

City of Waukee, Iowa

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

June 30, 2013

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**City of Waukee, Iowa
OFFICIALS**

	<u>Term expires</u>
MAYOR AND MEMBERS OF CITY COUNCIL (Before January 2013)	
William Peard, Mayor	January 2016
Shane Blanchard, Council Member	January 2014
Dan Dutcher, Council Member	January 2014
Michael Watts, Council Member	January 2014
Casey L. Harvey, Council Member	January 2016
Rachelle Hughes, Council Member	January 2016
CITY ADMINISTRATOR	
Bradly Deets, Interim	Indefinite
DEPUTY CITY CLERK	
Rebecca D. Schuett	Indefinite
DIRECTOR OF FINANCE	
Linda Burkhart	Indefinite
CITY ATTORNEY	
Steven P. Brick	January, 2013
	<u>Term expires</u>
MAYOR AND MEMBERS OF CITY COUNCIL (After January 2013)	
William Peard, Mayor	January 2016
Shane Blanchard, Council Member	January 2014
Isaiah McGee, Council Member	January 2014
Michael Watts, Council Member	January 2014
Casey L. Harvey, Council Member	January 2016
Rachelle Hughes, Council Member	January 2016
CITY ADMINISTRATOR	
Tim Moerman	Indefinite
DEPUTY CITY CLERK	
Rebecca D. Schuett	Indefinite
DIRECTOR OF FINANCE	
Linda Burkhart	Indefinite
CITY ATTORNEY	
Steven P. Brick	January, 2014

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
Waukee, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waukee, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City'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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*. 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 auditor's 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 entity'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 entity'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, each major fund, and the aggregate remaining fund information of the City of Waukee, Iowa, as of June 30, 2013, 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 management's discussion and analysis, the budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 6 through 13 and 49 through 52 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waukee, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The combining and individual nonmajor fund financial statements and schedule of revenues by source and expenditures by function are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedule of revenues by source and expenditures by function are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining and individual nonmajor fund financial statements and schedule of revenues by source and expenditures by function are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013 on our consideration of the City of Waukee, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Waukee, Iowa's internal control over financial reporting and compliance.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 25, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Waukeee provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Revenues of the City's Governmental Funds increased 21.06 %, or \$ 2,948,674, from fiscal 2012 to fiscal 2013. Property Tax increased \$ 321,907, Tax Increment Financing increased \$ 241,205, Licenses and Permits increased \$ 131,889, Intergovernmental increased approximately \$ 1,951,390, Charges for Services increased \$ 476,618 and Miscellaneous increased \$ 244,093.
- Program expenditures of the City's Governmental Funds increased 8.15 %, or \$ 1,396,724 in fiscal 2013 from fiscal 2012. Public Safety expenses decreased \$ 128,090, Community and Economic Development decreased \$ 266,927, Culture and Recreation increased \$ 672,152, Public Works increased \$198,891, General Government decreased \$ 82,881, Debt Service decreased \$ 1,468,639 and Capital Projects increased \$ 2,474,643.
- The City has a net position of \$ 120,372,927 on June 30, 2013 as compared to \$ 111,825,151 on June 30, 2012. Of this amount, the net position of the Governmental Activities was \$ 79,417,086 and the net position of the Business Type Activities was \$ 40,955,841.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the City of Waukeee as a whole and present an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major Governmental and Proprietary Funds, and Schedule of Revenues by Source and Expenditures by Function.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents all of the City's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statement of Net Position and the Statement of Activities report two kinds of activities:

- Governmental activities include public safety, public works, health & social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax, state and federal grants, and license and permit fees finance most of these activities.
- Business type activities include the water, sewer, gas and storm water utilities, the municipal golf course and the City's sanitation department. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

(1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Tax Increment Financing Revenues, and Employee Benefits Levy, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Proprietary funds account for the City's Enterprise and Internal Service Funds. These funds report services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Position and the Statement of Activities. The major difference between the proprietary funds and the business type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The Enterprise Funds include the Water, Sewer, Gas, Storm Water, Golf Course and Sanitation Funds. The City is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

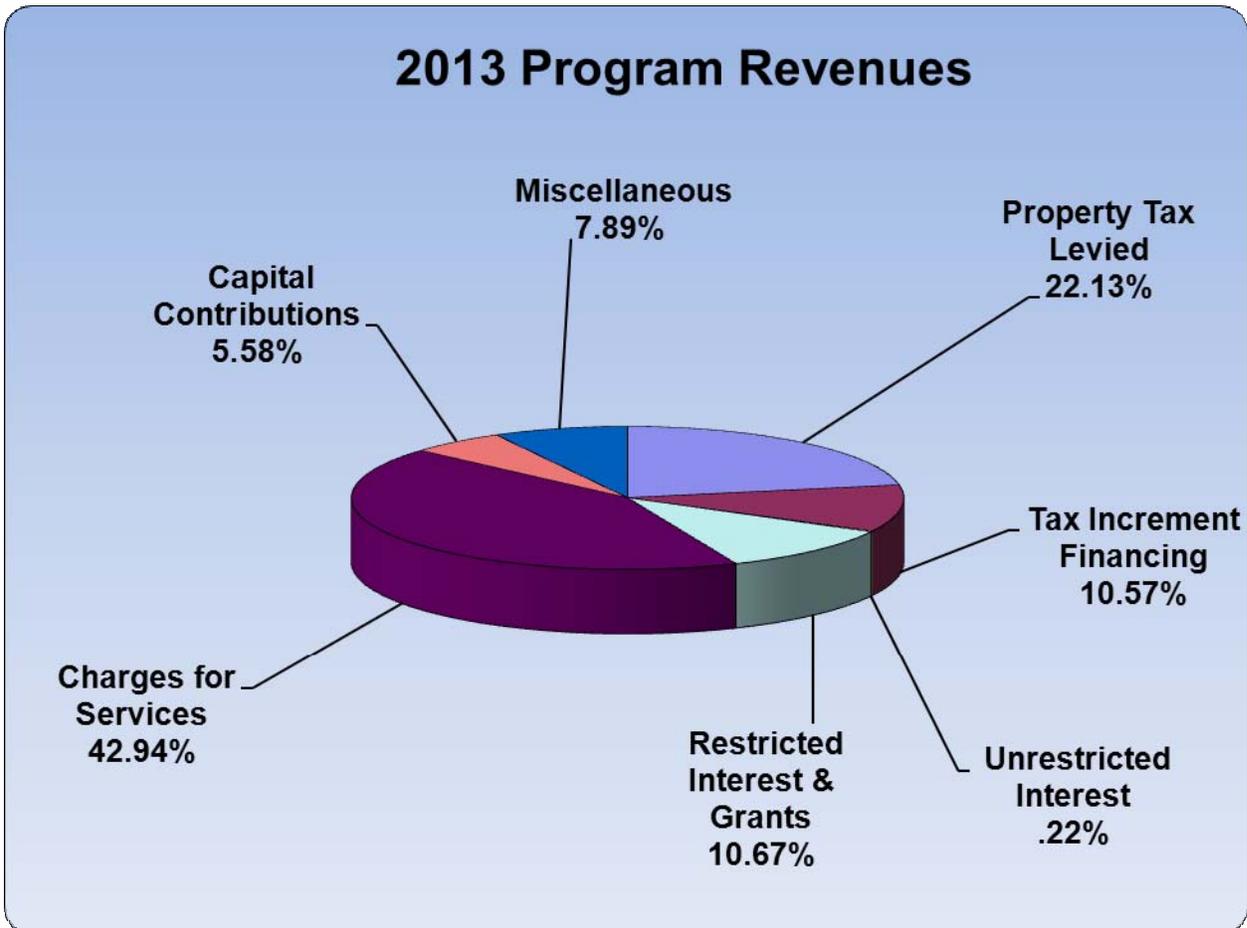
As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental and business type activities.

	Net Position					
	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 23,400,931	\$ 18,898,782	\$ 13,089,190	\$ 10,747,871	\$ 36,490,121	\$ 29,646,653
Capital Assets	92,602,430	88,499,055	40,097,636	36,721,163	132,700,066	125,220,218
Total Assets	<u>116,003,361</u>	<u>107,397,837</u>	<u>53,186,826</u>	<u>47,469,034</u>	<u>169,190,187</u>	<u>154,866,871</u>
Long-term Liabilities	26,934,480	23,385,578	10,616,338	8,116,777	37,550,818	31,502,355
Other Liabilities	9,651,795	9,887,109	1,614,647	1,652,256	11,266,442	11,539,365
Total Liabilities	<u>36,586,275</u>	<u>33,272,687</u>	<u>12,230,985</u>	<u>9,769,033</u>	<u>48,817,260</u>	<u>43,041,720</u>
Net Position:						
Net Investment in Capital Assets	68,052,343	65,957,764	30,154,100	28,924,988	98,206,443	94,882,752
Restricted	10,507,935	5,954,603	164,080	504,271	10,672,015	6,458,874
Unrestricted	<u>856,808</u>	<u>2,212,783</u>	<u>10,637,661</u>	<u>8,270,742</u>	<u>11,494,469</u>	<u>10,483,525</u>
Total Net Position	<u>\$ 79,417,086</u>	<u>\$ 74,125,150</u>	<u>\$ 40,955,841</u>	<u>\$ 37,700,001</u>	<u>\$ 120,372,927</u>	<u>\$ 111,825,151</u>

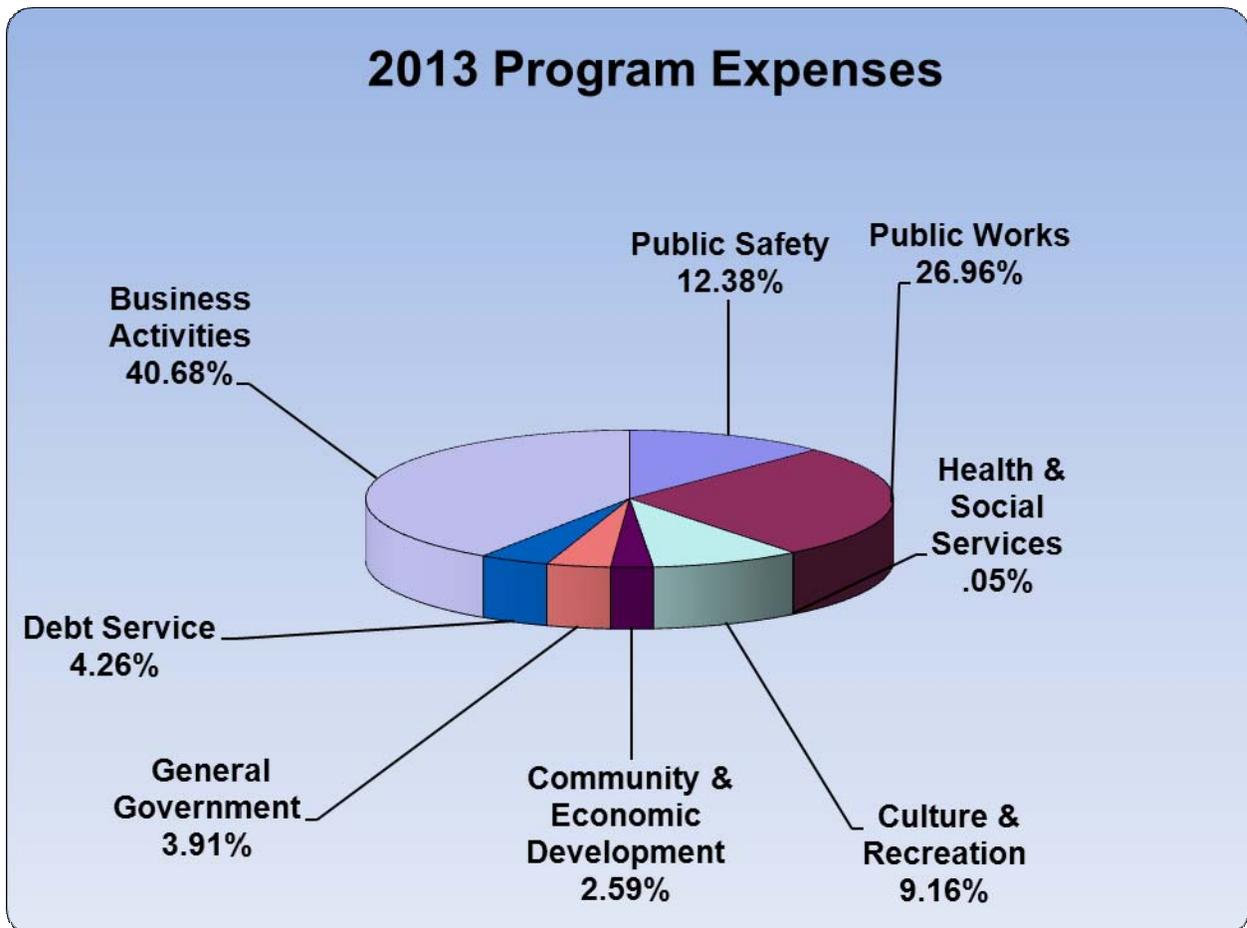
Net position of governmental activities increased approximately \$ 5,292,000, or 7.14%, over fiscal year 2012. Net position of business type activities increased approximately \$3,256,000, or 8.64%, over fiscal year 2012. The largest portion of the City's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt excluding unspent debt proceeds. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is approximately \$ 11,494,500 at the end of this year.

Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Property Tax Levied	\$ 7,172,869	\$ 7,273,647	\$ -	\$ -	\$ 7,172,869	\$ 7,273,647
Tax Increment Financing	3,427,898	3,186,693	-	-	3,427,898	3,186,693
Unrestricted Interest	40,247	43,365	30,743	38,612	70,990	81,977
Restricted Interest and Operating Grants	3,457,788	1,462,641	-	-	3,457,788	1,462,641
Charges for Services	1,794,403	1,222,589	12,124,829	11,262,437	13,919,232	12,485,026
Capital Grants and Contributions	1,808,202	1,754,321	-	0	1,808,202	1,754,321
Miscellaneous	1,302,735	1,071,074	1,255,607	1,121,882	2,558,342	2,192,956
Total Revenues	19,004,142	16,014,330	13,411,179	12,422,931	32,415,321	28,437,261
Transfers	446,294	450,944	(446,294)	(450,944)	-	-
Total Revenues and Transfers	\$ 19,450,436	\$ 16,465,274	\$ 12,964,885	\$ 11,971,987	\$ 32,415,321	\$ 28,437,261



	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program Expenses						
Public Safety	\$ 2,955,387	\$ 2,985,637	\$ -	\$ -	\$ 2,955,387	\$ 2,985,637
Public Works	6,435,198	5,154,002	-	-	6,435,198	5,154,002
Health and Social Services	12,750	15,175	-	-	12,750	15,175
Culture and Recreation	2,185,896	1,426,438	-	-	2,185,896	1,426,438
Community and Economic Development	618,937	885,864	-	-	618,937	885,864
General Government	933,042	819,335	-	-	933,042	819,335
Debt Service	1,017,290	1,338,696	-	-	1,017,290	1,338,696
Business Type Activities	-	-	9,709,045	9,057,998	9,709,045	9,057,998
Total Expenses	<u>14,158,500</u>	<u>12,625,147</u>	<u>9,709,045</u>	<u>9,057,998</u>	<u>23,867,545</u>	<u>21,683,145</u>
Increase/(Decrease) in Net Position	5,291,936	3,840,127	3,255,840	2,913,989	8,547,776	6,754,116
Net Position Beginning of Year	<u>74,125,150</u>	<u>70,285,023</u>	<u>37,700,001</u>	<u>34,786,012</u>	<u>111,825,151</u>	<u>105,071,035</u>
Net Position End of Year	<u>\$ 79,417,086</u>	<u>\$ 74,125,150</u>	<u>\$ 40,955,841</u>	<u>\$ 37,700,001</u>	<u>\$ 120,372,927</u>	<u>\$ 111,825,151</u>



The City maintained the \$ 13.50 property tax levy for FY13, while recognizing an increase of \$ 140,427 in property tax revenue due to increase in residential property valuation. Revenues for operating and capital grants, contributions and restricted interest, increased by approximately \$ 1,995,147, charges for services increased by \$ 571,814 and miscellaneous revenues increased by approximately \$ 231,661.

Overall revenues for governmental activities increased approximately \$ 2,989,800 over the prior year.

The cost of all governmental activities this year was approximately \$14.2 million compared to approximately \$12.7 million last year. However, as shown in the Statement of Activities on pages 16 and 17, the amount taxpayers ultimately financed for these activities was only \$7.1 million as some of the cost was paid by those directly benefited from the programs (\$1,794,400) or by other governments and organizations which subsidized certain programs with grants and contributions (\$5,266,000).

The City of Waukeee's net position of business type activities increased approximately \$3,256,000 during the year. Revenues for business type activities increased approximately \$988,300 over the prior year.

INDIVIDUAL FUND ANALYSIS

Governmental Fund Highlights

As the City of Waukeee completed the year, its governmental funds reported a combined fund balance of \$13,494,105 at June 30, 2013, compared to \$ 7,217,484 combined fund balance at June 30, 2012.

The General Fund showed an increase of \$ 1,102,638 from the prior year to \$ 3,297,063.

The Tax Increment Financing Urban Renewal Fund accounts for revenues from the tax authorized by ordinance in the urban renewal district which are used to pay the principal and interest on indebtedness incurred for urban renewal redevelopment projects. These funds ended fiscal 2013 with a \$ 4,604,079 balance compared to the prior year ending balance of \$ 3,751,015.

The Employee Benefits Tax Levy Fund is used to account for the property tax levied to finance the payment of employee benefits. This fund ended fiscal 2013 with a \$ (2,929) balance compared to the prior year ending balance of \$ 1,889. Transfers out to operating funds totaled \$ 1,039,000 in fiscal 2013.

The Debt Service Fund ended fiscal 2013 with a \$ 759,426 balance compared to the prior year ending balance of \$ 728,122. Bond principal, interest and issuance cost payments decreased by \$ 1,541,163 in fiscal 2013, as a result of bond refunding during the prior year.

The Capital Projects Fund ended fiscal 2013 with a \$ 3,882,203 balance compared to the prior year ending balance of \$ (621,780); bond sale in fiscal 2013 eliminated the negative fund balance.

Proprietary Fund Highlights

The Water Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal 2013 with a \$ 13,810,363 net position balance, compared to the prior year ending net position balance of \$ 12,610,361.

The Sewer Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal 2013 with a \$ 16,313,067 net position balance, compared to the prior year ending net asset balance of \$ 14,964,763.

The Gas Fund, which accounts for the operations and maintenance of the City's gas utility, ended fiscal 2013 with a \$ 9,112,682 net position balance, compared to the prior year ending net position balance of \$ 8,629,348.

The Golf Course Fund, which accounts for the operations and maintenance of the City's municipal golf course, ended fiscal 2013 with a \$ (9,984) net position balance, compared to the prior year ending net position balance of \$ 28,173.

The Solid Waste Fund, which accounts for the operation and maintenance of the City's solid waste collection system, ended fiscal 2013 with a \$ 114,156 net position balance, compared to the prior year ending net position balance of \$ 121,636.

The Storm Sewer Fund, which accounts for the operation and maintenance of the City's storm sewer collection system, ended fiscal 2013 with a \$ 1,446,484 net position balance, compared to the prior year ending net position balance of \$ 1,207,055.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City of Waukee amended its budget once. This amendment was done in May 2013, and was needed to cover unplanned disbursements, including expenditures associated with increases to Public Safety, Public Works and Debt Service; and decreases to General Government, Community & Economic Development program expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets include land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals and other infrastructure. Capital assets for governmental activities totaled \$ 92,602,430 (net of accumulated depreciation) at June 30, 2013. Capital assets for business type activities totaled \$ 40,097,636 (net of accumulated depreciation) at June 30, 2013. See Notes 1 & 5 to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities during the year included the completion of a Fiber Optic project and the NE Dartmoor Road; start of R22/Johnson Creek Bridge, Sugar Creek Bike Trail, Alice's Road Sewer projects; and the continuation of work with professional services for on the Alice's Road/I80 interchange and roadway construction project, and the remodel to an existing property for a Community Center.

For business type activities, major additions included the fees associated with the Wastewater Reclamation Authority (WRA), the completion of the Advanced Metering Infrastructure project for the water and gas utilities, the purchase of additional Water Capacity from the City of Pleasant Hill, and the start of the Little Walnut Creek Sewer project and the R22 Gas project.

Construction in progress at June 30, 2013 for the City consists primarily of the Community Center remodel, Alice's Road Construction, Sugar Creek Bike Trail, R22/Johnson Creek Bridge projects.

Long-Term Debt

At June 30, 2013, the City had \$ 26,934,480 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business type activities was \$ 10,616,338 at June 30, 2013. During the year ended June 30, 2013, the City issued \$9,290,000 and refunded \$ 2,210,000 in general obligation bonds.

The City maintained their general obligation bond rating of Aa3, assigned by national rating agency, Moody's Investors Services, on April 8, 2013. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and tax increment financing debt of \$ 29,762,337 or 54.12%, is below its constitutional debt limit of \$ 54,995,155. Other obligations include accrued vacation pay. Additional information about the City's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS BEARING ON THE CITY'S FUTURE

Several economic factors affected decisions made by the City in setting its fiscal 2014 budget. The City of Waukee will experience a significant increase in General Fund revenues and expenditures from fiscal 2013 to fiscal 2014. The major factors that will play a role in this change are the increase in property tax revenues from increased valuations for fiscal 2014, and increased revenues from bond proceeds.

The General Fund is projected to end fiscal 2014 with a fund balance of approximately \$ 2,077,159, or a planned increase of \$ 2,128 from fiscal 2013. The tax levy rates per \$1,000 of taxable valuation for fiscal 2014 are provided below:

General levy	\$8.10
Debt Service levy	3.32
Employee Benefits Levy	<u>2.08</u>
Total	\$13.50

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information, please contact the City Administrator/Clerk or the Director of Finance, at Waukee City Hall, 230 W Hickman Road, Waukee, Iowa.

BASIC FINANCIAL STATEMENTS

City of Waukee, Iowa
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 14,523,505	\$10,079,412	\$ 24,602,917
Receivables			
Property tax			
Delinquent	28,878	-	28,878
Succeeding year	7,703,055	-	7,703,055
Special assessments	388,935	86,247	475,182
Customer accounts	-	861,145	861,145
Other	314,441	-	314,441
Due from other governments	34,845	-	34,845
Due (to) from other funds	66,179	(66,179)	-
Inventories	-	548,412	548,412
Prepaid insurance	94,811	-	94,811
Restricted assets - cash and pooled investments	-	1,487,370	1,487,370
Capital assets (net of accumulated depreciation)	92,602,430	40,097,636	132,700,066
Bond/note issuance costs	<u>246,282</u>	<u>92,783</u>	<u>339,065</u>
Total assets	<u>116,003,361</u>	<u>53,186,826</u>	<u>169,190,187</u>
LIABILITIES			
Accounts payable	1,476,752	1,429,747	2,906,499
Accrued interest payable	77,000	30,845	107,845
Customer deposits payable	-	154,055	154,055
Lease deposit payable	6,053	-	6,053
Deferred revenue	8,091,990	-	8,091,990
Long-term liabilities			
Portion due or payable within one year			
Compensated absences	29,211	50,530	79,741
Capital lease payable	-	1,184	1,184
General obligation bonds/notes	3,879,926	31,093	3,911,019
Tax increment financing (TIF) bonds	135,000	-	135,000
Special assessment notes payable	35,000	-	35,000
Revenue notes payable	-	752,841	752,841
Des Moines Water Works bonds payable	-	454,310	454,310
Portion due or payable after one year			
Compensated absences	132,394	-	132,394
General obligation bonds/notes (net of unamortized premium/discount)	21,215,193	61,923	21,277,116
Tax increment financing (TIF) bonds	1,080,000	-	1,080,000
Special assessment notes payable	207,000	-	207,000
Revenue notes payable	-	8,197,320	8,197,320
Des Moines Water Works bonds payable	-	998,461	998,461
Net OPEB liability	<u>220,756</u>	<u>68,676</u>	<u>289,432</u>
Total liabilities	<u>36,586,275</u>	<u>12,230,985</u>	<u>48,817,260</u>
NET POSITION			
Net investment in capital assets	68,052,343	30,154,100	98,206,443
Restricted for			
Debt service	886,333	164,080	1,050,413
Other purposes	9,621,602	-	9,621,602
Unrestricted	<u>856,808</u>	<u>10,637,661</u>	<u>11,494,469</u>
Total net position	<u>\$ 79,417,086</u>	<u>\$40,955,841</u>	<u>\$120,372,927</u>

See Notes to Financial Statements.

