

City of Waukee, Iowa

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

June 30, 2005

CONTENTS

	<u>Page</u>
OFFICIALS	4
INDEPENDENT AUDITOR'S REPORT	5-6
MANAGEMENT'S DISCUSSION AND ANALYSIS	7-12
BASIC FINANCIAL STATEMENTS	13
Government-wide financial statements	
Statement of net assets	14
Statement of activities	15
Governmental fund financial statements	
Balance sheet	16
Reconciliation of the balance sheet—governmental funds to the statement of net assets	17
Statement of revenues, expenditures and changes in fund balances (deficit)	18
Reconciliation of the statement of revenues, expenditures and changes in fund balances (deficit)—governmental funds to the statement of activities	19
Proprietary Fund Financial Statements	
Statement of net assets	20
Statement of revenues, expenses and changes in fund net assets	21
Reconciliation of the statement of revenues, expenses and changes in fund net assets—proprietary funds to the statement of net assets	22
Statement of cash flows	23-24
Notes to financial statements	25-41
REQUIRED SUPPLEMENTARY INFORMATION	43
Budgetary comparison schedule of revenues, expenditures/expenses and changes in fund balances—budget and actual—governmental funds and proprietary funds	44-45
Notes to required supplementary information—budgetary reporting	46
OTHER SUPPLEMENTARY INFORMATION	47
Nonmajor Governmental Funds	
Combining balance sheet	48-49
Combining schedule of revenues, expenditures and changes in fund balances (deficit)	50-51
Nonmajor Proprietary Funds	
Combining statement of net assets	52
Combining statement of revenues, expenses and changes in fund net assets	53
Schedule of revenues by source and expenditures by function—all governmental funds	54
Schedule of expenditures of federal awards	55
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	57-58
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	59-60
SCHEDULE OF FINDINGS	61-66
STATISTICAL SECTION (UNAUDITED)	67-69

**City of Waukee, Iowa
OFFICIALS**

Term expires

MAYOR AND MEMBERS OF CITY COUNCIL

Tony Oberman, Mayor

January 2006

Donald Bailey, Jr., Council Member

January 2006

Nick Gruber, Council Member

January 2006

Bill Peard, Council Member

January 2006

Jeff Mertz, Council Member

January 2008

Darlene Stanton, Council Member

January 2008

CITY ADMINISTRATOR

Mark Arentsen

Indefinite

DEPUTY CITY CLERK

Catherine Paardekooper

Indefinite

CITY TREASURER

Linda Burkhart

Indefinite

CITY ATTORNEY

Paul Huscher

June, 2005

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Waukee, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the contents page of this report. These financial statements are the responsibility of the City of Waukee's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Waukee as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2005 on our consideration of the City of Waukee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 43 through 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waukee's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other data in this report, designated as the "statistical section" on the contents page, has not been audited by us and, accordingly, we express no opinion on it.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
August 26, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 47.9%, or approximately \$2,418,000, from fiscal 2004 to fiscal 2005. Property tax increased approximately \$401,000 and restricted interest and grants increased approximately \$1,517,000.
- Program expenses increased 9.4%, or approximately \$593,400 in fiscal 2005 from fiscal 2004. Public safety expenses increased approximately \$302,000 and public works increased approximately \$292,000.
- The City has net assets of \$45,961,634 on June 30, 2005 as compared to \$36,022,294 on June 30, 2004. Of this amount, the net assets of the governmental activities was \$29,605,595 and the net assets of the business type activities was \$16,356,039.

USING THIS ANNUAL REPORT

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

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

Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the City of 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 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.

Other Supplementary Information provides detailed information about the nonmajor Governmental and Proprietary Funds, and Schedules 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 Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

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

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

- Governmental activities include public safety, public works, health & social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax, state and federal grants, and license and permit fees finance most of these activities.
- Business type activities include the water, sewer, and gas 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 Funds. These funds report services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The Enterprise Funds include the Water, Sewer, Gas, 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 assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Net Assets					
	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 5,980,367	\$ 5,692,108	\$ 4,356,774	\$ 4,511,297	\$10,337,141	\$10,203,405
Capital assets	41,956,798	31,991,595	17,523,508	14,669,981	59,480,306	46,661,576
Total assets	<u>47,937,165</u>	<u>37,683,703</u>	<u>21,880,282</u>	<u>19,181,278</u>	<u>69,817,447</u>	<u>56,864,981</u>
Long-term liabilities	14,106,840	11,736,793	4,960,551	4,530,453	19,067,391	16,267,246
Other liabilities	4,224,730	3,625,586	563,692	949,856	4,788,422	4,575,442
Total liabilities	<u>18,331,570</u>	<u>15,362,379</u>	<u>5,524,243</u>	<u>5,480,309</u>	<u>23,855,813</u>	<u>20,842,688</u>
Net assets:						
Invested in capital assets, net of related debt	27,928,759	20,320,109	12,576,989	10,091,137	40,505,748	30,411,246
Restricted	665,423	367,827	427,208	305,275	1,092,631	673,102
Unrestricted	<u>1,011,413</u>	<u>1,633,388</u>	<u>3,351,842</u>	<u>3,304,557</u>	<u>4,363,255</u>	<u>4,937,945</u>
Total net assets	<u>\$29,605,595</u>	<u>\$22,321,324</u>	<u>\$16,356,039</u>	<u>\$13,700,969</u>	<u>\$45,961,634</u>	<u>\$36,022,293</u>

The largest portion of the City's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is approximately \$4,363,000 at the end of this year.

	Changes in Net Assets					
	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Property tax levied	\$ 3,218,505	\$2,817,732	\$ -	\$ -	\$ 3,218,505	\$ 2,817,732
Tax increment financing	980,076	750,461	-	-	980,076	750,461
Unrestricted interest	30,694	29,522	41,862	40,458	72,556	69,980
Restricted interest and grants	1,958,115	441,452	-	-	1,958,115	441,452
Charges for services	1,010,710	816,978	5,794,342	4,925,168	6,805,052	5,742,146
Capital contributions	6,875,222	-	402,547	326,498	7,277,769	326,498
Miscellaneous	430,772	186,657	2,058,432	936,859	2,489,204	1,123,516
Sale of assets	<u>166,586</u>	<u>1,413</u>	<u>-</u>	<u>-</u>	<u>166,586</u>	<u>1,413</u>
Total general revenues	14,670,680	5,044,215	8,297,183	6,228,983	22,967,863	11,273,198
Transfers	<u>(465,745)</u>	<u>77,500</u>	<u>465,745</u>	<u>(77,500)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>\$14,204,935</u>	<u>\$5,121,715</u>	<u>\$8,762,928</u>	<u>\$6,151,483</u>	<u>\$22,967,863</u>	<u>\$11,273,198</u>

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Program expenses						
Public safety	\$ 1,713,883	\$ 1,411,826	\$ -	\$ -	\$ 1,713,883	\$ 1,411,826
Public works	2,337,119	2,045,052	-	-	2,337,119	2,045,052
Health and social services	12,050	13,966	-	-	12,050	13,966
Culture and recreation	818,466	671,315	-	-	818,466	671,315
Community and economic development	274,085	225,535	-	-	274,085	225,535
General government	358,482	423,739	-	-	358,482	423,739
Debt service	704,519	712,624	-	-	704,519	712,624
Capital projects	702,060	823,208	-	-	702,060	823,208
Business activities	-	-	6,107,858	5,150,742	6,107,858	5,150,742
Total expenses	<u>6,920,664</u>	<u>6,327,265</u>	<u>6,107,858</u>	<u>5,150,742</u>	<u>13,028,522</u>	<u>11,478,007</u>
Increase in net assets	7,284,271	(1,205,550)	2,655,070	1,000,741	9,939,341	(204,809)
Net assets beginning of year (as restated)	<u>22,321,324</u>	<u>23,526,874</u>	<u>13,700,969</u>	<u>12,700,228</u>	<u>36,022,293</u>	<u>36,227,102</u>
Net assets end of year	<u>\$29,605,595</u>	<u>\$22,321,324</u>	<u>\$16,356,039</u>	<u>\$13,700,969</u>	<u>\$45,961,634</u>	<u>\$36,022,293</u>

The City maintained the \$13.50 property tax levy for FY05, while recognizing a \$290,592 increase in property tax revenue due to actual valuations being increased. Revenues for operating grants, contributions and restricted interest, increased by approximately \$1,517,000, due to the receipt of numerous federal grants.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As the City of Waukee completed the year, its governmental funds reported a combined fund balance of \$1,735,756 at June 30, 2005, compared to \$2,034,192 combined fund balance at June 30, 2004.

The General Fund showed a modest increase of \$12,206 from the prior year to \$617,731.

The Tax Increment Financing Revenues Fund accounts for revenue from the tax authorized by ordinance in the urban renewal district which are used to pay the principal and interest on indebtedness incurred for urban renewal redevelopment projects. This fund ended fiscal 2005 with a \$1,272,224 balance compared to the prior year ending balance of \$812,652.

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 2005 with a \$5,741 balance compared to the prior year ending balance of \$6,767. Transfers out to operating funds totaled \$456,095 in fiscal 2005.

The Debt Service Fund ended fiscal 2005 with a \$322,657 balance compared to the prior year ending balance of \$148,558. Bond principal and interest payments decreased by \$319,394 in fiscal 2005, with most of the decrease coming from a call on a bond with higher interest rates, and re-issuing the debt, in the prior year.

The Capital Projects Fund ended fiscal 2005 with a \$(597,579) balance compared to the prior year ending balance of \$558,139.

Proprietary Fund Highlights

The Water Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal 2005 with a \$5,730,308 net asset balance, compared to the prior year ending net asset balance of \$4,831,468.

The Sewer Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal 2005 with a \$7,343,956 net asset balance, compared to the prior year ending net asset balance of \$6,374,901.

The Gas Fund, which accounts for the operations and maintenance of the City's gas utility, ended fiscal 2005 with a \$2,562,584 net asset balance, compared to the prior year ending net asset balance of \$2,339,101.

The Golf Course Fund was established during the year ended June 30, 2005 and ended with a fund balance of \$703,909.

The Sanitation Fund, which accounts for the operation and maintenance of the City's solid waste collection system, ended fiscal 2005 with a \$(20,145) net asset deficit balance, compared to the prior year ending net asset deficit balance of \$(20,145).

