

City of Waterloo

Financial Statements and
Supplementary Information

December 31, 2025

City of Waterloo

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Independent Auditors' Report

To the City Council of
City of Waterloo

Opinions

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 (the City), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 as of December 31, 2025 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 opinions on the basic financial statements are 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'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 supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Baker Tilly US, LLP

Madison, Wisconsin
April 14, 2026

City of Waterloo

Statement of Net Position
December 31, 2025

	Governmental Activities	Business- Type Activities	Total	600 Community Development Authority
Assets and Deferred Outflows of Resources				
Assets				
Cash and investments	\$ 5,024,186	\$ 2,771,544	\$ 7,795,730	\$ 47,184
Receivables (net):				
Taxes	2,546,727	-	2,546,727	-
Accounts	269,454	818,630	1,088,084	-
Due from primary government	-	-	-	2,120
Due from other governments	148,205	-	148,205	-
Inventories	-	403,101	403,101	-
Prepaid items	65,368	-	65,368	-
Internal balances	482,644	(482,644)	-	-
Other assets	-	12,045	12,045	-
Restricted assets:				
Cash and investments	-	1,747,083	1,747,083	-
Capital assets:				
Land	1,110,177	234,606	1,344,783	-
Construction in progress	-	632,551	632,551	-
Other capital assets	24,256,857	56,180,723	80,437,580	-
Less accumulated depreciation	(10,779,603)	(12,696,563)	(23,476,166)	-
Total assets	<u>23,124,015</u>	<u>49,621,076</u>	<u>72,745,091</u>	<u>49,304</u>
Deferred Outflows of Resources				
Pension related amounts	<u>1,012,150</u>	<u>398,215</u>	<u>1,410,365</u>	<u>-</u>
Total deferred outflows of resources	<u>1,012,150</u>	<u>398,215</u>	<u>1,410,365</u>	<u>-</u>

See notes to financial statements

City of Waterloo

Statement of Net Position
December 31, 2025

	Governmental Activities	Business- Type Activities	Total	600 Community Development Authority
Liabilities, Deferred Inflows of Resources and Net Position				
Liabilities				
Accounts payable	\$ 19,607	\$ 1,694,501	\$ 1,714,108	\$ 234
Accrued liabilities and deposits	122,668	94,513	217,181	-
Due to component unit	2,120	-	2,120	-
Noncurrent liabilities:				
Due within one year	541,455	1,049,910	1,591,365	-
Due in more than one year	3,656,268	26,259,337	29,915,605	-
Net pension liability	157,492	79,478	236,970	-
Total liabilities	<u>4,499,610</u>	<u>29,177,739</u>	<u>33,677,349</u>	<u>234</u>
Deferred Inflows of Resources				
Unearned revenues	2,536,057	-	2,536,057	-
Pension related amounts	517,709	178,138	695,847	-
Total deferred inflows of resources	<u>3,053,766</u>	<u>178,138</u>	<u>3,231,904</u>	<u>-</u>
Net Position				
Net investment in capital assets	12,135,233	17,431,799	29,502,252	-
Restricted for:				
Library	365,093	-	365,093	-
TIF Districts	1,155,839	-	1,155,839	-
Debt service	-	574,815	574,815	-
Park	1,395	-	1,395	-
Replacement	-	894,524	894,524	-
Revitalization plan	-	-	-	5,000
Unrestricted	<u>2,925,229</u>	<u>1,762,276</u>	<u>4,752,285</u>	<u>44,070</u>
Total net position	<u>\$ 16,582,789</u>	<u>\$ 20,663,414</u>	<u>\$ 37,246,203</u>	<u>\$ 49,070</u>

See notes to financial statements

City of Waterloo

Statement of Activities

Year Ended December 31, 2025

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit 600 Community Development Authority
					Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 612,069	\$ 26,148	\$ -	\$ -	\$ (585,921)	\$ -	\$ (585,921)	\$ -
Public safety	2,015,685	461,267	31,015	10,447	(1,512,956)	-	(1,512,956)	-
Public works	1,610,907	238,110	302,745	-	(1,070,052)	-	(1,070,052)	-
Health and human services	5,582	-	-	-	(5,582)	-	(5,582)	-
Culture, education and recreation	780,844	135,285	75,989	145,000	(424,570)	-	(424,570)	-
Conservation and development	18,391	-	-	-	(18,391)	-	(18,391)	-
Interest	97,228	-	-	-	(97,228)	-	(97,228)	-
Total governmental activities	5,140,706	860,810	409,749	155,447	(3,714,700)	-	(3,714,700)	-
Business-type activities:								
Electric	4,798,492	4,728,247	-	-	-	(70,245)	(70,245)	-
Water	601,587	929,783	-	209,222	-	537,418	537,418	-
Sewer	1,557,863	2,101,348	-	2,017,142	-	2,560,627	2,560,627	-
Total business-type activities	6,957,942	7,759,378	-	2,226,364	-	3,027,800	3,027,800	-
Total primary government	\$ 12,098,648	\$ 8,620,188	\$ 409,749	\$ 2,381,811	(3,714,700)	3,027,800	(686,900)	-
Component Unit								
600 Community Development Authority	\$ 5,019	\$ -	\$ -	\$ -	-	-	-	(5,019)
General Revenues								
Taxes:								
Property taxes, levied for general purposes					1,332,125	-	1,332,125	-
Property taxes, levied for debt service					401,373	-	401,373	-
Property taxes, levied for TIF districts					334,577	-	334,577	-
Property taxes, levied for library					208,000	-	208,000	-
Other taxes					62,652	-	62,652	-
Intergovernmental revenues not restricted to specific programs					1,608,885	-	1,608,885	-
Public gifts and grants					210,905	-	210,905	-
Investment income					270,867	108,931	379,798	-
Miscellaneous					115,580	22,218	137,798	10,533
Total general revenues					4,544,964	131,149	4,676,113	10,533
Transfers					223,348	(223,348)	-	-
Change in net position					1,053,612	2,935,601	3,989,213	5,514
Net Position, Beginning					15,529,177	17,727,813	33,256,990	43,556
Net Position, Ending					\$ 16,582,789	\$ 20,663,414	\$ 37,246,203	\$ 49,070

See notes to financial statements

City of Waterloo

Balance Sheet -
Governmental Funds
December 31, 2025

	100 General	220 Fire and EMS	812 Library
Assets			
Cash and investments	\$ 2,025,300	\$ 842,565	\$ 371,065
Receivables (net):			
Taxes	1,219,428	297,556	208,000
Accounts	30,976	101,342	-
Due from other funds	347,753	-	-
Due from other governments	-	20,705	-
Prepaid items	20,443	-	-
Advances to other funds	-	-	-
	<u>\$ 3,643,900</u>	<u>\$ 1,262,168</u>	<u>\$ 579,065</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 1,393	\$ 7,135	\$ 278
Accrued liabilities	78,738	11,384	5,694
Due to other funds	-	-	-
Due to component units	2,120	-	-
Advances from other funds	-	-	-
	<u>82,251</u>	<u>18,519</u>	<u>5,972</u>
Deferred Inflows of Resources			
Unearned revenues	1,208,758	297,556	208,000
Unavailable revenues	-	132,047	-
	<u>1,208,758</u>	<u>429,603</u>	<u>208,000</u>
Fund Balances			
Nonspendable	20,443	-	-
Restricted	-	-	365,093
Committed	-	814,046	-
Assigned	295,971	-	-
Unassigned (deficit)	2,036,477	-	-
	<u>2,352,891</u>	<u>814,046</u>	<u>365,093</u>
Total fund balances (deficit)			
	<u>\$ 3,643,900</u>	<u>\$ 1,262,168</u>	<u>\$ 579,065</u>
Total liabilities, deferred inflows of resources and fund balances			
	<u>\$ 3,643,900</u>	<u>\$ 1,262,168</u>	<u>\$ 579,065</u>

See notes to financial statements

300 General Debt Service	400 Capital Projects	412 TIF District No. 2	Nonmajor Governmental Funds	Total
\$ 80	\$ 602,629	\$ 860,700	\$ 321,847	\$ 5,024,186
510,961	-	64,714	246,068	2,546,727
-	77,159	19,733	40,244	269,454
-	214,626	-	-	562,379
-	127,500	-	-	148,205
-	44,925	-	-	65,368
-	-	34,250	-	34,250
<u>\$ 511,041</u>	<u>\$ 1,066,839</u>	<u>\$ 979,397</u>	<u>\$ 608,159</u>	<u>\$ 8,650,569</u>
\$ -	\$ 3,449	\$ 4,353	\$ 3,189	\$ 19,797
-	-	-	2,633	98,449
-	-	-	79,735	79,735
-	-	-	-	2,120
-	-	-	34,250	34,250
-	3,449	4,353	119,807	234,351
510,961	-	64,714	246,068	2,536,057
-	127,500	-	-	259,547
<u>510,961</u>	<u>127,500</u>	<u>64,714</u>	<u>246,068</u>	<u>2,795,604</u>
-	-	-	-	20,443
80	-	910,330	246,904	1,522,407
-	-	-	96,124	910,170
-	935,890	-	-	1,231,861
-	-	-	(100,744)	1,935,733
<u>80</u>	<u>935,890</u>	<u>910,330</u>	<u>242,284</u>	<u>5,620,614</u>
<u>\$ 511,041</u>	<u>\$ 1,066,839</u>	<u>\$ 979,397</u>	<u>\$ 608,159</u>	<u>\$ 8,650,569</u>

