

**City of Waukee, Iowa**

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

**June 30, 2012**



## CONTENTS

	<u>Page</u>
<b>OFFICIALS</b>	3
<b>INDEPENDENT AUDITOR'S REPORT</b>	4-5
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	6-13
<b>BASIC FINANCIAL STATEMENTS</b>	14
Government-wide financial statements	
Statement of net assets	15
Statement of activities	16-17
Governmental funds financial statements	
Balance sheet	18
Reconciliation of the balance sheet—governmental funds to the statement of net assets	19
Statement of revenues, expenditures and changes in fund balances	20
Reconciliation of the statement of revenues, expenditures and changes in fund balances—governmental funds to the statement of activities	21
Proprietary Funds Financial Statements	
Statement of net assets	22
Statement of revenues, expenses and changes in fund net assets	23
Reconciliation of the statement of revenues, expenses and changes in fund net assets—proprietary funds to the statement of activities	24
Statement of cash flows	25-26
Notes to financial statements	27-47
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	48
Schedule of Funding Progress for the Retiree Health Plan	49
Budgetary comparison schedule of revenues, expenditures/expenses and changes in fund balances—budget and actual—governmental funds and proprietary funds	50-51
Note to required supplementary information—budgetary reporting	52
<b>OTHER SUPPLEMENTARY INFORMATION</b>	53
Nonmajor Governmental Funds	
Combining balance sheet	54
Combining schedule of revenues, expenditures and changes in fund balances	55
Nonmajor Proprietary Funds	
Combining statement of net assets	56
Combining schedule of revenues, expenses and changes in fund net assets	57
Schedule of revenues by source and expenditures by function—all governmental funds	58-59
Schedule of expenditures of federal awards	60
<b>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</b>	61-62
<b>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</b>	63-64
<b>SCHEDULE OF FINDINGS</b>	65-70

**City of Waukee, Iowa  
OFFICIALS**

	<u><b>Term expires</b></u>
<b>MAYOR AND MEMBERS OF CITY COUNCIL (Before January 2012)</b>	
William Peard, Mayor	January 2012
Shane Blanchard, Council Member	January 2014
Dan Dutcher, Council Member	January 2014
Michael Watts, Council Member	January 2014
Casey L. Harvey, Council Member	January 2012
Darlene Stanton, Council Member	January 2012
<b>CITY ADMINISTRATOR</b>	
Jeff Kooistra	Indefinite
<b>DEPUTY CITY CLERK</b>	
Rebecca D. Schuett	Indefinite
<b>DIRECTOR OF FINANCE</b>	
Linda Burkhart	Indefinite
<b>CITY ATTORNEY</b>	
Steven P. Brick	January, 2012
	<u><b>Term expires</b></u>
<b>MAYOR AND MEMBERS OF CITY COUNCIL (After January 2012)</b>	
William Peard, Mayor	January 2016
Shane Blanchard, Council Member	January 2014
Dan Dutcher, Council Member	January 2014
Michael Watts, Council Member	January 2014
Casey L. Harvey, Council Member	January 2016
Rachelle Hughes, Council Member	January 2016
<b>CITY ADMINISTRATOR</b>	
Bradly Deets, Interim	Indefinite
<b>DEPUTY CITY CLERK</b>	
Rebecca D. Schuett	Indefinite
<b>DIRECTOR OF FINANCE</b>	
Linda Burkhart	Indefinite
<b>CITY ATTORNEY</b>	
Steven P. Brick	January, 2013

## 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, 2012, 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, 2012, 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 December 10, 2012 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for the retiree health plan, and budgetary comparison information on pages 6 through 13 and 49 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary 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 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 seven years ended June 30, 2011 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

*Denman & Company, LLP*

**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
December 10, 2012

---

## 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, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2012 FINANCIAL HIGHLIGHTS

- Revenues of the City's Governmental Funds decreased 9.27 %, or \$1,431,222, from fiscal 2011 to fiscal 2012. Property Tax increased \$413,714, Tax Increment Financing increased \$135,550, Licenses and Permits decreased \$23,852, Intergovernmental decreased approximately \$2,732,999 and Miscellaneous increased \$373,329.
- Program expenditures of the City's Governmental Funds decreased 9.01%, or \$1,698,623 in fiscal 2012 from fiscal 2011. Public Safety expenses increased \$219,158, Community and Economic Development decreased \$ 137,775, Culture and Recreation increased \$26,677, Public Works increased \$189,540, General Government increased \$80,350, Debt Service increased \$2,191,910 and Capital Projects decreased \$4,226,749.
- The City has net assets of \$111,825,151 on June 30, 2012 as compared to \$105,071,035 on June 30, 2011. Of this amount, the net assets of the Governmental Activities were \$74,125,150 and the net assets of the Business Type Activities were \$37,700,001.

### 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, Schedule of Revenues by Source and Expenditures by Function, and Schedule of Expenditures of Federal Awards.

## 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

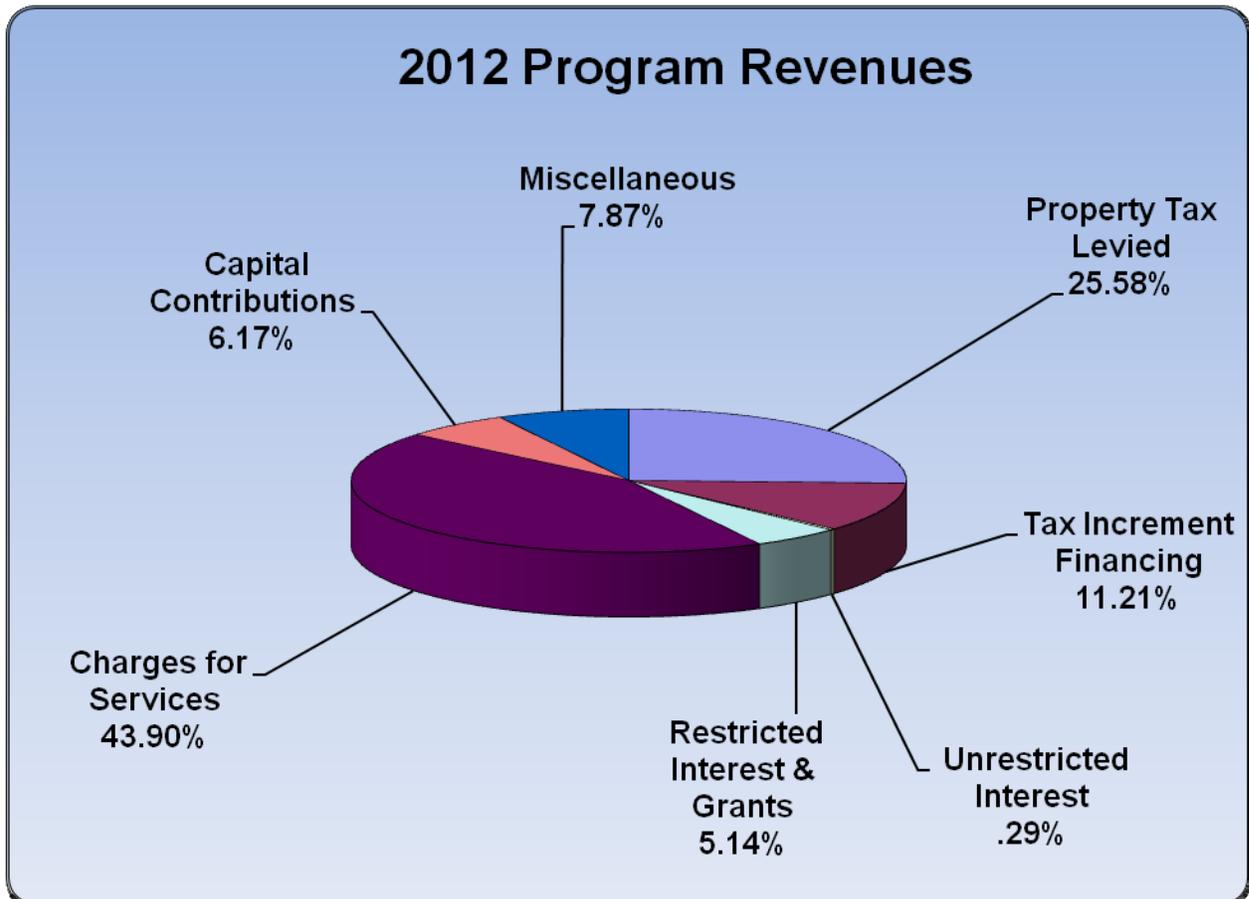
As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental and business type activities.

