

CITY OF WATERLOO

Waterloo, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2011

CITY OF WATERLOO

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Waterloo
Waterloo, Wisconsin

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, 2011, which collectively comprise the city's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Waterloo's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above do not include financial statements of the Waterloo Honorary Fire Department which should be included to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the financial statements is not known.

In our opinion, based on our audit, except for the omission of the matter discussed in the preceding paragraph, the financial statements referred to previously 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the city adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective January 1, 2011.

To the City Council
City of Waterloo

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules 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, economical, 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.

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 combining and component unit financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
July 13, 2012

CITY OF WATERLOO
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended December 31, 2011
Financial Statements
(Unaudited)



CITY OF WATERLOO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2011

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, 2011. You are invited to read this narrative in conjunction with the city's financial statements.

FINANCIAL HIGHLIGHTS

- > The assets of the City of Waterloo exceeded its liabilities by \$15,204,489 (net assets). Of this amount, \$1,682,403 is considered unrestricted net assets, \$2,139,539 is restricted for specific purposes (restricted net assets), and \$11,382,547 is invested in capital assets, net of related debt.
 - > The city's total net assets increased by \$980,626. Governmental activities net assets increased by \$1,013,131, while business-type net assets decreased by \$32,505.
 - > On December 31, 2011, the city's governmental funds reported combined fund balances of \$2,608,404, an increase of \$160,293 from 2010. The general fund unassigned fund balance was \$589,889 as of December 31, 2010 and \$719,932 as of December 31, 2011 an increase of \$130,043 over the prior year.
-

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, 2011

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 assets includes all of the government's assets and liabilities. 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 assets and how they have changed. Net Assets – the difference between the city's assets and liabilities – is one way to measure the city's financial health, or position. Over time, increases or decreases in the city's net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the 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, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

The city maintains sixteen 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, general debt service, capital projects fund, and TIF District No. 1, 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.

100 General	300 General Debt Service
200 Cable TV	400 Capital Projects
201 Stormwater Impact Fees	402 Sidewalk
202 Public Works Impact Fees	410 TIF District No.1
203 Park & Recreation Impact Fees	412 TIF District No. 2
204 Sanitary Sewer Impact Fees	810 Library Memorial
205 Water Impact Fee	812 Clark Memorial
220 Active Fire – Operating	820 Park Trustees/Carousel Board Designated

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) 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.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the municipal government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the city's own programs. The accounting used for fiduciary 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 a detailed budgetary comparison schedule for the general fund to demonstrate compliance with the budget. 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, 2011

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 Assets and the Statement of Revenues, Expenses and Changes in Net Assets. These two statements report the city's net assets 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 Assets is presented below in Table 1.

Table 1
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 5,236,478	\$ 4,625,579	\$ 1,688,775	\$ 2,056,656	\$ 6,925,253	\$ 6,682,235
Capital assets	10,402,611	10,304,225	9,557,976	9,834,211	19,960,587	20,138,436
Total Assets	<u>15,639,089</u>	<u>14,929,804</u>	<u>11,246,751</u>	<u>11,890,867</u>	<u>26,885,840</u>	<u>26,820,671</u>
Long-term liabilities	5,250,271	5,685,279	3,829,313	4,083,816	9,079,584	9,769,095
Other liabilities	<u>2,205,626</u>	<u>2,074,464</u>	<u>396,141</u>	<u>753,249</u>	<u>2,601,767</u>	<u>2,827,713</u>
Total Liabilities	<u>7,455,897</u>	<u>7,759,743</u>	<u>4,225,454</u>	<u>4,837,065</u>	<u>11,681,351</u>	<u>12,596,808</u>
TOTAL NET ASSETS	<u>\$ 8,183,192</u>	<u>\$ 7,170,061</u>	<u>\$ 7,021,297</u>	<u>\$ 7,053,802</u>	<u>\$ 15,204,489</u>	<u>\$ 14,223,863</u>

CITY OF WATERLOO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) As of and for the Year Ended December 31, 2011

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

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

** Includes Health & Human Services and Conservation & Development

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues						
Charges for services	\$ 416,449	\$ 462,702	\$ 5,667,107	\$ 5,444,738	\$ 6,083,556	\$ 5,907,440
Operating grants and Contributions	360,086	347,404	-	-	360,086	347,404
General Revenues						
Property taxes	1,931,721	1,929,995	-	-	1,931,721	1,929,995
Other taxes	52,384	50,685	-	-	52,384	50,685
Intergovernmental	1,068,618	1,053,040	-	-	1,068,618	1,053,040
Other	51,170	37,617	12,549	13,652	63,719	51,269
Total Revenues	3,880,428	3,881,443	5,679,656	5,458,390	9,560,084	9,339,833
Expenses:						
General government	460,443	411,679	-	-	460,443	411,679
Public safety	1,706,837	1,705,260	-	-	1,706,837	1,705,260
Public works **	1,002,445	963,249	-	-	1,002,445	963,249
Culture, education and rec.	415,112	469,266	-	-	415,112	469,266
Water	-	-	463,700	428,120	463,700	428,120
Sewer	-	-	805,747	774,577	805,747	774,577
Electric	-	-	4,202,124	4,175,820	4,202,124	4,175,820
Interest and fiscal charges	271,177	267,868	-	-	271,177	267,868
Total Expenses	3,856,014	3,817,322	5,471,571	5,378,517	9,327,585	9,195,839
Income Before Capital Grants and Contributions and Transfers	24,414	64,121	208,085	79,873	232,499	143,994
Capital Grants and Contributions	741,456	192,267	6,671	5,895	748,127	198,162
Transfers	247,261	221,427	(247,261)	(221,427)	-	-
Changes in Net Assets	1,013,131	477,815	(32,505)	(135,659)	980,626	342,156
Beginning Net Assets	7,170,061	6,692,246	7,053,802	7,189,461	14,223,863	13,881,707
NET ASSETS – YEAR END	\$ 8,183,192	\$ 7,170,061	\$ 7,021,297	\$ 7,053,802	\$ 15,204,489	\$ 14,223,863

CITY OF WATERLOO

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
As of and for the Year Ended December 31, 2011

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

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

GOVERNMENTAL ACTIVITIES

Governmental activities increased the city's net assets by \$1,013,131, compared to a gain of \$477,815 the previous year. Governmental expenses increased by \$38,692 (1.01%), while program/general revenue decreased \$1,015 (.03%) when compared to the prior year. Capital grants and contributions rose substantially from \$192,267 in 2010 to \$741,456 in 2011. This highlights a focus on using grants and other forms of state & federal aid to fund governmental activities.

BUSINESS-TYPE ACTIVITIES (WATERLOO WATER & LIGHT)

Business-type activities decreased the city's net assets by \$32,505. The previous year this category of net assets also decreased by \$135,659. Business-type revenue increased by \$221,266 (4.05%) and business-type expenses increased \$93,054 (1.73%). The impact of rate increases aided revenue gains.

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, 2011, the city's governmental funds reported combined fund balances of \$2,608,404 which is a 6.55% increase from the previous year. Eight percent or \$214,702 of the \$2,608,404 constitutes a balance defined as unassigned, which is available to meet the city's current and future needs. 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, 2011

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

GOVERNMENTAL FUNDS (cont.)

General Fund

The city's general fund is the chief operating fund of the city. Total fund balance in the general fund is \$1,396,818 an increase of \$139,703 (11.11%). The city evaluates the general fund by measuring the unassigned general fund balance as a percentage of the following year's general fund budget. For 2011, the unassigned general fund balance is \$719,932 and the 2012 general fund expenditure budget is \$2,544,463, resulting in an unassigned fund balance of 28.29%. In 2010 this percentage was 22.85%. Effective October 11, 2007 the Council adopted a policy requiring a fund balance of between 25% and 33%.

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 \$57,199. Any fund balance from this fund is restricted for future debt service.

Capital Projects Fund

The fund balance for the capital projects fund shows a deficit balance of \$443,588, at the end of 2011. This fund had a deficit balance of \$229,729 at the end of 2010. The deficit increased by \$213,859 from 2010 to 2011.

TIF District No. 1

The fund balance as of December 31, 2011 was \$841,625. This is an increase from the prior year in the amount of \$146,640.

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, 2011

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual general fund revenues in excess of expenditures were \$144,320. This was an \$116,168 variance from the final budgeted amount.

CAPITAL ASSETS

At the end of 2011, the city had invested a total of \$19,960,587 in net capital assets. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure and is less than a 1% decrease from the prior year.

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, 2011, was \$9,879,855. Total general obligation debt outstanding at year-end was \$4,980,010. Therefore, the city was at 50.41% of the legal debt limit. The previous year the city was at 53.90% of the legal debt limit.

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

All currently known facts and economic conditions were considered in preparing the 2011 city 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 Mo Hansen, Clerk/Treasurer.

