

City of Waukee, Iowa

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

June 30, 2016

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**City of Waukee, Iowa
OFFICIALS**

	<u>Term expires</u>
MAYOR AND MEMBERS OF CITY COUNCIL (Before January 2016)	
William Peard, Mayor	January 2016
Casey L. Harvey, Council Member	January 2016
Rachelle Hughes, Council Member	January 2016
Shane Blanchard, Council Member	January 2018
Brian Harrison, Council Member	January 2018
Rick Peterson, Council Member	January 2018
CITY ADMINISTRATOR	
Tim Moerman	Indefinite
DEPUTY CITY CLERK	
Rebecca D. Schuett	Indefinite
DIRECTOR OF FINANCE	
Linda Burkhart	Indefinite
CITY ATTORNEY	
Steven P. Brick	January 2016
	<u>Term expires</u>
MAYOR AND MEMBERS OF CITY COUNCIL (After January 2016)	
William Peard, Mayor	January 2020
Rachelle Hughes, Council Member	January 2020
Shane Blanchard, Council Member	Resigned June 2016
Brian Harrison, Council Member	January 2018
Rick Peterson, Council Member	January 2018
Larry Lyon, Council Member	January 2020
CITY ADMINISTRATOR	
Tim Moerman	Indefinite
DEPUTY CITY CLERK	
Rebecca D. Schuett	Indefinite
DIRECTOR OF FINANCE	
Linda Burkhart	Indefinite
CITY ATTORNEY	
Steven P. Brick	January 2017



INDEPENDENT AUDITOR'S REPORT

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 (the City), as of and for the year ended June 30, 2016, and the related notes to 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*, issued by the Comptroller General of the United States. 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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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, 2016, and the respective changes in its 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, the schedule of funding progress for the retiree health plan, the schedule of the City's proportionate share of the net position liability, and the schedule of City contributions on pages 6 through 13 and 53 through 61 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.

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, 2015 (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 October 25, 2016 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
October 25, 2016

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, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Revenues of the City's Governmental Funds increased 2.42 %, or \$ 477,554, from fiscal 2015 to fiscal 2016. Property and other City Taxes increased \$ 945,163, Tax Increment Financing increased \$ 25,715, Licenses and Permits decreased \$ 102,558, Intergovernmental decreased \$ 360,885, Charges for Services decreased \$ 62,718 and Miscellaneous increased \$ 20,004.
- Program expenditures of the City's Governmental Funds decreased 15.42 %, or \$ 5,328,511 in fiscal 2016 from fiscal 2015. Public Safety expenses increased \$ 738,194, Community and Economic Development increased \$ 450,982, Culture and Recreation increased \$ 163,626, Public Works increased \$ 15,868, General Government decreased \$ 54,873, Debt Service increased \$ 735,946 and Capital Projects decreased \$ 7,378,554.
- The City has a net position of \$ 156,007,505 on June 30, 2016 as compared to \$ 135,358,530 on June 30, 2015. Of this amount, the net position of the Governmental Activities was \$ 104,996,265 and the net position of the Business Type Activities was \$ 51,011,240.

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 financial 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, the City's proportionate share of net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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 to answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference 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 years.

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

- Governmental activities include public safety, public works, health and 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

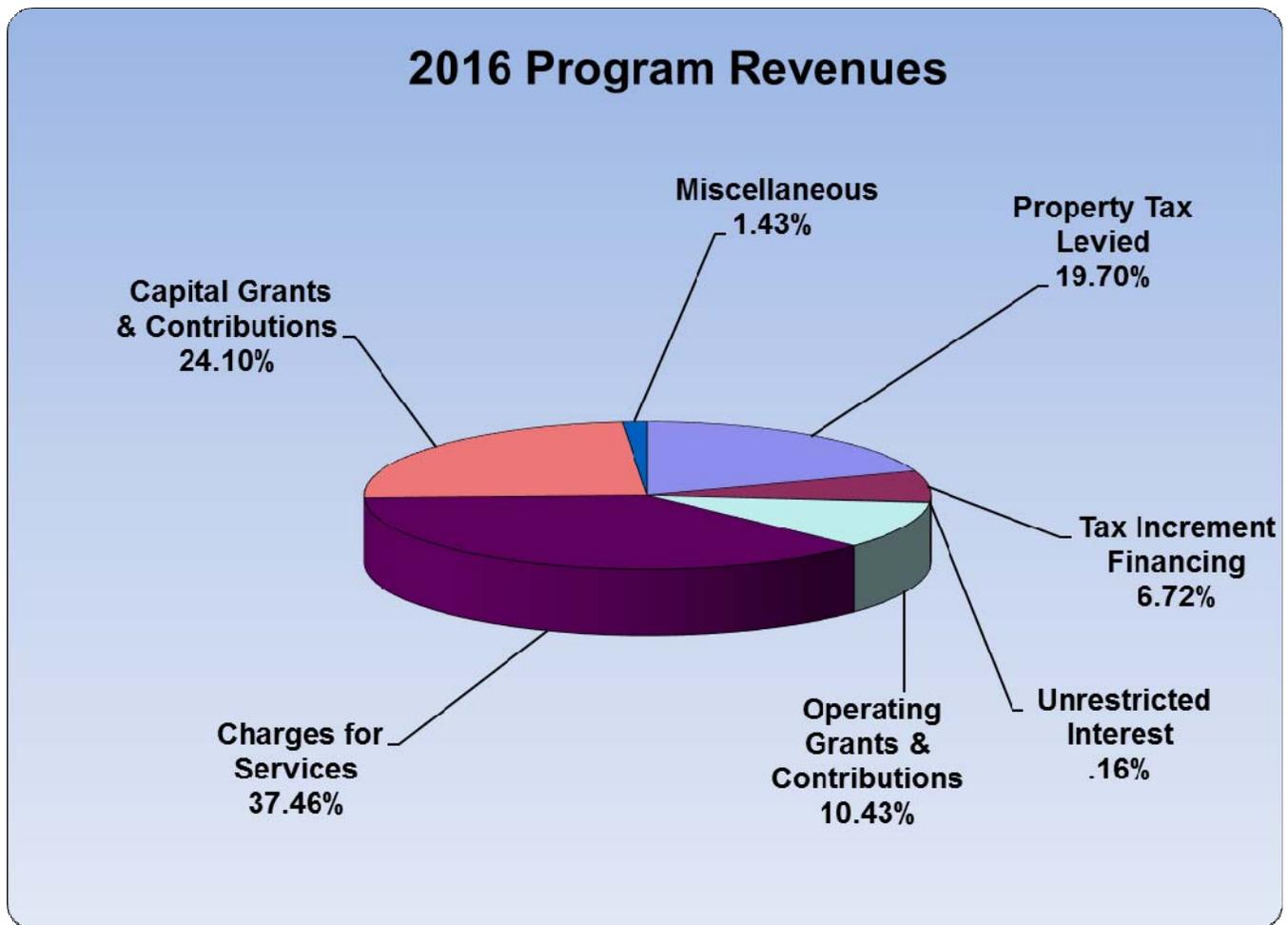
As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position for governmental and business type activities.

	Net Position at Year End					
	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 39,918,384	\$ 36,768,249	\$ 15,194,253	\$ 14,143,009	\$ 55,112,637	\$ 50,911,258
Capital Assets	133,958,706	115,712,953	45,799,286	41,168,747	179,757,992	156,881,700
Total Assets	<u>173,877,090</u>	<u>152,481,202</u>	<u>60,993,539</u>	<u>55,311,756</u>	<u>234,870,629</u>	<u>207,792,958</u>
Deferred Outflows of Resources	849,708	748,646	202,822	184,387	1,052,530	933,033
Non-Current Liabilities	47,600,665	45,868,390	7,951,024	6,343,937	55,551,689	52,212,327
Current Liabilities	8,165,604	7,884,686	2,156,502	2,499,309	10,322,106	10,383,995
Total Liabilities	<u>55,766,269</u>	<u>53,753,076</u>	<u>10,107,526</u>	<u>8,843,246</u>	<u>65,873,795</u>	<u>62,596,322</u>
Deferred Inflows of Resources	13,964,264	10,521,993	77,595	249,146	14,041,859	10,771,139
Net Position:						
Net investment in Capital Assets	96,837,304	82,818,151	38,623,530	33,961,532	135,460,834	116,779,683
Restricted	6,308,497	21,356,211	37,462	11,679	6,345,959	21,367,890
Unrestricted	1,850,464	(15,219,583)	12,350,248	12,430,540	14,200,712	(2,789,043)
Total Net Position	<u>\$ 104,996,265</u>	<u>\$ 88,954,779</u>	<u>\$ 51,011,240</u>	<u>\$ 46,403,751</u>	<u>\$ 156,007,505</u>	<u>\$ 135,358,530</u>

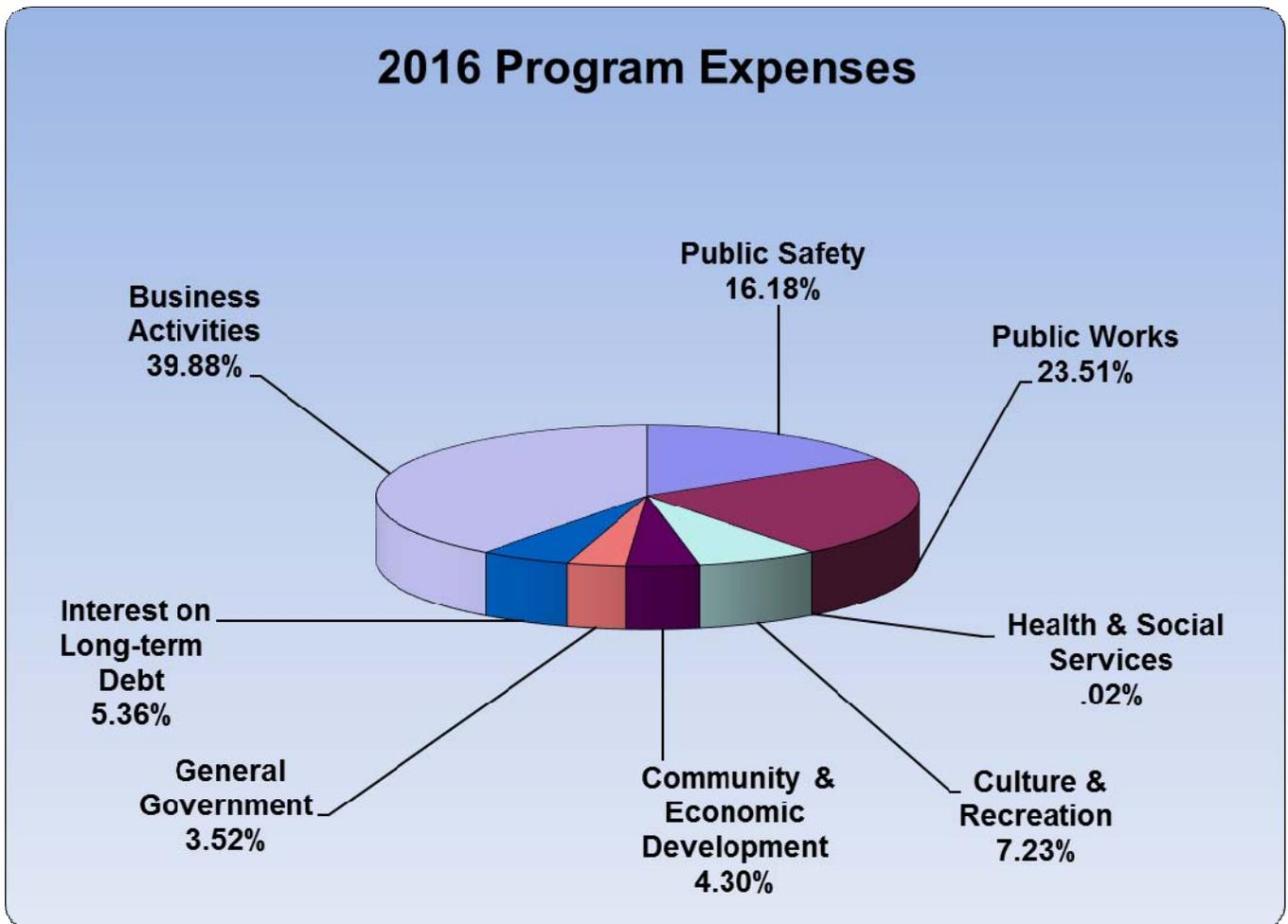
Net position of governmental activities increased \$ 16,041,486, or 18.03%, over fiscal year 2015. Net position of business type activities increased \$ 4,607,489, or 9.93%, over fiscal year 2015. The largest portion of the City's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt excluding unspent debt proceeds. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is \$ 14,200,712 at the end of this year.

