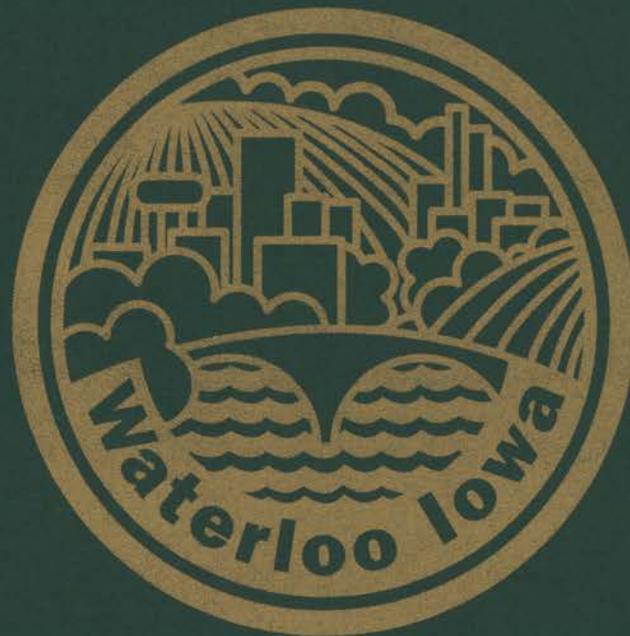


CITY OF WATERLOO, IOWA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

CITY OF WATERLOO, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2015

Prepared by:
City of Waterloo Finance Department
Michelle C. Weidner, CPA, Chief Financial Officer
Joyce Schroeder, 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 18, 2015

COUNCIL
MEMBERS

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

DAVID
JONES
Ward 1

CAROLYN
COLE
Ward 2

HAROLD
GETTY
Ward 3

QUENTIN M.
HART
Ward 4

RON
WELPER
Ward 5

BOB
GREENWOOD
At-Large

STEVE
SCHMITT
At-Large

We are pleased to present the Comprehensive Annual Financial Report of the City of Waterloo, Iowa (the “City”) for the fiscal year ended June 30, 2015 in accordance with the provisions of Chapter 11 of the Code of Iowa. This report represents the thirteenth consecutive year that the financial statements are presented in conformity with Governmental Accounting Standards Board Statement # 34 and the nineteenth 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”. RSM US LLP issued an unmodified (“clean”) opinion on the financial statements for the year ended June 30, 2015. This report is published to provide the City Council, financial institutions and citizens detailed information concerning the financial condition of the City of Waterloo.

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

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

WE’RE WORKING FOR YOU!

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THE CITY'S BACKGROUND AND SERVICES

Waterloo is the sixth 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 services 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 located in downtown Waterloo that includes such things as indoor soccer fields, gyms, a leisure pool and slide, 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 spurring activity in the downtown area.

➤ Cedar Valley Riverfront Renaissance

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

- The RiverWalk Loop – a walking and recreational trail system along the banks of Cedar River from 1st Street to 18th Street in Downtown Waterloo. This "loop" interconnects with the overall trail system of the Cedar Valley (over 100 miles total) and is a part of the American Discovery Trail system through Iowa.
- The Cedar River Dam improvements – an inflatable bladder dam system that improved boatable recreational water depth upstream of the dam at 4th Street. It was designed to allow for a potential kayak course in the future, which is now under preliminary design.
- The Riverfront Amphitheater – hosting President Barrack Obama, various concerts, Friday Loo celebrations, and the local municipal band, this space has become a popular destination for many activities, and is bringing more residents and visitors to downtown Waterloo and the riverfront.

Additionally, 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.

➤ Significant Brownfields Redevelopment

A new 160,000 square-foot City Public Works building is 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 Brownfield 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 site. 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. The first segment of Highway 63 is open and design continues for other segments. Additionally, \$7 million has been invested in traffic flow improvements to Kimball Avenue, which is now substantially complete. 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 also 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 Riverwalk Loop trail in downtown Waterloo has been completed and a new trail has been constructed along the newly constructed Shaulis Road connection from Highway 21 to Highway 63. A recreational area for all-terrain vehicle trails has been developed in the Riverview neighborhood, along with new picnic shelters, fishing jetties and walking trails. A new trail around Getty Lake is nearly complete. Many improvements have been made to Riverfront Municipal Stadium, the city's baseball facility, over the past several years and bids are currently being accepted for a new video board/scoreboard for the stadium to be installed this winter. Riverfront Sports Park has been developed next to the baseball stadium with many improvements including irrigation, field renovations, electronic scoreboards, new and improved field lighting 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, in addition to other facility improvements made to the facility by the Black Hawks Hockey team, a member of the United States Hockey League. Sans Souci Island, a FEMA flood buyout site on the banks of the Cedar River, has been opened to the public for hiking, fishing and picnicking. A new Tennis Center concessions and restroom building has been constructed at Byrnes Park and a new play equipment system has been installed at Gates Park.

➤ **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 five of the pump stations is now complete and the remaining three are also substantially complete. 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 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 declined slightly to \$100.2 million compared to \$101.7 million during the fiscal year ended June 30, 2014. Residential real estate values have continued to trend upward. The median sales price for homes in the Waterloo-Cedar Falls area has increased by 30% since 2004 (an annual average growth rate of 3.0%). Home values appreciated with the median sales price increasing (8.7%) at

June 30, 2015 compared to June 30, 2014. Residential construction activity was sound during the past year, with permits for 129 new units, although lower than the 216 permits that were taken out during the record-breaking 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, 2014, sales have increased steadily by an annual average rate of approximately 1.7% in Waterloo during the ten years ended June 30, 2014 (the most recent period for which statistics are available). Retail sales in 2004 totaled \$954 million and increased to \$1.12 billion for the fiscal year ended June 30, 2014 (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.

The overall city tax base has remained stable, reflecting an average annual level of approximately 0.6% 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 (a Fortune 100 company) 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 \$915 million in its Waterloo area facilities since 2010, including the Westfield advanced manufacturing facility and the Waterloo Foundry, now the largest electric foundry in the state. 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 nearly 1,000 employees during the past year. The Company has continued to experience record-setting performance years recently. The city's average unemployment level of 4.8% (at September 30, 2015) remains above the state level of 3.6%, although it is below the national level for September 2015 of 5.1%.

The Isle Casino Hotel Waterloo continues to provide a stable, strong revenue source for the City. The Isle employs nearly 600 Iowans and generates approximately \$860,000 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 from the Isle.

The City also continues to benefit 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. 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 School District have demolished six dilapidated former school buildings in recent years. The sites are being redeveloped into residential neighborhoods, with 26 new single family homes now completed, 2 under construction, and approximately 20 more planned.

The Cedar Valley TechWorks is creating a multi-use campus that includes space for the creation and commercialization of advanced manufacturing processes and technology, as well as potential retail development. This will help leverage the region's existing advanced manufacturing base. The Cedar Valley 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 training complex. The City of Waterloo received approval from the State of Iowa Economic Development Authority to establish an Iowa Reinvestment District that will allow the City to capture a portion of the sales and hotel/motel tax generated within the District to be used to finance projects within the district.

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 has begun construction on 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. The City will use over \$8.7 million in federal roads funds allocated to the local urban area by the Metropolitan Planning Organization to make additional improvements, including trails and pedestrian accommodations, along the newly renovated highway system.

The City continues to see healthy private investment in the community. Major projects underway include the following:

- A \$60 million expansion by Con Agra Foods is under construction, adding a David's Sunflower Seeds product line to the existing Snack Pack pudding product line, bringing an additional 52 high-paying jobs to the community. Several additional buildings are also under construction in this area, located on the newly constructed Geraldine Road extension.
- More than 500 lots are being platted for future residential development.
- Commercial development exceeding \$10 million is being planned near the Highway 63 and Highway 20 Interchange area, including a Love's Travel Stop, an expansion by Hawkeye Stages, an existing local business, and a multi-use commercial building.
- The VGM Group, which currently employs more than 800 people in the area, is currently constructing a 74,000 square-foot professional office building designed to provide space for another 250-300 employees. This expansion will also provide additional lots for further office campus development through the extension of two roads.
- The redevelopment of public spaces in downtown Waterloo has resulted in several new private projects, including the renovation of a former Wonderbread bakery building into a microbrewery with retail and pub space and a number of upper floor renovations underway for more residential housing in various buildings. KWWL, the local television station, is renovating a multi-story historic building downtown as well.

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, 2014. This is the eleventh 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 Finance department and other City staff in addition to the RSM US LLP audit team. 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 administrative staff of all City departments, and especially to Joyce Schroeder, Emily Graham and Brent Bohlen in the Finance Department and the City Clerk's staff as well. 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

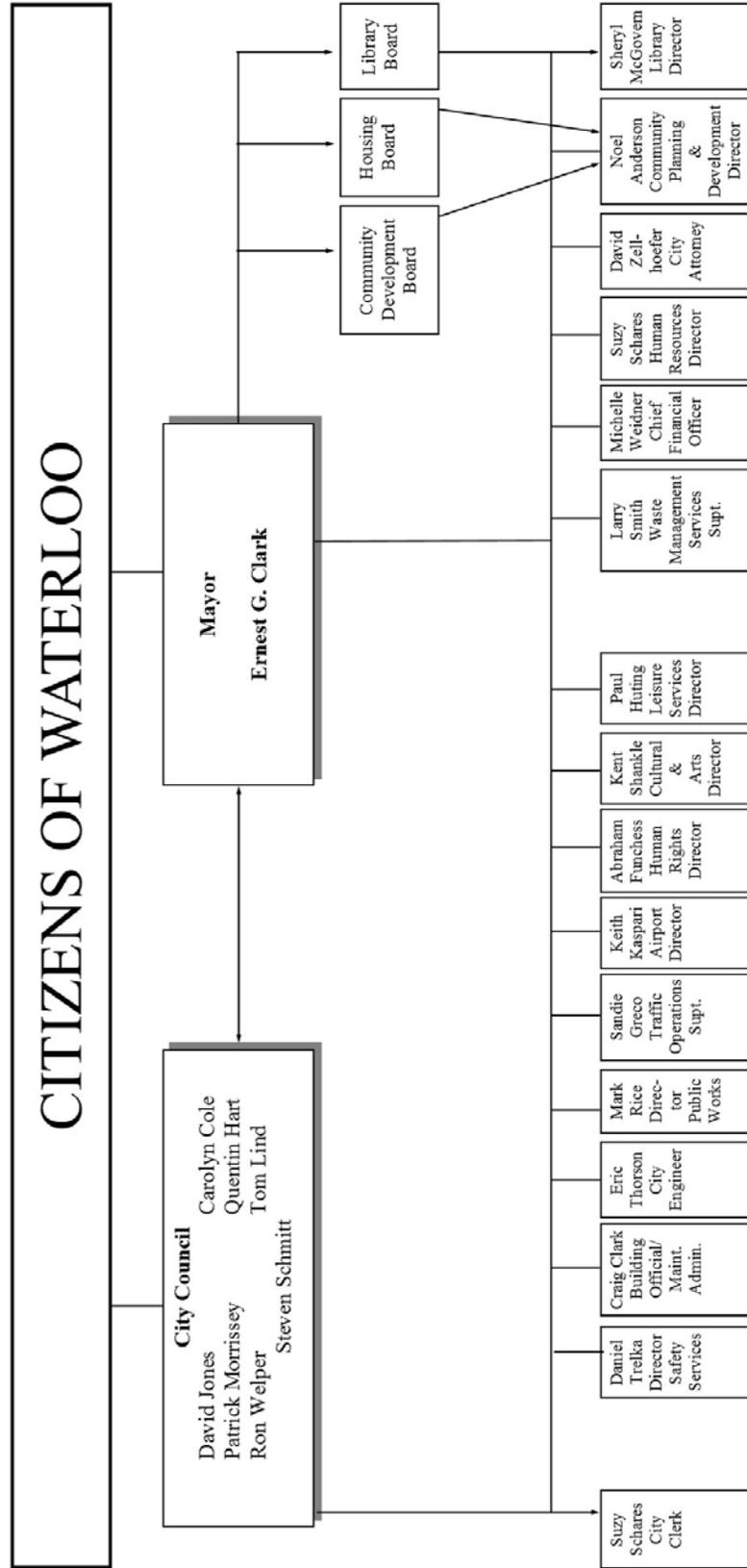
City of Waterloo, Iowa

Officials

June 30, 2015

Name	Title	Term Expires
Elected		
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
Appointed		
Michelle Weidner, CPA	Chief Financial Officer	Indefinite
Suzy Schares, CMC	City Clerk	Indefinite
Eric Thorson, PE	City Engineer	Indefinite
James E. Walsh, Jr.	City Attorney	Retired December 31, 2014
David Zellhoefer	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, 2014

Executive Director/CEO



Independent Auditor's Report

RSM US LLP

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, 2015, 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 reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Waterloo, Iowa as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in Note 11 to the basic financial statements, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which restated beginning net position, net pension liability and deferred outflows of resources of the governmental activities, business-type activities, the major enterprise fund and the aggregate remaining fund information.

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 73, the schedule of the city's proportionate share of the net pension liability and schedule of city contributions for the Iowa Public Employees' Retirement System on pages 74 - 77, the schedule of the city's proportionate share of the net pension liability and schedule of city contributions for the Municipal Fire and Police Retirement System of Iowa on pages 78 - 80, and budgetary comparison information on pages 81 through 83 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 reports 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, 2015 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.

RSM US LLP

Davenport, Iowa
December 18, 2015

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

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, 2015. 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 \$396,808,283 (net position). Of this amount, the City's unrestricted net position (\$20,042,942) is negative, due to recording the City's share of pension liabilities as required under the initial implementation of GASB Statement No. 68, a new accounting standard applicable for the city's participation in pension plans
- The City's total net position increased by \$38,898,886 compared to the restated 2014 ending net position of \$357,909,397.
- As of the close of this current fiscal year, the City of Waterloo's governmental funds reported combined ending fund balances of \$60,377,124, a decrease of \$2,028,748 in comparison with the prior year. Approximately 7.5 percent of this total amount, \$4,513,109, 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 \$10,224,959, or 22 percent of total General Fund expenditures.
- The City of Waterloo's total long-term debt increased by \$37,034,740 or 37.3 percent during the current fiscal year, due primarily to recording the city's share of net pension liabilities.

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, 2015

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 20 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 14 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, 2015

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, 2015.

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 \$396,808,283 at the close of the fiscal year ended June 30, 2015.

By far the largest portion of the City of Waterloo's net position (97 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, 2015 and 2014 follows:

	City of Waterloo's Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2015 (as restated)	2014 (not restated)	2015 (as restated)	2014 (not restated)	2015 (as restated)	2014 (not restated)
Assets						
Current and other assets	\$ 120,121,950	\$ 122,422,523	\$ 29,940,346	\$ 27,524,238	\$ 150,062,296	\$ 149,946,761
Capital assets	357,893,267	324,002,481	92,799,424	91,934,831	450,692,691	415,937,312
Total assets	478,015,217	446,425,004	122,739,770	119,459,069	600,754,987	565,884,073
Deferred outflows of resources	7,713,428	247,277	461,614	209,513	8,175,042	456,790
Liabilities						
Current liabilities	20,757,002	21,066,322	5,485,528	5,589,187	26,242,530	26,655,509
Long-term liabilities	100,914,527	67,843,915	26,287,667	21,402,599	127,202,194	89,246,514
Total liabilities	121,671,529	88,910,237	31,773,195	26,991,786	153,444,724	115,902,023
Deferred inflows of resources	57,884,928	44,313,058	792,094	-	58,677,022	44,313,058
Net position						
Net investment in capital assets	307,415,275	273,871,470	78,270,214	79,920,865	385,685,489	353,792,335
Restricted	30,438,501	30,579,471	727,235	1,310,099	31,165,736	31,889,570
Unrestricted	(31,681,588)	8,998,045	11,638,646	11,445,832	(20,042,942)	20,443,877
Total net position	\$ 306,172,188	\$ 313,448,986	\$ 90,636,095	\$ 92,676,796	\$ 396,808,283	\$ 406,125,782

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

\$30,438,501 of the City of Waterloo's net position (9.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$31,681,588) is a negative position, due to the implementation of GASB Statement No. 68, which required the City to record net pension liabilities for the city's share of liabilities in the IPERS and MFPSI pension plans.

At the end of the current fiscal year, the City of Waterloo reported positive balances in all three categories of net position for the government as a whole. The separate governmental activities had positive balances in the net investment in capital assets and fund balances restricted for specific purposes. Business-type activities also reported positive balances in all categories. The same situation held true for the prior fiscal year.

The City's total net position increased by \$38,898,886 during the current fiscal year from the restated 2014 net position of 357,909,397. Governmental-type activities' net position increased by \$38,440,870 from the restated 2014 net position of \$267,731,318. 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 \$458,016 from the restated 2014 net position of \$90,178,079. 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, 2015 and 2014 follows:

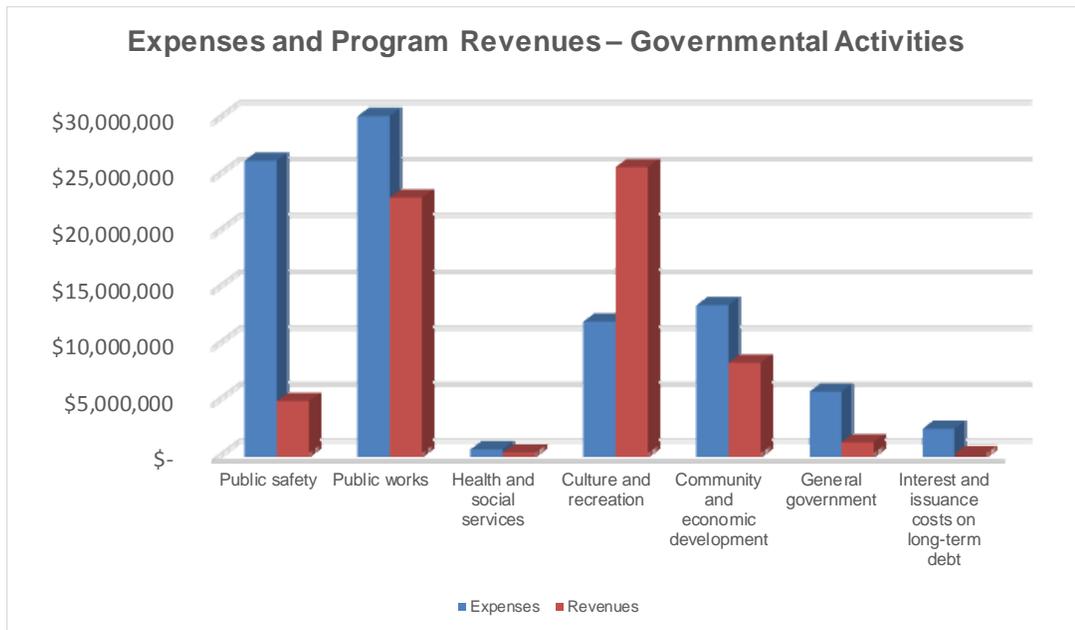
	City of Waterloo's Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2015 (as restated)	2014 (not restated)	2015 (as restated)	2014 (not restated)	2015 (as restated)	2014 (not restated)
Revenues:						
Program revenues:						
Charges for services	\$ 11,545,698	\$ 11,145,858	\$ 16,246,872	\$ 16,454,801	\$ 27,792,570	\$ 27,600,659
Operating grants and contributions	11,335,064	11,938,221	298,560	272,755	11,633,624	12,210,976
Capital grants and contributions	39,116,737	12,668,122	-	-	39,116,737	12,668,122
General revenues:						
Property taxes	45,514,979	44,585,915	-	-	45,514,979	44,585,915
Other taxes	17,471,721	16,745,434	-	-	17,471,721	16,745,434
Other	1,288,756	2,865,983	41,425	25,122	1,330,181	2,891,105
Total revenues	126,272,955	99,949,533	16,586,857	16,752,678	142,859,812	116,702,211
Expenses:						
Public safety	25,988,767	31,773,269	-	-	25,988,767	31,773,269
Public works	29,570,277	28,531,525	-	-	29,570,277	28,531,525
Health and social services	325,607	293,173	-	-	325,607	293,173
Culture and recreation	11,676,287	11,265,704	-	-	11,676,287	11,265,704
Community and economic development	13,190,672	12,910,299	-	-	13,190,672	12,910,299
General government	4,869,696	2,111,172	-	-	4,869,696	2,111,172
Interest on long-term debt	2,208,744	2,349,054	-	-	2,208,744	2,349,054
Sanitary sewer	-	-	12,518,569	10,503,929	12,518,569	10,503,929
Sanitation	-	-	3,612,307	3,667,163	3,612,307	3,667,163
Total expenses	87,830,050	89,234,196	16,130,876	14,171,092	103,960,926	103,405,288
Increase in net position before transfers	38,442,905	10,715,337	455,981	2,581,586	38,898,886	13,296,923
Transfers	(2,035)	-	2,035	-	-	-
Change in net position	38,440,870	10,715,337	458,016	2,581,586	38,898,886	13,296,923
Net position, beginning	267,731,318	302,733,649	90,178,079	90,095,210	357,909,397	392,828,859
Net position, ending	\$ 306,172,188	\$ 313,448,986	\$ 90,636,095	\$ 92,676,796	\$ 396,808,283	\$ 406,125,782

City of Waterloo, Iowa

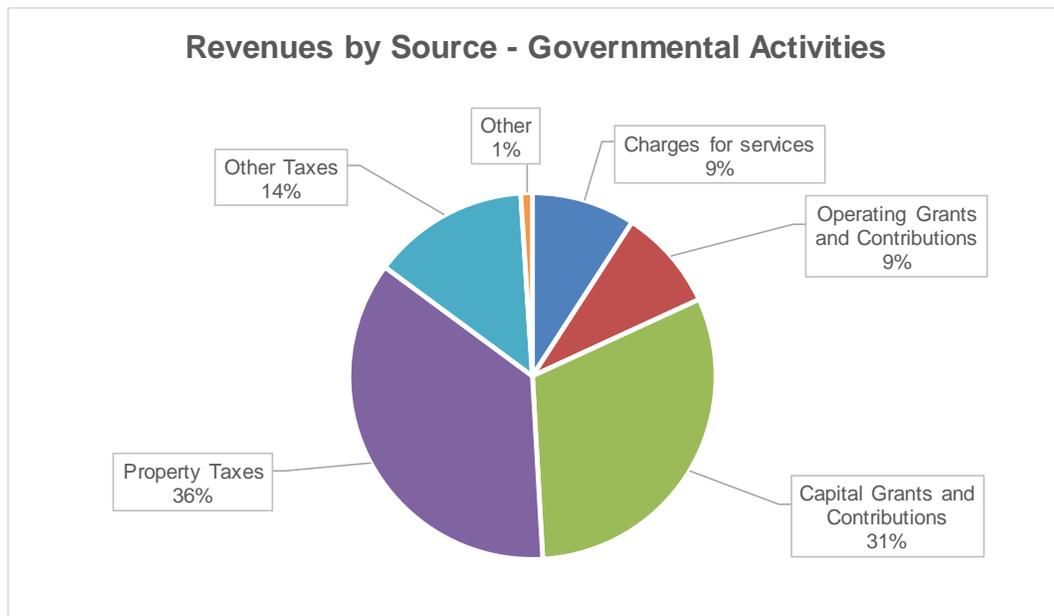
**Management’s Discussion and Analysis
For Fiscal Year Ended June 30, 2015**

Total governmental activities’ revenue for the current fiscal year was \$126,272,955. The largest single revenue source for the City was property taxes of \$45,514,979. Property taxes decreased by \$929,064 (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 3.2 percent, a reduction of 1.7 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 \$61,997,499 during the fiscal year ended June 30, 2015. The graph below illustrates the comparison between the expenses by governmental activity type and the revenues generated that are specific to those activities.