BUDGETARY HIGHLIGHTS

Over the course of the year, the City of Waukee amended its budget once. This amendment was done in May 2005. This amendment was needed to cover unplanned disbursements, including disbursements associated with projects carried over from the prior fiscal year.

Even with this amendment, the City exceeded the budgeted amount in the Public Safety, Public Works, Community & Economic Development, and Capital Projects function for the year ended June 30, 2005.

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 \$41,956,798 (net of accumulated depreciation) at June 30, 2005. Capital assets for business type activities totaled \$17,523,508 (net of accumulated depreciation) at June 30, 2005. See Note 1 & 4 to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities during the year included the purchase of parkland, a ladder truck, and the University Avenue Street Widening project.

For business type activities, major additions included the R22 Sewer project, purchase of Sugar Creek Municipal Golf Course, and the joint West Des Moines Water Tower project.

Construction in progress at June 30, 2005 for governmental activities consists primarily of street projects and water tower project.

Long-Term Debt

At June 30, 2005, the City had \$14,084,346 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business type activities was \$4,960,551 at June 30, 2005. During the year ended June 30, 2005, the City issued a total of \$3,198,039 in general obligation bonds to finance the City's construction projects, a fire department ladder truck, and the Sugar Creek Municipal Golf Course. The City also issued \$925,000 in revenue bonds to finance the Sugar Creek Municipal Golf Course.

The City has not received a general obligation bond rating assigned by national rating agencies. 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 \$14,725,496 is significantly below its constitutional debt limit of \$19,558,335. Other obligations include accrued vacation pay and sick leave. Additional information about the City's long-term debt is presented in Note 5 to the financial statements.

ECONOMIC FACTORS BEARING ON THE CITY’S FUTURE

Several economic factors affected decisions made by the City in setting its fiscal 2006 budget. The City of Waukee will experience a significant increase in General Fund revenues and expenditures from fiscal 2005 to fiscal 2006. The major factors that will play a role in this change are the increase in property tax revenues from increased valuations for fiscal 2006, and increased revenues from licenses and permit fees.

The General Fund is projected to end fiscal 2006 with a fund balance of approximately \$617,700, or to remain constant from fiscal 2005. The tax levy rates per \$1,000 of taxable valuation for fiscal 2006 are provided below:

General levy	\$ 8.10000
Debt Service levy	\$ 3.32039
Employee Benefits Levy	\$ 2.08000
Total	\$13.50039

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the City’s finances and operating activities. If you have any questions or require additional information, please contact the City Administrator/Clerk or the Director of Finance, at Waukee City Hall, 230 Highway 6, Waukee, Iowa.

BASIC FINANCIAL STATEMENTS

City of Waukee, Iowa
STATEMENT OF NET ASSETS
June 30, 2005

	Primary Government		Total
	Governmental Activities	Business Type Activities	
ASSETS			
Cash and pooled investments	\$ 1,926,199	\$ 2,475,776	\$ 4,401,975
Receivables			
Property tax			
Delinquent	28,811	-	28,811
Succeeding year	3,445,544	-	3,445,544
Special assessments	150,434	109,513	259,947
Customer accounts	-	496,722	496,722
Other	363,801	-	363,801
Due from other governments	88,806	-	88,806
Due from other funds	(79,485)	79,485	-
Inventories	-	137,615	137,615
Prepaid insurance	56,257	-	56,257
Restricted assets - cash and pooled investments	-	1,015,305	1,015,305
Capital assets (net of accumulated depreciation)	41,956,798	17,523,508	59,480,306
Bond/note issuance costs	-	42,358	42,358
Total assets	<u>47,937,165</u>	<u>21,880,282</u>	<u>69,817,447</u>
LIABILITIES			
Accounts payable	566,438	497,770	1,064,208
Accrued interest payable	57,252	26,088	83,340
Customer deposits payable	-	26,100	26,100
Lease deposit payable	5,062	-	5,062
Deferred revenue	3,595,978	13,734	3,609,712
Long-term liabilities			
Portion due or payable within one year			
Compensated absences	22,494	14,032	36,526
General obligation bonds/notes	1,584,865	35,000	1,619,865
Revenue notes payable	-	245,545	245,545
Special assessment notes payable	-	30,000	30,000
Des Moines Water Works bonds payable	-	207,315	207,315
Portion due or payable after one year			
Compensated absences	56,307	-	56,307
General obligation bonds/notes	12,443,174	165,000	12,608,174
Revenue notes payable	-	3,027,100	3,027,100
Special assessment notes payable	-	90,000	90,000
Des Moines Water Works bonds payable	-	1,146,559	1,146,559
Total liabilities	<u>18,331,570</u>	<u>5,524,243</u>	<u>23,855,813</u>
NET ASSETS			
Invested in capital assets, net of related debt	27,928,759	12,576,989	40,505,748
Restricted for			
Parkland dedication	181,056	-	181,056
Prepaid insurance	56,257	-	56,257
Advances to other funds	85,000	-	85,000
Debt service	324,455	427,208	751,663
Police gifts and memorials	2,140	-	2,140
Warning siren	11,453	-	11,453
Lease deposits	5,062	-	5,062
Unrestricted	<u>1,011,413</u>	<u>3,351,842</u>	<u>4,363,255</u>
Total net assets	<u>\$29,605,595</u>	<u>\$16,356,039</u>	<u>\$45,961,634</u>

See Notes to Financial Statements.

City of Waukee, Iowa
STATEMENT OF ACTIVITIES
Year ended June 30, 2005

	<u>Program Revenues</u>			<u>Net (Expense) and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
FUNCTIONS/PROGRAMS						
Primary Government						
Governmental activities						
Public safety	\$ 1,713,883	\$ 89,475	\$ -	\$(1,624,408)	\$ -	\$ (1,624,408)
Public works	2,337,119	-	577,098	(1,760,021)	-	(1,760,021)
Health and social services	12,050	-	-	(12,050)	-	(12,050)
Culture and recreation	818,466	180,379	-	(638,087)	-	(638,087)
Community and economic development	274,085	-	-	(274,085)	-	(274,085)
General government	358,482	740,856	-	382,374	-	(382,374)
Debt service	704,519	-	-	(704,519)	-	(704,519)
Capital projects	<u>702,060</u>	<u>-</u>	<u>1,381,017</u>	<u>678,957</u>	<u>-</u>	<u>678,957</u>
Total governmental activities	<u>6,920,664</u>	<u>1,010,710</u>	<u>1,958,115</u>	<u>(3,951,839)</u>	<u>-</u>	<u>(3,951,839)</u>
Business type activities						
Water	1,276,820	1,383,870	-	-	107,050	107,050
Sewer	987,334	771,422	-	-	(215,912)	(215,912)
Gas	3,052,641	2,951,128	-	-	(101,513)	(101,513)
Golf	226,880	171,288	-	-	(55,592)	(55,592)
Other	<u>564,183</u>	<u>516,634</u>	<u>-</u>	<u>-</u>	<u>(47,549)</u>	<u>(47,549)</u>
Total business type activities	<u>6,107,858</u>	<u>5,794,342</u>	<u>-</u>	<u>-</u>	<u>(313,516)</u>	<u>(313,516)</u>
Total Primary Government	<u>\$13,028,522</u>	<u>\$6,805,052</u>	<u>\$1,958,115</u>	<u>\$(3,951,839)</u>	<u>\$(313,516)</u>	<u>\$(4,265,355)</u>
GENERAL REVENUES						
Property and other city tax levied for						
General purposes				\$ 1,932,978	\$ -	\$ 1,932,978
Debt service				832,232	-	832,232
Employee benefits				453,295	-	453,295
Tax increment financing				980,076	-	980,076
Unrestricted interest on investments				30,694	41,862	72,556
Miscellaneous				430,772	81,448	512,220
Connection fees				-	1,390,408	1,390,408
Capacity fees				-	586,576	586,576
Capital contributions				6,875,222	402,547	7,277,769
Sale of assets				166,586	-	166,586
TRANSFERS				<u>(465,745)</u>	<u>465,745</u>	<u>-</u>
Total general revenues and transfers				<u>11,236,110</u>	<u>2,968,586</u>	<u>14,204,696</u>
CHANGE IN NET ASSETS				7,284,271	2,655,070	9,939,341
NET ASSETS BEGINNING OF YEAR				<u>22,321,324</u>	<u>13,700,969</u>	<u>36,022,293</u>
NET ASSETS END OF YEAR				<u>\$29,605,595</u>	<u>\$16,356,039</u>	<u>\$45,961,634</u>

See Notes to Financial Statements.

**City of Waukee, Iowa
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005**

	Capital Projects					Total
	General	Urban Renewal Project	2004-2005 GO Projects	Debt Service	Nonmajor Funds	
ASSETS						
Cash and pooled investments	\$ 214,135	\$ -	\$ -	\$ 301,276	\$1,356,149	\$1,871,560
Receivables						
Property tax						
Delinquent	8,508	-	-	4,891	15,412	28,811
Succeeding year	1,985,912	-	-	951,663	507,969	3,445,544
Special assessments	-	-	-	-	150,434	150,434
Other	99,276	178,884	-	-	85,641	363,801
Due from other funds	399,906	1,068,321	-	-	-	1,468,227
Due from other governments	-	-	-	-	88,806	88,806
Interfund receivable	-	-	-	16,490	-	16,490
Prepaid insurance	51,679	-	-	-	4,578	56,257
Advances to other funds	85,000	-	-	-	-	85,000
	<u>\$2,844,416</u>	<u>\$1,247,205</u>	<u>\$ -</u>	<u>\$1,274,320</u>	<u>\$2,208,989</u>	<u>\$7,574,930</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 195,984	\$ 238,421	\$ 119,239	\$ -	\$ 12,794	\$ 566,438
Lease deposit payable	5,062	-	-	-	-	5,062
Compensated absences	20,906	-	-	-	1,588	22,494
Due to other funds	-	-	1,250,166	-	218,061	1,468,227
Deferred revenue						
Succeeding year property tax	1,985,912	-	-	951,663	658,403	3,595,978
Interfund payable	18,821	162,154	-	-	-	180,975
Total liabilities	<u>2,226,685</u>	<u>400,575</u>	<u>1,369,405</u>	<u>951,663</u>	<u>890,846</u>	<u>5,839,174</u>
Fund Balances						
Reserved for debt service	-	-	-	322,657	1,798	324,455
Designated for						
Parkland dedication	181,056	-	-	-	-	181,056
Prepaid insurance	51,679	-	-	-	4,578	56,257
Advances to other funds	85,000	-	-	-	-	85,000
Police gifts and memorials	2,140	-	-	-	-	2,140
Warning siren	11,453	-	-	-	-	11,453
Lease deposits	5,062	-	-	-	-	5,062
Undesignated						
Reported in						
General fund	281,341	-	-	-	-	281,341
Special revenue funds	-	846,630	-	-	1,386,571	2,233,201
Capital projects funds	-	-	(1,369,405)	-	(74,804)	(1,444,209)
Total fund balances	<u>617,731</u>	<u>846,630</u>	<u>(1,369,405)</u>	<u>322,657</u>	<u>1,318,143</u>	<u>1,735,756</u>
	<u>\$2,844,416</u>	<u>\$1,247,205</u>	<u>\$ -</u>	<u>\$1,274,320</u>	<u>\$2,208,989</u>	<u>\$7,574,930</u>
Total liabilities and fund balances						

See Notes to Financial Statements.

