

**City of Waukee, Iowa**

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

**June 30, 2011**

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**City of Waukee, Iowa  
OFFICIALS**

	<u><b>Term expires</b></u>
<b>MAYOR AND MEMBERS OF CITY COUNCIL (Before January 2011)</b>	
William Peard, Mayor	January 2012
Shane Blanchard, Council Member	January 2014
Dan Dutcher, Council Member	January 2014
Michael Watts, Council Member	January 2014
Casey L. Harvey, Council Member	January 2012
Darlene Stanton, Council Member	January 2012
<b>CITY ADMINISTRATOR</b>	
Jeff Kooistra	Indefinite
<b>DEPUTY CITY CLERK</b>	
Rebecca D. Schuett	Indefinite
<b>DIRECTOR OF FINANCE</b>	
Linda Burkhart	Indefinite
<b>CITY ATTORNEY</b>	
Steven P. Brick	January, 2011
	<u><b>Term expires</b></u>
<b>MAYOR AND MEMBERS OF CITY COUNCIL (After January 2011)</b>	
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<b>DIRECTOR OF FINANCE</b>	
Linda Burkhart	Indefinite
<b>CITY ATTORNEY</b>	
Steven P. Brick	January, 2012

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Waukee, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the contents page of this report. These financial statements are the responsibility of the City of Waukee's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Waukee as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2011 on our consideration of the City of Waukee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for the retiree health plan, and budgetary comparison information on pages 6 through 13 and 47 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waukee's basic financial statements as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2010 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Denman & Company, LLP*  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
October 19, 2011

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Waukeee provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2011 FINANCIAL HIGHLIGHTS

- Revenues of the City's Governmental Funds increased 20.65 %, or \$ 2,641,755, from fiscal 2010 to fiscal 2011. Property Tax increased \$ 463,525, Tax Increment Financing increased \$ 19,105, Licenses and Permits increased \$ 177,419, Intergovernmental increased approximately \$ 1,596,765 and Miscellaneous increased \$ 295,756.
- Program expenditures of the City's Governmental Funds increased 10.46 %, or \$ 1,784,161 in fiscal 2011 from fiscal 2010. Public Safety expenses increased \$ 293,248, Community and Economic Development increased \$ 131,086, Culture and Recreation increased \$ 138,574, Public Works increased \$58,991, General Government decreased \$ 67,198, Debt Service increased \$ 477,563 and Capital Projects increased \$ 747,168.
- The City has net assets of \$ 105,071,035 on June 30, 2011 as compared to \$ 97,420,709 on June 30, 2010. Of this amount, the net assets of the Governmental Activities was \$ 70,285,023 and the net assets of the Business Type Activities was \$ 34,786,012.

### 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 Assets and a Statement of Activities. These provide information about the activities of the City of Waukeee as a whole and present an overall view of the City's finances.

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

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

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

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

## REPORTING THE CITY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

The Statement of Net Assets presents all of the City's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the City's net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

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

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

### *Fund Financial Statements*

The City has two kinds of funds:

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

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

2) Proprietary funds account for the City's Enterprise and Internal Service Funds. These funds report services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Assets 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 Internal Service Fund is an equipment revolving fund. 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 assets, a statement of revenues, expenses and changes in fund net assets 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 assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental and business type activities.

	Net Assets at Year End					
	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 15,086,929	\$ 17,904,728	\$ 9,933,187	\$ 9,879,929	\$ 25,020,116	\$ 27,784,657
Capital Assets	88,743,557	89,315,366	35,392,210	28,438,341	124,135,767	117,753,707
Total Assets	<u>103,830,486</u>	<u>107,220,094</u>	<u>45,325,397</u>	<u>38,318,270</u>	<u>149,155,883</u>	<u>145,538,364</u>
Long-term Liabilities	25,274,973	28,157,718	9,133,646	9,983,929	34,408,619	38,141,647
Other Liabilities	8,270,490	8,258,927	1,405,739	1,717,081	9,676,229	9,976,008
Total Liabilities	<u>33,545,463</u>	<u>36,416,645</u>	<u>10,539,385</u>	<u>11,701,010</u>	<u>44,084,848</u>	<u>48,117,655</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	63,786,857	61,418,359	27,011,928	19,714,802	90,798,785	81,133,161
Restricted	5,203,861	7,151,729	528,537	611,685	5,732,398	7,763,414
Unrestricted	<u>1,294,305</u>	<u>2,233,361</u>	<u>7,245,547</u>	<u>6,290,773</u>	<u>8,539,852</u>	<u>8,524,134</u>
Total Net Assets	<u>\$ 70,285,023</u>	<u>\$ 70,803,449</u>	<u>\$ 34,786,012</u>	<u>\$ 26,617,260</u>	<u>\$105,071,035</u>	<u>\$ 97,420,709</u>

Net assets of governmental activities decreased approximately \$518,000, or 0.7%, over fiscal year 2010. Net assets of business type activities increased approximately \$8,168,000, or 30.7%, over fiscal year 2010. The largest portion of the City's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt excluding unspent debt proceeds of \$676,846. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is approximately \$ 8,381,000 at the end of this year.

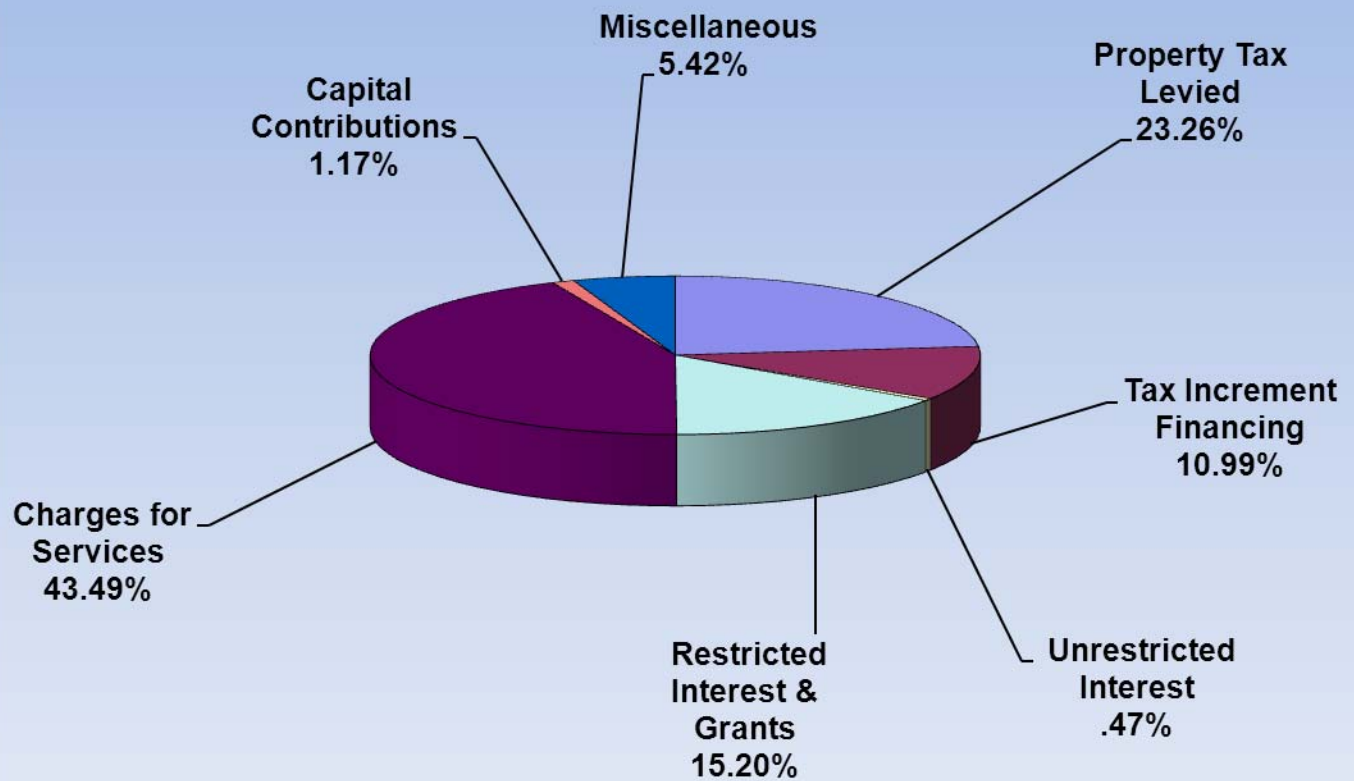


Changes in Net Assets for the Year Ended June 30,

	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
Property Tax Levied	\$ 6,460,788	\$ 6,004,735	\$ -	\$ -	\$ 6,460,788	\$ 6,004,735
Tax Increment Financing	3,051,143	3,032,038	-	-	3,051,143	3,032,038
Unrestricted Interest	78,641	58,984	52,723	48,114	131,364	107,098
Restricted Interest and Operating Grants	4,220,944	2,602,495	-	-	4,220,944	2,602,495
Charges for Services	1,182,426	950,373	10,895,215	10,618,305	12,077,641	11,568,678
Capital Grants and Contributions	324,971	1,417,317	-	-	324,971	1,417,317
Miscellaneous	431,335	211,818	1,073,050	1,121,138	1,504,385	1,332,956
<b>Total Revenues</b>	<b>15,750,248</b>	<b>14,277,760</b>	<b>12,020,988</b>	<b>11,787,557</b>	<b>27,771,236</b>	<b>26,065,317</b>
<b>Transfers</b>	<b>(5,322,050)</b>	<b>(581,785)</b>	<b>5,322,050</b>	<b>581,785</b>	<b>-</b>	<b>-</b>
<b>Total Revenues and Transfers</b>	<b>\$10,428,198</b>	<b>\$ 13,695,975</b>	<b>\$ 17,343,038</b>	<b>\$ 12,369,342</b>	<b>\$ 27,771,236</b>	<b>\$ 26,065,317</b>

