CITY OF WATERLOO, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

CITY OF WATERLOO, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2017

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

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CITY OF WATERLOO, IOWA

CITY CLERK AND FINANCE DEPARTMENT

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

Mayor
QUENTIN HART

COUNCIL MEMBERS

MARGARET KLEIN
Ward 1

BRUCE JACOBS
Ward 2

PATRICK MORRISSEY
Ward 3

JEROME AMOS, JR.
Ward 4

CHRIS SHIMP
Ward 5

SHARON JUON
At-Large

STEVE SCHMITT
At-Large

January 12, 2018

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

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, 2017. The Code of Iowa requires that a complete set of audited financial statements presented in conformity with generally accepted accounting principles be published. Pursuant to these requirements, the Comprehensive Annual Financial Report (CAFR) of the City for the fiscal year ended June 30, 2017 is hereby submitted. The City is also required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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

RSM US LLP, a firm of independent public accountants has issued an unmodified ("clean") opinion on the City's financial statements for the year ended June 30, 2017. Their opinion is included in the Financial Section of this report.

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

THE CITY'S BACKGROUND AND SERVICES

Waterloo is the sixth largest and historically one of the most diverse cities in the state of Iowa, with a population of 68,406, according to the 2010 census. The City was incorporated in 1868 and is the county seat of Black Hawk County in the northeastern part of the state. Waterloo and the neighboring City of Cedar Falls are the primary urban centers in the region, serving as a retail and healthcare hub for the region. The City is empowered to levy a property tax on real property located within its boundaries.

The City operates under a Mayor – Council form of government, with the mayor as the elected chief executive. Policy-making and legislative authority are vested in the governing council.

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 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, planning and zoning, building inspections and code enforcement, a regional airport, construction and maintenance of highways, streets and other infrastructure, and recreational and cultural and arts services, including library services. The City also provides solid waste collection and wastewater treatment services. Other human services are provided through the community development, housing and human rights departments. The central garage provides vehicle maintenance services, and the human resources, management information systems, city attorney, city clerk and finance departments perform various administrative functions.

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

The annual budget serves as the foundation for the City's financial planning and control. The adopted budget provides authority to spend funds for program operations. Budget amendments must be prepared and adopted in the same manner as the original budget.

ECONOMIC OUTLOOK

The economy of Waterloo and the Cedar Valley area remains positive with continued commercial and industrial activity. The City has a significant number of national and international businesses including several Deere & Company manufacturing facilities, including the Waterloo Works Drivetrain Operations, Engine Works, Foundry, Product Engineering and Tractor Assembly facilities. Other major businesses include Tyson Fresh Meats, ConAgra, Omega/Master Brand Cabinetry and Bertch Cabinet Manufacturing.

The regional economic development corporation, the Greater Cedar Valley Alliance & Chamber, continues to work to spur development in Waterloo as well as the entire metropolitan area. Total building permit valuation was over $100 million for the fourth consecutive year, reaching $108.7 million for the fiscal year ended June 30, 2017. There were 164 permits issued for new residential construction during the year, which is a substantial increase from a few years ago. Waterloo is a regional retail center for Black Hawk and surrounding counties. Retail sales have increased steadily over the last few years and totaled $1.142 billion in fiscal 2017. Waterloo's population has remained stable during the past decade.

The overall city tax base has also remained stable, reflecting an average annual growth level of approximately 1% for the last five years. The City has developed a more diverse employment base in recent years, although Deere & Company continues to play a major role in the local economy. Deere (a Fortune 100 company) remains the city's largest employer and one of its largest taxpayers. The company has invested nearly $1.0 billion dollars in its Waterloo facilities since 2010, including the Westfield advanced manufacturing facility and the Waterloo Foundry, the largest electric foundry in the state. The City's average unemployment level stands at 2.8% compared to the state level of 3.0% and the national level of 4.1%. A recent population estimate was 70,150, indicating growth in the current decade.

MAJOR INITIATIVES AND PROJECTS

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

Cedar Valley Riverfront Renaissance

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

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

Cedar Valley SportsPlex

The Cedar Valley SportsPlex, a 125,000 square-foot recreational facility 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. The facility continues to set membership records.

Cedar Valley TechWorks Campus Area

At the other end of the Riverwalk Loop, the $52 million Cedar Valley Tech Works Campus Project is transforming two former Deere & Company 6-story industrial buildings into a Courtyard by Marriott Hotel, Deere Training center and a multi-tenant green technology and advanced manufacturing innovation center. To help in the implementation of this project, the City of Waterloo became the State of Iowa's first project approved under a new State program, the Iowa Reinvestment District. The overall development will also include the creation of a Marina along the Cedar River and lots available for additional commercial development.

The public investments are encouraging significant private redevelopment. The historic WonderBread factory has been renovated into the SingleSpeed Brewery and Beer Hall. Other development in the downtown area includes the $15 million Grand Crossing private development. Phase I is complete and created 68 residential condominium units, Phase II construction is underway and will have 40 residential condominium units in addition to first floor retail and commercial space, and Phase III is in planning stages for over 40 additional residential units and commercial space. Hawkeye Community College has begun construction on an $8 million urban campus downtown between these sites which will bring additional educational and student services populations downtown.

Logan Plaza

The former Logan Plaza Shopping Center in the northern part of the City was acquired by a developer and completely demolished, with plans to replace it with several new buildings. The first new medical office building is now open, with another in the beginning stages of construction. Overall, there will be four phases of projects, with over $9 million in private investment, creating a medical and retail park for this part of the community. The public-private partnership for the redevelopment of this area has also been created from:

- The $30 million Highway 63 redevelopment project which created green space, aesthetics, recreational trails, and economic opportunity along the corridor, as well as improving traffic movements with turning lanes
- The continued investment by Unity Point Health (formerly Allen Hospital) with over $40 million in improvements and expansions to the hospital campus, and over $8 million in the Nursing College campus
- The new Carver Academy middle school built on the former Logan School site, offering a more aesthetically pleasing campus setup for students with a greenhouse, and partnerships with other entities
- Improvements to the secondary road system along Highway 63, with the elimination of un-needed frontage roads for better economic outlots for developments, and improvements in lane configurations and improvements to Donald Street

Street Improvements

The one-cent local option tax was renewed in November 2013 by the taxpayers for another ten years, to be used for street repairs and improvements. Other major construction initiatives that are primarily funded with grants include the reconstruction of Highway 63 through the northern and central parts of the city. The first segment of Highway 63 is open and design and construction is underway for other segments through downtown. Additionally, $7 million has been invested in traffic flow improvements to Kimball Avenue, which is now open and under traffic.

FINANCIAL MANAGEMENT INFORMATION

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

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

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

The City adopted a minimum fund balance requirement for the General Fund that requires the maintenance of cash reserves of 5% of revenue. The City met that requirement and also maintained unassigned fund balance of 19.8% of revenue at June 30, 2017.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Waterloo, Iowa for its Comprehensive Annual Financial Report (CAFR) for fiscal year 2016. This is the thirteenth 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 Finance department and staff in all City departments in addition to the RSM US LLP audit team. We want to thank all of the City departments for their assistance in providing data necessary for this report. Special thanks go to Emily Graham, Brent Bohlen, and Kimberly Bahr in the Finance Department and also the City Clerk staff, as well as services provided by James Slife. Each of you has our appreciation and respect for your contributions to this report. We also want to thank the members of the City Council for their support of our efforts to conduct the financial operations of the City in a prudent, responsible and progressive manner.

Sincerely,

Quentin M. Hart
Mayor

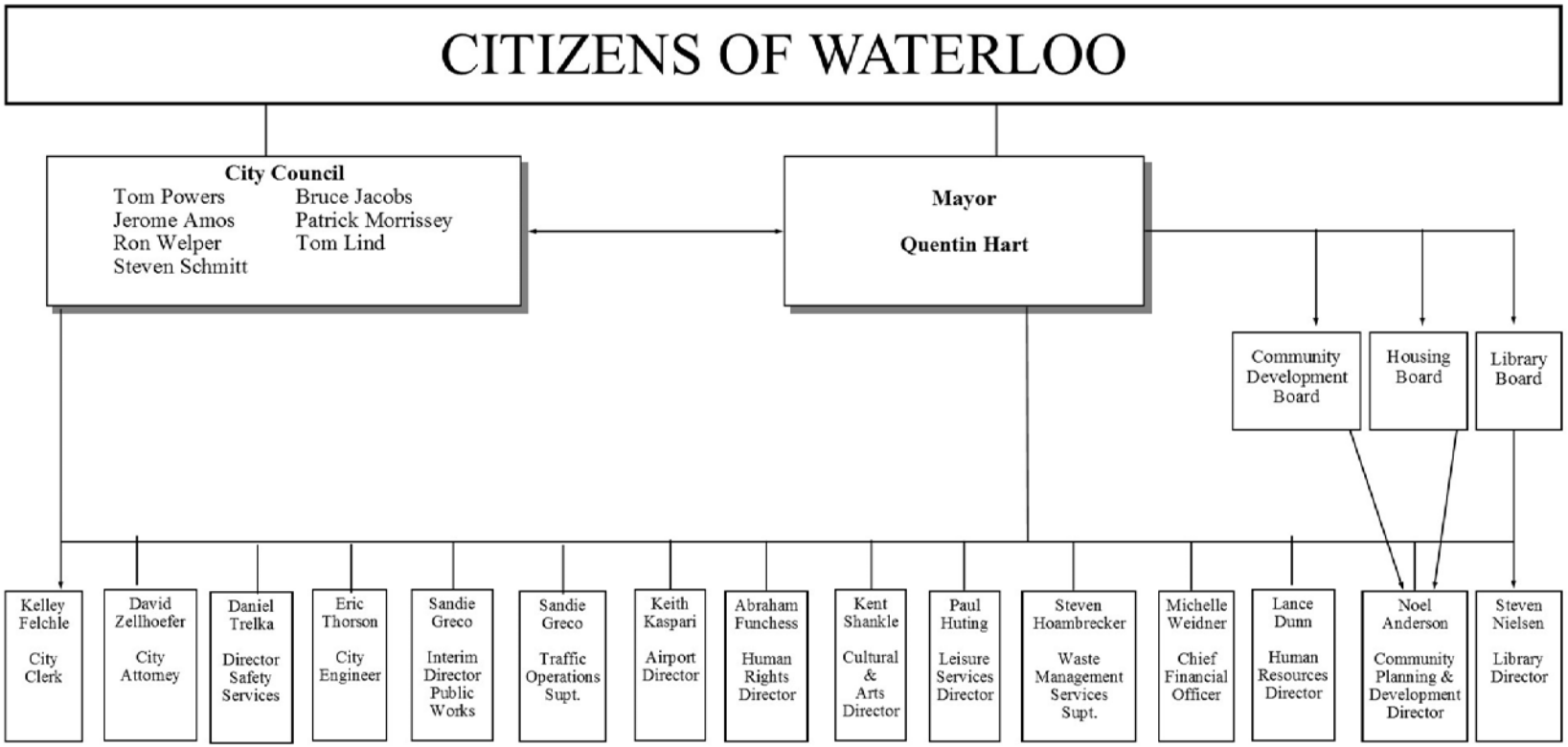
Michelle C. Weidner, CPA
Chief Financial Officer

City of Waterloo, Iowa

Officials
As of June 30, 2017

Name	Title	Term Expires
	Elected	
Quentin Hart	Mayor	January 2018
Tom Powers	Council Member - 1st Ward	January 2018
Bruce Jacobs	Council Member - 2nd Ward	January 2020
Patrick Morrissey	Council Member - 3rd Ward	January 2018
Jerome Amos	Council Member - 4th Ward	January 2020
Ron Welper	Council Member - 5th Ward	January 2018
Tom Lind	Council Member - At-Large	January 2018
Steven Schmitt	Council Member - At-Large	January 2020
	Appointed	
Michelle Weidner, CPA	Chief Financial Officer	Indefinite
Kelley Felchle, CMC	City Clerk	December 31, 2017
Eric Thorson, PE	City Engineer	Indefinite
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, 2016

Christopher P. Morrill

Executive Director/CEO

RSM US LLP

Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Waterloo, Iowa (the City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units, Waterloo Water Works and Waterloo Convention & Visitors Bureau, Inc., which collectively represent 100 percent of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely upon the reports of the other auditors.

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

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

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

RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International.

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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, schedule of funding progress for other postemployment benefit information, the schedule of the proportionate share of the net pension liability and schedule contributions for the Iowa Public Employees' Retirement System for the City and for Waterloo Water Works, the schedule of the City's proportionate share of the net pension liability and schedule of City contributions for the Municipal Fire and Police Retirement System of Iowa, budgetary comparison information, and the Schedule of Contributions for Waterloo Water Works Pension Plan and Schedule of changes in net pension liability and related ratios for the Waterloo Water Works Pension Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2018 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

RSM US LLP

Davenport, Iowa
January 12, 2018

City of Waterloo, Iowa

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2017

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, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at pages iii - vii of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City of Waterloo exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $424,784,202 (net position). Of this amount, the City's unrestricted net position ($16,611,146) is negative, due to recording the City's share of pension liabilities as required due to the implementation of GASB Statement No. 68, an accounting standard applicable for the city's participation in pension plans.
- The City's total net position increased by $19,513,048 compared to the 2016 ending net position of $405,271,154.
- As of the close of this current fiscal year, the City of Waterloo's governmental funds reported combined ending fund balances of $98,591,058, an increase of $27,196,462 in comparison with the prior year. Approximately 6.3 percent of this total amount, $6,199,236, is available for spending at the City's discretion (unassigned fund balance), although some funds are legally limited for specified purposes.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $9,546,862, or 18.5 percent of total General Fund expenditures.
- The City of Waterloo's total long-term liabilities increased by $19,619,044 or 12.7 percent during the current fiscal year, due primarily to the issuance of general obligation bonds to finance various capital improvements and economic development projects and also due to an increase in 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).

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, Tax Increment Financing Fund, General Obligation Debt Service Fund, Road Use Tax Fund and the June 2017 GO Bonds 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.

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, 2017.

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 $424,784,202 at the close of the fiscal year ended June 30, 2017.

By far the largest portion of the City of Waterloo's net position (98 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, 2017 and 2016 follows:

City of Waterloo's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	**2017**	2016	**2017**	2016
Assets						
Current and other assets	**$ 160,262,329**	$ 128,687,675	**$ 24,940,110**	$ 22,481,940	**$ 185,202,439**	$ 151,169,615
Capital assets	**361,366,873**	365,180,771	**96,002,802**	97,981,444	**457,369,675**	463,162,215
Total assets	**521,629,202**	493,868,446	**120,942,912**	120,463,384	**642,572,114**	614,331,830
Deferred outflows of resources	**21,156,718**	14,935,009	**940,474**	889,137	**22,097,192**	15,824,146
Liabilities						
Current liabilities	**20,229,201**	19,807,201	**4,186,920**	4,222,849	**24,416,121**	24,030,050
Long-term liabilities	**140,564,602**	120,636,207	**23,312,095**	24,297,384	**163,876,697**	144,933,591
Total liabilities	**160,793,803**	140,443,408	**27,499,015**	28,520,233	**188,292,818**	168,963,641
Deferred inflows of resources	**51,539,230**	55,309,481	**53,056**	611,700	**51,592,286**	55,921,181
Net position						
Net investment in capital assets	**306,360,558**	316,701,068	**79,180,253**	79,522,665	**385,540,811**	396,223,733
Restricted	**55,182,022**	20,032,995	**672,515**	672,515	**55,854,537**	20,705,510
Unrestricted	**(31,089,693)**	(23,683,497)	**14,478,547**	12,025,408	**(16,611,146)**	(11,658,089)
Total net position	**$ 330,452,887**	$ 313,050,566	**$ 94,331,315**	$ 92,220,588	**$ 424,784,202**	$ 405,271,154

$55,854,537 of the City of Waterloo's net position (13.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($16,611,146) is a negative position, due to the net pension liabilities for the city's share of liabilities in the IPERS and MFPRSI pension plans.

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 $19,513,048 during the current fiscal year from the 2016 net position of $405,271,154. Governmental-type activities' net position increased by $17,402,321 from the 2016 net position of $313,050,566. This increase was largely related to the net effect of capital asset transactions. See page 26 for a reconciliation of this increase. The total business-type activities' net position increased by $2,110,727 from the 2016 net position of $92,220,588. This increase was due primarily to capital asset and related debt transactions.

Statement of Activities

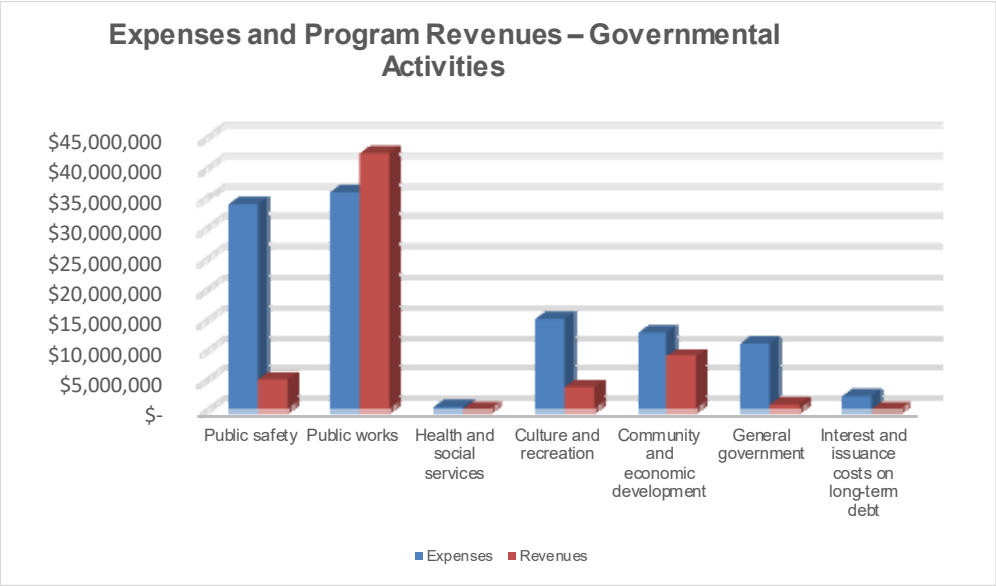
A condensed version of the Statement of Activities as of June 30, 2017 and 2016 follows:

City of Waterloo's Changes in Net Position

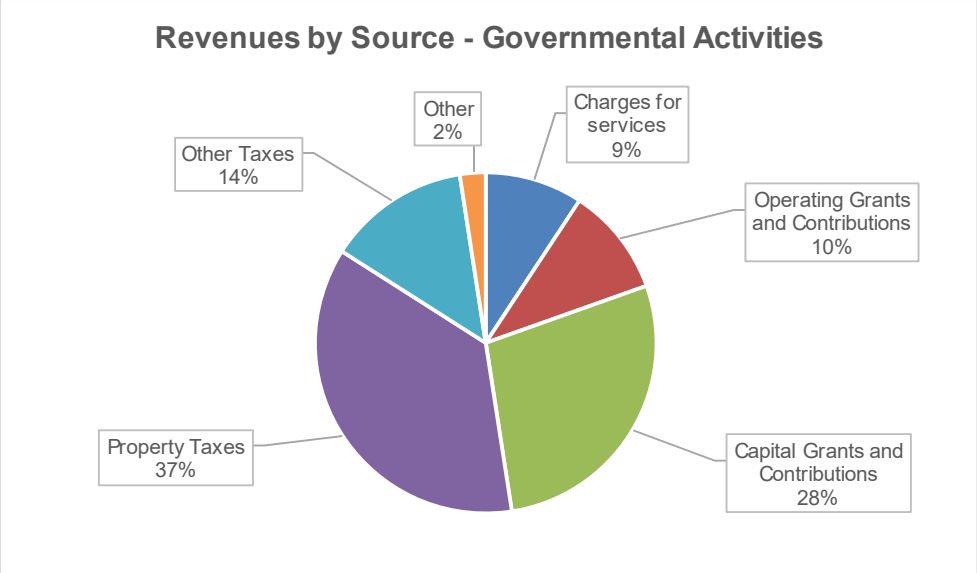
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	**2017**	2016	**2017**	2016
Revenues:						
Program revenues:						
Charges for services	**$ 11,818,461**	$ 10,025,626	**$ 19,055,784**	$ 17,928,023	**$ 30,874,245**	$ 27,953,649
Operating grants and contributions	**13,138,910**	18,581,010	**496,658**	275,516	**13,635,568**	18,856,526
Capital grants and contributions	**35,704,168**	9,065,137	**192,977**	1,271,776	**35,897,145**	10,336,913
General revenues:						
Property taxes	**46,530,686**	46,327,997	**-**	-	**46,530,686**	46,327,997
Other taxes	**17,260,380**	17,554,079	**-**	-	**17,260,380**	17,554,079
Other	**3,116,000**	2,410,436	**51,489**	49,277	**3,167,489**	2,459,713
Total revenues	**127,568,605**	103,964,285	**19,796,908**	19,524,592	**147,365,513**	123,488,877
Expenses:						
Public safety	**33,735,948**	34,120,160	**-**	-	**33,735,948**	34,120,160
Public works	**35,579,527**	29,670,192	**-**	-	**35,579,527**	29,670,192
Health and social services	**381,203**	295,088	**-**	-	**381,203**	295,088
Culture and recreation	**15,012,599**	11,950,688	**-**	-	**15,012,599**	11,950,688
Community and economic development	**12,860,289**	13,753,669	**-**	-	**12,860,289**	13,753,669
General government	**10,421,434**	5,247,593	**-**	-	**10,421,434**	5,247,593
Interest on long-term debt	**2,175,284**	2,048,517	**-**	-	**2,175,284**	2,048,517
Sanitary sewer	**-**	-	**13,635,403**	14,018,836	**13,635,403**	14,018,836
Sanitation	**-**	-	**4,050,778**	3,921,263	**4,050,778**	3,921,263
Total expenses	**110,166,284**	97,085,907	**17,686,181**	17,940,099	**127,852,465**	115,026,006
Increase in net position before transfers	**17,402,321**	6,878,378	**2,110,727**	1,584,493	**19,513,048**	8,462,871
Transfers	**-**	-	**-**	-	**-**	-
Change in net position	**17,402,321**	6,878,378	**2,110,727**	1,584,493	**19,513,048**	8,462,871
Net position, beginning	**313,050,566**	306,172,188	**92,220,588**	90,636,095	**405,271,154**	396,808,283
Net position, ending	**$ 330,452,887**	$ 313,050,566	**$ 94,331,315**	$ 92,220,588	**$ 424,784,202**	$ 405,271,154

Total governmental activities' revenue for the current fiscal year was $127,568,605. The largest single revenue source for the City was property taxes of $46,530,686. Property taxes increased by $202,689 (0.4 percent) during the year. This increase is a result of a combination of factors, including an increase in the assessed value of property of 3.1 percent, an increase of 2.1 percent in the taxable value of property and a reduction of 0.9 percent in the levy rate.

