

# **CITY OF WATERLOO**

Waterloo, Wisconsin

## **FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2017

# CITY OF WATERLOO

## TABLE OF CONTENTS As of and for the Year Ended December 31, 2017

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	<u>Page(s)</u>
Independent Auditors' Report	i - ii
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	1 - 2
Statement of Activities	3 - 4
Fund Financial Statements	
Balance Sheet - Governmental Funds	5 - 6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8 - 9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Statement of Net Position - Proprietary Fund	11 - 12
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	13
Statement of Cash Flows - Proprietary Fund	14 - 15
Statement of Assets and Liabilities - Agency Fund	16
Index to Notes to Financial Statements	17
Notes to Financial Statements	18 - 60
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - 100 General Fund	61
Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - 220 Fire and EMS	62
Schedule of Proportionate Share of the Net Pension Liability/(Asset) - Wisconsin Retirement System	63
Schedule of Employer Contributions - Wisconsin Retirement System	63
Notes to Required Supplementary Information	64

# CITY OF WATERLOO

## TABLE OF CONTENTS (cont.) As of and for the Year Ended December 31, 2017

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	<u>Page(s)</u>
Supplementary Information	
Detailed Schedule of Revenues - Budget and Actual - 100 General Fund	65 - 66
Detailed Schedule of Expenditures - Budget and Actual - 100 General Fund	67 - 68
Combining Balance Sheet - Nonmajor Governmental Funds	69 - 71
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	72 - 74
Statement of Cash Flows - Component Unit	75

## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Waterloo  
Waterloo, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waterloo, Wisconsin, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Waterloo's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waterloo, Wisconsin, as of December 31, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waterloo's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
April 20, 2018

# CITY OF WATERLOO

## STATEMENT OF NET POSITION As of December 31, 2017

	Governmental Activities	Business-type Activities	Totals	600 Community Development Authority
<b>ASSETS</b>				
Cash and investments	\$ 2,146,687	\$ 902,614	\$ 3,049,301	\$ 2,158
Receivables (net)				
Taxes	2,128,551	-	2,128,551	-
Accounts	39,855	554,366	594,221	-
Special assessments	14,065	-	14,065	-
Delinquent personal property taxes	302	-	302	-
Accrued interest	8,678	-	8,678	-
Internal balances	889,468	(889,468)	-	-
Due from other governments	532,837	-	532,837	-
Prepaid items and inventories	51,969	115,998	167,967	-
Other assets	-	20,011	20,011	-
Restricted assets				
Cash and investments	260	2,525,859	2,526,119	-
Restricted assets - other	-	5,068	5,068	-
Capital Assets (net of accumulated depreciation)				
Land	1,060,715	186,606	1,247,321	-
Construction in progress	-	10,997	10,997	-
Other capital assets	<u>11,107,554</u>	<u>10,526,771</u>	<u>21,634,325</u>	-
Total Assets	<u>17,980,941</u>	<u>13,958,822</u>	<u>31,939,763</u>	<u>2,158</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	-	62,745	62,745	-
Pension related amounts	<u>586,571</u>	<u>228,399</u>	<u>814,970</u>	-
Total Deferred Outflows of Resources	<u>586,571</u>	<u>291,144</u>	<u>877,715</u>	-
<b>LIABILITIES</b>				
Accounts payable	127,348	267,950	395,298	253
Accrued liabilities	160,611	25,020	185,631	-
Noncurrent Liabilities				
Due within one year	594,779	554,037	1,148,816	-
Due in more than one year	<u>3,407,372</u>	<u>4,598,154</u>	<u>8,005,526</u>	-
Total Liabilities	<u>4,290,110</u>	<u>5,445,161</u>	<u>9,735,271</u>	<u>253</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned revenues	2,284,238	-	2,284,238	-
Pension related amounts	<u>233,369</u>	<u>91,614</u>	<u>324,983</u>	-
Total Deferred Inflows of Resources	<u>2,517,607</u>	<u>91,614</u>	<u>2,609,221</u>	-

See accompanying notes to financial statements.

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	Governmental Activities	Business-type Activities	Totals	600 Community Development Authority
<b>NET POSITION</b>				
Net investment in capital assets	\$ 9,629,516	\$ 6,982,287	\$ 16,517,303	\$ -
Restricted for				
Library	316,850	-	316,850	-
TIF District No. 1	381,907	-	381,907	-
Sewer collection system	669,185	-	669,185	-
Impact fees	260	-	260	-
Debt service	-	448,072	448,072	-
Replacement	-	841,035	841,035	-
Unrestricted	<u>762,077</u>	<u>441,797</u>	<u>1,298,374</u>	<u>1,905</u>
<b>TOTAL NET POSITION</b>	<u>\$ 11,759,795</u>	<u>\$ 8,713,191</u>	<u>\$ 20,472,986</u>	<u>\$ 1,905</u>

See accompanying notes to financial statements.

# CITY OF WATERLOO

## STATEMENT OF ACTIVITIES For the Year Ended December 31, 2017

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 483,031	\$ 28,865	\$ -	\$ -
Public safety	1,755,054	186,393	5,485	-
Public works	1,360,302	203,138	218,274	6,275
Health and human services	4,160	50	-	-
Culture, education and recreation	793,460	142,299	90,467	133,390
Conservation and development	740,170	-	-	-
Interest and fiscal charges	101,151	-	1,920	-
Total Governmental Activities	5,237,328	560,745	316,146	139,665
Business-type Activities				
Electric	3,724,622	3,886,169	-	-
Water	452,546	638,307	-	10,177
Sewer	761,007	841,152	-	-
Total Business-type Activities	4,938,175	5,365,628	-	10,177
Total Primary Government	\$ 10,175,503	\$ 5,926,373	\$ 316,146	\$ 149,842
Component Unit				
600 Community Development Authority	\$ 10,271	\$ -	\$ -	\$ -

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, levied for capital projects

Property taxes, levied for TIF districts

Property taxes, levied for library

Other taxes

Intergovernmental revenues not restricted to specific programs

Public gifts and grants

Investment income

Miscellaneous

Total General Revenues

Transfers

### Change in net position

NET POSITION (Deficit) - Beginning of Year

### NET POSITION - END OF YEAR

See accompanying notes to financial statements.

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Totals	600 Community Development Authority
\$ (454,166)	\$ -	\$ (454,166)	\$ -
(1,563,176)	-	(1,563,176)	-
(932,615)	-	(932,615)	-
(4,110)	-	(4,110)	-
(427,304)	-	(427,304)	-
(740,170)	-	(740,170)	-
(99,231)	-	(99,231)	-
<u>(4,220,772)</u>	<u>-</u>	<u>(4,220,772)</u>	<u>-</u>
-	161,547	161,547	-
-	195,938	195,938	-
-	80,145	80,145	-
<u>-</u>	<u>437,630</u>	<u>437,630</u>	<u>-</u>
<u>(4,220,772)</u>	<u>437,630</u>	<u>(3,783,142)</u>	<u>-</u>
-	-	-	(10,271)
1,005,577	-	1,005,577	-
95,000	-	95,000	-
368,466	-	368,466	-
268,166	-	268,166	-
210,842	-	210,842	-
26,998	-	26,998	-
1,338,752	-	1,338,752	-
45,505	-	45,505	-
29,484	28,540	58,024	-
180,611	-	180,611	12,460
<u>3,569,401</u>	<u>28,540</u>	<u>3,597,941</u>	<u>12,460</u>
<u>(748,075)</u>	<u>748,075</u>	<u>-</u>	<u>-</u>
(1,399,446)	1,214,245	(185,201)	2,189
<u>13,159,241</u>	<u>7,498,946</u>	<u>20,658,187</u>	<u>(284)</u>
<u>\$ 11,759,795</u>	<u>\$ 8,713,191</u>	<u>\$ 20,472,986</u>	<u>\$ 1,905</u>

See accompanying notes to financial statements.

# CITY OF WATERLOO

## BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2017

	100 General	220 Fire and EMS	300 General Debt Service	400 Capital Projects
<b>ASSETS</b>				
Cash and investments	\$ 352,630	\$ 650,349	\$ 10,058	\$ 287,545
Restricted cash and investments	-	-	-	-
Receivables (net)				
Taxes	798,457	269,464	104,500	371,466
Delinquent personal property tax	302	-	-	-
Accounts	3,701	22,505	-	-
Special assessments	-	-	-	3,728
Accrued interest	6,217	868	-	-
Due from other funds	1,083,760	-	-	669,185
Due from other governments	-	-	-	77,617
Prepaid items	51,969	-	-	-
Advances to other funds	-	-	-	-
	<u>\$ 2,297,036</u>	<u>\$ 943,186</u>	<u>\$ 114,558</u>	<u>\$ 1,409,541</u>
<b>TOTAL ASSETS</b>				
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 38,998	\$ 34,212	\$ -	\$ 15,783
Accrued liabilities	91,499	5,699	-	-
Due to other funds	14,552	-	-	-
Advances from other funds	-	-	-	-
Total Liabilities	<u>145,049</u>	<u>39,911</u>	<u>-</u>	<u>15,783</u>
Deferred Inflows of Resources				
Unearned revenues	954,144	269,464	104,500	371,466
Unavailable revenues	6,217	23,373	-	77,617
Total Deferred Inflows of Resources	<u>960,361</u>	<u>292,837</u>	<u>104,500</u>	<u>449,083</u>
Fund Balances (Deficit)				
Nonspendable	51,969	-	-	-
Restricted	-	-	10,058	669,185
Committed	-	610,438	-	-
Assigned	320,038	-	-	275,490
Unassigned (deficit)	819,619	-	-	-
Total Fund Balances (Deficit)	<u>1,191,626</u>	<u>610,438</u>	<u>10,058</u>	<u>944,675</u>
	<u>\$ 2,297,036</u>	<u>\$ 943,186</u>	<u>\$ 114,558</u>	<u>\$ 1,409,541</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				

See accompanying notes to financial statements.

