

CITY OF WATERLOO

Waterloo, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2018

CITY OF WATERLOO

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Waterloo
Waterloo, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waterloo, Wisconsin, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Waterloo's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waterloo, Wisconsin, as of December 31, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Supplementary Information

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

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
April 9, 2019

CITY OF WATERLOO

STATEMENT OF NET POSITION As of December 31, 2018

	Governmental Activities	Business-type Activities	Totals	600 Community Development Authority
ASSETS				
Cash and investments	\$ 1,745,164	\$ 621,759	\$ 2,366,923	\$ 20,256
Receivables (net)				
Taxes receivable	2,308,400	-	2,308,400	-
Accounts	98,011	744,938	842,949	-
Special assessments	12,545	-	12,545	-
Delinquent personal property taxes	143	-	143	-
Internal balances	272,133	(272,133)	-	-
Due from other governments	457,175	-	457,175	-
Prepaid items	46,676	110,361	157,037	-
Other assets	-	20,011	20,011	-
Restricted assets				
Cash and investments	36,922	1,999,622	2,036,544	-
Net pension asset	293,166	93,417	386,583	-
Restricted assets - other	-	5,068	5,068	-
Capital Assets (net of accumulated depreciation)				
Land	1,060,715	186,606	1,247,321	-
Construction in progress	-	12,463	12,463	-
Other capital assets	11,919,687	10,808,274	22,727,961	-
Total Assets	<u>18,250,737</u>	<u>14,330,386</u>	<u>32,581,123</u>	<u>20,256</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	49,773	49,773	-
Pension related amounts	527,137	180,810	707,947	-
Total Deferred Outflows of Resources	<u>527,137</u>	<u>230,583</u>	<u>757,720</u>	<u>-</u>
LIABILITIES				
Accounts payable	124,185	311,244	435,429	84
Accrued liabilities and deposits	174,082	25,945	200,027	-
Noncurrent Liabilities				
Due within one year	928,797	570,228	1,499,025	-
Due in more than one year	2,415,250	4,041,248	6,456,498	-
Total Liabilities	<u>3,642,314</u>	<u>4,948,665</u>	<u>8,590,979</u>	<u>84</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenues	2,298,477	-	2,298,477	-
Pension related amounts	588,061	173,198	761,259	-
Total Deferred Inflows of Resources	<u>2,886,538</u>	<u>173,198</u>	<u>3,059,736</u>	<u>-</u>

See accompanying notes to financial statements.

	Governmental	Business-type		600 Community Development Authority
	Activities	Activities	Totals	
NET POSITION				
Net investment in capital assets	\$ 10,985,226	\$ 7,324,836	\$ 18,233,562	\$ -
Restricted for				
Library	310,951	-	310,951	-
TIF Districts	180,670	-	180,670	-
Debt service	-	455,084	455,084	-
Impact fees	36,922	-	36,922	-
Pension	293,166	93,417	386,583	-
Replacement	-	768,067	768,067	-
Unrestricted	<u>442,087</u>	<u>797,702</u>	<u>1,316,289</u>	<u>20,172</u>
TOTAL NET POSITION	<u>\$ 12,249,022</u>	<u>\$ 9,439,106</u>	<u>\$ 21,688,128</u>	<u>\$ 20,172</u>

See accompanying notes to financial statements.

CITY OF WATERLOO

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 485,809	\$ 31,353	\$ -	\$ -
Public safety	1,444,854	198,274	6,888	-
Public works	1,180,592	225,588	258,441	39,003
Health and human services	4,386	75	-	-
Culture, education and recreation	823,243	145,249	95,844	41,072
Conservation and development	85,374	-	-	-
Interest and fiscal charges	105,557	-	4,174	-
Total Governmental Activities	<u>4,129,815</u>	<u>600,539</u>	<u>365,347</u>	<u>80,075</u>
Business-type Activities				
Electric	3,584,022	3,857,900	-	19,971
Water	468,945	640,325	-	-
Sewer	775,349	1,014,742	-	-
Total Business-type Activities	<u>4,828,316</u>	<u>5,512,967</u>	<u>-</u>	<u>19,971</u>
Total Primary Government	<u>\$ 8,958,131</u>	<u>\$ 6,113,506</u>	<u>\$ 365,347</u>	<u>\$ 100,046</u>
Component Unit				
600 Community Development Authority	<u>\$ 23,024</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, levied for capital assets

Property taxes, levied for TIF districts

Property taxes, levied for library

Other taxes

Intergovernmental revenues not restricted to specific programs

Public gifts and grants

Investment income

Miscellaneous

Total General Revenues

Transfers

Change in net position

NET POSITION - Beginning of Year

NET POSITION - END OF YEAR

See accompanying notes to financial statements.

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Totals	600 Community Development Authority
\$ (454,456)	\$ -	\$ (454,456)	\$ -
(1,239,692)	-	(1,239,692)	-
(657,560)	-	(657,560)	-
(4,311)	-	(4,311)	-
(541,078)	-	(541,078)	-
(85,374)	-	(85,374)	-
(101,383)	-	(101,383)	-
<u>(3,083,854)</u>	<u>-</u>	<u>(3,083,854)</u>	<u>-</u>
-	293,849	293,849	-
-	171,380	171,380	-
-	<u>239,393</u>	<u>239,393</u>	-
-	<u>704,622</u>	<u>704,622</u>	-
<u>(3,083,854)</u>	<u>704,622</u>	<u>(2,379,232)</u>	-
-	-	-	(23,024)
1,004,869	-	1,004,869	-
104,500	-	104,500	-
371,466	-	371,466	-
310,005	-	310,005	-
221,400	-	221,400	-
25,652	-	25,652	-
1,344,550	-	1,344,550	-
48,137	-	48,137	-
46,428	37,067	83,495	-
<u>80,300</u>	<u>-</u>	<u>80,300</u>	<u>41,291</u>
<u>3,557,307</u>	<u>37,067</u>	<u>3,594,374</u>	<u>41,291</u>
<u>15,774</u>	<u>(15,774)</u>	<u>-</u>	<u>-</u>
489,227	725,915	1,215,142	18,267
<u>11,759,795</u>	<u>8,713,191</u>	<u>20,472,986</u>	<u>1,905</u>
<u>\$ 12,249,022</u>	<u>\$ 9,439,106</u>	<u>\$ 21,688,128</u>	<u>\$ 20,172</u>

See accompanying notes to financial statements.

CITY OF WATERLOO

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2018

	<u>100 General</u>	<u>220 Fire and EMS</u>	<u>300 General Debt Service</u>	<u>400 Capital Projects</u>
ASSETS				
Cash and investments	\$ 119,030	\$ 746,497	\$ 9,207	\$ 303,048
Restricted cash and investments	-	-	-	-
Receivables (net)				
Taxes	845,976	271,917	456,920	140,000
Delinquent personal property taxes	143	-	-	-
Accounts	1,710	24,213	-	-
Special assessments	-	-	-	3,196
Due from other funds	400,068	-	-	8,086
Due from other governments	-	-	-	39,451
Prepaid items	46,676	-	-	-
Advances to other funds	<u>544,055</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 1,957,658</u></u>	<u><u>\$ 1,042,627</u></u>	<u><u>\$ 466,127</u></u>	<u><u>\$ 493,781</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 39,468	\$ 24,223	\$ -	\$ 33,906
Accrued liabilities	83,159	5,170	-	-
Due to other funds	9,923	-	-	-
Advances from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>132,550</u>	<u>29,393</u>	<u>-</u>	<u>33,906</u>
Deferred Inflows of Resources				
Unearned revenues	836,053	271,917	456,920	140,000
Unavailable revenues	<u>-</u>	<u>24,213</u>	<u>-</u>	<u>39,451</u>
Total Deferred Inflows of Resources	<u>836,053</u>	<u>296,130</u>	<u>456,920</u>	<u>179,451</u>
Fund Balances (Deficit)				
Nonspendable	590,731	-	-	-
Restricted	-	-	9,207	-
Committed	-	717,104	-	-
Assigned	328,753	-	-	280,424
Unassigned (deficit)	<u>69,571</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances (Deficit)	<u>989,055</u>	<u>717,104</u>	<u>9,207</u>	<u>280,424</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 1,957,658</u></u>	<u><u>\$ 1,042,627</u></u>	<u><u>\$ 466,127</u></u>	<u><u>\$ 493,781</u></u>

See accompanying notes to financial statements.

