

**City of Waukee, Iowa**

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

**June 30, 2015**

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**City of Waukee, Iowa  
OFFICIALS**

	<b><u>Term expires</u></b>
<b>MAYOR AND MEMBERS OF CITY COUNCIL</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 2016



## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
Members of the City Council  
Waukee, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Waukee, Iowa (the City), as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Waukee, Iowa, as of June 30, 2015, 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.

### Emphasis of Matter

As discussed in Note 17 to the financial statements, the City adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinions are 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, the schedule of funding progress for the retiree health plan, the schedule of the City's proportionate share of the net position liability, and the schedule of City contributions on pages 6 – 13 and 55 – 62 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, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The combining and individual nonmajor fund financial statements, schedule of revenues by source and expenditures by function and schedule of expenditures of federal awards required by OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedule of revenues by source and expenditures by function and schedule of expenditures of federal awards 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 December 1, 2015 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  
December 1, 2015

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Waukee 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, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- Revenues of the City's Governmental Funds increased 27.56 %, or \$ 4,255,770, from fiscal 2014 to fiscal 2015. Property and other City Taxes increased \$ 791,160, Tax Increment Financing increased \$ 186,293, Licenses and Permits increased \$ 334,149, Intergovernmental increased \$ 3,063,036, Charges for Services decreased \$ 182,983 and Miscellaneous increased \$ 104,017.
- Program expenditures of the City's Governmental Funds increased 44.62 %, or \$ 10,660,051 in fiscal 2015 from fiscal 2014. Public Safety expenses increased \$ 257,055, Community and Economic Development decreased \$ 149,921, Culture and Recreation increased \$ 142,697, Public Works increased \$ 39,868, General Government increased \$ 115,436, Debt Service increased \$ 775,330 and Capital Projects increased \$ 9,491,286.
- The City has a net position of \$ 135,358,530 on June 30, 2015 as compared to \$ 127,368,925 on June 30, 2014. Of this amount, the net position of the Governmental Activities was \$ 88,954,779 and the net position of the Business Type Activities was \$ 46,403,751.

### USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year, the City's proportionate share of net pension liability and related contributions, as well as presenting the Schedule of 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. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

## REPORTING THE CITY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

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

### *Fund Financial Statements*

The City has two kinds of funds:

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

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The financial statements required for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Net Position at Year End					
	Governmental Activities		Business Type Activities		Total	
	2015	2014	2015	2014	2015	2014
	(not restated)		(not restated)		(not restated)	
Current and Other Assets	\$ 36,768,249	\$ 26,180,251	\$ 14,143,009	\$ 13,712,883	\$ 50,911,258	\$ 39,893,134
Capital Assets	115,712,953	99,071,796	41,168,747	40,882,582	156,881,700	139,954,378
Total Assets	<u>152,481,202</u>	<u>125,252,047</u>	<u>55,311,756</u>	<u>54,595,465</u>	<u>207,792,958</u>	<u>179,847,512</u>
Deferred Outflows of Resources	748,646	–	184,387	–	933,033	–
Long-term Liabilities	50,964,597	31,390,310	8,118,713	9,406,103	59,083,310	40,796,413
Other Liabilities	2,788,479	2,342,650	724,533	764,076	3,513,012	3,106,726
Total Liabilities	<u>53,753,076</u>	<u>33,732,960</u>	<u>8,843,246</u>	<u>10,170,179</u>	<u>62,596,322</u>	<u>43,903,139</u>
Deferred Inflows of Resources	10,521,993	8,575,448	249,146	–	10,771,139	8,575,448
Net Assets:						
Net investment in Capital Assets	82,818,151	75,160,108	33,961,532	31,615,109	116,779,683	106,775,217
Restricted	21,356,211	12,560,206	11,679	151,687	21,367,890	12,711,893
Unrestricted	<u>(15,219,583)</u>	<u>(4,776,675)</u>	<u>12,430,540</u>	<u>12,658,490</u>	<u>(2,789,043)</u>	<u>7,881,815</u>
Total Net Position	<u>\$ 88,954,779</u>	<u>\$ 82,943,639</u>	<u>\$ 46,403,751</u>	<u>\$ 44,425,286</u>	<u>\$ 135,358,530</u>	<u>\$ 127,368,925</u>

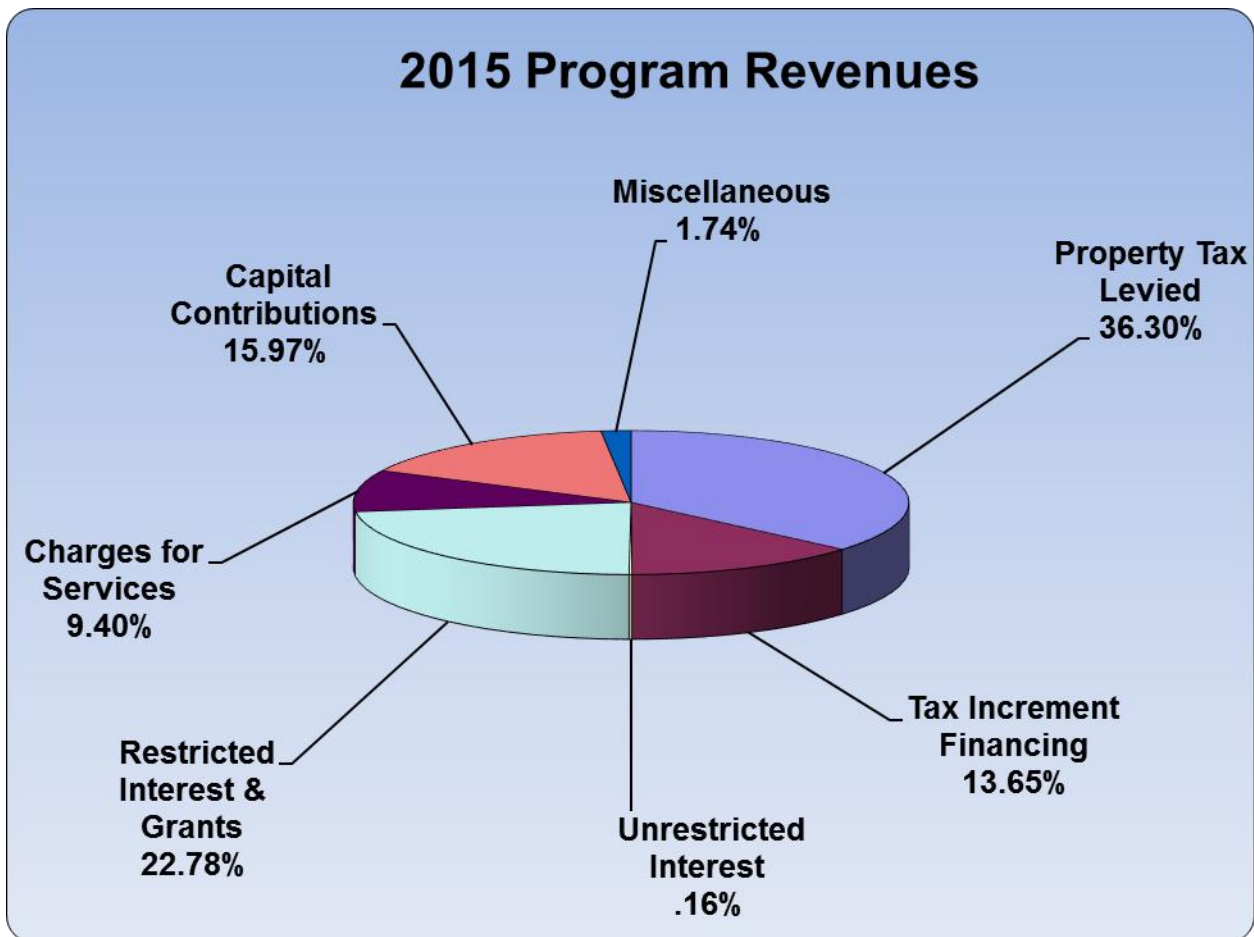
Net position of governmental activities increased \$ 6,011,140, or 7.25%, over fiscal year 2014. Net position of business type activities increased \$1,978,470, or 4.45%, over fiscal year 2014. The largest portion of the City's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt excluding unspent debt proceeds. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is \$ (2,789,043) at the end of this year. The deficit is due to capital projects undertaken, to be financed from future bond revenues.

The Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No.27 was implemented during fiscal year 2015. The beginning net position for governmental activities and business type activities were restated \$ 1,954,410 and \$ 481,359, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The financial statement amounts for fiscal year 2014 net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

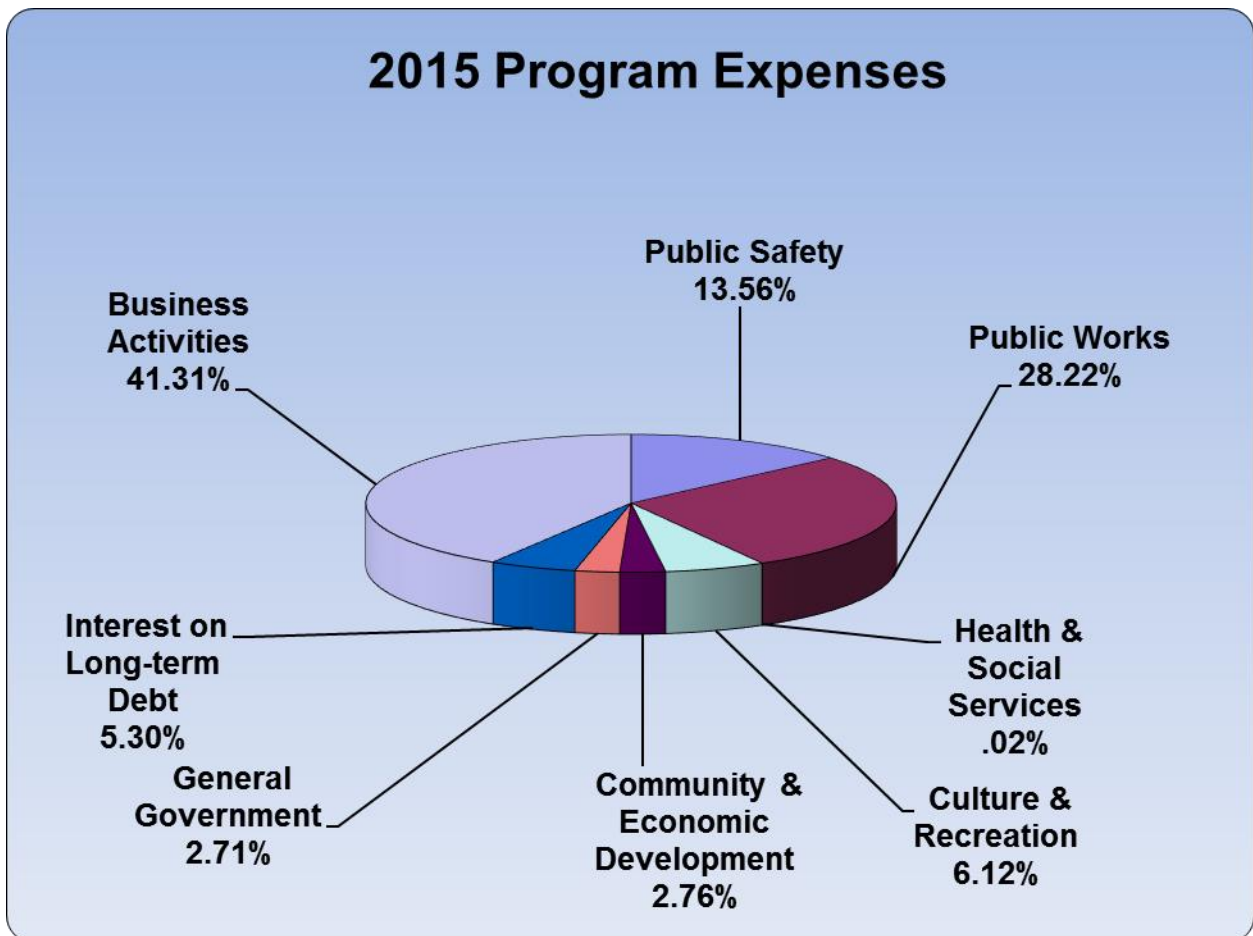


Changes in Net Position for the Year Ended June 30

	Governmental Activities		Business Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:		(not restated)		(not restated)		(not restated)
Property Tax Levied and Other City Tax	\$ 8,519,059	\$ 7,727,899	\$ -	\$ -	\$ 8,519,059	\$ 7,727,899
Tax Increment Financing	3,204,146	3,017,853	-	-	3,204,146	3,017,853
Unrestricted Interest	39,845	54,966	24,305	17,153	64,150	72,119
Restricted Interest and Operating Grants	5,345,590	2,306,332	-	-	5,345,590	2,306,332
Charges for Services	2,204,975	2,054,860	13,232,685	14,041,715	15,437,660	16,096,575
Capital Grants and Contributions	3,747,871	2,105,728	-	-	3,747,871	2,105,728
Miscellaneous	408,137	1,030,737	1,200,651	1,854,234	1,608,788	2,884,971
Total Revenues	23,469,623	18,298,375	14,457,641	15,913,102	37,927,264	34,211,477
Transfers	618,332	677,151	(618,332)	(677,151)	-	-
Total Revenues and Transfers	<u>\$ 24,087,955</u>	<u>\$ 18,975,526</u>	<u>\$ 13,839,309</u>	<u>\$ 15,235,951</u>	<u>\$ 37,927,264</u>	<u>\$ 34,211,477</u>