	Net Assets					
	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 18,898,782	\$ 14,903,369	\$ 10,747,871	\$ 9,933,187	\$ 29,646,653	\$ 24,836,556
Capital Assets	88,499,055	88,743,557	36,721,163	35,392,210	125,220,218	124,135,767
Total Assets	<u>107,397,837</u>	<u>103,646,926</u>	<u>47,469,034</u>	<u>45,325,397</u>	<u>154,866,871</u>	<u>148,972,323</u>
Long-term Liabilities	23,385,578	25,217,571	8,116,777	9,133,646	31,502,355	34,351,217
Other Liabilities	9,887,109	8,144,332	1,652,256	1,405,739	11,539,365	9,550,071
Total Liabilities	<u>33,272,687</u>	<u>33,361,903</u>	<u>9,769,033</u>	<u>10,539,385</u>	<u>43,041,720</u>	<u>43,901,288</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	65,957,764	63,786,857	28,924,988	27,011,928	94,882,752	90,798,785
Restricted	5,954,603	5,203,861	504,271	528,537	6,458,874	5,732,398
Unrestricted	<u>2,212,783</u>	<u>1,294,305</u>	<u>8,270,742</u>	<u>7,245,547</u>	<u>10,483,525</u>	<u>8,539,852</u>
Total Net Assets	<u>\$ 74,125,150</u>	<u>\$ 70,285,023</u>	<u>\$ 37,700,001</u>	<u>\$ 34,786,012</u>	<u>\$ 111,825,151</u>	<u>\$ 105,071,035</u>

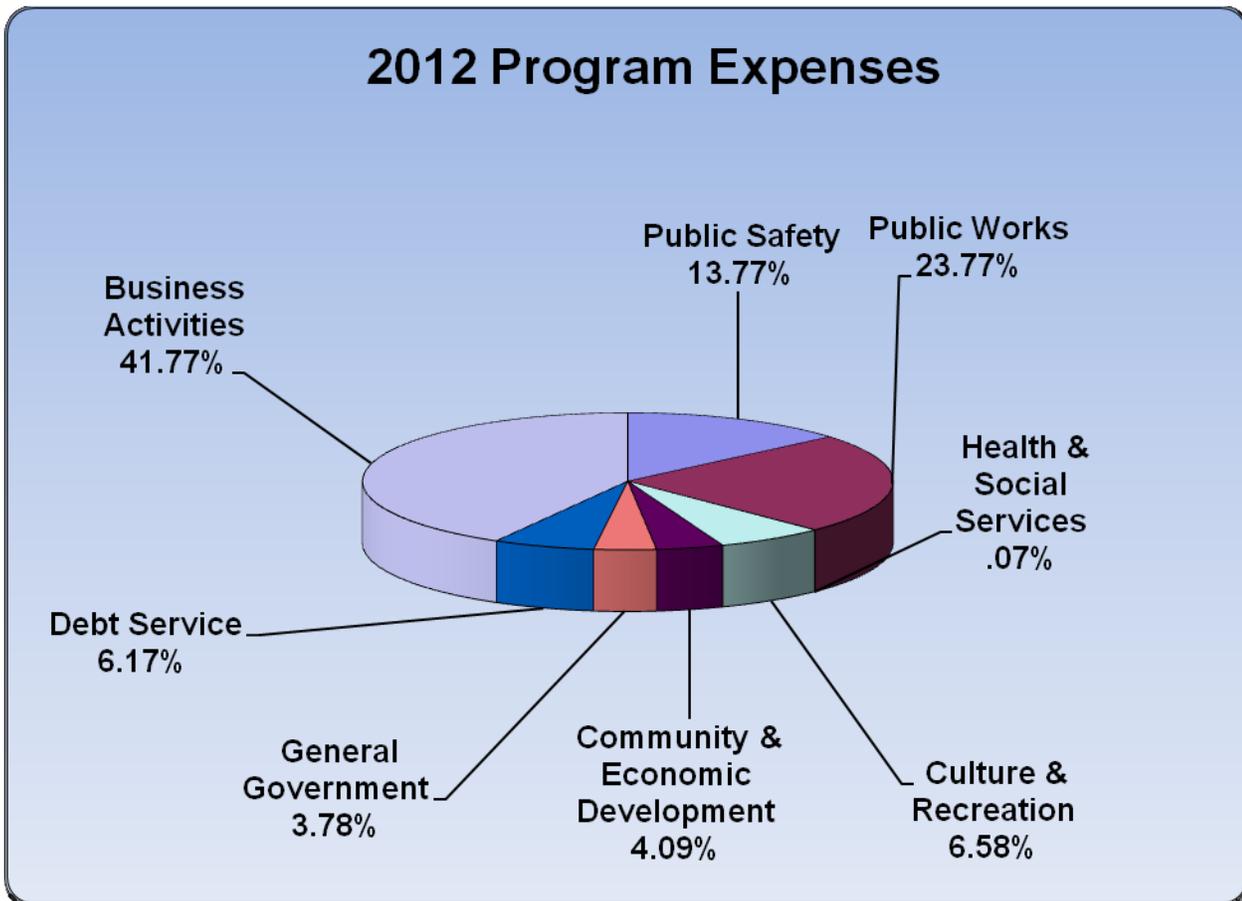
Net assets of governmental activities increase approximately \$3,840,000, or 5.5%, over fiscal year 2011. Net assets of business type activities increased approximately \$2,914,000, or 8.4%, over fiscal year 2011. The largest portion of the City's net assets is the invested in capital assets (e.g., land, 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 \$10,483,500 at the end of this year.

Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Property Tax Levied	\$ 7,273,647	\$ 6,460,788	\$ -	\$ -	\$ 7,273,647	\$ 6,460,788
Tax Increment Financing	3,186,693	3,051,143	-	-	3,186,693	3,051,143
Unrestricted Interest	43,365	78,641	38,612	52,723	81,977	131,364
Restricted Interest and Operating Grants	1,462,641	4,220,944	-	-	1,462,641	4,220,944
Charges for Services	1,222,589	1,182,426	11,262,437	10,895,215	12,485,026	12,077,641
Capital Grants and Contributions	1,754,321	324,971	-	-	1,754,321	324,971
Miscellaneous	1,071,074	431,335	1,121,882	1,073,050	2,192,956	1,504,385
<b>Total Revenues</b>	<b>16,014,330</b>	<b>15,750,248</b>	<b>12,422,931</b>	<b>12,020,988</b>	<b>28,437,261</b>	<b>27,771,236</b>
<b>Transfers</b>	<b>450,944</b>	<b>(5,322,050)</b>	<b>(450,944)</b>	<b>5,322,050</b>	<b>-</b>	<b>-</b>
<b>Total Revenues and Transfers</b>	<b>\$ 16,465,274</b>	<b>\$ 10,428,198</b>	<b>\$ 11,971,987</b>	<b>\$ 17,343,038</b>	<b>\$ 28,437,261</b>	<b>\$ 27,771,236</b>



