

City of Waukee, Iowa

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

June 30, 2023

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**City of Waukee, Iowa
OFFICIALS**

| | <u>Term expires</u> |
|--|----------------------------|
| MAYOR AND MEMBERS OF CITY COUNCIL | |
| Courtney Clarke, Mayor | January 2024 |
| Chris Crone, Council Member | January 2024 |
| Ben Sinclair, Council Member | January 2026 |
| Larry Lyon, Council Member | January 2024 |
| Anna Bergman Pierce, Council Member | January 2026 |
| Charlie Bottenberg, Council Member | January 2026 |
| CITY ADMINISTRATOR | |
| Brad Deets | Indefinite |
| CITY CLERK | |
| Rebecca D. Schuett | Indefinite |
| DIRECTOR OF FINANCE | |
| Linda Burkhart | Indefinite |
| CITY ATTORNEY | |
| Steven P. Brick | January 2024 |



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
Waukee, Iowa

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of City of Waukee, Iowa, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Waukee, Iowa and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 16 to the financial statements, City of Waukee, Iowa adopted new accounting guidance related to Governmental Accounting Standards Board Statement No 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Waukee, Iowa's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Waukee, Iowa's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of changes in the City's total OPEB liability, related ratios and notes, the schedule of the City's proportionate share of the net position liability, and the schedule of City contributions on pages 7 through 14 and 56 through 61 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, 2022 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in pages 63 – 69, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2023, 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 solely 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 the effectiveness of the City's 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
December 10, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Waukee (the City) 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, 2023. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2023 FINANCIAL HIGHLIGHTS

- The City implemented Governmental Accounting Standards Board Statement (GASBS) No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), during fiscal year 2023. The implementation of this standard revised certain asset and liability accounts related to SBITAs, however, had no effect on the beginning net position for governmental activities.
- Revenues of the City's Governmental Funds increased 5.8 %, or \$2,681,589, from fiscal 2022 to fiscal 2023. Property and Other City Taxes increased \$2,840,307, Tax Increment Financing decreased \$1,678,010, Licenses and Permits increased \$67,635, Intergovernmental decreased \$1,388,783, Charges for Service increased \$272,124, Use of Money and Property increased \$2,311,144 and Miscellaneous increased \$257,172.
- Program expenditures of the City's Governmental Funds decreased 12.2 %, or \$8,353,500 in fiscal 2023 from fiscal 2022. Public Safety expenses increased \$1,434,927, Health and Social Services increased \$17,000, Community and Economic Development decreased \$126,216, Culture and Recreation increased \$819,729, Public Works decreased \$82,950, General Government decreased \$77,389, Debt Service decreased \$6,035,225 and Capital Projects decreased \$4,303,376.
- The City has a net position of \$352,870,060 on June 30, 2023 as compared to \$296,094,562 on June 30, 2022. Of this amount, the net position of the Governmental Activities was \$222,108,604 and the net position of the Business Type Activities was \$130,761,456.

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 Waukee 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 Changes in the City's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about the nonmajor 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 Local Options Sales Tax, 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

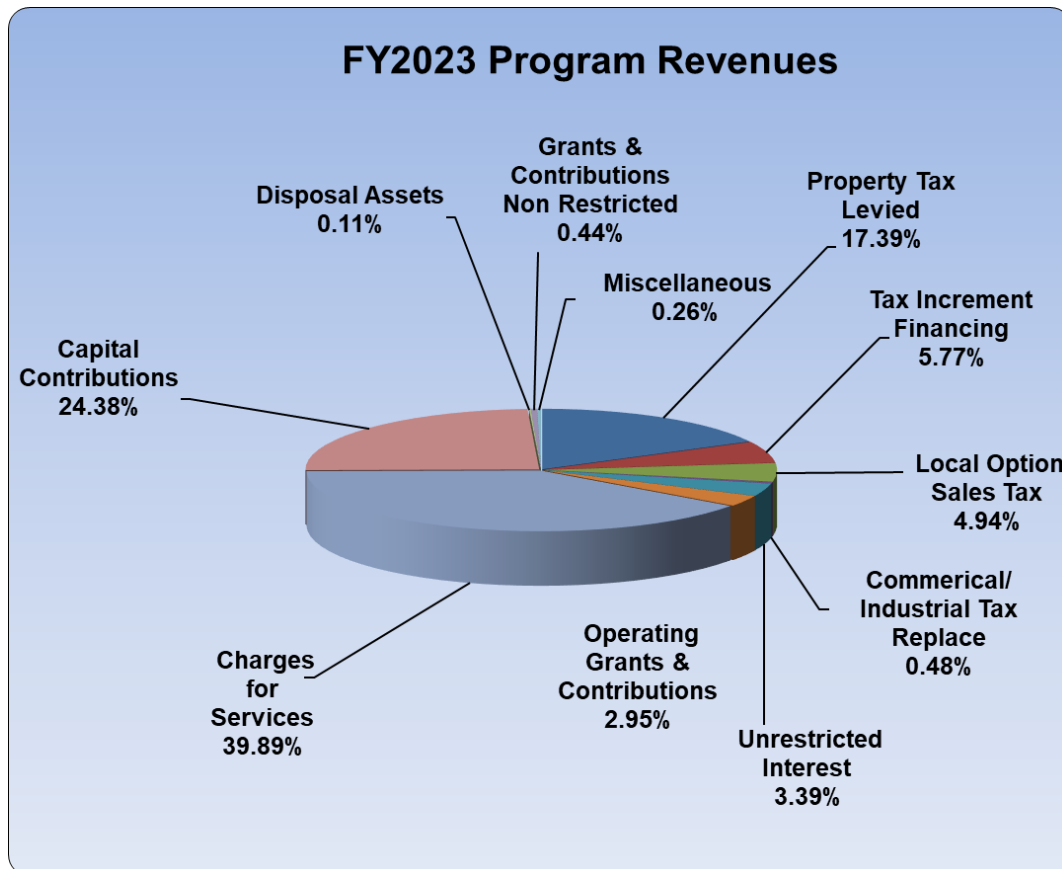
As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position for governmental and business type activities.

| | Net Position at Year End | | | | | |
|----------------------------------|--------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | Governmental Activities | | Business Type Activities | | Total | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Current and Other Assets | \$ 95,636,898 | \$ 85,745,134 | \$ 35,786,406 | \$ 37,963,631 | \$131,423,304 | \$123,708,765 |
| Non-Current Assets | 1,394,998 | 4,186,506 | - | 471,999 | 1,394,998 | 4,658,505 |
| Capital Assets | <u>280,464,400</u> | <u>253,036,836</u> | <u>120,479,966</u> | <u>89,918,543</u> | <u>400,944,366</u> | <u>342,955,379</u> |
| Total Assets | <u>377,496,296</u> | <u>342,968,476</u> | <u>156,266,372</u> | <u>128,354,173</u> | <u>533,762,668</u> | <u>471,322,649</u> |
| Deferred Outflows of Resources | <u>2,069,168</u> | <u>1,667,777</u> | <u>341,181</u> | <u>303,330</u> | <u>2,410,349</u> | <u>1,971,107</u> |
| Current Liabilities | 14,047,641 | 14,329,240 | 5,977,134 | 4,040,082 | 20,024,780 | 18,369,322 |
| Non-Current Liabilities | <u>110,212,273</u> | <u>103,172,323</u> | <u>19,713,074</u> | <u>20,607,476</u> | <u>129,925,347</u> | <u>123,779,799</u> |
| Total Liabilities | <u>124,259,914</u> | <u>117,501,563</u> | <u>25,690,213</u> | <u>24,647,558</u> | <u>149,950,127</u> | <u>142,149,121</u> |
| Deferred Inflows of Resources | <u>33,196,946</u> | <u>34,041,009</u> | <u>155,884</u> | <u>1,009,064</u> | <u>33,352,830</u> | <u>35,050,073</u> |
| Net Position: | | | | | | |
| Net investment in Capital Assets | 176,656,554 | 166,312,940 | 99,958,371 | 73,724,828 | 276,614,925 | 240,037,768 |
| Restricted | 34,326,742 | 19,910,593 | 1,032,126 | 1,053,912 | 35,358,868 | 20,964,505 |
| Unrestricted | <u>11,125,308</u> | <u>6,870,148</u> | <u>29,770,959</u> | <u>28,222,141</u> | <u>40,896,267</u> | <u>35,092,289</u> |
| Total Net Position | <u>\$222,108,604</u> | <u>\$193,093,681</u> | <u>\$130,761,456</u> | <u>\$103,000,881</u> | <u>\$352,870,060</u> | <u>\$296,094,562</u> |

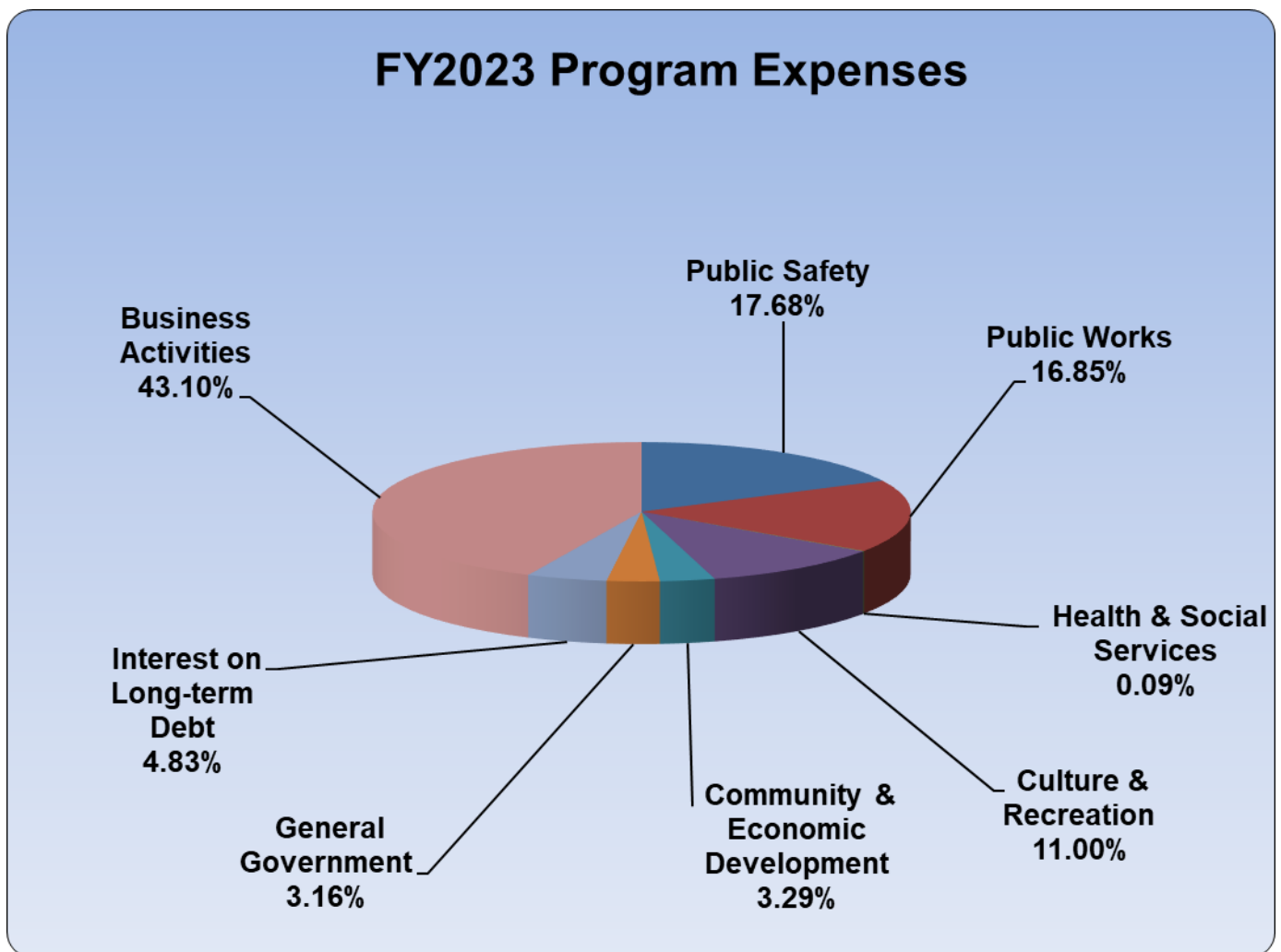
Net position of governmental activities increased \$29,014,923, or 15.03%, over fiscal year 2022. Net position of business type activities increased \$27,760,575, or 26.95%, over fiscal year 2022. The largest portion of the City’s net position is the investment in capital assets (e.g., land, infrastructure, 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 \$40,896,267 at the end of this year.

Changes in Net Position for the Year Ended June 30, 2023

| | Governmental Activities | | Business Type Activities | | Total | |
|---|-------------------------|----------------------|--------------------------|----------------------|-----------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | | | |
| Property Tax Levied and Other City Tax | \$ 19,917,880 | \$ 17,782,171 | \$ - | \$ - | \$ 19,917,880 | \$ 17,782,171 |
| Tax Increment Financing | 6,612,486 | 8,290,501 | - | - | 6,612,486 | 8,290,501 |
| Local Option Sales Tax | 5,654,498 | 4,950,902 | - | - | 5,654,498 | 4,950,902 |
| Commercial/Industrial Tax Replacement | 554,075 | 692,564 | - | - | 554,075 | 692,564 |
| Unrestricted Interest | 2,432,854 | 287,261 | 1,450,684 | 166,784 | 3,883,538 | 454,045 |
| Operating Grants and Contributions | 3,376,189 | 3,172,816 | - | - | 3,376,189 | 3,172,816 |
| Charges for Service | 8,523,235 | 5,765,696 | 37,173,128 | 32,696,707 | 45,696,363 | 38,462,403 |
| Capital Grants and Contributions | 8,826,406 | 11,001,624 | 19,093,917 | 1,794,916 | 27,920,323 | 12,796,540 |
| Gain (loss) from Disposal of Capital Assets | 72,546 | 162,414 | 62,430 | 71,360 | 134,976 | 233,774 |
| Grants/Contributions Not Restricted | 500,000 | 500,000 | - | - | 500,000 | 500,000 |
| Miscellaneous | 19,011 | 13,511 | 274,975 | 406,429 | 293,986 | 419,940 |
| Total Revenues | 56,489,180 | 52,619,460 | 58,055,134 | 35,136,196 | 114,544,314 | 87,755,656 |
| Transfers | 5,397,338 | 479,889 | (5,397,338) | (479,889) | - | - |
| Total Revenues and Transfers | \$ 61,886,518 | \$ 53,099,349 | \$ 52,657,796 | \$ 34,656,307 | \$ 114,544,314 | \$ 87,755,656 |



| | Governmental Activities | | Business Type Activities | | Total | |
|------------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Program Expenses | | | | | | |
| Public Safety | \$ 10,212,624 | \$ 8,807,490 | \$ - | \$ - | \$ 10,212,624 | \$ 8,807,490 |
| Public Works | 9,736,563 | 9,942,839 | - | - | 9,736,563 | 9,942,839 |
| Health and Social Services | 52,000 | 35,000 | - | - | 52,000 | 35,000 |
| Culture and Recreation | 6,356,143 | 3,888,117 | - | - | 6,356,143 | 3,888,117 |
| Community and Economic Development | 1,899,834 | 1,985,899 | - | - | 1,899,834 | 1,985,899 |
| General Government | 1,824,417 | 1,613,904 | - | - | 1,824,417 | 1,613,904 |
| Interest on Long-Term Debt | 2,790,014 | 2,433,087 | - | - | 2,790,014 | 2,433,087 |
| Business Type Activities | - | - | 24,897,221 | 20,653,969 | 24,897,221 | 20,653,969 |
| Total Expenses | <u>32,871,595</u> | <u>28,706,336</u> | <u>24,897,221</u> | <u>20,653,969</u> | <u>57,768,816</u> | <u>49,360,305</u> |
| Increase in Net Position | 29,014,923 | 24,393,013 | 27,760,575 | 14,002,338 | 56,775,498 | 38,395,351 |
| Net Position Beginning of Year | <u>193,093,681</u> | <u>168,700,668</u> | <u>103,000,881</u> | <u>88,998,543</u> | <u>296,094,562</u> | <u>257,699,211</u> |
| Net Position End of Year | <u>\$222,108,604</u> | <u>\$193,093,681</u> | <u>\$130,761,456</u> | <u>\$103,000,881</u> | <u>\$352,870,060</u> | <u>\$296,094,562</u> |



The City decreased the property tax levy by \$0.20 to \$13.10 per \$1,000 for FY23, while recognizing an increase of \$457,694 in

property tax revenue due to increase in residential and commercial property valuation. Revenues for operating and capital grants, contributions restricted and unrestricted interest, increased by \$18,756,649, charges for service increased by \$7,233,960, gain from disposal of capital assets decreased \$98,798 and miscellaneous revenues decreased by \$125,954.