	Governmental Activities		Business Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program Expenses	(not restated)		(not restated)		(not restated)	
Public Safety	\$ 3,735,807	\$ 3,344,799	\$ -	\$ -	\$ 3,735,807	\$ 3,344,799
Public Works	7,775,242	7,172,800	-	-	7,775,242	7,172,800
Health and Social Services	4,800	16,500	-	-	4,800	16,500
Culture and Recreation	1,687,064	1,317,656	-	-	1,687,064	1,317,656
Community and Economic Development	760,100	910,021	-	-	766,100	910,021
General Government	746,877	830,464	-	-	746,877	830,464
Interest on Long-Term Debt	1,459,043	1,610,451	-	-	1,459,043	1,610,451
Business Type Activities	-	-	11,379,485	11,673,723	11,379,485	11,673,723
Total Expenses	<u>16,168,933</u>	<u>15,202,691</u>	<u>11,379,485</u>	<u>11,673,723</u>	<u>27,548,418</u>	<u>26,876,414</u>
Increase in Net Position	7,919,022	3,772,835	2,459,824	3,562,228	10,378,846	7,335,063
Net Position Beginning of Year, as restated	<u>81,035,757</u>	<u>79,170,804</u>	<u>43,943,927</u>	<u>40,863,058</u>	<u>124,979,684</u>	<u>120,033,862</u>
Net Position End of Year	<u>\$ 88,954,779</u>	<u>\$ 82,943,639</u>	<u>\$ 46,403,751</u>	<u>\$ 44,425,286</u>	<u>\$ 135,358,530</u>	<u>\$ 127,368,925</u>



The City maintained the \$ 13.50 property tax levy for FY15, while recognizing an increase of \$ 977,450 in property tax revenue due to increase in residential property valuation. Revenues for operating and capital grants, contributions restricted and unrestricted interest, increased by approximately \$ 4,681,400, charges for services decreased by \$ 658,900 and miscellaneous revenues decreased by approximately \$ 1,276,200.

Overall revenues for governmental activities increased approximately \$ 5,112,000 from the prior year.

The cost of all governmental activities this year was approximately \$16.2 million compared to approximately \$15.2 million last year. However, as shown in the Statement of Activities on pages 17 and 18, the amount taxpayers ultimately financed for these activities was only \$4.9 million as some of the cost was paid by those directly benefited from the programs (\$ 2,204,975) or by other governments and organizations which subsidized certain programs with grants and contributions (\$ 9,093,461).

Overall revenues for business type activities decreased approximately \$ 1,397,000 over the prior year.

The cost of all business activities this year was approximately \$11.4 million compared to approximately \$ 11.7 million last year.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

### **Governmental Fund Highlights**

As the City of Waukee completed the year, its governmental funds reported a combined fund balance of \$ 24,477,402 at June 30, 2015, compared to \$ 15,310,874 combined fund balance at June 30, 2014.

The General Fund showed an increase of \$ 416,009 from the prior year to \$ 3,427,576.

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 2015 with a \$ 3,617,935 balance compared to the prior year ending balance of \$ 4,010,016.

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 2015 with a \$ 30,875 balance compared to the prior year ending balance of \$ 2,067. Transfers out to operating funds totaled \$ 1,198,780 in fiscal 2015.

The Debt Service Fund ended fiscal 2015 with a \$ 997,202 balance compared to the prior year ending balance of \$ 940,213. Bond principal and interest payments increased by \$ 469,363 in fiscal 2015, due to increased debt for capital improvement projects.

The Capital Projects Fund ended fiscal 2015 with a \$ 15,520,555 balance compared to the prior year ending balance of \$ 6,383,616.

### **Proprietary Fund Highlights**

The Water Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal 2015 with a \$ 15,652,883 net position balance, compared to the restated prior year ending net position balance of \$ 14,896,723.

The Sewer Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal 2015 with a \$ 19,636,667 net position balance, compared to the restated prior year ending net position balance of \$ 18,177,122.

The Gas Fund, which accounts for the operations and maintenance of the City's gas utility, ended fiscal 2015 with a \$ 9,384,128 net position balance, compared to the restated prior year ending net position balance of \$ 9,318,350.

The Golf Course Fund, which accounts for the operations and maintenance of the City's municipal golf course, ended fiscal 2015 with a (\$ 31,233) net position balance, compared to the restated prior year ending net position balance of (\$ 105,912).

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City of Waukee amended its budget once. This amendment was done in May 2015, and was needed to cover unplanned disbursements, including program expenditures associated with increases to Public Safety, Public Works, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Projects, Transfers Out and Business Type Activities; while also increasing revenue sources for Licenses and 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 \$ 115,712,953 (net of accumulated depreciation) at June 30, 2015. Capital assets for business type activities totaled \$ 41,168,747 (net of accumulated depreciation) at June 30, 2015. See Note 5 to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities during the year included the completion of an LA Grant road widening, Wildflower trail, Westcom equipment, public works building remodel, warning siren system upgrades, and city wide computer server replacements; and continued construction of several Grand Prairie Pkwy projects including section from Ashworth to University, University Intersection, Trails & Enhancements, the I-80 interchange project, as well as traffic signal projects for Hickman/Dartmoor and LA Grant/Ashworth, library HVAC replacement, Windfield and Grant Park park improvements, and the construction of SE Westown Pkwy from Grand Prairie Pkwy to LA Grant, and an extension of Douglas Pkwy.

For business type activities, the major additions included the fees associated with the Wastewater Reclamation Authority (WRA) and started construction on the Grand Prairie Pkwy water and gas main installation.

Construction in progress at June 30, 2015 for the City consists primarily of the Grand Prairie Pkwy construction projects including the I-80 Interchange, traffic signal projects, library HVAC, Windfield Park improvements, and the SE Westown and Douglas Pkwy construction projects.

### **Long-Term Debt**

At June 30, 2015, the City had \$ 48,958,001 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business type activities was \$ 7,611,140 at June 30, 2015. During the year ended June 30, 2015, the City issued \$ 23,295,000 in general obligation bonds and \$2,632,000 in revenue bonds.

The City maintained their general obligation bond rating of Aa3, assigned by national rating agency, Moody's Investors Services, on October 24, 2014. 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 \$ 51,259,760 or 80.15%, is below its constitutional debt limit of \$ 63,956,097. Other obligations include accrued vacation pay, net OPEB liability and net pension liability. Additional information about the City's long-term debt is presented in Note 6 to the financial statements.

**ECONOMIC FACTORS BEARING ON THE CITY’S FUTURE**

Several economic factors affected decisions made by the City in setting its fiscal 2016 budget. The City of Waukee will experience a significant increase in General Fund revenues and expenditures from fiscal 2015 to fiscal 2016. The major factors that will play a role in this change are the increase in property tax revenues from increased valuations for fiscal 2016.

The General Fund is projected to end fiscal 2016 with a fund balance of approximately \$ 3,513,000, or a planned increase of \$ 85,900 from fiscal 2015. The tax levy rates per \$1,000 of taxable valuation for fiscal 2016 are provided below:

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

**CONTACTING THE CITY’S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**

**City of Waukee, Iowa**  
**STATEMENT OF NET POSITION**  
**June 30, 2015**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash, cash equivalents and pooled investments	\$ 23,408,791	\$ 12,443,571	\$ 35,852,362
Receivables			
Property tax			
Delinquent	32,517	-	32,517
Succeeding year	9,168,164	-	9,168,164
Special assessments	342,245	86,247	428,492
Customer accounts	-	910,801	910,801
Other	446,336	-	446,336
Due from other governments	2,433,744	-	2,433,744
Internal balances	835,134	(835,134)	-
Inventories	-	430,653	430,653
Prepaid insurance	101,318	-	101,318
Restricted assets - cash, cash equivalents and pooled investments	-	1,106,871	1,106,871
Capital assets (net of accumulated depreciation)	<u>115,712,953</u>	<u>41,168,747</u>	<u>156,881,700</u>
Total assets	<u>152,481,202</u>	<u>55,311,756</u>	<u>207,792,958</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	<u>748,646</u>	<u>184,387</u>	<u>933,033</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	2,672,275	524,203	3,196,478
Accrued interest payable	110,000	22,775	132,775
Customer deposits payable	-	177,555	177,555
Lease deposit payable	6,204	-	6,204
<b>Long-term liabilities</b>			
Portion due or payable within one year			
Compensated absences	39,913	51,264	91,177
General obligation bonds/notes	4,877,294	30,829	4,908,123
Tax increment financing (TIF) bonds	140,000	-	140,000
Special assessment notes payable	39,000	-	39,000
Revenue notes payable	-	1,303,258	1,303,258
Des Moines Water Works bonds payable	-	389,425	389,425
Portion due or payable after one year			
Compensated absences	177,154	-	177,154
General obligation bonds/notes (net of unamortized premium/discount)	42,965,707	-	42,965,707
Tax increment financing (TIF) bonds	805,000	-	805,000
Special assessment notes payable	131,000	-	131,000
Good faith deposit	-	14,500	14,500
Revenue notes payable	-	5,738,190	5,738,190
Des Moines Water Works bonds payable	-	134,938	134,938
Net OPEB liability	322,012	94,869	416,881
Net pension liability	<u>1,467,517</u>	<u>361,440</u>	<u>1,828,957</u>
Total liabilities	<u>53,753,076</u>	<u>8,843,246</u>	<u>62,596,322</u>

See Notes to Financial Statements.

**City of Waukee, Iowa**  
**STATEMENT OF NET POSITION (continued)**  
**June 30, 2015**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues			
Succeeding year property tax	\$ 9,168,164	\$ -	\$ 9,168,164
Special assessments	342,245	-	342,245
Pension related deferred inflows	1,011,584	249,146	1,260,730
Total deferred inflows of resources	<u>10,521,993</u>	<u>249,146</u>	<u>10,771,139</u>
<b>NET POSITION</b>			
Net investment in capital assets	82,818,151	33,961,532	116,779,683
Restricted for			
Debt service	1,107,856	11,679	1,119,535
Other purposes	20,248,355	-	20,248,355
Unrestricted	<u>(15,219,583)</u>	<u>12,430,540</u>	<u>(2,789,043)</u>
Total net position	<u>\$ 88,954,779</u>	<u>\$ 46,403,751</u>	<u>\$135,358,530</u>



**City of Waukee, Iowa**  
**STATEMENT OF ACTIVITIES**  
Year ended June 30, 2015

	<b>Program Revenues</b>			
		<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>	
<b>FUNCTIONS/PROGRAMS</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Interest</b>	<b>Interest</b>
Primary Government				
Governmental activities				
Public safety	\$ 3,735,807	\$ 525,636	\$ -	\$ -
Public works	7,775,242	-	5,345,590	3,747,871
Health and social services	4,800	-	-	-
Culture and recreation	1,687,064	145,055	-	-
Community and economic development	760,100	-	-	-
General government	746,877	1,534,284	-	-
Interest on long-term debt	<u>1,459,043</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>16,168,933</u>	<u>2,204,975</u>	<u>5,345,590</u>	<u>3,747,871</u>
Business type activities				
Water	2,545,506	3,135,395	-	-
Sewer	1,892,177	2,838,823	-	-
Gas	4,876,460	5,021,197	-	-
Golf	605,615	510,345	-	-
Other	<u>1,459,727</u>	<u>1,726,925</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>11,379,485</u>	<u>13,232,685</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$27,548,418</u>	<u>\$15,437,660</u>	<u>\$5,345,590</u>	<u>\$3,747,871</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 17)

**NET POSITION END OF YEAR**

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

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (3,210,171)	\$ —	\$ (3,210,171)
1,318,219	—	1,318,219
(4,800)	—	(4,800)
(1,542,009)	—	(1,542,009)
(760,100)	—	(760,100)
787,407	—	787,407
<u>(1,459,043)</u>	<u>—</u>	<u>(1,459,043)</u>
<u>(4,870,497)</u>	<u>—</u>	<u>(4,870,497)</u>
—	589,889	589,889
—	946,646	946,646
—	144,737	144,737
—	(95,270)	(95,270)
<u>—</u>	<u>267,198</u>	<u>267,198</u>
<u>—</u>	<u>1,853,200</u>	<u>1,853,200</u>
(4,870,497)	1,853,200	(3,017,297)
4,922,395	—	4,922,395
2,369,561	—	2,369,561
1,227,103	—	1,227,103
3,204,146	—	3,204,146
39,845	24,305	64,150
408,137	210,577	618,714
—	346,415	346,415
—	643,659	643,659
<u>618,332</u>	<u>(618,332)</u>	<u>—</u>
<u>12,789,519</u>	<u>606,624</u>	<u>13,396,143</u>
<u>7,919,022</u>	<u>2,459,824</u>	<u>10,378,846</u>
82,943,639	44,425,286	127,368,925
<u>(1,907,882)</u>	<u>(481,359)</u>	<u>(2,389,241)</u>
<u>\$88,954,779</u>	<u>\$46,403,751</u>	<u>\$135,358,530</u>

See Notes to Financial Statements.