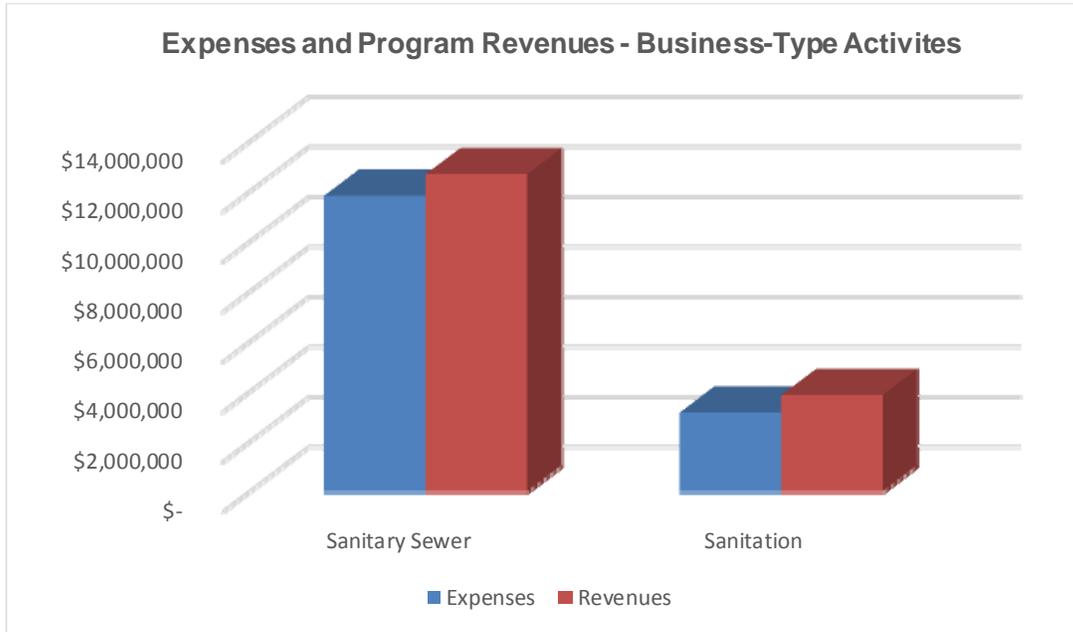
The graph below shows the percentage of the total governmental revenues allocated by each revenue type.



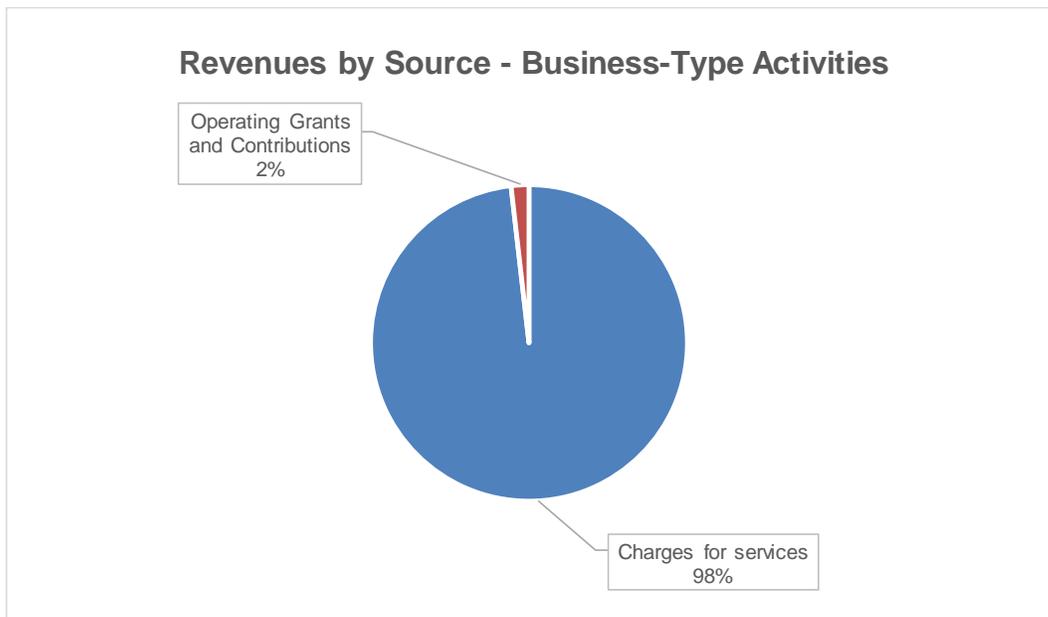
City of Waterloo, Iowa

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2015**

Total business-type activities' revenue for the fiscal year was \$16,586,857. \$16,545,432 of this revenue was generated for specific business-type activity expenses. The graph below shows a comparison between the business-type activity expenses and program revenues.



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



City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

Business-type activities. Business-type activities increased the City of Waterloo's net position by \$458,016 from the 2014 restated net position of \$90,178,079, accounting for 1.2 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, 2015.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Waterloo's governmental funds reported combined ending fund balances of \$60,377,124, a decrease of \$2,028,748 in comparison with the prior year. Fund balance in the amount of \$55,864,015 is not available for new spending because it is nonspendable or has already been restricted, committed or assigned for a variety of purposes. Approximately 7.5 percent of total fund balance or \$4,513,109, 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 \$10,224,959, while total fund balance was \$24,506,394. 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 22 percent of total General Fund expenditures, while total fund balance represents 53 percent of that same amount.

Net general fund operations resulted in an increase in unassigned fund balance of \$40,078 for the year. Several items contributed to this increase. Significant savings in health care costs were realized during the year ended June 30, 2015. A portion of this savings (approximately \$1 million) was due to charges to departments being less than the amount originally budgeted.

Overall general fund revenue was less than budgeted. Parking revenue was \$60,000 less than expected. Golf revenue was \$164,000 less than expected. Sports activity revenue was \$26,000 less than budgeted and Young Arena revenue was \$27,000 less than budgeted. Central garage revenue for fuel sales to other entities was under budget by \$90,000. Police fine revenue was \$26,000 less than expected. Parks revenue was \$50,000 more than expected, due to receiving a FEMA reimbursement for operating expenses paid in prior years. The building inspections department realized \$60,000 more revenue than was budgeted. The Center for the Arts also realized more revenue than was budgeted by \$73,000.

The City originally budgeted for no change in unassigned fund balance for operations for the budget year ended June 30, 2015. However, \$500,000 was budgeted to be used for operations for the budget year ending June 30, 2016. This amount was included in assigned fund balance at June 30, 2015, reducing unassigned fund balance at June 30, 2015. Other variances in actual departmental performance versus amounts budgeted resulted in a net increase in fund balance of \$40,078.

Trust & Agency Fund— The net increase in fund balance during the current year was \$12,421, resulting primarily from unemployment expense being less than budgeted.

City of Waterloo, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2015

The General Obligation Debt Service Fund—The net decrease in fund balance of \$464,326 during the current year is largely due to the planned use of refunding savings received in prior years to reduce property taxes levied. Property tax protest settlements was also a factor.

The Grants Fund—Although several large grant-funded projects were under construction during the year for which grant reimbursements were not received by year-end, the amount of reimbursements due was lower at June 30, 2015, reducing the temporary deficit fund balance by \$102,631.

TIF Fund—The total fund balance of \$5,166,368 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 \$2,453,860 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 \$2,362,105 is due to a second year of good construction weather that allowed significantly more work to be completed on contracts in the current year.

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

Total net position of the sanitary sewer fund at the end of the year was \$85,811,216, an increase of \$200,138 from the restated 2014 net position of \$85,611,078. 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, 2015

The total original expenditure budget including transfers out of \$163,717,006 was increased to \$171,732,988 (an increase of \$8,015,982).

- 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 animal control activity (\$0.1 million).
- The City amended the budget for an air service development project at the airport as well as adding FAA grant carryover for construction projects at the airport that continued longer than originally expected into FY2015 (\$0.9 million).
- Expenditures were increased for additional grants and donations received for Leisure Services, Cultural/Arts and the Library (\$0.4 million).
- The City increased expenditures to reflect additional federal HOME grant funds and disaster recovery grant funds for a multi-family new as well as reflect additional maintenance expenses for city owned property (\$0.7 million).
- The City amended the budget due to increased expenditures for liability insurance, workers compensation and medical claims (\$1.1 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 (\$4.5 million).
- The City increased the budget to fund sanitary sewer operations (\$0.3 million).

The total original revenue budget, including other financing sources of \$157,746,893 was increased to \$160,812,703 (an increase of \$3,065,810).

- 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, parks improvements, and a multi-family housing project, as well as others (\$1.7 million).
- Amendments were made to various miscellaneous charges for services to reflect higher revenues than originally anticipated with the certified budget (\$0.2 million).
- Donation revenue was increased to reflect additional donations received from Black Hawk Gaming as well as other entities for various City projects (\$1.0 million).
- The City amended the original budget for sales proceeds to reflect additional proceeds expected from the sale of property (\$0.1 million).

See pages 81 through 87 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, 2015

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, 2015, amounts to \$450,692,691 (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 8.4 percent (a 10.5 percent increase for governmental activities and a 0.9 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	
	2015	2014	2015	2014	2015	2014
Land	\$ 43,387,370	\$ 40,638,156	\$ 348,055	\$ 348,055	\$ 43,735,425	\$ 40,986,211
Land held for redevelopment	7,778,851	8,048,966	-	-	7,778,851	8,048,966
Buildings and improvements	73,455,495	53,440,645	49,108,792	50,512,767	122,564,287	103,953,412
Other improvements	-	-	34,767,577	31,664,375	34,767,577	31,664,375
Software	393,569	423,419	3,988	7,976	397,557	431,395
Infrastructure	202,119,561	197,152,848	-	-	202,119,561	197,152,848
Furniture, vehicles, machinery and equipment	11,263,856	10,580,119	4,371,629	4,335,545	15,635,485	14,915,664
Construction-in-progress	19,494,565	13,718,328	4,199,383	5,066,113	23,693,948	18,784,441
	\$ 357,893,267	\$ 324,002,481	\$ 92,799,424	\$ 91,934,831	\$ 450,692,691	\$ 415,937,312

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 as well as the San Marnan and Midport TIF Districts for continued economic development (\$2.7 million).
- Buildings and improvements completed (\$2.1 million) included a new public works salt storage facility, replacement of the Byrnes Park Tennis Center, new dehumidification system at Young Ice Arena and replacement of the Runway Lighting Vault at the Waterloo Regional Airport.
- The city invested \$2.9 million into new vehicles, equipment, computers and software for various city departments. The most significant of these included a new fire truck, snow removal equipment for the airport and replacement of various mowing and maintenance equipment for the city's golf courses.
- Significant investments in street construction, reconstruction and overlay programs funded with local option taxes and grants were completed (\$9.3 million) and transferred to infrastructure assets. Another \$4.5 million in storm water and flood protection improvements were completed and transferred to infrastructure assets, including a new lift station at Blowers 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, 2015.
- The City invested \$0.6 million in new vehicles and equipment for the sewer and sanitation departments as well as added \$4.0 million in sanitary sewer and storm sewer infrastructure. An additional \$1.2 million was invested in sanitary sewer and storm sewer construction still in progress at June 30, 2015.

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, 2015

Long-term liabilities. At the end of the current fiscal year, the City of Waterloo had total bonded debt outstanding of \$93,455,000. Of this amount, \$92,740,000 is comprised of debt backed by the full faith and credit of the government. The remainder of the City of Waterloo's bonded debt (\$715,000) 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 \$36,214,740.

	City of Waterloo Long-term Outstanding Debt					
	Governmental Activities		Business-Type Activities		Total	
	2015 (as restated)	2014 (not restated)	2015 (as restated)	2014 (not restated)	2015 (as restated)	2014 (not restated)
Bonded Debt:						
General obligation bonds	\$ 67,066,200	\$ 68,505,400	\$ 25,673,800	\$ 22,219,600	\$ 92,740,000	\$ 90,725,000
Revenue bonds	-	-	715,000	1,910,000	715,000	1,910,000
Total bonded debt	67,066,200	68,505,400	26,388,800	24,129,600	93,455,000	92,635,000
Other Debt:						
Loans and notes	2,061,316	2,282,005	-	-	2,061,316	2,282,005
Deferred compensation	6,441	18,958	-	5,781	6,441	24,739
Compensated absences	4,035,007	3,917,953	294,799	315,195	4,329,806	4,233,148
Net pension liability - IPERS	7,631,561	-	1,948,102	-	9,579,663	-
Net pension liability - MFPRSI	26,777,406	-	-	-	26,777,406	-
Total other debt	40,511,731	6,218,916	2,242,901	320,976	42,754,632	6,539,892
Total long-term debt outstanding	\$ 107,577,931	\$ 74,724,316	\$ 28,631,701	\$ 24,450,576	\$ 136,209,632	\$ 99,174,892

The City of Waterloo's total long-term liabilities increased by \$37,034,740 (37.3 percent) during the current fiscal year, due to recording the net pension liabilities due for the IPERS and MFPRSI retirement plans.

The government issued general obligation bonds in the amount of \$14,000,000 during the current fiscal year; \$8,000,000 for general purposes and \$6,000,000 for sewer projects.

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 \$181,167,349, which is significantly greater than the City of Waterloo's outstanding general obligation debt (\$92,442,457) and other debt subject to debt limitation (\$2,061,307). The total debt subject to this limitation is \$94,503,764, resulting in available debt margin of \$86,663,584.

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, 2015

Economic Factors and Next Year's Budgets and Rates

Property taxes provide 45 percent of General Fund revenues. Over the past five years, citywide assessed valuations have risen an average of 0.6 percent annually, while property tax regulations imposed by the State of Iowa resulted in taxable values increasing by an average of 1.7 percent over that same time period. The fiscal 2016 budget reflects total property tax and utility excise tax revenue to decline by 1.8 percent. State property tax reform added a provision that the state would replace property tax revenue lost due to the implementation of a new reduction in taxable value of commercial and industrial properties. The City budgeted to receive \$1.8 million in property tax replacement payments. The 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 \$3 million in revenue for the year ending June 30, 2016. As discussed elsewhere in this report, the City budgeted to use \$500,000 in general fund reserves for general operations for the year ended June 30, 2016.

Personnel costs make up a significant portion of City operating costs. Wage increases identified in contractual bargaining agreements are 3 percent for fiscal year 2016. The employer contribution rate required for the Municipal Fire and Police Retirement System decreased by 8.7 percent, while the contribution rate for the Iowa Public Employees Retirement System remained at the same rate as the prior year. After many years of increases in health care costs, the anticipated health care costs for the year ending June 30, 2016 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 2016.

Requests for Information

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

City of Waterloo, Iowa

Statement of Net Position
June 30, 2015

	Primary Government			Waterloo Water Works	Waterloo Convention & Visitors Bureau, Inc.
	Governmental Activities	Business-Type Activities	Total		
Assets					
Current assets:					
Cash and cash equivalents	\$ 43,718,657	\$ 9,985,028	\$ 53,703,685	\$ 5,391,624	\$ 304,461
Investments	-	-	-	430,020	431,498
Receivables:					
Customer accounts, net of allowance for uncollectible accounts	2,895,965	3,402,903	6,298,868	1,638,195	-
Property taxes:					
Delinquent	444,766	-	444,766	-	-
Succeeding year	44,531,570	-	44,531,570	-	-
Internal accounts	(38,704)	38,704	-	-	-
Due from other governments:					
Component unit	-	1,096,935	1,096,935	-	-
Primary government	-	-	-	-	303,435
Other	13,309,192	30,585	13,339,777	-	-
Miscellaneous	55,750	-	55,750	-	-
Accrued interest	12	-	12	1,886	1,055
Special assessments	105,165	246,326	351,491	-	-
Assets held for sale	96,867	-	96,867	-	-
Inventories and prepaids	622,661	20,896	643,557	623,522	11,722
Total current assets	105,741,901	14,821,377	120,563,278	8,085,247	1,052,171
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	14,072,477	15,118,969	29,191,446	-	-
Investments	-	-	-	149,980	99,634
Receivables	15,690	-	15,690	-	-
Loans and notes, net of allowance for uncollectible amounts					
	52,000	-	52,000	-	-
Special assessments	239,882	-	239,882	281,154	-
Capital assets, net of accumulated depreciation	287,232,481	88,251,985	375,484,466	24,085,061	67,407
Capital assets not being depreciated	70,660,786	4,547,439	75,208,225	1,206,431	-
Total noncurrent assets	372,273,316	107,918,393	480,191,709	25,722,626	167,041
Total assets	478,015,217	122,739,770	600,754,987	33,807,873	1,219,212
Deferred Outflows of Resources					
Pension related amounts	7,713,428	411,885	8,125,313	-	-
Deferred charge on refunding	-	49,729	49,729	-	-
Total deferred outflows of resources	7,713,428	461,614	8,175,042	-	-

See Notes to Basic Financial Statements.

