

**City of Waukee, Iowa**

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

**June 30, 2014**

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**City of Waukee, Iowa  
OFFICIALS**

|  | <b><u>Term expires</u></b> |
|--|----------------------------|
| <b>MAYOR AND MEMBERS OF CITY COUNCIL (Before January 2014)</b> |                            |
| William Peard, Mayor   | January 2016               |
| Shane Blanchard, Council Member                                | January 2014               |
| Isaiah McGee, Council Member                                   | January 2014               |
| Michael Watts, Council Member                                  | January 2014               |
| Casey L. Harvey, Council Member                                | January 2016               |
| Rachelle Hughes, Council Member                                | January 2016               |
| <b>CITY ADMINISTRATOR</b>                                      |                            |
| Tim Moerman  | 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 2014               |
|  | <b><u>Term expires</u></b> |
| <b>MAYOR AND MEMBERS OF CITY COUNCIL (After January 2014)</b>  |                            |
| William Peard, Mayor   | January 2016               |
| Casey L. Harvey, Council Member                                | January 2016               |
| Rachelle Hughes, Council Member                                | January 2016               |
| Shane Blanchard, Council Member                                | January 2018               |
| Brian Harrison, Council Member                                 | January 2018               |
| Rick Peterson, Council Member                                  | January 2018               |
| <b>CITY ADMINISTRATOR</b>                                      |                            |
| Tim Moerman  | 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 2015               |



## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waukee, Iowa (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waukee, Iowa, as of June 30, 2014, and the respective changes in its financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 2 to the financial statements, in 2014 the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 6 through 13 and 49 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waukee, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The combining and individual nonmajor fund financial statements and schedule of revenues by source and expenditures by function are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedule of revenues by source and expenditures by function are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedule of revenues by source and expenditures by function are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2014 on our consideration of the City of Waukee, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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* in considering the City of Waukee, Iowa's internal control over financial reporting and compliance.

  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
October 17, 2014

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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, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2014 FINANCIAL HIGHLIGHTS

- Revenues of the City's Governmental Funds decreased 8.90 %, or \$ 1,508,213, from fiscal 2013 to fiscal 2014. Property and other City Taxes increased \$ 555,030, Tax Increment Financing decreased \$ 410,045, Licenses and Permits increased \$ 418,117, Intergovernmental decreased approximately \$ 1,174,746, Charges for Services decreased \$ 131,268 and Miscellaneous decreased \$ 776,944.
- Program expenditures of the City's Governmental Funds increased 28.86 %, or \$ 5,350,796 in fiscal 2014 from fiscal 2013. Public Safety expenses increased \$ 373,563, Community and Economic Development increased \$ 291,084, Culture and Recreation decreased \$ 553,882, Public Works increased \$ 660,632, General Government decreased \$ 28,126, Debt Service increased \$ 1,308,788 and Capital Projects increased \$ 3,294,987.
- The City has a net position of \$ 127,368,925 on June 30, 2014 as compared to \$ 120,372,927 on June 30, 2013. Of this amount, the net position of the Governmental Activities was \$ 82,943,639 and the net position of the Business Type Activities was \$ 44,425,286.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

## REPORTING THE CITY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

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

### *Fund Financial Statements*

The City has two kinds of funds:

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

|                                  | Net Position at June 30, |                      |                          |                      |                       |                       |
|----------------------------------|--------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
|                                  | Governmental Activities  |                      | Business Type Activities |                      | Total                 |                       |
|                                  | 2014                     | 2013                 | 2014                     | 2013                 | 2014                  | 2013                  |
| Current and Other Assets         | \$ 26,180,251            | \$ 23,400,931        | \$ 13,712,883            | \$ 13,089,190        | \$ 39,893,134         | \$ 36,490,121         |
| Capital Assets                   | 99,071,796               | 92,602,430           | 40,882,582               | 40,097,636           | 139,954,378           | 132,700,066           |
| Total Assets                     | <u>125,252,047</u>       | <u>116,003,361</u>   | <u>54,595,465</u>        | <u>53,186,826</u>    | <u>179,847,512</u>    | <u>169,190,187</u>    |
| Long-term Liabilities            | 31,390,310               | 26,934,480           | 9,406,103                | 10,616,338           | 40,796,413            | 37,550,818            |
| Other Liabilities                | 2,342,650                | 1,559,805            | 764,076                  | 1,614,647            | 3,106,726             | 3,174,452             |
| Total Liabilities                | <u>33,732,960</u>        | <u>28,494,285</u>    | <u>10,170,179</u>        | <u>12,230,985</u>    | <u>43,903,139</u>     | <u>40,725,270</u>     |
| Deferred Inflows of Resources    | <u>8,575,448</u>         | <u>8,091,990</u>     | —                        | —                    | <u>8,575,448</u>      | <u>8,091,990</u>      |
| Net Assets:                      |                          |                      |                          |                      |                       |                       |
| Net investment in Capital Assets | 75,160,108               | 68,052,343           | 31,615,109               | 30,154,100           | 106,775,217           | 98,206,443            |
| Restricted                       | 12,560,206               | 10,507,935           | 151,687                  | 164,080              | 12,711,893            | 10,672,015            |
| Unrestricted                     | <u>(4,776,675)</u>       | <u>856,808</u>       | <u>12,658,490</u>        | <u>10,637,661</u>    | <u>7,881,815</u>      | <u>11,494,469</u>     |
| Total Net Position               | <u>\$ 82,943,639</u>     | <u>\$ 79,417,086</u> | <u>\$ 44,425,286</u>     | <u>\$ 40,955,841</u> | <u>\$ 127,368,925</u> | <u>\$ 120,372,927</u> |

Net position of governmental activities increased approximately \$ 3,772,800, or 4.76%, over fiscal year 2013. Net position of business type activities increased approximately \$3,562,200, or 8.72%, over fiscal year 2013. The largest portion of the City's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt excluding unspent debt proceeds. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is approximately \$ 7,881,800 at the end of this year.

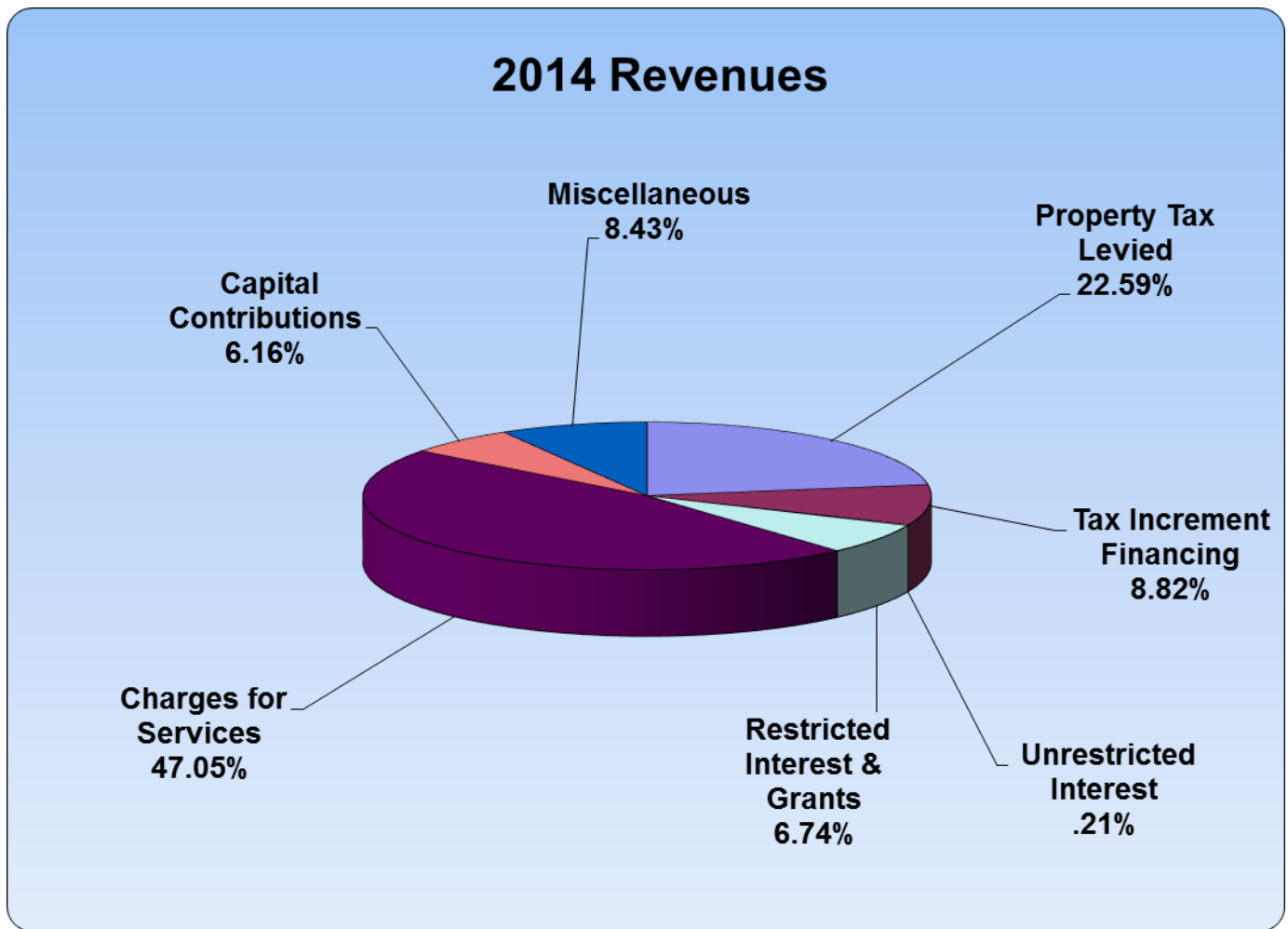


Changes in Net Position for the year ended June 30,

|  | Governmental Activities |                      | Business Type Activities |                      | Total                |                      |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|  | 2014                    | 2013                 | 2014                     | 2013                 | 2014                 | 2013                 |
| <b>Revenues:</b>                         |                         |                      |                          |                      |                      |                      |
| Property Tax Levied and Other City Tax   | \$ 7,727,899            | \$ 7,172,869         | \$ -                     | \$ -                 | \$ 7,727,899         | \$ 7,172,869         |
| Tax Increment Financing                  | 3,017,853               | 3,427,898            | -                        | -                    | 3,017,853            | 3,427,898            |
| Unrestricted Interest                    | 54,966                  | 40,247               | 17,153                   | 30,743               | 72,119               | 70,990               |
| Restricted Interest and Operating Grants | 2,306,332               | 3,457,788            | -                        | -                    | 2,306,332            | 3,457,788            |
| Charges for Services                     | 2,054,860               | 1,794,403            | 14,041,715               | 12,124,829           | 16,096,575           | 13,919,232           |
| Capital Grants and Contributions         | 2,105,728               | 1,808,202            | -                        | -                    | 2,105,728            | 1,808,202            |
| Miscellaneous                            | 1,030,737               | 1,302,735            | 1,854,234                | 1,255,607            | 2,884,971            | 2,558,342            |
| <b>Total Revenues</b>                    | <b>18,298,375</b>       | <b>19,004,142</b>    | <b>15,913,102</b>        | <b>13,411,179</b>    | <b>34,211,477</b>    | <b>32,415,321</b>    |
| <b>Transfers</b>                         | <b>677,151</b>          | <b>446,294</b>       | <b>(677,151)</b>         | <b>(446,294)</b>     | <b>-</b>             | <b>-</b>             |
| <b>Total Revenues and Transfers</b>      | <b>\$ 18,975,526</b>    | <b>\$ 19,450,436</b> | <b>\$ 15,235,951</b>     | <b>\$ 12,964,885</b> | <b>\$ 34,211,477</b> | <b>\$ 32,415,321</b> |

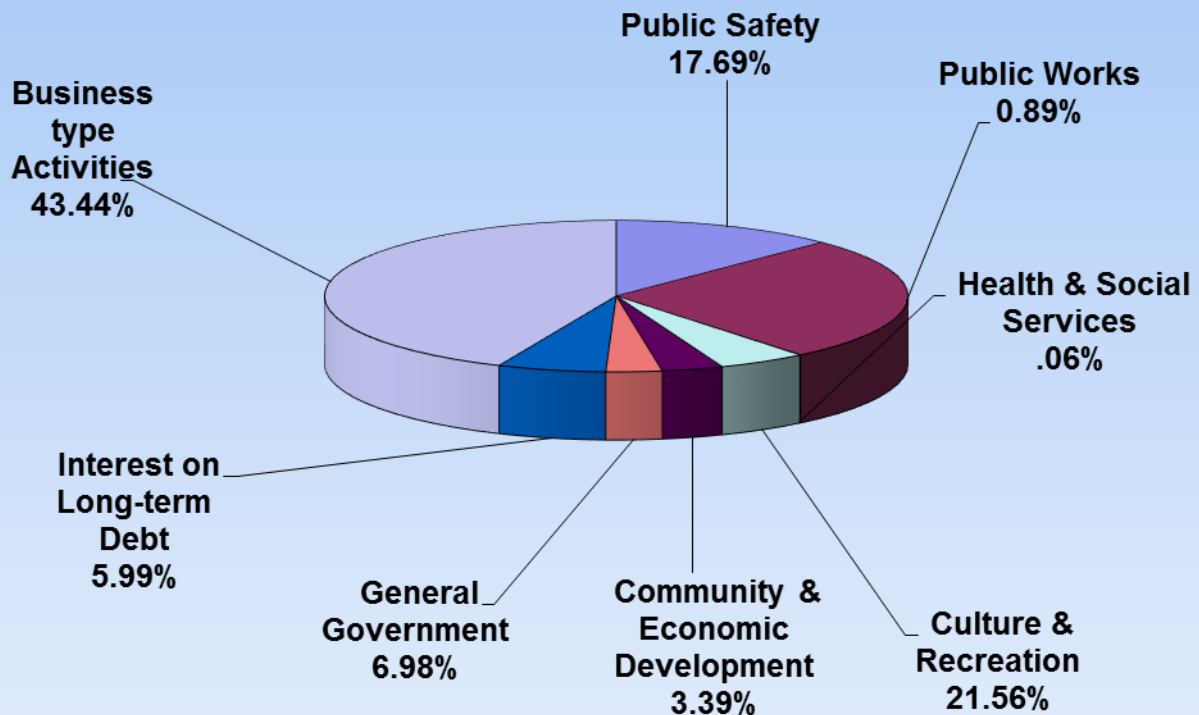
Total Revenues and Transfers

\$ 18,975,526 \$ 19,450,436 \$ 15,235,951 \$ 12,964,885 \$ 34,211,477 \$ 32,415,321



|  | Governmental Activities |               | Business Type Activities |               | Total          |                |
|--|-------------------------|---------------|--------------------------|---------------|----------------|----------------|
|  | 2014                    | 2013          | 2014                     | 2013          | 2014           | 2013           |
| Program Expenses                               |                         |               |                          |               |                |                |
| Public Safety                                  | \$ 3,344,799            | \$ 2,955,387  | \$ -                     | \$ -          | \$ 3,344,799   | \$ 2,955,387   |
| Public Works                                   | 7,172,800               | 6,435,198     | -                        | -             | 7,172,800      | 6,435,198      |
| Health and Social Services                     | 16,500                  | 12,750        | -                        | -             | 16,500         | 12,750         |
| Culture and Recreation                         | 1,317,656               | 2,185,896     | -                        | -             | 1,317,656      | 2,185,896      |
| Community and Economic Development             | 910,021                 | 618,937       | -                        | -             | 910,021        | 618,937        |
| General Government                             | 830,464                 | 933,042       | -                        | -             | 830,464        | 933,042        |
| Interest on Long-Term Debt                     | 1,610,451               | 1,017,290     | -                        | -             | 1,610,451      | 1,017,290      |
| Business Type Activities                       | -                       | -             | 11,673,723               | 9,709,045     | 11,673,723     | 9,709,045      |
| Total Expenses                                 | 15,202,691              | 14,158,500    | 11,673,723               | 9,709,045     | 26,876,414     | 23,867,545     |
| Increase in Net Position                       | 3,772,835               | 5,291,936     | 3,562,228                | 3,255,840     | 7,335,063      | 8,547,776      |
| Net Position Beginning of Year,<br>as restated | 79,170,804              | 74,125,150    | 40,863,058               | 37,700,001    | 120,033,862    | 111,825,151    |
| Net Position End of Year                       | \$ 82,943,639           | \$ 79,417,086 | \$ 44,425,286            | \$ 40,955,841 | \$ 127,368,925 | \$ 120,372,927 |

## 2014 Program Expenses



The City maintained the \$ 13.50 property tax levy for FY14, while recognizing an increase of \$ 144,985 in property tax revenue due to increase in residential property valuation. Revenues for operating and capital grants, contributions restricted and unrestricted interest, decreased by approximately \$ 852,800, charges for services increased by \$ 2,177,300 and miscellaneous revenues decreased by approximately \$ 326,600.