CITY OF WATERLOO

STATEMENT OF NET ASSETS As of December 31, 2011

	Governmental Activities	Business-type Activities	Totals	600 Community Development Authority
ASSETS				
Cash and investments	\$ 2,241,915	\$ 22,301	\$ 2,264,216	\$ -
Receivables (net)				
Taxes	2,087,968	-	2,087,968	-
Accounts	69,868	582,117	651,985	-
Special assessments	507	-	507	-
Loans	39,532	-	39,532	-
Accrued interest	5,364	-	5,364	-
Internal balances	213,937	(213,937)	-	-
Due from other governments	385,639	-	385,639	185,073
Due from component unit	76,418	-	76,418	-
Prepaid items and inventories	27,782	107,235	135,017	-
Other assets	72,126	101,814	173,940	-
Restricted cash and investments	15,422	1,083,292	1,098,714	-
Restricted assets - other	-	5,953	5,953	-
Capital assets (net of accumulated depreciation)				
Land	1,046,470	186,606	1,233,076	-
Construction in progress	58,481	101,752	160,233	-
Other capital assets, net of depreciation	<u>9,297,660</u>	<u>9,269,618</u>	<u>18,567,278</u>	<u>-</u>
Total Assets	<u>15,639,089</u>	<u>11,246,751</u>	<u>26,885,840</u>	<u>185,073</u>
LIABILITIES				
Accounts payable	32,555	351,179	383,734	10,491
Accrued liabilities	118,427	44,962	163,389	-
Unearned revenue	2,054,644	-	2,054,644	-
Due to primary government	-	-	-	76,418
Noncurrent liabilities				
Due within one year	599,734	278,784	878,518	-
Due in more than one year	<u>4,650,537</u>	<u>3,550,529</u>	<u>8,201,066</u>	<u>-</u>
Total Liabilities	<u>7,455,897</u>	<u>4,225,454</u>	<u>11,681,351</u>	<u>86,909</u>
NET ASSETS				
Invested in capital assets, net of related debt	5,678,566	5,891,481	11,382,547	-
Restricted for				
Library Memorial	64,268	-	64,268	-
Clark Memorial	88,408	-	88,408	-
Impact fees	15,422	-	15,422	-
TIF District No. 1	841,625	-	841,625	-
Debt service	-	1,042,750	1,042,750	-
Replacement	-	87,066	87,066	-
Unrestricted	<u>1,494,903</u>	<u>-</u>	<u>1,682,403</u>	<u>98,164</u>
TOTAL NET ASSETS	<u>\$ 8,183,192</u>	<u>\$ 7,021,297</u>	<u>\$ 15,204,489</u>	<u>\$ 98,164</u>

See accompanying notes to financial statements.

CITY OF WATERLOO

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2011

<u>Functions/Programs</u>	Program Revenues			
<u>Primary Government</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities				
General government	\$ 460,443	\$ 26,817	\$ -	\$ -
Public safety	1,706,837	185,232	18,610	111,686
Public works	992,242	159,955	248,322	293,362
Health and human services	6,151	110	-	-
Culture, education and recreation	415,112	44,335	67,095	336,408
Conservation and development	4,052	-	-	-
Interest and fiscal charges	271,177	-	26,059	-
Total Governmental Activities	3,856,014	416,449	360,086	741,456
Business-type Activities				
Electric	4,202,124	4,431,661	-	5,805
Water	463,700	504,047	-	866
Sewer	805,747	731,399	-	-
Total Business-type Activities	5,471,571	5,667,107	-	6,671
Total Primary Government	\$ 9,327,585	\$ 6,083,556	\$ 360,086	\$ 748,127
Component Unit				
600 Community Development Authority	\$ 197,659	\$ -	\$ -	\$ 195,823

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, levied for capital projects

Other taxes

Intergovernmental revenues not restricted to specific programs

Investment income

Miscellaneous

Total General Revenues

Transfers

Change in net assets

NET ASSETS - Beginning of Year

NET ASSETS - END OF YEAR

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Totals	600 Community Development Authority
\$ (433,626)	\$ -	\$ (433,626)	\$ -
(1,391,309)	-	(1,391,309)	-
(290,603)	-	(290,603)	-
(6,041)	-	(6,041)	-
32,726	-	32,726	-
(4,052)	-	(4,052)	-
<u>(245,118)</u>	<u>-</u>	<u>(245,118)</u>	<u>-</u>
<u>(2,338,023)</u>	<u>-</u>	<u>(2,338,023)</u>	<u>-</u>
-	235,342	235,342	-
-	41,213	41,213	-
-	<u>(74,348)</u>	<u>(74,348)</u>	-
-	<u>202,207</u>	<u>202,207</u>	-
<u>(2,338,023)</u>	<u>202,207</u>	<u>(2,135,816)</u>	-
-	-	-	(1,836)
1,328,817	-	1,328,817	-
487,565	-	487,565	-
115,339	-	115,339	-
52,384	-	52,384	-
1,068,618	-	1,068,618	-
16,035	12,549	28,584	-
<u>35,135</u>	<u>-</u>	<u>35,135</u>	<u>-</u>
<u>3,103,893</u>	<u>12,549</u>	<u>3,116,442</u>	<u>-</u>
<u>247,261</u>	<u>(247,261)</u>	<u>-</u>	<u>-</u>
1,013,131	(32,505)	980,626	(1,836)
<u>7,170,061</u>	<u>7,053,802</u>	<u>14,223,863</u>	<u>100,000</u>
<u>\$ 8,183,192</u>	<u>\$ 7,021,297</u>	<u>\$ 15,204,489</u>	<u>\$ 98,164</u>

See accompanying notes to financial statements.

CITY OF WATERLOO

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2011

	<u>100 General</u>	<u>300 General Debt Service</u>	<u>400 Capital Projects</u>
ASSETS			
Cash and investments	\$ 718,932	\$ 57,199	\$ -
Restricted cash and investments	-	-	-
Receivables (net)			
Taxes	1,250,163	573,701	114,134
Accounts	29,818	-	-
Special assessments	-	-	-
Loans	-	-	39,532
Accrued interest	2,438	-	795
Due from other funds	523,838	-	-
Due from other governments	-	-	276,577
Due from component unit	-	-	-
Prepaid items	27,782	-	-
Advances to other funds	<u>163,339</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 2,716,310</u>	<u>\$ 630,900</u>	<u>\$ 431,038</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 25,645	\$ -	\$ 2,204
Accrued liabilities	41,246	-	-
Due to other funds	33,324	-	276,577
Deferred revenues	1,219,277	573,701	391,506
Deferred special assessments	-	-	-
Advances from other funds	<u>-</u>	<u>-</u>	<u>204,339</u>
Total Liabilities	<u>1,319,492</u>	<u>573,701</u>	<u>874,626</u>
Fund Balances			
Nonspendable			
Non-current receivables	-	-	39,532
Prepaid items	27,782	-	-
Advances	163,339	-	-
Restricted	-	57,199	-
Committed	-	-	-
Assigned	485,765	-	-
Unassigned (deficit)	<u>719,932</u>	<u>-</u>	<u>(483,120)</u>
Total Fund Balances	<u>1,396,818</u>	<u>57,199</u>	<u>(443,588)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,716,310</u>	<u>\$ 630,900</u>	<u>\$ 431,038</u>

See accompanying notes to financial statements.

410 TIF District No. 1	Nonmajor Governmental Funds	Totals
\$ 778,515	\$ 687,269	\$ 2,241,915
-	15,422	15,422
147,570	2,400	2,087,968
-	40,050	69,868
-	507	507
-	-	39,532
-	2,131	5,364
-	-	523,838
-	109,062	385,639
-	76,418	76,418
-	-	27,782
<u>63,110</u>	<u>-</u>	<u>226,449</u>
<u>\$ 989,195</u>	<u>\$ 933,259</u>	<u>\$ 5,700,702</u>
\$ -	\$ 4,706	\$ 32,555
-	5,304	46,550
-	-	309,901
147,570	144,282	2,476,336
-	507	507
-	<u>22,110</u>	<u>226,449</u>
<u>147,570</u>	<u>176,909</u>	<u>3,092,298</u>
-	-	39,532
-	-	27,782
-	-	163,339
841,625	168,098	1,066,922
-	610,362	610,362
-	-	485,765
-	<u>(22,110)</u>	<u>214,702</u>
<u>841,625</u>	<u>756,350</u>	<u>2,608,404</u>
<u>\$ 989,195</u>	<u>\$ 933,259</u>	<u>\$ 5,700,702</u>

See accompanying notes to financial statements.