	Primary Government			Waterloo Water Works	Waterloo Convention & Visitors Bureau, Inc.
	Governmental Activities	Business-Type Activities	Total		
Liabilities					
Current:					
Accounts and retainages payable	\$ 5,254,601	\$ 1,863,055	\$ 7,117,656	\$ 222,261	\$ 1,517
Accrued liabilities and other	1,261,759	189,784	1,451,543	132,736	7,621
Due to primary government	-	-	-	1,186,475	-
Due to component unit	303,436	-	303,436	-	-
Due to other governments	-	-	-	57,958	-
Noncurrent liabilities due and payable					
within one year	12,222,838	3,429,787	15,652,625	61,600	-
Unearned revenues	472,849	-	472,849	-	-
Current liabilities payable from restricted assets:					
Health claims	1,012,196	-	1,012,196	-	-
Other	229,323	-	229,323	-	-
Accrued interest	-	2,902	2,902	-	-
Total current liabilities	20,757,002	5,485,528	26,242,530	1,661,030	9,138
Noncurrent:					
Customer deposits	91,439	361,575	453,014	149,980	-
Worker's compensation claims	333,000	-	333,000	-	-
Revenue bonds and notes	-	140,000	140,000	416,000	-
General obligation bonds and notes, net of bond discounts and premium	58,604,111	23,197,632	81,801,743	-	-
Other loans and notes	1,828,437	-	1,828,437	-	-
Other postemployment benefits obligation	4,368,084	589,346	4,957,430	-	-
Compensated absences and deferred compensation	1,280,489	51,012	1,331,501	-	-
Net pension liability	34,408,967	1,948,102	36,357,069	-	-
Total noncurrent liabilities	100,914,527	26,287,667	127,202,194	565,980	-
Total liabilities	121,671,529	31,773,195	153,444,724	2,227,010	9,138
Deferred Inflows of Resources					
Property taxes	44,531,570	-	44,531,570	-	-
Pension related amounts	13,353,358	792,094	14,145,452	-	-
Total deferred inflows of resources	57,884,928	792,094	58,677,022	-	-
Net Position					
Net investment in capital assets	307,415,275	78,270,214	385,685,489	24,875,492	67,407
Restricted for:					
Debt service	5,407,352	727,235	6,134,587	-	-
Self-funded health insurance	9,171,476	-	9,171,476	-	-
Tourism promotion	1,115,425	-	1,115,425	-	-
Public access television	140,667	-	140,667	-	-
Civil rights enforcement	50,472	-	50,472	-	-
Housing	4,232,575	-	4,232,575	-	-
Donor specified	400,648	-	400,648	-	-
Employee benefits	402,813	-	402,813	-	-
Library	114,230	-	114,230	-	-
Street and right-of-way maintenance	5,067,682	-	5,067,682	-	-
Improvements	4,335,161	-	4,335,161	-	-
Unrestricted (deficit)	(31,681,588)	11,638,646	(20,042,942)	6,705,371	1,142,667
Total net position	\$ 306,172,188	\$ 90,636,095	\$ 396,808,283	\$ 31,580,863	\$ 1,210,074

City of Waterloo, Iowa

Statement of Activities
Year Ended June 30, 2015

Programs/Functions	Program Revenues				
	Direct Expenses	Indirect Allocations	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:					
Public safety	\$ 25,988,767	\$ -	\$ 4,018,731	\$ 659,044	\$ -
Public works	29,950,277	(380,000)	2,498,057	7,610,226	12,607,117
Health and social services	400,607	(75,000)	2,507	94,336	-
Culture and recreation	11,726,287	(50,000)	3,361,891	180,553	21,878,771
Community and economic development	13,190,672	-	721,039	2,725,593	4,630,849
General government	5,508,196	(638,500)	943,473	65,312	-
Interest and issuance costs on long-term debt	2,208,744	-	-	-	-
Total governmental activities	88,973,550	(1,143,500)	11,545,698	11,335,064	39,116,737
Business-type activities:					
Sanitary Sewer	11,826,569	692,000	12,661,602	24,236	-
Sanitation	3,160,807	451,500	3,585,270	274,324	-
Total business-type activities	14,987,376	1,143,500	16,246,872	298,560	-
Total primary government	\$ 103,960,926	\$ -	\$ 27,792,570	\$ 11,633,624	\$ 39,116,737
Component unit, Waterloo Water Works	\$ 6,838,451	\$ -	\$ 8,016,160	\$ -	\$ 407,873
Component unit, Waterloo Convention & Visitors Bureau, Inc.	\$ 611,102	\$ -	\$ -	\$ 602,883	\$ -

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

Transfer

Total general revenues

Changes in net position

Net position, beginning of year, as restated

Net position, end of year

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position			Component Units	
Governmental Activities	Business-Type Activities	Total	Waterloo Water Works	Waterloo Convention & Visitors Bureau, Inc.
\$ (21,310,992)	\$ -	\$ (21,310,992)	\$ -	\$ -
(6,854,877)	-	(6,854,877)	-	-
(228,764)	-	(228,764)	-	-
13,744,928	-	13,744,928	-	-
(5,113,191)	-	(5,113,191)	-	-
(3,860,911)	-	(3,860,911)	-	-
(2,208,744)	-	(2,208,744)	-	-
(25,832,551)	-	(25,832,551)	-	-
-	167,269	167,269	-	-
-	247,287	247,287	-	-
-	414,556	414,556	-	-
(25,832,551)	414,556	(25,417,995)	-	-
-	-	-	1,585,582	-
-	-	-	-	(8,219)
30,647,230	-	30,647,230	-	-
14,867,749	-	14,867,749	-	-
9,661,301	-	9,661,301	-	-
1,601,291	-	1,601,291	-	-
1,332,801	-	1,332,801	-	-
1,205,767	-	1,205,767	-	-
2,798,330	-	2,798,330	-	-
802,557	-	802,557	-	-
69,674	-	69,674	-	-
180,123	39,714	219,837	57,553	8,359
1,108,633	1,711	1,110,344	676,831	3,306
(2,035)	2,035	-	-	-
64,273,421	43,460	64,316,881	734,384	11,665
38,440,870	458,016	38,898,886	2,319,966	3,446
267,731,318	90,178,079	357,909,397	29,260,897	1,206,628
\$ 306,172,188	\$ 90,636,095	\$ 396,808,283	\$ 31,580,863	\$ 1,210,074

City of Waterloo, Iowa

**Balance Sheet
Governmental Funds
June 30, 2015**

Assets	General	Trust and Agency	Grants
Cash and cash equivalents	\$ 7,416,289	\$ 287,775	\$ -
Receivables:			
Customer accounts, net	1,277,964	-	-
Property tax:			
Delinquent	231,932	111,434	-
Succeeding year	19,111,523	9,815,145	-
Special assessments	345,047	-	-
Miscellaneous	-	-	55,750
Accrued interest	-	-	-
Loans and notes	52,000	-	-
Due from other funds	7,949,466	-	-
Due from other governments:			
Federal	75,630	-	1,370,975
Iowa	372,077	-	6,370,795
Other	231,100	115,879	-
Inventories and prepaids	323,781	-	-
Restricted assets:			
Cash and cash equivalents	10,168,110	1,844,107	-
Receivables	15,690	-	-
Advances to other funds	-	-	-
Total assets	\$ 47,570,609	\$ 12,174,340	\$ 7,797,520

(Continued)

Tax Increment Financing	Local Option Tax	General Obligation Debt Service	Other Governmental	Total
\$ 5,509,519	\$ 5,703,110	\$ 776,243	\$ 24,025,721	\$ 43,718,657
-	-	-	1,618,001	2,895,965
14,839	-	80,048	6,513	444,766
7,405,250	-	7,625,979	573,673	44,531,570
-	-	-	-	345,047
-	-	-	-	55,750
-	-	-	12	12
-	-	-	-	52,000
-	45,562	-	655	7,995,683
-	-	-	635,016	2,081,621
-	1,756,675	-	1,827,171	10,326,718
44,468	425,028	77,910	6,468	900,853
-	-	-	298,880	622,661
-	-	19,138	2,041,122	14,072,477
-	-	-	-	15,690
-	13,598	-	116,014	129,612
<u>\$ 12,974,076</u>	<u>\$ 7,943,973</u>	<u>\$ 8,579,318</u>	<u>\$ 31,149,246</u>	<u>\$ 128,189,082</u>

City of Waterloo, Iowa

Balance Sheet (Continued)
Governmental Funds
June 30, 2015

	General	Trust and Agency	Grants
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)			
Liabilities:			
Accounts payable	\$ 320,982	\$ 841	\$ 1,177,570
Retainages payable	2,207	-	247,292
Accrued liabilities	918,749	-	319
Due to other funds	-	-	5,779,689
Unearned revenue	198,192	-	274,657
Compensated absences	155,434	-	-
Due to Waterloo Convention & Visitors Bureau, Inc.	303,436	-	-
Payables from restricted assets	1,241,519	-	-
Advances from other funds	168,316	-	-
Total liabilities	3,308,835	841	7,479,527
Deferred Inflows of Resources:			
Unavailable revenue - property tax	19,343,455	9,926,579	-
Unavailable revenue - local option sales tax	-	-	-
Unavailable revenue - special assessments	345,047	-	-
Unavailable revenue - intergovernmental	66,878	-	3,516,155
Total deferred inflows of resources	19,755,380	9,926,579	3,516,155
Fund balances (deficits):			
Nonspendable	323,781	-	-
Restricted	9,109,347	2,246,920	-
Assigned	4,848,307	-	-
Unassigned	10,224,959	-	(3,198,162)
Total fund balances (deficits)	24,506,394	2,246,920	(3,198,162)
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 47,570,609	\$ 12,174,340	\$ 7,797,520

See Notes to Basic Financial Statements.

Tax Increment Financing	Local Option Tax	General Obligation Debt Service	Other Governmental	Total
\$ 96,326	\$ 1,362,178	\$ -	\$ 1,579,016	\$ 4,536,913
-	404,580	-	63,609	717,688
-	23,441	-	140,376	1,082,885
291,293	-	-	1,924,701	7,995,683
-	-	-	-	472,849
-	1,844	-	28,815	186,093
-	-	-	-	303,436
-	-	-	91,439	1,332,958
-	-	-	-	168,316
<u>387,619</u>	<u>1,792,043</u>	<u>-</u>	<u>3,827,956</u>	<u>16,796,821</u>
7,420,089	-	7,706,027	580,186	44,976,336
-	130,000	-	-	130,000
-	-	-	-	345,047
-	-	-	1,980,721	5,563,754
<u>7,420,089</u>	<u>130,000</u>	<u>7,706,027</u>	<u>2,560,907</u>	<u>51,015,137</u>
-	-	-	298,880	622,661
4,712,935	4,159,663	873,291	26,894,612	47,996,768
453,433	1,862,267	-	80,579	7,244,586
-	-	-	(2,513,688)	4,513,109
<u>5,166,368</u>	<u>6,021,930</u>	<u>873,291</u>	<u>24,760,383</u>	<u>60,377,124</u>
\$ 12,974,076	\$ 7,943,973	\$ 8,579,318	\$ 31,149,246	\$ 128,189,082

City of Waterloo, Iowa

**Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015**

Total governmental fund balances		\$	60,377,124
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			357,893,267
Assets held for resale			96,867
Certain revenues are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds			6,483,567
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:			
Deferred outflows of resources - IPERS	1,615,510		
Deferred outflows of resources - MFPRSI	6,097,918		
Deferred inflows of resources - IPERS	(3,102,973)		
Deferred inflows of resources - MFPRSI	(10,250,385)		
			(5,639,930)
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	\$	(67,066,200)	
Other loans and notes		(2,061,316)	
Bond discount		132,062	
Bond premium		(898,973)	
Other post employment benefits obligation		(4,368,084)	
Worker's compensation claims payable		(333,000)	
Compensated absences and deferred compensation		(3,855,355)	
Net pension liability - IPERS		(7,631,561)	
Net pension liability - MFPRSI		(26,777,406)	
Accrued interest payable		(178,874)	
			(113,038,707)
Net position of governmental activities		\$	306,172,188

See Notes to Basic Financial Statements.

City of Waterloo, Iowa

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Governmental Funds
Year Ended June 30, 2015

	General	Trust and Agency	Grants
Revenues:			
Property taxes	\$ 19,181,066	\$ 10,811,048	\$ -
Other taxes	6,991,109	484,546	-
Licenses and permits	1,387,340	-	-
Investment income	72,596	13,181	-
Rent	1,037,693	-	-
Intergovernmental	1,208,120	-	11,668,343
Charges for services	7,116,773	-	17,108
Interfund charges for services	1,885,000	-	-
Special assessments	127,266	-	-
Miscellaneous	1,463,565	-	286,387
Total revenues	40,470,528	11,308,775	11,971,838
Expenditures:			
Current operating:			
Public safety	26,155,655	4,411,195	-
Public works	2,709,274	-	11,415,525
Health and social services	407,060	-	-
Culture and recreation	10,025,008	-	12,215
Community and economic development	1,784,437	-	441,467
General government	5,449,376	10,271	-
Debt service:			
Principal	-	-	-
Interest and fees	-	-	-
Capital outlay	-	-	-
Total expenditures	46,530,810	4,421,466	11,869,207
Excess (deficiency) of revenues over expenditures	(6,060,282)	6,887,309	102,631
Other financing sources (uses):			
Transfers in	7,042,926	-	-
Transfers out	(208,513)	(6,874,888)	-
Insurance proceeds	1,400	-	-
Bond discount	-	-	-
Bond premium	-	-	-
Proceeds from sale of capital assets	18,692	-	-
Issuance of long-term debt	-	-	-
Total other financing sources (uses)	6,854,505	(6,874,888)	-
Net changes in fund balances (deficits)	794,223	12,421	102,631
Fund balances (deficits), beginning of year	23,712,171	2,234,499	(3,300,793)
Fund balances (deficits), end of year	\$ 24,506,394	\$ 2,246,920	\$ (3,198,162)

See Notes to Basic Financial Statements.

Tax Increment Financing	Local Option Tax	General Obligation Debt Service	Other Governmental	Total
\$ 7,309,780	\$ -	\$ 7,557,969	\$ 580,744	\$ 45,440,607
-	9,788,884	308,733	26,032	17,599,304
-	-	-	26,399	1,413,739
13,709	14,652	9,345	60,455	183,938
-	-	64,296	191,570	1,293,559
-	-	86,364	15,684,598	28,647,425
-	21,713	-	215,776	7,371,370
-	-	-	50,000	1,935,000
-	-	-	-	127,266
-	2,000	93,802	915,195	2,760,949
7,323,489	9,827,249	8,120,509	17,750,769	106,773,157
-	-	-	21,780	30,588,630
-	12,189,354	-	8,201,532	34,515,685
-	-	-	-	407,060
-	-	-	596,015	10,633,238
1,568,913	-	-	7,988,494	11,783,311
-	-	-	170	5,459,817
144,688	-	9,515,202	-	9,659,890
87,459	-	1,928,907	7,000	2,023,366
500	-	-	11,855,246	11,855,746
1,801,560	12,189,354	11,444,109	28,670,237	116,926,743
5,521,929	(2,362,105)	(3,323,600)	(10,919,468)	(10,153,586)
125,500	-	2,859,274	249,270	10,276,970
(3,193,569)	-	-	-	(10,276,970)
-	-	-	-	1,400
-	-	-	(6,168)	(6,168)
-	-	-	110,914	110,914
-	-	-	-	18,692
-	-	-	8,000,000	8,000,000
(3,068,069)	-	2,859,274	8,354,016	8,124,838
2,453,860	(2,362,105)	(464,326)	(2,565,452)	(2,028,748)
2,712,508	8,384,035	1,337,617	27,325,835	62,405,872
\$ 5,166,368	\$ 6,021,930	\$ 873,291	\$ 24,760,383	\$ 60,377,124

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, 2015**

Net change in fund balances - governmental funds \$ (2,028,748)

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	\$ 28,490,664	
Depreciation	(14,472,630)	14,018,034

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

Proceeds from sale of capital assets	(18,692)	
Contributed capital	21,456,954	
Net loss on disposal of capital assets	(1,563,475)	
Transfer of assets to business-type activities	(2,035)	19,872,752

Change in assets held for resale (295,068)

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	(8,000,000)	
Repayment of general obligation bond principal	9,439,200	
Repayment of other long-term debt principal	220,689	
Bond discount	6,168	
Bond premium	(110,914)	
Amortization of bond discounts, premiums and deferred charges	(187,922)	
Change in accrued interest	2,544	1,369,765

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

Current year		6,483,567
Prior year		(6,507,122)

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		(89,154)
Change in worker's compensation claims payable		51,000
Change in compensated absences and deferred compensation liabilities		(102,927)
Pension expense - IPERS		669,538
Pension expense - MFPRSI		4,999,233

Change in net position of governmental activities		\$ 38,440,870
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City of Waterloo, Iowa

**Statement of Net Position
Enterprise Funds
June 30, 2015**

	Sanitary Sewer	Nonmajor - Sanitation	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 6,766,573	\$ 3,218,455	\$ 9,985,028
Customer accounts receivable	2,734,213	668,690	3,402,903
Special assessments receivable	55,329	190,997	246,326
Due from other governments:			
Waterloo Water Works	753,198	343,737	1,096,935
Other	9,395	21,190	30,585
Inventories	20,896	-	20,896
Total current assets	10,339,604	4,443,069	14,782,673
Noncurrent assets:			
Advances to other funds	27,003	11,701	38,704
Restricted cash and cash equivalents	15,007,319	111,650	15,118,969
Capital assets, net of accumulated depreciation	86,787,322	1,464,663	88,251,985
Capital assets not being depreciated	4,547,439	-	4,547,439
Net capital assets	91,334,761	1,464,663	92,799,424
Total noncurrent assets	106,369,083	1,588,014	107,957,097
Total assets	116,708,687	6,031,083	122,739,770
Deferred Outflows of Resources			
Pension related amounts	294,844	117,041	411,885
Deferred charge on refunding	49,729	-	49,729
Total deferred outflows of resources	344,573	117,041	461,614

See Notes to Basic Financial Statements.

	Sanitary Sewer	Nonmajor - Sanitation	Total
Liabilities, Deferred Inflows of Resources, and Net Position			
Liabilities:			
Current:			
Accounts payable	\$ 1,644,398	\$ 118,932	\$ 1,763,330
Retainages payable	99,725	-	99,725
Accrued liabilities	152,981	36,803	189,784
Current maturities of general obligation and revenue bonds	3,186,000	-	3,186,000
Compensated absences and deferred compensation	172,578	71,209	243,787
Accrued interest, revenue bonds	2,902	-	2,902
Total current liabilities	5,258,584	226,944	5,485,528
Noncurrent:			
Security deposits	249,925	111,650	361,575
General obligation bonds, net bond discount and premium	23,197,632	-	23,197,632
Revenue bonds	140,000	-	140,000
Other postemployment benefits obligation	372,497	216,849	589,346
Compensated absences and deferred compensation	43,132	7,880	51,012
Net pension liability	1,407,847	540,255	1,948,102
Total noncurrent liabilities	25,411,033	876,634	26,287,667
Total liabilities	30,669,617	1,103,578	31,773,195
Deferred Inflows of Resources, pension related amounts	572,427	219,667	792,094
Net position:			
Net investment in capital assets	76,805,551	1,464,663	78,270,214
Restricted for:			
Debt service	727,235	-	727,235
Improvements	475,982	-	475,982
Unrestricted	7,802,448	3,360,216	11,162,664
Total net position	\$ 85,811,216	\$ 4,824,879	\$ 90,636,095

City of Waterloo, Iowa

Statement of Revenues, Expenses and Changes in Net Position
Enterprise Funds
Year Ended June 30, 2015

	Sanitary Sewer	Nonmajor - Sanitation	Total
Operating revenues:			
Charges for sales and service	\$ 12,603,611	\$ 3,585,270	\$ 16,188,881
Miscellaneous	57,991	-	57,991
Total operating revenues	12,661,602	3,585,270	16,246,872
Operating expenses:			
Salaries and benefits	3,498,693	1,452,422	4,951,115
Contractual services	2,288,186	919,450	3,207,636
Intra-city reimbursements	692,000	451,500	1,143,500
Commodities	2,650,155	504,317	3,154,472
Depreciation	2,590,099	284,618	2,874,717
Total operating expenses	11,719,133	3,612,307	15,331,440
Operating income (loss)	942,469	(27,037)	915,432
Nonoperating revenues (expenses):			
Interest income	29,826	9,888	39,714
Intergovernmental	24,236	274,324	298,560
Interest expense	(646,488)	-	(646,488)
Amortization	(152,948)	-	(152,948)
Gain on disposal of capital assets	1,008	703	1,711
Capital contributions	2,035	-	2,035
Total nonoperating revenues (expenses)	(742,331)	284,915	(457,416)
Change in net position	200,138	257,878	458,016
Net position, beginning of year, as restated	85,611,078	4,567,001	90,178,079
Net position, end of year	\$ 85,811,216	\$ 4,824,879	\$ 90,636,095

See Notes to Basic Financial Statements.

City of Waterloo, Iowa

Statement of Cash Flows
Enterprise Funds
Year Ended June 30, 2015

	Sanitary Sewer	Nonmajor - Sanitation	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 12,700,886	\$ 3,638,177	\$ 16,339,063
Payments to suppliers	(5,084,360)	(1,451,618)	(6,535,978)
Payments to or on behalf of employees	(3,447,497)	(1,484,848)	(4,932,345)
Payment for interfund services used	(692,000)	(451,500)	(1,143,500)
Net cash provided by operating activities	3,477,029	250,211	3,727,240
Cash flows from noncapital financing activities, intergovernmental proceeds	54,490	271,912	326,402
Cash flows from capital and related financing activities:			
Purchase and construction of capital assets	(2,549,967)	(488,304)	(3,038,271)
Proceeds from disposal of capital assets	1,008	703	1,711
Proceeds from bonds, loans and notes, net bond premiums	6,103,096	-	6,103,096
Principal paid on debt	(3,740,800)	-	(3,740,800)
Interest paid on debt	(886,464)	-	(886,464)
Net cash (used in) capital and related financing activities	(1,073,127)	(487,601)	(1,560,728)
Cash flows from investing activities, interest received	30,832	9,888	40,720
Increase in cash and cash equivalents	2,489,224	44,410	2,533,634
Cash and cash equivalents, beginning of year	19,284,668	3,285,695	22,570,363
Cash and cash equivalents, end of year	\$ 21,773,892	\$ 3,330,105	\$ 25,103,997
Reconciliation of cash and cash equivalents to statement of net position:			
Unrestricted cash and cash equivalents	\$ 6,766,573	\$ 3,218,455	\$ 9,985,028
Restricted cash and cash equivalents	15,007,319	111,650	15,118,969
	\$ 21,773,892	\$ 3,330,105	\$ 25,103,997

(Continued)

City of Waterloo, Iowa

Statement of Cash Flows (Continued)
Enterprise Funds
Year Ended June 30, 2015

	Sanitary Sewer	Nonmajor - Sanitation	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 942,469	\$ (27,037)	\$ 915,432
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	2,590,099	284,618	2,874,717
(Increase) decrease in accounts receivable	39,284	52,907	92,191
(Increase) Decrease in inventories and prepaids	(3,513)	-	(3,513)
Increase (decrease) in accounts payable	(153,931)	(33,731)	(187,662)
Increase in security deposits	11,425	5,880	17,305
Increase in accrued liabilities	2,556	6,979	9,535
Increase in other post employment benefits obligation	21,617	9,659	31,276
Increase (decrease) in compensated absences and deferred compensation	(27,186)	1,009	(26,177)
Decrease in net pension liability	(605,489)	(232,354)	(837,843)
(Increase) in deferred outflows of resources	87,271	(37,386)	49,885
Increase in deferred inflows of resources	572,427	219,667	792,094
Net cash provided by operating activities	\$ 3,477,029	\$ 250,211	\$ 3,727,240
Schedule of noncash capital and related financing activities:			
Payables for acquisition of capital assets	\$ 627,775	\$ -	\$ 627,775
Capitalized interest	71,229	-	71,229

See Notes to Basic Financial Statements.