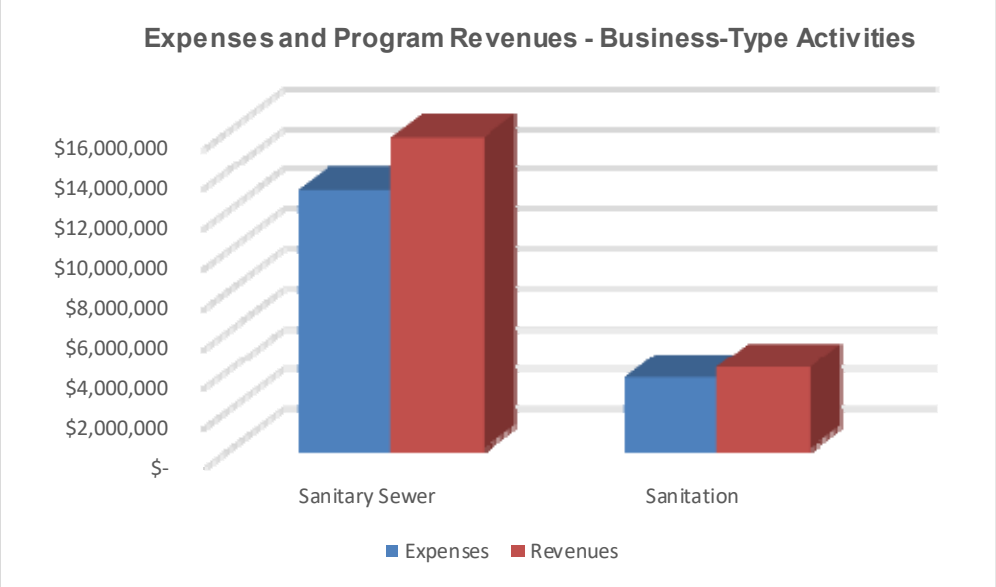
Certain revenues are generated that are specific to governmental program activities. These totaled $60,661,539 during the fiscal year ended June 30, 2017. The graph below illustrates the comparison between the expenses by governmental activity type and the revenues generated that are specific to those activities.



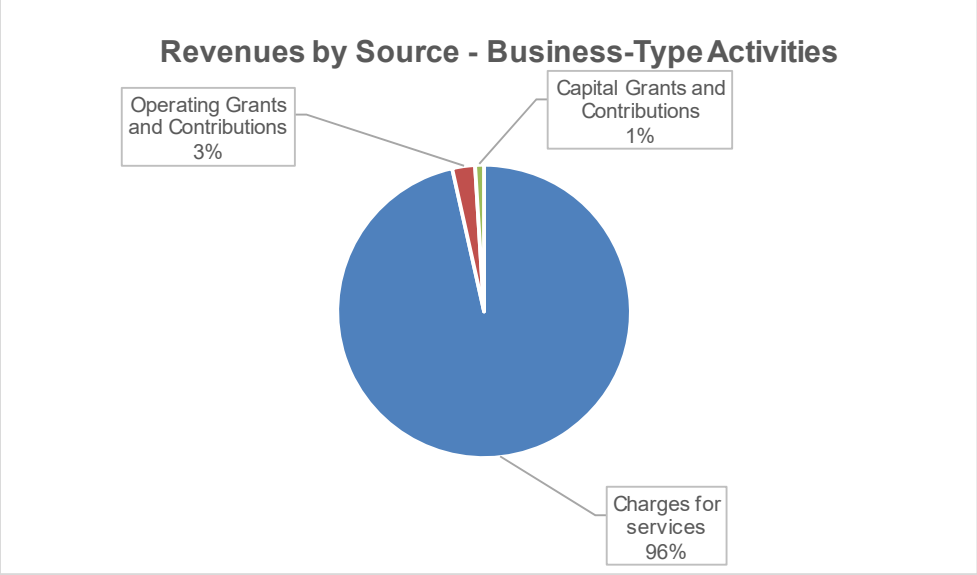
The graph below shows the percentage of the total governmental revenues allocated by each revenue type.



Total business-type activities' revenue for the fiscal year was $19,796,908. $19,745,419 of this revenue was generated for specific business-type activity expenses. The graph below shows a comparison between the business-type activity expenses and program revenues.



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



Business-type activities. Business-type activities increased the City of Waterloo's net position by $2,110,727 from the 2016 net position of $92,220,588, accounting for 10.8 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.

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 $98,591,058, an increase of $27,196,462 in comparison with the prior year. Fund balance in the amount of $92,391,822 is not available for new spending because it represents amounts previously paid for items that were not exhausted at year-end (nonspendable) or has already been restricted, committed or assigned to be used for a variety of purposes. Approximately 6.3 percent of total fund balance or $6,199,236, constitutes unassigned fund balance.

The General Fund is the chief operating fund of the City of Waterloo. At the end of the current fiscal year, unassigned fund balance of the General Fund was $9,546,862, while total fund balance was $23,720,432. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 18.5 percent of total General Fund expenditures, while total fund balance represents 45.9 percent of that same amount.

Net general fund operations resulted in a decrease in total general fund balance of $1,780,580, and a decrease in unassigned fund balance of $289,270 for the year.

Several items contributed to these results:

Because of the large health insurance reserves built up the past several years, the City chose to reduce property taxes for health insurance and instead used a portion of the restricted health reserves to pay claims during the year ended June 30, 2017. While most operating activities came in under budget for the year, those savings were primarily due the health care cost savings that are restricted and not available for general use. Additional savings resulted primarily from positions that were vacant for portions of the year.

Overall general fund revenue was less than budgeted. Building inspection fees exceeded expectations by $116,598, while police fines were $64,000 less than budgeted and property sales revenue was $112,499 less than budgeted. Golf, sports and ice arena fees were $197,276 less than budgeted. The combination of all these factors resulted in the reduction of unassigned fund balance in the amount of $289,270 for the year.

The City originally budgeted to use $500,000 in unassigned fund balance for the year, meaning that overall, the general fund performance was better than expected by $210,280.

Trust & Agency Fund— The net decrease in fund balance during the current year was $19,555, resulting from a variety of factors, including revenue less than originally budgeted due to the settlement of several property tax appeal cases, the receipt of less property tax replacement funds than expected and less unemployment claims incurred than anticipated.

The General Obligation Debt Service Fund—The net increase in fund balance of $235,103 during the current year is largely due to savings realized from the refunding bond issue.

TIF Fund—The total fund balance of $3,367,043 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 $1,264,493 and is the result of timing differences between revenue collections and the payment of TIF obligations.

June 2017 GO Bonds Fund – The net increase in fund balance of $17,241,948 is due to the issuance of general obligation bonds in the current year.

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

Total net position of the sanitary sewer fund at the end of the year was $89,439,860, an increase of $2,055,334 from the 2016 net position of $87,384,526. 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.

The total original expenditure budget including transfers out of $167,056,645 was increased to $184,546,874 (an increase of $17,490,229).

- In the Public Safety program category, expenses and related revenue for various law enforcement grants and non-property tax funded projects were increased ($0.4 million).
- The Public Works category reflects the increase of damage claims revenue and related repair expense for the airport. The use of Road Use Tax fund balance was added to fund the anticipated increase in street repair expenses ($0.4 million).
- The Health and Social Services category was increased to reflect revenue and expense for the award received from the U.S. Conference of Mayors for the Healthy H2loo program ($0.1 million).
- The Culture & Recreation program category was increased to reflect a number of additional grants and donations received by the Cultural and Arts department, the Library and Leisure Services. Revenue and expenses were increased for the Sportsplex to more closely match operations and the use of unassigned fund balance was increased for Young Arena operations ($0.3 million).

- In the Community and Economic Development program category, additional revenue and expense using Block Grant and Housing funds were added ($1.0 million).
- Amendments reflecting the use of restricted fund balance for health and liability insurance claims were made in the General Government category in addition to amendments to use energy rebates received ($3.9 million).
- Under the Debt Service category, revenue and expenses were increased to reflect the planned refunding bond issue. ($2.9 million).
- In the Capital Projects program, additional expenses relating to grant revenue awarded during the year that was not originally budgeted were added. Several construction project budgets were adjusted to more accurately reflect the work expected to be completed by June 30, 2017 ($1.3 million).
- Transfers out were increased to reflect the sewer portion of the refunding bond issue as well as an increased transfer from the tax increment financing fund to the capital projects fund. ($1.8 million).
- In the Business/Enterprises activity, which accounts for the activities of the sewer and garbage funds, line item adjustments were made to more accurately reflect the amount that will be spent for capital improvement projects and operations by June 30, 2017 ($5.4 million).

The total original revenue budget, including other financing sources of $164,158,612 was increased to $172,300,681 (an increase of $8,142,069).

- State and federal grant revenue was increased to reflect additional grants awarded after the original budget certification for community development block grants, public safety projects, airport and traffic improvements, and storm water lift stations, as well as others ($1.2 million).
- Amendments were made to various charges for services to reflect higher revenues than originally anticipated with the certified budget ($0.5 million).
- Miscellaneous revenue was increased to reflect additional donations received for various City projects and for insurance and other refunds received that exceeded original budget projections ($0.4 million).
- The City amended the original budget for debt proceeds to reflect bond proceeds from anticipated general obligation and sewer bond refunding issues ($2.9 million).
- Transfers in were increased to reflect the sewer portion of the refunding bond issue as well as an increased transfer to the capital projects fund from the tax increment financing fund ($1.8 million.)

See pages 83 through 89 for the Budgetary Comparison Schedule - Budget and Actual (Modified Cash Basis) – All Governmental Funds and Proprietary Funds.

Capital Asset and Debt Administration

Capital Assets. The City of Waterloo's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to $457,369,675 (net of accumulated depreciation) as reflected in the following table. The total increase in the City of Waterloo's investment in capital assets for the current fiscal year was 1.3 percent (a 1.0 percent increase for governmental activities and a 2.0 percent increase for business-type activities).

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

City of Waterloo's Capital Assets at Fiscal Year End (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	**2017**	2016	**2017**	2016
Land	**$ 44,395,439**	$ 44,331,630	**$ 534,242**	$ 348,055	**$ 44,929,681**	$ 44,679,685
Land held for redevelopment	**10,989,706**	10,672,268	**-**	-	**10,989,706**	10,672,268
Buildings and improvements	**67,297,884**	71,510,780	**46,315,435**	47,720,172	**113,613,319**	119,230,952
Other improvements	**-**	-	**40,272,939**	38,836,964	**40,272,939**	38,836,964
Software	**205,011**	305,913	**-**	-	**205,011**	305,913
Infrastructure	**216,855,739**	220,540,159	**-**	-	**216,855,739**	220,540,159
Furniture, vehicles, machinery and equipment	**10,214,950**	10,666,916	**5,318,519**	6,236,960	**15,533,469**	16,903,876
Construction-in-progress	**11,408,144**	7,153,105	**3,561,667**	4,839,293	**14,969,811**	11,992,398
	$ 361,366,873	$ 365,180,771	**$ 96,002,802**	$ 97,981,444	**$ 457,369,675**	$ 463,162,215

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 and the Logan Urban Renewal Area for continued economic development ($.5 million).
- The city invested $1.9 million in new vehicles, equipment, computers and software for various city departments. The most significant of these included two new snow control trucks, a new ambulance, bucket loader and garbage compactor.
- New investments in infrastructure assets totaled $5.4 million, including street reconstruction ($3.7 million), and existing street asphalt overlay ($1.7 million).
- The City invested $0.03 million in new vehicles and equipment for the sewer and sanitation departments and replaced a belt filter press with related building improvements at a cost of $2.1 million.

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

Long-term liabilities. At the end of the current fiscal year, the City of Waterloo had total bonded debt outstanding of $104,225,000. This entire amount is comprised of debt backed by the full faith and credit of the government.

The City has incurred other debt to purchase land in the City's industrial parks and complete projects, as well as purchase equipment. The City has obligations to employees for benefit time not used at fiscal year-end. During the current fiscal year the balance due on these obligations increased by $13,483,074.

The City of Waterloo's total long-term liabilities increased by $19,619,044 (12.7 percent) during the current fiscal year, due to an increased debt issuance for economic development purposes and an increase in the net pension liabilities due for the IPERS and MFPRSI retirement plans.

The City issued general obligation bonds in the amount of $20,945,000 during the current fiscal year; $17,325,000 for general purposes and $2,845,000 in general use refunding bonds and $775,000 in refunding bonds for previously financed sewer projects.

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total assessed valuation. The current debt limitation for the City of Waterloo is $188,507,108, which is significantly greater than the City of Waterloo's outstanding general obligation debt ($105,375,117) and other debt subject to debt limitation ($1,788,702). The total debt subject to this limitation is $107,163,819, resulting in available debt margin of $81,343,289.

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

Economic Factors and Next Year's Budgets and Rates

Property taxes provide 47 percent of General Fund revenues. Over the past five years, citywide assessed valuations have risen an average of 1 percent annually, while property tax regulations imposed by the State of Iowa resulted in taxable values increasing by an average of 1.5 percent over that same time period. The fiscal 2017 budget reflects total property tax and utility excise tax revenue to increase by 0.7 percent. State property tax reform added a provision that the state would replace property tax revenue lost due to the implementation of a new reduction in taxable value of commercial and industrial properties. The City budgeted to receive $1.8 million in property tax replacement payments. The gas and electric utility franchise fee of 3 percent was implemented to diversify revenue sources and was expected to generate approximately $2.7 million in revenue for the year ending June 30, 2018. 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, 2018.

Personnel costs comprise a significant portion of City operating costs. Wage increases identified in contractual bargaining agreements are 2.65% percent for fiscal year 2018. The employer contribution rate required for the Municipal Fire and Police Retirement System will increase by 1.3 percent, while the contribution rate for the Iowa Public Employees Retirement System will increase by 5.7%. After many years of increases in health care costs, the anticipated health care costs for the year ending June 30, 2018 are expected to remain fairly stable.

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

These factors were considered in preparing the City of Waterloo's budget for fiscal year 2018.

Requests for Information

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

City of Waterloo, Iowa

Statement of Net Position
June 30, 2017

	Primary Government				Waterloo Convention & Visitors Bureau, Inc.
	Governmental Activities	Business-Type Activities	Total	Waterloo Water Works	
Assets					
Current assets:					
Cash and cash equivalents	$ 80,681,435	$ 13,598,682	$ 94,280,117	$ 9,975,070	$ 209,116
Restricted cash and cash equivalents	1,021,123	-	1,021,123	-	-
Investments	-	-	-	399,648	274,548
Receivables:					
Customer accounts, net of allowance for uncollectible accounts	1,809,981	4,053,634	5,863,615	1,512,310	-
Property taxes:					
Delinquent	252,732	-	252,732	-	-
Succeeding year	45,311,296	-	45,311,296	-	-
Internal accounts	(38,704)	38,704	-	-	-
Due from other governments:					
Component unit	-	1,917,552	1,917,552	-	-
Primary government	-	-	-	-	298,368
Other	17,068,030	237,924	17,305,954	-	-
Miscellaneous	-	-	-	-	-
Accrued interest	250,164	-	250,164	4,976	1,405
Special assessments	170,715	333,424	504,139	-	-
Inventories and prepaids	459,094	28,200	487,294	522,362	9,738
Total current assets	146,985,866	20,208,120	167,193,986	12,414,366	793,175
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	13,050,431	4,731,990	17,782,421	-	-
Investments	-	-	-	186,156	524,586
Receivables	13,770	-	13,770	-	-
Loans and notes, net of allowance for uncollectible amounts	27,500	-	27,500	-	-
Special assessments receivable	184,762	-	184,762	232,999	-
Capital assets, net of accumulated depreciation	294,573,584	91,906,893	386,480,477	25,566,575	33,051
Capital assets not being depreciated	66,793,289	4,095,909	70,889,198	1,344,376	-
Total noncurrent assets	374,643,336	100,734,792	475,378,128	27,330,106	557,637
Total assets	521,629,202	120,942,912	642,572,114	39,744,472	1,350,812
Deferred Outflows of Resources					
Pension related amounts	21,156,718	924,686	22,081,404	911,448	-
Deferred charge on refunding	-	15,788	15,788	-	-
Total deferred outflows of resources	21,156,718	940,474	22,097,192	911,448	-

See notes to basic financial statements.

	Primary Government				
	Governmental Activities	Business-Type Activities	Total	Waterloo Water Works	Waterloo Convention & Visitors Bureau, Inc.
Liabilities					
Current:					
Accounts and retainages payable	$ 3,744,007	$ 1,145,380	$ 4,889,387	$ 224,618	$ 2,462
Accrued liabilities and other	1,609,353	180,034	1,789,387	125,787	6,966
Due to primary government	-	-	-	1,615,547	-
Due to component unit	298,368	-	298,368	-	-
Due to other governments	-	-	-	53,292	-
Noncurrent liabilities due and payable within one year	12,782,566	2,799,527	15,582,093	69,914	-
Unearned revenues	150,445	-	150,445	-	-
Current liabilities payable from restricted assets:					
Health claims	1,021,123	-	1,021,123	-	-
Other	456,764	-	456,764	-	-
Accrued interest	166,575	61,979	228,554	-	-
Total current liabilities	20,229,201	4,186,920	24,416,121	2,089,158	9,428
Noncurrent:					
Customer deposits	78,199	384,485	462,684	186,156	-
Worker's compensation claims	535,187	-	535,187	-	-
General obligation bonds and notes, net of bond discounts and premium	73,904,844	19,135,273	93,040,117	-	-
Other loans and notes	1,607,357	-	1,607,357	-	-
Other postemployment benefits obligation	3,977,250	570,296	4,547,546	-	-
Compensated absences	1,524,513	89,179	1,613,692	-	-
Net pension liability	58,937,252	3,132,862	62,070,114	3,761,480	-
Total noncurrent liabilities	140,564,602	23,312,095	163,876,697	3,947,636	-
Total liabilities	160,793,803	27,499,015	188,292,818	6,036,794	9,428
Deferred Inflows of Resources					
Property taxes	45,663,122	-	45,663,122	-	-
Pension related amounts	5,876,108	53,056	5,929,164	52,024	-
Total deferred inflows of resources	51,539,230	53,056	51,592,286	52,024	-
Net Position					
Net investment in capital assets	306,360,558	79,180,253	385,540,811	26,843,829	33,051
Restricted for:					
Debt service	3,682,691	196,533	3,879,224	-	-
Tourism promotion	1,281,710	-	1,281,710	-	-
Public access television	159,427	-	159,427	-	-
Civil rights enforcement	53,016	-	53,016	-	-
Housing	4,409,232	-	4,409,232	-	-
Donor specified	606,509	-	606,509	-	-
Library	203,959	-	203,959	-	-
Street and right-of-way maintenance	29,767,117	-	29,767,117	-	-
Improvements	6,524,086	475,982	7,000,068	-	-
Self-funded insurance	8,255,387	-	8,255,387	-	-
Employee benefits	238,888	-	238,888	-	-
Unrestricted (deficit)	(31,089,693)	14,478,547	(16,611,146)	7,723,273	1,308,333
Total net position	$ 330,452,887	$ 94,331,315	$ 424,784,202	$ 34,567,102	$ 1,341,384

City of Waterloo, Iowa

Statement of Activities
Year Ended June 30, 2017

Programs/Functions	Direct Expenses	Indirect Allocations	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities:					
Public safety	$ 33,735,948	$ -	$ 4,231,224	$ 679,688	$ -
Public works	35,959,527	(380,000)	2,474,497	9,340,225	30,503,282
Health and social services	456,203	(75,000)	-	53,925	-
Culture and recreation	15,062,599	(50,000)	3,538,243	130,560	-
Community and economic development	12,860,289	-	773,917	2,923,065	5,200,886
General government	11,059,934	(638,500)	800,580	11,447	-
Interest and issuance costs on long-term debt	2,175,284	-	-	-	-
Total governmental activities	111,309,784	(1,143,500)	11,818,461	13,138,910	35,704,168
Business-type activities:					
Sanitary Sewer	12,943,403	692,000	15,235,503	206,145	192,977
Sanitation	3,599,278	451,500	3,820,281	290,513	-
Total business-type activities	16,542,681	1,143,500	19,055,784	496,658	192,977
Total primary government	$ 127,852,465	$ -	$ 30,874,245	$ 13,635,568	$ 35,897,145
Component unit, Waterloo Water Works	$ 6,674,988	$ -	$ 8,919,511	$ -	$ 13,656
Component unit, Waterloo Convention & Visitors Bureau, Inc.	$ 581,607	$ -	$ -	$ 619,703	$ -
General Revenues					
Taxes:					
Property taxes					
Other taxes:					
Local option sales					
Utility excise					
Gaming					
Hotel/motel					
Gas and electric					
Cable television					
Mobile home					
Investment earnings					
Miscellaneous					
Gain on sale of capital assets					
Total general revenues					
Changes in net position					
Net position, beginning of year					
Net position, end of year					

See notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Waterloo Water Works	Waterloo Convention & Visitors Bureau, Inc.
$ (28,825,036)	$ -	$ (28,825,036)	$ -	$ -
6,738,477	-	6,738,477	-	-
(327,278)	-	(327,278)	-	-
(11,343,796)	-	(11,343,796)	-	-
(3,962,421)	-	(3,962,421)	-	-
(9,609,407)	-	(9,609,407)	-	-
(2,175,284)	-	(2,175,284)	-	-
(49,504,745)	-	(49,504,745)	-	-
-	1,999,222	1,999,222	-	-
-	60,016	60,016	-	-
-	2,059,238	2,059,238	-	-
(49,504,745)	2,059,238	(47,445,507)	-	-
-	-	-	2,258,179	-
-	-	-	-	38,096
46,530,686	-	46,530,686	-	-
9,588,261	-	9,588,261	-	-
1,479,848	-	1,479,848	-	-
1,301,082	-	1,301,082	-	-
1,239,346	-	1,239,346	-	-
2,835,985	-	2,835,985	-	-
748,325	-	748,325	-	-
67,533	-	67,533	-	-
339,895	51,489	391,384	72,594	11,941
2,741,240	-	2,741,240	952,783	3,173
34,865	-	34,865	(12,330)	-
66,907,066	51,489	66,958,555	1,013,047	15,114
17,402,321	2,110,727	19,513,048	3,271,226	53,210
313,050,566	92,220,588	405,271,154	31,295,876	1,288,174
$ 330,452,887	$ 94,331,315	$ 424,784,202	$ 34,567,102	$ 1,341,384

City of Waterloo, Iowa

Balance Sheet
Governmental Funds
June 30, 2017

	General	Trust and Agency
Assets		
Cash and cash equivalents	$ 10,826,534	$ 310,776
Receivables:		
Customer accounts, net	1,308,565	-
Property tax:		
Delinquent	119,681	57,349
Succeeding year	19,937,663	9,535,809
Special assessments	355,477	-
Accrued interest	111,699	-
Loans and notes	27,500	-
Due from other funds	4,458,733	-
Due from other governments:		
Federal	54,236	-
Iowa	368,678	-
Other	205,879	87,132
Inventories and prepaids	197,324	-
Restricted assets:		
Cash and cash equivalents	10,000,395	1,844,107
Receivables	13,770	-
Advances to other funds	-	-
Total assets	$ 47,986,134	$ 11,835,173

(Continued)

Tax Increment Financing	General Obligation Debt Service	Road Use Tax	June 2017 GO Bonds	Other Governmental	Total
$ 4,930,772	$ 871,562	$ 23,516,463	$ 17,379,596	$ 22,845,732	$ 80,681,435
-	-	990	-	500,426	1,809,981
28,195	43,922	-	-	3,585	252,732
7,655,820	7,585,881	-	-	596,123	45,311,296
-	-	-	-	-	355,477
-	-	-	-	138,465	250,164
-	-	-	-	-	27,500
-	-	-	-	-	4,458,733
-	-	-	-	433,783	488,019
-	-	12,039,597	-	3,539,219	15,947,494
50,643	69,390	-	-	219,473	632,517
-	-	251,556	-	10,214	459,094
-	40,930	-	-	2,186,122	14,071,554
-	-	-	-	-	13,770
-	-	108,189	-	21,423	129,612
$ 12,665,430	$ 8,611,685	$ 35,916,795	$ 17,379,596	$ 30,494,565	$ 164,889,378

City of Waterloo, Iowa

Balance Sheet (Continued)
Governmental Funds
June 30, 2017

	General	Trust and Agency
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Accounts payable	$ 346,688	$ 2,708
Retainages payable	8,230	-
Accrued liabilities	1,213,487	156,312
Due to other funds	-	-
Unearned revenue	150,445	-
Compensated absences	59,507	-
Due to Waterloo Convention & Visitors Bureau, Inc.	298,368	-
Payables from restricted assets	1,477,887	-
Advances from other funds	168,316	-
Total liabilities	3,722,928	159,020
Deferred Inflows of Resources		
Unavailable revenue - property tax	20,140,750	9,593,158
Unavailable revenue - local option sales tax	-	-
Unavailable revenue - special assessments	327,434	-
Unavailable revenue - intergovernmental	74,590	-
Total deferred inflows of resources	20,542,774	9,593,158
Fund balances		
Nonspendable	197,324	-
Restricted	8,565,653	2,082,995
Assigned	5,410,593	-
Unassigned	9,546,862	-
Total fund balances	23,720,432	2,082,995
Total liabilities, deferred inflows of resources and fund balances	$ 47,986,134	$ 11,835,173

See notes to basic financial statements.