410 TIF District No. 1	412 TIF District No. 2	413 TIF District No. 3	Nonmajor Governmental Funds	Totals
\$ -	\$ -	\$ -	\$ 567,382	\$ 1,745,164
-	-	-	36,922	36,922
225,270	43,357	18,973	305,987	2,308,400
-	-	-	-	143
-	60,362	-	11,726	98,011
-	-	-	9,349	12,545
-	-	-	-	408,154
-	417,724	-	-	457,175
-	-	-	-	46,676
<u>162,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>706,055</u>
<u>\$ 387,270</u>	<u>\$ 521,443</u>	<u>\$ 18,973</u>	<u>\$ 931,366</u>	<u>\$ 5,819,245</u>
\$ 1,504	\$ 1,993	\$ 17,442	\$ 5,649	\$ 124,185
-	-	-	11,167	99,496
-	126,098	-	-	136,021
-	-	623,048	83,007	706,055
<u>1,504</u>	<u>128,091</u>	<u>640,490</u>	<u>99,823</u>	<u>1,065,757</u>
225,270	43,357	18,973	305,987	2,298,477
-	417,724	-	9,349	490,737
<u>225,270</u>	<u>461,081</u>	<u>18,973</u>	<u>315,336</u>	<u>2,789,214</u>
-	-	-	-	590,731
160,496	-	-	368,047	537,750
-	-	-	234,664	951,768
-	-	-	-	609,177
-	(67,729)	(640,490)	(86,504)	(725,152)
<u>160,496</u>	<u>(67,729)</u>	<u>(640,490)</u>	<u>516,207</u>	<u>1,964,274</u>
<u>\$ 387,270</u>	<u>\$ 521,443</u>	<u>\$ 18,973</u>	<u>\$ 931,366</u>	<u>\$ 5,819,245</u>

See accompanying notes to financial statements.

CITY OF WATERLOO

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of December 31, 2018

Total Fund Balances - Governmental Funds	\$ 1,964,274
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note IV.D.	12,980,402
Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements. See Note IV.B.	490,737
The net pension asset does not relate to current financial resources and is not reported in the governmental funds.	293,166
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	527,137
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	(588,061)
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. See Note II. A.	<u>(3,418,633)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 12,249,022</u>

See accompanying notes to financial statements.

CITY OF WATERLOO

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

For the Year Ended December 31, 2018

	100 General	220 Fire and EMS	300 General Debt Service	400 Capital Projects
REVENUES				
Taxes	\$ 977,771	\$ 269,464	\$ 104,500	\$ 371,466
Intergovernmental	481,470	197,844	4,174	262,470
Licenses and permits	56,691	-	-	-
Fines, forfeitures and penalties	19,152	-	-	-
Public charges for services	196,284	134,197	-	-
Special assessments	-	-	-	-
Investment income	45,011	2,731	-	-
Miscellaneous revenues	3,376	1,056	-	-
Total Revenues	<u>1,779,755</u>	<u>605,292</u>	<u>108,674</u>	<u>633,936</u>
EXPENDITURES				
Current				
General government	363,976	-	-	-
Public safety	821,233	498,626	-	-
Public works	633,908	-	-	-
Health and human services	4,386	-	-	-
Culture, recreation and education	771	-	-	-
Conservation and development	23,451	-	-	-
Capital Outlay	-	-	-	1,203,337
Debt Service				
Principal	-	-	561,577	-
Interest and fiscal charges	-	-	82,753	-
Total Expenditures	<u>1,847,725</u>	<u>498,626</u>	<u>644,330</u>	<u>1,203,337</u>
Excess (deficiency) of revenues over expenditures	<u>(67,970)</u>	<u>106,666</u>	<u>(535,656)</u>	<u>(569,401)</u>
OTHER FINANCING SOURCES (USES)				
Sale of city property	225	-	-	-
Transfers in	320,073	-	534,805	323,271
Transfers out	(454,899)	-	-	(418,121)
Total Other Financing Sources (Uses)	<u>(134,601)</u>	<u>-</u>	<u>534,805</u>	<u>(94,850)</u>
Net Change in Fund Balances	(202,571)	106,666	(851)	(664,251)
FUND BALANCES (DEFICIT) - Beginning of Year	<u>1,191,626</u>	<u>610,438</u>	<u>10,058</u>	<u>944,675</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 989,055</u>	<u>\$ 717,104</u>	<u>\$ 9,207</u>	<u>\$ 280,424</u>

See accompanying notes to financial statements.

410 TIF District No. 1	412 TIF District No. 2	413 TIF District No. 3	Nonmajor Governmental Funds	Totals
\$ 195,999	\$ 60,894	\$ 31,104	\$ 296,158	\$ 2,307,356
509,518	22,545	312	99,076	1,577,409
-	-	-	44,144	100,835
-	-	-	-	19,152
-	-	-	133,893	464,374
-	-	-	3,048	3,048
1,620	-	-	5,312	54,674
-	60,361	-	94,727	159,520
<u>707,137</u>	<u>143,800</u>	<u>31,416</u>	<u>676,358</u>	<u>4,686,368</u>
25,141	21,272	7,469	5,103	422,961
-	-	-	-	1,319,859
-	-	-	-	633,908
-	-	-	-	4,386
-	-	-	681,293	682,064
-	69,414	-	-	92,865
40,437	2,380	540,457	-	1,786,611
-	-	-	-	561,577
-	-	1,620	-	84,373
<u>65,578</u>	<u>93,066</u>	<u>549,546</u>	<u>686,396</u>	<u>5,588,604</u>
<u>641,559</u>	<u>50,734</u>	<u>(518,130)</u>	<u>(10,038)</u>	<u>(902,236)</u>
-	-	-	296	521
-	789,860	-	25,000	1,993,009
<u>(862,970)</u>	<u>(103,350)</u>	<u>-</u>	<u>(7,200)</u>	<u>(1,846,540)</u>
<u>(862,970)</u>	<u>686,510</u>	<u>-</u>	<u>18,096</u>	<u>146,990</u>
(221,411)	737,244	(518,130)	8,058	(755,246)
<u>381,907</u>	<u>(804,973)</u>	<u>(122,360)</u>	<u>508,149</u>	<u>2,719,520</u>
<u>\$ 160,496</u>	<u>\$ (67,729)</u>	<u>\$ (640,490)</u>	<u>\$ 516,207</u>	<u>\$ 1,964,274</u>

See accompanying notes to financial statements.

CITY OF WATERLOO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2018

Net change in fund balances - total governmental funds	\$	(755,246)
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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	1,786,611
Some items reported as capital outlay were not capitalized	(237,079)
Depreciation is reported in the government-wide financial statements	(606,704)

Capital assets contributed to business-type activities are reported as capital outlay in the fund financial statements.	(130,695)
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Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	(83,620)
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Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal repaid	561,577
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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	20,107
Accrued interest	(21,184)
Net pension asset/liability	369,586
Deferred outflows of resources related to pensions	(59,434)
Deferred inflows of resources related to pensions	<u>(354,692)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>489,227</u>
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CITY OF WATERLOO

STATEMENT OF NET POSITION PROPRIETARY FUND As of December 31, 2018

	<u>Water & Light Commission</u>
ASSETS	
Current Assets	
Cash and investments	\$ 621,759
Receivables	
Customer accounts receivable	744,938
Due from other funds	9,923
Inventories	110,361
Restricted Assets	
Redemption account - current	<u>146,397</u>
Total Current Assets	<u>1,633,378</u>
Noncurrent Assets	
Restricted Assets	
Reserve account	321,526
Replacement account	768,067
Construction account	763,632
Net pension asset	93,417
Interest receivable	5,068
Capital Assets	
Land	186,606
Construction work in progress	12,463
Plant in service	22,176,291
Less: Accumulated depreciation	(11,368,017)
Other Assets	
Property held for future use	<u>20,011</u>
Total Noncurrent Assets	<u>12,979,064</u>
Total Assets	<u>14,612,442</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	49,773
Pension related amounts	<u>180,810</u>
Total Deferred Outflows of Resources	<u>230,583</u>

See accompanying notes to financial statements.

	<u>Water & Light Commission</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 311,244
Accrued liabilities	8,038
Due to other funds	282,056
Compensated absences	25,038
Liabilities Payable from Restricted Assets	
Current portion of revenue bonds	545,190
Accrued interest	<u>17,907</u>
Total Current Liabilities	<u>1,189,473</u>
Noncurrent Liabilities	
Long-Term Debt	
Revenue bonds	3,965,783
Unamortized debt discount	(15,057)
Other Liabilities	
Compensated absences	<u>90,522</u>
Total Noncurrent Liabilities	<u>4,041,248</u>
Total Liabilities	<u>5,230,721</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related amounts	<u>173,198</u>
NET POSITION	
Net investment in capital assets	7,324,836
Restricted for	
Debt service	455,084
Replacement	768,067
Pension	93,417
Unrestricted net position	<u>797,702</u>
TOTAL NET POSITION	<u><u>\$ 9,439,106</u></u>

See accompanying notes to financial statements.