CITY OF WATERLOO

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS As of December 31, 2011

Total Fund Balances - Governmental Funds	\$ 2,608,404
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.	10,402,611
Some receivables that are not currently available are reported as deferred revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements. See Note IV.B.	422,199
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>(5,250,022)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 8,183,192</u></u>

CITY OF WATERLOO

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

For the Year Ended December 31, 2011

	100 General	300 General Debt Service	400 Capital Projects
REVENUES			
Taxes	\$ 1,240,120	\$ 487,565	\$ 115,339
Intergovernmental	838,372	26,059	16,785
Licenses and permits	32,863	-	-
Fines, forfeitures and penalties	16,842	-	-
Public charges for services	211,945	-	-
Investment income	7,072	-	800
Miscellaneous	47,260	71,497	13,019
Total Revenues	2,394,474	585,121	145,943
EXPENDITURES			
Current			
General government	380,183	-	-
Public safety	892,960	-	-
Public works	637,722	-	-
Health and human services	6,151	-	-
Culture, education and recreation	329,086	-	-
Conservation and development	4,052	-	-
Capital Outlay	-	-	393,402
Debt Service			
Principal	-	467,393	-
Interest and fiscal charges	-	201,033	-
Total Expenditures	2,250,154	668,426	393,402
Excess (deficiency) of revenues over expenditures	144,320	(83,305)	(247,459)
OTHER FINANCING SOURCES (USES)			
Transfers in	247,261	87,539	33,600
Transfers out	(251,878)	-	-
Total Other Financing Sources (Uses)	(4,617)	87,539	33,600
Net Change in Fund Balances	139,703	4,234	(213,859)
FUND BALANCES (DEFICIT) - Beginning of Year	1,257,115	52,965	(229,729)
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 1,396,818	\$ 57,199	\$ (443,588)

See accompanying notes to financial statements.

410 TIF District No. 1	Nonmajor Governmental Funds	Totals
\$ 141,081	\$ -	\$ 1,984,105
149,240	168,539	1,198,995
-	37,114	69,977
-	-	16,842
-	122,417	334,362
-	2,647	10,519
-	<u>71,382</u>	<u>203,158</u>
<u>290,321</u>	<u>402,099</u>	<u>3,817,958</u>
28,158	11,434	419,775
-	459,767	1,352,727
-	20,000	657,722
-	-	6,151
-	48,501	377,587
-	-	4,052
23,593	1,491	418,486
-	-	467,393
-	-	<u>201,033</u>
<u>51,751</u>	<u>541,193</u>	<u>3,904,926</u>
<u>238,570</u>	<u>(139,094)</u>	<u>(86,968)</u>
-	326,778	695,178
<u>(91,930)</u>	<u>(104,109)</u>	<u>(447,917)</u>
<u>(91,930)</u>	<u>222,669</u>	<u>247,261</u>
146,640	83,575	160,293
<u>694,985</u>	<u>672,775</u>	<u>2,448,111</u>
<u>\$ 841,625</u>	<u>\$ 756,350</u>	<u>\$ 2,608,404</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, 2011

Net change in fund balances - total governmental funds	\$	160,293
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Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net assets 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	418,486
Some items reported as capital outlay were not capitalized	(65,258)
Depreciation is reported in the government-wide financial statements	(438,695)
Net book value of assets retired	(1,220)

Contributed capital assets are reported as revenues in the government-wide financial statements.	185,073
--	---------

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.	376,075
---	---------

Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	
Principal repaid on general obligation debt	467,393

Governmental funds report debt premiums, discounts and issuance costs as other financing sources (uses) or expenditures. However, in the statement of net assets, these are deferred and reported as other assets or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.	
Debt issuance costs	(7,601)
Loss on refunding	(13,513)

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	(18,872)
Accrued interest on debt	(49,030)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>1,013,131</u>
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CITY OF WATERLOO

STATEMENT OF NET ASSETS PROPRIETARY FUND As of December 31, 2011

	<u>Water & Light Commission</u>
ASSETS	
Current Assets	
Cash and investments	\$ 22,301
Receivables	
Accounts	582,117
Due from other funds	33,324
Inventories	107,235
Restricted Assets	
Redemption account - current	<u>72,721</u>
Total Current Assets	<u>817,698</u>
Noncurrent Assets	
Restricted Assets	
Reserve account	461,800
Replacement account	548,771
Interest receivable	5,953
Capital Assets	
Land	186,606
Construction work in progress	101,752
Plant in service	17,862,774
Less: Accumulated depreciation	(8,593,156)
Other Assets	
Preliminary survey and investigation	18,298
Unamortized debt issuance expenses	63,505
Property held for future use	<u>20,011</u>
Total Noncurrent Assets	<u>10,676,314</u>
Total Assets	<u>11,494,012</u>

See accompanying notes to financial statements.

	<u>Water & Light Commission</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 351,179
Accrued liabilities	4,422
Due to other funds	247,261
Compensated absences	18,784
Public benefits	2,868
Liabilities Payable from Restricted Assets	
Current portion of revenue bonds	260,000
Accrued interest	<u>27,495</u>
Total Current Liabilities	<u>912,009</u>
Noncurrent Liabilities	
Long-Term Debt	
Revenue bonds	3,470,000
Other Liabilities	
Customer advances for construction	10,177
Compensated absences	<u>80,529</u>
Total Noncurrent Liabilities	<u>3,560,706</u>
Total Liabilities	<u>4,472,715</u>
NET ASSETS	
Invested in capital assets net of related debt	5,891,481
Restricted for	
Debt service	1,042,750
Replacement	<u>87,066</u>
TOTAL NET ASSETS	<u>\$ 7,021,297</u>

See accompanying notes to financial statements.

CITY OF WATERLOO

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

For the Year Ended December 31, 2011

	<u>Water & Light Commission</u>
OPERATING REVENUES	
Electric	\$ 4,431,661
Water	504,047
Sewer	<u>731,399</u>
Total Operating Revenues	<u>5,667,107</u>
OPERATING EXPENSES	
Operations and maintenance	4,765,778
Depreciation	<u>518,807</u>
Total Operating Expenses	<u>5,284,585</u>
 Operating Income	 <u>382,522</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	11,557
Income from merchandising and jobbing	992
Interest expense	(173,294)
Amortization of debt issuance costs	<u>(13,692)</u>
Total Nonoperating Revenues (Expenses)	<u>(174,437)</u>
 Income Before Contributions and Transfers	 <u>208,085</u>
CONTRIBUTIONS AND TRANSFERS	
Capital contributions	6,671
Transfers - tax equivalent	<u>(247,261)</u>
Total Contributions and Transfers	<u>(240,590)</u>
 Change in net assets	 (32,505)
 NET ASSETS - Beginning of Year	 <u>7,053,802</u>
 NET ASSETS - END OF YEAR	 <u><u>\$ 7,021,297</u></u>

See accompanying notes to financial statements.

CITY OF WATERLOO

STATEMENT OF CASH FLOWS PROPRIETARY FUND For the Year Ended December 31, 2011

	<u>Water & Light Commission</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from customers	\$ 5,666,414
Paid to suppliers for goods and services	(4,314,978)
Paid to employees for services	<u>(470,064)</u>
Net Cash Flows From Operating Activities	<u>881,372</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investments purchased	(751,044)
Investments sold and matured	474,211
Investment income	<u>7,584</u>
Net Cash Flows From Investing Activities	<u>(269,249)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Paid to municipality for tax equivalent	<u>(221,427)</u>
Net Cash Flows From Noncapital Financing Activities	<u>(221,427)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Debt retired	(255,000)
Interest paid	(174,135)
Special assessments received	866
Acquisition and construction of capital assets	(253,693)
Contributions in aid of construction	5,805
Received from the sale of capital assets	<u>2,584</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(673,573)</u>
Net Change in Cash and Cash Equivalents	(282,877)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>637,426</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 354,549</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	\$ 382,522
Nonoperating revenue	992
Adjustments to Reconcile Operating Income to Net Cash Flows	
From Operating Activities:	
Depreciation	518,807
Depreciation charged to other funds	19,428
Changes in assets and liabilities:	
Accounts receivable	1,435
Due from other funds	(3,120)
Inventories	(11,796)
Accounts payable	(8,332)
Accrued liabilities	(40)
Due to other funds	2,754
Compensated absences	145
Public benefits	<u>(21,423)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 881,372</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS	
Cash and investments - statement of net assets	\$ 22,301
Redemption account	72,721
Reserve account	461,800
Replacement account	<u>548,771</u>
Total Cash and Investments	1,105,593
Less: Noncash equivalents	<u>(751,044)</u>
CASH AND CASH EQUIVALENTS	<u>\$ 354,549</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
None	

See accompanying notes to financial statements.

CITY OF WATERLOO

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUND As of December 31, 2011

	<u>Agency Fund</u> <u>Tax Collection</u> <u>Fund</u>
ASSETS	
Cash and investments	\$ 2,120,931
Receivables	
Taxes	<u>1,027,573</u>
TOTAL ASSETS	<u>\$ 3,148,504</u>
LIABILITIES	
Accounts payable	\$ 189
Due to other governments	<u>3,148,315</u>
TOTAL LIABILITIES	<u>\$ 3,148,504</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, 2011

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 of Waterloo except for the honorary fire department. The reporting entity for the city consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) 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 or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable for the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity 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 is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the primary government.