City of Waukee
RECONCILIATION OF THE BALANCE SHEET—
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2005

Total governmental fund balances \$ 1,735,756

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$59,682,844 and the accumulated depreciation \$17,726,046. 41,956,798

Long-term liabilities, including bonds payable, compensated absences and accrued interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. (14,141,598)

The Internal Service Fund is used by management to charge the costs of future equipment purchases to individual funds. The assets of the Internal Service Fund are allocated between governmental and proprietary activities in the Statement of Net Assets. 54,639

Net assets of governmental activities **\$29,605,595**

City of Waukee, Iowa
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
Year ended June 30, 2005

	<u>Capital Projects</u>				Other Nonmajor Governmental Funds	Total
	<u>General</u>	<u>Urban Renewal Project</u>	<u>2004-2005 GO Projects</u>	<u>Debt Service</u>		
REVENUES						
Property tax	\$1,772,447	\$ -	\$ -	\$ 832,232	\$ 453,295	\$ 3,057,974
Tax increment financing collections	-	-	-	-	980,076	980,076
Other city tax	-	154,139	-	-	6,392	160,531
Licenses and permits	659,487	-	-	-	-	659,487
Use of money and property	83,001	6,934	-	4,155	17,037	111,127
Intergovernmental	180,379	1,381,017	-	-	577,098	2,138,494
Charges for services	89,475	-	-	-	-	89,475
Miscellaneous	<u>349,305</u>	<u>20,249</u>	<u>-</u>	<u>-</u>	<u>61,218</u>	<u>430,772</u>
Total revenues	<u>3,134,094</u>	<u>1,562,339</u>	<u>-</u>	<u>836,387</u>	<u>2,095,116</u>	<u>7,627,936</u>
EXPENDITURES						
Operating						
Public safety	2,169,067	-	-	-	-	2,169,067
Public works	533,286	-	-	-	680,872	1,214,158
Health and social services	12,050	-	-	-	-	12,050
Culture and recreation	822,600	-	-	-	31,633	854,233
Community and economic development	224,474	-	-	-	12,011	236,485
General government	414,964	-	-	-	-	414,964
Debt service	-	-	-	1,498,394	-	1,498,394
Capital projects	<u>-</u>	<u>3,238,262</u>	<u>1,219,267</u>	<u>-</u>	<u>16,775</u>	<u>4,474,304</u>
Total expenditures	<u>4,176,441</u>	<u>3,238,262</u>	<u>1,219,267</u>	<u>1,498,394</u>	<u>741,291</u>	<u>10,873,655</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,042,347)</u>	<u>(1,675,923)</u>	<u>(1,219,267)</u>	<u>(662,007)</u>	<u>1,353,825</u>	<u>(3,245,719)</u>
OTHER FINANCING SOURCES (USES)						
Bond proceeds	1,349,150	1,743,875	-	-	98,889	3,191,914
Sale of capital assets	218,500	-	-	-	-	218,500
Operating transfers in	448,536	42,530	-	836,106	236,890	1,564,062
Operating transfers out	<u>(961,633)</u>	<u>(67,936)</u>	<u>-</u>	<u>-</u>	<u>(997,624)</u>	<u>(2,027,193)</u>
Total other financing sources (uses)	<u>1,054,553</u>	<u>1,718,469</u>	<u>-</u>	<u>836,106</u>	<u>(661,845)</u>	<u>2,947,283</u>
NET CHANGE IN FUND BALANCES (DEFICIT)	12,206	42,546	(1,219,267)	174,099	691,980	(298,436)
FUND BALANCES (DEFICIT) BEGINNING OF YEAR	<u>605,525</u>	<u>804,084</u>	<u>(150,138)</u>	<u>148,558</u>	<u>626,163</u>	<u>2,034,192</u>
FUND BALANCES (DEFICIT) END OF YEAR	<u>\$ 617,731</u>	<u>\$ 846,630</u>	<u>\$(1,369,405)</u>	<u>\$ 322,657</u>	<u>\$1,318,143</u>	<u>\$ 1,735,756</u>

See Notes to Financial Statements.

City of Waukee
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT)—
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2005

Net change in fund balances (deficit)—Total governmental funds \$ (298,436)

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

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

Expenditures for capital assets, including contributed capital	\$11,729,412	
Depreciation expense	(1,712,295)	
Sale of assets	<u>(51,914)</u>	9,965,203

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 Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(3,198,039)	
Repaid	<u>800,000</u>	(2,398,039)

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	(8,774)	
Interest on long-term debt	(15,489)	
Capital leases	<u>41,484</u>	17,221

The Internal Service Fund is used by management to charge the costs of future equipment purchases to individual funds. The change on net assets of the Internal Service Fund is allocated to governmental and proprietary activities. (1,678)

Change in net assets of governmental activities **\$ 7,284,271**

City of Waukee, Iowa
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005

	<u>Enterprise Funds</u>						<u>Internal</u>
	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Golf</u>	<u>Nonmajor</u>	<u>Total</u>	<u>Service Fund</u>
ASSETS							<u>Equipment</u>
Current Assets							<u>Revolving</u>
Cash and pooled investments	\$ 380,147	\$1,226,343	\$ 719,218	\$ 38,429	\$ 40,942	\$ 2,405,079	\$ 125,337
Receivables							
Customer accounts and unbilled usage	213,322	99,732	124,820	3,430	55,418	496,722	-
Special assessments	-	109,513	-	-	-	109,513	-
Interfund receivable	144,701	963	72,710	-	-	218,374	-
Inventories	31,352	-	89,562	16,701	-	137,615	-
Restricted assets - cash and pooled investments							
Customer deposits	12,600	-	12,900	600	-	26,100	-
Capacity fees	109,555	-	-	-	-	109,555	-
Revenue note and interest sinking account	373,631	38,355	-	5,860	-	417,846	-
Revenue note reserve account	130,404	148,543	-	-	-	278,947	-
Des Moines Water Works reserve account	182,857	-	-	-	-	182,857	-
Advances to other funds	100,000	-	-	-	-	100,000	-
Capital assets (net of accumulated depreciation)	5,716,884	8,317,592	1,686,968	1,802,064	-	17,523,508	-
Bond/note issuance costs	20,228	22,130	-	-	-	42,358	-
Total assets	<u>7,415,681</u>	<u>9,963,171</u>	<u>2,706,178</u>	<u>1,867,084</u>	<u>96,360</u>	<u>22,048,474</u>	<u>125,337</u>
LIABILITIES							
Current liabilities							
Accounts payable	165,449	71,266	125,193	38,754	97,108	497,770	-
Compensated absences	4,283	3,470	5,501	-	778	14,032	-
Deferred revenue	-	13,734	-	-	-	13,734	-
Special assessment notes payable	-	30,000	-	-	-	30,000	-
General obligation bonds payable	-	35,000	-	-	-	35,000	-
Interfund payable	-	-	-	-	53,889	53,889	-
Current Liabilities Payable from Restricted Assets							
Customer deposits payable	12,600	-	12,900	600	-	26,100	-
Revenue notes payable	75,000	152,000	-	18,545	-	245,545	-
Des Moines Water Works bonds payable	207,315	-	-	-	-	207,315	-
Interest payable	4,353	7,914	-	13,821	-	26,088	-
Noncurrent Liabilities							
Advances from other funds	-	-	-	185,000	-	185,000	-
Special assessment notes payable	-	90,000	-	-	-	90,000	-
General obligation bonds payable	-	165,000	-	-	-	165,000	-
Revenue notes payable (net of amortized discount)	69,814	2,050,831	-	906,455	-	3,027,100	-
Des Moines Water Works bonds payable (net of amortized discount)	1,146,559	-	-	-	-	1,146,559	-
Total liabilities	<u>1,685,373</u>	<u>2,619,215</u>	<u>143,594</u>	<u>1,163,175</u>	<u>151,775</u>	<u>5,763,132</u>	<u>-</u>
Net Assets							
Invested in capital assets, net of related debt	4,218,196	5,794,761	1,686,968	877,064	-	12,576,989	-
Restricted for bond retirement	400,224	26,984	-	-	-	427,208	-
Unrestricted	<u>1,111,888</u>	<u>1,522,211</u>	<u>875,616</u>	<u>(173,155)</u>	<u>(55,415)</u>	<u>3,281,145</u>	<u>125,337</u>
Total net assets	<u>\$5,730,308</u>	<u>\$7,343,956</u>	<u>\$2,562,584</u>	<u>\$ 703,909</u>	<u>\$ (55,415)</u>	<u>\$16,285,342</u>	<u>\$ 125,337</u>

See Notes to Financial Statements.