Overall revenues for governmental activities decreased approximately \$ 474,900 from the prior year.

The cost of all governmental activities this year was approximately \$15.2 million compared to approximately \$14.2 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 \$8.7 million as some of the cost was paid by those directly benefited from the programs (\$2,054,900) or by other governments and organizations which subsidized certain programs with grants and contributions (\$4,412,100).

Overall revenues for business type activities increased approximately \$2,271,100 over the prior year.

The cost of all business activities this year was approximately \$11.7 million compared to approximately \$9.7 million last year.

## **INDIVIDUAL FUND ANALYSIS**

### **Governmental Fund Highlights**

As the City of Waukee completed the year, its governmental funds reported a combined fund balance of \$15,264,346 at June 30, 2014, compared to \$ 13,494,105 combined fund balance at June 30, 2013.

The General Fund showed a decrease of \$ 285,496 from the prior year to \$ 3,011,567.

The Tax Increment Financing Urban Renewal Funds account for revenues from the tax authorized by ordinance in the urban renewal districts which are used to pay the principal and interest on indebtedness incurred for urban renewal redevelopment projects. These funds ended fiscal 2014 with a \$ 4,010,016 balance compared to the prior year ending balance of \$ 4,604,079.

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 2014 with a \$ 2,067 balance compared to the prior year ending balance of \$ (2,929). Transfers out to operating funds totaled \$ 1,113,000 in fiscal 2014.

The Debt Service Fund ended fiscal 2014 with a \$ 940,213 balance compared to the prior year ending balance of \$ 759,426. Bond principal and interest payments increased by \$ 1,378,108 in fiscal 2014, due to increased bonding for capital improvement projects.

The Capital Projects Fund ended fiscal 2014 with a \$ 6,383,616 balance compared to the prior year ending balance of \$ 3,882,203.

### **Proprietary Fund Highlights**

The Water Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal 2014 with a \$ 15,000,518 net position balance, compared to the restated prior year ending net position balance of \$ 13,776,654.

The Sewer Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal 2014 with a \$ 18,276,877 net position balance, compared to the restated prior year ending net position balance of \$ 16,270,708.

The Gas Fund, which accounts for the operations and maintenance of the City's gas utility, ended fiscal 2014 with a \$ 9,426,999 net position balance, compared to the restated prior year ending net position balance of \$ 9,095,967.

The Golf Course Fund, which accounts for the operations and maintenance of the City's municipal golf course, ended fiscal 2014 with a \$ (22,347) net position balance, compared to the prior year ending net position balance of \$ (9,984).

The Solid Waste Fund, which accounts for the operation and maintenance of the City's solid waste collection system, ended fiscal 2014 with a \$ 105,077 net position balance, compared to the prior year ending net position balance of \$ 114,156.

The Storm Water Fund, which accounts for the operation and maintenance of the City's storm sewer collection system, ended fiscal 2014 with a \$ 1,459,018 net position balance, compared to the prior year ending net position balance of \$ 1,446,484.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City of Waukee amended its budget once. This amendment was done in May 2014, and was needed to cover unplanned disbursements, including program expenditures associated with increases to Public Safety, Public Works, Culture & Recreation, Community & Economic Development, General Government, Debt Service, Transfers Out and Business Type Activities; while also increasing revenues sources for Licenses & Permits, Intergovernmental, Charges for Services, Miscellaneous and Other Financing Sources.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's capital assets include land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals and other infrastructure. Capital assets for governmental activities totaled \$ 99,071,796 (net of accumulated depreciation) at June 30, 2014. Capital assets for business type activities totaled \$ 40,882,582 (net of accumulated depreciation) at June 30, 2014. See Note 6 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 R22/Johnson Creek Bridge, City Hall/Council Chambers renovations, 312<sup>th</sup> Street Culvert replacement, Community Center renovations, Alice's Road Sewer project and the purchase of a Fire Pumper Truck; continuation of Sugar Creek Bike Trail & Bridge project; and began construction of Alice's Road projects including section from Ashworth to University, University Intersection, Trails & Enhancements, continued engineering/bidding of the I80 interchange project, and the LA Grant Street improvement project.

For business type activities, the major additions included the fees associated with the Wastewater Reclamation Authority (WRA) and the completion of the Little Walnut Creek Sewer project.

Construction in progress at June 30, 2014 for the City consists primarily of the Alice's Road Construction projects including the I80 Interchange, Sugar Creek Bike Trail & Bridge, and the LA Grant Street improvement project.

### **Long-Term Debt**

At June 30, 2014, the City had \$ 31,390,310 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business type activities was \$ 9,406,103 at June 30, 2014. During the year ended June 30, 2014, the City issued \$8,740,000 in general obligation bonds.

The City maintained their general obligation bond rating of Aa3, assigned by national rating agency, Moody's Investors Services, on October 28, 2013. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$ 32,162,076 or 55.35%, is below its constitutional debt limit of \$ 58,108,077. Other obligations include accrued vacation pay. Additional information about the City's long-term debt is presented in Note 7 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 2015 budget. The City of Waukee will experience a significant increase in General Fund revenues and expenditures from fiscal 2014 to fiscal 2015. The major factors that will play a role in this change are the increase in property tax revenues from increased valuations for fiscal 2015, and increased revenues from bond proceeds.

The General Fund is projected to end fiscal 2015 with a fund balance of approximately \$ 2,958,894, or a planned decrease of \$ 52,673 from fiscal 2014. The tax levy rates per \$1,000 of taxable valuation for fiscal 2015 are provided below:

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

**CONTACTING THE CITY’S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**

**City of Waukee, Iowa**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

|  | <b>Primary Government</b>          |                                     |                      |
|--|------------------------------------|-------------------------------------|----------------------|
|  | <b>Governmental<br/>Activities</b> | <b>Business Type<br/>Activities</b> | <b>Total</b>         |
| <b>ASSETS</b>  |                                    |                                     |                      |
| Cash, cash equivalents and pooled investments                        | \$ 16,094,820                      | \$11,490,065                        | \$ 27,584,885        |
| Receivables  |                                    |                                     |                      |
| Property tax   |                                    |                                     |                      |
| Delinquent   | 3,855                              | -                                   | 3,855                |
| Succeeding year  | 8,205,825                          | -                                   | 8,205,825            |
| Special assessments  | 369,623                            | 86,247                              | 455,870              |
| Customer accounts  | -                                  | 1,006,195                           | 1,006,195            |
| Other  | 493,499                            | -                                   | 493,499              |
| Due from other governments   | 19,612                             | -                                   | 19,612               |
| Internal balances  | 896,165                            | (896,165)                           | -                    |
| Inventories  | -                                  | 485,868                             | 485,868              |
| Prepaid insurance  | 96,852                             | -                                   | 96,852               |
| Restricted assets - cash, cash equivalents and pooled investments    | -                                  | 1,540,673                           | 1,540,673            |
| Capital assets (net of accumulated depreciation)                     | <u>99,071,796</u>                  | <u>40,882,582</u>                   | <u>139,954,378</u>   |
| Total assets   | <u>125,252,047</u>                 | <u>54,595,465</u>                   | <u>179,847,512</u>   |
| <b>LIABILITIES</b>   |                                    |                                     |                      |
| Accounts payable   | 2,266,596                          | 568,898                             | 2,835,494            |
| Accrued interest payable   | 69,000                             | 28,903                              | 97,903               |
| Customer deposits payable  | -                                  | 166,275                             | 166,275              |
| Lease deposit payable  | 7,054                              | -                                   | 7,054                |
| Long-term liabilities  |                                    |                                     |                      |
| Portion due or payable within one year                               |                                    |                                     |                      |
| Compensated absences   | 37,216                             | 55,321                              | 92,537               |
| Capital lease payable  | -                                  | 555                                 | 555                  |
| General obligation bonds/notes                                       | 4,593,075                          | 31,093                              | 4,624,168            |
| Tax increment financing (TIF) bonds                                  | 135,000                            | -                                   | 135,000              |
| Special assessment notes payable                                     | 37,000                             | -                                   | 37,000               |
| Revenue notes payable  | -                                  | 1,342,991                           | 1,342,991            |
| Des Moines Water Works bonds payable                                 | -                                  | 474,098                             | 474,098              |
| Portion due or payable after one year                                |                                    |                                     |                      |
| Compensated absences   | 170,894                            | -                                   | 170,894              |
| General obligation bonds/notes (net of unamortized premium/discount) | 25,025,861                         | 30,829                              | 25,056,690           |
| Tax increment financing (TIF) bonds                                  | 945,000                            | -                                   | 945,000              |
| Special assessment notes payable                                     | 170,000                            | -                                   | 170,000              |
| Revenue notes payable  | -                                  | 6,863,544                           | 6,863,544            |
| Des Moines Water Works bonds payable                                 | -                                  | 524,363                             | 524,363              |
| Net OPEB liability   | <u>276,264</u>                     | <u>83,309</u>                       | <u>359,573</u>       |
| Total liabilities  | <u>33,732,960</u>                  | <u>10,170,179</u>                   | <u>43,903,139</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                 |                                    |                                     |                      |
| Unavailable revenues   |                                    |                                     |                      |
| Succeeding year property tax   | 8,205,825                          | -                                   | 8,205,825            |
| Special assessments  | <u>369,623</u>                     | <u>-</u>                            | <u>369,623</u>       |
| Total deferred inflows of resources                                  | <u>8,575,448</u>                   | <u>-</u>                            | <u>8,575,448</u>     |
| <b>NET POSITION</b>  |                                    |                                     |                      |
| Net investment in capital assets                                     | 75,160,108                         | 31,615,109                          | 106,775,217          |
| Restricted for   |                                    |                                     |                      |
| Debt service   | 1,055,449                          | 151,687                             | 1,207,136            |
| Other purposes   | 11,504,757                         | -                                   | 11,504,757           |
| Unrestricted   | <u>(4,776,675)</u>                 | <u>12,658,490</u>                   | <u>7,881,815</u>     |
| Total net position   | <u>\$ 82,943,639</u>               | <u>\$44,425,286</u>                 | <u>\$127,368,925</u> |

See Notes to Financial Statements.

**City of Waukee, Iowa**  
**STATEMENT OF ACTIVITIES**  
Year ended June 30, 2014

|                                    | <b>Program Revenues</b> |  |  |                                    |
|------------------------------------|-------------------------|--|--|------------------------------------|
|                                    |                         | <b>Operating<br/>Grants,<br/>Contributions<br/>and Restricted<br/>Interest</b> | <b>Capital<br/>Grants,<br/>Contributions<br/>and Restricted<br/>Interest</b> |                                    |
| <b>FUNCTIONS/PROGRAMS</b>          | <b>Expenses</b>         | <b>Charges for<br/>Services</b>  | <b>and Restricted<br/>Interest</b>   | <b>and Restricted<br/>Interest</b> |
| Primary Government                 |                         |  |  |                                    |
| Governmental activities            |                         |  |  |                                    |
| Public safety                      | \$ 3,344,799            | \$ 703,539   | \$ -   | \$ -                               |
| Public works                       | 7,172,800               | -  | 2,306,332  | 2,105,728                          |
| Health and social services         | 16,500                  | -  | -  | -                                  |
| Culture and recreation             | 1,317,656               | 126,357  | -  | -                                  |
| Community and economic development | 910,021                 | -  | -  | -                                  |
| General government                 | 830,464                 | 1,224,964  | -  | -                                  |
| Interest on long-term debt         | <u>1,610,451</u>        | <u>-</u>   | <u>-</u>   | <u>-</u>                           |
| Total governmental activities      | <u>15,202,691</u>       | <u>2,054,860</u>   | <u>2,306,332</u>   | <u>2,105,728</u>                   |
| Business type activities           |                         |  |  |                                    |
| Water                              | 2,424,130               | 3,435,238  | -  | -                                  |
| Sewer                              | 1,683,565               | 2,688,588  | -  | -                                  |
| Gas                                | 5,532,086               | 5,784,572  | -  | -                                  |
| Golf                               | 637,040                 | 545,804  | -  | -                                  |
| Other                              | <u>1,396,902</u>        | <u>1,587,513</u>   | <u>-</u>   | <u>-</u>                           |
| Total business type activities     | <u>11,673,723</u>       | <u>14,041,715</u>  | <u>-</u>   | <u>-</u>                           |
| Total Primary Government           | <u>\$26,876,414</u>     | <u>\$16,096,575</u>  | <u>\$2,306,332</u>   | <u>\$2,105,728</u>                 |

**GENERAL REVENUES**

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

**TRANSFERS**

Total general revenues and transfers

**CHANGE IN NET POSITION**

**NET POSITION BEGINNING OF YEAR**

Restatement of beginning net position (Note 2)

**NET POSITION END OF YEAR**



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

| <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total</u>         |
|------------------------------------|-------------------------------------|----------------------|
| \$ (2,641,260)                     | \$ —                                | \$ (2,641,260)       |
| (2,760,740)                        | —                                   | (2,760,740)          |
| (16,500)                           | —                                   | (16,500)             |
| (1,191,299)                        | —                                   | (1,191,299)          |
| (910,021)                          | —                                   | (910,021)            |
| 394,500                            | —                                   | 394,500              |
| <u>(1,610,451)</u>                 | <u>—</u>                            | <u>(1,610,451)</u>   |
| <u>(8,735,771)</u>                 | <u>—</u>                            | <u>(8,735,771)</u>   |
| —                                  | 1,011,108                           | 1,011,108            |
| —                                  | 1,005,023                           | 1,005,023            |
| —                                  | 252,486                             | 252,486              |
| —                                  | (91,236)                            | (91,236)             |
| <u>—</u>                           | <u>190,611</u>                      | <u>190,611</u>       |
| <u>—</u>                           | <u>2,367,992</u>                    | <u>2,367,992</u>     |
| (8,735,771)                        | 2,367,992                           | (6,367,779)          |
| 4,425,599                          | —                                   | 4,425,599            |
| 2,184,785                          | —                                   | 2,184,785            |
| 1,117,515                          | —                                   | 1,117,515            |
| 3,017,853                          | —                                   | 3,017,853            |
| 54,966                             | 17,153                              | 72,119               |
| 1,030,737                          | 263,685                             | 1,294,422            |
| —                                  | 570,613                             | 570,613              |
| —                                  | 1,019,936                           | 1,019,936            |
| <u>677,151</u>                     | <u>(677,151)</u>                    | <u>—</u>             |
| <u>12,508,606</u>                  | <u>1,194,236</u>                    | <u>13,702,842</u>    |
| 3,772,835                          | 3,562,228                           | 7,335,063            |
| 79,417,086                         | 40,955,841                          | 120,372,927          |
| <u>(246,282)</u>                   | <u>(92,783)</u>                     | <u>(339,065)</u>     |
| <u>\$82,943,639</u>                | <u>\$44,425,286</u>                 | <u>\$127,368,925</u> |

See Notes to Financial Statements.