City of Waterloo, Iowa

Index to the Notes to Basic Financial Statements

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City of Waterloo, Iowa

Notes to Basic Financial Statements

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

Nature of operations:

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

Reporting entity:

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

These financial statements present the City of Waterloo (the primary government) and its discretely presented component units, the Waterloo Water Works and Waterloo Convention & Visitors Bureau, Inc. Complete financial statements of the Waterloo Water Works component unit can be obtained from the Waterloo Water Works administrative office, 325 Sycamore Street, Waterloo, Iowa. Complete financial statements of the Waterloo Convention & Visitors Bureau, Inc. can be obtained from their office at 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 \$89,540.

City of Waterloo, Iowa

Notes to Basic Financial Statements

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

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

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

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

Basis of presentation:

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

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

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

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

Notes to Basic Financial Statements

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

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

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

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

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

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

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

The City had the following major governmental funds:

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

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

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

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

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

City of Waterloo, Iowa

Notes to Basic Financial Statements

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

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

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, 2015, the General Fund had allowances for uncollectible customer accounts totaling \$800,911.

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

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, 2013 assessed property valuations; was for the tax accrual period July 1, 2014 through June 30, 2015; and reflected the tax asking contained in the budget certified to the County Board of Supervisors in March 2014.

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 \$215,230 and was carried at lower of cost or fair value of \$96,867. 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

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 are incurred.

Interest capitalized: Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. \$71,229 of interest expense in the Sanitary Sewer Fund was capitalized during the year ended June 30, 2015.

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

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

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

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

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

In the City's government-wide statements, the property tax revenues are reported as a deferred inflow of resources and will become an inflow in the year for which they are levied. The City's government-wide statements also include pension related deferred inflows, which are the unamortized portion of the difference between expected and actual experience, changes in assumptions and the change in proportion and differences between the City's contributions and proportionate share of contributions all related to the net pension liability.

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

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.

Notes to Basic Financial Statements

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

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

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

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

Compensated absences: City ordinances and labor contracts with the City call for the accumulation of vacation, compensatory time and sick leave for subsequent use or for payment upon termination or retirement. During 2001, the City began offering an early sick leave payout option for certain employees. Qualifying employees can elect to receive 60 percent of the time in their frozen sick leave bank over a five-year period prior to their retirement or termination of employment. Vacation, 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.

City of Waterloo, Iowa

Notes to Basic Financial Statements

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

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

Net position: Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Amounts reported as net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Unspent debt proceeds for the various capital project GO Bonds Funds are \$17,379,396 and the Sanitary Sewer enterprise fund is \$6,809,208. 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 \$30,478,623 of restricted net position of which \$16,351,961 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Note 2. Cash and Investments

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

As of June 30, 2015, the City had investments in the Iowa Public Agency Investment Trust (IPAIT) which were valued at an amortized cost of \$ 8,184,768 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 restricted to comply with debt covenants and to secure customer deposits.

City of Waterloo, Iowa

Notes to Basic Financial Statements

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 investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes. The City's investments in repurchase agreements had a credit rating of AAA.

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, 2015, 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, 2015 were entirely covered by federal depository insurance, National Credit Union insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure that there will be no loss of public funds. In addition, the City had no investments subject to custodial credit risk since the City does not hold the underlying investments.

Note 3. Leasing Activities

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

During the year ending June 30:

2016	\$	426,732
2017		53,322
2018		15,918
2019		6,093
Total future minimum lease rentals to be received	\$	502,065

City of Waterloo, Iowa

Notes to Basic Financial Statements

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:

2016	\$	72,420
2017		12,070
Total future minimum lease rentals to be received	\$	84,490

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, 2015 is \$67,237. 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, 2015 was \$15,800. Interest is no longer being charged on the loan. This loan was paid off subsequent to June 30, 2015.

Special Revenue Funds:

Community Development Block Grant (CDBG) Loans:

Low-interest loans: The City has seven low-interest rehabilitation and other loans due as of June 30, 2015. The City serviced loans, with a balance of \$123,313. Seven of the City-serviced loans, with a balance of \$31,263 are estimated to be uncollectible. Collections of CDBG loans are grant program income which is reported in the Special Revenue Fund (CDBG) as charges for services as received.

Low-income housing loans: The City has provided seven loans for low-income housing projects, five of which have a below-market interest rate. All have minimal payments required each year until maturity. Maturities range from September 2018 to August 2031. The balance of the seven loans at June 30, 2015 was \$1,265,164. Cash received is program income and considered to be charges for services. Given the nature and collection history of the loans, the City has determined these amounts are uncollectible and has recorded an allowance for the full amount of the loans.

City of Waterloo, Iowa

Notes to Basic Financial Statements

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 Iowans Helping Iowans funds, provides forgivable rehabilitation loans to low-income households. The loans are forgiven on a sliding scale over a five-year period, provided the home is not sold or abandoned. If the home is sold or abandoned, the City's lien against the property prevents a clear title transfer unless the unforgiven portion of the note is satisfied. As of June 30, 2015, the City had made 1,655 such loans totaling \$30,760,691. 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, 2015 was as follows:

	Due From	Due To
Major governmental funds:		
General	\$ 7,949,466	\$ -
Grants	-	5,779,689
Tax increment financing	-	291,293
Local option tax	45,562	
Nonmajor governmental funds	655	1,924,701
	<u>\$ 7,995,683</u>	<u>\$ 7,995,683</u>

Advances to and from other funds as of June 30, 2015, were as follows:

	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>

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

Note 5. Interfund Activity (Continued)

Due to/from primary government and component units:

Due to Enterprise Funds:	
Sanitary sewer	\$ 753,198
Sanitation	<u>343,737</u>
Due from Waterloo Water Works	1,096,935
Waterloo Water Works - due to primary government	<u>1,186,475</u>
Difference	<u><u>\$ (89,540)</u></u>

The difference in the above amounts of \$89,540 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>\$ 303,436</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	\$ 7,042,926	\$ 208,513
Trust and agency	-	6,874,888
Tax increment financing	125,500	3,193,569
General obligation debt service	2,859,274	-
Nonmajor governmental funds	249,270	-
	<u><u>\$ 10,276,970</u></u>	<u><u>\$ 10,276,970</u></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, 2015 was as follows:

	Beginning Balance June 30, 2014		Additions	Deletions	Transfers	Ending Balance June 30, 2015
Governmental Activities						
Capital assets, not being depreciated:						
Land	\$ 40,638,156	\$ 2,749,214	\$ -	\$ -	\$ -	\$ 43,387,370
Land held for redevelopment	8,048,966	938,126	1,208,241	-	-	7,778,851
Construction-in-progress	13,718,328	22,168,693	238,000	(16,154,456)		19,494,565
Total capital assets, not being depreciated	62,405,450	25,856,033	1,446,241	(16,154,456)		70,660,786
Capital assets, being depreciated:						
Buildings and improvements	106,250,419	21,794,702	1,176,055	1,753,469		128,622,535
Infrastructure	315,224,548	-	-	13,798,191		329,022,739
Vehicles, machinery, furniture and equipment	27,779,249	2,208,611	609,116	581,661		29,960,405
Software	673,335	88,272	14,891	-		746,716
Total capital assets, being depreciated	449,927,551	24,091,585	1,800,062	16,133,321		488,352,395
Less accumulated depreciation for:						
Buildings and improvements	52,809,774	3,451,396	1,094,130	-		55,167,040
Infrastructure	118,071,700	8,831,478	-	-		126,903,178
Vehicles, machinery, furniture and equipment	17,199,130	2,071,634	555,115	(19,100)		18,696,549
Software	249,916	118,122	14,891	-		353,147
Total accumulated depreciation	188,330,520	14,472,630	1,664,136	(19,100)		201,119,914
Total capital assets, being depreciated, net	261,597,031	9,618,955	135,926	16,152,421		287,232,481
Governmental activities capital assets, net	\$ 324,002,481	\$ 35,474,988	\$ 1,582,167	\$ (2,035)		\$ 357,893,267

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

	Beginning Balance				Ending Balance	
	June 30, 2014	Additions	Deletions	Transfers	June 30, 2015	
Business-Type Activities						
Capital assets, not being depreciated:						
Land	\$ 348,055	\$ -	\$ -	\$ -	\$ 348,055	
Construction-in-progress	5,066,113	3,152,802	-	(4,019,532)	4,199,383	
Total capital assets, not being depreciated	5,414,168	3,152,802	-	(4,019,532)	4,547,438	
Capital assets, being depreciated:						
Buildings	71,124,017	-	6,500	-	71,117,517	
Improvements other than buildings	45,816,536	-	-	4,019,532	49,836,068	
Vehicles, machinery, furniture and equipment	10,213,949	584,473	81,453	21,135	10,738,104	
Software	19,940	-	-	-	19,940	
Total capital assets, being depreciated	127,174,442	584,473	87,953	4,040,667	131,711,629	
Less accumulated depreciation for:						
Buildings	20,611,250	1,403,975	6,500	-	22,008,725	
Improvements other than buildings	14,152,161	916,330	-	-	15,068,491	
Vehicles, machinery, furniture and equipment	5,878,404	550,424	81,453	19,100	6,366,475	
Software	11,964	3,988	-	-	15,952	
Total accumulated depreciation	40,653,779	2,874,717	87,953	19,100	43,459,643	
Total capital assets, being depreciated, net	86,520,663	(2,290,244)	-	4,021,567	88,251,986	
Business-type activities capital assets, net	\$ 91,934,831	\$ 862,558	\$ -	\$ 2,035	\$ 92,799,424	

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

	Beginning Balance		Transfers/		Ending Balance
	December 31, 2013	Additions	Deletions	Transfers	December 31, 2014
Discretely Presented Component Unit - Waterloo Water Works Capital Assets					
Capital assets, not being depreciated:					
Land	\$ 270,896	\$ 36,104	\$ -	\$ -	\$ 307,000
Construction-in-progress	798,472	2,015,590	1,914,631	-	899,431
Total capital assets, not being depreciated	1,069,368	2,051,694	1,914,631	-	1,206,431
Capital assets, being depreciated:					
Buildings and improvements	1,754,291	5,911	-	-	1,760,202
Water supply and distribution systems	27,780,173	368,291	(1,321,863)	-	29,470,327
Meters and equipment	1,173,594	-	-	-	1,173,594
Machinery and equipment	1,981,884	146,175	46,652	-	2,081,407
Total capital assets, being depreciated	32,689,942	520,377	(1,275,211)	-	34,485,530
Less accumulated depreciation for:					
Buildings and improvements	755,767	28,582	-	-	784,349
Water supply and distribution systems	7,094,999	505,438	18,939	-	7,581,498
Meters and equipment	661,164	30,035	-	-	691,199
Machinery and equipment	1,269,139	106,757	32,473	-	1,343,423
Total accumulated depreciation	9,781,069	670,812	51,412	-	10,400,469
Total capital assets, being depreciated, net	22,908,873	(150,435)	(1,326,623)	-	24,085,061
Net discretely presented component unit - Waterloo Water Works capital assets, net	\$ 23,978,241	\$ 1,901,259	\$ 588,008	\$ -	\$ 25,291,492

	Balance		Transfers		Ending Balance
	June 30, 2014	Additions	Deletions	Transfers	June 30, 2015
Discretely Presented Component Unit - Waterloo Convention & Visitors Bureau, Inc.					
Capital assets, being depreciated:					
Equipment	\$ 73,572	\$ -	\$ 5,984	\$ -	\$ 67,588
Leasehold improvements	125,924	-	-	-	125,924
Total capital assets, being depreciated	199,496	-	5,984	-	193,512
Less accumulated depreciation					
	113,251	18,838	5,984	-	126,105
Total capital assets, being depreciated, net	\$ 86,245	\$ (18,838)	\$ -	\$ -	\$ 67,407

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 6. Capital Assets (Continued)

Depreciation expense was charged by the City as follows for the year ended June 30, 2015:

Governmental activities:	
Public safety	\$ 889,830
Public works	11,589,914
Culture and recreation	1,664,335
Community and economic development	168,094
General government	160,457
Total governmental activities	<u>14,472,630</u>
Business-type activities:	
Sanitary sewer	2,590,099
Sanitation	284,618
Total business-type activities	<u>2,874,717</u>
Total primary government	<u>\$ 17,347,347</u>
Component unit - Waterloo Water Works	<u>\$ 670,812</u>
Component unit - Waterloo Convention & Visitors Bureau, Inc.	<u>\$ 18,838</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, 2015, no employees were receiving annuitized payouts.

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, 2015, one employee was receiving payments, the remaining balance was \$6,441 and is attributable to governmental activities.

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

Notes to Basic Financial Statements

Note 8. Compensated Absences

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. A calendar year is primarily used for the calculation of vacation pay benefits while sick leave utilizes the City's fiscal year. Vacation days for most bargaining unit employees must be taken or paid during the calendar year with limited exceptions. Nonbargaining unit employees may carry forward up to 10 days vacation with proper approval. Upon termination, employees receive payment for unused vacation plus a payment for vacation hours accrued from January through the termination date. As of June 30, 2015, there was \$2,732,388 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, 2015, there was \$130,601 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, 2015, \$58,426, 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, 2015, there was \$1,597,418 accrued for unused compensatory time, which includes unused sick leave and frozen sick leave bank.

Employees are also eligible to receive pay-outs of a portion of unused casual leave. The City accrued a total of \$48,207 for unused casual leave earned during the fiscal year ended June 30, 2015.

The sick leave bonus and accrued casual pay are reported as compensated absences in the applicable fund which includes \$186,093 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, 2015:

	June 30, 2014, as restated	Increases and Issues	Decreases and Retirements	June 30, 2015	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 68,505,400	\$ 8,000,000	\$ 9,439,200	\$ 67,066,200	\$ 9,229,000
Loans and notes	2,282,005	-	220,689	2,061,316	232,879
Deferred compensation	18,958	-	12,517	6,441	6,203
Compensated absences	3,917,953	3,612,552	3,495,498	4,035,007	2,754,756
Net pension liability - IPERS	10,913,759	-	3,282,198	7,631,561	-
Net pension liability - MFPRSI	40,329,185	-	13,551,779	26,777,406	-
Subtotal	125,967,260	11,612,552	30,001,881	107,577,931	12,222,838
Unamortized discounts	(150,379)	(6,168)	(24,485)	(132,062)	-
Bond premium	871,899	110,914	83,840	898,973	-
Total long-term liabilities, governmental activities	\$ 126,688,780	\$ 11,717,298	\$ 30,061,236	\$ 108,344,842	\$ 12,222,838
Business-type activities:					
General obligation bonds	\$ 22,219,600	\$ 6,000,000	\$ 2,545,800	\$ 25,673,800	\$ 2,611,000
Revenue bonds	1,910,000	-	1,195,000	715,000	575,000
Deferred compensation	5,781	-	5,781	-	-
Compensated absences	315,195	310,565	330,961	294,799	243,778
Net pension liability	2,785,945	-	837,843	1,948,102	-
Subtotal	27,236,521	6,310,565	4,915,385	28,631,701	3,429,778
Unamortized discounts	(100,743)	-	(13,218)	(87,525)	-
Bond premium	139,315	103,096	20,054	222,357	-
Total long-term liabilities, business-type activities	\$ 27,275,093	\$ 6,413,661	\$ 4,922,221	\$ 28,766,533	\$ 3,429,778

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

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

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

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 9. Long-Term Liabilities (Continued)

On June 29, 2015, the City issued \$12,455,000 in General Obligation Bonds, Series 2015A, maturing June 1, 2016 through June 1, 2030 with interest rates ranging from 3 percent to 3.5 percent. Of the total balance for the Series 2015A bonds, \$6,455,000 was designated for general purpose and \$6,000,000 was for sewer purposes. On June 29, 2015, the City issued \$1,545,000 in Taxable General Obligation Bonds, Series 2015B maturing June 1, 2016 through June 1, 2029 with interest rates ranging from 1.5 percent to 4 percent. Reasons for issuance were to finance certain capital improvements including \$6,000,000 for sewer system improvements, equipment and vehicle acquisitions and urban renewal projects in the City and pay a portion of the costs of issuance of the bonds.

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

Issue Date	Purpose	Interest Rates	Outstanding June 30, 2015
June 2007	Taxable	5.400 - 5.600	\$ 290,000
June 2008	Various	3.500 - 3.900	2,680,000
June 2008	Taxable	5.000	1,035,000
June 2009	Refunding	1.000 - 5.000	970,000
June 2009	Taxable	1.750 - 5.750	4,415,000
June 2010	Refunding	1.000 - 2.450	1,630,000
June 2010	Taxable	1.000 - 5.000	6,115,000
June 2011	Refunding	2.000 - 4.000	7,605,000
June 2011	Taxable	0.600 - 4.600	6,670,000
June 2012	Taxable	2.000 - 2.300	6,580,000
June 2012	Refunding	0.350 - 1.350	3,185,000
June 2012	Taxable	2.200 - 3.500	4,390,000
June 2013	Taxable	2.000 - 3.700	11,325,000
June 2013	Refunding	0.500 - 2.500	1,085,000
June 2014	Taxable	1.000 - 4.000	13,575,000
June 2014	Refunding	2.000	7,190,000
June 2015	Taxable	3.000 - 3.500	12,455,000
June 2015	Taxable	1.500 - 4.000	1,545,000
Total			\$ 92,740,000

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 9. Long-Term Liabilities (Continued)

Annual debt service on general obligation and revenue bonds as of June 30, 2015 are as follows:

	GO Debt Service			
	General Obligation Bonds			
	Principal	Interest		
<u>Year ending June 30:</u>				
2016	\$ 9,229,000	\$ 1,932,658		
2017	8,678,200	1,713,222		
2018	7,738,000	1,489,146		
2019	6,836,000	1,285,771		
2020	5,360,000	1,094,380		
2021 - 2025	19,014,000	3,449,842		
2026 - 2030	10,211,000	817,801		
	<u>\$ 67,066,200</u>	<u>\$ 11,782,820</u>		
	Sanitary Sewer Enterprise		Sanitary Sewer Enterprise	
	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
<u>Year ending June 30:</u>				
2016	\$ 2,611,000	\$ 785,277	\$ 575,000	\$ 17,413
2017	2,501,800	734,576	140,000	4,200
2018	2,492,000	671,833	-	-
2019	2,464,000	607,262	-	-
2020	2,005,000	538,801	-	-
2021 - 2024	9,341,000	1,724,254	-	-
2025 - 2029	4,259,000	345,192	-	-
	<u>\$ 25,673,800</u>	<u>\$ 5,407,195</u>	<u>\$ 715,000</u>	<u>\$ 21,613</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 \$736,613. Principal and interest paid for the current year and total customer net revenues were \$1,233,703 and \$3,590,949, 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

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, 2015, sewer net revenue was 211 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 \$81,017 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, 2015, 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., \$28,976 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.
- Young Development, Ltd., \$29,596 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, \$1,666,289 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.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 9. Long-Term Liabilities (Continued)

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

Year ending June 30:	Governmental Activities			
	GO Debt Service		Nonmajor Governmental Funds	
	Principal	Interest	Principal	Interest
2016	\$ 81,017	\$ 5,347	\$ 151,862	\$ 80,295
2017	-	-	193,775	72,875
2018	-	-	184,214	65,289
2019	-	-	192,383	58,703
2020	-	-	199,118	51,968
2021 - 2025	-	-	920,226	215,888
2026	-	-	138,721	4,256
	<u>\$ 81,017</u>	<u>\$ 5,347</u>	<u>\$ 1,980,299</u>	<u>\$ 549,274</u>

Discretely presented component unit:

	Balance			Balance	Due Within
	December 31, 2013	Additions	Deletions		
Capital loan notes	\$ 1,125,000	\$ 809,000	\$ 1,518,000	\$ 416,000	\$ -
Compensated absences	50,137	61,600	50,137	61,600	61,600
Subtotal	1,175,137	870,600	1,568,137	477,600	61,600
Less unamortized discount	6,392	-	6,392	-	-
Total long-term debt	\$ 1,168,745	\$ 870,600	\$ 1,561,745	\$ 477,600	\$ 61,600

The Water Works has pledged future gross revenue, net of specified operating expenses to repay \$809,000 in water revenue capital loan notes issued on July 29, 2014. Proceeds from the notes were used for the refunding of the Series 2007 capital loan notes. The refunding resulted in an economic savings of \$24,315, with a present value of \$22,937.

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.

As of December 31, 2014 annual maturities of long-term debt were as follows:

Year ending December 31:	Principal	Interest	Total
2015	\$ -	\$ -	\$ -
2016	416,000	1,976	417,976
	<u>\$ 416,000</u>	<u>\$ 1,976</u>	<u>\$ 417,976</u>

City of Waterloo, Iowa

Notes to Basic Financial Statements

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. This lease was extended August 1, 2014 for another five-year period, at a monthly rental of \$4,900. Rental expense for all material operating leases was \$112,600 for the year ended June 30, 2015.

Cedar Valley SportsPlex: The Cedar Valley SportsPlex, a 125,000 square foot recreational facility that includes indoor soccer fields, gyms, a leisure pool, fitness facility, running track and multi-purpose activity spaces, opened in January 2014. The facility is a joint project of the City and the Waterloo Development Corporation. The Waterloo Development Corporation raised the funds, through a combination of private donations and grants from the Black Hawk County Gaming Association, to construct the \$23 million facility. The City acquired the property where the facility is located and signed a lease purchase agreement to operate the facility for \$100 per year. The lease purchase agreement gave the City the option to take ownership of the facility at the end of the lease term or to cease operating the facility at that time. In August 2014, the lease agreement was amended to remove that option, so the property will automatically transfer to the City at the end of the lease term. The Waterloo Development Corporation signed an agreement with the City which guarantees that the fundraising for construction will be completed. Because there is an automatic transfer of the assets at the end of the term of the agreement, and that future lease payments to the Waterloo Development Corporation are nominal, the City has reported a capital contribution of \$21,456,954 for the year ended June 30, 2015, and no capital lease liability as of June 30, 2015.