City of Waukee, Iowa
STATEMENT OF ACTIVITIES
Year ended June 30, 2013

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
FUNCTIONS/PROGRAMS				
Primary Government				
Governmental activities				
Public safety	\$ 2,955,387	\$ 728,310	\$ -	\$ -
Public works	6,435,198	-	3,457,788	1,808,202
Health and social services	12,750	-	-	-
Culture and recreation	2,185,896	256,144	-	-
Community and economic development	618,937	-	-	-
General government	933,042	809,949	-	-
Interest on long-term debt	<u>1,017,290</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>14,158,500</u>	<u>1,794,403</u>	<u>3,457,788</u>	<u>1,808,202</u>
Business type activities				
Water	2,164,230	3,220,966	-	-
Sewer	1,641,319	2,444,961	-	-
Gas	3,941,064	4,399,608	-	-
Golf	601,665	489,952	-	-
Other	<u>1,360,767</u>	<u>1,569,342</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>9,709,045</u>	<u>12,124,829</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$23,867,545</u>	<u>\$13,919,232</u>	<u>\$ 3,457,788</u>	<u>\$ 1,808,202</u>

GENERAL REVENUES

Property and other city tax levied for
 General purposes
 Debt service
 Employee benefits
 Tax increment financing
 Unrestricted interest on investments
 Miscellaneous
 Connection fees
 Capacity fees

TRANSFERS

Total general revenues and transfers

CHANGE IN NET POSITION

NET POSITION BEGINNING OF YEAR

NET POSITION END OF YEAR

Net Revenue (Expense) and Changes in Net Position
Primary Government

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (2,227,077)	\$ —	\$ (2,227,077)
(1,169,208)	—	(1,169,208)
(12,750)	—	(12,750)
(1,929,752)	—	(1,929,752)
(618,937)	—	(618,937)
(123,093)	—	(123,093)
<u>(1,017,290)</u>	<u>—</u>	<u>(1,017,290)</u>
<u>(7,098,107)</u>	<u>—</u>	<u>(7,098,107)</u>
—	1,056,736	1,056,736
—	803,642	803,642
—	458,544	458,544
—	(111,713)	(111,713)
<u>—</u>	<u>208,575</u>	<u>208,575</u>
<u>—</u>	<u>2,415,784</u>	<u>2,415,784</u>
\$ <u>(7,098,107)</u>	\$ <u>2,415,784</u>	\$ <u>(4,682,323)</u>
\$ 4,076,473	\$ —	\$ 4,076,473
2,062,762	—	2,062,762
1,033,634	—	1,033,634
3,427,898	—	3,427,898
40,247	30,743	70,990
1,302,735	259,098	1,561,833
—	320,863	320,863
—	675,646	675,646
<u>446,294</u>	<u>(446,294)</u>	<u>—</u>
<u>12,390,043</u>	<u>840,056</u>	<u>13,230,099</u>
5,291,936	3,255,840	8,547,776
<u>74,125,150</u>	<u>37,700,001</u>	<u>111,825,151</u>
<u>\$79,417,086</u>	<u>\$40,955,841</u>	<u>\$120,372,927</u>

See Notes to Financial Statements.

**City of Waukee, Iowa
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013**

	<u>General</u>	<u>Special Revenue Urban Renewal TIF</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Special Revenue Employee Benefits</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
ASSETS							
Cash and pooled investments	\$3,447,045	\$2,702,130	\$4,576,900	\$ 782,930	\$ -	\$2,957,962	\$14,466,967
Receivables							
Property tax							
Delinquent	11,813	8,253	-	5,801	3,011	-	28,878
Succeeding year	4,393,491	-	-	2,184,804	1,124,760	-	7,703,055
Special assessments	-	-	-	-	-	388,935	388,935
Other	195,603	-	118,838	-	-	-	314,441
Due from other funds	5,940	-	-	-	-	-	5,940
Due from other governments	-	-	34,845	-	-	-	34,845
Prepaid insurance	84,828	-	-	-	-	9,983	94,811
Advances to other funds	85,000	-	-	-	-	-	85,000
	<u>\$8,223,720</u>	<u>\$2,710,383</u>	<u>\$4,730,583</u>	<u>\$2,973,535</u>	<u>\$1,127,771</u>	<u>\$3,356,880</u>	<u>\$23,122,872</u>
LIABILITIES AND FUND BALANCES (DEFICITS)							
Liabilities							
Accounts payable	\$ 480,182	\$ 15,448	\$ 848,380	\$ 29,305	\$ -	\$ 103,437	\$ 1,476,752
Lease deposit payable	6,053	-	-	-	-	-	6,053
Compensated absences	28,110	-	-	-	-	1,101	29,211
Due to other funds	-	-	-	-	5,940	-	5,940
Deferred revenue							
Succeeding year property tax	4,393,491	-	-	2,184,804	1,124,760	-	7,703,055
Other	-	-	-	-	-	388,935	388,935
Interfund payable	18,821	-	-	-	-	-	18,821
Total liabilities	<u>4,926,657</u>	<u>15,448</u>	<u>848,380</u>	<u>2,214,109</u>	<u>1,130,700</u>	<u>493,473</u>	<u>9,628,767</u>
Fund Balances (Deficits)							
Nonspendable							
Prepaid insurance	84,828	-	-	-	-	9,983	94,811
Advances to other funds	85,000	-	-	-	-	-	85,000
Restricted for							
Capital projects	-	-	3,882,203	-	-	-	3,882,203
Debt service	-	-	-	759,426	-	126,907	886,333
Lease deposits	6,053	-	-	-	-	-	6,053
Parkland dedication	282,900	-	-	-	-	-	282,900
Police gifts and memorials	35,047	-	-	-	-	-	35,047
Urban Renewal and development	-	2,694,935	-	-	-	-	2,694,935
Other purposes	-	-	-	-	-	2,726,517	2,726,517
Unassigned	2,803,235	-	-	-	(2,929)	-	2,800,306
Total fund balances (deficits)	<u>3,297,063</u>	<u>2,694,935</u>	<u>3,882,203</u>	<u>759,426</u>	<u>(2,929)</u>	<u>2,863,407</u>	<u>13,494,105</u>
Total liabilities and fund balances (deficits)	<u>\$8,223,720</u>	<u>\$2,710,383</u>	<u>\$4,730,583</u>	<u>\$2,973,535</u>	<u>\$1,127,771</u>	<u>\$3,356,880</u>	<u>\$23,122,872</u>

See Notes to Financial Statements.

City of Waukee
RECONCILIATION OF THE BALANCE SHEET—
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2013

Total governmental fund balances	\$13,494,105
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
 Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$133,652,782 and the accumulated depreciation \$41,050,352.	
	92,602,430
 Long-term liabilities, including bonds payable, bond premiums and discounts, bond issuance costs, other post employment benefits payable, compensated absences and accrued interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
	(26,735,987)
 The Internal Service Fund is used by management to charge the costs of future equipment purchases to individual funds. The assets of the Internal Service Fund are allocated between governmental and proprietary activities in the Statement of Net Position.	
	<u>56,538</u>
Net position of governmental activities	<u>\$79,417,086</u>

City of Waukee, Iowa
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended June 30, 2013

	General	Special Revenue Urban Renewal TIF	Capital Projects	Debt Service	Special Revenue Employee Benefits	Other Nonmajor Governmental Funds	Total
REVENUES							
Property tax	\$4,037,118	\$ -	\$ -	\$2,062,762	\$1,033,634	\$ -	\$ 7,133,514
Tax increment financing	-	2,492,500	-	-	-	935,398	3,427,898
Other city tax	438	-	8,219	-	-	30,698	39,355
Licenses and permits	639,233	-	-	-	-	-	639,233
Use of money and property	173,799	3,756	4,809	1,590	548	26,260	210,762
Intergovernmental	256,144	-	2,137,177	-	-	1,320,611	3,713,932
Charges for services	560,823	-	167,487	-	-	-	728,310
Miscellaneous	188,263	-	714,486	-	-	155,342	1,058,091
Total revenues	<u>5,855,818</u>	<u>2,496,256</u>	<u>3,032,178</u>	<u>2,064,352</u>	<u>1,034,182</u>	<u>2,468,309</u>	<u>16,951,095</u>
EXPENDITURES							
Operating							
Public safety	2,912,583	-	-	-	-	-	2,912,583
Public works	769,281	-	-	-	-	811,603	1,580,884
Health and social services	12,750	-	-	-	-	-	12,750
Culture and recreation	1,299,783	-	-	-	-	711,204	2,010,987
Community and economic development	331,405	287,532	-	-	-	-	618,937
General government	785,443	-	-	-	-	-	785,443
Debt service							
Principal	-	-	-	3,686,405	-	33,000	3,719,405
Interest	-	-	-	805,172	-	9,530	814,702
Bond issuance and other costs	-	-	71,382	37,055	-	-	108,437
Capital projects	<u>287,049</u>	<u>224,763</u>	<u>5,304,243</u>	<u>-</u>	<u>-</u>	<u>160,551</u>	<u>5,976,606</u>
Total expenditures	<u>6,398,294</u>	<u>512,295</u>	<u>5,375,625</u>	<u>4,528,632</u>	<u>-</u>	<u>1,725,888</u>	<u>18,540,734</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(542,476)</u>	<u>1,983,961</u>	<u>(2,343,447)</u>	<u>(2,464,280)</u>	<u>1,034,182</u>	<u>742,421</u>	<u>(1,589,639)</u>
OTHER FINANCING SOURCES (USES)							
Bond proceeds	500,000	-	6,525,000	2,265,000	-	-	9,290,000
Bonds refunded	-	-	-	(2,210,000)	-	-	(2,210,000)
Bond premium, net of discount	-	-	170,977	(6,820)	-	-	164,157
Sale of capital assets	166,559	-	-	-	-	9,250	175,809
Operating transfers in	1,039,000	-	151,453	2,487,404	-	-	3,677,857
Operating transfers out	(60,445)	(1,330,896)	-	(40,000)	(1,039,000)	(761,222)	(3,231,563)
Total other financing sources (uses)	<u>1,645,114</u>	<u>(1,330,896)</u>	<u>6,847,430</u>	<u>2,495,584</u>	<u>(1,039,000)</u>	<u>(751,972)</u>	<u>7,866,260</u>
CHANGE IN FUND BALANCES	1,102,638	653,065	4,503,983	31,304	(4,818)	(9,551)	6,276,621
FUND BALANCES (DEFICIT) BEGINNING OF YEAR	<u>2,194,425</u>	<u>2,041,870</u>	<u>(621,780)</u>	<u>728,122</u>	<u>1,889</u>	<u>2,872,958</u>	<u>7,217,484</u>
FUND BALANCES (DEFICIT) END OF YEAR	<u>\$3,297,063</u>	<u>\$2,694,935</u>	<u>\$3,882,203</u>	<u>\$ 759,426</u>	<u>\$ (2,929)</u>	<u>\$2,863,407</u>	<u>\$13,494,105</u>

See Notes to Financial Statements.

City of Waukee
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES—
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2013

Change in fund balances—Total governmental funds \$6,276,621

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets, including contributed capital	9,233,405	
Depreciation expense	<u>(5,034,706)</u>	4,198,699

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, donations and disposals) to (decrease) net position:

Proceeds from the sale of capital assets		(175,809)
Gain on sale of capital assets		<u>80,487</u>

Because some revenues were not collected for several months after the City's year end, they were not considered available revenues and were deferred in the governmental funds in the prior year.

(1,576,059)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:

Issued	(9,290,000)	
Repaid	<u>5,929,405</u>	(3,360,595)

Governmental funds report the effect of issuance costs, premiums, discount and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

(94,151)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	2,557	
Other postemployment benefits	(55,015)	
Interest on long-term debt	<u>(5,000)</u>	(57,458)

The Internal Service Fund is used by management to charge the costs of future equipment purchases to individual funds. The change on net position of the Internal Service Fund is allocated to governmental and proprietary activities.