**City of Waukee, Iowa  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015**

	<u>General</u>	<u>Special Revenue Urban Renewal TIF</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Special Revenue Employee Benefits</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>							
Cash, cash equivalents and pooled investments	\$2,757,536	\$3,615,078	\$14,950,053	\$ 989,777	\$ 26,520	\$1,007,781	\$23,346,745
Receivables							
Property tax							
Delinquent	17,040	3,697	-	7,425	4,355	-	32,517
Succeeding year	5,244,469	-	-	2,580,292	1,343,403	-	9,168,164
Special assessments	-	-	-	-	-	342,245	342,245
Other	326,518	-	118,838	-	-	980	446,336
Due from other funds	853,955	-	-	-	-	-	853,955
Due from other governments	-	-	2,433,744	-	-	-	2,433,744
Prepaid insurance	<u>89,755</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,563</u>	<u>101,318</u>
Total assets	<u>\$9,289,273</u>	<u>\$3,618,775</u>	<u>\$17,502,635</u>	<u>\$3,577,494</u>	<u>\$1,374,278</u>	<u>\$1,362,569</u>	<u>\$36,725,024</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ 555,586	\$ 840	\$ 1,982,080	\$ -	\$ -	\$ 133,769	\$ 2,672,275
Lease deposit payable	6,204	-	-	-	-	-	6,204
Compensated absences	36,617	-	-	-	-	3,296	39,913
Due to other funds	18,821	-	-	-	-	-	18,821
Total liabilities	<u>617,228</u>	<u>840</u>	<u>1,982,080</u>	<u>-</u>	<u>-</u>	<u>137,065</u>	<u>2,737,213</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenues							
Succeeding year property tax	5,244,469	-	-	2,580,292	1,343,403	-	9,168,164
Special assessments	-	-	-	-	-	342,245	342,245
Total deferred inflows of resources	<u>5,244,469</u>	<u>-</u>	<u>-</u>	<u>2,580,292</u>	<u>1,343,403</u>	<u>342,245</u>	<u>9,510,409</u>
<b>FUND BALANCES</b>							
Nonspendable							
Prepaid insurance	89,755	-	-	-	-	11,563	101,318
Advances to other funds	85,000	-	-	-	-	-	85,000
Restricted for							
Capital projects	-	-	15,520,555	-	-	-	15,520,555
Debt service	-	-	-	997,202	-	110,654	1,107,856
Lease deposits	6,204	-	-	-	-	-	6,204
Parkland dedication	282,901	-	-	-	-	-	282,901
Police gifts and memorials	35,047	-	-	-	-	-	35,407
Urban renewal and development	-	3,617,935	-	-	-	-	3,617,935
Other purposes	-	-	-	-	30,875	761,042	791,917
Unassigned	<u>2,928,669</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,928,669</u>
Total fund balances	<u>3,427,576</u>	<u>3,617,935</u>	<u>15,520,555</u>	<u>997,202</u>	<u>30,875</u>	<u>883,259</u>	<u>24,477,402</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$9,289,273</u>	<u>\$3,618,775</u>	<u>\$17,502,635</u>	<u>\$3,577,494</u>	<u>\$1,374,278</u>	<u>\$1,362,569</u>	<u>\$36,725,024</u>

See Notes to Financial Statements.

**City of Waukee**  
**RECONCILIATION OF THE BALANCE SHEET—**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**June 30, 2015**

<b>Total governmental fund balances</b>		<b>\$24,477,402</b>
 <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 \$165,024,068 and the accumulated depreciation is \$49,311,115.		115,712,953
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.		(51,034,684)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	748,646	
Deferred inflows of resources	<u>(1,011,584)</u>	(262,938)
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>62,046</u>
<b>Net position of governmental activities</b>		<b><u>\$88,954,779</u></b>

**City of Waukee, Iowa**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year ended June 30, 2015**

	<u>General</u>	<u>Special Revenue Urban Renewal TIF</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Special Revenue Employee Benefits</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<b>REVENUES</b>							
Property tax	\$4,789,179	\$ -	\$ -	\$2,369,561	\$1,227,103	\$ -	\$ 8,385,843
Tax increment financing	-	3,204,146	-	-	-	-	3,204,146
Other city tax	3,348	-	102,490	-	-	27,378	133,216
Licenses and permits	1,381,681	-	-	-	-	9,818	1,391,499
Use of money and property	145,660	4,947	13,665	2,094	485	15,652	182,503
Intergovernmental	256,632	-	3,903,567	-	-	1,442,023	5,602,222
Charges for services	409,059	-	-	-	-	5,000	414,059
Miscellaneous	225,171	-	-	-	-	159,993	385,164
Total revenues	<u>7,210,730</u>	<u>3,209,093</u>	<u>4,019,722</u>	<u>2,371,655</u>	<u>1,227,588</u>	<u>1,659,864</u>	<u>19,698,652</u>
<b>EXPENDITURES</b>							
Operating							
Public safety	3,526,760	-	-	-	-	16,441	3,543,201
Public works	823,538	-	-	-	-	1,457,846	2,281,384
Health and social services	4,800	-	-	-	-	-	4,800
Culture and recreation	1,562,923	-	-	-	-	36,879	1,599,802
Community and economic development	605,546	154,554	-	-	-	-	760,100
General government	872,753	-	-	-	-	-	872,753
Debt service							
Principal	-	-	-	5,245,222	-	37,000	5,282,222
Interest	-	-	-	1,124,385	-	7,443	1,131,828
Bond issuance and other costs	-	-	350,386	7,527	-	-	357,913
Capital projects	<u>481,453</u>	<u>108,414</u>	<u>17,938,383</u>	<u>-</u>	<u>-</u>	<u>189,328</u>	<u>18,717,578</u>
Total expenditures	<u>7,877,773</u>	<u>262,968</u>	<u>18,288,769</u>	<u>6,377,134</u>	<u>-</u>	<u>1,744,937</u>	<u>34,551,581</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(667,043)</u>	<u>2,946,125</u>	<u>(14,269,047)</u>	<u>(4,005,479)</u>	<u>1,227,588</u>	<u>(85,073)</u>	<u>(14,852,929)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Bond proceeds	-	-	23,295,000	-	-	-	23,295,000
Bond premium	-	-	110,986	-	-	-	110,986
Sale of capital assets	22,531	-	-	-	-	4,937	27,468
Operating transfers in	1,198,780	-	-	4,062,468	-	-	5,261,248
Operating transfers out	<u>(138,259)</u>	<u>(3,338,206)</u>	<u>-</u>	<u>-</u>	<u>(1,198,780)</u>	<u>-</u>	<u>(4,675,245)</u>
Total other financing sources (uses)	<u>1,083,052</u>	<u>(3,338,206)</u>	<u>23,405,986</u>	<u>4,062,468</u>	<u>(1,198,780)</u>	<u>4,937</u>	<u>24,019,457</u>
<b>CHANGE IN FUND BALANCES</b>	416,009	(392,081)	9,136,939	56,989	28,808	(80,136)	9,166,528
<b>FUND BALANCES, beginning</b>	<u>3,011,567</u>	<u>4,010,016</u>	<u>6,383,616</u>	<u>940,213</u>	<u>2,067</u>	<u>963,395</u>	<u>15,310,874</u>
<b>FUND BALANCES, ending</b>	<u>\$3,427,576</u>	<u>\$3,617,935</u>	<u>\$15,520,555</u>	<u>\$ 997,202</u>	<u>\$ 30,875</u>	<u>\$ 883,259</u>	<u>\$24,477,402</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, 2015**

**Change in fund balances—Total governmental funds** **\$ 9,166,528**

***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	20,412,818	
Depreciation expense	<u>(3,767,168)</u>	16,645,650

Governmental funds do not report capital assets and therefore do not report gains or losses on the disposal of those assets		(4,495)
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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	(23,295,000)	
Repaid	<u>5,282,222</u>	(18,012,778)

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.		(39,288)
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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	(6,260)	
Other postemployment benefits	(45,748)	
Pension expense	223,957	
Interest on long-term debt	<u>(41,000)</u>	130,949

The Internal Service Fund is used by management to charge the costs of future equipment purchases to individual funds. The change in net position of the Internal Service Fund is allocated to governmental activities.		<u>32,456</u>
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**Change in net position of governmental activities** **\$ 7,919,022**

**City of Waukee, Iowa**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2015**

	<u>Enterprise Funds</u>						<u>Internal Service Fund Equipment Revolving</u>
	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Golf</u>	<u>Nonmajor Funds</u>	<u>Total</u>	
<b>ASSETS</b>							
Current assets							
Cash, cash equivalents and pooled investments	\$ 4,265,517	\$ 4,288,203	\$ 2,417,738	\$ 800	\$ 1,370,127	\$ 12,342,385	\$ 163,231
Receivables							
Customer accounts and unbilled usage	351,127	336,020	88,186	-	135,468	910,801	-
Special assessments	-	86,247	-	-	-	86,247	-
Due from other funds	100,000	-	18,821	-	-	118,821	-
Inventories	<u>184,429</u>	<u>-</u>	<u>225,683</u>	<u>20,541</u>	<u>-</u>	<u>430,653</u>	<u>-</u>
Total current assets	<u>4,901,073</u>	<u>4,710,470</u>	<u>2,750,428</u>	<u>21,341</u>	<u>1,505,595</u>	<u>13,888,907</u>	<u>163,231</u>
Noncurrent assets							
Restricted assets - cash, cash equivalents and pooled investments							
Customer deposits	95,705	-	81,850	-	-	177,555	-
Capacity fees	109,555	-	-	-	-	109,555	-
Revenue note and interest sinking account	15,326	92,727	38,719	67,969	-	214,741	-
Revenue note reserve account	362,554	191,001	-	51,465	-	605,020	-
Capital assets (net of accumulated depreciation)	<u>13,386,206</u>	<u>16,346,569</u>	<u>9,557,954</u>	<u>1,551,711</u>	<u>326,307</u>	<u>41,168,747</u>	<u>-</u>
Total noncurrent assets	<u>13,969,346</u>	<u>16,630,297</u>	<u>9,678,523</u>	<u>1,671,145</u>	<u>326,307</u>	<u>42,275,618</u>	<u>-</u>
Total assets	<u>18,870,419</u>	<u>21,340,767</u>	<u>12,428,951</u>	<u>1,692,486</u>	<u>1,831,902</u>	<u>56,164,525</u>	<u>163,231</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Pension related deferred outflows	<u>39,759</u>	<u>38,212</u>	<u>41,619</u>	<u>32,010</u>	<u>32,787</u>	<u>184,387</u>	<u>-</u>
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable	153,729	64,519	188,806	45,688	71,461	524,203	-
Capital lease payable	-	-	-	-	-	-	-
Compensated absences	11,515	15,336	15,484	1,331	7,598	51,264	-
Due to other funds	-	-	-	953,955	-	953,955	-
Current liabilities payable from restricted assets							
Customer deposits payable	95,705	-	81,850	-	-	177,555	-
Revenue notes payable	105,000	269,000	334,000	595,258	-	1,303,258	-
Des Moines Water Works bonds payable	389,425	-	-	-	-	389,425	-
Equipment note	-	-	-	30,829	-	30,829	-
Interest payable	<u>7,235</u>	<u>3,049</u>	<u>8,324</u>	<u>4,167</u>	<u>-</u>	<u>22,775</u>	<u>-</u>
Total current liabilities	<u>762,609</u>	<u>351,904</u>	<u>628,464</u>	<u>1,631,228</u>	<u>79,059</u>	<u>3,453,264</u>	<u>-</u>
Noncurrent liabilities							
Revenue notes payable (net of amortized discount)	2,195,216	1,244,974	2,298,000	-	-	5,738,190	-
Good faith deposit	14,500	-	-	-	-	14,500	-
Des Moines Water Works bonds payable (net of amortized discount)	134,938	-	-	-	-	134,938	-
Net OPEB liability	18,372	18,899	22,160	18,502	16,936	94,869	-
Net pension liability	<u>77,937</u>	<u>74,903</u>	<u>81,582</u>	<u>62,747</u>	<u>64,271</u>	<u>361,440</u>	<u>-</u>
Total noncurrent liabilities	<u>2,440,963</u>	<u>1,338,776</u>	<u>2,401,742</u>	<u>81,249</u>	<u>81,207</u>	<u>6,343,937</u>	<u>-</u>
Total liabilities	<u>3,203,572</u>	<u>1,690,680</u>	<u>3,030,206</u>	<u>1,712,477</u>	<u>160,266</u>	<u>9,797,201</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenues							
Pension related deferred inflows	<u>53,723</u>	<u>51,632</u>	<u>56,236</u>	<u>43,252</u>	<u>44,303</u>	<u>249,146</u>	<u>-</u>

