

CITY OF WATERLOO

Waterloo, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2016

CITY OF WATERLOO

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Waterloo
Waterloo, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waterloo, Wisconsin, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Waterloo'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 City of Waterloo'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 City of Waterloo'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 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.

To the City Council
City of Waterloo

Opinions

In our opinion, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waterloo, Wisconsin, as of December 31, 2016 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 required supplementary information 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waterloo's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is 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. The 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. In our opinion, the accompanying supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
April 12, 2017

CITY OF WATERLOO
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended December 31, 2016
Financial Statements
(Unaudited)



CITY OF WATERLOO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2016

The management of the City of Waterloo offers all persons interested in the financial position of the city this narrative overview and analysis of the city's financial performance as of and for the year ended December 31, 2016. You are invited to read this narrative in conjunction with the city's financial statements.

FINANCIAL HIGHLIGHTS

- > The assets and deferred outflows of the City of Waterloo exceeded its liabilities and deferred inflows by \$20,658,187 (net position). Of this amount, \$1,786,210 is considered unrestricted net position, \$4,447,795 is restricted for specific purposes (restricted net position), and \$14,424,182 is net investment in capital assets.
- > The city's total net position increased by \$1,196,371. Governmental activities net position increased by \$1,009,792, while business-type net position increased by \$186,579.
- > On December 31, 2016, the city's governmental funds reported combined fund balances of \$4,136,909, a decrease of \$140,517 from 2015. The general fund unassigned fund balance was \$1,105,600 as of December 31, 2015 and \$735,478 as of December 31, 2016, a decrease of \$370,122 from the prior year.
- > In 2015, the city implemented GASB Statement No. 68. In summary, GASB Statement No. 68 required governmental entities participating in the Wisconsin Retirement System (WRS) to report their proportionate share of the plan's activity and net pension asset or liability. The city reported a net pension liability of \$205,791 as of December 31, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the city's basic financial statements. These financial statements consist of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the city:

- > The first two statements are government-wide financial statements that provide both long-term and short-term information about the city's overall financial status.
- > The remaining statements are fund financial statements that focus on individual parts of city government, reporting the city's operations in more detail than the government-wide statements.

These financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

CITY OF WATERLOO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the city as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the city's net position and how they have changed. Net Position – the difference between the city's assets, deferred outflows of resources, liabilities and deferred inflows of resources – is one way to measure the city's financial health, or position. Over time, increases or decreases in the city's net position are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the city you need to consider additional non-financial factors such as changes in the city's property tax base or the condition of the city's roads, to provide two examples.

The statement of activities presents information showing 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 the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods.

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, 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 can be divided into three categories: governmental funds, proprietary funds, and agency 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 year. Such information may be useful in evaluating a government's near-term financing 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.

CITY OF WATERLOO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

The city maintains nineteen 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, fire and EMS fund, general debt service, capital projects fund, TIF District No. 1, and TIF District No. 2, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The following represents the city's nonmajor governmental funds:

200 Cable TV	402 Sidewalk
201 Stormwater Impact Fees	413 TIF District No. 3
202 Public Works Impact Fees	414 TIF District No. 4
203 Park & Recreation Impact Fees	810 Library Memorial
204 Sanitary Sewer Impact Fees	812 Clark Memorial
205 Water Impact Fees	820 Honorary Fire Department – Board Designated
225 Parks	

The city adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds – The city maintains one proprietary fund, (Waterloo Water & Light Commission) which is an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary fund financial statements present the same type of information as the government-wide financial statements, only in more detail.

Agency Funds – Agency funds are used to account for resources held for the benefit of parties outside the municipal government. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the city's own programs. The accounting used for agency funds is much like that used for proprietary funds.

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 – In addition to the basic financial statements and accompanying notes, *required supplementary information* presents the following: a budgetary comparison schedule for the general fund to demonstrate compliance with the budget, a schedule of the city's proportionate share of the net pension (asset) liability in the Wisconsin Retirement System, and a schedule of the city's contributions to the Wisconsin Retirement System. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

CITY OF WATERLOO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2016

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

An analysis of the city's financial position begins with a review of the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position. These two statements report the city's net position and changes therein. It should be noted that the financial position can also be affected by non-financial factors, including economic conditions, population growth and new regulations.

A summary of the city's Statement of Net Position is presented below in Table 1.

**Table 1
Condensed Statement of Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016*	2015*
Current and other assets	\$ 6,981,449	\$ 7,010,160	\$ 3,765,483	\$ 2,616,513	\$ 10,746,932	\$ 9,626,673
Capital assets	11,544,735	11,368,867	9,513,089	9,730,125	21,057,824	21,098,992
Total Assets	<u>18,526,184</u>	<u>18,379,027</u>	<u>13,278,572</u>	<u>12,346,638</u>	<u>31,804,756</u>	<u>30,725,665</u>
Deferred outflows of resources	<u>834,331</u>	<u>232,043</u>	<u>388,492</u>	<u>178,170</u>	<u>1,222,823</u>	<u>410,213</u>
Long-term liabilities	3,472,171	4,107,302	5,690,395	4,844,162	9,162,566	8,951,464
Other liabilities	<u>180,145</u>	<u>179,516</u>	<u>359,622</u>	<u>368,279</u>	<u>539,767</u>	<u>547,795</u>
Total Liabilities	<u>3,652,316</u>	<u>4,286,818</u>	<u>6,050,017</u>	<u>5,212,441</u>	<u>9,702,333</u>	<u>9,499,259</u>
Deferred inflows of resources	<u>2,548,958</u>	<u>2,174,803</u>	<u>118,101</u>	-	<u>2,667,059</u>	<u>2,174,803</u>
Net investment in capital assets	8,758,229	7,722,364	5,778,453	5,605,742	14,424,182	13,199,106
Restricted	3,105,726	2,900,094	1,342,069	1,340,574	4,447,795	4,240,668
Unrestricted (deficit)	<u>1,295,286</u>	<u>1,526,991</u>	<u>378,424</u>	<u>366,051</u>	<u>1,786,210</u>	<u>2,022,042</u>
TOTAL NET POSITION	<u>\$ 13,159,241</u>	<u>\$ 12,149,449</u>	<u>\$ 7,498,946</u>	<u>\$ 7,312,367</u>	<u>\$ 20,658,187</u>	<u>\$ 19,461,816</u>

*The total column reflects a capital debt adjustment. See Note I.D.11 for further information.

CITY OF WATERLOO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2016

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)

Table 2
Condensed Statement of Revenues, Expenses and Changes in Net Position

* Includes Health & Human Services

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues						
Charges for services	\$ 499,576	\$ 460,634	\$ 5,638,329	\$ 5,923,816	\$ 6,137,905	\$ 6,384,450
Operating grants and contributions	330,950	512,151	-	-	330,950	512,151
Capital grants and contributions	476,267	131,303	9,430	24,613	485,697	155,916
General Revenues						
Property taxes	2,166,843	2,159,738	-	-	2,166,843	2,159,738
Other taxes	27,390	47,141	-	-	27,390	47,141
Intergovernmental	1,195,900	1,300,978	-	-	1,195,900	1,300,978
Other	85,851	73,856	22,027	10,858	107,878	84,714
Total Revenues	4,782,777	4,685,801	5,669,786	5,959,287	10,452,563	10,645,088
Expenses:						
General government	462,457	439,342	-	-	462,457	439,342
Public safety	1,734,394	1,826,032	-	-	1,734,394	1,826,032
Public works *	1,036,759	1,064,560	-	-	1,036,759	1,064,560
Culture, education and rec.	779,808	473,097	-	-	779,808	473,097
Conservation and development	13,903	165,764	-	-	13,903	165,764
Water	-	-	443,252	440,765	443,252	440,765
Sewer	-	-	755,644	775,479	755,644	775,479
Electric	-	-	3,913,179	4,069,014	3,913,179	4,069,014
Interest and fiscal charges	116,796	140,516	-	-	116,796	140,516
Total Expenses	4,144,117	4,109,311	5,112,075	5,285,258	9,256,192	9,394,569
Income Before Transfers	638,660	576,490	557,711	674,029	1,196,371	1,250,519
Transfers	371,132	390,910	(371,132)	(390,910)	-	-
Changes in Net Position	1,009,792	967,400	186,579	283,119	1,196,371	1,250,519
Beginning Net Position**	12,149,449	11,182,049	7,312,367	7,029,248	19,461,816	18,211,297
NET POSITION – YEAR END	\$ 13,159,241	\$ 12,149,449	\$ 7,498,946	\$ 7,312,367	\$ 20,658,187	\$ 19,461,816

CITY OF WATERLOO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2016

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)

As previously noted, the Statement of Net Position shows the change in financial position of net position. The specific nature or source of these changes then becomes more evident in the Statement of Revenues, Expenses and Changes in Net Position as shown in Table 2.

GOVERNMENTAL ACTIVITIES

Governmental activities increased the city's net position by \$1,009,792, compared to \$967,400 the previous year. Governmental expenses increased by \$34,806 (0.85%), while program/general revenue decreased \$247,988 (5.44%) when compared to the prior year. Capital grants and contributions increased from \$131,303 in 2015 to \$476,267 in 2016 as grant funded projects increased from the prior year. Conservation and development expenses decreased by \$151,861 from the prior year due to the developer incentive payment relating to the WEDC grant in 2015.

BUSINESS-TYPE ACTIVITIES (WATERLOO WATER & LIGHT)

Business-type activities increased the city's net position by \$186,579. In the previous year this category of net position had increased by \$283,119. Non-capital business-type revenue decreased by \$274,318 (4.62%) and business-type expenses decreased by \$173,183 (3.28%).

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the government's net resources available for spending at the end of the year.

As of December 31, 2016, the city's governmental funds reported combined fund balances of \$4,136,909 which is a 3.29% decrease from the previous year. \$(594,238) of the \$4,136,909 constitutes a balance defined as unassigned, which is available to meet the city's current and future needs. The city had a deficit unassigned balance as of December 31, 2016. The remainder is set aside for noncurrent asset balances or dedicated for specific projects or expenditures.

CITY OF WATERLOO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Year Ended December 31, 2016

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (cont.)

GOVERNMENTAL FUNDS (cont.)

General Fund

The city's general fund is the main operating fund of the city. Total fund balance in the general fund is \$1,269,983, a decrease of \$426,470 (25.14%). The city evaluates the general fund by measuring the unassigned general fund balance as a percentage of the current year's general fund expenditure budget. For 2016, the unassigned general fund balance is \$735,478 and the 2016 final general fund expenditure budget is \$2,482,137, resulting in an unassigned fund balance of 29.63%. Effective October 11, 2007, the Council adopted a policy requiring a fund balance of between 25% and 33%.

Fire and EMS

Fund balance as of December 31, 2016 was \$506,276, an increase of \$68,145 over the prior year. These funds are committed for fire operations.

General Debt Service Fund

The city's general debt service fund accounts for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs. The fund balance is \$209,608 which is restricted for future debt service.

