

City of Waukee, Iowa

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

June 30, 2010

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**City of Waukee, Iowa
OFFICIALS**

	<u>Term expires</u>
MAYOR AND MEMBERS OF CITY COUNCIL (Before January 2010)	
William Peard, Mayor	January 2012
Donald Bailey, Jr., Council Member	January 2010
Isaiah McGee, Council Member	January 2010
Michael Watts, Council Member	January 2014
Casey L. Harvey, Council Member	January 2012
Darlene Stanton, Council Member	January 2012
CITY ADMINISTRATOR	
Jeff Kooistra	Indefinite
DEPUTY CITY CLERK	
Rebecca D. Schuett	Indefinite
CITY TREASURER	
Linda Burkhart	Indefinite
CITY ATTORNEY	
Steven P. Brick	January, 2010
	<u>Term expires</u>
MAYOR AND MEMBERS OF CITY COUNCIL (After January 2010)	
William Peard, Mayor	January 2012
Shane Blanchard, Council Member	January 2014
Dan Dutcher, Council Member	January 2014
Michael Watts, Council Member	January 2014
Casey L. Harvey, Council Member	January 2012
Darlene Stanton, Council Member	January 2012
CITY ADMINISTRATOR	
Jeff Kooistra	Indefinite
DEPUTY CITY CLERK	
Rebecca D. Schuett	Indefinite
CITY TREASURER	
Linda Burkhart	Indefinite
CITY ATTORNEY	
Steven P. Brick	January, 2011

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, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2010 on our consideration of the City of Waukee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waukee's basic financial statements as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2009 (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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 18, 2010

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, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Revenues of the City's Governmental Funds decreased 21.23 %, or \$ 3,448,195, from fiscal 2009 to fiscal 2010. Property Tax increased \$ 615,792, Tax Increment Financing increased \$ 207,999, Licenses and Permits decreased \$ 319,326, Intergovernmental decreased approximately \$ 1,743,126 and Miscellaneous decreased \$ 997,564.
- Program expenses decreased 33.71 %, or \$ 8,672,943 in fiscal 2010 from fiscal 2009. Public Safety expenses increased \$ 136,340, Community and Economic Development increased \$ 44,308, Culture and Recreation decreased \$ 37,789, General Government decreased \$ 127,041, Debt Service decreased \$ 4,937,691 and Capital Projects decreased \$ 3,785,906.
- The City has net assets of \$ 97,493,709 on June 30, 2010 as compared to \$ 91,393,270 on June 30, 2009. Of this amount, the net assets of the Governmental Activities was \$ 70,858,449 and the net assets of the Business Type Activities was \$ 26,635,260.

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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major Governmental and Proprietary Funds, and Schedule of Revenues by Source and Expenditures by Function. 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, gas and storm water utilities, the municipal golf course and the City's sanitation department. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

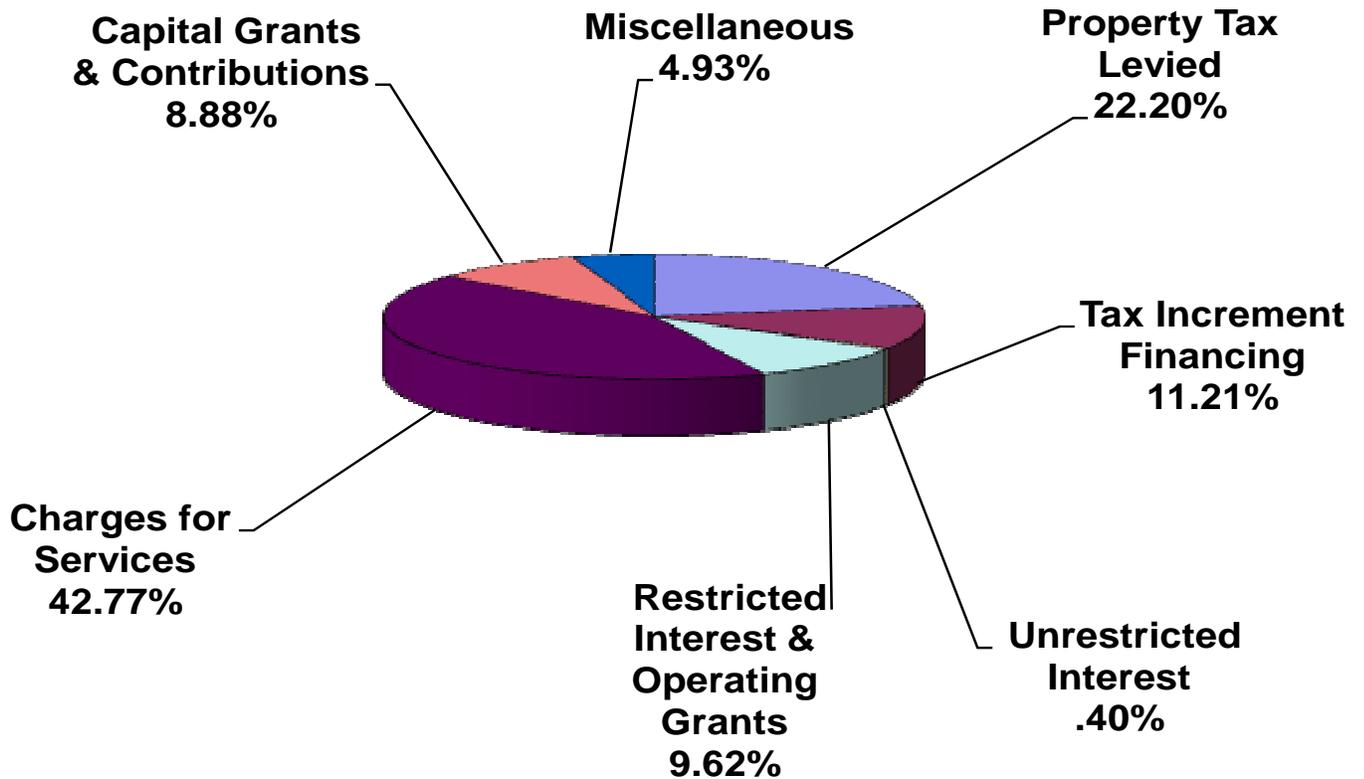
	Net Assets					
	Governmental Activities		Business Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 17,904,728	\$ 16,810,870	\$ 9,879,929	\$ 10,342,754	\$ 27,784,657	\$ 27,153,624
Capital Assets	<u>89,315,366</u>	<u>85,324,673</u>	<u>28,438,341</u>	<u>25,039,059</u>	<u>117,753,707</u>	<u>110,363,732</u>
Total Assets	<u>107,220,094</u>	<u>102,135,543</u>	<u>38,318,270</u>	<u>35,381,813</u>	<u>145,538,364</u>	<u>137,517,356</u>
Long-term Liabilities	28,157,718	25,721,669	9,983,929	10,992,622	38,141,647	36,714,291
Other Liabilities	<u>8,258,927</u>	<u>8,184,426</u>	<u>1,717,081</u>	<u>1,225,369</u>	<u>9,976,008</u>	<u>9,409,795</u>
Total Liabilities	<u>36,416,645</u>	<u>33,906,095</u>	<u>11,701,010</u>	<u>12,217,991</u>	<u>48,117,655</u>	<u>46,124,086</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	61,418,359	59,970,184	19,714,802	17,328,115	81,133,161	77,298,299
Restricted	7,151,729	5,500,816	611,685	616,253	7,763,414	6,117,069
Unrestricted	<u>2,233,361</u>	<u>2,758,448</u>	<u>6,290,773</u>	<u>5,219,454</u>	<u>8,524,134</u>	<u>7,977,902</u>
Total Net Assets	<u>\$ 70,803,449</u>	<u>\$ 68,229,448</u>	<u>\$ 26,617,260</u>	<u>\$ 23,163,822</u>	<u>\$ 97,420,709</u>	<u>\$ 91,393,270</u>

The largest portion of the City's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt excluding unspent debt proceeds. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is approximately \$ 8,524,000 at the end of this year.