410 TIF District No. 1	412 TIF District No. 2	413 TIF District No. 3	Nonmajor Governmental Funds	Totals
\$ 244,835	\$ -	\$ 46,707	\$ 554,563	\$ 2,146,687
-	-	-	260	260
195,999	60,894	31,104	296,667	2,128,551
-	-	-	-	302
-	-	-	13,649	39,855
-	-	-	10,337	14,065
-	-	-	1,593	8,678
1,428	-	-	-	1,754,373
85,130	370,090	-	-	532,837
-	-	-	-	51,969
<u>162,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,000</u>
<u>\$ 689,392</u>	<u>\$ 430,984</u>	<u>\$ 77,811</u>	<u>\$ 877,069</u>	<u>\$ 6,839,577</u>
\$ 26,356	\$ 66	\$ 7,067	\$ 4,866	\$ 127,348
-	-	-	10,011	107,209
-	804,907	-	45,446	864,905
-	-	162,000	-	162,000
<u>26,356</u>	<u>804,973</u>	<u>169,067</u>	<u>60,323</u>	<u>1,261,462</u>
195,999	60,894	31,104	296,667	2,284,238
85,130	370,090	-	11,930	574,357
<u>281,129</u>	<u>430,984</u>	<u>31,104</u>	<u>308,597</u>	<u>2,858,595</u>
-	-	-	-	51,969
381,907	-	-	316,779	1,377,929
-	-	-	238,849	849,287
-	-	-	-	595,528
-	(804,973)	(122,360)	(47,479)	(155,193)
<u>381,907</u>	<u>(804,973)</u>	<u>(122,360)</u>	<u>508,149</u>	<u>2,719,520</u>
<u>\$ 689,392</u>	<u>\$ 430,984</u>	<u>\$ 77,811</u>	<u>\$ 877,069</u>	<u>\$ 6,839,577</u>

See accompanying notes to financial statements.

## CITY OF WATERLOO

### RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of December 31, 2017

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Total Fund Balances - Governmental Funds	\$ 2,719,520
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note IV.D.	12,168,269
Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements. See Note IV.B.	574,357
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	586,571
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	(233,369)
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>(4,055,553)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ 11,759,795</u></u></b>

## CITY OF WATERLOO

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

For the Year Ended December 31, 2017

	100 General	220 Fire and EMS	300 General Debt Service	400 Capital Projects
<b>REVENUES</b>				
Taxes	\$ 979,825	\$ 269,464	\$ 95,000	\$ 368,466
Intergovernmental	484,337	197,134	1,920	205,911
Licenses and permits	42,922	-	-	-
Fines, forfeitures and penalties	17,218	-	-	-
Public charges for services	203,599	142,473	-	-
Special assessments	-	-	-	-
Investment income	23,216	1,133	-	-
Miscellaneous	3,738	25,548	-	-
Total Revenues	1,754,855	635,752	96,920	574,377
<b>EXPENDITURES</b>				
Current				
General government	413,060	-	-	-
Public safety	845,161	543,780	-	-
Public works	640,595	-	-	-
Health and human services	4,160	-	-	-
Culture, education and recreation	1,573	-	-	-
Conservation and development	20,120	-	-	-
Capital Outlay	-	-	-	768,254
Debt Service				
Principal	-	-	378,252	-
Interest and fiscal charges	-	-	97,137	-
Total Expenditures	1,924,669	543,780	475,389	768,254
Excess (deficiency) of revenues over expenditures	(169,814)	91,972	(378,469)	(193,877)
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt issued	-	-	-	-
Sale of city property	60	12,190	-	41,334
Transfers in	259,504	-	178,919	97,411
Transfers out	(168,107)	-	-	-
Total Other Financing Sources (Uses)	91,457	12,190	178,919	138,745
<b>Net Change in Fund Balances</b>	(78,357)	104,162	(199,550)	(55,132)
FUND BALANCES (DEFICIT) - Beginning of Year	1,269,983	506,276	209,608	999,807
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	\$ 1,191,626	\$ 610,438	\$ 10,058	\$ 944,675

See accompanying notes to financial statements.

410 TIF District No. 1	412 TIF District No. 2	413 TIF District No. 3	Nonmajor Governmental Funds	Totals
\$ 182,941	\$ 45,628	\$ 23,680	\$ 279,509	\$ 2,244,513
418,238	754	308	92,942	1,401,544
-	-	-	45,931	88,853
-	-	-	-	17,218
-	-	-	97,021	443,093
-	-	-	8,454	8,454
1,802	-	-	2,082	28,233
-	73,725	-	103,618	206,629
<u>602,981</u>	<u>120,107</u>	<u>23,988</u>	<u>629,557</u>	<u>4,438,537</u>
25,277	6,725	9,738	5,175	459,975
-	-	-	-	1,388,941
-	11,770	-	-	652,365
-	-	-	-	4,160
-	-	-	673,959	675,532
-	-	676,400	-	696,520
1,779,558	76,056	316,520	10,736	2,951,124
-	-	-	-	378,252
-	-	1,802	-	98,939
<u>1,804,835</u>	<u>94,551</u>	<u>1,004,460</u>	<u>689,870</u>	<u>7,305,808</u>
<u>(1,201,854)</u>	<u>25,556</u>	<u>(980,472)</u>	<u>(60,313)</u>	<u>(2,867,271)</u>
-	-	1,038,283	-	1,038,283
-	1,100	-	-	54,684
-	404,465	-	242,592	1,182,891
<u>(480,035)</u>	<u>(103,349)</u>	<u>-</u>	<u>(74,485)</u>	<u>(825,976)</u>
<u>(480,035)</u>	<u>302,216</u>	<u>1,038,283</u>	<u>168,107</u>	<u>1,449,882</u>
(1,681,889)	327,772	57,811	107,794	(1,417,389)
<u>2,063,796</u>	<u>(1,132,745)</u>	<u>(180,171)</u>	<u>400,355</u>	<u>4,136,909</u>
<u>\$ 381,907</u>	<u>\$ (804,973)</u>	<u>\$ (122,360)</u>	<u>\$ 508,149</u>	<u>\$ 2,719,520</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, 2017

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Net change in fund balances - total governmental funds	\$ (1,417,389)
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	2,951,124
Some items reported as capital outlay were not capitalized	(605,661)
Depreciation is reported in the government-wide financial statements	(603,116)
Net book value of assets retired	(13,823)

Capital assets contributed to business-type activities are reported as capital outlay in the fund financial statements.	(1,104,990)
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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.	92,748
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Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Debt issued	(1,038,283)
Principal repaid	378,252

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	56,799
Accrued interest	(2,212)
Net pension liability	73,252
Deferred outflows of resources related to pensions	(247,760)
Deferred inflows of resources related to pensions	<u>81,613</u>

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (1,399,446)</u></b>
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# CITY OF WATERLOO

## STATEMENT OF NET POSITION PROPRIETARY FUND As of December 31, 2017

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	<u>Water &amp; Light Commission</u>
<b>ASSETS</b>	
Current Assets	
Cash and investments	\$ 902,614
Receivables	
Accounts	554,366
Due from other funds	14,552
Inventories	115,998
Restricted Assets	
Redemption account - current	<u>142,750</u>
Total Current Assets	<u>1,730,280</u>
Noncurrent Assets	
Restricted Assets	
Reserve account	319,590
Replacement account	841,035
Construction account	1,222,484
Interest receivable	5,068
Capital Assets	
Land	186,606
Construction work in progress	10,997
Plant in service	21,399,518
Less: Accumulated depreciation	(10,872,747)
Other Assets	
Property held for future use	<u>20,011</u>
Total Noncurrent Assets	<u>13,132,562</u>
Total Assets	<u>14,862,842</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	62,745
Pension related amounts	<u>228,399</u>
Total Deferred Outflows of Resources	<u>291,144</u>

See accompanying notes to financial statements.

	<u>Water &amp; Light Commission</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	\$ 267,950
Accrued liabilities	5,684
Due to other funds	904,020
Compensated absences	20,515
Liabilities Payable from Restricted Assets	
Current portion of revenue bonds	533,522
Accrued interest	19,336
Total Current Liabilities	<u>1,751,027</u>
Noncurrent Liabilities	
Long-Term Debt	
Revenue bonds	4,510,973
Unamortized debt discount	(17,181)
Other Liabilities	
Compensated absences	77,982
Net pension liability	26,380
Total Noncurrent Liabilities	<u>4,598,154</u>
Total Liabilities	<u>6,349,181</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related amounts	<u>91,614</u>
<b>NET POSITION</b>	
Net investment in capital assets	6,982,287
Restricted for	
Debt service	448,072
Replacement	841,035
Unrestricted net position	<u>441,797</u>
<b>TOTAL NET POSITION</b>	<u>\$ 8,713,191</u>

See accompanying notes to financial statements.