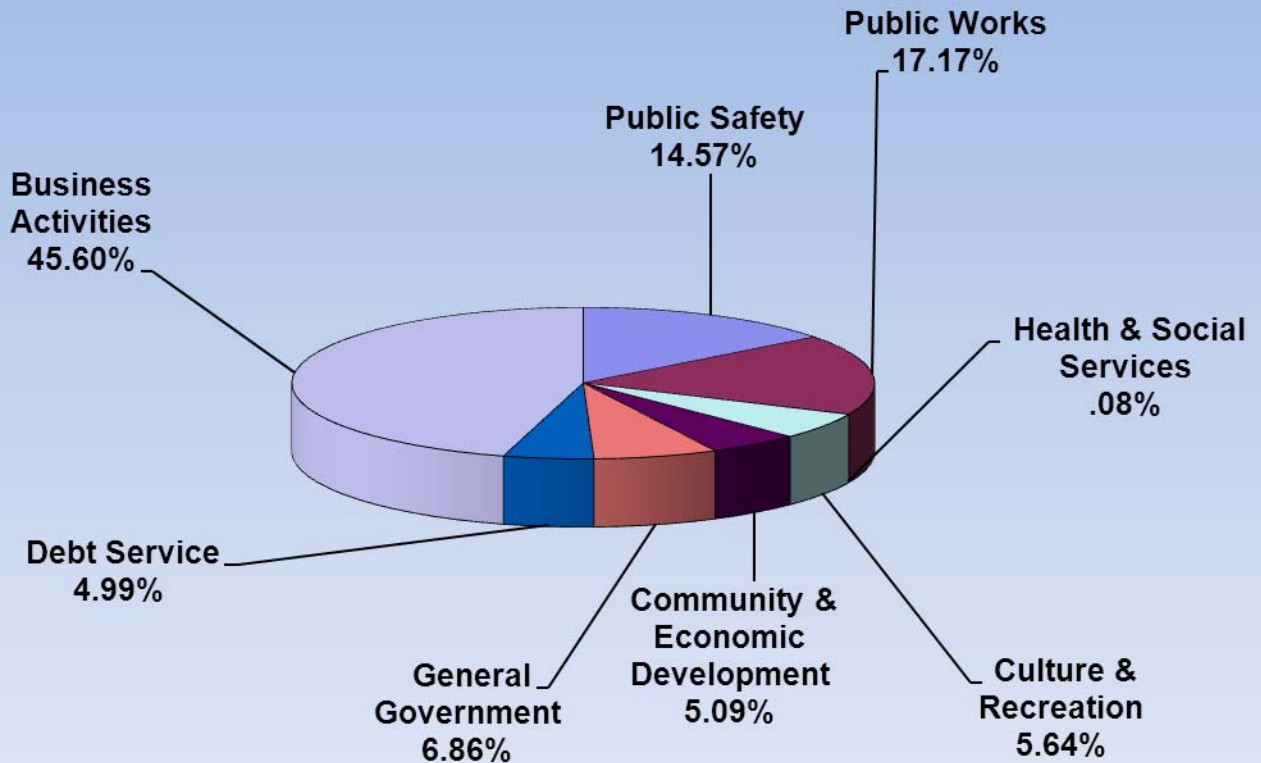
Total Revenues and Transfers

## 2011 Program Revenues



	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Program Expenses						
Public Safety	\$ 2,931,524	\$ 2,591,023	\$ -	\$ -	\$ 2,931,524	\$ 2,591,023
Public Works	3,455,335	4,720,065	-	-	3,455,335	4,720,065
Health and Social Services	16,909	12,180	-	-	16,909	12,180
Culture and Recreation	1,134,342	1,176,427	-	-	1,134,342	1,176,427
Community and Economic Development	1,023,639	892,553	-	-	1,023,639	892,553
General Government	1,380,318	732,210	-	-	1,380,318	732,210
Debt Service	1,004,557	997,516	-	-	1,004,557	997,516
Business Type Activities	-	-	9,174,286	8,915,904	9,174,286	8,915,904
Total Expenses	<u>10,946,624</u>	<u>11,121,974</u>	<u>9,174,286</u>	<u>8,915,904</u>	<u>20,120,910</u>	<u>20,037,878</u>
Increase/(Decrease) in Net Assets	(518,426)	2,574,001	8,168,752	3,453,438	7,650,326	6,027,439
Net Assets Beginning of Year	<u>70,803,449</u>	<u>68,229,448</u>	<u>26,617,260</u>	<u>23,163,822</u>	<u>97,420,709</u>	<u>91,393,270</u>
Net Assets End of Year	<u>\$ 70,285,023</u>	<u>\$ 70,803,449</u>	<u>\$ 34,786,012</u>	<u>\$ 26,617,260</u>	<u>\$ 105,071,035</u>	<u>\$ 97,420,709</u>

## 2011 Program Expenses



The City maintained the \$ 13.50 property tax levy for FY11, while recognizing an increase of \$ 456,053 in property tax revenue due to increase in residential property valuation. Revenues for operating and capital grants, contributions and restricted interest, increased by approximately \$ 526,103 and charges for services increased by \$ 508,963.

Revenues for governmental activities increased approximately \$1,472,000 over the prior year, with operating grants and restricted interest increasing approximately \$1,618,000 due to an I-Jobs grant.

The cost of all governmental activities this year was approximately \$10.9 million compared to approximately \$11.13 million last year. However, as shown in the Statement of Activities on pages 16 and 17, the amount taxpayers ultimately financed for these activities was only \$5.2 million because some of the cost was paid by those directly benefited from the programs (\$1,182,000) or by other governments and organizations which subsidized certain programs with grants and contributions (\$4,546,000).

The City of Waukeee's net assets of business type activities increased approximately \$8,168,000 during the year. Revenues for business type activities increased only slightly over the prior year while transfers from governmental activities were approximately \$4,740,000 higher than the prior fiscal year.

## **INDIVIDUAL FUND ANALYSIS**

### **Governmental Fund Highlights**

As the City of Waukeee completed the year, its governmental funds reported a combined fund balance of \$ 6,538,072 at June 30, 2011, compared to \$ 9,324,737 combined fund balance at June 30, 2010.

The General Fund showed an increase of \$ 267,841 from the prior year to \$ 1,646,064.

The Tax Increment Financing Urban Renewal Fund account for revenues from the tax authorized by ordinance in the urban renewal district which are used to pay the principal and interest on indebtedness incurred for urban renewal redevelopment projects. These funds ended fiscal 2011 with a \$ 2,984,647 balance compared to the prior year ending balance of \$ 2,294,354.

The Employee Benefits Tax Levy Fund is used to account for the property tax levied to finance the payment of employee benefits. This fund ended fiscal 2011 with a \$ 2,247 balance compared to the prior year ending balance of \$ 5,179. Transfers out to operating funds totaled \$ 934,000 in fiscal 2011.

The Debt Service Fund ended fiscal 2011 with a \$ 655,477 balance compared to the prior year ending balance of \$ 585,774. Bond principal and interest payments increased by \$ 591,246 in fiscal 2011, as a result of additional bond sales during the prior year.

The Capital Projects Fund ended fiscal 2011 with a \$ 798,950 balance compared to the prior year ending balance of \$ 4,802,026.

### **Proprietary Fund Highlights**

The Water Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal 2011 with a \$ 11,734,875 net asset balance, compared to the prior year ending net asset balance of \$ 9,263,106.

The Sewer Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal 2011 with a \$ 13,745,585 net asset balance, compared to the prior year ending net asset balance of \$ 10,730,345.

The Gas Fund, which accounts for the operations and maintenance of the City's gas utility, ended fiscal 2011 with a \$ 8,072,669 net asset balance, compared to the prior year ending net asset balance of \$ 5,492,692.

The Golf Course Fund, which accounts for the operations and maintenance of the City's municipal golf course, ended fiscal 2011 with a \$ 97,808 net asset balance, compared to the prior year ending net asset balance of \$ 244,686.

The Solid Waste Fund, which accounts for the operation and maintenance of the City's solid waste collection system, ended fiscal 2011 with a \$ 82,170 net asset balance, compared to the prior year ending net asset balance of \$ 55,610.

The Storm Sewer Fund, which accounts for the operation and maintenance of the City's storm sewer collection system, ended fiscal 2011 with a \$ 937,877 net asset balance, compared to the prior year ending net asset balance of \$ 720,274.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City of Waukee amended its budget once. This amendment was done in May 2011. This amendment was needed to cover unplanned disbursements, including disbursements associated with projects carried over from the prior fiscal year.

Even with the budget amendment, the City exceeded the adopted budget amount in the Health & Social Services function by \$ 709 and the Debt Service function by \$ 336,237 for the year ended June 30, 2011.

## **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 \$ 88,743,557 (net of accumulated depreciation) at June 30, 2011. Capital assets for business type activities totaled \$ 35,392,210 (net of accumulated depreciation) at June 30, 2011. See Notes 1 & 4 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 the Centennial Park Bike Trail project and Douglas Parkway road project, the continuation of work on the Alice's Road/I80 grading and bridge construction project, Alice's Road Corridor Study and Design Services, and the Public Works Facility IJOBS grant project, as well as the start of the new Bike Trailhead project.

For business type activities, major additions included the fees associated with the Wastewater Reclamation Authority (WRA) and the Granger Gas Line project.

Construction in progress at June 30, 2011 for the City consists primarily of the public works facility, streets, and gas utility infrastructure projects.

### **Long-Term Debt**

At June 30, 2011, the City had \$ 25,274,973 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business type activities was \$ 9,054,688 at June 30, 2011. During the year ended June 30, 2011, the City issued no general obligation bonds.

The City received their first general obligation bond rating of Aa3, assigned by national rating agency, Moody's Investors Services. This rating was performed under the new Global Rating Scale in April 2010. 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 \$ 24,292,131 is below its constitutional debt limit of \$ 52,141,647. Other obligations include accrued vacation pay. Additional information about the City's long-term debt is presented in Note 5 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 2012 budget. The City of Waukee will experience a significant increase in General Fund revenues and expenditures from fiscal 2011 to fiscal 2012. The major factors that will play a role in this change are the increase in property tax revenues from increased valuations for fiscal 2012, and increased revenues from grants and bond proceeds.

The General Fund is projected to end fiscal 2012 with a fund balance of approximately \$1,683,000, or to increase \$37, 000 from fiscal 2011. The tax levy rates per \$1,000 of taxable valuation for fiscal 2012 are provided below:

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

**CONTACTING THE CITY’S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**

**City of Waukee, Iowa**  
**STATEMENT OF NET ASSETS**  
**June 30, 2011**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business Type Activities</b>	
<b>ASSETS</b>			
Cash and pooled investments	\$ 4,885,755	\$ 7,242,261	\$ 12,128,016
Receivables			
Property tax			
Delinquent	134,292	-	134,292
Succeeding year	6,790,107	-	6,790,107
Special assessments	478,508	86,247	564,755
Customer accounts	-	647,651	647,651
Other	310,990	-	310,990
Due from other governments	1,964,481	-	1,964,481
Due (to) from other funds	66,179	(66,179)	-
Inventories	-	128,486	128,486
Prepaid insurance	69,933	-	69,933
Restricted assets - cash and pooled investments	-	1,863,074	1,863,074
Capital assets (net of accumulated depreciation)	88,743,557	35,392,210	124,135,767
Bond/note issuance costs	<u>203,124</u>	<u>31,647</u>	<u>234,771</u>
Total assets	<u>103,646,926</u>	<u>45,325,397</u>	<u>148,972,323</u>
<b>LIABILITIES</b>			
Accounts payable	802,513	1,255,998	2,058,511
Accrued interest payable	69,000	32,666	101,666
Customer deposits payable	-	117,075	117,075
Lease deposit payable	4,204	-	4,204
Deferred revenue	7,268,615	-	7,268,615
Long-term liabilities			
Portion due or payable within one year			
Compensated absences	31,018	40,433	71,451
Capital lease payable	-	2,440	2,440
General obligation bonds/notes	2,917,028	31,093	2,948,121
Tax increment financing (TIF) bonds	125,000	-	125,000
Special assessment notes payable	31,000	-	31,000
Revenue notes payable	-	508,231	508,231
Des Moines Water Works bonds payable	-	552,063	552,063
Portion due or payable after one year			
Compensated absences	119,594	-	119,594
General obligation bonds/notes (net of unamortized premium/discount)	20,263,672	124,109	20,387,781
Tax increment financing (TIF) bonds	1,345,000	-	1,345,000
Special assessment notes payable	275,000	-	275,000
Revenue notes payable	-	5,781,531	5,781,531
Des Moines Water Works bonds payable	-	2,057,661	2,057,661
Net OPEB liability	<u>110,259</u>	<u>36,085</u>	<u>146,344</u>
Total liabilities	<u>33,361,903</u>	<u>10,539,385</u>	<u>43,901,288</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	63,786,857	27,011,928	90,798,785
Restricted for			
Debt service	744,883	528,537	1,273,420
Other purposes	4,458,978	-	4,458,978
Unrestricted	<u>1,294,305</u>	<u>7,245,547</u>	<u>8,539,852</u>
Total net assets	<u>\$ 70,285,023</u>	<u>\$34,786,012</u>	<u>\$105,071,035</u>

See Notes to Financial Statements.