Capital Projects Fund

The fund balance for the capital projects fund shows a balance of \$999,807, an increase of \$50,434 over the prior year. Of this balance, \$694,763 is restricted for the city's sewer collection system. The remaining fund balance is assigned for carryovers and future capital projects.

TIF District No. 1

The fund balance as of December 31, 2016 was \$2,063,796 and is restricted for TIF No. 1 purposes. This is an increase from the prior year in the amount of \$263,489.

TIF District No. 2

The fund balance as of December 31, 2016 was a deficit of \$1,132,745. This fund had a deficit balance of \$300,994 at the end of 2015.

Proprietary Funds

The City of Waterloo's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of these funds have already been addressed in the discussion of the city's business-type activities.

CITY OF WATERLOO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Year Ended December 31, 2016

GENERAL FUND BUDGETARY HIGHLIGHTS

The actual net change in general fund fund balance was a positive variance of \$167,646 over the final budget.

CAPITAL ASSETS

At the end of 2016, the city had invested a total of \$21,057,824 in net capital assets. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure and is a 0.20% decrease from the prior year. Refer to Note IV.D.

LONG-TERM DEBT

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed 5% of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2016 was \$10,549,645. Total general obligation debt outstanding at year-end was \$3,011,506. Therefore, the city was at 28.55% of the legal debt limit. The previous year the city was at 38.00% of the legal debt limit.

The city's general obligation debt decreased by \$791,777 in 2016. No new general obligation debt was issued by the city in 2016. Refer to Note IV.F.

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

All currently known facts and economic conditions were considered in preparing the 2016 city financial statements and budget. None of these conditions are anticipated to change the overall financial position of the city.

REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the city's finances. If you have questions about this report or need any additional information, please contact Morton Hansen, Clerk/Treasurer.

CITY OF WATERLOO

STATEMENT OF NET POSITION As of December 31, 2016

	Governmental Activities	Business-type Activities	Totals	600 Community Development Authority
ASSETS				
Cash and investments	\$ 3,154,763	\$ 828,224	\$ 3,982,987	\$ -
Receivables (net)				
Taxes	2,251,085	-	2,251,085	-
Accounts	50,669	621,045	671,714	875
Special assessments	13,236	-	13,236	-
Delinquent personal property taxes	341	-	341	-
Accrued interest	8,074	-	8,074	-
Internal balances	905,934	(905,934)	-	-
Due from other governments	537,917	-	537,917	-
Due from component unit	888	-	888	-
Prepaid items and inventories	58,294	101,963	160,257	-
Other assets	-	26,210	26,210	-
Restricted assets				
Cash and investments	248	3,088,907	3,089,155	-
Restricted assets - other	-	5,068	5,068	-
Capital Assets (net of accumulated depreciation)				
Land	1,044,245	186,606	1,230,851	-
Construction in progress	187,194	8,049	195,243	-
Other capital assets	<u>10,313,296</u>	<u>9,318,434</u>	<u>19,631,730</u>	<u>-</u>
Total Assets	<u>18,526,184</u>	<u>13,278,572</u>	<u>31,804,756</u>	<u>875</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	75,717	75,717	-
Pension related amounts	<u>834,331</u>	<u>312,775</u>	<u>1,147,106</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>834,331</u>	<u>388,492</u>	<u>1,222,823</u>	<u>-</u>
LIABILITIES				
Accounts payable	56,703	322,113	378,816	271
Accrued liabilities	123,442	37,509	160,951	-
Due to primary government	-	-	-	888
Noncurrent Liabilities				
Due within one year	435,572	537,162	972,734	-
Due in more than one year	<u>3,036,599</u>	<u>5,153,233</u>	<u>8,189,832</u>	<u>-</u>
Total Liabilities	<u>3,652,316</u>	<u>6,050,017</u>	<u>9,702,333</u>	<u>1,159</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenues	2,233,976	-	2,233,976	-
Pension related amounts	<u>314,982</u>	<u>118,101</u>	<u>433,083</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>2,548,958</u>	<u>118,101</u>	<u>2,667,059</u>	<u>-</u>

See accompanying notes to financial statements.

	Governmental Activities	Business-type Activities	Totals	600 Community Development Authority
NET POSITION				
Net investment in capital assets	\$ 8,758,229	\$ 5,778,453	\$ 14,424,182	\$ -
Restricted for				
Library Memorial	74,485	-	74,485	-
Library	96,465	-	96,465	-
TIF District No. 1	2,063,796	-	2,063,796	-
Sewer collection system	694,763	-	694,763	-
Impact fees	248	-	248	-
Parks	17,551	-	17,551	-
Debt service	158,418	529,056	687,474	-
Replacement	-	813,013	813,013	-
Unrestricted (deficit)	<u>1,295,286</u>	<u>378,424</u>	<u>1,786,210</u>	<u>(284)</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ 13,159,241</u>	<u>\$ 7,498,946</u>	<u>\$ 20,658,187</u>	<u>\$ (284)</u>

See accompanying notes to financial statements.

CITY OF WATERLOO

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 462,457	\$ 27,637	\$ -	\$ -
Public safety	1,734,394	160,331	5,438	-
Public works	1,032,583	183,272	240,527	2,378
Health and human services	4,176	50	-	-
Culture, education and recreation	779,808	128,286	75,984	473,889
Conservation and development	13,903	-	-	-
Interest and fiscal charges	116,796	-	9,001	-
Total Governmental Activities	4,144,117	499,576	330,950	476,267
Business-type Activities				
Electric	3,913,179	4,089,009	-	9,430
Water	443,252	640,144	-	-
Sewer	755,644	909,176	-	-
Total Business-type Activities	5,112,075	5,638,329	-	9,430
Total Primary Government	\$ 9,256,192	\$ 6,137,905	\$ 330,950	\$ 485,697
Component Unit				
600 Community Development Authority	\$ 6,748	\$ -	\$ -	\$ -

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, levied for capital projects

Property taxes, levied for TIF districts

Other taxes

Intergovernmental revenues not restricted to specific programs

Investment income

Miscellaneous

Total General Revenues

Transfers

Change in net position

NET POSITION (Deficit) - Beginning of Year

NET POSITION (DEFICIT) - END OF YEAR

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Totals	600 Community Development Authority
\$ (434,820)	\$ -	\$ (434,820)	\$ -
(1,568,625)	-	(1,568,625)	-
(606,406)	-	(606,406)	-
(4,126)	-	(4,126)	-
(101,649)	-	(101,649)	-
(13,903)	-	(13,903)	-
(107,795)	-	(107,795)	-
<u>(2,837,324)</u>	<u>-</u>	<u>(2,837,324)</u>	<u>-</u>
-	185,260	185,260	-
-	196,892	196,892	-
-	<u>153,532</u>	<u>153,532</u>	-
-	<u>535,684</u>	<u>535,684</u>	-
<u>(2,837,324)</u>	<u>535,684</u>	<u>(2,301,640)</u>	<u>-</u>
-	-	-	(6,748)
1,225,102	-	1,225,102	-
484,936	-	484,936	-
220,584	-	220,584	-
236,221	-	236,221	-
27,390	-	27,390	-
1,195,900	-	1,195,900	-
26,108	22,027	48,135	-
59,743	-	59,743	34,710
<u>3,475,984</u>	<u>22,027</u>	<u>3,498,011</u>	<u>34,710</u>
<u>371,132</u>	<u>(371,132)</u>	<u>-</u>	<u>-</u>
1,009,792	186,579	1,196,371	27,962
<u>12,149,449</u>	<u>7,312,367</u>	<u>19,461,816</u>	<u>(28,246)</u>
<u>\$ 13,159,241</u>	<u>\$ 7,498,946</u>	<u>\$ 20,658,187</u>	<u>\$ (284)</u>

See accompanying notes to financial statements.

CITY OF WATERLOO

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2016

	100 General	220 Fire and EMS	300 General Debt Service	400 Capital Projects
ASSETS				
Cash and investments	\$ 1,000,063	\$ 514,970	\$ 209,608	\$ 304,677
Restricted cash and investments	-	-	-	-
Receivables (net)				
Taxes	972,921	269,464	95,000	368,999
Delinquent personal property tax	341	-	-	-
Accounts	10,563	28,529	-	-
Special assessments	-	-	-	4,793
Accrued interest	5,784	807	-	-
Due from other funds	302,909	-	-	694,763
Due from other governments	-	-	-	-
Due from component unit	888	-	-	-
Prepaid items	47,618	10,676	-	-
Advances to other funds	-	-	-	-
	\$ 2,341,087	\$ 824,446	\$ 304,608	\$ 1,373,232
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 32,875	\$ 9,986	\$ -	\$ 4,426
Accrued liabilities	59,524	9,384	-	-
Due to other funds	17,109	-	-	-
Advances from other funds	-	-	-	-
Total Liabilities	<u>109,508</u>	<u>19,370</u>	<u>-</u>	<u>4,426</u>
Deferred Inflows of Resources				
Unearned revenues	955,812	269,464	95,000	368,999
Unavailable revenues	5,784	29,336	-	-
Total Deferred Inflows of Resources	<u>961,596</u>	<u>298,800</u>	<u>95,000</u>	<u>368,999</u>
Fund Balances (Deficit)				
Nonspendable	47,618	-	-	-
Restricted	-	-	209,608	694,763
Committed	-	506,276	-	-
Assigned	486,887	-	-	305,044
Unassigned (deficit)	735,478	-	-	-
Total Fund Balances (Deficit)	<u>1,269,983</u>	<u>506,276</u>	<u>209,608</u>	<u>999,807</u>
	\$ 2,341,087	\$ 824,446	\$ 304,608	\$ 1,373,232

See accompanying notes to financial statements.

410 TIF District No. 1	412 TIF District No. 2	Nonmajor Governmental Funds	Totals
\$ 736,048	\$ -	\$ 389,397	\$ 3,154,763
-	-	248	248
182,941	57,914	303,846	2,251,085
-	-	-	341
-	-	11,577	50,669
-	-	8,443	13,236
-	-	1,483	8,074
16,800	-	-	1,014,472
85,130	348,310	104,477	537,917
-	-	-	888
-	-	-	58,294
<u>1,312,685</u>	<u>-</u>	<u>-</u>	<u>1,312,685</u>
<u>\$ 2,333,604</u>	<u>\$ 406,224</u>	<u>\$ 819,471</u>	<u>\$ 8,402,672</u>
\$ 1,737	\$ 231	\$ 7,448	\$ 56,703
-	-	3,344	72,252
-	-	91,429	108,538
-	<u>1,132,514</u>	<u>180,171</u>	<u>1,312,685</u>
<u>1,737</u>	<u>1,132,745</u>	<u>282,392</u>	<u>1,550,178</u>
182,941	57,914	303,846	2,233,976
<u>85,130</u>	<u>348,310</u>	<u>13,049</u>	<u>481,609</u>
<u>268,071</u>	<u>406,224</u>	<u>316,895</u>	<u>2,715,585</u>
-	-	-	47,618
2,063,796	-	188,749	3,156,916
-	-	228,406	734,682
-	-	-	791,931
-	<u>(1,132,745)</u>	<u>(196,971)</u>	<u>(594,238)</u>
<u>2,063,796</u>	<u>(1,132,745)</u>	<u>220,184</u>	<u>4,136,909</u>
<u>\$ 2,333,604</u>	<u>\$ 406,224</u>	<u>\$ 819,471</u>	<u>\$ 8,402,672</u>

See accompanying notes to financial statements.