Tax Increment Financing	General Obligation Debt Service	Road Use Tax	June 2017 GO Bonds	Other Governmental	Total
$ 217,714	$ 13,550	$ 507,040	$ 137,648	$ 1,535,146	$ 2,760,494
-	-	-	-	975,283	983,513
-	-	147,413	-	92,141	1,609,353
1,396,658	-	-	-	3,062,075	4,458,733
-	-	-	-	-	150,445
-	-	6,268	-	3,356	69,131
-	-	-	-	-	298,368
-	-	-	-	78,199	1,556,086
-	-	-	-	-	168,316
1,614,372	13,550	660,721	137,648	5,746,200	12,054,439
7,684,015	7,629,803	-	-	599,708	45,647,434
-	-	-	-	94,000	94,000
-	-	-	-	-	327,434
-	-	5,237,401	-	2,863,022	8,175,013
7,684,015	7,629,803	5,237,401	-	3,556,730	54,243,881
-	-	251,556	-	10,214	459,094
2,880,934	968,332	29,767,117	17,241,948	22,556,877	84,063,856
486,109	-	-	-	1,972,170	7,868,872
-	-	-	-	(3,347,626)	6,199,236
3,367,043	968,332	30,018,673	17,241,948	21,191,635	98,591,058
$ 12,665,430	$ 8,611,685	$ 35,916,795	$ 17,379,596	$ 30,494,565	$ 164,889,378

City of Waterloo, Iowa

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2017

Total governmental fund balances		$ 98,591,058
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		361,366,873
Certain revenues are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds		8,580,759
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	3,540,990	
Deferred outflows of resources - MFPRSI	17,615,728	
Deferred inflows of resources - IPERS	(258,550)	
Deferred inflows of resources - MFPRSI	(5,617,558)	15,280,610
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	$ (82,734,000)	
Other loans and notes	(1,788,702)	
Bond discount	225,984	
Bond premium	(1,174,828)	
Other post employment benefits obligation	(3,977,250)	
Workers' compensation claims payable	(535,187)	
Compensated absences	(4,278,603)	
Net pension liability - IPERS	(12,213,965)	
Net pension liability - MFPRSI	(46,723,287)	
Accrued interest payable	(166,575)	(153,366,413)
Net position of governmental activities		$ 330,452,887

See notes to basic financial statements.

City of Waterloo, Iowa

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017

	General	Trust and Agency
Revenues:		
Property taxes	$ 20,387,130	$ 9,550,955
Other taxes	6,959,983	394,367
Licenses and permits	1,521,808	-
Investment income	198,340	14,085
Rent	998,034	-
Intergovernmental	984,769	-
Charges for services	7,631,540	-
Interfund charges for services	2,135,000	-
Special assessments	133,943	-
Miscellaneous	1,390,425	-
Total revenues	42,340,972	9,959,407
Expenditures:		
Current operating:		
Public safety	26,326,146	4,177,317
Public works	3,104,466	-
Health and social services	379,958	-
Culture and recreation	9,947,787	-
Community and economic development	1,841,540	-
General government	10,025,237	17,063
Debt service:		
Principal	-	-
Interest and fees	-	-
Capital outlay	-	-
Total expenditures	51,625,134	4,194,380
Excess (deficiency) of revenues over expenditures	(9,284,162)	5,765,027
Other financing sources (uses):		
Transfers in	5,944,388	-
Transfers out	(135,750)	(5,784,582)
Payment to refunding bond escrow	-	-
Insurance proceeds	1,624,380	-
Bond discount	-	-
Bond premium	-	-
Proceeds from sale of capital assets	70,564	-
Issuance of long-term debt	-	-
Total other financing sources (uses)	7,503,582	(5,784,582)
Net changes in fund balances	(1,780,580)	(19,555)
Fund balances, beginning of year	25,501,012	2,102,550
Fund balances, end of year	$ 23,720,432	$ 2,082,995

See notes to basic financial statements.

Tax Increment Financing	General Obligation Debt Service	Road Use Tax	June 2017 GO Bonds	Other Governmental	Total
$ 8,127,766	$ 7,859,205	$ -	$ -	$ 605,630	$ 46,530,686
-	292,763	-	-	9,894,267	17,541,380
-	-	21,908	-	-	1,543,716
15,871	9,140	-	11,927	90,532	339,895
-	64,296	-	-	195,103	1,257,433
-	68,467	31,722,242	-	10,872,187	43,647,665
-	-	32,664	-	361,646	8,025,850
-	-	50,000	-	-	2,185,000
-	-	-	-	-	133,943
-	96,728	74,672	-	204,075	1,765,900
8,143,637	8,390,599	31,901,486	11,927	22,223,440	122,971,468
-	-	-	-	14,917	30,518,380
-	-	7,340,812	-	9,080,753	19,526,031
-	-	-	-	-	379,958
-	-	-	-	668,545	10,616,332
1,354,939	-	-	-	9,068,981	12,265,460
-	-	-	-	-	10,042,300
145,361	9,553,200	-	-	-	9,698,561
78,238	2,075,345	-	110,080	5,000	2,268,663
-	-	1,400,024	76,488	18,149,338	19,625,850
1,578,538	11,628,545	8,740,836	186,568	36,987,534	114,941,535
6,565,099	(3,237,946)	23,160,650	(174,641)	(14,764,094)	8,029,933
88,500	3,443,053	-	-	2,381,912	11,857,853
(5,726,696)	-	-	-	(210,825)	(11,857,853)
-	(2,040,000)	-	-	-	(2,040,000)
-	-	-	-	-	1,624,380
-	-	-	(73,397)	-	(73,397)
-	109,996	-	239,986	-	349,982
-	-	-	-	25,000	95,564
-	1,960,000	-	17,250,000	-	19,210,000
(5,638,196)	3,473,049	-	17,416,589	2,196,087	19,166,529
926,903	235,103	23,160,650	17,241,948	(12,568,007)	27,196,462
2,440,140	733,229	6,858,023	-	33,759,642	71,394,596
$ 3,367,043	$ 968,332	$ 30,018,673	$ 17,241,948	$ 21,191,635	$ 98,591,058

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, 2017

Net change in fund balances - governmental funds			$ 27,196,462
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	$ 12,262,241		
Depreciation	(16,015,440)		(3,753,199)
The net effect of various miscellaneous transactions involving capital assets is to increase/ decrease net position:			
Proceeds from sale of capital assets	(95,564)		
Net gain on disposal of capital assets	34,865		(60,699)
Change in assets held for resale			(21,137)
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	(19,210,000)		
Payment to escrow for refunded bonds	2,040,000		
Repayment of general obligation bond principal	9,553,200		
Repayment of other long-term debt principal	145,361		
Bond discount	73,397		
Bond premium	(349,982)		
Amortization of bond discounts and premiums	108,260		
Change in accrued interest	(14,984)		(7,654,748)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds:			
Current year			8,580,759
Prior year			(4,601,264)
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			466,049
Change in workers' compensation claims payable			(87,687)
Change in compensated absences and deferred compensation liabilities			(237,756)
Pension expense - IPERS			(225,833)
Pension expense - MFPRSI			(2,198,626)
Change in net position of governmental activities			$ 17,402,321

See notes to basic financial statements.

City of Waterloo, Iowa

Statement of Net Position
Enterprise Funds
June 30, 2017

	Sanitary Sewer	Nonmajor - Sanitation	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 10,288,817	$ 3,309,865	$ 13,598,682
Customer accounts receivable	3,324,132	729,502	4,053,634
Special assessments receivable	62,842	270,582	333,424
Due from other governments:			
Waterloo Water Works	1,450,813	466,739	1,917,552
Other	209,945	27,979	237,924
Inventories	28,200	-	28,200
Total current assets	15,364,749	4,804,667	20,169,416
Noncurrent assets:			
Advances to other funds	27,003	11,701	38,704
Restricted cash and cash equivalents	4,612,411	119,579	4,731,990
Capital assets, net of accumulated depreciation	90,708,037	1,198,856	91,906,893
Capital assets not being depreciated	4,095,909	-	4,095,909
Net capital assets	94,803,946	1,198,856	96,002,802
Total noncurrent assets	99,443,360	1,330,136	100,773,496
Total assets	114,808,109	6,134,803	120,942,912
Deferred Outflows of Resources			
Pension related amounts	658,868	265,818	924,686
Deferred charge on refunding	15,788	-	15,788
Total deferred outflows of resources	674,656	265,818	940,474

See notes to basic financial statements.

	Sanitary Sewer	Nonmajor - Sanitation	Total
Liabilities, Deferred Inflows of Resources, and Net Position			
Liabilities:			
Current:			
Accounts payable	$ 907,499	$ 135,788	$ 1,043,287
Retainages payable	102,093	-	102,093
Accrued liabilities	125,470	54,564	180,034
Current maturities of general obligation and revenue bonds	2,557,000	-	2,557,000
Compensated absences and deferred compensation	175,506	67,021	242,527
Accrued interest	61,979	-	61,979
Total current liabilities	3,929,547	257,373	4,186,920
Noncurrent:			
Security deposits	264,906	119,579	384,485
General obligation bonds, net bond discount and premium	19,135,273	-	19,135,273
Other postemployment benefits obligation	353,851	216,445	570,296
Compensated absences and deferred compensation	59,882	29,297	89,179
Net pension liability	2,260,205	872,657	3,132,862
Total noncurrent liabilities	22,074,117	1,237,978	23,312,095
Total liabilities	26,003,664	1,495,351	27,499,015
Deferred Inflows of Resources, pension related amounts	39,241	13,815	53,056
Net position:			
Net investment in capital assets	77,981,397	1,198,856	79,180,253
Restricted for:			
Debt service	196,533	-	196,533
Improvements	475,982	-	475,982
Unrestricted	10,785,948	3,692,599	14,478,547
Total net position	$ 89,439,860	$ 4,891,455	$ 94,331,315

City of Waterloo, Iowa

Statement of Revenues, Expenses and Changes in Net Position
Enterprise Funds
Year Ended June 30, 2017

	Sanitary Sewer	Nonmajor - Sanitation	Total
Operating revenues:			
Charges for sales and service	$ 15,188,253	$ 3,712,605	$ 18,900,858
Miscellaneous	47,250	107,676	154,926
Total operating revenues	15,235,503	3,820,281	19,055,784
Operating expenses:			
Salaries and benefits	3,785,174	1,588,505	5,373,679
Contractual services	3,006,884	1,163,725	4,170,609
Intra-city reimbursements	692,000	451,500	1,143,500
Commodities	2,343,170	547,305	2,890,475
Depreciation	3,152,676	299,743	3,452,419
Total operating expenses	12,979,904	4,050,778	17,030,682
Operating income (loss)	2,255,599	(230,497)	2,025,102
Nonoperating revenues (expenses):			
Interest income	40,762	10,727	51,489
Intergovernmental	206,145	290,513	496,658
Interest expense	(665,311)	-	(665,311)
Amortization	9,812	-	9,812
Total nonoperating revenues (expenses)	(408,592)	301,240	(107,352)
Income prior to other financing sources (uses)	1,847,007	70,743	1,917,750
Other financing sources (uses):			
Transfers in	15,350	-	15,350
Transfers out	-	(15,350)	(15,350)
Capital contributions	192,977	-	192,977
Change in net position	2,055,334	55,393	2,110,727
Net position, beginning of year	87,384,526	4,836,062	92,220,588
Net position, end of year	$ 89,439,860	$ 4,891,455	$ 94,331,315

See notes to basic financial statements.

City of Waterloo, Iowa

Statement of Cash Flows
Enterprise Funds
Year Ended June 30, 2017

	Sanitary Sewer	Nonmajor - Sanitation	Total
Cash flows from operating activities:			
Receipts from customers and users	$ 14,295,439	$ 3,628,217	$ 17,923,656
Payments to suppliers	(5,759,813)	(1,686,725)	(7,446,538)
Payments to or on behalf of employees	(3,809,025)	(1,609,925)	(5,418,950)
Payment for interfund services used	(692,000)	(451,500)	(1,143,500)
Net cash provided by (used in) operating activities	4,034,601	(119,933)	3,914,668
Cash flows from noncapital financing activities, intergovernmental proceeds	1,163	270,976	272,139
Cash flows from capital and related financing activities:			
Purchase and construction of capital assets	(735,877)	(24,898)	(760,775)
Proceeds from bonds, loans and notes, net bond premiums	1,820,382	-	1,820,382
Principal paid on debt	(3,446,800)	-	(3,446,800)
Interest paid on debt	(730,691)	-	(730,691)
Net cash (used in) capital and related financing activities	(3,092,986)	(24,898)	(3,117,884)
Cash flows from investing activities, interest received	40,762	10,727	51,489
(Decrease) in cash and cash equivalents	983,540	136,872	1,120,412
Cash and cash equivalents, beginning of year	13,917,688	3,292,572	17,210,260
Cash and cash equivalents, end of year	$ 14,901,228	$ 3,429,444	$ 18,330,672
Reconciliation of cash and cash equivalents to statement of net position:			
Unrestricted cash and cash equivalents	$ 10,288,817	$ 3,309,865	$ 13,598,682
Restricted cash and cash equivalents	4,612,411	119,579	4,731,990
	$ 14,901,228	$ 3,429,444	$ 18,330,672

(Continued)

City of Waterloo, Iowa

Statement of Cash Flows (Continued)
Enterprise Funds
Year Ended June 30, 2017

	Sanitary Sewer	Nonmajor - Sanitation	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$ 2,255,599	$ (230,497)	$ 2,025,102
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	3,152,676	299,743	3,452,419
(Increase) in accounts receivable	(243,750)	(21,104)	(264,854)
(Increase) decrease in due from Waterloo Water Works	(687,214)	(156,185)	(843,399)
(Increase) in inventories and prepaids	(4,985)	-	(4,985)
Increase (decrease) in accounts payable	(416,512)	7,710	(408,802)
Increase in security deposits	2,638	1,820	4,458
Increase in accrued liabilities	15,115	4,188	19,303
Increase in other post employment benefits obligation	(59,193)	(36,172)	(95,365)
Increase in compensated absences and deferred compensation	(19,376)	3,694	(15,682)
Increase in net pension liability	484,665	184,714	669,379
(Increase) in deferred outflows of resources	(325,592)	(132,311)	(457,903)
(Decrease) in deferred inflows of resources	(119,470)	(45,533)	(165,003)
Net cash provided by operating activities	$ 4,034,601	$ (119,933)	$ 3,914,668
Schedule of noncash capital and related financing activities:			
Payables for acquisition of capital assets	$ 452,978	$ -	$ 452,978
Capital assets contributed	192,977	-	192,977
Capitalized interest	67,048	-	67,048
Capital assets transferred between funds	15,350	(15,350)	-

See notes to basic financial statements.

City of Waterloo, Iowa

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

Nature of operations:

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

Reporting entity:

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

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

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

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

Discretely presented component units:

Waterloo Water Works: The Waterloo Water Works is a component unit that is legally separate from the City, but is financially accountable to the City. The Waterloo Water Works is governed by a three-member board appointed by the City Council and its operating budget is subject to the review of the City Council. The Waterloo Water Works operates on a calendar year-end and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. Due to the different year-end, the amount reported by the Waterloo Water Works as due to the primary government and the primary government's due from the Waterloo Water Works do not agree by $1,317,179.

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

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

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

Basis of presentation:

Government-wide financial statements: The statement of net position and the statement of activities report information on all 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.

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

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

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

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

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

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

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

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

The City had the following major governmental funds:

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

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

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

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

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

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

June 2017 GO Bonds Fund is a capital project fund used to account for proceeds from the 2017 general obligation bond sale until expended for the restricted purpose.

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 and budgeted for. Grants and similar items are recognized as revenue at the same time the related asset is recorded. For reimbursable grants, the asset is recorded as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

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

Summary of significant accounting policies:

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

Cash and cash equivalents: The cash balances of most City funds are pooled and deposited into interest-bearing demand deposit accounts. 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.

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

Receivables and payables: Receivables are reported net of any allowance for uncollectible accounts. As of June 30, 2017, the General Fund had allowances for uncollectible customer accounts totaling $980,250.

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

Property tax revenue which became due and collectible in September and March of the fiscal year with a 1½ percent per month penalty for delinquent payments; was based on January 1, 2015 assessed property valuations; was for the tax accrual period July 1, 2016 through June 30, 2017; and reflected the tax asking contained in the budget certified to the County Board of Supervisors in March 2016.

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

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

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

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

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

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

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

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

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

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

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. $66,994 of interest expense in the Sanitary Sewer Fund was capitalized during the year ended June 30, 2017.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Net position: Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Amounts reported as net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Unspent debt proceeds for the various capital project GO Bonds Funds are $28,715,259 and the Sanitary Sewer enterprise fund is $4,076,473. 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 $47,393,940 of restricted net position of which $3,894,401 is restricted by enabling legislation for debt service, library, tourism promotion and public access television.

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

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

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

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

Note 2. Cash and Investments

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

As of June 30, 2017, the City had investments in the Iowa Public Agency Investment Trust (IPAIT) which were valued at an amortized cost of $14,188,429 pursuant to GASB Statement No. 79. IPAIT is registered with the Securities and Exchange Commission. The City’s investment in IPAIT is not subject to interest rate risk.

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

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

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

Concentration of credit risk: The City’s investment policy is to diversify its investment portfolio to eliminate the risk of loss resulting from overconcentration of assets in a specific maturity, a specific issuer or a specific class of securities. Accordingly, the policy limits the City from investing in prime bankers’ acceptances or commercial paper of more than 10 percent of the investment portfolio and more than 5 percent of the investment portfolio with a single issuer at the time of purchase. In addition, no more than 5 percent of all amounts invested in commercial paper and other short-term corporate debt shall be invested in paper and debt rated in the second highest classification at the time of purchase. As of June 30, 2017, the City’s investments were not subject to concentration of credit risk.

Note 2. Cash and Investments (Continued)

Custodial credit risk: For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City and Waterloo Water Works' deposits as of June 30, 2017 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:		
2018	$	81,692
2019		75,692
2020		70,992
2021		72,338
2022		46,213
2023		46,213
Total future minimum lease rentals to be received	$	393,140

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

During the year ending June 30:		
2018	$	72,421
2019		72,421
2020		72,421
2021		10,058
Total future minimum lease rentals to be received	$	227,321

Note 3. Leasing Activities (Continued)

Waterloo Hotel Equities, LLC d/b/a Ramada Waterloo Civic and Convention Center: The City has entered into a lease agreement with the Waterloo Hotel Equities, LLC d/b/a Ramada Waterloo Civic and Convention Center (Hotel) for the use of the Five Sullivan Brothers Convention Center and City parking facilities. The term of the lease is from May 23, 2005 through December 31, 2019. The rental rates are based on the gross income and sales of the Five Sullivan Brothers Convention Center, also known as the Ramada Inn Convention Center (Center) paid on a monthly basis. The amount of revenue recognized for the year ended June 30, 2017 is $39,168. The lease includes a management agreement with the Hotel for the management of the Center.

Note 4. Loans and Notes

General Fund:

Special Revenue Funds:

Community Development Block Grant (CDBG) Loans:

Low-interest loans: The City has fifteen low-interest rehabilitation and other loans due as of June 30, 2017, with a balance of $21,551. These loans are estimated to be uncollectible. Collections of CDBG loans are grant program income which is reported in the Special Revenue Fund (CDBG) as charges for services as received.

Low-income housing loans: The City has provided seven loans for low-income housing projects, five of which have a below-market interest rate. All have minimal payments required each year until maturity. Maturities range from September 2018 to August 2031. The balance of the seven loans at June 30, 2017 was $1,280,730. Maturities range from September 2018 to August 2031. Cash received is program income and considered to be charges for services. Given the nature and collection history of the loans, the City has determined these amounts are uncollectible and has recorded an allowance for the full amount of the loans.

Forgivable loans: The City, through its CDBG, HOME program, Economic Development Initiative program, Lead Paint Removal grant, federal and state Jumpstart funds and Iowans Helping Iowans funds, provides forgivable rehabilitation loans to low-income households. The loans are forgiven on a sliding scale over a five-year period, provided the home is not sold or abandoned. If the home is sold or abandoned, the City's lien against the property prevents a clear title transfer unless the unforgiven portion of the note is satisfied. As of June 30, 2017, the City had made 1,685 such loans totaling $32,622,443. 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, 2017 was as follows:

	Due From	Due To
Major governmental funds:		
General	$ 4,458,733	$ -
Tax increment financing	-	1,396,658
General obligation debt service	-	-
Nonmajor governmental funds	-	3,062,075
	$ 4,458,733	$ 4,458,733

Advances to and from other funds as of June 30, 2017, were as follows:

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

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

Due to/from primary government and component units:

Due to Enterprise Funds:	
Sanitary sewer	$ 1,450,813
Sanitation	466,739
Due from Waterloo Water Works	1,917,552
Waterloo Water Works - due to primary government	1,615,547
Difference	$ 302,005

The difference in the above amounts of $302,005 results from the different year ends of the entities as described in Note 1.