City of Waukee, Iowa
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year ended June 30, 2005

	<u>Proprietary Funds</u>					<u>Other Nonmajor Proprietary Funds</u>	<u>Total</u>	<u>Internal Service Fund</u>
	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Golf Course</u>	<u>Equipment Revolving</u>			
OPERATING REVENUES								
Charges for service	\$1,383,870	\$ 771,422	\$2,951,128	\$ 171,288	\$ 516,634	\$ 5,794,342	\$ -	
Miscellaneous	<u>16,116</u>	<u>3,947</u>	<u>14,641</u>	<u>34,238</u>	<u>2,093</u>	<u>71,035</u>	<u>-</u>	
Total operating revenues	<u>1,399,986</u>	<u>775,369</u>	<u>2,965,769</u>	<u>205,526</u>	<u>518,727</u>	<u>5,865,377</u>	<u>-</u>	
OPERATING EXPENSES								
Business type activities								
Cost of sales and services	919,878	565,788	2,946,020	189,667	564,183	5,185,536	-	
Depreciation and amortization	<u>260,285</u>	<u>302,138</u>	<u>106,621</u>	<u>23,392</u>	<u>-</u>	<u>692,436</u>	<u>-</u>	
Total operating expenses	<u>1,180,163</u>	<u>867,926</u>	<u>3,052,641</u>	<u>213,059</u>	<u>564,183</u>	<u>5,877,972</u>	<u>-</u>	
Operating income (loss)	<u>219,823</u>	<u>(92,557)</u>	<u>(86,872)</u>	<u>(7,533)</u>	<u>(45,456)</u>	<u>(12,595)</u>	<u>-</u>	
NONOPERATING REVENUES (EXPENSES)								
Interest income	13,645	20,061	5,066	32	432	39,236	3,562	
Rental income	11,032	-	-	7,200	-	18,232	-	
Connection fees	323,983	811,136	255,289	-	-	1,390,408	-	
Capacity fees	156,963	429,613	-	-	-	586,576	-	
Interest expense	<u>(96,657)</u>	<u>(119,408)</u>	<u>-</u>	<u>(13,821)</u>	<u>-</u>	<u>(229,886)</u>	<u>-</u>	
Total nonoperating revenues (expenses)	<u>408,966</u>	<u>1,141,402</u>	<u>260,355</u>	<u>(6,589)</u>	<u>432</u>	<u>1,804,566</u>	<u>3,562</u>	
Income (loss) before contributions and transfers	628,789	1,048,845	173,483	(14,122)	(45,024)	1,791,971	3,562	
Capital contributions	402,547	-	-	-	-	402,547	-	
Transfers in (out)	<u>(132,496)</u>	<u>(79,790)</u>	<u>50,000</u>	<u>718,031</u>	<u>-</u>	<u>555,745</u>	<u>(92,614)</u>	
CHANGE IN NET ASSETS	898,840	969,055	223,483	703,909	(45,024)	2,750,263	(89,052)	
NET ASSETS (DEFICIT) BEGINNING OF YEAR	<u>4,831,468</u>	<u>6,374,901</u>	<u>2,339,101</u>	<u>-</u>	<u>(10,391)</u>	<u>13,535,079</u>	<u>214,389</u>	
NET ASSETS (DEFICIT) END OF YEAR	<u>\$5,730,308</u>	<u>\$7,343,956</u>	<u>\$2,562,584</u>	<u>\$ 703,909</u>	<u>\$ (55,415)</u>	<u>\$16,285,342</u>	<u>\$ 125,337</u>	

See Notes to Financial Statements.

City of Waukee
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS—PROPRIETARY FUNDS TO
THE STATEMENT OF NET ASSETS
Year ended June 30, 2005

Total enterprise funds net assets \$16,285,342

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

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

70,697

Net assets of business type activities **\$16,356,039**

Change in net assets **\$ 2,750,263**

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

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

(95,193)

Change in net assets of business type activities **\$ 2,655,070**

City of Waukee, Iowa
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
Year ended June 30, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Golf</u>	<u>Other Nonmajor Proprietary</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers and users	\$1,329,898	\$ 742,380	\$2,976,410	\$ 167,858	\$ 504,187	\$5,720,733
Cash received from other revenues	16,116	3,947	14,641	34,238	2,093	71,035
Cash paid for personal services	(269,139)	(251,171)	(324,949)	(58,324)	(95,102)	(998,685)
Cash paid to suppliers	<u>(762,094)</u>	<u>(384,780)</u>	<u>(2,957,359)</u>	<u>(108,690)</u>	<u>(436,735)</u>	<u>(4,649,658)</u>
Net cash provided by (used in) operating activities	<u>314,781</u>	<u>110,376</u>	<u>(291,257)</u>	<u>35,082</u>	<u>(25,557)</u>	<u>143,425</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Advances from other funds	<u>(156,336)</u>	<u>(51,993)</u>	—	<u>185,000</u>	—	<u>(23,329)</u>
Net cash provided by (used in) noncapital financing activities	<u>(156,336)</u>	<u>(51,993)</u>	—	<u>185,000</u>	—	<u>(23,329)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets, net of contributed capital and equipment fund transfers	(400,465)	(582,114)	(232,610)	(1,107,425)	—	(2,322,614)
Principal paid on revenue notes matured	(75,000)	(200,441)	—	—	—	(275,441)
Interest paid on notes	(97,447)	(120,275)	—	—	—	(217,722)
Principal paid on Des Moines Water Works bonds	(325,284)	—	—	—	—	(325,284)
Principal paid on general obligation bonds	—	(40,000)	—	—	—	(40,000)
Principal paid on special assessment notes	—	(30,000)	—	—	—	(30,000)
Principal received on revenue bonds	—	—	—	925,000	—	925,000
Special assessments	—	43,973	—	—	—	43,973
Connection fees	323,983	811,136	255,289	—	—	1,390,408
Capacity fees	<u>156,963</u>	<u>429,613</u>	—	—	—	<u>586,576</u>
Net cash provided by (used in) capital and related financing activities	<u>(417,250)</u>	<u>311,892</u>	<u>22,679</u>	<u>(182,425)</u>	—	<u>(265,104)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments	13,645	20,061	5,066	32	432	39,236
Purchase of certificates of deposits	(2,646)	(3,015)	—	—	—	(5,661)
Rental income	<u>11,032</u>	—	—	<u>7,200</u>	—	<u>18,232</u>
Net cash provided by investing activities	<u>22,031</u>	<u>17,046</u>	<u>5,066</u>	<u>7,232</u>	<u>432</u>	<u>51,807</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS						
	(236,774)	387,321	(263,512)	44,889	(25,125)	(93,201)
CASH AND CASH EQUIVALENTS, beginning	<u>1,112,707</u>	<u>877,377</u>	<u>995,630</u>	<u>—</u>	<u>66,067</u>	<u>3,051,781</u>
CASH AND CASH EQUIVALENTS, ending	<u>\$ 875,933</u>	<u>\$1,264,698</u>	<u>\$ 732,118</u>	<u>\$ 44,889</u>	<u>\$ 40,942</u>	<u>\$2,958,580</u>

See Notes to Financial Statements.

City of Waukee, Iowa
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2005

	<u>Enterprise Funds</u>					<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Golf</u>	<u>Other Nonmajor Proprietary</u>	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	\$ 219,823	\$ (92,557)	\$ (86,872)	\$ (7,533)	\$ (45,456)	\$ (12,595)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities						
Depreciation expense	250,950	298,703	106,621	23,392	-	679,666
Bond amortization costs	9,335	3,435	-	-	-	12,770
(Increase) decrease in customer accounts receivable and unbilled usage and other accounts receivable	(53,972)	(29,042)	25,282	(3,430)	(12,447)	(73,609)
(Increase) in inventories, at cost	(31,352)	-	(21,268)	(16,701)	-	(69,321)
Decrease in developer deposits payable	-	-	(193,665)	-	-	(193,665)
Increase (decrease) in accounts payable	(86,652)	(70,704)	(121,614)	38,754	32,346	(207,870)
Increase in customer deposits	4,750	-	2,800	600	-	8,150
Increase (decrease) in compensated absences	<u>1,899</u>	<u>541</u>	<u>(2,541)</u>	<u>-</u>	<u>-</u>	<u>(101)</u>
Net cash provided by (used in) operating activities	<u>\$ 314,781</u>	<u>\$ 110,376</u>	<u>\$ (291,257)</u>	<u>\$ 35,082</u>	<u>\$ (25,557)</u>	<u>\$ 143,425</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON THE STATEMENT OF NET ASSETS						
Current assets						
Cash and pooled investments	\$ 380,147	\$ 1,226,343	\$ 719,218	\$ 38,429	\$ 40,942	\$ 2,405,079
Restricted assets--cash and pooled investments						
Customer deposits	12,600	-	12,900	600	-	26,100
Capacity fees	109,555	-	-	-	-	109,555
Revenue note and interest sinking account	373,631	38,355	-	5,860	-	417,846
Revenue note reserve account	130,404	148,543	-	-	-	278,947
Des Moines Water Works reserve account	<u>182,857</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>182,857</u>
	1,189,194	1,413,241	732,118	44,889	40,942	3,420,384
Less items not meeting the definition of cash equivalent						
Certificates of deposit	(130,404)	(148,543)	-	-	-	(278,947)
Des Moines Water Works reserve account	<u>(182,857)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(182,857)</u>
Cash and cash equivalents at year end	<u>\$ 875,933</u>	<u>\$ 1,264,698</u>	<u>\$ 732,118</u>	<u>\$ 44,889</u>	<u>\$ 40,942</u>	<u>\$ 2,958,580</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 general government, 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 and solid waste utilities and the public golf course.

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

Reporting Entity

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

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

Component Unit

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Des Moines Area Metropolitan Planning Board, North Dallas Sanitary Landfill Planning Area Commission, Dallas County Emergency Management Commission, Dallas County Assessor Conference Board, Dallas County E911 Service Board, and Greater Dallas County Development Board.

Basis of Presentation

Government-wide Financial Statements

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

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Government-wide Financial Statements (continued)

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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

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

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

Fund Financial Statements

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

The City reports the following major governmental funds:

General Fund

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

Capital Projects Funds

The Urban Renewal Project Fund is used to account for all resources used in the acquisition and construction of capital facilities included in the renewal project.

The 2003-2004 GO Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities included in the project.

Debt Service Fund

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

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

The City reports the following major proprietary funds:

Enterprise

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

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

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

The Golf Course Fund is used to account for the operation and maintenance of the public 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.

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

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 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.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents

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

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

Property Taxes Receivable, Including Tax Increment Financing

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents taxes collected by the County but not remitted to the City at June 30, 2005 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2004.

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 estimated and is recognized as revenue in the period in which the service is provided.

Due from and Due to Other Funds

During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Due from Other Governments

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

Inventories

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

Restricted Assets

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

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, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Capital Assets

Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend 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 (in years)</u>
Buildings	40-50 years
Improvements other than buildings	20-50 years
Vehicles	10-15 years
Equipment	5-30 years
Infrastructure	15-20 years

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bond/Note Issuance Costs

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

Deferred Revenue

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

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which they are levied.