The Leisure Services department of the General Fund 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

As a result of the adoption of GASB Statement No. 68 and No. 71, the beginning net position of the governmental activities, business-type activities, and each enterprise fund were restated. The effect on fiscal year 2014 is as follows:

	Governmental Activities	Business-Type Activities	Sanitary Sewer	Nonmajor - Sanitation
Net position June 30, 2014, as previously reported	\$ 313,448,986	\$ 92,676,796	\$ 87,416,841	\$ 5,259,955
Net pension liability	(51,242,944)	(2,785,945)	(2,013,336)	(772,609)
Pension related deferred outflows	5,525,276	287,228	207,573	79,655
Net position June 30, 2014, as restated	\$ 267,731,318	\$ 90,178,079	\$ 85,611,078	\$ 4,567,001

Iowa Public Employees' Retirement System:

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

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 11. Retirement Systems (Continued)

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

Contributions: Per Iowa Code Section 97B.4(4)(d) the required contribution rate is determined by the IPERS actuary as the rate necessary to fully fund the benefits as defined by Iowa Code Chapter 97B. Employees are required to contribute 5.95 percent of their annual pay. The City contractually required contribution rate for the year ended June 30, 2015, was 8.93 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$1,500,510 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Inflow and Outflows of Resources Related to Pensions

At June 30, 2015, the City reported a liability of \$9,579,663 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2014, the City's proportion was 0.2415504 percent, an increase of 0.002949 percent from the City's proportion at June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$660,565. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 104,112	\$ -
Changes of assumptions	422,773	-
Net difference between projected and actual earnings on pension plan investments	-	(3,653,411)
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(241,656)
Total deferred amounts to be recognized in pension expense in future periods	526,885	(3,895,067)
City contributions subsequent to the measurement date	1,500,510	-
Total deferred amounts related to pensions	\$ 2,027,395	\$ (3,895,067)

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 11. Retirement Systems (Continued)

\$1,500,510 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense over the average remaining service life of all system members of 5.28 years or 5 years (as of the beginning of the fiscal year) as follows:

<u>Year Ended June 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 123,104	\$ (969,814)
2017	123,104	(969,814)
2018	123,104	(969,814)
2019	123,104	(969,814)
2020	34,469	(15,811)
	<u>\$ 526,885</u>	<u>\$ (3,895,067)</u>

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	4.00 to 17.00 percent, average, including inflation.
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

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

Subsequent to the actuarial valuation date used by the plans, the Society of Actuaries issued updated mortality scales and mortality improvement scales; MP2014 and MP-15. It is expected these scales may increase the total pension liability by 4 percent to 8 percent unless the plans experience indicates otherwise. The City has not been provided the impact of these scales but believes the updated scales, if determined appropriate for the plan, will have a material impact on the City's net pension obligation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the four-year period ending June 30, 2013.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 11. Retirement Systems (Continued)

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
U.S. equity	23%	6.31%
Non U.S. equity	15	6.76
Private equity	13	11.34
Real estate	8	3.52
Core plus fixed income	28	2.06
Credit opportunities	5	3.67
TIPS	5	1.92
Other real assets	2	6.27
Cash	1	(0.69)
	<u>100%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from cities will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50 %)	1% Increase (8.50 %)
City's proportionate share of the net pension liability	\$ 18,100,504	\$ 9,579,663	\$ 2,387,190

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

Notes to Basic Financial Statements

Note 11. Retirement Systems (Continued)

Municipal Fire and Police Retirement System of Iowa

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

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

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

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

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

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

Notes to Basic Financial Statements

Note 11. Retirement Systems (Continued)

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

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

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

Contributions: Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa as modified by act of the 1994 General Assembly, to establish compliance with the Federal Older Workers Benefit Protections Act, the contribution rate was 9.4 percent of earnable compensation for the year ended June 30, 2015.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1 percent of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa the employer's contribution rate cannot be less than 17 percent of earnable compensation. The City's contribution rate was 30.41 percent for the year ended June 30, 2015.

The City's contributions to MFPRSI for the year ended June 30, 2015 was \$4,565,261.

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

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2014.

Net Pension Liabilities, Pension Expense, and Deferred Inflows and Outflows of Resources Related to Pensions:

At June 30, 2015, the City reported a liability of \$26,777,406 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. At June 30, 2014, the City's proportion was 5.720520 percent, a decrease of 0.097553 percent from the City's proportion at June 30, 2013.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 11. Retirement Systems (Continued)

For the year ended June 30, 2015, the City recognized pension expense of \$1,624,680. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (58,688)
Changes of assumptions	1,532,657	-
Net difference between projected and actual earnings on pension plan investments	-	(9,747,791)
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(443,906)
Total deferred amounts to be recognized in pension expense in future periods	1,532,657	(10,250,385)
City contributions subsequent to the measurement date	4,565,261	-
Total deferred amounts related to pensions	\$ 6,097,918	\$ (10,250,385)

\$4,565,261 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense over the average remaining service life of all system members of 5.60 years or 5 years (as of the beginning of the fiscal year) as follows:

<u>Year Ended June 30:</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 358,097	\$ (2,554,376)
2017	358,097	(2,554,376)
2018	358,097	(2,554,376)
2019	358,097	(2,554,376)
2020	100,269	(32,881)
	\$ 1,532,657	\$ (10,250,385)

Actuarial Assumptions: The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	4.00 to 15.11 percent, average, including inflation.
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 11. Retirement Systems (Continued)

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

Mortality rates used by the plan were based weighting equal to 2/12 of the 1971 GAM table and 10/12 of the 1994 GAM table with no projection of future mortality improvement. The City updated the mortality rates used by the MFPRSI actuary to the RP-2000 Blue Collar Mortality with projected mortality improvement using scale BB-2D. As a result, the City increased its net pension obligation by approximately \$6 million as of June 30, 2015.

Subsequent to the actuarial valuation date used by the plans, the Society of Actuaries issued updated mortality scales and mortality improvement scales; MP2014 and MP-15. It is expected these scales may increase the total pension liability by 4 percent to 8 percent unless the plans experience indicates otherwise. The City has not been provided the impact of these scales but believes the updated scales, if determined appropriate for the plan, will have a material impact on the City's net pension obligation.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	7.0%	3.80%
Emerging markets debt	3.0	6.50
Domestic equities	12.5	6.00
Master limited partnerships	5.0	8.50
International equities	12.5	7.00
Tactical asset allocation	35.0	6.00
Private equity	15.0	9.80
Private non-core real estate	5.0	9.30
Private core real estate	5.0	6.80
	<u>100%</u>	

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

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 11. Retirement Systems (Continued)

Sensitivity of City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the city’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent lower (6.50 percent) or 1-percent higher (8.5 percent) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50 %)	1% Increase (8.50 %)
City's proportionate share of the net pension liability	\$ 46,560,919	\$ 26,777,406	\$ 10,339,086

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 2014, 2013 and 2012 were \$481,861, \$480,199 and \$423,689, respectively.

Annual pension cost and net pension obligation: The annual pension cost for 2014 was determined as part of the actuarial valuation using the January 1, 2014 projected unit credit cost method. The actuarial assumptions for 2014 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, 2012	\$ 423,689	100%	\$ -
December 31, 2013	480,199	100	-
December 31, 2014	481,861	100	-

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 12. Deficit Fund Balances

Funds with deficit balances as of June 30, 2015 were as follows:

Major governmental, Special revenue, Grants	\$ 3,198,162
Nonmajor governmental:	
Special revenue:	
Community Development Block Grant	6,673
Federal Aviation Agency Projects	27,266
Capital projects,	
Capital Improvements	2,264,126

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

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, 2015, the City was committed to approximately \$17.8 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, 2015, the loan balance was \$216,425. 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 2015, the City contributed \$1,592,523. Retiree and active members receiving benefits have required contributions of \$623 per month for single health coverage and \$1,576 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	217,000
Adjustment to annual required contribution	(248,047)
Annual OPEB cost (expense)	<u>1,712,953</u>
Contributions and payments made	<u>1,592,523</u>
Increase in net OPEB obligation	120,430
Net OPEB obligation - July 1, 2014	<u>4,837,000</u>
Net OPEB obligation - June 30, 2015	<u><u>\$ 4,957,430</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations for 2014 and the two preceding years follows.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 2,247,227	81.53%	\$ 4,720,000
June 30, 2014	1,723,884	93.21	4,837,000
June 30, 2015	1,712,953	92.97	4,957,430

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 \$34,171,476 and the ratio of the UAAL to the covered payroll was 72.72 percent.

City of Waterloo, Iowa

Notes to Basic Financial Statements

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.

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:

	2015	2014
Estimated unpaid claims, beginning of year	\$ 978,898	\$ 1,383,055
Estimated claims incurred	8,934,148	8,047,440
Claims payments	(8,900,850)	(8,451,597)
Estimated unpaid claims, end of year	<u>\$ 1,012,196</u>	<u>\$ 978,898</u>

As of June 30, 2015, the City has \$9,171,476 of net position restricted for the payment of future health claims.

City of Waterloo, Iowa

Notes to Basic Financial Statements

Note 16. Worker's Compensation Plan

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

The City's estimated unpaid claims as of June 30 are based on projected costs of future payments for injuries incurred prior to June 30, 2015, and is recorded as a liability in the government-wide statement of net position. \$66,777 is considered matured and is recorded in the General Fund with accrued liabilities. Changes and balances are as follows:

	2015	2014
Estimated unpaid claims, beginning of year	\$ 401,986	\$ 284,320
Estimated claims incurred	659,700	653,572
Claims payments	(661,909)	(535,906)
Estimated unpaid claims, end of year	<u>\$ 399,777</u>	<u>\$ 401,986</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 (\$1,444,738 during the year ended June 30, 2015). During the year ended June 30, 2015, the City did not receive any distribution 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, 2015, 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 \$160,401,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The amount outstanding as of June 30, 2015 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

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, 2015, the City has assigned \$3,279,404 of its General Fund, fund balance for insurable risks retained.

Note 20. Fund Balances

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

Fund balances:	General	Trust and Agency	Grants	Tax Increment Financing	Local Option Tax	General Obligation Debt Service	Nonmajor Governmental	Total
Nonspendable:								
Inventories	\$ 252,958	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 290,434	\$ 543,392
Prepays	70,823	-	-	-	-	-	8,446	79,269
Total nonspendable	323,781	-	-	-	-	-	298,880	622,661
Restricted:								
Debt service	-	-	-	4,712,935	-	873,291	-	5,586,226
Self-funded health insurance	7,327,369	1,844,107	-	-	-	-	-	9,171,476
Tourism promotion	1,115,425	-	-	-	-	-	-	1,115,425
Public access television	140,667	-	-	-	-	-	-	140,667
Civil rights enforcement	50,472	-	-	-	-	-	-	50,472
Housing	74,766	-	-	-	-	-	4,157,809	4,232,575
Donor specified	400,648	-	-	-	-	-	-	400,648
Employee benefits	-	402,813	-	-	-	-	-	402,813
Library	-	-	-	-	-	-	114,230	114,230
Street and right-of-way maintenance	-	-	-	-	-	-	5,067,682	5,067,682
Improvements	-	-	-	-	4,159,663	-	17,554,891	21,714,554
Total restricted	9,109,347	2,246,920	-	4,712,935	4,159,663	873,291	26,894,612	47,996,768
Assigned:								
Insurance	3,279,404	-	-	-	-	-	-	3,279,404
Other postemployment benefits	1,040,792	-	-	-	-	-	-	1,040,792
Other	28,111	-	-	-	-	-	-	28,111
Use of fund balance for future budget	500,000	-	-	-	-	-	-	500,000
FY2015 Budget	-	-	-	453,433	1,862,267	-	80,579	2,396,279
Total assigned	4,848,307	-	-	453,433	1,862,267	-	80,579	7,244,586
Unassigned	10,224,959	-	(3,198,162)	-	-	-	(2,513,688)	4,513,109
Total fund balances (deficit)	\$ 24,506,394	\$ 2,246,920	\$ (3,198,162)	\$ 5,166,368	\$ 6,021,930	\$ 873,291	\$ 24,760,383	\$ 60,377,124

Notes to Basic Financial Statements

Note 21. New GASB Statements and Pending Pronouncements

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

- GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, will be effective for the City with its year ending June 30, 2016. This Statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. This Statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. The related disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments.
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued in June 2015, will be effective for the City beginning with its fiscal year ending June 30, 2018. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plans administered through a trust and OPEB not provided through a trust. The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances, called special funding situations, the Statement requires these governments to recognize in their financial statements a share of the other government's net OPEB liability.
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, issued July 2015, will be effective for the City beginning with its fiscal year ending June 30, 2016. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55. The first category of authoritative GAAP consists of GASB Statements. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

Notes to Basic Financial Statements

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

- GASB Statement No. 77, *Tax Abatement Disclosures*, issued August 2015, will be effective for the City beginning with its fiscal year ending June 30, 2017. This statement requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. The disclosures about the government's own tax abatement agreements includes the purpose of the tax abatement program, the tax being abated, the amount of tax being abated, the provisions of recapturing abated taxes, the types of commitments made by tax abatement recipients, and other commitments made by government in tax abatement agreements. The disclosures about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues includes the name of the government entering into the abatement agreement, the tax being abated, and the amount of the reporting government's tax being abated.

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

City of Waterloo, Iowa

**Required Supplementary Information
Other Postemployment Benefit Plan**

SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Over funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2013	7/1/11	\$ -	\$ 29,248,000	\$ 29,248,000	- %	\$ 31,774,140	92.05%
2014	7/1/13	-	22,667,000	22,667,000	-	32,617,036	69.49
2015	7/1/13	-	22,667,000	22,667,000	-	31,171,476	72.72

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

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

	<u>2015</u>
City's proportion of the net pension liability	0.2415504%
City's proportionate share of the net pension liability	\$ 9,579,663
City's covered-employee payroll	\$ 15,816,626
City's proportionate share of the net pension liability as a percentage of its covered payroll	60.57%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See Notes to Required Supplementary Information.

City of Waterloo, Iowa

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

	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contributions Deficiency (Excess)	City's Covered- Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	\$ 1,500,510	\$ 1,500,510	\$ -	\$ 16,800,363	8.93%
2014	1,420,507	1,420,507	-	15,816,626	8.98%
2013	1,358,920	1,358,920	-	N/A	N/A
2012	1,250,399	1,250,399	-	N/A	N/A
2011	1,066,879	1,066,879	-	N/A	N/A
2010	991,202	991,202	-	N/A	N/A
2009	923,462	923,462	-	N/A	N/A
2008	843,709	843,709	-	N/A	N/A
2007	743,851	743,851	-	N/A	N/A
2006	722,024	722,024	-	N/A	N/A

N/A - information was not available

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

See Notes to Required Supplementary Information.

**Note to Required Supplementary Information – IPERS Pension Liability
Year Ended June 30, 2015**

Note 1. Changes of benefit terms

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

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Note 2. Changes of assumptions

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

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

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

City of Waterloo, Iowa

**Note to Required Supplementary Information – IPERS Pension Liability
Year Ended June 30, 2015**

Note 2. Changes of assumptions (Continued)

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

City of Waterloo, Iowa

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

	<u>2015</u>
City's proportion of the net pension liability	5.720520%
City's proportionate share of the net pension liability	\$ 26,777,406
City's covered-employee payroll	\$ 14,608,497
City's proportionate share of the net pension liability as a percentage of its covered payroll	183.30%
Plan fiduciary net position as a percentage of the total pension liability	86.27%

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

See Notes to Required Supplementary Information.

City of Waterloo, Iowa

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

	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contributions Deficiency (Excess)	City's Covered- Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	\$ 4,565,261	\$ 4,565,261	\$ -	\$ 15,012,366	30.41%
2014	4,418,650	4,418,650	-	14,608,497	30.25%
2013	3,844,363	3,844,363	-	N/A	N/A
2012	3,522,615	3,522,615	-	N/A	N/A
2011	2,731,277	2,731,277	-	N/A	N/A
2010	2,249,021	2,249,021	-	N/A	N/A
2009	2,417,019	2,417,019	-	N/A	N/A
2008	3,074,329	3,074,329	-	N/A	N/A
2007	3,319,634	3,319,634	-	N/A	N/A
2006	3,290,718	3,290,718	-	N/A	N/A

N/A - information was not available

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

See Notes to Required Supplementary Information.

City of Waterloo, Iowa

**Note to Required Supplementary Information – MFPRSI Pension Liability
Year Ended June 30, 2015**

Note 1. Changes of Benefit Terms

There were no significant changes of benefit terms.

Note 2. Changes of Assumptions

Effective July 1, 2014, two additional steps were taken to phase in the 1994 Group Annuity Mortality Table for post-retirement mortality. The two additional steps result in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

The City also updated the mortality assumptions to the RP-2000 Blue Collar Mortality table with projected mortality improvement using scale BB-2D for the June 30, 2014 measurement date.

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, 2015**

	Budgeted Amounts	
	Original	Final
Revenues and other financing sources receipts:		
Receipts:		
Property taxes	\$ 39,200,603	\$ 39,200,603
Tax increment financing	6,992,576	6,992,576
Other City taxes	17,132,306	17,132,306
Licenses and permits	1,294,160	1,294,160
Use of money and property	1,279,842	1,285,162
Intergovernmental	33,856,683	35,571,382
Charges for services	24,366,493	24,524,486
Special assessments	203,000	239,500
Miscellaneous	4,866,253	5,861,179
Total receipts	129,191,916	132,101,354
Other financing sources:		
Transfer from other funds	16,289,977	16,305,477
Issuance of long-term debt	12,000,000	12,000,000
Proceeds from sale of capital assets	265,000	405,872
Total other financing sources	28,554,977	28,711,349
Total receipts and other financing sources	157,746,893	160,812,703
Disbursements and other financing uses:		
Governmental-type activities:		
Public safety	31,561,091	31,692,140
Public works	26,753,984	27,630,891
Health and social services	466,285	478,185
Culture and recreation	10,977,972	11,402,078
Community and economic development	12,191,841	12,915,287
General government	5,259,572	6,309,657
Debt service	14,835,268	14,835,268
Capital projects	26,237,354	30,753,343
Business-type activities	19,143,662	19,410,662
Total disbursements	147,427,029	155,427,511
Other financing uses, transfers to other funds	16,289,977	16,305,477
Total disbursements and other financing uses	163,717,006	171,732,988
Receipts and other financing sources over (under) disbursements and other financing uses	(5,970,113)	(10,920,285)
Balances, beginning of year	80,076,319	86,850,290
Balances, end of year	\$ 74,106,206	\$ 75,930,005

See Note to Required Supplementary Information.