Due to Waterloo Convention & Visitors Bureau, Inc. from General Fund	$ 298,368

Note 5. Interfund Activity (Continued)

The following is a schedule of transfers as included in the basic financial statements of the City:

	Transfers In	Transfers Out
Major governmental funds:		
General	$ 5,944,388	$ 135,750
Trust and agency	-	5,784,582
Tax increment financing	88,500	5,726,696
General obligation debt service	3,443,053	-
Nonmajor governmental funds	2,381,912	210,825
Major Enterprise Fund, sanitary sewer	15,350	-
Nonmajor Enterprise Fund, sanitation	-	15,350
	$ 11,873,203	$ 11,873,203

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

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance June 30, 2016	Additions	Deletions	Transfers	Ending Balance June 30, 2017
Governmental Activities					
Capital assets, not being depreciated:					
Land	$ 44,331,630	$ 65,309	$ 1,500	$ -	$ 44,395,439
Land held for redevelopment	10,672,268	317,438	-	-	10,989,706
Construction-in-progress	7,153,105	9,733,499	-	(5,478,460)	11,408,144
Total capital assets, not being depreciated	62,157,003	10,116,246	1,500	(5,478,460)	66,793,289
Capital assets, being depreciated:					
Buildings and improvements	130,556,466	31,300	108,121	17,615	130,497,260
Infrastructure	356,421,570	419,825	-	5,403,595	362,244,990
Vehicles, machinery, furniture and equipment	30,590,346	1,653,719	1,090,586	57,250	31,210,729
Software	752,449	41,151	-	-	793,600
Total capital assets, being depreciated	518,320,831	2,145,995	1,198,707	5,478,460	524,746,579
Less accumulated depreciation for:					
Buildings and improvements	59,045,686	4,240,708	87,018	-	63,199,376
Infrastructure	135,881,411	9,507,840	-	-	145,389,251
Vehicles, machinery, furniture and equipment	19,923,430	2,124,839	1,052,490	-	20,995,779
Software	446,536	142,053	-	-	588,589
Total accumulated depreciation	215,297,063	16,015,440	1,139,508	-	230,172,995
Total capital assets, being depreciated, net	303,023,768	(13,869,445)	59,199	5,478,460	294,573,584
Governmental activities capital assets, net	$ 365,180,771	$ (3,753,199)	$ 60,699	$ -	$ 361,366,873

Note 6. Capital Assets (Continued)

	Beginning Balance June 30, 2016	Additions	Deletions	Transfers	Ending Balance June 30, 2017
Business-Type Activities					
Capital assets, not being depreciated:					
Land	$ 348,055	$ 186,187	$ -	$ -	$ 534,242
Construction-in-progress	4,839,293	1,256,392	-	(2,534,018)	3,561,667
Total capital assets, not being depreciated	5,187,348	1,442,579	-	(2,534,018)	4,095,909
Capital assets, being depreciated:					
Buildings	71,132,866	-	-	-	71,132,866
Improvements other than buildings	54,902,176	-	-	2,534,018	57,436,194
Vehicles, machinery, furniture and equipment	12,980,717	31,198	224,483	-	12,787,432
Software	19,940	-	19,940	-	-
Total capital assets, being depreciated	139,035,699	31,198	244,423	2,534,018	141,356,492
Less accumulated depreciation for:					
Buildings	23,412,694	1,404,737	-	-	24,817,431
Improvements other than buildings	16,065,212	1,098,043	-	-	17,163,255
Vehicles, machinery, furniture and equipment	6,743,757	949,639	224,483	-	7,468,913
Software	19,940	-	19,940	-	-
Total accumulated depreciation	46,241,603	3,452,419	244,423	-	49,449,599
Total capital assets, being depreciated, net	92,794,096	(3,421,221)	-	2,534,018	91,906,893
Business-type activities capital assets, net	$ 97,981,444	$ (1,978,642)	$ -	$ -	$ 96,002,802

Note 6. Capital Assets (Continued)

Discretely Presented Component Unit - Waterloo Water Works Capital Assets	Beginning Balance December 31, 2016	Additions	Deletions	Ending Balance December 31, 2017
Capital assets, not being depreciated:				
Land	$ 314,543	$ -	$ -	$ 314,543
Construction-in-progress	395,658	1,139,343	(505,168)	1,029,833
Total capital assets, not being depreciated	710,201	1,139,343	(505,168)	1,344,376
Capital assets, being depreciated:				
Buildings and improvements	1,772,617	8,536	-	1,781,153
Water supply and distribution systems	30,178,520	611,860	-	30,790,380
Meters and equipment	1,173,594	-	-	1,173,594
Machinery and equipment	3,313,454	351,492	(78,622)	3,586,324
Total capital assets, being depreciated	36,438,185	971,888	(78,622)	37,331,451
Less accumulated depreciation for:				
Buildings and improvements	813,118	29,317	-	842,435
Water supply and distribution systems	8,051,859	472,215	-	8,524,074
Meters and equipment	718,817	25,293	-	744,110
Machinery and equipment	1,478,444	239,905	(64,092)	1,654,257
Total accumulated depreciation	11,062,238	766,730	(64,092)	11,764,876
Total capital assets, being depreciated, net	25,375,947	205,158	(14,530)	25,566,575
Net discretely presented component unit - Waterloo Water Works capital assets, net	$ 26,086,148	$ 1,344,501	$ (519,698)	$ 26,910,951

Discretely Presented Component Unit - Waterloo Convention & Visitors Bureau, Inc.	Balance June 30, 2016	Additions	Deletions	Ending Balance June 30, 2017
Capital assets, being depreciated:				
Equipment	$ 66,802	$ -	$ -	$ 66,802
Leasehold improvements	125,924	-	-	125,924
Total capital assets, being depreciated	192,726	-	-	192,726
Less accumulated depreciation	143,530	16,145	-	159,675
Total capital assets, being depreciated, net	$ 49,196	$ (16,145)	$ -	$ 33,051

Note 6. Capital Assets (Continued)

Depreciation expense was charged by the City as follows for the year ended June 30, 2017:

Governmental activities:		
Public safety	$	897,061
Public works		12,407,332
Culture and recreation		2,161,419
Community and economic development		339,603
General government		210,025
Total governmental activities		16,015,440
Business-type activities:		
Sanitary sewer		3,152,676
Sanitation		299,743
Total business-type activities		3,452,419
Total primary government	$	19,467,859
Component unit - Waterloo Water Works	$	766,730
Component unit - Waterloo Convention & Visitors Bureau, Inc.	$	16,145

Note 7. Compensated Absences

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. A calendar year is primarily used for the calculation of vacation pay benefits while sick leave utilizes the City's fiscal year. Vacation days for most bargaining unit employees must be taken or paid during the calendar year with limited exceptions. Nonbargaining unit employees may carry forward up to 10-days vacation with proper approval. Upon termination, employees receive payment for unused vacation plus a payment for vacation hours accrued from January through the termination date. As of June 30, 2017, there was $2,887,930 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, 2017, there was $127,555 accrued for the frozen sick leave bank.

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

Note 7. Compensated Absences (Continued)

Certain employees can elect either to be paid overtime compensation or to accrue the hours as compensatory time, defined as additional time off from regular hours. Employees are required to be paid for these services upon termination of employment. Maximum hours eligible to be used later as compensatory time are limited by law and labor contracts. Governmental funds do not recognize these accumulations as expenditures until paid. As of June 30, 2017, there was $1,555,720 accrued for unused compensatory time, which includes unused sick leave and frozen sick leave bank.

Employees are also eligible to receive pay-outs of a portion of unused casual leave. The accrued casual pay is reported as compensated absences in the applicable fund which includes $69,129 in governmental funds, as the liabilities are considered matured and are expected to be liquidated with expendable available financial resources. Frozen sick leave, vacation pay and compensatory time liabilities are accrued when incurred in the government-wide and proprietary fund statements and reported as a liability.

Note 8. Long-Term Liabilities

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2017:

	June 30, 2016	Increases and Issues	Decreases and Retirements	June 30, 2017	Due Within One Year
Governmental activities:					
General obligation bonds	$ 75,117,200	$ 19,210,000	$ 11,593,200	$ 82,734,000	$ 9,778,000
Loans and notes	1,934,063	-	145,361	1,788,702	181,345
Deferred compensation	238	-	238	-	-
Compensated absences	4,247,266	3,702,111	3,601,643	4,347,734	2,823,221
Other postemployment benefit obligation	4,433,249	-	456,049	3,977,200	-
Net pension liability - IPERS	9,653,901	2,560,064	-	12,213,965	-
Net pension liability - MFPRSI	36,408,843	10,314,444	-	46,723,287	-
Subtotal	127,361,511	35,786,619	15,796,491	151,784,888	12,782,566
Unamortized discounts	(174,914)	(73,397)	(22,327)	(225,984)	-
Bond premium	955,433	349,982	130,587	1,174,828	-
Total long-term liabilities, governmental activities	$ 128,142,030	$ 36,063,204	$ 15,904,751	$ 148,300,483	$ 12,782,566
Business-type activities:					
General obligation bonds	$ 23,062,800	$ 1,735,000	$ 3,306,800	$ 21,491,000	$ 2,557,000
Revenue bonds	140,000	-	140,000	-	-
Compensated absences	347,388	332,483	348,165	331,706	242,527
Other postemployment benefit obligation	665,661	-	95,365	570,296	-
Net pension liability	2,463,483	669,379	-	3,132,862	-
Subtotal	26,013,671	2,736,862	3,890,330	25,525,864	2,799,527
Unamortized discounts	(79,221)	-	(15,466)	(63,755)	-
Bond premium	217,849	85,382	38,203	265,028	-
Total long-term liabilities, business-type activities	$ 26,152,299	$ 2,822,244	$ 3,913,067	$ 25,727,137	$ 2,799,527

Note 8. Long-Term Liabilities (Continued)

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

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

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

On June 20, 2017, the City issued $9,245,000 in General Obligation Bonds, Series 2017A maturing June 1, 2018 through June 1, 2032 with an interest rate of 3.00 percent. Included in this series is $2,845,000 that refunded the balance of the 2009A General bond issue of which $2,040,000 was for general purposes and $805,000 was for sewer purposes.

On June 20, 2017, the City issued $3,600,000 in General Obligation Bonds, Series 2017B maturing June 1, 2018 through June 1, 2032 with interest rates ranging from 1.35 percent to 3.35 percent.

On June 20, 2017, the City issued $8,100,000 in General Obligation Bonds, Series 2017C maturing December 1, 2017 through December 1, 2035 with interest rates ranging from 2.75 percent to 2.80 percent.

Reasons for issuance were to refund the General Obligation Bonds, Series 2009A as well as finance certain capital improvements, equipment and vehicle acquisitions and urban renewal projects in the City and pay a portion of the costs of issuance of the Bonds.

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

Issue Date	Purpose	Interest Rates	Outstanding June 30, 2017
June 2008	Taxable	5.000%	$ 360,000
June 2009	Taxable	1.00 - 3.00	270,000
June 2010	Taxable	1.00 - 5.00	4,725,000
June 2011	Tax-exempt - capital improvements/general	2.00 - 4.00	5,055,000
June 2011	Taxable	0.60 - 4.60	5,145,000
June 2012	Tax-exempt - capital improvements/general	2.00 - 2.30	5,310,000
June 2012	Refunding	0.35 - 1.35	1,620,000
June 2012	Taxable	2.20 - 3.50	3,560,000
June 2013	Tax-exempt - capital improvements/general	2.00 - 3.70	4,470,000
June 2013	Taxable	2.00 - 3.70	5,355,000
June 2013	Refunding	0.50 - 2.50	735,000
June 2014	Tax-exempt - capital improvements/general	2.00 - 3.12	7,200,000
June 2014	Taxable	1.00 - 4.00	4,180,000
June 2014	Refunding	2.00	4,490,000
June 2015	Tax-exempt - capital improvements/general	3.00 - 3.50	10,950,000
June 2015	Taxable	1.50 - 4.00	1,365,000
June 2016	Tax-exempt - capital improvements/general	2.00 - 2.25	7,900,000
June 2016	Taxable	0.80 - 3.10	1,705,000
June 2016	Taxable	0.90 - 3.40	8,885,000
June 2017	Tax-exempt - capital improvements/general	3.00	9,245,000
June 2017	Taxable	1.35 - 3.35	3,600,000
June 2017	Taxable - urban renewal	2.75 - 3.50	8,100,000
			$ 104,225,000

Note 8. Long-Term Liabilities (Continued)

Annual debt service on general obligation and revenue bonds as of June 30, 2017 are as follows:

	GO Debt Service General Obligation Bonds	
	Principal	Interest
Year ending June 30:		
2018	$ 9,778,000	$ 2,263,308
2019	8,586,000	2,054,767
2020	7,120,000	1,836,676
2021	6,233,000	1,663,029
2022	5,880,000	1,500,065
2023 - 2027	25,767,000	5,176,449
2028 - 2032	14,925,000	1,880,015
2033 - 2036	4,445,000	349,855
	$ 82,734,000	$ 16,724,164

	Sanitary Sewer Enterprise General Obligation Bonds	
	Principal	Interest
Year ending June 30:		
2018	$ 2,557,000	$ 669,301
2019	2,519,000	608,648
2020	2,060,000	541,923
2021	2,007,000	482,573
2022	1,955,000	420,695
2023 - 2027	8,318,000	1,143,730
2028 - 2030	2,075,000	141,107
	$ 21,491,000	$ 4,007,977

Loans and notes: During the years ended June 30, 2013 and 2011, the City had drawn $195,348 and $235,082, respectively, in loans from the Iowa Department of Economic Development, Brownfield Redevelopment Program (Department). The loans are at zero percent with no payments due in years one through five. The loan 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, 2017, 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. As of June 30, 2017, the outstanding balance of these loans was $1,533,272.

- Wilbert Burial Vault Co., $14,058 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., $20,796 plus interest at 5 percent, payable semiannually beginning November 2009 until paid in full from 100 percent of property tax payments, subject to annual appropriation.
- Deer Creek Development, LLC, $1,643,599 plus interest at 7 percent through March 31, 2011 then at 4.750 percent, compounded semiannually. In fiscal year 2014, there were additions to the agreement of $6,130. Payable at $300,000 in fiscal year 2011 and semiannual payments of $100,000 are due beginning November 2011 until principal plus interest have been paid.

Note 8. Long-Term Liabilities (Continued)

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

	Governmental Activities	
	Nonmajor Governmental Funds	
	Principal	Interest
Year ending June 30:		
2018	$ 181,345	$ 78,623
2019	191,835	70,600
2020	193,658	63,983
2021	200,453	57,428
2022	215,659	50,633
2023 - 2026	805,752	139,336
	$ 1,788,702	$ 460,603

Discretely presented component unit:

	Balance December 31, 2016	Additions	Deletions	Balance December 31, 2017	Due Within One Year
Compensated absences	$ 67,508	$ 151,018	$ 148,612	$ 69,914	$ 69,914
Total long-term debt	$ 67,508	$ 151,018	$ 148,612	$ 69,914	$ 69,914

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.

Note 9. Operating Leases

Effective July 1, 1999, the City's sanitary sewer operations entered into a five-year agreement for the management of biosolid by-products produced at the Wastewater Treatment Facility. The agreement included the lease of a storage facility. This lease was extended August 1, 2014 for another five-year period, at a monthly rental of $4,900. Rental expense for all material operating leases was $114,500 for the year ended June 30, 2017.

Cedar Valley SportsPlex: The Cedar Valley SportsPlex, a 125,000 square foot recreational facility that includes indoor soccer fields, gyms, a leisure pool, fitness facility, running track and multi-purpose activity spaces, opened in January 2014. The facility is a joint project of the City and the Waterloo Development Corporation. The Waterloo Development Corporation raised the funds, through a combination of private donations and grants from the Black Hawk County Gaming Association, to construct the $23 million facility. The City acquired the property where the facility is located and signed a lease purchase agreement to operate the facility for $100 per year. The lease purchase agreement gave the City the option to take ownership of the facility at the end of the lease term or to cease operating the facility at that time. In August 2014, the lease agreement was amended to remove that option, so the property will automatically transfer to the City at the end of the lease term. The Waterloo Development Corporation signed an agreement with the City which guarantees that the fundraising for construction will be completed. Because there was an automatic transfer of the assets at the end of the term of the agreement, and that future lease payments to the Waterloo Development Corporation are nominal, the City has no capital contribution to report for the year ended June 30, 2017, and no capital lease liability as of June 30, 2017.

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

Note 10. Retirement Systems

Iowa Public Employees' Retirement System:

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

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

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, 2017, was 5.95 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 $1,585,908 for the year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Inflow and Outflows of Resources Related to Pensions: At June 30, 2017, the City reported a liability of $15,346,827 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the City's proportion was 0.2438592 percent, a decrease of .00140795 percent from the City's proportion at June 30, 2015.

Note 10. Retirement Systems (Continued)

For the year ended June 30, 2017, the City recognized pension expense of $1,313,602. At June 30, 2017, 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	$ 135,635	$ (183,160)
Changes of assumptions	234,145	-
Net difference between projected and actual earnings on pension plan investments	2,186,437	-
Changes in proportion and differences between City contributions and proportionate share of contributions	323,551	(128,446)
Total deferred amounts to be recognized in pension expense in future periods	2,879,768	(311,606)
City contributions subsequent to the measurement date	1,585,908	-
Total deferred amounts related to pensions	$ 4,465,676	$ (311,606)

$1,585,908 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, 2018. The deferred outflows and deferred inflows resulting from the difference between projected and actual earnings on pension plan investments will be recognized as a reduction of pension expense over five years. The other deferred inflows and outflows will be recognized in pension expense using the average expected remaining service lives of all IPERS members. The average is determined by taking the calculated total future service years of the Plan divided by the number of the people in the Plan including retirees. Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	
2018	$ 1,380,401
2019	1,380,401
2020	1,288,252
2021	723,402
2022	(2,204,294)
	$ 2,568,162

Note 10. Retirement Systems (Continued)

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2016, 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
Wage growth	4.00 percent per annum based on 3.00 percent inflation and 1.00 percent real wage inflation

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period ending June 30, 2014.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
U.S. equity	24%	6.29%
Non U.S. equity	16	6.75
Private equity	11	11.32
Real estate	8	3.48
Core plus fixed income	28	2.04
Credit opportunities	5	3.63
TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
	100%	

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.

Note 10. Retirement Systems (Continued)

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	$ 24,829,092	$ 15,346,827	$ 7,343,674

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

Municipal Fire and Police Retirement System of Iowa

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

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

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

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

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.

Note 10. Retirement Systems (Continued)

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

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

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

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

Contributions: Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa as modified by act of the 1994 General Assembly, to establish compliance with the Federal Older Workers Benefit Protections Act, the contribution rate was 9.4 percent of earnable compensation for the year ended June 30, 2017.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1 percent of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa the employer's contribution rate cannot be less than 17 percent of earnable compensation. The City's contribution rate was 27.77 percent for the year ended June 30, 2017.

The City's contributions to MFPRSI for the year ended June 30, 2017 were $4,186,850.

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

There were no state appropriations to MFPRSI during their fiscal year ended June 30, 2016.

Note 10. Retirement Systems (Continued)

Net Pension Liabilities, Pension Expense, and Deferred Inflows and Outflows of Resources Related to Pensions: At June 30, 2017, the City reported a liability of $46,723,287 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the City's proportion was 5.724535 percent, an increase of 0.004015 percent from the City's proportion at June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of $1,988,224. At June 30, 2017, 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	$ 11,858,517	$ (32,985)
Changes of assumptions	1,501,663	(487,173)
Net difference between projected and actual earnings on pension plan investments	-	(4,846,496)
Changes in proportion and differences between City contributions and proportionate share of contributions	68,698	(250,904)
Total deferred amounts to be recognized in pension expense in future periods	13,428,878	(5,617,558)
City contributions subsequent to the measurement date	4,186,850	-
Total deferred amounts related to pensions	$ 17,615,728	$ (5,617,558)

$4,186,850 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, 2018. The deferred outflows and deferred inflows resulting from the difference between projected and actual earnings on pension plan investments will be recognized as a reduction of pension expense over five years. The other deferred inflows and outflows will be recognized in pension expense using the average expected remaining service lives of all MFPRSI members. The average is determined by taking the calculated total future service years of the Plan divided by the number of the people in the Plan including retirees. Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	
2018	$ 1,335,673
2019	1,335,673
2020	3,592,871
2021	2,079,005
2022	(531,902)
	$ 7,811,320

Note 10. Retirement Systems (Continued)

Actuarial Assumptions: The total pension liability in the June 30, 2016, 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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012. There were no significant changes of benefit terms.

Mortality rates were based on RP 2000 Blue Collar Combined Healthy table with males set-back two years, females set-forward one year and disableds set-forward one year (males only rates), with no projection of future mortality improvement.

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
	100%	

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.

Note 10. 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	$ 57,671,218	$ 46,723,287	$ 20,168,576

Component Unit

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

Waterloo Water Works Pension Plan:

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

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

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

Inactive plan members and beneficiaries currently receiving benefits	34
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	17
Total members	53

Note 10. Retirement Systems (Continued)

***Contributions*:** The contribution requirements of the Plan members (employees) and the Water Works are established and may be amended by the Water Works. Mandatory contributions to the plan are equal to the IPERS rate effective January 1 of the previous year. Prior to 2010, plan members contributions were not required and the Water Works 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 Water Works paid the rest of the required contribution. As of January 1, 2011, plan members were 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. The vesting period also changed from 12 years to 4 years as of January 1, 2010.

Net pension liability: The Water Works' net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the December 31, 2016 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2016 through December 31, 2016. In addition, mortality rates were based on 2016 IRS Combined Mortality Table as appropriate.

The long-term expected rate of return on WWW Plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the WWW Plan's target asset allocation as of December 31, 2016 are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return
Asset Class:		
Cash and fixed income	11%	2.50%
Equity large cap	63	5.50
Equity mid cap	12	6.00
Equity small cap	12	6.00
Real estate	2	5.00
Total	100%	

Note 10. Retirement Systems (Continued)

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

Changes in Water Works' net pension liability: Changes in the Water Works' net pension liability for the year ended December 31, 2016 were as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance, beginning of year	$ 7,927,445	$ 5,105,369	$ 2,822,076
Changes for the year:			
Service cost	53,886	-	53,886
Interest	616,847	-	616,847
Difference between expected and actual experience	164,103	-	164,103
Changes in assumptions	13,141	-	13,141
Contributions, employer	-	489,448	(489,448)
Contributions, member	-	60,713	(60,713)
Net investment income	-	281,674	(281,674)
Benefit payments including refunds of employee contributions	(541,494)	(541,494)	-
Balance, end of year	$ 8,233,928	$ 5,395,710	$ 2,838,218

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

	1% Decrease 7.00%	Discount Rate 8.00%	1% Increase 9.00%
Net pension liability	$ 3,496,932	$ 2,838,218	$ 2,228,297

Note 10. Retirement Systems (Continued)

Net pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions: At December 31, 2016, the Water Works' recognized pension expense of $396,172. At December 31, 2016, the Water Works' reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 109,402	$ 9,345
Changes in assumptions	12,961	-
Net difference between projected and actual earnings on pension plan investments	448,401	-
	$ 570,764	$ 9,345

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

	Pension Expense Amount
Year ending December 31:	
2017	$ 194,929
2018	200,075
2019	140,995
2020	25,420
Total	$ 561,419

IPERS – Waterloo Water Works: In 2015, pursuant to the required rate, Regular members contributed 5.95 percent of covered payroll and the Water Works contributed 8.93 percent of covered payroll for a total rate of 14.88 percent.