Changes in Net Assets

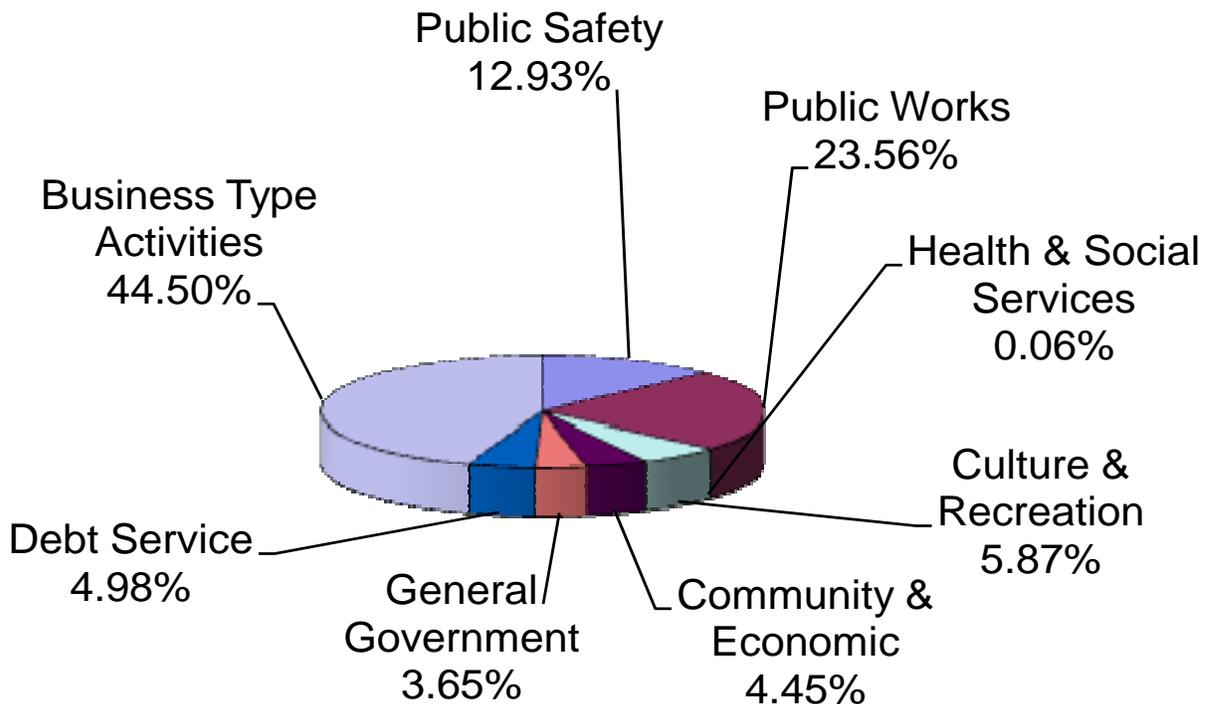
	Governmental Activities		Business Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Property Tax Levied	\$ 6,004,735	\$ 6,620,428	\$ -	\$ -	\$ 6,004,735	\$ 6,620,428
Tax Increment Financing	3,032,038	2,824,039	-	-	3,032,038	2,824,039
Unrestricted Interest	58,984	41,713	48,114	80,837	107,098	122,550
Restricted Interest and Operating Grants	2,602,495	4,230,786	-	-	2,602,495	4,230,786
Charges for Services	950,373	1,383,564	10,618,305	10,342,163	11,568,678	11,725,727
Capital Grants and Contributions	1,417,317	9,899,335	-	45,499	1,417,317	9,944,834
Miscellaneous	211,818	1,182,801	1,121,138	1,187,692	1,332,956	2,370,493
Total Revenues	14,277,760	26,182,666	11,787,557	11,656,191	26,065,317	37,838,857
Transfers	(581,785)	763,134	581,785	(763,134)	-	-
Total Revenues and Transfers	\$ 13,695,975	\$ 26,945,800	\$ 12,369,342	\$ 10,893,057	\$ 26,065,317	\$ 37,838,857

2010 Revenues



	Governmental Activities		Business Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Program Expenses						
Public Safety	\$ 2,591,023	\$ 2,425,527	\$ -	\$ -	\$ 2,591,023	\$ 2,425,527
Public Works	4,720,065	4,087,438	-	-	4,720,065	4,087,438
Health and Social Services	12,180	11,000	-	-	12,180	11,000
Culture and Recreation	1,176,427	1,216,490	-	-	1,176,427	1,216,490
Community and Economic Development	892,553	848,245	-	-	892,553	848,245
General Government	732,210	53,132	-	-	732,210	53,132
Debt Service	997,516	1,170,554	-	-	997,516	1,170,554
Business Type Activities	-	-	8,915,904	9,473,731	8,915,904	9,473,731
Total Expenses	11,121,974	9,812,386	8,915,904	9,473,731	20,037,878	19,286,117
Increase in Net Assets	2,574,001	17,133,414	3,453,438	1,420,460	6,027,439	18,553,874
Net Assets Beginning of Year	68,229,448	51,096,034	23,163,822	21,743,362	91,393,270	72,839,396
Net Assets End of Year	\$ 70,803,449	\$ 68,229,448	\$ 26,617,260	\$ 23,163,822	\$ 97,420,709	\$ 91,393,270

2010 Program Expenses



The City maintained the \$ 13.50 property tax levy for FY10, while recognizing a \$ 615,693 decrease in property tax revenue due to decrease in special assessments collected. The City also recognized an increase of \$ 207,999 from increased commercial property tax valuations. Revenues for operating and capital grants, contributions and restricted interest, decreased by approximately \$ 10,110,309 and charges for services decreased by \$ 433,191.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As the City of Waukee completed the year, its governmental funds reported a combined fund balance of \$ 9,324,737 at June 30, 2010, compared to \$ 8,387,231 combined fund balance at June 30, 2009.

The General Fund showed an increase of \$ 39,483 from the prior year to \$ 1,378,223.

The Tax Increment Financing Revenues Funds account 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. These funds ended fiscal 2010 with a \$ 2,294,354 balance compared to the prior year ending balance of \$ 2,176,074.

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 2010 with a \$ 5,179 balance compared to the prior year ending balance of \$ 10,611. Transfers out to operating funds totaled \$ 865,710 in fiscal 2010.

The Debt Service Fund ended fiscal 2010 with a \$ 585,774 balance compared to the prior year ending balance of \$ 300,620. Bond principal and interest payments decreased by \$ 5,023,262 in fiscal 2010, as a result of a multiple bond refunding transaction the prior year.

The Capital Projects Fund ended fiscal 2010 with a \$ 4,802,026 balance compared to the prior year ending balance of \$ 4,254,447.

Proprietary Fund Highlights

The Water Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal 2010 with a \$ 9,263,106 net asset balance, compared to the prior year ending net asset balance of \$ 8,448,165.

The Sewer Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal 2010 with a \$ 10,730,345 net asset balance, compared to the prior year ending net asset balance of \$ 9,591,336.

The Gas Fund, which accounts for the operations and maintenance of the City's gas utility, ended fiscal 2010 with a \$ 5,492,692 net asset balance, compared to the prior year ending net asset balance of \$ 4,245,857.

The Golf Course Fund, which accounts for the operations and maintenance of the City's municipal golf course, ended fiscal 2010 with a \$ 244,686 net asset balance, compared to the prior year ending net asset balance of \$ 344,624.

The Solid Waste Fund, which accounts for the operation and maintenance of the City's solid waste collection system, ended fiscal 2010 with a \$ 55,610 net asset balance, compared to the prior year ending net asset balance of \$ 50,279.

The Storm Sewer Fund, which accounts for the operation and maintenance of the City's storm sewer collection system, ended fiscal 2010 with a \$ 720,274 net asset balance, compared to the prior year ending net asset balance of \$ 364,504.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City of Waukee amended its budget once. This amendment was done in May 2010. This amendment was needed to cover unplanned disbursements, including disbursements associated with projects carried over from the prior fiscal year.

The City did not exceed the adopted budget amount in any program function for the year ended June 30, 2010.

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 \$ 89,315,366 (net of accumulated depreciation) at June 30, 2010. Capital assets for business type activities totaled \$ 28,438,341 (net of accumulated depreciation) at June 30, 2010. See Notes 1 & 4 to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities during the year included the completion of the Northview Drive extension & 6th Street widening project, the Alice's Road/I80 grading and bridge construction project, upgrades to the City's information technology system, street improvements to Warrior Lane and Douglas Parkway, started the Public Works facility IJOBS grant project, and the completion of the WRA/South outfall sanitary sewer project.

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

Construction in progress at June 30, 2010 for the City consists primarily of streets, sewer and gas infrastructure projects.

Long-Term Debt

At June 30, 2010, the City had \$ 28,102,718 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business type activities was \$ 9,930,779 at June 30, 2010. During the year ended June 30, 2010, the City issued a total of \$ 4,770,000 in general obligation bonds to finance the City's construction projects.

The City received their first general obligation bond rating of Aa3, assigned by national rating agency, Moody's Investors Services. This rating was performed under the new Global Rating Scale in April 2010. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$ 28,255,694 is below its constitutional debt limit of \$ 50,366,865. 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 2011 budget. The City of Waukee will experience a significant increase in General Fund revenues and expenditures from fiscal 2010 to fiscal 2011. The major factors that will play a role in this change are the increase in property tax revenues from increased valuations for fiscal 2011, and increased revenues from grants and bond proceeds.

The General Fund is projected to end fiscal 2011 with a fund balance of approximately \$ 1,393,000, or to increase \$14,600 from fiscal 2010. The tax levy rates per \$1,000 of taxable valuation for fiscal 2011 are provided below:

General levy	\$8.10000
Debt Service levy	3.32004
Employee Benefits Levy	<u>2.08000</u>
Total	\$13.50004

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

City of Waukee, Iowa
STATEMENT OF NET ASSETS
June 30, 2010

	Primary Government		Total
	Governmental Activities	Business Type Activities	
ASSETS			
Cash and pooled investments	\$ 7,894,872	\$ 7,116,084	\$ 15,010,956
Receivables			
Property tax			
Delinquent	246,404	-	246,404
Succeeding year	6,393,325	-	6,393,325
Special assessments	520,289	86,247	606,536
Customer accounts	-	583,144	583,144
Other	298,225	-	298,225
Due from other governments	1,981,850	-	1,981,850
Due (to) from other funds	66,179	(66,179)	-
Inventories	-	167,976	167,976
Prepaid insurance	67,906	-	67,906
Restricted assets - cash and pooled investments	-	1,955,987	1,955,987
Capital assets (net of accumulated depreciation)	89,315,366	28,438,341	117,753,707
Bond/note issuance costs	228,715	36,670	265,385
Bond discounts	206,963	-	206,963
Total assets	<u>107,220,094</u>	<u>38,318,270</u>	<u>145,538,364</u>
LIABILITIES			
Accounts payable	1,112,381	1,558,397	2,670,778
Accrued interest payable	88,000	36,261	124,261
Customer deposits payable	-	122,423	122,423
Lease deposit payable	4,204	-	4,204
Deferred revenue	6,913,614	-	6,913,614
Bond premium	140,728	-	140,728
Long-term liabilities			
Portion due or payable within one year			
Compensated absences	17,306	35,150	52,456
Capital lease payable	-	3,069	3,069
General obligation bonds/notes	2,798,543	10,962	2,809,505
Tax increment financing (TIF) bonds	120,000	-	120,000
Special assessment notes	29,000	-	29,000
Revenue notes payable	-	489,177	489,177
Des Moines Water Works bonds payable	-	534,045	534,045
Portion due or payable after one year			
Compensated absences	122,170	-	122,170
General obligation bonds/notes	23,239,699	-	23,239,699
Tax increment financing (TIF) bonds	1,470,000	-	1,470,000
Special assessment notes	306,000	-	306,000
Revenue notes payable	-	6,284,804	6,284,804
Des Moines Water Works bonds payable	-	2,608,722	2,608,722
Net OPEB liability	55,000	18,000	73,000
Total liabilities	<u>36,416,645</u>	<u>11,701,010</u>	<u>48,117,655</u>
NET ASSETS			
Invested in capital assets, net of related debt	61,418,359	19,714,802	81,133,161
Restricted for			
Debt service	624,743	611,685	1,236,428
Other	6,526,986	-	6,526,986
Unrestricted	<u>2,233,361</u>	<u>6,290,773</u>	<u>8,524,134</u>
Total net assets	<u>\$ 70,803,449</u>	<u>\$26,617,260</u>	<u>\$ 97,420,709</u>

See Notes to Financial Statements.