Actual Amounts Budgetary Basis	Variance With Final Budget
\$ 38,539,187	\$ (661,416)
7,325,760	333,184
17,352,504	220,198
1,405,514	111,354
1,516,379	231,217
26,298,157	(9,273,225)
24,070,832	(453,654)
211,889	(27,611)
6,154,226	293,047
<u>122,874,448</u>	<u>(9,226,906)</u>
14,040,543	(2,264,934)
14,000,000	2,000,000
280,280	(125,592)
<u>28,320,823</u>	<u>(390,526)</u>
<u>151,195,271</u>	<u>(9,617,432)</u>
30,643,491	1,048,649
28,425,008	(794,117)
404,111	74,074
10,638,002	764,076
11,609,949	1,305,338
5,747,310	562,347
14,712,870	122,398
23,142,793	7,610,550
17,315,749	2,094,913
<u>142,639,283</u>	<u>12,788,228</u>
-	16,305,477
<u>142,639,283</u>	<u>29,093,705</u>
8,555,988	19,476,273
86,850,290	-
<u>\$ 95,406,278</u>	<u>\$ 19,476,273</u>

City of Waterloo, Iowa

**Note to Required Supplementary Information – Budgetary Reporting
Year Ended June 30, 2015**

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 \$8,015,982. 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, 2015**

	Governmental Fund Types Basis Actual Amounts	Enterprise Fund Types Basis Actual Amounts	Total Funds
Revenue/Receipts:			
Property taxes and TIF revenue	\$ 45,440,607	\$ -	\$ 45,440,607
Other taxes	17,599,304	-	17,599,304
Licenses and permits	1,413,739	-	1,413,739
Use of money and property	1,477,497	39,714	1,517,211
Intergovernmental	28,647,425	298,560	28,945,985
Charges for services	7,371,370	16,188,881	23,560,251
Interfund charges for services	1,935,000	-	1,935,000
Special assessments	127,266	-	127,266
Miscellaneous	2,760,949	61,737	2,822,686
Total revenue/receipts	106,773,157	16,588,892	123,362,049
Expenditures and expenses/disbursements:			
Public safety	30,588,630	-	30,588,630
Public works	34,515,685	-	34,515,685
Health and social services	407,060	-	407,060
Culture and recreation	10,633,238	-	10,633,238
Community and economic development	11,783,311	-	11,783,311
General government	5,459,817	-	5,459,817
Debt service	11,683,256	-	11,683,256
Capital projects	11,855,746	-	11,855,746
Business-type activities	-	16,130,876	16,130,876
Total expenditures and expenses/ disbursements	116,926,743	16,130,876	133,057,619
Net	(10,153,586)	458,016	(9,695,570)

(Continued)

Budgetary Basis Exceptions	Property Tax Collected for and Remitted to MET	Other GAAP Conversion Adjustments	Budgetary Basis
\$ -	\$ 1,444,738	\$ (1,020,398)	\$ 45,864,947
-	-	(246,800)	17,352,504
-	-	(8,225)	1,405,514
-	-	(832)	1,516,379
-	-	(2,647,828)	26,298,157
-	-	510,581	24,070,832
-	-	(1,935,000)	-
-	-	84,623	211,889
-	-	3,331,540	6,154,226
-	1,444,738	(1,932,339)	122,874,448
-	-	54,861	30,643,491
-	1,444,738	(7,535,415)	28,425,008
-	-	(2,949)	404,111
-	-	4,764	10,638,002
-	-	(173,362)	11,609,949
-	-	287,493	5,747,310
-	-	3,029,614	14,712,870
-	-	11,287,047	23,142,793
-	-	1,184,873	17,315,749
-	1,444,738	8,136,926	142,639,283
-	-	(10,069,265)	(19,764,835)

City of Waterloo, Iowa

**Schedule of Comparison
Funds Statements (GAAP Basis) to Budgetary (Modified Cash) Basis (Continued)
Required Supplementary Information
Year Ended June 30, 2015**

	Governmental Fund Types Basis Actual Amounts	Enterprise Fund Types Basis Actual Amounts	Total Funds
Other financing sources (uses):			
Transfers in	\$ 10,276,970	\$ -	\$ 10,276,970
Transfers out	(10,276,970)	-	(10,276,970)
Insurance proceeds	1,400	-	1,400
Bond discount	(6,168)	-	(6,168)
Bond premium	110,914	-	110,914
Proceeds from sales of capital assets	18,692	-	18,692
Issuance of long-term debt	8,000,000	-	8,000,000
Total other financing sources (uses)	8,124,838	-	8,124,838
Change in fund balance/net position	(2,028,748)	458,016	(1,570,732)
Balance, beginning of year	62,405,872	90,178,079	152,583,951
Balance, end of year	<u>\$ 60,377,124</u>	<u>\$ 90,636,095</u>	<u>\$ 151,013,219</u>

Budgetary Basis Exceptions	Property Tax Collected for and Remitted to MET	Other GAAP Conversion Adjustments	Budgetary Basis
\$ -	\$ -	\$ 3,763,573	\$ 14,040,543
-	-	10,276,970	-
-	-	(1,400)	-
-	-	6,168	-
-	-	(110,914)	-
-	-	261,588	280,280
-	-	6,000,000	14,000,000
-	-	20,195,985	28,320,823
-	-	10,126,720	8,555,988
-	-	(65,733,661)	86,850,290
\$ -	\$ -	\$ (55,606,941)	\$ 95,406,278

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances

General Fund

Year Ended June 30, 2015

Revenues:	
Property taxes	\$ 19,181,066
Other taxes	6,991,109
Licenses and permits	1,387,340
Investment income	72,596
Rent	1,037,693
Intergovernmental	1,208,120
Charges for services	7,116,773
Indirect allocations	1,885,000
Special assessments	127,266
Miscellaneous	1,463,565
Total revenues	<u>\$ 40,470,528</u>
Expenditures:	
Public safety function	
Mayor	
Black Hawk Emergency Management Agency	
Contractual services	\$ 96,389
Total activity and department	<u>96,389</u>
Police department	
Police operations	
Compensation and benefits	11,331,501
Contractual services	916,939
Commodities	271,251
Total activity	<u>12,519,691</u>
Police computer services	
Contractual services	75,416
Commodities	83,347
Total activity	<u>158,763</u>
Police grants	
Compensation and benefits	534,364
Contractual services	5,161
Commodities	32,657
Total activity	<u>572,182</u>
Law enforcement programs	
Compensation and benefits	32,687
Contractual services	142,392
Commodities	90,857
Total activity	<u>265,936</u>
Tobacco grant	
Compensation and benefits	4,164
Total activity	<u>4,164</u>

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2015

Expenditures (continued):

Public safety function (continued)

Police department (continued)

Public safety administration

Compensation and benefits

\$ 143,119

Contractual services

1,150

Commodities

258

Total activity

144,527

Total department

13,665,263

Fire department

Fire protection

Compensation and benefits

8,105,329

Contractual services

427,326

Commodities

85,839

Total activity

8,618,494

Fire restricted programs

Compensation and benefits

12,260

Contractual Services

33,617

Total activity

45,877

Fire ambulance services

Compensation and benefits

1,619,477

Contractual services

183,273

Commodities

178,201

Total activity

1,980,951

Fire safety program

Compensation and benefits

124,248

Contractual services

29,684

Commodities

1,073

Total activity

155,005

Total department

10,800,327

Traffic operations department

Animal Control

Compensation and benefits

135,938

Contractual services

49,959

Commodities

26,434

Total activity and department

212,331

Building inspection department

Building and housing safety

Compensation and benefits

1,098,185

Contractual services

23,671

Commodities

35,004

Total activity and department

1,156,860

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2015

Expenditures:

Public safety function (continued)

Central garage department

Fire - garage parts & service
 Compensation and benefits
 Commodities

\$ 83,657
 104,591
188,248

Total activity and department

Ambulance - garage parts & service

Commodities

36,237
36,237

Total activity and department

Public safety function totals

Current

Compensation and benefits
 Contractual services
 Commodities

23,224,929
 1,984,977
 945,749
\$ 26,155,655

Total public safety function

Public works function

Mayor

Telecommunications
 Contractual services

\$ 100
100

Total activity and department

Clerk

Parking administration

Compensation and benefits
 Contractual services
 Commodities

82,210
 42,750
 318
125,278

Total activity and department

Sidewalk repair/construction

Capital outlay

212,625
212,625

Total activity and department

Traffic operations

Parking maintenance

Compensation and benefits
 Contractual services
 Commodities

195,321
 45,083
 14,552
254,956

Total activity and department

Central garage

Central garage

Compensation and benefits
 Contractual services
 Commodities

702,851
 18,683
 97,139
818,673

Total activity

Motor pool service

Commodities

384,747
384,747

Total activity

Total department

1,203,420

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2015

Expenditures:

Public works function (continued)

Airport

Airport administration

Compensation and benefits

\$ 557,503

Contractual services

243,709

Commodities

111,683

Total activity and department

912,895

Public works function totals

Current

Compensation and benefits

1,537,885

Contractual services

350,325

Commodities

608,439

Subtotal

2,496,649

Capital outlay

212,625

Total public works function

\$ 2,709,274

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

219,795

Contractual services

11,880

Commodities

4,057

Total activity

235,732

EEOC contract

Contractual services

33,169

Total activity

33,169

Housing enforcement

Contractual services

61,986

Commodities

1,118

Total activity

63,104

Cedar Valley diversity action team

Contractual services

55

Total activity

55

Total department

332,060

Health and social services function totals

Current

Compensation and benefits

219,795

Contractual services

182,090

Commodities

5,175

Total health and social services function

\$ 407,060

(Continued)

City of Waterloo, Iowa

**Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
General Fund
Year Ended June 30, 2015**

Expenditures:

Culture and recreation function		
Mayor		
Fairview cemetery association		
Contractual services		\$ 50,000
Total activity and department		<u>50,000</u>
Cultural/arts		
Center for the arts		
Compensation and benefits		698,665
Contractual services		82,918
Commodities		40,803
Total activity		<u>822,386</u>
Youth pavilion		
Compensation and benefits		272,464
Contractual services		53,588
Commodities		21,759
Total activity		<u>347,811</u>
Public art		
Contractual services		442
Total activity		<u>442</u>
Culture and arts grants and projects		
Compensation and benefits		2,305
Contractual services		66,967
Commodities		692
Total activity		<u>69,964</u>
Total department		<u>1,240,603</u>
Library		
Library services		
Compensation and benefits		1,308,413
Contractual services		235,812
Commodities		208,049
Total activity		<u>1,752,274</u>
Library Enrich Iowa		
Contractual services		10,292
Commodities		4,917
Total activity		<u>15,209</u>
Library access plus		
Commodities		2,996
Total activity		<u>2,996</u>
Library grants		
Contractual services		7,167
Commodities		171,439
Total activity		<u>178,606</u>

(Continued)

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
 General Fund
 Year Ended June 30, 2015

Expenditures (continued):	
Culture and recreation function (continued):	
Library (continued):	
Library gift and trust	
Contractual services	\$ 16,716
Commodities	29,469
Total activity	<u>46,185</u>
Library service area	
Commodities	4,000
Capital outlay	2,954
Total activity	<u>6,954</u>
County library system	
Compensation and benefits	56,703
Total activity	<u>56,703</u>
Library open access	
Contractual services	1,320
Total activity	<u>1,320</u>
Total department	<u>2,060,247</u>
Leisure services	
Leisure services	
Compensation and benefits	1,872,676
Contractual services	234,681
Commodities	283,232
Capital outlay	16,026
Total activity	<u>2,406,615</u>
Downtown area maintenance	
Compensation and benefits	189,414
Contractual services	41,448
Commodities	28,191
Total activity	<u>259,053</u>
Leisure services projects	
Compensation and benefits	1,000
Contractual services	80,680
Commodities	59,232
Capital outlay	96,917
Total activity	<u>237,829</u>
Golf courses	
Compensation and benefits	951,791
Contractual services	111,758
Commodities	152,400
Total activity	<u>1,215,949</u>
Golf course improvements	
Contractual services	873
Commodities	24,644
Total activity	<u>25,517</u>

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2015

Expenditures (continued):

Culture and recreation function (continued):

Leisure services (continued)

Sports and youth services

Compensation and benefits

\$ 445,611

Contractual services

26,032

Commodities

120,496

Total activity

592,139

Young arena

Compensation and benefits

429,822

Contractual services

166,034

Commodities

178,502

Total activity

774,358

Sportsplex

Compensation and benefits

720,374

Contractual services

307,863

Commodities

134,461

Total activity

1,162,698

Total department

6,674,158

Culture and recreation function totals

Current

Compensation and benefits

6,949,238

Contractual services

1,494,591

Commodities

1,465,282

Subtotal

9,909,111

Capital outlay

115,897

Total culture and recreation function

\$ 10,025,008

Community and economic development function

Mayor

Iowa northland council of governments

Contractual services

\$ 31,467

Total activity

31,467

Tourism promotion

Contractual services

263,230

Total activity

263,230

Waterloo Convention & Visitors Bureau, Inc.

Contractual services

602,883

Total activity

602,883

Total department

897,580

Planning and zoning

Planning and zoning

Compensation and benefits

514,614

Contractual services

22,479

Commodities

5,159

Total activity

542,252

City property management

Contractual services

104,164

Total activity

104,164

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2015

Expenditures (continued):

Community and economic development function (continued):

Planning and zoning (continued)

Economic development

Compensation and benefits

\$ 42,244

Total activity

42,244

Total department

688,660

Five Sullivans Civic Center

Compensation and benefits

92,139

Contractual services

91,501

Commodities

14,557

Total activity and department

198,197

Community and economic development function totals

Current

Compensation and benefits

648,997

Contractual services

1,115,724

Commodities

19,716

Total community and economic development function

\$ 1,784,437

Mayor

Mayor's office

Compensation and benefits

\$ 183,535

Contractual services

11,302

Commodities

1,123

Total activity

195,960

Management information services projects

Contractual services

24,385

Commodities

10,205

Total activity

34,590

Administrative and management information services

Compensation and benefits

100,286

Contractual services

298,351

Commodities

7,475

Total activity

406,112

Total department

636,662

City council

City council

Compensation and benefits

67,530

Contractual services

1,302

Total activity and department

68,832

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2015

Expenditures:

General government function (continued):

City clerk and finance	
Telecommunications	
Compensation and benefits	\$ 141,634
Contractual services	777
Commodities	961
Total activity	<u>143,372</u>
City clerk and finance	
Compensation and benefits	734,254
Contractual services	266,765
Commodities	70,374
Total activity	<u>1,071,393</u>
Liability insurance	
Compensation and benefits	43,290
Contractual services	1,505,818
Total activity	<u>1,549,108</u>
Health/life insurance	
Compensation and benefits	(231)
Contractual services	92,033
Total activity	<u>91,802</u>
Self-funded worker's compensation	
Contractual services	708,995
Total activity	<u>708,995</u>
Print shop	
Contractual services	36,435
Total activity	<u>36,435</u>
Total department	<u>3,601,105</u>
City attorney	
City attorney	
Compensation and benefits	175,466
Contractual services	124,436
Commodities	8,672
Total activity and department	<u>308,574</u>
Human resources	
Employee assistance program	
Contractual services	2,015
Total activity	<u>2,015</u>
Human resources	
Compensation and benefits	281,672
Contractual services	49,128
Commodities	2,300
Total activity	<u>333,100</u>

(Continued)

City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2015

Expenditures (continued):

General government function (continued):

Human resources (continued):

Safety committee

Compensation and benefits	\$ 1,057
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Contractual services	4,238
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Commodities	4,568
-------------	-------

Total activity	<u>9,863</u>
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Total department	<u>344,978</u>
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Building inspection

Facilities maintenance

Compensation and benefits	249,205
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Contractual services	193,150
----------------------	---------

Commodities	35,201
-------------	--------

Total activity	<u>477,556</u>
-----------------------	----------------

Facilities restricted project

Contractual services	148
----------------------	-----

Commodities	3,612
-------------	-------

Total activity	<u>3,760</u>
-----------------------	--------------

Veteran's memorial hall

Contractual services	7,909
----------------------	-------

Total activity	<u>7,909</u>
-----------------------	--------------

Total department	<u>489,225</u>
-------------------------	----------------

General government function totals

Current

Compensation and benefits	1,977,698
---------------------------	-----------

Contractual services	3,302,802
----------------------	-----------

Commodities	134,286
-------------	---------

Total general government function	<u>\$ 5,414,786</u>
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City of Waterloo, Iowa

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

General Fund

Year Ended June 30, 2015

Expenditures:	
Public safety	\$ 26,155,655
Public works	2,709,274
Health and social services	407,060
Culture and recreation	10,025,008
Community and economic development	1,784,437
General government	<u>5,414,786</u>
Total expenditures	<u>\$ 46,496,220</u>
Revenue under expenditures	<u>\$ (6,025,692)</u>
Other financing sources (uses):	
Transfers in	7,042,926
Transfers out	(208,513)
Insurance proceeds	1,400
Proceeds from sale of capital assets	<u>18,692</u>
Total other financing sources	<u>6,854,505</u>
Net change in fund balance	828,813
Fund balance, beginning of year	<u>23,712,171</u>
Fund balance, end of year	<u>\$ 24,540,984</u>

City of Waterloo, Iowa

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	Special Revenue	Capital Projects	Total
Assets			
Cash and cash equivalents	\$ 6,020,964	\$ 18,004,757	\$ 24,025,721
Receivables:			
Customer accounts	1,159	1,616,842	1,618,001
Property taxes:			
Delinquent	6,513	-	6,513
Succeeding year	573,673	-	573,673
Accrued interest	12	-	12
Due from other governments:			
Federal	635,016	-	635,016
Iowa	1,827,171	-	1,827,171
Other	6,468	-	6,468
Inventories and prepaids	298,880	-	298,880
Restricted assets, cash and cash equivalents	2,041,122	-	2,041,122
Advances to other funds	116,014	-	116,014
Total assets	\$ 11,526,992	\$ 19,621,599	\$ 31,148,591
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 213,443	\$ 1,365,573	\$ 1,579,016
Retainages payable	1,365	62,244	63,609
Accrued liabilities	140,376	-	140,376
Due to other funds	422,904	1,501,797	1,924,701
Compensated absences	28,815	-	28,815
Payable from restricted assets	91,439	-	91,439
Total liabilities	898,342	2,929,614	3,827,956
Deferred inflows of resources:			
Unavailable revenue - property taxes	580,186	-	580,186
Unavailable revenue - intergovernmental	363,880	1,616,841	1,980,721
Total deferred inflows of resources	944,066	1,616,841	2,560,907
Fund Balances:			
Nonspendable	298,880	-	298,880
Restricted	9,481,098	17,413,514	26,894,612
Assigned	80,579	-	80,579
Unassigned	(175,318)	(2,338,370)	(2,513,688)
Total fund balances	9,685,239	15,075,144	24,760,383
Total liabilities, deferred inflows of resources and fund balances	\$ 11,527,647	\$ 19,621,599	\$ 31,149,246

City of Waterloo, Iowa

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2015**

	Special Revenue	Capital Projects	Total
Revenues:			
Property taxes	\$ 580,744	\$ -	\$ 580,744
Other taxes	26,032	-	26,032
Licenses and permits	26,399	-	26,399
Investment income	2,671	57,784	60,455
Rent	191,570	-	191,570
Intergovernmental	15,684,598	-	15,684,598
Charges for services	215,776	-	215,776
Interfund charges for services	50,000	-	50,000
Miscellaneous	123,839	791,356	915,195
Total revenues	16,901,629	849,140	17,750,769
Expenditures:			
Current:			
Public safety	21,780	-	21,780
Public works	8,201,532	-	8,201,532
Culture and recreation	596,015	-	596,015
Community and economic development	7,988,494	-	7,988,494
General government	170	-	170
Debt service, interest and fees	-	7,000	7,000
Capital outlay	-	11,855,246	11,855,246
Total expenditures	16,807,991	11,862,246	28,670,237
Revenues over (under) expenditures	93,638	(11,013,106)	(10,919,468)
Other financing sources (uses):			
Transfers in	-	249,270	249,270
Bond discount	-	110,914	110,914
Bond premium	-	(6,168)	(6,168)
Issuance of long-term debt	-	8,000,000	8,000,000
Total other financing sources (uses)	-	8,354,016	8,354,016
Net change in fund balance	93,638	(2,659,090)	(2,565,452)
Fund balance, beginning of year	9,591,601	17,734,234	27,325,835
Fund balance, end of year	\$ 9,685,239	\$ 15,075,144	\$ 24,760,383

City of Waterloo, Iowa

Special Revenue Funds

June 30, 2015

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.

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, 2015

	Special Revenue		
	Library Tax Levy	Community Development Block Grant	Road Use Tax
Assets			
Cash and cash equivalents	\$ 198,924	\$ 2,859	\$ 3,553,919
Receivables:			
Customer accounts	-	-	987
Property taxes:			
Delinquent	6,513	-	-
Succeeding year	573,673	-	-
Accrued interest	-	-	-
Due from other funds	-	-	655
Due from other governments:			
Federal	-	120,962	-
Iowa	-	3,812	1,773,365
Other	6,225	-	-
Inventories and prepaids	-	-	290,434
Restricted cash and cash equivalents	-	-	-
Advances to other funds	7,825	-	108,189
Total assets	\$ 793,160	\$ 127,633	\$ 5,727,549
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 73,154	\$ 88,165
Retainages payable	-	-	-
Accrued liabilities	15,984	14,593	95,392
Due to other funds	-	38,146	45,562
Compensated absences	2,181	4,601	17,853
Payable from restricted assets	-	-	-
Total liabilities	18,165	130,494	246,972
Deferred inflows of resources:			
Unavailable revenue - property taxes	580,186	-	-
Unavailable revenue - intergovernmental	-	3,812	122,463
Total deferred inflows of resources	580,186	3,812	122,463
Fund balances:			
Nonspendable	-	-	290,434
Restricted	114,230	-	5,067,680
Assigned	80,579	-	-
Unassigned	-	(6,673)	-
Total fund balances	194,809	(6,673)	5,358,114
Total liabilities, deferred inflows of resources and fund balances	\$ 793,160	\$ 127,633	\$ 5,727,549

Special Revenue

Housing Programs	Federal Aviation Agency Projects	Total
\$ 2,265,262	\$ -	\$ 6,020,964
172	-	1,159
-	-	6,513
-	-	573,673
12	-	12
-	-	655
19,555	494,499	635,016
-	49,994	1,827,171
-	243	6,468
8,446	-	298,880
2,006,474	34,648	2,041,122
-	-	116,014
<u>\$ 4,299,921</u>	<u>\$ 579,384</u>	<u>\$ 11,527,647</u>

\$ 23,640	\$ 28,484	\$ 213,443
-	1,365	1,365
14,407	-	140,376
-	339,196	422,904
4,180	-	28,815
91,439	-	91,439
<u>133,666</u>	<u>369,045</u>	<u>898,342</u>

-	-	580,186
-	237,605	363,880
-	237,605	944,066

8,446	-	298,880
4,157,809	141,379	9,481,098
-	-	80,579
-	(168,645)	(175,318)
<u>4,166,255</u>	<u>(27,266)</u>	<u>9,685,239</u>

<u>\$ 4,299,921</u>	<u>\$ 579,384</u>	<u>\$ 11,527,647</u>
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City of Waterloo, Iowa

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 Year Ended June 30, 2015

	Special Revenue			
	Library Tax Levy	Community Development Block Grant	Section 108 Loan Program	Road Use Tax
Revenues:				
Property taxes	\$ 580,744	\$ -	\$ -	\$ -
Other taxes	26,032	-	-	-
Licenses and permits	-	-	-	26,399
Investment income	430	-	151	-
Rent	-	-	-	-
Intergovernmental	-	2,453,705	-	7,480,627
Charges for services	-	47,023	-	39,051
Interfund charges for services	-	-	-	50,000
Miscellaneous	-	83,766	-	36,774
Total revenues	607,206	2,584,494	151	7,632,851
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	7,004,519
Culture and recreation	596,015	-	-	-
Community and economic development	-	2,533,534	517,472	-
General government	-	-	170	-
Total expenditures	596,015	2,533,534	517,642	7,004,519
Excess of revenues over expenditures	11,191	50,960	(517,491)	628,332
Fund balances, beginning of year	183,618	(57,633)	517,491	4,729,782
Fund balances, end of year	\$ 194,809	\$ (6,673)	\$ -	\$ 5,358,114

Special Revenue

Housing Programs	Federal Aviation Agency Projects	Total
\$ -	\$ -	\$ 580,744
-	-	26,032
-	-	26,399
1,674	416	2,671
191,570	-	191,570
4,571,288	1,178,978	15,684,598
24,655	105,047	215,776
-	-	50,000
3,299	-	123,839
<u>4,792,486</u>	<u>1,284,441</u>	<u>16,901,629</u>
-	21,780	21,780
-	1,197,013	8,201,532
-	-	596,015
4,937,488	-	7,988,494
-	-	170
<u>4,937,488</u>	<u>1,218,793</u>	<u>16,807,991</u>
(145,002)	65,648	93,638
4,311,257	(92,914)	9,591,601
<u>\$ 4,166,255</u>	<u>\$ (27,266)</u>	<u>\$ 9,685,239</u>

City of Waterloo, Iowa

Capital Projects Funds

June 30, 2015

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 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.