# CITY OF WATERLOO

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

For the Year Ended December 31, 2017

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	<u>Water &amp; Light Commission</u>
<b>OPERATING REVENUES</b>	
Electric	\$ 3,886,169
Water	638,307
Sewer	<u>841,152</u>
Total Operating Revenues	<u>5,365,628</u>
<b>OPERATING EXPENSES</b>	
Operations and maintenance	4,217,830
Depreciation	<u>584,779</u>
Total Operating Expenses	<u>4,802,609</u>
 Operating Income	 <u>563,019</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment income	16,378
Income from non-utility operations	12,899
Income (expense) from merchandising and jobbing	(737)
Interest expense	(120,476)
Amortization of discounts and losses	<u>(15,090)</u>
Total Nonoperating Revenues (Expenses)	<u>(107,026)</u>
 Income Before Contributions and Transfers	 <u>455,993</u>
<b>CONTRIBUTIONS AND TRANSFERS</b>	
Capital contributions	10,177
Capital contributions - muni	1,104,990
Transfer out	(121,502)
Transfer - tax equivalent	<u>(235,413)</u>
Total Contributions and Transfers	<u>758,252</u>
 Change in Net Position	 1,214,245
 NET POSITION - Beginning of Year	 <u>7,498,946</u>
 <b>NET POSITION - END OF YEAR</b>	 <u><u>\$ 8,713,191</u></u>

See accompanying notes to financial statements.

# CITY OF WATERLOO

## STATEMENT OF CASH FLOWS PROPRIETARY FUND

For the Year Ended December 31, 2017

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	<u>Water &amp; Light Commission</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Received from customers	\$ 5,380,456
Received from municipality for services	66,467
Paid to suppliers for goods and services	(3,697,164)
Paid to employees for services	<u>(513,775)</u>
Net Cash Flows From Operating Activities	<u>1,235,984</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investments sold and matured	1,009,426
Investments purchased	(924,551)
Investment income	<u>16,378</u>
Net Cash Flows From Investing Activities	<u>101,253</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Paid to municipality for tax equivalent	(228,281)
Paid to municipality or contractors for sewer maintenance	<u>(147,080)</u>
Net Cash Flows From Noncapital Financing Activities	<u>(375,361)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Debt retired	(516,897)
Interest paid	(121,312)
Acquisition and construction of capital assets	<u>(727,450)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(1,365,659)</u>
<b>Net Change in Cash and Cash Equivalents</b>	(403,783)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>2,907,705</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 2,503,922</u></u>

See accompanying notes to financial statements.

	<u>Water &amp; Light Commission</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating income	\$ 563,019
Nonoperating revenue	12,168
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities	
Depreciation	584,779
Depreciation charged to other funds	42,575
Changes in assets, liabilities and deferred inflows/outflows	
Accounts receivable	66,679
Due from other funds	2,557
Inventories	(14,035)
Pension related amounts	28,150
Accounts payable	(51,845)
Accrued liabilities	4,832
Due to other funds	(2,786)
Commitment to community	<u>(109)</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>\$ 1,235,984</u></b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS</b>	
Cash and investments	\$ 902,614
Restricted cash and investments	
Redemption account	142,750
Reserve account	319,590
Replacement account	841,035
Construction account	<u>1,222,484</u>
Total Cash and Investments	3,428,473
Less: Noncash equivalents	<u>(924,551)</u>
<b>CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 2,503,922</u></b>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Municipality financed additions to utility plant	<u>\$ 1,104,990</u>
Amortization of discounts and losses	<u>\$ 15,090</u>

See accompanying notes to financial statements.

# CITY OF WATERLOO

## STATEMENT OF ASSETS AND LIABILITIES AGENCY FUND As of December 31, 2017

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	<u>Agency Fund</u> <u>Tax Collection</u> <u>Fund</u>
<b>ASSETS</b>	
Cash and investments	<u>\$ 2,991,619</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,991,619</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 280
Due to other governments	<u>2,991,339</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 2,991,619</u></u>

See accompanying notes to financial statements.

# CITY OF WATERLOO

## INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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<b>NOTE</b>	<b>Page</b>
I Summary of Significant Accounting Policies	18
A. Reporting Entity	18
B. Government-Wide and Fund Financial Statements	19
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	22
D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity	23
1. Deposits and Investments	23
2. Receivables	24
3. Inventories and Prepaid Items	25
4. Restricted Assets	26
5. Capital Assets	26
6. Other Assets	27
7. Deferred Outflows of Resources	27
8. Compensated Absences	27
9. Long-Term Obligations	28
10. Deferred Inflows of Resources	28
11. Equity Classifications	29
12. Pension	31
13. Basis for Existing Rates	31
II Reconciliation of Government-Wide and Fund Financial Statements	31
A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Position	31
III Stewardship, Compliance, and Accountability	32
A. Excess Expenditures and Other Financing Uses Over Appropriations	32
B. Deficit Balances	32
C. Limitations on the City's Tax Levy	33
IV Detailed Notes on All Funds	33
A. Deposits and Investments	33
B. Receivables	34
C. Restricted Assets	35
D. Capital Assets	36
E. Interfund Receivables/Payables, Advances and Transfers	41
F. Long-Term Obligations	43
G. Net Position/Fund Balances	47
H. Component Unit	49
V Other Information	50
A. Employees' Retirement System	50
B. Risk Management	56
C. Commitments and Contingencies	57
D. Economic Dependency	58
E. Tax Abatement	58
F. Effect of New Accounting Standards on Current-Period Financial Statements	59
G. Segment Information	60

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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### **NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### ***A. REPORTING ENTITY***

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

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

# CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

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

---

### **A. REPORTING ENTITY (cont.)**

#### ***Discretely Presented Component Unit***

##### *Waterloo Community Development Authority*

The government-wide financial statements include the Waterloo Community Development Authority ("CDA") as a component unit. The CDA is a legally separate organization. The board of the CDA is appointed by the mayor. Wisconsin Statutes provide for circumstances whereby the city can impose its will on the CDA, and also create a potential financial benefit to or burden on the city. See Note IV.H. As a component unit, the CDA's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2017. The CDA does not issue separate financial statements.

### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

#### ***Government-Wide Financial Statements***

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

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

#### ***Fund Financial Statements***

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

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

---

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

---

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

##### ***Fund Financial Statements (cont.)***

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

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

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

The city reports the following major governmental funds:

- General Fund - accounts for the city's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
- 220 Fire and EMS Special Revenue Fund - used to account for and report financial resources that are committed to expenditures for fire operations.
- 300 General Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the payment of general long-term debt principal, interest, and related costs, other than TIF or enterprise debt.
- 400 Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- 410 Tax Incremental Financing (TIF) District No. 1 Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures outlined in the TIF project plan.
- 412 Tax Incremental Financing (TIF) District No. 2 Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures outlined in the TIF project plan.
- 413 Tax Incremental Financing (TIF) District No. 3 Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures outlined in the TIF project plan.

# CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

---

## **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 major enterprise fund:

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

The city reports the following nonmajor governmental funds:

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

200 Cable TV	203 Park and Recreation Impact Fees
810 Library Memorial	202 Public Works Impact Fees
812 Library	201 Stormwater Impact Fees
204 Sanitary Sewer Impact Fees	205 Water Impact Fees
	225 Parks

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

414 TIF District No. 4  
402 Sidewalk

In addition, the city reports the following fund type:

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

Tax Collection Fund

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

---

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

---

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

##### ***Government-Wide Financial Statements***

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

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

##### ***Fund Financial Statements***

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

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

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

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues. At December 31, 2017, there were \$325,010 of anticipated future assessments which are not reported as receivables in the water and light utility because collection is subject to certain events occurring in the future and no formal repayment schedule has been established.

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

---

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

##### ***Fund Financial Statements (cont.)***

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

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

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utilities are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

##### ***All Financial Statements***

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

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

##### ***1. Deposits and Investments***

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

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

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.

# CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

---

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

---

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

#### ***1. Deposits and Investments (cont.)***

- 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 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 risks:

Custodial credit risk

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

See Note IV. A. for further information.

#### ***2. Receivables***

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

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

---

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

---

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

##### ***2. Receivables (cont.)***

Property tax calendar - 2017 tax roll:

Lien date and levy date	December 2017
Tax bills mailed	December 2017
Payment in full, or	January 31, 2018
First installment due	January 31, 2018
Second installment due	July 31, 2018
Personal property taxes in full	January 31, 2018
Tax sale - 2017 delinquent real estate taxes	October 2020

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

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

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

##### ***3. Inventories and Prepaid Items***

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

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

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

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

##### **4. Restricted Assets**

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

##### **5. Capital Assets**

###### ***Government-Wide Statements***

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

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

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

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

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

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#### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION 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**

Other assets in the proprietary funds represent property held for future use.

##### **7. Deferred Outflows of Resources**

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

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

##### **8. Compensated Absences**

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

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

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

---

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

##### **8. *Compensated Absences*** (cont.)

The city provides postemployment health insurance benefits for all eligible employees. Eligibility is based on retirees being employed for a minimum of 15 years by the city. The benefits are based on contractual agreements with employee groups, local ordinances, or employee benefit policies. Employees may convert 1080 hours of accumulated sick leave to pay for health care premiums. The cost of those premiums is recognized as an expenditure as the premiums are paid. The entire cost is paid by the city. Funding for those costs is provided out of the current operating budget of the city. The contributions are financed on a pay as you go basis. Total expenditures for such premiums during the year were not material. As of December 31, 2017, there are two participants currently eligible to receive the benefits. The liability as of year end was \$28,878 and is recorded in the general fund as it is all considered short-term.

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, 2017, are determined on the basis of current salary rates and include salary related payments.