Changes in Net Position for the Year Ended June 30

	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Property Tax Levied and Other City Tax	\$ 9,464,222	\$ 8,519,059	\$ -	\$ -	\$ 9,464,222	\$ 8,519,059
Tax Increment Financing	3,229,861	3,204,146	-	-	3,229,861	3,204,146
Unrestricted Interest	52,617	39,845	24,114	24,305	76,731	64,150
Operating Grants and Contributions	5,008,841	5,345,590	-	-	5,008,841	5,345,590
Charges for Services	2,015,739	2,204,975	15,981,431	13,232,685	17,997,170	15,437,660
Capital Grants and Contributions	11,574,526	3,747,871	-	-	11,574,526	3,747,871
Miscellaneous	437,308	408,137	249,038	1,200,651	686,346	1,608,788
Total Revenues	31,783,114	23,469,623	16,254,583	14,457,641	48,037,697	37,927,264
Transfers	725,317	618,332	(725,317)	(618,332)	-	-
Total Revenues and Transfers	\$ 32,508,431	\$ 24,087,955	\$ 15,529,266	\$ 13,839,309	\$ 48,037,697	\$ 37,927,264



	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program Expenses						
Public Safety	\$ 4,430,308	\$ 3,735,807	\$ -	\$ -	\$ 4,430,308	\$ 3,735,807
Public Works	6,440,141	7,775,242	-	-	6,440,141	7,775,242
Health and Social Services	4,966	4,800	-	-	4,966	4,800
Culture and Recreation	1,979,815	1,687,064	-	-	1,979,815	1,687,064
Community and Economic Development	1,178,569	760,100	-	-	1,178,569	766,100
General Government	963,720	746,877	-	-	963,720	746,877
Interest on Long-Term Debt	1,469,426	1,459,043	-	-	1,469,426	1,459,043
Business Type Activities	-	-	10,921,777	11,379,485	10,921,777	11,379,485
Total Expenses	<u>16,466,945</u>	<u>16,168,933</u>	<u>10,921,777</u>	<u>11,379,485</u>	<u>27,388,722</u>	<u>27,548,418</u>
Increase in Net Position	16,041,486	7,919,022	4,607,489	2,459,824	20,648,975	10,378,846
Net Position Beginning of Year	<u>88,954,779</u>	<u>81,035,757</u>	<u>46,403,751</u>	<u>43,943,927</u>	<u>135,358,530</u>	<u>124,979,684</u>
Net Position End of Year	<u>\$ 104,996,265</u>	<u>\$ 88,954,779</u>	<u>\$ 51,011,240</u>	<u>\$ 46,403,751</u>	<u>\$ 156,007,505</u>	<u>\$ 135,358,530</u>



The City maintained the \$ 13.50 property tax levy for FY16, while recognizing an increase of \$ 970,878 in property tax revenue due to increase in residential property valuation. Revenues for operating and capital grants, contributions restricted and unrestricted interest, increased by approximately \$ 7,502,700, charges for services decreased by \$ 189,200 and miscellaneous revenues increased by approximately \$ 29,200.

Overall revenues for governmental activities increased approximately \$ 8,420,500 from the prior year.

The cost of all governmental activities this year was approximately \$16.5 million compared to approximately \$16.2 million last year. However, as shown in the Statement of Activities on pages 17 and 18, the amount taxpayers ultimately financed for these activities was (\$ 2.1) million as some of the cost was paid by those directly benefited from the programs (\$ 2,015,739) or by other governments and organizations which subsidized certain programs with grants and contributions (\$ 16,583,367).

Overall revenues for business type activities increased approximately \$ 1,690,000 over the prior year.

The cost of all business activities this year was approximately \$10.9 million compared to approximately \$ 11.4 million last year.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As the City of Waukee completed the year, its governmental funds reported a combined fund balance of \$ 23,727,043 at June 30, 2016, compared to \$ 24,477,402 combined fund balance at June 30, 2015.

The General Fund showed an increase of \$ 640,806 from the prior year to \$ 4,068,382.

The Tax Increment Financing Urban Renewal Funds account for revenues from the tax authorized by ordinance in the urban renewal districts which are used to pay the principal and interest on indebtedness incurred for urban renewal redevelopment projects. These funds ended fiscal 2016 with a \$ 1,390,647 balance compared to the prior year ending balance of \$ 3,617,935.

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 2016 with a \$ 73,750 balance compared to the prior year ending balance of \$ 30,875. Transfers out to operating funds totaled \$ 1,343,400 in fiscal 2016.

The Debt Service Fund ended fiscal 2016 with a \$ 1,017,597 balance compared to the prior year ending balance of \$ 997,202. Bond principal and interest payments increased by \$ 972,507 in fiscal 2016, due to increased debt for capital improvement projects.

The Capital Projects Fund ended fiscal 2016 with a \$ 16,647,422 balance compared to the prior year ending balance of \$ 15,520,555.

Proprietary Fund Highlights

The Water Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal 2016 with a net position of \$16,662,040 compared to the prior year ending net position balance of \$ 15,652,883.

The Sewer Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal 2016 with a net position of \$ 22,167,784, compared to the prior year ending net position balance of \$ 19,636,667.

The Gas Fund, which accounts for the operations and maintenance of the City's gas utility, ended fiscal 2016 with a \$ 10,206,367 net position balance, compared to the prior year ending net position balance of \$ 9,384,128.

The Golf Course Fund, which accounts for the operations and maintenance of the City's municipal golf course, ended fiscal 2016 with a net position of \$ 134,864, compared to the prior year ending net position balance of (\$ 31,233).

BUDGETARY HIGHLIGHTS

Over the course of the year, the City of Waukee amended its budget once. This amendment was done in May 2016, and was needed to cover unplanned disbursements, including program expenditures associated with increases to Public Safety, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Debt Service, and Transfers Out; while also increasing revenue sources for Licenses and Permits, Use of Money and Property, Intergovernmental, Charges for Services, Miscellaneous and Other Financing Sources.

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 \$ 133,958,706 (net of accumulated depreciation) at June 30, 2016. Capital assets for business type activities totaled \$ 45,799,286 (net of accumulated depreciation) at June 30, 2016. See Note 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 purchase of additional Westcom Equipment, and the completion of Grand Prairie Pkwy/Esker Ridge Intersection, Windfield and Grant Park Improvements, City Hall Parking Lot Repairs, Library HVAC Replacement and Roof Retrofit; continued construction of several Grand Prairie Pkwy projects including section from Ashworth to University, University Intersection, Trails & Enhancements, the I-80 interchange project, as well as traffic signal projects for Hickman/Dartmoor and LA Grant/Ashworth, construction of SE Westown Pkwy from Grand Prairie Pkwy to LA Grant, and an extension of Douglas Pkwy; and started construction of Fox Creek Park Phase I, and a joint project with West Des Moines for Waco/98th Street Improvements.

For business type activities, the major additions included the fees associated with the Wastewater Reclamation Authority (WRA), completion of construction on the Grand Prairie Pkwy water and gas main installation, Bluestem Lift Station, water system purchase from Xenia Rural Water District, construction on the Centennial Park Streambank Stabilization, as well as engineering for several sewer expansion projects.

Construction in progress at June 30, 2016 for the City consists primarily of the Grand Prairie Pkwy construction projects including the I-80 Interchange, traffic signal projects, Fox Creek Park Phase I, and the SE Westown and Douglas Pkwy construction projects.

Long-Term Debt

At June 30, 2016, the City had \$ 47,600,665 in total non-current debt outstanding for governmental activities. Total non-current debt outstanding for business type activities was \$ 7,951,024 at June 30, 2016. During the year ended June 30, 2016, the City issued \$ 7,340,000 in general obligation bonds and \$2,090,000 in revenue bonds.

The City maintained their general obligation bond rating of Aa3, assigned by national rating agency, Moody's Investors Services, on October 24, 2015. 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 debt of \$ 50,214,030 or 77.98%, is below its constitutional debt limit of \$ 64,395,379. Other obligations include accrued vacation pay, net OPEB liability and net pension liability. 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 2017 budget. The City of Waukee will experience a significant increase in General Fund revenues and expenditures from fiscal 2016 to fiscal 2017. The major factors that will play a role in this change are the increase in property tax revenues from increased valuations for fiscal 2017.

The General Fund is projected to end fiscal 2017 with a fund balance of approximately \$ 3,852,019, or a planned decrease of \$ 216,363 from fiscal 2016. The tax levy rates per \$1,000 of taxable valuation for fiscal 2017 are provided below:

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

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 or the Finance Director, at Waukee City Hall, 230 W Hickman Road, Waukee, Iowa.

BASIC FINANCIAL STATEMENTS

City of Waukee, Iowa
STATEMENT OF NET POSITION
June 30, 2016

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Current assets			
Cash, cash equivalents and pooled investments	\$ 25,161,287	\$ 13,575,347	\$ 38,736,634
Receivables			
Property tax			
Delinquent	26,174	-	26,174
Succeeding year	13,316,659	-	13,316,659
Special assessments	322,527	49,001	371,528
Customer accounts	-	1,232,982	1,232,982
Other	248,042	-	248,042
Due from other governments	10,629	-	10,629
Internal balances	729,105	(729,105)	-
Inventories	-	269,503	269,503
Prepaid insurance	103,961	-	103,961
Total unrestricted current assets	<u>39,918,384</u>	<u>14,397,728</u>	<u>54,316,112</u>
Restricted assets – cash, cash equivalents and pooled investments	<u>-</u>	<u>796,525</u>	<u>796,525</u>
Noncurrent assets			
Capital assets (net of accumulated depreciation)	<u>133,958,706</u>	<u>45,799,286</u>	<u>179,757,992</u>
Total assets	<u>173,877,090</u>	<u>60,993,539</u>	<u>234,870,629</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	<u>849,708</u>	<u>202,822</u>	<u>1,052,530</u>
LIABILITIES			
Current liabilities			
Accounts payable	2,417,819	811,034	3,228,853
Accrued interest payable	100,000	18,700	118,700
Customer deposits payable	-	206,735	206,735
Lease deposit payable	5,204	-	5,204
Compensated absences	41,843	50,821	92,664
General obligation bonds/notes	5,414,738	-	5,414,738
Tax increment financing (TIF) bonds	145,000	-	145,000
Special assessment notes payable	41,000	-	41,000
Revenue notes payable	-	961,262	961,262
Des Moines Water Works bonds payable	-	107,950	107,950
Total current liabilities	<u>8,165,604</u>	<u>2,156,502</u>	<u>10,322,106</u>

See Notes to Financial Statements.