See Notes to Financial Statements.

City of Waukee, Iowa  
**STATEMENT OF NET POSITION (continued)**  
**PROPRIETARY FUNDS**  
June 30, 2015

	<u>Enterprise Funds</u>						<u>Internal</u>
	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Golf</u>	<u>Nonmajor</u> <u>Funds</u>	<u>Total</u>	<u>Service Fund</u> <u>Equipment</u> <u>Revolving</u>
<b>NET POSITION</b>							
Net investment in capital assets	10,951,052	14,832,595	6,925,954	925,624	326,307	33,961,532	-
Restricted for bond retirement	-	11,679	-	-	-	11,679	-
Unrestricted	<u>4,701,831</u>	<u>4,792,393</u>	<u>2,458,174</u>	<u>(956,857)</u>	<u>1,333,813</u>	<u>12,329,354</u>	<u>163,231</u>
Total net position	<u>\$15,652,883</u>	<u>\$19,636,667</u>	<u>\$ 9,384,128</u>	<u>\$ (31,233)</u>	<u>\$1,660,120</u>	46,302,565	<u>\$ 163,231</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.

	<u>101,186</u>
Net assets of business type activities	<u>\$46,403,751</u>



**City of Waukee, Iowa**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**Year ended June 30, 2015**

	<b>Enterprise Funds</b>						<b>Internal</b>
	<b>Water</b>	<b>Sewer</b>	<b>Gas</b>	<b>Golf</b>	<b>Nonmajor Funds</b>	<b>Total</b>	<b>Service Fund Equipment Revolving</b>
<b>OPERATING REVENUES</b>							
Charges for service	\$ 3,135,395	\$ 2,838,823	\$5,021,197	\$ 510,345	\$1,726,925	\$13,232,685	\$ -
Miscellaneous	13,186	14,382	23,129	95,108	20,039	165,844	-
Total operating revenues	<u>3,148,581</u>	<u>2,853,205</u>	<u>5,044,326</u>	<u>605,453</u>	<u>1,746,964</u>	<u>13,398,529</u>	<u>-</u>
<b>OPERATING EXPENSES</b>							
Business type activities							
Cost of sales and services	1,916,137	1,242,777	4,259,966	509,058	1,426,829	9,354,767	-
Depreciation and amortization	516,349	614,434	404,849	62,339	32,898	1,630,869	-
Total operating expenses	<u>2,432,486</u>	<u>1,857,211</u>	<u>4,664,815</u>	<u>571,397</u>	<u>1,459,727</u>	<u>10,985,636</u>	<u>-</u>
Operating income	<u>716,095</u>	<u>995,994</u>	<u>379,511</u>	<u>34,056</u>	<u>287,237</u>	<u>2,412,893</u>	<u>-</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Interest income	12,400	7,393	3,207	-	1,305	24,305	127
Rental income	37,848	-	-	6,340	-	44,188	-
Connection fees	183,736	162,679	-	-	-	346,415	-
Capacity fees	222,627	421,032	-	-	-	643,659	-
Sale of capital assets	544	-	-	-	-	544	-
Bond issuance and other costs	(12,000)	-	(56,709)	-	-	(68,709)	-
Interest expense	(101,020)	(34,966)	(154,936)	(34,218)	-	(325,140)	-
Total nonoperating revenues (expenses)	<u>344,135</u>	<u>556,138</u>	<u>(208,438)</u>	<u>(27,878)</u>	<u>1,305</u>	<u>665,262</u>	<u>127</u>
Income before contributions and transfers	1,060,230	1,552,132	171,073	6,178	288,542	3,078,155	127
Transfers in (out)	<u>(304,070)</u>	<u>(92,587)</u>	<u>(105,295)</u>	<u>68,501</u>	<u>(184,881)</u>	<u>(618,332)</u>	<u>32,329</u>
<b>CHANGE IN NET POSITION</b>	756,160	1,459,545	65,778	74,679	103,661	2,459,823	32,456
<b>NET POSITION, beginning</b>	15,000,518	18,276,877	9,426,999	(22,347)	1,642,054	44,324,101	130,775
Restatement of beginning net position (Note 17)	<u>(103,795)</u>	<u>(99,755)</u>	<u>(108,649)</u>	<u>(83,565)</u>	<u>(85,595)</u>	<u>(481,359)</u>	<u>-</u>
<b>NET POSITION, ending</b>	<u>\$15,652,883</u>	<u>\$19,636,667</u>	<u>\$9,384,128</u>	<u>\$ (31,233)</u>	<u>\$1,660,120</u>	<u>\$46,302,565</u>	<u>\$ 163,231</u>

See Notes to Financial Statements.

**City of Waukee, Iowa**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year ended June 30, 2015**

	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Golf</u>	<u>Nonmajor Funds</u>	<u>Total</u>	<u>Internal Service Fund Equipment Revolving</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Cash received from customers and users	\$3,154,888	\$2,828,678	\$5,119,509	\$ 510,345	\$1,714,659	\$13,328,079	\$ -
Cash received from other revenues	13,186	14,382	23,129	95,108	20,039	165,844	-
Cash paid for personal services	(569,857)	(587,030)	(717,847)	(252,072)	(305,648)	(2,432,454)	-
Cash paid to suppliers	(1,309,132)	(676,253)	(3,585,940)	(323,273)	(1,114,605)	(7,009,203)	-
Net cash provided by operating activities	<u>1,289,085</u>	<u>1,579,777</u>	<u>838,851</u>	<u>30,108</u>	<u>314,445</u>	<u>4,052,266</u>	<u>-</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Payments made on interfund accounts	(304,070)	(92,587)	(105,295)	(1,869)	(184,881)	(688,702)	-
Transfers from other funds	-	-	-	70,370	-	70,370	32,329
Net cash provided by (used in) noncapital financing activities	<u>(304,070)</u>	<u>(92,587)</u>	<u>(105,295)</u>	<u>68,501</u>	<u>(184,881)</u>	<u>(618,332)</u>	<u>32,329</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Acquisition of capital assets	(268,936)	(1,299,621)	(275,521)	-	(11,765)	(1,855,843)	-
Principal paid on revenue notes matured	(100,000)	(262,000)	(370,000)	(15,733)	-	(747,733)	-
Interest paid on notes	(115,049)	(34,819)	(159,940)	(33,460)	-	(343,268)	-
Principal paid on Des Moines Water Works bonds	(474,098)	-	-	-	-	(474,098)	-
Principal paid on general obligation bonds	-	-	-	(31,093)	-	(31,093)	-
Principal paid on capital lease	-	-	-	(555)	-	(555)	-
Cash paid on refinancing of revenue note	-	-	(534,709)	-	-	(534,709)	-
Good faith deposit proceeds	14,500	-	-	-	-	14,500	-
Connection fees	183,736	162,679	-	-	-	346,415	-
Capacity fees	222,627	421,032	-	-	-	643,659	-
Net cash (used in) capital and related financing activities	<u>(537,220)</u>	<u>(1,012,729)</u>	<u>(1,340,170)</u>	<u>(80,841)</u>	<u>(11,765)</u>	<u>(2,982,725)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Interest on investments	12,400	7,393	3,207	-	1,305	24,305	127
Purchase of certificates of deposit	(2,902)	(3,305)	-	-	-	(6,207)	-
Rental income	37,848	-	-	6,340	-	44,188	-
Net cash provided by investing activities	<u>47,346</u>	<u>4,088</u>	<u>3,207</u>	<u>6,340</u>	<u>1,305</u>	<u>62,286</u>	<u>127</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>							
	495,141	478,549	(603,407)	24,108	119,104	513,495	32,456
<b>CASH AND CASH EQUIVALENTS, beginning</b>							
	<u>3,990,962</u>	<u>3,902,381</u>	<u>3,141,714</u>	<u>44,661</u>	<u>1,251,023</u>	<u>12,330,741</u>	<u>130,775</u>
<b>CASH AND CASH EQUIVALENTS, ending</b>							
	<u>\$4,486,103</u>	<u>\$4,380,930</u>	<u>\$2,538,307</u>	<u>\$ 68,769</u>	<u>\$1,370,127</u>	<u>\$12,844,236</u>	<u>\$ 163,231</u>

See Notes to Financial Statements.

**City of Waukee, Iowa**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (continued)**  
**Year ended June 30, 2015**

	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Golf</u>	<u>Nonmajor Funds</u>	<u>Total</u>	<u>Internal Service Fund Equipment Revolving</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>							
Operating income	\$ 716,095	\$ 995,994	\$ 379,511	\$ 34,056	\$ 287,237	\$ 2,412,893	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities							
Depreciation expense	516,349	614,434	404,849	62,339	32,898	1,630,869	-
Change in assets, deferred outflows, liabilities and deferred inflows							
Customer accounts receivable and unbilled usage	19,493	(10,145)	98,312	-	(12,266)	95,394	-
Inventories, at cost	87,682	-	(36,131)	3,664	-	55,215	-
Accounts payable	(41,923)	(15,470)	(7,912)	(55,545)	15,122	(105,728)	-
Customer deposits	3,130	-	8,750	(600)	-	11,280	-
Compensated absences	(2,107)	4,037	777	(5,989)	(775)	(4,057)	-
Net pension liability	(47,027)	(45,197)	(49,226)	(37,861)	(38,781)	(218,092)	-
Deferred outflows of resources	(18,590)	(17,867)	(19,460)	(14,967)	(15,330)	(86,214)	-
Deferred inflows of resources	53,723	51,632	56,236	43,252	44,303	249,146	-
OPEB liability	2,260	2,359	3,145	1,759	2,037	11,560	-
Net cash provided by operating activities	<u>\$1,289,085</u>	<u>\$1,579,777</u>	<u>\$ 838,851</u>	<u>\$ 30,108</u>	<u>\$ 314,445</u>	<u>\$ 4,052,266</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 and pooled investments	\$4,265,517	\$4,288,203	\$2,417,738	\$ 800	\$1,370,127	\$12,342,385	\$ 163,231
Restricted assets--cash and pooled investments							
Customer deposits	95,705	-	81,850	-	-	177,555	-
Capacity fees	109,555	-	-	-	-	109,555	-
Revenue note and interest sinking account	15,326	92,727	38,719	67,969	-	214,741	-
Revenue note reserve account	362,554	191,001	-	51,465	-	605,020	-
	<u>4,848,657</u>	<u>4,571,931</u>	<u>2,538,307</u>	<u>120,234</u>	<u>1,370,127</u>	<u>13,449,256</u>	<u>163,231</u>
Less items not meeting the definition of cash equivalent							
Certificates of deposit	(362,554)	(191,001)	-	(51,465)	-	(605,020)	-
Cash and cash equivalents at year end	<u>\$4,486,103</u>	<u>\$4,380,930</u>	<u>\$2,538,307</u>	<u>\$ 68,769</u>	<u>\$1,370,127</u>	<u>\$12,844,236</u>	<u>\$ 163,231</u>

See Notes to Financial Statements.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Reporting Entity**

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

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

**Component Units**

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

The Waukee Foundation has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable purposes. In accordance with criteria set by the Governmental Accounting Standards Board, the Waukee Foundation meets the definition of a blended component unit. The financial activity of the Waukee Foundation has been presented as a special revenue fund of the City.