**City of Waukee, Iowa**  
**STATEMENT OF ACTIVITIES**  
Year ended June 30, 2011

	<b>Program Revenues</b>			
		<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>	
<b>FUNCTIONS/PROGRAMS</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Interest</b>	<b>Interest</b>
Primary Government				
Governmental activities				
Public safety	\$ 2,931,524	\$ 239,040	\$ -	\$ -
Public works	3,455,335	-	4,220,944	324,971
Health and social services	16,909	-	-	-
Culture and recreation	1,134,342	274,597	-	-
Community and economic development	1,023,639	-	-	-
General government	1,380,318	668,789	-	-
Interest on long-term debt	<u>1,004,557</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>10,946,624</u>	<u>1,182,426</u>	<u>4,220,944</u>	<u>324,971</u>
Business type activities				
Water	1,769,536	2,165,043	-	-
Sewer	1,378,022	2,007,733	-	-
Gas	4,130,156	4,790,626	-	-
Golf	669,273	444,290	-	-
Other	<u>1,227,299</u>	<u>1,487,523</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>9,174,286</u>	<u>10,895,215</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$20,120,910</u>	<u>\$12,077,641</u>	<u>\$4,220,944</u>	<u>\$ 324,971</u>

**GENERAL REVENUES**

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

**TRANSFERS**

Total general revenues and transfers

**CHANGE IN NET ASSETS**

**NET ASSETS BEGINNING OF YEAR**

**NET ASSETS END OF YEAR**



**Net (Expense) and Changes in Net Assets**  
**Primary Government**

<b><u>Governmental</u></b> <b><u>Activities</u></b>	<b><u>Business-type</u></b> <b><u>Activities</u></b>	<b><u>Total</u></b>
\$ (2,692,484)	\$ —	\$ (2,692,484)
1,090,580	—	1,090,580
(16,909)	—	(16,909)
(859,745)	—	(859,745)
(1,023,639)	—	(1,023,639)
(711,529)	—	(711,529)
<u>(1,004,557)</u>	<u>—</u>	<u>(1,004,557)</u>
<u>(5,218,283)</u>	<u>—</u>	<u>(5,218,283)</u>
—	395,507	395,507
—	629,711	629,711
—	660,470	660,470
—	(224,983)	(224,983)
<u>—</u>	<u>260,224</u>	<u>260,224</u>
<u>—</u>	<u>1,720,929</u>	<u>1,720,929</u>
<u>\$ (5,218,283)</u>	<u>\$ 1,720,929</u>	<u>\$ (3,497,354)</u>
\$ 3,693,556	\$ —	\$ 3,693,556
1,837,624	—	1,837,624
929,608	—	929,608
3,051,143	—	3,051,143
78,641	52,723	131,364
431,335	196,798	628,133
—	308,093	308,093
—	568,159	568,159
<u>(5,322,050)</u>	<u>5,322,050</u>	<u>—</u>
<u>4,699,857</u>	<u>6,447,823</u>	<u>11,147,680</u>
(518,426)	8,168,752	7,650,326
<u>70,803,449</u>	<u>26,617,260</u>	<u>97,420,709</u>
<u>\$70,285,023</u>	<u>\$34,786,012</u>	<u>\$105,071,035</u>

See Notes to Financial Statements.

**City of Waukee, Iowa  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011**

	<u>General</u>	<u>Tax Increment Financing Urban Renewal</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and pooled investments	\$1,718,288	\$1,448,126	\$ -	\$ 636,544	\$1,026,974	\$ 4,829,932
Receivables						
Property tax						
Delinquent	21,191	88,755	-	18,933	5,413	134,292
Succeeding year	3,856,237	-	-	1,946,640	987,230	6,790,107
Special assessments	-	-	-	-	478,508	478,508
Other	174,565	-	120,106	-	16,319	310,990
Due from other funds	3,166	-	-	-	902,319	905,485
Due from other governments	-	-	1,964,481	-	-	1,964,481
Prepaid insurance	63,839	-	-	-	6,094	69,933
Advances to other funds	<u>85,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,000</u>
Total assets	<u>\$5,922,286</u>	<u>\$1,536,881</u>	<u>\$2,084,587</u>	<u>\$2,602,117</u>	<u>\$3,422,857</u>	<u>\$15,568,728</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 369,153	\$ 19,969	\$ 383,318	\$ -	\$ 30,073	\$ 802,513
Lease deposit payable	4,204	-	-	-	-	4,204
Compensated absences	27,807	-	-	-	3,211	31,018
Due to other funds	-	-	902,319	-	3,166	905,485
Deferred revenue						
Succeeding year property tax	3,856,237	-	-	1,946,640	987,230	6,790,107
Other	-	-	-	-	478,508	478,508
Interfund payable	<u>18,821</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,821</u>
Total liabilities	<u>4,276,222</u>	<u>19,969</u>	<u>1,285,637</u>	<u>1,946,640</u>	<u>1,502,188</u>	<u>9,030,656</u>
<b>Fund Balances</b>						
<b>Nonspendable</b>						
Prepaid insurance	63,839	-	-	-	6,094	69,933
Advances to other funds	85,000	-	-	-	-	85,000
Lease deposits	4,204	-	-	-	-	4,204
<b>Restricted for</b>						
Capital Projects	-	-	798,950	-	-	798,950
Debt service	-	-	-	655,477	89,406	744,883
Parkland dedication	282,900	-	-	-	-	282,900
Police gifts and memorials	35,047	-	-	-	-	35,047
Urban Renewal and development	-	1,516,912	-	-	-	1,516,912
Other purposes	-	-	-	-	1,825,169	1,825,169
Unrestricted	<u>1,175,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,175,074</u>
Total fund balances	<u>1,646,064</u>	<u>1,516,912</u>	<u>798,950</u>	<u>655,477</u>	<u>1,920,669</u>	<u>6,538,072</u>
Total liabilities and fund balances	<u>\$5,922,286</u>	<u>\$1,536,881</u>	<u>\$2,084,587</u>	<u>\$2,602,117</u>	<u>\$3,422,857</u>	<u>\$15,568,728</u>

See Notes to Financial Statements.

**City of Waukee**  
**RECONCILIATION OF THE BALANCE SHEET—**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**  
**June 30, 2011**

<b>Total governmental fund balances</b>	<b>\$ 6,538,072</b>
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$121,272,806 and the accumulated depreciation \$32,529,249.	88,743,557
Long-term liabilities, including bonds payable, bond premiums and discounts, bond issuance costs, other post employment benefits payable, compensated absences and accrued interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(25,052,429)
The Internal Service Fund is used by management to charge the costs of future equipment purchases to individual funds. The assets of the Internal Service Fund are allocated between governmental and proprietary activities in the Statement of Net Assets.	<u>55,823</u>
<b>Net assets of governmental activities</b>	<b><u>\$70,285,023</u></b>

**City of Waukee, Iowa**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year ended June 30, 2011**

	<u>General</u>	<u>Tax Increment Financing Urban Renewal</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<b>REVENUES</b>						
Property tax	\$3,630,661	\$ —	\$ —	\$1,837,624	\$ 929,608	\$ 6,397,893
Tax increment financing collections	—	2,153,643	—	—	897,500	3,051,143
Other city tax	—	4,105	2,985	—	55,805	62,895
Licenses and permits	531,196	—	—	—	—	531,196
Use of money and property	141,367	6,257	3,716	1,854	62,072	215,266
Intergovernmental	274,597	—	3,287,124	—	933,820	4,495,541
Charges for services	239,040	—	—	—	—	239,040
Miscellaneous	194,295	—	226,692	—	19,682	440,669
Total revenues	<u>5,011,156</u>	<u>2,164,005</u>	<u>3,520,517</u>	<u>1,839,478</u>	<u>2,898,487</u>	<u>15,433,643</u>
<b>EXPENDITURES</b>						
Operating						
Public safety	2,821,515	—	—	—	—	2,821,515
Public works	478,366	—	—	—	714,087	1,192,453
Health and social services	16,909	—	—	—	—	16,909
Culture and recreation	1,295,846	—	—	—	16,312	1,312,158
Community and economic development	305,614	698,733	—	—	19,292	1,023,639
General government	787,974	—	—	—	—	787,974
Debt service						
Principal	—	—	—	2,920,140	29,000	2,949,140
Interest	—	—	—	953,787	11,146	964,933
Bond issuance costs	—	—	—	5,200	—	5,200
Capital projects	—	164,417	7,523,593	—	80,702	7,768,712
Total expenditures	<u>5,706,224</u>	<u>863,150</u>	<u>7,523,593</u>	<u>3,879,127</u>	<u>870,539</u>	<u>18,842,633</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(695,068)</u>	<u>1,300,855</u>	<u>(4,003,076)</u>	<u>(2,039,649)</u>	<u>2,027,948</u>	<u>(3,408,990)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of capital assets	33,774	—	—	—	4,491	38,265
Operating transfers in	954,000	—	—	2,109,352	22,000	3,085,352
Operating transfers out	(24,865)	(972,417)	—	—	(1,504,010)	(2,501,292)
Total other financing sources (uses)	<u>962,909</u>	<u>(972,417)</u>	<u>—</u>	<u>2,109,352</u>	<u>(1,477,519)</u>	<u>622,325</u>
<b>NET CHANGE IN FUND BALANCES</b>	267,841	328,438	(4,003,076)	69,703	550,429	(2,786,665)
<b>FUND BALANCES</b>						
<b>BEGINNING OF YEAR</b>	<u>1,378,223</u>	<u>1,188,474</u>	<u>4,802,026</u>	<u>585,774</u>	<u>1,370,240</u>	<u>9,324,737</u>
<b>FUND BALANCES END OF YEAR</b>	<u>\$1,646,064</u>	<u>\$1,516,912</u>	<u>\$ 798,950</u>	<u>\$ 655,477</u>	<u>\$1,920,669</u>	<u>\$ 6,538,072</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, 2011**

**Net change in fund balances—Total governmental funds** \$(2,786,665)

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

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

Expenditures for capital assets, including contributed capital	2,342,473	
Depreciation expense	<u>(2,866,683)</u>	(524,210)

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

Proceeds from the sale of capital assets		(38,265)
Loss on sale of capital assets		<u>(9,334)</u>

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

2,949,140

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

(34,424)

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

Compensated absences	2,576	
Interest on long-term debt	19,000	
Other post employment benefits	<u>(55,259)</u>	(33,683)

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

(40,985)