City of Waukee, Iowa
STATEMENT OF NET POSITION (continued)
June 30, 2016

	Primary Government		
	Governmental	Business Type	Total
	Activities	Activities	Total
Noncurrent liabilities			
Compensated absences	209,852	-	209,852
General obligation bonds/notes, net	44,142,829	-	44,142,829
Tax increment financing (TIF) bonds	660,000	-	660,000
Special assessment notes payable	90,000	-	90,000
Revenue notes payable, net	-	7,337,337	7,337,337
Net OPEB liability	368,669	105,429	474,098
Net pension liability	2,129,315	508,258	2,637,573
Total noncurrent liabilities	<u>47,600,665</u>	<u>7,951,024</u>	<u>55,551,689</u>
Total liabilities	<u>55,766,269</u>	<u>10,107,526</u>	<u>65,873,795</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues			
Succeeding year property taxes	13,316,659	-	13,316,659
Special assessments	322,527	-	322,527
Pension related deferred inflows	<u>325,078</u>	<u>77,595</u>	<u>402,673</u>
Total deferred inflows of resources	<u>13,964,264</u>	<u>77,595</u>	<u>14,041,859</u>
NET POSITION			
Net investment in capital assets	96,837,304	38,623,530	135,460,834
Restricted for			
Debt service	1,112,923	37,462	1,150,385
Other purposes	5,195,574	-	5,195,574
Unrestricted	<u>1,850,464</u>	<u>12,350,248</u>	<u>14,200,712</u>
Total net position	<u>\$104,996,265</u>	<u>\$ 51,011,240</u>	<u>\$156,007,505</u>

See Notes to Financial Statements.

City of Waukee, Iowa
STATEMENT OF ACTIVITIES
Year ended June 30, 2016

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS			
Primary Government			
Governmental activities			
Public safety	\$ 4,430,308	\$ 1,101,265	\$ -
Public works	6,440,141	386,789	5,008,841
Health and social services	4,966	-	8,186,126
Culture and recreation	1,979,815	277,889	-
Community and economic development	1,178,569	-	3,388,400
General government	963,720	249,796	-
Interest on long-term debt	<u>1,469,426</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>16,466,945</u>	<u>2,015,739</u>	<u>5,008,841</u>
Business type activities			
Water	2,801,040	4,069,352	-
Sewer	1,789,025	4,402,686	-
Gas	4,172,893	5,079,975	-
Golf	544,818	573,780	-
Other	<u>1,614,001</u>	<u>1,855,638</u>	<u>-</u>
Total business type activities	<u>10,921,777</u>	<u>15,981,431</u>	<u>-</u>
Total Primary Government	<u>\$27,388,722</u>	<u>\$17,997,170</u>	<u>\$5,008,841</u>
		<u>\$11,574,526</u>	

GENERAL REVENUES

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

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 Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (3,329,043)	\$ —	\$ (3,329,043)
7,141,615	—	7,141,615
(4,966)	—	(4,966)
1,686,474	—	1,686,474
(1,178,569)	—	(1,178,569)
(713,924)	—	(713,924)
<u>(1,469,426)</u>	<u>—</u>	<u>(1,469,426)</u>
<u>2,132,161</u>	<u>—</u>	<u>2,132,161</u>
—	1,268,312	1,268,312
—	2,613,661	2,613,661
—	907,082	907,082
—	28,962	28,962
<u>—</u>	<u>241,637</u>	<u>241,637</u>
<u>—</u>	<u>5,059,654</u>	<u>5,059,654</u>
2,132,161	5,059,654	7,191,815
5,433,012	—	5,433,012
2,646,303	—	2,646,303
1,384,907	—	1,384,907
3,229,861	—	3,229,861
52,617	24,114	76,731
437,308	249,038	686,346
<u>725,317</u>	<u>(725,317)</u>	<u>—</u>
<u>13,909,325</u>	<u>(452,165)</u>	<u>13,457,160</u>
<u>16,041,486</u>	<u>4,607,489</u>	<u>20,648,975</u>
<u>88,954,779</u>	<u>46,403,751</u>	<u>135,358,530</u>
<u>\$104,996,265</u>	<u>\$51,011,240</u>	<u>\$156,007,505</u>

**City of Waukee, Iowa
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Special Revenue</u>		<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
				<u>Urban Renewal TIF</u>	<u>Employee Benefits</u>		
ASSETS							
Cash, cash equivalents and pooled investments	\$ 3,508,926	\$18,485,941	\$1,012,544	\$1,385,664	\$ 71,309	\$ 609,614	\$25,073,998
Receivables							
Property tax							
Delinquent	9,796	—	5,053	8,884	2,441	—	26,174
Succeeding year	5,722,316	—	2,776,658	3,351,300	1,466,385	—	13,316,659
Special assessments	—	—	—	—	—	322,527	322,527
Other, net of allowances	236,098	—	—	—	—	11,944	248,042
Due from other funds	729,105	—	—	—	—	—	729,105
Due from other governments	—	10,629	—	—	—	—	10,629
Prepaid insurance	85,711	—	—	—	—	18,250	103,961
Total assets	<u>\$10,291,952</u>	<u>\$18,496,570</u>	<u>\$3,794,255</u>	<u>\$4,745,848</u>	<u>\$1,540,135</u>	<u>\$ 962,335</u>	<u>\$39,831,095</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 457,401	\$ 1,849,148	\$ —	\$ 3,901	\$ —	\$ 107,369	\$ 2,417,819
Lease deposit payable	5,204	—	—	—	—	—	5,204
Compensated absences	38,649	—	—	—	—	3,194	41,843
Total liabilities	<u>501,254</u>	<u>1,849,148</u>	<u>—</u>	<u>3,901</u>	<u>—</u>	<u>110,563</u>	<u>2,464,866</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues							
Succeeding year property tax	5,722,316	—	2,776,658	3,351,300	1,466,385	—	13,316,659
Special assessments	—	—	—	—	—	322,527	322,527
Total deferred inflows of resources	<u>5,722,316</u>	<u>—</u>	<u>2,776,658</u>	<u>3,351,300</u>	<u>1,466,385</u>	<u>322,527</u>	<u>13,639,186</u>
FUND BALANCES							
Nonspendable							
Prepaid insurance	85,711	—	—	—	—	18,250	103,961
Advances to other funds	724,067	—	—	—	—	—	724,067
Restricted for							
Capital projects	—	16,647,422	—	—	—	—	16,647,422
Debt service	—	—	1,017,597	—	—	95,326	1,112,923
Lease deposits	5,204	—	—	—	—	—	5,204
Police gifts and memorials	35,047	—	—	—	—	—	35,047
Urban renewal and development	—	—	—	1,390,647	—	—	1,390,647
Other purposes	—	—	—	—	73,750	415,669	489,419
Committed for parkland development	536,305	—	—	—	—	—	536,305
Unassigned	2,682,048	—	—	—	—	—	2,682,048
Total fund balances	<u>4,068,382</u>	<u>16,647,422</u>	<u>1,017,597</u>	<u>1,390,647</u>	<u>73,750</u>	<u>529,245</u>	<u>23,727,043</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$10,291,952</u>	<u>\$18,496,570</u>	<u>\$3,794,255</u>	<u>\$4,745,848</u>	<u>\$1,540,135</u>	<u>\$ 962,335</u>	<u>\$39,831,095</u>

See Notes to Financial Statements.

City of Waukee
RECONCILIATION OF THE BALANCE SHEET—
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2016

Total governmental fund balances (page 19) \$ 23,727,043

***Amounts reported for governmental activities in the
Statement of Net Position are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$188,051,437 and the accumulated depreciation is \$54,092,731. 133,958,706

Long-term liabilities, including bonds payable, bond premiums and discounts, 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. (53,301,403)

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	849,708	
Deferred inflows of resources	<u>(325,078)</u>	524,630

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. 87,289

Net position of governmental activities (page 16) **\$104,996,265**

City of Waukee, Iowa
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended June 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Special Revenue</u>		<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
				<u>Urban Renewal TIF</u>	<u>Employee Benefits</u>		
REVENUES							
Property tax	\$5,405,091	\$ -	\$2,646,303	\$ -	\$1,384,907	\$ -	\$ 9,436,301
Tax increment financing	-	-	-	3,229,861	-	-	3,229,861
Other city tax	1,680	7,286	-	-	-	18,955	27,921
Licenses and permits	1,277,105	-	-	-	-	11,836	1,288,941
Use of money and property	147,154	26,927	2,778	8,340	1,368	8,769	195,336
Intergovernmental	232,496	3,298,740	-	-	-	1,710,101	5,241,337
Charges for services	351,341	-	-	-	-	-	351,341
Miscellaneous	159,141	56,099	-	-	-	189,928	405,168
Total revenues	<u>7,574,008</u>	<u>3,389,052</u>	<u>2,649,081</u>	<u>3,238,201</u>	<u>1,386,275</u>	<u>1,939,589</u>	<u>20,176,206</u>
EXPENDITURES							
Operating							
Public safety	4,281,395	-	-	-	-	-	4,281,395
Public works	405,504	-	-	-	-	1,891,748	2,297,252
Health and social services	5,100	-	-	-	-	-	5,100
Culture and recreation	1,695,797	-	-	-	-	67,631	1,763,428
Community and economic development	698,371	-	-	512,711	-	-	1,211,082
General government	817,880	-	-	-	-	-	817,880
Debt service							
Principal	-	-	5,913,084	-	-	39,000	5,952,084
Interest	-	-	1,428,780	-	-	6,160	1,434,940
Bond issuance and other costs	-	113,108	7,777	-	-	-	120,885
Capital projects	<u>341,032</u>	<u>10,687,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>310,977</u>	<u>11,339,024</u>
Total expenditures	<u>8,245,079</u>	<u>10,800,123</u>	<u>7,349,641</u>	<u>512,711</u>	<u>-</u>	<u>2,315,516</u>	<u>29,223,070</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(671,071)</u>	<u>(7,411,071)</u>	<u>(4,700,560)</u>	<u>2,725,490</u>	<u>1,386,275</u>	<u>(375,927)</u>	<u>(9,046,864)</u>
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	6,830,000	510,000	-	-	-	7,340,000
Bond premium	-	207,938	16,111	-	-	-	224,049
Sale of capital assets	10,226	-	-	-	-	21,913	32,139
Operating transfers in	1,362,221	1,500,000	4,194,844	-	-	-	7,057,065
Operating transfers out	<u>(60,570)</u>	<u>-</u>	<u>-</u>	<u>(4,952,778)</u>	<u>(1,343,400)</u>	<u>-</u>	<u>(6,356,748)</u>
Total other financing sources (uses)	<u>1,311,877</u>	<u>8,537,938</u>	<u>4,720,955</u>	<u>(4,952,778)</u>	<u>(1,343,400)</u>	<u>21,913</u>	<u>8,296,505</u>
CHANGE IN FUND BALANCES	640,806	1,126,867	20,395	(2,227,288)	42,875	(354,014)	(750,359)
FUND BALANCES, beginning	<u>3,427,576</u>	<u>15,520,555</u>	<u>997,202</u>	<u>3,617,935</u>	<u>30,875</u>	<u>883,259</u>	<u>24,477,402</u>
FUND BALANCES, ending	<u>\$4,068,382</u>	<u>\$16,647,422</u>	<u>\$1,017,597</u>	<u>\$1,390,647</u>	<u>\$ 73,750</u>	<u>\$ 529,245</u>	<u>\$23,727,043</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, 2016

Change in fund balances—Total governmental funds (page 21) \$ (750,359)

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. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets, including contributed capital	23,185,954	
Depreciation expense	<u>(4,940,200)</u>	18,245,754

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	(7,340,000)	
Repaid	<u>5,952,084</u>	(1,387,916)

Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. (147,650)

The City's current year IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 473,973

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	(32,698)	
Other postemployment benefits	(46,657)	
Pension expense	(348,203)	
Interest on long-term debt	<u>10,000</u>	(417,558)

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 to governmental activities. 25,242