The Water Works' Contributions to IPERS for the year ended December 31, 2015 were $90,911.

Net pension liabilities, pension expense, and deferred outflows of resources, and deferred inflows of resources related to pensions: At December 31, 2016, the Water Works' liability for its proportionate share of the net pension liability totaled $706,956. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Water Works' proportion of the net pension liability was based on the Water Works' share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2016, the Water Works' collective proportion was .014220 percent, which was an increase of .001423 percent from its proportion measured as of June 30, 2015.

Note 10. Retirement Systems (Continued)

For the year ended December 31, 2016, the Water Works recognized pension expense of $90,305. At December 31, 2016, the Water Works reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 8,159	$ 11,019
Changes of assumptions	14,086	-
Net difference between projected and actual earnings on pension plan investments	163,196	31,660
Changes in proportion and differences between Water Works contributions and proportionate share of contributions	107,243	-
Total deferred amounts to be recognized in pension expense in future periods	292,684	42,679
Water Works contributions subsequent to the measurement date	48,000	-
Total deferred amounts related to pensions	$ 340,684	$ 42,679

$48,000 reported as deferred outflows of resources related to pensions resulting from the Water Works contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2017	$ 54,161
2018	54,161
2019	92,999
2020	47,682
2021	1,002
	$ 250,005

There were no non-employer contributing entities at IPERS.

Actuarial assumptions: The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurements:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience. Study for the four-year period ending June 30, 2014. There were no significant changes to benefit terms.

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

Note 10. Retirement Systems (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (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	24%	6.29%
Non U.S. equity	16	6.75
Private equity	11	11.32
Real estate	8	3.48
Core plus fixed income	28	2.04
Credit opportunities	5	3.63
TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
	100%	

Discount rate: The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Water Works will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Water Works' proportionate share of the net pension liability to changes in the discount rate: The following presents the Water Works' proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Water Works' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.5 percent) or 1 percent higher (8.5 percent) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Water Work's proportionate share of the net pension liability	$ 1,493,708	$ 923,262	$ 441,792

Payables to the pension plan: At December 31, 2016, the Water Works reported payables to the defined benefit pension plan of $7,043 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 11. Deficit Fund Balances

Funds with deficit balances as of June 30, 2017 were as follows:

Nonmajor governmental:	
Special revenue:	
Community Development Block Grant	$ 143,856
Grants	1,487,189
Capital projects,	
Capital Improvements	1,827,736

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

Note 12. Commitments

Construction: The City is involved in construction of capital assets, mainly streets, riverfront improvements and Brownfields reconstruction. Much of the construction is partially funded through federal, state and local grants and donations. City participation in the programs is generally funded through proceeds of debt issues and local option taxes. As of June 30, 2017, the City was committed to approximately $18.7 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, 2010 and 2016. The note matures monthly through August 17, 2020. When the loan was entered into, the City voted to extend a nonexchange financial guarantee on the Main Street Waterloo loan. In the event that Main Street Waterloo is unable to repay the loan, the City would be required to make the payment, with no requirements for Main Street Waterloo to repay the City if the City has to pay any amount on the loan. As of June 30, 2017, the loan balance was $204,532. 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.

Development agreement: The City entered into a development agreement with North Crossing, LLC for the redevelopment of the former Logan Plaza Shopping Center site. The agreement requires new buildings with a minimum assessed value exceeding $9.5 million to be built on the site and also requires the developer to demolish the existing center. The City will pay property tax rebates of 50 percent of taxes paid for ten years.

The agreement also includes provisions the City would purchase 50.84 acres of vacant land north of the shopping center, contingent upon the developer acquiring the property. The developer purchased the property in October 2016, committing the City to future payments of $1,000,000 annually with total payments due of $8,000,000.

Note 13. 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.

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 2017, the City contributed $2,139,632. Retiree and active members receiving benefits have required contributions of $623 per month for single health coverage and $1,573 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	$ 1,655,000
Interest on net OPEB obligation	204,000
Adjustment to annual required contribution	(280,782)
Annual OPEB cost (expense)	1,578,218
Contributions and payments made	2,139,632
Increase in net OPEB obligation	(561,414)
Net OPEB obligation - July 1, 2016	5,108,960
Net OPEB obligation - June 30, 2017	$ 4,547,546

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations for 2017 and the two preceding years follows. OPEB liability attributable to governmental activities are generally liquated by the General fund.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$ 1,712,953	92.97%	$ 4,957,430
June 30, 2016	1,580,588	90.41	5,108,960
June 30, 2017	1,587,218	135.57	4,547,546

Note 13. Other Postemployment Benefits (Continued)

Funded status and funding progress: As of July 1, 2015, the most recent valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $20,596,000 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of $20,596,000. The covered payroll (annual payroll of active employees covered by the plan) was $33,862,392 and the ratio of the UAAL to the covered payroll was 60.8 percent.

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

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, 2015 actuarial valuation, projected unit credit method was used. The actuarial assumptions included a 4.0 percent annual discount rate, a healthcare cost trend rate of 8.0 percent on a select basis reducing 0.5 percent each year until reaching the ultimate trend rate of 4.5 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 14. Employee Health Care Plan

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

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

Note 14. Employee Health Care Plan (Continued)

The City's estimated unpaid claims as of June 30 and its needed reserves for claim fluctuation were determined by an actuarial study performed as of June 30. All outstanding claims are considered matured and expected to be paid in fiscal year 2018, with current available financial resources, and accordingly, a liability payable from restricted resources is reported within the General Fund. Changes and balances are as follows:

	2017	2016
Estimated unpaid claims, beginning of year	$ 1,117,473	$ 1,012,196
Estimated claims incurred	10,522,908	8,894,980
Claims payments	(10,619,258)	(8,789,703)
Estimated unpaid claims, end of year	$ 1,021,123	$ 1,117,473

Note 15. Worker's Compensation Plan

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

The City's estimated unpaid claims as of June 30 are based on projected costs of future payments for injuries incurred prior to June 30, 2017, and is recorded as a liability in the government-wide statement of net position. $62,436 is considered matured and is recorded in the General Fund and governmental activities with accrued liabilities. Changes and balances are as follows:

	2017	2016
Estimated unpaid claims, beginning of year	$ 494,081	$ 399,777
Estimated claims incurred	1,004,016	600,529
Claims payments	(900,474)	(506,225)
Estimated unpaid claims, end of year	$ 597,623	$ 494,081

Note 16. Joint Ventures and Jointly Governed Organizations

The City is a participating member of several organizations including the Black Hawk County Criminal Justice Information System (CJIS), the Consolidated Dispatch Center (Center), the Black Hawk County Solid Waste Management Commission (SWMC) and the Metropolitan Transit Authority (MET). In addition, the City pays its share of costs for CJIS, including debt service, pays its share of costs of the Center, pays landfill fees to SWMC and levies and collects property taxes from Black Hawk County and remits them to MET ($2,112,508 during the year ended June 30, 2017). Also, during the year ended June 30, 2017, 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 17. Industrial Development Revenue Bonds

The City has issued a total of $160,401,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The amount outstanding as of June 30, 2017 is not reported to the City by either the debtors or creditors. Therefore, outstanding balances are unknown. The bonds and related interest are payable solely from revenue of applicable projects. Bond principal and interest do not constitute liabilities of the City.

Note 18. Risk Management

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

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

As of June 30, 2017, the City has assigned $3,629,003 of its General Fund, fund balance for insurable risks retained.

Note 19. Tax Abatements

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

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

For the year ended June 30, 2017, the City abated $700,829 of property tax under the urban renewal and economic development projects.

Note 20. Fund Balances

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

Fund balances:	General	Trust and Agency	Tax Increment Financing	General Obligation Debt Service	Road Use Tax	June 2017 GO Bonds	Nonmajor Governmental	Total
Nonspendable:								
Inventories	$ 125,635	$ -	$ -	$ -	$ -	$ -	$ -	$ 125,635
Prepaids	71,689	-	-	-	251,556	-	10,214	333,459
Total nonspendable	197,324	-	-	-	251,556	-	10,214	459,094
Restricted:								
Debt service	-	-	2,880,934	968,332	-	-	-	3,849,266
Self-funded health insurance	6,411,280	1,844,107	-	-	-	-	-	8,255,387
Tourism promotion	1,281,710	-	-	-	-	-	-	1,281,710
Public access television	159,427	-	-	-	-	-	-	159,427
Civil rights enforcement	53,016	-	-	-	-	-	-	53,016
Housing	53,711	-	-	-	-	-	4,355,521	4,409,232
Donor specified	606,509	-	-	-	-	-	-	606,509
Employee benefits	-	238,888	-	-	-	-	-	238,888
Library	-	-	-	-	-	-	203,959	203,959
Street and right-of-way maintenance	-	-	-	-	29,767,117	-	-	29,767,117
Improvements	-	-	-	-	-	17,241,948	17,997,397	35,239,345
Total restricted	8,565,653	2,082,995	2,880,934	968,332	29,767,117	17,241,948	22,556,877	84,063,856
Assigned:								
Insurance	3,629,003	-	-	-	-	-	-	3,629,003
Other postemployment benefits	1,040,792	-	-	-	-	-	-	1,040,792
Improvements	-	-	-	-	-	-	1,890,440	1,890,440
Other	240,798	-	486,109	-	-	-	81,730	808,637
Use of fund balance for future budget	500,000	-	-	-	-	-	-	500,000
Total assigned	5,410,593	-	486,109	-	-	-	1,972,170	7,868,872
Unassigned	9,546,862	-	-	-	-	-	(3,347,626)	6,199,236
Total fund balances	$ 23,720,432	$ 2,082,995	$ 3,367,043	$ 968,332	$ 30,018,673	$ 17,241,948	$ 21,191,635	$ 98,591,058

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. 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. 83, *Certain Asset Retirement Obligations*, issued December 2016, will be effective for the City beginning with its fiscal year ending June 30, 2019. Under Statement No. 83, a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and a corresponding deferred outflow of resources. The Statement identifies the circumstances that trigger the recognition of these transactions. The Statement also requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred while the deferred outflow of resources associated with the asset retirement obligation will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. The Statement requires disclosures including a general description of the asset retirement obligation and associated tangible capital assets; the source of the obligation to retire the assets; the methods and assumptions used to measure the liability; and other relevant information.

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

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

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

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

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

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

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

GASB Statement No. 87, *Leases,* issued June 2017, will be effective for the City beginning with its fiscal year ending June 30, 2021, with earlier adoption encouraged. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. In addition, the [City, Authority, County] must report the (1) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (2) interest expense on the lease liability and (3) note disclosures about the lease. The Statement provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments and certain regulated leases. This statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, non-lease components embedded in lease contracts (such as service agreements), and leases with related parties.

The City's management has not yet determined the effect these Statements will have on the City's financial statements, except for GASB Statement No. 75, which may have a material effect on the financial statements.

Note 22. Subsequent Event

The City entered into a development agreement with LK Holdings Waterloo, LLC for the sale and conveyance of the Five Sullivan Brothers Convention Center. The agreement requires that the Center be renovated at an estimated cost of $6 million and that the Center be valued at $5 million for tax purposes. The City will provide economic development grants to the Company in the amount of $1,050,000 and pay property tax rebates of 34 percent for 15 years, if the Company meets required performance incentives. Title to the property had not transferred from the City to LK Holdings Waterloo, LLC as of the date of this report.

City of Waterloo, Iowa

Required Supplementary Information
Other Postemployment Benefit Plan

SCHEDULE OF FUNDING PROGRESS

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]
7/1/11	$ -	$ 42,655,000	$ 42,655,000	- %	$ 30,477,806	139.95%
7/1/13	-	22,667,000	22,667,000	-	32,617,036	69.49
7/1/15	-	20,596,000	20,596,000	-	33,862,392	60.82

The information presented in the required supplementary schedule was determined as part of the actuarial valuation date as of the dates referred to above. 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) 4.0 percent annual discount rate, b) a healthcare cost trend rate of 8.0 percent initially, decreasing 0.5 percent each year until reaching the ultimate trend rate of 4.5 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

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

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

See notes to required supplementary information.

City of Waterloo, Iowa

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

	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contributions Deficiency (Excess)	City's Covered-Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2017	**$ 1,585,908**	**$ 1,585,908**	**$ -**	**$ 17,523,333**	**9.05%**
2016	1,564,955	1,564,955	-	17,523,333	8.93
2015	1,500,510	1,500,510	-	16,800,363	8.93
2014	1,420,507	1,420,507	-	15,816,626	8.98
2013	1,358,920	1,358,920	-	N/A	N/A
2012	1,250,399	1,250,399	-	N/A	N/A
2011	1,066,879	1,066,879	-	N/A	N/A
2010	991,202	991,202	-	N/A	N/A
2009	923,462	923,462	-	N/A	N/A
2008	843,709	843,709	-	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 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.

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

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

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

See notes to required supplementary information.

City of Waterloo, Iowa

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

	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contributions Deficiency (Excess)	City's Covered-Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2017	**$ 4,186,850**	**$ 4,186,850**	**$ -**	**$ 15,365,321**	**27.25%**
2016	4,280,766	4,280,766	-	15,365,321	27.86
2015	4,565,261	4,565,261	-	15,012,366	30.41
2014	4,418,650	4,418,650	-	14,608,497	30.25
2013	3,844,363	3,844,363	-	N/A	N/A
2012	3,522,615	3,522,615	-	N/A	N/A
2011	2,731,277	2,731,277	-	N/A	N/A
2010	2,249,021	2,249,021	-	N/A	N/A
2009	2,417,019	2,417,019	-	N/A	N/A
2008	3,074,329	3,074,329	-	N/A	N/A

N/A - information was not available

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

See notes to required supplementary information.

City of Waterloo, Iowa

Notes to Required Supplementary Information – MFPRSI Pension Liability
Year Ended June 30, 2017

Note 1. Changes of Benefit Terms

There were no significant changes of benefit terms.

Note 2. Changes of Assumptions

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

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, 2017

	Budgeted Amounts	
	Original	Final
Revenues and other financing sources receipts:		
Receipts:		
Property taxes	$ 38,823,734	$ 38,823,734
Tax increment financing	7,738,405	7,738,405
Other City taxes	17,349,519	17,349,519
Licenses and permits	1,341,775	1,341,775
Use of money and property	1,392,216	1,400,731
Intergovernmental	27,605,273	28,791,782
Charges for services	26,244,143	26,707,716
Special assessments	248,000	248,000
Miscellaneous	4,762,064	6,548,536
Total receipts	125,505,129	128,950,198
Other financing sources:		
Transfer from other funds	16,868,483	18,685,483
Issuance of long-term debt	21,785,000	24,665,000
Total other financing sources	38,653,483	43,350,483
Total receipts and other financing sources	164,158,612	172,300,681
Disbursements and other financing uses:		
Governmental-type activities:		
Public safety	31,783,633	32,213,820
Public works	26,184,083	26,595,031
Health and social services	427,954	527,954
Culture and recreation	11,501,545	11,761,084
Community and economic development	14,960,886	15,938,940
General government	6,566,198	10,508,258
Debt service	15,087,646	17,959,646
Capital projects	22,958,500	24,210,183
Business-type activities	20,717,717	26,156,475
Total disbursements	150,188,162	165,871,391
Other financing uses, transfers to other funds	16,868,483	18,675,483
Total disbursements and other financing uses	167,056,645	184,546,874
Receipts and other financing sources over (under) disbursements and other financing uses	(2,898,033)	(12,246,193)
Balances, beginning of year	77,310,111	77,310,111
Balances, end of year	$ 74,412,078	$ 65,063,918

See note to required supplementary information.

Actual Amounts Budgetary Basis	Variance With Final Budget
$ 38,731,044	$ (92,690)
7,873,742	135,337
18,443,966	1,094,447
1,565,429	223,654
1,529,704	128,973
42,327,575	13,535,793
26,278,248	(429,468)
219,394	(28,606)
7,136,778	588,242
144,105,880	15,155,682
16,795,736	(1,889,747)
20,945,000	(3,720,000)
37,740,736	(5,609,747)
181,846,616	9,545,935
30,616,468	1,597,352
22,534,171	4,060,860
381,464	146,490
10,506,477	1,254,607
13,012,735	2,926,205
9,942,653	565,605
17,702,578	257,068
19,968,313	4,241,870
15,262,104	10,894,371
139,926,963	25,944,428
16,795,736	1,879,747
156,722,699	27,824,175
25,123,917	37,370,110
88,152,246	-
$ 113,276,163	$ 37,370,110

City of Waterloo, Iowa

Note to Required Supplementary Information – Budgetary Reporting
Year Ended June 30, 2017

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 $14,862,696. The budget amendment is reflected in the final budgeted amount.

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

City of Waterloo, Iowa

Schedule of Comparison
Funds Statements (GAAP Basis) to Budgetary (Modified Cash) Basis
Required Supplementary Information
Year Ended June 30, 2017

	Governmental Fund Types GAAP Basis Actual Amounts	Enterprise Fund Types GAAP Basis Actual Amounts	Total Funds
Revenue/Receipts:			
Property taxes and TIF revenue	$ 46,530,686	$ -	$ 46,530,686
Other taxes	17,541,380	-	17,541,380
Licenses and permits	1,543,716	-	1,543,716
Use of money and property	1,597,328	51,489	1,648,817
Intergovernmental	43,647,665	496,658	44,144,323
Charges for services	8,025,850	18,900,858	26,926,708
Interfund charges for services	2,185,000	-	2,185,000
Special assessments	133,943	-	133,943
Miscellaneous	1,765,900	347,903	2,113,803
Total revenue/receipts	122,971,468	19,796,908	142,768,376
Expenditures and expenses/disbursements:			
Public safety	30,518,380	-	30,518,380
Public works	19,526,031	-	19,526,031
Health and social services	379,958	-	379,958
Culture and recreation	10,616,332	-	10,616,332
Community and economic development	12,265,460	-	12,265,460
General government	10,042,300	-	10,042,300
Debt service	11,967,224	-	11,967,224
Capital projects	19,625,850	-	19,625,850
Business-type activities	-	17,686,181	17,686,181
Total expenditures and expenses/ disbursements	114,941,535	17,686,181	132,627,716
Net	8,029,933	2,110,727	10,140,660

(Continued)

Budgetary Basis Exceptions	Property Tax Collected for and Remitted to MET, Grout and Water Works	Other GAAP Conversion Adjustments	Budgetary Basis
$ -	$ 2,112,508	$ (2,038,408)	$ 46,604,786
-	-	902,586	18,443,966
-	-	21,713	1,565,429
-	-	(119,113)	1,529,704
-	-	(1,816,748)	42,327,575
-	-	(648,460)	26,278,248
-	-	(2,185,000)	-
-	-	85,451	219,394
-	-	5,022,975	7,136,778
-	2,112,508	(775,004)	144,105,880
-	-	98,088	30,616,468
-	2,112,508	895,632	22,534,171
-	-	1,506	381,464
-	-	(109,855)	10,506,477
-	-	747,275	13,012,735
-	-	(99,647)	9,942,653
-	-	5,735,354	17,702,578
-	-	342,463	19,968,313
-	-	(2,424,077)	15,262,104
-	2,112,508	5,186,739	139,926,963
-	-	(5,961,743)	4,178,917

City of Waterloo, Iowa

Schedule of Comparison
Funds Statements (GAAP Basis) to Budgetary (Modified Cash) Basis (Continued)
Required Supplementary Information
Year Ended June 30, 2017

	Governmental Fund Types Basis Actual Amounts	Enterprise Fund Types Basis Actual Amounts	Total Funds
Other financing sources (uses):			
Transfers in	$ 11,857,853	$ -	$ 11,857,853
Transfers out	(11,857,853)	-	(11,857,853)
Payment to refunding bond escrow	(2,040,000)	-	(2,040,000)
Insurance proceeds	1,624,380	-	1,624,380
Bond discount	(73,397)	-	(73,397)
Bond premium	349,982	-	349,982
Proceeds from sales of capital assets	95,564	-	95,564
Issuance of long-term debt	19,210,000	-	19,210,000
Total other financing sources (uses)	19,166,529	-	19,166,529
Change in fund balance/net position	27,196,462	2,110,727	29,307,189
Balance, beginning of year	71,394,596	92,220,588	163,615,184
Balance, end of year	$ 98,591,058	$ 94,331,315	$ 192,922,373

Budgetary Basis Exceptions	Property Tax Collected for and Remitted to MET, Grout and Water Works	Other GAAP Conversion Adjustments	Budgetary Basis
$ -	$ -	$ 4,937,883	$ 16,795,736
-	-	(4,937,883)	(16,795,736)
-	-	2,040,000	-
-	-	(1,624,380)	-
-	-	73,397	-
-	-	(349,982)	-
-	-	(95,564)	-
-	-	1,735,000	20,945,000
-	-	1,778,471	20,945,000
-	-	(4,183,272)	25,123,917
-	-	(75,462,938)	88,152,246
$ -	$ -	$ (79,646,210)	$ 113,276,163

City of Waterloo, Iowa

Required Supplementary Information
Schedule of Employer Contributions for Waterloo Water Works Pension Plan
Last Nine Fiscal Years

	2016	2015	2014	2013
Actuarially determined contribution	$ 489,448	$ 475,911	$ 481,861	$ 480,199
Contributions in relation to actuarially determined contribution	550,161	540,043	570,419	538,658
Contribution deficiency (excess)	(60,713)	(64,132)	(88,558)	(58,459)
Covered payroll	$ 1,004,723	$ 1,045,603	$ 1,064,651	$ 1,100,185
Contributions as a percentage of covered payroll	54.8%	51.6%	53.6%	49.0%

2012	2011	2010	2009	2008	2007
$ 423,689	$ 383,404	$ 357,677	$ 379,444	$ 281,460	$ 219,249
473,114	445,212	396,550	379,444	505,000	205,059
(49,425)	(61,808)	(38,873)	-	(223,540)	14,190
$ 1,105,893	$ 1,248,200	$ 1,306,209	$ 1,374,782	$ 1,356,797	$ 1,263,173
42.8%	35.7%	30.4%	27.6%	37.2%	16.2%