Overall revenues for governmental activities increased approximately \$8,787,200 from the prior year.

The cost of all governmental activities this year was approximately \$32.9 million compared to approximately \$28.7 million last year. However, as shown in the Statement of Activities on pages 18 and 19, the amount taxpayers ultimately financed for these activities was (\$12.1) million as some of the cost was paid by those directly benefited from the programs (\$8,523,235) or by other governments and organizations which subsidized certain programs with grants and contributions (\$12,202,595).

Overall revenues for business type activities increased approximately \$18,001,500 over the prior year.

The cost of all business activities increased approximately \$4.2 million to \$ 24.9 million compared to approximately \$20.7 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 \$58,329,362 at June 30, 2023, compared to \$52,063,260 combined fund balance at June 30, 2022.

The General Fund showed an increase of \$3,408,038 from the prior year to \$12,636,824.

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 2023 with a \$4,108,002 balance compared to the prior year ending balance of \$1,700,138.

The Debt Service Fund ended fiscal 2023 with a \$7,745,488 balance compared to the prior year ending balance of \$5,247,130. Bond principal and interest payments decreased by \$6,011,847 in fiscal 2023.

The Local Option Sales Tax Fund ended fiscal 2023 with a \$16,262,174 balance compared to the prior year ending balance of \$11,208,256.

The Capital Projects Fund ended fiscal 2023 with a \$13,002,880 balance compared to the prior year ending balance of \$20,378,940.

Proprietary Fund Highlights

The Water Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal 2023 with a net position of \$38,120,018 compared to the prior year ending net position balance of \$28,622,721.

The Sewer Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal 2023 with a net position of \$53,656,984, compared to the prior year ending net position balance of \$45,926,663.

The Gas Fund, which accounts for the operations and maintenance of the City's gas utility, ended fiscal 2023 with a \$22,635,361 net position balance, compared to the prior year ending net position balance of \$21,484,577.

The Golf Course Fund, which accounts for the operations and maintenance of the City's municipal golf course, ended fiscal 2023 with a net position of \$1,886,546, compared to the prior year ending net position balance of \$1,543,155.

The Stormwater Fund, which accounts for the operation and maintenance of the City's stormwater utility, ended fiscal year 2023 with a net position of \$13,821,277, compared to the prior year ending net position balance of \$4,570,401.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City of Waukee amended its budget once in May of 2023. The amendment was required to cover unplanned disbursements, including program expenditures associated with a decrease to Public Safety, Community & Economic Development, and an increase to Culture and Recreation, General Government, Debt Service, Capital Projects, Enterprise Activities and Transfers Out; while also increasing revenue sources for Licenses and Permits, Use of Money and Property, Intergovernmental, Charges for Service, Miscellaneous, Other Financing Sources and Transfers.

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 \$280,464,400 (net of accumulated depreciation) at June 30, 2023. Capital assets for business type activities totaled \$120,479,966 (net of accumulated depreciation) at June 30, 2023. See Note 3 to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities during the year included the completion of Douglas Parkway east of Warrior Lane and the completion of roadways around Triumph Park and the Northwest Waukee High School, including NW 2nd Street, NW Douglas Parkway and improvements along 10th Street. The City also completed an expansion at the Public Works facility which included finishing what was previously a storage room on the second floor to expand office space and an additional storage building for equipment and road salt. In addition to these projects, phase 2 of the Kettlestone Greenway trail was also completed.

For business type activities, the major additions included Phase 2 of the ASR Well Rehabilitation, Little Walnut Creek Trunk Sewer phase 5 and annual gas distribution system improvements.

Construction in progress at June 30, 2023 for the City consists several governmental activities projects including the construction of a second Public Safety building, Warrior Lane Roundabout phase 2, SE Ashworth Corridor, improvements to the intersection at Ashworth and Ute, Stratford Crossing Park and the T Avenue Corridor project; as well as utility projects including the 3rd Street Elevated Water Storage Tank Replacement, West Area Trunk Sewer phase 2, Northeast Outfall Sewer and Lift Station No 2 rehabilitation.

Long-Term Debt

At June 30, 2023, the City had \$110,212,273 in total noncurrent debt outstanding for governmental activities. Total noncurrent debt outstanding for business type activities was \$19,723,167 at June 30, 2023.

The City maintained their general obligation bond rating of Aa2, assigned by national rating agency, Moody's Investors Services, on April 10, 2017. 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 \$109,939,100 or 76.53%, is below its constitutional debt limit of \$143,651,362. 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 4 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 2024 budget. The City of Waukee will experience a significant increase in General Fund revenues and expenditures from fiscal 2023 to fiscal 2024. The major factors that will play a role in this change are the increase in property tax revenues from increased valuations for fiscal 2024, and the continued increase generated by the Local Option Sales Tax approved by voters in November 2017.

The General Fund is projected to end fiscal 2024 with a fund balance of approximately \$12,657,000, or a planned increase of \$20,000 from fiscal 2023. The tax levy rates per \$1,000 of taxable valuation for fiscal 2024 were reduced by \$0.05, with the current levy as provided below:

| | |
|------------------------|----------------|
| General levy | \$8.10 |
| Emergency Levy | 0.27 |
| Debt Service levy | 3.32 |
| Employee Benefits Levy | <u>1.36</u> |
| Total | <u>\$13.05</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, 2023

| | Primary Government | | Total |
|---------------------------------------|------------------------------------|-------------------------------------|--------------------|
| | Governmental Activities | Business Type Activities | |
| ASSETS | | | |
| Current assets, unrestricted | | | |
| Cash and investments | \$ 62,510,965 | \$ 29,746,638 | \$ 92,257,603 |
| Receivables | | | |
| Property tax | | | |
| Delinquent | 62,028 | - | 62,028 |
| Succeeding year | 30,915,571 | - | 30,915,571 |
| Special assessments | 99,012 | - | 99,012 |
| Customer accounts | - | 2,517,017 | 2,517,017 |
| Other | 811,794 | - | 811,794 |
| Due from other governments | 892,271 | - | 892,271 |
| Inventories | <u>345,257</u> | <u>1,465,950</u> | <u>1,811,207</u> |
| Total current assets, unrestricted | 95,636,898 | 33,729,605 | 129,366,503 |
| Restricted cash and investments | - | 2,056,801 | 2,056,801 |
| Noncurrent assets | | | |
| Lease receivable | 1,394,998 | - | 1,394,998 |
| Capital assets, net | <u>280,464,400</u> | <u>120,479,966</u> | <u>400,944,366</u> |
| Total assets | <u>377,496,296</u> | <u>156,266,372</u> | <u>533,762,668</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension | 1,980,361 | 314,377 | 2,294,738 |
| OPEB | <u>88,807</u> | <u>26,804</u> | <u>115,611</u> |
| Total deferred outflows of resources | <u>2,069,168</u> | <u>341,181</u> | <u>2,410,349</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 7,105,546 | 4,100,789 | 11,206,335 |
| Accrued compensation | 525,448 | 82,683 | 608,131 |
| Accrued interest payable | 289,000 | 43,967 | 332,967 |
| Customer deposits payable | - | 380,708 | 380,708 |
| Compensated absences | 135,817 | 91,964 | 227,781 |
| Lease agreements payable | 62,081 | 18,176 | 80,257 |
| IT subscriptions | 113,808 | 11,983 | 125,791 |
| General obligation bonds/notes | 5,130,000 | - | 5,130,000 |
| Revenue notes payable | - | 600,000 | 600,000 |
| Direct borrowings | 510,000 | 646,869 | 1,156,869 |
| Installment contracts | <u>175,941</u> | <u>-</u> | <u>175,941</u> |
| Total current liabilities | <u>14,047,641</u> | <u>5,977,139</u> | <u>20,024,780</u> |
| Noncurrent liabilities | | | |
| Compensated absences | 471,264 | - | 471,264 |
| Lease agreements payable | 278,477 | 20,169 | 298,646 |
| IT subscriptions | 109,824 | - | 109,824 |
| General obligation bonds/notes, net | 95,810,948 | - | 95,810,948 |
| Revenue notes payable, net | - | 9,857,723 | 9,857,723 |
| Direct borrowings | 11,245,000 | 9,417,003 | 20,662,003 |
| Installment contracts | 175,940 | - | 175,940 |
| Net pension liability | 1,551,213 | 246,251 | 1,797,464 |
| Total OPEB liability | <u>569,607</u> | <u>171,928</u> | <u>741,535</u> |
| Total noncurrent liabilities | <u>110,212,273</u> | <u>19,713,074</u> | <u>129,925,347</u> |
| Total liabilities | <u>124,259,914</u> | <u>25,690,213</u> | <u>149,950,127</u> |

See Notes to Financial Statements.

City of Waukee, Iowa
STATEMENT OF NET POSITION (continued)
June 30, 2023

| | Primary Government | | |
|--|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business Type Activities | Total |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenues | | | |
| Leases | \$ 1,347,455 | \$ - | \$ 1,347,455 |
| Succeeding year property taxes | 30,915,571 | - | 30,915,571 |
| Pension | 880,614 | 130,795 | 1,020,409 |
| OPEB | 53,306 | 16,089 | 69,395 |
| Total deferred inflows of resources | <u>33,196,946</u> | <u>155,884</u> | <u>33,352,830</u> |
| NET POSITION | | | |
| Net investment in capital assets | 176,656,554 | 99,958,371 | 276,614,925 |
| Restricted for | | | |
| Debt service | 8,025,172 | 1,032,126 | 9,057,298 |
| Other purposes | 26,301,570 | - | 26,301,570 |
| Unrestricted | <u>11,125,308</u> | <u>29,770,959</u> | <u>40,896,267</u> |
| Total net position | <u>\$222,108,604</u> | <u>\$130,761,456</u> | <u>\$352,870,060</u> |

City of Waukee, Iowa
STATEMENT OF ACTIVITIES
Year ended June 30, 2023

| FUNCTIONS/PROGRAMS | Program Revenues | | | |
|------------------------------------|-------------------------|----------------------------|---|---|
| | Expenses | Charges for Service | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government | | | | |
| Governmental activities | | | | |
| Public safety | \$10,212,624 | \$ 3,597,219 | \$ 63,555 | \$ - |
| Public works | 9,736,563 | 2,910,746 | 3,310,138 | 7,554,256 |
| Health and social services | 52,000 | - | - | - |
| Culture and recreation | 6,356,143 | 1,758,951 | 2,496 | 1,272,150 |
| Community and economic development | 1,899,834 | - | - | - |
| General government | 1,824,417 | 256,319 | - | - |
| Interest on long-term debt | 2,790,014 | - | - | - |
| Total governmental activities | <u>32,871,595</u> | <u>8,523,235</u> | <u>3,376,189</u> | <u>8,826,406</u> |
| Business type activities | | | | |
| Water | 6,520,248 | 9,351,000 | - | 6,820,456 |
| Sewer | 4,289,968 | 10,791,466 | - | 3,417,340 |
| Gas | 10,109,659 | 12,518,289 | - | - |
| Golf | 682,852 | 884,952 | - | - |
| Stormwater | 991,056 | 1,482,943 | - | 8,856,121 |
| Other | 2,303,438 | 2,144,478 | - | - |
| Total business type activities | <u>24,897,221</u> | <u>37,173,128</u> | <u>-</u> | <u>19,093,917</u> |
| Total primary government | <u>\$57,768,816</u> | <u>\$45,696,363</u> | <u>\$ 3,376,189</u> | <u>\$27,920,323</u> |

GENERAL REVENUES

Property and other city tax levied for
 General purposes
 Debt service
 Employee benefits
 Tax increment financing
 Local option sales tax
 Other taxes
 Commercial/Industrial tax replacement
 Grants and contributions not restricted for specific purposes
 Unrestricted interest on investments
 Gain (loss) from disposal of capital assets
 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> |
|------------------------------------|-------------------------------------|----------------------|
| \$ (6,551,850) | \$ — | \$ (6,551,850) |
| 4,038,577 | — | 4,038,577 |
| (52,000) | — | (52,000) |
| (3,322,546) | — | (3,322,546) |
| (1,899,834) | — | (1,899,834) |
| (1,568,098) | — | (1,568,098) |
| (2,790,014) | — | (2,790,014) |
| <u>(12,145,765)</u> | <u>—</u> | <u>(12,145,765)</u> |
| — | 9,651,208 | 9,651,208 |
| — | 9,918,838 | 9,918,838 |
| — | 2,408,630 | 2,408,630 |
| — | 202,100 | 202,100 |
| — | 9,348,008 | 9,348,008 |
| — | (158,960) | (158,960) |
| <u>—</u> | <u>31,369,824</u> | <u>31,369,824</u> |
| <u>(12,145,765)</u> | <u>31,369,824</u> | <u>19,224,059</u> |
| 11,092,441 | — | 11,092,441 |
| 5,650,967 | — | 5,650,967 |
| 2,990,589 | — | 2,990,589 |
| 6,612,486 | — | 6,612,486 |
| 5,654,498 | — | 5,654,498 |
| 183,883 | — | 183,883 |
| 554,075 | — | 554,075 |
| 500,000 | — | 500,000 |
| 2,432,854 | 1,450,684 | 3,883,538 |
| 72,546 | 62,430 | 134,976 |
| 19,011 | 274,975 | 293,986 |
| <u>5,397,338</u> | <u>(5,397,338)</u> | <u>—</u> |
| <u>41,160,688</u> | <u>(3,609,249)</u> | <u>37,551,439</u> |
| 29,014,923 | 27,760,575 | 56,775,498 |
| <u>193,093,681</u> | <u>103,000,881</u> | <u>296,094,562</u> |
| <u>\$222,108,604</u> | <u>\$130,761,456</u> | <u>\$352,870,060</u> |

See Notes to Financial Statements.