City of Waukee, Iowa
STATEMENT OF ACTIVITIES
Year ended June 30, 2010

	Program Revenues			
		Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	and Restricted Interest	and Restricted Interest
Primary Government				
Governmental activities				
Public safety	\$ 2,591,023	\$ 184,230	\$ -	\$ -
Public works	4,720,065	-	2,602,495	1,417,317
Health and social services	12,180	-	-	-
Culture and recreation	1,176,427	296,281	-	-
Community and economic development	892,553	-	-	-
General government	732,210	469,862	-	-
Interest on long-term debt	997,516	-	-	-
Total governmental activities	<u>11,121,974</u>	<u>950,373</u>	<u>2,602,495</u>	<u>1,417,317</u>
Business type activities				
Water	1,727,283	2,029,527	-	-
Sewer	1,304,485	1,765,557	-	-
Gas	4,142,861	4,856,261	-	-
Golf	588,977	432,265	-	-
Other	1,152,298	1,534,695	-	-
Total business type activities	<u>8,915,904</u>	<u>10,618,305</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$20,037,878</u>	<u>\$11,568,678</u>	<u>\$2,602,495</u>	<u>\$1,417,317</u>

GENERAL REVENUES

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

TRANSFERS

Total general revenues and transfers

CHANGE IN NET ASSETS

NET ASSETS BEGINNING OF YEAR

NET ASSETS END OF YEAR

Net (Expense) and Changes in Net Assets
Primary Government

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (2,406,793)	\$ —	\$ (2,406,793)
(700,253)	—	(700,253)
(12,180)	—	(12,180)
(880,146)	—	(880,146)
(892,553)	—	(892,553)
(262,348)	—	(262,348)
<u>(997,516)</u>	<u>—</u>	<u>(997,516)</u>
<u>(6,151,789)</u>	<u>—</u>	<u>(6,151,789)</u>
—	302,244	302,244
—	461,072	461,072
—	713,400	713,400
—	(156,712)	(156,712)
<u>—</u>	<u>382,397</u>	<u>382,397</u>
<u>—</u>	<u>1,702,401</u>	<u>1,702,401</u>
<u>(6,151,789)</u>	<u>1,702,401</u>	<u>(4,449,388)</u>
3,426,231	—	3,426,231
1,718,952	—	1,718,952
859,552	—	859,552
3,032,038	—	3,032,038
58,984	48,114	107,098
211,818	230,460	442,278
—	368,314	368,314
—	522,364	522,364
<u>(581,785)</u>	<u>581,785</u>	<u>—</u>
<u>8,725,790</u>	<u>1,751,037</u>	<u>10,476,827</u>
2,574,001	3,453,438	6,027,439
<u>68,229,448</u>	<u>23,163,822</u>	<u>91,393,270</u>
<u>\$70,803,449</u>	<u>\$26,617,260</u>	<u>\$97,420,709</u>

See Notes to Financial Statements.

**City of Waukee, Iowa
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010**

	<u>General</u>	<u>Tax Increment Financing Urban Renewal</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
ASSETS						
Cash and pooled investments	\$1,361,415	\$1,015,961	\$3,470,972	\$ 556,921	\$1,392,795	\$ 7,798,064
Receivables						
Property tax						
Delinquent	17,568	194,904	-	29,453	4,479	246,404
Succeeding year	3,631,017	-	-	1,832,808	929,500	6,393,325
Special assessments	-	-	-	-	520,289	520,289
Other	174,289	-	120,015	-	3,921	298,225
Due from other governments	-	-	1,981,850	-	-	1,981,850
Prepaid insurance	61,136	-	-	-	6,770	67,906
Advances to other funds	<u>85,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,000</u>
Total assets	<u>\$5,330,425</u>	<u>\$1,210,865</u>	<u>\$5,572,837</u>	<u>\$2,419,182</u>	<u>\$2,857,754</u>	<u>\$17,391,063</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 282,762	\$ 22,391	\$ 770,811	\$ 600	\$ 35,817	\$ 1,112,381
Lease deposit payable	4,204	-	-	-	-	4,204
Compensated absences	15,398	-	-	-	1,908	17,306
Deferred revenue						
Succeeding year property tax	3,631,017	-	-	1,832,808	929,500	6,393,325
Other	-	-	-	-	520,289	520,289
Interfund payable	<u>18,821</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,821</u>
Total liabilities	<u>3,952,202</u>	<u>22,391</u>	<u>770,811</u>	<u>1,833,408</u>	<u>1,487,514</u>	<u>8,066,326</u>
Fund Balances						
Reserved for debt service	-	-	-	585,774	38,969	624,743
Designated for						
Parkland dedication	241,198	-	-	-	-	241,198
Prepaid insurance	61,136	-	-	-	6,770	67,906
Advances to other funds	85,000	-	-	-	-	85,000
Police gifts and memorials	2,151	-	-	-	-	2,151
Lease deposits	4,204	-	-	-	-	4,204
Undesignated						
Reported in						
General fund	984,534	-	-	-	-	984,534
Special revenue funds	-	1,188,474	-	-	1,324,501	2,512,975
Capital projects funds	-	-	4,802,026	-	-	4,802,026
Total fund balances	<u>1,378,223</u>	<u>1,188,474</u>	<u>4,802,026</u>	<u>585,774</u>	<u>1,370,240</u>	<u>9,324,737</u>
Total liabilities and fund balances	<u>\$5,330,425</u>	<u>\$1,210,865</u>	<u>\$5,572,837</u>	<u>\$2,419,182</u>	<u>\$2,857,754</u>	<u>\$17,391,063</u>

See Notes to Financial Statements.

City of Waukee
RECONCILIATION OF THE BALANCE SHEET—
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2010

Total governmental fund balances	\$ 9,324,737
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$119,017,840 and the accumulated depreciation \$29,702,474.	89,315,366
Long-term liabilities, including bonds payable, bond premiums and discounts, bond issuance costs, 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.	(27,878,462)
The Internal Service Fund is used by management to charge the costs of future equipment purchases to individual funds. The assets of the Internal Service Fund are allocated between governmental and proprietary activities in the Statement of Net Assets.	<u>96,808</u>
Net assets of governmental activities	<u>\$70,858,449</u>

City of Waukee, Iowa
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended June 30, 2010

	<u>General</u>	<u>Tax Increment Financing Urban Renewal</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
REVENUES						
Property tax	\$3,355,864	\$ -	\$ -	\$1,718,952	\$ 859,552	\$ 5,934,368
Tax increment financing collections	-	2,137,784	-	-	894,254	3,032,038
Other city tax	-	218	31,640	-	38,509	70,367
Licenses and permits	353,777	-	-	-	-	353,777
Use of money and property	118,097	3,274	2,757	1,497	47,794	173,419
Intergovernmental	296,281	-	1,848,157	-	754,338	2,898,776
Charges for service	184,230	-	-	-	-	184,230
Miscellaneous	110,037	-	6,781	-	28,095	144,913
Total revenues	<u>4,418,286</u>	<u>2,141,276</u>	<u>1,889,335</u>	<u>1,720,449</u>	<u>2,622,542</u>	<u>12,791,888</u>
EXPENDITURES						
Operating						
Public safety	2,528,267	-	-	-	-	2,528,267
Public works	413,296	-	-	-	720,166	1,133,462
Health and social services	12,180	-	-	-	-	12,180
Culture and recreation	1,148,457	-	-	-	25,127	1,173,584
Community and economic development	219,876	653,127	-	-	19,550	892,553
General government	855,172	-	-	-	-	855,172
Debt service						
Principal	-	-	-	2,372,869	27,000	2,399,869
Interest	-	-	-	910,012	12,686	922,698
Bond issuance costs	-	-	114,143	5,000	-	119,143
Capital projects	-	216,900	6,699,005	-	105,639	7,021,544
Total expenditures	<u>5,177,248</u>	<u>870,027</u>	<u>6,813,148</u>	<u>3,287,881</u>	<u>910,168</u>	<u>17,058,472</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(758,962)</u>	<u>1,271,249</u>	<u>(4,923,813)</u>	<u>(1,567,432)</u>	<u>1,712,374</u>	<u>(4,266,584)</u>
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	4,770,000	-	-	4,770,000
Bond premium, net of discount	-	-	18,950	-	-	18,950
Sale of capital assets	22,000	-	-	-	10,377	32,377
Operating transfers in	843,710	-	682,442	1,852,586	22,000	3,400,738
Operating transfers out	(67,265)	(1,204,173)	-	-	(1,746,537)	(3,017,975)
Total other financing sources (uses)	<u>798,445</u>	<u>(1,204,173)</u>	<u>5,471,392</u>	<u>1,852,586</u>	<u>(1,714,160)</u>	<u>5,204,090</u>
NET CHANGE IN FUND BALANCES	39,483	67,076	547,579	285,154	(1,786)	937,506
FUND BALANCES						
BEGINNING OF YEAR	<u>1,338,740</u>	<u>1,121,398</u>	<u>4,254,447</u>	<u>300,620</u>	<u>1,372,026</u>	<u>8,387,231</u>
FUND BALANCES END OF YEAR	<u>\$1,378,223</u>	<u>\$1,188,474</u>	<u>\$4,802,026</u>	<u>\$ 585,774</u>	<u>\$1,370,240</u>	<u>\$ 9,324,737</u>

See Notes to Financial Statements.