CITY OF WATERLOO

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

For the Year Ended December 31, 2018

	<u>Water & Light Commission</u>
OPERATING REVENUES	
Electric	\$ 3,857,900
Water	640,325
Sewer	<u>1,014,742</u>
Total Operating Revenues	<u>5,512,967</u>
OPERATING EXPENSES	
Operations and maintenance	4,102,021
Depreciation	<u>597,586</u>
Total Operating Expenses	<u>4,699,607</u>
Operating Income	<u>813,360</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	16,890
Income from non-utility operations	15,724
Income (expense) from merchandising and jobbing	4,453
Interest expense	(113,613)
Amortization of discounts and losses	<u>(15,096)</u>
Total Nonoperating Revenues (Expenses)	<u>(91,642)</u>
Income Before Contributions and Transfers	<u>721,718</u>
CONTRIBUTIONS AND TRANSFERS	
Capital contributions	19,971
Capital contributions - muni	130,695
Transfer in (out)	116,816
Transfer - tax equivalent	<u>(263,285)</u>
Total Contributions and Transfers	<u>4,197</u>
Change in Net Position	725,915
NET POSITION - Beginning of Year	<u>8,713,191</u>
NET POSITION - END OF YEAR	<u><u>\$ 9,439,106</u></u>

See accompanying notes to financial statements.

CITY OF WATERLOO

STATEMENT OF CASH FLOWS PROPRIETARY FUND

For the Year Ended December 31, 2018

	<u>Water & Light Commission</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from customers	\$ 5,285,707
Received from municipality for services	61,367
Paid to suppliers for goods and services	(3,482,477)
Paid to employees for services	<u>(498,925)</u>
Net Cash Flows From Operating Activities	<u>1,365,672</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investments sold and matured	924,551
Investment income	16,890
Investments purchased	<u>(928,819)</u>
Net Cash Flows From Investing Activities	<u>12,622</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Paid to municipality for tax equivalent	(235,413)
Paid to municipality or contractors for sewer maintenance	<u>(542,358)</u>
Net Cash Flows From Noncapital Financing Activities	<u>(777,771)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Debt retired	(533,522)
Interest paid	(115,042)
Contributions in aid of construction	9,960
Acquisition and construction of capital assets	<u>(773,279)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(1,411,883)</u>
Net Change in Cash and Cash Equivalents	(811,360)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>2,503,922</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,692,562</u></u>

See accompanying notes to financial statements.

	<u>Water & Light Commission</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 813,360
Nonoperating revenue	20,177
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities	
Depreciation	597,586
Depreciation charged to other funds	31,505
Changes in assets, liabilities and deferred inflows/outflows	
Accounts receivable	(190,572)
Due from other funds	4,629
Inventories	5,637
Pension related amounts	9,376
Accounts payable	51,341
Due to other funds	11,429
Compensated absences	11,331
Commitment to community	<u>(127)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>\$ 1,365,672</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS	
Cash and investments	\$ 621,759
Restricted cash and investments	
Redemption account	146,397
Reserve account	321,526
Replacement account	768,067
Construction account	<u>763,632</u>
Total Cash and Investments	2,621,381
Less: Noncash equivalents	<u>(928,819)</u>
CASH AND CASH EQUIVALENTS	<u><u>\$ 1,692,562</u></u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Municipality financed additions to utility plant	<u>\$ 130,695</u>
Amortization of discounts and losses	<u>\$ 15,096</u>
Connection fee collected by city	<u>\$ 10,011</u>
Transfer from city	<u><u>\$ 266,601</u></u>

See accompanying notes to financial statements.

CITY OF WATERLOO

STATEMENT OF ASSETS AND LIABILITIES AGENCY FUND As of December 31, 2018

	<u>Agency Fund</u> <u>Tax Collection</u> <u>Fund</u>
ASSETS	
Cash and investments	\$ 2,764,247
Taxes receivable	<u>402,621</u>
TOTAL ASSETS	<u><u>\$ 3,166,868</u></u>
LIABILITIES	
Accounts payable	\$ 3,943
Due to other governments	<u>3,162,925</u>
TOTAL LIABILITIES	<u><u>\$ 3,166,868</u></u>

See accompanying notes to financial statements.

CITY OF WATERLOO

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CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE I - 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).

A. REPORTING ENTITY

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

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

Discretely Presented Component Unit

Waterloo Community Development Authority

The government-wide financial statements include the Waterloo Community Development Authority ("CDA") as a component unit. The CDA is a legally separate organization. The board of the CDA is appointed by the mayor. Wisconsin Statutes provide for circumstances whereby the city can impose its will on the CDA, and also create a potential financial benefit to or burden on the city. See Note IV.H. As a component unit, the CDA's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2018. The CDA does not issue separate financial statements.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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

Fund Financial Statements (cont.)

The city reports the following major governmental funds:

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

The city reports the following major enterprise fund:

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

The city reports the following nonmajor governmental funds:

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

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

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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

Fund Financial Statements (cont.)

The city reports the following nonmajor governmental funds: (cont.)

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

414 TIF District No. 4
402 Sidewalk

In addition, the city reports the following fund type:

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

Tax Collection Fund

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

Government-Wide Financial Statements

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

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

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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

Fund Financial Statements

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

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

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

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues. At December 31, 2018, there were \$325,010 of anticipated future assessments which are not reported as receivables in the water and light utility because collection is subject to certain events occurring in the future and no formal repayment schedule has been established.

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

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

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.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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

All Financial Statements

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

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

1. Deposits and Investments

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

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

- a. Time deposits in any credit union, bank, savings bank or trust company.
- 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.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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

1. Deposits and Investments (cont.)

No policy exists for the following risks:

Custodial credit risk

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

See Note IV. A. for further information.

2. Receivables

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

Property tax calendar - 2018 tax roll:

Lien date and levy date	December 2018
Tax bills mailed	December 2018
Payment in full, or	January 31, 2019
First installment due	January 31, 2019
Second installment due	July 31, 2019
Personal property taxes in full	January 31, 2019
Tax sale - 2018 delinquent real estate taxes	October 2021

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.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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

2. Receivables (cont.)

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

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

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

5. Capital Assets

Government-Wide Statements

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

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

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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

5. Capital Assets (cont.)

Government-Wide Statements (cont.)

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

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

Fund Financial Statements

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

6. Other Assets

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

7. Deferred Outflows of Resources

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

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

8. Compensated Absences

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

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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

8. Compensated Absences (cont.)

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

The city provides postemployment health insurance benefits for all eligible employees. Eligibility is based on retirees being employed for a minimum of 15 years by the city. The benefits are based on contractual agreements with employee groups, local ordinances, or employee benefit policies. Employees may convert 1080 hours of accumulated sick leave to pay for health care premiums. The cost of those premiums is recognized as an expenditure as the premiums are paid. The entire cost is paid by the city. Funding for those costs is provided out of the current operating budget of the city. The contributions are financed on a pay as you go basis. Total expenditures for such premiums during the year were not material. As of December 31, 2018, there are three participants currently eligible to receive the benefits. The liability as of year end was \$25,112 and is recorded in the general fund as it is all considered short term.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2018, are determined on the basis of current salary rates and include salary related payments.

9. Long-Term Obligations

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

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

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

10. Deferred Inflows of Resources

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

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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

11. Equity Classifications

Government-Wide Statements

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

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

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

	Governmental Activities	Business-type Activities	Adjustment	Total
Net investment in capital assets	\$ 10,985,226	\$ 7,324,836	\$ (76,500)	\$ 18,233,562
Unrestricted	442,087	797,702	76,500	1,316,289

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

Fund Statements

Governmental fund balances are displayed as follows:

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

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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

11. Equity Classifications (cont.)

Fund Statements (cont.)

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

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

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

The city has a formal minimum fund balance policy. That policy is to maintain a working capital fund of 25% - 33% of the current year general fund final budgeted expenditures. The balance at year end was \$69,571, or 3.4%, and is shown as unassigned general fund balance.

See Note IV. G. for further information.

12. Pension

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

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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

13. Basis for Existing Rates

Electric Utility

Current electric rates were approved by the Public Service Commission of Wisconsin effective September 1, 2017 and are designed to provide a 5% return on rate base.

Water Utility

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

Sewer Utility

Current sewer rates were approved by the city council effective November 1, 2018.