Long-Term Liabilities

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

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

Fund Equity

In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the public safety, public works, community and economic development, and capital projects functions.

NOTE 2 CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2005 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 AND POOLED INVESTMENTS (continued)

The City's investments at June 30, 2005 are as follows:

<u>Type</u>	<u>Carrying amount</u>	<u>Fair value</u>	<u>Maturity</u>
Repurchase agreement	\$ <u>3,583</u>	\$ <u>3,583</u>	<u>NA</u>

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.

Credit risk

The City's investment in the repurchase agreement is unrated.

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	\$ 214,172	\$ 850	\$ 213,322
Sewer Fund	100,132	400	99,732
Gas Fund	126,570	1,750	124,820
Golf Fund	3,430	-	3,430
Nonmajor proprietary funds	<u>55,418</u>	<u>-</u>	<u>55,418</u>
Total	\$ <u>499,722</u>	\$ <u>3,000</u>	\$ <u>496,722</u>
Other			
General	\$ <u>127,276</u>	\$ <u>28,000</u>	\$ <u>99,276</u>

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2005 was as follows:

	<u>Balance beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance end of year</u>
Primary Government				
Governmental activities				
Capital assets not being depreciated				
Land	\$ 683,228	\$ 100,537	\$ 7,752	\$ 776,013
Construction in progress	<u>2,407,246</u>	<u>3,778,746</u>	<u>2,254,572</u>	<u>3,931,420</u>
Total capital assets not being depreciated	<u>3,090,474</u>	<u>3,879,283</u>	<u>2,262,324</u>	<u>4,707,433</u>
Capital assets being depreciated				
Buildings	3,728,741	2,166,957	73,287	5,822,411
Improvements other than buildings	392,926	141,669	-	534,595
Equipment	2,150,252	920,853	23,321	3,047,784
Infrastructure, road network	<u>38,695,399</u>	<u>6,875,222</u>	<u>-</u>	<u>45,570,621</u>
Total capital assets being depreciated	<u>44,967,318</u>	<u>10,104,701</u>	<u>96,608</u>	<u>54,975,411</u>
Less accumulated depreciation for				
Buildings	638,320	138,969	29,125	748,164
Improvements other than buildings	225,429	27,803	-	253,232
Equipment	1,709,769	266,522	23,321	1,952,970
Infrastructure, road network	<u>13,492,679</u>	<u>1,279,001</u>	<u>-</u>	<u>14,771,680</u>
Total accumulated depreciation	<u>16,066,197</u>	<u>1,712,295</u>	<u>52,446</u>	<u>17,726,046</u>
Total capital assets being depreciated, net	<u>28,901,121</u>	<u>8,392,406</u>	<u>44,162</u>	<u>37,249,365</u>
Governmental activities capital assets, net	<u>\$31,991,595</u>	<u>\$12,271,689</u>	<u>\$2,306,486</u>	<u>\$41,956,798</u>
Business type activities				
Capital assets not being depreciated				
Land	\$ 48,397	\$ 1,177,635	\$ -	\$ 1,226,032
Construction in progress	<u>401,871</u>	<u>402,547</u>	<u>75,372</u>	<u>729,046</u>
Total capital assets not being depreciated	<u>450,268</u>	<u>1,580,182</u>	<u>75,372</u>	<u>1,955,078</u>
Capital assets being depreciated				
Buildings	96,961	435,650	-	532,611
Equipment	1,052,754	293,971	-	1,346,725
Infrastructure, water, sewer and gas networks	<u>18,860,426</u>	<u>1,298,762</u>	<u>-</u>	<u>20,159,188</u>
Total capital assets being depreciated	<u>20,010,141</u>	<u>2,028,383</u>	<u>-</u>	<u>22,038,524</u>
Less accumulated depreciation for				
Buildings	70,199	4,595	-	74,794
Equipment	548,071	61,316	-	609,387
Infrastructure, water, sewer and gas networks	<u>5,172,158</u>	<u>613,755</u>	<u>-</u>	<u>5,785,913</u>
Total accumulated depreciation	<u>5,790,428</u>	<u>679,666</u>	<u>-</u>	<u>6,470,094</u>
Total capital assets being depreciated, net	<u>14,219,713</u>	<u>1,348,717</u>	<u>-</u>	<u>15,568,430</u>
Business type activities capital assets, net	<u>\$14,669,981</u>	<u>\$ 2,928,899</u>	<u>\$ 75,372</u>	<u>\$17,523,508</u>

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (continued)

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

Governmental activities		
Public safety	\$ 250,719	
Public works	1,349,436	
Culture and recreation	77,916	
Community and economic development	31,767	
General government	<u>2,457</u>	
Total depreciation expense--governmental activities		<u>\$1,712,295</u>
Business type activities		
Water	\$ 250,950	
Sewer	298,703	
Gas	106,621	
Golf	<u>23,392</u>	
Total depreciation expense--business type activities		<u>\$ 679,666</u>

NOTE 5 CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	<u>Balance beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance end of year</u>	<u>Due within one year</u>
Governmental activities					
General obligation bonds/notes	\$11,630,000	\$3,198,039	\$ 800,000	\$14,028,039	\$1,584,865
Capital leases	41,486	-	41,486	-	-
Compensated absences	<u>76,459</u>	<u>2,342</u>	<u>-</u>	<u>78,801</u>	<u>22,494</u>
Totals	<u>\$11,747,945</u>	<u>\$3,200,381</u>	<u>\$ 841,486</u>	<u>\$14,106,840</u>	<u>\$1,607,359</u>
Business type activities					
General obligation bonds/notes	\$ 240,000	\$ -	\$ 40,000	\$ 200,000	\$ 35,000
Special assessment notes	150,000	-	30,000	120,000	30,000
Des Moines Water Works bonds	1,505,660	44,107	195,893	1,353,874	207,315
Revenue bonds/notes	<u>2,623,641</u>	<u>925,000</u>	<u>275,996</u>	<u>3,272,645</u>	<u>245,545</u>
Totals	<u>\$ 4,519,301</u>	<u>\$ 969,107</u>	<u>\$ 541,889</u>	<u>\$ 4,946,519</u>	<u>\$ 517,860</u>

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CHANGES IN LONG-TERM LIABILITIES (continued)

Fourteen issues of unmatured general obligation bonds/notes, totaling \$14,228,039, are outstanding at June 30, 2005. General obligation bonds/notes bear interest at rates ranging from 1.75% to 5.05% and mature in varying annual amounts, ranging from \$5,000 to \$625,000, with the final maturities due in the year ending June 30, 2018.

One issue of unmatured special assessment notes, totaling \$120,000, is outstanding at June 30, 2005. These notes bear interest at rates ranging from 4.85% to 5.05% and mature in annual amounts of \$30,000, with final maturity due in the year ending June 30, 2009.

Details of general obligation bonds/notes payable and special assessment notes at June 30, 2005 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, 2005</u>
General Obligation Bonds and Notes						
Public Safety Building	August 1, 1998	4.50%	June 1, 2014	\$210,000 - 270,000	\$2,990,000	\$2,160,000
Corporate Purpose	March 1, 1999	4.25-4.80	June 1, 2014	160,000 - 245,000	2,370,000	1,800,000
Corporate Purpose	April 15, 2001	4.20-5.05	June 1, 2016	55,000 - 90,000	950,000	790,000
Library Building	August 1, 2001	4.12-4.90	June 1, 2016	120,000 - 190,000	2,000,000	1,670,000
Urban Renewal	August 1, 2001	4.00-4.80	June 1, 2016	120,000 - 200,000	2,000,000	1,745,000
Refunding Notes	May 1, 2002	3.80-4.50	June 1, 2010	35,000 - 45,000	480,000	200,000
Corporate Purpose	July 1, 2003	2.55-3.60	June 1, 2017	50,000 - 135,000	1,240,000	1,240,000
Refunding Notes	January 29, 2004	2.50-4.25	June 1, 2010	75,000 - 85,000	465,000	400,000
Water Tower	February 25, 2004	1.75-4.25	June 1, 2018	65,000 - 100,000	1,090,000	1,025,000
Fire Equipment Anticipation	September 14, 2004	3.70	February 1, 2006	625,000	625,000	625,000
Corporate Purpose	November 15, 2004	2.10-4.00	June 1, 2017	50,000 - 180,000	1,750,000	1,750,000
Golf Course	March 4, 2005	3.75	June 1, 2010	28,000 - 557,000	700,000	700,000
Golf Course Equipment	April 12, 2005	4.25	April 20, 2009	5,000 - 6,000	24,150	24,150
Street Sweeper	April 8, 2005	4.25	July 15, 2009	18,000 - 20,000	98,889	98,889
Special Assessment Notes						
Sewer Improvements	March 1, 1999	4.85-5.05	June 1, 2009	30,000	289,000	120,000

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

<u>Year ending June 30</u>	<u>General Obligation</u>			<u>Special Assessment</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 1,619,865	\$ 586,807	\$ 2,206,672	\$ 30,000	\$ 5,940	\$ 35,940
2007	1,160,651	513,355	1,674,006	30,000	4,485	34,485
2008	1,233,090	470,734	1,703,824	30,000	3,015	33,015
2009	1,290,645	424,242	1,714,887	30,000	1,515	31,515
2010	1,833,788	373,806	2,207,594	-	-	-
2011-2015	5,800,000	993,513	6,793,513	-	-	-
2016-2018	<u>1,290,000</u>	<u>77,841</u>	<u>1,367,841</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$14,228,039</u>	<u>\$3,440,298</u>	<u>\$17,668,337</u>	<u>\$ 120,000</u>	<u>\$ 14,955</u>	<u>\$ 134,955</u>

Six issues of unmatured revenue notes, totaling \$3,284,000, are outstanding at June 30, 2005. These notes bear interest at rates ranging from 3.92% to 5.65% and mature in varying annual amounts, ranging from \$18,000 to \$812,000, with the final maturities due in the year ending June 30, 2018.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CHANGES IN LONG-TERM LIABILITIES (continued)

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

- (1) The notes/bonds will only be redeemed from the future earnings of the enterprise activity and the note/bond holders hold a lien on the future earnings of the funds.
- (2) Sufficient monthly transfers shall be made to water, sewer and golf course note/bond and interest sinking fund for the purpose of making the note/bond principal and interest payments when due.
- (3) Additional monthly transfers shall be made to water and sewer 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, 2005, the City was in compliance with the revenue note/bond provisions.