See notes to financial statements

City of Waterloo

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2025

Total Fund Balances, Governmental Funds \$ 5,620,614

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 4. 14,587,431

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 4. 259,547

The net pension asset (liability) does not relate to current financial resources and is not reported in the governmental funds. (157,492)

Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds. 1,012,150

Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds. (517,709)

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 2. (4,221,752)

Net Position of Governmental Activities \$ 16,582,789

City of Waterloo

Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
Year Ended December 31, 2025

	100 General	220 Fire and EMS	812 Library
Revenues			
Taxes	\$ 1,222,672	\$ 291,231	\$ 208,000
Intergovernmental	686,255	342,622	93,995
Licenses and permits	35,677	-	-
Fines, forfeitures and penalties	18,382	-	-
Public charges for services	239,869	305,438	5,706
Investment income	241,412	5,638	2,153
Miscellaneous revenues	4,692	15,805	250,605
	<u>2,448,959</u>	<u>960,734</u>	<u>560,459</u>
Total revenues			
Expenditures			
Current:			
General government	509,464	-	-
Public safety	1,051,280	739,368	-
Public works	804,893	-	-
Health and human services	5,582	-	-
Culture, recreation and education	1,328	-	403,849
Conservation and development	18,391	-	-
Capital outlay	-	9,200	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
	<u>2,390,938</u>	<u>748,568</u>	<u>403,849</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>58,021</u>	<u>212,166</u>	<u>156,610</u>
Other Financing Sources (Uses)			
Debt issued	-	-	-
Proceeds on sale of assets	992	-	-
Transfers in	259,451	-	-
Transfers out	-	-	-
	<u>260,443</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)			
Net change in fund balances	318,464	212,166	156,610
Fund Balances, Beginning	<u>2,034,427</u>	<u>601,880</u>	<u>208,483</u>
Fund Balances, Ending	<u>\$ 2,352,891</u>	<u>\$ 814,046</u>	<u>\$ 365,093</u>

See notes to financial statements

300 General Debt Service	400 Capital Projects	412 TIF District No. 2	Nonmajor Governmental Funds	Total
\$ 401,373	\$ 50,058	\$ 162,649	\$ 293,975	\$ 2,629,958
-	623,120	7,861	119,107	1,872,960
-	-	-	31,190	66,867
-	-	-	-	18,382
-	-	-	99,049	650,062
-	13,463	-	8,201	270,867
-	-	46,986	65,510	383,598
<u>401,373</u>	<u>686,641</u>	<u>217,496</u>	<u>617,032</u>	<u>5,892,694</u>
-	-	28,298	6,509	544,271
-	-	-	-	1,790,648
-	-	9,215	910	815,018
-	-	-	-	5,582
-	-	-	290,904	696,081
-	-	-	-	18,391
-	2,371,750	664	134,823	2,516,437
436,975	-	-	-	436,975
92,547	-	-	-	92,547
<u>529,522</u>	<u>2,371,750</u>	<u>38,177</u>	<u>433,146</u>	<u>6,915,950</u>
<u>(128,149)</u>	<u>(1,685,109)</u>	<u>179,319</u>	<u>183,886</u>	<u>(1,023,256)</u>
-	788,000	-	-	788,000
-	-	-	-	992
128,018	-	-	-	387,469
-	-	-	(128,018)	(128,018)
<u>128,018</u>	<u>788,000</u>	<u>-</u>	<u>(128,018)</u>	<u>1,048,443</u>
(131)	(897,109)	179,319	55,868	25,187
211	1,832,999	731,011	186,416	5,595,427
<u>\$ 80</u>	<u>\$ 935,890</u>	<u>\$ 910,330</u>	<u>\$ 242,284</u>	<u>\$ 5,620,614</u>

See 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
Year Ended December 31, 2025

Net Change in Fund Balances, Total Governmental Funds	\$	25,187
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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	2,516,437
Some items reported as capital outlay were not capitalized	(376,258)
Depreciation is reported in the government-wide financial statements	(763,807)
Net book value of assets retired	(5,789)

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.

95,290

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	(788,000)
Principal repaid	436,975

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	(34,183)
Accrued interest	(4,681)
Net pension asset/liability	(22,607)
Deferred outflows of resources related to pensions	(294,065)
Deferred inflows of resources related to pensions	269,113

Change in Net Position of Governmental Activities	\$	<u>1,053,612</u>
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City of Waterloo

Statement of Net Position -
Proprietary Fund
December 31, 2025

Water & Light Commission

Assets and Deferred Outflows of Resources

Current Assets

Cash and investments	\$ 2,771,544
Receivables:	
Customer accounts receivable	818,630
Inventories	403,101
Restricted assets:	
Redemption account, current	<u>335,627</u>
Total current assets	<u>4,328,902</u>

Noncurrent Assets

Restricted assets:	
Reserve account	516,932
Replacement account	894,524
Capital assets:	
Land	234,606
Construction work in progress	632,551
Plant in service	56,180,723
Less accumulated depreciation	(12,696,563)
Other assets:	
Property held for future use	<u>12,045</u>
Total noncurrent assets	<u>45,774,818</u>
Total assets	<u>50,103,720</u>

Deferred Outflows of Resources

Pension related amounts	<u>398,215</u>
Total deferred outflows of resources	<u>398,215</u>

City of Waterloo

Statement of Net Position -
Proprietary Fund
December 31, 2025

Water & Light Commission

Liabilities, Deferred Inflows of Resources and Net Position

Liabilities

Current liabilities:

Accounts payable	\$ 1,694,501
Accrued liabilities	10,526
Due to other funds	482,644
Compensated absences	42,141
Liabilities payable from restricted assets:	
Current portion of general obligation debt	50,000
Current portion of revenue bonds	957,769
Accrued interest	<u>83,987</u>

Total current liabilities 3,321,568

Noncurrent liabilities:

Long-term debt:

General obligation debt	320,000
Revenue bonds	25,808,656
Unamortized debt discount	(21,199)
Net pension liability	79,478

Other liabilities:

Compensated absences	<u>151,880</u>
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Total noncurrent liabilities 26,338,815

Total liabilities 29,660,383

Deferred Inflows of Resources

Pension related amounts	<u>178,138</u>
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Net Position

Net investment in capital assets	17,431,799
Restricted for:	
Debt service	574,815
Replacement	894,524
Unrestricted net position	<u>1,762,276</u>

Total net position \$ 20,663,414

City of Waterloo

Statement of Revenues, Expenses and Changes in Net Position -
Proprietary Fund
Year Ended December 31, 2025

	<u>Water & Light Commission</u>
Operating Revenues	
Electric	\$ 4,728,247
Water	929,783
Sewer	<u>2,101,348</u>
Total operating revenues	<u>7,759,378</u>
Operating Expenses	
Operations and maintenance	5,005,119
Depreciation	<u>1,366,213</u>
Total operating expenses	<u>6,371,332</u>
Operating income	<u>1,388,046</u>
Nonoperating Revenues (Expenses)	
Investment income	108,931
Income from non-utility operations	11,429
Income from merchandising and jobbing	10,789
Miscellaneous	(120,446)
Interest expense	(464,460)
Amortization of discounts, losses and debt issuance costs	<u>(1,704)</u>
Total nonoperating revenues (expenses)	<u>(455,461)</u>
Income before contributions and transfers	<u>932,585</u>
Contributions and Transfers	
Capital contributions	2,226,364
Capital contributions, muni	36,103
Transfer, tax equivalent	<u>(259,451)</u>
Total contributions and transfers	<u>2,003,016</u>
Change in net position	2,935,601
Net Position, Beginning	<u>17,727,813</u>
Net Position, Ending	<u><u>\$ 20,663,414</u></u>

See notes to financial statements

City of Waterloo

Statement of Cash Flows -
Proprietary Fund
Year Ended December 31, 2025

	<u>Water & Light Commission</u>
Cash Flows From Operating Activities	
Received from customers	\$ 7,646,416
Received from municipality for services	79,096
Paid to suppliers for goods and services	(3,402,227)
Paid to employees for services	<u>(1,552,946)</u>
Net cash flows from operating activities	<u>2,770,339</u>
Cash Flows From Investing Activities	
Investments sold and matured	404,478
Investment income	113,999
Investments purchased	<u>(178,489)</u>
Net cash flows from investing activities	<u>339,988</u>
Cash Flows From Noncapital Financing Activities	
Paid to municipality for tax equivalent	<u>(260,220)</u>
Net cash flows from noncapital financing activities	<u>(260,220)</u>
Cash Flows From Capital and Related Financing Activities	
Debt retired	(788,574)
Interest paid	(454,285)
Proceeds from debt issue	3,456,689
Acquisition and construction of capital assets	(6,750,698)
Contributions (refunds) in aid of construction	2,234,184
Capital contributions received- municipal	<u>36,103</u>
Net cash flows from capital and related financing activities	<u>(2,266,581)</u>
Net change in cash and cash equivalents	583,526
Cash and Cash Equivalents, Beginning	<u>3,586,730</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 4,170,256</u></u>