201

Change in net position of governmental activities

\$5,291,936

City of Waukee, Iowa
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	<u>Enterprise Funds</u>						<u>Internal</u>
	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Golf</u>	<u>Nonmajor</u>	<u>Total</u>	<u>Service Fund</u>
					<u>Funds</u>		<u>Equipment</u>
ASSETS							<u>Revolving</u>
Current Assets							
Cash and pooled investments	\$ 2,767,441	\$ 3,372,091	\$ 2,567,088	\$ 800	\$1,270,807	\$ 9,978,227	\$ 157,722
Receivables							
Customer accounts and unbilled usage	328,099	269,686	127,750	841	134,769	861,145	-
Special assessments	-	86,247	-	-	-	86,247	-
Interfund receivable	-	-	72,710	-	-	72,710	-
Inventories	236,321	-	285,768	26,323	-	548,412	-
Restricted assets - cash and pooled investments							
Customer deposits	83,505	-	69,950	600	-	154,055	-
Capacity fees	109,555	-	-	-	-	109,555	-
Revenue note and interest sinking account	26,224	56,707	535,015	7,001	-	624,947	-
Revenue note reserve account	359,652	187,696	-	51,465	-	598,813	-
Advances to other funds	100,000	-	-	-	-	100,000	-
Capital assets (net of accumulated depreciation)	14,018,482	14,504,542	9,531,446	1,678,681	364,485	40,097,636	-
Bond/note issuance costs	<u>33,709</u>	<u>42,359</u>	<u>16,715</u>	<u>-</u>	<u>-</u>	<u>92,783</u>	<u>-</u>
Total assets	<u>18,062,988</u>	<u>18,519,328</u>	<u>13,206,442</u>	<u>1,765,711</u>	<u>1,770,061</u>	<u>53,324,530</u>	<u>157,722</u>
LIABILITIES							
Current liabilities							
Accounts payable	183,206	149,220	211,281	816,896	69,144	1,429,747	-
Capital lease payable	-	-	-	1,184	-	1,184	-
Compensated absences	12,630	10,186	12,600	8,927	6,187	50,530	-
Interfund payable	-	-	-	185,000	53,889	238,889	-
Current Liabilities Payable from Restricted Assets							
Customer deposits payable	83,505	-	69,950	600	-	154,055	-
Revenue notes payable	100,000	255,000	355,000	42,841	-	752,841	-
Des Moines Water Works bonds payable	454,310	-	-	-	-	454,310	-
Equipment note	-	-	-	31,093	-	31,093	-
Interest payable	10,165	2,113	15,935	2,632	-	30,845	-
Noncurrent Liabilities							
Revenue notes payable (net of amortized discount)	2,397,328	1,776,175	3,413,284	610,533	-	8,197,320	-
Des Moines Water Works bonds payable (net of amortized discount)	998,461	-	-	-	-	998,461	-
Equipment note	-	-	-	61,923	-	61,923	-
Net OPEB liability	<u>13,020</u>	<u>13,567</u>	<u>15,710</u>	<u>14,066</u>	<u>12,313</u>	<u>68,676</u>	<u>-</u>
Total liabilities	<u>4,252,625</u>	<u>2,206,261</u>	<u>4,093,760</u>	<u>1,775,695</u>	<u>141,533</u>	<u>12,469,874</u>	<u>-</u>
Net Position							
Net investment in capital assets	10,068,383	13,026,963	5,763,162	931,107	364,485	30,154,100	-
Restricted for bond retirement	-	-	164,080	-	-	164,080	-
Unrestricted	<u>3,741,980</u>	<u>3,286,104</u>	<u>3,185,440</u>	<u>(941,091)</u>	<u>1,264,043</u>	<u>10,536,476</u>	<u>157,722</u>
Total net position	<u>\$13,810,363</u>	<u>\$16,313,067</u>	<u>\$ 9,112,682</u>	<u>\$ (9,984)</u>	<u>\$1,628,528</u>	40,854,656	<u>\$ 157,722</u>

Amounts reported for business type activities in the Statement of Net Position are different because

The Internal Service Fund is used by management to charge the costs of future equipment purchases to individual funds. The assets of the Internal Service Fund are allocated between business and governmental type activities in the Statement of Net Position.

101,185

Net assets of business type activities

\$40,955,841

City of Waukee, Iowa
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year ended June 30, 2013

	Enterprise Funds						Internal Service Fund
	Water	Sewer	Gas	Golf	Nonmajor Funds	Total	Equipment Revolving
OPERATING REVENUES							
Charges for service	\$ 3,220,966	\$ 2,444,961	\$4,399,608	\$ 489,952	\$1,569,342	\$12,124,829	\$ -
Miscellaneous	<u>33,322</u>	<u>6,525</u>	<u>26,590</u>	<u>101,364</u>	<u>12,322</u>	<u>180,123</u>	<u>-</u>
Total operating revenues	<u>3,254,288</u>	<u>2,451,486</u>	<u>4,426,198</u>	<u>591,316</u>	<u>1,581,664</u>	<u>12,304,952</u>	<u>-</u>
OPERATING EXPENSES							
Business type activities							
Cost of sales and services	1,508,662	1,048,138	3,428,794	501,098	1,326,849	7,813,541	-
Depreciation and amortization	<u>526,621</u>	<u>564,637</u>	<u>321,055</u>	<u>65,780</u>	<u>32,866</u>	<u>1,510,959</u>	<u>-</u>
Total operating expenses	<u>2,035,283</u>	<u>1,612,775</u>	<u>3,749,849</u>	<u>566,878</u>	<u>1,359,715</u>	<u>9,324,500</u>	<u>-</u>
Operating income	<u>1,219,005</u>	<u>838,711</u>	<u>676,349</u>	<u>24,438</u>	<u>221,949</u>	<u>2,980,452</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES)							
Interest income	19,732	5,727	3,824	-	1,459	30,742	202
Rental income	56,028	-	-	7,200	-	63,228	-
Connection fees	114,735	105,454	100,674	-	-	320,863	-
Capacity fees	98,676	576,970	-	-	-	675,646	-
Sale of capital assets	6,028	9,319	400	-	-	15,747	-
Interest expense	<u>(128,947)</u>	<u>(28,544)</u>	<u>(191,215)</u>	<u>(34,787)</u>	<u>(1,052)</u>	<u>(384,545)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>166,252</u>	<u>668,926</u>	<u>(86,317)</u>	<u>(27,587)</u>	<u>407</u>	<u>721,681</u>	<u>202</u>
Income (loss) before transfers	1,385,257	1,507,637	590,032	(3,149)	222,356	3,702,133	202
Transfers in (out)	<u>(185,255)</u>	<u>(159,333)</u>	<u>(106,698)</u>	<u>(35,008)</u>	<u>40,000</u>	<u>(446,294)</u>	<u>-</u>
CHANGE IN NET POSITION	1,200,002	1,348,304	483,334	(38,157)	262,356	3,255,839	202
NET POSITION BEGINNING OF YEAR	<u>12,610,361</u>	<u>14,964,763</u>	<u>8,629,348</u>	<u>28,173</u>	<u>1,366,172</u>	<u>37,598,817</u>	<u>157,520</u>
NET POSITION END OF YEAR	<u>\$13,810,363</u>	<u>\$16,313,067</u>	<u>\$9,112,682</u>	<u>\$ (9,984)</u>	<u>\$1,628,528</u>	<u>\$40,854,656</u>	<u>\$ 157,722</u>

See Notes to Financial Statements.

City of Waukee
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION—PROPRIETARY FUNDS TO
THE STATEMENT OF ACTIVITIES
Year ended June 30, 2013

Change in net position	\$3,255,839
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***Amounts reported for business type activities in the
Statement of Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of future equipment purchases to individual funds. The change in net position of the Internal Service Fund is allocated between business type and governmental activities.

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Change in net position of business type activities	<u>\$3,255,840</u>
-----------------------------------------------------------	---------------------------

City of Waukee, Iowa
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2013

	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Golf</u>	<u>Nonmajor Funds</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers and users	\$3,307,999	\$2,451,108	\$4,336,758	\$ 489,932	\$1,570,126	\$12,155,923
Cash received from other revenues	33,322	6,525	26,590	101,364	12,322	180,123
Cash paid for personal services	(540,382)	(528,604)	(588,428)	(262,766)	(289,347)	(2,209,527)
Cash paid to suppliers	<u>(1,232,510)</u>	<u>(525,729)</u>	<u>(2,993,836)</u>	<u>(190,574)</u>	<u>(1,065,571)</u>	<u>(6,008,220)</u>
Net cash provided by operating activities	<u>1,568,429</u>	<u>1,403,300</u>	<u>781,084</u>	<u>137,956</u>	<u>227,530</u>	<u>4,118,299</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets, net of equipment fund transfers	(2,728,886)	(1,510,313)	(593,014)	(2,421)	(28,923)	(4,863,557)
Principal paid on revenue notes matured	(100,000)	(149,000)	(340,000)	(40,453)	-	(629,453)
Interest paid on notes	(128,804)	(29,819)	(191,215)	(35,030)	(1,052)	(385,920)
Principal paid on Des Moines Water Works bonds	(424,040)	-	-	-	-	(424,040)
Principal paid on general obligation bonds	-	-	-	(31,094)	-	(31,094)
Principal paid on capital lease	-	-	-	(629)	(37,705)	(38,334)
Proceeds from issuance of revenue note	2,589,826	1,148,063	-	-	-	3,737,889
Bond issuance costs	(28,875)	1,208	7,413	-	-	(20,254)
Amounts transferred (to) from other funds	(185,255)	(159,333)	(106,698)	(35,008)	40,000	(446,294)
Connection fees	114,735	105,454	100,674	-	-	320,863
Capacity fees	<u>98,676</u>	<u>576,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>675,646</u>
Net cash provided by (used in) capital and related financing activities	<u>(792,623)</u>	<u>(16,770)</u>	<u>(1,122,840)</u>	<u>(144,635)</u>	<u>(27,680)</u>	<u>(2,104,548)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments	19,732	5,727	3,824	-	1,459	30,742
Purchase of certificates of deposits	(196,708)	(2,088)	-	-	-	(198,796)
Rental income	<u>56,028</u>	<u>-</u>	<u>-</u>	<u>7,200</u>	<u>-</u>	<u>63,228</u>
Net cash provided by (used in) investing activities	<u>(120,948)</u>	<u>3,639</u>	<u>3,824</u>	<u>7,200</u>	<u>1,459</u>	<u>(104,826)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS						
	654,858	1,390,169	(337,932)	521	201,309	1,908,925
CASH AND CASH EQUIVALENTS, beginning	<u>2,331,867</u>	<u>2,038,629</u>	<u>3,509,985</u>	<u>7,880</u>	<u>1,069,498</u>	<u>8,957,859</u>
CASH AND CASH EQUIVALENTS, ending	<u>\$2,986,725</u>	<u>\$3,428,798</u>	<u>\$3,172,053</u>	<u>\$ 8,401</u>	<u>\$1,270,807</u>	<u>\$10,866,784</u>

See Notes to Financial Statements.

City of Waukee, Iowa
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
Year ended June 30, 2013

	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Golf</u>	<u>Nonmajor Funds</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating income	\$1,219,005	\$ 838,711	\$ 676,349	\$ 24,438	\$ 221,949	\$ 2,980,452
Adjustments to reconcile operating income to net cash provided by operating activities						
Depreciation expense	522,647	562,341	319,198	65,780	32,866	1,502,832
Bond amortization costs	3,974	2,296	1,857	-	-	8,127
(Increase) decrease in customer accounts receivable and unbilled usage and other accounts receivable	87,033	6,147	(62,850)	(20)	784	31,094
(Increase) in inventories, at cost	(178,855)	-	(197,047)	(5,487)	-	(381,389)
Increase (decrease) in accounts payable	(100,170)	(8,286)	30,307	49,863	(29,048)	(57,334)
Increase in customer deposits	13,150	-	7,950	-	-	21,100
Increase (decrease) in compensated absences	(1,636)	(1,093)	1,611	431	(1,970)	(2,657)
Increase in OPEB liability	<u>3,281</u>	<u>3,184</u>	<u>3,709</u>	<u>2,951</u>	<u>2,949</u>	<u>16,074</u>
Net cash provided by operating activities	<u>\$1,568,429</u>	<u>\$1,403,300</u>	<u>\$ 781,084</u>	<u>\$ 137,956</u>	<u>\$ 227,530</u>	<u>\$ 4,118,299</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON THE STATEMENT OF NET POSITION						
Current assets						
Cash and pooled investments	\$2,767,441	\$3,372,091	\$2,567,088	\$ 800	\$1,270,807	\$ 9,978,227
Restricted assets--cash and pooled investments						
Customer deposits	83,505	-	69,950	600	-	154,055
Capacity fees	109,555	-	-	-	-	109,555
Revenue note and interest sinking account	26,224	56,707	535,015	7,001	-	624,947
Revenue note reserve account	<u>359,652</u>	<u>187,696</u>	<u>-</u>	<u>51,465</u>	<u>-</u>	<u>598,813</u>
	3,346,377	3,616,494	3,172,053	59,866	1,270,807	11,465,597
Less items not meeting the definition of cash equivalent						
Certificates of deposit	<u>(359,652)</u>	<u>(187,696)</u>	<u>-</u>	<u>(51,465)</u>	<u>-</u>	<u>(598,813)</u>
Cash and cash equivalents at year end	<u>\$2,986,725</u>	<u>\$3,428,798</u>	<u>\$3,172,053</u>	<u>\$ 8,401</u>	<u>\$1,270,807</u>	<u>\$10,866,784</u>

See Notes to Financial Statements.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Waukee is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Clerk/Administrator form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Waukee provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. It also operates the water, sewer, gas, storm water and solid waste utilities and the public golf course.