	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Program Expenses</b>						
Public Safety	\$ 2,985,637	\$ 2,931,524	\$ -	\$ -	\$ 2,985,637	\$ 2,931,524
Public Works	5,154,002	3,455,335	-	-	5,154,002	3,455,335
Health and Social Services	15,175	16,909	-	-	15,175	16,909
Culture and Recreation	1,426,438	1,134,342	-	-	1,426,438	1,134,342
Community and Economic Development	885,864	1,023,639	-	-	885,864	1,023,639
General Government	819,335	1,380,318	-	-	819,335	1,380,318
Debt Service	1,338,696	1,004,557	-	-	1,338,696	1,004,557
Business Type Activities	-	-	9,057,998	9,174,286	9,057,998	9,174,286
<b>Total Expenses</b>	<b>12,625,147</b>	<b>10,946,624</b>	<b>9,057,998</b>	<b>9,174,286</b>	<b>21,683,145</b>	<b>20,120,910</b>
<b>Increase/ (Decrease) in Net Assets</b>	<b>3,840,127</b>	<b>(518,426)</b>	<b>2,913,989</b>	<b>8,168,752</b>	<b>6,754,116</b>	<b>7,650,326</b>
<b>Net Assets Beginning of Year</b>	<b>70,285,023</b>	<b>70,803,449</b>	<b>34,786,012</b>	<b>26,617,260</b>	<b>105,071,035</b>	<b>97,420,709</b>
<b>Net Assets End of Year</b>	<b>\$74,125,150</b>	<b>\$ 70,285,023</b>	<b>\$ 37,700,001</b>	<b>\$ 34,786,012</b>	<b>\$ 111,825,151</b>	<b>\$ 105,071,035</b>



The City maintained the \$13.50 property tax levy for FY12, while recognizing an increase of \$812,859 in property tax revenue due to increase in residential property valuation. Revenues for operating and capital grants, contributions and restricted interest, decreased by approximately \$1,328,953, charges for services increased by \$40,163 and miscellaneous revenues increased by approximately \$690,350.

Overall revenues for governmental activities increased approximately \$314,700 over the prior year.

The cost of all governmental activities this year was approximately \$12.7 million compared to approximately \$10.9 million last year. However, as shown in the Statement of Activities on pages 16 and 17, the amount taxpayers ultimately financed for these activities was only \$8.2 million as some of the cost was paid by those directly benefited from the programs (\$1,223,000) or by other governments and organizations which subsidized certain programs with grants and contributions (\$3,217,000).

The City of Waukeee's net assets of business type activities increased approximately \$2,914,000 during the year. Revenues for business type activities decreased over the prior year, with transfers from governmental activities being approximately \$5,773,000 lower than the prior fiscal year.

## **INDIVIDUAL FUND ANALYSIS**

### **Governmental Fund Highlights**

As the City of Waukeee completed the year, its governmental funds reported a combined fund balance of \$7,217,484 at June 30, 2012, compared to \$6,538,072 combined fund balance at June 30, 2011.

The General Fund showed an increase of \$548,361 from the prior year to \$2,194,425.

The Tax Increment Financing Urban Renewal Funds account for revenues from the tax authorized by ordinance in the urban renewal district which are used to pay the principal and interest on indebtedness incurred for urban renewal redevelopment projects. These funds ended fiscal 2012 with a \$3,751,015 balance compared to the prior year ending balance of \$2,984,647.

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 2012 with a \$1,889 balance compared to the prior year ending balance of \$2,247. Transfers out to operating funds totaled \$991,730 in fiscal 2012.

The Debt Service Fund ended fiscal 2012 with a \$728,122 balance compared to the prior year ending balance of \$655,477. Bond principal, interest, and issuance cost payments increased by \$2,235,689 in fiscal 2012, as a result of new bond sales and a bond refunding during the current year.

The Capital Projects Fund ended fiscal 2012 with a \$(621,780) balance compared to the prior year ending balance of \$798,950; a bond sale in fiscal 2013 will eliminate the negative fund balance.

### **Proprietary Fund Highlights**

The Water Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal 2012 with a \$12,610,361 net asset balance, compared to the prior year ending net asset balance of \$11,734,875.

The Sewer Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal 2012 with a \$14,964,763 net asset balance, compared to the prior year ending net asset balance of \$13,745,585.

The Gas Fund, which accounts for the operations and maintenance of the City's gas utility, ended fiscal 2012 with a \$8,629,348 net asset balance, compared to the prior year ending net asset balance of \$8,072,669.

The Golf Course Fund, which accounts for the operations and maintenance of the City's municipal golf course, ended fiscal 2012 with a \$28,173 net asset balance, compared to the prior year ending net asset balance of \$97,808.

The Solid Waste Fund, which accounts for the operation and maintenance of the City's solid waste collection system, ended fiscal 2012 with a \$121,636 net asset balance, compared to the prior year ending net asset balance of \$82,170.

The Storm Water Fund, which accounts for the operation and maintenance of the City's storm sewer collection system, ended fiscal 2012 with a \$1,207,055 net asset balance, compared to the prior year ending net asset balance of \$937,877.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City of Waukee amended its budget once. This amendment was done in May 2012, and was needed to cover unplanned disbursements, including expenditures associated with General Government, Culture & Recreation program expenditures, and a Debt Service bond refunding.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's capital assets include land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals and other infrastructure. Capital assets for governmental activities totaled \$88,499,055 (net of accumulated depreciation) at June 30, 2012. Capital assets for business type activities totaled \$36,721,163 (net of accumulated depreciation) at June 30, 2012. 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 Heart of the Warrior & the Old Railroad Bike Trail projects, the R22 Shoulder Stabilization road project, land purchase and professional services for the continuation of work on the Alice's Road/I80 interchange and roadway construction project, the completion of the Public Works facility IJOBS grant project, as well as the start of a remodel to an existing property for a Community Center.

For business type activities, major additions included the fees associated with the Wastewater Reclamation Authority (WRA), the completion of the Granger Gas Line project, and the start of the Advanced Metering Infrastructure project for the water and gas utilities.

Construction in progress at June 30, 2012 for the City consists primarily of the Raccoon River Valley Trailhead, Community Center remodel, and the water & gas utility metering infrastructure projects.

### **Long-Term Debt**

At June 30, 2012, the City had \$23,385,578 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business type activities was \$8,116,777 at June 30, 2012. During the year ended June 30, 2012, the City issued \$7,065,000 and refunded \$4,195,000 in general obligation bonds.

The City maintained their general obligation bond rating of Aa3, assigned by national rating agency, Moody's Investors Services, on May 3, 2012. 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 \$25,400,273 or 47.72%, is below its constitutional debt limit of \$53,232,899. Other obligations include accrued vacation pay. Additional information about the City's long-term debt is presented in Note 6 to the financial statements.

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

Several economic factors affected decisions made by the City in setting its fiscal 2013 budget. The City of Waukee will experience a significant increase in General Fund revenues and expenditures from fiscal 2012 to fiscal 2013. The major factors that will play a role in this change are the increase in property tax revenues from increased valuations for fiscal 2013, and increased revenues from bond proceeds.