See notes to financial statements

City of Waterloo

Statement of Cash Flows -
Proprietary Fund
Year Ended December 31, 2025

Water & Light Commission

Reconciliation of Operating Income to Net Cash Flows From Operating Activities

Operating income	\$ 1,388,046
Nonoperating revenue	22,218
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation	1,366,213
Depreciation charged to other funds	58,547
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Accounts receivable	(56,032)
Inventories	(87,793)
Pension related amounts	26,165
Accounts payable	58,288
Accrued liabilities	3,367
Due to other funds	(8,680)
Net cash flows from operating activities	<u><u>\$ 2,770,339</u></u>

Reconciliation of Cash and Cash Equivalents to the Statement of Net Position, Proprietary Funds

Cash and investments	\$ 2,771,544
Redemption account	335,627
Reserve account	516,932
Replacement account	<u>894,524</u>
Total cash and investments	4,518,627
Less noncash equivalents	<u>(348,371)</u>
Cash and cash equivalents	<u><u>\$ 4,170,256</u></u>

Noncash Capital and Related Financing Activities

Amortization of debt discount	<u><u>\$ 1,704</u></u>
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City of Waterloo

Statement of Fiduciary Net Position -
Custodial Fund
December 31, 2025

	Tax Collection Fund
Assets	
Cash and investments	\$ 1,939,786
Taxes receivable	<u>2,160,942</u>
Total assets	<u>4,100,728</u>
Liabilities	
Due to other governments	<u>4,100,728</u>
Total liabilities	<u>4,100,728</u>
Net Position	
Total net position	<u><u>\$ -</u></u>

See notes to financial statements

City of Waterloo

Statement of Changes in Fiduciary Net Position -
Custodial Fund
Year Ended December 31, 2025

	Tax Collection Fund
Additions	
Property taxes collected for other governments	<u>\$ 2,806,438</u>
Deductions	
Property taxes distributed to other governments	<u>2,806,438</u>
Change in fiduciary net position	-
Net Position, Beginning	<u>-</u>
Net Position, Ending	<u><u>\$ -</u></u>

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1. Summary of Significant Accounting Policies

The accounting policies of the City of Waterloo, Wisconsin (the City) 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).

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 three methods, discrete presentation, blended or fiduciary. 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.

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 4. 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, 2025. The CDA does not issue separate financial statements.

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.

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

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.

Special Revenue Fund

220 Fire and EMS Special Revenue Fund is used to account for and report financial resources that are committed to expenditures for fire operations.

812 Library Special Revenue Fund is used to account for and report financial resources that are restricted to expenditures for library operations.

Debt Service Fund

300 General Debt Service Fund is 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.

Capital Projects Funds

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

412 Tax Incremental Financing District (TIF) No. 2 Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures outlined in the TID project plan.

Enterprise Fund

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

Special Revenue Funds are 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

225 Parks

Capital Projects Funds

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

402 Special Assessments
413 TIF District No. 3

414 TIF District No. 4
415 TIF District No. 5

In addition, the City reports the following fund type:

Custodial Fund

Custodial Fund is used to account for and report assets controlled by the City and the assets are for the benefit of individuals, private organizations and/or other governmental units.

Tax Collection Fund

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 to 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, 2025, there were \$306,096 of anticipated future assessments which are not reported as receivables in the water and light utility because collection is subject to certain events occurring in the future and no formal repayment schedule has been established.

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

Proprietary and Fiduciary Funds

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

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.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity**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.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.

- g. Repurchase agreements with public depositories, with certain conditions.

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

Investment of most trust funds including cemetery perpetual care funds, is regulated by Chapter 881 of the Wisconsin Statutes. Investment of library trust funds is regulated by Chapter 112. Those sections give broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

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

No policy exists for the following risks:

Interest rate 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.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2025, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note 4 for further information.

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 county government 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 fiduciary net position.

Property tax calendar - 2025 tax roll:

Lien date and levy date	December 2025
Tax bills mailed	December 2025
Payment in full, or	January 31, 2026
First installment due	January 31, 2026
Second installment due	July 31, 2026
Tax sale - 2025 delinquent real estate taxes	October 2028

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.

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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.

Capital Assets

Government-Wide Financial 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 general capital assets and \$25,000 for infrastructure assets and an estimated useful life in excess of one 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 and overhead. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

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

Buildings	40 Years
Land improvements	15 Years
Machinery and equipment	7-10 Years
Utility system	4-77 Years
Infrastructure	25-60 Years

Fund Financial Statements

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

Other Assets

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

Deferred Outflows of Resources

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

Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts.

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

The City provides postemployment health insurance benefits for all eligible employees. Eligibility is based on retirees being employed for a minimum of 15 years by the City. The benefits are based on contractual agreements with employee groups, local ordinances or employee benefit policies. Employees may convert 1,080 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, 2025, there was one participant currently eligible to receive the benefits with a total liability of \$9,114 recorded in the general fund.

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, 2025, are determined on the basis of current salary rates and include salary related payments.

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.

Deferred Inflows of Resources

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

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	\$ 12,135,233	\$ 17,431,799	\$ (64,780)	\$ 29,502,252
Unrestricted	2,925,229	1,762,276	64,780	4,752,285

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

Fund Statements

Governmental fund balances are displayed as follows:

- a. **Nonspendable** - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. **Restricted** - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. **Committed** - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the City Council. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the City Council that originally created the commitment.
- d. **Assigned** - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The City Council has, by resolution, adopted a financial policy authorizing the Clerk/Treasurer to assign amounts for a specific purpose. Assignments may take place after the end of the reporting period.
- 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 \$2,036,477, or 79.4% and is shown as unassigned general fund balance. The City is not in compliance with their fund balance policy as of year-end.

See Note 4 for further information.

Pension

The fiduciary net position of the Wisconsin Retirement System (WRS) has been determined using the flow of economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the following:

- Net Pension Liability (Asset);
- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions; and
- Pension Expense (Revenue).

Information about the fiduciary net position of the WRS and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by the 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.

Basis for Existing Rates**Electric Utility**

Current electric rates were approved by the Public Service Commission of Wisconsin effective May 1, 2024 and are designed to provide a 6.5% return on rate base.

Water Utility

Current water rates were approved by the Public Service Commission of Wisconsin effective September 1, 2023 and are designed to provide a 8% return on rate base.

Sewer Utility

Current sewer rates were approved by the utility commission effective January 1, 2025.

2. Reconciliation of Government-Wide and Fund Financial Statements**Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Position**

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

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

Bonds and notes payable	\$ 3,808,339
Compensated absences	389,384
Accrued interest	<u>24,029</u>
Combined adjustment for long-term liabilities	<u><u>\$ 4,221,752</u></u>

City of Waterloo

Notes to Financial Statements
December 31, 2025

3. Stewardship, Compliance and Accountability

Excess Expenditures and Other Financing Uses Over Budget

The following funds had significant expenditures and other financing uses over budget:

Funds	Budgeted Expenditures and Other Financing Uses	Actual Expenditures and Other Financing Uses	Excess Expenditures and Other Financing Uses Over Budget
225 Parks	\$ 351,838	\$ 410,363	\$ 58,525
412 TIF District No. 2	32,530	38,177	5,647
415 TIF District No. 5	-	3,020	3,020
600 Community Development Authority	3,960	5,019	1,059

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

Deficit Balances

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

As of December 31, 2025, the following individual funds held a deficit balance:

Fund	Amount	Reason
225 Parks	\$ 84,218	Expenditures exceeded revenues
415 TIF District No. 5	15,131	Expenditures exceeded revenues

TIF district deficits are anticipated to be funded with future incremental taxes levied over the life of the districts, which is 27 years for the districts created before October 1, 1995, and 23 years for districts created thereafter through September 30, 2004. Beginning October 1, 2004, the life of new districts varies by type of district (20-27 years) and may be extended in some cases. The 225 Parks fund deficit is anticipated to be funded with future contributions, general tax revenues or long-term borrowing.