**Jointly Governed Organizations**

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

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

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

**Basis of Presentation**

**Government-wide Financial Statements**

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

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

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets. The related debt excludes unspent debt proceeds of \$16,063,199 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 preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

**Fund Financial Statements**

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

The City reports the following major governmental funds:

**General Fund**

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

**Special Revenue**

Urban Renewal Tax Increment Financing Fund is used to account for revenues from the tax authorized by ordinance in the 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity**

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

**Cash, Cash Equivalents and Pooled Investments**

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Delinquent property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2015 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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

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

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2014.

**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, 2015, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

**Due from Other Governments**

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

**Inventories**

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

**Restricted Assets**

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

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



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

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

**Capital Assets**

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

**Deferred Outflows of Resources**

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

**Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation for subsequent use. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

**Long-Term Liabilities**

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

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

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

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

**Pensions**

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

**Deferred Inflows of Resources**

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

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

**Fund Balances**

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

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

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

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 CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2015 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 2 CASH, CASH EQUIVALENTS 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 3 ALLOWANCES FOR COLLECTION LOSSES**

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

	<u>Gross receivables</u>	<u>Allowance for collection losses</u>	<u>Net receivables</u>
Customer accounts and unbilled usage			
Water fund	\$ 351,977	\$ 850	\$ 351,127
Sewer fund	336,420	400	336,020
Gas fund	89,936	1,750	88,186
Nonmajor proprietary funds	<u>135,468</u>	<u>—</u>	<u>135,468</u>
Totals	<u>\$ 913,801</u>	<u>\$ 3,000</u>	<u>\$ 910,801</u>
Other			
General fund	<u>\$ 358,518</u>	<u>\$ 32,000</u>	<u>\$ 326,518</u>
Capital projects fund	<u>\$ 118,838</u>	<u>\$ —</u>	<u>\$ 118,838</u>

**NOTE 4 LEASING ACTIVITIES**

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

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

The City leases space on a water tower under an operating lease agreement dated June 4, 2012 expiring March 31, 2017, with four five-year renewal options at the same terms and conditions. The lease calls for annual payments of \$26,400 with annual 3% escalating increases, \$28,848 at June 30, 2015.

The City leases farm land under two operating lease agreements dated April 1, 2015 and May 1, 2013, and expiring December 15, 2015 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 \$60,600 and \$5,000, respectively.

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

**NOTE 4 LEASING ACTIVITIES (continued)**

The total minimum future lease payments receivable under the operating leases at June 30, 2015 are as follows:

<u>Year ending June 30</u>	<u>Office Space</u>	<u>Water Tower Space</u>	<u>Farm Land</u>	<u>Total</u>
2016	\$ 32,875	\$ 29,713	\$ 40,300	\$ 102,888
2017	32,475	-	-	32,475
2018	30,075	-	-	30,075
2019	28,075	-	-	28,075
2020	28,075	-	-	28,075
Thereafter	<u>32,754</u>	<u>-</u>	<u>-</u>	<u>32,754</u>
	<u>\$ 184,329</u>	<u>\$ 29,713</u>	<u>\$ 40,300</u>	<u>\$ 254,342</u>

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

**NOTE 5 CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2015 was as follows:

	<u>Balance beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance end of year</u>
<b>Primary Government</b>				
Governmental activities				
Capital assets not being depreciated				
Land	\$ 8,696,009	\$ -	\$ -	\$ 8,696,009
Construction in progress	8,159,540	16,039,984	2,572,213	21,627,311
Total capital assets not being depreciated	<u>16,855,549</u>	<u>16,039,984</u>	<u>2,572,213</u>	<u>30,323,320</u>
Capital assets being depreciated				
Buildings	8,319,989	40,756	-	8,360,745
Improvements other than buildings	31,418,822	2,530,494	-	33,949,316
Equipment	5,593,339	625,926	86,434	6,132,831
Infrastructure, road network	<u>82,509,985</u>	<u>3,747,871</u>	<u>-</u>	<u>86,257,856</u>
Total capital assets being depreciated	<u>127,842,135</u>	<u>6,945,047</u>	<u>86,434</u>	<u>134,700,748</u>
Less accumulated depreciation for				
Buildings	2,261,012	250,176	-	2,511,188
Improvements other than buildings	5,815,304	664,063	-	6,479,367
Equipment	3,864,375	373,929	81,941	4,156,363
Infrastructure, road network	<u>33,685,197</u>	<u>2,479,000</u>	<u>-</u>	<u>36,164,197</u>
Total accumulated depreciation	<u>45,625,888</u>	<u>3,767,168</u>	<u>81,941</u>	<u>49,311,115</u>
Total capital assets being depreciated, net	<u>82,216,247</u>	<u>3,177,879</u>	<u>4,493</u>	<u>85,389,633</u>
Governmental activities capital assets, net	<u>\$ 99,071,796</u>	<u>\$19,217,863</u>	<u>\$2,576,706</u>	<u>\$115,712,953</u>
<b>Business type activities</b>				
Capital assets not being depreciated				
Land	\$ 1,226,032	\$ -	\$ -	\$ 1,226,032
Construction in progress	-	461,209	-	461,209
Total capital assets not being depreciated	<u>1,226,032</u>	<u>461,209</u>	<u>-</u>	<u>1,687,241</u>
Capital assets being depreciated				
Buildings	557,486	-	-	557,486
Equipment	3,661,219	123,791	-	3,785,010
Infrastructure, water and sewer network	<u>51,148,213</u>	<u>1,271,387</u>	<u>-</u>	<u>52,419,600</u>
Total capital assets being depreciated	<u>55,366,918</u>	<u>1,395,178</u>	<u>-</u>	<u>56,762,096</u>
Less accumulated depreciation for				
Buildings	184,190	13,203	-	197,393
Equipment	2,257,272	323,430	-	2,580,702
Infrastructure, water and sewer network	<u>13,268,906</u>	<u>1,233,589</u>	<u>-</u>	<u>14,502,495</u>
Total accumulated depreciation	<u>15,710,368</u>	<u>1,570,222</u>	<u>-</u>	<u>17,280,590</u>
Total capital assets being depreciated, net	<u>39,656,550</u>	<u>(175,044)</u>	<u>-</u>	<u>39,481,506</u>
Business type activities capital assets, net	<u>\$ 40,882,582</u>	<u>\$ 286,165</u>	<u>\$ -</u>	<u>\$41,168,747</u>

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

**NOTE 5 CAPITAL ASSETS (continued)**

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

Governmental activities		
Public safety		\$ 221,451
Public works		3,190,991
Culture and recreation		261,376
General government		<u>93,350</u>
Total depreciation expense--governmental activities		<u>\$3,767,168</u>
Business type activities		
Water		\$ 514,904
Sewer		614,535
Gas		345,546
Storm water		32,898
Golf		<u>62,339</u>
Total depreciation expense--business type activities		<u>\$1,570,222</u>

**NOTE 6 LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	<u>Balance beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance end of year</u>	<u>Due within one year</u>
<b>Governmental activities</b>					
General obligation bonds/notes	\$29,618,936	\$23,295,000	\$5,070,935	\$47,843,001 (1)	\$4,877,294
Urban Renewal Revenue bonds	1,080,000	-	135,000	945,000	140,000
Special assessment notes	207,000	-	37,000	170,000	39,000
Compensated absences	208,110	8,957	-	217,067	39,913
Net OPEB liability	276,264	45,748	-	322,012	-
Net pension liability	<u>2,353,011</u>	<u>-</u>	<u>885,494</u>	<u>1,467,517</u>	<u>-</u>
Totals	<u>\$33,743,321</u>	<u>\$23,349,705</u>	<u>\$6,128,429</u>	<u>\$50,964,597</u>	<u>\$5,096,207</u>
<b>Business type activities</b>					
Capital leases	\$ 555	\$ -	\$ 555	\$ -	\$ -
General obligation bonds/notes	61,922	-	31,093	30,829	30,829
Des Moines Water Works bonds	998,461	-	474,098	524,363	389,425
Revenue bonds/notes	8,206,535	2,632,000	3,797,087	7,041,448 (2)	1,303,258
Compensated absences	55,321	-	4,057	51,264	51,264
Net OPEB liability	83,309	11,560	-	94,869	-
Net pension liability	<u>579,532</u>	<u>-</u>	<u>218,092</u>	<u>361,440</u>	<u>-</u>
Totals	<u>\$ 9,985,635</u>	<u>\$ 2,643,560</u>	<u>\$4,524,982</u>	<u>\$ 8,104,213</u>	<u>\$1,774,776</u>

(1) Included in balance are unamortized bond premiums and discounts totaling \$1,139,209 and \$188,501, respectively at June 30, 2015.

(2) Included in balance are unamortized bond premiums and discounts totaling \$974 and \$24,784, respectively at June 30, 2015.

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

**NOTE 6 LONG-TERM LIABILITIES (continued)**

**Bond/Note Issuance**

Seventeen issues of unmatured general obligation bonds/notes, totaling \$46,923,122, are outstanding at June 30, 2015. General obligation bonds/notes bear interest at rates ranging from 0.6% to 4.5% and mature in varying annual amounts, ranging from \$30,828 to \$2,265,000, with the final maturities due in the year ending June 30, 2034.

One issue of unmatured revenue notes, totaling \$945,000, is outstanding at June 30, 2015. The note bears interest at 3.0% to 3.9% and matures in annual amounts of \$140,000 to \$175,000, with final maturity due in the year ending June 30, 2021.

One issue of unmatured special assessment notes, totaling \$170,000, is outstanding at June 30, 2015. The note bears interest at 3.50% to 4.55% and matures in annual amounts of \$39,000 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, 2015 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, 2015</u>
General Obligation Bonds and Notes						
Golf Course	June 1, 2010	3.75	June 1, 2015	\$ 307,825	\$ 516,190	\$ 307,825
Corporate Purpose	February 1, 2006	3.75-3.95	June 1, 2019	\$120,000 - 140,000	1,200,000	525,000
Sewer Project	April 8, 2008	3.80-4.20	June 1, 2021	100,000 - 120,000	1,275,000	665,000
Urban Renewal 2008C	December 15, 2008	3.75-4.50	June 1, 2022	165,000 - 215,000	2,200,000	1,320,000
Urban Renewal 2009A	April 28, 2009	3.30-3.50	June 1, 2017	125,000 - 130,000	1,055,000	255,000
Urban Renewal 2009B	April 28, 2009	3.30	June 1, 2016	445,000	5,345,000	445,000
General Obligation 2010A	June 2, 2010	3.00-3.50	June 1, 2022	115,000 - 140,000	1,435,000	890,000
General Obligation 2010B	June 2, 2010	2.50-3.60	June 1, 2021	155,000 - 185,000	1,745,000	1,015,000
General Obligation						
Golf Course Equipment	March 15, 2011	3.40	June 1, 2016	30,829	155,202	30,829
Ambulance	August 30, 2011	2.90	June 1, 2016	34,469	165,000	34,469
General Obligation 2012A	June 14, 2012	1.50-2.00	June 1, 2020	100,000 - 440,000	2,680,000	1,295,000
General Obligation 2012B	June 14, 2012	1.50-3.00	June 1, 2021	340,000 - 620,000	4,220,000	3,610,000
Urban Renewal 2012D	December 28, 2012	2.00	June 1, 2021	405,000 - 445,000	3,745,000	2,545,000
General Obligation 2013B	May 28, 2013	2.00-3.00	June 1, 2028	100,000 - 350,000	3,280,000	2,745,000
General Obligation						
Refunding 2013C	May 28, 2013	0.60-1.35	June 1, 2020	285,000 - 485,000	2,265,000	1,795,000
General Obligation 2013D	December 12, 2013	3.00-4.125	June 1, 2033	110,000 - 930,000	8,740,000	6,975,000
General Obligation 2014A	December 10, 2014	2.00-3.50	June 1, 2034	210,000 - 2,265,000	23,295,000	22,470,000
Revenue Bonds						
Urban Renewal 2010C	June 2, 2010	3.0-3.90	June 1, 2021	140,000 - 175,000	1,590,000	945,000
Special Assessment Notes						
Sewer Improvements	May 5, 2009	3.50-4.55	December 1, 2018	39,000 - 46,000	362,000	170,000

The City has pledged future tax increment revenues to repay the \$945,000 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 seven percent of the tax increment revenues. The total principal and interest remaining to be paid on the notes is \$1,070,580. For the current year, \$172,205 of principal and interest was paid on the bonds and total tax increment revenues were \$3,204,146.