##### **9. *Long-Term Obligations***

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

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

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

##### **10. *Deferred Inflows of Resources***

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

# CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

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

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

#### **11. Equity Classifications**

##### ***Government-Wide Statements***

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

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

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

	Governmental Activities	Business-type Activities	Adjustment	Total
Net investment in capital assets	\$ 9,629,516	\$ 6,982,287	\$ (94,500)	\$ 16,517,303
Unrestricted	762,077	441,797	94,500	1,298,374

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

##### ***Fund Statements***

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

# CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

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

---

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

#### **11. Equity Classifications** (cont.)

##### ***Fund Statements*** (cont.)

- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the City Council. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the City Council that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The City Council has, by resolution, adopted a financial policy authorizing the Clerk/Treasurer to assign amounts for a specific purpose. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

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

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

The city has a formal minimum fund balance policy. That policy is to maintain a working capital fund of 25% - 33% of the current year general fund final budgeted expenditures. The balance at year end was \$819,619, or 41.3%, and is shown as 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, 2017

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

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

##### ***12. Pension***

For purposes of measuring the net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

##### ***13. Basis for Existing Rates***

###### ***Electric Utility***

Current electric rates were approved by the Public Service Commission of Wisconsin effective August 24, 2017 and are designed to provide a 5% return on rate base.

###### ***Water Utility***

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

###### ***Sewer Utility***

Current sewer rates were approved by the city council effective December 31, 2017.

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

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

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

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

### **NOTE II - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)**

#### **A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION (cont.)**

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

Bonds and notes payable	\$	3,671,537	
Compensated absences		254,194	
Accrued interest		53,402	
Pension liability		<u>76,420</u>	
Combined Adjustment for Long-Term Liabilities	\$	<u><u>4,055,553</u></u>	

### **NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

#### **A. EXCESS EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS**

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
812 Library	\$ 384,609	\$ 412,141	\$ 27,532
413 TIF District No. 3	40,000	1,004,460	964,460
412 TIF District No. 2	50,000	197,900	147,900
300 Debt Service Fund	474,265	475,389	1,124
400 Capital Projects	745,350	768,254	22,904
225 Parks	159,519	231,153	71,634
414 TIF District No. 4	505	774	269

#### **B. DEFICIT BALANCES**

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

As of December 31, 2017, the following individual funds held a deficit balance:

Fund	Amount	Reason
412 TIF District No. 2	\$ 804,973	Expenditures exceeded revenues
413 TIF District No. 3	122,360	Expenditures exceeded revenues
225 Parks	46,051	Expenditures exceeded revenues
414 TIF District No. 4	1,428	Expenditures exceeded revenues

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

#### ***B. 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. Other fund deficits are anticipated to be funded with future contributions, general tax revenues, or long-term borrowing.

#### ***C. LIMITATIONS ON THE CITY'S TAX LEVY***

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

### **NOTE IV - DETAILED NOTES ON ALL FUNDS**

#### ***A. DEPOSITS AND INVESTMENTS***

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

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 8,565,839	\$ 7,846,353	Custodial credit risk
Petty cash	1,200	-	N/A
Total Deposits and Investments	<u>\$ 8,567,039</u>	<u>\$ 7,846,353</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 3,049,301		
Restricted cash and investments	2,526,119		
Per statement of assets and liabilities - agency fund			
Tax collection fund	2,991,619		
Total Deposits and Investments	<u>\$ 8,567,039</u>		

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

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

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

The city maintains collateral agreements with its banks. At December 31, 2017, the banks had pledged various government securities in the amount of \$5,295,691 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, 2017, \$336,386 of the city's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 336,386</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 with the exception of \$14,065 in special assessments and \$302 of delinquent personal property taxes.

Receivables of the 220 Fire and EMS are reported net of uncollectible ambulance receivables in the amount of \$22,258.

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

#### **B. RECEIVABLES** (cont.)

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

	Unearned	Unavailable
Property taxes receivable for subsequent year	\$ 2,284,238	\$ -
Special assessments not yet due	-	10,337
Grants receivable - noncurrent	-	532,837
Accounts receivable - noncurrent	-	22,505
Accrued interest	-	8,678
 Total Unearned/Unavailable Revenue for Governmental Funds	 \$ 2,284,238	 \$ 574,357

#### **C. RESTRICTED ASSETS**

The following represent the balances of the restricted assets:

##### ***Long-Term Debt Accounts***

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

##### ***Equipment Replacement Account***

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

##### ***Impact Fee Account***

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

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

#### C. RESTRICTED ASSETS (cont.)

Following is a list of restricted assets at December 31, 2017:

Restricted Assets	
Redemption account	\$ 142,750
Reserve account	319,590
Replacement account	841,035
Construction account	1,222,484
Impact fees account	260
Interest receivable	<u>5,068</u>
Total Restricted Assets	<u><u>\$ 2,531,187</u></u>

#### D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 1,044,245	\$ 16,470	\$ -	\$ 1,060,715
Construction in progress	<u>187,194</u>	<u>-</u>	<u>187,194</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	<u>1,231,439</u>	<u>16,470</u>	<u>187,194</u>	<u>1,060,715</u>
Capital assets being depreciated				
Land improvements	905,726	72,590	-	978,316
Buildings	6,705,718	-	-	6,705,718
Machinery and equipment	4,856,532	175,403	439,056	4,592,879
Streets	3,165,087	433,043	-	3,598,130
Sanitary sewers*	1,057,973	730,161	-	1,788,134
Storm sewers	<u>721,603</u>	<u>-</u>	<u>-</u>	<u>721,603</u>
Total Capital Assets Being Depreciated	<u>17,412,639</u>	<u>1,411,197</u>	<u>439,056</u>	<u>18,384,780</u>
Total Capital Assets	<u>18,644,078</u>	<u>1,427,667</u>	<u>626,250</u>	<u>19,445,495</u>

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

**D. CAPITAL ASSETS** (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b> (cont.)				
Less: Accumulated depreciation for				
Land improvements	\$ (245,236)	\$ (31,474)	\$ -	\$ (276,710)
Buildings	(2,305,799)	(148,039)	-	(2,453,838)
Machinery and equipment	(3,191,601)	(199,388)	425,233	(2,965,756)
Streets	(844,046)	(132,761)	-	(976,807)
Sanitary sewers	(304,479)	(65,330)	-	(369,809)
Storm sewers	(208,182)	(26,124)	-	(234,306)
Total Accumulated Depreciation	<u>(7,099,343)</u>	<u>(603,116)</u>	<u>425,233</u>	<u>(7,277,226)</u>
Net Capital Assets Being Depreciated	<u>10,313,296</u>	<u>808,081</u>	<u>13,823</u>	<u>11,107,554</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 11,544,735</u>	<u>\$ 824,551</u>	<u>\$ 201,017</u>	<u>\$ 12,168,269</u>

\* On June 15, 2017, the City Council approved a Sanitary Sewer Conveyance System Maintenance and Management Agreement. Under this agreement, on January 1, 2019, management and ownership of the sanitary sewer system will transfer to the water and light commission provided all of the requirements are met.

Depreciation expense was charged to functions as follows:

<b>Governmental Activities</b>	
General government	\$ 36,367
Public safety	121,428
Public works, which includes the depreciation of infrastructure	305,731
Culture, education and recreation	139,590
Total Governmental Activities Depreciation Expense	<u>\$ 603,116</u>

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

### 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	8,049	411,746	408,798	10,997
Total Capital Assets Not Being Depreciated	159,779	411,746	408,798	162,727
Capital assets being depreciated				
Buildings and improvements	1,855,728	-	-	1,855,728
Machinery and equipment	1,641,983	14,002	8,928	1,647,057
Infrastructure	3,070,232	423,437	114,410	3,379,259
Completed construction not classified	-	91,388	-	91,388
Total Capital Assets Being Depreciated	6,567,943	528,827	123,338	6,973,432
Total Capital Assets	6,727,722	940,573	532,136	7,136,159
Less: Accumulated depreciation for				
Buildings and improvements	(628,423)	(46,418)	-	(674,841)
Machinery and equipment	(1,157,811)	(66,660)	7,278	(1,217,193)
Infrastructure	(1,730,351)	(98,637)	133,642	(1,695,346)
Completed construction not classified	-	(777)	-	(777)
Total Accumulated Depreciation	(3,516,585)	(212,492)	140,920	(3,588,157)
Net Capital Assets Being Depreciated	3,051,358	316,335	(17,582)	3,385,275
Net Electric Capital Assets	\$ 3,211,137	\$ 728,081	\$ 391,216	\$ 3,548,002

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

#### D. CAPITAL ASSETS (cont.)

##### Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Water</u>				
Capital assets not being depreciated				
Land and land rights	\$ 13,113	\$ -	\$ -	\$ 13,113
Total Capital Assets Not Being Depreciated	13,113	-	-	13,113
Capital assets being depreciated				
Buildings and improvements	1,026,577	-	-	1,026,577
Machinery and equipment	690,658	18,492	6,052	703,098
Infrastructure	3,929,863	234,421	194,297	3,969,987
Completed construction not classified	-	1,006,087	-	1,006,087
Total Capital Assets Being Depreciated	5,647,098	1,259,000	200,349	6,705,749
Total Capital Assets	5,660,211	1,259,000	200,349	6,718,862
Less: Accumulated depreciation for				
Buildings and improvements	(516,818)	(31,770)	-	(548,588)
Machinery and equipment	(517,744)	(44,985)	6,053	(556,676)
Infrastructure	(974,846)	(80,317)	201,812	(853,351)
Completed construction not classified	-	(8,693)	-	(8,693)
Total Accumulated Depreciation	(2,009,408)	(165,765)	207,865	(1,967,308)
Net Capital Assets Being Depreciated	3,637,690	1,093,235	(7,516)	4,738,441
Net Water Capital Assets	\$ 3,650,803	\$ 1,093,235	\$ (7,516)	\$ 4,751,554