The General Fund is projected to end fiscal 2013 with a fund balance of approximately \$1,991,663, or a planned decrease of \$202,762 from fiscal 2012. The tax levy rates per \$1,000 of taxable valuation for fiscal 2013 are provided below:

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

**CONTACTING THE CITY’S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**



**City of Waukee, Iowa**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and pooled investments	\$ 8,952,050	\$ 7,747,928	\$ 16,699,978
Receivables			
Property tax			
Delinquent	36,864	-	36,864
Succeeding year	7,141,710	-	7,141,710
Special assessments	423,102	86,247	509,349
Customer accounts	-	892,239	892,239
Other	248,899	-	248,899
Due from other governments	1,722,465	-	1,722,465
Due (to) from other funds	66,179	(66,179)	-
Inventories	10,293	167,023	177,316
Prepaid insurance	89,486	-	89,486
Restricted assets - cash and pooled investments	-	1,893,989	1,893,989
Capital assets (net of accumulated depreciation)	88,499,055	36,721,163	125,220,218
Bond/note issuance costs	<u>207,734</u>	<u>26,624</u>	<u>234,358</u>
Total assets	<u>107,397,837</u>	<u>47,469,034</u>	<u>154,866,871</u>
<b>LIABILITIES</b>			
Accounts payable	2,244,244	1,487,081	3,731,325
Accrued interest payable	72,000	32,220	104,220
Customer deposits payable	-	132,955	132,955
Lease deposit payable	6,053	-	6,053
Deferred revenue	7,564,812	-	7,564,812
Long-term liabilities			
Portion due or payable within one year			
Compensated absences	26,061	53,187	79,248
Capital lease payable	-	39,518	39,518
General obligation bonds/notes	3,161,537	31,094	3,192,631
Tax increment financing (TIF) bonds	130,000	-	130,000
Special assessment notes payable	33,000	-	33,000
Revenue notes payable	-	529,996	529,996
Des Moines Water Works bonds payable	-	570,918	570,918
Portion due or payable after one year			
Compensated absences	134,951	-	134,951
General obligation bonds/notes (net of unamortized premium/discount)	18,277,288	93,015	18,370,303
Tax increment financing (TIF) bonds	1,215,000	-	1,215,000
Special assessment notes payable	242,000	-	242,000
Revenue notes payable	-	5,258,703	5,258,703
Des Moines Water Works bonds payable	-	1,487,744	1,487,744
Net OPEB liability	<u>165,741</u>	<u>52,602</u>	<u>218,343</u>
Total liabilities	<u>33,272,687</u>	<u>9,769,033</u>	<u>43,041,720</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	65,957,764	28,924,988	94,882,752
Restricted for			
Debt service	848,161	504,271	1,352,432
Other purposes	5,106,442	-	5,106,442
Unrestricted	<u>2,212,783</u>	<u>8,270,742</u>	<u>10,483,525</u>
Total net assets	<u>\$ 74,125,150</u>	<u>\$ 37,700,001</u>	<u>\$111,825,151</u>

See Notes to Financial Statements.

**City of Waukee, Iowa**  
**STATEMENT OF ACTIVITIES**  
Year ended June 30, 2012

	<b>Program Revenues</b>			
		<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>	
<b>FUNCTIONS/PROGRAMS</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Interest</b>	<b>Interest</b>
Primary Government				
Governmental activities				
Public safety	\$ 2,985,637	\$ 253,692	\$ -	\$ -
Public works	5,154,002	-	1,462,641	1,754,321
Health and social services	15,175	-	-	-
Culture and recreation	1,426,438	299,901	-	-
Community and economic development	885,864	-	-	-
General government	819,335	668,996	-	-
Interest on long-term debt	<u>1,338,696</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>12,625,147</u>	<u>1,222,589</u>	<u>1,462,641</u>	<u>1,754,321</u>
Business type activities				
Water	1,981,279	2,808,490	-	-
Sewer	1,528,264	2,257,626	-	-
Gas	3,573,094	4,050,733	-	-
Golf	675,398	525,498	-	-
Other	<u>1,299,963</u>	<u>1,620,090</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>9,057,998</u>	<u>11,262,437</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$21,683,145</u>	<u>\$12,485,026</u>	<u>\$1,462,641</u>	<u>\$1,754,321</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 Revenue (Expense) and Changes in Net Assets**  
**Primary Government**

<b><u>Governmental</u></b> <b><u>Activities</u></b>	<b><u>Business-type</u></b> <b><u>Activities</u></b>	<b><u>Total</u></b>
\$ (2,731,945)	\$ —	\$ (2,731,945)
(1,937,040)	—	(1,937,040)
(15,175)	—	(15,175)
(1,126,537)	—	(1,126,537)
(885,864)	—	(885,864)
(150,339)	—	(150,339)
<u>(1,338,696)</u>	<u>—</u>	<u>(1,338,696)</u>
<u>(8,185,596)</u>	<u>—</u>	<u>(8,185,596)</u>
—	827,211	827,211
—	729,362	729,362
—	477,639	477,639
—	(149,900)	(149,900)
<u>—</u>	<u>320,127</u>	<u>320,127</u>
<u>—</u>	<u>2,204,439</u>	<u>2,204,439</u>
<u>\$ (8,185,596)</u>	<u>\$ 2,204,439</u>	<u>\$ (5,981,157)</u>
\$ 4,331,028	\$ —	\$ 4,331,028
1,951,912	—	1,951,912
990,707	—	990,707
3,186,693	—	3,186,693
43,365	38,612	81,977
1,071,074	268,444	1,339,518
—	274,668	274,668
—	578,770	578,770
<u>450,944</u>	<u>(450,944)</u>	<u>—</u>
<u>12,025,723</u>	<u>709,550</u>	<u>12,735,273</u>
3,840,127	2,913,989	6,754,116
<u>70,285,023</u>	<u>34,786,012</u>	<u>105,071,035</u>
<u>\$74,125,150</u>	<u>\$37,700,001</u>	<u>\$111,825,151</u>

See Notes to Financial Statements.

**City of Waukee, Iowa  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012**

	<u>General</u>	<u>Tax Increment Financing Urban Renewal</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and pooled investments	\$2,229,850	\$2,114,493	\$ 800,589	\$ 766,936	\$2,983,846	\$ 8,895,714
Receivables						
Property tax						
Delinquent	14,966	10,722	-	7,351	3,825	36,864
Succeeding year	4,048,100	-	-	2,057,380	1,036,230	7,141,710
Special assessments	-	-	-	-	423,102	423,102
Other	122,954	-	118,838	-	7,107	248,899
Due from other funds	1,936	-	-	-	-	1,936
Due from other governments	-	-	1,722,465	-	-	1,722,465
Inventory	10,293	-	-	-	-	10,293
Prepaid insurance	81,303	-	-	-	8,183	89,486
Advances to other funds	85,000	-	-	-	-	85,000
Total assets	<u>\$6,594,402</u>	<u>\$2,125,215</u>	<u>\$2,641,892</u>	<u>\$2,831,667</u>	<u>\$4,462,293</u>	<u>\$18,655,469</u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>						
Liabilities						
Accounts payable	\$ 302,838	\$ 83,345	\$1,687,614	\$ 46,165	\$ 124,282	\$ 2,244,244
Lease deposit payable	6,053	-	-	-	-	6,053
Compensated absences	24,165	-	-	-	1,896	26,061
Due to other funds	-	-	-	-	1,936	1,936
Deferred revenue						
Succeeding year property tax	4,048,100	-	-	2,057,380	1,036,230	7,141,710
Other	-	-	1,576,058	-	423,102	1,999,160
Interfund payable	18,821	-	-	-	-	18,821
Total liabilities	<u>4,399,977</u>	<u>83,345</u>	<u>3,263,672</u>	<u>2,103,545</u>	<u>1,587,446</u>	<u>11,437,985</u>
Fund Balances (Deficits)						
Nonspendable						
Prepaid insurance	81,303	-	-	-	8,183	89,486
Inventory	10,293	-	-	-	-	10,293
Advances to other funds	85,000	-	-	-	-	85,000
Restricted for						
Debt service	-	-	-	728,122	120,039	848,161
Lease deposits	6,053	-	-	-	-	6,053
Parkland dedication	282,900	-	-	-	-	282,900
Police gifts and memorials	35,047	-	-	-	-	35,047
Urban Renewal and development	-	2,041,870	-	-	-	2,041,870
Other purposes	-	-	-	-	2,746,625	2,746,625
Unassigned	1,693,829	-	(621,780)	-	-	1,072,049
Total fund balances (deficits)	<u>2,194,425</u>	<u>2,041,870</u>	<u>(621,780)</u>	<u>728,122</u>	<u>2,874,847</u>	<u>7,217,484</u>
Total liabilities and fund balances (deficits)	<u>\$6,594,402</u>	<u>\$2,125,215</u>	<u>\$2,641,892</u>	<u>\$2,831,667</u>	<u>\$4,462,293</u>	<u>\$18,655,469</u>

See Notes to Financial Statements.