**Change in net assets of governmental activities**

**\$ (518,426)**

**City of Waukee, Iowa  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2011**

	<u>Enterprise Funds</u>						<u>Internal Service Fund Equipment Revolving</u>
	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Golf</u>	<u>Nonmajor Funds</u>	<u>Total</u>	
<b>ASSETS</b>							
Current Assets							
Cash and pooled investments	\$ 1,610,299	\$ 1,376,057	\$3,371,648	\$ 800	\$ 783,130	\$ 7,141,934	\$ 156,151
Receivables							
Customer accounts and unbilled usage	261,728	215,978	37,069	1,576	131,300	647,651	-
Special assessments	-	86,247	-	-	-	86,247	-
Interfund receivable	-	-	72,710	-	-	72,710	-
Inventories	50,265	-	44,625	33,596	-	128,486	-
Restricted assets - cash and pooled investments							
Customer deposits	56,275	-	60,200	600	-	117,075	-
Capacity fees	109,555	-	-	-	-	109,555	-
Revenue note and interest sinking account	485,868	31,334	535,015	5,960	-	1,058,177	-
Revenue note reserve account	160,798	183,164	-	51,448	-	395,410	-
Des Moines Water Works reserve account	182,857	-	-	-	-	182,857	-
Advances to other funds	100,000	-	-	-	-	100,000	-
Capital assets (net of accumulated depreciation)	11,476,380	13,040,096	8,828,253	1,794,805	252,676	35,392,210	-
Bond/note issuance costs	<u>2,002</u>	<u>9,216</u>	<u>20,429</u>	<u>-</u>	<u>-</u>	<u>31,647</u>	<u>-</u>
Total assets	<u>14,496,027</u>	<u>14,942,092</u>	<u>12,969,949</u>	<u>1,888,785</u>	<u>1,167,106</u>	<u>45,463,959</u>	<u>156,151</u>
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable	76,246	46,566	355,036	706,139	72,011	1,255,998	-
Capital lease payable	-	-	-	2,440	-	2,440	-
Compensated absences	10,478	8,087	10,347	5,063	6,458	40,433	-
General obligation bonds payable	-	-	-	31,093	-	31,093	-
Interfund payable	-	-	-	185,000	53,889	238,889	-
Current Liabilities Payable from Restricted Assets							
Customer deposits payable	56,275	-	60,200	600	-	117,075	-
Revenue notes payable	-	144,000	325,000	39,231	-	508,231	-
Des Moines Water Works bonds payable	552,063	-	-	-	-	552,063	-
Interest payable	8,429	3,854	17,153	3,230	-	32,666	-
Noncurrent Liabilities							
Revenue notes payable (net of amortized discount)	-	994,000	4,093,459	694,072	-	5,781,531	-
Des Moines Water Works bonds payable (net of amortized discount)	2,057,661	-	-	-	-	2,057,661	-
General obligation bonds payable	-	-	-	124,109	-	124,109	-
Net OPEB liability	<u>-</u>	<u>-</u>	<u>36,085</u>	<u>-</u>	<u>-</u>	<u>36,085</u>	<u>-</u>
Total liabilities	<u>2,761,152</u>	<u>1,196,507</u>	<u>4,897,280</u>	<u>1,790,977</u>	<u>132,358</u>	<u>10,778,274</u>	<u>-</u>
Net Assets							
Invested in capital assets, net of related debt	8,866,656	11,902,096	5,086,640	903,860	252,676	27,011,928	-
Restricted for bond retirement	269,031	66,644	192,862	-	-	528,537	-
Unrestricted	<u>2,599,188</u>	<u>1,776,845</u>	<u>2,793,167</u>	<u>(806,052)</u>	<u>782,072</u>	<u>7,145,220</u>	<u>156,151</u>
Total net assets	<u>\$11,734,875</u>	<u>\$13,745,585</u>	<u>\$8,072,669</u>	<u>\$ 97,808</u>	<u>\$1,034,748</u>	<u>34,685,685</u>	<u>\$ 156,151</u>

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

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

100,327

Net assets of business type activities

\$34,786,012

See Notes to Financial Statements.

**City of Waukee, Iowa**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**Year ended June 30, 2011**

	<b>Enterprise Funds</b>						<b>Internal Service Fund</b>
	<b>Water</b>	<b>Sewer</b>	<b>Gas</b>	<b>Golf</b>	<b>Nonmajor Funds</b>	<b>Total</b>	<b>Equipment Revolving</b>
<b>OPERATING REVENUES</b>							
Charges for service	\$ 2,165,043	\$ 2,007,733	\$4,790,626	\$ 444,290	\$1,487,523	\$10,895,215	\$ -
Miscellaneous	<u>14,842</u>	<u>6,747</u>	<u>24,343</u>	<u>107,835</u>	<u>6,219</u>	<u>159,986</u>	<u>-</u>
Total operating revenues	<u>2,179,885</u>	<u>2,014,480</u>	<u>4,814,969</u>	<u>552,125</u>	<u>1,493,742</u>	<u>11,055,201</u>	<u>-</u>
<b>OPERATING EXPENSES</b>							
Business type activities							
Cost of sales and services	1,266,702	904,811	3,814,635	590,767	1,210,860	7,787,775	-
Depreciation and amortization	<u>382,036</u>	<u>435,426</u>	<u>114,688</u>	<u>45,439</u>	<u>16,439</u>	<u>994,028</u>	<u>-</u>
Total operating expenses	<u>1,648,738</u>	<u>1,340,237</u>	<u>3,929,323</u>	<u>636,206</u>	<u>1,227,299</u>	<u>8,781,803</u>	<u>-</u>
Operating income (loss)	<u>531,147</u>	<u>674,243</u>	<u>885,646</u>	<u>(84,081)</u>	<u>266,443</u>	<u>2,273,398</u>	<u>-</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Interest income	26,968	8,186	13,010	311	2,509	50,984	2,707
Rental income	20,932	-	-	7,200	-	28,132	-
Connection fees	173,448	68,775	65,870	-	-	308,093	-
Capacity fees	88,137	480,022	-	-	-	568,159	-
Sale of capital assets	(10,200)	26,919	(17,182)	9,143	-	8,680	-
Interest expense	<u>(120,798)</u>	<u>(37,785)</u>	<u>(218,833)</u>	<u>(33,067)</u>	<u>-</u>	<u>(410,483)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>178,487</u>	<u>546,117</u>	<u>(157,135)</u>	<u>(16,413)</u>	<u>2,509</u>	<u>553,565</u>	<u>2,707</u>
Income (loss) before contributions and transfers	709,634	1,220,360	728,511	(100,494)	268,952	2,826,963	2,707
Capital contributions	1,954,719	1,954,719	1,954,719	-	-	5,864,157	-
Transfers in (out)	<u>(192,584)</u>	<u>(159,839)</u>	<u>(103,253)</u>	<u>(46,384)</u>	<u>(40,000)</u>	<u>(542,060)</u>	<u>(42,000)</u>
<b>CHANGE IN NET ASSETS</b>	2,471,769	3,015,240	2,579,977	(146,878)	228,952	8,149,060	(39,293)
<b>NET ASSETS BEGINNING OF YEAR</b>	<u>9,263,106</u>	<u>10,730,345</u>	<u>5,492,692</u>	<u>244,686</u>	<u>805,796</u>	<u>26,536,625</u>	<u>195,444</u>
<b>NET ASSETS END OF YEAR</b>	<u>\$11,734,875</u>	<u>\$13,745,585</u>	<u>\$8,072,669</u>	<u>\$ 97,808</u>	<u>\$1,034,748</u>	<u>\$34,685,685</u>	<u>\$ 156,151</u>

See Notes to Financial Statements.

**City of Waukee**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS—PROPRIETARY FUNDS TO**  
**THE STATEMENT OF ACTIVITIES**  
**Year ended June 30, 2011**

**Change in net assets** \$8,149,060

***Amounts reported for business type activities in the  
Statement of Net Assets are different because:***

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

19,692

**Change in net assets of business type activities** **\$8,168,752**



**City of Waukee, Iowa**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year ended June 30, 2011**

	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Golf</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers and users	\$2,144,866	\$1,992,735	\$4,753,558	\$ 442,714	\$1,496,836	\$10,830,709
Cash received from other revenues	14,842	6,747	24,343	107,835	6,219	159,986
Cash paid for personal services	(442,022)	(480,700)	(530,293)	(290,787)	(264,206)	(2,008,008)
Cash paid to suppliers	<u>(857,446)</u>	<u>(448,339)</u>	<u>(3,585,314)</u>	<u>(138,355)</u>	<u>(969,790)</u>	<u>(5,999,244)</u>
Net cash provided by operating activities	<u>860,240</u>	<u>1,070,443</u>	<u>662,294</u>	<u>121,407</u>	<u>269,059</u>	<u>2,983,443</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition of capital assets, net of contributed capital and equipment fund transfers	(69,616)	(967,300)	(839,749)	(189,287)	(3,083)	(2,069,035)
Principal paid on revenue notes matured	-	(138,000)	(315,000)	(38,632)	-	(491,632)
Interest paid on notes	(122,584)	(38,281)	(220,016)	(33,198)	-	(414,079)
Principal paid on Des Moines Water Works bonds	(534,045)	-	-	-	-	(534,045)
Principal paid on general obligation bonds	-	-	-	(10,962)	-	(10,962)
Principal paid on capital lease	-	-	-	(629)	-	(629)
Amounts transferred to other funds	(192,584)	(159,839)	(103,253)	(46,384)	(40,000)	(542,060)
General obligation notes issued	-	-	-	155,202	-	155,202
Connection fees	173,448	68,775	65,870	-	-	308,093
Capacity fees	<u>88,137</u>	<u>480,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>568,159</u>
Net cash (used in) capital and related financing activities	<u>(657,244)</u>	<u>(754,623)</u>	<u>(1,412,148)</u>	<u>(163,890)</u>	<u>(43,083)</u>	<u>(3,030,988)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest on investments	26,968	8,186	13,010	311	2,509	50,984
Purchase of certificates of deposits	(2,979)	(3,394)	-	(311)	-	(6,684)
Rental income	<u>20,932</u>	<u>-</u>	<u>-</u>	<u>7,200</u>	<u>-</u>	<u>28,132</u>
Net cash provided by investing activities	<u>44,921</u>	<u>4,792</u>	<u>13,010</u>	<u>7,200</u>	<u>2,509</u>	<u>72,432</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	247,917	320,612	(736,844)	(35,283)	228,485	24,887
<b>CASH AND CASH EQUIVALENTS, beginning</b>	<u>2,014,080</u>	<u>1,086,779</u>	<u>4,703,707</u>	<u>42,643</u>	<u>554,645</u>	<u>8,401,854</u>
<b>CASH AND CASH EQUIVALENTS, ending</b>	<u>\$2,261,997</u>	<u>\$1,407,391</u>	<u>\$3,966,863</u>	<u>\$ 7,360</u>	<u>\$ 783,130</u>	<u>\$ 8,426,741</u>

See Notes to Financial Statements.