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

#### D. CAPITAL ASSETS (cont.)

#### Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Sewer</u>				
Capital assets not being depreciated				
Land and land rights	\$ 21,763	\$ -	\$ -	\$ 21,763
Total Capital Assets Not Being Depreciated	21,763	-	-	21,763
Capital assets being depreciated				
Buildings and improvements	4,018,570	-	-	4,018,570
Machinery and equipment	3,689,334	26,395	36,684	3,679,045
Infrastructure	22,722	-	-	22,722
Total Capital Assets Being Depreciated	7,730,626	26,395	36,684	7,720,337
Total Capital Assets	7,752,389	26,395	36,684	7,742,100
Less: Accumulated depreciation for				
Buildings and improvements	(2,147,590)	(104,936)	-	(2,252,526)
Machinery and equipment	(2,951,142)	(147,495)	36,684	(3,061,953)
Infrastructure	(2,508)	(295)	-	(2,803)
Total Accumulated Depreciation	(5,101,240)	(252,726)	36,684	(5,317,282)
Net Capital Assets Being Depreciated	2,629,386	(226,331)	-	2,403,055
Net Sewer Capital Assets	\$ 2,651,149	\$ (226,331)	\$ -	\$ 2,424,818
Business-type Capital Assets, Net of Accumulated Depreciation	\$ 9,513,089	\$ 1,594,985	\$ 383,700	\$ 10,724,374

Depreciation expense was charged to functions as follows:

#### Business-type Activities

Electric	\$ 180,987
Water	150,522
Sewer	253,270
Total Business-type Activities Depreciation Expense	\$ 584,779

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

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

#### *E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS*

##### *Interfund Receivables/Payables*

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

Receivable Fund	Payable Fund	Amount
100 General Fund	Water and Light Commission	\$ 234,835
100 General Fund	225 Parks	44,018
400 Capital Projects	Water and Light Commission	669,185
Water and Light Commission	100 General Fund	14,552
410 TIF District No.1	414 TIF District No.4	1,428
100 General Fund	412 TIF District No.2	804,907
Total - Fund Financial Statements		1,768,925
Less: Fund eliminations		(879,457)
Total Internal Balances - Government-Wide Statement of Net Position		\$ 889,468
Receivable Fund	Payable Fund	Amount
Governmental Activities	Business-type Activities	\$ 904,020
Business-type Activities	Governmental Activities	(14,552)
Total Government-Wide Financial Statements		\$ 889,468

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. This includes the \$669,185 interfund which relates to the revenues and expenditures of the sewer conveyance system. The majority of this balance relates to the revenues that are collected on the utility bills by the Water & Light Commission and owed to the Capital Projects fund.

##### **Advances**

The 410 TIF District No. 1 is advancing funds to 413 TIF District No. 3. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources. No repayment schedule has been established.

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

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

##### **Advances** (cont.)

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
410 TIF District No. 1	413 TIF District No. 3	\$ 162,000	\$ 162,000
Total - Fund Financial Statements		162,000	
Less: Fund eliminations		(162,000)	
Total - Interfund Advances - Government-Wide Statement of Net Position		\$ -	

The principal purpose of this advance is due to expenditures exceeding revenues.

##### **Transfers**

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
100 General Fund	Water and Light Commission	\$ 235,413	Tax equivalent
100 General Fund	Water and Light Commission	24,091	Collection system
300 General Debt Service	410 TIF District No. 1	75,570	Debt service
300 General Debt Service	412 TIF District No. 2	103,349	Debt service
400 Capital Projects	Water and Light Commission	97,411	Collection system
412 TIF District No. 2	410 TIF District No. 1 810 Clark Memorial	404,465	Donor/Donee District
812 Library Memorial	Library	74,485	Close out fund 810
812 Library Memorial	100 General Fund	168,107	Setup new Library fund
Total - Fund Financial Statements		1,182,891	
Less: Fund eliminations		(825,976)	
Less: Transfer to business-type activities for capital assets funded by governmental activities		(1,104,990)	
Total Transfers - Government-Wide Statement of Activities		\$ (748,075)	

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

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

##### Transfers (cont.)

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.

#### F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds and Notes Payable					
General obligation debt	\$ 3,011,506	\$ 1,038,283	\$ 378,252	\$ 3,671,537	\$ 561,577
Other Liabilities					
Vested compensated absences	310,993	521	57,320	254,194	33,202
Net pension liability	149,672	-	73,252	76,420	-
Total Other Liabilities	<u>460,665</u>	<u>521</u>	<u>130,572</u>	<u>330,614</u>	<u>33,202</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 3,472,171</u>	<u>\$ 1,038,804</u>	<u>\$ 508,824</u>	<u>\$ 4,002,151</u>	<u>\$ 594,779</u>
<b>Business-type Activities</b>					
Bonds and Notes Payable					
Revenue bonds	\$ 5,561,392	\$ -	\$ 516,897	\$ 5,044,495	\$ 533,522
(Discounts)/Premiums	(19,305)	-	(2,124)	(17,181)	-
Sub-totals	<u>5,542,087</u>	<u>-</u>	<u>514,773</u>	<u>5,027,314</u>	<u>533,522</u>
Other Liabilities					
Vested compensated absences	92,189	26,573	20,265	98,497	20,515
Net pension liability	56,119	-	29,739	26,380	-
Total Other Liabilities	<u>148,308</u>	<u>26,573</u>	<u>50,004</u>	<u>124,877</u>	<u>20,515</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 5,690,395</u>	<u>\$ 26,573</u>	<u>\$ 564,777</u>	<u>\$ 5,152,191</u>	<u>\$ 554,037</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, 2017, was \$10,690,690. Total general obligation debt outstanding at year end was \$3,671,537.

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

#### F. LONG-TERM OBLIGATIONS (cont.)

##### **General Obligation Debt**

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

##### **Governmental Activities**

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2017</u>
General Obligation Community Development Bonds	09/26/07	09/01/22	3.75-4.2%	\$ 760,000	\$ 315,000
State Trust Fund Loan - Build America Bonds	11/05/09	03/15/19	4.5%	1,084,570	283,747
General Obligation Refunding Bond	11/29/10	12/01/22	1.3-2.9%	1,835,000	1,470,000
State Trust Fund Loan	07/01/13	03/15/23	2.75%	900,000	564,507
General Obligation Promissory Notes	08/17/17	09/01/20	3.00%	1,038,283	<u>1,038,283</u>
Total Governmental Activities - General Obligation Debt					<u><u>\$ 3,671,537</u></u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 561,577	\$ 80,128
2019	894,904	123,690
2020	779,010	63,480
2021	847,569	40,300
2022	487,892	17,613
2023	<u>100,585</u>	<u>2,766</u>
Totals	<u><u>\$ 3,671,537</u></u>	<u><u>\$ 327,977</u></u>

##### **Revenue Debt**

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

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

#### *F. LONG-TERM OBLIGATIONS* (cont.)

##### *Revenue Debt* (cont.)

All utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2017 was \$638,202. Total customer net revenues as defined for the same period was \$1,177,075. Annual principal and interest payments are expected to require 25% of net revenues on average.

Revenue debt payable at December 31, 2017, consists of the following:

##### *Business-type Activities Revenue Debt*

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2017
<u>Water Utility</u>					
2012 Revenue Bonds	11/06/12	11/01/28	0.50-3.00%	\$ 3,255,000	\$ 2,035,000
2013 Revenue Bonds	03/27/13	05/01/32	2.63%	1,384,900	1,149,495
2013 Revenue Bonds	12/31/13	11/01/22	0.80-3.20%	950,000	575,000
2016 Revenue Bonds	11/15/16	11/01/36	1.25-3.25%	1,310,000	<u>1,285,000</u>
Total Business-type Activities - Revenue Debt					<u>\$ 5,044,495</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>
2018	\$ 533,522	\$ 115,044
2019	545,190	106,121
2020	566,901	95,990
2021	563,657	84,526
2022	560,459	72,015
2023-2027	1,066,030	242,837
2028-2032	873,736	113,192
2033-2036	<u>335,000</u>	<u>27,877</u>
Totals	<u>\$ 5,044,495</u>	<u>\$ 857,602</u>

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

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#### *F. LONG-TERM OBLIGATIONS* (cont.)

##### ***Other Debt Information***

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

##### ***Bond Covenant Disclosures***

##### ***Insurance***

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

The utility is covered under the following insurance policies at December 31, 2017:

<u>Type</u>	<u>Coverage</u>	<u>Expiration</u>
<i>Tricor, Inc.</i>		
General Liability	\$ 5,000,000	1/1/18
Automobile	5,000,000	1/1/18
Workers Compensation	500,000	1/1/18

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

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#### *F. LONG-TERM OBLIGATIONS* (cont.)

##### ***Debt Coverage***

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.25 times the annual debt service. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2017 as follows:

Operating revenues	\$ 5,365,628
Investment income	16,378
Miscellaneous nonoperating income	12,899
Less: Operation and maintenance expenses	<u>(4,217,830)</u>
Net Defined Earnings	<u>\$ 1,177,075</u>
Minimum Required Earnings per Resolution:	
Current year's revenue bond debt service	\$ 638,202
Coverage factor	<u>1.25</u>
Minimum Required Earnings	<u>\$ 797,753</u>
Actual Debt Coverage	<u>1.84</u>

##### ***Utility Budget***

The 2017 utility budgets were prepared and approved as required by the bond resolutions.