**City of Waukee**  
**RECONCILIATION OF THE BALANCE SHEET—**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**  
**June 30, 2012**

<b>Total governmental fund balances</b>	<b>\$ 7,217,484</b>
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$124,767,798 and the accumulated depreciation \$36,268,743.	88,499,055
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	1,576,058
Long-term liabilities, including bonds payable, bond premiums and discounts, bond issuance costs, other post employment benefits payable, compensated absences and accrued interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(23,223,783)
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>56,336</u>
<b>Net assets of governmental activities</b>	<b><u>\$74,125,150</u></b>

**City of Waukee, Iowa**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year ended June 30, 2012**

	<u>General</u>	<u>Tax Increment Financing Urban Renewal</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<b>REVENUES</b>						
Property tax	\$3,868,988	\$ —	\$ —	\$1,951,912	\$ 990,707	\$ 6,811,607
Tax increment financing collections	—	2,205,661	—	—	981,032	3,186,693
Other city tax	—	—	417,190	—	44,850	462,040
Licenses and permits	507,344	—	—	—	—	507,344
Use of money and property	164,581	3,998	1,805	1,560	32,561	204,505
Intergovernmental	299,901	—	154,644	—	1,307,997	1,762,542
Charges for services	253,142	—	550	—	—	253,692
Miscellaneous	197,827	—	—	—	616,171	813,998
Total revenues	<u>5,291,783</u>	<u>2,209,659</u>	<u>574,189</u>	<u>1,953,472</u>	<u>3,973,318</u>	<u>14,002,421</u>
<b>EXPENDITURES</b>						
Operating						
Public safety	3,040,673	—	—	—	—	3,040,673
Public works	476,493	—	—	—	905,500	1,381,993
Health and social services	15,175	—	—	—	—	15,175
Culture and recreation	1,330,930	—	—	—	7,905	1,338,835
Community and economic development	317,264	568,148	—	—	452	885,864
General government	868,324	—	—	—	—	868,324
Debt service						
Principal	—	—	—	4,969,376	31,000	5,000,376
Interest	—	—	—	1,040,739	10,388	1,051,127
Bond issuance and other costs	—	—	—	59,680	—	59,680
Capital projects	—	291,933	2,877,028	—	333,002	3,501,963
Total expenditures	<u>6,048,859</u>	<u>860,081</u>	<u>2,877,028</u>	<u>6,069,795</u>	<u>1,288,247</u>	<u>17,144,010</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(757,076)</u>	<u>1,349,578</u>	<u>(2,302,839)</u>	<u>(4,116,323)</u>	<u>2,685,071</u>	<u>(3,141,589)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond proceeds	165,000	—	795,000	6,105,000	—	7,065,000
Bonds refunded	—	—	—	(4,195,000)	—	(4,195,000)
Bond premium, net of discount	—	—	12,109	209,938	—	222,047
Sale of capital assets	209,152	—	—	—	27,500	236,652
Operating transfers in	991,730	—	75,000	2,069,030	—	3,135,760
Operating transfers out	(60,445)	(824,620)	—	—	(1,758,393)	(2,643,458)
Total other financing sources (uses)	<u>1,305,437</u>	<u>(824,620)</u>	<u>882,109</u>	<u>4,188,968</u>	<u>(1,730,893)</u>	<u>3,821,001</u>
<b>NET CHANGE IN FUND BALANCES</b>	548,361	524,958	(1,420,730)	72,645	954,178	679,412
<b>FUND BALANCES</b>						
<b>BEGINNING OF YEAR</b>	<u>1,646,064</u>	<u>1,516,912</u>	<u>798,950</u>	<u>655,477</u>	<u>1,920,669</u>	<u>6,538,072</u>
<b>FUND BALANCES (DEFICIT)</b>						
<b>END OF YEAR</b>	<u>\$2,194,425</u>	<u>\$2,041,870</u>	<u>\$ (621,780)</u>	<u>\$ 728,122</u>	<u>\$2,874,847</u>	<u>\$ 7,217,484</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, 2012**

**Net change in fund balances—Total governmental funds** \$ 679,412

***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. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets, including contributed capital	3,784,834	
Depreciation expense	<u>(3,827,713)</u>	(42,879)

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		(236,652)
Gain on sale of capital assets		<u>35,029</u>

Because some revenues will not be collected for several months after the City's year end, they are not considered available revenues and are deferred in the governmental funds.

1,576,058

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 repayments exceeded issues, as follows:

Issued	(2,870,000)	
Repaid	<u>5,000,376</u>	2,130,376

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.

(227,889)

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	(15,358)	
Other postemployment benefits	(55,482)	
Interest on long-term debt	<u>(3,000)</u>	(73,840)

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.

512

**Change in net assets of governmental activities**

**\$3,840,127**

See Notes to Financial Statements.

**City of Waukee, Iowa**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2012**

	<u>Enterprise Funds</u>						<u>Internal</u>
	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Golf</u>	<u>Nonmajor</u>	<u>Total</u>	<u>Service Fund</u>
<b>ASSETS</b>							<u>Equipment</u>
Current Assets							<u>Revolving</u>
Cash and pooled investments	\$ 1,655,872	\$ 2,007,604	\$ 2,912,970	\$ 800	\$1,069,498	\$ 7,646,744	\$ 157,520
Receivables							
Customer accounts and unbilled usage	415,132	275,833	64,900	821	135,553	892,239	-
Special assessments	-	86,247	-	-	-	86,247	-
Interfund receivable	-	-	72,710	-	-	72,710	-
Inventories	57,466	-	88,721	20,836	-	167,023	-
Restricted assets - cash and pooled investments							
Customer deposits	70,355	-	62,000	600	-	132,955	-
Capacity fees	109,555	-	-	-	-	109,555	-
Revenue note and interest sinking account	496,085	31,025	535,015	6,480	-	1,068,605	-
Revenue note reserve account	162,944	185,608	-	51,465	-	400,017	-
Des Moines Water Works reserve account	182,857	-	-	-	-	182,857	-
Advances to other funds	100,000	-	-	-	-	100,000	-
Capital assets (net of accumulated depreciation)	11,806,215	13,547,250	9,257,230	1,742,040	368,428	36,721,163	-
Bond/note issuance costs	300	7,752	18,572	-	-	26,624	-
Total assets	<u>15,056,781</u>	<u>16,141,319</u>	<u>13,012,118</u>	<u>1,823,042</u>	<u>1,573,479</u>	<u>47,606,739</u>	<u>157,520</u>
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable	283,376	157,506	180,974	767,033	98,192	1,487,081	-
Capital lease payable	-	-	-	1,813	37,705	39,518	-
Compensated absences	14,266	11,279	10,989	8,496	8,157	53,187	-
Interfund payable	-	-	-	185,000	53,889	238,889	-
Current Liabilities Payable from Restricted Assets							
Customer deposits payable	70,355	-	62,000	600	-	132,955	-
Revenue notes payable	-	149,000	340,000	40,996	-	529,996	-
Des Moines Water Works bonds payable	570,918	-	-	-	-	570,918	-
Equipment note	-	-	-	31,094	-	31,094	-
Interest payable	10,022	3,388	15,935	2,875	-	32,220	-
Noncurrent Liabilities							
Revenue notes payable (net of amortized discount)	-	845,000	3,760,871	652,832	-	5,258,703	-
Des Moines Water Works bonds payable (net of amortized discount)	1,487,744	-	-	-	-	1,487,744	-
Equipment note	-	-	-	93,015	-	93,015	-
Net OPEB liability	9,739	10,383	12,001	11,115	9,364	52,602	-
Total liabilities	<u>2,446,420</u>	<u>1,176,556</u>	<u>4,382,770</u>	<u>1,794,869</u>	<u>207,307</u>	<u>10,007,922</u>	<u>-</u>
Net Assets							
Invested in capital assets, net of related debt	9,747,553	12,553,250	5,371,172	922,290	330,723	28,924,988	-
Restricted for bond retirement	260,946	64,245	179,080	-	-	504,271	-
Unrestricted	<u>2,601,862</u>	<u>2,347,268</u>	<u>3,079,096</u>	<u>(894,117)</u>	<u>1,035,449</u>	<u>8,169,558</u>	<u>157,520</u>
Total net assets	<u>\$12,610,361</u>	<u>\$14,964,763</u>	<u>\$ 8,629,348</u>	<u>\$ 28,173</u>	<u>\$1,366,172</u>	<u>\$37,598,817</u>	<u>\$ 157,520</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.