CITY OF WATERLOO

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of December 31, 2016

Total Fund Balances - Governmental Funds	\$ 4,136,909
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note IV.D.	11,544,735
Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements. See Note IV.B.	481,609
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	834,331
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	(314,982)
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. See Note II. A.	<u>(3,523,361)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 13,159,241</u>

CITY OF WATERLOO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2016

	100 General	220 Fire and EMS	300 General Debt Service	400 Capital Projects
REVENUES				
Taxes	\$ 1,252,492	\$ -	\$ 484,936	\$ 220,584
Intergovernmental	791,224	180,936	9,001	6,407
Licenses and permits	43,159	-	-	-
Fines, forfeitures and penalties	16,581	-	-	-
Public charges for services	203,706	118,330	-	-
Special assessments	-	-	-	-
Investment income	19,867	852	-	-
Miscellaneous	49,625	1,940	-	-
Total Revenues	<u>2,376,654</u>	<u>302,058</u>	<u>493,937</u>	<u>226,991</u>
EXPENDITURES				
Current				
General government	387,093	-	-	-
Public safety	799,121	453,955	-	-
Public works	660,788	-	-	-
Health and human services	4,176	-	-	-
Culture, education and recreation	400,396	-	-	-
Conservation and development	46,238	-	-	-
Capital Outlay	-	23,889	-	244,994
Debt Service				
Principal	-	-	791,777	-
Interest and fiscal charges	-	-	127,930	-
Total Expenditures	<u>2,297,812</u>	<u>477,844</u>	<u>919,707</u>	<u>244,994</u>
Excess (deficiency) of revenues over expenditures	<u>78,842</u>	<u>(175,786)</u>	<u>(425,770)</u>	<u>(18,003)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	289,197	243,931	594,198	72,671
Transfers out	(794,509)	-	-	(4,234)
Total Other Financing Sources (Uses)	<u>(505,312)</u>	<u>243,931</u>	<u>594,198</u>	<u>68,437</u>
Net Change in Fund Balances	(426,470)	68,145	168,428	50,434
FUND BALANCES (DEFICIT) - Beginning of Year	<u>1,696,453</u>	<u>438,131</u>	<u>41,180</u>	<u>949,373</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 1,269,983</u>	<u>\$ 506,276</u>	<u>\$ 209,608</u>	<u>\$ 999,807</u>

See accompanying notes to financial statements.

410 TIF District No. 1	412 TIF District No. 2	Nonmajor Governmental Funds	Totals
\$ 209,380	\$ -	\$ 26,841	\$ 2,194,233
306,894	706	101,944	1,397,112
-	-	45,188	88,347
-	-	-	16,581
-	-	79,297	401,333
-	-	5,234	5,234
1,784	-	1,674	24,177
-	-	94,150	145,715
<u>518,058</u>	<u>706</u>	<u>354,328</u>	<u>4,272,732</u>
7,732	3,353	14,035	412,213
-	-	-	1,253,076
-	9,698	-	670,486
-	-	-	4,176
-	-	263,725	664,121
-	-	-	46,238
247,645	185,299	110,753	812,580
-	-	-	791,777
-	-	1,784	129,714
<u>255,377</u>	<u>198,350</u>	<u>390,297</u>	<u>4,784,381</u>
<u>262,681</u>	<u>(197,644)</u>	<u>(35,969)</u>	<u>(511,649)</u>
73,508	-	127,314	1,400,819
<u>(72,700)</u>	<u>(103,350)</u>	<u>(54,894)</u>	<u>(1,029,687)</u>
<u>808</u>	<u>(103,350)</u>	<u>72,420</u>	<u>371,132</u>
263,489	(300,994)	36,451	(140,517)
<u>1,800,307</u>	<u>(831,751)</u>	<u>183,733</u>	<u>4,277,426</u>
<u>\$ 2,063,796</u>	<u>\$ (1,132,745)</u>	<u>\$ 220,184</u>	<u>\$ 4,136,909</u>

See accompanying notes to financial statements.

CITY OF WATERLOO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016

Net change in fund balances - total governmental funds	\$	(140,517)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements		812,580
Some items reported as capital outlay were not capitalized		(76,833)
Depreciation is reported in the government-wide financial statements		(559,879)

Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.		266,114
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Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal repaid		791,777

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences		(6,974)
Accrued interest		12,918
Net pension liability		(376,700)
Deferred outflows of resources related to pensions		602,288
Deferred inflows of resources related to pensions		(314,982)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>1,009,792</u>
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CITY OF WATERLOO

STATEMENT OF NET POSITION PROPRIETARY FUND As of December 31, 2016

	<u>Water & Light Commission</u>
ASSETS	
Current Assets	
Cash and investments	\$ 828,224
Receivables	
Accounts	621,045
Due from other funds	17,109
Inventories	101,963
Restricted Assets	
Redemption account - current	<u>137,050</u>
Total Current Assets	<u>1,705,391</u>
Noncurrent Assets	
Restricted Assets	
Reserve account	407,110
Replacement account	813,013
Construction account	1,731,734
Interest receivable	5,068
Capital Assets	
Land	186,606
Construction work in progress	8,049
Plant in service	19,945,667
Less: Accumulated depreciation	(10,627,233)
Other Assets	
Preliminary survey and investigation	6,199
Property held for future use	<u>20,011</u>
Total Noncurrent Assets	<u>12,496,224</u>
Total Assets	<u>14,201,615</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	75,717
Pension related amounts	<u>312,775</u>
Total Deferred Outflows of Resources	<u>388,492</u>

See accompanying notes to financial statements.

	<u>Water & Light Commission</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 322,113
Accrued liabilities	7,160
Due to other funds	923,043
Compensated absences	20,265
Liabilities Payable from Restricted Assets	
Current portion of revenue bonds	516,897
Accrued interest	<u>20,172</u>
Total Current Liabilities	<u>1,809,650</u>
Noncurrent Liabilities	
Long-Term Debt	
Revenue bonds	5,044,495
Unamortized debt discount	(19,305)
Other Liabilities	
Customer advances for construction	10,177
Compensated absences	71,924
Net pension liability	<u>56,119</u>
Total Noncurrent Liabilities	<u>5,163,410</u>
Total Liabilities	<u>6,973,060</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related amounts	<u>118,101</u>
NET POSITION	
Net investment in capital assets	5,778,453
Restricted for	
Debt service	529,056
Replacement	813,013
Unrestricted net position	<u>378,424</u>
TOTAL NET POSITION	<u>\$ 7,498,946</u>

CITY OF WATERLOO

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUND

For the Year Ended December 31, 2016

	<u>Water & Light Commission</u>
OPERATING REVENUES	
Electric	\$ 4,089,009
Water	640,144
Sewer	<u>909,176</u>
Total Operating Revenues	<u>5,638,329</u>
OPERATING EXPENSES	
Operations and maintenance	4,378,140
Depreciation	<u>582,918</u>
Total Operating Expenses	<u>4,961,058</u>
 Operating Income	 <u>677,271</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	10,819
Income from non-utility operations	4,717
Income from merchandising and jobbing	6,491
Interest expense	(101,650)
Amortization of discounts and losses	(14,604)
Debt issuance costs	<u>(34,763)</u>
Total Nonoperating Revenues (Expenses)	<u>(128,990)</u>
 Income Before Contributions and Transfers	 <u>548,281</u>
CONTRIBUTIONS AND TRANSFERS	
Capital contributions	9,430
Transfer out	(142,274)
Transfer - tax equivalent	<u>(228,858)</u>
Total Contributions and Transfers	<u>(361,702)</u>
 Change in Net Position	 186,579
 NET POSITION - Beginning of Year	 <u>7,312,367</u>
 NET POSITION - END OF YEAR	 <u><u>\$ 7,498,946</u></u>

See accompanying notes to financial statements.

CITY OF WATERLOO

STATEMENT OF CASH FLOWS PROPRIETARY FUND

For the Year Ended December 31, 2016

	<u>Water & Light Commission</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from customers	\$ 5,604,949
Received from municipality for services	69,795
Paid to suppliers for goods and services	(3,885,353)
Paid to employees for services	<u>(448,372)</u>
Net Cash Flows From Operating Activities	<u>1,341,019</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investments sold and matured	714,027
Investment income	10,819
Investments purchased	<u>(718,065)</u>
Net Cash Flows From Investing Activities	<u>6,781</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Paid to municipality for tax equivalent	(242,855)
Paid to municipality or contractors for sewer maintenance	<u>(123,070)</u>
Net Cash Flows From Noncapital Financing Activities	<u>(365,925)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Debt issued	1,300,175
Debt retired	(495,314)
Interest paid	(97,934)
Acquisition and construction of capital assets	(408,088)
Contributions in aid of construction	9,430
Debt issuance costs	<u>(34,763)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>273,506</u>
Net Change in Cash and Cash Equivalents	1,255,381
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>1,652,324</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,907,705</u>

See accompanying notes to financial statements.

	<u>Water & Light Commission</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 677,271
Nonoperating revenue	11,208
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities	
Depreciation	582,918
Depreciation charged to other funds	42,206
Changes in assets and liabilities	
Accounts receivable	14,497
Due from other funds	4,609
Inventories	(2,310)
Pension related amounts	39,950
Accounts payable	(20,893)
Accrued liabilities	(14,849)
Due to other funds	312
Commitment to community	<u>6,100</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 1,341,019</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS	
Cash and investments	\$ 828,224
Restricted cash and investments	
Redemption account	137,050
Reserve account	407,110
Replacement account	813,013
Construction account	<u>1,731,734</u>
Total Cash and Investments	3,917,131
Less: Noncash equivalents	<u>(1,009,426)</u>
CASH AND CASH EQUIVALENTS	<u>\$ 2,907,705</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers due to capital projects fund	<u>\$ 19,204</u>
Amortization	<u>\$ 14,604</u>
Discount on new debt	<u>\$ 9,825</u>

See accompanying notes to financial statements.

CITY OF WATERLOO

STATEMENT OF ASSETS AND LIABILITIES AGENCY FUND As of December 31, 2016

	<u>Agency Fund Tax Collection Fund</u>
ASSETS	
Cash and investments	\$ 2,488,769
Receivables	
Taxes	<u>513,701</u>
TOTAL ASSETS	<u><u>\$ 3,002,470</u></u>
LIABILITIES	
Due to other governments	<u>\$ 3,002,470</u>
TOTAL LIABILITIES	<u><u>\$ 3,002,470</u></u>

See accompanying notes to financial statements.

CITY OF WATERLOO

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CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Waterloo, Wisconsin conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all of the funds of the city. The reporting entity for the city consists of the primary government and its component unit. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. REPORTING ENTITY (cont.)