Details of revenue notes and refunding bonds payable at June 30, 2005 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, 2005</u>
Revenue Notes and Bonds						
Water						
Refunding Notes	November 1, 1999	5.20-5.25%	June 1, 2007	\$75,000	\$ 610,000	\$ 150,000
Sewer						
Bonds-Series 1998A	October 8, 1998	4.23	June 1, 2018	20,000 - 33,000	455,748	337,000
Bonds-Series 1998B	October 8, 1998	4.23	June 1, 2018	41,000 - 68,000	945,252	699,000
Bonds Series 1998C	October 8, 1998	3.92	June 1, 2018	51,000 - 82,000	1,178,000	853,000
Refunding Notes	November 1, 1999	5.20-5.65	June 1, 2012	40,000 - 50,000	705,000	320,000
Golf Course						
Revenue Note	March 4, 2005	4.45	June 1, 2010	18,000 - 812,000	925,000	925,000

<u>Year ending June 30</u>	<u>(a) Revenue Notes/Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 245,545	\$ 154,155	\$ 399,700
2007	267,944	132,196	400,140
2008	199,305	119,713	319,018
2009	205,726	110,877	316,603
2010	994,480	101,748	1,096,228
2011-2015	843,000	210,057	1,053,057
2016-2018	<u>528,000</u>	<u>43,773</u>	<u>571,773</u>
Subtotal	3,284,000	872,519	4,156,519
Less unamortized discount	<u>(11,355)</u>	<u>—</u>	<u>(11,355)</u>
Totals	<u>\$3,272,645</u>	<u>\$ 872,519</u>	<u>\$4,145,164</u>

Two issues of unmatured Des Moines Water Works refunding bonds, totaling \$1,361,893, are outstanding at June 30, 2005. These notes bear interest at rates ranging from 3.15% to 4.0% and mature in annual amounts ranging from \$60,067 to \$172,164, with the final maturity due in the year ending June 30, 2013.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CHANGES IN LONG-TERM LIABILITIES (continued)

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

Year ending June 30	Des Moines Water Works 2001 Water Refunding Bonds			Des Moines Water Works 2001 Water Refunding Bonds			Total
	Principal	Interest	Total	Principal	Interest	Total	
2006	\$ 147,248	\$ 42,922	\$ 190,170	\$ 60,067	\$ 3,055	\$ 63,122	\$ 253,292
2007	153,840	38,477	192,317	62,029	1,055	63,084	255,401
2008	137,234	33,738	170,972	—	—	—	170,972
2009	148,426	28,593	177,109	—	—	—	177,109
2010	154,360	22,839	177,199	—	—	—	177,199
2011-2013	498,689	30,356	529,045	—	—	—	529,045
Subtotals	1,239,797	196,925	1,436,722	122,096	4,110	126,206	1,562,928
Less unamortized discount	(8,019)	—	(8,109)	—	—	—	(8,019)
Totals	<u>\$1,231,778</u>	<u>\$ 196,925</u>	<u>\$1,428,703</u>	<u>\$ 122,096</u>	<u>\$ 4,110</u>	<u>\$ 126,206</u>	<u>\$1,554,909</u>

As of June 30, 2005, the general obligation debt issued by the City did not exceed its legal debt margin computed as follows:

Actual valuation	<u>\$391,166,700</u>
Debt limit - 5% of total actual valuation	<u>\$ 19,558,335</u>
Debt applicable to debt limit	
General obligation bonded debt outstanding	\$14,228,039
Tax increment financing debt outstanding	<u>497,457</u>
Legal debt margin	<u>\$14,725,496</u>
Percentage of debt limit	<u>75.29%</u>

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 7 DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise—Gas Fund	General Fund	\$ 18,821
Enterprise—Gas Fund	Nonmajor Proprietary Funds	53,889
General	Enterprise Golf Course	85,000
Enterprise—Water Fund	Enterprise Golf Course	100,000
	Capital Projects Urban Renewal	144,701
Enterprise—Sewer Fund	Capital Projects Urban Renewal	963
General	Nonmajor Governmental Funds	218,061
	Capital Projects	
	2004-2005 GO Projects	181,845
Capital Projects		
Urban Renewal	Capital Projects 2004-2005 GO Projects	1,068,321
Debt Service	Capital Projects Urban Renewal	<u>16,490</u>
Total		<u>\$1,888,091</u>

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

NOTE 8 PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.90%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$139,314, \$112,067 and \$97,673, respectively, equal to the required contributions for each year.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 9 DEFICIT EQUITY BALANCES

As of June 30, 2005, funds with deficit balances were as follows:

Capital Projects	
2004-2005 GO Projects	\$1,369,405
Citywide Sidewalk Project	11,520
Highway 6 Street Light Project	81,248
Enterprise	
Solid waste	20,145
Utility billing	35,270

The Capital Projects Fund deficits will be eliminated through transfers from other funds and bond proceeds.

The Enterprise Fund deficits will be eliminated through transfers from other funds.

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

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements 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, 2005 were \$103,101.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

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 or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

NOTE 11 COMMITMENTS

The City entered into contract commitments with contractors for the completion of several construction projects. The total contract commitments are \$5,253,413, of which \$4,355,516 has been incurred as of June 30, 2005. The unpaid commitment balance is \$897,897, which will be funded by current reserves in the capital projects funds and enterprise funds.

The City entered into a land option contract to buy four parcels of land, over the next four years at a total cost of \$1,120,000. The option is automatically terminated upon failure to purchase one of the pieces of land by the dates specified in the contract. No land was purchased during fiscal year ended June 30, 2005.

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 an urban renewal project of the City. The debt is payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The debt is not a general obligation of the City, however, the debt is subject to the constitutional debt limitation of the City. At June 30, 2005, \$497,457 is outstanding.

NOTE 13 SUBSEQUENT EVENT

In August 2005, the City authorized the issuance of \$3,800,000 in water revenue bonds with Des Moines Waterworks.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 14 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS

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

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*, issued November 2003, will be effective for the City beginning with its year ending June 30, 2006. This Statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries.

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004, will be effective for the City beginning with its year ending June 30, 2009. This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supersedes existing guidance.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the City beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefit expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB Statement No. 34, issued December 2004, will be effective for the City beginning with its year ending June 30, 2006. The purpose of Statement No. 46 is to help governments determine when net assets have been restricted to a particular use by the passage of enabling legislation and to specify how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation.

GASB Statement No. 47, *Accounting for Termination Benefits*, issued June 2005, will be effective for the City with its year ending June 30, 2006. This Statement establishes accounting standards for termination benefits. In financial statements prepared on the accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (early retirement incentives) when the offer is accepted and the amount can be estimated. A liability for involuntary termination benefits (severance benefits) should be recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees, and the amount can be estimated. In financial statements prepared on the modified accrual basis of accounting, liabilities and expenditures for termination benefits should be recognized to the extent the liabilities are normally expected to be liquidated with expendable available financial resources.

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

The City adopted Statement No. 40, *Deposit and Investment Risk Disclosures*, during the current fiscal year. This Statement established and modified disclosure requirements related to deposit risks and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

[This page intentionally left blank]

REQUIRED SUPPLEMENTARY INFORMATION

City of Waukee, Iowa
**BUDGETARY COMPARISON SCHEDULE OF REVENUES,
EXPENDITURES/EXPENSES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**
Required Supplementary Information
Year ended June 30, 2005

	Governmental funds actual	Proprietary funds actual	Less funds not required to be budgeted
RECEIPTS			
Property tax	\$ 3,057,974	\$ -	\$ -
Tax increment financing collections	980,076	-	-
Other city tax	160,531	-	-
Licenses and permits	659,487	-	-
Use of money and property	111,127	2,034,452	3,737
Intergovernmental	2,138,494	-	-
Charges for services	89,475	5,794,342	126,754
Miscellaneous	<u>430,772</u>	<u>71,035</u>	<u>39,803</u>
Total receipts	<u>7,627,936</u>	<u>7,899,829</u>	<u>170,294</u>
DISBURSEMENTS			
Public safety	2,169,067	-	-
Public works	1,214,158	-	-
Health and social services	12,050	-	-
Culture and recreation	854,233	-	31,633
Community and economic development	236,485	-	-
General government	414,964	-	-
Debt service	1,498,394	-	-
Capital projects	4,474,304	-	-
Business type activities	-	5,934,149	-
Nonprogram	-	173,709	173,709
Total disbursements	<u>10,873,655</u>	<u>6,107,858</u>	<u>205,342</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(3,245,719)</u>	<u>1,791,971</u>	<u>(35,048)</u>
OTHER FINANCING SOURCES, NET			
Excess of receipts and other financing sources over disbursements and other financing uses	<u>2,947,283</u>	<u>555,745</u>	<u>185,000</u>
Capital contributions	-	402,547	-
BALANCES, beginning of year	<u>2,034,192</u>	<u>13,535,079</u>	<u>(109,016)</u>
BALANCES, end of year	<u>\$ 1,735,756</u>	<u>\$16,285,342</u>	<u>\$ 40,936</u>

See accompanying independent auditor's report.

<u>Total actual</u>	<u>Budgeted amounts</u>		<u>Final to actual variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 3,057,974	\$ 2,981,799	\$ 2,981,799	\$ 76,175
980,076	986,690	986,690	(6,614)
160,531	96,234	142,605	17,926
659,487	488,980	745,780	(86,293)
2,141,842	128,508	143,488	1,998,354
2,138,494	1,673,423	2,291,298	(152,804)
5,757,063	5,187,789	7,615,345	(1,858,282)
462,004	67,550	183,816	278,188
<u>15,357,471</u>	<u>11,610,973</u>	<u>15,090,821</u>	<u>266,650</u>
2,169,067	1,331,395	2,147,461	(21,606)
1,214,158	942,415	1,202,707	(11,451)
12,050	14,000	14,000	1,950
822,600	707,243	823,998	1,398
236,485	218,757	218,757	(17,728)
414,964	350,946	421,440	6,476
1,498,394	1,573,840	1,573,840	75,446
4,474,304	2,765,695	3,641,445	(832,859)
5,934,149	5,413,437	9,396,814	3,462,665
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>16,776,171</u>	<u>13,317,728</u>	<u>19,440,462</u>	<u>2,664,291</u>
<u>(1,418,700)</u>	<u>(1,706,755)</u>	<u>(4,349,641)</u>	<u>2,930,941</u>
<u>3,318,028</u>	<u>1,235,000</u>	<u>4,136,914</u>	<u>(818,886)</u>
1,899,328	(471,755)	(212,727)	2,112,055
402,547	—	—	—
<u>15,678,287</u>	<u>8,180,367</u>	<u>8,180,367</u>	<u>7,497,920</u>
<u>\$17,980,162</u>	<u>\$ 7,708,612</u>	<u>\$ 7,967,640</u>	<u>\$ 9,609,975</u>

City of Waukee, Iowa
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
Year ended June 30, 2005

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$6,122,734. This budget amendment is reflected in the final budgeted amounts.