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, 2011. The CDA does not issue separate financial statements.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In February 2009, the GASB issued statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications based primarily on the extent to which the government is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance classification policies and procedures.

The city made the decision to implement this standard effective January 1, 2011.

Government-Wide Financial Statements

The statement of net assets 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 reporting entity 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, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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, liabilities, 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 and 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.
- 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 TID 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 TID 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, 2011

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	204 Sanitary Sewer Impact Fees
220 Active Fire - Operating	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

Capital Projects Funds - 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.

412 TIF District No. 2
402 Sidewalk

In addition, the city reports the following fund type:

Agency fund is 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 assets 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 unearned revenue. 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, 2011

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

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

Government-Wide Financial Statements (cont.)

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board guidance issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 revenues. 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 deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

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 deferred revenues. At December 31, 2011, there were \$328,008 of unrecorded deferred special assessments which are not recorded 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.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

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

Fund Financial Statements (cont.)

The city reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the city has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the city has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

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.

The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board guidance issued after November 30, 1989. 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 and liabilities 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, LIABILITIES, AND NET ASSETS 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.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

1. Deposits and Investments (cont.)

- 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.

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

Investment of most trust funds including cemetery perpetual care funds, is regulated by Chapter 881 of the Wisconsin Statutes. Investment of library trust funds is regulated by Chapter 112. Those sections give 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 risk:

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 quoted market prices. 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.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

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 agency fund statement of fiduciary net assets.

Property tax calendar - 2011 tax roll:

Lien date and levy date	December 2011
Tax bills mailed	December 2011
Payment in full, or	January 31, 2012
First installment due	January 31, 2012
Second installment due	July 31, 2012
Personal property taxes in full	January 31, 2012
Tax sale - 2011 delinquent real estate taxes	October 2014

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 assets. 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.

The net amount of the loan receivable balance is offset by nonspendable fund balance for noncurrent receivables. Interest received from loan repayments is recognized as revenue when received in cash.

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.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

3. Inventories and Prepaid Items (cont.)

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 assets.

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 \$5,000 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 assets. 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

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

5. *Capital Assets* (cont.)

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*

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and the proprietary fund type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

7. *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. As of December 31, 2011 all premiums have been paid and there are no participants currently eligible to receive benefits. The city does not provide other postemployment benefits subject to GASB 45.

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, 2011, are determined on the basis of current salary rates and include salary related payments.

8. *Long-Term Obligations/Conduit Debt*

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.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

8. Long-Term Obligations/Conduit Debt (cont.)

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 deferred and amortized over the life of the issue using the straight-line or effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for both premiums/discounts and gains/losses, as applicable, is shown as an increase or decrease in the liability section of the statement of net assets.

The city may approve the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the city. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. There were no IRB's outstanding at year end.

9. Claims and Judgments

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. There were no significant claims or judgments at year end.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

10. Equity Classifications

Government-Wide Statements

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

- a. Invested in capital assets, net of related debt - 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 assets - Consists of net assets 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 assets - All other net assets that do not meet the definitions of "restricted" or "invested in capital assets, net of related debt."

The net asset 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 "invested in capital assets, net of related debt", and an increase in "unrestricted" net assets, shown only in the total column.

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 equity is classified as fund balance. In accordance with Governmental Accounting Standards Board Statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*, the city classifies governmental fund balance 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.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

10. Equity Classifications (cont.)

Fund Statements (cont.)

- 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 (ordinance, resolution, motion) of the city. 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 that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The city has adopted a financial policy authorizing the Clerk/Treasurer to assign amounts for a specific purpose. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- 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.

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 village 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 budgeted expenditures. The balance at year end was \$719,932, or 28%, and is included in unassigned general fund balance.

See Note IV. G. for further information.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

11. Basis for Existing Rates

Water Utility

Current water rates were approved by the Public Service Commission of Wisconsin effective April 1, 2010 and are designed to provide a 3% return on rate base.

Sewer Utility

Current sewer rates were approved by the utility commission effective September 1, 2011.

Electric Utility

Current electric rates were approved by the Public Service Commission of Wisconsin effective July 2010 and are designed to provide a 7% return on rate base.

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 ASSETS

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. 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 assets.

Bonds and notes payable	\$	4,980,010
Compensated absences		324,311
Unamortized loss on refunding		(54,050)
Unamortized issuance costs		(72,126)
Accrued interest		<u>71,877</u>
Combined Adjustment for Long-Term Liabilities	\$	<u>5,250,022</u>

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. 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.

A budget has been adopted for all funds except 412 TIF District No. 2 - Capital Projects Fund. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

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 council action.

Appropriations lapse at year end unless specifically carried over. Carryovers to the following year were \$426,812. Budgets are adopted at the department level of expenditure.

B. EXCESS EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS

Fund	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
410 TIF District No. 1	\$ 94,430	\$ 143,681	\$ 49,251
820 Honorary Fire Department - Board Designated	2,000	132,187	130,187
810 Library Memorial	500	2,548	2,048
402 Sidewalk	-	2,400	2,400

The city controls expenditures at the department level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in the city's year-end budget to actual report.

C. DEFICIT BALANCES

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

As of December 31, 2011, the following nonmajor individual funds held a deficit balance:

Fund	Amount	Reason
412 TIF District No. 2	\$ 22,110	Expenditures exceeded revenues

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

C. DEFICIT BALANCES (cont.)

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.

D. LIMITATIONS ON THE CITY'S TAX LEVY

As part of Wisconsin's Act 32 (2011), legislation was passed that 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 for the 2011 levy collected in 2012 and thereafter. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions.

NOTE IV - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The city maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net assets and balance sheet as cash and investments.

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

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 5,483,161	\$ 5,559,750	Custodial Credit Risk
Petty cash	700	-	N/A
Total Deposits and Investments	<u>\$ 5,483,861</u>	<u>\$ 5,559,750</u>	
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 2,264,216		
Restricted cash and investments	1,098,714		
Per statement of net assets- fiduciary fund			
Agency Fund	2,120,931		
Total Deposits and Investments	<u>\$ 5,483,861</u>		

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

A. DEPOSITS AND INVESTMENTS (cont.)

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), \$250,000 for interest-bearing demand deposit accounts, and unlimited amounts for noninterest bearing transaction 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 relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, 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, 2011, the banks had pledged various government securities in the amount of \$2,575,281 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.

As of December 31, 2011, \$936,415 of the city's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 936,415</u>
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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, except the loan receivable of \$39,532.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

B. RECEIVABLES (cont.)

Governmental funds report *deferred 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 *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Totals</u>
Property taxes receivable for subsequent year	\$ -	\$ 2,054,644	\$ 2,054,644
Special assessments not yet due	507	-	507
Grants receivable - noncurrent	385,639	-	385,639
Accounts receivable - noncurrent	30,689	-	30,689
Accrued interest	5,364	-	5,364
 Total Deferred/Unearned Revenue for Governmental Funds	 \$ 422,199	 \$ 2,054,644	 \$ 2,476,843

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.

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.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

C. RESTRICTED ASSETS (cont.)

Following is a list of restricted assets at December 31, 2011:

Restricted Assets		
Redemption account	\$	72,721
Reserve account		461,800
Replacement account		548,771
Impact fees account		15,422
Interest receivable		<u>5,953</u>
 Total Restricted Assets	 \$	 <u><u>1,104,667</u></u>

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 869,699	\$ 176,771	\$ -	\$ 1,046,470
Construction in progress	<u>35,812</u>	<u>22,669</u>	-	<u>58,481</u>
Total Capital Assets Not Being Depreciated	<u>905,511</u>	<u>199,440</u>	-	<u>1,104,951</u>
Capital assets being depreciated				
Land improvements	616,225	-	-	616,225
Buildings	5,461,111	185,073	-	5,646,184
Machinery and equipment	4,077,455	153,788	40,544	4,190,699
Streets	2,061,426	-	-	2,061,426
Sanitary sewers	1,093,400	-	-	1,093,400
Storm sewers	<u>686,289</u>	<u>-</u>	<u>-</u>	<u>686,289</u>
Total Capital Assets Being Depreciated	<u>13,995,906</u>	<u>338,861</u>	<u>40,544</u>	<u>14,294,223</u>
Total Capital Assets	<u>14,901,417</u>	<u>538,301</u>	<u>40,544</u>	<u>15,399,174</u>

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities (cont.)				
Less: Accumulated depreciation for				
Land improvements	\$ (110,707)	\$ (22,205)	\$ -	\$ (132,912)
Buildings	(1,507,983)	(119,445)	-	(1,627,428)
Machinery and equipment	(2,563,800)	(161,812)	39,324	(2,686,288)
Streets	(255,176)	(84,312)	-	(339,488)
Sanitary sewers	(91,327)	(30,997)	-	(122,324)
Storm sewers	(68,199)	(19,924)	-	(88,123)
Total Accumulated Depreciation	(4,597,192)	(438,695)	39,324	(4,996,563)
Net Capital Assets Being Depreciated	9,398,714	(99,834)	1,220	9,297,660
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 10,304,225</u>	<u>\$ 99,606</u>	<u>\$ 1,220</u>	<u>\$ 10,402,611</u>