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 net new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The City is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

City of Waterloo

Notes to Financial Statements
December 31, 2025

4. Detailed Notes on All Funds

Deposits and Investments

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

	<u>Carrying Value</u>	<u>Statement Balances</u>	<u>Associated Risks</u>
Deposits	\$ 11,120,674	\$ 11,242,828	Custodial credit risk
LGIP	404,314	404,314	Credit risk
Petty cash	4,795	-	N/A
Total deposits and investments	<u>\$ 11,529,783</u>	<u>\$ 11,647,142</u>	

Reconciliation to financial statements

Per statement of net position:

Unrestricted cash and investments	\$ 7,795,730
Restricted cash and investments	1,747,083
600 Community Development Authority	47,184

Per statement of assets and liabilities, custodial fund:

Custodial fund	<u>1,939,786</u>
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Total deposits and investments	<u>\$ 11,529,783</u>
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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 non-interest-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 \$1,000,000. 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, 2025, the banks had pledged various government securities in the amount of \$4,899,891 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, 2025, \$2,773,863 of the City's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,773,863
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City of Waterloo

Notes to Financial Statements
December 31, 2025

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The City had investments in the external Wisconsin Local Government Investment Pool which is not rated.

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

Receivables

All of the receivables on the balance sheet are expected to be collected within one year. Receivables of the 220 Fire and EMS are reported net of uncollectible ambulance receivables in the amount of \$123,241.

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

	<u>Unearned</u>	<u>Unavailable</u>
Property taxes receivable for subsequent year	\$ 2,536,057	\$ -
Grants receivable	-	127,500
Accounts receivable	-	111,342
Due from other governments	<u>-</u>	<u>20,705</u>
Total unearned/unavailable revenue for governmental funds	<u><u>\$ 2,536,057</u></u>	<u><u>\$ 259,547</u></u>

Restricted Assets

The following represent the balances of the restricted assets:

Long-Term Debt Accounts

Redemption - Used to segregate resources accumulated for debt service payments over the next twelve months.

Reserve - Used to report resources set aside to make up potential future deficiencies in the redemption account.

Equipment Replacement Account

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

City of Waterloo

Notes to Financial Statements

December 31, 2025

Following is a list of restricted assets at December 31, 2025:

Restricted assets:	
Redemption account	\$ 335,627
Reserve account	516,932
Replacement account	<u>894,524</u>
Total restricted assets	<u>\$ 1,747,083</u>

Capital Assets

Capital asset activity for the year ended December 31, 2025, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,110,177	\$ -	\$ -	\$ 1,110,177
Construction in progress	<u>50,731</u>	<u>-</u>	<u>50,731</u>	<u>-</u>
Total capital assets not being depreciated	<u>1,160,908</u>	<u>-</u>	<u>50,731</u>	<u>1,110,177</u>
Capital assets being depreciated:				
Land improvements	1,678,305	-	-	1,678,305
Buildings	6,970,795	104,974	-	7,075,769
Machinery and equipment	5,539,103	190,997	173,597	5,556,503
Streets	6,221,231	963,878	-	7,185,109
Storm sewers	<u>1,830,110</u>	<u>931,061</u>	<u>-</u>	<u>2,761,171</u>
Total capital assets being depreciated	<u>22,239,544</u>	<u>2,190,910</u>	<u>173,597</u>	<u>24,256,857</u>
Total capital assets	<u>23,400,452</u>	<u>2,190,910</u>	<u>224,328</u>	<u>25,367,034</u>
Less accumulated depreciation for:				
Land improvements	(532,374)	(59,777)	-	(592,151)
Buildings	(3,536,306)	(162,332)	-	(3,698,638)
Machinery and equipment	(3,220,295)	(241,172)	167,808	(3,293,659)
Streets	(2,324,035)	(231,670)	-	(2,555,705)
Storm sewers	<u>(570,594)</u>	<u>(68,856)</u>	<u>-</u>	<u>(639,450)</u>
Total accumulated depreciation	<u>(10,183,604)</u>	<u>(763,807)</u>	<u>167,808</u>	<u>(10,779,603)</u>
Net capital assets being depreciated	<u>12,055,940</u>	<u>1,427,103</u>	<u>5,789</u>	<u>13,477,254</u>
Total governmental activities capital assets, net as reported in the statement of net position	<u>\$ 13,216,848</u>	<u>\$ 1,427,103</u>	<u>\$ 56,520</u>	<u>\$ 14,587,431</u>

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 54,642
Public safety	158,740
Public works, which includes the depreciation of infrastructure	382,383
Culture, education and recreation	<u>168,042</u>
Total governmental activities depreciation expense	<u>\$ 763,807</u>

City of Waterloo

Notes to Financial Statements
December 31, 2025

Business-Type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Electric				
Capital assets not being depreciated:				
Land and land rights	\$ 199,730	\$ -	\$ -	\$ 199,730
Construction in progress	<u>115,697</u>	<u>589,165</u>	<u>611,042</u>	<u>93,820</u>
Total capital assets not being depreciated	<u>315,427</u>	<u>589,165</u>	<u>611,042</u>	<u>293,550</u>
Capital assets being depreciated:				
Distribution	10,976,307	661,685	205,098	11,432,894
General	<u>2,671,508</u>	<u>30,680</u>	<u>-</u>	<u>2,702,188</u>
Total capital assets being depreciated	<u>13,647,815</u>	<u>692,365</u>	<u>205,098</u>	<u>14,135,082</u>
Total capital assets	<u>13,963,242</u>	<u>1,281,530</u>	<u>816,140</u>	<u>14,428,632</u>
Less accumulated depreciation for:				
Distribution	(3,808,941)	(517,654)	259,919	(4,066,676)
General	<u>(1,567,030)</u>	<u>(104,418)</u>	<u>-</u>	<u>(1,671,448)</u>
Total accumulated depreciation	<u>(5,375,971)</u>	<u>(622,072)</u>	<u>259,919</u>	<u>(5,738,124)</u>
Net capital assets being depreciated	<u>8,271,844</u>	<u>70,293</u>	<u>(54,821)</u>	<u>8,396,958</u>
Net electric capital assets	<u>\$ 8,587,271</u>	<u>\$ 659,458</u>	<u>\$ 556,221</u>	<u>\$ 8,690,508</u>

City of Waterloo

Notes to Financial Statements
December 31, 2025

	Beginning Balance	Additions	Deletions	Ending Balance
Water				
Capital assets not being depreciated:				
Land and land rights	\$ 13,113	\$ -	\$ -	\$ 13,113
Construction in progress	188,149	1,143,582	1,313,491	18,240
Total capital assets not being depreciated	201,262	1,143,582	1,313,491	31,353
Capital assets being depreciated:				
Source of supply	72,767	-	-	72,767
Pumping	916,002	895,235	361,879	1,449,358
Water treatment	28,845	-	-	28,845
Transmission and distribution	7,248,132	398,166	146,765	7,499,533
General	748,982	38,419	-	787,401
Total capital assets being depreciated	9,014,728	1,331,820	508,644	9,837,904
Total capital assets	9,215,990	2,475,402	1,822,135	9,869,257
Less accumulated depreciation for:				
Source of supply	(43,979)	(1,546)	-	(45,525)
Pumping	(759,932)	(39,298)	364,667	(434,563)
Water treatment	(21,042)	(1,731)	-	(22,773)
Transmission and distribution	(1,473,722)	(156,926)	134,325	(1,496,323)
General	(458,854)	(39,282)	-	(498,136)
Total accumulated depreciation	(2,757,529)	(238,783)	498,992	(2,497,320)
Net capital assets being depreciated	6,257,199	1,093,037	9,652	7,340,584
Net water capital assets	\$ 6,458,461	\$ 2,236,619	\$ 1,323,143	\$ 7,371,937

City of Waterloo

Notes to Financial Statements
December 31, 2025

	Beginning Balance	Additions	Deletions	Ending Balance
Sewer				
Capital assets not being depreciated:				
Land and land rights	\$ 21,763	\$ -	\$ -	\$ 21,763
Construction in progress	18,387,199	6,030,862	23,897,570	520,491
Total capital assets not being depreciated	18,408,962	6,030,862	23,897,570	542,254
Capital assets being depreciated:				
Collecting system	3,635,215	778,747	19,842	4,394,120
Collecting system pumping	197,409	11,781	-	209,190
Treatment and disposal	6,913,797	21,324,417	3,615,663	24,622,551
General	1,186,910	1,794,966	-	2,981,876
Total capital assets being depreciated	11,933,331	23,909,911	3,635,505	32,207,737
Total capital assets	30,342,293	29,940,773	27,533,075	32,749,991
Less accumulated depreciation for:				
Collecting system	(774,169)	(56,703)	19,842	(811,030)
Collecting system pumping	(144,643)	(7,507)	-	(152,150)
Treatment and disposal	(5,786,251)	(529,185)	3,615,664	(2,699,772)
General	(666,639)	(131,528)	-	(798,167)
Total accumulated depreciation	(7,371,702)	(724,923)	3,635,506	(4,461,119)
Net capital assets being depreciated	4,561,629	23,184,988	(1)	27,746,618
Net sewer capital assets	<u>\$ 22,970,591</u>	<u>\$ 29,215,850</u>	<u>\$ 23,897,569</u>	<u>\$ 28,288,872</u>
Business-type activities capital assets, net as reported in the statement of net position	<u>\$ 38,016,323</u>	<u>\$ 32,111,927</u>	<u>\$ 25,776,933</u>	<u>\$ 44,351,317</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities

Electric	\$ 429,692
Water	205,085
Sewer	<u>731,436</u>

Total business-type activities depreciation expense \$ 1,366,213

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
December 31, 2025

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:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
100 General Fund	Water & Light Commission	\$ 268,018
100 General Fund	225 Parks	79,735
400 Capital Projects	Water and Light Commission	<u>214,626</u>
Total, fund financial statements		562,379
Less fund eliminations		<u>(79,735)</u>
Total internal balances, government-wide statement of net position		<u>\$ 482,644</u>

All amounts are due within one year.