**City of Waukee, Iowa  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014**

|   | <u>General</u>     | <u>Special<br/>Revenue<br/>Urban<br/>Renewal TIF</u> | <u>Capital<br/>Projects</u> | <u>Debt<br/>Service</u> | <u>Special<br/>Revenue<br/>Employee<br/>Benefits</u> | <u>Other<br/>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total</u>        |
|---|--------------------|--|-----------------------------|-------------------------|--|--|---------------------|
| <b>ASSETS</b>   |                    |  |                             |                         |  |  |                     |
| Cash, cash equivalents and pooled investments                       | \$2,194,550        | \$2,046,639  | \$7,741,348                 | \$ 941,973              | \$ 1,299   | \$3,139,420  | \$16,065,229        |
| Receivables   |                    |  |                             |                         |  |  |                     |
| Property tax  |                    |  |                             |                         |  |  |                     |
| Delinquent  | 3,087              | -  | -                           | -                       | 768  | -  | 3,855               |
| Succeeding year   | 4,670,396          | -  | -                           | 2,339,246               | 1,196,183  | -  | 8,205,825           |
| Special assessments   | -                  | -  | -                           | -                       | -  | 369,623  | 369,623             |
| Other   | 374,661            | -  | 118,838                     | -                       | -  | -  | 493,499             |
| Due from other funds  | 914,986            | -  | -                           | -                       | -  | -  | 914,986             |
| Due from other governments  | -                  | -  | 19,612                      | -                       | -  | -  | 19,612              |
| Prepaid insurance   | <u>86,332</u>      | <u>-</u>   | <u>-</u>                    | <u>-</u>                | <u>-</u>   | <u>10,520</u>  | <u>96,852</u>       |
| Total assets  | <u>\$8,244,012</u> | <u>\$2,046,639</u>                                   | <u>\$7,879,798</u>          | <u>\$3,281,219</u>      | <u>\$1,198,250</u>                                   | <u>\$3,519,563</u>                                   | <u>\$26,169,481</u> |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> |                    |  |                             |                         |  |  |                     |
| Liabilities   |                    |  |                             |                         |  |  |                     |
| Accounts payable  | \$ 502,501         | \$ 64,070  | \$1,496,182                 | \$ 1,760                | \$ -   | \$ 202,083   | \$ 2,266,596        |
| Lease deposit payable   | 7,054              | -  | -                           | -                       | -  | -  | 7,054               |
| Compensated absences  | 33,673             | -  | -                           | -                       | -  | 3,543  | 37,216              |
| Due to other funds  | 18,821             | -  | -                           | -                       | -  | -  | 18,821              |
| Total liabilities   | <u>562,049</u>     | <u>64,070</u>  | <u>1,496,182</u>            | <u>1,760</u>            | <u>-</u>   | <u>205,626</u>                                       | <u>2,329,687</u>    |
| Deferred inflows of resources                                       |                    |  |                             |                         |  |  |                     |
| Unavailable revenues  |                    |  |                             |                         |  |  |                     |
| Succeeding year property tax  | 4,670,396          | -  | -                           | 2,339,246               | 1,196,183  | -  | 8,205,825           |
| Special assessments   | -                  | -  | -                           | -                       | -  | 369,623  | 369,623             |
| Total deferred inflows of resources                                 | <u>4,670,396</u>   | <u>-</u>   | <u>-</u>                    | <u>2,339,246</u>        | <u>1,196,183</u>                                     | <u>369,623</u>                                       | <u>8,575,448</u>    |
| Fund balances   |                    |  |                             |                         |  |  |                     |
| Nonspendable  |                    |  |                             |                         |  |  |                     |
| Prepaid insurance   | 86,332             | -  | -                           | -                       | -  | 10,520   | 96,852              |
| Advances to other funds   | 85,000             | -  | -                           | -                       | -  | -  | 85,000              |
| Restricted for  |                    |  |                             |                         |  |  |                     |
| Capital projects  | -                  | -  | 6,383,616                   | -                       | -  | -  | 6,383,616           |
| Debt service  | -                  | -  | -                           | 940,213                 | -  | 115,236  | 1,055,449           |
| Lease deposits  | 7,054              | -  | -                           | -                       | -  | -  | 7,054               |
| Parkland dedication   | 282,900            | -  | -                           | -                       | -  | -  | 282,900             |
| Police gifts and memorials  | 35,047             | -  | -                           | -                       | -  | -  | 35,047              |
| Urban Renewal and development                                       | -                  | 1,982,569  | -                           | -                       | -  | -  | 1,982,569           |
| Other purposes  | -                  | -  | -                           | -                       | 2,067  | 2,818,558  | 2,820,625           |
| Unassigned  | <u>2,515,234</u>   | <u>-</u>   | <u>-</u>                    | <u>-</u>                | <u>-</u>   | <u>-</u>   | <u>2,515,234</u>    |
| Total fund balances   | <u>3,011,567</u>   | <u>1,982,569</u>                                     | <u>6,383,616</u>            | <u>940,213</u>          | <u>2,067</u>   | <u>2,944,314</u>                                     | <u>15,264,346</u>   |
| Total liabilities, deferred inflows of resources and fund balances  | <u>\$8,244,012</u> | <u>\$2,046,639</u>                                   | <u>\$7,879,798</u>          | <u>\$3,281,219</u>      | <u>\$1,198,250</u>                                   | <u>\$3,519,563</u>                                   | <u>\$26,169,481</u> |

See Notes to Financial Statements.

**City of Waukee**  
**RECONCILIATION OF THE BALANCE SHEET—**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**June 30, 2014**

|  |                            |
|--|----------------------------|
| <b>Total governmental fund balances</b>  | \$15,264,346               |
| <b><i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i></b>   |                            |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$144,697,684 and the accumulated depreciation \$45,625,888.  | 99,071,796                 |
| Long-term liabilities, including bonds payable, bond premiums and discounts, other post employment benefits payable, compensated absences and accrued interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | (31,422,094)               |
| The Internal Service Fund is used by management to charge the costs of future equipment purchases to individual funds. The assets of the Internal Service Fund are allocated between governmental and proprietary activities in the Statement of Net Position.                                   | <u>29,591</u>              |
| <b>Net position of governmental activities</b>   | <b><u>\$82,943,639</u></b> |

**City of Waukee, Iowa**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year ended June 30, 2014**

|   | <u>General</u>     | <u>Special<br/>Revenue<br/>Urban<br/>Renewal TIF</u> | <u>Capital<br/>Projects</u> | <u>Debt<br/>Service</u> | <u>Special<br/>Revenue<br/>Employee<br/>Benefits</u> | <u>Other<br/>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total</u>        |
|---|--------------------|--|-----------------------------|-------------------------|--|--|---------------------|
| <b>REVENUES</b>   |                    |  |                             |                         |  |  |                     |
| Property tax  | \$4,364,611        | \$ -   | \$ -                        | \$2,184,785             | \$1,117,515  | \$ -   | \$ 7,666,911        |
| Tax increment financing                                   | -                  | 2,154,883  | -                           | -                       | -  | 862,970  | 3,017,853           |
| Other city tax  | 3,200              | -  | 39,476                      | -                       | -  | 18,312   | 60,988              |
| Licenses and permits                                      | 1,057,350          | -  | -                           | -                       | -  | -  | 1,057,350           |
| Use of money and property                                 | 171,009            | 3,659  | 9,223                       | 2,139                   | 481  | 35,894   | 222,405             |
| Intergovernmental   | 232,854            | -  | 818,246                     | -                       | -  | 1,488,086  | 2,539,186           |
| Charges for services                                      | 592,042            | -  | -                           | -                       | -  | 5,000  | 597,042             |
| Miscellaneous   | 251,208            | -  | 5,000                       | -                       | -  | 24,939   | 281,147             |
| Total revenues  | <u>6,672,274</u>   | <u>2,158,542</u>                                     | <u>871,945</u>              | <u>2,186,924</u>        | <u>1,117,996</u>                                     | <u>2,435,201</u>                                     | <u>15,442,882</u>   |
| <b>EXPENDITURES</b>                                       |                    |  |                             |                         |  |  |                     |
| Operating   |                    |  |                             |                         |  |  |                     |
| Public safety   | 3,275,402          | -  | -                           | -                       | -  | 10,744   | 3,286,146           |
| Public works  | 1,051,788          | -  | -                           | -                       | -  | 1,189,728  | 2,241,516           |
| Health and social services                                | 16,500             | -  | -                           | -                       | -  | -  | 16,500              |
| Culture and recreation                                    | 1,449,301          | -  | -                           | -                       | -  | 7,804  | 1,457,105           |
| Community and economic development                        | 540,558            | 369,463  | -                           | -                       | -  | -  | 910,021             |
| General government  | 757,317            | -  | -                           | -                       | -  | -  | 757,317             |
| Debt service  |                    |  |                             |                         |  |  |                     |
| Principal   | -                  | -  | -                           | 4,954,877               | -  | 35,000   | 4,989,877           |
| Interest  | -                  | -  | -                           | 946,394                 | -  | 8,561  | 954,955             |
| Bond issuance and other costs                             | -                  | -  | 45,301                      | 6,500                   | -  | -  | 51,801              |
| Capital projects  | <u>966,963</u>     | <u>115,878</u>                                       | <u>7,724,878</u>            | <u>-</u>                | <u>-</u>   | <u>418,573</u>                                       | <u>9,226,292</u>    |
| Total expenditures  | <u>8,057,829</u>   | <u>485,341</u>                                       | <u>7,770,179</u>            | <u>5,907,771</u>        | <u>-</u>   | <u>1,670,410</u>                                     | <u>23,891,530</u>   |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,385,555)</u> | <u>1,673,201</u>                                     | <u>(6,898,234)</u>          | <u>(3,720,847)</u>      | <u>1,117,996</u>                                     | <u>764,791</u>                                       | <u>(8,448,648)</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                    |  |                             |                         |  |  |                     |
| Bond proceeds   | -                  | -  | 8,740,000                   | -                       | -  | -  | 8,740,000           |
| Bond premium  | -                  | -  | 657,587                     | -                       | -  | -  | 657,587             |
| Sale of capital assets                                    | 40,167             | -  | -                           | -                       | -  | 69,000   | 109,167             |
| Operating transfers in                                    | 1,140,122          | -  | 2,060                       | 3,901,634               | -  | -  | 5,043,816           |
| Operating transfers out                                   | <u>(80,230)</u>    | <u>(2,385,567)</u>                                   | <u>-</u>                    | <u>-</u>                | <u>(1,113,000)</u>                                   | <u>(752,884)</u>                                     | <u>(4,331,681)</u>  |
| Total other financing sources (uses)                      | <u>1,100,059</u>   | <u>(2,385,567)</u>                                   | <u>9,399,647</u>            | <u>3,901,634</u>        | <u>(1,113,000)</u>                                   | <u>(683,884)</u>                                     | <u>10,218,889</u>   |
| <b>CHANGE IN FUND BALANCES</b>                            | <b>(285,496)</b>   | <b>(712,366)</b>                                     | <b>2,501,413</b>            | <b>180,787</b>          | <b>4,996</b>   | <b>80,907</b>  | <b>1,770,241</b>    |
| <b>FUND BALANCES BEGINNING OF YEAR</b>                    | <u>3,297,063</u>   | <u>2,694,935</u>                                     | <u>3,882,203</u>            | <u>759,426</u>          | <u>(2,929)</u>                                       | <u>2,863,407</u>                                     | <u>13,494,105</u>   |
| <b>FUND BALANCES END OF YEAR</b>                          | <u>\$3,011,567</u> | <u>\$1,982,569</u>                                   | <u>\$6,383,616</u>          | <u>\$ 940,213</u>       | <u>\$ 2,067</u>                                      | <u>\$2,944,314</u>                                   | <u>\$15,264,346</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, 2014**

**Change in fund balances—Total governmental funds** **\$1,770,241**

***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 | 11,237,995         |           |
| Depreciation expense   | <u>(4,751,465)</u> | 6,486,530 |

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

|  |  |           |
|--|--|-----------|
| Proceeds from the sale of capital assets |  | (109,167) |
| Gain on sale of capital assets           |  | 92,003    |

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

|        |                  |             |
|--------|------------------|-------------|
| Issued | (8,740,000)      |             |
| Repaid | <u>4,989,806</u> | (3,750,194) |

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

(603,624)

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          | (38,499)     |          |
| Other postemployment benefits | (55,508)     |          |
| Interest on long-term debt    | <u>8,000</u> | (86,007) |

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

(26,947)