City of Waukee
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES—
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2010

Net change in fund balances—Total governmental funds \$ 937,506

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	6,749,403	
Depreciation expense	<u>(2,753,360)</u>	3,996,043

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

Proceeds from the sale of capital assets		(32,377)
Gain on sale of capital assets		<u>27,027</u>

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	(4,770,000)	
Repaid	<u>2,399,869</u>	(2,370,131)

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

56,329

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	(16,550)	
Interest on long-term debt	<u>(12,000)</u>	(28,550)

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.

43,154

Change in net assets of governmental activities **\$2,629,001**

**City of Waukee, Iowa
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010**

	<u>Enterprise Funds</u>						<u>Internal Service Fund Equipment Revolving</u>
	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Golf</u>	<u>Nonmajor Funds</u>	<u>Total</u>	
ASSETS							
Current Assets							
Cash and pooled investments	\$ 1,365,198	\$ 989,564	\$ 4,107,242	\$ 800	\$ 554,645	\$ 7,017,449	\$ 195,444
Receivables							
Customer accounts and unbilled usage	241,551	200,980	-	-	140,613	583,144	-
Special assessments	-	86,247	-	-	-	86,247	-
Interfund receivable	-	-	72,710	-	-	72,710	-
Inventories	47,063	-	92,264	28,649	-	167,976	-
Restricted assets - cash and pooled investments							
Customer deposits	60,373	-	61,450	600	-	122,423	-
Capacity fees	109,555	-	-	-	-	109,555	-
Revenue note and interest sinking account	478,954	97,215	535,015	41,243	-	1,152,427	-
Revenue note reserve account	157,819	179,770	-	51,136	-	388,725	-
Des Moines Water Works reserve account	182,857	-	-	-	-	182,857	-
Advances to other funds	100,000	-	-	-	-	100,000	-
Capital assets (net of accumulated depreciation)	9,841,578	10,525,120	6,163,798	1,641,813	266,032	28,438,341	-
Bond/note issuance costs	3,703	10,681	22,286	-	-	36,670	-
Total assets	<u>12,588,651</u>	<u>12,089,577</u>	<u>11,054,765</u>	<u>1,764,241</u>	<u>961,290</u>	<u>38,458,524</u>	<u>195,444</u>
LIABILITIES							
Current liabilities							
Accounts payable	99,987	69,500	747,210	543,093	98,607	1,558,397	-
Capital lease payable	-	-	-	3,069	-	3,069	-
Compensated absences	12,203	9,382	9,032	1,535	2,998	35,150	-
General obligation bonds payable	-	-	-	10,962	-	10,962	-
Interfund payable	-	-	-	185,000	53,889	238,889	-
Current Liabilities Payable from Restricted Assets							
Customer deposits payable	60,373	-	61,450	600	-	122,423	-
Revenue notes payable	-	138,000	315,000	36,177	-	489,177	-
Des Moines Water Works bonds payable	534,045	-	-	-	-	534,045	-
Interest payable	10,215	4,350	18,335	3,361	-	36,261	-
Noncurrent Liabilities							
Revenue notes payable (net of amortized discount)	-	1,138,000	4,411,046	735,758	-	6,284,804	-
Des Moines Water Works bonds payable (net of amortized discount)	<u>2,608,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,608,722</u>	<u>-</u>
Total liabilities	<u>3,325,545</u>	<u>1,359,232</u>	<u>5,562,073</u>	<u>1,519,555</u>	<u>155,494</u>	<u>11,921,899</u>	<u>-</u>
Net Assets (Deficit)							
Invested in capital assets, net of related debt	6,698,811	9,249,120	2,644,992	855,847	266,032	19,714,802	-
Restricted for bond retirement	275,370	134,635	201,680	-	-	611,685	-
Unrestricted	<u>2,288,925</u>	<u>1,346,590</u>	<u>2,646,020</u>	<u>(611,161)</u>	<u>539,764</u>	<u>6,210,138</u>	<u>195,444</u>
Total net assets	<u>\$ 9,263,106</u>	<u>\$ 10,730,345</u>	<u>\$ 5,492,692</u>	<u>\$ 244,686</u>	<u>\$ 805,796</u>	<u>\$ 26,536,625</u>	<u>\$ 195,444</u>

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.

98,635

Net assets of business type activities

\$26,635,260

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, 2010

	Enterprise Funds						Internal Service Fund
	Water	Sewer	Gas	Golf	Nonmajor Funds	Total	Equipment Revolving
OPERATING REVENUES							
Charges for service	\$2,029,527	\$ 1,765,557	\$4,856,261	\$ 432,265	\$1,534,695	\$10,618,305	\$ -
Miscellaneous	9,709	5,838	71,445	98,500	4,807	190,299	-
Total operating revenues	<u>2,039,236</u>	<u>1,771,395</u>	<u>4,927,706</u>	<u>530,765</u>	<u>1,539,502</u>	<u>10,808,604</u>	<u>-</u>
OPERATING EXPENSES							
Business type activities							
Cost of sales and services	1,182,654	846,824	3,783,355	523,204	1,138,761	7,474,798	-
Depreciation and amortization	403,111	414,071	109,116	30,801	13,537	970,636	-
Total operating expenses	<u>1,585,765</u>	<u>1,260,895</u>	<u>3,892,471</u>	<u>554,005</u>	<u>1,152,298</u>	<u>8,445,434</u>	<u>-</u>
Operating income (loss)	<u>453,471</u>	<u>510,500</u>	<u>1,035,235</u>	<u>(23,240)</u>	<u>387,204</u>	<u>2,363,170</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES)							
Interest income	26,332	7,937	10,743	439	945	46,396	3,368
Rental income	21,782	-	-	7,200	-	28,982	-
Connection fees	217,182	46,261	104,871	-	-	368,314	-
Capacity fees	79,826	442,538	-	-	-	522,364	-
Sale of capital assets	27,605	2,500	-	-	2,000	32,105	-
Interest expense	(141,518)	(43,590)	(232,390)	(34,972)	-	(452,470)	-
Total nonoperating revenues (expenses)	<u>231,209</u>	<u>455,646</u>	<u>(116,776)</u>	<u>(27,333)</u>	<u>2,945</u>	<u>545,691</u>	<u>3,368</u>
Income (loss) before contributions and transfers	684,680	966,146	918,459	(50,573)	390,149	2,908,861	3,368
Capital contributions	328,376	328,376	328,376	-	-	985,128	-
Transfers in (out)	(198,115)	(155,513)	-	(49,365)	(21,770)	(424,763)	42,000
CHANGE IN NET ASSETS	814,941	1,139,009	1,246,835	(99,938)	368,379	3,469,226	45,368
NET ASSETS BEGINNING OF YEAR	<u>8,448,165</u>	<u>9,591,336</u>	<u>4,245,857</u>	<u>344,624</u>	<u>437,417</u>	<u>23,067,399</u>	<u>150,076</u>
NET ASSETS END OF YEAR	<u>\$9,263,106</u>	<u>\$10,730,345</u>	<u>\$5,492,692</u>	<u>\$ 244,686</u>	<u>\$ 805,796</u>	<u>\$26,536,625</u>	<u>\$ 195,444</u>

See Notes to Financial Statements.

City of Waukee
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS—PROPRIETARY FUNDS TO
THE STATEMENT OF ACTIVITIES
Year ended June 30, 2010

Change in net assets \$ 3,469,226

***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.

2,212

Change in net assets of business type activities **\$ 3,471,438**

City of Waukee, Iowa
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2010

	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Golf</u>	<u>Nonmajor Funds</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers and users	\$1,996,927	\$1,720,580	\$4,922,490	\$ 432,678	\$1,509,259	\$10,581,970
Cash received from other revenues	9,709	5,838	71,445	98,500	4,807	190,299
Cash paid for personal services	(453,897)	(456,456)	(517,804)	(258,427)	(257,180)	(1,943,764)
Cash paid to suppliers	<u>(694,315)</u>	<u>(336,419)</u>	<u>(3,014,113)</u>	<u>(120,547)</u>	<u>(897,380)</u>	<u>(5,062,774)</u>
Net cash provided by operating activities	<u>858,424</u>	<u>933,543</u>	<u>1,462,018</u>	<u>152,204</u>	<u>359,542</u>	<u>3,765,731</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets, net of contributed capital and equipment fund transfers	(264,227)	(821,120)	(2,029,090)	(23,649)	(210,429)	(3,348,515)
Principal paid on revenue notes matured	-	(132,000)	(300,000)	(35,705)	-	(467,705)
Interest paid on notes	(143,240)	(44,039)	(233,515)	(35,778)	-	(456,572)
Principal paid on Des Moines Water Works bonds	(517,277)	-	-	-	-	(517,277)
Principal paid on general obligation bonds	-	(40,000)	-	(13,223)	-	(53,223)
Principal paid on capital lease	-	-	-	(629)	-	(629)
Amounts transferred to other funds	(198,115)	(155,513)	-	(49,365)	(21,770)	(424,763)
Connection fees	217,182	46,261	104,870	-	-	368,313
Capacity fees	<u>79,826</u>	<u>442,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>522,364</u>
Net cash (used in) capital and related financing activities	<u>(825,851)</u>	<u>(703,873)</u>	<u>(2,457,735)</u>	<u>(158,349)</u>	<u>(232,199)</u>	<u>(4,378,007)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments	26,332	7,937	10,743	439	945	46,396
Purchase of certificates of deposits	(4,876)	(5,553)	-	(1,439)	-	(11,868)
Rental income	<u>21,782</u>	<u>-</u>	<u>-</u>	<u>7,200</u>	<u>-</u>	<u>28,982</u>
Net cash provided by investing activities	<u>43,238</u>	<u>2,384</u>	<u>10,743</u>	<u>6,200</u>	<u>945</u>	<u>63,510</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	75,811	232,054	(984,974)	55	128,288	(548,766)
CASH AND CASH EQUIVALENTS, beginning	<u>1,938,269</u>	<u>854,725</u>	<u>5,688,681</u>	<u>42,588</u>	<u>426,357</u>	<u>8,950,620</u>
CASH AND CASH EQUIVALENTS, ending	<u>\$2,014,080</u>	<u>\$1,086,779</u>	<u>\$4,703,707</u>	<u>\$ 42,643</u>	<u>\$ 554,645</u>	<u>\$ 8,401,854</u>

See Notes to Financial Statements.