Discretely Presented Component Unit

Waterloo Community Development Authority

The government-wide financial statements include the Waterloo Community Development Authority ("CDA") as a component unit. The CDA is a legally separate organization. The board of the CDA is appointed by the mayor. Wisconsin Statutes provide for circumstances whereby the city can impose its will on the CDA, and also create a potential financial benefit to or burden on the city. See Note IV.H. As a component unit, the CDA's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2016. The CDA does not issue separate financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The city does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Financial statements of the city are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditures/expenses.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the city or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the city believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The city reports the following major governmental funds:

- 100 General Fund - accounts for the city's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
- 220 Fire and EMS Special Revenue Fund - used to account for and report financial resources that are committed to expenditures for fire operations.
- 300 General Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the payment of general long-term debt principal, interest, and related costs, other than TIF or enterprise debt.
- 400 Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- 410 Tax Incremental Financing (TIF) District No. 1 Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures outlined in the TIF project plan.
- 412 Tax Incremental Financing (TIF) District No. 2 Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures outlined in the TIF project plan.

The city reports the following major enterprise fund:

- Water and Light Commission Utility Fund - accounts for operations of the electric, water and sewer systems.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

The city reports the following nonmajor governmental funds:

Special Revenue Funds - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

200 Cable TV	203 Park and Recreation Impact Fees
820 Honorary Fire Department - Board Designated	202 Public Works Impact Fees
810 Library Memorial	201 Stormwater Impact Fees
812 Clark Memorial	205 Water Impact Fees
204 Sanitary Sewer Impact Fees	225 Parks

Capital Projects Funds - 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.

413 TIF District No. 3
414 TIF District No. 4
402 Sidewalk

In addition, the city reports the following fund type:

Agency Fund - used to account for and report assets held by the city in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Tax Collection Fund

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Government-Wide Financial Statements (cont.)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the city's electric, water and sewer utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the city considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred inflows. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the city is entitled the resources and the amounts are available. Amounts owed to the city which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues. At December 31, 2016, there were \$325,010 of anticipated future assessments which are not reported as receivables in the water and light utility because collection is subject to certain events occurring in the future and no formal repayment schedule has been established.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements (cont.)

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues 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 revenues of the utilities are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows, the city considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investment of city funds is restricted by Wisconsin state statutes. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

Additional restrictions may arise from local charters, ordinances, resolutions and grant resolutions.

Investment of library trust funds is regulated by Chapter 112. This sections gives broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

The city has adopted an investment policy. That policy follows the state statute for allowable investments.

No policy exists for the following risks:

Custodial credit risk

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note IV. A. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated to the general fund. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

See Note IV. A. for further information.

2. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the city, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying statement of assets and liabilities - agency fund.

Property tax calendar - 2016 tax roll:

Lien date and levy date	December 2016
Tax bills mailed	December 2016
Payment in full, or	January 31, 2017
First installment due	January 31, 2017
Second installment due	July 31, 2017
Personal property taxes in full	January 31, 2017
Tax sale - 2016 delinquent real estate taxes	October 2019

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables (cont.)

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the electric, water and sewer utilities because they have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as internal balances.

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation or by a restricted fund balance account, if the funds will ultimately be restricted when the advance is repaid.

3. Inventories and Prepaid Items

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction and/or operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

5. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$10,000 for general capital assets and \$25,000 for infrastructure assets, and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Buildings	40 Years
Land Improvements	15 Years
Machinery and Equipment	7 - 10 Years
Utility System	4 - 77 Years
Infrastructure	25 - 60 Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

6. Other Assets

Other assets in the proprietary funds represent preliminary survey and investigation and property held for future use.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

7. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

A deferred charge on refunding arises from the advance refunding of debt. The difference between the cost of the securities placed in trust for future payments of the refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund financial statements.

8. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable resources.

The city provides postemployment health insurance benefits for all eligible employees. Eligibility is based on retirees being employed for a minimum of 15 years by the city. The benefits are based on contractual agreements with employee groups, local ordinances, or employee benefit policies. Employees may convert 1080 hours of accumulated sick leave to pay for health care premiums. The cost of those premiums is recognized as an expenditure as the premiums are paid. The entire cost is paid by the city. Funding for those costs is provided out of the current operating budget of the city. The contributions are financed on a pay as you go basis. Total expenditures for such premiums during the year were not material. As of December 31, 2016, there are 2 participants currently eligible to receive the benefits. The city does not provide a material postemployment benefit and therefore no related liability and/or disclosures are necessary.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2016, are determined on the basis of current salary rates and include salary related payments.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. Long-Term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the straight-line or effective interest method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

10. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

11. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

11. Equity Classifications (cont.)

Government-Wide Statements (cont.)

The net position section includes an adjustment for capital assets owned by the business-type activities column, but financed by the debt of the governmental activities column. The amount is a reduction of "net investment in capital assets," and an increase in "unrestricted" net position, shown only in the total column. A reconciliation of this adjustment is as follows:

	Governmental Activities	Business-type Activities	Adjustment	Total
Net investment in capital assets	\$ 8,758,229	\$ 5,778,453	\$ (112,500)	\$ 14,424,182
Unrestricted	1,295,286	378,424	112,500	1,786,210

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Statements

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the City Council. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the City Council that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The City Council has, by resolution, adopted a financial policy authorizing the Clerk/Treasurer to assign amounts for a specific purpose. Assignments may take place after the end of the reporting period.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

11. Equity Classifications (cont.)

Fund Statements (cont.)

- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The city considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in-grant agreements requiring dollar for dollar spending. Additionally, the city would first use committed, then assigned, and lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

The city has a formal minimum fund balance policy. That policy is to maintain a working capital fund of 25% - 33% of the current year general fund final budgeted expenditures. The balance at year end was \$735,478, or 29.6%, and is shown as unassigned general fund balance.

See Note IV. G. for further information.

12. Pension

For purposes of measuring the net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. 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.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

13. Basis for Existing Rates

Electric Utility

Current electric rates were approved by the Public Service Commission of Wisconsin effective February 2, 2015 and are designed to provide a 6.75% return on rate base.

Water Utility

Current water rates were approved by the Public Service Commission of Wisconsin effective July 15, 2015 and are designed to provide a 4.50% return on rate base.

Sewer Utility

Current sewer rates were approved by the city council effective October 1, 2016.

NOTE II - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. The details of this reconciliation include the following items.

Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term-are reported in the statement of net position.

Bonds and notes payable	\$	3,011,506
Compensated absences		310,993
Accrued interest		51,190
Pension liability		<u>149,672</u>
Combined Adjustment for Long-Term Liabilities	\$	<u><u>3,523,361</u></u>

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
225 Parks	\$ 216,114	\$ 297,848	\$ 81,734
810 Library Memorial	4,150	4,541	391
413 TIF District No. 3	650	9,340	8,690
414 TIF District No. 4	150	650	500
300 Debt Service Fund	670,025	919,707	249,682

B. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2016, the following individual funds and component unit held a deficit balance:

Fund	Amount	Reason
412 TIF District No. 2	\$ 1,132,745	Expenditures exceeded revenues
413 TIF District No. 3	180,171	Expenditures exceeded revenues
414 TIF District No. 4	16,800	Expenditures exceeded revenues
Community Development Authority	284	Expenditures exceeded revenues

TIF district deficits are anticipated to be funded with future incremental taxes levied over the life of the districts, which is 27 years for the districts created before October 1, 1995, and 23 years for districts created thereafter through September 30, 2004. Beginning October 1, 2004, the life of new districts varies by type of district (20-27 years) and may be extended in some cases. Other fund deficits are anticipated to be funded with future contributions, general tax revenues, or long-term borrowing.

C. LIMITATIONS ON THE CITY'S TAX LEVY

Wisconsin law limits the city's future tax levies. Generally the city is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the city's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The city is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The city's deposits and investments at year end were comprised of the following:

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 9,559,711	\$ 9,808,333	Custodial credit risk
Petty cash	1,200	-	N/A
 Total Deposits and Investments	 \$ 9,560,911	 \$ 9,808,333	
 Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 3,982,987		
Restricted cash and investments	3,089,155		
Per statement of assets and liabilities -			
agency fund			
Tax collection fund	2,488,769		
 Total Deposits and Investments	 \$ 9,560,911		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts. Deposits in the credit union are insured by the National Credit Union Administration in the amount of \$250,000 for all share draft accounts and \$250,000 for all share certificate and regular share accounts.

Bank accounts and credit unions are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing custodial credit risk.

The city maintains collateral agreements with its banks. At December 31, 2016, the banks had pledged various government securities in the amount of \$4,795,327 to secure the city's deposits.

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the city's deposits may not be returned to the city.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Deposits (cont.)

As of December 31, 2016, \$2,358,216 of the city's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>2,358,216</u>
Total	\$ <u><u>2,358,216</u></u>

See Note I.D.1. for further information on deposit and investment policies.

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year with the exception of \$13,236 in special assessments and \$341 of delinquent personal property taxes.

Revenues of the 220 Fire and EMS are reported net of uncollectible ambulance receivables in the amount of \$32,779.

Governmental funds report *unavailable or unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unearned</u>	<u>Unavailable</u>
Property taxes receivable for subsequent year	\$ 2,233,976	\$ -
Special assessments not yet due	-	8,443
Grants receivable - noncurrent	-	436,563
Accounts receivable - noncurrent	-	28,529
Accrued interest	-	8,074
	<u> </u>	<u> </u>
Total Unearned/Unavailable Revenue for Governmental Funds	<u>\$ 2,233,976</u>	<u>\$ 481,609</u>

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Long-Term Debt Accounts

- Redemption - Used to segregate resources accumulated for debt service payments over the next twelve months.
- Reserve - Used to report resources set aside to make up potential future deficiencies in the redemption account.
- Construction - Used to report proceeds of revenue bond issuances that are restricted for use in construction.

Equipment Replacement Account

The water utility established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

Impact Fee Account

The city has received impact fees which must be spent in accordance with the local ordinance and state statutes. Any unspent funds must be refunded to the current property owner.