#### ***G. NET POSITION/FUND BALANCES***

Net position reported on the government wide statement of net position at December 31, 2017, includes the following:

##### ***Governmental Activities***

Net Investment in Capital Assets	
Land	\$ 1,060,715
Other capital assets, net of accumulated depreciation	11,107,554
Less: Long-term capital-related debt outstanding	<u>(2,538,753)</u>
Total Net Investment in Capital Assets	<u>\$ 9,629,516</u>

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

#### G. NET POSITION/FUND BALANCES (cont.)

##### Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2017, include the following:

	General Fund	220 Fire and EMS	300 General Debt Service	400 Capital Projects	410 TIF District No. 1	412 TIF District No. 2	413 TIF District No. 3	Nonmajor Funds	Totals
<b>Fund Balances</b>									
<b>Nonspendable:</b>									
Prepaid items	\$ 51,969	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,969
Sub-total	<u>51,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,969</u>
<b>Restricted for:</b>									
Debt service	-	-	10,058	-	-	-	-	-	10,058
Sewer collection system	-	-	-	669,185	-	-	-	-	669,185
TIF purposes	-	-	-	-	381,907	-	-	-	381,907
Library purposes	-	-	-	-	-	-	-	316,519	316,519
Impact fees	-	-	-	-	-	-	-	260	260
Sub-total	<u>-</u>	<u>-</u>	<u>10,058</u>	<u>669,185</u>	<u>381,907</u>	<u>-</u>	<u>-</u>	<u>316,779</u>	<u>1,377,929</u>
<b>Committed to:</b>									
Fire and EMS operations	-	610,438	-	-	-	-	-	-	610,438
Capital related purposes	-	-	-	-	-	-	-	27,772	27,772
Cable TV operations	-	-	-	-	-	-	-	211,077	211,077
Sub-total	<u>-</u>	<u>610,438</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>238,849</u>	<u>849,287</u>
<b>Assigned to:</b>									
Tax equivalent	235,413	-	-	-	-	-	-	-	235,413
Retiree health	81,762	-	-	-	-	-	-	-	81,762
DPW uniforms	86	-	-	-	-	-	-	-	86
Speed limit alert sign	240	-	-	-	-	-	-	-	240
Patrol uniforms	1,429	-	-	-	-	-	-	-	1,429
Defibrillator	1,108	-	-	-	-	-	-	-	1,108
Capital related purposes	-	-	-	275,490	-	-	-	-	275,490
Sub-total	<u>320,038</u>	<u>-</u>	<u>-</u>	<u>275,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>595,528</u>
<b>Unassigned (deficit):</b>	<u>819,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(804,973)</u>	<u>(122,360)</u>	<u>(47,479)</u>	<u>(155,193)</u>
<b>Total Fund Balances (Deficit)</b>	<u>\$ 1,191,626</u>	<u>\$ 610,438</u>	<u>\$ 10,058</u>	<u>\$ 944,675</u>	<u>\$ 381,907</u>	<u>\$ (804,973)</u>	<u>\$ (122,360)</u>	<u>\$ 508,149</u>	<u>\$ 2,719,520</u>

# CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

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

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### G. NET POSITION/FUND BALANCES (cont.)

#### *Business-type Activities*

Net Investment in Capital Assets	
Land	\$ 186,606
Construction in progress	10,997
Other capital assets, net of accumulated depreciation	10,526,771
Less: Long-term debt outstanding	(5,044,495)
Plus: Non-capital related debt	1,222,482
Plus: Unamortized debt discount and deferred charge on refunding	<u>79,926</u>
Total Net Investment in Capital Assets	<u>\$ 6,982,287</u>

### H. COMPONENT UNIT

#### **WATERLOO COMMUNITY DEVELOPMENT AUTHORITY**

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

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

a. Basis of Accounting/Measurement Focus

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

b. Deposits and Investments

At year end, the carrying amount of the CDA's deposits was \$2,158 and is part of the city's commingled cash.

# CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

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## NOTE V - OTHER INFORMATION

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### **A. EMPLOYEES' RETIREMENT SYSTEM**

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

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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### NOTE V - OTHER INFORMATION (cont.)

---

#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3.0%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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### NOTE V - OTHER INFORMATION (cont.)

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#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

**Contributions.** Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category merged into the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$118,550 in contributions from the city.

Contribution rates as of December 31, 2017 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Executives & Elected Officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

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

At December 31, 2017, the city reported a liability of \$102,800 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The city's proportion of the net pension liability was based on the city's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the city's proportion was 0.01247212%, which was a decrease of 0.00019208% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the city recognized pension expense of \$257,696.

**CITY OF WATERLOO**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

**NOTE V - OTHER INFORMATION** (cont.)

**A. EMPLOYEES' RETIREMENT SYSTEM** (cont.)

At December 31, 2017, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 43,369	\$ 324,983
Changes in assumptions	107,481	-
Net differences between projected and actual earnings on pension plan investments	511,706	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,185	-
Employer contributions subsequent to the measurement date	143,229	-
Totals	\$ 814,970	\$ 324,983

\$143,229 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 242,260	\$ 103,217
2019	242,260	103,217
2020	198,684	103,217
2021	(15,862)	15,332
2022	4,399	-

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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### NOTE V - OTHER INFORMATION (cont.)

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#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

**Actuarial assumptions.** The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset):	December 31, 2016
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*:	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

### NOTE V - OTHER INFORMATION (cont.)

#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5	37	4.2	1.4
Inflation Sensitive Assets	15.5	20	4.3	1.5
Real Estate	8	7	6.5	3.6
Private Equity/Debt	8	7	9.4	6.5
Multi-Asset	4	4	6.6	3.7
Total Core Fund	110	120	7.4	4.5
<u>Variable Fund Asset Class</u>				
U.S Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

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

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

### NOTE V - OTHER INFORMATION (cont.)

#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

**Single discount rate.** A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City's proportionate share of the net pension liability(asset)	\$1,352,401	\$102,800	\$(859,449)

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

At December 31, 2017, the city reported a payable to the pension plan which represents contractually required contributions outstanding as of the end of the year.

#### B. RISK MANAGEMENT

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

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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### NOTE V - OTHER INFORMATION (cont.)

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#### **C. COMMITMENTS AND CONTINGENCIES**

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

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

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

#### ***Long-Term Contracts - WPPI Energy***

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

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

In 2015 and 2016, all but two of WPPI Energy members ratified an extension to their existing contracts. The new contract expires at midnight on December 31, 2055. The contract for the remaining members expires 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 \$388 million as of December 31, 2017.

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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### NOTE V - OTHER INFORMATION (cont.)

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#### **C. COMMITMENTS AND CONTINGENCIES (cont.)**

##### ***TIF District No.2***

During 2013, the city entered into a developer agreement related to a property located in TIF District No. 2. As part of the developer agreement, for each revenue year beginning with revenue year 2017, the developer guarantees that the tax increment generated by the parcel during the revenue year should equal or exceed the guaranteed TIF revenue for the revenue year. If the city receives less than the guaranteed TIF revenue for the revenue year then the developer shall pay to the city an amount equal to the difference. This difference equated to \$73,725 in 2017 and was paid in full to the city by year-end. Any developer subsidy not paid will bear an interest rate of 6.0% per year until paid. As a part of the developer agreement, the developer shall also employ not less than three (3) full time employment positions at the facilities.

Also, as part of the developer agreement, the city promises to pay the developer, subject to certain terms and conditions, the amount of One Million Three Hundred Twenty Thousand Dollars (\$1,320,000). The city is obligated to make these payments before September 30 of each revenue year, commencing with revenue year 2024. The obligation ceases upon the earlier of (i) the expiration of the term of the TIF district), or (ii) payment of the sum of \$1,320,000.

#### **D. ECONOMIC DEPENDENCY**

##### ***Water and Light Commission***

The Water and Light Commission has significant customer who was responsible for 17% of operating revenues in 2017.

#### **E. TAX ABATEMENT**

Tax abatements are a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The city is disclosing all abatement agreements individually.

# CITY OF WATERLOO

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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### NOTE V - OTHER INFORMATION (cont.)

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#### **E. TAX ABATEMENT** (cont.)

The city through its Tax Incremental Financing District (TID) No. 3 has entered into a tax abatement agreement with a developer in the form of tax incremental financing incentive payments to stimulate economic development. The abatements are authorized through the TID project plan. The developers pay property taxes as they become due, and after meeting the criteria established in the development agreements, are entitled to future incentive payments that directly correlate to the taxes paid.

<u>Agreement Description</u>	<u>Calculation Method</u>	<u>Developer Commitment</u>	<u>2017 Payments</u>
TID No. 3	Incentive payment and land contribution	Developer to construct a facility with a minimum value of \$3.5M	\$ 938,887

There are recapture provisions related to the developer agreement above based on the calculated tax levy generated from the minimum \$3.5M facility payable from 2019 through 2032 if the minimum base value is not met.

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

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

- > *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- > *Statement No. 83, Certain Asset Retirement Obligations*
- > *Statement No. 84, Fiduciary Activities*
- > *Statement No. 85, Omnibus 2017*
- > *Statement No. 86, Certain Debt Extinguishment Issues*
- > *Statement No. 87, Leases*

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

# CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2017

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## **NOTE V - OTHER INFORMATION** (cont.)