**City of Waukee, Iowa
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023**

| | <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>Local Option Sales Tax</u> | | |
| ASSETS | | | | | | | |
| Cash and investments | \$14,192,809 | \$15,693,914 | \$ 7,736,155 | \$ 4,415,441 | \$15,880,542 | \$ 4,592,104 | \$62,510,965 |
| Receivables | | | | | | | |
| Property tax | | | | | | | |
| Delinquent | 16,108 | — | 10,983 | 30,621 | — | 4,316 | 62,028 |
| Succeeding year | 13,827,296 | — | 6,687,903 | 7,622,600 | — | 2,777,772 | 30,915,571 |
| Special assessments | — | — | — | — | — | 99,012 | 99,012 |
| Other | 804,490 | — | — | — | — | 7,304 | 811,794 |
| Due from other governments | 41,590 | 200,000 | — | — | 381,632 | 269,049 | 892,271 |
| Inventory | 168,062 | — | — | — | — | 177,195 | 345,257 |
| Total assets | <u>\$29,050,355</u> | <u>\$15,893,914</u> | <u>\$14,435,041</u> | <u>\$12,068,662</u> | <u>\$16,262,174</u> | <u>\$ 7,926,752</u> | <u>\$95,636,898</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | | |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 1,716,976 | \$ 2,891,034 | \$ 1,650 | \$ 338,060 | \$ — | \$ 446,600 | \$ 5,394,320 |
| Accrued compensation | 495,681 | — | — | — | — | 29,767 | 525,448 |
| Total liabilities | <u>2,212,657</u> | <u>2,891,034</u> | <u>1,650</u> | <u>338,060</u> | <u>—</u> | <u>476,367</u> | <u>5,919,768</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable revenues | | | | | | | |
| Succeeding year property tax | 13,827,296 | — | 6,687,903 | 7,622,600 | — | 2,777,772 | 30,915,571 |
| Special assessments | — | — | — | — | — | 98,619 | 98,619 |
| Other | 373,578 | — | — | — | — | — | 373,578 |
| Total deferred inflows of resources | <u>14,200,874</u> | <u>—</u> | <u>6,687,903</u> | <u>7,622,600</u> | <u>—</u> | <u>2,876,391</u> | <u>31,387,768</u> |
| FUND BALANCES | | | | | | | |
| Nonspendable | 168,062 | — | — | — | — | 177,195 | 345,257 |
| Restricted for | | | | | | | |
| Capital projects | — | 13,002,880 | — | — | — | — | 13,002,880 |
| Debt service | — | — | 7,745,488 | — | — | 279,684 | 8,025,172 |
| Urban renewal | — | — | — | 4,108,002 | — | — | 4,108,002 |
| Other purposes | 326,798 | — | — | — | 16,262,174 | 4,117,115 | 20,706,087 |
| Committed | 1,567,790 | — | — | — | — | — | 1,567,790 |
| Unassigned | 10,574,174 | — | — | — | — | — | 10,574,174 |
| Total fund balances | <u>12,636,824</u> | <u>13,002,880</u> | <u>7,745,488</u> | <u>4,108,002</u> | <u>16,262,174</u> | <u>4,573,994</u> | <u>58,329,362</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$29,050,355</u> | <u>\$15,893,914</u> | <u>\$14,435,041</u> | <u>\$12,068,662</u> | <u>\$16,262,174</u> | <u>\$ 7,926,752</u> | <u>\$95,636,898</u> |

See Notes to Financial Statements.

City of Waukee
RECONCILIATION OF THE BALANCE SHEET—
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2023

| | | |
|--|--------------------|-----------------------------|
| Total governmental fund balances | | \$ 58,329,362 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 280,464,400 |
| Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds, as unavailable revenue. | | 472,197 |
| Long-term liabilities, including bonds payable, notes from direct borrowings and direct placements, installment contracts, bond premiums and discounts, other post employment benefits payable, net pension liability, 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. | | (118,340,146) |
| Pension and OPEB 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 | \$2,069,168 | |
| Deferred inflows of resources | <u>(933,920)</u> | 1,135,248 |
| Lease receivables and the corresponding deferred inflows of resources are not financial resources and are not due and payable in the current year and, therefore, are not reported in the governmental funds. | | |
| Lease receivable | 1,394,998 | |
| Deferred inflows of resources | <u>(1,347,455)</u> | <u>47,543</u> |
| Net position of governmental activities | | <u>\$222,108,604</u> |

City of Waukee, Iowa
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended June 30, 2023

| | General | Capital Projects | Debt Service | Special Revenue | | Other Nonmajor Governmental Funds | Total |
|---|---------------------|---------------------|---------------------|---------------------|------------------------|-----------------------------------|---------------------|
| | | | | Urban Renewal TIF | Local Option Sales Tax | | |
| REVENUES | | | | | | | |
| Property tax | \$11,092,441 | \$ - | \$ 5,650,967 | \$ - | \$ - | \$ 2,990,589 | \$19,733,997 |
| Tax increment financing | - | - | - | 6,612,489 | - | - | 6,612,489 |
| Other city tax | 184,119 | 363 | - | - | 5,654,498 | 14,700 | 5,853,680 |
| Licenses and permits | 3,349,072 | 315,663 | - | - | - | 12,243 | 3,676,978 |
| Use of money and property | 712,735 | 767,392 | 252,767 | 268,916 | 568,639 | 216,937 | 2,787,386 |
| Intergovernmental | 794,362 | 981,021 | 148,061 | 37,097 | - | 3,388,479 | 5,349,020 |
| Charges for service | 1,184,745 | - | - | - | - | 3,421 | 1,188,166 |
| Miscellaneous | 675,832 | 2,161,551 | - | - | - | 530,748 | 3,368,131 |
| Total revenues | <u>17,993,306</u> | <u>4,225,990</u> | <u>6,051,795</u> | <u>6,918,502</u> | <u>6,223,137</u> | <u>7,157,117</u> | <u>48,569,847</u> |
| EXPENDITURES | | | | | | | |
| Operating | | | | | | | |
| Public safety | 10,222,359 | - | - | - | - | 200 | 10,222,559 |
| Public works | 753,539 | - | - | - | - | 3,005,561 | 3,759,100 |
| Health and social services | 52,000 | - | - | - | - | - | 52,000 |
| Culture and recreation | 3,896,291 | - | - | - | - | - | 3,896,291 |
| Community and economic development | 680,516 | - | - | 1,229,632 | - | - | 1,910,148 |
| General government | 1,512,421 | - | - | - | - | - | 1,512,421 |
| Debt service | | | | | | | |
| Principal | - | 175,941 | 5,105,000 | - | - | - | 5,280,941 |
| Interest | - | - | 3,675,311 | - | - | - | 3,675,311 |
| Bond issuance and other costs | - | 108,496 | 5,700 | - | - | - | 114,196 |
| Capital projects | <u>3,365,257</u> | <u>25,485,063</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>902,170</u> | <u>29,752,490</u> |
| Total expenditures | <u>20,482,383</u> | <u>25,769,500</u> | <u>8,786,011</u> | <u>1,229,632</u> | <u>-</u> | <u>3,907,931</u> | <u>60,175,457</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,489,077)</u> | <u>(21,543,510)</u> | <u>(2,734,216)</u> | <u>5,688,870</u> | <u>6,223,137</u> | <u>3,249,186</u> | <u>(11,605,610)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Bond proceeds | - | 11,637,450 | - | - | - | - | 11,637,450 |
| Bond premium | - | - | 497,511 | - | - | - | 497,511 |
| Sale of capital assets | 177,288 | - | - | - | - | 24,798 | 202,086 |
| Operating transfers in | 5,719,827 | 5,130,000 | 4,735,063 | - | - | - | 15,584,890 |
| Operating transfers out | <u>-</u> | <u>(2,600,000)</u> | <u>-</u> | <u>(3,281,006)</u> | <u>(1,169,219)</u> | <u>(3,000,000)</u> | <u>(10,050,225)</u> |
| Total other financing sources (uses) | <u>5,897,115</u> | <u>14,167,450</u> | <u>5,232,574</u> | <u>(3,281,006)</u> | <u>(1,169,219)</u> | <u>(2,975,202)</u> | <u>17,871,712</u> |
| CHANGE IN FUND BALANCES | 3,408,038 | (7,376,060) | 2,498,358 | 2,407,864 | 5,053,918 | 273,984 | 6,266,102 |
| FUND BALANCES, beginning | <u>9,228,786</u> | <u>20,378,940</u> | <u>5,247,130</u> | <u>1,700,138</u> | <u>11,208,256</u> | <u>4,300,010</u> | <u>52,063,260</u> |
| FUND BALANCES, ending | <u>\$12,636,824</u> | <u>\$13,002,880</u> | <u>\$ 7,745,488</u> | <u>\$ 4,108,002</u> | <u>\$16,262,174</u> | <u>\$ 4,573,994</u> | <u>\$58,329,362</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, 2023

Change in fund balances—Total governmental funds \$ 6,266,102

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

Governmental funds reported 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:

| | | |
|--|---------------------|------------|
| Capital outlays | \$30,640,064 | |
| Contributed assets | 7,554,256 | |
| Lease and subscription-based IT arrangements | 113,050 | |
| Depreciation and amortization expense | <u>(10,494,673)</u> | 27,812,697 |

Governmental funds do not report capital assets and therefore do not report gains or losses on the disposal of those assets. (129,540)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

| | | |
|-------------------------------|---------------|--------|
| Change in unavailable revenue | | |
| Special assessments | (15,299) | |
| Other | <u>99,957</u> | 84,658 |

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increase long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities, including IT subscription and lease 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 | (11,637,450) | |
| Repayments | | |
| General obligation bonds | 4,685,000 | |
| Direct borrowings and direct placements | 420,000 | |
| Installment contracts | 175,941 | |
| Leases | 83,067 | |
| Subscription-based IT arrangements | <u>232,147</u> | (6,041,295) |

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. 363,041

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. 1,044,932

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

| | | |
|-------------------------------|-----------------|-----------|
| Compensated absences | (77,336) | |
| Other postemployment benefits | (61,443) | |
| Pension expense | (890,117) | |
| Interest on long-term debt | <u>(37,000)</u> | (255,896) |

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. (129,776)

Change in net position of governmental activities **\$29,014,923**

See Notes to Financial Statements.

City of Waukee, Iowa
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023

| | Enterprise Funds | | | | | | |
|--|-------------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|----------------------|
| | Water | Sewer | Gas | Golf | Stormwater | Nonmajor Funds | |
| ASSETS | | | | | | | |
| Current assets | | | | | | | |
| Cash and investments | \$16,261,822 | \$ 7,419,832 | \$ 4,926,158 | \$ 267,070 | \$ 386,729 | \$ 485,027 | \$ 29,746,638 |
| Receivables, net of allowances | | | | | | | |
| Customer accounts | 1,166,831 | 678,499 | 340,324 | - | 128,731 | 202,632 | 2,517,017 |
| Inventories | <u>622,222</u> | <u>-</u> | <u>824,476</u> | <u>19,252</u> | <u>-</u> | <u>-</u> | <u>1,465,950</u> |
| Total current assets | <u>18,050,875</u> | <u>8,098,331</u> | <u>6,090,958</u> | <u>286,322</u> | <u>515,460</u> | <u>687,659</u> | <u>33,729,605</u> |
| Noncurrent assets | | | | | | | |
| Restricted cash and investments | 1,023,467 | 844,071 | 170,708 | 2,855 | 15,700 | - | 2,056,801 |
| Capital assets, net of accumulated depreciation | <u>25,527,881</u> | <u>62,478,901</u> | <u>17,112,957</u> | <u>1,751,175</u> | <u>13,601,655</u> | <u>7,397</u> | <u>120,479,966</u> |
| Total noncurrent assets | <u>26,551,348</u> | <u>63,322,972</u> | <u>17,283,665</u> | <u>1,754,030</u> | <u>13,617,355</u> | <u>7,397</u> | <u>122,536,767</u> |
| Total assets | <u>44,602,223</u> | <u>71,421,303</u> | <u>23,374,623</u> | <u>2,040,352</u> | <u>14,132,815</u> | <u>695,056</u> | <u>156,266,372</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | |
| Pension related deferred outflows | 68,919 | 58,162 | 93,377 | 19,824 | 34,267 | 39,828 | 314,377 |
| OPEB related deferred outflows | <u>6,078</u> | <u>6,147</u> | <u>7,468</u> | <u>2,120</u> | <u>3,274</u> | <u>1,717</u> | <u>26,804</u> |
| Total deferred outflows of resources | <u>74,997</u> | <u>64,309</u> | <u>100,845</u> | <u>21,944</u> | <u>37,541</u> | <u>41,545</u> | <u>341,181</u> |
| LIABILITIES | | | | | | | |
| Current liabilities | | | | | | | |
| Accounts payable | 957,250 | 2,563,130 | 483,269 | 31,446 | 61,216 | 4,478 | 4,100,789 |
| Accrued compensation | 13,315 | 13,315 | 22,806 | 15,765 | 8,687 | 8,795 | 82,683 |
| Compensated absences | 16,155 | 16,155 | 35,090 | 2,863 | 7,865 | 13,836 | 91,964 |
| Customer deposits payable | 249,758 | - | 130,950 | - | - | - | 380,708 |
| Lease agreements payable | - | - | - | 18,176 | - | - | 18,176 |
| IT subscriptions | 943 | 943 | 943 | 943 | 943 | 7,268 | 11,983 |
| Revenue notes payable | 345,000 | 255,000 | - | - | - | - | 600,000 |
| Direct borrowings and placements | - | 558,487 | - | 23,382 | 65,000 | - | 646,869 |
| Interest payable | <u>14,298</u> | <u>29,344</u> | <u>-</u> | <u>-</u> | <u>325</u> | <u>-</u> | <u>43,967</u> |
| Total current liabilities | <u>1,596,719</u> | <u>3,436,374</u> | <u>673,058</u> | <u>92,575</u> | <u>144,036</u> | <u>34,377</u> | <u>5,977,139</u> |
| Noncurrent liabilities | | | | | | | |
| Lease agreements payable | - | - | - | 20,169 | - | - | 20,169 |
| Revenue notes payable, net | 4,833,220 | 5,024,503 | - | - | - | - | 9,857,723 |
| Notes from direct borrowings and placements, net | - | 9,253,212 | - | 23,791 | 140,000 | - | 9,417,003 |
| Net pension liability | 53,984 | 45,558 | 73,142 | 15,528 | 26,842 | 31,197 | 246,251 |
| Total OPEB liability | <u>38,985</u> | <u>39,428</u> | <u>47,902</u> | <u>13,509</u> | <u>20,998</u> | <u>11,016</u> | <u>171,928</u> |
| Total noncurrent liabilities | <u>4,926,189</u> | <u>14,362,701</u> | <u>121,044</u> | <u>73,087</u> | <u>187,840</u> | <u>42,213</u> | <u>19,713,074</u> |
| Total liabilities | <u>6,522,908</u> | <u>17,799,075</u> | <u>794,102</u> | <u>165,662</u> | <u>331,876</u> | <u>76,590</u> | <u>25,690,213</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable revenues | | | | | | | |
| Pension related deferred inflows | 30,647 | 25,863 | 41,522 | 8,815 | 15,238 | 17,710 | 139,795 |
| OPEB related deferred inflows | <u>3,647</u> | <u>3,690</u> | <u>4,483</u> | <u>1,273</u> | <u>1,965</u> | <u>1,031</u> | <u>16,089</u> |
| Total deferred inflows of resources | <u>34,294</u> | <u>29,553</u> | <u>46,005</u> | <u>10,088</u> | <u>17,203</u> | <u>18,741</u> | <u>155,884</u> |
| NET POSITION | | | | | | | |
| Net investment in capital assets | 20,349,661 | 47,387,699 | 17,112,957 | 1,704,002 | 13,396,655 | 7,397 | 99,958,371 |
| Restricted for bond retirement | 414,411 | 559,727 | 39,758 | 2,855 | 15,375 | - | 1,032,126 |
| Unrestricted | <u>17,355,946</u> | <u>5,709,558</u> | <u>5,482,646</u> | <u>179,689</u> | <u>409,247</u> | <u>633,873</u> | <u>29,770,959</u> |
| Total net position | <u>\$38,120,018</u> | <u>\$53,656,984</u> | <u>\$22,635,361</u> | <u>\$ 1,886,546</u> | <u>\$13,821,277</u> | <u>\$ 641,270</u> | <u>\$130,761,456</u> |