Following is a list of restricted assets at December 31, 2016:

Restricted Assets	
Redemption account	\$ 137,050
Reserve account	407,110
Replacement account	813,013
Construction account	1,731,734
Impact fees account	248
Interest receivable	<u>5,068</u>
Total Restricted Assets	<u>\$ 3,094,223</u>

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,044,245	\$ -	\$ -	\$ 1,044,245
Construction in progress	109,714	77,480	-	187,194
Total Capital Assets Not Being Depreciated	1,153,959	77,480	-	1,231,439
Capital assets being depreciated				
Land improvements	616,225	289,501	-	905,726
Buildings	6,683,926	21,792	-	6,705,718
Machinery and equipment	4,845,395	130,785	119,648	4,856,532
Streets	2,948,898	216,189	-	3,165,087
Sanitary sewers	1,057,973	-	-	1,057,973
Storm sewers	721,603	-	-	721,603
Total Capital Assets Being Depreciated	16,874,020	658,267	119,648	17,412,639
Total Capital Assets	18,027,979	735,747	119,648	18,644,078
Less: Accumulated depreciation for				
Land improvements	(221,732)	(23,504)	-	(245,236)
Buildings	(2,155,854)	(149,945)	-	(2,305,799)
Machinery and equipment	(3,098,979)	(212,270)	119,648	(3,191,601)
Streets	(734,253)	(109,793)	-	(844,046)
Sanitary sewers	(266,119)	(38,360)	-	(304,479)
Storm sewers	(182,175)	(26,007)	-	(208,182)
Total Accumulated Depreciation	(6,659,112)	(559,879)	119,648	(7,099,343)
Net Capital Assets Being Depreciated	10,214,908	98,388	-	10,313,296
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 11,368,867	\$ 175,868	\$ -	\$ 11,544,735

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$	36,365
Public safety		137,666
Public works, which includes the depreciation of infrastructure		256,694
Culture, education and recreation		<u>129,154</u>
Total Governmental Activities Depreciation Expense	\$	<u><u>559,879</u></u>

Business-type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Electric				
Capital assets not being depreciated				
Land and land rights	\$ 151,729	\$ 1	\$ -	\$ 151,730
Construction in progress	<u>9,259</u>	<u>-</u>	<u>1,210</u>	<u>8,049</u>
Total Capital Assets Not Being Depreciated	<u>160,988</u>	<u>1</u>	<u>1,210</u>	<u>159,779</u>
Capital assets being depreciated				
Buildings and improvements	1,855,728	-	-	1,855,728
Machinery and equipment	1,453,956	200,331	12,304	1,641,983
Infrastructure	<u>3,023,246</u>	<u>69,485</u>	<u>22,499</u>	<u>3,070,232</u>
Total Capital Assets Being Depreciated	<u>6,332,930</u>	<u>269,816</u>	<u>34,803</u>	<u>6,567,943</u>
Total Capital Assets	<u>6,493,918</u>	<u>269,817</u>	<u>36,013</u>	<u>6,727,722</u>
Less: Accumulated depreciation for				
Buildings and improvements	(582,005)	(46,418)	-	(628,423)
Machinery and equipment	(1,097,748)	(72,366)	12,303	(1,157,811)
Infrastructure	<u>(1,661,397)</u>	<u>(96,388)</u>	<u>27,434</u>	<u>(1,730,351)</u>
Total Accumulated Depreciation	<u>(3,341,150)</u>	<u>(215,172)</u>	<u>39,737</u>	<u>(3,516,585)</u>
Net Capital Assets Being Depreciated	<u>2,991,780</u>	<u>54,644</u>	<u>(4,934)</u>	<u>3,051,358</u>
Net Electric Capital Assets	<u>\$ 3,152,768</u>	<u>\$ 54,645</u>	<u>\$ (3,724)</u>	<u>\$ 3,211,137</u>

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Water</u>				
Capital assets not being depreciated				
Land and land rights	\$ 13,113	\$ -	\$ -	\$ 13,113
Total Capital Assets Not Being Depreciated	13,113	-	-	13,113
Capital assets being depreciated				
Buildings and improvements	1,026,577	-	-	1,026,577
Machinery and equipment	690,765	2,138	2,245	690,658
Infrastructure	3,857,628	95,565	23,330	3,929,863
Total Capital Assets Being Depreciated	5,574,970	97,703	25,575	5,647,098
Total Capital Assets	5,588,083	97,703	25,575	5,660,211
Less: Accumulated depreciation for				
Buildings and improvements	(485,048)	(31,770)	-	(516,818)
Machinery and equipment	(479,611)	(40,378)	2,245	(517,744)
Infrastructure	(921,330)	(77,951)	24,435	(974,846)
Total Accumulated Depreciation	(1,885,989)	(150,099)	26,680	(2,009,408)
Net Capital Assets Being Depreciated	3,688,981	(52,396)	(1,105)	3,637,690
Net Water Capital Assets	\$ 3,702,094	\$ (52,396)	\$ (1,105)	\$ 3,650,803

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Sewer</u>				
Capital assets not being depreciated				
Land and land rights	\$ 21,763	\$ -	\$ -	\$ 21,763
Total Capital Assets Not Being Depreciated	21,763	-	-	21,763
Capital assets being depreciated				
Buildings and improvements	4,018,570	-	-	4,018,570
Machinery and equipment	3,666,500	35,739	12,905	3,689,334
Infrastructure	22,722	-	-	22,722
Total Capital Assets Being Depreciated	7,707,792	35,739	12,905	7,730,626
Total Capital Assets	7,729,555	35,739	12,905	7,752,389
Less: Accumulated depreciation for				
Buildings and improvements	(2,042,654)	(104,936)	-	(2,147,590)
Machinery and equipment	(2,809,425)	(154,622)	12,905	(2,951,142)
Infrastructure	(2,213)	(295)	-	(2,508)
Total Accumulated Depreciation	(4,854,292)	(259,853)	12,905	(5,101,240)
Net Capital Assets Being Depreciated	2,853,500	(224,114)	-	2,629,386
Net Sewer Capital Assets	\$ 2,875,263	\$ (224,114)	\$ -	\$ 2,651,149
Business-type Capital Assets, Net of Accumulated Depreciation	\$ 9,730,125	\$ (221,865)	\$ (4,829)	\$ 9,513,089

Depreciation expense was charged to functions as follows:

Business-type Activities

Electric	\$ 183,088
Water	137,318
Sewer	262,512
Total Business-type Activities Depreciation Expense	\$ 582,918

Depreciation expense may be different from business-type activity accumulated depreciation additions because of joint metering, salvage, cost of removal, internal allocations, or costs associated with the disposal of assets.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount
100 General Fund	Water and Light Commission	\$ 228,280
100 General Fund	225 Parks	74,629
400 Capital Projects	Water and Light Commission	694,763
Water and Light Commission	100 General Fund	17,109
410 TIF District No.1	414 TIF District No.4	<u>16,800</u>
Total - Fund Financial Statements		1,031,581
Less: Fund eliminations		<u>(125,647)</u>
Total Internal Balances - Government-Wide Statement of Net Position		<u>\$ 905,934</u>
Receivable Fund	Payable Fund	Amount
Governmental Activities	Business-type Activities	\$ 923,043
Business-type Activities	Governmental Activities	<u>(17,109)</u>
Total Government-Wide Financial Statements		<u>\$ 905,934</u>

All amounts are due within one year.

The principal purposes of these interfunds are for tax roll items and to cover temporary cash shortfalls. All remaining balances resulted 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.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)

Advances

The 410 TIF District No. 1 is advancing funds to 412 TIF District No. 2 and 413 TIF District No. 3. The amounts advanced are determined by the deficiency of revenues over expenditures and other financing sources. No repayment schedules have been established.

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
410 TIF District No. 1	412 TIF District No. 2	\$ 1,132,514	\$ 1,132,514
410 TIF District No. 1	413 TIF District No. 3	<u>180,171</u>	180,171
Total - Fund Financial Statements		1,312,685	
Less: Fund eliminations		<u>(1,312,685)</u>	
Total - Interfund Advances - Government-Wide Statement of Net Position		<u><u>\$ -</u></u>	

The principal purpose of these advances is due to expenditures exceeding revenues.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
100 General Fund	Water and Light Commission	\$ 228,858	Tax equivalent
100 General Fund	Water and Light Commission	60,339	Collection system
220 Fire and EMS	100 General Fund	243,931	Fire services and dues
300 General Debt Service	410 TIF District No. 1	72,700	Debt service
300 General Debt Service	412 TIF District No. 2	103,350	Debt service
300 General Debt Service	100 General Fund	418,148	Debt service prepayment
225 Parks	400 Capital Projects	4,234	Park related activity
225 Parks	100 General Fund	95,894	Park related activity
225 Parks	820 Honorary Fire Department - Board Designated	27,186	Close out fund
400 Capital Projects	100 General Fund	36,536	Building sale proceeds
410 TIF District No. 1	204 Sanitary Sewer Impact Fees	8,524	Capital projects
410 TIF District No. 1	205 Water Impact Fees	7,716	Capital projects
410 TIF District No. 1	Water and Light Commission	45,800	Collection system
400 Capital Projects	Water and Light Commission	36,135	Collection system
410 TIF District No. 1	201 Stormwater Impact Fees	2,398	Capital projects
410 TIF District No. 1	202 Public Works Impact Fees	5,254	Capital projects
410 TIF District No. 1	203 Park & Recreation Impact Fees	<u>3,816</u>	Capital projects
Total - Fund Financial Statements		1,400,819	
Less: Fund eliminations		<u>(1,029,687)</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ 371,132</u>	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 3,803,283	\$ -	\$ 791,777	\$ 3,011,506	\$ 378,252
Other Liabilities					
Vested compensated absences	304,019	60,216	53,242	310,993	57,320
Net pension (asset) liability	<u>(227,028)</u>	<u>376,700</u>	<u>-</u>	<u>149,672</u>	<u>-</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 3,880,274</u>	<u>\$ 436,916</u>	<u>\$ 845,019</u>	<u>\$ 3,472,171</u>	<u>\$ 435,572</u>
Business-type Activities					
Bonds and Notes Payable					
Revenue bonds	\$ 4,746,706	\$ 1,310,000	\$ 495,314	\$ 5,561,392	\$ 516,897
(Discounts)/Premiums	<u>(11,112)</u>	<u>(9,825)</u>	<u>(1,632)</u>	<u>(19,305)</u>	<u>-</u>
Sub-totals	<u>4,735,594</u>	<u>1,300,175</u>	<u>493,682</u>	<u>5,542,087</u>	<u>516,897</u>
Other Liabilities					
Vested compensated absences	108,568	20,869	37,248	92,189	20,265
Net pension (asset) liability	<u>(89,024)</u>	<u>145,143</u>	<u>-</u>	<u>56,119</u>	<u>-</u>
Total Other Liabilities	<u>19,544</u>	<u>166,012</u>	<u>37,248</u>	<u>148,308</u>	<u>20,265</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 4,755,138</u>	<u>\$ 1,466,187</u>	<u>\$ 530,930</u>	<u>\$ 5,690,395</u>	<u>\$ 537,162</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed 5% of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2016, was \$10,549,645. Total general obligation debt outstanding at year end was \$3,011,506.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the city. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund.

Governmental Activities

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2016</u>
General Obligation Community Development Bonds	09/26/07	09/01/22	3.75-4.2%	\$ 760,000	\$ 375,000
State Trust Fund Loan - Build America Bonds	11/05/09	03/15/19	4.5%	1,084,570	416,524
General Obligation Refunding Bond	11/29/10	12/01/22	1.3-2.9%	1,835,000	1,570,000
State Trust Fund Loan	07/01/13	03/15/23	2.75%	900,000	<u>649,982</u>
Total Governmental Activities - General Obligation Debt					<u><u>\$ 3,011,506</u></u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 378,252	\$ 93,013
2018	561,578	80,128
2019	580,236	62,684
2020	422,693	44,121
2021	480,271	31,923
2022-2023	<u>588,476</u>	<u>20,379</u>
Totals	<u><u>\$ 3,011,506</u></u>	<u><u>\$ 332,248</u></u>

Revenue Debt

Business-type activities revenue bonds are payable only from revenues derived from the operation of the Water & Light Commission.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

All utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2016 was \$593,235. Total customer net revenues as defined for the same period was \$1,285,000. Annual principal and interest payments are expected to require 25% of net revenues on average.