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

**NOTE 6 LONG-TERM LIABILITIES (continued)**

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

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

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

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

<u>Year ending</u> <u>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>
2016	\$ 4,908,122	\$1,283,377	\$ 6,191,499	\$ 39,000	\$ 6,160	\$ 45,160
2017	4,475,000	1,176,660	5,651,660	41,000	4,698	45,698
2018	4,275,000	1,071,452	5,346,452	44,000	3,006	47,006
2019	4,655,000	968,736	5,623,736	46,000	1,046	47,046
2020	5,045,000	832,147	5,877,147	—	—	—
2021-2025	11,790,000	2,607,268	14,397,268	—	—	—
2025-2029	9,090,000	1,332,241	10,422,241	—	—	—
2030-2033	<u>2,685,000</u>	<u>232,151</u>	<u>2,917,151</u>	—	—	—
Subtotal	46,923,122	9,504,032	56,427,154	170,000	14,910	184,910
Plus unamortized premium	<u>950,708</u>	—	<u>950,708</u>	—	—	—
Totals	<u>\$47,873,830</u>	<u>\$9,504,032</u>	<u>\$57,377,862</u>	<u>\$ 170,000</u>	<u>\$ 14,910</u>	<u>\$ 184,910</u>

<u>Year ending</u> <u>June 30</u>	<u>Revenue</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	170,000	13,285	183,285
2021	<u>175,000</u>	<u>6,825</u>	<u>181,825</u>
Totals	<u>\$ 945,000</u>	<u>\$ 125,580</u>	<u>\$1,070,580</u>

Seven issues of unmatured revenue notes, totaling \$7,065,258, are outstanding at June 30, 2015. These notes bear interest at rates ranging from 2.00% to 4.45% and mature in varying annual amounts, ranging from \$30,000 to \$409,000, with the final maturities due in the year ending June 30, 2032.



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

**NOTE 6 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, 2015, 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 \$9,946,000 in revenue notes issued from 1998 to 2015. 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 \$8,294,441. For the current year, principal and interest paid and total customer net revenues were \$887,167 and \$3,723,627, respectively.

Details of revenue notes and bonds payable at June 30, 2015 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, 2015</u>
Revenue Notes and Bonds						
Water						
Revenue Capital Loan 2012C	September 5, 2012	2.00 - 4.10	June 1, 2032	\$105,000 - 185,000	\$2,625,000	\$2,325,000
Sewer						
Bonds-Series 1998A	October 8, 1998	1.75	June 1, 2018	30,000 - 33,000	455,748	94,000
Bonds-Series 1998B	October 8, 1998	1.75	June 1, 2018	63,000 - 68,000	945,252	197,000
Bonds-Series 1998C	October 8, 1998	1.75	June 1, 2018	76,000 - 82,000	1,178,000	237,000
Revenue Capital Loan 2013A	March 1, 2013	2.00 - 2.50	June 1, 2024	100,000 - 120,000	1,185,000	985,000
Golf Course						
Revenue Note	March 4, 2005	4.45	June 1, 2015	595,258	925,000	595,258
Gas						
Revenue Note	March 18, 2015	2.70	June 1, 2022	334,000 - 409,000	2,632,000	2,632,000

<u>Year ending June 30</u>	<u>Revenue Notes/Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$1,303,258	\$ 188,760	\$1,492,018
2017	739,000	156,068	895,068
2018	761,000	139,222	900,222
2019	597,000	121,883	718,883
2020	613,000	107,303	720,303
2021-2025	1,907,000	329,212	2,236,212
2026-2030	780,000	164,275	944,275
2031-2032	<u>365,000</u>	<u>22,460</u>	<u>387,460</u>
Subtotal	7,065,258	1,229,183	8,294,441
Less unamortized discount	<u>(23,810)</u>	<u>-</u>	<u>(23,810)</u>
Totals	<u>\$7,041,448</u>	<u>\$1,229,183</u>	<u>\$8,270,631</u>

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

**NOTE 6 LONG-TERM LIABILITIES (continued)**

One issue of unmatured Des Moines Water Works refunding bonds, totaling \$524,363, is outstanding at June 30, 2015. This note bears interest at a rate of 3.0% and matures in annual amounts ranging from \$134,938 to \$389,425, 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 June 30</b>	<b>Des Moines Water Works 2006 Water Refunding Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 389,425	\$ 15,731	\$ 405,156
2017	<u>134,938</u>	<u>4,048</u>	<u>138,986</u>
Totals	<u>\$ 524,363</u>	<u>\$ 19,779</u>	<u>\$ 544,142</u>

As of June 30, 2015, the general obligation debt issued by the City did not exceed its legal debt limit computed as follows:

Actual valuation	<u>\$1,279,121,949</u>
Debt limit - 5% of total actual valuation	<u>\$63,956,097</u>
Debt applicable to debt limit	
General obligation bonded debt outstanding	\$46,923,122
Urban Renewal revenue bonds outstanding	945,000
Tax increment financing debt outstanding	<u>3,391,638</u>
Total debt subject to debt limit	<u>\$51,259,760</u>
Percentage of debt limit	80.15%

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

**NOTE 7 PENSION PLAN**

**Plan Description**

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

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

**Pension Benefits**

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

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

Protection occupation members may retire at normal retirement age which is generally at age 55. Protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

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

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

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

**Disability and Death Benefits**

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

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

**NOTE 7 PENSION PLAN (continued)**

**Contributions**

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protection occupation member contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.90 percent.

The City's total contributions to IPERS for the year ended June 30, 2015 were \$549,925.

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

At June 30, 2015, the City reported a liability of \$1,828,957 for its proportionate share of the net pension liability. The City net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. The following table summarizes the change in the City's proportionate share:

	<u>June 30</u>		
	<u>2014</u>	<u>2013</u>	<u>Change</u>
City's proportionate share	0.046117%	0.051075%	-0.004958%

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

**NOTE 7 PENSION PLAN (continued)**

For the year ended June 30, 2015, the City recognized pension expense of \$270,809. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Total</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$       –	\$ 12,121
Change in assumptions	97,674	–
Net difference between projected and actual earnings on pension plan investments	–	1,248,609
Change in proportion and difference between City contributions and proportionate share of contributions	285,434	–
City contributions subsequent to the measurement date	549,925	–
Totals	\$ 933,033	\$1,260,730

\$549,925 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ending June 30,</b>	<b>Members</b>	<b>Occupation</b>	<b>Total</b>
2016	\$ (120,818)	\$ (104,655)	\$ (225,473)
2017	(120,818)	(104,655)	(225,473)
2018	(120,818)	(104,655)	(225,473)
2019	(120,818)	(104,655)	(225,473)
2020	25,780	(1,510)	24,270
Totals	\$ (457,492)	\$ (420,130)	\$ (877,622)

There were no non-employer contributing entities at IPERS.

**Actuarial Assumptions**

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

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

**NOTE 7 PENSION PLAN (continued)**

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	<u>1</u>	(0.69)
Total	<u>100%</u>	

**Discount Rate**

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

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

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

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability (asset)	<u>\$4,644,887</u>	<u>\$1,828,957</u>	<u>\$ (546,764)</u>

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

**NOTE 7 PENSION PLAN (continued)**

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**Payables to the Pension Plan**

At June 30, 2015, the City did not report any amounts payable to the defined benefit plan for either legally required employer contributions or legally required employee contributions.

**NOTE 8 INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Governmental funds Employee Benefits	<u>\$1,198,780</u>
Debt Service	Governmental funds General Urban Renewal TIF Enterprise funds Water Sewer Gas Golf Nonmajor Enterprise funds	 35,560 3,338,206  304,070 92,587 105,295 1,869 <u>184,881</u> <u>4,062,468</u>
Golf	General	<u>70,370</u>
Equipment Revolving	General	<u>32,329</u>
Total		<u>\$5,363,947</u>

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

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

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

The detail of interfund receivables and payables at June 30, 2015 is as follows:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
Enterprise—Gas	General	\$ 18,821
General	Enterprise - Golf Course	853,955
Enterprise—Water	Enterprise - Golf Course	<u>100,000</u>
Total		<u>\$ 972,776</u>

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

**NOTE 10 RISK MANAGEMENT**

The City of Waukee is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 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.

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, 2015 were \$184,145.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.



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

**NOTE 10 RISK MANAGEMENT (continued)**

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, 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, 2015, no liability has been recorded in the City's financial statements. As of June 30, 2015, 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 dependents. The plan is funded by both employee and City contributions and is administered through a service agreement with Wellmark Blue Cross Blue Shield of Iowa. The uninsured risk retention per person is based on coverage selected and whether the claims are in or out of the network. There has been no significant reduction in insurance coverage under the plan from prior years. Amounts payable for incurred but not reported (IBNR) claims were \$5,133 at June 30, 2015.

**NOTE 11 COMMITMENTS**

The City entered into contract commitments with contractors for the completion of several infrastructure construction projects. The total contract commitments are approximately \$26,400,000 of which approximately \$20,700,000 has been incurred as of June 30, 2015. The unpaid commitment balance is approximately \$5,700,000 which will be funded by current reserves in the capital projects funds and other sources.

**NOTE 12 TAX INCREMENT FINANCING DEBT**

Urban renewal tax increment financing debt was issued for the purpose of defraying a portion of the costs of carrying out urban renewal projects of the City. The debt is payable solely from the income and proceeds of the Urban Renewal TIF and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The debt is not a general obligation of the City, however, the debt is subject to the constitutional debt limitation of the City. At June 30, 2015, \$3,391,638 is outstanding.

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

**NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

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

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

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, 2015, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution, ARC	\$ 56,000
Interest on net OPEB obligation	14,383
Adjustment to annual required contribution	<u>(13,075)</u>
Annual OPEB cost	57,308
Contributions made	<u>—</u>
Increase in net OPEB obligation	57,308
Net OPEB obligation, beginning of year	<u>359,573</u>
Net OPEB obligation, end of year	<u>\$ 416,881</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, 2015.

For the year ended June 30, 2015, 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, 2015 are summarized as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB cost</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB obligation</u>
June 30, 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>
June 30, 2015	<u>\$ 57,308</u>	<u>0.0%</u>	<u>\$ 416,881</u>

As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$275,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of \$275,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,902,000, and the ratio of the UAAL to the covered payroll was 6.7%. As of June 30, 2015, there were no trust fund assets.

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

**NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

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

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

As of the July 1, 2014 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.0% discount rate based on the City's funding policy. The projected annual medical trend rate is 8.0%. The ultimate medical trend rate is 5.0%. The medical trend rate is reduced 0.5% each year until reaching the 5.0% ultimate trend rate.

Mortality rates are from the RP2000 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 \$1,295 per month for retirees. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

**NOTE 14 JOINT VENTURE**

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

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

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

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

**NOTE 14 JOINT VENTURE (continued)**

The WRA Sewer Revenue Bonds Series 2004B 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, 2015, the Series 2004B bonds had a balance of \$54,170,000 and the City of Waukee's estimated future allocation based on the WRA flows was \$1,906,351.

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, 2015, the Series 2006A bonds had a balance of \$32,955,000 and the City of Waukee's estimated future allocation based on the WRA flows is currently \$1,213,272.

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, 2015, the 2008 SRF loan had a balance of \$262,051,730 and the City of Waukee's estimated future allocation based on the WRA flows was \$8,865,000.

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

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

**NOTE 15 SUBSEQUENT EVENTS**

On July 6, 2015, the City approved an amendment to a Golf Course General Obligation note with an outstanding balance of \$307,825, reducing the interest rate on the note from 3.75% to 3.50% and extending the due date of the note from June 1, 2015 to June 1, 2017.