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### ***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, 2017

	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Taxes	\$ 981,887	\$ 979,825	\$ (2,062)
Intergovernmental	484,227	484,337	110
Licenses and permits	23,039	42,922	19,883
Fines, forfeitures and penalties	12,050	17,218	5,168
Public charges for services	200,290	203,599	3,309
Investment income	8,000	23,216	15,216
Miscellaneous	5,350	3,738	(1,612)
Total Revenues	<u>1,714,843</u>	<u>1,754,855</u>	<u>40,012</u>
<b>EXPENDITURES</b>			
General government	433,942	413,060	20,882
Public safety	906,062	845,161	60,901
Public works	624,270	640,595	(16,325)
Health and human services	4,160	4,160	-
Culture, education and recreation	-	1,573	(1,573)
Conservation and development	18,409	20,120	(1,711)
Total Expenditures	<u>1,986,843</u>	<u>1,924,669</u>	<u>62,174</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(272,000)</u>	<u>(169,814)</u>	<u>102,186</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	272,000	259,504	(12,496)
Transfers out	-	(168,107)	(168,107)
Sale of city property	-	60	60
Total Other Financing Sources (Uses)	<u>272,000</u>	<u>91,457</u>	<u>(180,543)</u>
<b>Net Change in Fund Balance</b>	-	(78,357)	(78,357)
FUND BALANCE - Beginning of Year	<u>1,269,983</u>	<u>1,269,983</u>	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,269,983</u>	<u>\$ 1,191,626</u>	<u>\$ (78,357)</u>

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

## CITY OF WATERLOO

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - 220 FIRE AND EMS  
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
<b>TAXES</b>	\$ 269,464	\$ 269,464	\$ 269,464	\$ -
<b>INTERGOVERNMENTAL</b>				
Fire insurance tax (2% fire dues)	11,000	11,000	14,179	3,179
State aid - ambulance	4,500	4,500	5,170	670
Payments for municipal services	<u>177,785</u>	<u>177,785</u>	<u>177,785</u>	<u>-</u>
Total Intergovernmental	<u>193,285</u>	<u>193,285</u>	<u>197,134</u>	<u>3,849</u>
<b>PUBLIC CHARGES FOR SERVICES</b>				
Public safety	<u>125,000</u>	<u>125,000</u>	<u>142,473</u>	<u>17,473</u>
<b>INVESTMENT INCOME</b>				
Interest on investments	<u>300</u>	<u>300</u>	<u>1,133</u>	<u>833</u>
<b>MISCELLANEOUS</b>				
Awards and damages	<u>-</u>	<u>-</u>	<u>25,548</u>	<u>25,548</u>
Total Revenues	<u>588,049</u>	<u>588,049</u>	<u>635,752</u>	<u>47,703</u>
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
Other general government	<u>1,900</u>	<u>1,900</u>	<u>-</u>	<u>1,900</u>
<b>PUBLIC SAFETY</b>				
Fire suppression	<u>506,877</u>	<u>522,823</u>	<u>543,780</u>	<u>(20,957)</u>
<b>CAPITAL OUTLAY</b>				
Fire protection	<u>110,000</u>	<u>110,000</u>	<u>-</u>	<u>110,000</u>
Total Expenditures	<u>618,777</u>	<u>634,723</u>	<u>543,780</u>	<u>90,943</u>
Excess (deficiency) of revenues over (under) expenditures	(30,728)	(46,674)	91,972	138,646
<b>OTHER FINANCING SOURCES</b>				
Sale of city property	<u>-</u>	<u>-</u>	<u>12,190</u>	<u>12,190</u>
<b>Net Change in Fund Balance</b>	(30,728)	(46,674)	104,162	150,836
FUND BALANCE - Beginning of Year	<u>506,276</u>	<u>506,276</u>	<u>506,276</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 475,548</u>	<u>\$ 459,602</u>	<u>\$ 610,438</u>	<u>\$ 150,836</u>

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

**CITY OF WATERLOO**

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET) -  
WISCONSIN RETIREMENT SYSTEM  
For the Year Ended December 31, 2017

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability/(Asset)</u>	<u>Proportionate Share of the Net Pension Liability/(Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
12/31/17	0.01247212%	\$ 102,800	\$ 1,562,837	6.58%	99.12%
12/31/16	0.01266419%	205,791	1,550,704	13.27%	98.20%
12/31/15	0.01286712%	(316,052)	1,517,985	20.82%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM  
For the Year Ended December 31, 2016

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/17	\$ 143,229	\$ (143,229)	\$ -	\$ 1,671,489	8.57%
12/31/16	119,044	(119,044)	-	1,533,540	7.76%
12/31/15	120,826	(120,826)	-	1,474,584	8.19%

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

# CITY OF WATERLOO

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2017

### ***BUDGETARY INFORMATION***

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

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

Appropriations lapse at year end unless specifically carried over. Carryovers to the following year were \$890,752. Budgets are adopted at the department level of expenditure.

### ***EXCESS EXPENDITURES OVER APPROPRIATIONS***

Excess expenditures over appropriations are as follows:

	Final Budget	Expenditures	Excess
<u>General Fund</u>			
Legislative Support	\$ 5,100	\$ 5,395	\$ 295
Special accounting and auditing	26,000	28,153	2,153
Health insurance	36,000	41,778	5,778
Inspection	9,500	14,000	4,500
Machinery equipment	37,662	43,108	5,446
Engineering	1,425	4,564	3,139
Snow and ice control	27,460	32,278	4,818
Garbage billing fee	165,023	170,622	5,599
Community development	-	4,710	4,710
Bridges and culverts	190	226	36
Tree and brush control	6,415	6,571	156
Sanitary sewers	-	13,382	13,382
Celebration and entertainment	-	1,573	1,573
Planning	8,650	8,966	316
<u>220 Fire and EMS</u>			
Fire suppression	522,823	543,780	20,957

### ***WISCONSIN RETIREMENT SYSTEM***

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

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

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

*Changes in assumptions.* There were no changes in assumptions.

**SUPPLEMENTARY INFORMATION**

## CITY OF WATERLOO

### DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL - 100 GENERAL FUND For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance with Final Budget
<b>TAXES</b>			
General property tax	\$ 952,827	\$ 952,827	\$ -
Mobile home parking permit fees	24,250	21,780	(2,470)
Interest on taxes	10	337	327
Other taxes	4,800	4,881	81
Total Taxes	<u>981,887</u>	<u>979,825</u>	<u>(2,062)</u>
<b>INTERGOVERNMENTAL</b>			
State shared revenues	467,841	467,847	6
State aid - exempt computers	3,369	3,007	(362)
State aid - recycling	11,737	12,363	626
State aid - law enforcement	1,280	1,120	(160)
Total Intergovernmental	<u>484,227</u>	<u>484,337</u>	<u>110</u>
<b>LICENSES AND PERMITS</b>			
Liquor and malt beverage licenses	8,500	9,540	1,040
Operators' licenses	3,400	3,795	395
Cigarette licenses	400	500	100
Mobile home park licenses	174	174	-
Bicycle licenses	15	30	15
Dog and cat licenses	4,200	5,550	1,350
Miscellaneous licenses	50	100	50
Building permits	3,000	8,595	5,595
Electrical permits	200	3,891	3,691
Plumbing permits	200	4,473	4,273
Heating and air conditioning permits	200	1,474	1,274
Erosion control permits	200	200	-
Sign permits	-	243	243
Other permits	2,000	3,872	1,872
Other	500	485	(15)
Total Licenses and Permits	<u>23,039</u>	<u>42,922</u>	<u>19,883</u>
<b>FINES, FORFEITURES AND PENALTIES</b>			
Court penalties and costs	9,000	12,708	3,708
Parking violations	3,050	4,510	1,460
Total Fines, Forfeitures, and Penalties	<u>12,050</u>	<u>17,218</u>	<u>5,168</u>
<b>PUBLIC CHARGES FOR SERVICES</b>			
Sale of materials and supplies	50	23	(27)
Clerk's fees	4,100	4,547	447
Accident reports	50	114	64
Animal pound	20	50	30
Street maintenance and materials	1,700	5,828	4,128
Weed and nuisance control	100	82	(18)
Refuse and garbage collection	193,970	192,296	(1,674)
Recycling	300	659	359
Total Public Charges for Services	<u>200,290</u>	<u>203,599</u>	<u>3,309</u>

# CITY OF WATERLOO

## DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL - 100 GENERAL FUND For the Year Ended December 31, 2017

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	<u>Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>INVESTMENT INCOME</b>			
Interest on investments	<u>\$ 8,000</u>	<u>\$ 23,216</u>	<u>\$ 15,216</u>
<b>MISCELLANEOUS</b>			
Awards and damages	5,300	3,072	(2,228)
Donations, trusts and memorials	-	565	565
Miscellaneous	<u>50</u>	<u>101</u>	<u>51</u>
Total Miscellaneous	<u>5,350</u>	<u>3,738</u>	<u>(1,612)</u>
<b>TOTAL REVENUES</b>	<u>\$ 1,714,843</u>	<u>\$ 1,754,855</u>	<u>\$ 40,012</u>