Revenue debt payable at December 31, 2016, consists of the following:

Business-type Activities Revenue Debt

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2016
<u>Water Utility</u>					
2012 Revenue Bonds	11/06/12	11/01/28	0.50-3.00%	\$ 3,255,000	\$ 2,355,000
2013 Revenue Bonds	03/27/13	05/01/32	2.63%	1,384,900	1,211,392
2013 Revenue Bonds	12/31/13	11/01/22	0.80-3.20%	950,000	685,000
2016 Revenue Bonds	11/15/16	11/1/36	1.25 - 3.25%	1,310,000	<u>1,310,000</u>
Total Business-type Activities - Revenue Debt					<u>\$ 5,561,392</u>

Debt service requirements to maturity are as follows:

Years	Business-type Activities Revenue Debt	
	Principal	Interest
2017	\$ 516,897	\$ 121,305
2018	533,522	115,044
2019	545,190	106,121
2020	566,901	95,990
2021	563,657	84,526
2022-2026	1,406,284	276,751
2027-2031	927,641	137,520
2032-2036	<u>501,300</u>	<u>41,650</u>
Totals	<u>\$ 5,561,392</u>	<u>\$ 978,907</u>

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Other Debt Information

Estimated payments of vested benefits are not included in the debt service requirement schedules. The compensated absences liability and net pension liability attributable to governmental activities will be liquidated primarily by the general fund.

Bond Covenant Disclosures

Insurance

The utility is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, workers compensation, and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

The utility is covered under the following insurance policies at December 31, 2016:

<u>Type</u>	<u>Coverage</u>	<u>Expiration</u>
<i>Tricor, Inc</i>		
General Liability	\$ 5,000,000	1/1/17
Automobile	5,000,000	1/1/17
Workers Compensation	500,000	1/1/17

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Debt Coverage

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.25 times the annual debt service. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2016 as follows:

Operating revenues	\$ 5,638,329
Investment income	10,819
Miscellaneous nonoperating income	11,208
Less: Operation and maintenance expenses	<u>(4,378,140)</u>
Net Defined Earnings	<u>\$ 1,282,216</u>
Minimum Required Earnings per Resolution:	
Current year's revenue bond debt service	\$ 593,235
Coverage factor	<u>1.25</u>
Minimum Required Earnings	<u>\$ 741,544</u>
Actual Debt Coverage	<u>2.16</u>

Utility Budget

The 2016 utility budgets were prepared and approved as required by the bond resolutions.

G. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2016, includes the following:

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 1,044,245
Construction in progress	187,194
Other capital assets, net of accumulated depreciation	10,313,296
Less: Long-term debt outstanding	<u>(3,011,506)</u>
Total Net Investment in Capital Assets	<u>\$ 8,758,229</u>

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

G. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2016, include the following:

	General Fund	220 Fire and EMS	300 General Debt Service	400 Capital Projects	410 TIF District No. 1	412 TIF District No. 2	Nonmajor Funds	Totals
Fund Balances								
Nonspendable:								
Prepaid items	\$ 47,618	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,618
Restricted for:								
Debt service	-	-	209,608	-	-	-	-	209,608
Sewer collection system	-	-	-	694,763	-	-	-	694,763
TIF purposes	-	-	-	-	2,063,796	-	-	2,063,796
Library purposes	-	-	-	-	-	-	170,950	170,950
Impact fees	-	-	-	-	-	-	248	248
Park donations	-	-	-	-	-	-	17,551	17,551
Committed to:								
Fire and EMS operations	-	506,276	-	-	-	-	-	506,276
Capital related purposes	-	-	-	-	-	-	29,518	29,518
Cable TV operations	-	-	-	-	-	-	198,888	198,888
Assigned to:								
Tax equivalent	228,280	-	-	-	-	-	-	228,280
Retiree health	87,539	-	-	-	-	-	-	87,539
Library purposes	168,107	-	-	-	-	-	-	168,107
Speed limit alert sign	240	-	-	-	-	-	-	240
Patrol uniforms	1,763	-	-	-	-	-	-	1,763
Defibrillator	958	-	-	-	-	-	-	958
Capital related purposes	-	-	-	305,044	-	-	-	305,044
Unassigned (deficit):	<u>735,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,132,745)</u>	<u>(196,971)</u>	<u>(594,238)</u>
Total Fund Balances	<u>\$ 1,269,983</u>	<u>\$ 506,276</u>	<u>\$ 209,608</u>	<u>\$ 999,807</u>	<u>\$ 2,063,796</u>	<u>\$ (1,132,745)</u>	<u>\$ 220,184</u>	<u>\$ 4,136,909</u>

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

G. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

Net Investment in Capital Assets	
Land	\$ 186,605
Construction in progress	8,049
Other capital assets, net of accumulated depreciation	9,318,435
Less: Long-term debt outstanding	(5,561,392)
Plus: Unspent debt proceeds	1,731,734
Plus: Unamortized debt discount and deferred charge on refunding	<u>95,022</u>
Total Net Investment in Capital Assets	<u>\$ 5,778,453</u>

H. COMPONENT UNIT

WATERLOO COMMUNITY DEVELOPMENT AUTHORITY

This report contains the Waterloo Community Development Authority (CDA), which is included as a component unit.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Basis of Accounting/Measurement Focus

The CDA follows the full accrual basis of accounting and the flow of economic resources measurement focus.

b. Deposits and Investments

At year end, the carrying amount of the CDA's deposits was \$0.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Post-retirement adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2006	0.8%	3%
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$120,826 in contributions from the city.

Contribution rates as of December 31, 2016 are:

Employee Category	Employee	Employer
General	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

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

At December 31, 2016, the city reported a liability (asset) of \$205,791 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The city's proportion of the net pension liability (asset) was based on the city's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the city's proportion was 0.01266419%, which was a decrease of 0.00020293% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the city recognized pension expense of \$245,375.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

At December 31, 2016, 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	\$ 34,814	\$ 433,083
Changes in assumptions	143,980	-
Net differences between projected and actual earnings on pension plan investments	842,565	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,561	-
Employer contributions subsequent to the measurement date	119,186	-
Totals	\$ 1,147,106	\$ 433,083

\$119,186 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 266,848	\$ 104,807
2018	266,848	104,807
2019	266,848	104,807
2020	222,604	104,807
2021	4,774	13,855

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset)	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*:	2.1%

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Long-term expected return on plan assets. 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:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Destination Target Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
U.S. Equities	27%	23%	7.6%	4.7%
International Equities	24.5	22	8.5	5.6
Fixed Income	27.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real Estate	7	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.7	3.8
Total Core Fund	107	120	7.4	4.5
 <u>Variable Fund Asset Class</u>				
U.S Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the city's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the city's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the city's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City's proportionate share of the net pension liability (asset)	\$760,820	\$205,791	\$(1,443,419)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

At December 31, 2016, the city reported a payable to the pension plan which represents contractually required contributions outstanding as of the end of the year.

B. RISK MANAGEMENT

The city is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

From time to time, the city is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the city attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the city's financial position or results of operations.

The city has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

Long-Term Contracts - WPPI Energy

The electric utility is one of 51 WPPI Energy member municipalities located throughout the State of Wisconsin. On December 1, 1989, each initial WPPI Energy member commenced purchasing electric service from WPPI Energy under a long-term Power Supply Contract for Participating Members (long-term contract). Under the long-term contract, WPPI Energy is obligated to provide and sell, and each member is obligated to take and pay for, the electric power and energy required for the operation of each member's electric utility.

The long-term contract requires all WPPI Energy members to pay for power and energy requirements supplied or made available by WPPI Energy at rates sufficient to cover WPPI Energy's revenue requirement including power supply costs, administrative expenses and debt service. WPPI Energy's subsequent year's operating budget and rates are approved annually by its Board of Directors, consisting of representatives from each member. The members have agreed to charge rates to retail customers sufficient to meet their WPPI Energy obligations. The long-term contract provides that all payments to WPPI Energy constitute operating expenses of the utility payable from any operating and maintenance fund established for that system.

In 2015, a majority of WPPI Energy members ratified an eighteen year extension to their existing contracts. All but two of the remaining members ratified the same extension in 2016. The new contract expires at midnight on December 31, 2055.

WPPI Energy's outstanding debt service obligation to be paid by its members through their wholesale power charges through the remainder of the long-term contract was \$411 million as of December 31, 2016.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

TIF District No.2

During 2013, the city entered into a developer agreement related to a property located in TIF District No.2. As part of the developer agreement, for each revenue year beginning with revenue year 2017, the developer guarantees that the tax increment generated by the parcel during the revenue year should equal or exceed the guaranteed TIF revenue for the revenue year. If the city receives less than the guaranteed TIF revenue for the revenue year, then the developer shall pay to the city an amount equal to the difference. Any developer subsidy not paid will bear an interest rate of 6.0% per year until paid. As a part of the developer agreement, the developer shall also employ not less than three (3) full-time employment positions at the facilities.

Also, as part of the development agreement, the city promises to pay the developer, subject to certain terms and conditions, the amount of one million three hundred twenty dollars (\$1,320,000). The city is obligated to make these payments before September 30th of each revenue year, commencing with revenue year 2024. The obligation ceases upon the earlier of (i) the expiration of the term of the TIF district, or (ii) payment of the sum of \$1,320,000.

D. ECONOMIC DEPENDENCY

Water and Light Commission

The Water and Light Commission has a significant customer who was responsible for 16% of operating revenues in 2016.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V - OTHER INFORMATION (cont.)

E. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- > *Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- > *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- > *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- > *Statement No. 80, Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*
- > *Statement No. 81, Irrevocable Split-Interest Agreements*
- > *Statement No. 82, Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*

When they become effective, application of these standards may restate portions of these financial statements.

F. SEGMENT INFORMATION

The city provides electric, water and sewer service to the city residents through the Waterloo Water and Light Commission. The commission operates as a single entity. Revenue debt issued by the Commission is secured by the combined revenues of the three utility services, and therefore, combining statements and segment information are not required.