The City of Waukee, Iowa prepares its budget on the modified accrual basis for the governmental fund types and the accrual basis for the proprietary fund types which is consistent with generally accepted accounting principles. During the year ended June 30, 2005, disbursements in the public safety, public works, community and economic development, and capital projects functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

**City of Waukee
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005**

	Special Revenue Funds						
	Road Use Tax	Employee Benefits	Sugar Creek TIF	Enterprise Business Park TIF	Urban Renewal Area TIF	Library Foundation	Hickman West Industrial Park TIF
ASSETS							
Cash and pooled investments	\$ -	\$ 3,600	\$ 1,179	\$ 7,067	\$ 309,722	\$ 76,206	\$ 938,613
Receivables							
Property tax							
Delinquent	-	2,141	-	-	13,271	-	-
Succeeding year	-	507,969	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-
Other	-	-	-	-	2,372	-	-
Due from other governments	53,237	-	-	-	-	-	-
Prepaid insurance	4,578	-	-	-	-	-	-
	<u>57,815</u>	<u>513,710</u>	<u>1,179</u>	<u>7,067</u>	<u>325,365</u>	<u>76,206</u>	<u>938,613</u>
Total assets	<u>\$ 57,815</u>	<u>\$ 513,710</u>	<u>\$ 1,179</u>	<u>\$ 7,067</u>	<u>\$ 325,365</u>	<u>\$ 76,206</u>	<u>\$ 938,613</u>
LIABILITIES AND FUND EQUITY							
LIABILITIES							
Accounts payable	\$ 12,794	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated absences	1,588	-	-	-	-	-	-
Due to other funds	6,455	-	-	-	-	-	-
Deferred revenue							
Succeeding year property tax	-	507,969	-	-	-	-	-
Total liabilities	<u>20,837</u>	<u>507,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND EQUITY							
Fund balances							
Restricted for							
Debt service	-	-	-	-	-	-	-
Prepaid insurance	4,578	-	-	-	-	-	-
Unreserved, undesignated	<u>32,400</u>	<u>5,741</u>	<u>1,179</u>	<u>7,067</u>	<u>325,365</u>	<u>76,206</u>	<u>938,613</u>
Total fund equity	<u>36,978</u>	<u>5,741</u>	<u>1,179</u>	<u>7,067</u>	<u>325,365</u>	<u>76,206</u>	<u>938,613</u>
	<u>57,815</u>	<u>513,710</u>	<u>1,179</u>	<u>7,067</u>	<u>325,365</u>	<u>76,206</u>	<u>938,613</u>
Total liabilities and fund equity	<u>\$ 57,815</u>	<u>\$ 513,710</u>	<u>\$ 1,179</u>	<u>\$ 7,067</u>	<u>\$ 325,365</u>	<u>\$ 76,206</u>	<u>\$ 938,613</u>

See accompanying independent auditor's report.

Capital Projects						Debt service	
Ashworth Dr. Paving Project	Highway 6 IDOT Project	City Wide Sidewalk Project	Library Building	Highway 6 Street Light Project	IDOT RISE Grant Project	Special Assessments	Total
\$ -	\$ -	\$ -	\$ 17,964	\$ -	\$ -	\$ 1,798	\$1,356,149
-	-	-	-	-	-	-	15,412
-	-	-	-	-	-	-	507,969
-	-	-	-	-	-	150,434	150,434
-	-	-	-	-	83,269	-	85,641
-	-	-	-	-	35,569	-	88,806
-	-	-	-	-	-	-	4,578
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,964</u>	<u>\$ -</u>	<u>\$ 118,838</u>	<u>\$ 152,232</u>	<u>\$2,208,989</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,794
-	-	-	-	-	-	-	1,588
-	-	11,520	-	81,248	118,838	-	218,061
-	-	-	-	-	-	150,434	658,403
-	-	11,520	-	81,248	118,838	150,434	890,846
-	-	-	-	-	-	1,798	1,798
-	-	-	-	-	-	-	4,578
-	-	(11,520)	17,964	(81,248)	-	-	1,311,767
-	-	(11,520)	17,964	(81,248)	-	1,798	1,318,143
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,964</u>	<u>\$ -</u>	<u>\$ 118,838</u>	<u>\$ 152,232</u>	<u>\$2,208,989</u>

City of Waukee
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES (DEFICIT)
NONMAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2005

	Special Revenue Funds						
	Road Use Tax	Employee Benefits	Sugar Creek TIF	Enterprise Business Park TIF	Urban Renewal Area TIF	Library Foundation	Hickman West Industrial Park TIF
REVENUES							
Property tax	\$ -	\$ 453,295	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	18,252	217,183	319,998	-	424,643
Other city tax	-	-	-	-	-	-	-
Use of money and property	-	1,774	162	832	2,700	3,305	6,419
Intergovernmental	577,098	-	-	-	-	-	-
Miscellaneous	3,567	-	-	-	500	39,702	-
Total revenues	<u>580,665</u>	<u>455,069</u>	<u>18,414</u>	<u>218,015</u>	<u>323,198</u>	<u>43,007</u>	<u>431,062</u>
EXPENDITURES							
Operating							
Public works	680,872	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	31,633	-
Community and economic development	-	-	-	-	12,011	-	-
Capital projects	-	-	-	-	-	-	-
Total expenditures	<u>680,872</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,011</u>	<u>31,633</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(100,207)</u>	<u>455,069</u>	<u>18,414</u>	<u>218,015</u>	<u>311,187</u>	<u>11,374</u>	<u>431,062</u>
OTHER FINANCING SOURCES (USES)							
Bond proceeds	98,889	-	-	-	-	-	-
Operating transfers in	22,000	-	-	-	-	185,000	-
Operating transfers (out)	<u>(6,424)</u>	<u>(456,095)</u>	<u>(28,470)</u>	<u>(218,585)</u>	<u>(180,870)</u>	<u>-</u>	<u>(91,180)</u>
Total other financing sources (uses)	<u>114,465</u>	<u>(456,095)</u>	<u>(28,470)</u>	<u>(218,585)</u>	<u>(180,870)</u>	<u>185,000</u>	<u>(91,180)</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	14,258	(1,026)	(10,056)	(570)	130,317	196,374	339,882
FUND BALANCES (DEFICIT), beginning of year	<u>22,720</u>	<u>6,767</u>	<u>11,235</u>	<u>7,637</u>	<u>195,048</u>	<u>(120,168)</u>	<u>598,731</u>
FUND BALANCES (DEFICIT), end of year	<u>\$ 36,978</u>	<u>\$ 5,741</u>	<u>\$ 1,179</u>	<u>\$ 7,067</u>	<u>\$ 325,365</u>	<u>\$ 76,206</u>	<u>\$ 938,613</u>

See accompanying independent auditor's report.

Capital Projects						Debt service	
Ashworth Dr. Paving Project	Highway 6 IDOT Project	City Wide Sidewalk Project	Library Building	Highway 6 Street Light Project	IDOT RISE Grant Project	Special Assessments	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 453,295
-	-	-	-	-	-	-	980,076
-	-	758	-	-	-	5,634	6,392
-	-	167	183	-	-	1,495	17,037
-	-	-	-	-	-	-	577,098
-	-	-	7,821	9,628	-	-	61,218
-	-	925	8,004	9,628	-	7,129	2,095,116
-	-	-	-	-	-	-	680,872
-	-	-	-	-	-	-	31,633
-	-	-	-	-	-	-	12,011
-	-	-	11,200	5,575	-	-	16,775
-	-	-	11,200	5,575	-	-	741,291
-	-	925	(3,196)	4,053	-	7,129	1,353,825
-	-	-	-	-	-	-	98,889
11,019	8,202	-	-	-	-	10,669	236,890
-	-	-	-	-	-	(16,000)	(997,624)
11,019	8,202	-	-	-	-	(5,331)	(661,845)
11,019	8,202	925	(3,196)	4,053	-	1,798	691,980
(11,019)	(8,202)	(12,445)	21,160	(85,301)	-	-	626,163
\$ -	\$ -	\$ (11,520)	\$ 17,964	\$ (81,248)	\$ -	\$ 1,798	\$1,318,143

City of Waukee, Iowa
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
June 30, 2005

	<u>Solid Waste</u>	<u>Utility Billing</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and pooled investments	\$ -	\$ 40,942	\$ 40,942
Receivables			
Customer accounts and unbilled usage	<u>53,175</u>	<u>2,243</u>	<u>55,418</u>
Total assets	<u>53,175</u>	<u>43,185</u>	<u>96,360</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	73,320	23,788	97,108
Compensated absences	-	778	778
Interfund payable	<u>-</u>	<u>53,889</u>	<u>53,889</u>
Total liabilities	<u>73,320</u>	<u>78,455</u>	<u>151,775</u>
NET ASSETS			
Unreserved, undesignated	<u>(20,145)</u>	<u>(35,270)</u>	<u>(55,415)</u>
Total net assets	<u>\$ (20,145)</u>	<u>\$ (35,270)</u>	<u>\$ (55,415)</u>

See accompanying independent auditor's report.