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, 2023

| | Enterprise Funds | | | | | | Total | Internal Service Fund Equipment Revolving |
|---|---------------------|---------------------|---------------------|--------------------|---------------------|-------------------|----------------------|--|
| | Water | Sewer | Gas | Golf | Stormwater | Nonmajor Funds | | |
| OPERATING REVENUES | | | | | | | | |
| Charges for service | \$ 9,351,000 | \$10,791,466 | \$12,518,289 | \$ 884,952 | \$ 1,482,943 | \$ 2,144,478 | \$ 37,173,128 | \$ - |
| Miscellaneous | 19,272 | 10,847 | 29,474 | 127,378 | - | 9,027 | 195,998 | - |
| Total operating revenues | <u>9,370,272</u> | <u>10,802,313</u> | <u>12,547,763</u> | <u>1,012,330</u> | <u>1,482,943</u> | <u>2,153,505</u> | <u>37,369,126</u> | <u>-</u> |
| OPERATING EXPENSES | | | | | | | | |
| Business type activities | | | | | | | | |
| Cost of sales and services | 5,576,792 | 2,141,553 | 9,552,124 | 612,210 | 815,239 | 2,290,777 | 20,988,695 | - |
| Depreciation and amortization | 787,077 | 1,551,110 | 557,494 | 69,103 | 171,316 | 12,418 | 3,148,518 | - |
| Total operating expenses | <u>6,363,869</u> | <u>3,692,663</u> | <u>10,109,618</u> | <u>681,313</u> | <u>986,555</u> | <u>2,303,195</u> | <u>24,137,213</u> | <u>-</u> |
| Operating income (loss) | <u>3,006,403</u> | <u>7,109,650</u> | <u>2,438,145</u> | <u>331,017</u> | <u>496,388</u> | <u>(149,690)</u> | <u>13,231,913</u> | <u>-</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | | | | | |
| Interest income | 668,595 | 476,502 | 234,594 | 11,338 | 38,132 | 21,523 | 1,450,684 | 7,551 |
| Rental income | 78,977 | - | - | - | - | - | 78,977 | - |
| Gain on disposal of capital assets | 16,125 | 15,647 | 15,647 | 2,575 | 12,436 | - | 62,430 | - |
| Grant revenue | 1,800,929 | - | - | - | - | - | 1,800,929 | - |
| Capital contributions | 5,019,527 | 3,417,340 | - | - | 8,856,121 | - | 17,292,988 | - |
| Interest expense and fiscal charges | (156,379) | (597,305) | (41) | (1,539) | (4,501) | (243) | (760,008) | - |
| Total nonoperating revenues (expenses) | <u>7,427,774</u> | <u>3,312,184</u> | <u>250,200</u> | <u>12,374</u> | <u>8,902,188</u> | <u>21,280</u> | <u>19,926,000</u> | <u>7,551</u> |
| Income (loss) before transfers | 10,434,177 | 10,421,834 | 2,688,345 | 343,391 | 9,398,576 | (128,410) | 33,157,913 | 7,551 |
| Transfers in | 30,258 | 58,487 | 12,439 | - | - | - | 101,184 | - |
| Transfers (out) | (967,138) | (2,750,000) | (1,550,000) | - | (147,700) | - | (5,414,838) | (221,011) |
| CHANGE IN NET POSITION | 9,497,297 | 7,730,321 | 1,150,784 | 343,391 | 9,250,876 | (128,410) | 27,844,259 | (213,460) |
| NET POSITION, beginning | <u>28,622,721</u> | <u>45,926,663</u> | <u>21,484,577</u> | <u>1,543,155</u> | <u>4,570,401</u> | <u>769,680</u> | <u>102,917,197</u> | <u>213,460</u> |
| NET POSITION, ending | <u>\$38,120,018</u> | <u>\$53,656,984</u> | <u>\$22,635,361</u> | <u>\$1,886,546</u> | <u>\$13,821,277</u> | <u>\$ 641,270</u> | <u>\$130,761,456</u> | <u>\$ -</u> |

See Notes to Financial Statements.

City of Waukee, Iowa
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2023

| | Enterprise Funds | | | | | | Total | Internal Service Fund Equipment Revolving |
|---|---------------------|---------------------|--------------------|-------------------|--------------------|-------------------|---------------------|--|
| | Water | Sewer | Gas | Golf | Stormwater | Nonmajor Funds | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | |
| Cash received from customers and users | \$ 8,964,374 | \$10,718,191 | \$12,491,200 | \$ 884,952 | \$1,470,099 | \$2,163,173 | \$36,691,989 | \$ - |
| Cash received from other revenues | 119,272 | 10,847 | 29,474 | 127,378 | - | 9,027 | 295,998 | - |
| Cash paid for personal services | (967,292) | (978,204) | (1,178,081) | (326,098) | (518,789) | (271,892) | (4,240,356) | - |
| Cash paid to suppliers | (4,487,647) | (1,180,454) | (8,853,158) | (304,601) | (294,875) | (2,182,587) | (17,303,322) | - |
| Net cash flows from operating activities | <u>3,628,707</u> | <u>8,570,380</u> | <u>2,489,435</u> | <u>381,631</u> | <u>656,435</u> | <u>(282,279)</u> | <u>15,444,309</u> | <u>-</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | | | |
| Payments made on interfund accounts | - | - | - | (185,000) | - | - | (185,000) | - |
| Transfers to other funds | (967,138) | (2,750,000) | (1,550,000) | - | (147,700) | - | (5,414,838) | (221,011) |
| Transfers from other funds | 30,258 | 58,487 | 12,439 | - | - | - | 101,184 | - |
| Net cash flows from noncapital financing activities | <u>(936,880)</u> | <u>(2,691,513)</u> | <u>(1,537,561)</u> | <u>(185,000)</u> | <u>(147,700)</u> | <u>-</u> | <u>(5,498,654)</u> | <u>(221,011)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | | |
| Acquisition and construction of capital assets | (857,308) | (9,414,443) | (2,807,015) | (55,553) | (1,456,578) | (12,547) | (14,603,444) | - |
| Proceeds from sale of capital assets | 21,978 | 21,500 | 21,500 | 2,575 | 95,000 | - | 162,553 | - |
| Proceeds from capital grants | 1,800,929 | - | - | - | - | - | 1,800,929 | - |
| Principal paid on revenue notes | (340,000) | (245,000) | - | - | - | - | (585,000) | - |
| Principal paid on direct borrowings and placements | - | (452,975) | - | (22,864) | (65,000) | - | (540,839) | - |
| Interest and fiscal charges paid | (186,829) | (609,315) | (41) | (1,539) | (4,593) | (243) | (802,560) | - |
| Proceeds from bond issuance | - | 66,000 | - | - | - | - | 66,000 | - |
| Net cash flows from capital and related financing activities | <u>438,770</u> | <u>(10,634,233)</u> | <u>(2,785,556)</u> | <u>(77,381)</u> | <u>(1,431,171)</u> | <u>(12,790)</u> | <u>(14,502,361)</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | |
| Interest on investments | 668,595 | 476,502 | 234,594 | 11,338 | 38,132 | 21,523 | 1,450,684 | 7,551 |
| Purchase of investments | (745) | (323) | - | - | - | - | (1,068) | - |
| Cash received from property rental | 78,977 | - | - | - | - | - | 78,977 | - |
| Net cash flows from investing activities | <u>746,827</u> | <u>476,179</u> | <u>234,594</u> | <u>11,338</u> | <u>38,132</u> | <u>21,523</u> | <u>1,528,593</u> | <u>7,551</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 3,877,424 | (4,279,187) | (1,599,088) | 130,588 | (884,304) | (273,546) | (3,028,113) | (213,460) |
| CASH AND CASH EQUIVALENTS, beginning | <u>12,682,079</u> | <u>12,462,076</u> | <u>6,695,954</u> | <u>139,337</u> | <u>1,285,761</u> | <u>758,573</u> | <u>34,023,780</u> | <u>213,460</u> |
| CASH AND CASH EQUIVALENTS, ending | <u>\$16,559,503</u> | <u>\$ 8,182,889</u> | <u>\$5,096,866</u> | <u>\$ 269,925</u> | <u>\$ 401,457</u> | <u>\$ 485,027</u> | <u>\$30,995,667</u> | <u>\$ -</u> |

See Notes to Financial Statements.

City of Waukee, Iowa
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
Year ended June 30, 2023

| | Enterprise Funds | | | | | | Total | Internal Service Fund Equipment Revolving |
|---|----------------------|---------------------|---------------------|-------------------|---------------------|---------------------|----------------------|--|
| | Water | Sewer | Gas | Golf | Stormwater | Nonmajor Funds | | |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | |
| Operating income (loss) | \$ 3,006,403 | \$ 7,109,650 | \$ 2,438,145 | \$ 331,017 | \$ 496,388 | \$ (149,690) | \$ 13,231,913 | \$ - |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities | | | | | | | | |
| Depreciation expense | 787,077 | 1,551,110 | 557,494 | 69,103 | 171,316 | 12,418 | 3,148,518 | - |
| Change in assets, deferred outflows, liabilities and deferred inflows | | | | | | | | |
| Customer accounts receivable | (386,626) | (73,275) | (27,089) | - | (12,844) | 18,695 | (481,139) | - |
| Due from other governments | 100,000 | - | - | - | - | - | 100,000 | - |
| Inventories | 10,509 | - | (371,680) | (6,194) | - | - | (367,365) | - |
| Accounts payable, net of capital assets | 133,325 | 11,180 | (77,797) | (10,791) | 16,981 | (145,390) | (72,492) | - |
| Accrued compensation | 770 | 852 | 4,286 | 3,170 | 1,121 | 1,297 | 11,496 | - |
| Customer deposits | 19,844 | - | 1,800 | - | - | - | 21,644 | - |
| Compensated absences | 1,741 | 1,741 | 9,248 | 2,358 | (40) | 843 | 15,891 | - |
| Net pension asset | 167,915 | 135,123 | 204,920 | 42,459 | 78,245 | 89,588 | 718,250 | - |
| Deferred outflows of resources | (1,625) | (5,586) | (16,092) | (4,304) | (4,355) | (5,889) | (37,851) | - |
| Deferred inflows of resources | (209,366) | (162,632) | (235,759) | (47,690) | (92,781) | (104,952) | (853,180) | - |
| Total OPEB liability | (1,260) | 2,217 | 1,959 | 2,503 | 2,404 | 801 | 8,624 | - |
| Net cash flows from operating activities | <u>\$ 3,628,707</u> | <u>\$ 8,570,380</u> | <u>\$ 2,489,435</u> | <u>\$ 381,631</u> | <u>\$ 656,435</u> | <u>\$ (282,279)</u> | <u>\$ 15,444,309</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 investments | \$ 16,261,822 | \$ 7,419,832 | \$ 4,926,158 | \$ 267,070 | \$ 386,729 | \$ 485,027 | \$ 29,746,638 | \$ - |
| Restricted assets - cash and investments | | | | | | | | |
| Customer deposits | 249,758 | - | 130,950 | - | - | - | 380,708 | - |
| Revenue note and interest sinking account | 47,923 | 267,444 | 39,758 | 2,855 | 14,728 | - | 372,708 | - |
| Revenue note reserve account | 725,786 | 576,627 | - | - | 972 | - | 1,303,385 | - |
| | <u>17,285,289</u> | <u>8,263,903</u> | <u>5,096,866</u> | <u>269,925</u> | <u>402,429</u> | <u>485,027</u> | <u>31,803,439</u> | <u>-</u> |
| Less items not meeting the definition of cash equivalent | | | | | | | | |
| Certificates of deposit | (725,786) | (81,014) | - | - | (972) | - | (807,772) | - |
| Cash and cash equivalents at year end | <u>\$ 16,559,503</u> | <u>\$ 8,182,889</u> | <u>\$ 5,096,866</u> | <u>\$ 269,925</u> | <u>\$ 401,457</u> | <u>\$ 485,027</u> | <u>\$ 30,995,667</u> | <u>\$ -</u> |
| NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | | |
| Contributed capital assets | <u>\$ 5,109,527</u> | <u>\$ 3,417,340</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 8,856,121</u> | <u>\$ -</u> | <u>\$ 17,292,988</u> | <u>\$ -</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 (the City) 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. The City has no component units which meet the Government Accounting Standards Board criteria.

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: Bravo Greater Des Moines, Inc., 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, Wastewater Reclamation Authority and Waukee Economic Development Corporation.

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. 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 \$11,515,399.

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

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

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Government-wide Financial Statements (continued)

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 Local Option Sales Tax Fund is used to account for local option sales tax collections to be used for property tax relief and City quality of life improvement purposes.

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.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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 Stormwater Fund is used to account for the operation and maintenance of the City's stormwater 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.

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.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Pooled Cash 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.

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, 2023 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.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½ percent per month penalty for delinquent payments; is based on January 1, 2021 assessed property valuations; is for the tax accrual period July 1, 2022 through June 30, 2023 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2022.

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, 2023, 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.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are valued at cost using the first-in/first-out method. Inventories 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.

Lease Receivable/Deferred Inflow of Resources

The City is the lessor for certain noncancellable leases. The City recognized a lease receivable and a deferred inflow of resources in the accompanying statement of net position.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines the discount rate it uses to discount the expected lease receipts to present value, lease term and lease receipts.

The City uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Capital Assets

Capital assets, which include property, equipment and vehicles and infrastructure and intangibles acquired after July 1, 1980 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 (except for intangible right-of-use lease assets, the measurement of which is discussed under "Leases" following) 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. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are defined by the City as assets with initial, individual cost in excess of \$5,000 and estimated useful lives in excess of two years.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

Capital assets of the City are depreciated/amortized 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 | 5-10 years |
| Equipment | 5-30 years |
| Infrastructure | 20-40 years |
| Right-of-use leased assets | 2-9 years |
| Intangibles | 2-5 |

Leases

The City is the lessee for various noncancellable leases of buildings, equipment, and vehicles. The City has recognized lease liabilities and intangible right-of-use leased assets (lease assets) in the financial statements. The City recognized lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines the discount rate it uses to discount the expected lease payments to present value, lease term and lease payments.

The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate of leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and, if applicable, any purchase option price the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with capital assets and lease liabilities are reported as lease agreements payable on the statement of net position.

Subscription-Based Information Technology Arrangements (SBITA)

The City has entered into contracts that convey control of the right-of-use information technology software. The City has recognized an IT subscription liability and an intangible right-of-use IT subscription asset in the government-wide financial statements. The City's policy is to recognize IT subscription liabilities with an initial, individual value of \$5,000, or more.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subscription-Based Information Technology Arrangements (SBITA) (continued)

At the commencement of the IT subscription term, the City initially measures the subscription liability at the present value of payment expected to be made during the subscription term. Subsequently, the IT subscription liability is reduced by the principal portion of payments made. The right-of-use IT subscription asset is initially measured as the sum of the initial IT subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus capitalized implementation costs less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subsequently, the right-of-use IT subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to IT subscription arrangements include how the City determines the discount rate it uses to discount the expected payments to present value, term and payments.

The City uses the interest rate charged by the IT subscription vendor as the discount rate. When the interest rate charged by the vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate.

The subsequent term includes the noncancelable period of the subscription. Payments included in the measurement of the liability are composed of fixed payments.

The City monitors changes in circumstances that would require a remeasurement of its IT subscription arrangements and will remeasure the right-of-use IT subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Right-of-use IT subscription assets are reported with other capital assets on the statement of net position.

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 and OPEB 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. For governmental fund types, the amount of earned but unused vacation is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirement. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2023. 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. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

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 in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which they are levied.

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, the unamortized portion of the net difference between projected and actual earnings on IPERS' investments, and leasing revenues which will not be recognized until the period in which they are due.

Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the City's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

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. The General Fund is the only fund which would report a positive amount in unassigned fund balance. Residual deficit amounts of other governmental funds would also be reported as unassigned.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. For the year ended June 30, 2023, the City's disbursements exceeded the amount budgeted in the capital projects function.