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

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

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

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

Bonds and notes payable	\$	3,109,960
Compensated absences		234,087
Accrued interest		<u>74,586</u>
Combined Adjustment for Long-Term Liabilities	\$	<u><u>3,418,633</u></u>

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
812 Library	\$ 402,218	\$ 411,809	\$ 9,591
413 TIF District No. 3	313,650	549,546	235,896
300 General Debt Service	641,705	644,330	2,625
400 Capital Projects	1,131,493	1,621,458	489,965

B. DEFICIT BALANCES

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

As of December 31, 2018, the following individual funds held a deficit balance:

Fund	Amount	Reason
412 TIF District No. 2	\$ 67,729	Expenditures exceeded revenues
413 TIF District No. 3	640,490	Expenditures exceeded revenues
225 Parks	86,504	Expenditures exceeded revenues

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

C. LIMITATIONS ON THE CITY'S TAX LEVY

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

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE IV - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

	<u>Carrying Value</u>	<u>Statement Balances</u>	<u>Associated Risks</u>
Deposits	\$ 6,811,223	\$ 6,325,528	Custodial credit risk
LGIP	353,180	353,180	Credit risk
Petty cash	<u>3,311</u>	<u>-</u>	N/A
Total Deposits and Investments	<u>\$ 7,167,714</u>	<u>\$ 6,678,708</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 2,366,923		
Restricted cash and investments	2,036,544		
Per statement of assets and liabilities -			
agency fund			
Tax collection fund	<u>2,764,247</u>		
Total Deposits and Investments	<u>\$ 7,167,714</u>		

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

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

The city maintains collateral agreements with its banks. At December 31, 2018, the banks had pledged various government securities in the amount of \$5,124,224 to secure the city's deposits.

Custodial Credit Risk

Deposits

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

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Deposits (cont.)

As of December 31, 2018, \$301,304 of the city's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 301,304
Total	<u>\$ 301,304</u>

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

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year with the exception of \$12,545 in special assessments and \$143 of delinquent personal property taxes.

Receivables of the 220 Fire and EMS are reported net of uncollectible ambulance receivables in the amount of \$22,918.

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	\$ 2,298,477	\$ -
Special assessments not yet due	-	9,349
Grants receivable - noncurrent	-	457,175
Accounts receivable - noncurrent	<u>-</u>	<u>24,213</u>
Total Unearned/Unavailable Revenue for Governmental Funds	<u>\$ 2,298,477</u>	<u>\$ 490,737</u>

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Long-Term Debt Accounts

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

Equipment Replacement Account

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

Impact Fee Account

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

Net Pension Asset

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

Following is a list of restricted assets at December 31, 2018:

Restricted Assets	
Redemption account	\$ 146,397
Reserve account	321,526
Replacement account	768,067
Construction account	763,632
Impact fees account	36,922
Interest receivable	5,068
Net pension asset	<u>386,583</u>
Total Restricted Assets	<u>\$ 2,428,195</u>

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,060,715	\$ -	\$ -	\$ 1,060,715
Total Capital Assets Not Being Depreciated	<u>1,060,715</u>	<u>-</u>	<u>-</u>	<u>1,060,715</u>
Capital assets being depreciated				
Land improvements	978,316	-	-	978,316
Buildings	6,705,718	-	-	6,705,718
Machinery and equipment	4,592,879	58,731	32,837	4,618,773
Streets	3,598,130	545,684	-	4,143,814
Sanitary sewers*	1,788,134	581,029	-	2,369,163
Storm sewers	721,603	233,393	-	954,996
Total Capital Assets Being Depreciated	<u>18,384,780</u>	<u>1,418,837</u>	<u>32,837</u>	<u>19,770,780</u>
Total Capital Assets	<u>19,445,495</u>	<u>1,418,837</u>	<u>32,837</u>	<u>20,831,495</u>
Less: Accumulated depreciation for				
Land improvements	(276,710)	(33,541)	-	(310,251)
Buildings	(2,453,838)	(148,039)	-	(2,601,877)
Machinery and equipment	(2,965,756)	(201,990)	32,837	(3,134,909)
Streets	(976,807)	(129,255)	-	(1,106,062)
Sanitary sewers*	(369,809)	(67,690)	-	(437,499)
Storm sewers	(234,306)	(26,189)	-	(260,495)
Total Accumulated Depreciation	<u>(7,277,226)</u>	<u>(606,704)</u>	<u>32,837</u>	<u>(7,851,093)</u>
Net Capital Assets Being Depreciated	<u>11,107,554</u>	<u>812,133</u>	<u>-</u>	<u>11,919,687</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 12,168,269</u>	<u>\$ 812,133</u>	<u>\$ -</u>	<u>\$ 12,980,402</u>

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

D. CAPITAL ASSETS (cont.)

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

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 36,338
Public safety	118,491
Public works, which includes the depreciation of infrastructure	311,393
Culture, education and recreation	<u>140,482</u>
Total Governmental Activities Depreciation Expense	<u><u>\$ 606,704</u></u>

Business-type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Electric</u>				
Capital assets not being depreciated				
Land and land rights	\$ 151,730	\$ -	\$ -	\$ 151,730
Construction in progress	<u>10,997</u>	<u>124,256</u>	<u>122,876</u>	<u>12,377</u>
Total Capital Assets Not Being Depreciated	<u>162,727</u>	<u>124,256</u>	<u>122,876</u>	<u>164,107</u>
Capital assets being depreciated				
Buildings and improvements	1,855,728	-	5,000	1,850,728
Machinery and equipment	1,647,057	3,815	1,251	1,649,621
Infrastructure	3,379,259	239,074	8,093	3,610,240
Completed construction not classified	<u>91,388</u>	<u>-</u>	<u>91,388</u>	<u>-</u>
Total Capital Assets Being Depreciated	<u>6,973,432</u>	<u>242,889</u>	<u>105,732</u>	<u>7,110,589</u>
Total Capital Assets	<u>7,136,159</u>	<u>367,145</u>	<u>228,608</u>	<u>7,274,696</u>
Less: Accumulated depreciation for				
Buildings and improvements	(674,841)	(46,356)	5,000	(716,197)
Machinery and equipment	(1,217,193)	(70,283)	1,251	(1,286,225)
Infrastructure	(1,695,346)	(112,992)	11,313	(1,797,025)
Completed construction not classified	<u>(777)</u>	<u>-</u>	<u>777</u>	<u>-</u>
Total Accumulated Depreciation	<u>(3,588,157)</u>	<u>(229,631)</u>	<u>18,341</u>	<u>(3,799,447)</u>
Net Capital Assets Being Depreciated	<u>3,385,275</u>	<u>13,258</u>	<u>87,391</u>	<u>3,311,142</u>
Net Electric Capital Assets	<u><u>\$ 3,548,002</u></u>	<u><u>\$ 137,514</u></u>	<u><u>\$ 210,267</u></u>	<u><u>\$ 3,475,249</u></u>

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Water</u>				
Capital assets not being depreciated				
Land and land rights	\$ 13,113	\$ -	\$ -	\$ 13,113
Construction in progress	-	460,079	459,993	86
Total Capital Assets Not Being Depreciated	<u>13,113</u>	<u>460,079</u>	<u>459,993</u>	<u>13,199</u>
Capital assets being depreciated				
Buildings and improvements	1,026,577	9,950	2,400	1,034,127
Machinery and equipment	703,098	7,361	3,737	706,722
Infrastructure	3,969,987	1,622,323	13,409	5,578,901
Completed construction not classified	<u>1,006,087</u>	<u>-</u>	<u>1,006,087</u>	<u>-</u>
Total Capital Assets Being Depreciated	<u>6,705,749</u>	<u>1,639,634</u>	<u>1,025,633</u>	<u>7,319,750</u>
Total Capital Assets	<u>6,718,862</u>	<u>2,099,713</u>	<u>1,485,626</u>	<u>7,332,949</u>
Less: Accumulated depreciation for				
Buildings and improvements	(548,588)	(31,895)	2,400	(578,083)
Machinery and equipment	(556,676)	(44,009)	3,737	(596,948)
Infrastructure	(853,351)	(95,216)	4,891	(943,676)
Completed construction not classified	<u>(8,693)</u>	<u>-</u>	<u>8,693</u>	<u>-</u>
Total Accumulated Depreciation	<u>(1,967,308)</u>	<u>(171,120)</u>	<u>19,721</u>	<u>(2,118,707)</u>
Net Capital Assets Being Depreciated	<u>4,738,441</u>	<u>1,468,514</u>	<u>1,005,912</u>	<u>5,201,043</u>
Net Water Capital Assets	<u>\$ 4,751,554</u>	<u>\$ 1,928,593</u>	<u>\$ 1,465,905</u>	<u>\$ 5,214,242</u>

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Sewer</u>				
Capital assets not being depreciated				
Land and land rights	\$ 21,763	\$ -	\$ -	\$ 21,763
Total Capital Assets Not Being Depreciated	<u>21,763</u>	<u>-</u>	<u>-</u>	<u>21,763</u>
Capital assets being depreciated				
Buildings and improvements	4,018,570	14,364	2,600	4,030,334
Machinery and equipment	3,679,045	109,382	95,531	3,692,896
Infrastructure	<u>22,722</u>	<u>-</u>	<u>-</u>	<u>22,722</u>
Total Capital Assets Being Depreciated	<u>7,720,337</u>	<u>123,746</u>	<u>98,131</u>	<u>7,745,952</u>
Total Capital Assets	<u>7,742,100</u>	<u>123,746</u>	<u>98,131</u>	<u>7,767,715</u>
Less: Accumulated depreciation for				
Buildings and improvements	(2,252,526)	(105,093)	2,600	(2,355,019)
Machinery and equipment	(3,061,953)	(122,952)	93,159	(3,091,746)
Infrastructure	<u>(2,803)</u>	<u>(295)</u>	<u>-</u>	<u>(3,098)</u>
Total Accumulated Depreciation	<u>(5,317,282)</u>	<u>(228,340)</u>	<u>95,759</u>	<u>(5,449,863)</u>
Net Capital Assets Being Depreciated	<u>2,403,055</u>	<u>(104,594)</u>	<u>2,372</u>	<u>2,296,089</u>
Net Sewer Capital Assets	<u>\$ 2,424,818</u>	<u>\$ (104,594)</u>	<u>\$ 2,372</u>	<u>\$ 2,317,852</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u>\$ 10,724,374</u>	<u>\$ 1,961,513</u>	<u>\$ 1,678,544</u>	<u>\$ 11,007,343</u>