The financial statements of the City of Waukee, Iowa, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

Reporting Entity

For financial reporting purposes, the City of Waukee has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Waukee (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Component Unit

The Waukee Public Library Foundation has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable, educational and literary purposes for the enhancement and improvement of the Waukee Public Library. In accordance with criteria set by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the City.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Des Moines Area Metropolitan Planning Board, Central Iowa Regional Drinking Water Commission, Dallas County Housing Trust Fund Board, and Greater Dallas County Development Alliance.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Position presents the City's assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets. The related debt excludes unspent debt proceeds of \$406,411 in the general fund, \$1,595,621 in the capital projects fund and \$553,596 in the sewer fund.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. 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 and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds and proprietary funds are aggregated and reported as nonmajor governmental and nonmajor proprietary funds.

The City reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue

Urban Renewal TIF is used to account for revenues from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal projects.

The Employee Benefits Fund is used to account for property tax levied to finance the payment of employee benefits.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Capital Projects Fund

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Debt Service Fund

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

Enterprise

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

The Gas Fund is used to account for the operation and maintenance of the City's gas system.

The Golf Fund is used to account for the operation and maintenance of the City's municipal golf course.

Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

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 City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments

The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments consist of non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Taxes Receivable, Including Tax Increment Financing

Property tax, including tax increment financing, in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Delinquent property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2013 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Taxes Receivable, Including Tax Increment Financing (continued)

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2012.

Special Assessments Receivable

Special assessments receivable represents the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than ten nor more than twenty annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other tax.

Customer Accounts and Unbilled Usage

Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due from and Due to Other Funds

During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories

Inventories are valued at cost using the first-in/first-out method. Inventories in the Enterprise Funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets

There are bond covenants that require the City to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt and for improvements to the enterprise funds. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets, which include property, equipment and vehicles and infrastructure assets acquired after July 1, 1980 (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position and in the Proprietary Funds Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Fund Type</u>	<u>Amount</u>
Governmental	\$2,500
Proprietary	5,000

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated useful lives</u>
Buildings	40-50 years
Improvements other than buildings	20-50 years
Vehicles	10-15 years
Equipment	5-30 years
Infrastructure	15-20 years

Compensated Absences

City employees accumulate a limited amount of earned but unused vacation for subsequent use. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current year or collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists primarily of succeeding year property tax receivable, federal grant receivables and special assessments receivable not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

Long-Term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Position and the proprietary fund Statement of Net Position.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Liabilities (continued)

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the preceding classifications.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the debt service function.

NOTE 2 CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City has no investments meeting the disclosure requirement of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 3 ALLOWANCES FOR COLLECTION LOSSES

Allowances have been made for estimated collection losses on the following receivable amounts:

	<u>Gross receivables</u>	<u>Allowance for collection losses</u>	<u>Net receivables</u>
Customer accounts and unbilled usage			
Water Fund	\$ 328,949	\$ 850	\$ 328,099
Sewer Fund	270,086	400	209,686
Gas Fund	129,500	1,750	127,750
Golf	841	-	841
Nonmajor proprietary funds	<u>134,769</u>	<u>-</u>	<u>134,769</u>
Totals	<u>\$ 864,145</u>	<u>\$ 3,000</u>	<u>\$ 861,145</u>
Other			
General	<u>\$ 227,603</u>	<u>\$ 32,000</u>	<u>\$ 195,603</u>
Capital projects	<u>\$ 118,838</u>	<u>\$ -</u>	<u>\$ 118,838</u>

NOTE 4 LEASING ACTIVITIES

The City, as lessor, has entered into various leases with outside parties.

The City leases office space under an operating lease agreement dated September 12, 2011 expiring August 31, 2021, with termination rights with 24 months written notice and with one ten year renewal option at the same terms and conditions. Lessee is responsible for the payment of all utilities, real estate taxes and special assessments. The lease calls for monthly payments of \$2,140 from September 1, 2011 through August 31, 2016 and \$2,340 from September 1, 2016 through August 31, 2021.

The City leases space on a water tower under an operating lease agreement dated June 4, 2012 expiring March 31, 2017, with four five-year renewal options at the same terms and conditions. The lease calls for annual payments of \$26,400 with annual 3% escalating increases.

The City leases farm land under two operating lease agreements dated April 1, 2013 and May 1, 2013, respectively, expiring December 15, 2013 and December 31, 2016, respectively. The leases automatically renew annually at the same terms and conditions unless written notice is given then they expire March 1, 2013. The leases call for annual payments of \$80,620 and \$5,000, respectively.

The total minimum future lease payments receivable under the operating leases at June 30, 2013 are as follows:

<u>Year ending June 30</u>	<u>Office Space</u>	<u>Water Tower Space</u>	<u>Farm Land</u>	<u>Total</u>
2014	\$ 25,675	\$ 28,007	\$ 45,310	\$ 98,992
2015	25,675	28,848	5,000	59,523
2016	25,675	29,713	5,000	60,388
2017	27,675	-	-	27,675
2018	28,075	-	-	28,075
Thereafter	<u>86,565</u>	<u>-</u>	<u>-</u>	<u>86,565</u>
	<u>\$ 219,340</u>	<u>\$ 86,568</u>	<u>\$ 55,310</u>	<u>\$ 361,218</u>

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 was as follows:

	<u>Balance beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance end of year</u>
Primary Government				
Governmental activities				
Capital assets not being depreciated				
Land	\$ 8,753,494	\$ —	\$ 57,485	\$ 8,696,009
Construction in progress	8,956,473	5,474,277	9,207,653	5,223,097
Total capital assets not being depreciated	<u>17,709,967</u>	<u>5,474,277</u>	<u>9,265,138</u>	<u>13,919,106</u>
Capital assets being depreciated				
Buildings	6,584,795	7,250	—	6,592,045
Improvements other than buildings	18,621,935	9,246,250	—	27,868,185
Equipment	4,831,105	329,019	290,935	4,869,189
Infrastructure, road network	<u>77,019,996</u>	<u>3,384,261</u>	<u>—</u>	<u>80,404,257</u>
Total capital assets being depreciated	<u>107,057,831</u>	<u>12,966,780</u>	<u>290,935</u>	<u>119,733,676</u>
Less accumulated depreciation for				
Buildings	1,877,848	178,099	—	2,055,947
Improvements other than buildings	2,368,849	1,519,144	—	3,887,993
Equipment	3,565,973	366,246	253,097	3,679,122
Infrastructure, road network	<u>28,456,073</u>	<u>2,971,217</u>	<u>—</u>	<u>31,427,290</u>
Total accumulated depreciation	<u>36,268,743</u>	<u>5,034,706</u>	<u>253,097</u>	<u>41,050,352</u>
Total capital assets being depreciated, net	<u>70,789,088</u>	<u>7,932,074</u>	<u>37,838</u>	<u>78,683,324</u>
Governmental activities capital assets, net	<u>\$ 88,499,055</u>	<u>\$13,406,351</u>	<u>\$ 9,302,976</u>	<u>\$ 92,602,430</u>
Business type activities				
Capital assets not being depreciated				
Land	\$ 1,226,032	\$ —	\$ —	\$ 1,226,032
Construction in progress	12,222,730	775,617	12,521,172	477,175
Total capital assets not being depreciated	<u>13,448,762</u>	<u>775,617</u>	<u>12,521,172</u>	<u>1,703,207</u>
Capital assets being depreciated				
Buildings	542,282	15,204	—	557,486
Equipment	3,103,143	289,613	133,367	3,259,389
Infrastructure, water and sewer network	<u>32,446,194</u>	<u>16,382,081</u>	<u>—</u>	<u>48,828,275</u>
Total capital assets being depreciated	<u>36,091,619</u>	<u>16,686,898</u>	<u>133,367</u>	<u>52,645,150</u>
Less accumulated depreciation for				
Buildings	157,784	13,203	—	170,987
Equipment	1,752,940	305,773	71,329	1,987,384
Infrastructure, water and sewer network	<u>10,908,494</u>	<u>1,183,856</u>	<u>—</u>	<u>12,092,350</u>
Total accumulated depreciation	<u>12,819,218</u>	<u>1,502,832</u>	<u>71,329</u>	<u>14,250,721</u>
Total capital assets being depreciated, net	<u>23,272,401</u>	<u>15,184,066</u>	<u>62,038</u>	<u>38,394,429</u>
Business type activities capital assets, net	<u>\$ 36,721,163</u>	<u>\$15,959,683</u>	<u>\$12,583,210</u>	<u>\$ 40,097,636</u>

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities	
Public safety	\$ 217,370
Public works	4,551,367
Culture and recreation	184,601
General government	<u>81,368</u>
Total depreciation expense--governmental activities	<u>\$5,034,706</u>
Business type activities	
Water	\$ 522,647
Sewer	562,341
Gas	319,198
Storm water	65,780
Golf	<u>32,866</u>
Total depreciation expense--business type activities	<u>\$1,502,832</u>

NOTE 6 CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	<u>Balance beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance end of year</u>	<u>Due within one year</u>
Governmental activities					
General obligation bonds/notes	\$21,438,825	\$9,290,000	\$5,633,706	\$25,095,119	\$3,879,926
Revenue bonds	1,345,000	-	130,000	1,215,000	135,000
Special assessment notes	275,000	-	33,000	242,000	35,000
Compensated absences	161,012	161,605	161,012	161,605	29,211
Net OPEB liability	<u>165,741</u>	<u>55,015</u>	<u>-</u>	<u>220,756</u>	<u>-</u>
Totals	<u>\$23,385,578</u>	<u>\$9,506,620</u>	<u>\$5,957,718</u>	<u>\$26,934,480</u>	<u>\$4,079,137</u>
Business type activities					
Capital leases	\$ 39,518	\$ -	\$ 38,334	\$ 1,184	\$ 1,184
General obligation bonds/notes	124,109	-	31,093	93,016	31,093
Des Moines Water Works bonds	2,058,662	-	605,891	1,452,771	454,310
Revenue bonds/notes	5,788,699	3,810,000	648,538	8,950,161	752,841
Compensated absences	53,187	50,530	53,187	50,530	50,530
Net OPEB liability	<u>52,602</u>	<u>16,074</u>	<u>-</u>	<u>68,676</u>	<u>-</u>
Totals	<u>\$ 8,116,777</u>	<u>\$3,876,604</u>	<u>\$1,377,043</u>	<u>\$10,616,338</u>	<u>\$1,289,958</u>

Bond/Note Issuance Costs

Bond/note issuance costs are amortized using the straight-line method over the life of the bonds/notes.

Eighteen issues of unmatured general obligation bonds/notes, totaling \$24,880,337, are outstanding at June 30, 2013. General obligation bonds/notes bear interest at rates ranging from 0.5% to 4.5% and mature in varying annual amounts, ranging from \$23,569 to \$940,000, with the final maturities due in the year ending June 30, 2028.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 6 CHANGES IN LONG-TERM LIABILITIES (continued)

One issue of unmatured revenue notes, totaling \$1,215,000, is outstanding at June 30, 2013. The notes bear interest at 3.0% to 3.9% and mature in annual amounts of \$135,000 to \$175,000, with final maturity due in the year ending June 30, 2021.

One issue of unmatured special assessment notes, totaling \$242,000, is outstanding at June 30, 2013. The notes bear interest at 2.95% to 4.55% and mature in annual amounts of \$35,000 to \$46,000, with final maturity due in the year ending June 30, 2019.