**City of Waukee, Iowa**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (continued)**  
**Year ended June 30, 2011**

	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Golf</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 531,147	\$ 674,243	\$ 885,646	\$ (84,081)	\$ 266,443	\$2,273,398
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation expense	379,333	433,961	112,831	45,439	16,439	988,003
Bond amortization costs	2,703	1,465	1,857	-	-	6,025
(Increase) decrease in customer accounts receivable and unbilled usage and other accounts receivable	(20,177)	(14,998)	(37,068)	(1,576)	9,313	(64,506)
(Increase) decrease in inventories, at cost	(3,202)	-	47,639	(4,947)	-	39,490
Increase (decrease) in accounts payable	(23,741)	(22,933)	(384,761)	163,044	(26,596)	(294,987)
(Decrease) in customer deposits	(4,098)	-	(1,250)	-	-	(5,348)
Increase (decrease) in compensated absences	(1,725)	(1,295)	1,315	3,528	3,460	5,283
Increase in OPEB liability	-	-	36,085	-	-	36,085
Net cash provided by operating activities	<u>\$ 860,240</u>	<u>\$1,070,443</u>	<u>\$ 662,294</u>	<u>\$ 121,407</u>	<u>\$ 269,059</u>	<u>\$2,983,443</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON THE STATEMENT OF NET ASSETS</b>						
Current assets						
Cash and pooled investments	\$1,610,299	\$1,376,057	\$3,371,648	\$ 800	\$ 783,130	\$7,141,934
Restricted assets--cash and pooled investments						
Customer deposits	56,275	-	60,200	600	-	117,075
Capacity fees	109,555	-	-	-	-	109,555
Revenue note and interest sinking account	485,868	31,334	535,015	5,960	-	1,058,177
Revenue note reserve account	160,798	183,164	-	51,448	-	395,410
Des Moines Water Works reserve account	<u>182,857</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>182,857</u>
	2,605,652	1,590,555	3,966,863	58,808	783,130	9,005,008
Less items not meeting the definition of cash equivalent						
Certificates of deposit	(160,798)	(183,164)	-	(51,448)	-	(395,410)
Des Moines Water Works reserve account	<u>(182,857)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(182,857)</u>
Cash and cash equivalents at year end	<u>\$2,261,997</u>	<u>\$1,407,391</u>	<u>\$3,966,863</u>	<u>\$ 7,360</u>	<u>\$ 783,130</u>	<u>\$8,426,741</u>

See Notes to Financial Statements.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Reporting Entity**

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

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

**Component Unit**

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

**Jointly Governed Organizations**

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

**Basis of Presentation**

**Government-wide Financial Statements**

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

**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 Net Assets presents the City's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* 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 \$676,846.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements**

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

The City reports the following major governmental funds:

**General Fund**

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

**Tax Increment Financing Urban Renewal Fund (Special Revenue)**

Tax Increment Financing Urban Renewal Fund is used for the accumulation of resources generated by the TIF district to be used for urban renewal and development.

**Capital Projects Fund**

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

**Debt Service Fund**

The Debt Service Fund is used to account 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 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 assets 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.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Measurement Focus and Basis of Accounting**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**Assets, Liabilities and Fund Equity**

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

**Cash, Pooled Investments and Cash Equivalents**

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

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

**Property Taxes Receivable, Including Tax Increment Financing**

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Delinquent property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2011 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2010.

**Special Assessments Receivable**

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Customer Accounts and Unbilled Usage**

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

**Due from and Due to Other Funds**

During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2011, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

**Due from Other Governments**

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

**Inventories**

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

**Restricted Assets**

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

**Capital Assets**

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

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

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

**Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation for subsequent use. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

**Deferred Revenue**

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

**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 Assets and the proprietary fund Statement of Net Assets.

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

**Fund Equity:** In the governmental fund financial statements, fund balance 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 other spendable classifications.



**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. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the health and social services and debt service functions.

**NOTE 2 CASH AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

**Interest rate risk**

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

**NOTE 3 ALLOWANCES FOR COLLECTION LOSSES**

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

	<u>Gross receivables</u>	<u>Allowance for collection losses</u>	<u>Net receivables</u>
Customer accounts and unbilled usage			
Water Fund	\$ 262,578	\$ (850)	\$ 261,728
Sewer Fund	216,378	(400)	215,978
Gas Fund	38,819	(1,750)	37,069
Golf	1,576	-	1,576
Nonmajor proprietary funds	<u>131,300</u>	<u>-</u>	<u>131,300</u>
Totals	<u>\$ 650,651</u>	<u>\$ (3,000)</u>	<u>\$ 647,651</u>
Other			
General	<u>\$ 206,565</u>	<u>\$ (32,000)</u>	<u>\$ 174,565</u>
Capital projects	<u>\$ 120,106</u>	<u>\$ -</u>	<u>\$ 120,106</u>
Nonmajor governmental funds	<u>\$ 16,319</u>	<u>\$ -</u>	<u>\$ 16,319</u>

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

**NOTE 4 CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2011 was as follows:

	<u>Balance beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance end of year</u>
Primary Government				
Governmental activities				
Capital assets not being depreciated				
Land	\$ 7,386,398	\$ -	\$ 31,774	\$ 7,354,624
Construction in progress	<u>21,703,455</u>	<u>1,649,899</u>	<u>512,037</u>	<u>22,841,317</u>
Total capital assets not being depreciated	<u>29,089,853</u>	<u>1,649,899</u>	<u>543,811</u>	<u>30,195,941</u>
Capital assets being depreciated				
Buildings	6,210,419	186,018	-	6,396,437
Improvements other than buildings	3,064,432	417,194	-	3,481,626
Equipment	4,136,374	276,428	55,733	4,357,069
Infrastructure, road network	<u>76,516,762</u>	<u>324,971</u>	<u>-</u>	<u>76,841,733</u>
Total capital assets being depreciated	<u>89,927,987</u>	<u>1,204,611</u>	<u>55,733</u>	<u>91,076,865</u>
Less accumulated depreciation for				
Buildings	1,534,320	169,164	-	1,703,484
Improvements other than buildings	1,012,783	201,974	-	1,214,757
Equipment	3,072,822	285,921	39,908	3,318,835
Infrastructure, road network	<u>24,082,549</u>	<u>2,209,624</u>	<u>-</u>	<u>26,292,173</u>
Total accumulated depreciation	<u>29,702,474</u>	<u>2,866,683</u>	<u>39,908</u>	<u>32,529,249</u>
Total capital assets being depreciated, net	<u>60,225,513</u>	<u>(1,662,072)</u>	<u>15,825</u>	<u>58,547,616</u>
Governmental activities capital assets, net	<u>\$89,315,366</u>	<u>\$ (12,173)</u>	<u>\$ 559,636</u>	<u>\$88,743,557</u>
Business type activities				
Capital assets not being depreciated				
Land	\$ 1,226,032	\$ -	\$ -	\$ 1,226,032
Construction in progress	<u>5,550,208</u>	<u>6,618,921</u>	<u>-</u>	<u>12,169,129</u>
Total capital assets not being depreciated	<u>6,776,240</u>	<u>6,618,921</u>	<u>-</u>	<u>13,395,161</u>
Capital assets being depreciated				
Buildings	532,611	-	-	532,611
Equipment	2,404,891	502,766	137,977	2,769,680
Infrastructure, water and sewer network	<u>29,657,055</u>	<u>875,500</u>	<u>-</u>	<u>30,532,555</u>
Total capital assets being depreciated	<u>32,594,557</u>	<u>1,378,266</u>	<u>137,977</u>	<u>33,834,846</u>
Less accumulated depreciation for				
Buildings	134,073	11,855	-	145,928
Equipment	1,410,782	216,260	82,662	1,544,380
Infrastructure, water and sewer network	<u>9,387,601</u>	<u>759,888</u>	<u>-</u>	<u>10,147,489</u>
Total accumulated depreciation	<u>10,932,456</u>	<u>988,003</u>	<u>82,662</u>	<u>11,837,797</u>
Total capital assets being depreciated, net	<u>21,662,101</u>	<u>390,263</u>	<u>55,315</u>	<u>21,997,049</u>
Business type activities capital assets, net	<u>\$28,438,341</u>	<u>\$7,009,184</u>	<u>\$ 55,315</u>	<u>\$35,392,210</u>

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

**NOTE 4 CAPITAL ASSETS (continued)**

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

Governmental activities	
Public safety	\$ 168,653
Public works	2,475,069
Culture and recreation	137,778
General government	<u>85,183</u>
Total depreciation expense--governmental activities	<u>\$2,866,683</u>
Business type activities	
Water	\$ 379,333
Sewer	433,961
Gas	112,831
Storm sewer	16,439
Golf	<u>45,439</u>
Total depreciation expense--business type activities	<u>\$ 988,003</u>

**NOTE 5 CHANGES IN LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	<u>Balance beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance end of year</u>	<u>Due within one year</u>
<b>Governmental activities</b>					
General obligation bonds/notes	\$26,038,242	\$ —	\$2,857,542	\$23,180,700	\$2,917,028
Revenue bonds	1,590,000	—	120,000	1,470,000	125,000
Special assessment notes	335,000	—	29,000	306,000	31,000
Compensated absences	139,476	150,612	139,476	150,612	31,018
Net OPEB liability	<u>55,000</u>	<u>55,259</u>	<u>—</u>	<u>110,259</u>	<u>—</u>
Totals	<u>\$28,157,718</u>	<u>\$ 205,871</u>	<u>\$3,146,018</u>	<u>\$25,217,571</u>	<u>\$3,104,046</u>
<b>Business type activities</b>					
Capital leases	\$ 3,069	\$ —	\$ 629	\$ 2,440	\$ 629
General obligation bonds/notes	10,962	155,202	10,962	155,202	31,093
Des Moines Water Works bonds	3,142,767	—	533,043	2,609,724	552,063
Revenue bonds/notes	6,773,981	—	484,219	6,289,762	508,231
Net OPEB liability	<u>18,000</u>	<u>18,085</u>	<u>—</u>	<u>36,085</u>	<u>—</u>
Totals	<u>\$ 9,948,779</u>	<u>\$ 173,287</u>	<u>\$1,028,853</u>	<u>\$ 9,093,213</u>	<u>\$1,092,016</u>

**Bond/Note Issuance Costs**

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

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

**NOTE 5 CHANGES IN LONG-TERM LIABILITIES (continued)**

Sixteen issues of unmatured general obligation bonds/notes, totaling \$23,393,304, are outstanding at June 30, 2011. General obligation bonds/notes bear interest at rates ranging from 1.0% to 4.625% and mature in varying annual amounts, ranging from \$21,692 to \$940,000, with the final maturities due in the year ending June 30, 2022.

One issue of unmatured revenue notes, totaling \$1,470,000, is outstanding at June 30, 2011. The note bears interest at 2.0% to 3.9% and matures in annual amounts of \$125,000 to \$175,000, with final maturity due in the year ending June 30, 2021.

One issue of unmatured special assessment notes, totaling \$306,000, is outstanding at June 30, 2011. The note bears interest at 2.60% to 4.55% and mature in annual amounts of \$31,000 to \$46,000, with final maturity due in the year ending June 30, 2019.