Depreciation expense was charged to functions as follows:

Business-type Activities

Electric	\$ 198,127
Water	160,248
Sewer	<u>239,211</u>
Total Business-type Activities Depreciation Expense	<u>\$ 597,586</u>

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

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

Interfund Receivables/Payables

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

Receivable Fund	Payable Fund	Amount
100 General Fund	Water and Light Commission	\$ 273,970
400 Capital Projects	Water and Light Commission	8,086
Water and Light Commission	100 General Fund	9,923
100 General Fund	412 TIF District No.2	<u>126,098</u>
Total - Fund Financial Statements		418,077
Less: Fund eliminations		<u>(145,944)</u>
Total Internal Balances - Government-Wide Statement of Net Position		<u>\$ 272,133</u>
Receivable Fund	Payable Fund	Amount
Governmental Activities	Business-type Activities	\$ 282,056
Business-type Activities	Governmental Activities	<u>(9,923)</u>
Total Government-Wide Financial Statements		<u>\$ 272,133</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. This includes the \$186,415 interfund which relates to the revenues and expenditures of the sewer conveyance system. The majority of this balance relates to the revenues that are collected on the utility bills by the Water & Light Commission and owed to the Capital Projects fund.

Advances

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

The 100 General Fund is advancing funds to the 225 Parks Fund as well as to 413 TIF District No. 3. The amount advanced is determined by the amount of deficit cash in the fund at year end. No repayment schedule has been established.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
100 General Fund	225 Parks	\$ 83,007	\$ 83,007
100 General Fund	413 TIF District No. 3	461,048	461,048
410 TIF District No. 1	413 TIF District No. 3	<u>162,000</u>	<u>162,000</u>
Total - Fund Financial Statements		706,055	
Less: Fund eliminations		<u>(706,055)</u>	
Total - Interfund Advances - Government-Wide Statement of Net Position		<u>\$ -</u>	

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

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
100 General Fund	Water and Light Commission	\$ 263,285	Tax equivalent
100 General Fund	Water and Light Commission	49,588	Collection system
100 General Fund	200 Cable TV	7,200	Office rental
300 General Debt Service	400 Capital Projects	151,520	Debt service
300 General Debt Service	410 TIF District No. 1	73,110	Debt service
300 General Debt Service	412 TIF District No. 2	103,350	Debt service
300 General Debt Service	100 General Fund	206,825	Debt service
400 Capital Projects	Water and Light Commission	100,197	Collection system
400 Capital Projects	100 General Fund	223,074	Capital outlay
412 TIF District No. 2	410 TIF District No. 1	789,860	Donor/donee districts
Water and Light Commission	400 Capital Projects	266,601	Transfer of collections fees
225 Parks	100 General Fund	<u>25,000</u>	Capital outlay
Total - Fund Financial Statements		2,259,610	
Less: Fund eliminations		(2,113,141)	
Less: Transfer to business-type activities for capital assets funded by governmental activities		<u>(130,695)</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ 15,774</u>	

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

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 3,671,537	\$ -	\$ 561,577	\$ 3,109,960	\$ 894,904
Other Liabilities					
Vested compensated absences	254,194	13,094	33,201	234,087	33,893
Total Other Liabilities	254,194	13,094	33,201	234,087	33,893
Total Governmental Activities Long-Term Liabilities	\$ 3,925,731	\$ 13,094	\$ 594,778	\$ 3,344,047	\$ 928,797
Business-type Activities					
Bonds and Notes Payable					
Revenue bonds	\$ 5,044,495	\$ -	\$ 533,522	\$ 4,510,973	\$ 545,190
(Discounts)/Premiums	(17,181)	-	(2,124)	(15,057)	-
Sub-totals	5,027,314	-	531,398	4,495,916	545,190
Other Liabilities					
Vested compensated absences	98,497	29,964	12,901	115,560	25,038
Total Other Liabilities	98,497	29,964	12,901	115,560	25,038
Total Business-type Activities Long-Term Liabilities	\$ 5,125,811	\$ 29,964	\$ 544,299	\$ 4,611,476	\$ 570,228

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

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, 2018, was \$10,749,515. Total general obligation debt outstanding at year end was \$3,109,960.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt

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

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2018
General Obligation Community Development Bonds	09/26/07	09/01/22	3.75-4.2%	\$ 760,000	\$ 255,000
State Trust Fund Loan - Build America Bonds	11/05/09	03/15/19	4.5%	1,084,570	144,995
General Obligation Refunding Bond	11/29/10	12/01/22	1.3-2.9%	1,835,000	1,195,000
State Trust Fund Loan	07/01/13	03/15/23	2.75%	900,000	476,681
General Obligation Promissory Notes	08/17/17	09/01/20	3.00%	1,038,283	<u>1,038,284</u>
Total Governmental Activities - General Obligation Debt					<u><u>\$ 3,109,960</u></u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt	
	Principal	Interest
2019	\$ 894,904	\$ 123,690
2020	779,010	63,480
2021	847,569	40,300
2022	487,892	17,613
2023	<u>100,585</u>	<u>2,766</u>
Totals	<u><u>\$ 3,109,960</u></u>	<u><u>\$ 247,849</u></u>

Revenue Debt

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

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

All utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2018 was \$648,566. Total customer net revenues as defined for the same period was \$1,448,013. Annual principal and interest payments are expected to require 20% of net revenues on average.

Revenue debt payable at December 31, 2018, consists of the following:

Business-type Activities Revenue Debt

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2018
<u>Water Utility</u>					
2012 Revenue Bonds	11/06/12	11/01/28	0.50-3.00%	\$ 3,255,000	\$ 1,705,000
2013 Revenue Bonds	03/27/13	05/01/32	2.63%	1,384,900	1,085,973
2013 Revenue Bonds	12/31/13	11/01/22	0.80-3.20%	950,000	460,000
2016 Revenue Bonds	11/15/16	11/01/36	1.25-3.25%	1,310,000	<u>1,260,000</u>
Total Business-type Activities - Revenue Debt					<u><u>\$ 4,510,973</u></u>

Debt service requirements to maturity are as follows:

Years	Business-type Activities Revenue Debt	
	Principal	Interest
2019	\$ 545,190	\$ 106,121
2020	566,901	95,990
2021	563,657	84,526
2022	560,459	72,015
2023	207,309	58,612
2024-2028	1,081,031	216,555
2029-2033	726,426	91,375
2034-2036	<u>260,000</u>	<u>17,364</u>
Totals	<u><u>\$ 4,510,973</u></u>	<u><u>\$ 742,558</u></u>

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

F. LONG-TERM OBLIGATIONS (cont.)

Other Debt Information

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

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, 2018:

Type	Coverage	Expiration
<i>Tricor, Inc.</i>		
General Liability	\$ 5,000,000	1/1/19
Automobile	5,000,000	1/1/19
Workers Compensation	500,000	1/1/19

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

F. LONG-TERM OBLIGATIONS (cont.)

Debt Coverage

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.25 times the annual debt service. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2018 as follows:

Operating revenues	\$ 5,512,967
Investment income	16,890
Miscellaneous nonoperating income	15,724
Income from merchandising and jobbing	4,453
Less: Operation and maintenance expenses	<u>(4,102,021)</u>
Net Defined Earnings	<u>\$ 1,448,013</u>
Minimum Required Earnings per Resolution:	
Current year's revenue bond debt service	\$ 648,566
Coverage factor	<u>1.25</u>
Minimum Required Earnings	<u>\$ 810,708</u>
Actual Debt Coverage	<u>2.23</u>

Utility Budget

The 2018 utility budgets were prepared and approved as required by the bond resolutions.

G. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2018, includes the following:

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 1,060,715
Other capital assets, net of accumulated depreciation	11,919,687
Less: Long-term capital debt outstanding	<u>(1,995,176)</u>
Total Net Investment in Capital Assets	<u>\$ 10,985,226</u>

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

G. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2018, include the following:

	General Fund	220 Fire and EMS	300 General Debt Service	400 Capital Projects	410 TIF District No. 1	412 TIF District No. 2	413 TIF District No. 3	Nonmajor Funds	Totals
Fund Balances									
Nonspendable:									
Prepaid items	\$ 46,676	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,676
Advances	544,055	-	-	-	-	-	-	-	544,055
Sub-total	590,731	-	-	-	-	-	-	-	590,731
Restricted for:									
Debt service	-	-	9,207	-	-	-	-	-	9,207
TIF purposes	-	-	-	-	160,496	-	-	20,174	180,670
Library purposes	-	-	-	-	-	-	-	310,951	310,951
Impact fees	-	-	-	-	-	-	-	36,922	36,922
Sub-total	-	-	9,207	-	160,496	-	-	368,047	537,750
Committed to:									
Fire and EMS operations	-	717,104	-	-	-	-	-	-	717,104
Capital related purposes	-	-	-	-	-	-	-	30,820	30,820
Cable TV operations	-	-	-	-	-	-	-	203,844	203,844
Sub-total	-	717,104	-	-	-	-	-	234,664	951,768
Assigned to:									
Tax equivalent	263,285	-	-	-	-	-	-	-	263,285
Retiree health	61,879	-	-	-	-	-	-	-	61,879
DPW uniforms	403	-	-	-	-	-	-	-	403
Speed limit alert sign	240	-	-	-	-	-	-	-	240
Patrol uniforms	1,838	-	-	-	-	-	-	-	1,838
Defibrillator	1,108	-	-	-	-	-	-	-	1,108
Capital related purposes	-	-	-	280,424	-	-	-	-	280,424
Sub-total	328,753	-	-	280,424	-	-	-	-	609,177
Unassigned (deficit):	69,571	-	-	-	-	(67,729)	(640,490)	(86,504)	(725,152)
Total Fund Balances (Deficit)	<u>\$ 989,055</u>	<u>\$ 717,104</u>	<u>\$ 9,207</u>	<u>\$ 280,424</u>	<u>\$ 160,496</u>	<u>\$ (67,729)</u>	<u>\$ (640,490)</u>	<u>\$ 516,207</u>	<u>\$ 1,964,274</u>

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

G. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

Net Investment in Capital Assets	
Land	\$ 186,606
Construction in progress	12,463
Other capital assets, net of accumulated depreciation	10,808,274
Less: Long-term debt outstanding	(4,510,973)
Plus: Unamortized debt discount and deferred charge on refunding	64,830
Plus: Unspent capital related debt proceeds	<u>763,636</u>
Total Net Investment in Capital Assets	<u>\$ 7,324,836</u>

H. COMPONENT UNIT

WATERLOO COMMUNITY DEVELOPMENT AUTHORITY

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

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

a. Basis of Accounting/Measurement Focus

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

b. Deposits and Investments

At year-end, the carrying amount of the CDA's deposits was \$20,256 and is part of the city's commingled cash.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE V - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

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

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

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

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants, if hired on or before 12/31/2016) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

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

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

The WRS also provides death and disability benefits for employees.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2008	6.6%	0%
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4.0

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

During the reporting period, the WRS recognized \$142,113 in contributions from the city.

Contribution rates for the plan year reported as of December 31, 2018 are:

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

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

At December 31, 2018, the city reported an asset of \$386,583 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. 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 asset was based on the city's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the city's proportion was 0.01302015%, which was an increase of 0.00054803% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the city recognized pension expense of \$194,658.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

At December 31, 2018, the city reported deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 491,164	\$ 229,750
Changes in assumptions	76,381	-
Net differences between projected and actual earnings on pension plan investments	-	531,324
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,461	185
Employer contributions subsequent to the measurement date	<u>133,941</u>	<u>-</u>
Totals	<u>\$ 707,947</u>	<u>\$ 761,259</u>

\$133,941 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2019. Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (net)
2019	\$ 44,497
2020	(982)
2021	(131,396)
2022	(100,299)
2023	928

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Actuarial assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2016
Measurement Date of Net Pension Liability (Asset):	December 31, 2017
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*:	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

Core Fund Asset Class	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50%	8.2%	5.3%
Fixed Income	24.5	4.2	1.4
Inflation Sensitive Assets	15.5	3.8	1.0
Real Estate	8	6.5	3.6
Private Equity/Debt	8	9.4	6.5
Multi-Asset	4	6.5	3.6
Total Core Fund	110	7.3	4.4
<u>Variable Fund Asset Class</u>			
U.S Equities	70	7.5	4.6
International Equities	30	7.8	4.9
Total Variable Fund	100	7.9	5.0

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

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

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.31%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City's proportionate share of the net pension liability (asset)	\$1,000,224	\$(386,583)	\$(1,440,600)

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

At December 31, 2018, the city reported a payable to the pension plan which represents contractually required contributions outstanding as of the end of the year.

B. RISK MANAGEMENT

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

C. COMMITMENTS AND CONTINGENCIES

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

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

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

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE V - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

Long-Term Contracts - WPPI Energy

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

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

Forty-nine members, representing approximately 98% of WPPI Energy's existing load, have long-term contracts through December 31, 2055. The remaining two members have long-term contracts 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 \$342 million as of December 31, 2018.

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 \$60,362 in 2018 and is shown as a receivable, and developer guarantees revenue at year-end as it was not received until January 2019. 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 2024. The obligation ceases upon the earlier of (i) the expiration of the term of the TIF district, or (ii) payment of the sum of \$1,320,000. The city paid out an \$800,000 contribution related to this agreement during 2013.

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE V - OTHER INFORMATION (cont.)

D. SUBSEQUENT EVENTS

The Water and Light Commission applied to the Public Service Commission of Wisconsin for a water rate adjustment which was approved in January 2019.

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

E. ECONOMIC DEPENDENCY

Water and Light Commission

The Water and Light Commission has a significant customer who was responsible for 16% of operating revenues in 2018.

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

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

- > Statement No. 83, *Certain Asset Retirement Obligations*
- > Statement No. 84, *Fiduciary Activities*
- > Statement No. 87, *Leases*
- > Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*
- > Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- > Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*

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

CITY OF WATERLOO

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE V - OTHER INFORMATION (cont.)

G. SEGMENT INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WATERLOO

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - 100 GENERAL FUND For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 989,883	\$ 978,658	\$ 977,771	\$ (887)
Intergovernmental	480,442	480,442	481,470	1,028
Licenses and permits	30,621	30,621	56,691	26,070
Fines, forfeitures and penalties	12,300	12,300	19,152	6,852
Public charges for services	212,730	212,730	196,284	(16,446)
Investment income	12,000	12,000	45,011	33,011
Miscellaneous revenues	<u>2,820</u>	<u>2,820</u>	<u>3,376</u>	<u>556</u>
Total Revenues	<u>1,740,796</u>	<u>1,729,571</u>	<u>1,779,755</u>	<u>50,184</u>
EXPENDITURES				
General government	419,830	404,830	363,976	40,854
Public safety	935,491	888,823	821,233	67,590
Public works	638,938	638,938	633,908	5,030
Health and human services	4,636	4,636	4,386	250
Culture, recreation and education	-	-	771	(771)
Conservation and development	<u>18,482</u>	<u>18,482</u>	<u>23,451</u>	<u>(4,969)</u>
Total Expenditures	<u>2,017,377</u>	<u>1,955,709</u>	<u>1,847,725</u>	<u>107,984</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(276,581)</u>	<u>(226,138)</u>	<u>(67,970)</u>	<u>158,168</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	276,581	276,581	320,073	43,492
Transfers out	-	(420,012)	(454,899)	(34,887)
Sale of city property	<u>-</u>	<u>-</u>	<u>225</u>	<u>225</u>
Total Other Financing Sources (Uses)	<u>276,581</u>	<u>(143,431)</u>	<u>(134,601)</u>	<u>8,830</u>
Net Change in Fund Balance	-	(369,569)	(202,571)	166,998
FUND BALANCE - Beginning of Year	<u>1,191,626</u>	<u>1,191,626</u>	<u>1,191,626</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 1,191,626</u>	<u>\$ 822,057</u>	<u>\$ 989,055</u>	<u>\$ 166,998</u>

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

CITY OF WATERLOO

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - 220 FIRE AND EMS For the Year Ended December 31, 2018