City of Waukee, Iowa
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
Year ended June 30, 2010

	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Golf</u>	<u>Nonmajor Funds</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating income (loss)	\$ 453,471	\$ 510,500	\$1,035,235	\$ (23,240)	\$ 387,204	\$2,363,170
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation expense	400,407	412,606	109,116	30,801	13,537	966,467
Bond amortization costs	2,704	1,465	-	-	-	4,169
(Increase) decrease in customer accounts receivable and unbilled usage and other accounts receivable	(32,600)	(44,977)	66,229	413	(25,400)	(36,335)
(Increase) decrease in inventories, at cost	6,298	-	(43,569)	(3,278)	-	(40,549)
Increase (decrease) in accounts payable	21,771	52,500	287,469	148,268	(14,838)	495,170
Increase in customer deposits	2,413	-	7,500	-	-	9,913
Increase (decrease) in compensated absences	<u>3,960</u>	<u>1,449</u>	<u>38</u>	<u>(760)</u>	<u>(961)</u>	<u>3,726</u>
Net cash provided by operating activities	<u>\$ 858,424</u>	<u>\$ 933,543</u>	<u>\$1,462,018</u>	<u>\$ 152,204</u>	<u>\$ 359,542</u>	<u>\$3,765,731</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	\$1,365,198	\$ 989,564	\$4,107,242	\$ 800	\$ 554,645	\$7,017,449
Restricted assets--cash and pooled investments						
Customer deposits	60,373	-	61,450	600	-	122,423
Capacity fees	109,555	-	-	-	-	109,555
Revenue note and interest sinking account	478,954	97,215	535,015	41,243	-	1,152,427
Revenue note reserve account	157,819	179,770	-	51,136	-	388,725
Des Moines Water Works reserve account	<u>182,857</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>182,857</u>
	2,354,756	1,266,549	4,703,707	93,779	554,645	8,973,436
Less items not meeting the definition of cash equivalent						
Certificates of deposit	(157,819)	(179,770)	-	(51,136)	-	(388,725)
Des Moines Water Works reserve account	<u>(182,857)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(182,857)</u>
Cash and cash equivalents at year end	<u>\$2,014,080</u>	<u>\$1,086,779</u>	<u>\$4,703,707</u>	<u>\$ 42,643</u>	<u>\$ 554,645</u>	<u>\$8,401,854</u>

See Notes to Financial Statements.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

For financial reporting purposes, the City of Waukee (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, Central Iowa Regional Drinking Water Commission, Dallas County Housing Trust Fund Board, and Greater Dallas County Development Board.

Basis of Presentation

Government-wide Financial Statements

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

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Government-wide Financial Statements (continued)

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

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

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

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

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

Fund Financial Statements

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

The City reports the following major governmental funds:

General Fund

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

Tax Increment Financing Urban Renewal Fund (Special Revenue)

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

Capital Projects Fund

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

Debt Service Fund

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

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

The City reports the following major proprietary funds:

Enterprise

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

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/amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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 non-negotiable certificates of deposit which are stated at cost.

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

Property Taxes Receivable, Including Tax Increment Financing

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Delinquent property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2010 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2009.

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, 2010, 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.

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

Bond/Note Issuance Costs

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

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means 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 primarily of succeeding year property tax receivable and special assessments receivable not collected within sixty days after year end.

Long-Term Liabilities

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

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

Fund Equity

In the governmental fund financial statements, 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.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. As of June 30, 2010, the City had \$1,207,240 in unspent debt proceeds in the Gas Fund. Net assets are reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, no disbursements exceeded the amounts budgeted.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

Interest rate risk

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

NOTE 3 ALLOWANCES FOR COLLECTION LOSSES

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

	<u>Gross receivables</u>	<u>Allowance for collection losses</u>	<u>Net receivables</u>
Customer accounts and unbilled usage			
Water Fund	\$ 242,401	\$ (850)	\$ 241,551
Sewer Fund	201,380	(400)	200,980
Nonmajor proprietary funds	<u>140,613</u>	<u>—</u>	<u>140,613</u>
Totals	<u>\$ 584,394</u>	<u>\$ (1,250)</u>	<u>\$ 583,144</u>
Other			
General	<u>\$ 206,289</u>	<u>\$ (32,000)</u>	<u>\$ 174,289</u>
Capital projects	<u>\$ 120,015</u>	<u>—</u>	<u>\$ 120,015</u>
Nonmajor governmental funds	<u>\$ 3,921</u>	<u>—</u>	<u>\$ 3,921</u>

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010 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	\$ 4,539,035	\$2,847,363	\$ —	\$ 7,386,398
Construction in progress	<u>20,139,255</u>	<u>4,242,208</u>	<u>2,678,008</u>	<u>21,703,455</u>
Total capital assets not being depreciated	<u>24,678,290</u>	<u>7,089,571</u>	<u>2,678,008</u>	<u>29,089,853</u>
Capital assets being depreciated				
Buildings	6,193,782	16,637	—	6,210,419
Improvements other than buildings	2,547,280	533,422	16,270	3,064,432
Equipment	4,119,293	370,464	353,383	4,136,374
Infrastructure, road network	<u>75,099,445</u>	<u>1,417,317</u>	<u>—</u>	<u>76,516,762</u>
Total capital assets being depreciated	<u>87,959,800</u>	<u>2,337,840</u>	<u>369,653</u>	<u>89,927,987</u>
Less accumulated depreciation for				
Buildings	1,369,618	164,702	—	1,534,320
Improvements other than buildings	841,154	187,899	16,270	1,012,783
Equipment	3,119,342	301,513	348,033	3,072,822
Infrastructure, road network	<u>21,983,303</u>	<u>2,099,246</u>	<u>—</u>	<u>24,082,549</u>
Total accumulated depreciation	<u>27,313,417</u>	<u>2,753,360</u>	<u>364,303</u>	<u>29,702,474</u>
Total capital assets being depreciated, net	<u>60,646,383</u>	<u>(415,520)</u>	<u>5,350</u>	<u>60,225,513</u>
Governmental activities capital assets, net	<u>\$85,324,673</u>	<u>\$6,674,051</u>	<u>\$2,683,358</u>	<u>\$89,315,366</u>
Business type activities				
Capital assets not being depreciated				
Land	\$ 1,226,032	\$ —	\$ —	\$ 1,226,032
Construction in progress	<u>2,821,004</u>	<u>2,729,204</u>	<u>—</u>	<u>5,550,208</u>
Total capital assets not being depreciated	<u>4,047,036</u>	<u>2,729,204</u>	<u>—</u>	<u>6,776,240</u>
Capital assets being depreciated				
Buildings	532,611	—	—	532,611
Equipment	2,077,305	456,075	128,489	2,404,891
Infrastructure, water and sewer network	<u>28,471,385</u>	<u>1,185,670</u>	<u>—</u>	<u>29,657,055</u>
Total capital assets being depreciated	<u>31,081,301</u>	<u>1,641,745</u>	<u>128,489</u>	<u>32,594,557</u>
Less accumulated depreciation for				
Buildings	122,218	11,855	—	134,073
Equipment	1,356,520	177,551	123,289	1,410,782
Infrastructure, water and sewer network	<u>8,610,540</u>	<u>777,061</u>	<u>—</u>	<u>9,387,601</u>
Total accumulated depreciation	<u>10,089,278</u>	<u>966,467</u>	<u>123,289</u>	<u>10,932,456</u>
Total capital assets being depreciated, net	<u>20,992,023</u>	<u>675,278</u>	<u>5,200</u>	<u>21,662,101</u>
Business type activities capital assets, net	<u>\$25,039,059</u>	<u>\$3,404,482</u>	<u>\$ 5,200</u>	<u>\$28,438,341</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	\$ 205,696
Public works	2,358,079
Culture and recreation	117,475
General government	<u>72,110</u>
Total depreciation expense--governmental activities	<u>\$2,753,360</u>
Business type activities	
Water	\$ 400,407
Sewer	412,606
Gas	109,116
Storm sewer	13,537
Golf	<u>30,801</u>
Total depreciation expense--business type activities	<u>\$ 966,467</u>

NOTE 5 CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2010 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	\$25,231,111	\$3,180,000	\$2,372,869	\$26,038,242	\$2,798,543
Revenue bonds	-	1,590,000	-	1,590,000	120,000
Special assessment notes	362,000	-	27,000	335,000	29,000
Compensated absences	<u>128,558</u>	<u>10,918</u>	<u>-</u>	<u>139,476</u>	<u>17,306</u>
Totals	<u>\$25,721,669</u>	<u>\$4,780,918</u>	<u>\$2,399,869</u>	<u>\$28,102,718</u>	<u>\$2,964,849</u>
Business type activities					
Capital leases	\$ 3,698	\$ -	\$ 629	\$ 3,069	\$ 3,069
General obligation bonds/notes	64,185	-	53,223	10,962	10,962
Des Moines Water Works bonds	3,659,042	-	516,275	3,142,767	534,045
Revenue bonds/notes	<u>7,234,273</u>	<u>-</u>	<u>460,292</u>	<u>6,773,981</u>	<u>489,177</u>
Totals	<u>\$10,961,198</u>	<u>\$ -</u>	<u>\$1,030,419</u>	<u>\$ 9,930,779</u>	<u>\$1,037,253</u>

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CHANGES IN LONG-TERM LIABILITIES (continued)

Sixteen issues of unmatured general obligation bonds/notes, totaling \$26,049,204, are outstanding at June 30, 2010. General obligation bonds/notes bear interest at rates ranging from 1.0% to 4.75% and mature in varying annual amounts, ranging from \$10,000 to \$445,000, with the final maturities due in the year ending June 30, 2022.