**Change in net position of governmental activities** **\$3,772,835**

**City of Waukee, Iowa**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2014**

|   | <b>Enterprise Funds</b> |                     |                     |                    |                           |                   | <b>Internal</b>                                 |
|---|-------------------------|---------------------|---------------------|--------------------|---------------------------|-------------------|---|
|   | <b>Water</b>            | <b>Sewer</b>        | <b>Gas</b>          | <b>Golf</b>        | <b>Nonmajor<br/>Funds</b> | <b>Total</b>      | <b>Service Fund<br/>Equipment<br/>Revolving</b> |
| <b>ASSETS</b>   |                         |                     |                     |                    |                           |                   |   |
| Current assets  |                         |                     |                     |                    |                           |                   |   |
| Cash, cash equivalents and pooled investments                     | \$ 3,773,839            | \$ 3,829,619        | \$ 2,533,599        | \$ 800             | \$ 1,251,023              | \$ 11,388,880     | \$ 130,775                                      |
| Receivables   |                         |                     |                     |                    |                           |                   |   |
| Customer accounts and unbilled usage                              | 370,620                 | 325,875             | 186,498             | -                  | 123,202                   | 1,006,195         | -   |
| Special assessments   | -                       | 86,247              | -                   | -                  | -                         | 86,247            | -   |
| Due from other funds  | 100,000                 | -                   | 18,821              | -                  | -                         | 118,821           | -   |
| Inventories   | <u>272,111</u>          | <u>-</u>            | <u>189,552</u>      | <u>24,205</u>      | <u>-</u>                  | <u>485,868</u>    | <u>-</u>  |
| Total current assets  | <u>4,516,570</u>        | <u>4,241,741</u>    | <u>2,928,470</u>    | <u>25,005</u>      | <u>1,374,225</u>          | <u>13,086,011</u> | <u>130,775</u>                                  |
| Noncurrent assets   |                         |                     |                     |                    |                           |                   |   |
| Restricted assets - cash, cash equivalents and pooled investments |                         |                     |                     |                    |                           |                   |   |
| Customer deposits   | 92,575                  | -                   | 73,100              | 600                | -                         | 166,275           | -   |
| Capacity fees   | 109,555                 | -                   | -                   | -                  | -                         | 109,555           | -   |
| Revenue note and interest sinking account                         | 14,992                  | 72,762              | 535,015             | 43,261             | -                         | 666,030           | -   |
| Revenue note reserve account                                      | 359,652                 | 187,696             | -                   | 51,465             | -                         | 598,813           | -   |
| Capital assets (net of accumulated depreciation)                  | <u>13,631,631</u>       | <u>15,661,482</u>   | <u>9,627,979</u>    | <u>1,614,050</u>   | <u>347,440</u>            | <u>40,882,582</u> | <u>-</u>  |
| Total noncurrent assets   | <u>14,208,405</u>       | <u>15,921,940</u>   | <u>10,236,094</u>   | <u>1,709,376</u>   | <u>347,440</u>            | <u>42,423,255</u> | <u>-</u>  |
| Total assets  | <u>18,724,975</u>       | <u>20,163,681</u>   | <u>13,164,564</u>   | <u>1,734,381</u>   | <u>1,721,665</u>          | <u>55,509,266</u> | <u>130,775</u>                                  |
| <b>LIABILITIES</b>  |                         |                     |                     |                    |                           |                   |   |
| Current liabilities   |                         |                     |                     |                    |                           |                   |   |
| Accounts payable  | 195,651                 | 79,988              | 196,718             | 40,202             | 56,339                    | 568,898           | -   |
| Capital lease payable   | -                       | -                   | -                   | 555                | -                         | 555               | -   |
| Compensated absences  | 13,622                  | 11,299              | 14,707              | 7,320              | 8,373                     | 55,321            | -   |
| Due to other funds  | -                       | -                   | -                   | 1,014,986          | -                         | 1,014,986         | -   |
| Current liabilities payable from restricted assets                |                         |                     |                     |                    |                           |                   |   |
| Customer deposits payable   | 92,575                  | -                   | 73,100              | 600                | -                         | 166,275           | -   |
| Revenue notes payable   | 100,000                 | 262,000             | 370,000             | 610,991            | -                         | 1,342,991         | -   |
| Des Moines Water Works bonds payable                              | 474,098                 | -                   | -                   | -                  | -                         | 474,098           | -   |
| Equipment note  | -                       | -                   | -                   | 31,093             | -                         | 31,093            | -   |
| Interest payable  | <u>9,264</u>            | <u>2,902</u>        | <u>13,328</u>       | <u>3,409</u>       | <u>-</u>                  | <u>28,903</u>     | <u>-</u>  |
| Total current liabilities   | <u>885,210</u>          | <u>356,189</u>      | <u>667,853</u>      | <u>1,709,156</u>   | <u>64,712</u>             | <u>3,683,120</u>  | <u>-</u>  |
| Noncurrent liabilities  |                         |                     |                     |                    |                           |                   |   |
| Revenue notes payable (net of amortized discount)                 | 2,298,772               | 1,514,075           | 3,050,697           | -                  | -                         | 6,863,544         | -   |
| Des Moines Water Works bonds payable (net of amortized discount)  | 524,363                 | -                   | -                   | -                  | -                         | 524,363           | -   |
| Equipment note  | -                       | -                   | -                   | 30,829             | -                         | 30,829            | -   |
| Net OPEB liability  | <u>16,112</u>           | <u>16,540</u>       | <u>19,015</u>       | <u>16,743</u>      | <u>14,899</u>             | <u>83,309</u>     | <u>-</u>  |
| Total noncurrent liabilities                                      | <u>2,839,247</u>        | <u>1,530,615</u>    | <u>3,069,712</u>    | <u>47,572</u>      | <u>14,899</u>             | <u>7,502,045</u>  | <u>-</u>  |
| Total liabilities   | <u>3,724,457</u>        | <u>1,886,804</u>    | <u>3,737,565</u>    | <u>1,756,728</u>   | <u>79,611</u>             | <u>11,185,165</u> | <u>-</u>  |
| <b>NET POSITION</b>   |                         |                     |                     |                    |                           |                   |   |
| Net investment in capital assets                                  | 10,234,398              | 13,885,407          | 6,207,282           | 940,582            | 347,440                   | 31,615,109        | -   |
| Restricted for bond retirement                                    | -                       | -                   | 151,687             | -                  | -                         | 151,687           | -   |
| Unrestricted  | <u>4,766,120</u>        | <u>4,391,470</u>    | <u>3,068,030</u>    | <u>(962,929)</u>   | <u>1,294,614</u>          | <u>12,557,305</u> | <u>130,775</u>                                  |
| Total net position  | <u>\$15,000,518</u>     | <u>\$18,276,877</u> | <u>\$ 9,426,999</u> | <u>\$ (22,347)</u> | <u>\$1,642,054</u>        | 44,324,101        | <u>\$ 130,775</u>                               |

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

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

101,185

Net assets of business type activities

\$44,425,286

See Notes to Financial Statements.

**City of Waukee, Iowa**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**Year ended June 30, 2014**

|   | <b>Enterprise Funds</b> |                     |                    |                    |                           |                     | <b>Internal<br/>Service Fund<br/>Equipment<br/>Revolving</b> |
|---|-------------------------|---------------------|--------------------|--------------------|---------------------------|---------------------|--|
|   | <b>Water</b>            | <b>Sewer</b>        | <b>Gas</b>         | <b>Golf</b>        | <b>Nonmajor<br/>Funds</b> | <b>Total</b>        |  |
| <b>OPERATING REVENUES</b>                         |                         |                     |                    |                    |                           |                     |  |
| Charges for service                               | \$ 3,435,238            | \$ 2,688,588        | \$5,784,572        | \$ 545,804         | \$1,587,513               | \$14,041,715        | \$ -   |
| Miscellaneous                                     | 12,990                  | 8,219               | 33,328             | 106,080            | 15,130                    | 175,747             | -  |
| Total operating revenues                          | <u>3,448,228</u>        | <u>2,696,807</u>    | <u>5,817,900</u>   | <u>651,884</u>     | <u>1,602,643</u>          | <u>14,217,462</u>   | <u>-</u>   |
| <b>OPERATING EXPENSES</b>                         |                         |                     |                    |                    |                           |                     |  |
| Business type activities                          |                         |                     |                    |                    |                           |                     |  |
| Cost of sales and services                        | 1,790,553               | 1,072,306           | 5,011,869          | 539,601            | 1,362,839                 | 9,777,168           | -  |
| Depreciation and amortization                     | 515,953                 | 564,753             | 346,908            | 64,631             | 34,063                    | 1,526,308           | -  |
| Total operating expenses                          | <u>2,306,506</u>        | <u>1,637,059</u>    | <u>5,358,777</u>   | <u>604,232</u>     | <u>1,396,902</u>          | <u>11,303,476</u>   | <u>-</u>   |
| Operating income                                  | <u>1,141,722</u>        | <u>1,059,748</u>    | <u>459,123</u>     | <u>47,652</u>      | <u>205,741</u>            | <u>2,913,986</u>    | <u>-</u>   |
| <b>NONOPERATING REVENUES<br/>(EXPENSES)</b>       |                         |                     |                    |                    |                           |                     |  |
| Interest income                                   | 8,242                   | 4,129               | 3,262              | -                  | 1,520                     | 17,153              | 175  |
| Rental income                                     | 37,008                  | -                   | -                  | 7,800              | -                         | 44,808              | -  |
| Connection fees                                   | 168,524                 | 288,372             | 113,717            | -                  | -                         | 570,613             | -  |
| Capacity fees                                     | 172,497                 | 847,439             | -                  | -                  | -                         | 1,019,936           | -  |
| Sale of capital assets                            | 2,125                   | 5,000               | 36,005             | -                  | -                         | 43,130              | -  |
| Interest expense                                  | (117,624)               | (46,506)            | (173,309)          | (32,808)           | -                         | (370,247)           | -  |
| Total nonoperating revenues<br>(expenses)         | <u>270,772</u>          | <u>1,098,434</u>    | <u>(20,325)</u>    | <u>(25,008)</u>    | <u>1,520</u>              | <u>1,325,393</u>    | <u>175</u>   |
| Income before contributions<br>and transfers      | 1,412,494               | 2,158,182           | 438,798            | 22,644             | 207,261                   | 4,239,379           | 175  |
| Capital contributions                             | -                       | 7,862               | -                  | -                  | -                         | 7,862               | -  |
| Transfers (out)                                   | (188,630)               | (159,875)           | (107,766)          | (35,007)           | (193,735)                 | (685,013)           | (27,122)   |
| <b>CHANGE IN NET POSITION</b>                     | 1,223,864               | 2,006,169           | 331,032            | (12,363)           | 13,526                    | 3,562,228           | (26,947)   |
| <b>NET POSITION BEGINNING OF YEAR</b>             | 13,810,363              | 16,313,067          | 9,112,682          | (9,984)            | 1,628,528                 | 40,854,656          | 157,722  |
| Restatement of beginning<br>net position (Note 2) | (33,709)                | (42,359)            | (16,715)           | -                  | -                         | (92,783)            | -  |
| <b>NET POSITION END OF YEAR</b>                   | <u>\$15,000,518</u>     | <u>\$18,276,877</u> | <u>\$9,426,999</u> | <u>\$ (22,347)</u> | <u>\$1,642,054</u>        | <u>\$44,324,101</u> | <u>\$ 130,775</u>  |

See Notes to Financial Statements.

**City of Waukee, Iowa**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year ended June 30, 2014**

|   | <u>Water</u>       | <u>Sewer</u>       | <u>Gas</u>         | <u>Golf</u>      | <u>Nonmajor<br/>Funds</u> | <u>Total</u>        | <u>Governmental<br/>Activities<br/>Internal<br/>Service</u> |
|---|--------------------|--------------------|--------------------|------------------|---------------------------|---------------------|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |                    |                    |                    |                  |                           |                     |   |
| Cash received from customers and users                          | \$3,392,717        | \$2,632,399        | \$5,725,824        | \$ 546,645       | \$1,599,080               | \$13,896,665        | \$ -  |
| Cash received from other revenues                               | 12,990             | 8,219              | 33,328             | 106,080          | 15,130                    | 175,747             | -   |
| Cash paid for personal services                                 | (581,990)          | (561,253)          | (612,789)          | (278,445)        | (287,091)                 | (2,321,568)         | -   |
| Cash paid to suppliers  | <u>(1,218,754)</u> | <u>(576,198)</u>   | <u>(4,308,864)</u> | <u>(204,676)</u> | <u>(1,083,782)</u>        | <u>(7,392,274)</u>  | -   |
| Net cash provided by operating activities                       | <u>1,604,963</u>   | <u>1,503,167</u>   | <u>837,499</u>     | <u>169,604</u>   | <u>243,337</u>            | <u>4,358,570</u>    | -   |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>          |                    |                    |                    |                  |                           |                     |   |
| Payments made on interfund accounts                             | (188,630)          | (159,875)          | (107,766)          | (35,007)         | (193,735)                 | (685,013)           | -   |
| Advances to (from) other funds, net of advance repayments       | -                  | -                  | 53,889             | -                | (53,889)                  | -                   | -   |
| Net cash (used in) noncapital financing activities              | <u>(188,630)</u>   | <u>(159,875)</u>   | <u>(53,877)</u>    | <u>(35,007)</u>  | <u>(247,624)</u>          | <u>(685,013)</u>    | -   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b> |                    |                    |                    |                  |                           |                     |   |
| Acquisition of capital assets, net of equipment fund transfers  | (125,533)          | (1,708,932)        | (400,024)          | -                | (17,017)                  | (2,251,506)         | (27,122)  |
| Principal paid on revenue notes matured                         | (100,000)          | (255,000)          | (355,000)          | (42,384)         | -                         | (752,384)           | -   |
| Interest paid on notes  | (118,525)          | (45,717)           | (175,916)          | (32,031)         | -                         | (372,189)           | -   |
| Principal paid on Des Moines Water Works bonds                  | (454,310)          | -                  | -                  | -                | -                         | (454,310)           | -   |
| Principal paid on general obligation bonds                      | -                  | -                  | -                  | (31,093)         | -                         | (31,093)            | -   |
| Principal paid on capital lease                                 | -                  | -                  | -                  | (629)            | -                         | (629)               | -   |
| Connection fees   | 168,524            | 288,372            | 113,717            | -                | -                         | 570,613             | -   |
| Capacity fees   | <u>172,497</u>     | <u>847,439</u>     | <u>-</u>           | <u>-</u>         | <u>-</u>                  | <u>1,019,936</u>    | -   |
| Net cash (used in) capital and related financing activities     | <u>(457,347)</u>   | <u>(873,838)</u>   | <u>(817,223)</u>   | <u>(106,137)</u> | <u>(17,017)</u>           | <u>(2,271,562)</u>  | <u>(27,122)</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                    |                    |                    |                  |                           |                     |   |
| Interest on investments   | 8,242              | 4,129              | 3,262              | -                | 1,520                     | 17,153              | 175   |
| Rental income   | <u>37,008</u>      | <u>-</u>           | <u>-</u>           | <u>7,800</u>     | <u>-</u>                  | <u>44,808</u>       | <u>-</u>  |
| Net cash provided by investing activities                       | <u>45,250</u>      | <u>4,129</u>       | <u>3,262</u>       | <u>7,800</u>     | <u>1,520</u>              | <u>61,961</u>       | <u>175</u>  |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>     | 1,004,236          | 473,583            | (30,339)           | 36,260           | (19,784)                  | 1,463,956           | (26,947)  |
| <b>CASH AND CASH EQUIVALENTS, beginning</b>                     | <u>2,986,725</u>   | <u>3,428,798</u>   | <u>3,172,053</u>   | <u>8,401</u>     | <u>1,270,807</u>          | <u>10,866,784</u>   | <u>157,722</u>  |
| <b>CASH AND CASH EQUIVALENTS, ending</b>                        | <u>\$3,990,961</u> | <u>\$3,902,381</u> | <u>\$3,141,714</u> | <u>\$ 44,661</u> | <u>\$1,251,023</u>        | <u>\$12,330,740</u> | <u>\$ 130,775</u>   |

See Notes to Financial Statements.



**City of Waukee, Iowa**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (continued)**  
**Year ended June 30, 2014**

|   | <u>Water</u>       | <u>Sewer</u>       | <u>Gas</u>         | <u>Golf</u>       | <u>Nonmajor<br/>Funds</u> | <u>Total</u>        | <u>Governmental<br/>Activities<br/>Internal<br/>Service</u> |
|---|--------------------|--------------------|--------------------|-------------------|---------------------------|---------------------|---|
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                                      |                    |                    |                    |                   |                           |                     |   |
| Operating income  | \$1,141,722        | \$1,059,748        | \$ 459,123         | \$ 47,652         | \$ 205,741                | \$ 2,913,986        | \$ -  |
| Adjustments to reconcile operating income to net cash provided by operating activities                                      |                    |                    |                    |                   |                           |                     |   |
| Depreciation expense  | 514,509            | 564,854            | 339,495            | 64,631            | 34,063                    | 1,517,552           | -   |
| Bond amortization costs   | 1,444              | (101)              | 7,413              | -                 | -                         | 8,756               | -   |
| (Increase) decrease in customer accounts receivable and unbilled usage and other accounts receivable                        | (42,521)           | (56,189)           | (58,748)           | 841               | 11,567                    | (145,050)           | -   |
| (Increase) decrease in inventories, at cost   | (35,790)           | -                  | 96,216             | 2,118             | -                         | 62,544              | -   |
| Increase (decrease) in accounts payable   | 12,445             | (69,231)           | (14,562)           | 53,292            | (12,806)                  | (30,862)            | -   |
| Increase in customer deposits   | 9,070              | -                  | 3,150              | -                 | -                         | 12,220              | -   |
| Increase (decrease) in compensated absences   | 992                | 1,113              | 2,107              | (1,607)           | 2,186                     | 4,791               | -   |
| Increase in OPEB liability  | <u>3,092</u>       | <u>2,973</u>       | <u>3,305</u>       | <u>2,677</u>      | <u>2,586</u>              | <u>14,633</u>       | <u>-</u>  |
| Net cash provided by operating activities   | <u>\$1,604,963</u> | <u>\$1,503,167</u> | <u>\$ 837,499</u>  | <u>\$ 169,604</u> | <u>\$ 243,337</u>         | <u>\$ 4,358,570</u> | <u>\$ -</u>   |
| <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON THE STATEMENT OF NET POSITION</b> |                    |                    |                    |                   |                           |                     |   |
| Current assets  |                    |                    |                    |                   |                           |                     |   |
| Cash, cash equivalents and pooled investments   | \$3,773,839        | \$3,829,619        | \$2,533,599        | \$ 800            | \$1,251,023               | \$11,388,880        | \$ 130,775  |
| Restricted assets--cash, cash equivalents and pooled investments  |                    |                    |                    |                   |                           |                     |   |
| Customer deposits   | 92,575             | -                  | 73,100             | 600               | -                         | 166,275             | -   |
| Capacity fees   | 109,555            | -                  | -                  | -                 | -                         | 109,555             | -   |
| Revenue note and interest sinking account   | 14,992             | 72,762             | 535,015            | 43,261            | -                         | 666,030             | -   |
| Revenue note reserve account  | <u>359,652</u>     | <u>187,696</u>     | <u>-</u>           | <u>51,465</u>     | <u>-</u>                  | <u>598,813</u>      | <u>-</u>  |
|   | 4,350,613          | 4,090,077          | 3,141,714          | 96,126            | 1,251,023                 | 12,929,553          | 130,775   |
| Less items not meeting the definition of cash equivalent  |                    |                    |                    |                   |                           |                     |   |
| Certificates of deposit   | <u>(359,652)</u>   | <u>(187,696)</u>   | <u>-</u>           | <u>(51,465)</u>   | <u>-</u>                  | <u>(598,813)</u>    | <u>-</u>  |
| Cash and cash equivalents at year end   | <u>\$3,990,961</u> | <u>\$3,902,381</u> | <u>\$3,141,714</u> | <u>\$ 44,661</u>  | <u>\$1,251,023</u>        | <u>\$12,330,740</u> | <u>\$ 130,775</u>   |

See Notes to Financial Statements.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Reporting Entity**

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

These financial statements present the City of Waukee (the primary government) and its component 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, Dallas County Emergency Management Commission, and Greater Dallas County Development Alliance.