The principal purposes of these interfunds are for tax roll items and to cover temporary cash shortfalls. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Advances

The 412 TIF District No. 2 is advancing funds to the 415 TIF District No. 5. The amount advanced is determined by the amount of deficit cash in the fund at year end. No repayment schedule has been established.

The following is a schedule of interfund advances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Amount Not Due Within One Year</u>
412 TIF District No. 2	415 TIF District No. 5	\$ <u>34,250</u>	\$ 34,250
Total, fund financial statements		34,250	
Less fund eliminations		<u>(34,250)</u>	
Total, interfund advances, government-wide statement of net position		<u>\$ -</u>	

City of Waterloo

Notes to Financial Statements
December 31, 2025

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
100 General Fund	Water & Light Commission	\$ 259,451	Tax equivalent
300 General Debt Service	225 Parks	10,095	Debt service
300 General Debt Service	413 TIF District No. 3	<u>117,923</u>	Debt service
Total, fund financial statements		387,469	
Less fund eliminations		(128,018)	
Less transfer to business-type activities for capital assets funded by governmental activities		<u>(36,103)</u>	
Total transfers, government-wide statement of activities		<u>\$ 223,348</u>	

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

Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2025, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds and notes payable:					
General obligation debt	\$ 3,457,314	\$ 788,000	\$ 436,975	\$ 3,808,339	\$ 498,627
Other liabilities:					
Compensated absences	355,201	72,534	38,351	389,384	42,828
Total governmental activities long-term liabilities	<u>\$ 3,812,515</u>	<u>\$ 860,534</u>	<u>\$ 475,326</u>	<u>\$ 4,197,723</u>	<u>\$ 541,455</u>
Business-Type Activities					
Bonds and notes payable:					
General obligation debt	\$ 415,000	\$ -	\$ 45,000	\$ 370,000	\$ 50,000
Revenue bonds from direct borrowings and direct placements	19,038,310	3,456,689	388,574	22,106,425	597,769
Revenue bonds	5,015,000	-	355,000	4,660,000	360,000
(Discounts) / premiums	<u>(22,903)</u>	<u>1,704</u>	<u>-</u>	<u>(21,199)</u>	<u>-</u>
Subtotal	<u>24,445,407</u>	<u>3,458,393</u>	<u>788,574</u>	<u>27,115,226</u>	<u>1,007,769</u>
Other liabilities:					
Compensated absences	194,021	50,608	50,608	194,021	42,141
Total business-type activities long-term liabilities	<u>\$ 24,639,428</u>	<u>\$ 3,509,001</u>	<u>\$ 839,182</u>	<u>\$ 27,309,247</u>	<u>\$ 1,049,910</u>

In addition to the liabilities above, information on the net pension liability (asset) is provided in Note 5.

City of Waterloo

Notes to Financial Statements
December 31, 2025

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, 2025, was \$19,993,575. Total general obligation debt outstanding at year end was \$4,178,339.

General Obligation Debt

All general obligation debt payable is backed by the full faith and credit of the City. Debt in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

Governmental Activities						Balance December 31, 2025
General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness		
General Obligation Partial Refunding Promissory Notes, Series 2020A	05/28/20	05/01/30	1.4-2.35%	\$ 920,000	\$	445,000
General Obligation Refunding Bonds, Series 2020B	05/28/20	05/01/37	2.6-3.2	945,000		945,000
General Obligation Partial Refunding Promissory Notes, Series 2020C	05/28/20	05/01/28	1.1-1.6	1,165,000		300,000
Bank Loan	08/02/21	06/01/31	1.99	760,000		285,339
Bank Loan	08/22/22	11/01/32	3.19	1,440,000		1,045,000
Bank Loan	10/29/25	11/01/32	5.43	788,000		788,000
Total governmental activities, general obligation debt					\$	<u>3,808,339</u>

Business-Type Activities						Balance December 31, 2025
General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness		
Bank Loan	08/22/22	11/01/32	3.19%	\$ 500,000	\$	<u>370,000</u>
Total business-type activities, general obligation debt					\$	<u>370,000</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-Type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2026	\$ 498,627	\$ 122,823	\$ 50,000	\$ 11,803
2027	515,198	108,222	50,000	10,208
2028	516,793	92,474	50,000	8,637
2029	449,721	76,101	50,000	7,018
2030	360,000	60,678	55,000	5,423
2031-2035	1,163,000	128,830	115,000	5,587
2036-2037	305,000	9,765	-	-
Total	<u>\$ 3,808,339</u>	<u>\$ 598,893</u>	<u>\$ 370,000</u>	<u>\$ 48,676</u>

City of Waterloo

Notes to Financial Statements
December 31, 2025

Revenue Debt

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

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 2025 was \$1,159,685. Total customer net revenues as defined for the same period was \$2,885,408 Annual principal and interest payments are expected to require 31% of net revenues on average.

Revenue debt payable at December 31, 2025, consists of the following:

Business-Type Activities Revenue Debt

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2025</u>
Water & Light Commission					
2012 Revenue Bonds	11/06/12	11/01/28	3.00%	\$ 3,255,000	\$ 195,000
2013 Revenue Bonds, Direct	03/27/13	05/01/32	2.63	1,384,900	592,095
2016 Revenue Bonds	11/15/16	11/01/36	1.25-3.25	1,310,000	860,000
2020 Revenue Bonds	09/10/20	11/01/40	0.40-2.25	4,335,000	3,605,000
2024 Revenue Bonds, Direct	02/14/24	05/01/43	2.00	4,090,965	4,090,965
2024 Revenue Bonds, Direct	09/11/24	11/01/44	2.00	621,785	616,265
2024 Revenue Bonds, Direct	11/12/24	05/01/64	2.00	17,114,000	16,807,100
Total water & light commission					<u>26,766,425</u>
Total business-type activities, revenue debt					<u>\$ 26,766,425</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	Business-Type Activities Revenue Debt	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 360,000	\$ 83,683
2027	360,000	78,803
2028	360,000	73,515
2029	295,000	68,008
2030	295,000	63,933
2031-2035	1,575,000	245,557
2036-2040	1,415,000	89,366
Total	<u>\$ 4,660,000</u>	<u>\$ 702,865</u>

City of Waterloo

Notes to Financial Statements
December 31, 2025

<u>Years</u>	Business-Type Activities Revenue Debt from Direct Borrowings and Direct Placements	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 597,769	\$ 402,182
2027	609,715	389,638
2028	621,808	377,423
2029	634,252	364,960
2030	646,850	352,244
2031-2035	3,144,633	1,572,428
2036-2040	3,256,321	1,274,191
2041-2045	2,983,675	879,125
2046-2050	2,228,100	764,374
2051-2055	2,431,800	562,413
2056-2060	2,654,300	341,982
2061-2064	2,297,202	101,382
Total	<u>\$ 22,106,425</u>	<u>\$ 7,382,342</u>

Other Debt Information

Estimated payments of compensated absences are not included in the debt service requirement schedules.

The utility fund's outstanding Sewer Clean Water Fund Loan and Water System Safe Drinking Water Loan noted above contain provisions that (1) any delinquent payment can be deducted from any state payments that are due to the City or a special charge may be added to the taxes apportioned to and levied upon the county in which the City is located and (2) in an event of default, outstanding amounts become immediately due and payable or the interest rate may be increased to the market interest rate and (3) any delinquent payments may be intercepted from the revenue of the Utility.

A statutory mortgage lien upon the utility and any additions, improvements and extension thereto is created by Section 66.0621 of the Wisconsin Statutes as provided for in the ordinances creating the revenue bond issue. The utility and the earnings of the utility remain subject to the lien until payment in full of the principal and interest on the bonds.

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, 2025:

<u>Type</u>	<u>Coverage</u>	<u>Expiration</u>
Automobile	\$ 5,000,000	01/01/26
Excess liability	5,000,000	01/01/26
Workers compensation	2,000,000	01/01/26

City of Waterloo

Notes to Financial Statements
December 31, 2025

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 2025 as follows:

Operating revenues	\$ 7,759,378
Investment income	108,931
Miscellaneous nonoperating income	11,429
Income from merchandising and jobbing	10,789
Less operation and maintenance expenses	<u>(5,005,119)</u>
Net defined earnings	<u>\$ 2,885,408</u>
Minimum required earnings per resolution:	
Current year's revenue bond debt service	\$ 1,159,685
Coverage factor	<u>1.25</u>
Minimum required earnings	<u>\$ 1,449,606</u>
Actual debt coverage	<u>2.49</u>

Utility Budget

The 2025 utility budgets were prepared and approved as required by the bond resolutions.