Details of general obligation and revenue bonds/notes payable and special assessment notes at June 30, 2013 are as follows:

<u>Governmental activities</u>	<u>Date of issue</u>	<u>Interest rates</u>	<u>Final due date</u>	<u>Annual payments</u>	<u>Amount of original issue</u>	<u>Outstanding June 30, 2013</u>
General Obligation Bonds and Notes						
Golf Course	June 1, 2010	3.75	June 1, 2015	\$ 48,542 - 329,176	\$ 516,190	\$ 377,718
Corporate Purpose	February 1, 2006	3.65-3.95	June 1, 2019	110,000 - 140,000	1,200,000	750,000
Urban Renewal Projects	July 12, 2006	4.00	June 1, 2014	420,000	4,950,000	420,000
Urban Renewal Projects	October 10, 2007	4.00	June 1, 2014	540,000	6,650,000	540,000
Sewer Project	April 8, 2008	3.75-4.20	June 1, 2021	95,000 - 120,000	1,275,000	855,000
Ambulance	August 6, 2008	4.25	July 15, 2013	23,569	110,000	23,569
Urban Renewal 2008C	December 15, 2008	3.45-4.50	June 1, 2022	155,000 - 215,000	2,200,000	1,635,000
Urban Renewal 2009A	April 28, 2009	2.80-3.50	June 1, 2017	125,000 - 140,000	1,055,000	520,000
Urban Renewal 2009B	April 28, 2009	2.80-3.30	June 1, 2016	430,000 - 940,000	5,345,000	1,815,000
General Obligation 2010A	June 2, 2010	2.25-3.50	June 1, 2022	110,000 - 140,000	1,435,000	1,115,000
General Obligation 2010B	June 2, 2010	1.75-3.60	June 1, 2021	150,000 - 185,000	1,745,000	1,315,000
General Obligation						
Golf Course Equipment	March 15, 2011	3.40	June 1, 2016	30,830 - 31,093	155,202	93,016
Ambulance	August 30, 2011	2.90	June 1, 2016	32,815 - 34,432	165,000	101,034
General Obligation 2012A	June 14, 2012	1.50-2.00	June 1, 2020	100,000 - 480,000	2,680,000	2,205,000
General Obligation 2012B	June 14, 2012	1.50-3.00	June 1, 2021	340,000 - 695,000	4,220,000	4,220,000
Urban Renewal 2012D	December 28, 2012	2.00	June 1, 2021	400,000 - 445,000	3,745,000	3,350,000
General Obligation 2013B	May 28, 2013	2.00-3.00	June 1, 2028	100,000 - 350,000	3,280,000	3,280,000
General Obligation						
Refunding 2013C	May 28, 2013	0.50-1.35	June 1, 2020	270,000 - 485,000	2,265,000	2,265,000
Revenue Bonds						
Urban Renewal 2010C	June 2, 2010	3.0-3.90	June 1, 2021	135,000 - 175,000	1,590,000	1,215,000
Special Assessment Notes						
Sewer Improvements	May 5, 2009	2.95-4.55	December 1, 2018	33,000 - 46,000	362,000	242,000

On May 28, 2013, the City issued \$2,265,000 of general obligation urban renewal refunding bonds at a discount of \$6,820 for the purpose of refunding a portion of the Urban Renewal Projects Series 2006B, payments due after June 30, 2015. As a result of this refunding, the City reduced its debt service requirements by \$153,015 for a present value savings of \$150,780.

The City has pledged future tax increment revenues to repay the \$1,345,000 of bonds issued June, 2010. The Urban Renewal revenue bonds were issued for the purpose of defraying a portion of the cost of an urban renewal project. The bonds are payable solely from the proceeds of the tax increment revenues received by the City and are payable through 2021. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Annual principal and interest payments on the bonds are expected to require approximately 8 percent of the tax increment revenues. The total principal and interest remaining to be paid on the notes is \$1,419,040. For the current year, \$174,505 principal and interest was paid on the bonds and total tax increment revenues were \$3,427,898.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 6 CHANGES IN LONG-TERM LIABILITIES (continued)

The covenants providing for the issuance of the Revenue Bonds include the following provisions.

- a) The City must maintain the urban renewal project area, and the ordinance implementing the tax increment mechanism in force and will annually cause the incremental taxes thereof to be levied in an amount not less than the principal and interest coming due within the year.
- b) The City must maintain proper books and prepare special bond reports, which are to be audited within 210 days of the City's fiscal year end and made available to bondholders.
- c) The City must comply with the Constitution and laws of Iowa related to each bond issue.

The Revenue bonds also have a stated reserve requirement that is calculated as the lesser of (a) 10 percent of the stated principal amount on the bonds and parity obligations or (b) the maximum annual debt service coming due on the bonds and other parity obligations, or (c) 125 percent of the average annual principal and interest coming due on the bonds. The City has established a reserve amount of \$121,500.

A summary of the bond/note principal and interest maturities by type of bond/note is as follows:

<u>Year ending June 30</u>	<u>General Obligation</u>			<u>Special Assessment</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,911,019	\$ 761,995	\$ 4,673,014	\$ 35,000	\$ 8,561	\$ 43,561
2015	3,799,056	506,851	4,305,907	37,000	7,443	44,443
2016	3,555,262	423,926	3,979,188	39,000	6,160	45,160
2017	3,125,000	348,383	3,473,383	41,000	4,698	45,698
2018	2,590,000	278,675	2,868,675	44,000	3,006	47,006
2019-2022	<u>7,900,000</u>	<u>550,835</u>	<u>8,450,835</u>	<u>46,000</u>	<u>1,046</u>	<u>47,046</u>
Subtotal	24,880,337	2,870,665	27,751,002	242,000	30,914	272,914
Plus unamortized premium	<u>307,798</u>	<u>—</u>	<u>307,798</u>	<u>—</u>	<u>—</u>	<u>—</u>
Totals	<u>\$25,188,135</u>	<u>\$2,870,665</u>	<u>\$28,058,800</u>	<u>\$ 242,000</u>	<u>\$ 30,914</u>	<u>\$ 272,914</u>

<u>Year ending June 30</u>	<u>Revenue</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 135,000	\$ 41,255	\$ 176,255
2015	135,000	37,205	172,205
2016	140,000	33,155	173,155
2017	145,000	28,955	173,955
2018	155,000	24,315	179,315
2019-2021	<u>505,000</u>	<u>39,155</u>	<u>544,155</u>
Totals	<u>\$1,215,000</u>	<u>\$ 204,040</u>	<u>\$1,419,040</u>

Seven issues of unmatured revenue notes, totaling \$9,043,375, are outstanding at June 30, 2013. These notes bear interest at rates ranging from 2.00% to 4.70% and mature in varying annual amounts, ranging from \$28,000 to \$610,534, with the final maturities due in the year ending June 30, 2032.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 6 CHANGES IN LONG-TERM LIABILITIES (continued)

The resolutions providing for the issuance of the revenue notes and bonds include the following provisions:

- (1) The notes/bonds will only be redeemed from the future earnings of the enterprise activity and the note/bondholders hold a lien on the future earnings of the funds.
- (2) Sufficient monthly transfers shall be made to sewer, gas and golf course note/bond and interest sinking funds for the purpose of making the note/bond principal and interest payments when due.
- (3) Additional monthly transfers shall be made to sewer, gas and golf course reserve funds until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying note/bond principal and interest payments due when insufficient money is available in the sinking funds.

During the year ended June 30, 2013, the City was in compliance with the revenue note/bond provisions.

The City has pledged future sewer, golf, and gas customer revenues, net of specified operating expenses, to repay \$12,989,000 in revenue notes issued from 1998 to 2013. Proceeds from the notes provided financing for construction of improvements to the facilities and infrastructure. The notes are payable solely from customer net revenues and are payable through 2032. Annual principal and interest payments on the notes are expected to require less than net revenues. The total principal and interest remaining to be paid on the notes is \$11,218,752. For the current year, principal and interest paid and total customer net revenues were \$938,480 and \$4,236,596, respectively.

Details of revenue notes and bonds payable at June 30, 2013 are as follows:

<u>Business Type activities</u>	<u>Date of issue</u>	<u>Interest rates</u>	<u>Final due date</u>	<u>Annual payments</u>	<u>Amount of original issue</u>	<u>Outstanding June 30, 2013</u>
Revenue Notes and Bonds						
Water						
Revenue Capital Loan 2012C	September 5, 2012	2.00 - 4.10	June 1, 2032	\$100,000 - 185,000	\$2,625,000	\$2,525,000
Sewer						
Bonds-Series 1998A	October 8, 1998	3.00	June 1, 2018	28,000 - 33,000	455,748	151,000
Bonds-Series 1998B	October 8, 1998	3.00	June 1, 2018	57,000 - 68,000	945,252	314,000
Bonds Series 1998C	October 8, 1998	3.00	June 1, 2018	70,000 - 82,000	1,178,000	380,000
Revenue Capital Loan 2013A	March 1, 2013	2.00 - 2.50	June 1, 2024	100,000 - 120,000	1,185,000	1,185,000
Golf Course						
Revenue Note	March 4, 2005	4.45	June 1, 2015	42,841 - 610,534	925,000	653,375
Gas						
Revenue Note	July 9, 2007	4.50-4.70	June 1, 2022	355,000 - 505,000	5,675,000	3,835,000

<u>Year ending June 30</u>	<u>Revenue Notes/Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 752,841	\$ 335,928	\$ 1,088,769
2015	1,342,534	303,190	1,645,724
2016	764,000	250,969	1,014,969
2017	786,000	224,249	1,010,249
2018	818,000	196,644	1,014,644
2019-2023	3,050,000	576,772	3,626,772
2024-2028	835,000	215,735	1,050,735
2029-2032	<u>695,000</u>	<u>71,890</u>	<u>766,890</u>
Subtotal	9,043,375	2,175,377	11,218,752
Less unamortized discount	<u>(93,214)</u>	<u>-</u>	<u>(93,214)</u>
Totals	<u>\$8,950,161</u>	<u>\$2,175,377</u>	<u>\$11,125,538</u>

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 6 CHANGES IN LONG-TERM LIABILITIES (continued)

One issue of unmatured Des Moines Water Works refunding bonds, totaling \$1,452,771, is outstanding at June 30, 2013. These notes bear interest at rates ranging from 2.0% - 3.0% and mature in annual amounts ranging from \$134,938 to \$474,098, with the final maturity due in the year ending June 30, 2017.

A summary of the City of Waukee's share of the principal and interest on the bonds issued by Des Moines Water Works is as follows:

<u>Year ending June 30</u>	Des Moines Water Works 2006 Water Refunding Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 454,310	\$ 43,430	\$ 497,740
2015	474,098	29,954	504,052
2016	389,425	15,731	405,156
2017	<u>134,938</u>	<u>4,048</u>	<u>138,986</u>
Totals	<u>\$1,452,771</u>	<u>\$ 93,163</u>	<u>\$1,545,934</u>

As of June 30, 2013, the general obligation debt issued by the City did not exceed its legal debt limit computed as follows:

Actual valuation	<u>\$1,099,903,105</u>
Debt limit - 5% of total actual valuation	<u>\$54,995,155</u>
Debt applicable to debt limit	
General obligation bonded debt outstanding	\$24,880,337
Urban Renewal revenue bonds outstanding	1,215,000
Tax increment financing debt outstanding	<u>3,667,000</u>
Total debt subject to debt limit	<u>\$29,762,337</u>
Percentage of debt limit	54.12%

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 7 INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Employee Benefits	\$1,039,000
Debt Service	Governmental Funds	
	General	60,445
	Urban Renewal TIF	1,179,443
	Nonmajor Governmental Funds	761,222
	Enterprise	
	Water	185,255
	Sewer	159,333
	Gas	106,698
	Golf	<u>35,008</u>
		<u>2,487,404</u>
Capital Projects	Urban Renewal TIF	151,453
Nonmajor Enterprise Funds	Debt Service	<u>40,000</u>
Total		<u>\$3,717,857</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NOTE 8 DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise—Gas Fund	General Fund	\$ 18,821
Enterprise—Gas Fund	Nonmajor Enterprise Funds	53,889
General	Enterprise Golf Course	85,000
General	Nonmajor governmental Funds	5,940
Enterprise—Water Fund	Enterprise Golf Course	<u>100,000</u>
Total		<u>\$ 263,650</u>

These balances result from interfund loans to finance projects. Repayments will be made from future revenues.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$423,241, \$373,851 and \$328,117, respectively, equal to the required contributions for each year.

NOTE 10 RISK MANAGEMENT

The City of Waukee is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2013 were \$177,151.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 10 RISK MANAGEMENT (continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2013, no liability has been recorded in the City's financial statements. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Self-insurance

On July 1, 2008, the City adopted a partially self funded-insured medical expense reimbursement plan which provides medical benefits to its employees and their dependants. The plan is funded by both employee and City contributions and is administered through a service agreement with Wellmark Blue Cross Blue Shield of Iowa. The uninsured risk retention per person is based on coverage selected and whether the claims are in or out of the network. There has been no significant reduction in insurance coverage under the plan from prior years. Amounts payable for incurred but not reported (IBNR) claims were \$6,850 at June 30, 2013.