One issue of unmatured revenue notes, totaling \$1,590,000, is outstanding at June 30, 2010. The note bears interest at 2.0% to 3.9% and matures in annual amounts of \$120,000 to \$175,000, with final maturity due in the year ending June 30, 2021.

One issue of unmatured special assessment notes, totaling \$335,000, is outstanding at June 30, 2010. The note bears interest at 2.45% to 4.55% and mature in annual amounts of \$29,000 to \$46,000, with final maturity due in the year ending June 30, 2019.

Details of general obligation and revenue bonds/notes payable and special assessment notes at June 30, 2010 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, 2010</u>
General Obligation Bonds and Notes						
Corporate Purpose	July 1, 2003	3.00-3.60	June 1, 2017	\$115,000 - 135,000	\$1,240,000	\$ 825,000
Water Tower	February 1, 2004	3.00-4.25	June 1, 2018	75,000 - 100,000	1,090,000	690,000
Corporate Purpose	November 15, 2004	3.20-4.00	June 1, 2017	125,000 - 180,000	1,750,000	1,085,000
Golf Course	March 4, 2005	3.75	June 1, 2015	42,476 - 336,970	700,000	513,767
Corporate Purpose	February 1, 2006	3.50-3.95	June 1, 2019	100,000 - 140,000	1,200,000	1,055,000
Golf Course Equipment	March 21, 2006	4.75	July 6, 2010	- 10,962	51,196	10,962
Urban Renewal Projects	July 12, 2006	4.00	June 1, 2020	265,000 - 480,000	4,950,000	3,785,000
Urban Renewal Projects	October 10, 2007	4.00-4.25	June 1, 2021	355,000 - 715,000	6,650,000	6,030,000
Capital Loan	March 19, 2008	4.125-4.63	June 1, 2013	60,000 - 65,000	290,000	185,000
Sewer Project	April 8, 2008	3.75-4.20	June 1, 2021	85,000 - 120,000	1,275,000	1,115,000
Ambulance	August 6, 2008	4.25	July 15, 2013	21,067 - 23,551	110,000	89,475
Urban Renewal 2008C	December 15, 2008	3.15-4.50	June 1, 2022	140,000 - 215,000	2,200,000	2,065,000
Urban Renewal 2009A	April 28, 2009	2.40-3.50	June 1, 2017	125,000 - 140,000	1,055,000	925,000
Urban Renewal 2009B	April 28, 2009	2.25-3.30	June 1, 2016	430,000 - 940,000	5,345,000	4,495,000
General Obligation 2010A	June 2, 2010	2.00-3.80	June 1, 2022	105,000 - 140,000	1,435,000	1,435,000
General Obligation 2010B	June 2, 2010	1.00-3.60	June 1, 2021	140,000 - 185,000	1,745,000	1,745,000
Revenue Bonds						
Urban Renewal 2010C	June 2, 2010	2.00-3.90	June 1, 2021	120,000 - 175,000	1,590,000	1,590,000
Special Assessment Notes						
Sewer Improvements	May 5, 2009	2.45-4.55	December 1, 2018	29,000 - 46,000	362,000	335,000

The City has pledged future tax increment revenues to repay the \$1,590,000 of bonds issued June, 2010. The Urban Renewal revenue bonds were issued for the purpose of defraying a portion of the cost of an urban renewal project. The bonds are payable solely from the proceeds of the tax increment revenues received by the City and are payable through 2021. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Annual principal and interest payments on the bonds are expected to require approximately 8 percent of the tax increment revenues. The total principal and interest remaining to be paid on the notes is \$1,590,000. For the current year, \$-0- principal and interest was paid on the bonds and total tax increment revenues were \$2,137,784.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CHANGES IN LONG-TERM LIABILITIES (continued)

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

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

The Revenue bonds also have a stated reserve requirement that is calculated as the lesser of (a) 10 percent of the stated principal amount on the bonds and parity obligations or (b) the maximum annual debt service coming due on the bonds and other parity obligations, or (c) 125 percent of the average annual principal and interest coming due on the bonds. The City has established a reserve amount of \$159,000.

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

<u>Year ending June 30</u>	<u>General Obligation</u>			<u>Special Assessment</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 2,809,505	\$ 905,715	\$ 3,715,220	\$ 29,000	\$ 11,146	\$ 40,146
2012	2,916,046	822,258	3,738,304	31,000	10,388	41,388
2013	3,023,647	733,804	3,757,451	33,000	9,531	42,531
2014	3,111,035	639,055	3,750,090	35,000	8,561	43,561
2015	2,863,971	536,027	3,399,998	37,000	7,443	44,443
2016-2020	9,970,000	1,330,798	11,300,798	170,000	14,910	184,910
2021-2022	<u>1,355,000</u>	<u>69,514</u>	<u>1,424,514</u>	<u>—</u>	<u>—</u>	<u>—</u>
Totals	<u>\$26,049,204</u>	<u>\$5,037,171</u>	<u>\$31,086,375</u>	<u>\$ 335,000</u>	<u>\$ 61,979</u>	<u>\$ 396,979</u>

<u>Year ending June 30</u>	<u>Revenue</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 120,000	\$ 49,268	\$ 169,268
2012	125,000	47,005	172,005
2013	130,000	44,505	174,505
2014	135,000	41,255	176,255
2015	135,000	37,205	172,205
2016-2020	770,000	118,755	888,755
2021	<u>175,000</u>	<u>6,825</u>	<u>181,825</u>
Totals	<u>\$1,590,000</u>	<u>\$ 344,818</u>	<u>\$1,934,818</u>

Five issues of unmatured revenue notes, totaling \$6,862,935, are outstanding at June 30, 2010. These notes bear interest at rates ranging from 3% to 4.70% and mature in varying annual amounts, ranging from \$24,000 to \$505,000, with the final maturities due in the year ending June 30, 2022.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CHANGES IN LONG-TERM LIABILITIES (continued)

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

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

During the year ended June 30, 2010, the City was in compliance with the revenue note/bond provisions.

The City has pledged future water, sewer, golf, and gas customer revenues, net of specified operating expenses, to repay \$9,179,000 in revenue notes issued in 1998, 2005, and 2007. Proceeds from the notes provided financing for construction of improvements to the facilities and infrastructure. The notes are payable solely from customer net revenues and are payable through 2022. Annual principal and interest payments on the notes are expected to require less than net revenues. The total principal and interest remaining to be paid on the notes is \$8,818,893. For the current year, principal and interest paid and total customer net revenues were \$1,495,406 and \$2,933,065, respectively.

Details of revenue notes and refunding bonds payable at June 30, 2010 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, 2010</u>
Revenue Notes and Bonds						
Sewer						
Bonds-Series 1998A	October 8, 1998	3.00	June 1, 2018	\$24,000 - 33,000	\$ 455,748	\$ 228,000
Bonds-Series 1998B	October 8, 1998	3.00	June 1, 2018	52,000 - 68,000	945,252	474,000
Bonds Series 1998C	October 8, 1998	3.00	June 1, 2018	62,000 - 82,000	1,178,000	574,000
Golf Course						
Revenue Note	March 4, 2005	4.45	June 1, 2015	36,177 - 617,166	925,000	771,935
Gas						
Revenue Note	July 9, 2007	4.50-4.70	June 1, 2022	315,000 - 505,000	5,675,000	4,815,000

<u>Year ending June 30</u>	<u>Revenue Notes/Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 489,177	\$ 306,358	\$ 795,535
2012	506,804	284,911	791,715
2013	528,505	262,695	791,200
2014	551,283	239,522	790,805
2015	1,149,166	215,351	1,364,517
2016-2020	2,648,000	576,856	3,224,856
2021-2022	<u>990,000</u>	<u>70,265</u>	<u>1,060,265</u>
Subtotal	6,862,935	1,955,958	8,818,893
Less unamortized discount	<u>(88,954)</u>	<u>—</u>	<u>(88,954)</u>
Totals	<u>\$6,773,981</u>	<u>\$1,955,958</u>	<u>\$8,729,939</u>

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CHANGES IN LONG-TERM LIABILITIES (continued)

Two issues of unmatured Des Moines Water Works refunding bonds, totaling \$3,145,776, are outstanding at June 30, 2010. These notes bear interest at rates ranging from 3.95% to 4.00% and mature in annual amounts ranging from \$160,295 to \$451,667, with the final maturity due in the year ending June 30, 2017.