Net Position/Fund Balances

Net position reported on the government-wide statement of net position at December 31, 2025, includes the following:

Governmental Activities

Net investment in capital assets:

Land	\$ 1,110,177
Other capital assets, net of accumulated depreciation	13,477,254
Less long-term debt outstanding (excluding unspent capital related debt proceeds)	(3,808,339)
Plus noncapital debt proceeds	<u>1,356,141</u>

Total net investment in capital assets	<u>\$ 12,135,233</u>
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City of Waterloo

Notes to Financial Statements
December 31, 2025

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2025, include the following:

	General Fund	220 Fire and EMS	812 Library	300 General Debt Service	400 Capital Projects	412 TIF District No. 2	Nonmajor Funds	Total
Fund Balances								
Nonspendable:								
Prepaid items	\$ 20,443	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,443
Subtotal	20,443	-	-	-	-	-	-	20,443
Restricted for:								
Debt service	-	-	-	80	-	-	-	80
TIF purposes	-	-	-	-	-	910,330	245,509	1,155,839
Library purposes	-	-	365,093	-	-	-	-	365,093
Park purposes	-	-	-	-	-	-	1,395	1,395
Subtotal	-	-	365,093	80	-	910,330	246,904	1,522,407
Committed to:								
Fire and EMS operations	-	814,046	-	-	-	-	-	814,046
Cable TV operations	-	-	-	-	-	-	62,665	62,665
Capital related purposes	-	-	-	-	-	-	33,459	33,459
Subtotal	-	814,046	-	-	-	-	96,124	910,170
Assigned to:								
Tax equivalent	259,451	-	-	-	-	-	-	259,451
Speed limit alert sign	240	-	-	-	-	-	-	240
Patrol uniforms	613	-	-	-	-	-	-	613
Defibrillator	667	-	-	-	-	-	-	667
Subsequent year budget	35,000	-	-	-	-	-	-	35,000
Capital related purposes	-	-	-	-	935,890	-	-	935,890
Subtotal	295,971	-	-	-	935,890	-	-	1,231,861
Unassigned (Deficit)	2,036,477	-	-	-	-	-	(100,744)	1,935,733
Total fund balances	<u>\$ 2,352,891</u>	<u>\$ 814,046</u>	<u>\$ 365,093</u>	<u>\$ 80</u>	<u>\$ 935,890</u>	<u>\$ 910,330</u>	<u>\$ 242,284</u>	<u>\$ 5,620,614</u>

Business-Type Activities

Net investment in capital assets:

Land	\$ 234,606
Construction in progress	632,551
Other capital assets, net of accumulated depreciation	43,484,160
Less long-term debt outstanding	(27,136,425)
Plus unamortized debt discount	21,199
Plus unspent capital related debt proceeds	<u>195,708</u>

Total net investment in capital assets \$ 17,431,799

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 \$42,184 and is part of the City's commingled cash. See Note 4.

c. Cash and Cash Equivalents

5. Other Information

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, expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) 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 Annual Comprehensive Financial Report (ACFR), which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Additionally, ETF issued a standalone Wisconsin Retirement System Financial Report, which can also be found using the link above.

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 executive service retirement participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings period. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

Postretirement 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 %
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)
2020	1.7	21.0
2021	5.1	13.0
2022	7.4	15.0
2023	1.6	(21.0)
2024	3.6	15.0

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, including Teachers, Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was 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 \$221,570 in contributions from the City.

Contribution rates for the plan year reported as of December 31, 2025 are:

Employee Category	Employee	Employer
General (Executives & Elected Officials)	6.90 %	6.90 %
Protective with Social Security	6.90	14.30
Protective without Social Security	6.90	19.10

Pension Liability, Pension Expense (Revenue), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2025, the City reported a liability of \$236,970 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023 rolled forward to December 31, 2024. 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, 2024, the City's proportion was 0.01442159%, which was an increase of 0.00059731% from its proportion measured as of December 31, 2023.

For the year ended December 31, 2025, the City recognized pension expense (revenue) of \$295,489.

City of Waterloo

Notes to Financial Statements
December 31, 2025

At December 31, 2025, 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 projected and actual experience	\$ 735,923	\$ 691,537
Changes in assumptions	70,313	-
Net differences between projected and actual earnings on pension plan investments	360,089	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	598	4,310
Employer contributions subsequent to the measurement date	<u>243,442</u>	<u>-</u>
Total	<u><u>\$ 1,410,365</u></u>	<u><u>\$ 695,847</u></u>

\$243,442 reported as deferred outflows of resources 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 ending December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Years Ending December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (Net)
2026	\$ 141,059
2027	490,312
2028	(122,145)
2029	(38,150)

Actuarial Assumptions

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

Actuarial Valuation Date:	December 31, 2023
Measurement Date of Net Pension Liability (Asset):	December 31, 2024
Experience Study:	January 1, 2021 - December 31, 2023 Published November 19, 2024
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increases:	
Wage Inflation	3.0%
Seniority/Merit	0.1% - 5.7%
Mortality:	2020 WRS Experience Mortality Table
Postretirement Adjustments*:	1.7%

* *No postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.7% is the assumed annual adjustment based on the investment return assumption and the postretirement discount rate. Includes the impact of known Market Recognition Account deferred gains/losses on the liability for dividend payments.*

Actuarial assumptions are based upon an experience study conducted in 2024 that covered a three-year period from January 1, 2021 to December 31, 2023. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including seniority (merit) and separation rates. The Total Pension Liability for December 31, 2024 is based upon a roll-forward of the liability calculated from the December 31, 2023 actuarial valuation.

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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Allocation Targets and Expected Returns* as of December 31, 2024			
Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %**
Public Equity	38	7.0	4.3
Public Fixed Income	27	6.1	3.4
Inflation Sensitive	19	4.8	2.1
Real Estate	8	6.5	3.8
Private Equity/Debt	20	9.5	6.7
Leverage***	(12)	3.7	1.1
Total Core Fund	100	7.5	4.8
Variable Fund Asset			
U.S. Equities	70	6.5	3.8
International Equities	30	7.4	4.7
Total Variable Fund	100	6.9	4.2

* Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations

** New England Pension Consultants' Long-Term U.S. CPI (Inflation) Forecast: 2.6%

*** The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. Currently, an asset allocation target of 12% policy leverage is used subject to an allowable range of up to 20%.

Single Discount Rate

A single discount rate of 6.8% was used to measure the total pension liability for the current and prior year. This discount rate is based on the expected rate of return on pension plan investments of 6.8% and a municipal bond rate of 4.08% (Source: "20-Bond GO Index" is the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality as of December 31, 2024. In describing this index, the Bond Buyer notes that the bonds' average quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard and Poor's Corp.'s AA.). Because of the unique structure of WRS, the 6.8% expected rate of return implies that a dividend of approximately 1.7% 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 investment 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 6.80%, 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 (5.80%) or 1-percentage-point higher (7.80%) than the current rate:

	1% Decrease to Discount Rate (5.8%)	Current Discount Rate (6.8%)	1% Increase to Discount Rate (7.8%)
City's proportionate share of the net pension liability (asset)	\$ 2,223,093	\$ 236,970	\$ (1,174,112)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

At December 31, 2025, the City reported a payable to the pension plan which represents contractually required contributions outstanding as of the end of the year.

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.

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.

The Water & Light Commission has open contracts for approximately \$22,610,210 for upgrading the existing Wastewater Treatment Facility (WWTF). As of December 31, 2025, approximately \$22,338,142 has been expended.

Long-Term Contracts, WPPI Energy

The electric utility is one of 51 WPPI Energy member municipalities located throughout the States of Wisconsin, Michigan and Iowa. 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.

Fifty members, representing approximately 99.8% of WPPI Energy's existing load, have long-term contracts through December 31, 2055. The remaining member has a long-term contract through 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 \$221 million as of December 31, 2025.

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 \$22,619 in 2024. 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. The original developer agreement was amended in 2018 which resulted in changes to the developer guaranteed amounts.

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 2025. 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. The City paid out an \$800,000 contribution related to this agreement during 2013.

Economic Dependency**Water and Light Commission**

The Water and Light Commission has one significant customer who was responsible for 11% of operating revenues in 2025.