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

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

**Basis of Presentation**

**Government-wide Financial Statements**

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

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

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets. The related debt excludes unspent debt proceeds of \$6,994,248 in the capital projects fund.

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

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

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

**Fund Financial Statements**

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

The City reports the following major governmental funds:

**General Fund**

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

**Special Revenue**

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

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

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

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

**Basis of Presentation (continued)**

**Capital Projects Fund**

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

**Debt Service Fund**

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

The City reports the following major proprietary funds:

**Enterprise**

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

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

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

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

**Measurement Focus and Basis of Accounting**

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

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

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

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

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

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

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

**Measurement Focus and Basis of Accounting (continued)**

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

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

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

**Assets, Liabilities, Deferred Inflows of Resources and Fund Equity**

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

**Cash and Pooled Investments**

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Delinquent property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2014 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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

**Property Taxes Receivable, Including Tax Increment Financing (continued)**

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2013.

**Special Assessments Receivable**

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

**Customer Accounts and Unbilled Usage**

Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is not estimated or recorded to the financial statements per City policy.

**Due from and Due to Other Funds**

During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2014, 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**

Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures.

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

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

**Capital Assets**

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

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

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

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

**Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation for subsequent use. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

**Long-Term Liabilities**

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

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

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

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

**Deferred Inflows of Resources**

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 inflows of resources 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 inflows of resources consist of property tax receivable, and special assessments receivable not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax and special assessments receivable that will not be recognized as revenue until the year for which they are levied.

**Fund Balances**

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

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

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

Unassigned - All amounts not included in the preceding classifications.

**Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**NOTE 2 CHANGE IN ACCOUNTING PRINCIPLE**

In fiscal year 2014, the City of Waukee implemented Governmental Accounting Standard Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The statement reclassifies and recognizes certain items currently reported as assets and liabilities as one of four financial statement elements: deferred outflows of resources, outflows of resources, deferred inflows of resources, and inflow of resources. The financial impact resulting from the implementation of Statement No. 65 is the restatement of fiscal year 2014 beginning net position by \$(246,282) for governmental activities and \$(92,783) for business type activities for the write-off of unamortized bond issuance costs incurred in prior years.

**NOTE 3 CASH AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2014 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.



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

**NOTE 3 CASH AND POOLED INVESTMENTS (continued)**

The City has no investments meeting the disclosure requirements 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 4 ALLOWANCES FOR COLLECTION LOSSES**

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

|                                      | <u>Gross<br/>receivables</u> | <u>Allowance<br/>for<br/>collection<br/>losses</u> | <u>Net<br/>receivables</u> |
|--------------------------------------|------------------------------|--|----------------------------|
| Customer accounts and unbilled usage |                              |  |                            |
| Water Fund                           | \$ 371,470                   | \$ 850   | \$ 370,620                 |
| Sewer Fund                           | 326,275                      | 400  | 325,875                    |
| Gas Fund                             | 188,248                      | 1,750  | 186,498                    |
| Nonmajor Proprietary Funds           | <u>123,202</u>               | <u>—</u>   | <u>123,202</u>             |
| Totals                               | <u>\$1,009,195</u>           | <u>\$ 3,000</u>                                    | <u>\$1,006,195</u>         |
| Other                                |                              |  |                            |
| General Fund                         | <u>\$ 406,661</u>            | <u>\$ 32,000</u>                                   | <u>\$ 374,661</u>          |
| Capital Projects Fund                | <u>\$ 118,838</u>            | <u>\$ —</u>  | <u>\$ 118,838</u>          |

**NOTE 5 LEASING ACTIVITIES**

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

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

The City leases space on a water tower under an operating lease agreement dated June 4, 2012 expiring March 31, 2017, with four five-year renewal options at the same terms and conditions. The lease calls for annual payments of \$26,400 with annual 3% escalating increases, \$28,848 at June 30, 2014.

The City leases farm land under two operating lease agreements dated April 1, 2014 and May 1, 2013, and expiring December 15, 2014 and December 31, 2016, respectively. The leases automatically renew annually at the same terms and conditions unless written notice is given in which case they expire March 1 of the following year. The leases call for annual minimum payments of \$72,600 and \$5,000, respectively.

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

**NOTE 5 LEASING ACTIVITIES (continued)**

The total minimum future lease payments receivable under the operating leases at June 30, 2014 are as follows:

| <u>Year ending June 30</u> | <u>Office Space</u> | <u>Water Tower<br/>Space</u> | <u>Farm Land</u> | <u>Total</u>      |
|----------------------------|---------------------|------------------------------|------------------|-------------------|
| 2015                       | \$ 25,675           | \$ 28,848                    | \$ 41,300        | \$ 95,823         |
| 2016                       | 25,675              | 29,713                       | 5,000            | 60,388            |
| 2017                       | 27,675              | -                            | -                | 27,675            |
| 2018                       | 28,075              | -                            | -                | 28,075            |
| 2019                       | 28,075              | -                            | -                | 28,075            |
| Thereafter                 | <u>60,829</u>       | <u>-</u>                     | <u>-</u>         | <u>60,829</u>     |
|                            | <u>\$ 196,004</u>   | <u>\$ 58,561</u>             | <u>\$ 46,300</u> | <u>\$ 300,865</u> |

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

**NOTE 6 CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2014 was as follows:

|  | <u>Balance<br/>beginning<br/>of year</u> | <u>Increases</u>    | <u>Decreases</u>   | <u>Balance<br/>end<br/>of year</u> |
|--|--|---------------------|--------------------|------------------------------------|
| <b>Primary Government</b>                    |  |                     |                    |                                    |
| Governmental activities                      |  |                     |                    |                                    |
| Capital assets not being depreciated         |  |                     |                    |                                    |
| Land   | \$ 8,696,009                             | \$ -                | \$ -               | \$ 8,696,009                       |
| Construction in progress                     | 5,223,097                                | 7,746,731           | 4,810,288          | 8,159,540                          |
| Total capital assets not being depreciated   | <u>13,919,106</u>                        | <u>7,746,731</u>    | <u>4,810,288</u>   | <u>16,855,549</u>                  |
| Capital assets being depreciated             |  |                     |                    |                                    |
| Buildings                                    | 6,592,045                                | 1,727,944           | -                  | 8,319,989                          |
| Improvements other than buildings            | 27,868,185                               | 3,550,637           | -                  | 31,418,822                         |
| Equipment                                    | 4,869,189                                | 917,243             | 193,093            | 5,593,339                          |
| Infrastructure, road network                 | <u>80,404,257</u>                        | <u>2,105,728</u>    | <u>-</u>           | <u>82,509,985</u>                  |
| Total capital assets being depreciated       | <u>119,733,676</u>                       | <u>8,301,552</u>    | <u>193,093</u>     | <u>127,842,135</u>                 |
| Less accumulated depreciation for            |  |                     |                    |                                    |
| Buildings                                    | 2,055,947                                | 205,065             | -                  | 2,261,012                          |
| Improvements other than buildings            | 3,887,993                                | 1,927,311           | -                  | 5,815,304                          |
| Equipment                                    | 3,679,122                                | 361,182             | 175,929            | 3,864,375                          |
| Infrastructure, road network                 | <u>31,427,290</u>                        | <u>2,257,907</u>    | <u>-</u>           | <u>33,685,197</u>                  |
| Total accumulated depreciation               | <u>41,050,352</u>                        | <u>4,751,465</u>    | <u>175,929</u>     | <u>45,625,888</u>                  |
| Total capital assets being depreciated, net  | <u>78,683,324</u>                        | <u>3,550,087</u>    | <u>17,164</u>      | <u>82,216,247</u>                  |
| Governmental activities capital assets, net  | <u>\$ 92,602,430</u>                     | <u>\$11,296,818</u> | <u>\$4,827,452</u> | <u>\$ 99,071,796</u>               |
| <b>Business type activities</b>              |  |                     |                    |                                    |
| Capital assets not being depreciated         |  |                     |                    |                                    |
| Land   | \$ 1,226,032                             | \$ -                | \$ -               | \$ 1,226,032                       |
| Construction in progress                     | 477,175                                  | 585,117             | 1,062,292          | -                                  |
| Total capital assets not being depreciated   | <u>1,703,207</u>                         | <u>585,117</u>      | <u>1,062,292</u>   | <u>1,226,032</u>                   |
| Capital assets being depreciated             |  |                     |                    |                                    |
| Buildings                                    | 557,486                                  | -                   | -                  | 557,486                            |
| Equipment                                    | 3,259,389                                | 487,730             | 85,900             | 3,661,219                          |
| Infrastructure, water and sewer network      | <u>48,828,275</u>                        | <u>2,319,938</u>    | <u>-</u>           | <u>51,148,213</u>                  |
| Total capital assets being depreciated       | <u>52,645,150</u>                        | <u>2,807,668</u>    | <u>85,900</u>      | <u>55,366,918</u>                  |
| Less accumulated depreciation for            |  |                     |                    |                                    |
| Buildings                                    | 170,987                                  | 13,203              | -                  | 184,190                            |
| Equipment                                    | 1,987,384                                | 327,793             | 57,905             | 2,257,272                          |
| Infrastructure, water and sewer network      | <u>12,092,350</u>                        | <u>1,176,556</u>    | <u>-</u>           | <u>13,268,906</u>                  |
| Total accumulated depreciation               | <u>14,250,721</u>                        | <u>1,517,552</u>    | <u>57,905</u>      | <u>15,710,368</u>                  |
| Total capital assets being depreciated, net  | <u>38,394,429</u>                        | <u>1,290,116</u>    | <u>27,995</u>      | <u>39,656,550</u>                  |
| Business type activities capital assets, net | <u>\$ 40,097,636</u>                     | <u>\$ 1,875,233</u> | <u>\$1,090,287</u> | <u>\$ 40,882,582</u>               |

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

**NOTE 6 CAPITAL ASSETS (continued)**

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

|  |                    |
|--|--------------------|
| Governmental activities                              |                    |
| Public safety  | \$ 218,397         |
| Public works   | 4,218,735          |
| Culture and recreation                               | 232,114            |
| General government                                   | <u>82,219</u>      |
| Total depreciation expense--governmental activities  | <u>\$4,751,465</u> |
| Business type activities                             |                    |
| Water  | \$ 514,509         |
| Sewer  | 564,854            |
| Gas  | 339,495            |
| Storm water  | 34,063             |
| Golf   | <u>64,631</u>      |
| Total depreciation expense--business type activities | <u>\$1,517,552</u> |

**NOTE 7 CHANGES IN LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

|                                 | <u>Balance<br/>beginning<br/>of year</u> | <u>Increases</u>   | <u>Decreases</u>   | <u>Balance<br/>end<br/>of year</u> | <u>Due within<br/>one year</u> |
|---------------------------------|--|--------------------|--------------------|------------------------------------|--------------------------------|
| <b>Governmental activities</b>  |  |                    |                    |                                    |                                |
| General obligation bonds/notes  | \$25,095,119                             | \$8,740,000        | \$4,216,183        | \$29,618,936 (1)                   | \$4,593,075                    |
| Urban Renewal Revenue bonds     | 1,215,000                                | -                  | 135,000            | 1,080,000                          | 135,000                        |
| Special assessment notes        | 242,000                                  | -                  | 35,000             | 207,000                            | 37,000                         |
| Compensated absences            | 161,605                                  | 208,110            | 161,605            | 208,110                            | 37,216                         |
| Net OPEB liability              | <u>220,756</u>                           | <u>55,508</u>      | <u>-</u>           | <u>276,264</u>                     | <u>-</u>                       |
| Totals                          | <u>\$26,934,480</u>                      | <u>\$9,003,618</u> | <u>\$4,547,788</u> | <u>\$31,390,310</u>                | <u>\$4,802,291</u>             |
| <b>Business type activities</b> |  |                    |                    |                                    |                                |
| Capital leases                  | \$ 1,184                                 | \$ -               | \$ 629             | \$ 555                             | \$ 555                         |
| General obligation bonds/notes  | 93,016                                   | -                  | 31,094             | 61,922                             | 31,093                         |
| Des Moines Water Works bonds    | 1,452,771                                | -                  | 454,310            | 998,461                            | 474,098                        |
| Revenue bonds/notes             | 8,950,161                                | -                  | 743,626            | 8,206,535 (2)                      | 1,342,991                      |
| Compensated absences            | 50,530                                   | 55,321             | 50,530             | 55,321                             | 55,321                         |
| Net OPEB liability              | <u>68,676</u>                            | <u>14,633</u>      | <u>-</u>           | <u>83,309</u>                      | <u>-</u>                       |
| Totals                          | <u>\$10,616,338</u>                      | <u>\$ 69,954</u>   | <u>\$1,280,189</u> | <u>\$ 9,406,103</u>                | <u>\$1,904,058</u>             |

(1) Bonds were sold at a premium; unamortized premium at June 30, 2014 totaled \$1,130,472. Bonds were sold at a discount; unamortized discount at June 30, 2014 totaled \$219,052.

(2) Bonds were sold at a premium; unamortized premium at June 30, 2014 totaled \$1,075. Bonds were sold at a discount; unamortized discount at June 30, 2014 totaled \$85,531.

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

**NOTE 7 CHANGES IN LONG-TERM LIABILITIES (continued)**

**Bond/Note Issuance**

Sixteen issues of unmatured general obligation bonds/notes, totaling \$28,769,438, are outstanding at June 30, 2014. General obligation bonds/notes bear interest at rates ranging from 0.5% to 4.5% and mature in varying annual amounts, ranging from \$31,093 to \$930,000, with the final maturities due in the year ending June 30, 2033.

One issue of unmatured revenue notes, totaling \$1,080,000, is outstanding at June 30, 2014. The notes bear interest at 3.0% to 3.9% and mature in annual amounts of \$135,000 to \$175,000, with final maturity due in the year ending June 30, 2021.