G. SUBSEQUENT EVENTS

The utility has applied to the PSCW for an adjustment to electric rates.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WATERLOO

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - 100 GENERAL FUND For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,257,766	\$ 1,257,766	\$ 1,252,492	\$ (5,274)
Intergovernmental	808,452	814,249	791,224	(23,025)
Licenses and permits	33,781	37,512	43,159	5,647
Fines, forfeitures and penalties	16,150	16,150	16,581	431
Public charges for services	218,782	218,782	203,706	(15,076)
Investment income	5,700	5,700	19,867	14,167
Miscellaneous	<u>48,073</u>	<u>48,073</u>	<u>49,625</u>	<u>1,552</u>
Total Revenues	<u>2,388,704</u>	<u>2,398,232</u>	<u>2,376,654</u>	<u>(21,578)</u>
EXPENDITURES				
General government	434,635	439,532	387,093	52,439
Public safety	932,101	935,832	799,121	136,711
Public works	657,442	649,154	660,788	(11,634)
Health and human services	4,260	4,260	4,176	84
Culture, education and recreation	355,013	405,919	400,396	5,523
Conservation and development	<u>16,694</u>	<u>47,440</u>	<u>46,238</u>	<u>1,202</u>
Total Expenditures	<u>2,400,145</u>	<u>2,482,137</u>	<u>2,297,812</u>	<u>184,325</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,441)</u>	<u>(83,905)</u>	<u>78,842</u>	<u>162,747</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	247,262	247,262	289,197	41,935
Transfers out	(241,321)	(757,973)	(794,509)	(36,536)
Sale of city property	<u>500</u>	<u>500</u>	<u>-</u>	<u>(500)</u>
Total Other Financing Sources (Uses)	<u>6,441</u>	<u>(510,211)</u>	<u>(505,312)</u>	<u>4,899</u>
Net Change in Fund Balance	(5,000)	(594,116)	(426,470)	167,646
FUND BALANCE - Beginning of Year	<u>1,696,453</u>	<u>1,696,453</u>	<u>1,696,453</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,691,453</u>	<u>\$ 1,102,337</u>	<u>\$ 1,269,983</u>	<u>\$ 167,646</u>

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF WATERLOO

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - 220 FIRE AND EMS
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
INTERGOVERNMENTAL				
Fire insurance tax (2% fire dues)	\$ 11,000	\$ 11,000	\$ 12,839	\$ 1,839
State aid - ambulance	4,500	4,500	5,438	938
Payments for municipal services	<u>162,659</u>	<u>162,659</u>	<u>162,659</u>	<u>-</u>
Total Intergovernmental	<u>178,159</u>	<u>178,159</u>	<u>180,936</u>	<u>2,777</u>
PUBLIC CHARGES FOR SERVICES				
Public safety	<u>125,000</u>	<u>125,000</u>	<u>118,330</u>	<u>(6,670)</u>
INVESTMENT INCOME				
Interest on investments	<u>300</u>	<u>300</u>	<u>852</u>	<u>552</u>
MISCELLANEOUS				
Rent	10	10	-	(10)
Awards and damages	-	900	1,940	1,040
Total Miscellaneous	<u>10</u>	<u>910</u>	<u>1,940</u>	<u>1,030</u>
Total Revenues	<u>303,469</u>	<u>304,369</u>	<u>302,058</u>	<u>(2,311)</u>
EXPENDITURES				
GENERAL GOVERNMENT				
Other general government	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
PUBLIC SAFETY				
Fire suppression	<u>435,400</u>	<u>436,300</u>	<u>453,955</u>	<u>(17,655)</u>
CAPITAL OUTLAY				
Fire protection	<u>130,000</u>	<u>130,000</u>	<u>23,889</u>	<u>106,111</u>
Total Expenditures	<u>567,400</u>	<u>568,300</u>	<u>477,844</u>	<u>90,456</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(263,931)</u>	<u>(263,931)</u>	<u>(175,786)</u>	<u>88,145</u>
OTHER FINANCING SOURCES				
Transfers in	<u>263,931</u>	<u>263,931</u>	<u>243,931</u>	<u>(20,000)</u>
Net Change in Fund Balance	-	-	68,145	68,145
FUND BALANCE - Beginning of Year	<u>567,106</u>	<u>567,106</u>	<u>438,131</u>	<u>(128,975)</u>
FUND BALANCE - END OF YEAR	<u>\$ 567,106</u>	<u>\$ 567,106</u>	<u>\$ 506,276</u>	<u>\$ (60,830)</u>

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF WATERLOO

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET) -
WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2016

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability/(Asset)</u>	<u>Proportionate Share of the Net Pension Liability/(Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
12/31/15	0.01286712%	\$ (316,052)	\$ 1,517,985	20.82%	102.74%
12/31/16	0.01266419%	205,791	1,550,704	13.27%	98.20%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2015

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/15	\$ 120,826	\$ (120,826)	\$ -	1,474,584	8.19%
12/31/16	119,044	(119,044)	-	1,533,540	7.76%

See independent auditors' report and accompanying notes to the required supplementary information.

CITY OF WATERLOO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2016

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I. C.

The budgeted amounts presented include any amendments made. The city may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds action.

Appropriations lapse at year end unless specifically carried over. Carryovers to the following year were \$874,572. Budgets are adopted at the department level of expenditure.

EXCESS EXPENDITURES OVER APPROPRIATIONS

Excess expenditures over appropriations are as follows:

	<u>Final Budget</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General Fund</u>			
City Attorney	\$ 5,076	\$ 5,281	\$ 205
Contingency	2,207	2,784	577
Sanitary sewers	4,500	53,066	48,566
Planning	8,650	8,905	255
 <u>220 Fire and EMS</u>			
Fire suppression	436,300	453,955	17,655

WISCONSIN RETIREMENT SYSTEM

The amounts determined for each fiscal year were determined as of the calendar year-end and occurred within the fiscal year.

The city is required to present the last ten years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Changes in benefit terms. There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

Changes in assumptions. There were no changes in assumptions.

SUPPLEMENTARY INFORMATION

CITY OF WATERLOO

DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL - 100 GENERAL FUND For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
TAXES				
General property tax	\$ 1,225,102	\$ 1,225,102	\$ 1,225,102	\$ -
Mobile home parking permit fees	28,000	28,000	22,349	(5,651)
Interest on taxes	25	25	240	215
Other taxes	4,639	4,639	4,801	162
Total Taxes	<u>1,257,766</u>	<u>1,257,766</u>	<u>1,252,492</u>	<u>(5,274)</u>
INTERGOVERNMENTAL				
State shared revenues	482,187	482,187	469,629	(12,558)
State aid - connecting streets	235,978	235,978	228,790	(7,188)
State aid - exempt computers	2,458	2,458	3,369	911
State aid - recycling	12,400	12,400	11,737	(663)
State aid - law enforcement	5,280	5,280	1,715	(3,565)
County aid - library	70,149	75,946	75,984	38
Total Intergovernmental	<u>808,452</u>	<u>814,249</u>	<u>791,224</u>	<u>(23,025)</u>
LICENSES AND PERMITS				
Liquor and malt beverage licenses	8,500	8,500	8,540	40
Operators' licenses	975	975	1,935	960
Cigarette licenses	300	300	400	100
Mobile home park licenses	174	174	174	-
Bicycle licenses	50	50	15	(35)
Dog and cat licenses	4,200	4,200	5,954	1,754
Miscellaneous licenses	100	100	50	(50)
Building permits	8,500	11,900	12,333	433
Electrical permits	2,900	2,900	2,370	(530)
Plumbing permits	2,000	2,331	2,929	598
Heating and air conditioning permits	1,900	1,900	2,501	601
Erosion control permits	800	800	1,100	300
Sign permits	300	300	85	(215)
Wisconsin building seal	82	82	41	(41)
Other permits	2,500	2,500	2,842	342
Other	500	500	1,890	1,390
Total Licenses and Permits	<u>33,781</u>	<u>37,512</u>	<u>43,159</u>	<u>5,647</u>
FINES, FORFEITURES AND PENALTIES				
Court penalties and costs	10,100	10,100	10,009	(91)
Parking violations	3,050	3,050	3,370	320
Library fees and fines	3,000	3,000	3,202	202
Total Fines, Forfeitures, and Penalties	<u>16,150</u>	<u>16,150</u>	<u>16,581</u>	<u>431</u>

CITY OF WATERLOO

DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL - 100 GENERAL FUND For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
PUBLIC CHARGES FOR SERVICES				
Sale of materials and supplies	\$ 50	\$ 50	\$ 150	\$ 100
Clerk's fees	2,000	2,000	5,398	3,398
Accident reports	300	300	79	(221)
Animal pound	150	150	50	(100)
Street maintenance and materials	1,700	1,700	3,673	1,973
Weed and nuisance control	100	100	-	(100)
Refuse and garbage collection	202,800	202,800	190,017	(12,783)
Recycling	500	500	729	229
Other library fees	2,150	2,150	2,756	606
Sewer connection charges	1,532	1,532	854	(678)
Recreation programs	7,500	7,500	-	(7,500)
Total Public Charges for Services	<u>218,782</u>	<u>218,782</u>	<u>203,706</u>	<u>(15,076)</u>
INVESTMENT INCOME				
Interest on investments	<u>5,700</u>	<u>5,700</u>	<u>19,867</u>	<u>14,167</u>
MISCELLANEOUS				
Awards and damages	5,000	5,000	5,331	331
Donations, trusts and memorials	43,073	43,073	43,073	-
Miscellaneous	-	-	1,221	1,221
Total Miscellaneous	<u>48,073</u>	<u>48,073</u>	<u>49,625</u>	<u>1,552</u>
TOTAL REVENUES	<u>\$ 2,388,704</u>	<u>\$ 2,398,232</u>	<u>\$ 2,376,654</u>	<u>\$ (21,578)</u>

CITY OF WATERLOO

DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - 100 GENERAL FUND For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
GENERAL GOVERNMENT				
Council	\$ 13,703	\$ 13,703	\$ 12,809	\$ 894
Mayor	7,356	7,356	4,423	2,933
Clerk/treasurer	240,341	246,650	246,356	294
Legislative support	3,550	3,693	3,693	-
Elections	4,200	5,587	5,216	371
Assessment of property	2,300	2,300	1,845	455
Special accounting and auditing	26,000	27,025	27,025	-
City attorney	2,250	5,076	5,281	(205)
Municipal building	20,515	20,515	14,625	5,890
Contingency	9,000	2,207	2,784	(577)
Property and liability insurance	65,991	65,991	52,924	13,067
Health insurance	36,929	36,929	9,686	27,243
Other general government	2,500	2,500	426	2,074
Total General Government	<u>434,635</u>	<u>439,532</u>	<u>387,093</u>	<u>52,439</u>
PUBLIC SAFETY				
Police - administration	313,515	313,515	240,951	72,564
Police - patrol	562,961	562,961	540,180	22,781
Annual appropriation	40,000	40,000	-	40,000
Inspection	9,500	13,231	13,231	-
Emergency government civil defense	6,125	6,125	4,759	1,366
Total Public Safety	<u>932,101</u>	<u>935,832</u>	<u>799,121</u>	<u>136,711</u>
PUBLIC WORKS				
Machinery equipment	46,900	40,165	30,671	9,494
Garages	15,890	15,890	14,947	943
Engineering	1,500	2,275	2,275	-
Street maintenance	26,600	18,600	18,599	1
Bridges and culverts	200	200	-	200
Snow and ice control	26,800	32,176	29,314	2,862
Traffic control	3,900	3,900	3,025	875
Street lighting	69,000	69,000	67,848	1,152
Storm sewers	2,500	2,500	457	2,043
Tree and brush control	6,750	3,950	1,875	2,075
Sanitary sewers	4,500	4,500	53,066	(48,566)
Garbage billing fee	165,028	168,124	168,113	11
Sanitary landfill	3,895	3,895	2,893	1,002
Public works/highway administration	283,979	283,979	267,705	16,274
Total Public Works	<u>657,442</u>	<u>649,154</u>	<u>660,788</u>	<u>(11,634)</u>
HEALTH AND HUMAN SERVICES				
Insect control	100	100	16	84
Animal control	4,160	4,160	4,160	-
Total Health and Human Services	<u>4,260</u>	<u>4,260</u>	<u>4,176</u>	<u>84</u>