NOTE 11 COMMITMENTS

The City entered into contract commitments with contractors for the completion of several infrastructure construction projects. The total contract commitments are approximately \$8,636,000 of which approximately \$4,957,000 has been incurred as of June 30, 2013. The unpaid commitment balance is approximately \$3,679,000 which will be funded by current reserves in the capital projects funds.

NOTE 12 TAX INCREMENT FINANCING DEBT

Urban renewal tax increment financing debt was issued for the purpose of defraying a portion of the costs of carrying out urban renewal projects of the City. The debt is payable solely from the income and proceeds of the Urban Renewal TIF and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The debt is not a general obligation of the City, however, the debt is subject to the constitutional debt limitation of the City. At June 30, 2013, approximately \$3,667,000 is outstanding.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The City operates a single-employer retiree benefit plan which provides healthcare benefits for retirees and their spouses and dependents. There are both active and retired members in the plan. Participants must be age 55 or older at retirement.

The healthcare benefit plans are self-insured and are administered by a third party. The benefits are provided in the form of an implicit rate subsidy where pre 65 retirees receive health insurance coverage by paying a combined retiree/active rate which results in an implicit rate subsidy and an OPEB liability. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for June 30, 2013, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution, ARC	\$ 74,000
Interest on net OPEB obligation	4,367
Adjustment to annual required contribution	<u>(7,278)</u>
Annual OPEB cost	71,089
Contributions made	<u>—</u>
Increase in net OPEB obligation	71,089
Net OPEB obligation, beginning of year	<u>218,344</u>
Net OPEB obligation, end of year	<u>\$ 289,433</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the City made no contributions to the plan. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2013 are summarized as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB cost</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB obligation</u>
June 30, 2011	\$ <u>73,344</u>	<u>0.0%</u>	\$ <u>146,344</u>
June 30, 2012	\$ <u>72,000</u>	<u>0.0%</u>	\$ <u>218,344</u>
June 30, 2013	\$ <u>71,089</u>	<u>0.0%</u>	\$ <u>289,433</u>

As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2013, the actuarial accrued liability was \$360,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of \$360,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,633,000, and the ratio of the UAAL to the covered payroll was 7.8%. As of June 30, 2013, there were no trust fund assets.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2011 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 2.0% discount rate based on the City's funding policy. The projected annual medical trend rate is 10.0%. The ultimate medical trend rate is 5.0%. The medical trend rate is reduced 0.5% each year until reaching the 5.0% ultimate trend rate.

Mortality rates are from the RP2000 Mortality Tables, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the Actuary's Pension Handbook.

Projected claim costs of the healthcare plan are approximately \$1,208 per month for retirees. The salary increase rate was assumed to be 2.0% per year. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

NOTE 14 JOINT VENTURE

The City is a participating community in the Des Moines Metropolitan Wastewater Reclamation Authority joint venture. This joint venture provides primary and secondary treatment of the sewer flows for the participating communities. The Amended and Restated Agreement for the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) was effective on July 1, 2004. This agreement amended and restated the previous Integrated Community Area (I.C.A.) Agreement to provide continued operation, improvements and expansion. The WRA Agreement establishes the WRA as a separate legal entity with its own Board. The WRA Agreement creates an independent governance structure, establishes an independent bonding authority for the WRA and provides a framework for additional communities to participate.

Annually, the WRA establishes an allocation to all participating communities based on operations, maintenance, debt service and reserve requirements. Allocations are based on wastewater reclamation facility flows and are adjusted prospectively for differences in budgeted flows and actual flows.

The City retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation. Although the debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any of the bonds issued during the time the entity was a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2004B and 2006A include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 14 JOINT VENTURE (continued)

The WRA Sewer Revenue Bonds Series 2004B bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2013, the Series 2004B bonds had a balance of \$56,420,000 and the City of Waukee's estimated future allocation based on the WRA flows was \$1,817,743.

The WRA Sewer Revenue Bonds Series 2006A bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2013, the Series 2006A bonds had a balance of \$34,145,000 and the City of Waukee's estimated future allocation based on the WRA flows is currently \$1,108,345.

The 2008 State Revolving Fund (SRF) Loan was issued for capital expansion. The WRA Agreement requires the debt service on this loan to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2013, the 2008 SRF loan had a balance of \$219,873,118 and the City of Waukee's estimated future allocation based on the WRA flows was \$6,310,158.

The WRA Agreement does not provide for the determination of an equity interest for the participating communities. Withdrawing from the joint venture is a forfeit of all reversionary interest and no compensation will be paid. Since there is no specific and measurable equity interest in the WRA Agreement, no investment in the joint venture has been reported by the City.

The WRA issues separate financial statements that may be obtained at 3000 Vandalia Road, Des Moines, Iowa 50317-01346.

NOTE 15 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the City. The statements which may impact the City are as follows:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, will be effective for the City beginning with its year ending June 30, 2014. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, will be effective for the City beginning with its year ending June 30, 2014. This Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, will be effective for the City beginning with its year ending June 30, 2015. This Statement is to improve accounting and financial reporting by state and local governments for pensions.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 15 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS (continued)

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, will be effective for the City beginning with its year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

Summary of Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, will be effective for the City beginning with its year ending June 30, 2015. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

The City's management has not yet determined the effect these Statements will have on the City's financial statements.

NOTE 16 SUBSEQUENT EVENTS

The City refinanced Sewer Revenue Notes Series 1998 on August 5, 2013 lowering the interest rates from 3.0% to 1.75%.

NOTE 17 DEFICIT BALANCES

At June 30, 2013, funds with deficit balances were as follows:

Employee Benefits Fund	<u>\$2,929</u>
Golf Fund	<u>\$9,984</u>

The employee benefit deficit balance is the result of timing differences in tax receipts. The deficit will be eliminated with future tax receipts. The golf deficit balance is the result of required interest payments in excess of operating revenues. The deficit will be eliminated by future revenues.

REQUIRED SUPPLEMENTARY INFORMATION

City of Waukee, Iowa
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
Required Supplementary Information
(In Thousands)

<u>Fiscal year ended</u>	<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a percentage of covered payroll ((b - a)/c)</u>
June 30, 2010	July 1, 2008	\$ <u>—</u>	<u>\$265</u>	<u>\$265</u>	<u>0.0%</u>	<u>\$3,866</u>	<u>6.9%</u>
June 30, 2011	July 1, 2008	\$ <u>—</u>	<u>\$265</u>	<u>\$265</u>	<u>0.0%</u>	<u>\$4,144</u>	<u>6.4%</u>
June 30, 2012	July 1, 2011	\$ <u>—</u>	<u>\$360</u>	<u>\$360</u>	<u>0.0%</u>	<u>\$4,491</u>	<u>8.0%</u>
June 30, 2013	July 1, 2011	\$ <u>—</u>	<u>\$360</u>	<u>\$360</u>	<u>0.0%</u>	<u>\$4,633</u>	<u>7.8%</u>

See Note 13 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost, Net OPEB Obligation, funded status and funding progress.

City of Waukee, Iowa
**BUDGETARY COMPARISON SCHEDULE OF REVENUES,
EXPENDITURES/EXPENSES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**
Required Supplementary Information
Year ended June 30, 2013

	<u>Governmental funds actual</u>	<u>Proprietary funds actual</u>	<u>Less funds not required to be budgeted</u>	<u>Total actual</u>
REVENUES				
Property tax	\$ 7,133,514	\$ -	\$ -	\$ 7,133,514
Tax increment financing	3,427,898	-	-	3,427,898
Other city tax	39,355	-	-	39,355
Licenses and permits	639,233	-	-	639,233
Use of money and property	210,762	1,090,479	5,139	1,296,102
Intergovernmental	3,713,932	-	-	3,713,932
Charges for services	728,310	12,124,829	254,939	12,598,200
Miscellaneous	<u>1,058,091</u>	<u>195,870</u>	<u>130,514</u>	<u>1,123,447</u>
Total revenues	<u>16,951,095</u>	<u>13,411,178</u>	<u>390,592</u>	<u>29,971,681</u>
EXPENDITURES/EXPENSES				
Public safety	2,912,583	-	-	2,912,583
Public works	1,580,884	-	-	1,580,884
Health and social services	12,750	-	-	12,750
Culture and recreation	2,010,987	-	711,204	1,299,783
Community and economic development	618,937	-	-	618,937
General government	785,443	-	-	785,443
Debt service	4,642,544	-	-	4,642,544
Capital projects	5,976,606	-	-	5,976,606
Business type activities	-	9,475,002	-	9,475,002
Nonprogram	-	<u>234,043</u>	<u>234,043</u>	-
Total disbursements	<u>18,540,734</u>	<u>9,709,045</u>	<u>945,247</u>	<u>27,304,532</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	<u>(1,589,639)</u>	<u>3,702,133</u>	<u>(554,655)</u>	<u>2,667,149</u>
OTHER FINANCING SOURCES, NET	<u>7,866,260</u>	<u>(446,294)</u>	<u>-</u>	<u>7,419,966</u>
Excess of revenues and other financing sources over disbursements and other financing uses	6,276,621	3,255,839	(554,655)	10,087,115
BALANCES, beginning of year	<u>7,217,484</u>	<u>37,598,817</u>	<u>764,183</u>	<u>44,052,118</u>
BALANCES, end of year	<u>\$13,494,105</u>	<u>\$40,854,656</u>	<u>\$ 209,528</u>	<u>\$54,139,233</u>

See accompanying independent auditor's report.

<u>Budgeted amounts</u>		<u>Final to actual variance</u>
<u>Original</u>	<u>Final</u>	
\$ 7,087,663	\$ 7,087,663	\$ 45,851
3,468,863	3,468,863	(40,965)
2,099,847	2,099,847	(2,060,492)
656,590	688,130	(48,897)
251,953	299,330	996,772
12,706,285	12,737,955	(9,024,023)
13,044,272	14,079,753	(1,481,553)
<u>1,003,500</u>	<u>1,144,098</u>	<u>(20,651)</u>
<u>40,318,973</u>	<u>41,605,639</u>	<u>(11,633,958)</u>
3,233,600	3,776,910	864,327
2,158,898	2,323,293	742,409
18,500	12,750	-
1,382,260	1,388,247	88,464
698,975	646,965	28,028
1,009,470	846,615	61,172
4,051,680	4,557,099	(85,445)
28,657,200	28,157,200	22,180,594
12,794,781	15,976,207	6,501,205
<u>-</u>	<u>-</u>	<u>-</u>
<u>54,005,364</u>	<u>57,685,286</u>	<u>30,380,754</u>
<u>(13,686,391)</u>	<u>(16,079,647)</u>	<u>18,746,796</u>
<u>14,709,075</u>	<u>19,024,487</u>	<u>(11,604,521)</u>
1,022,684	2,944,840	7,142,275
<u>23,417,026</u>	<u>23,417,026</u>	<u>20,635,092</u>
<u>\$24,439,710</u>	<u>\$26,361,866</u>	<u>\$27,777,367</u>

City of Waukee, Iowa
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
Year ended June 30, 2013

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function expenditures/expenses required to be budgeted include expenditures/expenses for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function expenditures/expenses by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted expenditures/expenses by \$3,679,922. This budget amendment is reflected in the final budgeted amounts.