101,184

Net assets of business type activities

\$37,700,001

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, 2012**

	<b>Enterprise Funds</b>						<b>Internal Service Fund</b>
	<b>Water</b>	<b>Sewer</b>	<b>Gas</b>	<b>Golf</b>	<b>Nonmajor Funds</b>	<b>Total</b>	<b>Equipment Revolving</b>
<b>OPERATING REVENUES</b>							
Charges for service	\$ 2,808,490	\$ 2,257,626	\$4,050,733	\$ 525,498	\$1,620,090	\$11,262,437	\$ -
Miscellaneous	11,679	9,292	86,476	108,605	9,492	225,544	-
Total operating revenues	<u>2,820,169</u>	<u>2,266,918</u>	<u>4,137,209</u>	<u>634,103</u>	<u>1,629,582</u>	<u>11,487,981</u>	<u>-</u>
<b>OPERATING EXPENSES</b>							
Business type activities							
Cost of sales and services	1,512,793	1,018,673	3,256,520	568,576	1,268,208	7,624,770	-
Depreciation and amortization	369,192	475,917	111,953	68,935	31,667	1,057,664	-
Total operating expenses	<u>1,881,985</u>	<u>1,494,590</u>	<u>3,368,473</u>	<u>637,511</u>	<u>1,299,875</u>	<u>8,682,434</u>	<u>-</u>
Operating income (loss)	<u>938,184</u>	<u>772,328</u>	<u>768,736</u>	<u>(3,408)</u>	<u>329,707</u>	<u>2,805,547</u>	<u>-</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Interest income	22,000	6,061	7,872	17	1,805	37,755	1,369
Rental income	16,955	-	-	6,600	-	23,555	-
Connection fees	75,076	131,061	68,531	-	-	274,668	-
Capacity fees	89,174	489,596	-	-	-	578,770	-
Sale of capital assets	12,000	-	7,300	45	-	19,345	-
Interest expense	(99,294)	(33,674)	(204,621)	(37,887)	(88)	(375,564)	-
Total nonoperating revenues (expenses)	<u>115,911</u>	<u>593,044</u>	<u>(120,918)</u>	<u>(31,225)</u>	<u>1,717</u>	<u>558,529</u>	<u>1,369</u>
Income (loss) before contributions and transfers	1,054,095	1,365,372	647,818	(34,633)	331,424	3,364,076	1,369
Capital contributions	13,786	13,786	13,786	-	-	41,358	-
Transfers (out)	(192,395)	(159,980)	(104,925)	(35,002)	-	(492,302)	-
<b>CHANGE IN NET ASSETS</b>	875,486	1,219,178	556,679	(69,635)	331,424	2,913,132	1,369
<b>NET ASSETS BEGINNING OF YEAR</b>	<u>11,734,875</u>	<u>13,745,585</u>	<u>8,072,669</u>	<u>97,808</u>	<u>1,034,748</u>	<u>34,685,685</u>	<u>156,151</u>
<b>NET ASSETS END OF YEAR</b>	<u>\$12,610,361</u>	<u>\$14,964,763</u>	<u>\$8,629,348</u>	<u>\$ 28,173</u>	<u>\$1,366,172</u>	<u>\$37,598,817</u>	<u>\$ 157,520</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, 2012**

**Change in net assets** \$2,913,132

***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.

857

**Change in net assets of business type activities** **\$2,913,989**

**City of Waukee, Iowa**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year ended June 30, 2012**

	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Golf</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers and users	\$2,655,086	\$2,197,771	\$4,022,902	\$ 526,253	\$1,615,837	\$11,017,849
Cash received from other revenues	11,679	9,292	86,476	108,605	9,492	225,544
Cash paid for personal services	(471,067)	(481,307)	(547,763)	(283,032)	(264,275)	(2,047,444)
Cash paid to suppliers	<u>(814,191)</u>	<u>(412,851)</u>	<u>(2,948,559)</u>	<u>(197,342)</u>	<u>(966,688)</u>	<u>(5,339,631)</u>
Net cash provided by operating activities	<u>1,381,507</u>	<u>1,312,905</u>	<u>613,056</u>	<u>154,484</u>	<u>394,366</u>	<u>3,856,318</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition of capital assets, net of contributed capital and equipment fund transfers	(671,539)	(967,821)	(517,986)	(16,125)	(147,420)	(2,320,891)
Principal paid on revenue notes matured	-	(144,000)	(325,000)	(39,475)	-	(508,475)
Interest paid on notes	(97,701)	(34,140)	(205,839)	(38,242)	(88)	(376,010)
Principal paid on Des Moines Water Works bonds	(552,063)	-	-	-	-	(552,063)
Principal paid on general obligation bonds	-	-	-	(31,093)	-	(31,093)
Principal paid on capital lease	-	-	-	(627)	(78,669)	(79,296)
Principal received on new debt	-	-	-	-	116,374	116,374
Bond issuance costs	1,002	-	7,413	-	-	8,415
Amounts transferred to other funds	(192,395)	(159,980)	(104,925)	(35,002)	-	(492,302)
Connection fees	75,076	131,061	68,531	-	-	274,668
Capacity fees	<u>89,174</u>	<u>489,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>578,770</u>
Net cash (used in) capital and related financing activities	<u>(1,348,446)</u>	<u>(685,284)</u>	<u>(1,077,806)</u>	<u>(160,564)</u>	<u>(109,803)</u>	<u>(3,381,903)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest on investments	22,000	6,061	7,872	17	1,805	37,755
Purchase of certificates of deposits	(2,146)	(2,444)	-	(17)	-	(4,607)
Rental income	<u>16,955</u>	<u>-</u>	<u>-</u>	<u>6,600</u>	<u>-</u>	<u>23,555</u>
Net cash provided by investing activities	<u>36,809</u>	<u>3,617</u>	<u>7,872</u>	<u>6,600</u>	<u>1,805</u>	<u>56,703</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>						
	69,870	631,238	(456,878)	520	286,368	531,118
<b>CASH AND CASH EQUIVALENTS, beginning</b>	<u>2,261,997</u>	<u>1,407,391</u>	<u>3,966,863</u>	<u>7,360</u>	<u>783,130</u>	<u>8,426,741</u>
<b>CASH AND CASH EQUIVALENTS, ending</b>	<u>\$2,331,867</u>	<u>\$2,038,629</u>	<u>\$3,509,985</u>	<u>\$ 7,880</u>	<u>\$1,069,498</u>	<u>\$ 8,957,859</u>

See Notes to Financial Statements.