One issue of unmatured special assessment notes, totaling \$207,000, is outstanding at June 30, 2014. The notes bear interest at 3.25% to 4.55% and mature in annual amounts of \$37,000 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, 2014 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, 2014</u> |
|------------------------------------|----------------------|-----------------------|-----------------------|------------------------|---------------------------------|----------------------------------|
| General Obligation Bonds and Notes |                      |                       |                       |                        |                                 |                                  |
| Golf Course                        | June 1, 2010         | 3.75                  | June 1, 2015          | \$329,288              | \$ 516,190                      | \$ 329,288                       |
| Corporate Purpose                  | February 1, 2006     | 3.70-3.95             | June 1, 2019          | \$115,000 - 140,000    | 1,200,000                       | 640,000                          |
| Sewer Project                      | April 8, 2008        | 3.75-4.20             | June 1, 2021          | 95,000 - 120,000       | 1,275,000                       | 76,000                           |
| Urban Renewal 2008C                | December 15, 2008    | 3.60-4.50             | June 1, 2022          | 160,000 - 215,000      | 2,200,000                       | 1,480,000                        |
| Urban Renewal 2009A                | April 28, 2009       | 3.10-3.50             | June 1, 2017          | 125,000 - 130,000      | 1,055,000                       | 380,000                          |
| Urban Renewal 2009B                | April 28, 2009       | 3.10-3.30             | June 1, 2016          | 430,000 - 445,000      | 5,345,000                       | 675,000                          |
| General Obligation 2010A           | June 2, 2010         | 2.50-3.50             | June 1, 2022          | 115,000 - 140,000      | 1,435,000                       | 1,005,000                        |
| General Obligation 2010B           | June 2, 2010         | 2.10-3.60             | June 1, 2021          | 150,000 - 185,000      | 1,745,000                       | 1,165,000                        |
| General Obligation                 |                      |                       |                       |                        |                                 |                                  |
| Golf Course Equipment              | March 15, 2011       | 3.40                  | June 1, 2016          | 31,093 - 30,829        | 155,202                         | 61,922                           |
| Ambulance                          | August 30, 2011      | 2.90                  | June 1, 2016          | 33,787 - 34,441        | 165,000                         | 68,228                           |
| General Obligation 2012A           | June 14, 2012        | 1.50-2.00             | June 1, 2020          | 100,000 - 450,000      | 2,680,000                       | 1,725,000                        |
| General Obligation 2012B           | June 14, 2012        | 1.50-3.00             | June 1, 2021          | 340,000 - 695,000      | 4,220,000                       | 4,220,000                        |
| Urban Renewal 2012D                | December 28, 2012    | 2.00                  | June 1, 2021          | 405,000 - 445,000      | 3,745,000                       | 2,950,000                        |
| General Obligation 2013B           | May 28, 2013         | 2.00-3.00             | June 1, 2028          | 100,000 - 350,000      | 3,280,000                       | 3,045,000                        |
| General Obligation                 |                      |                       |                       |                        |                                 |                                  |
| Refunding 2013C                    | May 28, 2013         | 0.50-1.35             | June 1, 2020          | 270,000 - 485,000      | 2,265,000                       | 2,265,000                        |
| General Obligation 2013D           | December 12, 2013    | 2.00-4.125            | June 1, 2033          | 110,000 - 930,000      | 8,740,000                       | 7,800,000                        |
| Revenue Bonds                      |                      |                       |                       |                        |                                 |                                  |
| Urban Renewal 2010C                | June 2, 2010         | 3.0-3.90              | June 1, 2021          | 135,000 - 175,000      | 1,590,000                       | 1,080,000                        |
| Special Assessment Notes           |                      |                       |                       |                        |                                 |                                  |
| Sewer Improvements                 | May 5, 2009          | 3.25-4.55             | December 1, 2018      | 37,000 - 46,000        | 362,000                         | 207,000                          |

The City has pledged future tax increment revenues to repay the \$1,080,000 of bonds issued June 2, 2010. The Urban Renewal revenue bonds were issued for the purpose of defraying a portion of the cost of an urban renewal project. The bonds are payable solely from the proceeds of the tax increment revenues received by the City and are payable through 2021. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Annual principal and interest payments on the bonds are expected to require approximately six percent of the tax increment revenues. The total principal and interest remaining to be paid on the notes is \$1,242,785. For the current year, \$176,255 of principal and interest was paid on the bonds and total tax increment revenues were \$3,017,853.

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

**NOTE 7 CHANGES IN LONG-TERM LIABILITIES (continued)**

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

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

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

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

| <u>Year ending<br/>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>      |
| 2015                           | \$ 4,624,168              | \$ 799,482         | \$ 5,423,650        | \$ 37,000                 | \$ 7,443         | \$ 44,443         |
| 2016                           | 4,390,270                 | 700,057            | 5,090,327           | 39,000                    | 6,160            | 45,160            |
| 2017                           | 3,975,000                 | 599,464            | 4,574,464           | 41,000                    | 4,698            | 45,698            |
| 2018                           | 3,455,000                 | 504,256            | 3,959,256           | 44,000                    | 3,006            | 47,006            |
| 2019                           | 3,440,000                 | 417,940            | 3,857,940           | 46,000                    | 1,046            | 47,046            |
| 2020-2024                      | 7,095,000                 | 741,906            | 7,836,906           | —                         | —                | —                 |
| 2025-2029                      | 1,115,000                 | 243,707            | 1,358,707           | —                         | —                | —                 |
| 2030-2033                      | <u>675,000</u>            | <u>70,100</u>      | <u>745,100</u>      | <u>—</u>                  | <u>—</u>         | <u>—</u>          |
| Subtotal                       | 28,769,438                | 4,076,912          | 32,846,350          | 207,000                   | 22,353           | 229,353           |
| Plus unamortized premium       | <u>911,420</u>            | <u>—</u>           | <u>911,420</u>      | <u>—</u>                  | <u>—</u>         | <u>—</u>          |
| Totals                         | <u>\$29,680,858</u>       | <u>\$4,076,912</u> | <u>\$33,757,770</u> | <u>\$ 207,000</u>         | <u>\$ 22,353</u> | <u>\$ 229,353</u> |

| <u>Year ending<br/>June 30</u> | <u>Revenue</u>     |                   |                    |
|--------------------------------|--------------------|-------------------|--------------------|
|                                | <u>Principal</u>   | <u>Interest</u>   | <u>Total</u>       |
| 2015                           | \$ 135,000         | \$ 37,205         | \$ 172,205         |
| 2016                           | 140,000            | 33,155            | 173,155            |
| 2017                           | 145,000            | 28,955            | 173,955            |
| 2018                           | 155,000            | 24,315            | 179,315            |
| 2019                           | 160,000            | 19,045            | 179,045            |
| 2020-2021                      | <u>345,000</u>     | <u>20,110</u>     | <u>365,110</u>     |
| Totals                         | <u>\$1,080,000</u> | <u>\$ 162,785</u> | <u>\$1,242,785</u> |

Seven issues of unmatured revenue notes, totaling \$8,290,991, are outstanding at June 30, 2014. These notes bear interest at rates ranging from 1.75% to 4.70% and mature in varying annual amounts, ranging from \$29,000 to \$610,991, with the final maturities due in the year ending June 30, 2032.

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

**NOTE 7 CHANGES IN LONG-TERM LIABILITIES (continued)**

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

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

During the year ended June 30, 2014, the City was in compliance with the revenue note/bond provisions.

The City has pledged future sewer, water, golf, and gas customer revenues, net of specified operating expenses, to repay \$12,989,000 in revenue notes issued from 1998 to 2013. Proceeds from the notes provided financing for construction of improvements to the facilities and infrastructure and purchase capacity. The notes are payable solely from customer net revenues and are payable through 2032. Annual principal and interest payments on the notes are expected to require less than net revenues. The total principal and interest remaining to be paid on the notes is \$10,108,442. For the current year, principal and interest paid and total customer net revenues were \$1,078,281 and \$4,200,490, respectively.

Details of revenue notes and bonds payable at June 30, 2014 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, 2014</u> |
|---------------------------------|----------------------|-----------------------|-----------------------|------------------------|---------------------------------|----------------------------------|
| Revenue Notes and Bonds         |                      |                       |                       |                        |                                 |                                  |
| Water                           |                      |                       |                       |                        |                                 |                                  |
| Revenue Capital Loan 2012C      | September 5, 2012    | 2.00 - 4.10           | June 1, 2032          | \$100,000 - 185,000    | \$2,625,000                     | \$2,425,000                      |
| Sewer                           |                      |                       |                       |                        |                                 |                                  |
| Bonds-Series 1998A              | October 8, 1998      | 1.75                  | June 1, 2018          | 29,000 - 33,000        | 455,748                         | 123,000                          |
| Bonds-Series 1998B              | October 8, 1998      | 1.75                  | June 1, 2018          | 66,000 - 68,000        | 945,252                         | 257,000                          |
| Bonds Series 1998C              | October 8, 1998      | 1.75                  | June 1, 2018          | 73,000 - 82,000        | 1,178,000                       | 310,000                          |
| Revenue Capital Loan 2013A      | March 1, 2013        | 2.00 - 2.50           | June 1, 2024          | 100,000 - 120,000      | 1,185,000                       | 1,085,000                        |
| Golf Course                     |                      |                       |                       |                        |                                 |                                  |
| Revenue Note                    | March 4, 2005        | 4.45                  | June 1, 2015          | 610,991                | 925,000                         | 610,991                          |
| Gas                             |                      |                       |                       |                        |                                 |                                  |
| Revenue Note                    | July 9, 2007         | 4.50-4.70             | June 1, 2022          | 370,000 - 505,000      | 5,675,000                       | 3,480,000                        |

| <u>Year ending June 30</u> | <u>Revenue Notes/Bonds</u> |                    |                     |
|----------------------------|----------------------------|--------------------|---------------------|
|                            | <u>Principal</u>           | <u>Interest</u>    | <u>Total</u>        |
| 2015                       | \$1,342,991                | \$ 294,566         | \$ 1,637,557        |
| 2016                       | 764,000                    | 244,369            | 1,008,369           |
| 2017                       | 786,000                    | 219,762            | 1,005,762           |
| 2018                       | 818,000                    | 194,357            | 1,012,357           |
| 2019                       | 660,000                    | 167,829            | 827,829             |
| 2020-2024                  | 2,640,000                  | 462,708            | 3,102,708           |
| 2025-2029                  | 745,000                    | 189,725            | 934,725             |
| 2030-2032                  | 535,000                    | 44,135             | 579,135             |
| Subtotal                   | 8,290,991                  | 1,817,451          | 10,108,442          |
| Less unamortized discount  | (84,456)                   | -                  | (84,456)            |
| Totals                     | <u>\$8,206,535</u>         | <u>\$1,817,451</u> | <u>\$10,023,986</u> |

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

**NOTE 7 CHANGES IN LONG-TERM LIABILITIES (continued)**

One issue of unmatured Des Moines Water Works refunding bonds, totaling \$998,461, is outstanding at June 30, 2014. This note bears interest at a rate of 3.0% and matures in annual amounts ranging from \$134,938 to \$474,098, with the final maturity due in the year ending June 30, 2017.

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

| <b>Year ending<br/>June 30</b> | <b>Des Moines Water Works<br/>2006 Water Refunding Bonds</b> |                  |                    |
|--------------------------------|--|------------------|--------------------|
|                                | <b>Principal</b>   | <b>Interest</b>  | <b>Total</b>       |
| 2015                           | \$ 474,098   | \$ 29,954        | \$ 504,052         |
| 2016                           | 389,425  | 15,731           | 405,156            |
| 2017                           | <u>134,938</u>   | <u>4,048</u>     | <u>138,986</u>     |
| Totals                         | <u>\$ 998,461</u>  | <u>\$ 49,733</u> | <u>\$1,048,194</u> |

As of June 30, 2014, the general obligation debt issued by the City did not exceed its legal debt limit computed as follows:

|  |                        |
|--|------------------------|
| Actual valuation                           | <u>\$1,162,161,531</u> |
| Debt limit - 5% of total actual valuation  | <u>\$58,108,077</u>    |
| Debt applicable to debt limit              |                        |
| General obligation bonded debt outstanding | \$28,769,438           |
| Urban Renewal revenue bonds outstanding    | 1,080,000              |
| Tax increment financing debt outstanding   | <u>3,392,638</u>       |
| Total debt subject to debt limit           | <u>\$33,242,076</u>    |
| Percentage of debt limit                   | 57.21%                 |



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

**NOTE 8 INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u>  | <u>Amount</u>   |
|--------------------|---|---|
| General            | Governmental Funds<br>Employee Benefits   | \$1,113,000   |
|                    | Internal Service Funds<br>Equipment Revolving Fund  | <u>27,122</u>   |
|                    |   | <u>1,140,122</u>  |
| Capital Projects   | General   | <u>2,060</u>  |
| Debt Service       | Governmental Funds<br>General<br>Urban Renewal TIF<br>Nonmajor Governmental Funds<br>Enterprise<br>Water<br>Sewer<br>Gas<br>Golf<br>Nonmajor Enterprise Funds | 78,170<br>2,385,567<br>752,884<br><br>188,630<br>159,875<br>107,766<br>35,007<br><u>193,735</u><br><u>3,901,634</u> |
| Total              |   | <u>\$5,043,816</u>  |

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

**NOTE 9 DUE FROM AND DUE TO OTHER FUNDS**

The detail of interfund receivables and payables at June 30, 2014 is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u>      | <u>Amount</u>      |
|------------------------|--------------------------|--------------------|
| Enterprise—Gas         | General                  | \$ 18,821          |
| General                | Enterprise - Golf Course | 914,986            |
| Enterprise—Water       | Enterprise - Golf Course | <u>100,000</u>     |
| Total                  |                          | <u>\$1,033,807</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 10 PENSION AND RETIREMENT BENEFITS**

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

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% 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, 2014, 2013 and 2012 was \$496,773, \$423,241 and \$373,851, respectively, equal to the required contributions for each year.

**NOTE 11 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 700 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 casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300 percent of the basis rate 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 property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2014 were \$170,259.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

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

**NOTE 11 RISK MANAGEMENT (continued)**

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of casualty claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the City's financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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

**Self-insurance**

The City has 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 \$7,009 at June 30, 2014.

**NOTE 12 COMMITMENTS**

The City entered into contract commitments with contractors for the completion of several infrastructure construction projects. The total contract commitments are approximately \$21,100,000 of which approximately \$10,972,000 has been incurred as of June 30, 2014. The unpaid commitment balance is approximately \$10,128,000 which will be funded by current reserves in the capital projects funds and other sources.

**NOTE 13 TAX INCREMENT FINANCING DEBT**

Urban renewal tax increment financing debt was issued for the purpose of defraying a portion of the costs of carrying out urban renewal projects of the City. The debt is payable solely from the income and proceeds of the Urban Renewal TIF and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The debt is not a general obligation of the City, however, the debt is subject to the constitutional debt limitation of the City. At June 30, 2014, \$3,392,638 is outstanding.

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

**NOTE 14 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, 2014, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

|  |                   |
|--|-------------------|
| Annual required contribution, ARC          | \$ 74,000         |
| Interest on net OPEB obligation            | 5,789             |
| Adjustment to annual required contribution | <u>(9,649)</u>    |
| Annual OPEB cost                           | 70,140            |
| Contributions made                         | <u>—</u>          |
| Increase in net OPEB obligation            | 70,140            |
| Net OPEB obligation, beginning of year     | <u>289,433</u>    |
| Net OPEB obligation, end of year           | <u>\$ 359,573</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, 2014.

For the year ended June 30, 2014, 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, 2014 are summarized as follows:

| <u>Fiscal year ended</u> | <u>Annual<br/>OPEB cost</u> | <u>Percentage of<br/>annual OPEB<br/>cost contributed</u> | <u>Net OPEB<br/>obligation</u> |
|--------------------------|-----------------------------|---|--------------------------------|
| June 30, 2012            | <u>\$ 72,000</u>            | <u>0.0%</u>   | <u>\$ 218,344</u>              |
| June 30, 2013            | <u>\$ 71,089</u>            | <u>0.0%</u>   | <u>\$ 289,433</u>              |
| June 30, 2014            | <u>\$ 70,140</u>            | <u>0.0%</u>   | <u>\$ 359,573</u>              |

As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2014, the actuarial accrued liability was \$360,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of \$360,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,339,000, and the ratio of the UAAL to the covered payroll was 6.7%. As of June 30, 2014, there were no trust fund assets.