On July 6, 2015, the City approved an amendment to a Golf Course Revenue Note with an outstanding balance of \$595,258, reducing the interest rate on the note from 4.45% to 4.20% and extending the due date of the note from June 1, 2015 to June 1, 2017.

On October 5, 2015, the City agreed to purchase public water supply service rights and water supply system infrastructure from Xenia Rural Water District for \$2,050,000. On July 21, 2015, the City issued a \$1,450,000 Water Revenue Capital Loan Note, for the purpose of defraying a portion of the costs of the purchase.

On October 19, 2015, the City approved the issuance of \$7.5 million in general obligation bonds for the purpose of street and park improvements.

**NOTE 16 DEFICIT BALANCES**

At June 30, 2015, funds with deficit balances were as follows:

Golf Fund	\$ <u>31,233</u>
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The golf deficit balance is the result of depreciation expense and interest payments in excess of operating revenues. The deficit will be eliminated by future revenues.

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

**NOTE 17 ACCOUNTING CHANGES/RESTATEMENT**

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for the fiscal year ended June 30, 2015 was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<b>Governmental Activities</b>	<b>Enterprise Funds</b>				<b>Nonmajor Enterprise Funds</b>	<b>Total</b>
		<b>Water</b>	<b>Sewer</b>	<b>Gas</b>	<b>Golf</b>		
Net position June 30, 2014, as previously reported	\$82,943,639	\$15,000,518	\$18,276,877	\$9,426,999	\$ (22,347)	\$1,642,054	\$44,324,101
Beginning balance of blended component unit	46,528	-	-	-	-	-	-
Net pension liability at June 30, 2014	(2,353,011)	(124,964)	(120,100)	(130,808)	(100,608)	(103,052)	(579,532)
Deferred outflows of resources related to contributions made after June 30, 2013 measurement date	<u>398,601</u>	<u>21,169</u>	<u>20,345</u>	<u>22,159</u>	<u>17,043</u>	<u>17,457</u>	<u>98,173</u>
Net position July 1, 2014, as restated	<u>\$81,035,757</u>	<u>\$14,896,723</u>	<u>\$18,177,122</u>	<u>\$9,318,350</u>	<u>\$ (105,912)</u>	<u>\$1,556,459</u>	<u>\$43,842,742</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

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

<u>Fiscal year ended</u>	<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a percentage of covered payroll ((b - a)/c)</u>
June 30, 2010	July 1, 2008	\$ <u>—</u>	<u>\$265</u>	<u>\$265</u>	<u>0.0%</u>	<u>\$3,866</u>	<u>6.9%</u>
June 30, 2011	July 1, 2008	\$ <u>—</u>	<u>\$265</u>	<u>\$265</u>	<u>0.0%</u>	<u>\$4,144</u>	<u>6.4%</u>
June 30, 2012	July 1, 2011	\$ <u>—</u>	<u>\$360</u>	<u>\$360</u>	<u>0.0%</u>	<u>\$4,491</u>	<u>8.0%</u>
June 30, 2013	July 1, 2011	\$ <u>—</u>	<u>\$360</u>	<u>\$360</u>	<u>0.0%</u>	<u>\$4,633</u>	<u>7.8%</u>
June 30, 2014	July 1, 2011	\$ <u>—</u>	<u>\$360</u>	<u>\$360</u>	<u>0.0%</u>	<u>\$5,339</u>	<u>6.7%</u>
June 30, 2015	July 1, 2014	\$ <u>—</u>	<u>\$275</u>	<u>\$275</u>	<u>0.0%</u>	<u>\$5,902</u>	<u>4.7%</u>

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

City of Waukee, Iowa  
**BUDGETARY COMPARISON SCHEDULE OF REVENUES,  
EXPENDITURES/EXPENSES AND CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL  
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**  
Required Supplementary Information  
Year ended June 30, 2015

	<u>Governmental funds actual</u>	<u>Proprietary funds actual</u>	<u>Less funds not required to be budgeted</u>	<u>Total actual</u>
<b>REVENUES</b>				
Property tax	\$ 8,385,843	\$ -	\$ -	\$ 8,385,843
Tax increment financing	3,204,146	-	-	3,204,146
Other city tax	133,216	-	-	133,216
Licenses and permits	1,391,499	-	-	1,391,499
Use of money and property	182,503	68,493	3,169	247,827
Intergovernmental	5,602,222	-	-	5,602,222
Charges for services	414,059	14,222,759	-	14,636,818
Miscellaneous	<u>385,164</u>	<u>166,388</u>	<u>158,270</u>	<u>393,282</u>
Total revenues	<u>19,698,652</u>	<u>14,457,640</u>	<u>161,439</u>	<u>33,994,853</u>
<b>EXPENDITURES/EXPENSES</b>				
Public safety	3,543,201	-	-	3,543,201
Public works	2,281,384	-	-	2,281,384
Health and social services	4,800	-	-	4,800
Culture and recreation	1,599,802	-	36,879	1,562,923
Community and economic development	760,100	-	-	760,100
General government	872,753	-	-	872,753
Debt service	6,421,577	-	-	6,421,577
Capital projects	19,067,964	-	-	19,067,964
Business type activities	-	11,379,485	(43,600)	11,423,087
Total disbursements	<u>34,551,581</u>	<u>11,379,485</u>	<u>(43,600)</u>	<u>45,937,787</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	<u>(14,852,929)</u>	<u>3,078,155</u>	<u>168,160</u>	<u>(11,942,934)</u>
<b>OTHER FINANCING SOURCES (USES), NET</b>				
Excess (deficiency) of revenues and other financing sources over disbursements and other financing uses	<u>24,019,457</u>	<u>(618,332)</u>	<u>-</u>	<u>23,401,125</u>
Capital contributions	-	-	-	-
<b>BALANCES, beginning of year, as restated</b>	<u>15,310,874</u>	<u>43,842,742</u>	<u>249,415</u>	<u>58,904,201</u>
<b>BALANCES, end of year</b>	<u>\$24,477,402</u>	<u>\$46,302,565</u>	<u>\$ 417,575</u>	<u>\$70,362,392</u>

See accompanying independent auditor's report.



<u>Budgeted amounts</u>		<u>Final to actual variance</u>
<u>Original</u>	<u>Final</u>	
\$ 8,152,455	\$ 8,236,663	\$ 149,180
3,265,134	3,265,134	(60,988)
77,270	77,270	55,946
786,490	1,433,530	(42,031)
265,900	278,750	(30,923)
1,782,644	1,927,069	3,675,153
13,691,268	14,973,450	(336,632)
339,250	436,685	(43,403)
<u>28,360,411</u>	<u>30,628,551</u>	<u>3,366,302</u>
3,619,905	3,774,120	230,919
2,510,826	2,907,741	626,357
4,000	4,800	-
1,719,791	1,786,733	223,810
795,320	859,680	99,580
864,418	1,098,706	225,953
5,367,429	6,477,930	56,353
6,338,800	33,422,350	14,354,386
<u>12,709,220</u>	<u>18,673,975</u>	<u>7,250,890</u>
<u>33,929,709</u>	<u>69,006,035</u>	<u>23,068,248</u>
<u>(5,569,298)</u>	<u>(38,377,484)</u>	<u>26,434,550</u>
<u>6,052,500</u>	<u>26,010,486</u>	<u>(2,609,361)</u>
483,202	(12,366,998)	23,825,189
-	-	-
<u>36,564,311</u>	<u>73,128,622</u>	<u>(14,224,421)</u>
<u>\$37,047,513</u>	<u>\$60,761,624</u>	<u>\$ 9,600,768</u>

**City of Waukee, Iowa**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**  
**Year ended June 30, 2015**

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 \$35,076,326. 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.

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

	<u><b>June 30,</b></u> <u><b>2015</b></u>
City's proportion of the net pension liability	0.046117%
City's proportionate share of the net pension liability	\$1,829
City's total payroll	\$6,005
City's proportionate share of the net pension liability as a percentage of its total payroll	30.49%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See accompanying notes to required supplementary information – pension liability.

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

	<b>Year ended June 30</b>			
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Statutorily required contribution	\$ 550	\$ 497	\$ 423	\$ 374
Contributions in relation to the statutorily required contribution	<u>550</u>	<u>497</u>	<u>423</u>	<u>374</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
City's total payroll	\$6,005	\$5,339	\$4,633	\$4,491
Contributions as a percentage of total payroll	9.2%	9.3%	9.1%	8.3%

See accompanying notes to required supplementary information – pension liability.

<b>Year ended June 30</b>					
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 328	\$ 288	\$ 246	\$ 209	\$ 179	\$ 149
<u>328</u>	<u>288</u>	<u>246</u>	<u>209</u>	<u>179</u>	<u>149</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$4,144	\$3,866	\$3,738	\$3,378	\$2,919	\$2,501
7.9%	7.4%	6.6%	6.2%	6.1%	6.0%

See accompanying notes to required supplementary information – pension liability.

**City of Waukee, Iowa**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY**  
**Year ended June 30, 2015**

**CHANGES OF BENEFIT TERMS**

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

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

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

**CHANGES OF ASSUMPTIONS**

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

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

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

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

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

**SUPPLEMENTARY INFORMATION**

**City of Waukee  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2015**

	<u>Special Revenue Funds</u>				<u>Debt service</u>	<u>Total</u>
	<u>Road Use Tax</u>	<u>Library Foundation</u>	<u>Waukee Foundation</u>	<u>Forfeitures</u>	<u>Special Assessments</u>	
<b>ASSETS</b>						
Cash, cash equivalents and pooled investments	\$ 553,815	\$ 173,154	\$ 169,390	\$ 768	\$ 110,654	\$1,007,781
Receivables						
Property tax						
Special assessments	-	-	-	-	342,245	342,245
Other	980	-	-	-	-	980
Prepaid insurance	<u>11,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,563</u>
Total assets	<u>\$ 566,358</u>	<u>\$ 173,154</u>	<u>\$ 169,390</u>	<u>\$ 768</u>	<u>\$ 452,899</u>	<u>\$1,362,569</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 133,769	\$ -	\$ -	\$ -	\$ -	\$ 133,769
Compensated absences	<u>3,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,296</u>
Total liabilities	<u>137,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,065</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues						
Special assessments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>342,245</u>	<u>342,245</u>
<b>FUND BALANCES</b>						
Nonspendable						
Prepaid insurance	11,563	-	-	-	-	11,563
Restricted for						
Debt service	-	-	-	-	110,654	110,654
Other	<u>417,730</u>	<u>173,154</u>	<u>169,390</u>	<u>768</u>	<u>-</u>	<u>761,042</u>
Total fund balances	<u>429,293</u>	<u>173,154</u>	<u>169,390</u>	<u>768</u>	<u>110,654</u>	<u>883,259</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 566,358</u>	<u>\$ 173,154</u>	<u>\$ 169,390</u>	<u>\$ 768</u>	<u>\$ 452,899</u>	<u>\$1,362,569</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, 2015**

	<u>Special Revenue Funds</u>				<u>Debt service</u>	<u>Total</u>
	<u>Road</u>	<u>Library</u>	<u>Waukee</u>	<u>Forfeitures</u>	<u>Special</u>	
	<u>Use Tax</u>	<u>Foundation</u>	<u>Foundation</u>		<u>Assessments</u>	
<b>REVENUES</b>						
Other city tax	\$ -	\$ -	\$ -	\$ -	\$ 27,378	\$ 27,378
Licenses and permits	9,818	-	-	-	-	9,818
Use of money and property	-	3,169	-	-	12,483	15,652
Intergovernmental	1,442,023	-	-	-	-	1,442,023
Charges for services	-	-	-	5,000	-	5,000
Miscellaneous	1,723	27,571	130,699	-	-	159,993
Total revenues	<u>1,453,564</u>	<u>30,740</u>	<u>130,699</u>	<u>5,000</u>	<u>39,861</u>	<u>1,659,864</u>
<b>EXPENDITURES</b>						
Operating						
Public safety	-	-	-	16,441	-	16,441
Public works	1,457,846	-	-	-	-	1,457,846
Culture and recreation	-	29,042	7,837	-	-	36,879
Debt service						
Principal	-	-	-	-	37,000	37,000
Interest	-	-	-	-	7,443	7,443
Capital projects	189,328	-	-	-	-	189,328
Total expenditures	<u>1,647,174</u>	<u>29,042</u>	<u>7,837</u>	<u>16,441</u>	<u>44,443</u>	<u>1,744,937</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(193,610)</u>	<u>1,698</u>	<u>122,862</u>	<u>(11,441)</u>	<u>(4,582)</u>	<u>(85,073)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of capital assets	4,937	-	-	-	-	4,937
<b>NET CHANGES IN FUND BALANCES</b>	(188,673)	1,698	122,862	(11,441)	(4,582)	(80,136)
<b>FUND BALANCES, beginning</b>	<u>617,966</u>	<u>171,456</u>	<u>46,528</u>	<u>12,209</u>	<u>115,236</u>	<u>963,395</u>
<b>FUND BALANCES, ending</b>	<u>\$ 429,293</u>	<u>\$ 173,154</u>	<u>\$ 169,390</u>	<u>\$ 768</u>	<u>\$ 110,654</u>	<u>\$ 883,259</u>

See accompanying independent auditor's report.