Change in net position of governmental activities (page 18) **\$16,041,486**

City of Waukee, Iowa
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	Enterprise Funds						Internal Service Fund
	Water	Sewer	Gas	Golf	Nonmajor Funds	Total	Equipment Revolving
ASSETS							
Current assets							
Cash, cash equivalents and pooled investments	\$ 3,772,635	\$ 5,512,752	\$ 2,463,001	\$ 800	\$ 1,724,973	\$ 13,474,161	\$ 188,473
Receivables, net of allowances							
Customer accounts	555,563	410,505	121,379	-	145,535	1,232,982	-
Special assessments	-	49,001	-	-	-	49,001	-
Due from other funds	100,000	-	-	-	-	100,000	-
Inventories	115,576	-	133,441	20,486	-	269,503	-
Total current assets	<u>4,543,774</u>	<u>5,972,258</u>	<u>2,717,821</u>	<u>21,286</u>	<u>1,870,508</u>	<u>15,125,647</u>	<u>188,473</u>
Noncurrent assets							
Restricted assets – cash, cash equivalents and pooled investments							
Customer deposits	114,635	-	92,100	-	-	206,735	-
Revenue note and interest sinking account	33,257	37,166	40,002	6,000	-	116,425	-
Revenue note reserve account	332,635	89,265	-	51,465	-	473,365	-
Capital assets (net of accumulated depreciation)	15,761,793	17,846,270	9,939,969	1,543,469	707,785	45,799,286	-
Total noncurrent assets	<u>16,242,320</u>	<u>17,972,701</u>	<u>10,072,071</u>	<u>1,600,934</u>	<u>707,785</u>	<u>46,595,811</u>	<u>-</u>
Total assets	<u>20,786,094</u>	<u>23,944,959</u>	<u>12,789,892</u>	<u>1,622,220</u>	<u>2,578,293</u>	<u>61,721,458</u>	<u>188,473</u>
DEFERRED OUTFLOWS OF RESOURCES							
Pension related deferred outflows	39,988	40,719	55,907	29,527	36,681	202,822	-
LIABILITIES							
Current liabilities							
Accounts payable	213,750	417,825	40,946	36,699	101,814	811,034	-
Compensated absences	9,846	14,634	16,463	1,353	8,525	50,821	-
Due to other funds	-	-	-	829,105	-	829,105	-
Customer deposits payable	114,635	-	92,100	-	-	206,735	-
Revenue notes payable	215,000	276,000	358,000	52,262	60,000	961,262	-
Des Moines Water Works bonds payable	107,950	-	-	-	-	107,950	-
Interest payable	9,100	2,011	5,171	1,583	835	18,700	-
Total current liabilities	<u>670,281</u>	<u>710,470</u>	<u>512,680</u>	<u>921,002</u>	<u>171,174</u>	<u>2,985,607</u>	<u>-</u>
Noncurrent liabilities							
Revenue notes payable, net	3,357,777	968,873	1,940,000	490,687	580,000	7,337,337	-
Net OPEB liability	20,477	20,933	25,265	19,906	18,848	105,429	-
Net pension liability	100,208	102,040	140,098	73,992	91,920	508,258	-
Total noncurrent liabilities	<u>3,478,462</u>	<u>1,091,846</u>	<u>2,105,363</u>	<u>584,585</u>	<u>690,768</u>	<u>7,951,024</u>	<u>-</u>
Total liabilities	<u>4,148,743</u>	<u>1,802,316</u>	<u>2,618,043</u>	<u>1,505,587</u>	<u>861,942</u>	<u>10,936,631</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues							
Pension related deferred inflows	15,299	15,578	21,389	11,296	14,033	77,595	-
NET POSITION							
Net investment in capital assets	12,970,291	16,601,397	7,641,969	1,000,520	409,353	38,623,530	-
Restricted for bond retirement	33,842	-	-	3,620	-	37,462	-
Unrestricted	<u>3,657,907</u>	<u>5,566,387</u>	<u>2,564,398</u>	<u>(869,276)</u>	<u>1,329,646</u>	<u>12,249,062</u>	<u>188,473</u>
Total net position	<u>\$16,662,040</u>	<u>\$22,167,784</u>	<u>\$10,206,367</u>	<u>\$ 134,864</u>	<u>\$1,738,999</u>	50,910,054	<u>\$ 188,473</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.

101,186

Net assets of business type activities

\$51,011,240

See Notes to Financial Statements.

City of Waukee, Iowa
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year ended June 30, 2016

	Enterprise Funds						Internal
	Water	Sewer	Gas	Golf	Nonmajor Funds	Total	Service Fund Equipment Revolving
OPERATING REVENUES							
Charges for service	\$ 4,069,352	\$ 4,402,686	\$ 5,079,975	\$ 573,780	\$1,855,638	\$15,981,431	\$ -
Miscellaneous	3,967	1,149	22,439	130,136	18,245	175,936	-
Total operating revenues	<u>4,073,319</u>	<u>4,403,835</u>	<u>5,102,414</u>	<u>703,916</u>	<u>1,873,883</u>	<u>16,157,367</u>	<u>-</u>
OPERATING EXPENSES							
Business type activities							
Cost of sales and services	2,078,159	1,151,883	3,736,909	449,571	1,565,545	8,982,067	-
Depreciation and amortization	551,772	607,532	353,163	53,789	39,474	1,605,730	-
Total operating expenses	<u>2,629,931</u>	<u>1,759,415</u>	<u>4,090,072</u>	<u>503,360</u>	<u>1,605,019</u>	<u>10,587,797</u>	<u>-</u>
Operating income	<u>1,443,388</u>	<u>2,644,420</u>	<u>1,012,342</u>	<u>200,556</u>	<u>268,864</u>	<u>5,569,570</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES)							
Interest income	11,052	7,720	3,364	-	1,978	24,114	242
Rental income	38,713	-	-	7,800	-	46,513	-
Sale of capital assets	10,439	2,100	14,050	-	-	26,589	-
Bond issuance and other costs	(44,150)	(663)	(500)	(21,107)	(8,147)	(74,567)	-
Interest expense	(126,959)	(28,947)	(82,321)	(20,351)	(835)	(259,413)	-
Total nonoperating revenues (expenses)	<u>(110,905)</u>	<u>(19,790)</u>	<u>(65,407)</u>	<u>(33,658)</u>	<u>(7,004)</u>	<u>(236,764)</u>	<u>242</u>
Income before transfers	1,332,483	2,624,630	946,935	166,898	261,860	5,332,806	242
Transfers in (out)	<u>(323,326)</u>	<u>(93,513)</u>	<u>(124,696)</u>	<u>(801)</u>	<u>(182,981)</u>	<u>(725,317)</u>	<u>25,000</u>
CHANGE IN NET POSITION	1,009,157	2,531,117	822,239	166,097	78,879	4,607,489	25,242
NET POSITION, beginning	<u>15,652,883</u>	<u>19,636,667</u>	<u>9,384,128</u>	<u>(31,233)</u>	<u>1,660,120</u>	<u>46,302,565</u>	<u>163,231</u>
NET POSITION, ending	<u>\$16,662,040</u>	<u>\$22,167,784</u>	<u>\$10,206,367</u>	<u>\$ 134,864</u>	<u>\$1,738,999</u>	<u>\$50,910,054</u>	<u>\$ 188,473</u>

City of Waukee, Iowa
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2016

	Enterprise Funds					Total	Internal
	Water	Sewer	Gas	Golf	Nonmajor Funds		Equipment Revolving
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers and users	\$3,864,916	\$4,365,447	\$5,046,782	\$ 573,780	\$1,845,571	\$15,696,496	\$ -
Cash received from other revenues	3,967	1,149	22,439	130,136	18,245	175,936	-
Cash paid for personal services	(631,058)	(599,921)	(807,642)	(199,571)	(330,530)	(2,568,722)	-
Cash paid to suppliers	(1,315,243)	(471,926)	(2,961,170)	(275,736)	(1,242,403)	(6,266,478)	-
Net cash provided by operating activities	<u>1,922,582</u>	<u>3,294,749</u>	<u>1,300,409</u>	<u>228,609</u>	<u>290,883</u>	<u>7,037,232</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Payments made on interfund accounts	-	-	-	(124,850)	-	(124,850)	-
Transfers to other funds	(323,326)	(93,513)	(105,875)	(801)	(182,981)	(706,496)	-
Transfers from other funds	-	-	-	-	-	-	25,000
Net cash provided by (used in) noncapital financing activities	<u>(323,326)</u>	<u>(93,513)</u>	<u>(105,875)</u>	<u>(125,651)</u>	<u>(182,981)</u>	<u>(831,346)</u>	<u>25,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	(2,916,920)	(1,841,956)	(721,128)	(45,547)	(386,887)	(5,912,438)	-
Principal paid on revenue notes	(349,938)	(269,000)	(334,000)	(52,309)	-	(1,005,247)	-
Interest and fiscal changes paid	(125,844)	(30,749)	(85,974)	(22,935)	-	(265,502)	-
Principal paid on Des Moines Water Works bonds	(281,475)	-	-	-	-	(281,475)	-
Principal paid on general obligation bonds	-	-	-	(30,829)	-	(30,829)	-
Cash paid on refinancing of revenue note	-	-	-	(21,107)	-	(21,107)	-
Proceeds from bond issuance	1,429,661	-	-	-	631,853	2,061,514	-
Net cash provided by (used in) capital and related financing activities	<u>(2,244,516)</u>	<u>(2,141,705)</u>	<u>(1,141,102)</u>	<u>(172,727)</u>	<u>244,966</u>	<u>(5,455,084)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest on investments	11,052	7,720	3,364	-	1,978	24,114	242
Proceeds from sale of investments	-	29,000	-	-	-	29,000	-
Purchase of investments	(137,760)	-	-	-	-	(137,760)	-
Cash received from property rental	38,713	-	-	7,800	-	46,513	-
Net cash provided by (used in) investing activities	<u>(87,995)</u>	<u>36,720</u>	<u>3,364</u>	<u>7,800</u>	<u>1,978</u>	<u>(38,133)</u>	<u>242</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(733,255)	1,096,251	56,796	(61,969)	354,846	712,669	25,242
CASH AND CASH EQUIVALENTS, beginning	<u>4,653,782</u>	<u>4,453,667</u>	<u>2,538,307</u>	<u>68,769</u>	<u>1,370,127</u>	<u>13,084,652</u>	<u>163,231</u>
CASH AND CASH EQUIVALENTS, ending	<u>\$3,920,527</u>	<u>\$5,549,918</u>	<u>\$2,595,103</u>	<u>\$ 6,800</u>	<u>\$1,724,973</u>	<u>\$13,797,321</u>	<u>\$ 188,473</u>

See Notes to Financial Statements.