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

Year ending June 30	Des Moines Water Works 2001 Water Refunding Bonds			Des Moines Water Works 2006 Water Refunding Bonds			Total
	Principal	Interest	Total	Principal	Interest	Total	
2011	\$ 160,295	\$ 16,702	\$ 176,997	\$ 373,750	\$ 105,883	\$ 479,633	\$ 656,630
2012	166,230	10,211	176,441	385,833	90,933	476,766	653,207
2013	172,168	3,443	175,611	398,750	75,500	474,250	649,861
2014	—	—	—	413,750	59,550	473,300	473,300
2015	—	—	—	431,667	43,000	474,667	474,667
2016-2017	—	—	—	643,333	33,400	676,733	676,733
Subtotals	498,693	30,356	529,049	2,647,083	408,266	3,055,349	3,584,398
Less unamortized discount	(3,009)	—	(3,009)	—	—	—	(3,009)
Totals	\$ 495,684	\$ 30,356	\$ 526,040	\$ 2,647,083	\$ 408,266	\$ 3,055,349	\$ 3,581,389

As of June 30, 2010, the general obligation debt issued by the City did not exceed its legal debt margin computed as follows:

Actual valuation	\$1,007,337,303
Debt limit - 5% of total actual valuation	50,366,865
Debt applicable to debt limit	
General obligation bonded debt outstanding	26,049,204
Tax increment financing debt outstanding	2,206,490
Legal debt margin	28,255,694
Percentage of debt limit	56.10%

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 6 INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 843,710
Debt Service	Governmental Funds	
	General	25,265
	Tax Increment Financing Urban Renewal	962,253
	Nonmajor Governmental Funds	630,305
	Enterprise	
	Water	98,115
	Sewer	65,513
	Golf	49,365
	Nonmajor Enterprise Funds	<u>21,770</u>
		<u>1,852,586</u>
Capital Projects	Governmental	
	Tax Increment Financing Urban Renewal	241,920
	Nonmajor Governmental Funds	250,522
	Enterprise	
	Water	100,000
	Sewer	<u>90,000</u>
		<u>682,442</u>
Nonmajor Governmental Internal Service	Nonmajor Governmental General	22,000 <u>42,000</u>
Total		<u>\$3,442,738</u>

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

NOTE 7 DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise—Gas Fund	General Fund	\$ 18,821
Enterprise—Gas Fund	Nonmajor Enterprise Funds	53,889
General	Enterprise Golf Course	85,000
Enterprise—Water Fund	Enterprise Golf Course	<u>100,000</u>
Total		<u>\$ 257,710</u>

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

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 8 PENSION AND RETIREMENT BENEFITS

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

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$287,801, \$246,372 and \$208,545, respectively, equal to the required contributions for each year.

NOTE 9 RISK MANAGEMENT

The City of Waukee is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 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 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2010 were \$134,438.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 9 RISK MANAGEMENT (continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2010, no liability has been recorded in the City's financial statements. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

Self-insurance

On July 1, 2008, the City adopted a partially self funded-insured medical expense reimbursement plan which provides medical benefits to its employees and their dependants. The plan provides each covered person with a lifetime maximum of \$5,000,000 coverage for health care needs. The plan is funded by both employee and City contributions and is administered through a service agreement with Wellmark Blue Cross Blue Shield of Iowa. The uninsured risk retention per person is based on coverage selected and whether the claims are in or out of the network. There has been no significant reduction in insurance coverage under the plan from prior years. Amounts payable for incurred but not reported (IBNR) claims were \$5,259 at June 30, 2010.

NOTE 10 COMMITMENTS

The City entered into contract commitments with contractors for the completion of several infrastructure construction projects. The total contract commitments are \$17,125,433, of which \$5,896,280 has been incurred as of June 30, 2010. The unpaid commitment balance is \$11,229,153, which will be funded by current reserves in the capital projects funds and enterprise funds.

NOTE 11 TAX INCREMENT FINANCING DEBT

Urban renewal tax increment financing debt was issued for the purpose of defraying a portion of the costs of carrying out 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, 2010, \$2,206,490 is outstanding.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The City has implemented Governmental Accounting Standards Board, GASB, Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2010. The City operates a single-employer retiree benefit plan which provides healthcare benefits for retirees and their spouses and dependents. There are active and retired members in the plan. Participants must be age 55 or older at retirement.

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

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for June 30, 2010, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

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

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the City made no contributions to the plan. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2010 are summarized as follows:

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

As of June 30, 2010, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$265,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of \$265,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,866,000, and the ratio of the UAAL to the covered payroll was 6.9%. As of June 30, 2010, there were no trust fund assets.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

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

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

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

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

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

NOTE 13 JOINT VENTURE

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

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

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

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 13 JOINT VENTURE (continued)

The WRA Sewer Revenue Bonds Series 2004B bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2009, the Series 2004B bonds had a balance of \$63,580,000 and the City of Waukee's estimated future allocation based on the WRA flows was \$1,949,740.

The WRA Sewer Revenue Bonds Series 2006A bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2009, the Series 2006A bonds had a balance of \$37,325,000 and the City of Waukee's estimated future allocation based on the WRA flows is currently \$1,204,842.

The 2008 State Revolving Fund (SRF) Loan was issued for capital expansion. The WRA Agreement requires the debt service on this loan to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2009, the 2008 SRF loan had a balance of \$32,967,198 and the City of Waukee's estimated future allocation based on the WRA flows was \$479,095.

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

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

NOTE 14 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS

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

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will be effective for the City beginning with its year ending June 30, 2011. This statement establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types.

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

REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

City of Waukee, Iowa
BUDGETARY COMPARISON SCHEDULE OF REVENUES,
EXPENDITURES/EXPENSES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 Required Supplementary Information
 Year ended June 30, 2010

	<u>Governmental funds actual</u>	<u>Proprietary funds actual</u>	<u>Less funds not required to be budgeted</u>	<u>Total actual</u>
RECEIPTS				
Property tax	\$ 5,934,368	\$ -	\$ -	\$ 5,934,368
Tax increment financing collections	3,032,038	-	-	3,032,038
Other city tax	70,367	-	-	70,367
Licenses and permits	353,777	-	-	353,777
Use of money and property	173,419	966,056	11,433	1,128,042
Intergovernmental	2,898,776	-	-	2,898,776
Charges for services	184,230	10,618,305	230,613	10,571,922
Miscellaneous	144,913	222,404	23,821	343,496
Total receipts	<u>12,791,888</u>	<u>11,806,765</u>	<u>265,867</u>	<u>24,332,786</u>
DISBURSEMENTS				
Public safety	2,528,267	-	-	2,528,267
Public works	1,133,462	-	-	1,133,462
Health and social services	12,180	-	-	12,180
Culture and recreation	1,173,584	-	25,127	1,148,457
Community and economic development	892,553	-	-	892,553
General government	855,172	-	-	855,172
Debt service	3,441,710	-	-	3,441,710
Capital projects	7,021,544	-	-	7,021,544
Business type activities	-	8,674,270	-	8,674,270
Nonprogram	-	223,634	223,634	-
Total disbursements	<u>17,058,472</u>	<u>8,897,904</u>	<u>248,761</u>	<u>25,707,615</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(4,266,584)</u>	<u>2,908,861</u>	<u>17,106</u>	<u>(1,374,829)</u>
OTHER FINANCING SOURCES, NET				
Excess of receipts and other financing sources over disbursements and other financing uses	<u>5,204,090</u>	<u>(424,763)</u>	<u>-</u>	<u>4,779,327</u>
Capital contributions	-	985,128	-	985,128
BALANCES, beginning of year	<u>8,387,231</u>	<u>23,067,399</u>	<u>117,199</u>	<u>31,337,431</u>
BALANCES, end of year	<u>\$ 9,324,737</u>	<u>\$26,536,625</u>	<u>\$ 134,305</u>	<u>\$35,727,057</u>

See accompanying independent auditor's report.

<u>Budgeted amounts</u>		<u>Final to actual variance</u>
<u>Original</u>	<u>Final</u>	
\$ 5,876,188	\$ 5,876,188	\$ 58,180
3,088,685	3,088,685	(56,647)
76,437	76,437	(6,070)
725,130	568,316	(214,539)
479,682	541,512	586,530
1,040,484	1,345,274	1,553,502
12,775,161	12,821,161	(2,249,239)
755,330	730,915	(387,419)
<u>24,817,097</u>	<u>25,048,488</u>	<u>(715,702)</u>
2,564,680	2,533,019	4,752
1,424,755	1,425,442	291,980
17,500	12,180	-
1,194,550	1,158,380	9,923
1,124,774	1,117,032	224,479
974,800	926,423	71,251
3,675,356	3,877,040	435,330
5,625,000	7,550,000	528,456
13,352,313	16,682,232	8,007,962
-	-	-
<u>29,953,728</u>	<u>35,281,748</u>	<u>9,574,133</u>
(5,136,631)	(10,233,260)	8,858,431
<u>6,653,315</u>	<u>13,510,000</u>	<u>(8,730,673)</u>
1,516,684	3,276,740	127,758
-	-	985,128
<u>9,387,813</u>	<u>11,857,467</u>	<u>19,479,964</u>
<u>\$10,904,497</u>	<u>\$15,134,207</u>	<u>\$20,592,850</u>

City of Waukee, Iowa
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
Year ended June 30, 2010

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund 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 \$5,328,020. 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, 2010, no disbursements exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

**City of Waukee
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010**

	<u>Special Revenue Funds</u>					<u>Debt service</u>	
	<u>Road Use Tax</u>	<u>Employee Benefits</u>	<u>Enterprise Business Park TIF</u>	<u>Library Foundation</u>	<u>Hickman West Industrial Park TIF</u>	<u>Special Assessments</u>	<u>Total</u>
ASSETS							
Cash and pooled investments	\$ 146,774	\$ 700	\$ 172,629	\$ 104,393	\$ 933,251	\$ 35,048	\$1,392,795
Receivables							
Property tax							
Delinquent	-	4,479	-	-	-	-	4,479
Succeeding year	-	929,500	-	-	-	-	929,500
Special assessments	-	-	-	-	-	520,289	520,289
Other	-	-	-	-	-	3,921	3,921
Prepaid insurance	<u>6,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,770</u>
Total assets	<u>\$ 153,544</u>	<u>\$ 934,679</u>	<u>\$ 172,629</u>	<u>\$ 104,393</u>	<u>\$ 933,251</u>	<u>\$ 559,258</u>	<u>\$2,857,754</u>
LIABILITIES AND FUND EQUITY							
LIABILITIES							
Accounts payable	\$ 35,817	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,817
Compensated absences	1,908	-	-	-	-	-	1,908
Deferred revenue							
Succeeding year property tax	-	929,500	-	-	-	-	929,500
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>520,289</u>	<u>520,289</u>
Total liabilities	<u>37,725</u>	<u>929,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>520,289</u>	<u>1,487,514</u>
FUND EQUITY							
Fund balances							
Restricted for							
Debt service	-	-	-	-	-	38,969	38,969
Prepaid insurance	6,770	-	-	-	-	-	6,770
Unreserved, undesignated	<u>109,049</u>	<u>5,179</u>	<u>172,629</u>	<u>104,393</u>	<u>933,251</u>	<u>-</u>	<u>1,324,501</u>
Total fund balances	<u>115,819</u>	<u>5,179</u>	<u>172,629</u>	<u>104,393</u>	<u>933,251</u>	<u>38,969</u>	<u>1,370,240</u>
Total liabilities and fund equity	<u>\$ 153,544</u>	<u>\$ 934,679</u>	<u>\$ 172,629</u>	<u>\$ 104,393</u>	<u>\$ 933,251</u>	<u>\$ 559,258</u>	<u>\$2,857,754</u>

See accompanying independent auditor's report.