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 38,443
Public safety	130,800
Public works, which includes the depreciation of infrastructure	198,491
Culture, education and recreation	70,961
Total Governmental Activities Depreciation Expense	<u>\$ 438,695</u>

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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

D. CAPITAL ASSETS (cont.)

Business-type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Electric</u>				
Capital assets not being depreciated				
Land and land rights	\$ 151,730	\$ -	\$ -	\$ 151,730
Construction in progress	405	-	405	-
Total Capital Assets Not Being Depreciated	152,135	-	405	151,730
Capital assets being depreciated				
Distribution	4,068,442	83,178	34,556	4,117,064
General	2,247,813	1,903	-	2,249,716
Total Capital Assets Being Depreciated	6,316,255	85,081	34,556	6,366,780
Total Capital Assets	6,468,390	85,081	34,961	6,518,510
Less: Accumulated depreciation for				
Distribution	(2,220,301)	(134,918)	41,980	(2,313,239)
General	(709,769)	(62,028)	-	(771,797)
Total Accumulated Depreciation	(2,930,070)	(196,946)	41,980	(3,085,036)
Net Capital Assets Being Depreciated	3,386,185	(111,865)	(7,424)	3,281,744
Net Electric Plant	\$ 3,538,320	\$ (111,865)	\$ (7,019)	\$ 3,433,474

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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
Construction in progress	6,199	-	6,199	-
Total Capital Assets Not Being Depreciated	19,312	-	6,199	13,113
Capital assets being depreciated				
Source of supply	71,096	-	-	71,096
Pumping	889,533	-	-	889,533
Water treatment	28,296	-	-	28,296
Transmission and distribution	3,603,459	68,848	25,461	3,646,846
General	804,659	1,904	2,850	803,713
Total Capital Assets Being Depreciated	5,397,043	70,752	28,311	5,439,484
Total Capital Assets	5,416,355	70,752	34,510	5,452,597
Less: Accumulated depreciation for				
Source of supply	(18,089)	(1,497)	-	(19,586)
Pumping	(335,611)	(31,047)	-	(366,658)
Water treatment	(4,466)	(1,698)	-	(6,164)
Transmission and distribution	(619,339)	(73,109)	25,461	(666,987)
General	(311,657)	(41,085)	2,850	(349,892)
Total Accumulated Depreciation	(1,289,162)	(148,436)	28,311	(1,409,287)
Net Capital Assets Being Depreciated	4,107,881	(77,684)	-	4,030,197
Net Water Plant	\$ 4,127,193	\$ (77,684)	\$ 6,199	\$ 4,043,310

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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
Construction in progress	7,853	96,474	2,575	101,752
Total Capital Assets Not Being Depreciated	29,616	96,474	2,575	123,515
Capital assets being depreciated				
Collecting system	22,722	-	-	22,722
Collecting system pumping	116,312	-	-	116,312
Treatment and disposal	4,919,453	14,032	-	4,933,485
General	983,991	-	-	983,991
Total Capital Assets Being Depreciated	6,042,478	14,032	-	6,056,510
Total Capital Assets	6,072,094	110,506	2,575	6,180,025
Less: Accumulated depreciation for				
Collecting system	(738)	(295)	-	(1,033)
Collecting system pumping	(74,090)	(5,099)	-	(79,189)
Treatment and disposal	(3,439,893)	(154,806)	-	(3,594,699)
General	(388,675)	(35,237)	-	(423,912)
Total Accumulated Depreciation	(3,903,396)	(195,437)	-	(4,098,833)
Net Capital Assets Being Depreciated	2,139,082	(181,405)	-	1,957,677
Net Sewer Plant	\$ 2,168,698	\$ (84,931)	\$ 2,575	\$ 2,081,192
Business-type Capital Assets, Net of Accumulated Depreciation	\$ 9,834,211	\$ (274,480)	\$ 1,755	\$ 9,557,976

Depreciation expense was charged to functions as follows:

Business-type Activities

Electric	\$ 184,667
Water	133,867
Sewer	200,273
Total Business-type Activities Depreciation Expense	\$ 518,807

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

D. CAPITAL ASSETS (cont.)

Depreciation expense is different from additions because of joint metering, salvage cost of removal, internal allocations, and cost associated with the disposal of assets.

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	400 Capital Projects	\$ 276,577
100 General Fund	Water and Light Commission	247,261
Water and Light Commission	100 General Fund	33,324
Total: Fund Financial Statements		557,162
Less: Fund eliminations		(343,225)
Total Internal Balances - Government-Wide Statement of Net Assets		\$ 213,937
Receivable Fund	Payable Fund	Amount
Governmental Activities	Business-type Activities	\$ 247,261
Business-type Activities	Governmental Activities	(33,324)
Total Government-Wide Financial Statements		\$ 213,937

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.

For the statement of net assets, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

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

Advances

The 100 General Fund is advancing funds to the 400 Capital Projects Fund. 410 TIF District No. 1 is also advancing funds to the 400 Capital Projects Fund and 412 TIF District No. 2. 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
100 General Fund	400 Capital Projects	\$ 163,339	\$ 163,339
410 TIF District No. 1	400 Capital Projects	41,000	41,000
410 TIF District No. 1	412 TIF District No. 2	22,110	22,110
Total - Fund Financial Statements		226,449	
Less: Fund eliminations		(226,449)	
Total - Interfund Advances - Government-Wide Statement of Net Assets		\$ -	

For the statement of net assets, interfund advances which are owed within the governmental activities or business-type activities are netted and eliminated.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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	\$ 247,261	Tax equivalent
300 General Debt Service	410 TIF District No. 1	66,930	Debt service
300 General Debt Service	812 Clark Memorial	20,609	Debt service
400 Capital Projects	100 General Fund	8,600	Cover capital costs related to dump truck
400 Capital Projects	410 TIF District No. 1	25,000	Facility costs transfer
220 Active Fire - Operating	100 General Fund	242,778	Fire services and dues
220 Active Fire - Operating	820 Honorary Fire Department - Board Designated	83,500	Move savings account
820 Honorary Fire Department - Board Designated	100 General Fund	<u>500</u>	Carousel appropriation
Total - Fund Financial Statements		695,178	
Less: Fund eliminations		<u>(447,917)</u>	
Total Transfers - Government-Wide Statement of Activities		<u><u>\$ 247,261</u></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.

For the statement of activities, interfund transfers within the governmental activities or business-type activities are netted and eliminated.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 5,447,403	\$ -	\$ 467,393	\$ 4,980,010	\$ 547,139
Add/(Subtract) Deferred Amounts For					
Refundings -					
Gains/(Losses)	<u>(67,563)</u>	<u>-</u>	<u>(13,513)</u>	<u>(54,050)</u>	<u>(13,513)</u>
Sub-totals	<u>5,379,840</u>	<u>-</u>	<u>453,880</u>	<u>4,925,960</u>	<u>533,626</u>
Other Liabilities					
Vested compensated absences	<u>305,439</u>	<u>85,980</u>	<u>67,108</u>	<u>324,311</u>	<u>66,108</u>
Total Other Liabilities	<u>305,439</u>	<u>85,980</u>	<u>67,108</u>	<u>324,311</u>	<u>66,108</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 5,685,279</u>	<u>\$ 85,980</u>	<u>\$ 520,988</u>	<u>\$ 5,250,271</u>	<u>\$ 599,734</u>
Business-type Activities					
Bonds and Notes Payable					
Revenue bonds	\$ 3,985,000	\$ -	\$ 255,000	\$ 3,730,000	\$ 260,000
Other Liabilities					
Vested compensated absences	<u>98,816</u>	<u>18,929</u>	<u>18,432</u>	<u>99,313</u>	<u>18,784</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 4,083,816</u>	<u>\$ 18,929</u>	<u>\$ 273,432</u>	<u>\$ 3,829,313</u>	<u>\$ 278,784</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, 2011, was \$9,879,855. Total general obligation debt outstanding at year end was \$4,980,010.