Use of Estimates

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

NOTE 2 CASH AND POOLED CASH INVESTMENTS

The City's deposits in banks at June 30, 2023 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 had 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.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 3 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023 was as follows:

| | <u>Balance beginning of year</u> | <u>Increases</u> | <u>Decreases</u> | <u>Transfers</u> | <u>Balance end of year</u> |
|--|--|---------------------|-------------------|---------------------|------------------------------------|
| Governmental activities | | | | | |
| Capital assets not being depreciated | | | | | |
| Land | \$ 26,419,603 | \$ 3,256,436 | \$ — | \$ — | \$29,676,039 |
| Construction in progress | <u>25,477,477</u> | <u>24,550,262</u> | <u>65,185</u> | <u>(17,039,300)</u> | <u>32,923,254</u> |
| Total capital assets not being depreciated | <u>51,897,080</u> | <u>27,806,698</u> | <u>65,185</u> | <u>(17,039,300)</u> | <u>62,599,293</u> |
| Capital assets being depreciated | | | | | |
| Buildings | 10,075,923 | 409,647 | — | 517,146 | 11,002,716 |
| Improvements other than buildings | 273,637,777 | 8,112,742 | 58,504 | 16,423,852 | 298,115,867 |
| Equipment | 10,319,340 | 1,153,861 | 140,214 | 98,302 | 11,431,289 |
| Subscription-based information technology arrangements | | 563,078 | — | — | 563,078 |
| Right-of-use assets | <u>393,932</u> | <u>5,751</u> | <u>—</u> | <u>—</u> | <u>399,683</u> |
| Total capital assets being depreciated | <u>294,426,972</u> | <u>10,245,079</u> | <u>198,718</u> | <u>17,039,300</u> | <u>321,512,633</u> |
| Less accumulated depreciation for | | | | | |
| Buildings | 4,685,375 | 398,095 | — | — | 5,083,470 |
| Improvements other than buildings | 82,082,996 | 8,929,487 | — | — | 91,012,483 |
| Equipment | 6,515,849 | 914,593 | 134,363 | — | 7,296,079 |
| Subscription-based information technology arrangements | — | 190,498 | — | — | 190,498 |
| Right-of-use assets | <u>2,996</u> | <u>62,000</u> | <u>—</u> | <u>—</u> | <u>64,996</u> |
| Total accumulated depreciation | <u>93,287,216</u> | <u>10,494,673</u> | <u>134,363</u> | <u>—</u> | <u>103,647,526</u> |
| Total capital assets being depreciated, net | <u>201,139,756</u> | <u>(249,594)</u> | <u>64,355</u> | <u>17,039,300</u> | <u>217,865,107</u> |
| Governmental activities capital assets, net | <u>\$253,036,836</u> | <u>\$27,557,104</u> | <u>\$ 129,540</u> | <u>\$ —</u> | <u>\$280,464,400</u> |
| Business type activities | | | | | |
| Capital assets not being depreciated | | | | | |
| Land | \$ 2,256,811 | \$ 1,048,420 | \$ — | \$ — | \$ 3,305,231 |
| Construction in progress | <u>2,581,722</u> | <u>13,164,853</u> | <u>—</u> | <u>(3,140,467)</u> | <u>12,606,108</u> |
| Total capital assets not being depreciated | <u>4,838,533</u> | <u>14,213,273</u> | <u>—</u> | <u>(3,140,467)</u> | <u>15,911,339</u> |
| Capital assets being depreciated | | | | | |
| Buildings | 557,486 | 19,360 | — | — | 576,846 |
| Equipment | 5,458,666 | 476,342 | 516,474 | — | 5,418,534 |
| Infrastructure | 108,925,815 | 19,056,940 | — | 3,140,467 | 131,123,222 |
| Subscription-based information technology arrangements | — | 62,324 | — | — | 62,324 |
| Right-of-use assets | <u>56,521</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>56,521</u> |
| Total capital assets being depreciated | <u>114,998,488</u> | <u>19,614,966</u> | <u>516,474</u> | <u>3,140,467</u> | <u>137,237,447</u> |
| Less accumulated depreciation for | | | | | |
| Buildings | 289,799 | 13,838 | — | — | 303,637 |
| Equipment | 3,490,894 | 366,121 | 416,351 | — | 3,440,664 |
| Infrastructure | 26,131,412 | 2,733,315 | — | — | 28,864,727 |
| Subscription-based information technology arrangements | — | 36,631 | — | — | 36,631 |
| Right-of-use assets | <u>6,373</u> | <u>16,788</u> | <u>—</u> | <u>—</u> | <u>23,161</u> |
| Total accumulated depreciation | <u>29,918,478</u> | <u>3,166,693</u> | <u>416,351</u> | <u>—</u> | <u>32,668,820</u> |
| Total capital assets being depreciated, net | <u>85,080,010</u> | <u>16,448,273</u> | <u>100,123</u> | <u>3,140,467</u> | <u>104,568,627</u> |
| Business type activities capital assets, net | <u>\$ 89,918,543</u> | <u>\$30,661,546</u> | <u>\$ 100,123</u> | <u>\$ —</u> | <u>\$120,479,966</u> |

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 3 CAPITAL ASSETS (continued)

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

Governmental activities

| | |
|------------------------------------|----------------|
| Public safety | \$ 433,159 |
| Public works | 6,913,978 |
| Culture and recreation | 2,568,315 |
| Community and economic development | 804 |
| General government | <u>578,417</u> |

Total depreciation and amortization expense--governmental activities \$10,494,673

Business type activities

| | |
|------------|---------------|
| Water | \$ 787,077 |
| Sewer | 1,551,110 |
| Gas | 557,494 |
| Golf | 69,103 |
| Stormwater | 171,316 |
| Nonmajor | <u>12,418</u> |

Total depreciation and amortization expense--business type activities \$ 3,148,518

NOTE 4 LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2023 is as follows:

| | Balance beginning of year | Increases | Decreases | Balance end of year | Due within one year |
|--|---------------------------------|---------------------|--------------------|---------------------------|------------------------|
| Governmental activities | | | | | |
| General obligation bonds/notes | \$ 94,351,539 | \$12,134,961 | \$5,545,552 | \$100,940,948 (1) | \$5,130,000 |
| Notes from direct borrowings and direct placements | 12,175,000 | — | 420,000 | 11,755,000 | 510,000 |
| Installment contract | 527,822 | — | 175,941 | 351,881 | 175,941 |
| Compensated absences | 529,745 | 77,336 | — | 607,081 | 135,817 |
| Lease agreements payable | 393,932 | 5,751 | 59,125 | 340,558 | 62,081 |
| IT subscriptions | 455,779 | — | 231,204 | 224,575 | 113,808 |
| Total OPEB liability | 510,019 | 59,588 | — | 569,607 | — |
| Net pension liability (asset) | <u>(2,720,771)</u> | <u>4,271,984</u> | <u>—</u> | <u>1,551,213</u> | <u>—</u> |
| Totals | <u>\$106,223,065</u> | <u>\$16,549,620</u> | <u>\$6,431,822</u> | <u>\$116,340,863</u> | <u>\$6,127,647</u> |
| Business type activities | | | | | |
| Revenue bonds/notes | \$ 11,087,135 | \$ — | \$ 629,412 | \$10,457,723 (2) | \$ 600,000 |
| Notes from direct borrowings and direct placements | 10,538,711 | 66,000 | 540,839 | 10,063,872 | 646,869 |
| Compensated absences | 76,073 | 15,891 | — | 91,964 | 91,964 |
| Lease agreements payable | 56,521 | — | 18,176 | 38,345 | 18,176 |
| IT subscriptions | 44,332 | — | 32,349 | 11,983 | 11,983 |
| Total OPEB liability | 163,304 | 8,624 | — | 171,928 | — |
| Net pension liability (asset) | <u>(471,999)</u> | <u>718,250</u> | <u>—</u> | <u>246,251</u> | <u>—</u> |
| Totals | <u>\$ 21,494,077</u> | <u>\$ 808,765</u> | <u>\$1,220,776</u> | <u>\$21,082,066</u> | <u>\$1,368,992</u> |

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM LIABILITIES (continued)

- (1) Included in balance are unamortized bond premiums totaling \$4,575,948 at June 30, 2023.
(2) Included in balance are unamortized bond premiums totaling \$202,723 at June 30, 2023.

Governmental Activities

Nine issues of unmatured general obligation bonds/notes, totaling \$96,365,000, are outstanding at June 30, 2023. General obligation bonds/notes bear interest at rates ranging from 2.0% to 5.0% and mature in varying annual amounts, ranging from \$100,000 to \$1,900,000, with the final maturities due in the year ending June 30, 2042.

The City has one issuance of a note from direct borrowing and direct placements with an outstanding balance totaling \$11,755,000 at June 30, 2023. The note bears an interest rate of 2.15% and matures in varying annual amounts, ranging from \$325,000 to \$1,190,000 with the final maturities due in the year ending June 30, 2035.

The City has entered into an installment contract with a neighboring City related to the Ashworth reconstruction project. The agreement is noninterest bearing and requires annual installments of approximately \$176,000 through June 2025. The balance due as of June 30, 2023 was \$351,881.

Details of general obligation and revenue bonds/notes payable at June 30, 2023 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, 2023</u> |
|---|----------------------|-----------------------|-----------------------|------------------------|---------------------------------|----------------------------------|
| General Obligation Bonds and Notes | | | | | | |
| General Obligation 2014A | December 10, 2014 | 2.00-3.50 | June 1, 2034 | \$510,000 - 1,335,000 | \$23,295,000 | \$13,085,000 |
| General Obligation 2015C | November 19, 2015 | 2.50-4.00 | June 1, 2030 | 380,000 - 485,000 | 7,340,000 | 3,105,000 |
| General Obligation 2017A | May 24, 2017 | 3.00-4.00 | June 1, 2036 | 100,000 - 1,900,000 | 13,940,000 | 12,110,000 |
| General Obligation 2018A | June 19, 2018 | 3.00-5.00 | June 1, 2038 | 835,000 - 1,310,000 | 19,775,000 | 15,785,000 |
| General Obligation 2019A | August 21, 2019 | 3.00-5.00 | June 1, 2031 | 325,000 - 440,000 | 4,655,000 | 3,135,000 |
| General Obligation 2020B | November 19, 2020 | 2.125-5.00 | June 1, 2036 | 250,000 - 880,000 | 9,155,000 | 8,570,000 |
| General Obligation 2021A | April 6, 2021 | 2.00-5.00 | June 1, 2040 | 170,000 - 935,000 | 17,305,000 | 9,755,000 |
| General Obligation 2021B | November 4, 2021 | 2.00-5.00 | June 1, 2041 | 200,000 - 1,390,000 | 19,760,000 | 19,310,000 |
| General Obligation 2022A | July 6, 2022 | 3.125-5.00 | June 1, 2042 | 245,000 - 800,000 | 11,755,000 | 11,510,000 |
| Direct Borrowings and Placements | | | | | | |
| General Obligation 2020A | May 7, 2020 | 2.15 | June 1, 2035 | 325,000 - 1,190,000 | 12,800,000 | 11,755,000 |
| Installment Contract | | | | | | |
| City of West Des Moines | July 1, 2021 | 0.00 | June 30, 2025 | 175,941 | 879,704 | 351,881 |

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

| <u>Year ending June 30</u> | <u>General Obligation</u> | | | <u>Direct Borrowings and Placements</u> | | |
|----------------------------|---------------------------|---------------------|----------------------|---|--------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2024 | \$ 5,130,000 | \$ 3,269,534 | \$ 8,399,534 | \$ 510,000 | \$ 252,732 | \$ 762,732 |
| 2025 | 5,585,000 | 3,059,209 | 8,644,209 | 660,000 | 241,768 | 901,768 |
| 2026 | 5,870,000 | 2,828,934 | 8,698,934 | 745,000 | 227,578 | 972,578 |
| 2027 | 6,165,000 | 2,578,234 | 8,743,234 | 1,000,000 | 211,560 | 1,211,560 |
| 2028 | 6,650,000 | 2,313,984 | 8,963,984 | 1,025,000 | 190,060 | 1,215,060 |
| 2029-2033 | 36,245,000 | 7,657,140 | 43,902,140 | 5,460,000 | 610,385 | 6,070,385 |
| 2034-2038 | 23,270,000 | 2,760,494 | 26,030,494 | 2,355,000 | 76,218 | 2,431,218 |
| 2039-2042 | <u>7,450,000</u> | <u>472,175</u> | <u>7,922,175</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Subtotal | 96,365,000 | 24,939,704 | 121,304,704 | 11,755,000 | 1,810,301 | 13,565,301 |
| Plus unamortized premium | <u>4,575,948</u> | <u>-</u> | <u>4,575,948</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Totals | <u>\$100,940,948</u> | <u>\$24,939,704</u> | <u>\$125,880,652</u> | <u>\$11,755,000</u> | <u>\$1,810,301</u> | <u>\$13,565,301</u> |

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM LIABILITIES (continued)

Governmental Activities (continued)

| <u>Year ending</u> <u>June 30</u> | <u>Installment Contract</u> | | |
|--------------------------------------|-----------------------------|-----------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2024 | \$ 175,941 | \$ — | \$ 175,941 |
| 2025 | <u>175,940</u> | <u>—</u> | <u>175,940</u> |
| Totals | <u>\$ 351,881</u> | <u>\$ —</u> | <u>\$ 351,881</u> |

Business Type Activities

Five issues of unmatured revenue notes, totaling \$10,255,000, are outstanding at June 30, 2023. These notes bear interest at rates ranging from 3.00% to 5.00% and mature in varying annual amounts, ranging from \$100,000 to \$265,000, with the final maturities due in the year ending June 30, 2038.

Five issues of unmatured direct borrowing and direct placement notes, totaling \$10,063,872, are outstanding at June 30, 2023. These notes bear interest at rates ranging from 1.75% to 2.25% and mature in varying annual amounts, ranging from \$23,382 to \$791,000 with the final maturities due in the year ending June 30, 2044.

The resolutions providing for the issuance of the revenue notes and direct borrowing and direct placement notes 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 the sinking funds for the purpose of making the note/bond principal and interest payments when due.
- (3) Additional monthly transfers shall be made to the 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, 2023, the City was in compliance with the bond provisions.

The City has pledged future customer revenues, net of specified operating expenses, to repay the \$40,005,975 in revenue notes issued from 2015 to 2023. 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 2044. 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 \$24,716,130. For the current year, principal and interest paid and total customer net revenues were \$1,632,718 and \$10,959,918, respectively.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM LIABILITIES (continued)

Business-Type Activities (continued)

Details of revenue notes and bonds payable at June 30, 2023 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 as of June 30, 2023</u> |
|--|----------------------|-----------------------|-----------------------|------------------------|---------------------------------|--|
| Revenue Notes and Bonds | | | | | | |
| Water | | | | | | |
| Series 2015B | July 21, 2015 | 3.00 | June 1, 2027 | \$125,000 - 140,000 | \$1,450,000 | \$ 530,000 |
| Series 2018B | June 19, 2018 | 3.00-4.00 | June 1, 2038 | 100,000 - 265,000 | 3,410,000 | 2,910,000 |
| Series 2019B | August 21, 2019 | 3.00-5.00 | June 1, 2034 | 120,000 - 180,000 | 2,040,000 | 1,615,000 |
| Sewer | | | | | | |
| Series 2016C | December 20, 2016 | 3.00-3.125 | June 1, 2036 | 100,000 - 205,000 | 2,685,000 | 2,175,000 |
| Series 2018C | June 19, 2018 | 3.00-5.00 | June 1, 2038 | 155,000 - 250,000 | 3,565,000 | 3,025,000 |
| Direct Borrowings and Direct Placements | | | | | | |
| Sewer | | | | | | |
| Series 2017 | September 1, 2017 | 2.20 | June 1, 2038 | 426,308 - 603,800 | 9,942,975 | 7,805,699 |
| Series 2018A | July 6, 2018 | 1.75 | June 1, 2038 | 138,000 - 74,000 | 2,948,000 | 1,940,000 |
| Series 2023A | April 28, 2023 | 1.75 | June 1, 2044 | 543,000 - 791,000 | 13,200,000 | 66,000 |
| Golf Course | | | | | | |
| Series 2019C | November 19, 2019 | 2.25 | June 1, 2025 | 23,382 - 23,921 | 125,000 | 47,173 |
| Stormwater | | | | | | |
| Series 2016A | June 1, 2016 | 1.80-2.00 | June 1, 2026 | 65,000 - 70,000 | 640,000 | 205,000 |

Details of revenue notes and bonds payable at June 30, 2023 are as follows:

| <u>Year ending June 30</u> | <u>Revenue Notes/Bonds</u> | | | <u>Direct Borrowings and Placements</u> | | |
|----------------------------|----------------------------|--------------------|---------------------|---|--------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2024 | \$ 600,000 | \$ 344,134 | \$ 944,134 | \$ 646,869 | \$ 211,340 | \$ 858,209 |
| 2025 | 660,000 | 319,634 | 979,634 | 730,762 | 197,842 | 928,604 |
| 2026 | 685,000 | 293,134 | 978,134 | 653,626 | 184,047 | 837,673 |
| 2027 | 705,000 | 265,584 | 970,584 | 595,444 | 170,326 | 765,770 |
| 2028 | 680,000 | 241,734 | 921,734 | 608,429 | 157,754 | 766,183 |
| 2029-2033 | 3,725,000 | 888,989 | 4,613,989 | 3,244,288 | 590,389 | 3,834,677 |
| 2034-2038 | 3,200,000 | 299,976 | 3,499,976 | 3,489,762 | 232,375 | 3,722,137 |
| 2038 | — | — | — | 94,692 | — | 94,692 |
| Subtotal | 10,255,000 | 2,653,185 | 12,908,185 | 10,063,872 | 1,744,073 | 11,807,945 |
| Plus unamortized premium | 202,723 | — | 202,723 | — | — | — |
| Totals | <u>\$10,457,723</u> | <u>\$2,653,185</u> | <u>\$13,110,908</u> | <u>\$10,063,872</u> | <u>\$1,744,073</u> | <u>\$11,807,945</u> |

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM LIABILITIES (continued)

Business-Type Activities (continued)

As of June 30, 2023, the general obligation debt issued by the City did not exceed its legal debt limit computed as follows:

| | |
|--|------------------------|
| Actual valuation | <u>\$2,873,027,231</u> |
| Debt limit - 5% of total actual valuation | <u>\$143,651,362</u> |
| Debt applicable to debt limit | |
| General obligation bonded debt outstanding | \$ 96,365,000 |
| Notes from direct borrowings and placements | 11,755,000 |
| Tax increment financing and other agreements subject to debt limit | <u>1,819,100</u> |
| Total debt subject to debt limit | <u>\$109,939,100</u> |
| Percentage of debt limit | 76.53% |

NOTE 5 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 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.