City of Waukee, Iowa
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
Year ended June 30, 2016

	<u>Enterprise Funds</u>					<u>Total</u>	<u>Internal Service Fund Equipment Revolving</u>
	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Golf</u>	<u>Nonmajor Funds</u>		
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES							
Operating income	\$1,443,388	\$2,644,420	\$1,012,342	\$ 200,556	\$ 268,864	\$5,569,570	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities							
Depreciation expense	551,772	607,532	353,163	53,789	39,474	1,605,730	-
Change in assets, deferred outflows, liabilities and deferred inflows							
Customer accounts receivable	(204,436)	(37,239)	(33,193)	-	(10,067)	(284,935)	-
Inventories	68,853	-	92,242	55	-	161,150	-
Accounts payable, net of capital assets	60,021	90,128	(147,860)	(8,989)	(3,712)	(10,412)	-
Customer deposits	18,930	-	10,250	-	-	29,180	-
Compensated absences	(1,669)	(702)	979	22	927	(443)	-
Net pension liability	22,271	27,137	58,516	11,245	27,649	146,818	-
Deferred outflows of resources	(229)	(2,507)	(14,288)	2,483	(3,894)	(18,435)	-
Deferred inflows of resources	(38,424)	(36,054)	(34,847)	(31,956)	(30,270)	(171,551)	-
OPEB liability	2,105	2,034	3,105	1,404	1,912	10,560	-
Net cash provided by operating activities	<u>\$1,922,582</u>	<u>\$3,294,749</u>	<u>\$1,300,409</u>	<u>\$ 228,609</u>	<u>\$ 290,883</u>	<u>\$ 7,037,232</u>	<u>\$ -</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	\$3,772,635	\$5,512,752	\$2,463,001	\$ 800	\$1,724,973	\$13,474,161	\$ 188,473
Restricted assets – cash and pooled investments							
Customer deposits	114,635	-	92,100	-	-	206,735	-
Revenue note and interest sinking account	33,257	37,166	40,002	6,000	-	116,425	-
Revenue note reserve account	332,635	89,265	-	51,465	-	473,365	-
	<u>4,253,162</u>	<u>5,639,183</u>	<u>2,595,103</u>	<u>58,265</u>	<u>1,724,973</u>	<u>14,270,686</u>	<u>188,473</u>
Less items not meeting the definition of cash equivalent							
Certificates of deposit	(332,635)	(89,265)	-	(51,465)	-	(473,365)	-
Cash and cash equivalents at year end	<u>\$3,920,527</u>	<u>\$5,549,918</u>	<u>\$2,595,103</u>	<u>\$ 6,800</u>	<u>\$1,724,973</u>	<u>\$13,797,321</u>	<u>\$ 188,473</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 accounting principles generally accepted in the United States of America (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 units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Component Units

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.

The Waukee Foundation has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable purposes. In accordance with criteria set by the Governmental Accounting Standards Board, the Waukee Foundation meets the definition of a blended component unit. The financial activity of the Waukee Foundation has been presented 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, Dallas County Emergency Management Commission, Metro Advisory Council, Westcom, and Waukee Economic Development Corporation.

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 and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. 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 service.

The Statement of Net Position presents the City's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, 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 \$14,503,968.

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. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the 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 from general and emergency levies 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 Tax Increment Financing Fund is used to account for revenues from the tax authorized by ordinance in the City's urban renewal districts and 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.

Cash, Cash Equivalents 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 Tax 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, 2016 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 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 Tax 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, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2015.

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 taxes.

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 not estimated or recorded to the financial statements per City policy.

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, 2016, 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 and 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

Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures. 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 City) 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. Capital assets are defined by the City as assets with initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the City after the measurement date but before the end of the City's reporting period.

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, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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.

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.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions

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

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent 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 expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist 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 and the unamortized portion of the net difference between projected and actual earnings on IPERS' investments.

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.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

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, 2016, disbursements exceeded the amount budgeted in the debt service and business type activities functions.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2016 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 ensure 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 requirements of Governmental Accounting Standards Board Statement No. 72.

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.

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			
Water fund	\$ 556,413	\$ 850	\$ 555,563
Sewer fund	410,905	400	410,505
Gas fund	123,129	1,750	121,379
Nonmajor proprietary funds	<u>145,535</u>	<u>—</u>	<u>145,535</u>
Totals	<u>\$1,235,982</u>	<u>\$ 3,000</u>	<u>\$1,232,982</u>
Other			
General fund	<u>\$ 268,098</u>	<u>\$ 32,000</u>	<u>\$ 236,098</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.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 4 LEASING ACTIVITIES (continued)

The City leases space on a water tower under an operating lease agreement dated April 18, 2016 expiring September 30, 2026. The lease calls for annual payments of \$28,000 with annual 3% escalating increases.

The City leases farm land under two operating lease agreements dated January 2016 and April 2016, and expiring in December 2016. The City received \$13,000 and \$57,600, respectively, in lease income from the agreements during the year ended June 30, 2016.

The total minimum future lease payments receivable under the operating leases at June 30, 2016 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>
2017	\$ 32,475	\$ 28,000	\$ 27,300	\$ 87,775
2018	30,075	28,840	-	58,915
2019	28,075	29,705	-	57,780
2020	28,075	30,596	-	58,671
2021	28,075	31,514	-	59,589
Thereafter	<u>4,679</u>	<u>172,333</u>	<u>-</u>	<u>177,012</u>
	<u>\$ 151,454</u>	<u>\$ 320,988</u>	<u>\$ 27,300</u>	<u>\$ 499,742</u>

NOTE 5 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 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	\$ 8,696,009	\$ 3,388,400	\$ -	\$ 12,084,409
Construction in progress	<u>21,627,311</u>	<u>10,457,485</u>	<u>8,190,354</u>	<u>23,894,442</u>
Total capital assets not being depreciated	<u>30,323,320</u>	<u>13,845,885</u>	<u>8,190,354</u>	<u>35,978,851</u>
Capital assets being depreciated				
Buildings	8,360,745	453,382	-	8,814,127
Improvements other than buildings	33,949,316	7,888,850	-	41,838,166
Equipment	6,045,726	1,002,065	71,480	6,976,311
Infrastructure, road network	<u>86,257,856</u>	<u>8,186,126</u>	<u>-</u>	<u>94,443,982</u>
Total capital assets being depreciated	<u>134,613,643</u>	<u>17,530,423</u>	<u>71,480</u>	<u>152,072,586</u>
Less accumulated depreciation for				
Buildings	2,511,188	274,285	-	2,785,473
Improvements other than buildings	6,479,367	1,527,511	-	8,006,878
Equipment	4,069,258	490,505	71,480	4,488,283
Infrastructure, road network	<u>36,164,197</u>	<u>2,647,900</u>	<u>-</u>	<u>38,812,097</u>
Total accumulated depreciation	<u>49,224,010</u>	<u>4,940,201</u>	<u>71,480</u>	<u>54,092,731</u>
Total capital assets being depreciated, net	<u>85,389,633</u>	<u>12,590,222</u>	<u>-</u>	<u>97,979,855</u>
Governmental activities capital assets, net	<u>\$115,712,953</u>	<u>\$26,436,107</u>	<u>\$8,190,354</u>	<u>\$133,958,706</u>

**City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 CAPITAL ASSETS (continued)

	<u>Balance beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance end of year</u>
Business type activities				
Capital assets not being depreciated				
Land	\$ 1,226,032	\$ -	\$ -	\$ 1,226,032
Construction in progress	<u>461,209</u>	<u>4,156,778</u>	<u>3,603,616</u>	<u>1,014,371</u>
Total capital assets not being depreciated	<u>1,687,241</u>	<u>4,156,778</u>	<u>3,603,616</u>	<u>2,240,403</u>
Capital assets being depreciated				
Buildings	557,486	-	-	557,486
Equipment	3,868,918	292,756	74,367	4,087,307
Infrastructure, water and sewer network	<u>52,419,600</u>	<u>5,390,351</u>	<u>-</u>	<u>57,809,951</u>
Total capital assets being depreciated	<u>56,846,004</u>	<u>5,683,107</u>	<u>74,367</u>	<u>62,454,744</u>
Less accumulated depreciation for				
Buildings	197,393	13,203	-	210,596
Equipment	2,664,610	318,446	74,367	2,908,689
Infrastructure, water and sewer network	<u>14,502,495</u>	<u>1,274,081</u>	<u>-</u>	<u>15,776,576</u>
Total accumulated depreciation	<u>17,364,498</u>	<u>1,605,730</u>	<u>74,367</u>	<u>18,895,861</u>
Total capital assets being depreciated, net	<u>39,481,506</u>	<u>4,077,377</u>	<u>-</u>	<u>43,558,883</u>
Business type activities capital assets, net	<u>\$41,168,747</u>	<u>\$ 8,234,155</u>	<u>\$3,603,616</u>	<u>\$ 45,799,286</u>

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

Governmental activities		
Public safety		\$ 295,041
Public works		4,239,001
Culture and recreation		275,260
General government		<u>130,899</u>
Total depreciation expense--governmental activities		<u>\$4,940,201</u>
Business type activities		
Water		\$ 551,772
Sewer		607,532
Gas		353,163
Storm water		37,234
Golf		53,789
Utility billing		<u>2,240</u>
Total depreciation expense--business type activities		<u>\$1,605,730</u>

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2016 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	\$47,843,001	\$7,340,000	\$5,625,434	\$49,557,567 (1)	\$5,414,738
Urban Renewal Revenue bonds	945,000	-	140,000	805,000	145,000
Special assessment notes	170,000	-	39,000	131,000	41,000
Compensated absences	217,067	34,628	-	251,695	41,843
Net OPEB liability	322,012	46,657	-	368,669	-
Net pension liability	<u>1,467,517</u>	<u>661,798</u>	<u>-</u>	<u>2,129,315</u>	<u>-</u>
Totals	<u>\$50,964,597</u>	<u>\$8,083,083</u>	<u>\$5,804,434</u>	<u>\$53,243,246</u>	<u>\$5,642,581</u>
Business type activities					
General obligation bonds/notes	\$ 30,829	\$ -	\$ 30,829	\$ -	\$ -
Des Moines Water Works bonds	524,363	-	416,413	107,950	107,950
Revenue bonds/notes	7,041,448	2,090,000	832,849	8,298,599 (2)	961,262
Compensated absences	51,264	-	443	50,821	50,821
Net OPEB liability	94,869	10,560	-	105,429	-
Net pension liability	<u>361,440</u>	<u>146,818</u>	<u>-</u>	<u>508,258</u>	<u>-</u>
Totals	<u>\$ 8,104,213</u>	<u>\$2,247,378</u>	<u>\$1,280,534</u>	<u>\$ 9,071,057</u>	<u>\$1,120,033</u>

(1) Included in balance are unamortized bond premiums and discounts totaling \$1,259,464 and \$161,107, respectively at June 30, 2016.

(2) Included in balance are unamortized bond premiums of \$13,650 at June 30, 2016.

Bond/Note Issuance

Fourteen issues of unmatured general obligation bonds/notes, totaling \$48,459,210, are outstanding at June 30, 2016. General obligation bonds/notes bear interest at rates ranging from 1.0% to 4.5% and mature in varying annual amounts, ranging from \$59,738 to \$2,265,000, with the final maturities due in the year ending June 30, 2034.

One issue of unmatured Urban Renewal revenue notes, totaling \$805,000, is outstanding at June 30, 2016. The note bears interest at 3.2% to 3.9% and matures in annual amounts of \$145,000 to \$175,000, with final maturity due in the year ending June 30, 2021.