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.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2011
State Trust Fund Loan General Obligation	09/30/04	05/15/19	5.25%	\$ 126,048	\$ 68,465
Refunding Bond General Obligation Community	04/15/05	12/01/17	3.35-4.15%	1,735,000	1,330,000
Development Bonds State Trust Fund Loan - Build America Bonds	09/26/07	09/01/22	3.75-4.2%	760,000	625,000
State Trust Fund Loan - Build America Bonds	11/05/09	03/15/19	4.5%	1,084,570	999,238
State Trust Fund Loan General Obligation Refunding Bond	08/05/10	03/15/20	4.5%	135,430	122,307
Refunding Bond	11/29/10	12/01/22	1.3-2.9%	1,835,000	<u>1,835,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 4,980,010</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt	
	Principal	Interest
2012	\$ 547,139	\$ 178,646
2013	478,080	155,951
2014	434,143	136,813
2015	450,482	120,343
2016	462,030	103,595
2017-2021	2,218,136	271,074
2022	<u>390,000</u>	<u>12,155</u>
Totals	<u>\$ 4,980,010</u>	<u>\$ 978,577</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, 2011

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

The water utility has pledged future utility revenues, net of specified operating expenses, to repay \$3.7 million in water utility revenue bonds issued in 2002 and 2009. Proceeds from the bonds provided financing for the plant improvements. The bonds are payable solely from utility revenues and are payable through 2022. Annual principal and interest payments on the bonds are expected to require 49% of net revenues. The total principal and interest remaining to be paid on the bonds is \$4,897,431. Principal and interest paid for the current year and total customer net revenues were \$429,370 and \$913,878, respectively.

Revenue debt payable at December 31, 2011, consists of the following:

Business-type Activities Revenue Debt

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2011
<u>Water Utility</u>					
2002 Revenue Bonds	09/26/02	11/01/22	4.25-5.15%	\$ 4,360,000	\$ 3,100,000
2009 Revenue Bonds	03/25/09	11/01/14	2.00-3.00%	1,140,000	<u>630,000</u>
Total Business-type Activities Revenue Debt					<u>\$ 3,730,000</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Business-type Activities Revenue Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 260,000	\$ 167,890
2013	270,000	160,558
2014	280,000	152,068
2015	310,000	142,655
2016	330,000	128,860
2017-2021	1,880,000	394,800
2022	<u>400,000</u>	<u>20,600</u>
Totals	<u>\$ 3,730,000</u>	<u>\$ 1,167,431</u>

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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 attributable to governmental activities will be liquidated primarily by the general fund.

A statutory mortgage lien upon the city's system and any additions, improvements and extensions thereto is created by Section 66.066 of the Wisconsin Statutes as provided for in the ordinances creating the revenue bond issue. The city's system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The city believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

Bond Covenant Disclosures

The following information is provided in compliance with the resolution creating the 2002 and 2009 revenue bonds:

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, 2011:

<u>Type</u>	<u>Coverage</u>	<u>Expiration</u>
<i>Wausau Insurance Company</i>		
General Liability	\$ 1,000,000	1/1/13
Automobile	1,000,000	1/1/13
Excess Liability	5,000,000	1/1/13
Workers Compensation	500,000	1/1/13

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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 highest annual debt service of the bonds. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2011 as follows:

Operating revenues	\$ 5,667,107
Investment income	11,557
Miscellaneous non-operating income	992
Less: Operation and maintenance expenses	<u>(4,765,778)</u>
Net Defined Earnings	<u>\$ 913,878</u>
Minimum Required Earnings per Resolution:	
Current year's revenue bond debt service	\$ 429,370
Coverage factor	<u>1.25</u>
Minimum Required Earnings	<u>\$ 536,713</u>
Actual Debt Coverage	<u>2.13</u>

Utility Budget

The 2011 utility budget was prepared and approved as required by the bond resolutions.

G. NET ASSETS/FUND BALANCES

Net assets reported on the government wide statement of net assets at December 31, 2011, includes the following:

Governmental Activities

Invested in Capital Assets, Net of Related Debt	
Land	\$ 1,046,470
Construction in progress	58,481
Other capital assets, net of accumulated depreciation	9,297,660
Less: Long-term debt outstanding	(4,980,010)
Plus: Non-capital debt proceeds	<u>255,965</u>
Total Invested in Capital Assets, Net of Related Debt	<u>5,678,566</u>

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

G. NET ASSETS/FUND BALANCES (cont.)

Governmental Activities (cont.)

Restricted	
810 Library Memorial	\$ 64,268
812 Clark Memorial	88,408
Impact fees	15,422
TIF District No. 1	<u>841,625</u>
Total Restricted	<u>1,009,723</u>
Unrestricted	<u>1,494,903</u>
Total Governmental Activities Net Assets	<u>\$ 8,183,192</u>

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2011, include the following:

Nonspendable

Major Funds	
100 General Fund	
Prepaid items	\$ 27,782
Advances	<u>163,339</u>
Total	<u>\$ 191,121</u>
400 Capital Projects Fund	
Non-current receivables	<u>\$ 39,532</u>

Restricted

Major Funds	
300 General Debt Service	
Debt service	\$ 57,199
410 TIF District No. 1	
TIF purposes	<u>841,625</u>
Total	<u>\$ 898,824</u>

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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

G. NET ASSETS/FUND BALANCES (cont.)

Governmental Funds (cont.)

Restricted (cont.)

Nonmajor Funds

Special Revenue Funds

810 Library Memorial	\$	64,268
812 Clark Memorial		88,408
204 Sanitary Sewer Impact Fees		5,437
203 Park and Recreation Impact Fees		1,637
202 Public Works Impact Fees		3,336
201 Stormwater Impact Fees		1,521
205 Water Impact Fees		<u>3,491</u>

Total \$ 168,098

Committed

Nonmajor Funds

Special Revenue Funds

200 Cable TV	\$	227,133
220 Active Fire - Operating		345,946
820 Honorary Fire Department - Board Designated		<u>28,753</u>
Sub-Total		<u>601,832</u>

Capital Projects Fund

402 Sidewalk		<u>8,530</u>
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Total \$ 610,362

Assigned

Major Fund

100 General Fund

Carryovers	\$	238,504
Tax equivalent		<u>247,261</u>

Total \$ 485,765

Unassigned (deficit)

Major Funds

100 General Fund	\$	719,932
400 Capital Projects Fund		<u>(483,120)</u>

Total \$ 236,812

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

G. NET ASSETS/FUND BALANCES (cont.)

Governmental Funds (cont.)

Unassigned (deficit) (cont.)

Nonmajor Fund

Capital Projects Fund

412 TIF District No. 2	\$ <u>(22,110)</u>
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Business-type Activities

Invested in capital assets, net of related debt

Land	\$ 186,606
Construction in progress	101,752
Other capital assets, net of accumulated depreciation	9,269,618
Less: Long-term debt outstanding	(3,730,000)
Plus: Unamortized debt issuance costs	<u>63,505</u>
Total Invested in Capital Assets, Net of Related Debt	<u>5,891,481</u>

Restricted

Debt service	1,042,750
Replacement	<u>87,066</u>
Total Restricted	<u>1,129,816</u>

Total Business-type Activities Net Assets	\$ <u>7,021,297</u>
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H. COMPONENT UNIT

Waterloo Community Development Authority

This report contains the Waterloo Community Development Authority (CDA), which is included as a component unit. Financial information is presented as a discrete column in the statement of net assets and statement of activities.

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, 2011

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

H. COMPONENT UNIT (cont.)

Waterloo Community Development Authority (cont.)

c. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance
Construction work in progress	\$ 16,113	\$ -	\$ 16,113	\$ -

NOTE V - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

All eligible city employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year (1,200 hours for employees hired on or after July 1, 2011) are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan through June 28, 2011. Beginning, June 29, 2011 and thereafter covered employees in the General category are required by statute to contribute 5.8% of their salary (6.65% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 5.8% for Protective Occupations without Social Security). Employers generally make these contributions to the plan on behalf of employees through June 28, 2011. Thereafter, employees are required to fund their contribution subject to terms of employment contracts and which employee group they are a member of. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for city employees covered by the system for the year ended December 31, 2011 was \$1,446,267; the employer's total payroll was \$1,632,971. The total required contribution for the year ended December 31, 2011 was \$192,478 or 13.3% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ending December 31, 2010 and 2009 were \$185,472 and \$173,284, respectively, equal to the required contributions for each year.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. 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 employee's three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998 or beginning participation on or after July 1, 2011, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and between April 24, 1998 and June 30, 2011 are immediately vested.

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The System issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

As of December 31, 2011 there was no pension related debt for the city.

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.

C. COMMITMENTS AND CONTINGENCIES

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.

Funding for the operating budget of the city comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the city. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. The State of Wisconsin is currently experiencing budget problems, and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the city.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

NOTE V - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

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 2002, all WPPI Energy members ratified a 13 year extension to their original 35 year contracts. The new contract expires at midnight on December 31, 2037.

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 \$402 million as of December 31, 2011.

D. SUBSEQUENT EVENTS

The Waterloo Water and Light Commission has authorized an application for a Clean Water Fund Loan to finance improvements at the wastewater treatment plant. In addition, the commission has entered into contracts for the improvements at the plant to be constructed in 2012.

On April 19, 2012, the common council passed a resolution approving the project plan and establishing the boundaries for creation of the Tax Incremental District No. 3.

On June 26, 2012 the city issued note anticipation notes in the amount of \$1,600,000 with an interest rate of 0.55%. This amount will be used as a funding bridge to a Clean Water Fund loan which has been awarded to the utility.

E. ECONOMIC DEPENDENCY

Water and Light Commission

The Water and Light Commission had one significant customer who was responsible for 20% of operating revenues in 2011.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

NOTE V - OTHER INFORMATION (cont.)