The City of Waukee, Iowa prepares its budget on the modified accrual basis for the governmental fund types and the accrual basis for the proprietary fund types which is consistent with generally accepted accounting principles. During the year ended June 30, 2013, disbursements in the debt service function exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

**City of Waukee
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013**

	Special Revenue Funds				Debt service	
	Road Use Tax	Enterprise Business Park TIF	Library Foundation	Hickman West Industrial Park TIF	Special Assessments	Total
ASSETS						
Cash and pooled investments	\$ 742,279	\$ 431,990	\$ 141,640	\$1,477,154	\$ 164,899	\$2,957,962
Receivables						
Property tax						
Special assessments	-	-	-	-	388,935	388,935
Prepaid insurance	<u>9,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,983</u>
Total assets	<u>\$ 752,262</u>	<u>\$ 431,990</u>	<u>\$ 141,640</u>	<u>\$1,477,154</u>	<u>\$ 553,834</u>	<u>\$3,356,880</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 65,445	\$ -	\$ -	\$ -	\$ 37,992	\$ 103,437
Compensated absences	1,101	-	-	-	-	1,101
Deferred revenue						
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>388,935</u>	<u>388,935</u>
Total liabilities	<u>66,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>426,927</u>	<u>493,473</u>
FUND BALANCES						
Fund balances						
Nonspendable	9,983	-	-	-	-	9,983
Restricted for						
Debt service	-	-	-	-	126,907	126,907
Other purposes	<u>675,733</u>	<u>431,990</u>	<u>141,640</u>	<u>1,477,154</u>	<u>-</u>	<u>2,726,517</u>
Total fund balances	<u>685,716</u>	<u>431,990</u>	<u>141,640</u>	<u>1,477,154</u>	<u>126,907</u>	<u>2,863,407</u>
Total liabilities and fund balances	<u>\$ 752,262</u>	<u>\$ 431,990</u>	<u>\$ 141,640</u>	<u>\$1,477,154</u>	<u>\$ 553,834</u>	<u>\$3,356,880</u>

See accompanying independent auditor's report.

City of Waukee
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2013

	<u>Special Revenue Funds</u>				<u>Debt service</u>	
	<u>Road Use Tax</u>	<u>Enterprise Business Park TIF</u>	<u>Library Foundation</u>	<u>Hickman West Industrial Park TIF</u>	<u>Special Assessments</u>	<u>Total</u>
REVENUES						
Tax increment financing collections	\$ -	\$ 275,404	\$ -	\$ 659,994	\$ -	\$ 935,398
Other city tax	-	-	-	-	30,698	30,698
Use of money and property	-	616	4,909	2,035	18,700	26,260
Intergovernmental	1,320,611	-	-	-	-	1,320,611
Miscellaneous	34,109	-	121,233	-	-	155,342
Total revenues	<u>1,354,720</u>	<u>276,020</u>	<u>126,142</u>	<u>662,029</u>	<u>49,398</u>	<u>2,468,309</u>
EXPENDITURES						
Operating						
Public works	811,603	-	-	-	-	811,603
Culture and recreation	-	-	711,204	-	-	711,204
Debt service						
Principal	-	-	-	-	33,000	33,000
Interest	-	-	-	-	9,530	9,530
Capital projects	160,551	-	-	-	-	160,551
Total expenditures	<u>972,154</u>	<u>-</u>	<u>711,204</u>	<u>-</u>	<u>42,530</u>	<u>1,725,888</u>
Excess of revenues over expenditures	<u>382,566</u>	<u>276,020</u>	<u>(585,062)</u>	<u>662,029</u>	<u>6,868</u>	<u>742,421</u>
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	9,250	-	-	-	-	9,250
Operating transfers (out)	(23,172)	(231,650)	-	(506,400)	-	(761,222)
Total other financing sources (uses)	<u>(13,922)</u>	<u>(231,650)</u>	<u>-</u>	<u>(506,400)</u>	<u>-</u>	<u>(751,972)</u>
NET CHANGES IN FUND BALANCES	368,644	44,370	(585,062)	155,629	6,868	(9,551)
FUND BALANCES BEGINNING OF YEAR	<u>317,072</u>	<u>387,620</u>	<u>726,702</u>	<u>1,321,525</u>	<u>120,039</u>	<u>2,872,958</u>
FUND BALANCES END OF YEAR	<u>\$ 685,716</u>	<u>\$ 431,990</u>	<u>\$ 141,640</u>	<u>\$1,477,154</u>	<u>\$ 126,907</u>	<u>\$2,863,407</u>

City of Waukee, Iowa
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2013

	Enterprise Funds			Total
	Solid Waste	Utility Billing	Storm Water	
ASSETS				
CURRENT ASSETS				
Cash and pooled investments	\$ 23,558	\$ 193,015	\$1,054,234	\$1,270,807
Receivables				
Customer accounts and unbilled usage	90,598	-	44,171	134,769
Capital assets (net of accumulated depreciation)	-	-	364,485	364,485
Total assets	114,156	193,015	1,462,890	1,770,061
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	-	61,192	7,952	69,144
Compensated absences	-	4,709	1,478	6,187
Interfund payable	-	53,889	-	53,889
Capital lease payable	-	-	-	-
NONCURRENT LIABILITIES				
Net OPEB liability	-	5,337	6,976	12,313
Total liabilities	-	125,127	16,406	141,533
NET POSITION				
Net investment in capital assets	-	-	364,485	364,485
Unrestricted	114,156	67,888	1,081,999	1,264,043
Total net position	\$ 114,156	\$ 67,888	\$1,446,484	\$1,628,528

See accompanying independent auditor's report.

City of Waukee, Iowa
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES
 IN FUND NET POSITION
 NONMAJOR PROPRIETARY FUNDS
 Year ended June 30, 2013**

	Enterprise Funds			Total
	Solid Waste	Utility Billing	Storm Water	
OPERATING REVENUES				
Charges for service	\$ 827,775	\$ 254,939	\$ 486,628	\$1,569,342
Miscellaneous	<u>2,202</u>	<u>9,281</u>	<u>839</u>	<u>12,322</u>
Total operating revenues	<u>829,977</u>	<u>264,220</u>	<u>487,467</u>	<u>1,581,664</u>
OPERATING EXPENSES				
Business type activities				
Cost of sales and services	837,480	234,043	255,326	1,326,849
Depreciation and amortization	<u>—</u>	<u>—</u>	<u>32,866</u>	<u>32,866</u>
Total operating expenses	<u>837,480</u>	<u>234,043</u>	<u>288,192</u>	<u>1,359,715</u>
Operating income (loss)	<u>(7,503)</u>	<u>30,177</u>	<u>199,275</u>	<u>221,949</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	23	230	1,206	1,459
Interest expense	<u>—</u>	<u>—</u>	<u>(1,052)</u>	<u>(1,052)</u>
Total nonoperating revenues (expenses)	<u>23</u>	<u>230</u>	<u>154</u>	<u>407</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(7,480)</u>	<u>30,407</u>	<u>199,429</u>	<u>222,356</u>
TRANSFERS IN	<u>—</u>	<u>—</u>	<u>40,000</u>	<u>40,000</u>
CHANGE IN NET POSITION	(7,480)	30,407	239,429	262,356
NET POSITION BEGINNING OF YEAR	<u>121,636</u>	<u>37,481</u>	<u>1,207,055</u>	<u>1,366,172</u>
NET POSITION END OF YEAR	<u>\$ 114,156</u>	<u>\$ 67,888</u>	<u>\$1,446,484</u>	<u>\$1,628,528</u>

See accompanying independent auditor's report.

City of Waukee, Iowa
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the last ten years

	Modified Accrual Basis			
	2013	2012	2011	2010
REVENUES				
Property tax	\$ 7,133,514	\$ 6,811,607	\$ 6,397,893	\$ 5,934,368
Tax increment financing revenue	3,427,898	3,186,693	3,051,143	3,032,038
Other city tax	39,355	462,040	62,895	70,367
Licenses and permits	639,233	507,344	531,196	353,777
Use of money and property	210,762	204,505	215,266	173,419
Intergovernmental	3,713,932	1,762,542	4,495,541	2,898,776
Charges for service	728,310	253,692	239,040	184,230
Miscellaneous	<u>1,058,091</u>	<u>813,998</u>	<u>440,669</u>	<u>144,913</u>
Totals	<u>\$16,951,095</u>	<u>\$14,002,421</u>	<u>\$15,433,643</u>	<u>\$12,791,888</u>
EXPENDITURES				
Operating				
Public safety	\$ 2,912,583	\$ 3,040,673	\$ 2,821,515	\$ 2,528,267
Public works	1,580,884	1,381,993	1,192,453	1,133,462
Health and social services	12,750	15,175	16,909	12,180
Culture and recreation	2,010,987	1,338,835	1,312,158	1,173,584
Community and economic development	618,937	885,864	1,023,639	892,553
General government	785,443	868,324	787,974	855,172
Debt service	4,642,544	6,111,183	3,919,273	3,441,710
Capital projects	<u>5,976,606</u>	<u>3,501,963</u>	<u>7,768,712</u>	<u>7,021,544</u>
Totals	<u>\$18,540,734</u>	<u>\$17,144,010</u>	<u>\$18,842,633</u>	<u>\$17,058,472</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 5,318,576	\$ 4,405,384	\$ 3,804,888	\$3,468,779	\$ 3,057,974	\$2,824,173
2,824,039	2,447,271	1,651,122	1,279,032	980,076	750,461
1,301,852	599,570	466,312	57,134	160,531	(6,441)
673,103	627,720	766,811	880,119	659,487	436,377
128,470	330,789	242,139	142,740	111,127	117,062
4,641,902	1,054,612	1,727,796	870,087	2,138,494	669,192
209,664	134,996	92,707	75,600	89,475	63,974
<u>1,142,477</u>	<u>170,474</u>	<u>459,154</u>	<u>331,615</u>	<u>430,772</u>	<u>269,925</u>
<u>\$16,240,083</u>	<u>\$ 9,770,816</u>	<u>\$ 9,210,929</u>	<u>\$7,105,106</u>	<u>\$ 7,627,936</u>	<u>\$5,124,723</u>
\$ 2,391,927	\$ 1,806,932	\$ 1,510,461	\$1,373,641	\$ 2,169,067	\$1,420,802
1,099,806	1,167,008	1,081,599	1,185,751	1,214,158	838,524
11,000	9,800	9,000	13,500	12,050	13,966
1,211,373	982,900	1,110,158	806,026	854,233	666,425
848,245	701,524	645,533	508,066	236,485	226,664
982,213	717,792	708,556	706,296	414,964	404,939
8,379,401	2,552,259	2,432,070	2,407,072	1,498,394	1,832,624
<u>10,807,450</u>	<u>7,764,263</u>	<u>4,062,917</u>	<u>1,376,921</u>	<u>4,474,304</u>	<u>2,623,847</u>
<u>\$25,731,415</u>	<u>\$15,702,478</u>	<u>\$11,560,294</u>	<u>\$8,377,273</u>	<u>\$10,873,655</u>	<u>\$8,027,791</u>

See accompanying independent auditor's report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and
Members of the City Council
Waukee, Iowa

We have audited in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Waukee, Iowa (the City), as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 25, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item I-A-13 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the accompanying schedule of findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Waukee's Responses to Findings

The City of Waukee's responses to findings identified in our audit are described in the accompanying schedule of findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 25, 2013

SCHEDULE OF FINDINGS

**City of Waukee
SCHEDULE OF FINDINGS
Year ended June 30, 2013**

Part I—Findings Related to the Financial Statements

Instances of Noncompliance

No matters were noted.

Internal Control Deficiencies

I-A-13 Police Department Collections

During the audit, we identified that the Police Department maintains two separate bank accounts from the City. These accounts are used to deposit various reimbursement monies and donations, and to pay invoices relating to the community policing program and the Christmas fund. The City Financial Director is not an authorized signer on these accounts, deposits are not being made at City Hall, and disbursements are not being approved by the Council prior to their payment from these accounts.

Recommendation

For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the City Council on a monthly basis.

Response

The City will consult with legal counsel to determine options, and likely move to either have the City control the accounts, or have the entities establish a separate legal entity to control the funds.

Conclusion

Response accepted.

City of Waukee
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2013

Part II—Other Findings Related to Required Statutory Reporting

II-13-A CERTIFIED BUDGET

Disbursements during the year ended June 30, 2013 exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation

The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response

The budget will be amended in the future, if applicable.

Conclusion

Response accepted.

II-13-B QUESTIONABLE EXPENDITURES

No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-13-C TRAVEL EXPENSE

No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

II-13-D BUSINESS TRANSACTIONS

We noted no business transactions between the City and City officials or employees in excess of \$1,500.

II-13-E BOND COVERAGE

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-13-F COUNCIL MINUTES

No transactions were found that we believe should have been approved in the Council minutes but were not.

II-13-G DEPOSITS AND INVESTMENTS

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

City of Waukee
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2013

Part II—Other Findings Related to Required Statutory Reporting

II-13-H REVENUE BONDS/NOTES

No instances of noncompliance with their water, sewer, gas and golf course revenue bond and note provisions were noted.

II-13-I FINANCIAL CONDITION

The Employee Benefits and Golf Funds had deficit balances of \$2,929 and \$9,984 at June 30, 2013, respectively.

Recommendation

The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response

The deficits were due to timing of tax receipts and revenues. Tax receipts and future revenues will be used to eliminate the deficits.

Conclusion

Response accepted.