**City of Waukee, Iowa**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
**June 30, 2015**

	<b>Enterprise Funds</b>			<b>Total</b>
	<b>Solid Waste</b>	<b>Utility Billing</b>	<b>Storm Water</b>	
<b>ASSETS</b>				
Current assets				
Cash and pooled investments	\$ 121,927	\$ 142,339	\$1,105,861	\$1,370,127
Receivables				
Customer accounts and unbilled usage	<u>85,583</u>	<u>2,451</u>	<u>47,434</u>	<u>135,468</u>
Total current assets	<u>207,510</u>	<u>144,790</u>	<u>1,153,295</u>	<u>1,505,595</u>
Noncurrent assets				
Capital assets (net of accumulated depreciation)	<u>—</u>	<u>—</u>	<u>326,307</u>	<u>326,307</u>
Total assets	<u>207,510</u>	<u>144,790</u>	<u>1,479,602</u>	<u>1,831,902</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related deferred outflows	<u>—</u>	<u>14,939</u>	<u>17,848</u>	<u>32,787</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	—	40,179	31,282	71,461
Compensated absences	<u>—</u>	<u>4,450</u>	<u>3,148</u>	<u>7,598</u>
Total current liabilities	<u>—</u>	<u>44,629</u>	<u>34,430</u>	<u>79,059</u>
Noncurrent liabilities				
Net OPEB liability	—	7,363	9,573	16,936
Net pension liability	<u>—</u>	<u>29,284</u>	<u>34,987</u>	<u>64,271</u>
Total noncurrent liabilities	<u>—</u>	<u>36,647</u>	<u>44,560</u>	<u>81,207</u>
Total liabilities	<u>—</u>	<u>81,276</u>	<u>78,990</u>	<u>160,266</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues				
Pension related deferred inflows	<u>—</u>	<u>20,186</u>	<u>24,117</u>	<u>44,303</u>
<b>NET POSITION</b>				
Net investment in capital assets	—	—	326,307	326,307
Unrestricted	<u>207,510</u>	<u>58,267</u>	<u>1,068,036</u>	<u>1,333,813</u>
Total net position	<u>\$ 207,510</u>	<u>\$ 58,267</u>	<u>\$1,394,343</u>	<u>\$1,660,120</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, 2015**

	<u>Enterprise Funds</u>			<u>Total</u>
	<u>Solid Waste</u>	<u>Utility Billing</u>	<u>Storm Water</u>	
<b>OPERATING REVENUES</b>				
Charges for service	\$ 975,796	\$ 216,299	\$ 534,830	\$1,726,925
Miscellaneous	<u>—</u>	<u>15,080</u>	<u>4,959</u>	<u>20,039</u>
Total operating revenues	<u>975,796</u>	<u>231,379</u>	<u>539,789</u>	<u>1,746,964</u>
<b>OPERATING EXPENSES</b>				
Business type activities				
Cost of sales and services	873,422	212,189	341,218	1,426,829
Depreciation and amortization	<u>—</u>	<u>—</u>	<u>32,898</u>	<u>32,898</u>
Total operating expenses	<u>873,422</u>	<u>212,189</u>	<u>374,116</u>	<u>1,459,727</u>
Operating income (loss)	<u>102,374</u>	<u>19,190</u>	<u>165,673</u>	<u>287,237</u>
<b>NONOPERATING REVENUES</b>				
Interest income	<u>59</u>	<u>118</u>	<u>1,128</u>	<u>1,305</u>
Income before transfers	102,433	19,308	166,801	288,542
Transfers (out)	<u>—</u>	<u>—</u>	<u>(184,881)</u>	<u>(184,881)</u>
<b>CHANGE IN NET POSITION</b>	102,433	19,308	(18,080)	103,661
<b>NET POSITION, beginning</b>	105,077	77,959	1,459,018	1,642,054
Restatement of beginning net position (Note 17)	<u>—</u>	<u>(39,000)</u>	<u>(46,595)</u>	<u>(85,595)</u>
<b>NET POSITION, ending</b>	<u>\$ 207,510</u>	<u>\$ 58,267</u>	<u>\$1,394,343</u>	<u>\$1,660,120</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>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>REVENUES</b>				
Property tax	\$ 8,385,843	\$ 7,666,911	\$ 7,133,514	\$ 6,811,607
Tax increment financing revenue	3,204,146	3,017,853	3,427,898	3,186,693
Other city tax	133,216	60,988	39,355	462,040
Licenses and permits	1,391,499	1,057,350	639,233	507,344
Use of money and property	182,503	222,405	210,762	204,505
Intergovernmental	5,602,222	2,539,186	3,713,932	1,762,542
Charges for services	414,059	597,042	728,310	253,692
Miscellaneous	<u>385,164</u>	<u>281,147</u>	<u>1,058,091</u>	<u>813,998</u>
Totals	<u>\$19,698,652</u>	<u>\$15,442,882</u>	<u>\$16,951,095</u>	<u>\$14,002,421</u>
<b>EXPENDITURES</b>				
Operating				
Public safety	\$ 3,543,201	\$ 3,286,146	\$ 2,912,583	\$ 3,040,673
Public works	2,281,384	2,241,516	1,580,884	1,381,993
Health and social services	4,800	16,500	12,750	15,175
Culture and recreation	1,599,802	1,457,105	2,010,987	1,338,835
Community and economic development	760,100	910,021	618,937	885,864
General government	872,753	757,317	785,443	868,324
Debt service	6,421,577	5,996,633	4,642,544	6,111,183
Capital projects	<u>19,067,964</u>	<u>9,226,292</u>	<u>5,976,606</u>	<u>3,501,963</u>
Totals	<u>\$34,551,581</u>	<u>\$23,891,530</u>	<u>\$18,540,734</u>	<u>\$17,144,010</u>

See accompanying independent auditor's report.

<b>Modified Accrual Basis</b>					
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 6,397,893	\$ 5,934,368	\$ 5,318,576	\$ 4,405,384	\$ 3,804,888	\$3,468,779
3,051,143	3,032,038	2,824,039	2,447,271	1,651,122	1,279,032
62,895	70,367	1,301,852	599,570	466,312	57,134
531,196	353,777	673,103	627,720	766,811	880,119
215,266	173,419	128,470	330,789	242,139	142,740
4,495,541	2,898,776	4,641,902	1,054,612	1,727,796	870,087
239,040	184,230	209,664	134,996	92,707	75,600
<u>440,669</u>	<u>144,913</u>	<u>1,142,477</u>	<u>170,474</u>	<u>459,154</u>	<u>331,615</u>
<u>\$15,433,643</u>	<u>\$12,791,888</u>	<u>\$16,240,083</u>	<u>\$ 9,770,816</u>	<u>\$ 9,210,929</u>	<u>\$7,105,106</u>
\$ 2,821,515	\$ 2,528,267	\$ 2,391,927	\$ 1,806,932	\$ 1,510,461	\$1,373,641
1,192,453	1,133,462	1,099,806	1,167,008	1,081,599	1,185,751
16,909	12,180	11,000	9,800	9,000	13,500
1,312,158	1,173,584	1,211,373	982,900	1,110,158	806,026
1,023,639	892,553	848,245	701,524	645,533	508,066
787,974	855,172	982,213	717,792	708,556	706,296
3,919,273	3,441,710	8,379,401	2,552,259	2,432,070	2,407,072
<u>7,768,712</u>	<u>7,021,544</u>	<u>10,807,450</u>	<u>7,764,263</u>	<u>4,062,917</u>	<u>1,376,921</u>
<u>\$18,842,633</u>	<u>\$17,058,472</u>	<u>\$25,731,415</u>	<u>\$15,702,478</u>	<u>\$11,560,294</u>	<u>\$8,377,273</u>

See accompanying independent auditor's report.

**City of Waukee, Iowa**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended June 30, 2015**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Justice			
Bulletproof Vest Partnership Program	16.607		\$ <u>2,356</u>
Total Direct			<u>2,356</u>
Indirect:			
U.S. Department of Transportation			
Federal Highway Administration			
Highway Construction Planning and Recovery	20.205	HDP-8177(617)-71-25	886,395
U.S. Department of Transportation			
Federal Highway Administration			
Highway Construction Planning and Recovery	20.205	STP-E-8177(616)-8V-25	<u>85,500</u>
Total Indirect			<u>971,895</u>
Total			\$ <u>974,251</u>

**BASIS OF PRESENTATION**

The schedule of expenditures of federal awards includes the federal grant activity of the City of Waukee and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



**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, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 1, 2015.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 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 and questioned costs. 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  
December 1, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable Mayor and  
Members of City Council  
Waukee, Iowa

**Report on Compliance for Each Major Federal Program**

We have audited the City of Waukee, Iowa's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2015. The City's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City of Waukee, Iowa complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

## **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
December 1, 2015

## **SCHEDULE OF FINDINGS**

**City of Waukee, Iowa**  
**SCHEDULE OF FINDINGS**  
**Year ended June 30, 2015**

**Part I—Summary of the Independent Auditor's Results**

- (a) An unmodified opinion was issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings that are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was as follows:
  - \*CFDA Number 20.205 – Highway Construction Planning and Recovery
- (h) The dollar threshold used to distinguish between type A and B programs was \$300,000.
- (i) The City of Waukee did not qualify as a low-risk auditee.

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

**Instances of Noncompliance**

No matters were noted.

**Internal Control Deficiencies**

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

**Part III—Findings for Federal Awards**

**Instances of Noncompliance**

No matters were noted.

**Internal Control Deficiencies**

No material weaknesses in internal control over the major program were noted.

**City of Waukee, Iowa**  
**SCHEDULE OF FINDINGS (continued)**  
**Year ended June 30, 2015**

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

**IV-A-15 CERTIFIED BUDGET**

The June 30, 2015 budget was not amended prior to disbursements exceeding budgeted amounts in the health and social services, general government, and capital projects 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 2015 fiscal year budget prior to exceeding the program allocations, the City Council did take official action to exceed the general government and capital projects program functions as related to additional personnel expenses and the formal approval of specific projects. Health and social services budget was exceeded by \$800; however the City Council did approve the amendment after the expenditure occurred.

**Conclusion**

Response accepted.

**IV-B-15 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.

**IV-C-15 TRAVEL EXPENSE**

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

**IV-D-15 BUSINESS TRANSACTIONS**

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

**IV-E-15 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.

**IV-F-15 COUNCIL MINUTES**

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

**IV-G-15 DEPOSITS AND INVESTMENTS**

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

**City of Waukee, Iowa**  
**SCHEDULE OF FINDINGS (continued)**  
**Year ended June 30, 2015**

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

**IV-H-15 REVENUE BONDS/NOTES**

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

**IV-I-15 FINANCIAL CONDITION**

The Golf Fund had a deficit balance of \$31,233 at June 30, 2015.

**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 has worked to reduce the expenditures, as part of a long term plan to eliminate the deficit fund balance over time. The course debt is being restructured in January 2016 to also reduce interest costs.

**Conclusion**

Response accepted.

**IV-J-15 ANNUAL URBAN RENEWAL REPORT**

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

The City TIF debt outstanding balance as of June 30, 2015 reported on the Levy Authority Summary does not agree with the City's financial records. The amount reported by the City as TIF debt outstanding was overstated by approximately \$2,800,000.

**Recommendation**

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

**Response**

The City inadvertently included an advance refunding debt as well as the original debt, resulting in the TIF debt outstanding being overstated.

**Conclusion**

Response accepted.