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

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53*. Application of these standards may restate portions of these financial statements.

G. 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.

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,235,601	\$ 1,235,601	\$ 1,240,120	\$ 4,519
Intergovernmental	837,859	852,977	838,372	(14,605)
Licenses and permits	28,736	28,736	32,863	4,127
Fines, forfeitures and penalties	17,900	17,900	16,842	(1,058)
Public charges for services	192,243	206,041	211,945	5,904
Investment income	5,000	5,000	7,072	2,072
Miscellaneous	39,904	40,654	47,260	6,606
Total Revenues	2,357,243	2,386,909	2,394,474	7,565
EXPENDITURES				
General government	401,744	401,877	380,183	21,694
Public safety	906,012	922,083	892,960	29,123
Public works	638,936	647,956	637,722	10,234
Health and human services	6,400	6,427	6,151	276
Culture, education and recreation	369,377	373,292	329,086	44,206
Conservation and development	7,122	7,122	4,052	3,070
Total Expenditures	2,329,591	2,358,757	2,250,154	108,603
Excess of revenues over expenditures	27,652	28,152	144,320	116,168
OTHER FINANCING SOURCES (USES)				
Transfers in	215,126	215,126	247,261	32,135
Transfers out	(242,778)	(251,878)	(251,878)	-
Surplus funds applied	-	8,600	-	(8,600)
Total Other Financing Sources (Uses)	(27,652)	(28,152)	(4,617)	23,535
Net Change in Fund Balance	-	-	139,703	139,703
FUND BALANCE - Beginning of Year	1,257,115	1,257,115	1,257,115	-
FUND BALANCE - END OF YEAR	\$ 1,257,115	\$ 1,257,115	\$ 1,396,818	\$ 139,703

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

CITY OF WATERLOO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2011

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting.

SUPPLEMENTARY INFORMATION

CITY OF WATERLOO

DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL -
100 GENERAL FUND
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
TAXES				
General property tax	\$ 1,187,736	\$ 1,187,736	\$ 1,187,736	\$ -
Occupational taxes	289	289	290	1
Mobile home parking permit fees	22,100	22,100	24,837	2,737
Payment in lieu of taxes - hospital	25,426	25,426	27,233	1,807
Interest on taxes	50	50	24	(26)
Total Taxes	<u>1,235,601</u>	<u>1,235,601</u>	<u>1,240,120</u>	<u>4,519</u>
INTERGOVERNMENTAL				
State shared revenues	502,772	502,772	502,678	(94)
State aid - connecting streets	235,952	235,952	235,930	(22)
State aid - exempt computers	5,600	5,600	3,052	(2,548)
State aid - recycling	18,500	18,500	12,392	(6,108)
State aid - taxi	6,866	6,866	-	(6,866)
State aid - law enforcement	2,000	17,118	16,693	(425)
County aid - library	66,169	66,169	67,095	926
Federal aid - library	-	-	532	532
Total Intergovernmental	<u>837,859</u>	<u>852,977</u>	<u>838,372</u>	<u>(14,605)</u>
LICENSES AND PERMITS				
Liquor and malt beverage licenses	6,900	6,900	7,537	637
Operators' licenses	3,495	3,495	3,855	360
Cigarette licenses	500	500	300	(200)
Mobile home park licenses	174	174	174	-
Bicycle licenses	75	75	60	(15)
Dog and cat licenses	5,000	5,000	5,240	240
Soft drink licenses	160	160	165	5
Miscellaneous licenses	100	100	140	40
Building permits	5,000	5,000	6,889	1,889
Electrical permits	1,750	1,750	2,700	950
Plumbing permits	1,200	1,200	888	(312)
Heating and air conditioning permits	1,400	1,400	1,549	149
Erosion control permits	650	650	350	(300)
Sign permits	150	150	419	269
Wisconsin building seal	82	82	82	-
Other permits	1,200	1,200	2,285	1,085
Other	900	900	230	(670)
Total Licenses and Permits	<u>28,736</u>	<u>28,736</u>	<u>32,863</u>	<u>4,127</u>

CITY OF WATERLOO

DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL -
100 GENERAL FUND
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
FINES, FORFEITURES AND PENALTIES				
Court penalties and costs	\$ 9,500	\$ 9,500	\$ 10,172	\$ 672
Parking violations	4,500	4,500	3,170	(1,330)
Library fees and fines	<u>3,900</u>	<u>3,900</u>	<u>3,500</u>	<u>(400)</u>
Total Fines, Forfeitures and Penalties	<u>17,900</u>	<u>17,900</u>	<u>16,842</u>	<u>(1,058)</u>
PUBLIC CHARGES FOR SERVICES				
Sale of materials and supplies	50	50	18	(32)
Clerk's fees	830	830	6,464	5,634
Accident reports	350	350	221	(129)
Animal pound	500	500	110	(390)
Street maintenance and materials	1,000	1,000	1,495	495
Weed and nuisance control	100	100	401	301
Refuse and garbage collection	186,347	200,145	200,146	1
Recycling	200	200	1,157	957
Other library fees	2,100	2,100	1,933	(167)
Sewer connection charges	<u>766</u>	<u>766</u>	<u>-</u>	<u>(766)</u>
Total Public Charges for Services	<u>192,243</u>	<u>206,041</u>	<u>211,945</u>	<u>5,904</u>
INVESTMENT INCOME				
Interest on investments	<u>5,000</u>	<u>5,000</u>	<u>7,072</u>	<u>2,072</u>
MISCELLANEOUS				
Awards and damages	500	500	6,288	5,788
Donations, trusts and memorials	39,404	40,154	40,258	104
Miscellaneous	<u>-</u>	<u>-</u>	<u>714</u>	<u>714</u>
Total Miscellaneous	<u>39,904</u>	<u>40,654</u>	<u>47,260</u>	<u>6,606</u>
TOTAL REVENUES	<u>\$ 2,357,243</u>	<u>\$ 2,386,909</u>	<u>\$ 2,394,474</u>	<u>\$ 7,565</u>

CITY OF WATERLOO

DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -
100 GENERAL FUND
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
GENERAL GOVERNMENT				
Council	\$ 12,807	\$ 12,807	\$ 12,068	\$ 739
Mayor	5,118	5,118	3,779	1,339
Clerk/treasurer	223,566	227,424	227,426	(2)
Legislative support	3,250	3,250	2,891	359
Elections	3,650	3,650	1,596	2,054
Assessment of property	15,715	15,715	15,041	674
Special accounting and auditing	33,250	33,927	33,927	-
City attorney	5,000	5,000	1,266	3,734
Municipal building	23,367	23,367	19,713	3,654
Contingency	10,000	-	-	-
Property and liability insurance	52,171	61,819	61,819	-
Health insurance	9,000	9,000	-	9,000
Other general government	4,850	800	657	143
Total General Government	<u>401,744</u>	<u>401,877</u>	<u>380,183</u>	<u>21,694</u>
PUBLIC SAFETY				
Police - administration	300,196	300,196	298,479	1,717
Police - patrol	550,755	566,623	540,990	25,633
Fire suppression	39,861	39,861	39,861	-
Inspection	9,600	9,600	7,827	1,773
Emergency government civil defense	5,600	5,803	5,803	-
Total Public Safety	<u>906,012</u>	<u>922,083</u>	<u>892,960</u>	<u>29,123</u>
PUBLIC WORKS				
Machinery equipment	38,905	39,194	39,194	-
Garages	14,070	14,070	12,880	1,190
Engineering	7,960	2,760	2,549	211
Street maintenance	24,700	24,700	24,566	134
Bridges and culverts	200	200	-	200
Snow and ice control	18,400	18,484	18,484	-
Traffic control	12,035	12,035	11,680	355
Street lighting	60,000	61,414	61,414	-
Storm sewers	3,700	3,700	3,207	493
Tree and brush control	7,200	7,200	4,094	3,106
Sanitary sewers	12,750	7,212	3,800	3,412
Garbage billing fee	186,497	200,295	200,233	62
Sanitary landfill	-	4,050	3,547	503
Public works/highway administration	251,769	251,892	251,891	1
Sidewalks	750	750	183	567
Total Public Works	<u>638,936</u>	<u>647,956</u>	<u>637,722</u>	<u>10,234</u>