One issue of unmatured special assessment notes, totaling \$131,000, is outstanding at June 30, 2016. The note bears interest at 3.80% to 4.55% and matures in annual amounts of \$41,000 to \$46,000, with final maturity due in the year ending June 30, 2019.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM LIABILITIES (continued)

Bond/Note Issuance (continued)

Details of general obligation and revenue bonds/notes payable and special assessment notes at June 30, 2016 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, 2016</u>
General Obligation Bonds and Notes						
Golf Course Refunding	February 19, 2016	2.75	June 1, 2020	\$ 59,738 - \$ 64,988	\$ 279,990	\$ 249,210
Sewer Project	April 8, 2008	3.90-4.20	June 1, 2021	105,000 - 120,000	1,275,000	565,000
Urban Renewal 2008C	December 15, 2008	3.90-4.50	June 1, 2022	170,000 - 215,000	2,200,000	1,155,000
Urban Renewal 2009A	April 28, 2009	3.50	June 1, 2017	130,000	1,055,000	130,000
General Obligation 2010A	June 2, 2010	3.00-3.50	June 1, 2022	120,000 - 140,000	1,435,000	775,000
General Obligation 2010B	June 2, 2010	2.80-3.60	June 1, 2021	160,000 - 185,000	1,745,000	860,000
General Obligation 2012A	June 14, 2012	2.00	June 1, 2020	100,000 - 450,000	2,680,000	855,000
General Obligation 2012B	June 14, 2012	2.00-3.00	June 1, 2021	340,000 - 630,000	4,220,000	2,990,000
Urban Renewal 2012D	December 28, 2012	2.00	June 1, 2021	415,000 - 445,000	3,745,000	2,140,000
General Obligation 2013B	May 28, 2013	2.00-3.00	June 1, 2028	100,000 - 350,000	3,280,000	2,420,000
General Obligation Refunding 2013C	May 28, 2013	1.00-1.35	June 1, 2020	285,000 - 485,000	2,265,000	1,320,000
General Obligation 2013D	December 12, 2013	3.00-4.125	June 1, 2033	110,000 - 930,000	8,740,000	6,140,000
General Obligation 2014A	December 10, 2014	2.00-3.50	June 1, 2034	500,000 - 2,265,000	23,295,000	22,260,000
General Obligation 2015C	November 19, 2015	2.00-4.00	June 1, 2030	365,000 - 1,010,000	7,340,000	6,600,000
Revenue Bonds						
Urban Renewal 2010C	June 2, 2010	3.20-3.90	June 1, 2021	145,000 - 175,000	1,590,000	805,000
Special Assessment Notes						
Sewer Improvements	May 5, 2009	3.80-4.55	December 1, 2018	41,000 - 46,000	362,000	131,000

The City has pledged future tax increment revenues to repay the \$1,590,000 of bonds issued June 2, 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 five percent of the tax increment revenues. The total principal and interest remaining to be paid on the notes is \$897,425. For the current year, \$173,155 of principal and interest was paid on the bonds and total tax increment revenues were \$3,220,977.

The covenants providing for the issuance of the Revenue Bond 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.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM LIABILITIES (continued)

The Revenue bond also has 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:

Year ending June 30	General Obligation			Special Assessment		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 5,414,738	\$1,360,052	\$ 6,774,790	\$ 41,000	\$ 4,698	\$ 45,698
2018	4,686,392	1,217,794	5,904,186	44,000	3,006	47,006
2019	5,073,092	1,108,943	6,182,035	46,000	1,046	47,046
2020	5,474,988	966,237	6,441,225	—	—	—
2021	5,345,000	813,354	6,158,354	—	—	—
2022-2026	10,575,000	2,757,685	13,332,685	—	—	—
2027-2031	9,880,000	1,192,171	11,072,171	—	—	—
2032-2034	<u>2,010,000</u>	<u>137,950</u>	<u>2,147,950</u>	—	—	—
Subtotal	48,459,210	9,554,186	58,013,396	131,000	8,750	139,750
Plus unamortized premium	<u>1,098,357</u>	—	<u>1,098,357</u>	—	—	—
Totals	<u>\$49,557,567</u>	<u>\$9,554,186</u>	<u>\$59,111,753</u>	<u>\$ 131,000</u>	<u>\$ 8,750</u>	<u>\$ 139,750</u>

Year ending June 30	Revenue		
	Principal	Interest	Total
2017	\$ 145,000	\$ 28,955	\$ 173,955
2018	155,000	24,315	179,315
2019	160,000	19,045	179,045
2020	170,000	13,285	183,285
2021	<u>175,000</u>	<u>6,825</u>	<u>181,825</u>
Totals	<u>\$ 805,000</u>	<u>\$ 92,425</u>	<u>\$ 897,425</u>

Nine issues of unmatured revenue notes, totaling \$8,284,949, are outstanding at June 30, 2016. These notes bear interest at rates ranging from 1.10% to 4.10% and mature in varying annual amounts, ranging from \$31,000 to \$409,000, with the final maturities due in the year ending June 30, 2032.

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 water, 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, water, 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, 2016, the City was in compliance with the revenue note/bond provisions.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM LIABILITIES (continued)

The City has pledged future sewer, water, golf, and gas customer revenues, net of specified operating expenses, to repay the \$11,683,339 in revenue notes issued from 1998 to 2016. Proceeds from the notes provided financing for construction of improvements to the facilities and infrastructure and purchase capacity. 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 \$9,706,750. For the current year, principal and interest paid and total customer net revenues were \$1,115,620 and \$5,716,251, respectively.

Details of revenue notes and bonds payable at June 30, 2016 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, 2016</u>
Revenue Notes and Bonds						
Water						
Revenue Capital Loan 2012C	September 5, 2012	2.00 - 4.10	June 1, 2032	\$105,000 - 185,000	\$2,625,000	\$2,220,000
Revenue Note Series 2015B	July 21, 2015	3.00	June 1, 2027	110,000 - 140,000	1,450,000	1,340,000
Sewer						
Bonds-Series 1998A	October 8, 1998	1.75	June 1, 2018	31,000 - 33,000	455,748	64,000
Bonds-Series 1998B	October 8, 1998	1.75	June 1, 2018	66,000 - 68,000	945,252	134,000
Bonds-Series 1998C	October 8, 1998	1.75	June 1, 2018	79,000 - 82,000	1,178,000	161,000
Revenue Capital Loan 2013A	March 1, 2013	2.00 - 2.50	June 1, 2024	100,000 - 120,000	1,185,000	885,000
Golf Course						
Revenue refunding bond	February 19, 2016	3.50	December 1, 2020	52,262 - 322,567	572,339	542,949
Gas						
Revenue Note	March 18, 2015	2.70	June 1, 2022	358,000 - 409,000	2,632,000	2,298,000
Stormwater						
Revenue Note Series 2016A	June 1, 2016	1.10 - 2.00	June 1, 2026	60,000 - 70,000	640,000	640,000

<u>Year ending June 30</u>	<u>Revenue Notes/Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 961,262	\$ 224,824	\$1,186,086
2018	985,107	202,173	1,187,280
2019	828,018	178,903	1,006,921
2020	845,995	158,116	1,004,111
2021	1,130,567	131,512	1,262,079
2022-2026	2,394,000	378,413	2,772,413
2027-2031	955,000	140,275	1,095,275
2032	<u>185,000</u>	<u>7,585</u>	<u>192,585</u>
Subtotal	8,284,949	1,421,801	9,706,750
Plus unamortized premium	<u>13,650</u>	<u>—</u>	<u>13,650</u>
Totals	<u>\$8,298,599</u>	<u>\$1,421,801</u>	<u>\$9,720,400</u>

One issue of unmatured Des Moines Water Works refunding bonds, totaling \$107,950, is outstanding at June 30, 2016. This note bears interest at a rate of 3.0% and matures in whole during the year ending June 30, 2017.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM LIABILITIES (continued)

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>
2017	\$ <u>107,950</u>	\$ <u>3,239</u>	\$ <u>111,189</u>

As of June 30, 2016, the general obligation debt issued by the City did not exceed its legal debt limit computed as follows:

Actual valuation	<u>\$1,287,907,585</u>
Debt limit - 5% of total actual valuation	<u>\$64,395,379</u>
Debt applicable to debt limit	
General obligation bonded debt outstanding	\$48,459,210
Urban Renewal revenue bonds outstanding	805,000
Tax increment financing debt outstanding	<u>949,820</u>
Total debt subject to debt limit	<u>\$50,214,030</u>
Percentage of debt limit	77.98%

NOTE 7 PENSION PLAN

Plan Description

IPERS is a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System. Membership is mandatory for employees of the City, except for those covered by another retirement system. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (continued)

Pension Benefits

A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary. For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age which is generally at age 55. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (continued)

Contributions (continued)

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95 percent of covered payroll, and the City contributed 8.93 percent of covered payroll, for a total rate of 14.88 percent. Protection occupation members contributed 6.56 percent of covered payroll, and the City contributed 9.84 percent of covered payroll, for a total rate of 16.40 percent.

The City's total contributions to IPERS for the year ended June 30, 2016 were \$577,811.

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

At June 30, 2016, the City reported a liability of \$2,637,573 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. The following table summarizes the change in the City's proportionate share:

	June 30		Change
	2015	2014	
City's proportionate share	0.053387%	0.046117%	0.007270%

For the year ended June 30, 2016, the City recognized pension expense of \$409,023. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 43,668	\$ 48,537
Change in assumptions	79,575	745
Net difference between projected and actual earnings on IPERS' investments	-	353,391
Change in proportion and difference between City contributions and proportionate share of contributions	351,476	-
City contributions subsequent to the measurement date	577,811	-
Totals	\$1,052,530	\$ 402,673

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (continued)

\$577,811 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Total</u>
2017	\$ (52,269)
2018	(52,269)
2019	(52,269)
2020	220,341
2021	<u>8,512</u>
Totals	<u>\$ 72,046</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00 percent per annum based on 3.00 percent inflation and 1.00 percent real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (continued)

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Core Plus Fixed Income	28%	2.04
Domestic Equity	24	6.29
International Equity	16	6.75
Private Equity/Debt	11	11.32
Real Estate	8	3.48
Credit Opportunities	5	3.63
U.S. TIPS	5	1.91
Other Real Assets	2	6.24
Cash	<u>1</u>	(0.71)
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability (asset)	<u>\$5,791,231</u>	<u>\$2,637,573</u>	<u>\$ (22,850)</u>

IPERS' Fiduciary Net Position

Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS

At June 30, 2016, the City did not report any amounts payable to IPERS for either legally required employer contributions or legally required employee contributions.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 8 INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Employee Benefits	\$1,343,400
	Gas	<u>18,821</u>
		<u>1,362,221</u>
Debt Service	Governmental funds	
	General	35,570
	Urban Renewal TIF	3,452,778
	Enterprise funds	
	Water	323,326
	Sewer	93,513
	Gas	105,875
	Golf	801
	Nonmajor Enterprise funds	<u>182,981</u>
		<u>4,194,844</u>
Capital Projects	Urban Renewal TIF	<u>1,500,000</u>
Equipment Revolving	General	<u>25,000</u>
Total		<u>\$7,082,065</u>

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

NOTE 9 DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise - Golf Course	\$ 729,105
Enterprise—Water	Enterprise - Golf Course	<u>100,000</u>
Total		<u>\$ 829,105</u>

These balances result from prior fiscal year interfund loans to finance Golf Course operations. Repayments will be made from future revenues over the next several years.

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 746 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.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 10 RISK MANAGEMENT (continued)

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty 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 estimated for the fiscal 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 basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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 contributions to the Pool for the year ended June 30, 2016 were \$185,988.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of casualty claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. 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, 2016, no liability has been recorded in the City's financial statements. As of June 30, 2016, 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. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 10 RISK MANAGEMENT (continued)

Self-insurance

The City has a partially self funded-insured medical expense reimbursement plan which provides medical benefits to its employees and their dependents. 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 \$7,975 at June 30, 2016.

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 \$10,700,000 of which approximately \$8,500,000 has been incurred as of June 30, 2016. The unpaid commitment balance is approximately \$2,200,000 which will be funded by current reserves in the capital projects funds and other sources.

In May, 2016, the City entered into a 28E agreement with the Waukee Community School District for the purpose of purchasing and developing land to be used for joint public-use recreational fields and as the site for a new high school.

In accordance with the 28E agreement, in May, 2016, the City entered into four agreements to purchase land at a cost of \$6,240,000 with purchase dates ranging from November, 2016 to December, 2016. The Waukee Community School District will reimburse the City for a substantial portion of the costs of the land acquisition, with the remaining City obligation being funded through the sale of City owned land (as described in Note 16) and other sources.

NOTE 12 URBAN RENEWAL DEVELOPMENT AGREEMENTS

The City has entered into a development agreement for an urban renewal project. The agreement requires the City to rebate portions of the incremental property tax paid by the developer in exchange for development of commercial projects by the developer. The total paid by the City under the agreement is not to exceed \$3,300,000. During the year ended June 30, 2016, the City rebated \$462,529 of incremental property tax to the developer. The outstanding balance of the agreement at June 30, 2016 was \$949,820.

The agreement is not a general obligation of the City and, due to its nature, is not recorded as a liability in the City's financial statements. However, the agreement is subject to the constitutional debt limitation of the City.