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

**NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

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

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

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

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

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

**NOTE 15 JOINT VENTURE**

The City is a participating community in the Des Moines Metropolitan Wastewater Reclamation Authority joint venture. This joint venture provides primary and secondary treatment of the sewer flows for the participating communities. The Amended and Restated Agreement for the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) was effective on July 1, 2004. 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 15 JOINT VENTURE (continued)**

The WRA Sewer Revenue Bonds Series 2004B 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, 2014, the Series 2004B bonds had a balance of \$55,880,000 and the City of Waukee's estimated future allocation based on the WRA flows was \$1,811,139.

The WRA Sewer Revenue Bonds Series 2006A 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, 2014, the Series 2006A bonds had a balance of \$33,275,000 and the City of Waukee's estimated future allocation based on the WRA flows is currently \$1,080,418.

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, 2014, the 2008 SRF loan had a balance of \$249,324,590 and the City of Waukee's estimated future allocation based on the WRA flows was \$7,620,406.

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

The WRA issues separate financial statements that may be obtained at 3000 Vandalia Road, Des Moines, Iowa 50317-1346.

**NOTE 16 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. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, will be effective for the City beginning with its year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

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

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

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

**NOTE 16 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS (continued)**

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB No. 68*, will be effective for the City beginning with its year ending June 30, 2015. This Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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

**NOTE 17 SUBSEQUENT EVENTS**

On October 6, 2014 the City set a public hearing date of October 20, 2014 for the issuance of not to exceed \$24,700,000 General Obligation Urban Renewal Bonds.

**NOTE 18 DEFICIT BALANCES**

At June 30, 2014, funds with deficit balances were as follows:

|           |                  |
|-----------|------------------|
| Golf Fund | \$ <u>22,347</u> |
|-----------|------------------|

The golf deficit balance is the result of required debt principal and interest payments in excess of operating revenues. The deficit will be eliminated by future revenues.

**REQUIRED SUPPLEMENTARY INFORMATION**



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

| <u>Fiscal year ended</u> | <u>Actuarial valuation date</u> | <u>Actuarial value of assets (a)</u> | <u>Actuarial accrued liability (AAL) (b)</u> | <u>Unfunded AAL (UAAL) (b - a)</u> | <u>Funded ratio (a/b)</u> | <u>Covered payroll (c)</u> | <u>UAAL as a percentage of covered payroll ((b - a)/c)</u> |
|--------------------------|---------------------------------|--------------------------------------|--|------------------------------------|---------------------------|----------------------------|--|
| June 30, 2010            | July 1, 2008                    | \$ <u>—</u>                          | <u>\$265</u>                                 | <u>\$265</u>                       | <u>0.0%</u>               | <u>\$3,866</u>             | <u>6.9%</u>  |
| June 30, 2011            | July 1, 2008                    | \$ <u>—</u>                          | <u>\$265</u>                                 | <u>\$265</u>                       | <u>0.0%</u>               | <u>\$4,144</u>             | <u>6.4%</u>  |
| June 30, 2012            | July 1, 2011                    | \$ <u>—</u>                          | <u>\$360</u>                                 | <u>\$360</u>                       | <u>0.0%</u>               | <u>\$4,491</u>             | <u>8.0%</u>  |
| June 30, 2013            | July 1, 2011                    | \$ <u>—</u>                          | <u>\$360</u>                                 | <u>\$360</u>                       | <u>0.0%</u>               | <u>\$4,633</u>             | <u>7.8%</u>  |
| June 30, 2014            | July 1, 2011                    | \$ <u>—</u>                          | <u>\$360</u>                                 | <u>\$360</u>                       | <u>0.0%</u>               | <u>\$5,339</u>             | <u>6.7%</u>  |

See Note 14 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost, Net OPEB Obligation, funded status and funding progress.

**City of Waukee, Iowa**  
**BUDGETARY COMPARISON SCHEDULE OF REVENUES,**  
**EXPENDITURES/EXPENSES AND CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL**  
**GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**  
**Required Supplementary Information**  
**Year ended June 30, 2014**

|   | <u>Governmental<br/>funds<br/>actual</u> | <u>Proprietary<br/>funds<br/>actual</u> | <u>Less funds not<br/>required to<br/>be budgeted</u> | <u>Total<br/>actual</u> |
|---|--|---|---|-------------------------|
| <b>REVENUES</b>   |  |   |   |                         |
| Property tax  | \$ 7,666,911                             | \$ -                                    | \$ -  | \$ 7,666,911            |
| Tax increment financing   | 3,017,853                                | -                                       | -   | 3,017,853               |
| Other city tax  | 60,988                                   | -                                       | -   | 60,988                  |
| Licenses and permits  | 1,057,350                                | -                                       | -   | 1,057,350               |
| Use of money and property   | 222,405                                  | 1,652,510                               | 20,002  | 1,854,913               |
| Intergovernmental   | 2,539,186                                | -                                       | -   | 2,539,186               |
| Charges for services  | 597,042                                  | 14,041,715                              | 232,295   | 14,406,462              |
| Miscellaneous   | <u>281,147</u>                           | <u>218,877</u>                          | <u>31,234</u>   | <u>468,790</u>          |
| Total revenues  | <u>15,442,882</u>                        | <u>15,913,102</u>                       | <u>283,531</u>  | <u>31,072,453</u>       |
| <b>EXPENDITURES/EXPENSES</b>  |  |   |   |                         |
| Public safety   | 3,286,146                                | -                                       | -   | 3,286,146               |
| Public works  | 2,241,516                                | -                                       | -   | 2,241,516               |
| Health and social services  | 16,500                                   | -                                       | -   | 16,500                  |
| Culture and recreation  | 1,457,105                                | -                                       | 7,804   | 1,449,301               |
| Community and economic development  | 910,021                                  | -                                       | -   | 910,021                 |
| General government  | 757,317                                  | -                                       | -   | 757,317                 |
| Debt service  | 5,996,633                                | -                                       | -   | 5,996,633               |
| Capital projects  | 9,226,292                                | -                                       | -   | 9,226,292               |
| Business type activities  | -  | 11,437,883                              | -   | 11,437,883              |
| Nonprogram  | -  | <u>235,840</u>                          | <u>235,840</u>  | -                       |
| Total disbursements   | <u>23,891,530</u>                        | <u>11,673,723</u>                       | <u>243,644</u>  | <u>35,321,609</u>       |
| Excess (deficiency) of revenues over (under)<br>expenditures/expenses                         | <u>(8,448,648)</u>                       | <u>4,239,379</u>                        | <u>39,887</u>   | <u>(4,249,156)</u>      |
| <b>OTHER FINANCING SOURCES (USES), NET</b>  |  |   |   |                         |
| Excess of revenues and other financing sources<br>over disbursements and other financing uses | <u>10,218,889</u>                        | <u>(685,013)</u>                        | <u>-</u>  | <u>9,533,876</u>        |
| Capital contributions   | -  | 7,862                                   | -   | 7,862                   |
| <b>BALANCES, beginning of year, as restated (Note 2)</b>                                      | <u>13,494,105</u>                        | <u>40,761,873</u>                       | <u>209,528</u>  | <u>54,046,450</u>       |
| <b>BALANCES, end of year</b>  | <u>\$15,264,346</u>                      | <u>\$44,324,101</u>                     | <u>\$ 249,415</u>                                     | <u>\$59,339,032</u>     |

See accompanying independent auditor's report.

| <u>Budgeted amounts</u> |                     | <u>Final to actual<br/>variance</u> |
|-------------------------|---------------------|-------------------------------------|
| <u>Original</u>         | <u>Final</u>        |                                     |
| \$ 7,648,749            | \$ 7,648,749        | \$ 18,162                           |
| 3,063,774               | 3,063,774           | (45,921)                            |
| 110,106                 | 110,106             | (49,118)                            |
| 635,990                 | 1,041,563           | 15,787                              |
| 277,178                 | 283,520             | 1,571,393                           |
| 15,890,150              | 15,942,090          | (13,402,904)                        |
| 13,099,456              | 15,267,670          | (861,208)                           |
| 354,850                 | 443,215             | 25,575                              |
| <u>41,080,253</u>       | <u>43,800,687</u>   | <u>(12,728,234)</u>                 |
| 3,402,110               | 3,863,048           | 576,902                             |
| 2,225,344               | 2,741,046           | 499,530                             |
| 18,500                  | 18,500              | 2,000                               |
| 1,537,624               | 1,553,061           | 103,760                             |
| 731,350                 | 1,010,635           | 100,614                             |
| 904,688                 | 1,181,505           | 424,188                             |
| 4,569,259               | 5,998,855           | 2,222                               |
| 35,785,000              | 35,785,000          | 26,558,708                          |
| 12,699,750              | 14,602,056          | 3,164,173                           |
| —                       | —                   | —                                   |
| <u>61,873,625</u>       | <u>66,753,706</u>   | <u>31,432,097</u>                   |
| <u>(20,793,372)</u>     | <u>(22,953,019)</u> | <u>18,703,863</u>                   |
| <u>21,984,000</u>       | <u>22,002,220</u>   | <u>(12,468,344)</u>                 |
| 1,190,628               | (950,799)           | 6,235,519                           |
| —                       | —                   | 7,862                               |
| <u>26,870,439</u>       | <u>26,870,439</u>   | <u>27,176,011</u>                   |
| <u>\$28,061,067</u>     | <u>\$25,919,640</u> | <u>\$33,419,392</u>                 |

**City of Waukee, Iowa**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**  
**Year ended June 30, 2014**

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 expenditures/expenses known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function expenditures/expenses required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function 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 \$4,880,081. 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.

**SUPPLEMENTARY INFORMATION**

**City of Waukee  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2014**

|   | <u>Special Revenue Funds</u> |   |                               |                    |   | <u>Debt service</u>            |                    |
|---|------------------------------|---|-------------------------------|--------------------|---|--------------------------------|--------------------|
|   | <u>Road<br/>Use Tax</u>      | <u>Enterprise<br/>Business<br/>Park TIF</u> | <u>Library<br/>Foundation</u> | <u>Forfeitures</u> | <u>Hickman<br/>West<br/>Industrial<br/>Park TIF</u> | <u>Special<br/>Assessments</u> | <u>Total</u>       |
| <b>ASSETS</b>   |                              |   |                               |                    |   |                                |                    |
| Cash, cash equivalents and pooled investments                       | \$ 809,748                   | \$ 439,728                                  | \$ 171,456                    | \$ 15,533          | \$1,587,719   | \$ 115,236                     | \$3,139,420        |
| Receivables   |                              |   |                               |                    |   |                                |                    |
| Property tax  |                              |   |                               |                    |   |                                |                    |
| Special assessments   | -                            | -   | -                             | -                  | -   | 369,623                        | 369,623            |
| Prepaid insurance   | <u>10,520</u>                | <u>-</u>                                    | <u>-</u>                      | <u>-</u>           | <u>-</u>  | <u>-</u>                       | <u>10,520</u>      |
| Total assets  | <u>\$ 820,268</u>            | <u>\$ 439,728</u>                           | <u>\$ 171,456</u>             | <u>\$ 15,533</u>   | <u>\$1,587,719</u>                                  | <u>\$ 484,859</u>              | <u>\$3,519,563</u> |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> |                              |   |                               |                    |   |                                |                    |
| <b>LIABILITIES</b>  |                              |   |                               |                    |   |                                |                    |
| Accounts payable  | \$ 198,759                   | \$ -  | \$ -                          | \$ 3,324           | \$ -  | \$ -                           | \$ 202,083         |
| Compensated absences  | <u>3,543</u>                 | <u>-</u>                                    | <u>-</u>                      | <u>-</u>           | <u>-</u>  | <u>-</u>                       | <u>3,543</u>       |
| Total liabilities   | <u>202,302</u>               | <u>-</u>                                    | <u>-</u>                      | <u>3,324</u>       | <u>-</u>  | <u>-</u>                       | <u>205,626</u>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                |                              |   |                               |                    |   |                                |                    |
| Unavailable revenues  |                              |   |                               |                    |   |                                |                    |
| Special assessments   | <u>-</u>                     | <u>-</u>                                    | <u>-</u>                      | <u>-</u>           | <u>-</u>  | <u>369,623</u>                 | <u>369,623</u>     |
| <b>FUND BALANCES</b>  |                              |   |                               |                    |   |                                |                    |
| Fund balances   |                              |   |                               |                    |   |                                |                    |
| Nonspendable  | 10,520                       | -   | -                             | -                  | -   | -                              | 10,520             |
| Restricted for  |                              |   |                               |                    |   |                                |                    |
| Debt service  | -                            | -   | -                             | -                  | -   | 115,236                        | 115,236            |
| Other   | <u>607,446</u>               | <u>439,728</u>                              | <u>171,456</u>                | <u>12,209</u>      | <u>1,587,719</u>                                    | <u>-</u>                       | <u>2,818,558</u>   |
| Total fund balances   | <u>617,966</u>               | <u>439,728</u>                              | <u>171,456</u>                | <u>12,209</u>      | <u>1,587,719</u>                                    | <u>115,236</u>                 | <u>2,944,314</u>   |
| Total liabilities, deferred inflows of resources and fund balances  | <u>\$ 820,268</u>            | <u>\$ 439,728</u>                           | <u>\$ 171,456</u>             | <u>\$ 15,533</u>   | <u>\$1,587,719</u>                                  | <u>\$ 484,859</u>              | <u>\$3,519,563</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, 2014**

|  | <u>Special Revenue Funds</u> |   |                               |                    |   | <u>Debt service</u>            |                    |
|--|------------------------------|---|-------------------------------|--------------------|---|--------------------------------|--------------------|
|  | <u>Road<br/>Use Tax</u>      | <u>Enterprise<br/>Business<br/>Park TIF</u> | <u>Library<br/>Foundation</u> | <u>Forfeitures</u> | <u>Hickman<br/>West<br/>Industrial<br/>Park TIF</u> | <u>Special<br/>Assessments</u> | <u>Total</u>       |
| <b>REVENUES</b>                            |                              |   |                               |                    |   |                                |                    |
| Tax increment financing collections        | \$ -                         | \$ 241,207                                  | \$ -                          | \$ -               | \$ 621,763  | \$ -                           | \$ 862,970         |
| Other city tax                             | -                            | -   | -                             | -                  | -   | 18,312                         | 18,312             |
| Use of money and property                  | -                            | 581   | 19,790                        | -                  | 1,945   | 13,578                         | 35,894             |
| Intergovernmental                          | 1,488,086                    | -   | -                             | -                  | -   | -                              | 1,488,086          |
| Charges for services                       | -                            | -   | -                             | 5,000              | -   | -                              | 5,000              |
| Miscellaneous                              | 7,109                        | -   | 17,830                        | -                  | -   | -                              | 24,939             |
| Total revenues                             | <u>1,495,195</u>             | <u>241,788</u>                              | <u>37,620</u>                 | <u>5,000</u>       | <u>623,708</u>                                      | <u>31,890</u>                  | <u>2,435,201</u>   |
| <b>EXPENDITURES</b>                        |                              |   |                               |                    |   |                                |                    |
| Operating                                  |                              |   |                               |                    |   |                                |                    |
| Public safety                              | -                            | -   | -                             | 10,744             | -   | -                              | 10,744             |
| Public works                               | 1,189,728                    | -   | -                             | -                  | -   | -                              | 1,189,728          |
| Culture and recreation                     | -                            | -   | 7,804                         | -                  | -   | -                              | 7,804              |
| Debt service                               |                              |   |                               |                    |   |                                |                    |
| Principal                                  | -                            | -   | -                             | -                  | -   | 35,000                         | 35,000             |
| Interest                                   | -                            | -   | -                             | -                  | -   | 8,561                          | 8,561              |
| Capital projects                           | 418,573                      | -   | -                             | -                  | -   | -                              | 418,573            |
| Total expenditures                         | <u>1,608,301</u>             | <u>-</u>                                    | <u>7,804</u>                  | <u>10,744</u>      | <u>-</u>  | <u>43,561</u>                  | <u>1,670,410</u>   |
| Excess of revenues over<br>Expenditures    | <u>(113,106)</u>             | <u>241,788</u>                              | <u>29,816</u>                 | <u>(5,744)</u>     | <u>623,708</u>                                      | <u>(11,671)</u>                | <u>764,791</u>     |
| <b>OTHER FINANCING SOURCES (USES)</b>      |                              |   |                               |                    |   |                                |                    |
| Sale of capital assets                     | 69,000                       | -   | -                             | -                  | -   | -                              | 69,000             |
| Operating transfers in (out)               | (23,644)                     | (234,050)                                   | -                             | 17,953             | (513,143)   | -                              | (752,884)          |
| Total other financing sources (uses)       | <u>45,356</u>                | <u>(234,050)</u>                            | <u>-</u>                      | <u>17,953</u>      | <u>(513,143)</u>                                    | <u>-</u>                       | <u>(683,884)</u>   |
| <b>NET CHANGES IN FUND BALANCES</b>        | (67,750)                     | 7,738                                       | 29,816                        | 12,209             | 110,565   | (11,671)                       | 80,907             |
| <b>FUND BALANCES BEGINNING<br/>OF YEAR</b> | <u>685,716</u>               | <u>431,990</u>                              | <u>141,640</u>                | <u>-</u>           | <u>1,477,154</u>                                    | <u>126,907</u>                 | <u>2,863,407</u>   |
| <b>FUND BALANCES END OF YEAR</b>           | <u>\$ 617,966</u>            | <u>\$ 439,728</u>                           | <u>\$ 171,456</u>             | <u>\$ 12,209</u>   | <u>\$1,587,719</u>                                  | <u>\$ 115,236</u>              | <u>\$2,944,314</u> |

See accompanying independent auditor's report.