Details of general obligation and revenue bonds/notes payable and special assessment notes at June 30, 2011 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, 2011</u>
General Obligation Bonds and Notes						
Corporate Purpose	July 1, 2003	3.15-3.60	June 1, 2017	\$105,000 - 135,000	\$1,240,000	\$ 710,000
Water Tower	February 1, 2004	3.30-4.25	June 1, 2018	75,000 - 100,000	1,090,000	615,000
Corporate Purpose	November 15, 2004	3.40-4.00	June 1, 2017	125,000 - 180,000	1,750,000	920,000
Golf Course	March 4, 2005	3.75	June 1, 2015	45,066 - 329,255	700,000	469,634
Corporate Purpose	February 1, 2006	3.55-3.95	June 1, 2019	100,000 - 140,000	1,200,000	955,000
Urban Renewal Projects	July 12, 2006	4.00	June 1, 2020	265,000 - 480,000	4,950,000	3,415,000
Urban Renewal Projects	October 10, 2007	4.00-4.25	June 1, 2021	355,000 - 715,000	6,650,000	5,655,000
Capital Loan	March 19, 2008	4.375-4.625	June 1, 2013	60,000 - 65,000	290,000	125,000
Sewer Project	April 8, 2008	3.75-4.20	June 1, 2021	85,000 - 120,000	1,275,000	1,030,000
Ambulance	August 6, 2008	4.25	July 15, 2013	21,692 - 23,611	110,000	68,468
Urban Renewal 2008C	December 15, 2008	3.25-4.50	June 1, 2022	145,000 - 215,000	2,200,000	1,925,000
Urban Renewal 2009A	April 28, 2009	2.40-3.50	June 1, 2017	125,000 - 140,000	1,055,000	790,000
Urban Renewal 2009B	April 28, 2009	2.25-3.30	June 1, 2016	430,000 - 940,000	5,345,000	3,625,000
General Obligation 2010A	June 2, 2010	2.00-3.375	June 1, 2022	105,000 - 140,000	1,435,000	1,330,000
General Obligation 2010B	June 2, 2010	1.00-3.60	June 1, 2021	145,000 - 185,000	1,745,000	1,605,000
General Obligation						
Golf Course Equipment	March 15, 2011	3.40	June 1, 2016	30,829 - 31,093	155,202	155,202
Revenue Bonds						
Urban Renewal 2010C	June 2, 2010	2.00-3.90	June 1, 2021	125,000 - 175,000	1,590,000	1,470,000
Special Assessment Notes						
Sewer Improvements	May 5, 2009	2.60-4.55	December 1, 2018	31,000 - 46,000	362,000	306,000

The City has pledged future tax increment revenues to repay the \$1,470,000 of bonds issued June, 2010. The Urban Renewal revenue bonds were issued for the purpose of defraying a portion of the cost of an urban renewal project. The bonds are payable solely from the proceeds of the tax increment revenues received by the City and are payable through 2021. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Annual principal and interest payments on the bonds are expected to require approximately 8 percent of the tax increment revenues. The total principal and interest remaining to be paid on the notes is \$1,765,550. For the current year, \$169,268 principal and interest was paid on the bonds and total tax increment revenues were \$2,153,643.

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

**NOTE 5 CHANGES IN LONG-TERM LIABILITIES (continued)**

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

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

The Revenue bonds also have a stated reserve requirement that is calculated as the lesser of (a) 10 percent of the stated principal amount on the bonds and parity obligations or (b) the maximum annual debt service coming due on the bonds and other parity obligations, or (c) 125 percent of the average annual principal and interest coming due on the bonds. The City has established a reserve amount of \$147,000.

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

<u>Year ending June 30</u>	<u>General Obligation</u>			<u>Special Assessment</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,948,121	\$ 828,434	\$ 3,776,555	\$ 31,000	\$ 10,388	\$ 41,388
2013	3,055,760	737,713	3,793,473	33,000	9,531	42,531
2014	3,143,246	642,112	3,785,358	35,000	8,561	43,561
2015	2,890,348	537,734	3,428,082	37,000	7,443	44,443
2016	2,650,829	435,380	3,086,209	39,000	6,160	45,160
2017-2021	8,350,000	951,154	9,301,154	131,000	8,750	139,750
2022	<u>355,000</u>	<u>14,575</u>	<u>369,575</u>	<u>—</u>	<u>—</u>	<u>—</u>
Subtotal	23,393,304	4,147,102	27,540,406	306,000	50,833	356,833
Less unamortized discount	<u>(57,402)</u>	<u>—</u>	<u>(57,402)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Totals	<u>\$23,335,902</u>	<u>\$4,147,102</u>	<u>\$27,483,004</u>	<u>\$ 306,000</u>	<u>\$ 50,833</u>	<u>\$ 356,833</u>

<u>Year ending June 30</u>	<u>Revenue</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 125,000	\$ 47,005	\$ 172,005
2013	130,000	44,505	174,505
2014	135,000	41,255	176,255
2015	135,000	37,205	172,205
2016	140,000	33,155	173,155
2017-2021	<u>805,000</u>	<u>92,425</u>	<u>897,425</u>
Totals	<u>\$1,470,000</u>	<u>\$ 295,550</u>	<u>\$1,765,550</u>

Five issues of unmatured revenue notes, totaling \$6,371,303, are outstanding at June 30, 2011. These notes bear interest at rates ranging from 3% to 4.70% and mature in varying annual amounts, ranging from \$26,000 to \$505,000, with the final maturities due in the year ending June 30, 2022.

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

**NOTE 5 CHANGES IN LONG-TERM LIABILITIES (continued)**

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

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

During the year ended June 30, 2011, the City was in compliance with the revenue note/bond provisions.

The City has pledged future sewer, golf, and gas customer revenues, net of specified operating expenses, to repay \$9,179,000 in revenue notes issued in 1998, 2005, and 2007. Proceeds from the notes provided financing for construction of improvements to the facilities and infrastructure. The notes are payable solely from customer net revenues and are payable through 2022. 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 \$8,019,418. For the current year, principal and interest paid and total customer net revenues were \$782,774 and \$2,069,504, respectively.

Details of revenue notes and refunding bonds payable at June 30, 2011 are as follows:

<u>Business Type activities</u>	<u>Date of issue</u>	<u>Interest rates</u>	<u>Final due date</u>	<u>Annual payments</u>	<u>Amount of original issue</u>	<u>Outstanding June 30, 2011</u>
Revenue Notes and Bonds						
Sewer						
Bonds-Series 1998A	October 8, 1998	3.00	June 1, 2018	\$26,000 - 33,000	\$ 455,748	\$ 204,000
Bonds-Series 1998B	October 8, 1998	3.00	June 1, 2018	53,000 - 68,000	945,252	422,000
Bonds Series 1998C	October 8, 1998	3.00	June 1, 2018	65,000 - 82,000	1,178,000	512,000
Golf Course						
Revenue Note	March 4, 2005	4.45	June 1, 2015	39,231 - 612,235	925,000	733,303
Gas						
Revenue Note	July 9, 2007	4.50-4.70	June 1, 2022	325,000 - 505,000	5,675,000	4,500,000

<u>Year ending June 30</u>	<u>Revenue Notes/Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 508,231	\$ 284,639	\$ 792,870
2013	529,996	262,359	792,355
2014	552,841	239,119	791,960
2015	1,142,235	214,877	1,357,112
2016	559,000	164,889	723,889
2017-2021	2,574,000	458,497	3,032,497
2022	<u>505,000</u>	<u>23,735</u>	<u>528,735</u>
Subtotal	6,371,303	1,648,115	8,019,418
Less unamortized discount	<u>(81,541)</u>	—	<u>(81,541)</u>
Totals	<u>\$6,289,762</u>	<u>\$1,648,115</u>	<u>\$7,937,877</u>

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

**NOTE 5 CHANGES IN LONG-TERM LIABILITIES (continued)**

Two issues of unmatured Des Moines Water Works refunding bonds, totaling \$2,611,731, are outstanding at June 30, 2011. These notes bear interest at the rate of 4.00% and mature in annual amounts ranging from \$166,230 to \$451,667, with the final maturity due in the year ending June 30, 2017.

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

Year ending June 30	Des Moines Water Works 2001 Water Refunding Bonds			Des Moines Water Works 2006 Water Refunding Bonds			Total
	Principal	Interest	Total	Principal	Interest	Total	
2012	\$ 166,230	\$ 10,211	\$ 176,441	\$ 385,833	\$ 90,933	\$ 476,766	\$ 653,207
2013	172,168	3,443	175,611	398,750	75,500	474,250	649,861
2014	—	—	—	413,750	59,550	473,300	473,300
2015	—	—	—	431,667	43,000	474,667	474,667
2016	—	—	—	451,667	25,733	477,400	477,400
2017	—	—	—	191,666	7,667	199,333	199,333
Subtotals	338,398	13,654	352,052	2,273,333	302,383	2,575,716	2,927,768
Less unamortized discount	(2,007)	—	(2,007)	—	—	—	(2,007)
Totals	<u>\$ 336,391</u>	<u>\$ 13,654</u>	<u>\$ 350,045</u>	<u>\$2,273,333</u>	<u>\$ 302,383</u>	<u>\$2,575,716</u>	<u>\$2,925,761</u>

As of June 30, 2011, the general obligation debt issued by the City did not exceed its legal debt margin computed as follows:

Actual valuation	<u>\$1,042,832,938</u>
Debt limit - 5% of total actual valuation	\$52,141,647
Debt applicable to debt limit	
General obligation bonded debt outstanding	23,393,304
Tax increment financing debt outstanding	<u>4,456,212</u>
Legal debt margin	<u>\$24,292,131</u>
Percentage of debt limit	46.59%

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

**NOTE 6 INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 912,000
	Internal Service	
	Equipment revolving fund	42,000
Debt Service	Governmental Funds	
	General	24,865
	Tax Increment Financing Urban Renewal	972,417
	Nonmajor Governmental Funds	570,010
	Enterprise	
	Water	192,584
	Sewer	159,839
	Gas	103,253
	Golf	46,384
	Nonmajor Enterprise Funds	<u>40,000</u>
		<u>2,109,352</u>
Nonmajor Governmental	Nonmajor Governmental	<u>22,000</u>
Total		<u>\$3,085,352</u>

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

**NOTE 7 DUE FROM AND DUE TO OTHER FUNDS**

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise—Gas Fund	General Fund	\$ 18,821
Enterprise—Gas Fund	Nonmajor Enterprise Funds	53,889
General	Enterprise Golf Course	85,000
General	Nonmajor governmental Funds	3,166
Enterprise—Water Fund	Enterprise Golf Course	100,000
Nonmajor governmental funds	Capital Projects	<u>902,319</u>
Total		<u>\$1,163,195</u>

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



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

**NOTE 8 PENSION AND RETIREMENT BENEFITS**

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$328,117, \$287,801 and \$246,372, respectively, equal to the required contributions for each year.

**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 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2011 were \$138,147.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

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

**NOTE 9 RISK MANAGEMENT (continued)**

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2011, no liability has been recorded in the City's financial statements. As of June 30, 2011, 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 claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

**Self-insurance**

On July 1, 2008, the City adopted a partially self funded-insured medical expense reimbursement plan which provides medical benefits to its employees and their dependants. The plan is funded by both employee and City contributions and is administered through a service agreement with Wellmark Blue Cross Blue Shield of Iowa. The uninsured risk retention per person is based on coverage selected and whether the claims are in or out of the network. There has been no significant reduction in insurance coverage under the plan from prior years. Amounts payable for incurred but not reported (IBNR) claims were \$18,961 at June 30, 2011.