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 retirees under the age of 65 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.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

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, 2016, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 56,000
Interest on net OPEB obligation	16,675
Adjustment to annual required contribution	<u>(15,159)</u>
Annual OPEB cost	57,516
Contributions made	<u>—</u>
Increase in net OPEB obligation	57,516
Net OPEB obligation, beginning of year	<u>416,881</u>
Net OPEB obligation, end of year	<u>\$ 474,397</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, 2016.

For the year ended June 30, 2016, 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 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, 2014	\$ <u>70,140</u>	<u>0.0%</u>	\$ <u>359,573</u>
June 30, 2015	\$ <u>57,308</u>	<u>0.0%</u>	\$ <u>416,881</u>
June 30, 2016	\$ <u>57,516</u>	<u>0.0%</u>	\$ <u>474,397</u>

As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$275,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of \$275,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,260,000, and the ratio of the UAAL to the covered payroll was 4.4%. As of June 30, 2016, there were no trust fund assets.

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.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

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, 2014 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.0% discount rate based on the City's funding policy. The projected annual medical trend rate is 8.0%. 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 Group Annuity Mortality Table, 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 \$1,295 per month for retirees. The salary increase rate was assumed to be 3.5% 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.

In May of 2013, the WRA issued Sewer Revenue Bonds Series 2013B for the purpose of refunding Series 2004B. The WRA Agreement requires the debt service of 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, 2016, the Series 2013B bonds had a balance of \$52,405,000 and the City of Waukee's estimated future allocation based on the WRA flows is currently \$1,797,517.

In May of 2015, the WRA issued Sewer Revenue Bonds Series 2015E for the purpose of refunding Series 2006A. The WRA Agreement requires the debt service of 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, 2016, the Series 2015E bonds had a balance of \$31,865,000 and the City of Waukee's estimated future allocation based on the WRA flows is currently \$1,141,351.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 14 JOINT VENTURE (continued)

The WRA Agreement requires the debt service on all State Revolving Loans issues after July 1, 2004 to be allocated to the participating communities on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2016, the outstanding balance of State Revolving Loans issues after July 1, 2004 totaled \$264,697,879 and the City of Waukee's estimated future allocation is currently \$8,663,833.

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 50317-1346.

NOTE 15 DEFICIT BALANCES

At June 30, 2016, funds with deficit balances were as follows:

Road Use Tax Fund	\$ <u>20,349</u>
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The Road Use Tax deficit balance is the result of increased expenditures during fiscal year 2016 in excess of anticipated increases in road use tax revenues from new census data and increases in the State of Iowa's road use tax. The deficit will be eliminated by future revenues.

NOTE 16 SUBSEQUENT EVENTS

In August 2016, the Waukee City Council approved the sale of \$1,720,000 in general obligation bonds. The proceeds of the bonds were to be used to redeem two previously outstanding bonds.

In August 2016, the Waukee City Council approved two separate sales of land owned by the City to developers for \$1,600,000 and \$340,000, respectively. Proceeds from the sales are to be used for the purchase of land for joint public-use recreation fields as described in Note 11.

In August 2016, the Waukee City Council approved a development agreement with a developer. The agreement calls for property tax rebates to the developer totaling up to \$3,480,000 over a ten year period beginning in June, 2021. The tax rebates are based on incremental property values.

In October 2016, the City was approved for up to \$12,557,000 in State Revolving Fund loans which will be used for sewer utility improvements.

In November, 2016, the Waukee City Council authorized the sale of \$2,900,000 in sewer revenue capital loan notes for the purpose of sewer utility improvements.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 17 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. 75, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* will be effective for the City beginning with the year ending June 30, 2018. The statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Note disclosure and required supplementary information requirements are also addressed.

GASB Statement No. 77, *Tax Abatement Disclosures* will be effective for the City beginning with the year ending June 30, 2017. The statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

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

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>
June 30, 2014	July 1, 2011	\$ <u>—</u>	\$ <u>360</u>	\$ <u>360</u>	<u>0.0%</u>	\$ <u>5,339</u>	<u>6.7%</u>
June 30, 2015	July 1, 2014	\$ <u>—</u>	\$ <u>275</u>	\$ <u>275</u>	<u>0.0%</u>	\$ <u>5,902</u>	<u>4.7%</u>
June 30, 2016	July 1, 2014	\$ <u>—</u>	\$ <u>275</u>	\$ <u>275</u>	<u>0.0%</u>	\$ <u>6,260</u>	<u>4.4%</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 BALANCES - BUDGET AND ACTUAL - ALL
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**
Required Supplementary Information
Year ended June 30, 2016

	<u>Governmental funds actual</u>	<u>Proprietary funds actual</u>	<u>Accrual adjustments</u>	<u>Total actual</u>
REVENUES				
Property taxes	\$ 9,436,301	\$ -	\$ -	\$ 9,436,301
Tax increment financing	3,229,861	-	-	3,229,861
Other city tax	27,921	-	-	27,921
Licenses and permits	1,288,941	-	-	1,288,941
Use of money and property	195,336	70,627	2,108	268,071
Intergovernmental	5,241,337	-	-	5,241,337
Charges for services	351,341	15,981,431	-	16,332,772
Miscellaneous	405,168	202,525	(180,695)	426,999
Total revenues	<u>20,176,206</u>	<u>16,254,583</u>	<u>(178,587)</u>	<u>36,252,202</u>
EXPENDITURES/EXPENSES				
Public safety	4,281,395	-	-	4,281,395
Public works	2,297,252	-	-	2,297,252
Health and social services	5,100	-	-	5,100
Culture and recreation	1,763,428	-	(67,631)	1,695,797
Community and economic development	1,211,082	-	-	1,211,082
General government	817,880	-	-	817,880
Debt service	7,507,909	-	-	7,507,909
Capital projects	11,339,024	-	-	11,339,024
Business type activities	-	10,921,777	4,659,922	15,581,699
Total disbursements	<u>29,223,070</u>	<u>10,921,777</u>	<u>4,592,291</u>	<u>44,737,138</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	<u>(9,046,864)</u>	<u>5,332,806</u>	<u>(4,770,878)</u>	<u>(8,484,936)</u>
OTHER FINANCING SOURCES (USES), NET				
Excess (deficiency) of revenues and other financing sources over disbursements and other financing uses	(750,359)	4,607,489	(4,770,878)	(913,748)
BALANCES , beginning of year	<u>24,477,402</u>	<u>46,302,565</u>	<u>249,415</u>	<u>71,029,382</u>
BALANCES , end of year	<u>\$23,727,043</u>	<u>\$50,910,054</u>	<u>\$(4,521,463)</u>	<u>\$70,115,634</u>

See accompanying independent auditor's report.

<u>Budgeted amounts</u>		<u>Final to actual variance</u>
<u>Original</u>	<u>Final</u>	
\$ 9,113,927	\$ 9,113,927	\$ 322,374
3,388,430	3,388,430	(158,569)
79,737	79,737	(51,816)
944,440	1,242,440	46,501
238,925	246,925	21,146
2,381,580	2,383,530	2,857,807
15,707,773	15,724,523	608,249
304,450	309,200	117,798
<u>32,159,262</u>	<u>32,488,712</u>	<u>3,763,490</u>
4,428,830	4,571,165	289,770
3,256,019	3,217,597	920,345
4,000	5,500	400
1,715,353	1,745,369	49,572
882,055	1,244,285	33,203
887,331	918,081	100,201
6,169,803	7,025,803	(482,106)
24,545,000	24,545,000	13,205,976
<u>14,162,076</u>	<u>14,162,076</u>	<u>(1,419,623)</u>
<u>56,050,467</u>	<u>57,434,876</u>	<u>12,697,738</u>
<u>(23,891,205)</u>	<u>(24,946,164)</u>	<u>16,461,228</u>
<u>3,045,000</u>	<u>3,045,000</u>	<u>4,526,188</u>
(20,846,205)	(21,901,164)	20,987,416
<u>64,176,557</u>	<u>64,176,557</u>	<u>6,852,825</u>
<u>\$43,330,352</u>	<u>\$42,275,393</u>	<u>\$27,840,241</u>

City of Waukee, Iowa
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
Year ended June 30, 2016

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 on the cash basis 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 expenditures/expenses 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 disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements 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 \$1,384,409. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements in the debt service and business type activities functions exceeded the amount budgeted.

City of Waukee, Iowa
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Iowa Public Employees' Retirement System
For the Last Two Years *
(In Thousands)
Required Supplementary Information

	June 30	
	2016	2015
City's proportion of the net pension liability	0.053387%	0.046117%
City's proportionate share of the net pension liability	\$2,638	\$1,829
City's covered-employee payroll	\$6,412	\$6,005
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	41.14%	30.49%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the City will present information for those years for which information is available.

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying notes to required supplementary information – pension liability.

City of Waukee, Iowa
SCHEDULE OF CITY CONTRIBUTIONS
Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)
Required Supplementary Information

	<u>Year ended June 30</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 578	\$ 550	\$ 497	\$ 423
Contributions in relation to the statutorily required contribution	<u>578</u>	<u>550</u>	<u>497</u>	<u>423</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
City's covered-employee payroll	\$6,412	\$6,005	\$5,339	\$4,633
Contributions as a percentage of covered-employee payroll	9.0%	9.2%	9.3%	9.1%

See accompanying notes to required supplementary information – pension liability.

Year ended June 30					
<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 374	\$ 328	\$ 288	\$ 246	\$ 209	\$ 179
<u>374</u>	<u>328</u>	<u>288</u>	<u>246</u>	<u>209</u>	<u>179</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$4,491	\$4,144	\$3,866	\$3,738	\$3,378	\$2,919
8.3%	7.9%	7.4%	6.6%	6.2%	6.1%

See accompanying notes to required supplementary information – pension liability.

City of Waukee, Iowa
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year ended June 30, 2016

CHANGES OF BENEFIT TERMS

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

CHANGES OF ASSUMPTIONS

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

SUPPLEMENTARY INFORMATION

**City of Waukee
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016**

	<u>Special Revenue Funds</u>				<u>Debt service</u>	<u>Total</u>
	<u>Road Use Tax</u>	<u>Library Foundation</u>	<u>Waukee Foundation</u>	<u>Forfeitures</u>	<u>Special Assessments</u>	
ASSETS						
Cash, cash equivalents and pooled investments	\$ 60,020	\$ 178,159	\$ 275,341	\$ 768	\$ 95,326	\$ 609,614
Receivables						
Property tax						
Special assessments	-	-	-	-	322,527	322,527
Other	11,944	-	-	-	-	11,944
Prepaid insurance	<u>18,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,250</u>
Total assets	<u>\$ 90,214</u>	<u>\$ 178,159</u>	<u>\$ 275,341</u>	<u>\$ 768</u>	<u>\$ 417,853</u>	<u>\$ 962,335</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 107,369	\$ -	\$ -	\$ -	\$ -	\$ 107,369
Compensated absences	<u>3,194</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,194</u>
Total liabilities	<u>110,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,563</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues						
Special assessments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>322,527</u>	<u>322,527</u>
FUND BALANCES						
Nonspendable						
Prepaid insurance	18,250	-	-	-	-	18,250
Restricted for						
Debt service	-	-	-	-	95,326	95,326
Other	<u>(38,599)</u>	<u>178,159</u>	<u>275,341</u>	<u>768</u>	<u>-</u>	<u>415,669</u>
Total fund balances	<u>(20,349)</u>	<u>178,159</u>	<u>275,341</u>	<u>768</u>	<u>95,326</u>	<u>529,245</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 90,214</u>	<u>\$ 178,159</u>	<u>\$ 275,341</u>	<u>\$ 768</u>	<u>\$ 417,853</u>	<u>\$ 962,335</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, 2016