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 and may retire any time after reaching age 50 with 22 or more years of covered employment. 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.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (continued)

Pension Benefits (continued)

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% 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% 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.

In fiscal year 2023, pursuant to the required rate, regular members contributed 6.29% of covered payroll, and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.21% of covered payroll, and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

The City’s total contributions to IPERS for the year ended June 30, 2023 were \$1,192,606.

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

At June 30, 2023, the City reported a liability of \$1,797,464 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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 | | |
|----------------------------|------------------|------------------|--------------------|
| | 2022 | 2021 | Change |
| City’s proportionate share | <u>0.047575%</u> | <u>0.924832%</u> | <u>(0.877257)%</u> |

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (continued)

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

For the year ended June 30, 2023, the City recognized pension expense of \$53,762. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Total</u> | |
|---|---|--|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Difference between expected and actual experience | \$ 583,116 | \$ 44,911 |
| Change in assumptions | 2,743 | 275,642 |
| Net difference between projected and actual earnings on IPERS' investments | - | 625,284 |
| Change in proportion and difference between City contributions and proportionate share of contributions | 516,273 | 74,572 |
| City contributions subsequent to the measurement date | <u>1,192,606</u> | <u>-</u> |
| Totals | <u>\$2,294,738</u> | <u>\$1,020,409</u> |

\$1,192,606 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 (asset) in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (gain) as follows:

| <u>Year ending June 30,</u> | <u>Total</u> |
|-----------------------------|------------------|
| 2024 | \$ (364,968) |
| 2025 | (259,851) |
| 2026 | (605,311) |
| 2027 | 1,287,538 |
| 2028 | <u>24,314</u> |
| Totals | <u>\$ 81,722</u> |

There were no non-employer contributing entities at IPERS.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|--|
| Rate of inflation (effective June 30, 2017) | 2.60% per annum. |
| Rates of salary increase (effective June 30, 2017) | 3.25 to 16.25% average, including inflation. Rates vary by membership group. |
| Long-term investment rate of return (effective June 30, 2017) | 7.00%, compounded annually, net of investment expense, including inflation |
| Wage growth (effective June 30, 2017) | 3.25% per annum based on 2.60% inflation and 0.65% real wage inflation. |

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

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 geometric 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> |
|--------------------------|-------------------------|--|
| Domestic Equity | 22.0% | 3.57% |
| International Equity | 17.5 | 4.79 |
| Global Smart Beta Equity | 6.0 | 4.16 |
| Core Plus Fixed Income | 20.0 | 1.66 |
| Public Credit | 4.0 | 3.77 |
| Cash | 1.0 | 0.77 |
| Private Equity | 13.0 | 7.57 |
| Private Real Assets | 8.5 | 3.55 |
| Private Credit | <u>8.0</u> | 3.63 |
| Total | <u>100.0%</u> | |

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. 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 to 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.

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

NOTE 5 PENSION PLAN (continued)

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 7.0%, 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% lower (6.0%) or 1% higher (8.0%) than the current rate.

| | 1% Decrease (6.0%) | Discount Rate (7.0%) | 1% Increase (8.0%) |
|---|-----------------------------------|-------------------------------------|-----------------------------------|
| City’s proportionate share of the net pension liability | <u>\$6,427,509</u> | <u>\$1,797,464</u> | <u>\$(2,273,816)</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, 2023, the City reported payables to IPERS of \$47,415 for legally required City contributions and \$29,046 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

NOTE 6 OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

The City administers a single-employer benefit plan which provides medical and prescription drug benefits to retired employees and their dependents under certain conditions. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits

Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older with 5 years of service at retirement. Employees covered by the plan make contributions toward the plan premiums. At June 30, 2023, the following employees were covered by the benefit terms.

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 1 |
| Active employees | <u>125</u> |
| Total | <u>126</u> |

Total OPEB Liability

The City’s total OPEB liability of \$741,535 was measured as of June 30, 2023, and was determined by an actuarial valuation as of July 1, 2021.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial Assumptions

The OPEB liability as of June 30, 2023 was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

| | |
|----------------------------|--|
| Rate of inflation | 3.0% per annum |
| Rates of salary increase | 3.25% per annum |
| Discount rate | 2.14% per annum |
| Healthcare cost trend rate | 5.50% initial rate decreasing by .25% annually to an ultimate rate of 5% |

The discount rate used to measure the OPEB liability was 2.14% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates were based on the RP-2014 annuitant distinct mortality table adjusted to 2006 with MP-2021 generational projection of future mortality improvement.

Annual retirement probabilities are based on varying rates by age and turnover probabilities which mirror those used by IPERS.

Changes in Total OPEB Liability

| | <u>OPEB Liability</u> |
|-------------------------------------|------------------------------|
| Total OPEB liability, July 1, 2022 | \$ 673,323 |
| Changes for the year | |
| Service cost | 67,271 |
| Interest | 15,690 |
| Benefit payments | <u>(14,749)</u> |
| Net changes | <u>68,212</u> |
| Total OPEB liability, June 30, 2023 | <u>\$ 741,535</u> |

Sensitivity of the City's Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.14%) or 1% higher (3.14%) than the current discount rate.

| | <u>1% Decrease (1.14%)</u> | <u>Discount Rate (2.14%)</u> | <u>1% Increase (3.14%)</u> |
|----------------------|---|---|---|
| Total OPEB liability | \$ <u>813,650</u> | \$ <u>741,535</u> | \$ <u>674,688</u> |

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

NOTE 6 OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability, calculated using the current healthcare cost trend rate of 5.25% decreasing to 5.0%, as well as the total OPEB liability calculated using a healthcare cost trend rate that is 1% lower (4.25% to 4.0%) or 1% higher (6.25% to 6.0%) than the current rate:

| | <u>1% Decrease 4.25% decreasing to 4.0%</u> | <u>Current Healthcare Cost Trend Rate 5.25% decreasing to 5.0%</u> | <u>1% Increase 6.25% decreasing to 6.0%</u> |
|----------------------|---|--|---|
| Total OPEB liability | \$ <u>638,085</u> | \$ <u>741,535</u> | \$ <u>867,247</u> |

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the City recognized OPEB expense of \$86,062. At June 30, 2023, the City reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

| | <u>Deferred Inflows of Resources</u> | <u>Deferred Outflows of Resources</u> |
|--|--|---|
| Differences between expected and actual experience | \$ 33,716 | \$ 50,056 |
| Changes in assumptions or other inputs | <u>35,679</u> | <u>65,555</u> |
| Totals | <u>\$ 69,395</u> | <u>\$ 115,611</u> |

The amount reported as deferred inflows of resources and deferred outflows of resources related to OPEB will be recognized net of OPEB expense as follows:

Year ending June 30

| | |
|------------|------------------|
| 2024 | \$ 3,100 |
| 2025 | 3,100 |
| 2026 | 3,100 |
| 2027 | 3,100 |
| 2028 | 3,100 |
| Thereafter | <u>30,716</u> |
| Total | <u>\$ 46,216</u> |

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 7 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The City has entered into subscription-based information technology arrangements (SBITAs) for various subscription-based services, including public safety, traffic enhancement, and financial management programs under terms ranging from one to four years. The total of the City's subscription assets are recorded at a cost of \$625,402, less accumulated amortization of \$227,129.

The future subscription payments under SBITA arrangements are as follows:

| <u>Year ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|-------------------|------------------|-------------------|
| 2024 | \$ 125,791 | \$ 5,181 | \$ 130,972 |
| 2025 | 42,237 | 2,537 | 44,774 |
| 2026 | 33,346 | 1,621 | 34,967 |
| 2027 | <u>35,184</u> | <u>832</u> | <u>36,016</u> |
| Total | <u>\$ 236,558</u> | <u>\$ 10,171</u> | <u>\$ 246,729</u> |

NOTE 8 INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2023 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------|-----------------------------|---------------------|
| General | Capital projects | \$ 2,600,000 |
| | Nonmajor governmental funds | 3,000,000 |
| | Equipment revolving | <u>119,827</u> |
| | | <u>5,719,827</u> |
| Debt Service | Governmental funds | |
| | Urban renewal TIF | 3,281,006 |
| | Local option sales tax | 1,169,219 |
| | Enterprise funds | |
| | Water | 137,138 |
| | Nonmajor enterprise funds | <u>147,700</u> |
| | | <u>4,735,063</u> |
| Capital projects | Water | 830,000 |
| | Sewer | 2,750,000 |
| | Gas | <u>1,550,000</u> |
| | | <u>5,130,000</u> |
| Gas | Equipment revolving | 12,439 |
| Sewer | Equipment revolving | 58,487 |
| Water | Equipment revolving | <u>30,258</u> |
| Total | | <u>\$15,686,074</u> |

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

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 9 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 800 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, employment practices liability, public officials' liability, cyber liability, and law enforcement. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual 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, 2023 were \$346,504.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, employment practices, law enforcement, cyber, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 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, 2023, no liability has been recorded in the City's financial statements. As of June 30, 2023, 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 EMPLOYEE HEALTH INSURANCE PLAN

The Iowa Governmental Health Care Plan was established to account for the partial self-funding of the City's health insurance benefit plan. The plan is funded by both employee and City contributions and is administered through a service agreement with Iowa Governmental Health Care Plan. The agreement is subject to automatic renewal provisions. The City assumes liability for claims up to the deductible of \$5,000/\$10,000 per single/family plan with a maximum out of pocket expense of \$7,350/\$14,700 per single/family plan. The deductible and maximum out of pocket expense for the City is reduced by the deductible amount paid by the employee of \$200/\$400 per single/family plan and employee maximum out of pocket expense of \$500/\$1,000 per single/family plan. Claims in excess of deductibles are covered by Iowa Governmental Health Care Plan.

Monthly payments of service fees and plan contributions to the Iowa Governmental Health Care Plan Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Employee Benefit Systems, who administers the plan. The City records the Plan assets and related liabilities of the health plan in the General Fund. The City's contribution to the plan for the year ended June 30, 2023 was \$277,471.

Amounts payable from the Iowa Governmental Health Care Plan at June 30, 2023 total \$33,810, which is for incurred but not reported (IBNR) and reported but not paid claims, which is included in accounts payable in these financial statements. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years.

A reconciliation of changes in the aggregate liabilities for claims for the year ended June 30, 2023 is as follows:

| | |
|--|------------------|
| Unpaid claims as of beginning of year | \$ 21,440 |
| Incurred claims (including claims incurred but not reported as of June 30) | 334,957 |
| Payments on claims | <u>(322,587)</u> |
| Unpaid claims as of year end | \$ <u>33,810</u> |

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 \$101,000,000 of which approximately \$81,000,000 has been incurred as of June 30, 2023. The unpaid commitment balance is approximately \$20,000,000 which will be funded by current reserves in the capital projects funds and other sources.

The City, in equal partnership with a neighboring city, has entered into an agreement with the Iowa Department of Transportation (IDOT) where the cities have agreed to reimburse in equal shares the IDOT's construction cost for a new interstate interchange which straddles the shared border of the two cities. The construction project was nearly complete but not finalized at June 30, 2023. The cities and IDOT have agreed that payments will be made in ten annual equal principal-only installments. In November 2023, the project was formally finalized by the IDOT and the City approved a resolution to repay the IDOT \$7,339,294 in equal installments over ten years.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 12 URBAN RENEWAL DEVELOPMENT AGREEMENTS

The City has entered into development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for development of commercial projects by the developer. During the year ended June 30, 2023, the City rebated \$1,102,309 of incremental property tax to developers.

The agreements are not a general obligation of the City and, due to their nature, are not recorded as a liability in the City's financial statements.

The agreements include an annual appropriation clause and, accordingly, only the amount payable in the succeeding year on the agreements is subject to the constitutional debt limitation. The entire outstanding principal balance of agreements not including an annual appropriation clause would be subject to the constitutional debt limitation.

In August 2017, the Waukee City Council approved a development agreement with a developer for the construction of data centers. The agreement calls for property tax abatements to the developer equal to approximately 71 percent of the taxable value added by the development over a twenty year period beginning with the year each data center is first assessed for taxation. In consideration of the property tax abatements, the developer has made certain commitments, including maintaining certain employment levels and achieving a minimum assessed value for each data center of \$200,000,000. In addition, the developer has committed to contributing to a public improvements fund \$500,000 annually for each data center constructed for a twenty year period, not to exceed \$100,000,000 in total. In 2023, the developer contributed \$500,000 under this agreement.

NOTE 13 CONTINGENCIES

The City is involved in lawsuits arising in the ordinary course of activities. While these cases may have future financial effect, management, based on advice of counsel, believes that their ultimate outcome will not be material to the financial statements.

NOTE 14 TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Rebates

The City provides tax rebates for urban renewal and economic development projects with tax increment financing as provided for in Chapter 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2023, \$431,477 of property tax was diverted from the City under the urban renewal and economic development projects.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 15 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, with the second amended and restated agreement becoming effective June 11, 2014. 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. The City of Waukee joined the WRA effective July 1, 2007.

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

The City retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation. Although the debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any of the bonds issued during the time the entity was a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2015E and 2021A include provisions that place the WRA debt service requirements on the same parity as other debts of the participating communities.

The WRA Agreement requires the debt service of the Series 2015E and 2021A 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, 2023, the Series 2015E and 2021A bonds had a combined balance of \$56,135,000 and the City of Waukee's estimated future allocation based on the WRA flows is currently \$2,366,400.

The WRA Agreement requires the debt service on all State Revolving Loans issued after July 1, 2004 to be allocated to the participating communities based on the WRA flow of the core communities and expansion communities each calendar year. As of June 30, 2023, the outstanding balance of State Revolving Loan issues totaled \$358,643,300 and the City of Waukee's estimated future allocation is currently \$12,389,307.