City of Waterloo, Iowa

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

Total pension liability		
Service cost	$	53,886
Interest		616,847
Difference between expected and actual experience		164,103
Changes in assumptions		13,141
Benefit payments including refunds		(541,494)
Change in total pension liability		306,483
Total pension liability, beginning of year		7,927,445
Total pension liability, end of year		8,233,928
Plan fiduciary net position		
Contributions, employer		489,448
Contributions, member		60,713
Contributions, nonemployer contributing member		-
Net investment income		281,674
Benefit payments including refunds		(541,494)
Administrative expense		-
Change in plan fiduciary net position		290,341
Plan fiduciary net position, beginning of year		5,105,369
Plan fiduciary net position, end of year		5,395,710
Net pension liability, end of year	$	2,838,218
Plan fiduciary net position as a % of total pension liability		65.5%
Covered payroll	$	1,004,723
Net pension liability as a % of covered payroll		282.5%

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

City of Waterloo, Iowa

Notes to Required Supplementary Information for Waterloo Water Works Pension Plan
For the Year Ended December 31, 2016

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

Note 2: Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry age cost method
Amortization method	Level dollar
Remaining amortization period	20 years
Asset valuation method	Market value of assets
Inflation	2.50%
Annual pay increases	3.00%
Investment rate of return	8.00%
Retirement age	100% at age 62
Mortality rates	2017 IRS combined mortality

City of Waterloo, Iowa

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

	Measurement Date June 30,		
	2016	2015	2014
Water Work's proportion of the net pension liability	0.014805%	0.014220%	0.012797%
Water Work's total proportionate share of the net pension liability	$ 923,262	$ 706,956	$ 524,011
Water Work's covered-employee payroll	$ 1,018,040	$ 885,398	$ 791,254
Water Work's proportionate share of the net pension liability as a percentage of its covered-employee payroll	91%	80%	61%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

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

City of Waterloo, Iowa

Required Supplementary Information
IPERS Schedule of Waterloo Water Works Contributions

	2016	2015	2014	2013
Statutorily required contribution	$ 96,378	$ 90,911	$ 79,066	$ 70,659
Contributions in relation to the Statutorily required contribution	(96,378)	(90,911)	(79,066)	(70,659)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Water Work's covered-employee payroll	$ 1,079,261	$ 1,018,040	$ 885,398	$ 791,254
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%

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

2012	2011	2010
$ 56,189	$ 43,676	$ 35,136
(56,189)	(43,676)	(35,136)
$ -	$ -	$ -
$ 648,085	$ 541,214	$ 505,554
8.67%	8.07%	6.95%

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances
General Fund
Year Ended June 30, 2017

Revenues:		
Property taxes	$	20,387,130
Other taxes		6,959,983
Licenses and permits		1,521,808
Investment income		198,340
Rent		998,034
Intergovernmental		984,769
Charges for services		7,631,540
Indirect allocations		2,135,000
Special assessments		133,943
Miscellaneous		1,390,425
Total revenues	$	42,340,972
Expenditures:		
Public safety function		
Mayor		
Black Hawk Emergency Management Agency		
Contractual services	$	76,343
Total activity and department		76,343
Police department		
Police operations		
Compensation and benefits		11,530,761
Contractual services		992,916
Commodities		229,365
Total activity		12,753,042
Police computer services		
Contractual services		77,201
Commodities		112,771
Total activity		189,972
Police grants		
Compensation and benefits		495,869
Contractual services		387
Commodities		92,872
Total activity		589,128
Law enforcement programs		
Compensation and benefits		60,349
Contractual services		144,787
Commodities		326,191
Total activity		531,327
Tobacco grant		
Compensation and benefits		3,175
Total activity		3,175

(Continued)

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
General Fund
Year Ended June 30, 2017

Expenditures (continued):	
Public safety function (continued)	
Police department (continued)	
Public safety administration	
Compensation and benefits	$ 149,711
Contractual services	2,022
Total activity	151,733
Total department	14,218,377
Fire department	
Fire protection	
Compensation and benefits	7,991,589
Contractual services	453,346
Commodities	87,998
Total activity	8,532,933
Fire restricted programs	
Compensation and benefits	7,539
Commodities	22,015
Total activity	29,554
Fire ambulance services	
Compensation and benefits	1,647,071
Contractual services	188,488
Commodities	192,498
Total activity	2,028,057
Fire safety program	
Compensation and benefits	134,205
Contractual services	36,116
Commodities	816
Total activity	171,137
Fire Federal CDC Grant	
Compensation and benefits	72,173
Contractual services	13,547
Total activity	85,720
Total department	10,847,401
Building inspection department	
Building and housing safety	
Compensation and benefits	902,647
Contractual services	48,659
Commodities	29,758
Total activity and department	981,064

(Continued)

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
General Fund
Year Ended June 30, 2017

Expenditures:		
Public safety function (continued)		
Central garage department		
Fire - garage parts & service		
Compensation and benefits	$	83,263
Commodities		95,950
Total activity		179,213
Ambulance - garage parts & service		
Commodities		23,748
Total activity		23,748
Total department		202,961
Public safety function totals		
Current		
Compensation and benefits		23,078,352
Contractual services		2,033,812
Commodities		1,213,982
Subtotal		26,326,146
Total public safety function	$	26,326,146
Public works function		
Clerk		
Sidewalk repair/construction		
Capital outlay		214,776
Total activity and department		214,776
Traffic operations		
Parking maintenance		
Compensation and benefits		18,808
Total activity and department		18,808
Central garage		
Central garage		
Compensation and benefits		685,910
Contractual services		20,301
Commodities		96,818
Total activity		803,029
Motor pool service		
Commodities		520,000
Total activity		520,000
Total department		1,323,029

(Continued)

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
General Fund
Year Ended June 30, 2017

Expenditures:		
Public works function (continued)		
Airport		
Airport administration		
Compensation and benefits	$	578,072
Contractual services		280,146
Commodities		77,271
Total activity and department		935,489
Building inspection department		
Parking operations		
Contractual services		553,842
Commodities		58,522
Total activity and department		612,364
Public works function totals		
Current		
Compensation and benefits		1,282,790
Contractual services		854,289
Commodities		752,611
		2,889,690
Capital outlay		214,776
Total public works function	$	3,104,466
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		232,340
Contractual services		11,104
Commodities		2,000
Total activity		245,444
EEOC contract		
Compensation and benefits		10,000
Contractual services		29,527
Total activity		39,527
Housing enforcement		
Contractual services		19,987
Total activity		19,987
Total department		304,958
Health and social services function totals		
Current		
Compensation and benefits		242,340
Contractual services		135,618
Commodities		2,000
Total health and social services function	$	379,958

(Continued)

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
General Fund
Year Ended June 30, 2017

Expenditures:		
Culture and recreation function		
Mayor		
Fairview cemetery association		
Contractual services	$	50,000
Total activity and department		50,000
Cultural/arts		
Center for the arts		
Compensation and benefits		588,103
Contractual services		79,937
Commodities		31,928
Total activity		699,968
Youth pavilion		
Compensation and benefits		321,044
Contractual services		46,787
Commodities		23,965
Total activity		391,796
Culture and arts grants and projects		
Compensation and benefits		6,014
Contractual services		45,497
Commodities		500
Total activity		52,011
Total department		1,143,775
Library		
Library services		
Compensation and benefits		1,376,598
Contractual services		163,326
Commodities		222,019
Total activity		1,761,943
Library Enrich Iowa		
Contractual services		14,397
Commodities		264
Total activity		14,661
Library access plus		
Commodities		2,888
Total activity		2,888
Library grants		
Contractual services		691
Commodities		17,644
Total activity		18,335

(Continued)

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
General Fund
Year Ended June 30, 2017

Expenditures (continued):		
Culture and recreation function (continued):		
Library (continued):		
Library gift and trust		
Contractual services	$	12,643
Commodities		53,008
Total activity		65,651
Library service area		
Commodities		1,779
Total activity		1,779
County library system		
Compensation and benefits		28,305
Commodities		2,168
Total activity		30,473
Library open access		
Contractual services		7,741
Commodities		6,077
Total activity		13,818
Total department		1,909,548
Leisure services		
Leisure services		
Compensation and benefits		1,876,590
Contractual services		234,285
Commodities		247,470
Capital outlay		-
Total activity		2,358,345
Downtown area maintenance		
Compensation and benefits		203,678
Contractual services		35,530
Commodities		33,001
Total activity		272,209
Leisure services projects		
Compensation and benefits		1,000
Contractual services		71,088
Commodities		58,522
Capital outlay		167,265
Total activity		297,875
Golf courses		
Compensation and benefits		928,192
Contractual services		114,417
Commodities		133,629
Total activity		1,176,238
Golf course improvements		
Contractual services		6,624
Total activity		6,624

(Continued)

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
General Fund
Year Ended June 30, 2017

Expenditures (continued):		
Culture and recreation function (continued):		
Leisure services (continued)		
Sports and youth services		
Compensation and benefits	$	462,259
Contractual services		46,053
Commodities		120,466
Total activity		628,778
Young arena		
Compensation and benefits		457,525
Contractual services		191,557
Commodities		197,097
Total activity		846,179
Sportsplex		
Compensation and benefits		779,467
Contractual services		324,705
Commodities		144,754
Capital outlay		9,290
Total activity		1,258,216
Total department		6,844,464
Culture and recreation function totals		
Current		
Compensation and benefits		7,028,775
Contractual services		1,445,278
Commodities		1,297,179
Subtotal		9,771,232
Capital outlay		176,555
Total culture and recreation function	$	9,947,787
Community and economic development function		
Mayor		
Iowa northland council of governments		
Contractual services	$	32,151
Total activity		32,151
Tourism promotion		
Contractual services		246,126
Total activity		246,126
Waterloo Convention & Visitors Bureau, Inc.		
Contractual services		619,673
Total activity		619,673
Total department		897,950
Planning and zoning		
Planning and zoning		
Compensation and benefits		564,241
Contractual services		19,002
Commodities		4,272
Total activity		587,515
City property management		
Contractual services		119,348
Total activity		119,348

(Continued)

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
General Fund
Year Ended June 30, 2017

Expenditures (continued):		
Community and economic development function (continued):		
Planning and zoning (continued)		
Economic development		
Compensation and benefits	$	72,007
Total activity		72,007
Total department		778,870
Building inspection department		
Five Sullivans Civic Center		
Compensation and benefits		95,532
Contractual services		58,184
Commodities		11,004
Total activity and department		164,720
Community and economic development function totals		
Current		
Compensation and benefits		731,780
Contractual services		1,094,484
Commodities		15,276
Total community and economic development function	$	1,841,540
General government function		
Mayor		
Mayor's office		
Compensation and benefits	$	188,431
Contractual services		20,697
Commodities		3,623
Total activity		212,751
Administrative and management information services		
Compensation and benefits		239,199
Contractual services		134,441
Commodities		46,358
Total activity		419,998
Total department		632,749
City council		
City council		
Compensation and benefits		66,778
Contractual services		2,515
Total activity and department		69,293

(Continued)

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
General Fund
Year Ended June 30, 2017

Expenditures:		
General government function (continued):		
City clerk and finance		
Telecommunications		
Compensation and benefits	$	141,658
Contractual services		480
Commodities		971
Total activity		143,109
City clerk and finance		
Compensation and benefits		774,220
Contractual services		234,427
Commodities		97,038
Total activity		1,105,685
Liability insurance		
Compensation and benefits		39,703
Contractual services		1,927,238
Total activity		1,966,941
Health/life insurance		
Contractual services		3,990,228
Total activity		3,990,228
Self-funded worker's compensation		
Contractual services		894,048
Total activity		894,048
Print shop		
Contractual services		29,100
Total activity		29,100
Total department		8,129,111
City attorney		
City attorney		
Compensation and benefits		160,058
Contractual services		64,717
Commodities		12,677
Total activity and department		237,452
Human resources		
Employee assistance program		
Contractual services		12,288
Total activity		12,288
Human resources		
Compensation and benefits		328,473
Contractual services		37,692
Commodities		2,285
Total activity		368,450

(Continued)

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
General Fund
Year Ended June 30, 2017

Expenditures (continued):		
General government function (continued):		
Human resources (continued):		
Safety committee		
Contractual services	$	9,252
Commodities		3,587
Total activity		12,839
Total department		393,577
Building inspection department		
Facilities maintenance		
Compensation and benefits		309,435
Contractual services		199,283
Commodities		41,722
Total activity		550,440
Facilities restricted project		
Contractual services		92
Commodities		1,865
Total activity		1,957
Veteran's memorial hall		
Contractual services		10,658
Total activity		10,658
Total department		563,055
General government function totals		
Current		
Compensation and benefits		2,247,955
Contractual services		7,567,156
Commodities		210,126
Total general government function	$	10,025,237

(Continued)

City of Waterloo, Iowa

Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
General Fund
Year Ended June 30, 2017

Expenditures:		
Public safety	$	26,326,146
Public works		3,104,466
Health and social services		379,958
Culture and recreation		9,947,787
Community and economic development		1,841,540
General government		10,025,237
Total expenditures	$	51,625,134
Revenue under expenditures	$	(9,284,162)
Other financing sources (uses):		
Transfers in		5,944,388
Transfers out		(135,750)
Insurance proceeds		1,624,380
Proceeds from sale of capital assets		70,564
Total other financing sources		7,503,582
Net change in fund balance		(1,780,580)
Fund balance, beginning of year		25,501,012
Fund balance, end of year	$	23,720,432

City of Waterloo, Iowa

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue	Capital Projects	Total
Assets			
Cash and cash equivalents	$ 10,587,504	$ 12,258,228	$ 22,845,732
Receivables:			
Customer accounts	12,620	487,806	500,426
Property taxes:			
Delinquent	3,585	-	3,585
Succeeding year	596,123	-	596,123
Accrued interest	138,465	-	138,465
Due from other governments:			
Federal	433,783	-	433,783
Iowa	3,539,219	-	3,539,219
Other	219,473	-	219,473
Inventories and prepaids	10,214	-	10,214
Restricted assets, cash and cash equivalents	2,186,122	-	2,186,122
Advances to other funds	21,423	-	21,423
Total assets	$ 17,748,531	$ 12,746,034	$ 30,494,565
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	$ 575,678	$ 959,468	$ 1,535,146
Retainages payable	769,659	205,624	975,283
Accrued liabilities	92,141	-	92,141
Due to other funds	1,443,516	1,618,559	3,062,075
Compensated absences	3,356	-	3,356
Payable from restricted assets	78,199	-	78,199
Total liabilities	2,962,549	2,783,651	5,746,200
Deferred inflows of resources:			
Unavailable revenue - property taxes	599,708	-	599,708
Unavailable revenue - local option sales tax	94,000	-	94,000
Unavailable revenue - intergovernmental	2,546,211	316,811	2,863,022
Total deferred inflows of resources	3,239,919	316,811	3,556,730
Fund Balances:			
Nonspendable	10,214	-	10,214
Restricted	10,975,396	11,581,481	22,556,877
Assigned	1,972,170	-	1,972,170
Unassigned	(1,411,717)	(1,935,909)	(3,347,626)
Total fund balances	11,546,063	9,645,572	21,191,635
Total liabilities, deferred inflows of resources and fund balances	$ 17,748,531	$ 12,746,034	$ 30,494,565

City of Waterloo, Iowa

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2017

	Special Revenue	Capital Projects	Total
Revenues:			
Property taxes	$ 605,630	$ -	$ 605,630
Other taxes	9,894,267	-	9,894,267
Investment income	25,157	65,375	90,532
Rent	195,103	-	195,103
Intergovernmental	10,872,187	-	10,872,187
Charges for services	361,646	-	361,646
Miscellaneous	33,080	170,995	204,075
Total revenues	21,987,070	236,370	22,223,440
Expenditures:			
Current:			
Public safety	14,917	-	14,917
Public works	9,080,753	-	9,080,753
Culture and recreation	668,545	-	668,545
Community and economic development	9,068,981	-	9,068,981
Debt service, interest and fees	-	5,000	5,000
Capital outlay	-	18,149,338	18,149,338
Total expenditures	18,833,196	18,154,338	36,987,534
Revenues over (under) expenditures	3,153,874	(17,917,968)	(14,764,094)
Other financing sources (uses):			
Transfers in	209,600	2,172,312	2,381,912
Transfers out	-	(210,825)	(210,825)
Proceeds from the sale of capital assets	25,000	-	25,000
Total other financing sources (uses)	234,600	1,961,487	2,196,087
Net change in fund balance	3,388,474	(15,956,481)	(12,568,007)
Fund balance, beginning of year	8,157,589	25,602,053	33,759,642
Fund balance, end of year	$ 11,546,063	$ 9,645,572	$ 21,191,635

City of Waterloo, Iowa

Nonmajor Special Revenue Funds
June 30, 2017

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

Nonmajor:

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

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

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

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

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

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

City of Waterloo, Iowa

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2017

	Local Option Sales Tax	Library Tax Levy	Community Development Block Grant
Assets			
Cash and cash equivalents	$ 7,915,680	$ 295,808	$ 5,160
Receivables:			
Customer accounts	-	-	-
Property taxes:			
Delinquent	-	3,585	-
Succeeding year	-	596,123	-
Accrued interest	1,573	-	16,146
Due from other governments:			
Federal	-	-	117,901
Iowa	922,762	-	445,608
Other	213,148	5,525	-
Inventories and prepaids	-	-	-
Restricted cash and cash equivalents	-	-	-
Advances to other funds	13,598	7,825	-
Total assets	$ 9,066,761	$ 908,866	$ 584,815
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)			
Liabilities:			
Accounts payable	$ 411,699	$ -	$ 61,852
Retainages payable	344,205	-	376,165
Accrued liabilities	37,225	22,189	13,261
Due to other funds	-	-	26,236
Compensated absences	-	1,280	323
Payable from restricted assets	-	-	-
Total liabilities	793,129	23,469	477,837
Deferred inflows of resources:			
Unavailable revenue - property taxes	-	599,708	-
Unavailable revenue - local option sales tax	94,000	-	-
Unavailable revenue - intergovernmental	-	-	250,834
Total deferred inflows of resources	94,000	599,708	250,834
Fund balances (deficit):			
Nonspendable	-	-	-
Restricted	6,289,192	203,959	-
Assigned	1,890,440	81,730	-
Unassigned	-	-	(143,856)
Total fund balances (deficit)	8,179,632	285,689	(143,856)
Total liabilities, deferred inflows of resources and fund balances (deficit)	$ 9,066,761	$ 908,866	$ 584,815

Special Revenue			
Housing Programs	Grants	Federal Aviation Agency Projects	Total
$ 2,370,856	$ -	$ -	$ 10,587,504
12,620	-	-	12,620
-	-	-	3,585
-	-	-	596,123
746	120,000	-	138,465
20,861	-	295,021	433,783
-	2,152,099	18,750	3,539,219
-	-	800	219,473
10,214	-	-	10,214
2,077,492	-	108,630	2,186,122
-	-	-	21,423
$ 4,492,789	$ 2,272,099	$ 423,201	$ 17,748,531
$ 21,673	$ 69,025	$ 11,429	$ 575,678
-	49,289	-	769,659
19,466	-	-	92,141
-	1,368,276	49,004	1,443,516
1,753	-	-	3,356
78,199	-	-	78,199
121,091	1,486,590	60,433	2,962,549
-	-	-	599,708
-	-	-	94,000
5,963	2,272,698	16,716	2,546,211
5,963	2,272,698	16,716	3,239,919
10,214	-	-	10,214
4,355,521	-	126,724	10,975,396
-	-	-	1,972,170
-	(1,487,189)	219,328	(1,411,717)
4,365,735	(1,487,189)	346,052	11,546,063
$ 4,492,789	$ 2,272,099	$ 423,201	$ 17,748,531

City of Waterloo, Iowa

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Nonmajor Special Revenue Funds
Year Ended June 30, 2017

	Local Option Sales Tax	Library Tax Levy	Community Development Block Grant
Revenues:			
Property taxes	$ -	$ 605,630	$ -
Other taxes	9,869,261	25,006	-
Investment income	17,828	713	-
Rent	-	-	-
Intergovernmental	-	-	2,938,241
Charges for services	47,286	-	174,735
Miscellaneous	-	-	13,623
Total revenues	9,934,375	631,349	3,126,599
Expenditures:			
Current:			
Public safety	-	-	-
Public works	7,541,937	-	-
Culture and recreation	-	576,303	-
Community and economic development	-	-	3,054,488
Total expenditures	7,541,937	576,303	3,054,488
Excess of revenues over expenditures	2,392,438	55,046	72,111
Other financing sources (uses):			
Transfers in	(330,109)	-	-
Proceed from the sale of capital assets	-	-	-
Total other financing sources (uses)	(330,109)	-	-
Change in fund balance (deficit)	2,062,329	55,046	72,111
Fund balances (deficit), beginning of year	6,117,303	230,643	(215,967)
Fund balances (deficit), end of year	$ 8,179,632	$ 285,689	$ (143,856)

Special Revenue			
Housing Programs	Grants	Federal Aviation Agency Projects	Total
$ -	$ -	$ -	$ 605,630
-	-	-	9,894,267
6,303	-	313	25,157
195,103	-	-	195,103
5,374,996	1,678,111	880,839	10,872,187
32,792	-	106,833	361,646
19,457	-	-	33,080
5,628,651	1,678,111	987,985	21,987,070
-	-	14,917	14,917
-	1,082,400	456,416	9,080,753
-	92,242	-	668,545
5,551,590	462,903	-	9,068,981
5,551,590	1,637,545	471,333	18,833,196
77,061	40,566	516,652	3,153,874
-	330,109	209,600	209,600
-	25,000	-	25,000
-	355,109	209,600	234,600
77,061	395,675	726,252	3,388,474
4,288,674	(1,882,864)	(380,200)	8,157,589
$ 4,365,735	$ (1,487,189)	$ 346,052	$ 11,546,063

City of Waterloo, Iowa

Capital Projects Funds
June 30, 2017

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 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.