**City of Waukee, Iowa**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (continued)**  
**Year ended June 30, 2012**

	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Golf</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 938,184	\$ 772,328	\$ 768,736	\$ (3,408)	\$ 329,707	\$2,805,547
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation expense	367,490	474,453	110,096	68,935	31,667	1,052,641
Bond amortization costs	1,702	1,464	1,857	-	-	5,023
(Increase) decrease in customer accounts receivable and unbilled usage and other accounts receivable	(153,404)	(59,855)	(27,831)	755	(4,253)	(244,588)
(Increase) decrease in inventories, at cost	(7,201)	-	(44,096)	12,760	-	(38,537)
Increase (decrease) in accounts payable	207,129	110,940	(174,064)	60,894	26,182	231,081
Increase in customer deposits	14,080	-	1,800	-	-	15,880
Increase in compensated absences	3,788	3,192	642	3,433	1,699	12,754
Increase (decrease) in OPEB liability	<u>9,739</u>	<u>10,383</u>	<u>(24,084)</u>	<u>11,115</u>	<u>9,364</u>	<u>16,517</u>
Net cash provided by operating activities	<u>\$1,381,507</u>	<u>\$1,312,905</u>	<u>\$ 613,056</u>	<u>\$ 154,484</u>	<u>\$ 394,366</u>	<u>\$3,856,318</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON THE STATEMENT OF NET ASSETS</b>						
Current assets						
Cash and pooled investments	\$1,655,872	\$2,007,604	\$2,912,970	\$ 800	\$1,069,498	\$7,646,744
Restricted assets--cash and pooled investments						
Customer deposits	70,355	-	62,000	600	-	132,955
Capacity fees	109,555	-	-	-	-	109,555
Revenue note and interest sinking account	496,085	31,025	535,015	6,480	-	1,068,605
Revenue note reserve account	162,944	185,608	-	51,465	-	400,017
Des Moines Water Works reserve account	<u>182,857</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>182,857</u>
	2,677,668	2,224,237	3,509,985	59,345	1,069,498	9,540,733
Less items not meeting the definition of cash equivalent						
Certificates of deposit	(162,944)	(185,608)	-	(51,465)	-	(400,017)
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>\$2,331,867</u>	<u>\$2,038,629</u>	<u>\$3,509,985</u>	<u>\$ 7,880</u>	<u>\$1,069,498</u>	<u>\$8,957,859</u>

See Notes to Financial Statements.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Reporting Entity**

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

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

**Component Unit**

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

**Jointly Governed Organizations**

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

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

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

**Basis of Presentation**

**Government-wide Financial Statements**

The Statement of Net 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.

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

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets. The related debt excludes unspent debt proceeds of \$517,534 in the capital projects fund and \$214,813 in the gas fund.

*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.

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

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

**Basis of Presentation (continued)**

**Capital Projects Fund**

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

**Debt Service Fund**

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

The City reports the following major proprietary funds:

**Enterprise**

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

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

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

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

**Measurement Focus and Basis of Accounting**

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

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

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

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

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

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

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

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

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

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

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

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

**Assets, Liabilities and Fund Equity**

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

**Cash, Pooled Investments and Cash Equivalents**

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Delinquent property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2012 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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

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

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2011.

**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, 2012, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

**Due from Other Governments**

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

**Inventories**

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

**Restricted Assets**

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

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

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

**Capital Assets**

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

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

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

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

**Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation for subsequent use. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

**Deferred Revenue**

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

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

**Long-Term Liabilities**

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

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

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

**Long-Term Liabilities (continued)**

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

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

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

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in other spendable classifications.

**Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted.

**NOTE 2 CASH AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2012 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.

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

**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	\$ 415,982	\$ (850)	\$ 415,132
Sewer Fund	276,233	(400)	275,833
Gas Fund	66,650	(1,750)	64,900
Golf	821	-	821
Nonmajor proprietary funds	<u>135,553</u>	<u>-</u>	<u>135,553</u>
Totals	<u>\$ 895,239</u>	<u>\$ (3,000)</u>	<u>\$ 892,239</u>
Other			
General	<u>\$ 154,954</u>	<u>\$ (32,000)</u>	<u>\$ 122,954</u>
Capital projects	<u>\$ 118,838</u>	<u>\$ -</u>	<u>\$ 118,838</u>
Nonmajor governmental funds	<u>\$ 7,107</u>	<u>\$ -</u>	<u>\$ 7,107</u>

**NOTE 4 LEASING ACTIVITIES**

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

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

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

The City leases farm land under two operating lease agreements dated April 1, 2012 and June 15, 2012, respectively, expiring December 15, 2012 and December 31, 2012, respectively. The leases automatically renew annually at the same terms and conditions unless written notice is given then they expire March 1, 2013. The leases call for semi-annual payments of \$41,000 and \$9,638, respectively.

The total minimum future lease payments receivable under the operating leases at June 30, 2012 are as follows:

<u>Year ending June 30</u>	<u>Office Space</u>	<u>Water Tower Space</u>	<u>Farm Land</u>	<u>Total</u>
2013	\$ 25,675	\$ 26,668	\$ 50,638	\$ 102,981
2014	25,675	27,469	-	53,144
2015	25,675	28,293	-	53,968
2016	25,675	29,141	-	54,816
2017	25,675	19,641	-	45,316
2018	25,675	-	-	25,675
2019	25,675	-	-	25,675
2020	25,675	-	-	25,675
2021	<u>25,675</u>	<u>-</u>	<u>-</u>	<u>25,675</u>
	<u>\$ 231,075</u>	<u>\$ 131,212</u>	<u>\$ 50,638</u>	<u>\$ 412,925</u>

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

**NOTE 5 CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2012 was as follows:

	<u>Balance beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance end of year</u>
Primary Government				
Governmental activities				
Capital assets not being depreciated				
Land	\$ 7,354,624	\$ 1,591,322	\$ 192,452	\$ 8,753,494
Construction in progress	<u>22,841,317</u>	<u>1,221,661</u>	<u>15,106,505</u>	<u>8,956,473</u>
Total capital assets not being depreciated	<u>30,195,941</u>	<u>2,812,983</u>	<u>15,298,957</u>	<u>17,709,967</u>
Capital assets being depreciated				
Buildings	6,396,437	188,358	-	6,584,795
Improvements other than buildings	3,481,626	15,140,309	-	18,621,935
Equipment	4,357,069	571,426	97,390	4,831,105
Infrastructure, road network	<u>76,841,733</u>	<u>178,263</u>	<u>-</u>	<u>77,019,996</u>
Total capital assets being depreciated	<u>91,076,865</u>	<u>16,078,356</u>	<u>97,390</u>	<u>107,057,831</u>
Less accumulated depreciation for				
Buildings	1,703,484	174,364	-	1,877,848
Improvements other than buildings	1,214,757	1,154,092	-	2,368,849
Equipment	3,318,835	335,357	88,219	3,565,973
Infrastructure, road network	<u>26,292,173</u>	<u>2,163,900</u>	<u>-</u>	<u>28,456,073</u>
Total accumulated depreciation	<u>32,529,249</u>	<u>3,827,713</u>	<u>88,219</u>	<u>36,268,743</u>
Total capital assets being depreciated, net	<u>58,547,616</u>	<u>12,250,643</u>	<u>9,171</u>	<u>70,789,088</u>
Governmental activities capital assets, net	<u>\$88,743,557</u>	<u>\$15,063,626</u>	<u>\$15,308,128</u>	<u>\$ 88,499,055</u>
Business type activities				
Capital assets not being depreciated				
Land	\$ 1,226,032	\$ -	\$ -	\$ 1,226,032
Construction in progress	<u>12,169,129</u>	<u>53,601</u>	<u>-</u>	<u>12,222,730</u>
Total capital assets not being depreciated	<u>13,395,161</u>	<u>53,601</u>	<u>-</u>	<u>13,448,762</u>
Capital assets being depreciated				
Buildings	532,611	9,671	-	542,282
Equipment	2,769,680	404,683	71,220	3,103,143
Infrastructure, water and sewer network	<u>30,532,555</u>	<u>1,913,639</u>	<u>-</u>	<u>32,446,194</u>
Total capital assets being depreciated	<u>33,834,846</u>	<u>2,327,993</u>	<u>71,220</u>	<u>36,091,619</u>
Less accumulated depreciation for				
Buildings	145,928	11,856	-	157,784
Equipment	1,544,380	279,780	71,220	1,752,940
Infrastructure, water and sewer network	<u>10,147,489</u>	<u>761,005</u>	<u>-</u>	<u>10,908,494</u>
Total accumulated depreciation	<u>11,837,797</u>	<u>1,052,641</u>	<u>71,220</u>	<u>12,819,218</u>
Total capital assets being depreciated, net	<u>21,997,049</u>	<u>1,275,352</u>	<u>-</u>	<u>23,272,401</u>
Business type activities capital assets, net	<u>\$35,392,210</u>	<u>\$ 1,328,953</u>	<u>\$ -</u>	<u>\$ 36,721,163</u>