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

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, 2015**

	June 2009 GO Bonds	June 2010 GO Bonds	June 2011 GO Bonds
Assets			
Cash and cash equivalents	\$ 325,876	\$ 473,910	\$ 868,304
Receivables, customer accounts	-	-	-
Total assets	\$ 325,876	\$ 473,910	\$ 868,304
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)			
Liabilities:			
Accounts payable	\$ 6,021	\$ -	\$ 19,133
Retainages payable	601	-	-
Due to other funds	-	-	-
Total liabilities	6,622	-	19,133
Deferred inflows of resources, unavailable revenue - intergovernmental	-	-	-
Fund balances (deficit):			
Restricted	319,254	473,910	849,171
Unassigned	-	-	-
Total fund balances (deficit)	319,254	473,910	849,171
Total liabilities, deferred inflows of resources and fund balances (deficit)	\$ 325,876	\$ 473,910	\$ 868,304

June 2012 GO Bonds	June 2013 GO Bonds	June 2014 GO Bonds	June 2015 GO Bonds	Capital Improvements	Total
\$ 1,729,845	\$ 1,927,303	\$ 4,574,773	\$ 8,104,746	\$ -	\$ 18,004,757
-	-	-	-	1,616,842	1,616,842
<u>\$ 1,729,845</u>	<u>\$ 1,927,303</u>	<u>\$ 4,574,773</u>	<u>\$ 8,104,746</u>	<u>\$ 1,616,842</u>	<u>\$ 19,621,599</u>
\$ 191,779	\$ 31,917	\$ 286,690	\$ 68,033	\$ 762,000	\$ 1,365,573
-	-	61,313	-	330	62,244
-	-	-	-	1,501,797	1,501,797
<u>191,779</u>	<u>31,917</u>	<u>348,003</u>	<u>68,033</u>	<u>2,264,127</u>	<u>2,929,614</u>
-	-	-	-	1,616,841	1,616,841
1,538,066	1,895,386	4,226,770	8,036,713	74,244	17,413,514
-	-	-	-	(2,338,370)	(2,338,370)
<u>1,538,066</u>	<u>1,895,386</u>	<u>4,226,770</u>	<u>8,036,713</u>	<u>(2,264,126)</u>	<u>15,075,144</u>
<u>\$ 1,729,845</u>	<u>\$ 1,927,303</u>	<u>\$ 4,574,773</u>	<u>\$ 8,104,746</u>	<u>\$ 1,616,842</u>	<u>\$ 19,621,599</u>

City of Waterloo, Iowa

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Capital Projects Funds
Year Ended June 30, 2015**

	June 2009 GO Bonds	June 2010 GO Bonds	June 2011 GO Bonds
Revenues:			
Investment income	\$ 2,110	\$ 2,281	\$ 4,192
Miscellaneous	-	-	-
Total revenues	2,110	2,281	4,192
Expenditures:			
Debt service, interest expense	7,000	-	-
Capital outlay	187,141	54,190	255,875
Total expenditures	194,141	54,190	255,875
Revenues over (under) expenditures	(192,031)	(51,909)	(251,683)
Other financing sources (uses):			
Transfers in	-	-	-
Bond discount	-	-	-
Bond premium	-	-	-
Issuance of long-term debt	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances (deficit)	(192,031)	(51,909)	(251,683)
Fund balances (deficit), beginning of year	511,285	525,819	1,100,854
Fund balances (deficit), end of year	\$ 319,254	\$ 473,910	\$ 849,171

	June 2012 GO Bonds	June 2013 GO Bonds	June 2014 GO Bonds	June 2015 GO Bonds	Capital Improvements	Total
\$	12,743	\$ 12,372	\$ 24,086	\$ -	\$ -	\$ 57,784
	-	-	-	-	791,356	791,356
	12,743	12,372	24,086	-	791,356	849,140
	-	-	-	-	-	7,000
	896,283	2,058,239	6,302,148	68,033	2,033,337	11,855,246
	896,283	2,058,239	6,302,148	68,033	2,033,337	11,862,246
	(883,540)	(2,045,867)	(6,278,062)	(68,033)	(1,241,981)	(11,013,106)
	-	-	-	-	249,270	249,270
	-	-	-	(6,168)	-	(6,168)
	-	-	-	110,914	-	110,914
	-	-	-	8,000,000	-	8,000,000
	-	-	-	8,104,746	249,270	8,354,016
	(883,540)	(2,045,867)	(6,278,062)	8,036,713	(992,711)	(2,659,090)
	2,421,606	3,941,253	10,504,832	-	(1,271,415)	17,734,234
\$	1,538,066	\$ 1,895,386	\$ 4,226,770	\$ 8,036,713	\$ (2,264,126)	\$ 15,075,144

City of Waterloo, Iowa

**Fiduciary Funds
June 30, 2015**

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, 2015

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Assets, cash	\$ -	\$ 1,444,738	\$ 1,444,738	\$ -
Liabilities, due to private entities	\$ -	\$ 1,444,738	\$ 1,444,738	\$ -

**City of Waterloo, Iowa
Statistical Section**

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	114
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	119
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.	123
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.	128
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.	130

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)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets										
Restricted	\$ 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	\$ 307,415,275
Unrestricted	34,279,423	22,213,054	25,583,429	32,652,537	36,648,414	28,098,845	31,552,558	30,823,956	30,579,471	30,438,501
	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	(31,681,588)
Total governmental activities net position	\$ 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	\$ 306,172,188
Business-type activities										
Net investment in capital assets										
Restricted	\$ 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	\$ 78,270,214
Unrestricted	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	727,235
	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	11,638,646
Total business-type activities net position	\$ 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	\$ 90,636,095
Primary government										
Net investment in capital assets										
Restricted	\$ 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	\$ 385,685,489
Unrestricted	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	31,165,736
	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	(20,042,942)
Total primary government net position	\$ 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	\$ 396,808,283

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
Public safety	\$ 25,251,052	\$ 26,046,236	\$ 26,214,669	\$ 26,719,053	\$ 28,612,482	\$ 29,629,282	\$ 30,037,249	\$ 31,913,280	\$ 31,773,269	\$ 25,988,767
Public works	11,579,825	17,265,784	21,705,472	22,435,723	22,839,814	23,276,707	23,297,561	24,938,888	28,911,525	29,570,277
Health and social services	331,759	258,818	268,761	260,584	244,594	257,618	278,589	299,282	368,173	325,607
Culture and recreation	6,786,963	8,059,963	8,408,694	9,512,453	9,951,066	10,080,005	10,515,120	10,491,266	11,315,704	11,676,287
Community and economic development	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	13,190,672
General government	3,415,216	3,903,632	4,511,057	5,150,029	4,548,726	4,860,959	4,219,355	3,714,993	2,749,672	4,869,696
Interest on long-term debt	2,625,800	2,728,225	2,782,119	2,880,205	2,736,194	2,639,047	2,459,710	2,680,614	2,349,054	2,208,744
Total governmental activities expenses	63,731,750	67,929,601	73,471,862	80,478,129	84,071,682	87,418,836	86,945,917	88,167,939	90,377,696	87,830,050
Business-type activities:										
Sanitary sewer	8,666,232	8,242,650	8,649,104	8,573,832	8,682,068	10,437,723	9,730,465	10,033,041	9,811,929	12,518,569
Sanitation	3,196,360	3,226,802	3,289,854	3,593,300	3,873,028	3,408,358	3,680,500	3,640,314	3,215,663	3,612,307
Total business-type activities expenses	11,862,592	11,469,452	11,938,958	12,167,132	12,555,096	13,846,081	13,410,965	13,673,355	13,027,592	16,130,876
Total primary government expenses	\$ 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	\$ 103,960,926
Program Revenue										
Governmental activities:										
Charges for services:										
Public safety	\$ 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	\$ 4,018,731
Public works	1,831,575	1,774,681	1,933,607	1,994,200	1,887,850	1,984,786	2,224,870	2,192,414	2,802,925	2,498,057
Culture and recreation	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	3,361,891
Other activities	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	1,667,019
Operating grants and contributions	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	11,335,064
Capital grants and contributions	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	39,116,737
Total governmental activities program revenue	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	61,997,499
Business-type activities:										
Charges for services:										
Sanitary sewer	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	12,661,602
Sanitation	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	3,585,270
Operating grants and contributions:										
Sanitary sewer	7,361	315,437	240,678	339,496	-	125,802	54,041	-	-	24,236
Sanitation	-	-	288,866	274,988	314,940	399,000	215,584	273,869	272,755	274,324
Capital grants and contributions:										
Sanitary sewer	311,303	799,265	127,092	106,200	-	81,302	82,443	-	-	-
Sanitation	-	-	-	3,000	-	-	560	13,585	-	-
Total business-type activities program revenue	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	16,545,432
Total primary government program revenue	\$ 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	\$ 78,542,931
Net (Expense)/Revenue										
Governmental activities	\$ (32,762,263)	\$ (39,075,744)	\$ (41,843,991)	\$ (41,268,879)	\$ (41,858,030)	\$ (51,781,948)	\$ (49,934,097)	\$ (53,978,057)	\$ (54,625,495)	\$ (25,832,551)
Business-type activities	1,562,845	2,241,095	1,610,575	1,535,406	2,343,867	3,490,263	3,661,655	2,515,388	3,699,964	414,556
Total primary government net expense	\$ (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)	\$ (25,417,995)

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenue and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Property taxes levied for general purposes	\$ 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	\$ 30,647,230
Property taxes levied for debt service	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	14,867,749
Other taxes	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	17,471,721
Investment earnings	1,276,389	1,824,494	1,432,651	426,353	170,946	152,078	54,485	45,578	117,515	180,123
Miscellaneous	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	1,108,633
Gain (loss) on sale of assets	-	-	-	-	1,827,508	-	-	-	-	-
Transfers	-	-	-	-	-	70,231	(44,167)	(4,740)	-	(2,035)
Total governmental activities	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	64,273,421
Business-type activities:										
Investment earnings	402,160	532,645	357,518	85,352	17,730	21,055	18,612	16,555	25,122	39,714
Gain (loss) on sale of assets	-	-	-	-	-	(70,231)	44,167	4,740	-	1,711
Transfers	-	-	-	-	-	(49,176)	62,779	21,295	25,122	2,035
Total business-type activities	402,160	532,645	357,518	85,352	17,730	(49,176)	62,779	21,295	25,122	43,460
Total primary government	\$ 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	\$ 64,316,881
Changes in Net Assets										
Governmental activities	\$ 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	\$ 38,440,870
Business-type activities	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	458,016
Total primary government	\$ 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	\$ 38,898,886

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Nondesignated										
Nondesignated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 310,432	\$ 326,276	\$ 322,077	\$ 392,741	\$ 323,781
Restricted	-	-	-	-	-	3,602,691	3,438,392	5,497,065	8,667,499	9,109,347
Committed	-	-	-	-	-	662,415	-	-	36,595	-
Assigned	-	-	-	-	-	4,878,877	4,802,837	5,318,721	4,430,460	4,848,307
Unassigned	-	-	-	-	-	8,417,600	9,644,699	8,907,668	10,184,876	10,224,959
Reserved	1,841,389	2,159,691	3,074,869	2,367,516	3,064,085	-	-	-	-	-
Unreserved:										
Designated	5,186,521	5,131,230	4,577,679	4,720,531	5,077,047	-	-	-	-	-
Undesignated	5,679,449	6,946,759	7,438,418	8,152,625	8,610,737	-	-	-	-	-
Total general fund	\$ 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	\$ 24,506,394
All Other Governmental Funds										
Nondesignated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 208,100	\$ 297,516	\$ 233,192	\$ 466,165	\$ 298,880
Restricted	-	-	-	-	-	39,357,168	42,286,946	42,907,706	28,709,385	38,887,421
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	2,322,606	2,332,997	2,370,221	80,148	2,396,279
Unassigned	-	-	-	-	-	(5,150,315)	(7,161,884)	(4,608,778)	(1,929,863)	(5,711,850)
Reserved	1,576,334	2,103,658	2,633,730	2,923,228	2,786,146	-	-	-	-	-
Undesignated, reported in:										
Special revenue funds	12,385,708	13,021,323	16,846,339	17,918,742	16,410,755	-	-	-	-	-
Debt service funds	1,008,597	1,529,968	-	-	-	-	-	-	-	-
Capital project funds	15,962,472	16,440,553	17,205,128	14,259,781	12,144,579	-	-	-	-	-
Total all other governmental funds	\$ 30,933,111	\$ 33,095,502	\$ 36,665,197	\$ 35,101,751	\$ 31,341,480	\$ 36,737,559	\$ 37,755,575	\$ 40,902,341	\$ 27,325,835	\$ 35,870,730

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenue										
Property taxes	\$ 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	\$ 45,440,607
Other taxes	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	17,599,304
Licenses and permits	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	1,413,739
Investment income	1,276,389	1,924,494	1,432,651	426,353	170,946	152,078	54,485	45,578	117,515	183,938
Rent*	920,475	1,023,689	982,710	1,060,566	1,060,889	1,094,271	1,186,419	1,191,376	1,263,682	1,293,559
Intergovernmental	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	28,647,425
Charges for services*	5,429,979	5,554,760	5,767,327	5,963,660	5,932,437	6,397,007	6,748,285	6,512,462	6,894,308	7,371,370
Interfund charges for service	2,801,492	2,802,327	2,825,152	2,808,833	2,385,680	2,134,553	1,935,000	1,935,000	1,935,000	1,935,000
Special assessments	52,698	39,932	39,931	37,216	225,198	47,171	93,870	124,467	139,408	127,266
Miscellaneous	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	2,760,949
Total revenue	<u>84,157,665</u>	<u>85,019,802</u>	<u>88,246,929</u>	<u>93,407,535</u>	<u>99,664,172</u>	<u>100,163,269</u>	<u>98,762,505</u>	<u>103,407,054</u>	<u>100,121,944</u>	<u>106,773,157</u>
Expenditures										
Current:										
Public safety	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	30,588,630
Public works	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	34,515,685
Health and social services	401,647	332,431	346,169	333,706	316,974	325,730	346,952	370,275	365,847	407,060
Culture and recreation	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	10,633,238
Community and economic development	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	11,783,311
General government	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	5,459,817
Debt service										
Principal	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	9,659,890
Interest and fees	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	2,023,366
Bond Issuance Costs**	-	-	-	-	-	-	-	100,798	149,580	-
Capital projects	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	11,855,746
Total expenditures	<u>85,900,492</u>	<u>90,004,187</u>	<u>95,406,196</u>	<u>105,767,118</u>	<u>113,395,775</u>	<u>102,079,720</u>	<u>108,633,356</u>	<u>104,575,684</u>	<u>110,733,034</u>	<u>116,926,743</u>
Revenue over (under) expenditures	<u>(1,742,827)</u>	<u>(4,984,385)</u>	<u>(7,159,267)</u>	<u>(12,359,583)</u>	<u>(13,731,603)</u>	<u>(1,916,451)</u>	<u>(9,870,851)</u>	<u>(1,168,630)</u>	<u>(10,611,090)</u>	<u>(10,153,586)</u>
Other financing sources (uses)										
Transfers in	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	10,276,970
Transfers out	(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)	(10,276,970)
Insurance proceeds	-	-	-	1,421,521	1,734,450	138,157	19,988	173,397	356,454	1,400
Proceeds from sale of assets	232,328	88,102	41,491	74,294	2,243,301	221,807	-	71,014	47,937	(6,168)
Capital lease obligations incurred	-	-	-	-	-	-	-	-	-	-
Refunding bonds issued	-	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	-	(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	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	8,000,000
Bond discounts and issue costs	-	-	60,280	(40,080)	(62,842)	353,883	269,088	118,687	205,713	129,606
Total other financing sources (uses)	<u>9,332,328</u>	<u>8,677,097</u>	<u>9,781,190</u>	<u>10,925,843</u>	<u>11,482,529</u>	<u>8,432,676</u>	<u>11,229,056</u>	<u>6,148,723</u>	<u>12,069,090</u>	<u>8,124,838</u>
Net change in fund balances	<u>\$ 7,589,501</u>	<u>\$ 3,692,712</u>	<u>\$ 2,621,923</u>	<u>\$ (1,433,740)</u>	<u>\$ (2,249,074)</u>	<u>\$ 6,516,225</u>	<u>\$ 1,358,205</u>	<u>\$ 4,980,093</u>	<u>\$ 1,458,000</u>	<u>\$ (2,028,748)</u>
Debt service as a percentage of noncapital expenditures	12.0%	13.0%	14.7%	12.0%	11.8%	13.5%	11.8%	13.2%	12.3%	13.2%

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

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

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

Assessment Date January 1,	For Fiscal Year Ended June 30,	Residential Property	Commercial Property	Industrial Property	TIF Property	Other Property	Less: Military Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Total Assessed Value	Total Taxable Value as a Percentage of Assessed Value
2003	2005	893,839,054	672,183,148	97,124,065	64,558,282	112,393,854	8,992,261	1,831,106,142	18.78999	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%
2013	2015	1,303,730,888	717,175,119	112,118,499	207,637,570	112,027,732	6,558,362	2,446,131,446	17.95159	3,623,346,971	67.51%

Source: Black Hawk County Auditor.

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

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

Fiscal Year	Overlapping Rates										Total Direct & Overlapping Rates
	City of Waterloo			Black Hawk County			Schools			Total School Millage	
	Operating Millage	Debt Service	Total City Millage	Operating Millage	Debt Service	Total County Millage	Operating Millage	Debt Service	Other		
2006	15.04360	4.11206	19.15566	7.04780	0.56052	7.60832	14.99110	1.00000	1.42197	15.99110	44.17705
2007	15.47706	3.36874	18.84580	6.83182	0.55784	7.38966	15.33395	1.00000	1.34392	16.33395	43.91333
2008	15.33540	3.43129	18.76669	6.82613	0.58407	7.41020	15.74972	1.00000	1.18405	16.74972	44.11066
2009	15.10748	3.25939	18.36687	6.35616	0.57975	6.93591	15.65725	1.00000	1.36422	16.65725	43.32425
2010	15.01876	3.28813	18.30689	6.12831	0.57689	6.70520	15.45746	1.00000	1.33721	16.45746	42.80676
2011	14.92433	3.33973	18.26406	6.22972	0.44212	6.67184	15.43697	1.00000	1.38794	16.43697	42.76081
2012	15.16068	3.37267	18.53335	5.92415	0.67322	6.59737	15.28141	1.00000	1.28109	16.28141	42.69322
2013	15.03346	3.17159	18.20505	5.59849	0.64144	6.23993	14.80265	1.00000	1.33770	15.80265	41.58533
2014	14.39276	3.10043	17.49319	5.39234	0.62882	6.02116	13.12135	2.60683	1.36950	15.72818	40.61203
2015	14.74920	3.20239	17.95159	5.52447	0.59472	6.11919	13.28631	2.68895	1.35851	15.97526	41.40455

Source: Black Hawk County Auditor.