CITY OF WATERLOO

DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
100 GENERAL FUND
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
CULTURE, EDUCATION AND RECREATION				
Library	\$ 347,663	\$ 397,788	\$ 397,787	\$ 1
Celebration and entertainment	-	781	779	2
Parks	<u>7,350</u>	<u>7,350</u>	<u>1,830</u>	<u>5,520</u>
Total Culture, Education and Recreation	<u>355,013</u>	<u>405,919</u>	<u>400,396</u>	<u>5,523</u>
CONSERVATION AND DEVELOPMENT				
Weed control	2,450	2,450	1,309	1,141
Regional planning commission	4,005	4,005	3,689	316
Planning	8,650	8,650	8,905	(255)
Community development	<u>1,589</u>	<u>32,335</u>	<u>32,335</u>	<u>-</u>
Total Conservation and Development	<u>16,694</u>	<u>47,440</u>	<u>46,238</u>	<u>1,202</u>
TOTAL EXPENDITURES	<u><u>\$ 2,400,145</u></u>	<u><u>\$ 2,482,137</u></u>	<u><u>\$ 2,297,812</u></u>	<u><u>\$ 184,325</u></u>

CITY OF WATERLOO

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2016

	Special Revenue Funds		
	200 Cable TV	810 Library Memorial	812 Library
ASSETS			
Cash and investments	\$ 188,852	\$ 74,485	\$ 96,542
Restricted cash and investments	-	-	-
Receivables (net)			
Taxes	-	-	210,842
Accounts	10,592	-	-
Special assessments	-	-	-
Accrued interest	1,175	308	-
Due from other governments	-	-	-
	<u>200,619</u>	<u>74,793</u>	<u>307,384</u>
TOTAL ASSETS	<u>\$ 200,619</u>	<u>\$ 74,793</u>	<u>\$ 307,384</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 77
Accrued liabilities	556	-	-
Due to other funds	-	-	-
Advances from other funds	-	-	-
Total Liabilities	<u>556</u>	<u>-</u>	<u>77</u>
Deferred Inflows of Resources			
Unearned revenues	-	-	210,842
Unavailable revenues	1,175	308	-
Total Deferred Inflows of Resources	<u>1,175</u>	<u>308</u>	<u>210,842</u>
Fund Balances (Deficit)			
Restricted	-	74,485	96,465
Committed	198,888	-	-
Unassigned (deficit)	-	-	-
Total Fund Balances (deficit)	<u>198,888</u>	<u>74,485</u>	<u>96,465</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 200,619</u>	<u>\$ 74,793</u>	<u>\$ 307,384</u>

Special Revenue Funds						Capital Projects Funds
204 Sanitary Sewer Impact Fees	203 Park and Recreation Impact Fees	202 Public Works Impact Fees	201 Stormwater Impact Fees	205 Water Impact Fees	225 Parks	413 TIF District No. 3
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
50	48	49	48	53	-	-
-	-	-	-	-	52,750	23,680
-	-	-	-	-	985	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	104,477	-
<u>\$ 50</u>	<u>\$ 48</u>	<u>\$ 49</u>	<u>\$ 48</u>	<u>\$ 53</u>	<u>\$ 158,212</u>	<u>\$ 23,680</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,371	\$ -
-	-	-	-	-	2,788	-
-	-	-	-	-	74,629	-
-	-	-	-	-	-	180,171
-	-	-	-	-	84,788	180,171
-	-	-	-	-	52,750	23,680
-	-	-	-	-	3,123	-
-	-	-	-	-	55,873	23,680
50	48	49	48	53	17,551	-
-	-	-	-	-	-	-
-	-	-	-	-	-	(180,171)
<u>50</u>	<u>48</u>	<u>49</u>	<u>48</u>	<u>53</u>	<u>17,551</u>	<u>(180,171)</u>
<u>\$ 50</u>	<u>\$ 48</u>	<u>\$ 49</u>	<u>\$ 48</u>	<u>\$ 53</u>	<u>\$ 158,212</u>	<u>\$ 23,680</u>

CITY OF WATERLOO

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2016

	<u>Capital Projects Funds</u>		
	<u>414 TIF District No. 4</u>	<u>402 Sidewalk</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and investments	\$ -	\$ 29,518	\$ 389,397
Restricted cash and investments	-	-	248
Receivables (net)			
Taxes	15,917	657	303,846
Accounts	-	-	11,577
Special assessments	-	8,443	8,443
Accrued interest	-	-	1,483
Due from other governments	-	-	104,477
	<u>-</u>	<u>-</u>	<u>104,477</u>
TOTAL ASSETS	<u>\$ 15,917</u>	<u>\$ 38,618</u>	<u>\$ 819,471</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 7,448
Accrued liabilities	-	-	3,344
Due to other funds	16,800	-	91,429
Advances from other funds	-	-	180,171
Total Liabilities	<u>16,800</u>	<u>-</u>	<u>282,392</u>
Deferred Inflows of Resources			
Unearned revenues	15,917	657	303,846
Unavailable revenues	-	8,443	13,049
Total Deferred Inflows of Resources	<u>15,917</u>	<u>9,100</u>	<u>316,895</u>
Fund Balances (Deficit)			
Restricted	-	-	188,749
Committed	-	29,518	228,406
Unassigned (deficit)	(16,800)	-	(196,971)
Total Fund Balances (deficit)	<u>(16,800)</u>	<u>29,518</u>	<u>220,184</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 15,917</u>	<u>\$ 38,618</u>	<u>\$ 819,471</u>

CITY OF WATERLOO

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	Special Revenue Funds			
	200 Cable TV	810 Library Memorial	812 Library	204 Sanitary Sewer Impact Fees
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses and permits	44,505	-	-	-
Public charges for services	-	-	-	827
Special assessments	-	-	-	-
Investment income	1,242	327	-	32
Miscellaneous	924	4,527	38,372	-
Total Revenues	<u>46,671</u>	<u>4,854</u>	<u>38,372</u>	<u>859</u>
EXPENDITURES				
Current				
General government	-	-	-	3
Culture, education and recreation	34,533	4,541	39,756	-
Capital Outlay	-	-	-	-
Debt Service				
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>34,533</u>	<u>4,541</u>	<u>39,756</u>	<u>3</u>
Excess (deficiency) of revenues over expenditures	<u>12,138</u>	<u>313</u>	<u>(1,384)</u>	<u>856</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(8,524)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,524)</u>
Net Change in Fund Balances	12,138	313	(1,384)	(7,668)
FUND BALANCES (DEFICIT) - Beginning of Year	<u>186,750</u>	<u>74,172</u>	<u>97,849</u>	<u>7,718</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 198,888</u>	<u>\$ 74,485</u>	<u>\$ 96,465</u>	<u>\$ 50</u>

Special Revenue Funds

203 Park and Recreation Impact Fees	202 Public Works Impact Fees	201 Stormwater Impact Fees	205 Water Impact Fees	225 Parks	820 Honorary Fire Department - Board Designated
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	101,354	-
-	-	-	-	683	-
354	512	233	756	76,615	-
-	-	-	-	-	-
15	20	9	29	-	-
-	-	-	-	50,327	-
<u>369</u>	<u>532</u>	<u>242</u>	<u>785</u>	<u>228,979</u>	<u>-</u>
-	3	3	-	6,105	-
-	-	-	-	184,895	-
-	-	-	-	106,848	-
-	-	-	-	-	-
-	<u>3</u>	<u>3</u>	-	<u>297,848</u>	<u>-</u>
<u>369</u>	<u>529</u>	<u>239</u>	<u>785</u>	<u>(68,869)</u>	<u>-</u>
-	-	-	-	127,314	-
<u>(3,816)</u>	<u>(5,254)</u>	<u>(2,398)</u>	<u>(7,716)</u>	<u>-</u>	<u>(27,186)</u>
<u>(3,816)</u>	<u>(5,254)</u>	<u>(2,398)</u>	<u>(7,716)</u>	<u>127,314</u>	<u>(27,186)</u>
(3,447)	(4,725)	(2,159)	(6,931)	58,445	(27,186)
<u>3,495</u>	<u>4,774</u>	<u>2,207</u>	<u>6,984</u>	<u>(40,894)</u>	<u>27,186</u>
<u>\$ 48</u>	<u>\$ 49</u>	<u>\$ 48</u>	<u>\$ 53</u>	<u>\$ 17,551</u>	<u>\$ -</u>

CITY OF WATERLOO

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2016

	Capital Projects Funds			Total Nonmajor Governmental Funds
	413 TIF District No. 3	414 TIF District No. 4	402 Sidewalk	
REVENUES				
Taxes	\$ 26,841	\$ -	\$ -	\$ 26,841
Intergovernmental	590	-	-	101,944
Licenses and permits	-	-	-	45,188
Public charges for services	-	-	-	79,297
Special assessments	-	-	5,234	5,234
Investment income	-	-	-	1,674
Miscellaneous	-	-	-	94,150
Total Revenues	27,431	-	5,234	354,328
EXPENDITURES				
Current				
General government	7,271	650	-	14,035
Culture, education and recreation	-	-	-	263,725
Capital Outlay	285	-	3,620	110,753
Debt Service				
Interest and fiscal charges	1,784	-	-	1,784
Total Expenditures	9,340	650	3,620	390,297
Excess (deficiency) of revenues over expenditures	18,091	(650)	1,614	(35,969)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	127,314
Transfers out	-	-	-	(54,894)
Total Other Financing Sources (Uses)	-	-	-	72,420
Net Change in Fund Balances	18,091	(650)	1,614	36,451
FUND BALANCES (DEFICIT) - Beginning of Year	(198,262)	(16,150)	27,904	183,733
FUND BALANCES (DEFICIT) - END OF YEAR	\$ (180,171)	\$ (16,800)	\$ 29,518	\$ 220,184

CITY OF WATERLOO

STATEMENT OF CASH FLOWS COMPONENT UNIT For the Year Ended December 31, 2016

	600 Community Development Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from customers	\$ 33,835
Paid to suppliers for goods and services	<u>(33,835)</u>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>-</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ -</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	\$ (6,748)
Nonoperating revenue	33,835
Changes in assets and liabilities	
Accounts payable	26
Due to primary government	<u>(27,113)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ -</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
None	