City of Waukee, Iowa
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES
 IN FUND NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 Year ended June 30, 2005**

	<u>Solid Waste</u>	<u>Utility Billing</u>	<u>Total</u>
OPERATING REVENUES			
Charges for service	\$ 389,880	\$ 126,754	\$ 516,634
Miscellaneous	<u>1,992</u>	<u>101</u>	<u>2,093</u>
Total operating revenues	<u>391,872</u>	<u>126,855</u>	<u>518,727</u>
OPERATING EXPENSES			
Business type activities			
Cost of sales and services	<u>390,474</u>	<u>173,709</u>	<u>564,183</u>
Total operating expenses	<u>390,474</u>	<u>173,709</u>	<u>564,183</u>
Operating income (loss)	<u>1,398</u>	<u>(46,854)</u>	<u>(45,456)</u>
NONOPERATING REVENUES			
Interest income	<u>—</u>	<u>432</u>	<u>432</u>
CHANGE IN NET ASSETS	1,398	(46,422)	(45,024)
NET ASSETS , beginning of year	<u>(21,543)</u>	<u>11,152</u>	<u>(10,391)</u>
NET ASSETS , end of year	<u>\$ (20,145)</u>	<u>\$ (35,270)</u>	<u>\$ (55,415)</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 four years

	Modified Accrual Basis			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
REVENUES				
Property tax	\$ 3,057,974	\$2,824,173	\$2,513,755	\$2,240,591
Tax increment financing revenue	980,076	750,461	605,187	383,229
Other city tax	160,531	(6,441)	298,840	33,562
Licenses and permits	659,487	436,377	351,665	325,457
Use of money and property	111,127	117,062	121,792	205,396
Intergovernmental	2,138,494	669,192	596,525	661,050
Charges for service	89,475	63,974	37,376	31,108
Miscellaneous	<u>430,772</u>	<u>269,925</u>	<u>371,821</u>	<u>159,889</u>
Total	<u>\$ 7,627,936</u>	<u>\$5,124,723</u>	<u>\$4,896,961</u>	<u>\$4,040,282</u>
EXPENDITURES				
Operating				
Public safety	\$ 2,169,067	\$1,420,802	\$1,198,267	\$1,106,972
Public works	1,214,158	838,524	788,460	629,896
Health and social services	12,050	13,966	-	-
Culture and recreation	854,233	666,425	787,104	492,951
Community and economic development	236,485	226,664	218,659	137,382
General government	414,964	404,939	299,382	329,742
Debt service	1,498,394	1,832,624	1,224,381	1,174,783
Capital projects	<u>4,474,304</u>	<u>2,623,847</u>	<u>2,140,494</u>	<u>2,102,556</u>
Total	<u>\$10,873,655</u>	<u>\$8,027,791</u>	<u>\$6,656,747</u>	<u>\$5,974,282</u>

See accompanying independent auditor's report.

City of Waukee
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2005

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Federal number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
Department of Homeland Security			
Office for Domestic Preparedness			
Assistance to Firefighters Grant	97.044		\$ 47,990
Federal Highway Administration			
Iowa Department of Transportation			
Highway Planning and Construction	20.205	STP-U-8177(603)--70-25	69,617
Highway Planning and Construction	20.205	STP-U-8177(604)--70-25	1,311,400
U.S. Department of Justice			
Cops Universal Hiring Program	16.710		<u>41,434</u>
Total federal expenditures			<u>\$1,470,441</u>

BASIS OF PRESENTATION

The accompanying 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 this 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 this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

[This page intentionally left blank]

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

Honorable Mayor and
Members of the City Council
Waukee, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Waukee, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated August 26, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Waukee's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Waukee's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item II-05-A to be a material weakness. Prior year reportable conditions have not been resolved, except for 04-C.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City of Waukee, Iowa's operations for the year ended June 30, 2005 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. Prior year statutory comments have been resolved, except IV-05-B and IV-05-J.

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


DENMAN & COMPANY, LLP

West Des Moines, Iowa
August 26, 2005

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and
Members of the City Council
Waukee, Iowa

Compliance

We have audited the compliance of the City of Waukee, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2005. The City's major federal program is identified in the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Waukee complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the City of Waukee is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
August 26, 2005

SCHEDULE OF FINDINGS

**City of Waukee
SCHEDULE OF FINDINGS
Year ended June 30, 2005**

Part I. Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, one of which was considered to be a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal controls over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to major programs.
- (f) The audits 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) Major programs were as follows:
 - *CFDA Number 20.205 - Federal Highway Administration
- (h) The dollar threshold used to distinguish between type A and B programs was \$300,000.
- (i) The City of Waukee does not qualify as a low-risk auditee.

City of Waukee
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2005

Part II—Findings Related to the Financial Statements

No matters regarding noncompliance relative to the financial statements were reported.

REPORTABLE CONDITIONS

II-05-A FIXED ASSETS

Fixed assets are not tagged and adequate documentation of comparison to the fixed asset listing is not maintained.

Recommendation

Fixed assets should be tagged for proper identification and a periodical comparison to the fixed asset listing by a person independent of the custody of those fixed assets should be properly documented.

Response

The City will address the issues of tagging fixed assets and will document the procedures performed to update the fixed asset listing on an annual basis.

Conclusion

Response accepted.

II-05-B CREDIT CARDS

The City has credit cards for use by various employees while on City business. Supporting documentation for all credit card charges should be provided prior to payment of any billing for complete and accurate accounting of City funds. During our audit, we noted several instances where the supporting documentation was not provided for all charges.

Recommendation

The City should enforce their written policy regarding remitting the supporting documentation required to substantiate charges.

Response

We will continue to remind the department heads of the procedures and guidelines of our written policy regarding this.

Conclusion

Response accepted.

City of Waukee
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2005

Part III Findings for Federal Awards

Instances of Noncompliance

No matters were noted.

Reportable Conditions

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

City of Waukee
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2005

Part IV—Findings Related to Required Statutory Reporting

IV-05-A OFFICIAL DEPOSITORIES

A resolution naming depositories has been approved by the City Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

IV-05-B CERTIFIED BUDGET

Expenditures during the year ended June 30, 2005 exceeded the amount budgeted in the public safety, public works, community and economic development, and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation

The amendment to the budget should have been in an amount adequate so that expenditures do not exceed the budget.

Response

We will have the department heads review the budget activity more closely in the future to be sure that the amendments are adequate.

Conclusion

Response accepted.

IV-05-C QUESTIONABLE EXPENDITURES

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

IV-05-D TRAVEL EXPENSE

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

IV-05-E BUSINESS TRANSACTIONS

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

IV-05-F 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-05-G COUNCIL MINUTES

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

City of Waukee
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2005

Part IV—Findings Related to Required Statutory Reporting

IV-05-H 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.

IV-05-I REVENUE BONDS/NOTES

The City was in compliance with all requirements of their water, sewer and golf course revenue bond and note provisions.

IV-05-J FINANCIAL CONDITION

The following funds had deficit balances at June 30, 2005:

Capital Projects	
2004-2005 GO Projects	\$1,369,405
City Wide Sidewalk Project	11,520
Highway 6 Street Light Project	81,248
Enterprise	
Solid waste	20,145
Utility billing	35,270

Recommendation

The City should investigate alternatives to eliminate these deficit balances in order to return these accounts to a sound financial position.

Response

The Enterprise Fund and the Capital Projects Fund deficits will be eliminated through transfers from other funds and bond proceeds.

Conclusion

Response accepted.

IV-05-K BUILDING PERMITS

One instance of a building permit fee being waived without appropriate Council approval was noted.

Recommendation

The City should ensure the Council approve all requests for waiver of building permit fees with proper documentation in Council minutes.

Response

The City will follow the proper procedures regarding building permit fees.

Conclusion

Response accepted.

STATISTICAL SECTION
(UNAUDITED)

**City of Waukee
PROPERTY VALUATIONS AND TAX LEVIES
(UNAUDITED)**

	Rollback Taxable Valuations January 1, 2003	
	<u>General</u>	<u>Debt service</u>
Waukee Corporate		
Residential real estate	\$174,499,537	\$174,499,537
Commercial real estate	19,783,370	19,783,370
Industrial property	3,614,710	3,614,710
Railroad	625,636	625,636
Utilities	6,778,686	6,778,686
Military exemption	<u>(516,708)</u>	<u>(516,708)</u>
	<u>204,785,231</u>	<u>204,785,231</u>
Waukee Corporate Urban T.I.F. Districts		
Residential real estate—increment	—	1,725,241
Industrial property—increment	—	1,467,070
Commercial real estate		
Base	22,913,966	22,913,966
Increment	—	18,379,710
Military exemption	<u>(11,112)</u>	<u>(11,112)</u>
	<u>22,902,854</u>	<u>44,474,875</u>
	<u>\$227,688,085</u>	<u>\$249,260,106</u>
		January 1, 2003
Agricultural land		
Land		\$1,552,560
Buildings		<u>119,600</u>
		<u>\$1,672,160</u>
		Collectible in 2004-2005
	<u>Rate</u>	<u>Amount</u>
General	8.10000	\$1,752,773
Debt service	3.32039	827,125
Employee benefits	<u>2.08000</u>	<u>450,095</u>
	<u>13.50039</u>	<u>\$3,029,993</u>
Agricultural land	<u>3.00375</u>	<u>\$ 7,840</u>

See accompanying independent auditor's report.

City of Waukee
CHARGES FOR SERVICE, TAX LEVIES AND ROLLBACK TAXABLE VALUATIONS
(UNAUDITED)

	Year ended June 30				
	2005	2004	2003	2002	2001
Charges for service					
Gas	\$2,951,128	\$2,478,242	\$2,127,443	\$1,737,387	\$2,498,421
Water	1,383,870	1,274,939	1,150,407	1,066,548	882,594
Sewer	771,422	722,998	838,126	566,462	492,116
Golf	171,288	-	-	-	-
Tax levies					
General Fund	8.10000	8.10000	8.10000	8.09999	8.10000
Debt Service	3.32039	3.32010	3.32019	3.32001	4.06474
Employee Benefits	<u>2.08000</u>	<u>2.08000</u>	<u>2.08013</u>	<u>2.08000</u>	<u>1.33526</u>
	13.50039	13.50010	13.50032	13.50000	13.50000
Agricultural land	3.00375	3.00375	3.00375	3.00339	3.00375
Rollback taxable valuations					
Real estate	\$217,196,873	\$190,017,966	\$173,749,015	\$153,105,456	\$124,841,965
Personal	-	-	378,171	900,408	2,110,969
Railroad	625,636	597,181	576,535	536,528	448,438
Utilities	6,778,656	6,240,433	1,648,472	1,434,897	1,207,928
Urban T.I.F.	21,583,133	28,187,994	22,874,426	14,198,753	10,552,031
Agricultural (includes T.I.F.)	1,672,160	3,821,610	3,517,530	3,388,500	3,156,244
Military exemption (includes T.I.F.)	(516,708)	(498,594)	(490,780)	(424,108)	(424,108)

See accompanying independent auditor's report.