**City of Waukee, Iowa**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
**June 30, 2014**

|  | <u>Enterprise Funds</u> |                        |                    | <u>Total</u>       |
|--|-------------------------|------------------------|--------------------|--------------------|
|  | <u>Solid Waste</u>      | <u>Utility Billing</u> | <u>Storm Water</u> |                    |
| <b>ASSETS</b>                                    |                         |                        |                    |                    |
| Current assets                                   |                         |                        |                    |                    |
| Cash and pooled investments                      | \$ 24,724               | \$ 123,537             | \$1,102,762        | \$1,251,023        |
| Receivables                                      |                         |                        |                    |                    |
| Customer accounts and unbilled usage             | 80,576                  | -                      | 42,626             | 123,202            |
| Noncurrent assets                                |                         |                        |                    |                    |
| Capital assets (net of accumulated depreciation) | -                       | -                      | 347,440            | 347,440            |
| Total assets                                     | <u>105,300</u>          | <u>123,537</u>         | <u>1,492,828</u>   | <u>1,721,665</u>   |
| <b>LIABILITIES</b>                               |                         |                        |                    |                    |
| Current liabilities                              |                         |                        |                    |                    |
| Accounts payable                                 | 223                     | 33,297                 | 22,819             | 56,339             |
| Compensated absences                             | -                       | 5,797                  | 2,576              | 8,373              |
| Noncurrent liabilities                           |                         |                        |                    |                    |
| Net OPEB liability                               | -                       | 6,484                  | 8,415              | 14,899             |
| Total liabilities                                | <u>223</u>              | <u>45,578</u>          | <u>33,810</u>      | <u>79,611</u>      |
| <b>NET POSITION</b>                              |                         |                        |                    |                    |
| Net investment in capital assets                 | -                       | -                      | 347,440            | 347,440            |
| Unrestricted                                     | <u>105,077</u>          | <u>77,959</u>          | <u>1,111,578</u>   | <u>1,294,614</u>   |
| Total net position                               | <u>\$ 105,077</u>       | <u>\$ 77,959</u>       | <u>\$1,459,018</u> | <u>\$1,642,054</u> |

See accompanying independent auditor's report.



City of Waukee, Iowa  
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES  
 IN FUND NET POSITION  
 NONMAJOR PROPRIETARY FUNDS  
 Year ended June 30, 2014**

|                                       | <b>Enterprise Funds</b> |                            |                        | <b>Total</b>       |
|---------------------------------------|-------------------------|----------------------------|------------------------|--------------------|
|                                       | <b>Solid<br/>Waste</b>  | <b>Utility<br/>Billing</b> | <b>Storm<br/>Water</b> |                    |
| <b>OPERATING REVENUES</b>             |                         |                            |                        |                    |
| Charges for service                   | \$ 852,933              | \$ 232,295                 | \$ 502,285             | \$1,587,513        |
| Miscellaneous                         | <u>1,207</u>            | <u>13,404</u>              | <u>519</u>             | <u>15,130</u>      |
| Total operating revenues              | <u>854,140</u>          | <u>245,699</u>             | <u>502,804</u>         | <u>1,602,643</u>   |
| <b>OPERATING EXPENSES</b>             |                         |                            |                        |                    |
| Business type activities              |                         |                            |                        |                    |
| Cost of sales and services            | 863,236                 | 235,840                    | 263,763                | 1,362,839          |
| Depreciation and amortization         | <u>—</u>                | <u>—</u>                   | <u>34,063</u>          | <u>34,063</u>      |
| Total operating expenses              | <u>863,236</u>          | <u>235,840</u>             | <u>297,826</u>         | <u>1,396,902</u>   |
| Operating income (loss)               | <u>(9,096)</u>          | <u>9,859</u>               | <u>204,978</u>         | <u>205,741</u>     |
| <b>NONOPERATING REVENUES</b>          |                         |                            |                        |                    |
| Interest income                       | <u>17</u>               | <u>212</u>                 | <u>1,291</u>           | <u>1,520</u>       |
| <b>INCOME (LOSS) BEFORE TRANSFERS</b> | <u>(9,079)</u>          | <u>10,071</u>              | <u>206,269</u>         | <u>207,261</u>     |
| <b>TRANSFERS (OUT)</b>                | <u>—</u>                | <u>—</u>                   | <u>(193,735)</u>       | <u>(193,735)</u>   |
| <b>CHANGE IN NET POSITION</b>         | (9,079)                 | 10,071                     | 12,534                 | 13,526             |
| <b>NET POSITION BEGINNING OF YEAR</b> | <u>114,156</u>          | <u>67,888</u>              | <u>1,446,484</u>       | <u>1,628,528</u>   |
| <b>NET POSITION END OF YEAR</b>       | <u>\$ 105,077</u>       | <u>\$ 77,959</u>           | <u>\$1,459,018</u>     | <u>\$1,642,054</u> |

See accompanying independent auditor's report.

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

|                                    | <b>Modified Accrual Basis</b> |                     |                     |                     |
|------------------------------------|-------------------------------|---------------------|---------------------|---------------------|
|                                    | <b>2014</b>                   | <b>2013</b>         | <b>2012</b>         | <b>2011</b>         |
| <b>REVENUES</b>                    |                               |                     |                     |                     |
| Property tax                       | \$ 7,666,911                  | \$ 7,133,514        | \$ 6,811,607        | \$ 6,397,893        |
| Tax increment financing revenue    | 3,017,853                     | 3,427,898           | 3,186,693           | 3,051,143           |
| Other city tax                     | 60,988                        | 39,355              | 462,040             | 62,895              |
| Licenses and permits               | 1,057,350                     | 639,233             | 507,344             | 531,196             |
| Use of money and property          | 222,405                       | 210,762             | 204,505             | 215,266             |
| Intergovernmental                  | 2,539,186                     | 3,713,932           | 1,762,542           | 4,495,541           |
| Charges for services               | 597,042                       | 728,310             | 253,692             | 239,040             |
| Miscellaneous                      | <u>281,147</u>                | <u>1,058,091</u>    | <u>813,998</u>      | <u>440,669</u>      |
| Totals                             | <u>\$15,442,882</u>           | <u>\$16,951,095</u> | <u>\$14,002,421</u> | <u>\$15,433,643</u> |
| <b>EXPENDITURES</b>                |                               |                     |                     |                     |
| Operating                          |                               |                     |                     |                     |
| Public safety                      | \$ 3,286,146                  | \$ 2,912,583        | \$ 3,040,673        | \$ 2,821,515        |
| Public works                       | 2,241,516                     | 1,580,884           | 1,381,993           | 1,192,453           |
| Health and social services         | 16,500                        | 12,750              | 15,175              | 16,909              |
| Culture and recreation             | 1,457,105                     | 2,010,987           | 1,338,835           | 1,312,158           |
| Community and economic development | 910,021                       | 618,937             | 885,864             | 1,023,639           |
| General government                 | 757,317                       | 785,443             | 868,324             | 787,974             |
| Debt service                       | 5,996,633                     | 4,642,544           | 6,111,183           | 3,919,273           |
| Capital projects                   | <u>9,226,292</u>              | <u>5,976,606</u>    | <u>3,501,963</u>    | <u>7,768,712</u>    |
| Totals                             | <u>\$23,891,530</u>           | <u>\$18,540,734</u> | <u>\$17,144,010</u> | <u>\$18,842,633</u> |

See accompanying independent auditor's report.

| <b>Modified Accrual Basis</b> |                     |                     |                     |                    |                     |
|-------------------------------|---------------------|---------------------|---------------------|--------------------|---------------------|
| <u>2010</u>                   | <u>2009</u>         | <u>2008</u>         | <u>2007</u>         | <u>2006</u>        | <u>2005</u>         |
| \$ 5,934,368                  | \$ 5,318,576        | \$ 4,405,384        | \$ 3,804,888        | \$3,468,779        | \$ 3,057,974        |
| 3,032,038                     | 2,824,039           | 2,447,271           | 1,651,122           | 1,279,032          | 980,076             |
| 70,367                        | 1,301,852           | 599,570             | 466,312             | 57,134             | 160,531             |
| 353,777                       | 673,103             | 627,720             | 766,811             | 880,119            | 659,487             |
| 173,419                       | 128,470             | 330,789             | 242,139             | 142,740            | 111,127             |
| 2,898,776                     | 4,641,902           | 1,054,612           | 1,727,796           | 870,087            | 2,138,494           |
| 184,230                       | 209,664             | 134,996             | 92,707              | 75,600             | 89,475              |
| <u>144,913</u>                | <u>1,142,477</u>    | <u>170,474</u>      | <u>459,154</u>      | <u>331,615</u>     | <u>430,772</u>      |
| <u>\$12,791,888</u>           | <u>\$16,240,083</u> | <u>\$ 9,770,816</u> | <u>\$ 9,210,929</u> | <u>\$7,105,106</u> | <u>\$ 7,627,936</u> |
| <br>                          |                     |                     |                     |                    |                     |
| \$ 2,528,267                  | \$ 2,391,927        | \$ 1,806,932        | \$ 1,510,461        | \$1,373,641        | \$ 2,169,067        |
| 1,133,462                     | 1,099,806           | 1,167,008           | 1,081,599           | 1,185,751          | 1,214,158           |
| 12,180                        | 11,000              | 9,800               | 9,000               | 13,500             | 12,050              |
| 1,173,584                     | 1,211,373           | 982,900             | 1,110,158           | 806,026            | 854,233             |
| <br>                          |                     |                     |                     |                    |                     |
| 892,553                       | 848,245             | 701,524             | 645,533             | 508,066            | 236,485             |
| 855,172                       | 982,213             | 717,792             | 708,556             | 706,296            | 414,964             |
| 3,441,710                     | 8,379,401           | 2,552,259           | 2,432,070           | 2,407,072          | 1,498,394           |
| <u>7,021,544</u>              | <u>10,807,450</u>   | <u>7,764,263</u>    | <u>4,062,917</u>    | <u>1,376,921</u>   | <u>4,474,304</u>    |
| <u>\$17,058,472</u>           | <u>\$25,731,415</u> | <u>\$15,702,478</u> | <u>\$11,560,294</u> | <u>\$8,377,273</u> | <u>\$10,873,655</u> |

See accompanying independent auditor's report.

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

Honorable Mayor and  
Members of the City Council  
Waukee, Iowa

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Waukee, Iowa (the City), as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 17, 2014.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items I-A-14 and I-B-14 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **City of Waukeee's Responses to the Findings**

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

### **Purpose of this Report**

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

  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
October 17, 2014

## **SCHEDULE OF FINDINGS**

**City of Waukee  
SCHEDULE OF FINDINGS  
Year ended June 30, 2014**

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

**Instances of Noncompliance**

No matters were noted.

**Internal Control Deficiencies**

**I-A-14     City Employee Pay Rate Approval**

While all employee pay increases are approved at the department level, during testing, we identified one instance in which the employee's rate of pay did not agree with the union contract and four instances in which the employee's rate of pay did not correlate with the council approved rate for the job description. Additionally, the council does not approve employee rate changes and the City does not have a policy regarding the level of approval required for an employee pay rate change.

**Recommendation**

The City should implement a policy regarding required approvals prior to a pay rate change. In addition, changes to the union contract pay scale should be approved by the City Council prior to implementation.

**Response**

The City will work to ensure all future wage changes are approved by the City Council, with changes noted in all aspects including compensation pay plan and job descriptions.

**Conclusion**

Response accepted.

**I-B-14     Compensated Absences**

During testing, we noted the City is not enforcing the policy within the union contract which limits the number of vacation hours an employee can rollover into the following year at 60 hours as of the employee's anniversary date. We noted several instances in which union employees were allowed to rollover hours in excess of the maximum for use in the following year with no documentation supporting who approved the exception.

**Recommendation**

The City should enforce all provisions of the union contract as currently approved or amend the contract to reflect current practices.

**Response**

The City will begin enforcing all paid leave policies per the Union contract and employee handbook, particularly in regards to maximum carry over allowances for sick and vacation hours.

**Conclusion**

Response accepted.

**City of Waukee**  
**SCHEDULE OF FINDINGS (continued)**  
**Year ended June 30, 2014**

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

**II-A-14 CERTIFIED BUDGET**

The June 30, 2014 budget was not amended prior to disbursements exceeding budgeted amounts in the general government and community and economic development functions.

**Recommendation**

The budget should be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

**Response**

While the City did not amend the 2014 fiscal year budget prior to exceeding the program allocations, the City Council did take official action to exceed the general government program for the city hall remodel, the community and economic development program for the creation of the economic development department and the related expenses.

**Conclusion**

Response accepted.

**II-B-14 QUESTIONABLE EXPENDITURES**

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

**II-C-14 TRAVEL EXPENSE**

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

**II-D-14 BUSINESS TRANSACTIONS**

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

**II-E-14 BOND COVERAGE**

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

**II-F-14 COUNCIL MINUTES**

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

**II-G-14 DEPOSITS AND INVESTMENTS**

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



**City of Waukee**  
**SCHEDULE OF FINDINGS (continued)**  
**Year ended June 30, 2014**

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

**II-H-14 REVENUE BONDS/NOTES**

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

**II-I-14 FINANCIAL CONDITION**

The Golf Fund had a deficit balance of \$22,347 at June 30, 2014.

**Recommendation**

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

**Response**

The City has changed the management of the golf course, and is working on a long-term plan to reduce expenses or increase revenues to eliminate the deficit balance over time.

**Conclusion**

Response accepted.

**II-J-14 ANNUAL URBAN RENEWAL REPORT**

The following exceptions were noted in the annual urban renewal report:

The City's TIF debt outstanding balance as of June 30, 2013 reported on the Levy Authority Summary does not agree with the City's general ledger. The amount reported by the City as TIF debt outstanding was overstated by \$1,834,322.

**Recommendation**

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

**Response**

City staff has confirmed the transposition error with the State Department of Management and has been instructed to correct the error with the 2014 fiscal year annual report. No further action is required by the Department of Management.

**Conclusion**

Response accepted.