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

Employer	2015			2006		
	Assessed Value 01/01/2013	Rank	Percentage of Total Assessed Value	Assessed Value 01/01/2004	Rank	Percentage of Total Assessed Value
IOC Black Hawk County, Inc.	\$ 61,591,655	1	1.70%	\$ -		
Deere and Company	50,292,036	2	1.39%	25,671,030	3	0.92%
Waterloo Owner, LLC (Crossroads Mall) Equitable Life Assurance in 2003	33,941,525	3	0.94%	33,564,460	2	1.20%
Con Agra k/n/a Hunt Wesson, Inc.	20,521,559	4	0.57%	16,317,760	5	0.58%
Ferguson Enterprises, Inc.	19,672,287	5	0.54%			--
Bertch Cabinet Manufacturing	16,679,680	6	0.46%	15,314,300	6	0.55%
Tyson Fresh Meats (formerly IBP, Inc.)	16,354,501	7	0.45%	19,840,220	4	0.71%
Howard L. Allen Investments, Inc.	15,305,640	8	0.42%			--
Walmart Stores	12,687,735	9	0.35%	10,180,090	10	0.36%
VGM Management	11,231,043	10	0.31%			
MidAmerican Energy	--		--	98,650,632	1	3.54%
Qwest Corporation (formerly US West)	--		--	14,268,906	7	0.51%
HyVee Food Stores, Inc.	--		--			
Banco Mortgage Company	--		--	10,237,740	9	0.37%
Individual Trust	--		--	10,272,770	8	0.37%
Total	\$ 258,277,661		7.13%	\$ 254,317,908		8.75%

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
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%
2013	2015	39,200,603	38,901,557	99.24%	(362,370) *	38,539,187	98.31%

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	Capital Loan Notes	Capital Leases	Other Debt	General Obligation Bonds	Revenue Bonds	Capital Leases	Other Debt					
2006	\$ 62,260,000	\$ 250,000	--	\$ 3,097,325	\$ 14,337,655	\$ 16,195,000	--	--	\$	96,139,980	4.67%	1,398	
2007	63,940,000	220,000	--	2,708,707	14,859,518	13,850,000	--	--		95,578,225	4.51%	1,390	
2008	65,709,931	300,000	--	1,931,086	14,809,064	12,355,000	--	-		95,105,081	4.09%	1,383	
2009	66,068,610	--	--	3,392,268	15,132,212	10,870,000	--	-		95,463,090	3.98%	1,389	
2010	66,058,804	--	--	2,145,466	17,774,173	9,285,000	--	--		95,263,443	3.85%	1,386	
2011	65,772,821	--	--	2,806,900	20,062,809	7,655,000	--	-		96,297,530	3.85%	1,408	
2012	68,651,784	--	--	2,111,193	20,870,997	4,727,951	--	-		96,538,068	3.82%	1,411	
2013	65,966,220	--	--	2,524,312	24,400,407	3,119,608	--	-		96,010,547	3.58%	1,404	
2014	69,226,920	--	--	2,281,997	22,253,712	1,914,460	--	-		95,677,089	3.38%	1,399	
2015	67,833,111	--	--	2,061,307	24,609,346	719,286	--	-		95,223,050	3.33%	1,392	

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*
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	80,818,995	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	85,835,630	3,566,368,445	2.41%	1,255
2012	89,522,781	3,747,030,046	2.38%	1,302
2013	90,366,627	3,738,165,467	2.42%	1,321
2014	91,480,632	3,762,106,346	2.43%	1,337
2015	92,442,457	3,623,346,971	2.55%	1,351

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, 2015

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable to City*	Estimated Share of Overlapping Debt
City of Waterloo direct debt	\$ 69,763,872	100.00%	\$ 69,763,872
Overlapping:			
Black Hawk County	\$ 34,985,000	44.55%	15,585,818
Hudson Community Schools	-	0.00%	-
Hawkeye Community College	-	26.07%	-
Subtotal, overlapping debt	\$ 34,985,000		\$ 15,585,818
Total direct and overlapping debt	\$ 104,748,872		\$ 85,349,690

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**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit	\$ 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	\$ 181,167,349
Total net debt applicable to limit	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	94,503,764
Legal debt margin	\$ 59,922,073	\$ 71,737,000	\$ 73,638,756	\$ 87,649,186	\$ 93,093,737	\$ 91,458,738	\$ 95,513,435	\$ 94,503,961	\$ 94,410,912	\$ 86,663,584
Total net debt applicable to the limit as a percentage of debt limit	57.29%	53.35%	53.00%	49.16%	47.79%	48.71%	49.02%	49.44%	49.44%	52.16%

Legal Debt Margin Calculation for Fiscal Year 2015	
Estimated actual valuation (assessed) as of January 1, 2012	\$ 3,623,346,971
Debt limit (5% of total estimated actual valuation)	181,167,349
Debt applicable to debt limit:	
General obligation bonds	92,442,457
General obligation capital loan notes	2,061,307
Other debt	94,503,764
Total net debt applicable to limit	\$ 86,663,584

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
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	6,481,324	6,664,913	1,655,847	4.0251
2013	12,312,670	6,800,371	5,437,416	1,659,883	3.2758
2014	12,863,347	8,067,043	4,796,304	1,259,403	3.8084
2015	12,716,670	10,071,157	2,645,514	1,233,703	2.1444

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

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

<u>Year</u>	<u>Population¹</u>	<u>Personal Income</u>	<u>Per Capita Personal Income²</u>	<u>Median Age¹</u>	<u>Unemployment Rate³</u>	<u>School Enrollment⁴</u>
2003	68,747	\$ 1,911,235,347	\$ 27,801	35.9	5.8%	10,465
2004	68,747	2,057,735,204	29,932	35.9	6.1%	10,472
2005	68,747	2,117,888,829	30,807	35.9	5.3%	10,391
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
2014	68,406	2,857,250,214	41,769	35.5	6.5%	10,611

N/A = Not available.

Sources:

¹ 2000 and 2010 U.S. Census

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

³ Iowa Workforce Development

⁴ Waterloo Community Schools

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

Employer	2015			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Deere & Company	5,600	1	16.47%	5,400	1	15.13%
Wheaton Franciscan Health Care *	3,060	2	9.00%	3,005	2	8.42%
Tyson Fresh Meats (formerly IBP, Inc.)	2,500	3	7.35%	2,500	3	7.00%
University of Northern Iowa	1,740	4	5.12%	2,170	4	6.08%
Unity Point Health(Allen Memorial Hospital)	1,615	5	4.75%	1,605	6	4.50%
Waterloo Community Schools	1,610	6	4.74%	1,800	5	5.04%
Hy-Vee	1,545	7	4.54%	980	9	2.75%
Wal-Mart	1,045	8	3.07%	--		--
Target Distribution	860	9	2.53%	--		--
CBE Companies	800	10	2.35%	--		--
Bertch Cabinet Manufacturing	--	--	--	1,500	7	4.20%
Omega Cabinets	--	--	--	1,200	8	3.36%
GMAC	--	--	--	920	10	2.58%
Total	20,375		59.93%	20,160		53.11%

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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety										
Police	130.0	130.0	128.0	131.0	135.0	139.0	138.0	131.0	130.0	130.0
Fire	121.0	115.0	118.0	113.0	116.5	114.5	112.5	109.5	108.5	106.5
Building Inspection	15.0	15.0	16.0	15.0	15.5	10.5	12.5	12.5	12.5	14.5
Public Works										
City Engineer	19.0	19.0	19.0	20.0	19.0	18.0	20.0	20.0	20.0	20.0
Traffic	12.5	13.5	12.0	13.0	12.0	12.0	12.0	15.0	16.0	16.0
Central Garage	9.5	9.5	10.0	10.0	8.0	9.0	9.0	9.0	10.0	10.0
Street	36.0	36.0	34.0	40.0	39.0	37.0	38.0	36.0	34.0	37.0
Airport	5.5	5.5	5.5	5.5	5.5	5.5	6.0	5.0	6.0	6.0
Health & Social Services										
Human Rights	3.0	3.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Culture & Recreation										
Cultural & Arts	9.5	10.0	12.0	13.5	13.5	14.0	14.5	13.0	11.0	13.0
Library	25.0	25.5	24.0	24.5	25.0	24.5	24.5	25.0	25.0	24.5
Leisure Services	38.0	37.0	39.0	41.0	40.0	40.0	39.0	36.0	41.0	43.0
Community & Economic Development										
Community Planning & Development	26.0	25.0	24.0	24.0	24.0	24.0	24.0	22.0	23.0	23.0
General Government										
Mayor's Office	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Administrative Services/MIS	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0
City Clerk & Finance	13.0	13.0	13.0	13.0	13.0	13.0	13.0	14.0	14.0	12.0
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	2.0	3.0	3.0	3.0	3.0	3.0	3.0
Facilities Maintenance	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Waste Management Services										
Sewer	30.1	30.1	30.1	30.1	29.0	32.0	35.0	33.9	37.0	43.0
Sanitation	12.9	13.9	13.9	13.9	13.0	15.0	14.0	17.1	17.0	13.0
Total	<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>	<u>524.0</u>

Source: City Human Resources Department records.

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

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety										
Police *										
Traffic accidents	2,129	1,788	1,942	2,141	1,941	1,712	1,630	1,598	1,839	1,726
Cases	14,857	13,928	14,468	13,740	13,411	12,079	11,591	11,344	11,298	11,111
Citations	12,601	11,651	9,816	6,781	7,983	6,851	7,271	6,448	6,989	5,060
Calls for service	68,365	70,037	73,690	75,932	82,044	81,110	80,872	75,626	77,161	67,717
Total arrests	6,157	5,771	6,176	5,506	5,590	5,243	5,244	4,984	4,931	4,728
Fire										
Fire responses	5,631	5,759	6,223	5,208	4,885	4,238	4,307	4,622	5,011	5,129
Ambulance responses	6,744	7,030	7,503	7,234	6,928	5,328	6,062	6,997	6,729	6,830
Building Inspection										
Construction permits issued	8,448	9,124	8,961	8,143	8,657	9,386	8,012	8,682	9,969	10,327
Construction value of permits	\$ 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	\$ 100,224,478
Public Works										
Engineering										
Street reconstruction (miles)	3.39	1.94	1.57	2.55	2.45	1.98	2.90	3.08	3.15	1.59
Street resurfacing (miles)	31.30	17.60	13.57	18.63	12.42	14.15	12.64	14.05	12.21	18.63
Street Department										
Tons of salt used for streets	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	4,217.00
Man hours for road maintenance	75,580	72,800	66,560	71,448	71,448	72,800	68,640	67,345	66,650	67,320
Airport										
Commercial Enplanements	38,750	33,507	27,026	25,467	22,255	23,206	22,173	19,897	21,573	26,170
Aircraft take-offs and landings	30,538	30,644	25,979	25,921	22,738	20,772	21,521	20,589	19,109	19,550
Based aircraft	101	98	101	100	100	101	101	104	104	74
Health & Social Services										
Human Rights										
Civil Rights complaints										
New cases opened	75	74	109	62	74	78	95	106	64	66
Cases closed	29	58	63	182	88	76	103	59	43	100
Active cases at year-end	198	214	262	126	109	113	103	154	177	143
Culture & Recreation										
Leisure Services										
SportsPlex Members										
Young Arena facility usage										
Event Visitors	114,492	133,540	142,278	121,324	118,286	118,089	127,508	118,639	119,903	100,064
Recreational Visitors	136,520	139,824	138,285	138,541	143,370	153,018	164,315	174,780	186,384	189,121
Sports - youth programs	4,119	4,517	4,677	5,034	5,117	5,691	5,720	5,451	5,571	5,623
Sports - adult programs	1,158	1,277	1,261	1,461	1,665	1,621	1,620	1,588	1,598	1,617
Pool attendance	39,512	41,580	40,789	40,561	41,743	42,883	44,741	39,611	37,603	33,866
Golf rounds	102,131	95,851	86,268	93,932	95,898	87,173	97,032	81,218	75,737	74,891
Annual flowers grown for parks	23,520	21,768	21,765	22,880	28,008	24,984	22,488	23,304	-	-
Public Library										
Total Circulation	433,072	427,921	413,525	426,593	441,746	419,333	424,435	405,341	422,204	470,786
Total Library Visits	266,356	261,261	259,144	241,539	274,903	290,161	207,597	263,261	271,603	278,431
Waterloo Center for the Arts										
In House Visitors	98,897	99,097	104,499	125,351	118,541	113,411	119,404	125,958	118,970	128,140
Events, meetings, and programs	1,387	1,268	1,479	1,839	1,683	1,625	1,578	1,563	1,074	1,103

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

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Community & Economic Development										
Planning and Zoning										
Planning commission agenda items	93	84	69	50	54	77	65	72	91	100
CURA applications received**	46	51	35	46	29	20	12	24	30	41
CURA improvements value	\$ 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	\$ 7,856,518
CLURA applications received***	-	-	-	-	-	-	6	19	58	69
CLURA improvements value	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,249,100	\$ 4,385,349	\$ 14,418,617	\$ 15,057,131
Community Development										
Down payment assistance	58	36	41	50	57	12	22	10	3	4
Home buyer education	188	168	193	183	147	-	-	-	-	-
Owner-occupied homes rehabilitated	35	28	46	36	10	32	46	31	42	26
Emergency repairs (including roofs)	58	36	34	38	44	39	45	49	37	33
Demolitions (residential & commercial)	7	8	19	20	27	11	20	18	21	-
Housing										
Actual vouchers	957	961	1,032	1,007	1,003	994	996	1,005	931	937
Public housing units	50	50	49	50	48	50	50	50	50	50
Family self sufficiency participants	74	65	75	59	49	53	54	47	36	31
Sewer										
Sewer system customers	25,728	25,637	25,843	25,769	25,565	25,450	25,707	25,393	26,102	25,584

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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire*										
Stations	7	7	7	7	7	7	7	7	7	7
Trucks and special vehicles	30	30	30	32	32	32	34	31	**	29
Public Works										
Miles of streets - paved	352	354	354	356	357	364	364	364	364	364
Miles of streets - unpaved	74	74	74	73	73	72	72	72	72	72
Street lights	N/A	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,807	1,807
Traffic Signals	N/A	198	198	198	197	200	200	200	197	198
Airport runway lengths										
Runway 12/30	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400
Runway 18/36	6,002	6,002	6,002	6,002	6,002	6,002	6,002	6,002	6,002	6,002
Runway 6/24	5,403	5,403	5,403	5,403	5,403	5,403	5,403	5,403	5,403	5,403
Culture & Recreation										
City 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	6	6	6	6	6	6
Baseball stadium	1	1	1	1	1	1	1	1	1	1
Softball complexes	1	2	2	2	2	2	2	2	2	2
Tennis courts	27	27	27	27	27	27	27	27	27	27
Ice arena	1	1	1	1	1	1	1	1	1	1
Soccer complex	1	1	1	1	1	1	1	1	1	1
Exposition plaza	0	0	0	1	1	1	1	1	1	1
Skatepark	1	1	1	1	1	1	1	1	1	1
Dog park	0	0	0	1	1	1	1	1	1	1
Amphitheater	0	0	0	0	0	0	1	1	1	1
Splash Park	0	0	0	0	0	0	1	1	1	1
Indoor sports & fitness facility	N/A	1								
Center for the Arts collection size	1,615	2,494	2,794	3,153	3,362	3,766	4,178	4,352	4,682	5,102
Library collection size	210,020	190,092	192,678	200,246	168,295	172,580	163,247	161,462	164,486	138,540
Sewer										
Miles of sanitary sewer	353	356	356	356	356	356	356	356	357	358

Source: Various city departments

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

** Added boats

N/A - not available

City of Waterloo, Iowa

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
Department of Commerce			
Direct:			
Economic Adjustment Assistance: Disaster Recovery	N/A	11.307	\$ 2,292,137
Department of Housing and Urban Development			
Direct:			
Community Development Block Grants/Entitlement Grants	N/A	14.218	1,162,958
HOME Investments Partnerships Program	N/A	14.239	549,582
Title 1, VA-HUD Independent Agencies Appropriations Act for FY 2008, PL 110-161	N/A	14.251	97,083
HUD Appropriations Act for FY 2009, PL 111-8	N/A	14.251	21,795
Subtotal			<u>118,878</u>
Fair Housing Assistance Program-State and Local	N/A	14.401	61,165
Public and Indian Housing	N/A	14.850	242,244
Section 8 Housing Choice Vouchers	N/A	14.871	4,568,579
Lead Based Paint Hazard Control in Privately Owned Housing	N/A	14.900	292,517
Total direct			<u>6,995,923</u>
Indirect:			
Pass Through Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	08-DRH-011	14.228	269,273
	08-DRH-211	14.228	86,126
	11-NSP-018	14.228	31
Disaster Recovery Infrastructure	08-DRI-078	14.228	1,270,384
	08-DRI-277	14.228	3,787,607
Total indirect			<u>5,413,421</u>
Total Department of Housing and Urban Development			<u>12,409,344</u>
Department of Justice			
Direct:			
Bulletproof Vest Partnership Program	N/A	16.607	8,835
Edward Byrne Memorial Justice Assistance Grant Program	N/A	16.738	126,326
Total direct			<u>135,161</u>
Indirect:			
Pass Through National Association of VOCA Division,			
Crime Victim Assistance/Discretionary Grant	15-039	16.582	4,434
Pass Through Crime Victims Assistance Division,			
Federal Violence Against Women Act Contract	VW-12-76B	16.588	35,113
Pass Through Governor's Office of Drug Control Policy,			
Edward Byrne Memorial Justice Assistance Grant Program	11-JAG-58456	16.738	192,500
Total indirect			<u>232,047</u>
Total Department of Justice			<u>367,208</u>

(Continued)

City of Waterloo, Iowa

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
Department of Transportation			
Direct:			
Federal Aviation Administration:			
Airport Improvement Program	N/A	20.106	864,450
	N/A	20.106	94,779
	N/A	20.106	5,184
	N/A	20.106	4,800
	N/A	20.106	505
Total direct			<u>969,718</u>
Indirect:			
Federal Highway Administration Pass Through Iowa			
Department of Transportation:			
Highway Planning and Construction	NHSX-63-6(69)--3H-07	20.205	42,311
	STP-U-8155(710)--70-07	20.205	7,292
	STP-U-8155(711)--70-07	20.205	59,328
	STP-U-8155(714)--70-07	20.205	32,871
	STP-U-8155(719)--70-07	20.205	2,719
	STP-E-8155(723)--8V-07	20.205	9,215
	STP-U-8155(729)--8U-07	20.205	16,479
	STP-U-8155(731)--70-07	20.205	3,382,515
	TAP-U-8155(741)--81--07	20.205	29,653
Subtotal			<u>3,582,383</u>
National Highway Traffic Safety Administration Pass			
Through Iowa Department of Public Safety Governor's Traffic			
Impaired Driving Countermeasures Grant			
	PAP-14-405d-M6OT, Task 56	20.616	13,075
	PAP-15-405d-M6OT, Task 57	20.616	23,864
Subtotal			<u>36,939</u>
Total indirect			<u>3,619,322</u>
Total Department of Transportation			<u>4,589,040</u>
U.S. Equal Employment Opportunity Commission			
Direct,			
Employment Discrimination Title VII of the Civil Rights Act of 1964	N/A	30.001	33,169

(Continued)

City of Waterloo, Iowa

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
National Foundation on the Arts and the Humanities			
Indirect,			
National Endowment for the Humanities Pass Through			
Iowa Arts Council Promotion of the Humanities			
Federal/State Partnership			
	OSP 1420 FY07, FY08, FY09	45.129	<u>14,106</u>
Environmental Protection Agency			
Direct,			
Brownfield Assessment & Cleanup Cooperative Agreements			
	N/A	66.818	<u>62,916</u>
Department of Homeland Security			
Indirect:			
Pass Through Iowa Homeland Security and Emergency Management			
Division:			
Disaster Grants - Public Assistance (Presidentially Declared			
Disasters)			
	013-82425-00 DR 1763	97.036	57,505
	013-82425-00 DR 4187	97.036	<u>221,387</u>
			<u>278,892</u>
Subtotal			
			<u>247</u>
Law Enforcement Terrorism Prevention Program			
	2012-SS-00028-02	97.067	<u>247</u>
Total Department of Homeland Security			<u>279,139</u>
Total Expenditures of Federal Awards			<u>\$ 20,047,059</u>

See Notes to Schedule of Expenditures of Federal Awards.

(Concluded)

City of Waterloo, Iowa

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015**

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	\$ 96,931
Community Development Block Grant	14.228	25,189
HOME Investment Partnerships Program	14.239	190,672
Lead Based Paint Hazard Controls in Privately-Owned Housing	14.900	30,105
Edward Byrne Memorial Justice Assistance Grant	16.738	142,128

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, 2015, the principal balance on the loan was \$81,016. 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	\$ 26,775
Debt subsidy	86,364
Subtotal cash assistance	113,139
Loan balance	81,016
Total	\$ 194,155

City of Waterloo, Iowa

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015**

Note 5. Total Expenditures by Program

The total expenditures for the Edward Byrne Memorial Justice Assistance Grant Program, CFDA No. 16.738 is \$318,826.

City of Waterloo, Iowa

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015**

	Finding	Status	Corrective Action Plan or Other Explanation
Other Findings Related to Required Statutory Reporting			
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 certain minutes within this time frame.	Corrected	
14-IV-H	The Grants, Special Revenue Fund, Community Development Block Grant, Special Revenue Fund, Federal Aviation and Capital Improvements, Capital Projects Fund had deficit fund balances as of June 30, 2014.	Not corrected	See corrective action plan at 15-IV-H.
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.	Not corrected	See corrective action plan at 15-IV-J.

**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, 2015, 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, 2015. The City's June 30, 2014 financial statements have been restated due to the implementation of GASB Statement Nos. 68 and 71 to recognize a net pension liability and deferred outflow of resources of the governmental activities, business-type activities, the major enterprise fund and the aggregate remaining fund information. 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, 2014 and the Waterloo Convention & Visitors Bureau, Inc. as of and for the year ended June 30, 2015, 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, 2015 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.

RSM US LLP

Davenport, Iowa
December 18, 2015



**Report on Compliance For the Major Federal Program and
Report on Internal Control Over Compliance**

RSM US LLP

Independent Auditor's Report

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

Report on Compliance for the Major Federal Program

We have audited the City of Waterloo, Iowa's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2015. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2014 and June 30, 2015, 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 the City of Waterloo, Iowa's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for 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.

RSM US LLP

Davenport, Iowa
December 18, 2015

City of Waterloo, Iowa

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2015**

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
14.228	Community Development Block Grants

Dollar threshold used to distinguish between type A and type B programs: \$601,411

Auditee qualified as low-risk auditee?

Yes No

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2015

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

15-IV-A Certified Budget

Expenditure/expenses during the year ended June 30, 2015, did not exceed the budgeted amounts.

15-IV-B Questionable Disbursements

No questionable disbursements were noted.

15-IV-C Travel Expenses

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

15-IV-D Business Transactions

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

15-IV-E Bond Coverage

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

15-IV-F Council Minutes and Resolutions

No instances of noncompliance with the council minutes and resolutions.

15-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.

(Continued)

City of Waterloo, Iowa

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2015

15-IV-H Deficit Balances

Finding: The following funds had deficit balances as of June 30, 2015:

Grants, Special Revenue	\$ 3,198,162
Community Development Block Grant, Special Revenue	6,673
Federal Aviation Agency Projects, Special Revenue	27,266
Capital Improvements, Capital Projects	2,264,126

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.

15-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.

15-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, 2015, the accumulative cash deficit totaled \$580,771.

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, 2015**

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Other Findings Related to Required Statutory Reporting				
15-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, 2015.	See corrective action plan at 15-IV-H.	June 2015	Chief Financial Officer
15-IV-J	The City did not amend the airport ordinance to repeal the positive cash balance requirement. Through June 30, 2015, the accumulative cash deficit totaled \$580,771.	See corrective action plan at 15-IV-J.	June 2015	Chief Financial Officer