	<u>Special Revenue Funds</u>				<u>Debt service</u>	<u>Total</u>
	<u>Road</u>	<u>Library</u>	<u>Waukee</u>	<u>Forfeitures</u>	<u>Special</u>	
	<u>Use Tax</u>	<u>Foundation</u>	<u>Foundation</u>		<u>Assessments</u>	
REVENUES						
Other city taxes	\$ -	\$ -	\$ -	\$ -	\$ 18,955	\$ 18,955
Licenses and permits	11,836	-	-	-	-	11,836
Use of money and property	-	(2,108)	-	-	10,877	8,769
Intergovernmental	1,710,101	-	-	-	-	1,710,101
Miscellaneous	9,233	33,655	147,040	-	-	189,928
Total revenue	<u>1,731,170</u>	<u>31,547</u>	<u>147,040</u>	<u>-</u>	<u>29,832</u>	<u>1,939,589</u>
EXPENDITURES						
Operating						
Public works	1,891,748	-	-	-	-	1,891,748
Culture and recreation	-	26,542	41,089	-	-	67,631
Debt service						
Principal	-	-	-	-	39,000	39,000
Interest	-	-	-	-	6,160	6,160
Capital projects	310,977	-	-	-	-	310,977
Total expenditures	<u>2,202,725</u>	<u>26,542</u>	<u>41,089</u>	<u>-</u>	<u>45,160</u>	<u>2,315,516</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(471,555)</u>	<u>5,005</u>	<u>105,951</u>	<u>-</u>	<u>(15,328)</u>	<u>(375,927)</u>
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	<u>21,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,913</u>
NET CHANGES IN FUND BALANCES	(449,642)	5,005	105,951	-	(15,328)	(354,014)
FUND BALANCES, beginning	<u>429,293</u>	<u>173,154</u>	<u>169,390</u>	<u>768</u>	<u>110,654</u>	<u>883,259</u>
FUND BALANCES, ending	<u>\$ (20,349)</u>	<u>\$ 178,159</u>	<u>\$ 275,341</u>	<u>\$ 768</u>	<u>\$ 95,326</u>	<u>\$ 529,245</u>

See accompanying independent auditor's report.

City of Waukee, Iowa
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2016

	Enterprise Funds			Total
	Solid Waste	Utility Billing	Storm Water	
ASSETS				
Current assets				
Cash and pooled investments	\$ 166,309	\$ 123,513	\$1,435,151	\$1,724,973
Receivables				
Customer accounts	<u>90,796</u>	<u>—</u>	<u>54,739</u>	<u>145,535</u>
Total current assets	<u>257,105</u>	<u>123,513</u>	<u>1,489,890</u>	<u>1,870,508</u>
Noncurrent assets				
Capital assets (net of accumulated depreciation)	<u>—</u>	<u>8,960</u>	<u>698,825</u>	<u>707,785</u>
Total assets	<u>257,105</u>	<u>132,473</u>	<u>2,188,715</u>	<u>2,578,293</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related deferred outflows	<u>—</u>	<u>16,008</u>	<u>20,673</u>	<u>36,681</u>
LIABILITIES				
Current liabilities				
Accounts payable	35	41,041	60,738	101,814
Compensated absences	—	4,844	3,681	8,525
Revenue notes payable	—	—	60,000	60,000
Interest payable	<u>—</u>	<u>—</u>	<u>835</u>	<u>835</u>
Total current liabilities	<u>35</u>	<u>45,885</u>	<u>125,254</u>	<u>171,174</u>
Noncurrent liabilities				
Revenue notes payable	—	—	580,000	580,000
Net OPEB liability	—	8,195	10,653	18,848
Net pension liability	<u>—</u>	<u>40,116</u>	<u>51,804</u>	<u>91,920</u>
Total noncurrent liabilities	<u>—</u>	<u>48,311</u>	<u>642,457</u>	<u>690,768</u>
Total liabilities	<u>35</u>	<u>94,196</u>	<u>767,711</u>	<u>861,942</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues				
Pension related deferred inflows	<u>—</u>	<u>6,124</u>	<u>7,909</u>	<u>14,033</u>
NET POSITION				
Net investment in capital assets	—	—	409,353	409,353
Unrestricted	<u>257,070</u>	<u>48,161</u>	<u>1,024,415</u>	<u>1,329,646</u>
Total net position	<u>\$ 257,070</u>	<u>\$ 48,161</u>	<u>\$1,433,768</u>	<u>\$1,738,999</u>

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, 2016

	Enterprise Funds			Total
	Solid Waste	Utility Billing	Storm Water	
OPERATING REVENUES				
Charges for service	\$1,065,087	\$ 205,930	\$ 584,621	\$1,855,638
Miscellaneous	-	18,245	-	18,245
Total operating revenues	<u>1,065,087</u>	<u>224,175</u>	<u>584,621</u>	<u>1,873,883</u>
OPERATING EXPENSES				
Business type activities				
Cost of sales and services	1,015,759	232,216	317,570	1,565,545
Depreciation and amortization	-	2,240	37,234	39,474
Total operating expenses	<u>1,015,759</u>	<u>234,456</u>	<u>354,804</u>	<u>1,605,019</u>
Operating income (loss)	<u>49,328</u>	<u>(10,281)</u>	<u>229,817</u>	<u>268,864</u>
NONOPERATING REVENUES (EXPENSES)				
Interest expense	-	-	(835)	(835)
Interest income	232	175	1,571	1,978
Bond issuance and other costs	-	-	(8,147)	(8,147)
Total nonoperating revenues (expenses)	<u>232</u>	<u>175</u>	<u>(7,411)</u>	<u>(7,004)</u>
Income (loss) before transfers	49,560	(10,106)	222,406	261,860
Transfers (out)	-	-	(182,981)	(182,981)
CHANGE IN NET POSITION	49,560	(10,106)	39,425	78,879
NET POSITION BEGINNING OF YEAR	<u>207,510</u>	<u>58,267</u>	<u>1,394,343</u>	<u>1,660,120</u>
NET POSITION END OF YEAR	<u>\$ 257,070</u>	<u>\$ 48,161</u>	<u>\$1,433,768</u>	<u>\$1,738,999</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			
	2016	2015	2014	2013
REVENUES				
Property tax	\$ 9,436,301	\$ 8,385,843	\$ 7,666,911	\$ 7,133,514
Tax increment financing revenue	3,229,861	3,204,146	3,017,853	3,427,898
Other city tax	27,921	133,216	60,988	39,355
Licenses and permits	1,288,941	1,391,499	1,057,350	639,233
Use of money and property	195,336	182,503	222,405	210,762
Intergovernmental	5,241,337	5,602,222	2,539,186	3,713,932
Charges for services	351,341	414,059	597,042	728,310
Miscellaneous	<u>405,168</u>	<u>385,164</u>	<u>281,147</u>	<u>1,058,091</u>
Totals	<u>\$20,176,206</u>	<u>\$19,698,652</u>	<u>\$15,442,882</u>	<u>\$16,951,095</u>
EXPENDITURES				
Operating				
Public safety	\$ 4,281,395	\$ 3,543,201	\$ 3,286,146	\$ 2,912,583
Public works	2,297,252	2,281,384	2,241,516	1,580,884
Health and social services	5,100	4,800	16,500	12,750
Culture and recreation	1,763,428	1,599,802	1,457,105	2,010,987
Community and economic development	1,211,082	760,100	910,021	618,937
General government	817,880	872,753	757,317	785,443
Debt service	7,507,909	6,421,577	5,996,633	4,642,544
Capital projects	<u>11,339,024</u>	<u>19,067,964</u>	<u>9,226,292</u>	<u>5,976,606</u>
Totals	<u>\$29,223,070</u>	<u>\$34,551,581</u>	<u>\$23,891,530</u>	<u>\$18,540,734</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 6,811,607	\$ 6,397,893	\$ 5,934,368	\$ 5,318,576	\$ 4,405,384	\$ 3,804,888
3,186,693	3,051,143	3,032,038	2,824,039	2,447,271	1,651,122
462,040	62,895	70,367	1,301,852	599,570	466,312
507,344	531,196	353,777	673,103	627,720	766,811
204,505	215,266	173,419	128,470	330,789	242,139
1,762,542	4,495,541	2,898,776	4,641,902	1,054,612	1,727,796
253,692	239,040	184,230	209,664	134,996	92,707
<u>813,998</u>	<u>440,669</u>	<u>144,913</u>	<u>1,142,477</u>	<u>170,474</u>	<u>459,154</u>
<u>\$14,002,421</u>	<u>\$15,433,643</u>	<u>\$12,791,888</u>	<u>\$16,240,083</u>	<u>\$ 9,770,816</u>	<u>\$ 9,210,929</u>
\$ 3,040,673	\$ 2,821,515	\$ 2,528,267	\$ 2,391,927	\$ 1,806,932	\$ 1,510,461
1,381,993	1,192,453	1,133,462	1,099,806	1,167,008	1,081,599
15,175	16,909	12,180	11,000	9,800	9,000
1,338,835	1,312,158	1,173,584	1,211,373	982,900	1,110,158
885,864	1,023,639	892,553	848,245	701,524	645,533
868,324	787,974	855,172	982,213	717,792	708,556
6,111,183	3,919,273	3,441,710	8,379,401	2,552,259	2,432,070
<u>3,501,963</u>	<u>7,768,712</u>	<u>7,021,544</u>	<u>10,807,450</u>	<u>7,764,263</u>	<u>4,062,917</u>
<u>\$17,144,010</u>	<u>\$18,842,633</u>	<u>\$17,058,472</u>	<u>\$25,731,415</u>	<u>\$15,702,478</u>	<u>\$11,560,294</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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 25, 2016.

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 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 a 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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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, 2016 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 Waukeee's Responses to the Findings

The City of Waukeee's responses to the 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
October 25, 2016

SCHEDULE OF FINDINGS

**City of Waukee, Iowa
SCHEDULE OF FINDINGS
Year ended June 30, 2016**

**Part I—Findings Relating to the Financial Statements Reported in
Accordance with *Government Auditing Standards***

Instances of Noncompliance

No matters were noted.

Internal Control Deficiencies

No material weaknesses in internal control over financial reporting were noted.

City of Waukee, Iowa
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2016

Part II—Other Findings Related to Required Statutory Reporting

II-A-16 CERTIFIED BUDGET

Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the debt service and business type activities functions. 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 be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

Response

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

Conclusion

Response accepted.

II-B-16 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.

II-C-16 TRAVEL EXPENSE

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

II-D-16 BUSINESS TRANSACTIONS

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

II-E-16 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 ensure that the coverage is adequate for current operations.

II-F-16 COUNCIL MINUTES

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

II-G-16 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, Iowa
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2016

Part II—Other Findings Related to Required Statutory Reporting (continued)

II-H-16 REVENUE BONDS/NOTES

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

II-I-16 ANNUAL URBAN RENEWAL REPORT

The annual renewal report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the following reporting exceptions were noted:

The City TIF debt outstanding balance as of June 30, 2016 reported on the Levy Authority Summary does not agree with the City's financial records. The amount reported by the City as TIF debt outstanding was understated by approximately \$14,650,000.

Recommendation

The City should ensure the debt balance reported on the Levy Authority Summary agrees with the City's financial records.

Response

The City excluded the issuance of TIF debt which occurred in fiscal year 2015 based on discrepancies in information distributed by the Iowa Department of Management. Outstanding TIF debt reported on the Annual Urban Renewal report will be reconciled to City records in the future.

Conclusion

Response accepted.

II-J-16 FINANCIAL CONDITION

The Road Use Tax Fund had a deficit balance of \$20,349 at June 30, 2016.

Recommendation

The City should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial position.

Response

Deficit balance is the result of increased expenditures in anticipation of revenue increases from updated census data and increased state road use tax rates which will be realized by the City in future fiscal years.

Conclusion

Response accepted.