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

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, 2017

	June 2012 GO Bonds	June 2013 GO Bonds	June 2014 GO Bonds
Assets			
Cash and cash equivalents	$ 1,095,747	$ 1,149,468	$ 1,117,314
Receivables, customer accounts	-	-	-
Total assets	$ 1,095,747	$ 1,149,468	$ 1,117,314
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)			
Liabilities:			
Accounts payable	$ 81,364	$ 64,528	$ 217,331
Retainages payable	-	-	-
Due to other funds	-	-	-
Total liabilities	81,364	64,528	217,331
Deferred inflows of resources, unavailable revenue - intergovernmental	-	-	-
Fund balances (deficit):			
Restricted	1,014,383	1,084,940	899,983
Unassigned	-	-	-
Total fund balances (deficit)	1,014,383	1,084,940	899,983
Total liabilities, deferred inflows of resources and fund balances (deficit)	$ 1,095,747	$ 1,149,468	$ 1,117,314

	June 2015 GO Bonds	June 2016 GO Bonds	Capital Improvements	Total
$	2,952,864	$ 5,942,835	$ -	$ 12,258,228
	-	-	487,806	487,806
$	2,952,864	$ 5,942,835	$ 487,806	$ 12,746,034
$	86,208	$ 184,297	$ 325,740	$ 959,468
	-	151,192	54,432	205,624
	-	-	1,618,559	1,618,559
	86,208	335,489	1,998,731	2,783,651
	-	-	316,811	316,811
	2,866,656	5,607,346	108,173	11,581,481
	-	-	(1,935,909)	(1,935,909)
	2,866,656	5,607,346	(1,827,736)	9,645,572
$	2,952,864	$ 5,942,835	$ 487,806	$ 12,746,034

City of Waterloo, Iowa

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Capital Projects Funds
Year Ended June 30, 2017

	June 2010 GO Bonds	June 2011 GO Bonds	June 2012 GO Bonds
Revenues:			
Investment income	$ 461	$ 1,146	$ 5,701
Miscellaneous	-	-	-
Total revenues	461	1,146	5,701
Expenditures:			
Debt service, interest expense	-	-	5,000
Capital outlay	439,823	572,801	176,845
Total expenditures	439,823	572,801	181,845
Revenues over (under) expenditures	(439,362)	(571,655)	(176,144)
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances (deficit)	(439,362)	(571,655)	(176,144)
Fund balances (deficit), beginning of year	439,362	571,655	1,190,527
Fund balances (deficit), end of year	$ -	$ -	$ 1,014,383

June 2013 GO Bonds	June 2014 GO Bonds	June 2015 GO Bonds	June 2016 GO Bonds	Capital Improvements	Total
$ 6,410	$ 6,209	$ 16,307	$ 29,141	$ -	$ 65,375
-	-	-	-	170,995	170,995
6,410	6,209	16,307	29,141	170,995	236,370
-	-	-	-	-	5,000
432,457	786,332	1,943,798	11,653,027	2,144,255	18,149,338
432,457	786,332	1,943,798	11,653,027	2,144,255	18,154,338
(426,047)	(780,123)	(1,927,491)	(11,623,886)	(1,973,260)	(17,917,968)
-	-	-	-	2,172,312	2,172,312
-	-	-	-	(210,825)	(210,825)
-	-	-	-	1,961,487	1,961,487
(426,047)	(780,123)	(1,927,491)	(11,623,886)	(11,773)	(15,956,481)
1,510,987	1,680,106	4,794,147	17,231,232	(1,815,963)	25,602,053
$ 1,084,940	$ 899,983	$ 2,866,656	$ 5,607,346	$ (1,827,736)	$ 9,645,572

City of Waterloo, Iowa

Fiduciary Funds
June 30, 2017

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

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

City of Waterloo, Iowa

Statement of Changes in Assets and Liabilities
Agency Fund
Year Ended June 30, 2017

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Assets, cash	$ -	$ 2,112,508	$ 2,112,508	$ -
Liabilities, due to private entities	$ -	$ 2,112,508	$ 2,112,508	$ -

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.

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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. 123

Revenue Capacity
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax. 128

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. 132

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. 137

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. 139

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	$ 202,629,813	$ 216,863,066	$ 233,853,135	$ 243,084,776	$ 250,819,314	$ 264,695,106	$ 273,871,470	$ 307,415,275	$ 316,701,068	$ 306,360,558
Restricted	25,583,429	32,652,537	36,648,414	28,098,845	31,552,558	30,823,956	30,579,471	30,438,501	20,032,995	55,182,022
Unrestricted	7,342,293	4,738,557	3,591,308	9,823,688	9,694,131	7,214,587	8,998,045	(31,681,588)	(23,683,497)	(31,089,693)
Total governmental activities net position	$ 235,555,535	$ 254,254,160	$ 274,092,857	$ 281,007,309	$ 292,066,003	$ 302,733,649	$ 313,448,986	$ 306,172,188	$ 313,050,566	$ 330,452,887
Business-type activities										
Net investment in capital assets	$ 63,754,721	$ 65,420,051	$ 66,494,749	$ 67,576,579	$ 71,243,134	$ 74,508,694	$ 79,920,865	$ 78,270,214	$ 79,522,665	$ 79,180,253
Restricted	3,182,802	3,171,308	3,178,807	3,170,694	1,655,694	1,383,659	1,310,099	727,235	672,515	672,515
Unrestricted	9,473,128	9,440,050	10,719,450	13,086,820	14,659,699	14,202,857	11,445,832	11,638,646	12,025,408	14,478,547
Total business-type activities net position	$ 76,410,651	$ 78,031,409	$ 80,393,006	$ 83,834,093	$ 87,558,527	$ 90,095,210	$ 92,676,796	$ 90,636,095	$ 92,220,588	$ 94,331,315
Primary government										
Net investment in capital assets	$ 266,384,534	$ 282,283,117	$ 300,347,884	$ 310,661,355	$ 322,062,448	$ 339,203,800	$ 353,792,335	$ 385,685,489	$ 396,223,733	$ 385,540,811
Restricted	28,766,231	35,823,845	39,827,221	31,269,539	33,208,252	32,207,615	31,889,570	31,165,736	20,705,510	55,854,537
Unrestricted	16,815,421	14,178,607	14,310,758	22,910,508	24,353,830	21,417,444	20,443,877	(20,042,942)	(11,658,089)	(16,611,146)
Total primary government net position	$ 311,966,186	$ 332,285,569	$ 354,485,863	$ 364,841,402	$ 379,624,530	$ 392,828,859	$ 406,125,782	$ 396,808,283	$ 405,271,154	$ 424,784,202

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
Public safety	$ 26,214,669	$ 26,719,053	$ 28,612,482	$ 29,629,282	$ 30,037,249	$ 31,913,280	$ 31,773,269	$ 25,988,767	$ 34,120,160	$ 33,735,948
Public works	21,705,472	22,435,723	22,839,814	23,276,707	23,297,561	24,938,888	28,911,525	29,570,277	29,670,192	35,579,527
Health and social services	268,761	260,584	244,594	257,618	278,589	299,282	368,173	325,607	295,088	381,203
Culture and recreation	8,408,694	9,512,453	9,951,066	10,080,005	10,515,120	10,491,266	11,315,704	11,676,287	11,950,688	15,012,599
Community and economic development	9,581,090	13,520,082	15,138,776	16,675,218	16,138,333	14,129,616	12,910,299	13,190,672	13,753,669	12,860,289
General government	4,511,057	5,150,029	4,548,726	4,860,959	4,219,355	3,714,993	2,749,672	4,869,696	5,247,593	10,421,434
Interest on long-term debt	2,782,119	2,880,205	2,736,194	2,639,047	2,459,710	2,680,614	2,349,054	2,208,744	2,048,517	2,175,284
Total governmental activities expenses	73,471,862	80,478,129	84,071,652	87,418,836	86,945,917	88,167,939	90,377,696	87,830,050	97,085,907	110,166,284
Business-type activities:										
Sanitary sewer	8,649,104	8,573,832	8,682,068	10,437,723	9,730,465	10,033,041	9,811,929	12,518,569	14,018,836	13,635,403
Sanitation	3,289,854	3,593,300	3,873,028	3,408,358	3,680,500	3,640,314	3,215,663	3,612,307	3,921,263	4,050,778
Total business-type activities expenses	11,938,958	12,167,132	12,555,096	13,846,081	13,410,965	13,673,355	13,027,592	16,130,876	17,940,099	17,686,181
Total primary government expenses	$ 85,410,820	$ 92,645,261	$ 96,626,748	$ 101,264,917	$ 100,356,882	$ 101,841,294	$ 103,405,288	$ 103,960,926	$ 115,026,006	$ 127,852,465
Program Revenue										
Governmental activities:										
Charges for services:										
Public safety	$ 3,441,302	$ 3,143,136	$ 3,331,924	$ 3,874,275	$ 3,602,246	$ 3,683,489	$ 3,800,273	$ 4,018,731	$ 4,325,957	$ 4,231,224
Public works	1,933,607	1,894,200	1,887,850	1,984,786	2,224,870	2,192,414	2,802,925	2,498,057	1,284,289	2,474,497
Culture and recreation	2,263,815	2,441,457	2,337,191	2,339,044	2,592,204	2,492,426	3,010,899	3,361,891	3,645,647	3,538,243
Other activities	1,361,824	1,139,772	1,125,370	1,229,991	1,268,316	1,489,631	1,531,761	1,667,019	769,733	1,574,497
Operating grants and contributions	14,018,130	16,803,356	18,592,551	16,376,376	16,603,449	14,967,188	11,938,221	11,335,064	18,581,010	13,138,910
Capital grants and contributions	8,609,193	13,787,329	14,938,736	9,832,416	10,720,735	9,364,734	12,668,122	39,116,737	9,065,137	35,704,168
Total governmental activities program revenue	31,627,871	39,209,250	42,213,622	35,636,888	37,011,820	34,189,882	35,752,201	61,997,499	37,671,773	60,661,539
Business-type activities:										
Charges for services:										
Sanitary sewer	9,598,454	9,628,876	11,185,490	13,283,908	13,147,754	12,285,502	12,845,301	12,661,602	14,277,752	15,235,503
Sanitation	3,294,443	3,349,978	3,398,533	3,446,332	3,572,238	3,615,787	3,609,500	3,585,270	3,650,271	3,820,281
Operating grants and contributions:										
Sanitary sewer	240,678	339,496	-	125,802	54,041	-	-	24,236	1,892	206,145
Sanitation	288,866	274,988	314,940	399,000	215,584	273,869	272,755	274,324	273,624	290,513
Capital grants and contributions:										
Sanitary sewer	127,092	106,200	-	81,302	82,443	-	-	-	1,271,776	192,977
Sanitation	-	3,000	-	-	560	13,585	-	-	-	-
Total business-type activities program revenue	13,549,533	13,702,538	14,898,963	17,336,344	17,072,620	16,188,743	16,727,556	16,545,432	19,475,315	19,745,419
Total primary government program revenue	$ 45,177,404	$ 52,911,788	$ 57,112,585	$ 52,973,232	$ 54,084,440	$ 50,378,625	$ 52,479,757	$ 78,542,931	$ 57,147,088	$ 80,406,958
Net (Expense)/Revenue										
Governmental activities	$ (41,843,991)	$ (41,268,879)	$ (41,858,030)	$ (51,781,948)	$ (49,934,097)	$ (53,978,057)	$ (54,625,495)	$ (25,832,551)	$ (59,414,134)	$ (49,504,745)
Business-type activities	1,610,575	1,535,406	2,343,867	3,490,263	3,661,655	2,515,388	3,699,964	414,556	1,535,216	2,059,238
Total primary government net expense	$ (40,233,416)	$ (39,733,473)	$ (39,514,163)	$ (48,291,685)	$ (46,272,442)	$ (51,462,669)	$ (50,925,531)	$ (25,417,995)	$ (57,878,918)	$ (47,445,507)

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenue and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	$ 35,899,681	$ 38,776,426	$ 40,497,163	$ 41,028,851	$ 42,822,680	$ 45,536,650	$ 44,585,915	$ 45,514,979	$ 46,327,997	$ 46,530,686
Other taxes	13,674,750	14,208,362	13,911,219	14,566,088	14,844,322	15,142,297	16,745,434	17,471,721	17,554,079	17,260,380
Investment earnings	1,432,651	426,353	170,946	152,078	54,485	45,578	117,515	180,123	187,046	339,895
Miscellaneous	3,900,343	6,556,363	5,189,217	2,879,152	3,315,471	3,925,918	2,748,468	1,108,633	2,034,957	2,741,240
Gain on sale of assets	-	-	1,827,508	-	-	-	-	-	188,433	34,865
Transfers	-	-	-	70,231	(44,167)	(4,740)	-	(2,035)	-	-
Total governmental activities	54,907,425	59,967,504	61,596,053	58,696,400	60,992,791	64,645,703	64,197,332	64,273,421	66,292,512	66,907,066
Business-type activities:										
Investment earnings	357,518	85,352	17,730	21,055	18,612	16,555	25,122	39,714	49,277	51,489
Gain (loss) on sale of assets	-	-	-	-	-	-	-	1,711	-	-
Transfers	-	-	-	(70,231)	44,167	4,740	-	2,035	-	-
Total business-type activities	357,518	85,352	17,730	(49,176)	62,779	21,295	25,122	43,460	49,277	51,489
Total primary government	$ 55,264,943	$ 60,052,856	$ 61,613,783	$ 58,647,224	$ 61,055,570	$ 64,666,998	$ 64,222,454	$ 64,316,881	$ 66,341,789	$ 66,958,555
Changes in Net Position										
Governmental activities	$ 13,063,434	$ 18,698,625	$ 19,738,023	$ 6,914,452	$ 11,058,694	$ 10,667,646	$ 10,715,337	$ 38,440,870	$ 6,878,378	$ 17,402,321
Business-type activities	1,968,093	1,620,758	2,361,597	3,441,087	3,724,434	2,536,683	2,581,586	458,016	1,584,493	2,110,727
Total primary government	$ 15,031,527	$ 20,319,383	$ 22,099,620	$ 10,355,539	$ 14,783,128	$ 13,204,329	$ 13,296,923	$ 38,898,886	$ 8,462,871	$ 19,513,048

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Nonspendable	$ -	$ -	$ -	$ 310,432	$ 326,276	$ 322,077	$ 392,741	$ 323,781	$ 267,413	$ 197,324
Restricted	-	-	-	3,602,691	3,438,392	5,497,065	8,667,499	9,109,347	10,390,434	8,565,653
Committed	-	-	-	662,415	-	-	36,595	-	-	-
Assigned	-	-	-	4,878,877	4,802,837	5,318,721	4,430,460	4,848,307	5,007,033	5,410,593
Unassigned	-	-	-	8,417,600	9,644,699	8,907,668	10,184,876	10,224,959	9,836,132	9,546,862
Reserved	3,074,869	2,367,516	3,064,085	-	-	-	-	-	-	-
Unreserved:										
Designated	4,577,679	4,720,531	5,077,047	-	-	-	-	-	-	-
Undesignated	7,438,418	8,152,625	8,610,737	-	-	-	-	-	-	-
Total general fund	$ 15,090,966	$ 15,240,672	$ 16,751,869	$ 17,872,015	$ 18,212,204	$ 20,045,531	$ 23,712,171	$ 24,506,394	$ 25,501,012	$ 23,720,432
All Other Governmental Funds										
Nonspendable	$ -	$ -	$ -	$ 208,100	$ 297,516	$ 233,192	$ 466,165	$ 298,880	$ 290,117	$ 261,770
Restricted	-	-	-	39,357,168	42,286,946	42,907,706	28,709,385	38,887,421	47,673,892	75,498,203
Assigned	-	-	-	2,322,606	2,332,997	2,370,221	80,148	2,396,279	2,424,601	2,458,279
Unassigned	-	-	-	(5,150,315)	(7,161,884)	(4,608,778)	(1,929,863)	(5,711,850)	(4,495,025)	(3,347,626)
Reserved	2,633,730	2,923,228	2,786,146	-	-	-	-	-	-	-
Undesignated, reported in:										
Special revenue funds	16,846,339	17,918,742	16,410,755	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-	-	-
Capital project funds	17,205,128	14,259,781	12,144,579	-	-	-	-	-	-	-
Total all other governmental funds	$ 36,685,197	$ 35,101,751	$ 31,341,480	$ 36,737,559	$ 37,755,575	$ 40,902,341	$ 27,325,835	$ 35,870,730	$ 45,893,585	$ 74,870,626

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue										
Property taxes	$ 35,863,457	$ 38,789,695	$ 40,454,704	$ 41,013,565	$ 42,864,091	$ 45,485,229	$ 44,623,905	$ 45,440,607	$ 46,259,411	$ 46,530,686
Other taxes	13,532,878	14,368,254	13,982,362	14,703,052	15,460,718	14,683,459	16,946,689	17,599,304	17,309,079	17,541,380
Licenses and permits	1,274,948	977,306	996,031	1,236,912	1,119,886	1,128,513	1,350,599	1,413,739	1,491,131	1,543,716
Investment income	1,432,651	426,353	170,946	152,078	54,485	45,578	117,515	183,938	187,047	339,895
Rent*	992,710	1,060,566	1,060,889	1,094,271	1,186,419	1,191,376	1,263,682	1,293,559	1,235,525	1,257,433
Intergovernmental	21,833,988	22,932,392	30,681,962	30,092,432	25,596,988	27,797,797	23,425,271	28,647,425	26,670,622	43,647,665
Charges for services*	5,767,327	5,963,660	5,932,437	6,397,007	6,748,285	6,512,462	6,894,308	7,371,370	8,142,707	8,025,850
Interfund charges for service	2,825,152	2,808,833	2,385,680	2,134,553	1,935,000	1,935,000	1,935,000	1,935,000	1,935,000	2,185,000
Special assessments	39,931	37,216	225,198	47,171	93,870	124,467	139,408	127,266	138,434	133,943
Miscellaneous	4,683,887	6,043,260	3,773,963	3,292,228	3,702,763	4,503,173	3,425,567	2,760,949	2,032,729	1,765,900
Total revenue	88,246,929	93,407,535	99,664,172	100,163,269	98,762,505	103,407,054	100,121,944	106,773,157	105,401,685	122,971,468
Expenditures										
Current:										
Public safety	25,958,017	25,941,016	26,947,910	27,686,410	29,272,717	30,517,147	30,865,364	30,588,630	31,380,988	30,518,380
Public works	15,354,726	23,846,845	27,635,226	19,761,835	25,565,737	26,286,055	29,009,814	34,515,685	26,664,570	19,526,031
Health and social services	346,169	333,706	316,974	325,730	346,952	370,275	365,847	407,060	375,769	379,958
Culture and recreation	7,683,720	8,844,296	9,264,689	8,960,633	9,396,914	9,134,554	9,835,758	10,633,238	10,837,983	10,616,332
Community and economic development	10,075,134	13,954,851	17,423,767	15,740,405	13,794,104	13,555,391	12,966,402	11,783,311	13,483,447	12,265,460
General government	4,539,873	5,532,557	5,097,361	5,623,650	4,956,104	3,980,405	2,468,932	5,459,817	5,671,640	10,042,300
Debt service										
Principal	8,134,849	7,698,818	8,783,299	9,565,662	8,623,207	8,708,554	8,886,944	9,659,890	11,314,503	9,698,561
Interest and fees	2,908,196	2,975,411	2,799,830	2,623,038	2,536,705	2,276,310	2,150,525	2,023,366	2,169,997	2,268,663
Bond Issuance Costs**	-	-	-	-	-	100,798	149,580	-	-	-
Capital projects	20,405,512	16,639,618	15,126,719	11,792,357	14,140,916	9,646,195	14,033,868	11,855,746	12,835,209	19,625,850
Total expenditures	95,406,196	105,767,118	113,395,775	102,079,720	108,633,356	104,575,684	110,733,034	116,926,743	114,734,106	114,941,535
Revenue over (under) expenditures	(7,159,267)	(12,359,583)	(13,731,603)	(1,916,451)	(9,870,851)	(1,168,630)	(10,611,090)	(10,153,586)	(9,332,421)	8,029,933
Other financing sources (uses)										
Transfers in	13,447,647	15,295,255	14,434,303	13,368,149	14,206,860	12,765,878	11,006,208	10,276,970	14,882,427	11,857,853
Transfers out	(13,447,647)	(15,295,255)	(14,434,303)	(13,297,918)	(14,206,860)	(12,765,878)	(11,006,208)	(10,276,970)	(14,882,427)	(11,857,853)
Insurance proceeds	-	1,421,521	1,734,450	138,157	19,968	173,397	356,454	1,400	766,470	1,624,380
Proceeds from sale of assets	41,491	74,294	2,243,301	221,807	-	71,014	47,937	(6,168)	335,618	95,564
Refunding bonds issued	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	(3,917,230)	(4,200,992)	(4,172,380)	(5,586,483)	-	(6,744,723)	(8,806,014)	-	-	(2,040,000)
Proceeds from debt issued	9,661,649	9,400,000	7,500,000	7,735,081	6,740,000	9,900,348	11,595,000	8,000,000	19,140,000	19,210,000
Bond discounts and premiums	60,280	(40,080)	(62,842)	353,883	269,088	118,687	205,713	129,606	107,806	276,585
Total other financing sources (uses)	9,781,190	10,925,843	11,482,529	8,432,676	11,229,056	6,148,723	12,069,090	8,124,838	20,349,894	19,166,529
Net change in fund balances	$ 2,621,923	$ (1,433,740)	$ (2,249,074)	$ 6,516,225	$ 1,358,205	$ 4,980,093	$ 1,458,000	$ (2,028,748)	$ 11,017,473	$ 27,196,462
Debt service as a percentage of noncapital expenditures	14.7%	12.0%	11.8%	13.5%	11.8%	13.2%	12.3%	13.2%	13.2%	49.4%

* 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
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%
2014	2016	1,347,497,993	662,021,833	105,004,150	214,993,747	110,527,435	6,267,608	2,433,777,550	17.76370	3,656,417,436	66.56%
2015	2018	1,383,126,415	620,075,361	104,318,361	229,899,157	151,573,034	6,008,327	2,482,984,001	17.60522	3,770,142,165	65.86%

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

				Overlapping Rates							
	City of Waterloo			Black Hawk County			Schools				Total
Fiscal Year	Operating Millage	Debt Service	Total City Millage	Operating Millage	Debt Service	Total County Millage	Operating Millage	Debt Service	Total School Millage	Other	Direct & Overlapping Rates
2008	15.33540	3.43129	18.76669	6.82613	0.58407	7.41020	15.74972	1.00000	16.74972	1.18405	44.11066
2009	15.10748	3.25939	18.36687	6.35616	0.57975	6.93591	15.65725	1.00000	16.65725	1.36422	43.32425
2010	15.01876	3.28813	18.30689	6.12831	0.57689	6.70520	15.45746	1.00000	16.45746	1.33721	42.80676
2011	14.92433	3.33973	18.26406	6.22972	0.44212	6.67184	15.43697	1.00000	16.43697	1.38794	42.76081
2012	15.16068	3.37267	18.53335	5.92415	0.67322	6.59737	15.28141	1.00000	16.28141	1.28109	42.69322
2013	15.03346	3.17159	18.20505	5.59849	0.64144	6.23993	14.80265	1.00000	15.80265	1.33770	41.58533
2014	14.39276	3.10043	17.49319	5.39234	0.62882	6.02116	13.12135	2.60683	15.72818	1.36950	40.61203
2015	14.74920	3.20239	17.95159	5.52447	0.59472	6.11919	13.28631	2.68895	15.97526	1.35851	41.40455
2016	14.50433	3.25937	17.76370	5.43985	1.30832	6.74817	12.92607	2.69825	15.62432	1.34988	41.48607
2017	14.44418	3.16104	17.60522	5.48507	0.96070	6.44577	12.72660	2.67340	15.40000	1.33315	40.78414

Source: Black Hawk County Auditor.