CITY OF WATERLOO

DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -
IN FUND BALANCE - BUDGET AND ACTUAL - 100 GENERAL 100 GENERAL FUND
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
HEALTH AND HUMAN SERVICES				
Insect control	\$ 100	\$ 127	\$ 127	\$ -
Animal control	4,100	4,100	4,004	96
Cemetery	<u>2,200</u>	<u>2,200</u>	<u>2,020</u>	<u>180</u>
Total Health and Human Services	<u>6,400</u>	<u>6,427</u>	<u>6,151</u>	<u>276</u>
CULTURE, EDUCATION AND RECREATION				
Library	349,159	349,159	312,676	36,483
Summer recreation	2,967	2,967	2,967	-
Celebration and entertainment	3,800	3,375	3,373	2
Parks	500	4,840	4,836	4
Warming house	2,500	2,500	2,046	454
Community center	<u>10,451</u>	<u>10,451</u>	<u>3,188</u>	<u>7,263</u>
Total Culture, Education and Recreation	<u>369,377</u>	<u>373,292</u>	<u>329,086</u>	<u>44,206</u>
CONSERVATION AND DEVELOPMENT				
Weed control	1,000	1,000	312	688
Regional planning commission	<u>6,122</u>	<u>6,122</u>	<u>3,740</u>	<u>2,382</u>
Total Conservation and Development	<u>7,122</u>	<u>7,122</u>	<u>4,052</u>	<u>3,070</u>
TOTAL EXPENDITURES	<u>\$ 2,329,591</u>	<u>\$ 2,358,757</u>	<u>\$ 2,250,154</u>	<u>\$ 108,603</u>

CITY OF WATERLOO

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2011

	Special Revenue Funds			
	200 Cable TV	220 Active Fire - Operating	820 Honorary Fire Department - Board Designated	810 Library Memorial
ASSETS				
Cash and investments	\$ 141,753	\$ 352,585	\$ 28,753	\$ 64,268
Restricted cash and investments	-	-	-	-
Receivables				
Taxes	-	-	-	-
Accounts	9,178	30,872	-	-
Special assessments	-	-	-	-
Accrued interest	780	536	610	205
Due from other governments	-	-	109,062	-
Due from component units	76,418	-	-	-
TOTAL ASSETS	<u>\$ 228,129</u>	<u>\$ 383,993</u>	<u>\$ 138,425</u>	<u>\$ 64,473</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 216	\$ 1,518	\$ -	\$ -
Accrued liabilities	-	5,304	-	-
Deferred revenues	780	31,225	109,672	205
Deferred special assessments	-	-	-	-
Advances from other funds	-	-	-	-
Total Liabilities	<u>996</u>	<u>38,047</u>	<u>109,672</u>	<u>205</u>
Fund Balances				
Restricted	-	-	-	64,268
Committed	227,133	345,946	28,753	-
Unassigned (deficit)	-	-	-	-
Total Fund Balances (Deficit)	<u>227,133</u>	<u>345,946</u>	<u>28,753</u>	<u>64,268</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 228,129</u>	<u>\$ 383,993</u>	<u>\$ 138,425</u>	<u>\$ 64,473</u>

Special Revenue Funds						Capital Projects Funds
812 Clark Memorial	204 Sanitary Sewer Impact Fees	203 Park and Recreation Impact Fees	202 Public Works Impact Fees	201 Stormwater Impact Fees	205 Water Impact Fees	412 TIF District No. 2
\$ 88,408	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,972
-	5,437	1,637	3,336	1,521	3,491	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 88,408</u>	<u>\$ 5,437</u>	<u>\$ 1,637</u>	<u>\$ 3,336</u>	<u>\$ 1,521</u>	<u>\$ 3,491</u>	<u>\$ 2,972</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,972
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,110</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,082</u>
88,408	5,437	1,637	3,336	1,521	3,491	-
-	-	-	-	-	-	-
-	-	-	-	-	-	(22,110)
<u>88,408</u>	<u>5,437</u>	<u>1,637</u>	<u>3,336</u>	<u>1,521</u>	<u>3,491</u>	<u>(22,110)</u>
<u>\$ 88,408</u>	<u>\$ 5,437</u>	<u>\$ 1,637</u>	<u>\$ 3,336</u>	<u>\$ 1,521</u>	<u>\$ 3,491</u>	<u>\$ 2,972</u>

CITY OF WATERLOO

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2011

	<u>Capital Projects Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>402 Sidewalk</u>		
ASSETS			
Cash and investments	\$ 8,530	\$	687,269
Restricted cash and investments	-		15,422
Receivables			
Taxes	2,400		2,400
Accounts	-		40,050
Special assessments	507		507
Accrued interest	-		2,131
Due from other governments	-		109,062
Due from component units	-		<u>76,418</u>
TOTAL ASSETS	<u>\$ 11,437</u>	\$	<u>933,259</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$	4,706
Accrued liabilities	-		5,304
Deferred revenues	2,400		144,282
Deferred special assessments	507		507
Advances from other funds	-		<u>22,110</u>
Total Liabilities	<u>2,907</u>		<u>176,909</u>
Fund Balances			
Restricted	-		168,098
Committed	8,530		610,362
Unassigned (deficit)	-		<u>(22,110)</u>
Total Fund Balances (Deficit)	<u>8,530</u>		<u>756,350</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,437</u>	\$	<u>933,259</u>

CITY OF WATERLOO

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

	Special Revenue Funds			
	200 Cable TV	220 Active Fire - Operating	820 Honorary Fire Department - Board Designated	810 Library Memorial
REVENUES				
Intergovernmental	\$ -	\$ 168,539	\$ -	\$ -
Licenses and permits	37,114	-	-	-
Public charges for services	-	118,420	1,974	-
Investment income	923	737	718	245
Miscellaneous	1,335	25,989	2,624	4,748
Total Revenues	39,372	313,685	5,316	4,993
EXPENDITURES				
Current				
General government	-	7,415	-	-
Public safety	-	411,080	48,687	-
Public works	-	-	-	-
Culture, education and recreation	30,442	-	-	2,548
Capital Outlay	-	-	-	-
Total Expenditures	30,442	418,495	48,687	2,548
Excess (deficiency) of revenues over expenditures	8,930	(104,810)	(43,371)	2,445
OTHER FINANCING SOURCES (USES)				
Transfers in	-	326,278	500	-
Transfers out	-	-	(83,500)	-
Total Other Financing Sources (Uses)	-	326,278	(83,000)	-
Net Change in Fund Balances	8,930	221,468	(126,371)	2,445
FUND BALANCES - Beginning of Year	218,203	124,478	155,124	61,823
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 227,133	\$ 345,946	\$ 28,753	\$ 64,268

Special Revenue Funds						Capital Projects Funds
812 Clark Memorial	204 Sanitary Sewer Impact Fees	203 Park and Recreation Impact Fees	202 Public Works Impact Fees	201 Stormwater Impact Fees	205 Water Impact Fees	412 TIF District No. 2
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	8	3	5	3	5	-
<u>35,686</u>	-	-	-	-	-	<u>1,000</u>
<u>35,686</u>	<u>8</u>	<u>3</u>	<u>5</u>	<u>3</u>	<u>5</u>	<u>1,000</u>
-	-	-	-	-	-	1,619
-	-	-	-	-	-	-
-	-	-	-	-	-	20,000
15,511	-	-	-	-	-	-
-	-	-	-	-	-	<u>1,491</u>
<u>15,511</u>	-	-	-	-	-	<u>23,110</u>
<u>20,175</u>	<u>8</u>	<u>3</u>	<u>5</u>	<u>3</u>	<u>5</u>	<u>(22,110)</u>
-	-	-	-	-	-	-
<u>(20,609)</u>	-	-	-	-	-	-
<u>(20,609)</u>	-	-	-	-	-	-
(434)	8	3	5	3	5	(22,110)
<u>88,842</u>	<u>5,429</u>	<u>1,634</u>	<u>3,331</u>	<u>1,518</u>	<u>3,486</u>	-
<u>\$ 88,408</u>	<u>\$ 5,437</u>	<u>\$ 1,637</u>	<u>\$ 3,336</u>	<u>\$ 1,521</u>	<u>\$ 3,491</u>	<u>\$ (22,110)</u>

CITY OF WATERLOO

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2011

	Capital Projects Funds	Total Nonmajor Governmental Funds
	402 Sidewalk	Funds
REVENUES		
Intergovernmental	\$ -	\$ 168,539
Licenses and permits	-	37,114
Public charges for services	2,023	122,417
Investment income	-	2,647
Miscellaneous	-	71,382
Total Revenues	2,023	402,099
EXPENDITURES		
Current		
General government	2,400	11,434
Public safety	-	459,767
Public works	-	20,000
Culture, education and recreation	-	48,501
Capital Outlay	-	1,491
Total Expenditures	2,400	541,193
Excess (deficiency) of revenues over expenditures	(377)	(139,094)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	326,778
Transfers out	-	(104,109)
Total Other Financing Sources (Uses)	-	222,669
Net Change in Fund Balances	(377)	83,575
FUND BALANCES - Beginning of Year	8,907	672,775
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 8,530	\$ 756,350

CITY OF WATERLOO

STATEMENT OF CASH FLOWS
COMPONENT UNIT
For the Year Ended December 31, 2011

	<u>600 Community Development Authority</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Due to primary government	\$ 76,418
Donations	10,750
Acquisition and construction of capital assets	<u>(171,055)</u>
Net Change in Cash and Cash Equivalents	(83,887)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>83,887</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ -</u></u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
None	