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
TAXES	\$ 269,464	\$ 269,464	\$ -
INTERGOVERNMENTAL			
Fire insurance tax (2% fire dues)	11,000	13,679	2,679
State aid - emergency government	4,500	6,500	2,000
Payments for municipal services	177,785	177,665	(120)
Total Intergovernmental	<u>193,285</u>	<u>197,844</u>	<u>4,559</u>
PUBLIC CHARGES FOR SERVICES			
Public safety	<u>125,000</u>	<u>134,197</u>	<u>9,197</u>
INVESTMENT INCOME			
Interest on investments	<u>300</u>	<u>2,731</u>	<u>2,431</u>
MISCELLANEOUS			
Insurance recoveries	-	56	56
Donations	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Total Miscellaneous	<u>-</u>	<u>1,056</u>	<u>1,056</u>
Total Revenues	<u>588,049</u>	<u>605,292</u>	<u>17,243</u>
EXPENDITURES			
GENERAL GOVERNMENT			
Other general government	<u>1,900</u>	<u>-</u>	<u>1,900</u>
PUBLIC SAFETY			
Fire protection	<u>494,153</u>	<u>498,626</u>	<u>(4,473)</u>
CAPITAL OUTLAY			
Fire protection	<u>110,000</u>	<u>-</u>	<u>110,000</u>
Total Expenditures	<u>606,053</u>	<u>498,626</u>	<u>107,427</u>
Net Change in Fund Balance	(18,004)	106,666	124,670
FUND BALANCE - Beginning of Year	<u>610,438</u>	<u>610,438</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 592,434</u></u>	<u><u>\$ 717,104</u></u>	<u><u>\$ 124,670</u></u>

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

CITY OF WATERLOO

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET) - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2018

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
12/31/18	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%
12/31/15	0.01286712%	(316,052)	1,517,985	20.82%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2017

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
12/31/18	\$ 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%
12/31/15	120,826	(120,826)	-	1,474,584	8.19%

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

CITY OF WATERLOO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2018

BUDGETARY INFORMATION

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

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

Appropriations lapse at year end unless specifically carried over. Carryovers to the following year were \$1,037,250. Budgets are adopted at the department level of expenditure.

EXCESS EXPENDITURES OVER APPROPRIATIONS

Excess expenditures over appropriations are as follows:

	<u>Final Budget</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General Fund</u>			
Council	\$ 13,780	\$ 14,240	\$ 460
Elections	3,525	3,693	168
Independent auditing	25,000	28,381	3,381
Health insurance	13,360	33,242	19,882
Inspection	11,000	22,497	11,497
Street maintenance	6,975	7,040	65
Garages and sheds	14,775	15,663	888
Bridges, culverts, and rivers	225	233	8
Sewage service	-	13,902	13,902
Refuse and garbage collection	168,308	174,779	6,471
Celebration and entertainment	-	771	771
Planning	8,700	9,006	306
Community development	-	-	7,491
<u>220 Fire and EMS</u>			
Fire suppression	494,153	498,626	4,473

WISCONSIN RETIREMENT SYSTEM

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

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

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

Changes in assumptions. There were no changes in assumptions.

See independent auditors' report.

SUPPLEMENTARY INFORMATION

CITY OF WATERLOO

DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL - 100 GENERAL FUND

For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
TAXES				
Property	\$ 963,058	\$ 951,833	\$ 952,119	\$ 286
Mobile home lottery credit and parking fees	22,000	22,000	20,739	(1,261)
Interest and penalties on taxes	25	25	1	(24)
Other taxes	4,800	4,800	4,912	112
Total Taxes	<u>989,883</u>	<u>978,658</u>	<u>977,771</u>	<u>(887)</u>
INTERGOVERNMENTAL				
State shared revenues	464,388	464,388	464,393	5
State aid - computers	3,037	3,037	3,051	14
State aid - recycling	11,737	11,737	12,358	621
State aid - other law enforcement	1,280	1,280	1,668	388
Total Intergovernmental	<u>480,442</u>	<u>480,442</u>	<u>481,470</u>	<u>1,028</u>
LICENSES AND PERMITS				
Liquor and malt beverage licenses	8,500	8,500	8,089	(411)
Operators' license	1,000	1,000	1,730	730
Cigarette licenses	400	400	500	100
Mobile home park licenses	204	204	174	(30)
Bicycle licenses	30	30	35	5
Dog and cat licenses	4,111	4,111	6,077	1,966
Nonbusiness licenses	100	100	10	(90)
Building permits	6,180	6,180	13,779	7,599
Electrical permits	2,864	2,864	5,393	2,529
Plumbing permits	3,031	3,031	6,238	3,207
Heating and air conditioning permits	1,183	1,183	4,058	2,875
Landfill permits	-	-	350	350
Other regulatory permits and fees	243	243	4,586	4,343
Other permits	-	-	41	41
Other business and occupational licenses	2,310	2,310	5,301	2,991
Other nonbusiness licenses	465	465	330	(135)
Total Licenses and Permits	<u>30,621</u>	<u>30,621</u>	<u>56,691</u>	<u>26,070</u>
FINES, FORFEITURES AND PENALTIES				
Court penalties and costs	8,500	8,500	13,706	5,206
Parking violations	3,800	3,800	5,446	1,646
Total Fines, Forfeitures, and Penalties	<u>12,300</u>	<u>12,300</u>	<u>19,152</u>	<u>6,852</u>

CITY OF WATERLOO

DETAILED SCHEDULE OF REVENUES - BUDGET AND ACTUAL - 100 GENERAL FUND For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
PUBLIC CHARGES FOR SERVICES				
General government	\$ 25	\$ 25	\$ 27	\$ 2
Clerk's fees	4,125	4,125	4,313	188
Law enforcement fees	67	67	70	3
Public health services	50	50	75	25
County highway maintenance and construction	2,088	2,088	(385)	(2,473)
Weed and nuisance control	82	82	65	(17)
Refuse and garbage collection	205,840	205,840	191,827	(14,013)
Recycling	453	453	292	(161)
Total Public Charges for Services	<u>212,730</u>	<u>212,730</u>	<u>196,284</u>	<u>(16,446)</u>
INVESTMENT INCOME				
Interest on investments	<u>12,000</u>	<u>12,000</u>	<u>45,011</u>	<u>33,011</u>
MISCELLANEOUS				
Awards & damages	2,782	2,782	-	(2,782)
Other miscellaneous	38	38	3,376	3,338
Total Miscellaneous	<u>2,820</u>	<u>2,820</u>	<u>3,376</u>	<u>556</u>
TOTAL REVENUES	<u>\$ 1,740,796</u>	<u>\$ 1,729,571</u>	<u>\$ 1,779,755</u>	<u>\$ 50,184</u>

CITY OF WATERLOO

DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - 100 GENERAL FUND

For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
GENERAL GOVERNMENT				
Council	\$ 13,780	\$ 13,780	\$ 14,240	\$ (460)
Mayor	7,356	7,356	4,717	2,639
Clerk	230,570	230,570	216,758	13,812
Legislative support	3,750	3,750	2,878	872
Elections	3,300	3,525	3,693	(168)
Assessment of property	2,070	2,070	1,722	348
Independent auditing	25,000	25,000	28,381	(3,381)
Legal counseling	2,500	2,500	1,313	1,187
Municipal building	17,575	17,575	14,964	2,611
Property and liability insurance	46,720	46,720	41,618	5,102
Health insurance	13,360	13,360	33,242	(19,882)
Other general government	8,624	8,624	450	8,174
Contingency	45,225	30,000	-	30,000
Total General Government	<u>419,830</u>	<u>404,830</u>	<u>363,976</u>	<u>40,854</u>
PUBLIC SAFETY				
Police - administration	319,417	272,749	253,925	18,824
Police - patrol	598,449	598,449	540,024	58,425
Inspection	11,000	11,000	22,497	(11,497)
Emergency government	6,625	6,625	4,787	1,838
Total Public Safety	<u>935,491</u>	<u>888,823</u>	<u>821,233</u>	<u>67,590</u>
PUBLIC WORKS				
Machinery operation and maintenance	47,272	47,272	43,387	3,885
Garages and sheds	14,775	14,775	15,663	(888)
Engineering	5,000	5,000	3,696	1,304
Street maintenance	6,975	6,975	7,040	(65)
Bridges, culvers and rivers	225	225	233	(8)
Snow and ice control	32,000	32,000	29,063	2,937
Traffic control	3,705	3,705	3,667	38
Street lighting	60,880	60,880	59,545	1,335
Storm sewer maintenance	1,475	1,475	130	1,345
Tree and brush removal	8,495	8,495	5,344	3,151
Sewage service	-	-	13,902	(13,902)
Refuse and garbage collection	168,308	168,308	174,779	(6,471)
Solid waste disposal	3,895	3,895	3,218	677
Public works/highway administration	285,933	285,933	274,241	11,692
Total Public Works	<u>638,938</u>	<u>638,938</u>	<u>633,908</u>	<u>5,030</u>
HEALTH AND HUMAN SERVICES				
Animal control	4,386	4,386	4,386	-
Cemetery	250	250	-	250
Total Health and Human Services	<u>4,636</u>	<u>4,636</u>	<u>4,386</u>	<u>250</u>

CITY OF WATERLOO

DETAILED SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL 100 GENERAL FUND

