant	14.228	176,418
HOME Investment Partnerships Program	14.239	171,239
Lead Based Paint Hazard Controls in Privately-Owned Housing	14.900	37,936
Edward Byrne Memorial Justice Assistance Grant	16.738	157,161

**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, 2014, the principal balance on the loan was \$157,017. 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	\$ (43,057)
Debt subsidy	86,364
<b>Subtotal cash assistance</b>	<b>43,307</b>
Loan balance	157,017
<b>Total</b>	<b>\$ 200,324</b>

City of Waterloo, Iowa

**Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014**

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**Note 5. Total Expenditures by Program**

The total expenditures for the Edward Byrne Memorial Justice Assistance Grant Program, CFDA No. 16.738 is \$344,206.

**City of Waterloo, Iowa**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2014**

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	Finding	Status	Corrective Action Plan or Other Explanation
<b>Other Findings Related to Required Statutory Reporting</b>			
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 certain minutes within this time frame.	Not corrected	See corrective action plan at 14-IV-F.
13-IV-H	The Grants, Special Revenue Fund, and the Vision Iowa Projects, Capital Project Fund had deficit fund balances as of June 30, 2013.	Partially corrected	See corrective action plan at 14-IV-H.
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.	Not corrected	See corrective action plan at 14-IV-J.

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**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, 2014, 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 18, 2014. 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, 2013 and the Waterloo Convention & Visitors Bureau, Inc. as of and for the year ended June 30, 2014, 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*. However, we noted immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory or other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on the knowledge obtained from procedures during our audit of the basic financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretation of those statutes.

## **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.



Davenport, Iowa  
December 18, 2014



## 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, 2014. 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, 2013 and June 30, 2014, 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, 2014.

### ***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 18, 2014

**City of Waterloo, Iowa**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014**

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**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
14.871	Section 8 Housing Choice Vouchers
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs: \$496,584

Auditee qualified as low-risk auditee?

Yes  No

(Continued)

City of Waterloo, Iowa

Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2014

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**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**

**14-IV-A Certified Budget**

Expenditure/expenses during the year ended June 30, 2014, did not exceed the budgeted amounts.

**14-IV-B Questionable Disbursements**

No questionable disbursements were noted.

**14-IV-C Travel Expenses**

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

**14-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, 2014**

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**14-IV-E Bond Coverage**

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

**14-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 December 9, 2013 meetings were published after 15 days and up to 18 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.

**14-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.

**14-IV-H Deficit Balances**

Finding: The following funds had deficit balances as of June 30, 2014:

Grants, Special Revenue	\$ 3,300,793
Community Development Block Grant, Special Revenue	57,633
Federal Aviation Agency Projects, Special Revenue	92,914
Capital Improvements, Capital Projects	1,271,415

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, 2014

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**14-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.

**14-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, 2014, the accumulative cash deficit totaled \$689,064.

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, 2014

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Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
<b>Other Findings Related to Required Statutory Reporting</b>				
14-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 14-IV-F.	June 2015	Michelle Weidner, CFO
14-IV-H	The Grants, Special Revenue Fund, Community Development Block Grant, Special Revenue Fund, Federal Aviation Agency Projects, Special Revenue Fund and Capital Improvements, Capital Projects Fund had deficit fund balances as of June 30, 2014.	See corrective action plan at 14-IV-H.	June 2015	Michelle Weidner, CFO
14-IV-J	The City did not amend the airport ordinance to repeal the positive cash balance requirement. Through June 30, 2014, the accumulative cash deficit totaled \$689,064.	See corrective action plan at 14-IV-J.	June 2015	Michelle Weidner, CFO

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