Effect of New Accounting Standards on Current-Period Financial Statements

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

- Statement No. 103, *Financial Reporting Model Improvements*
- Statement No. 104, *Disclosure of Certain Capital Assets*
- Statement No. 105, *Subsequent Events*

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

Segment Information

The City provides electric, water and sewer service to the City residents through the Water & 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
Year Ended December 31, 2025

	Budgeted Amounts Original and Final	Actual	Variance With Final Budget
Revenues			
Taxes	\$ 1,228,489	\$ 1,222,672	\$ (5,817)
Intergovernmental	619,895	686,255	66,360
Licenses and permits	35,754	35,677	(77)
Fines, forfeitures and penalties	19,000	18,382	(618)
Public charges for services	216,150	239,869	23,719
Investment income	175,000	241,412	66,412
Miscellaneous revenues	500	4,692	4,192
	<u>2,294,788</u>	<u>2,448,959</u>	<u>154,171</u>
Total revenues			
Expenditures			
Current:			
General government	479,352	509,464	(30,112)
Public safety	1,197,511	1,051,280	146,231
Public works	795,844	804,893	(9,049)
Health and human services	6,082	5,582	500
Culture, recreation and education	-	1,328	(1,328)
Conservation and development	31,999	18,391	13,608
	<u>2,510,788</u>	<u>2,390,938</u>	<u>119,850</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>(216,000)</u>	<u>58,021</u>	<u>274,021</u>
Other Financing Sources (Uses)			
Transfers in	236,000	259,451	23,451
Transfers out	(55,000)	-	55,000
Proceeds on sale of assets	-	992	992
	<u>181,000</u>	<u>260,443</u>	<u>79,443</u>
Total other financing sources (uses)			
Net change in fund balance	<u>\$ (35,000)</u>	<u>318,464</u>	<u>\$ 353,464</u>
Fund Balance, Beginning		<u>2,034,427</u>	
Fund Balance, Ending		<u>\$ 2,352,891</u>	

See 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
 Year Ended December 31, 2025

	Budgeted Amounts Original and Final	Actual	Variance With Final Budget
Revenues			
Taxes			
Property	\$ 291,231	\$ 291,231	\$ -
Intergovernmental			
Fire insurance tax (2% fire dues)	19,000	25,151	6,151
State aid, emergency government	-	28,415	28,415
Payments for municipal services	191,970	191,970	-
State grants	-	96,466	96,466
Other state payments	-	620	620
Total intergovernmental	210,970	342,622	131,652
Public Charges for Services			
Public safety	231,000	305,438	74,438
Investment Income			
Interest on investments	3,500	5,638	2,138
Miscellaneous			
Donations	-	300	300
Other miscellaneous	353,422	15,505	(337,917)
Total miscellaneous	353,422	15,805	(337,617)
Total revenues	1,090,123	960,734	(129,389)
Expenditures			
Public Safety			
Fire protection	706,066	739,368	(33,302)
Capital Outlay			
Fire protection	353,422	9,200	344,222
Total expenditures	1,059,488	748,568	310,920
Excess (deficiency) of revenues over (under) expenditures	30,635	212,166	181,531
Other Financing Sources			
Net change in fund balance	\$ 30,635	212,166	\$ 181,531
Fund Balance, Beginning		601,880	
Fund Balance, Ending		\$ 814,046	

See notes to required supplementary information

City of Waterloo

Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -

812 Library

Year Ended December 31, 2025

	Budgeted Amounts Original and Final	Actual	Variance With Final Budget
Revenues			
Taxes			
Property	\$ 208,000	\$ 208,000	\$ -
Intergovernmental			
County aid, libraries	91,494	93,995	2,501
Public Charges for Services			
Library	2,000	5,706	3,706
Investment Income			
Investment income	-	2,153	2,153
Miscellaneous			
Donations	95,116	250,605	155,489
Total revenues	396,610	560,459	163,849
Expenditures			
Culture, Recreation and Education			
Library	416,495	403,849	12,646
Total expenditures	416,495	403,849	12,646
Net change in fund balance	<u>\$ (19,885)</u>	156,610	<u>\$ 176,495</u>
Fund Balance, Beginning		208,483	
Fund Balance, Ending		<u>\$ 365,093</u>	

See notes to required supplementary information

City of Waterloo
Schedule of Proportionate Share of the Net Pension Liability (Asset) - Wisconsin Retirement System
 Year Ended December 31, 2025

Fiscal Year Ending	Proportion of the Net Pension Liability/(Asset)	Proportionate Share of the Net Pension Liability/(Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/25	0.01442159%	\$ 236,970	\$ 2,442,830	9.70%	98.79%
12/31/24	0.01382428%	205,540	2,250,611	9.13%	98.85%
12/31/23	0.01344190%	712,112	1,945,725	36.60%	95.72%
12/31/22	0.01331569%	(1,073,269)	1,896,463	56.59%	106.02%
12/31/21	0.01313816%	(820,233)	1,856,687	44.18%	105.26%
12/31/20	0.01331104%	(429,208)	1,760,504	24.38%	102.96%
12/31/19	0.01313895%	467,442	1,661,469	28.13%	96.45%
12/31/18	0.01302015%	(386,583)	1,696,206	22.79%	102.93%
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%

Schedule of Employer Contributions - Wisconsin Retirement System
 Year Ended December 31, 2025

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/25	\$ 243,442	\$ (243,442)	\$ -	\$ 2,732,162	8.91%
12/31/24	221,713	(221,713)	-	2,572,360	8.62%
12/31/23	192,545	(192,545)	-	2,332,258	8.26%
12/31/22	157,926	(157,926)	-	2,027,548	7.79%
12/31/21	156,838	(156,838)	-	1,941,733	8.08%
12/31/20	152,664	(152,664)	-	1,892,108	8.07%
12/31/19	137,186	(137,186)	-	1,776,318	7.72%
12/31/18	133,941	(133,941)	-	1,671,116	8.02%
12/31/17	143,229	(143,229)	-	1,671,489	8.57%
12/31/16	119,044	(119,044)	-	1,533,540	7.76%

See notes to required supplementary information

City of Waterloo

Notes to Required Supplementary Information
Year Ended December 31, 2025

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 1.

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 \$0. Budgets are adopted at the department level of expenditure.

Excess Expenditures Over Appropriations

Excess expenditures over appropriations are as follows:

	<u>Final Budget</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund			
Mayor	\$ 8,469	\$ 9,172	\$ 703
Clerk	295,329	306,206	10,877
Legislative support	2,100	2,739	639
Independent auditing	38,000	55,818	17,818
Legal counseling	20,000	42,926	22,926
Emergency government	6,500	27,238	20,738
Engineering	6,000	6,716	716
Bridges, culvers and rivers	300	1,049	749
Garages and sheds	18,100	25,464	7,364
Street Lighting	74,650	74,774	124
Storm sewer maintenance	8,000	12,805	4,805
Refuse and garbage collection	209,137	216,035	6,898
Solid waste disposal	15,500	19,472	3,972
Celebration and entertainment	-	1,328	1,328

Wisconsin Retirement System

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

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

Changes in assumptions. Based on a three-year experience study conducted in 2021 covering January 1, 2018 through December 31, 2020, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-end December 31, 2021, including the following:

- Lowering the long-term expected rate of return from 7.0% to 6.8%
- Lowering the discount rate from 7.0% to 6.8%
- Lowering the price inflation rate from 2.5% to 2.4%
- Lowering the postretirement adjustments from 1.9% to 1.7%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table

Based on a three-year experience study conducted in 2018 covering January 1, 2015 through December 31, 2017, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-ended December 31, 2018, including the following:

- Lowering the long-term expected rate of return from 7.2% to 7.0%
- Lowering the discount rate from 7.2% to 7.0%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Lowering the postretirement adjustments from 2.1% to 1.9%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table

SUPPLEMENTARY INFORMATION

City of Waterloo

Detailed Schedule of Revenues - Budget and Actual -
100 General Fund
Year Ended December 31, 2025

	Budgeted Amounts Original and Final	Actual	Variance With Final Budget
Taxes			
Property	\$ 1,212,989	\$ 1,210,078	\$ (2,911)
Mobile home lottery credit and parking fees	15,500	12,594	(2,906)
Total taxes	1,228,489	1,222,672	(5,817)
Intergovernmental			
State shared revenues	551,261	551,261	-
State aid, computers	53,034	118,864	65,830
State aid, recycling	12,400	12,407	7
State aid, other law enforcement	3,200	3,723	523
Total intergovernmental	619,895	686,255	66,360
Licenses and Permits			
Liquor and malt beverage licenses	8,530	8,833	303
Operators' license	2,800	3,925	1,125
Cigarette licenses	500	446	(54)
Mobile home park licenses	174	174	-
Bicycle licenses	-	30	30
Dog and cat licenses	4,200	5,265	1,065
Other nonbusiness licenses	150	145	(5)
Building permits	7,500	5,585	(1,915)
Electrical permits	2,000	1,242	(758)
Plumbing permits	2,000	1,666	(334)
Heating and air conditioning permits	2,000	3,316	1,316
Landfill permits	200	75	(125)
Other permits	100	-	(100)
Other regulatory permits and fees	600	60	(540)
Other business and occupational licenses	5,000	4,915	(85)
Total licenses and permits	35,754	35,677	(77)
Fines, Forfeitures and Penalties			
Court penalties and costs	12,000	11,714	(286)
Parking violations	7,000	6,668	(332)
Total fines, forfeitures and penalties	19,000	18,382	(618)
Public Charges for Services			
General government	50	-	(50)
Clerk's fees	1,000	1,695	695
Law enforcement fees	100	139	39
County highway maintenance and construction	-	728	728
Refuse and garbage collection	215,000	237,307	22,307
Total public charges for services	216,150	239,869	23,719