**NOTE 10 COMMITMENTS**

The City entered into contract commitments with contractors for the completion of several infrastructure construction projects. The total contract commitments are approximately \$16,985,000, of which approximately \$14,551,000 has been incurred as of June 30, 2011. The unpaid commitment balance is approximately \$2,434,000, which will be funded by current reserves in the capital projects funds and enterprise funds.

**NOTE 11 TAX INCREMENT FINANCING DEBT**

Urban renewal tax increment financing debt was issued for the purpose of defraying a portion of the costs of carrying out urban renewal projects of the City. The debt is payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The debt is not a general obligation of the City, however, the debt is subject to the constitutional debt limitation of the City. At June 30, 2011, \$4,456,212 is outstanding.

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

**NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

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

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

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for June 30, 2011, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution, ARC	\$ 73,000
Interest on net OPEB obligation	3,650
Adjustment to annual required contribution	<u>(3,306)</u>
Annual OPEB cost	73,344
Contributions made	<u>—</u>
Increase in net OPEB obligation	73,344
Net OPEB obligation, beginning of year	<u>73,000</u>
Net OPEB obligation, end of year	<u>\$ 146,344</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the City made no contributions to the plan. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB cost</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB obligation</u>
June 30, 2011	<u>\$ 73,344</u>	<u>0.0%</u>	<u>\$ 146,344</u>
June 30, 2010	<u>\$ 73,000</u>	<u>0.0%</u>	<u>\$ 73,000</u>

As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$265,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of \$265,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,144,000, and the ratio of the UAAL to the covered payroll was 6.4%. As of June 30, 2011, there were no trust fund assets.

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

**NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

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

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

As of the July 1, 2008 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 5.0% discount rate based on the City's funding policy. The projected annual medical trend rate is 11.0%. The ultimate medical trend rate is 6.0%. The medical trend rate is reduced 0.5% each year until reaching the 6.0% ultimate trend rate.

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

Projected claim costs of the healthcare plan are approximately \$976 per month for retirees. The salary increase rate was assumed to be 3.0% per year. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

**NOTE 13 JOINT VENTURE**

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

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

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

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

**NOTE 13 JOINT VENTURE (continued)**

The WRA Sewer Revenue Bonds Series 2004B bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2010, the Series 2004B bonds had a balance of \$62,430,000 and the City of Waukee's estimated future allocation based on the WRA flows was \$1,917,858.

The WRA Sewer Revenue Bonds Series 2006A bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2010, the Series 2006A bonds had a balance of \$36,575,000 and the City of Waukee's estimated future allocation based on the WRA flows is currently \$1,181,949.

The 2008 State Revolving Fund (SRF) Loan was issued for capital expansion. The WRA Agreement requires the debt service on this loan to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2010, the 2008 SRF loan had a balance of \$56,634,056 and the City of Waukee's estimated future allocation based on the WRA flows was \$478,886.

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

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

**NOTE 14 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS**

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

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, will be effective for the City beginning with its year ending June 30, 2013. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity, and amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. This Statement also clarifies the reporting of equity interests in legally separate organizations.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 20, 1989 FASB and AICPA Pronouncements*, will be effective for the City beginning with its year ending June 30, 2013. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance included in FASB and AICPA pronouncements issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, will be effective for the City beginning with its year ending June 30, 2013. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

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

**NOTE 15 SUBSEQUENT EVENTS**

The City issued general obligation bonds totaling \$165,000 on August 30, 2011 for the purchase of an ambulance.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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

See Note 12 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost, Net OPEB Obligation, funded status and funding progress.

City of Waukee, Iowa  
**BUDGETARY COMPARISON SCHEDULE OF REVENUES,  
EXPENDITURES/EXPENSES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**  
Required Supplementary Information  
Year ended June 30, 2011

	<u>Governmental funds actual</u>	<u>Proprietary funds actual</u>	<u>Less funds not required to be budgeted</u>	<u>Total actual</u>
<b>REVENUES</b>				
Property tax	\$ 6,397,893	\$ -	\$ -	\$ 6,397,893
Tax increment financing collections	3,051,143	-	-	3,051,143
Other city tax	62,895	-	-	62,895
Licenses and permits	531,196	-	-	531,196
Use of money and property	215,266	955,368	20,843	1,149,791
Intergovernmental	4,495,541	-	-	4,495,541
Charges for services	239,040	10,895,215	227,109	10,907,146
Miscellaneous	440,669	168,666	20,596	588,739
Total revenues	<u>15,433,643</u>	<u>12,019,249</u>	<u>268,548</u>	<u>27,184,344</u>
<b>EXPENDITURES/EXPENSES</b>				
Public safety	2,821,515	-	-	2,821,515
Public works	1,192,453	-	-	1,192,453
Health and social services	16,909	-	-	16,909
Culture and recreation	1,312,158	-	16,312	1,295,846
Community and economic development	1,023,639	-	-	1,023,639
General government	787,974	-	-	787,974
Debt service	3,919,273	-	-	3,919,273
Capital projects	7,768,712	-	-	7,768,712
Business type activities	-	8,946,731	-	8,946,731
Nonprogram	-	245,555	245,555	-
Total disbursements	<u>18,842,633</u>	<u>9,192,286</u>	<u>261,867</u>	<u>27,773,052</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	<u>(3,408,990)</u>	<u>2,826,963</u>	<u>6,681</u>	<u>(588,708)</u>
<b>OTHER FINANCING SOURCES, NET</b>				
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	<u>622,325</u>	<u>(542,060)</u>	<u>-</u>	<u>80,265</u>
Capital contributions	-	5,864,157	-	5,864,157
<b>BALANCES, beginning of year</b>	<u>9,324,737</u>	<u>26,536,625</u>	<u>134,305</u>	<u>35,727,057</u>
<b>BALANCES, end of year</b>	<u>\$ 6,538,072</u>	<u>\$34,685,685</u>	<u>\$ 140,986</u>	<u>\$41,082,771</u>

See accompanying independent auditor's report.



<u>Budgeted amounts</u>		<u>Final to actual variance</u>
<u>Original</u>	<u>Final</u>	
\$ 6,341,930	\$ 6,341,930	\$ 55,963
3,051,365	3,051,365	(222)
74,198	74,198	(11,303)
664,700	600,675	(69,479)
278,738	282,738	867,053
4,639,303	4,632,293	(136,752)
12,620,289	12,713,674	(1,806,528)
756,473	785,248	(196,509)
<u>28,426,996</u>	<u>28,482,121</u>	<u>(1,297,777)</u>
2,809,935	2,842,170	20,655
1,534,249	1,545,369	352,916
17,500	16,200	(709)
1,285,938	1,340,048	44,202
1,303,464	1,301,014	277,375
865,256	846,205	58,231
3,583,036	3,583,036	(336,237)
9,680,000	9,680,000	1,911,288
12,768,832	13,046,656	4,099,925
<u>—</u>	<u>—</u>	<u>—</u>
<u>33,848,210</u>	<u>34,200,698</u>	<u>6,427,646</u>
<u>(5,421,214)</u>	<u>(5,718,577)</u>	<u>5,129,869</u>
<u>5,950,000</u>	<u>6,105,202</u>	<u>(6,024,937)</u>
528,786	386,625	(895,068)
—	—	5,864,157
<u>25,734,427</u>	<u>25,734,427</u>	<u>9,992,630</u>
<u>\$26,263,213</u>	<u>\$26,121,052</u>	<u>\$14,961,719</u>

**City of Waukee, Iowa**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**  
**Year ended June 30, 2011**

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function expenditures/expenses required to be budgeted include expenditures/expenses for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function expenditures/expenses by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted expenditures/expenses by \$352,488. This budget amendment is reflected in the final budgeted amounts.

The City of Waukee, Iowa prepares its budget on the modified accrual basis for the governmental fund types and the accrual basis for the proprietary fund types which is consistent with generally accepted accounting principles. During the year ended June 30, 2011, expenditures/expenses exceeded the amounts budgeted in the health and social services and debt service functions.

**OTHER SUPPLEMENTARY INFORMATION**

**City of Waukee  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2011**

	<u>Special Revenue Funds</u>					<u>Debt service</u>	
	<u>Road Use Tax</u>	<u>Employee Benefits</u>	<u>Enterprise Business Park TIF</u>	<u>Library Foundation</u>	<u>Hickman West Industrial Park TIF</u>	<u>Special Assessments</u>	<u>Total</u>
<b>ASSETS</b>							
Cash and pooled investments	\$ 256,791	\$ -	\$ 238,427	\$ 126,285	\$ 326,989	\$ 78,482	\$1,026,974
Receivables							
Property tax							
Delinquent	-	5,413	-	-	-	-	5,413
Succeeding year	-	987,230	-	-	-	-	987,230
Special assessments	-	-	-	-	-	478,508	478,508
Other	-	-	-	-	-	16,319	16,319
Due from other funds	-	-	-	-	902,319	-	902,319
Prepaid insurance	6,094	-	-	-	-	-	6,094
Total assets	<u>\$ 262,885</u>	<u>\$ 992,643</u>	<u>\$ 238,427</u>	<u>\$ 126,285</u>	<u>\$1,229,308</u>	<u>\$ 573,309</u>	<u>\$3,422,857</u>
<b>LIABILITIES AND FUND EQUITY</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ 24,678	\$ -	\$ -	\$ -	\$ -	\$ 5,395	\$ 30,073
Compensated absences	3,211	-	-	-	-	-	3,211
Due to other funds	-	3,166	-	-	-	-	3,166
Deferred revenue							
Succeeding year property tax	-	987,230	-	-	-	-	987,230
Other	-	-	-	-	-	478,508	478,508
Total liabilities	<u>27,889</u>	<u>990,396</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>483,903</u>	<u>1,502,188</u>
<b>FUND EQUITY</b>							
Fund balances							
Nonspendable	6,094	-	-	-	-	-	6,094
Restricted for							
Debt service	-	-	-	-	-	89,406	89,406
Other purposes	228,902	2,247	238,427	126,285	1,229,308	-	1,825,169
Total fund balances	<u>234,996</u>	<u>2,247</u>	<u>238,427</u>	<u>126,285</u>	<u>1,229,308</u>	<u>89,406</u>	<u>1,920,669</u>
Total liabilities and fund equity	<u>\$ 262,885</u>	<u>\$ 992,643</u>	<u>\$ 238,427</u>	<u>\$ 126,285</u>	<u>\$1,229,308</u>	<u>\$ 573,309</u>	<u>\$3,422,857</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, 2011**