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

	2017			2008		
Employer	Assessed Value 1/1/2015	Rank	Percentage of Total Assessed Value	Assessed Value 1/1/2005	Rank	Percentage of Total Assessed Value
Deere and Company	$ 49,961,776	1	1.37%	$ 25,099,360	3	0.82%
IOC Black Hawk County, Inc.	48,937,500	2	1.34%			
Waterloo Owner, LLC (Crossroads Mall)	31,363,821	3	0.86%	30,996,870	2	1.01%
Equitable Life Assurance in 2003		3				--
Con Agra k/n/a Hunt Wesson, Inc.	19,951,236	4	0.55%	16,357,690	6	0.53%
Ferguson Enterprises, Inc.	18,636,903	5	0.51%	22,690,240	4	0.74%
Tyson Fresh Meats (formerly IBP, Inc.)	15,499,193	6	0.42%	19,968,530	5	0.65%
Bertch Cabinet Manufacturing	14,746,095	7	0.40%	15,518,840	7	0.50%
Walmart Stores	12,011,454	8	0.33%			--
VGM Management	10,641,484	9	0.29%			--
Menard Inc	10,433,542	10	0.29%	9,939,390	10	0.32%
			--			--
MidAmerican Energy	--		--	117,777,075	1	3.83%
Qwest Corporation (formerly US West)	--		--	12,440,593	8	0.40%
Banco Mortgage Company	--		--	10,487,300	9	0.34%
Total	$ 232,183,004		6.35%	$ 281,275,888		9.15%

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
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%
2014	2016	38,480,720	38,405,051	99.80%	(176,170) *	38,228,881	99.35%
2015	2017	33,086,343	33,010,145	99.77%	9,310 *	33,019,455	99.80%

Source: Black Hawk County Auditor's office.

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

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

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

	Governmental Activities				Business-Type Activities						
Fiscal Year	General Obligation Bonds	General Obligation Capital Loan Notes	Capital Leases	Other Debt	General Obligation Bonds	Revenue Bonds	Capital Leases	Other Debt	Total Primary Government	Percentage of Personal Income*	Per Capita*
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	25,804,346	719,286	--	-	96,418,050	3.37%	1,409
2016	75,897,719	--	--	1,934,063	23,198,824	142,604	--	-	101,173,210	3.59%	1,479
2017	83,682,844	--	--	1,788,702	21,692,273	-	--	-	107,163,819	3.78%	1,566

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*
2008	$ 80,518,995	$ 3,133,666,442	2.57%	1,171
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	93,637,457	3,623,346,971	2.58%	1,369
2016	99,096,543	3,656,417,436	2.71%	1,449
2017	105,375,117	3,770,142,165	2.79%	1,540

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, 2017

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable To City*	Estimated Share of Overlapping Debt
City of Waterloo direct debt	$ 85,476,143	100.00%	$ 85,476,143
Overlapping:			
Black Hawk County	$ 40,495,000	46.16%	18,692,492
Hudson Community Schools		0.00%	-
Hawkeye Community College	2,000,000	27.30%	546,000
Subtotal, overlapping debt	$ 42,495,000		$ 19,238,492
Total direct and overlapping debt	$ 127,971,143		$ 104,714,635

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	$ 156,683,322	$ 172,392,563	$ 178,318,422	$ 178,318,423	$ 187,351,502	$ 186,908,273	$ 188,105,317	$ 181,167,349	$ 182,820,872	$ 188,507,108
Total net debt applicable to limit	82,750,081	84,593,090	85,978,443	88,642,530	91,810,117	92,890,939	93,762,629	95,698,764	101,030,606	107,163,819
Legal debt margin	$ 73,933,241	$ 87,799,473	$ 92,339,979	$ 89,675,893	$ 95,513,435	$ 94,503,961	$ 94,342,688	$ 85,468,585	$ 81,790,266	$ 81,343,289
Total net debt applicable to the limit as a percentage of debt limit	52.81%	49.07%	48.22%	49.71%	49.02%	49.44%	49.44%	52.82%	55.26%	56.85%

Legal Debt Margin Calculation for Fiscal Year 2017

Estimated actual valuation (assessed) as of January 1, 2015	$ 3,770,142,165
Debt limit (5% of total estimated actual valuation)	188,507,108
Debt applicable to debt limit:	
General obligation bonds	105,375,117
General obligation capital loan notes	1,788,702
Total net debt applicable to limit	107,163,819
Legal debt margin	$ 81,343,289

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
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	6,450,294	6,766,789	1,655,847	4.0866
2013	12,312,670	6,803,784	5,508,886	1,659,883	3.3188
2014	12,863,347	8,069,660	4,793,687	1,259,403	3.8063
2015	12,716,670	9,894,071	2,822,599	1,233,703	2.2879
2016	14,261,375	11,319,925	2,941,450	592,413	4.9652
2017	15,236,339	11,307,231	3,929,108	144,200	27.2476

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

Year	Population[1]	Personal Income	Per Capita Personal Income[2]	Median Age[1]	Unemployment Rate[3]	School Enrollment[4]
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
2015	68,406	2,817,779,952	41,192	35.8	5.4%	10,445
2016	68,406	2,837,344,068	41,478	36.2	4.8%	10,357

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

	2016			2008		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Deere & Company	5,100	1	15.79%	5,600	1	17.45%
Wheaton Franciscan Health Care *	2,895	2	8.96%	3,030	2	9.44%
Tyson Fresh Meats (formerly IBP, Inc.)	2,700	3	8.36%	2,500	3	7.79%
Unity Point Health(Allen Memorial Hospital)	2,520	4	7.80%	1,980	4	6.17%
University of Northern Iowa	1,820	5	5.63%	1,780	5	5.55%
Hy-Vee	1,720	6	5.33%	1,155	9	3.60%
Waterloo Community Schools	1,605	7	4.97%	1,450	8	4.52%
Omega Cabinets	950	8	2.94%	1,500	7	--
Target Distribution Center	950	9	2.94%	--	--	--
CBE Companies	900	10	2.79%	--	--	--
Bertch Cabinet Manufacturing	--	--	--	1,500	6	4.67%
Area Education Agency 7	--	--	--	1,150	10	3.58%
Total	21,160		65.51%	21,645		59.17%

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Police	128.0	131.0	135.0	139.0	138.0	131.0	130.0	130.0	130.0	130
Fire	118.0	113.0	116.5	114.5	112.5	109.5	108.5	106.5	109.5	107.5
Building Inspection	16.0	15.0	15.5	10.5	12.5	12.5	12.5	13.5	13.5	13.0
Public Works										
City Engineer	19.0	20.0	19.0	18.0	20.0	20.0	20.0	20.0	20.0	20
Traffic	12.0	13.0	12.0	12.0	12.0	15.0	16.0	16.0	14.0	15
Central Garage	10.0	10.0	8.0	9.0	9.0	9.0	10.0	10.0	9.0	9
Street	34.0	40.0	39.0	37.0	38.0	36.0	34.0	37.0	35.0	36
Airport	5.5	5.5	5.5	5.5	6.0	5.0	6.0	6.0	6.0	6
Health & Social Services										
Human Rights	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3
Culture & Recreation										
Cultural & Arts	12.0	13.5	13.5	14.0	14.5	13.0	11.0	13.0	12.0	13
Library	24.0	24.5	25.0	24.5	24.5	25.0	25.0	24.5	24.0	23.5
Leisure Services	39.0	41.0	40.0	40.0	39.0	36.0	40.0	43.0	42.0	41
Community & Economic Development										
Community Planning & Development	24.0	24.0	24.0	24.0	24.0	22.0	23.0	23.0	22.0	21
General Government										
Mayor's Office	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1
Administrative Services/MIS	2.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0	2.0	4
City Clerk & Finance	13.0	13.0	13.0	13.0	13.0	14.0	14.0	12.0	12.0	9
City Attorney/Code Enforcement	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	6.0	6
Human Resources	3.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4
Facilities Maintenance	3.0	3.0	3.0	3.0	3.0	3.0	4.0	4.0	4.0	4.0
Waste Management Services										
Sewer	30.1	30.1	29.0	32.0	35.0	33.9	41.0	39.0	40.0	39.0
Sanitation	13.9	13.9	13.0	15.0	14.0	17.1	13.0	17.0	13.0	13.0
Total	511.0	520.0	521.5	521.5	525.5	511.5	517.5	524.0	521.0	518.0

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Police *										
Traffic accidents	1,942	2,141	1,941	1,712	1,630	1,598	1,839	1,726	1,607	1,633
Cases	14,468	13,740	13,411	12,079	11,591	11,344	11,298	11,111	10,110	9,683
Citations	9,816	6,781	7,983	6,851	7,271	6,448	6,989	5,060	4,917	3,947
Calls for service	73,690	75,932	82,044	81,110	80,872	75,626	77,161	67,717	61,944	60,652
Total arrests	6,176	5,506	5,590	5,243	5,244	4,984	4,931	4,728	4,004	3,874
Fire										
Fire responses	6,223	5,208	4,885	4,238	4,307	4,622	5,011	5,129	5,232	5,638
Ambulance responses	7,503	7,234	6,928	5,328	6,062	6,997	6,729	6,830	6,650	7,036
Building Inspection										
Construction permits issued	8,961	8,143	8,657	9,386	8,012	8,682	9,969	10,327	10,620	9,704
Construction value of permits	$ 119,894,709	$ 74,920,243	$ 82,650,598	$ 103,199,063	$ 124,803,841	$ 91,192,766	$ 101,677,108	$ 100,224,478	$ 127,513,038	$ 108,699,337
Public Works										
Engineering										
Street reconstruction (miles)	1.57	2.55	2.45	1.98	2.90	3.08	3.15	1.59	2.61	3.35
Street resurfacing (miles)	13.57	18.63	12.42	14.15	12.64	14.05	12.21	18.63	12.53	0.64
Street Department										
Tons of salt used for streets	6,185.86	5,506.97	6,043.06	5,012.05	4,816.00	5,700.00	5,162.00	4,217.00	3,024.00	3,307.00
Man hours for road maintenance	66,560	71,448	71,448	72,800	68,640	67,345	66,650	67,320	79,357	66,924
Airport										
Commercial Enplanements	27,026	25,467	22,255	23,206	22,173	19,897	21,573	26,170	27,325	25,534
Aircraft take-offs and landings	25,979	25,921	22,738	20,772	21,521	20,589	19,109	19,550	21,037	18,585
Based aircraft	101	100	100	101	101	104	104	74	75	75
Health & Social Services										
Human Rights										
Civil Rights complaints										
New cases opened	109	62	74	78	95	106	64	66	50	57
Cases closed	63	182	88	76	103	59	43	100	50	69
Active cases at year-end	262	126	109	113	103	154	177	143	142	129
Culture & Recreation										
Leisure Services										
SportsPlex Members	N/A	N/A	N/A	N/A	N/A	N/A	2594	4,450	4,965	5,095
Young Arena facility usage										
Event Visitors	142,278	121,324	118,286	118,089	127,508	118,639	119,903	100,064	100,913	103,547
Recreational Visitors	138,285	138,541	143,370	153,018	164,315	174,780	186,384	189,121	189,586	183,749
Sports - youth programs	4,677.00	5,034.00	5,117.00	5,691.00	5,720.00	5,451.00	5,571.00	5,623.00	5,689.00	5,573.00
Sports - adult programs	1,261	1,461	1,665	1,621	1,620	1,588	1,598	1,617	1,543	1,497
Pool attendance	40,789	40,561	41,743	42,883	44,741	39,611	37,603	33,866	34,733	28,861
Golf rounds	86,268	93,932	95,898	87,173	97,032	81,218	75,737	74,891	76,137	69,989
Annual flowers grown for parks	21,765	22,880	28,008	24,984	22,488	23,304	-	-	-	-
Public Library										
Total Circulation	413,525	426,593	441,746	419,333	424,435	405,341	422,204	470,786	446,467	365,656
Total Library Visits	$ 259,144	$ 241,539	$ 274,903	$ 290,161	$ 207,597	$ 263,261	$ 271,603	$ 278,431	$ 253,929	$ 262,073
Waterloo Center for the Arts										
In House Visitors	$ 104,499	$ 125,351	$ 118,541	$ 113,411	$ 119,404	$ 125,958	$ 118,970	$ 128,140	$ 122,334	$ 157,628
Events, meetings, and programs	$ 1,479	$ 1,839	$ 1,683	$ 1,625	$ 1,578	$ 1,563	$ 1,074	$ 1,103	$ 1,003	$ 1,261

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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Community & Economic Development										
Planning and Zoning										
Planning commission agenda items	69	50	54	77	65	72	91	100	86	63
CURA applications received **	35	46	29	20	12	24	30	41	31	35
CURA improvements value	$ 7,346,601	$ 5,972,779	$ 12,309,630	$ 2,063,995	$ 9,307,075	$ 2,776,663	$ 11,368,905	$ 7,856,518	$ 13,451,612	$ 13,439,875
CLURA applications received***	-	-	-	-	6	19	58	69	41	74
CLURA improvments value	$ -	$ -	$ -	$ -	$ 1,249,100	$ 4,385,349	$ 14,418,617	$ 15,057,131	$ 8,849,239	$ 17,426,350
Community Development										
Down payment assistance	41	50	57	12	22	10	3	4	8	7
Home buyer education	193	183	147	-	-	-	-	-	-	-
Owner-occupied homes rehabilitated	46	36	10	32	46	31	42	26	24	24
Emergency repairs (including roofs)	34	38	44	39	45	49	37	33	34	32
Demolitions (residential & commercial)	19	20	27	11	20	18	21	-	13	-
Housing										
Actual vouchers	1,032	1,007	1,003	994	996	1,005	931	937	975	1,017
Public housing units	49	50	48	50	50	50	50	50	50	50
Family self sufficiency participants	75	59	49	53	54	47	36	31	34	28
Sewer										
Sewer system customers	25,843	25,769	25,565	25,450	25,707	25,393	26,102	25,584	26,498	26,522

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	32	32	32	34	31	29 **	29	30	33
Public Works										
Miles of streets - paved	354	356	357	364	364	364	364	364	360	360
Miles of streets - unpaved	74	73	73	72	72	72	72	72	68	68
Street lights	1,800	1,800	1,800	1,800	1,800	1,800	1,807	1,807	1,807	1,807
Traffic Signals	198	198	197	200	200	200	197	198	198	199
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	20
Baseball diamonds	8	8	6	6	6	6	6	6	6	6
Baseball stadium	1	1	1	1	1	1	1	1	1	1
Softball complexes	2	2	2	2	2	2	2	2	2	2
Tennis courts	27	27	27	27	27	27	27	27	27	27
Ice arena	1	1	1	1	1	1	1	1	1	1
Soccer complex	1	1	1	1	1	1	1	1	1	1
Exposition plaza	0	1	1	1	1	1	1	1	1	1
Skatepark	1	1	1	1	1	1	1	1	1	1
Dog park	0	1	1	1	1	1	1	1	1	1
Amphitheater	0	0	0	0	1	1	1	1	1	1
Splash Park	0	0	0	0	1	1	1	1	1	1
Indoor sports & fitness faciity	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1	1	1
Center for the Arts collection size	2,794	3,153	3,362	3,766	4,178	4,352	4,682	5,102	5,498	5,647
Library collection size	192,678	200,246	168,295	172,580	163,247	161,462	164,486	138,540	138,305	124,649
Sewer										
Miles of sanitary sewer	356	356	356	356	356	356	357	358	368	372

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, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Amount Provided to Subrecipients	Federal Expenditures
Department of Housing and Urban Development				
Direct:				
Community Development Block Grants/Entitlement Grants	B-15-MC-190008	14.218	$ 43,465	$ 1,196,114
HOME Investments Partnerships Program	M-15-DC-190206	14.239	84,963	652,840
Title 1, VA-HUD Independent Agencies Appropriations Act for FY 2008, PL 110-161	B-08-SP-IA-0568	14.251	-	26,819
Fair Housing Assistance Program-State and Local	FF207K137014	14.401	-	23,186
Public and Indian Housing	IA05000104J	14.850	-	201,616
Section 8 Housing Choice Vouchers	IA05VO+CE	14.871	-	5,286,924
Public Housing Capital Fund	IA05P05050114	14.872	-	16,205
Public Housing Capital Fund	IA05P05050115	14.872	-	25,344
Public Housing Capital Fund	IA05P05050115	14.872	-	33,075
Subtotal			-	74,624
Total direct			128,428	7,462,123
Indirect:				
Pass Through Iowa Department of Economic Development:				
Community Development Block Grants/State's Program	08-DRH-211	14.228	990,059	1,164,330
Title III of the Housing and Economic Recovery Act (HERA)	11-NSP-018	14.228	-	180,613
Total indirect			990,059	1,344,943
Total Department of Housing and Urban Development			1,118,487	8,807,066
Department of Interior				
Indirect:				
Pass Through Sios and Smokestacks:				
National Heritage Area Federal Financial Assistance	N/A	15.939	-	739
Department of Justice				
Direct:				
Bulletproof Vest Partnership Program	N/A	16.607	-	10,161
Edward Byrne Memorial Justice Assistance Grant Program	2012-DJ-BX-0617	16.738	-	5,453
Edward Byrne Memorial Justice Assistance Grant Program	2013-DJ-BX-0604	16.738	-	4,159
Edward Byrne Memorial Justice Assistance Grant Program	2014-DJ-BX-0217	16.738	-	47,969
Edward Byrne Memorial Justice Assistance Grant Program	2015-DJ-BX-0713	16.738	-	24,324
Edward Byrne Memorial Justice Assistance Grant Program	2016-DJ-BX-0594	16.738	-	237
Subtotal			-	82,142
Total direct			-	92,303
Indirect:				
Pass Through Crime Victims Assistance Division, Federal Violence Against Women Act Contract	VW-16-92-CJ	16.588	-	36,113
Pass Through Governor's Office of Drug Control Policy, Public Safety Partnership and Community Policing Grants	15-CAMP-04	16.710	-	17,397
Edward Byrne Memorial Justice Assistance Grant Program	11-JAG-58456	16.738	137,514	193,000
Total indirect			137,514	246,510
Total Department of Justice			137,514	338,813

(Continued)

City of Waterloo, Iowa

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Amount Provided to Subrecipients	Federal Expenditures
Department of Transportation				
Direct:				
Federal Aviation Administration:				
Airport Improvement Program	3-19-0094-44	20.106	-	47,412
Total direct			-	47,412
Indirect:				
Federal Highway Administration Pass Through Iowa Department of Transportation:				
Highway Planning and Construction	TAP-U-8155(741)--81--07	20.205	-	156,017
	NHSX-63-6(69)--3H-07	20.205	-	3,063
	STP-U-8155(711)--70-07	20.205	-	79,465
	STP-U-8155(714)--70-07	20.205	-	2,188
Subtotal 20.205			-	240,733
National Highway Traffic Safety Administration Pass Through Iowa Department of Public Safety Governor's Traffic				
National Priority Safety Programs	PAP-15-405d-M6OT, Task 57	20.616	-	20,630
	PAP-16-405d-M6OT, Task 48	20.616	-	14,898
Subtotal			-	35,528
Total indirect			-	276,261
Total Department of Transportation			-	323,673
U.S. Equal Employment Opportunity Commission				
Direct:				
Employment Discrimination Title VII of the Civil Rights Act of 1964	EECCN130125FFY14	30.001	-	13,314
Employment Discrimination Title VII of the Civil Rights Act of 1964	EECCN130125FFY15	30.001	-	24,733
Employment Discrimination Title VII of the Civil Rights Act of 1964	EECCN130125FFY16	30.001	-	1,877
Total U.S. Equal Employment Opportunity Commission			-	39,924
National Foundation on the Arts and the Humanities				
Indirect,				
National Endowment for the Humanities Pass Through Iowa Arts Council Promotion of the Humanities				
Federal/State Partnership	OSP 1420 FY15	45.129	-	8,506
Environmental Protection Agency				
Indirect,				
Iowa Department of Natural Resources Pass Through				
Capitalization Grants for Clean Water State Revolving Funds	N/A	66.458	-	224,031
			-	-
Total Environmental Protection Agency			-	224,031
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	-	211,493
	013-82425-00 DR 4289	97.036	-	611,962
Subtotal			-	823,455
Staffing for Adequate Fire & Emergency Response (SAFER)	EMW-2014-FH-00136	97.083	-	83,715
Total Department of Homeland Security			-	907,170
Total Expenditures of Federal Awards			$ 1,256,001	$ 10,649,922

See Notes to Schedule of Expenditures of Federal Awards.

City of Waterloo, Iowa

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. 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 accrual basis of accounting 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 or Uniform Guidance, as appropriate, 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 4. Total Expenditures by Program

The total expenditures for the Edward Byrne Memorial Justice Assistance Grant Program, CFDA No. 16.738 is $275,142.

Note 5. Indirect Cost Rate

The City has elected not to use the 10 percent deminimis indirect cost rate allowed under the Uniform Guidance.

City of Waterloo, Iowa

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

	Finding	Status	Corrective Action Plan or Other Explanation
Findings Related to the Financial Statement Audit			
2016-001	The City does not have adequate procedures across all departments in place to ensure that retainage payable is complete and accurate at year-end.	Corrected	The City implemented procedures to more closely monitor contracts with retainage for all City departments.

RSM

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

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

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 12, 2018. As explained in Note 22 to the basic financial statements, the Waterloo Water Works adopted GASB Statement Nos. 68 and 71 which restated beginning net position, net pension liability and deferred outflow of resources. 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, 2015 and the Waterloo Convention & Visitors Bureau, Inc. as of and for the year ended June 30, 2016, 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.

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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 considered 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, 2017 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 statues.

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
January 12, 2018

RSM

RSM US LLP

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

Independent Auditor's Report

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

Report on Compliance for the Major Federal Program

We have audited the City of Waterloo, Iowa's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Scope

The City's basic financial statements include the operations of the Waterloo Water Works and the Waterloo Convention & Visitors Bureau, Inc. discretely presented component units which did not have a single audit performed for their fiscal years ended December 31, 2015 and June 30, 2016, respectively. Our audit, described below, does not include the operations of the Waterloo Water Works or the Waterloo Convention and Visitors Bureau, Inc. because these discretely presented component units were audited by other auditors.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

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

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

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Opinion on each Major Federal Program
In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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

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

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

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

RSM US LLP

Davenport, Iowa
January 12, 2018

City of Waterloo, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	☐ Yes	☑ No
Significant deficiencies identified?	☐ Yes	☑ None Reported
Noncompliance material to financial statements noted?	☐ Yes	☑ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	☐ Yes	☑ No
Significant deficiencies identified?	☐ Yes	☑ None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	☐ Yes	☑ No

Identification of major programs:

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

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

Auditee qualified as low-risk auditee?	☑ Yes	☐ No

(Continued)

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

A. Significant Deficiency in Internal Control

None reported.

B. Compliance findings

None reported.

III. Findings and Questioned Costs for Federal Awards

A. Internal Control

None reported.

B. Compliance Findings

None reported.

IV. Findings Related to Statutory Reporting

17-IV-A Certified Budget

Expenditure/expenses during the year ended June 30, 2017, did not exceed the budgeted amounts.

17-IV-B Questionable Disbursements

No questionable disbursements were noted.

17-IV-C Travel Expenses

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

17-IV-D Business Transactions

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

17-IV-E Bond Coverage

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

17-IV-F Council Minutes and Resolutions

No instances of noncompliance with the council minutes and resolutions.

17-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.

17-IV-H Deficit Balances

Finding: The following funds had deficit balances as of June 30, 2017:

Grants, Special Revenue	$ 1,487,189
Community Development Block Grant, Special Revenue	143,856
Capital Improvements, Capital Projects	1,827,736

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

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

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

17-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.

17-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, 2017, the accumulative cash deficit totaled $519,666.

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

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