## CITY OF WATERLOO

### DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - 100 GENERAL FUND For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance with Final Budget
<b>GENERAL GOVERNMENT</b>			
Council	\$ 14,455	\$ 13,528	\$ 927
Mayor	7,356	5,828	1,528
Clerk/treasurer	253,183	250,052	3,131
Legislative support	5,100	5,395	(295)
Elections	2,300	1,727	573
Assessment of property	1,995	1,793	202
Special accounting and auditing	26,000	28,153	(2,153)
City attorney	3,000	2,707	293
Municipal building	20,460	16,737	3,723
Property and liability insurance	55,593	44,966	10,627
Health insurance	36,000	41,778	(5,778)
Other general government	8,500	396	8,104
Total General Government	<u>433,942</u>	<u>413,060</u>	<u>20,882</u>
<b>PUBLIC SAFETY</b>			
Police - administration	317,105	282,878	34,227
Police - patrol	572,832	543,459	29,373
Inspection	9,500	14,000	(4,500)
Emergency government civil defense	6,625	4,824	1,801
Total Public Safety	<u>906,062</u>	<u>845,161</u>	<u>60,901</u>
<b>PUBLIC WORKS</b>			
Machinery equipment	37,662	43,108	(5,446)
Garages	13,965	12,796	1,169
Engineering	1,425	4,564	(3,139)
Street maintenance	6,845	4,244	2,601
Bridges and culverts	190	226	(36)
Snow and ice control	27,460	32,278	(4,818)
Traffic control	3,705	3,682	23
Street lighting	65,550	65,112	438
Storm sewers	1,475	1,130	345
Tree and brush control	6,415	6,571	(156)
Sanitary sewers	-	13,382	(13,382)
Garbage billing fee	165,023	170,622	(5,599)
Sanitary landfill	3,895	3,537	358
Public works/highway administration	290,660	279,343	11,317
Total Public Works	<u>624,270</u>	<u>640,595</u>	<u>(16,325)</u>
<b>HEALTH AND HUMAN SERVICES</b>			
Animal control	4,160	4,160	-
Total Health and Human Services	<u>4,160</u>	<u>4,160</u>	<u>-</u>
<b>CULTURE, EDUCATION AND RECREATION</b>			
Celebration and entertainment	-	1,573	(1,573)
Total Culture, Education and Recreation	<u>-</u>	<u>1,573</u>	<u>(1,573)</u>

# CITY OF WATERLOO

## DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL 100 GENERAL FUND For the Year Ended December 31, 2017

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	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>CONSERVATION AND DEVELOPMENT</b>			
Weed control	\$ 2,328	\$ 786	\$ 1,542
Regional planning commission	7,431	5,658	1,773
Planning	8,650	8,966	(316)
Community development	-	4,710	(4,710)
Total Conservation and Development	<u>18,409</u>	<u>20,120</u>	<u>(1,711)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,986,843</u>	<u>\$ 1,924,669</u>	<u>\$ 62,174</u>

**CITY OF WATERLOO**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
As of December 31, 2017

	Special Revenue Funds		
	200 Cable TV	810 Library Memorial	812 Library
<b>ASSETS</b>			
Cash and investments	\$ 200,342	\$ -	\$ 326,449
Restricted cash and investments	-	-	-
Receivables (net)			
Taxes	-	-	221,400
Accounts	11,667	-	697
Special assessments	-	-	-
Accrued interest	<u>1,262</u>	<u>-</u>	<u>331</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 213,271</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 548,877</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 3,375
Accrued liabilities	932	-	7,252
Due to other funds	-	-	-
Total Liabilities	<u>932</u>	<u>-</u>	<u>10,627</u>
Deferred Inflows of Resources			
Unearned revenues	-	-	221,400
Unavailable revenues	<u>1,262</u>	<u>-</u>	<u>331</u>
Total Deferred Inflows of Resources	<u>1,262</u>	<u>-</u>	<u>221,731</u>
Fund Balances (Deficit)			
Restricted	-	-	316,519
Committed	211,077	-	-
Unassigned (deficit)	-	-	-
Total Fund Balances (deficit)	<u>211,077</u>	<u>-</u>	<u>316,519</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 213,271</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 548,877</u></b>

Special Revenue Funds

204 Sanitary Sewer Impact Fees	203 Park and Recreation Impact Fees	202 Public Works Impact Fees	201 Stormwater Impact Fees	205 Water Impact Fees	225 Parks
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
53	51	52	51	53	-
-	-	-	-	-	52,750
-	-	-	-	-	1,285
-	-	-	-	-	-
<u>53</u>	<u>51</u>	<u>52</u>	<u>51</u>	<u>53</u>	<u>54,035</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,491
-	-	-	-	-	1,827
-	-	-	-	-	44,018
-	-	-	-	-	<u>47,336</u>
-	-	-	-	-	52,750
-	-	-	-	-	-
-	-	-	-	-	<u>52,750</u>
53	51	52	51	53	-
-	-	-	-	-	-
-	-	-	-	-	(46,051)
<u>53</u>	<u>51</u>	<u>52</u>	<u>51</u>	<u>53</u>	<u>(46,051)</u>
<u>\$ 53</u>	<u>\$ 51</u>	<u>\$ 52</u>	<u>\$ 51</u>	<u>\$ 53</u>	<u>\$ 54,035</u>

**CITY OF WATERLOO**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
As of December 31, 2017

	<u>Capital Projects Funds</u>		Total
	414 TIF	402 Sidewalk	Nonmajor
	<u>District No. 4</u>	<u></u>	<u>Governmental</u>
			<u>Funds</u>
<b>ASSETS</b>			
Cash and investments	\$ -	\$ 27,772	\$ 554,563
Restricted cash and investments	-	-	260
Receivables (net)			
Taxes	22,007	510	296,667
Accounts	-	-	13,649
Special assessments	-	10,337	10,337
Accrued interest	-	-	1,593
	<u>-</u>	<u>-</u>	<u>1,593</u>
<b>TOTAL ASSETS</b>	<u>\$ 22,007</u>	<u>\$ 38,619</u>	<u>\$ 877,069</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 4,866
Accrued liabilities	-	-	10,011
Due to other funds	1,428	-	45,446
Total Liabilities	<u>1,428</u>	<u>-</u>	<u>60,323</u>
Deferred Inflows of Resources			
Unearned revenues	22,007	510	296,667
Unavailable revenues	-	10,337	11,930
Total Deferred Inflows of Resources	<u>22,007</u>	<u>10,847</u>	<u>308,597</u>
Fund Balances (Deficit)			
Restricted	-	-	316,779
Committed	-	27,772	238,849
Unassigned (deficit)	(1,428)	-	(47,479)
Total Fund Balances (deficit)	<u>(1,428)</u>	<u>27,772</u>	<u>508,149</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 22,007</u>	<u>\$ 38,619</u>	<u>\$ 877,069</u>

# CITY OF WATERLOO

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2017

	Special Revenue Funds		
	200 Cable TV	810 Library Memorial	812 Library
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ 210,842
Intergovernmental	-	-	90,467
Licenses and permits	45,278	-	-
Public charges for services	-	-	7,421
Special assessments	-	-	-
Investment income	1,649	-	433
Miscellaneous	864	-	80,440
Total Revenues	47,791	-	389,603
<b>EXPENDITURES</b>			
Current			
General government	-	-	-
Culture, education and recreation	35,602	-	412,141
Capital Outlay	-	-	-
Total Expenditures	35,602	-	412,141
Excess (deficiency) of revenues over expenditures	12,189	-	(22,538)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	242,592
Transfers out	-	(74,485)	-
Total Other Financing Sources (Uses)	-	(74,485)	242,592
<b>Net Change in Fund Balances</b>	12,189	(74,485)	220,054
FUND BALANCES (DEFICIT) - Beginning of Year	198,888	74,485	96,465
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	\$ 211,077	\$ -	\$ 316,519

Special Revenue Funds

204 Sanitary Sewer Impact Fees	203 Park and Recreation Impact Fees	202 Public Works Impact Fees	201 Stormwater Impact Fees	205 Water Impact Fees	225 Parks
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,750
-	-	-	-	-	2,246
-	-	-	-	-	653
-	-	-	-	-	89,600
-	-	-	-	-	-
-	-	-	-	-	-
<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	-	<u>22,302</u>
<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	-	<u>167,551</u>
-	-	-	-	-	4,401
-	-	-	-	-	226,216
-	-	-	-	-	536
-	-	-	-	-	<u>231,153</u>
<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	-	<u>(63,602)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3	3	3	3	-	(63,602)
<u>50</u>	<u>48</u>	<u>49</u>	<u>48</u>	<u>53</u>	<u>17,551</u>
<u>\$ 53</u>	<u>\$ 51</u>	<u>\$ 52</u>	<u>\$ 51</u>	<u>\$ 53</u>	<u>\$ (46,051)</u>

# CITY OF WATERLOO

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2017

	Capital Projects Funds		Total Nonmajor Governmental Funds
	414 TIF District No. 4	402 Sidewalk	
<b>REVENUES</b>			
Taxes	\$ 15,917	\$ -	\$ 279,509
Intergovernmental	229	-	92,942
Licenses and permits	-	-	45,931
Public charges for services	-	-	97,021
Special assessments	-	8,454	8,454
Investment income	-	-	2,082
Miscellaneous	-	-	103,618
Total Revenues	16,146	8,454	629,557
<b>EXPENDITURES</b>			
Current			
General government	774	-	5,175
Culture, education and recreation	-	-	673,959
Capital Outlay	-	10,200	10,736
Total Expenditures	774	10,200	689,870
Excess (deficiency) of revenues over expenditures	15,372	(1,746)	(60,313)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	242,592
Transfers out	-	-	(74,485)
Total Other Financing Sources (Uses)	-	-	168,107
<b>Net Change in Fund Balances</b>	15,372	(1,746)	107,794
FUND BALANCES (DEFICIT) - Beginning of Year	(16,800)	29,518	400,355
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	\$ (1,428)	\$ 27,772	\$ 508,149

# CITY OF WATERLOO

## STATEMENT OF CASH FLOWS COMPONENT UNIT For the Year Ended December 31, 2017

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	600 Community Development Authority
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Received from customers	\$ 13,335
Paid to suppliers for goods and services	<u>(10,289)</u>
Net Cash Flows From Operating Activities	<u>3,046</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Due to primary government	<u>(888)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(888)</u>
<b>Net Change in Cash and Cash Equivalents</b>	2,158
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>-</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 2,158</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating loss	\$ (10,271)
Miscellaneous revenue	12,460
Changes in assets and liabilities	
Accounts receivable	875
Accounts payable	<u>(18)</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u><u>\$ 3,046</u></u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
None	