	<u>Special Revenue Funds</u>					<u>Debt service</u>	
	<u>Road Use Tax</u>	<u>Employee Benefits</u>	<u>Enterprise Business Park TIF</u>	<u>Library Foundation</u>	<u>Hickman West Industrial Park TIF</u>	<u>Special Assessments</u>	<u>Total</u>
<b>REVENUES</b>							
Property tax	\$ -	\$ 929,608	\$ -	\$ -	\$ -	\$ -	\$ 929,608
Tax increment financing collections	-	-	295,463	-	602,037	-	897,500
Other city tax	-	-	-	-	-	55,805	55,805
Use of money and property	-	1,460	1,135	20,387	4,312	34,778	62,072
Intergovernmental	933,820	-	-	-	-	-	933,820
Miscellaneous	1,865	-	-	17,817	-	-	19,682
Total revenues	<u>935,685</u>	<u>931,068</u>	<u>296,598</u>	<u>38,204</u>	<u>606,349</u>	<u>90,583</u>	<u>2,898,487</u>
<b>EXPENDITURES</b>							
Operating							
Public works	714,087	-	-	-	-	-	714,087
Culture and recreation	-	-	-	16,312	-	-	16,312
Community and economic development	-	-	-	-	19,292	-	19,292
Debt service							
Principal	-	-	-	-	-	29,000	29,000
Interest	-	-	-	-	-	11,146	11,146
Capital projects	80,702	-	-	-	-	-	80,702
Total expenditures	<u>794,789</u>	<u>-</u>	<u>-</u>	<u>16,312</u>	<u>19,292</u>	<u>40,146</u>	<u>870,539</u>
Excess of revenues over expenditures	<u>140,896</u>	<u>931,068</u>	<u>296,598</u>	<u>21,892</u>	<u>587,057</u>	<u>50,437</u>	<u>2,027,948</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Sale of capital assets	4,491	-	-	-	-	-	4,491
Operating transfers in	22,000	-	-	-	-	-	22,000
Operating transfers (out)	(48,210)	(934,000)	(230,800)	-	(291,000)	-	(1,504,010)
Total other financing sources (uses)	<u>(21,719)</u>	<u>(934,000)</u>	<u>(230,800)</u>	<u>-</u>	<u>(291,000)</u>	<u>-</u>	<u>(1,477,519)</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	119,177	(2,932)	65,798	21,892	296,057	50,437	550,429
<b>FUND BALANCES, beginning of year</b>	<u>115,819</u>	<u>5,179</u>	<u>172,629</u>	<u>104,393</u>	<u>933,251</u>	<u>38,969</u>	<u>1,370,240</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 234,996</u>	<u>\$ 2,247</u>	<u>\$ 238,427</u>	<u>\$ 126,285</u>	<u>\$1,229,308</u>	<u>\$ 89,406</u>	<u>\$1,920,669</u>

City of Waukee, Iowa  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
June 30, 2011

	Enterprise Funds			Total
	Solid Waste	Utility Billing	Storm Water	
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and pooled investments	\$ 887	\$ 138,249	\$ 643,994	\$ 783,130
Receivables				
Customer accounts and unbilled usage	81,418	-	49,882	131,300
Capital assets (net of accumulated depreciation)	-	-	252,676	252,676
Total assets	82,305	138,249	946,552	1,167,106
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	135	65,833	6,043	72,011
Compensated absences	-	3,826	2,632	6,458
Interfund payable	-	53,889	-	53,889
Total liabilities	135	123,548	8,675	132,358
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	-	-	252,676	252,676
Unrestricted	82,170	14,701	685,201	782,072
Total net assets	\$ 82,170	\$ 14,701	\$ 937,877	\$1,034,748

See accompanying independent auditor's report.

City of Waukee, Iowa  
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES  
 IN FUND NET ASSETS  
 NONMAJOR PROPRIETARY FUNDS  
 Year ended June 30, 2011**

	<b>Enterprise Funds</b>			<b>Total</b>
	<b>Solid Waste</b>	<b>Utility Billing</b>	<b>Storm Water</b>	
<b>OPERATING REVENUES</b>				
Charges for service	\$ 757,918	\$ 227,109	\$ 502,496	\$1,487,523
Miscellaneous	<u>2,404</u>	<u>2,779</u>	<u>1,036</u>	<u>6,219</u>
Total operating revenues	<u>760,322</u>	<u>229,888</u>	<u>503,532</u>	<u>1,493,742</u>
<b>OPERATING EXPENSES</b>				
Business type activities				
Cost of sales and services	733,763	245,555	231,542	1,210,860
Depreciation and amortization	<u>—</u>	<u>—</u>	<u>16,439</u>	<u>16,439</u>
Total operating expenses	<u>733,763</u>	<u>245,555</u>	<u>247,981</u>	<u>1,227,299</u>
Operating income (loss)	<u>26,559</u>	<u>(15,667)</u>	<u>255,551</u>	<u>266,443</u>
<b>NONOPERATING REVENUES</b>				
Interest income	<u>1</u>	<u>456</u>	<u>2,052</u>	<u>2,509</u>
<b>TRANSFERS (OUT)</b>	<u>—</u>	<u>—</u>	<u>(40,000)</u>	<u>(40,000)</u>
<b>CHANGE IN NET ASSETS</b>	26,560	(15,211)	217,603	228,952
<b>NET ASSETS</b> , beginning of year	<u>55,610</u>	<u>29,912</u>	<u>720,274</u>	<u>805,796</u>
<b>NET ASSETS</b> , end of year	<u>\$ 82,170</u>	<u>\$ 14,701</u>	<u>\$ 937,877</u>	<u>\$1,034,748</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 seven years**

	<b>Modified Accrual Basis</b>			
	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>REVENUES</b>				
Property tax	\$ 6,397,893	\$ 5,934,368	\$ 5,318,576	\$ 4,405,384
Tax increment financing revenue	3,051,143	3,032,038	2,824,039	2,447,271
Other city tax	62,895	70,367	1,301,852	599,570
Licenses and permits	531,196	353,777	673,103	627,720
Use of money and property	215,266	173,419	128,470	330,789
Intergovernmental	4,495,541	2,898,776	4,641,902	1,054,612
Charges for service	239,040	184,230	209,664	134,996
Miscellaneous	<u>440,669</u>	<u>144,913</u>	<u>1,142,477</u>	<u>170,474</u>
Totals	<u>\$15,433,643</u>	<u>\$12,791,888</u>	<u>\$16,240,083</u>	<u>\$ 9,770,816</u>
<b>EXPENDITURES</b>				
Operating				
Public safety	\$ 2,821,515	\$ 2,528,267	\$ 2,391,927	\$ 1,806,932
Public works	1,192,453	1,133,462	1,099,806	1,167,008
Health and social services	16,909	12,180	11,000	9,800
Culture and recreation	1,312,158	1,173,584	1,211,373	982,900
Community and economic development	1,023,639	892,553	848,245	701,524
General government	787,974	855,172	982,213	717,792
Debt service	3,919,273	3,441,710	8,379,401	2,552,259
Capital projects	<u>7,768,712</u>	<u>7,021,544</u>	<u>10,807,450</u>	<u>7,764,263</u>
Totals	<u>\$18,842,633</u>	<u>\$17,058,472</u>	<u>\$25,731,415</u>	<u>\$15,702,478</u>

See accompanying independent auditor's report.



<b>Modified Accrual Basis</b>		
<b>2007</b>	<b>2006</b>	<b>2005</b>
\$ 3,804,888	\$3,468,779	\$ 3,057,974
1,651,122	1,279,032	980,076
466,312	57,134	160,531
766,811	880,119	659,487
242,139	142,740	111,127
1,727,796	870,087	2,138,494
92,707	75,600	89,475
<u>459,154</u>	<u>331,615</u>	<u>430,772</u>
<b><u>\$ 9,210,929</u></b>	<b><u>\$7,105,106</u></b>	<b><u>\$ 7,627,936</u></b>
\$ 1,510,461	\$1,373,641	\$ 2,169,067
1,081,599	1,185,751	1,214,158
9,000	13,500	12,050
1,110,158	806,026	854,233
645,533	508,066	236,485
708,556	706,296	414,964
2,432,070	2,407,072	1,498,394
<u>4,062,917</u>	<u>1,376,921</u>	<u>4,474,304</u>
<b><u>\$11,560,294</u></b>	<b><u>\$8,377,273</u></b>	<b><u>\$10,873,655</u></b>

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 the accompanying 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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 19, 2011. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings as I-11-A, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or 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.

### **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the City of Waukee, Iowa's operations for the year ended June 30, 2011 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.

The City of Waukee's responses to findings identified in our audit are described in the accompanying schedule of findings. While we have expressed our conclusions on the City's responses, we did not audit City of Waukee's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Waukee and other parties to whom the City of Waukee may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
October 19, 2011

## **SCHEDULE OF FINDINGS**

**City of Waukee  
SCHEDULE OF FINDINGS  
Year ended June 30, 2011**

**Part I—Findings Related to the Financial Statements**

**Instances of Non-compliance**

No matters were noted.

**Internal Control Deficiencies**

**I-11-A     **CONTRACTOR RETAINAGE****

The City enters into contracts with various vendors for construction projects throughout the year. These contracts contain a provision for the City to hold back up to 5% of the completed project work as retainage until the work is approved. One contract was noted where less than 1% was held back as retainage, when the approved contract specified 5%.

**Recommendation**

The City should not release any retainages until projects have been completed and approved by the appropriate City personnel.

**Response**

City staff will ensure all future contracts, particularly those administered by a construction management firm rather than the traditional engineering firms', follow the City's retainage requirements.

**Conclusion**

Response accepted.

**City of Waukee**  
**SCHEDULE OF FINDINGS (continued)**  
**Year ended June 30, 2011**

**Part II—Findings Related to Required Statutory Reporting**

**II-11-A CERTIFIED BUDGET**

Expenditures during the year ended June 30, 2011 exceeded the amounts budgeted in the health and social services and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, that public monies may not be expended or encumbered except under an annual or continuing appropriation.

**Recommendation**

The amendment to the budget should have been in an amount adequate so that expenditures do not exceed the budget in accordance with Chapter 384.18 of the Code of Iowa.

**Response**

We will review the expenditures in these functions more closely in the future to be sure that the amendments are adequate.

**Conclusion**

Response accepted.

**II-11-B QUESTIONABLE EXPENDITURES**

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

**II-11-C TRAVEL EXPENSE**

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

**II-11-D BUSINESS TRANSACTIONS**

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

**II-11-E BOND COVERAGE**

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

**City of Waukee**  
**SCHEDULE OF FINDINGS (continued)**  
**Year ended June 30, 2011**

**Part II—Findings Related to Required Statutory Reporting**

**II-11-F COUNCIL MINUTES**

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

**II-11-G DEPOSITS AND INVESTMENTS**

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

**II-11-H REVENUE BONDS/NOTES**

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

**II-11-I TAX INCREMENT FINANCING**

Tax Increment Financing (TIF) disbursements must be for urban renewal projects within the designated TIF district. Expenditures for the annual sidewalk program were noted that fell outside of the TIF district.

**Recommendation**

TIF expenditures should only be spent for projects within the designated TIF district.

**Response**

Expenditures were transferred for proper TIF district projects when noted.

**Conclusion**

Response accepted.

**II-11-J TRANSFERS**

Transfers out for the Tax Increment Financing fund and Special Revenue funds exceeded amounts budgeted.

**Recommendation**

City personnel should amend the budget to reflect transfers on a timely basis.

**Response**

We will review the transfer amount as compared to the budget more closely.

**Conclusion**

Response accepted.