For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
CULTURE, RECREATION, AND EDUCATION				
Celebration and entertainment	\$ -	\$ -	\$ 771	\$ (771)
Total Culture, Recreation, and Education	-	-	771	(771)
CONSERVATION AND DEVELOPMENT				
Weed control	2,370	2,370	1,378	992
Planning Commission	7,412	7,412	5,576	1,836
Planning	8,700	8,700	9,006	(306)
Community development	-	-	7,491	(7,491)
Total Conservation and Development	18,482	18,482	23,451	(4,969)
TOTAL EXPENDITURES	<u>\$ 2,017,377</u>	<u>\$ 1,955,709</u>	<u>\$ 1,847,725</u>	<u>\$ 107,984</u>

CITY OF WATERLOO

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS As of December 31, 2018

		<u>Special Revenue Funds</u>	
		<u>200 Cable TV</u>	<u>812 Library</u>
ASSETS			
Cash and investments		\$ 196,673	\$ 319,715
Restricted cash and investments		-	-
Receivables (net)			
Taxes		-	200,000
Accounts		11,000	726
Special assessments		-	-
		<u>-</u>	<u>-</u>
TOTAL ASSETS		<u>\$ 207,673</u>	<u>\$ 520,441</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable		\$ 2,576	\$ 1,626
Accrued liabilities		1,253	7,864
Advances from other funds		-	-
Total Liabilities		<u>3,829</u>	<u>9,490</u>
Deferred Inflows of Resources			
Unearned revenues		-	200,000
Unavailable revenues		-	-
Total Deferred Inflows of Resources		<u>-</u>	<u>200,000</u>
Fund Balances (Deficit)			
Restricted		-	310,951
Committed		203,844	-
Unassigned (deficit)		-	-
Total Fund Balances (deficit)		<u>203,844</u>	<u>310,951</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		<u>\$ 207,673</u>	<u>\$ 520,441</u>

Special Revenue Funds						Capital Projects Funds
204 Sanitary Sewer Impact Fees	203 Park and Recreation Impact Fees	202 Public Works Impact Fees	201 Stormwater Impact Fees	205 Water Impact Fees	225 Parks	414 TIF District No. 4
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,174
9,833	4,238	6,107	2,807	13,937	-	-
-	-	-	-	-	84,000	21,170
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 9,833</u>	<u>\$ 4,238</u>	<u>\$ 6,107</u>	<u>\$ 2,807</u>	<u>\$ 13,937</u>	<u>\$ 84,000</u>	<u>\$ 41,344</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,447	\$ -
-	-	-	-	-	2,050	-
-	-	-	-	-	83,007	-
-	-	-	-	-	86,504	-
-	-	-	-	-	84,000	21,170
-	-	-	-	-	-	-
-	-	-	-	-	84,000	21,170
9,833	4,238	6,107	2,807	13,937	-	20,174
-	-	-	-	-	-	-
-	-	-	-	-	(86,504)	-
<u>9,833</u>	<u>4,238</u>	<u>6,107</u>	<u>2,807</u>	<u>13,937</u>	<u>(86,504)</u>	<u>20,174</u>
<u>\$ 9,833</u>	<u>\$ 4,238</u>	<u>\$ 6,107</u>	<u>\$ 2,807</u>	<u>\$ 13,937</u>	<u>\$ 84,000</u>	<u>\$ 41,344</u>

CITY OF WATERLOO

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS As of December 31, 2018

	Capital Projects Funds	Total Nonmajor Governmental Funds
	402 Sidewalk	
ASSETS		
Cash and investments	\$ 30,820	\$ 567,382
Restricted cash and investments	-	36,922
Receivables (net)		
Taxes	817	305,987
Accounts	-	11,726
Special assessments	<u>9,349</u>	<u>9,349</u>
TOTAL ASSETS	<u><u>\$ 40,986</u></u>	<u><u>\$ 931,366</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities		
Accounts payable	\$ -	\$ 5,649
Accrued liabilities	-	11,167
Advances from other funds	<u>-</u>	<u>83,007</u>
Total Liabilities	<u>-</u>	<u>99,823</u>
Deferred Inflows of Resources		
Unearned revenues	817	305,987
Unavailable revenues	<u>9,349</u>	<u>9,349</u>
Total Deferred Inflows of Resources	<u>10,166</u>	<u>315,336</u>
Fund Balances (Deficit)		
Restricted	-	368,047
Committed	30,820	234,664
Unassigned (deficit)	<u>-</u>	<u>(86,504)</u>
Total Fund Balances (deficit)	<u>30,820</u>	<u>516,207</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 40,986</u></u>	<u><u>\$ 931,366</u></u>

CITY OF WATERLOO

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2018

	<u>Special Revenue Funds</u>	
	<u>200 Cable TV</u>	<u>812 Library</u>
REVENUES		
Taxes	\$ -	\$ 221,400
Intergovernmental	-	98,844
Licenses and permits	43,571	-
Public charges for services	-	6,163
Special assessments	-	-
Investment income	3,972	1,043
Miscellaneous revenues	348	78,791
Total Revenues	<u>47,891</u>	<u>406,241</u>
EXPENDITURES		
Current		
General government	-	-
Culture, recreation and education	47,924	411,809
Total Expenditures	<u>47,924</u>	<u>411,809</u>
Excess (deficiency) of revenues over expenditures	<u>(33)</u>	<u>(5,568)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Sales of fixed assets	-	-
Transfers out	(7,200)	-
Total Other Financing Sources (Uses)	<u>(7,200)</u>	<u>-</u>
Net Change in Fund Balances	(7,233)	(5,568)
FUND BALANCES (DEFICIT) - Beginning of Year	<u>211,077</u>	<u>316,519</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 203,844</u>	<u>\$ 310,951</u>

Special Revenue Funds					
204 Sanitary Sewer Impact Fees	203 Park and Recreation Impact Fees	202 Public Works Impact Fees	201 Stormwater Impact Fees	205 Water Impact Fees	225 Parks
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,750
-	-	-	-	-	-
-	-	-	-	-	573
9,695	4,150	6,002	2,731	13,787	91,365
-	-	-	-	-	-
85	37	53	25	97	-
-	-	-	-	-	15,588
<u>9,780</u>	<u>4,187</u>	<u>6,055</u>	<u>2,756</u>	<u>13,884</u>	<u>160,276</u>
-	-	-	-	-	4,465
-	-	-	-	-	221,560
-	-	-	-	-	<u>226,025</u>
<u>9,780</u>	<u>4,187</u>	<u>6,055</u>	<u>2,756</u>	<u>13,884</u>	<u>(65,749)</u>
-	-	-	-	-	25,000
-	-	-	-	-	296
-	-	-	-	-	-
-	-	-	-	-	<u>25,296</u>
9,780	4,187	6,055	2,756	13,884	(40,453)
<u>53</u>	<u>51</u>	<u>52</u>	<u>51</u>	<u>53</u>	<u>(46,051)</u>
<u>\$ 9,833</u>	<u>\$ 4,238</u>	<u>\$ 6,107</u>	<u>\$ 2,807</u>	<u>\$ 13,937</u>	<u>\$ (86,504)</u>

CITY OF WATERLOO

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2018

	<u>Capital Projects Funds</u>		Total Nonmajor Governmental Funds
	<u>414 TIF District No. 4</u>	<u>402 Sidewalk</u>	
REVENUES			
Taxes	\$ 22,008	\$ -	\$ 296,158
Intergovernmental	232	-	99,076
Licenses and permits	-	-	44,144
Public charges for services	-	-	133,893
Special assessments	-	3,048	3,048
Investment income	-	-	5,312
Miscellaneous revenues	-	-	94,727
Total Revenues	<u>22,240</u>	<u>3,048</u>	<u>676,358</u>
EXPENDITURES			
Current			
General government	638	-	5,103
Culture, recreation and education	-	-	681,293
Total Expenditures	<u>638</u>	<u>-</u>	<u>686,396</u>
Excess (deficiency) of revenues over expenditures	<u>21,602</u>	<u>3,048</u>	<u>(10,038)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	25,000
Sales of fixed assets	-	-	296
Transfers out	-	-	(7,200)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>18,096</u>
Net Change in Fund Balances	21,602	3,048	8,058
FUND BALANCES (DEFICIT) - Beginning of Year	<u>(1,428)</u>	<u>27,772</u>	<u>508,149</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 20,174</u>	<u>\$ 30,820</u>	<u>\$ 516,207</u>

CITY OF WATERLOO

STATEMENT OF CASH FLOWS COMPONENT UNIT For the Year Ended December 31, 2018

	600 Community Development Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from customers	\$ 41,291
Paid to suppliers for goods and services	<u>(23,193)</u>
Net Cash Flows From Operating Activities	<u>18,098</u>
Net Change in Cash and Cash Equivalents	18,098
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>2,158</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 20,256</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	\$ (23,024)
Miscellaneous revenue	41,291
Changes in liabilities	
Accounts payable	<u>(169)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>\$ 18,098</u></u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
None	