City of Waterloo

Detailed Schedule of Revenues - Budget and Actual -

100 General Fund

Year Ended December 31, 2025

	<u>Budgeted Amounts Original and Final</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Investment Income			
Interest on investments	\$ 175,000	\$ 241,412	\$ 66,412
Miscellaneous			
Awards and damages	-	20	20
Donations	-	2,600	2,600
Other miscellaneous	<u>500</u>	<u>2,072</u>	<u>1,572</u>
Total miscellaneous	<u>500</u>	<u>4,692</u>	<u>4,192</u>
Total revenues	<u>\$ 2,294,788</u>	<u>\$ 2,448,959</u>	<u>\$ 154,171</u>

City of Waterloo

Detailed Schedule of Expenditures - Budget and Actual -
100 General Fund
Year Ended December 31, 2025

	Budgeted Amounts Original and Final	Actual	Variance With Final Budget
General Government			
Council	\$ 17,772	\$ 16,979	\$ 793
Mayor	8,469	9,172	(703)
Clerk	295,329	306,206	(10,877)
Legislative support	2,100	2,739	(639)
Elections	8,300	2,804	5,496
Assessment of property	1,482	1,339	143
Independent auditing	38,000	55,818	(17,818)
Legal counseling	20,000	42,926	(22,926)
Municipal building	30,700	25,036	5,664
Property and liability insurance	57,200	46,445	10,755
Total general government	479,352	509,464	(30,112)
Public Safety			
Police, administration	415,195	399,485	15,710
Police, patrol	763,345	616,655	146,690
Inspection	12,471	7,902	4,569
Emergency government	6,500	27,238	(20,738)
Total public safety	1,197,511	1,051,280	146,231
Public Works			
Machinery operation and maintenance	47,400	45,599	1,801
Garages and sheds	18,100	25,464	(7,364)
Engineering	6,000	6,716	(716)
Street maintenance	7,500	4,544	2,956
Bridges, culvers and rivers	300	1,049	(749)
Snow and ice control	38,500	34,626	3,874
Traffic control	7,000	5,024	1,976
Street lighting	74,650	74,774	(124)
Storm sewer maintenance	8,000	12,805	(4,805)
Tree and brush removal	8,500	7,390	1,110
Sidewalks	1,000	-	1,000
Refuse and garbage collection	209,137	216,035	(6,898)
Solid waste disposal	15,500	19,472	(3,972)
Public works/highway administration	354,257	351,395	2,862
Total public works	795,844	804,893	(9,049)
Health and Human Services			
Animal control	5,582	5,582	-
Cemetery	500	-	500
Total health and human services	6,082	5,582	500
Culture, Recreation and Education			
Celebration and entertainment	-	1,328	(1,328)

City of Waterloo

Detailed Schedule of Expenditures - Budget and Actual -
100 General Fund
Year Ended December 31, 2025

	Budgeted Amounts Original and Final	Actual	Variance With Final Budget
Conservation and Development			
Weed control	\$ 1,500	\$ 175	\$ 1,325
Planning commission	6,619	307	6,312
Planning	<u>23,880</u>	<u>17,909</u>	<u>5,971</u>
Total conservation and development	<u>31,999</u>	<u>18,391</u>	<u>13,608</u>
Total expenditures	<u><u>\$ 2,510,788</u></u>	<u><u>\$ 2,390,938</u></u>	<u><u>\$ 119,850</u></u>

City of Waterloo

Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2025

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	
	<u>200 Cable TV</u>	<u>225 Parks</u>	<u>402 Special Assessments</u>	<u>413 TIF District No. 3</u>
Assets				
Cash and investments	\$ 56,504	\$ -	\$ 33,459	\$ 25,548
Receivables (net):				
Taxes	-	129,173	-	81,498
Accounts	7,500	-	-	32,744
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 64,004</u>	<u>\$ 129,173</u>	<u>\$ 33,459</u>	<u>\$ 139,790</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 1,111	\$ 2,078	\$ -	\$ -
Accrued liabilities	228	2,405	-	-
Due to other funds	-	79,735	-	-
Advances from other funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,339</u>	<u>84,218</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unearned revenues	-	129,173	-	81,498
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>-</u>	<u>129,173</u>	<u>-</u>	<u>81,498</u>
Fund Balances				
Restricted	-	1,395	-	58,292
Committed	62,665	-	33,459	-
Unassigned (deficit)	-	(85,613)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>62,665</u>	<u>(84,218)</u>	<u>33,459</u>	<u>58,292</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 64,004</u>	<u>\$ 129,173</u>	<u>\$ 33,459</u>	<u>\$ 139,790</u>

<u>Capital Projects Funds</u>		
<u>414 TIF</u> <u>District No. 4</u>	<u>415 TIF</u> <u>District No. 5</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
\$ 187,217	\$ 19,119	\$ 321,847
27,736	7,661	246,068
<u>-</u>	<u>-</u>	<u>40,244</u>
<u>\$ 214,953</u>	<u>\$ 26,780</u>	<u>\$ 608,159</u>

\$ -	\$ -	\$ 3,189
-	-	2,633
-	-	79,735
<u>-</u>	<u>34,250</u>	<u>34,250</u>
<u>-</u>	<u>34,250</u>	<u>119,807</u>
<u>27,736</u>	<u>7,661</u>	<u>246,068</u>
<u>27,736</u>	<u>7,661</u>	<u>246,068</u>
187,217	-	246,904
-	-	96,124
<u>-</u>	<u>(15,131)</u>	<u>(100,744)</u>
<u>187,217</u>	<u>(15,131)</u>	<u>242,284</u>
<u>\$ 214,953</u>	<u>\$ 26,780</u>	<u>\$ 608,159</u>

City of Waterloo

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2025

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	
	<u>200 Cable TV</u>	<u>225 Parks</u>	<u>402 Special Assessments</u>	<u>413 TIF District No. 3</u>
Revenues				
Taxes	\$ -	\$ 122,047	\$ -	\$ 84,619
Intergovernmental	8,066	105,000	-	2,213
Licenses and permits	30,530	660	-	-
Public charges for services	-	99,049	-	-
Investment income	8,201	-	-	-
Miscellaneous revenues	-	29,868	2,898	32,744
	<u>46,797</u>	<u>356,624</u>	<u>2,898</u>	<u>119,576</u>
Total revenues				
Expenditures				
Current:				
General government	-	1,383	-	1,565
Public works	-	-	-	-
Culture, recreation and education	26,842	264,062	-	-
Capital outlay	-	134,823	-	-
	<u>26,842</u>	<u>400,268</u>	<u>-</u>	<u>1,565</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>19,955</u>	<u>(43,644)</u>	<u>2,898</u>	<u>118,011</u>
Other Financing Sources (Uses)				
Transfers out	-	(10,095)	-	(117,923)
	<u>-</u>	<u>(10,095)</u>	<u>-</u>	<u>(117,923)</u>
Total other financing sources (uses)				
Net change in fund balances	19,955	(53,739)	2,898	88
Fund Balances (Deficit), Beginning	<u>42,710</u>	<u>(30,479)</u>	<u>30,561</u>	<u>58,204</u>
Fund Balances (Deficit), Ending	<u>\$ 62,665</u>	<u>\$ (84,218)</u>	<u>\$ 33,459</u>	<u>\$ 58,292</u>

<u>Capital Projects Funds</u>		
<u>414 TIF</u> <u>District No. 4</u>	<u>415 TIF</u> <u>District No. 5</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
\$ 65,170	\$ 22,139	\$ 293,975
3,828	-	119,107
-	-	31,190
-	-	99,049
-	-	8,201
-	-	65,510
<u>68,998</u>	<u>22,139</u>	<u>617,032</u>
1,451	2,110	6,509
-	910	910
-	-	290,904
-	-	134,823
<u>1,451</u>	<u>3,020</u>	<u>433,146</u>
<u>67,547</u>	<u>19,119</u>	<u>183,886</u>
-	-	(128,018)
-	-	(128,018)
67,547	19,119	55,868
<u>119,670</u>	<u>(34,250)</u>	<u>186,416</u>
<u>\$ 187,217</u>	<u>\$ (15,131)</u>	<u>\$ 242,284</u>

City of Waterloo

Statement of Cash Flows -
Component Unit
Year Ended December 31, 2025

600 Community Development Authority

Cash Flows From Operating Activities

Received from customers	\$ 10,533
Paid to suppliers for goods and services	<u>(4,887)</u>

Net cash flows from operating activities	<u>5,646</u>
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Net change in cash and cash equivalents	5,646
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Cash and Cash Equivalents, Beginning	<u>41,538</u>
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Cash and Cash Equivalents, Ending	<u><u>\$ 47,184</u></u>
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Reconciliation of Operating Income to Net Cash Flows From Operating Activities

Operating income	\$ 514
Miscellaneous revenue	5,000
Changes in assets and liabilities:	
Accounts payable	<u>132</u>

Net cash flows from operating activities	<u><u>\$ 5,646</u></u>
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Noncash Capital and Related Financing Activities

None