City of Waukee
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2010

	<u>Special Revenue Funds</u>					<u>Debt service</u>	
	<u>Road Use Tax</u>	<u>Employee Benefits</u>	<u>Enterprise Business Park TIF</u>	<u>Library Foundation</u>	<u>Hickman West Industrial Park TIF</u>	<u>Special Assessments</u>	<u>Total</u>
REVENUES							
Property tax	\$ -	\$ 859,552	\$ -	\$ -	\$ -	\$ -	\$ 859,552
Tax increment financing collections	-	-	285,831	-	608,423	-	894,254
Other city tax	-	-	-	-	-	38,509	38,509
Use of money and property	-	726	672	11,134	2,255	33,007	47,794
Intergovernmental	754,338	-	-	-	-	-	754,338
Miscellaneous	4,274	-	-	23,821	-	-	28,095
Total revenues	<u>758,612</u>	<u>860,278</u>	<u>286,503</u>	<u>34,955</u>	<u>610,678</u>	<u>71,516</u>	<u>2,622,542</u>
EXPENDITURES							
Operating							
Public works	720,166	-	-	-	-	-	720,166
Culture and recreation	-	-	-	25,127	-	-	25,127
Community and economic development	-	-	-	-	19,550	-	19,550
Debt service							
Principal	-	-	-	-	-	27,000	27,000
Interest	-	-	-	-	-	12,686	12,686
Capital projects	105,639	-	-	-	-	-	105,639
Total expenditures	<u>825,805</u>	<u>-</u>	<u>-</u>	<u>25,127</u>	<u>19,550</u>	<u>39,686</u>	<u>910,168</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(67,193)</u>	<u>860,278</u>	<u>286,503</u>	<u>9,828</u>	<u>591,128</u>	<u>31,830</u>	<u>1,712,374</u>
OTHER FINANCING SOURCES (USES)							
Sale of capital assets	10,377	-	-	-	-	-	10,377
Operating transfers in	22,000	-	-	-	-	-	22,000
Operating transfers (out)	-	(865,710)	(328,175)	-	(498,252)	(54,400)	(1,746,537)
Total other financing sources (uses)	<u>32,377</u>	<u>(865,710)</u>	<u>(328,175)</u>	<u>-</u>	<u>(498,252)</u>	<u>(54,400)</u>	<u>(1,714,160)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(34,816)	(5,432)	(41,672)	9,828	92,876	(22,570)	(1,786)
FUND BALANCES, beginning of year	<u>150,635</u>	<u>10,611</u>	<u>214,301</u>	<u>94,565</u>	<u>840,375</u>	<u>61,539</u>	<u>1,372,026</u>
FUND BALANCES, end of year	<u>\$ 115,819</u>	<u>\$ 5,179</u>	<u>\$ 172,629</u>	<u>\$ 104,393</u>	<u>\$ 933,251</u>	<u>\$ 38,969</u>	<u>\$ 1,370,240</u>

City of Waukee, Iowa
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
June 30, 2010

	Enterprise Funds			Total
	Solid Waste	Utility Billing	Storm Sewer	
ASSETS				
CURRENT ASSETS				
Cash and pooled investments	\$ -	\$ 142,941	\$ 411,704	\$ 554,645
Receivables				
Customer accounts and unbilled usage	87,612	-	53,001	140,613
Capital assets (net of accumulated depreciation)	-	-	266,032	266,032
Total assets	87,612	142,941	730,737	961,290
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	32,002	56,142	10,463	98,607
Compensated absences	-	2,998	-	2,998
Interfund payable	-	53,889	-	53,889
Total liabilities	32,002	113,029	10,463	155,494
NET ASSETS				
Invested in capital assets, net of related debt	-	-	266,032	266,032
Unreserved, undesignated	55,610	29,912	454,242	539,764
Total net assets	\$ 55,610	\$ 29,912	\$ 720,274	\$ 805,796

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, 2010

	Enterprise Funds			Total
	Solid Waste	Utility Billing	Storm Sewer	
OPERATING REVENUES				
Charges for service	\$ 724,923	\$ 230,613	\$ 579,159	\$1,534,695
Miscellaneous	<u>2,403</u>	<u>—</u>	<u>2,404</u>	<u>4,807</u>
Total operating revenues	<u>727,326</u>	<u>230,613</u>	<u>581,563</u>	<u>1,539,502</u>
OPERATING EXPENSES				
Business type activities				
Cost of sales and services	721,995	223,634	193,132	1,138,761
Depreciation and amortization	<u>—</u>	<u>—</u>	<u>13,537</u>	<u>13,537</u>
Total operating expenses	<u>721,995</u>	<u>223,634</u>	<u>206,669</u>	<u>1,152,298</u>
Operating income	<u>5,331</u>	<u>6,979</u>	<u>374,894</u>	<u>387,204</u>
NONOPERATING REVENUES				
Interest income	—	299	646	945
Sale of capital assets	<u>—</u>	<u>—</u>	<u>2,000</u>	<u>2,000</u>
Total nonoperating revenues	<u>—</u>	<u>299</u>	<u>2,646</u>	<u>2,945</u>
Transfers (out)	<u>—</u>	<u>—</u>	<u>(21,770)</u>	<u>(21,770)</u>
CHANGE IN NET ASSETS	5,331	7,278	355,770	368,379
NET ASSETS , beginning of year	<u>50,279</u>	<u>22,634</u>	<u>364,504</u>	<u>437,417</u>
NET ASSETS , end of year	<u>\$ 55,610</u>	<u>\$ 29,912</u>	<u>\$ 720,274</u>	<u>\$ 805,796</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 six years

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

City of Waukee, Iowa
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
DIRECT		
U.S. Department of Homeland Security Staffing for Adequate Fire and Emergency Response	97.044	\$ 54,579
INDIRECT		
U.S. Department of Transportation Iowa Department of Transportation Highway Planning and Construction	20.205	1,295,718
U.S. Department of Education Iowa Department of Transportation ARRA State Fiscal Stabilization Fund (SFSF) Government Services, Recovery Act	84.397	<u>9,711</u>
Total federal expenditures		<u>\$1,360,008</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.

**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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings as II-10-A, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City of Waukee, Iowa's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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


DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 18, 2010

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 (the City) with the types of compliance requirements described in the 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, 2010. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants 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 consider necessary in the circumstances. We believe that 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 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, 2010.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the City's internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the City 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
October 18 2010

SCHEDULE OF FINDINGS

City of Waukee
SCHEDULE OF FINDINGS
Year ended June 30, 2010

Part I. Summary of the Independent Auditor's Results

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

City of Waukee
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2010

Part II—Findings Related to the Financial Statements

Instances of Non-compliance

No matters were noted.

Internal Control Deficiencies

II-10-A CASH DEPOSITS

The City collects fees for building permits. Cash and checks are collected and held at the Development Services Department before being taken to the Accounting Department for deposit.

The City collects cash and checks at the Golf Course.

We noted these and other deposits were not made in a timely manner.

Recommendation

The City should change their policy with regards to cash deposits to ensure deposits are made on a timely manner.

Response

We have reviewed and updated our policy in regards to cash deposits.

Conclusion

Response accepted.

City of Waukee
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2010

Part III—Findings for Federal Awards

Instances of Noncompliance

No matters were noted.

Internal Control Deficiencies

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

City of Waukee
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2010

Part IV—Findings Related to Required Statutory Reporting

IV-10-A CERTIFIED BUDGET

Expenditures during the year ended June 30, 2010 did not exceed the amounts budgeted.

IV-10-B QUESTIONABLE EXPENDITURES

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

IV-10-C TRAVEL EXPENSE

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

IV-10-D BUSINESS TRANSACTIONS

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

IV-10-E BOND COVERAGE

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

City of Waukee
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2010

Part IV—Findings Related to Required Statutory Reporting

IV-10-F COUNCIL MINUTES

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

Finding

Although minutes of Council meetings were published, they were not published within 15 days as required by Chapter 371.13(6) of the Code of Iowa.

Recommendation

The City should comply with Chapter 21 and 273.13(6) of the Code of Iowa and should publish minutes as required.

Response and Corrective Action Plan

The City will publish all minutes as soon as possible after the Council meetings.

Conclusion

Response Accepted.

IV-10-G DEPOSITS AND INVESTMENTS

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

IV-10-H REVENUE BONDS/NOTES

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

IV-10-I TAX INCREMENT FINANCING

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

Recommendation

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

Response

Expenditures were transferred for proper TIF district projects when noted.

Conclusion

Response accepted.