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 16 CHANGE IN ACCOUNTING PRINCIPLE

Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, was implemented during fiscal year 2023. The new requirements require the reporting of certain right-of-use subscription-based IT arrangements and liabilities which were previously not reported. The result of these changes had no effect on beginning net position.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 17 SUBSEQUENT EVENTS

In August 2023, the Waukee City Council approved the issuance of \$38,305,000 in General Obligation Bonds Series, 2023B, for the purpose of providing funds for urban renewal projects, street improvements, and utility improvements as deemed necessary.

In August 2023, the Waukee City Council approved the issuance of \$3,350,000 in Stormwater Management Utility Revenue Bonds Series, 2023C, for the purpose of providing funds for future improvements and extensions to the stormwater utility system.

As disclosed in Note 11, the City approved a resolution in November, 2023 to repay the Iowa Department of Transportation \$7,339,294 for the construction of an interstate interchange.

REQUIRED SUPPLEMENTARY INFORMATION

City of Waukee, Iowa
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES
Required Supplementary Information
For the last six years

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Service cost | \$ 67,272 | \$ 65,155 | \$ 43,554 | \$ 42,183 | \$ 36,277 | \$ 35,135 |
| Interest | 15,690 | 14,218 | 17,071 | 15,270 | 15,487 | 13,952 |
| Changes of benefit terms | - | (1,576) | - | - | - | - |
| Differences between expected and actual experience | - | 30,610 | - | (48,220) | - | 38,762 |
| Changes in assumptions | - | 75,022 | - | 2,242 | - | (57,734) |
| Benefit payments | <u>(14,750)</u> | <u>(10,512)</u> | <u>(8,843)</u> | <u>(5,878)</u> | <u>(10,128)</u> | <u>(4,547)</u> |
| Net change in total OPEB liability | 68,212 | 172,917 | 51,782 | 5,597 | 41,636 | 25,548 |
| Total OPEB liability, beginning of year | <u>673,323</u> | <u>500,406</u> | <u>448,624</u> | <u>443,027</u> | <u>401,391</u> | <u>375,843</u> |
| Total OPEB liability, end of year | <u>\$ 741,535</u> | <u>\$ 673,323</u> | <u>\$ 500,406</u> | <u>\$ 448,624</u> | <u>\$ 443,027</u> | <u>\$ 501,391</u> |
| Covered-employee payroll | <u>\$9,925,018</u> | <u>\$9,612,608</u> | <u>\$8,059,332</u> | <u>\$7,805,648</u> | <u>\$6,878,139</u> | <u>\$6,651,636</u> |
| Total OPEB liability as a percentage of covered-employee payroll | 7.47% | 7.00% | 6.21% | 5.75% | 6.44% | 6.00% |

NOTES TO SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES

Changes in benefit terms

There were no significant changes in benefit terms.

Changes in assumptions

Changes in assumptions reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

| | |
|--------------------------|-------|
| Year ended June 30, 2017 | 4.50% |
| Year ended June 30, 2018 | 3.58% |
| Year ended June 30, 2019 | 3.58% |
| Year ended June 30, 2020 | 3.50% |
| Year ended June 30, 2021 | 3.50% |
| Year ended June 30, 2022 | 2.14% |
| Year ended June 30, 2023 | 2.14% |

City of Waukee, Iowa
BUDGETARY COMPARISON SCHEDULE OF REVENUES,
EXPENDITURES/EXPENSES AND CHANGES IN BALANCES - BUDGET AND ACTUAL -
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
Required Supplementary Information
Year ended June 30, 2023

| | <u>Governmental funds actual</u> | <u>Proprietary funds actual</u> | <u>Budgetary adjustments</u> | <u>Total actual</u> | <u>Budgeted amounts</u> | | <u>Final to actual variance</u> |
|---|----------------------------------|---------------------------------|------------------------------|----------------------|-------------------------|----------------------|---------------------------------|
| | | | | | <u>Original</u> | <u>Final</u> | |
| REVENUES | | | | | | | |
| Property taxes | \$19,733,997 | \$ - | \$ - | \$ 19,733,997 | \$ 19,652,698 | \$ 19,652,698 | \$ 81,299 |
| Tax increment financing | 6,612,489 | - | - | 6,612,489 | 7,115,100 | 7,115,100 | (502,611) |
| Other city tax | 5,853,680 | - | - | 5,853,680 | 4,316,853 | 5,228,853 | 624,827 |
| Licenses and permits | 3,676,978 | - | - | 3,676,978 | 2,166,980 | 5,592,180 | (1,915,202) |
| Use of money and property | 2,787,386 | 1,529,661 | - | 4,317,047 | 606,700 | 3,433,050 | 883,997 |
| Intergovernmental | 5,349,020 | 1,800,929 | - | 7,149,949 | 3,791,600 | 6,751,220 | 398,729 |
| Charges for service | 1,188,166 | 37,173,128 | - | 38,361,294 | 29,960,840 | 37,947,410 | 413,884 |
| Miscellaneous | <u>3,368,131</u> | <u>195,998</u> | - | <u>3,564,129</u> | <u>1,142,400</u> | <u>1,362,600</u> | <u>2,201,529</u> |
| Total revenues | <u>48,569,847</u> | <u>40,699,716</u> | <u>-</u> | <u>89,269,563</u> | <u>68,753,171</u> | <u>87,083,111</u> | <u>2,186,452</u> |
| EXPENDITURES/EXPENSES | | | | | | | |
| Public safety | 10,222,559 | - | - | 10,222,559 | 10,948,440 | 10,732,740 | 510,181 |
| Public works | 3,759,100 | - | - | 3,759,100 | 4,824,335 | 5,016,535 | 1,257,435 |
| Health and social services | 52,000 | - | - | 52,000 | 54,000 | 54,000 | 2,000 |
| Culture and recreation | 3,896,291 | - | - | 3,896,291 | 3,942,840 | 4,127,320 | 231,029 |
| Community and economic development | 1,910,148 | - | - | 1,910,148 | 2,225,440 | 2,094,430 | 184,282 |
| General government | 1,512,421 | - | - | 1,512,421 | 4,563,630 | 6,260,580 | 4,748,159 |
| Debt service | 9,070,448 | - | (175,941) | 8,894,507 | 8,334,574 | 8,999,620 | 105,113 |
| Capital projects | 29,752,490 | - | 175,941 | 29,928,431 | 16,694,000 | 24,794,000 | (5,134,431) |
| Business type activities | - | <u>24,897,221</u> | <u>14,710,586</u> | <u>39,607,807</u> | <u>43,332,609</u> | <u>54,128,089</u> | <u>14,520,282</u> |
| Total disbursements | <u>60,175,457</u> | <u>24,897,221</u> | <u>14,710,586</u> | <u>99,783,264</u> | <u>94,919,868</u> | <u>116,207,314</u> | <u>16,424,050</u> |
| Excess (deficiency) of revenues over (under) expenditures/expenses | <u>(11,605,610)</u> | <u>15,802,495</u> | <u>(14,710,586)</u> | <u>(10,513,701)</u> | <u>(26,166,697)</u> | <u>(29,124,203)</u> | <u>18,610,502</u> |
| OTHER FINANCING SOURCES (USES), NET | <u>17,871,712</u> | <u>12,041,764</u> | <u>17,292,988</u> | <u>12,620,488</u> | <u>14,000,000</u> | <u>14,060,400</u> | <u>(1,439,912)</u> |
| Excess (deficiency) of revenues and other financing sources over expenditures/expenses and other financing uses | 6,266,102 | 27,844,259 | 2,582,402 | 2,106,787 | (12,166,697) | (15,063,803) | 17,170,590 |
| BALANCES, beginning of year | <u>52,063,260</u> | <u>102,917,197</u> | <u>-</u> | <u>154,980,457</u> | <u>100,025,685</u> | <u>100,025,685</u> | <u>54,954,772</u> |
| BALANCES, end of year | <u>\$58,329,362</u> | <u>\$130,761,456</u> | <u>\$ 2,582,402</u> | <u>\$157,087,244</u> | <u>\$ 87,858,988</u> | <u>\$ 84,961,882</u> | <u>\$72,125,362</u> |

See accompanying independent auditor's report.

City of Waukee, Iowa
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
Year ended June 30, 2023

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function 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 disbursements by \$21,287,446. This budget amendment is reflected in the final budgeted amounts.

For the year ended June 30, 2023, the City's disbursements exceeded the amount budgeted in the capital projects function.

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

| | Year ended June 30 | | | |
|---|---------------------------|-------------|-------------|-------------|
| | 2023 | 2022 | 2021 | 2020 |
| City's proportion of the net pension liability | 0.047575% | 0.924832% | 0.074768% | 0.064552% |
| City's proportionate share of the net pension liability (asset) | \$1,797 | \$(3,193) | \$5,252 | \$3,738 |
| City's covered-employee payroll | \$12,585 | \$11,232 | \$9,852 | \$9,056 |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 14.28% | (28.42)% | 53.31% | 41.28% |
| Plan fiduciary net position as a percentage of the total pension liability | 91.40% | 100.81% | 82.90% | 85.45% |

| | Year ended June 30 | | | | |
|---|---------------------------|-------------|-------------|-------------|-------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| City's proportion of the net pension liability | 0.068199% | 0.064287% | 0.060546% | 0.053387% | 0.045117% |
| City's proportionate share of the net pension liability (asset) | \$4,315 | \$4,282 | \$3,810 | \$2,638 | \$1,829 |
| City's covered-employee payroll | \$8,178 | \$7,814 | \$5,949 | \$6,412 | \$6,005 |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 52.76% | 54.80% | 54.83% | 41.14% | 30.49% |
| Plan fiduciary net position as a percentage of the total pension liability | 83.62% | 82.21% | 81.82% | 85.19% | 84.61% |

*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 30th of the preceding fiscal year.

See accompanying independent auditor's report.

City of Waukee
SCHEDULE OF CITY CONTRIBUTIONS
Iowa Public Employees' Retirement System for the Last Ten Years
(In Thousands)
Other Information

| | Year ended June 30 | | | | |
|---|---------------------------|--------------|-------------|-------------|-------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| Statutorily required contribution | \$ 1,193 | \$ 1,050 | \$ 940 | \$ 875 | \$ 827 |
| Contributions in relation to the statutorily required contribution | <u>1,193</u> | <u>1,050</u> | <u>940</u> | <u>875</u> | <u>827</u> |
| Contribution deficiency (excess) | \$ <u>—</u> | \$ <u>—</u> | \$ <u>—</u> | \$ <u>—</u> | \$ <u>—</u> |
| City's covered-employee payroll | \$12,585 | \$11,232 | \$9,852 | \$9,056 | \$8,178 |
| Contributions as a percentage of covered-employee payroll | 9.5% | 9.3% | 9.5% | 9.7% | 10.1% |

| | Year ended June 30 | | | | |
|---|---------------------------|-------------|-------------|-------------|-------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Statutorily required contribution | \$ 723 | \$ 641 | \$ 578 | \$ 550 | \$ 497 |
| Contributions in relation to the statutorily required contribution | <u>723</u> | <u>641</u> | <u>578</u> | <u>550</u> | <u>497</u> |
| Contribution deficiency (excess) | \$ <u>—</u> | \$ <u>—</u> | \$ <u>—</u> | \$ <u>—</u> | \$ <u>—</u> |
| City's covered-employee payroll | \$7,814 | \$6,949 | \$6,412 | \$6,005 | \$5,339 |
| Contributions as a percentage of covered-employee payroll | 9.3% | 9.2% | 9.0% | 9.2% | 9.3% |

See accompanying independent auditor's report.

City of Waukee, Iowa
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year ended June 30, 2023

CHANGES OF BENEFIT TERMS

There are no significant changes in benefit terms.

CHANGES OF ASSUMPTIONS

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for regular members.
- Lowered disability rates for regular members.
- Adjusted termination rates for all membership groups.

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% 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.

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

**City of Waukee
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023**

| | <u>Special Revenue Funds</u> | | | | | <u>Debt service</u> | <u>Total</u> |
|---|------------------------------|------------------------------|-------------------------------|--------------------|---------------------------|--------------------------------|--------------------|
| | <u>Road Use Tax</u> | <u>Employee Benefits</u> | <u>Public Improvement</u> | <u>Forfeitures</u> | <u>Emergency Levy</u> | <u>Special Assessments</u> | |
| ASSETS | | | | | | | |
| Cash and investments | \$ 935,486 | \$ 217,254 | \$3,146,190 | \$ 13,883 | \$ - | \$ 279,291 | \$4,592,104 |
| Receivables | | | | | | | |
| Property tax | | | | | | | |
| Delinquent | - | 4,316 | - | - | - | - | 4,316 |
| Succeeding year property tax | - | 2,317,650 | - | - | 460,122 | - | 2,777,772 |
| Special assessments | - | - | - | - | - | 99,012 | 99,012 |
| Other | 7,304 | - | - | - | - | - | 7,304 |
| Due from other governments | 269,049 | - | - | - | - | - | 269,049 |
| Inventory | <u>177,195</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>177,195</u> |
| Total assets | <u>\$1,389,034</u> | <u>\$2,539,220</u> | <u>\$3,146,190</u> | <u>\$ 13,883</u> | <u>\$ 460,122</u> | <u>\$ 378,303</u> | <u>\$7,926,752</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | | |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 442,419 | \$ - | \$ - | \$ 4,181 | \$ - | \$ - | \$ 446,600 |
| Accrued compensation | <u>29,767</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>29,767</u> |
| Total liabilities | <u>472,186</u> | <u>-</u> | <u>-</u> | <u>4,181</u> | <u>-</u> | <u>-</u> | <u>476,367</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable revenues | | | | | | | |
| Succeeding year property tax | - | 2,317,650 | - | - | 460,122 | - | 2,777,772 |
| Special assessments | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>98,619</u> | <u>98,619</u> |
| Total deferred inflows of resources | <u>-</u> | <u>2,317,650</u> | <u>-</u> | <u>-</u> | <u>460,122</u> | <u>98,619</u> | <u>2,876,391</u> |
| FUND BALANCES | | | | | | | |
| Nonspendable | 177,195 | - | - | - | - | - | 177,195 |
| Restricted for | | | | | | | |
| Debt service | - | - | - | - | - | 279,684 | 279,684 |
| Other | <u>739,653</u> | <u>221,570</u> | <u>3,146,190</u> | <u>9,702</u> | <u>-</u> | <u>-</u> | <u>4,117,115</u> |
| Total fund balances | <u>916,848</u> | <u>221,570</u> | <u>3,146,190</u> | <u>9,702</u> | <u>-</u> | <u>279,684</u> | <u>4,573,994</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$1,389,034</u> | <u>\$2,539,220</u> | <u>\$3,146,190</u> | <u>\$ 13,883</u> | <u>\$ 460,122</u> | <u>\$ 378,303</u> | <u>\$7,926,752</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, 2023

| | <u>Special Revenue Funds</u> | | | | | <u>Debt service</u> | <u>Total</u> |
|---|------------------------------|--------------------|--------------------|--------------------|----------------|---------------------|--------------------|
| | <u>Road</u> | <u>Employee</u> | <u>Public</u> | <u>Emergency</u> | <u>Special</u> | | |
| | <u>Use Tax</u> | <u>Benefits</u> | <u>Improvement</u> | <u>Forfeitures</u> | <u>Levy</u> | <u>Assessments</u> | |
| REVENUES | | | | | | | |
| Property taxes | \$ - | \$2,990,589 | \$ - | \$ - | \$ - | \$ - | \$2,990,589 |
| Other city taxes | - | - | - | - | - | 14,700 | 14,700 |
| Licenses and permits | 12,243 | - | - | - | - | - | 12,243 |
| Use of money and property | - | 91,807 | 110,712 | - | - | 14,418 | 216,937 |
| Intergovernmental | 3,310,138 | 78,341 | - | - | - | - | 3,388,479 |
| Charges for services | - | - | - | 3,421 | - | - | 3,421 |
| Miscellaneous | 30,748 | - | 500,000 | - | - | - | 530,748 |
| Total revenues | <u>3,353,129</u> | <u>3,160,737</u> | <u>610,712</u> | <u>3,421</u> | <u>-</u> | <u>29,118</u> | <u>7,157,117</u> |
| EXPENDITURES | | | | | | | |
| Operating | | | | | | | |
| Public safety | - | - | - | 200 | - | - | 200 |
| Public works | 3,005,561 | - | - | - | - | - | 3,005,561 |
| Capital projects | 902,170 | - | - | - | - | - | 902,170 |
| Total expenditures | <u>3,907,731</u> | <u>-</u> | <u>-</u> | <u>200</u> | <u>-</u> | <u>-</u> | <u>3,907,931</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(554,602)</u> | <u>3,160,737</u> | <u>610,712</u> | <u>3,221</u> | <u>-</u> | <u>29,118</u> | <u>3,249,186</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Sale of capital assets | 24,798 | - | - | - | - | - | 24,798 |
| Operating transfers out | - | (3,000,000) | - | - | - | - | (3,000,000) |
| Total other financing sources (uses) | <u>24,798</u> | <u>(3,000,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,975,202)</u> |
| NET CHANGE IN FUND BALANCES | (529,804) | 160,737 | 610,712 | 3,221 | - | 29,118 | 273,984 |
| FUND BALANCES, beginning | <u>1,446,652</u> | <u>60,833</u> | <u>2,535,478</u> | <u>6,481</u> | <u>-</u> | <u>250,566</u> | <u>4,300,010</u> |
| FUND BALANCES, ending | <u>\$ 916,848</u> | <u>\$ 221,570</u> | <u>\$3,146,190</u> | <u>\$ 9,702</u> | <u>\$ -</u> | <u>\$ 279,684</u> | <u>\$4,573,994</u> |

See accompanying independent auditor's report.

City of Waukee, Iowa
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2023

| | Enterprise Funds | | |
|---|-------------------------|----------------------------|-------------------|
| | Solid Waste | Utility Billing | Total |
| ASSETS | | | |
| Current assets | | | |
| Cash and investments | \$ 376,713 | \$ 108,314 | \$ 485,027 |
| Receivables | | | |
| Customer accounts | <u>150,446</u> | <u>52,186</u> | <u>202,632</u> |
| Total current assets | <u>527,159</u> | <u>160,500</u> | <u>687,659</u> |
| Noncurrent assets | | | |
| Capital assets, net of accumulated depreciation | <u>1,030</u> | <u>6,367</u> | <u>7,397</u> |
| Total noncurrent assets | <u>1,030</u> | <u>6,367</u> | <u>7,397</u> |
| Total assets | <u>528,189</u> | <u>166,867</u> | <u>695,056</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related deferred outflows | - | 39,828 | 39,828 |
| OPEB related deferred outflows | <u>-</u> | <u>1,717</u> | <u>1,717</u> |
| Total deferred outflows of resources | <u>-</u> | <u>41,545</u> | <u>41,545</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | - | 4,478 | 4,478 |
| Accrued compensation | - | 8,795 | 8,795 |
| Compensated absences | - | 13,836 | 13,836 |
| IT Subscriptions | <u>943</u> | <u>6,325</u> | <u>7,268</u> |
| Total current liabilities | <u>943</u> | <u>33,434</u> | <u>34,377</u> |
| Noncurrent liabilities | | | |
| Net pension liability | - | 31,197 | 31,197 |
| Total OPEB liability | <u>-</u> | <u>11,016</u> | <u>11,016</u> |
| Total noncurrent liabilities | <u>-</u> | <u>42,213</u> | <u>42,213</u> |
| Total liabilities | <u>943</u> | <u>75,647</u> | <u>76,590</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenues | | | |
| Pension related deferred inflows | - | 17,710 | 17,710 |
| OPEB related deferred inflows | <u>-</u> | <u>1,031</u> | <u>1,031</u> |
| Total deferred inflows of resources | <u>-</u> | <u>18,741</u> | <u>18,741</u> |
| NET POSITION | | | |
| Net investment in capital assets | 1,030 | 6,367 | 7,397 |
| Unrestricted | <u>526,216</u> | <u>107,657</u> | <u>633,873</u> |
| Total net position | <u>\$ 527,246</u> | <u>\$ 114,024</u> | <u>\$ 641,270</u> |

See accompanying independent auditor's report.

City of Waukee, Iowa
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
Year ended June 30, 2023

| | <u>Enterprise Funds</u> | | |
|---|-------------------------|----------------------------|-------------------|
| | <u>Solid Waste</u> | <u>Utility Billing</u> | <u>Total</u> |
| OPERATING REVENUES | | | |
| Charges for service | \$1,635,453 | \$ 509,025 | \$2,144,478 |
| Miscellaneous | <u>9,027</u> | <u>—</u> | <u>9,027</u> |
| Total operating revenues | <u>1,644,480</u> | <u>509,025</u> | <u>2,153,505</u> |
| OPERATING EXPENSES | | | |
| Business type activities | | | |
| Cost of sales and services | 1,828,028 | 462,749 | 2,290,777 |
| Depreciation and amortization | <u>872</u> | <u>11,546</u> | <u>12,418</u> |
| Total operating expenses | <u>1,828,900</u> | <u>474,295</u> | <u>2,303,195</u> |
| Operating income (loss) | <u>(184,420)</u> | <u>34,730</u> | <u>(149,690)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest income | 18,209 | 3,314 | 21,523 |
| Interest expense and fiscal charges | <u>—</u> | <u>(243)</u> | <u>(243)</u> |
| Total nonoperating revenues | <u>18,209</u> | <u>3,071</u> | <u>21,280</u> |
| CHANGE IN NET POSITION | (166,211) | 37,801 | (128,410) |
| NET POSITION, beginning | <u>693,457</u> | <u>76,223</u> | <u>769,680</u> |
| NET POSITION, ending | <u>\$ 527,246</u> | <u>\$ 114,024</u> | <u>\$ 641,270</u> |

See accompanying independent auditor's report.

City of Waukee, Iowa
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
Year ended June 30, 2023

| | Enterprise Funds | | |
|---|-------------------------|----------------------------|---------------------|
| | Solid Waste | Utility Billing | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from customer and users | \$1,636,029 | \$ 527,144 | \$2,163,173 |
| Cash received from other revenues | 9,027 | - | 9,027 |
| Cash paid for personal services | - | (271,892) | (271,892) |
| Cash paid to supplies | (1,974,034) | (208,553) | (2,182,587) |
| Net cash flows from operating activities | <u>(328,978)</u> | <u>46,699</u> | <u>(282,279)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition and construction of capital assets | (959) | (11,588) | (12,547) |
| Interest and fiscal charges paid | - | (243) | (243) |
| Net cash flows from capital and related financing activities | <u>(959)</u> | <u>(11,831)</u> | <u>(12,790)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest on investments | <u>18,209</u> | <u>3,314</u> | <u>21,523</u> |
| Net cash flows from investing activities | <u>18,209</u> | <u>3,314</u> | <u>21,523</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (311,728) | 38,182 | (273,546) |
| CASH AND CASH EQUIVALENTS, beginning | <u>688,441</u> | <u>70,132</u> | <u>758,573</u> |
| CASH AND CASH EQUIVALENTS, ending | <u>\$ 376,713</u> | <u>\$ 108,314</u> | <u>\$ 485,027</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | |
| Operating income (loss) | \$ (184,420) | \$ 34,730 | \$ (149,690) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | | | |
| Depreciation expense | 872 | 11,546 | 12,418 |
| Change in assets, deferred outflows, liabilities and deferred inflows | | | |
| Customer accounts receivable | 576 | 18,119 | 18,695 |
| Accounts payable, net of capital assets | (146,006) | 616 | (145,390) |
| Accrued compensation | - | 1,297 | 1,297 |
| Compensated absences | - | 843 | 843 |
| Net pension liability | - | 89,588 | 89,588 |
| Deferred outflows of resources | - | (5,889) | (5,889) |
| Deferred inflows of resources | - | (104,952) | (104,952) |
| OPEB liability | - | 801 | 801 |
| Net cash provided by operating activities | <u>\$ (328,978)</u> | <u>\$ 46,699</u> | <u>\$ (282,279)</u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON THE COMBINING STATEMENT OF NET POSITION | | | |
| Current assets | | | |
| Cash and investments | <u>\$ 376,713</u> | <u>\$ 108,314</u> | <u>\$ 485,027</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 | | | |
|------------------------------------|-------------------------------|---------------------|---------------------|---------------------|
| | 2023 | 2022 | 2021 | 2020 |
| REVENUES | | | | |
| Property tax | \$19,733,997 | \$17,561,303 | \$16,442,792 | \$15,148,227 |
| Tax increment financing | 6,612,489 | 8,290,499 | 6,715,401 | 5,198,896 |
| Other city tax | 5,853,680 | 5,186,067 | 3,654,633 | 3,390,034 |
| Licenses and permits | 3,676,978 | 3,609,343 | 2,152,133 | 2,319,665 |
| Use of money and property | 2,787,386 | 476,242 | 299,770 | 645,933 |
| Intergovernmental | 5,349,020 | 6,737,803 | 4,107,086 | 4,085,765 |
| Charges for service | 1,188,166 | 916,042 | 841,730 | 615,964 |
| Miscellaneous | <u>3,368,131</u> | <u>3,110,959</u> | <u>2,102,418</u> | <u>1,642,806</u> |
| Totals | <u>\$48,569,847</u> | <u>\$45,888,258</u> | <u>\$36,315,963</u> | <u>\$33,047,290</u> |
| EXPENDITURES | | | | |
| Operating | | | | |
| Public safety | \$10,222,559 | \$ 8,787,632 | \$ 7,661,959 | \$ 7,097,460 |
| Public works | 3,759,100 | 3,842,050 | 2,881,426 | 2,450,087 |
| Health and social services | 52,000 | 35,000 | 79,000 | - |
| Culture and recreation | 3,896,291 | 3,076,562 | 2,354,529 | 2,231,556 |
| Community and economic development | 1,910,148 | 2,036,364 | 844,878 | 862,639 |
| General government | 1,512,421 | 1,589,810 | 1,379,753 | 1,119,735 |
| Debt service | 9,070,448 | 15,105,673 | 12,529,759 | 9,592,326 |
| Capital projects | <u>29,752,490</u> | <u>34,055,866</u> | <u>33,050,205</u> | <u>13,721,659</u> |
| Totals | <u>\$60,175,457</u> | <u>\$68,528,957</u> | <u>\$60,781,509</u> | <u>\$37,075,462</u> |

See accompanying independent auditor's report.

| Modified Accrual Basis | | | | | |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| \$13,264,907 | \$11,935,530 | \$ 9,985,457 | \$ 9,436,301 | \$ 8,385,843 | \$ 7,666,911 |
| 4,130,856 | 3,549,942 | 3,414,595 | 3,229,861 | 3,204,146 | 3,017,853 |
| 2,598,522 | 59,400 | 35,436 | 27,921 | 133,216 | 60,988 |
| 2,427,879 | 1,287,456 | 1,594,670 | 1,288,941 | 1,391,499 | 1,057,350 |
| 934,034 | 525,131 | 325,215 | 195,336 | 182,503 | 222,405 |
| 5,368,170 | 5,921,270 | 4,250,128 | 5,241,337 | 5,602,222 | 2,539,186 |
| 471,715 | 546,674 | 540,001 | 351,341 | 414,059 | 597,042 |
| <u>785,244</u> | <u>255,233</u> | <u>479,481</u> | <u>405,168</u> | <u>385,164</u> | <u>281,147</u> |
| <u>\$29,981,327</u> | <u>\$24,080,636</u> | <u>\$20,624,983</u> | <u>\$20,176,206</u> | <u>\$19,698,652</u> | <u>\$15,442,882</u> |
| | | | | | |
| \$ 6,206,481 | \$ 5,443,568 | \$ 4,839,355 | \$ 4,281,395 | \$ 3,543,201 | \$ 3,286,146 |
| 2,158,676 | 1,935,403 | 1,997,301 | 2,297,252 | 2,281,384 | 2,241,516 |
| 800 | 700 | — | 5,100 | 4,800 | 16,500 |
| 2,125,735 | 2,039,626 | 1,838,317 | 1,763,428 | 1,599,802 | 1,457,105 |
| 991,664 | 1,387,462 | 1,206,432 | 1,211,082 | 760,100 | 910,021 |
| 1,139,586 | 1,074,305 | 818,853 | 817,880 | 872,753 | 757,317 |
| 8,859,158 | 7,227,132 | 8,930,321 | 7,507,909 | 6,421,577 | 5,996,633 |
| <u>16,764,881</u> | <u>25,490,622</u> | <u>10,369,279</u> | <u>11,339,024</u> | <u>19,067,964</u> | <u>9,226,292</u> |
| <u>\$38,246,981</u> | <u>\$44,598,818</u> | <u>\$29,999,858</u> | <u>\$29,223,070</u> | <u>\$34,551,581</u> | <u>\$23,891,530</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 the 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 10, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 or significant deficiencies may exist that were not identified.

Report on 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 an immaterial instance of noncompliance or other matters which is described in the accompanying schedule of findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2023 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's Response to the Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. The City's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
December 10, 2023

**City of Waukee, Iowa
SCHEDULE OF FINDINGS
Year ended June 30, 2023**

Part I—Findings Relating to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

No matters were noted.

INSTANCES OF NONCOMPLIANCE

No matters were noted.

Section II—Other Findings Related to Required Statutory Reporting

II-A-23 CERTIFIED BUDGET

Disbursements exceeded the amounts budgeted in the capital projects function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation

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

Response

The City will work to amend future budgets prior to exceeding approved expenditures.

Conclusion

Response accepted.

II-B-23 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-23 TRAVEL EXPENSE

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

II-D-23 RESTRICTED DONOR ACTIVITY

No transactions were noted between the City, City officials, City employees and restricted donors, in compliance with Chapter 68B of the Code of Iowa.

II-E-23 BUSINESS TRANSACTIONS

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

City of Waukee, Iowa
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2023

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

II-F-23 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-G-23 COUNCIL MINUTES

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

II-H-23 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.

II-I-23 REVENUE BONDS AND NOTES

No instances of noncompliance with the City's revenue bond and note provisions were noted.

II-J-23 TAX INCREMENT FINANCING (TIF)

The Special Revenue, Tax Increment Financing (TIF) Fund properly disbursed payments for TIF loans and rebates. Also, the City properly completed the Tax Increment Debt Certification Forms to request TIF property taxes.

II-K-23 ANNUAL URBAN RENEWAL REPORT

The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1, and no exceptions were noted.



Honorable Mayor and
Members of the City Council
Waukee, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waukee (the City) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our presentation about planning matters on August 7, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Waukee are described in Note 1 to the financial statements. During the year ended June 30, 2023, the City implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, which required reporting of certain subscription-based IT arrangements and liabilities which were previously not recognized. No other new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of depreciation expense is based on the City's estimated useful life of assets using the straight line method.

Management's estimate of other post employment benefits (OPEB) obligation and OPEB related deferred inflows and outflows of resources is based upon actuarial assumptions that represent the anticipated future experience of the OPEB plan.

Management's estimate of net pension liability and pension related deferred inflows and outflows of resources is based upon actuarial assumptions and the City's proportionate share of the Plan's total pension liability.

We evaluated the key factors and assumptions used to develop the depreciation, OPEB obligation and net pension liability estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of long-term liabilities in Note 4 to the financial statements and the pension plan disclosure in Note 5 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedules summarize uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Corrected misstatements identified during the audit were related to the conversion from the cash basis to the accrual basis of accounting. These adjustments were prepared from information provided by City personnel and had a significant effect on the City's financial statements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 10, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on other supplementary information which accompanies the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the City of Waukee Council and management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
December 10, 2023