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

**NOTE 5 CAPITAL ASSETS (continued)**

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

Governmental activities	
Public safety	\$ 198,961
Public works	3,396,306
Culture and recreation	151,285
General government	<u>81,161</u>
Total depreciation expense--governmental activities	<u>\$3,827,713</u>
Business type activities	
Water	\$ 367,490
Sewer	474,453
Gas	110,096
Storm water	31,667
Golf	<u>68,935</u>
Total depreciation expense--business type activities	<u>\$1,052,641</u>

**NOTE 6 CHANGES IN LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	<u>Balance beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance end of year</u>	<u>Due within one year</u>
<b>Governmental activities</b>					
General obligation bonds/notes	\$23,180,700	\$7,065,000	\$8,806,875	\$21,438,825	\$3,161,537
Revenue bonds	1,470,000	-	125,000	1,345,000	130,000
Special assessment notes	306,000	-	31,000	275,000	33,000
Compensated absences	150,612	161,012	150,612	161,012	26,061
Net OPEB liability	<u>110,259</u>	<u>55,482</u>	<u>-</u>	<u>165,741</u>	<u>-</u>
Totals	<u>\$25,217,571</u>	<u>\$7,281,494</u>	<u>\$9,113,487</u>	<u>\$23,385,578</u>	<u>\$3,350,598</u>
<b>Business type activities</b>					
Capital leases	\$ 2,440	\$ 116,374	\$ 79,296	\$ 39,518	\$ 39,518
General obligation bonds/notes	155,202	-	31,093	124,109	31,094
Des Moines Water Works bonds	2,609,724	-	551,062	2,058,662	570,918
Revenue bonds/notes	6,289,762	-	501,063	5,788,699	529,996
Compensated absences	40,433	53,187	40,433	53,187	53,187
Net OPEB liability	<u>36,085</u>	<u>16,517</u>	<u>-</u>	<u>52,602</u>	<u>-</u>
Totals	<u>\$ 9,133,646</u>	<u>\$ 186,078</u>	<u>\$1,202,947</u>	<u>\$ 8,116,777</u>	<u>\$1,224,713</u>

**Bond/Note Issuance Costs**

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

Sixteen issues of unmatured general obligation bonds/notes, totaling \$21,387,835, are outstanding at June 30, 2012. General obligation bonds/notes bear interest at rates ranging from 1.0% to 4.625% and mature in varying annual amounts, ranging from \$22,895 to \$940,000, with the final maturities due in the year ending June 30, 2022.

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

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

One issue of unmatured revenue notes, totaling \$1,345,000, is outstanding at June 30, 2012. The note bears interest at 2.50% to 3.9% and matures in annual amounts of \$130,000 to \$175,000, with final maturity due in the year ending June 30, 2021.

One issue of unmatured special assessment notes, totaling \$275,000, is outstanding at June 30, 2012. The note bears interest at 2.75% to 4.55% and mature in annual amounts of \$33,000 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, 2012 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, 2012</u>
General Obligation Bonds and Notes						
Golf Course	June 1, 2010	3.75	June 1, 2015	\$ 46,771 - 329,255	\$ 516,190	\$ 424,324
Corporate Purpose	February 1, 2006	3.60-3.95	June 1, 2019	105,000 - 140,000	1,200,000	855,000
Urban Renewal Projects	July 12, 2006	4.00	June 1, 2020	265,000 - 480,000	4,950,000	3,030,000
Urban Renewal Projects	October 10, 2007	4.00	June 1, 2014	470,000 - 540,000	6,650,000	1,010,000
Capital Loan	March 19, 2008	4.625	June 1, 2013	65,000	290,000	65,000
Sewer Project	April 8, 2008	3.75-4.20	June 1, 2021	90,000 - 120,000	1,275,000	945,000
Ambulance	August 6, 2008	4.25	July 15, 2013	22,895 - 23,628	110,000	46,523
Urban Renewal 2008C	December 15, 2008	3.35-4.50	June 1, 2022	145,000 - 215,000	2,200,000	1,780,000
Urban Renewal 2009A	April 28, 2009	2.40-3.50	June 1, 2017	135,000 - 140,000	1,055,000	655,000
Urban Renewal 2009B	April 28, 2009	2.40-3.30	June 1, 2016	430,000 - 940,000	5,345,000	2,735,000
General Obligation 2010A	June 2, 2010	2.00-3.50	June 1, 2022	110,000 - 140,000	1,435,000	1,225,000
General Obligation 2010B	June 2, 2010	1.40-3.60	June 1, 2021	145,000 - 185,000	1,745,000	1,460,000
General Obligation						
Golf Course Equipment	March 15, 2011	3.40	June 1, 2016	30,829 - 31,093	155,202	124,109
Ambulance	August 30, 2011	2.90	June 1, 2016	31,871 - 34,407	165,000	132,879
General Obligation 2012A	June 14, 2012	1.50-2.00	June 1, 2020	100,000 - 480,000	2,680,000	2,680,000
General Obligation 2012B	June 14, 2012	1.50-3.00	June 1, 2021	340,000 - 695,000	4,220,000	4,220,000
Revenue Bonds						
Urban Renewal 2010C	June 2, 2010	2.50-3.90	June 1, 2021	130,000 - 175,000	1,590,000	1,345,000
Special Assessment Notes						
Sewer Improvements	May 5, 2009	2.75-4.55	December 1, 2018	33,000 - 46,000	362,000	275,000

On June 7 and June 14, 2012, the City issued \$2,680,000 and \$4,220,000 of general obligation refunding bonds, respectively, at a premium of \$254,959 for the purpose of refunding the General Obligation Series 2003 and 2004C, General Obligation Water Series 2004A, General Obligation Refunding Series 2004B, and Advance Refunding Series 2007A payments after June 30, 2014. As a result of this refunding, the City reduced its debt service requirements by \$366,511 for a present value savings of \$343,855.

The City has pledged future tax increment revenues to repay the \$1,345,000 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 \$1,593,545. For the current year, \$172,005 principal and interest was paid on the bonds and total tax increment revenues were \$2,281,308.

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

**NOTE 6 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 \$134,500.

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>
2013	\$ 3,192,631	\$ 806,851	\$ 3,999,482	\$ 33,000	\$ 9,531	\$ 42,531
2014	3,276,077	720,039	3,996,116	35,000	8,561	43,561
2015	3,058,891	451,459	3,510,350	37,000	7,443	44,443
2016	2,805,236	367,584	3,172,820	39,000	6,160	45,160
2017	2,375,000	291,293	2,666,293	41,000	4,698	45,698
2018-2022	<u>6,680,000</u>	<u>563,674</u>	<u>7,243,674</u>	<u>90,000</u>	<u>4,052</u>	<u>94,052</u>
Subtotal	21,387,835	3,200,900	24,588,735	275,000	40,445	315,445
Plus unamortized premium	<u>175,099</u>	<u>—</u>	<u>175,099</u>	<u>—</u>	<u>—</u>	<u>—</u>
Totals	<u>\$21,562,934</u>	<u>\$3,200,900</u>	<u>\$24,763,834</u>	<u>\$ 275,000</u>	<u>\$ 40,445</u>	<u>\$ 315,445</u>

<u>Year ending June 30</u>	<u>Revenue</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 130,000	\$ 44,505	\$ 174,505
2014	135,000	41,255	176,255
2015	135,000	37,205	172,205
2016	140,000	33,155	173,155
2017	145,000	28,955	173,955
2018-2021	<u>660,000</u>	<u>63,470</u>	<u>723,470</u>
Totals	<u>\$1,345,000</u>	<u>\$ 248,545</u>	<u>\$1,593,545</u>

Five issues of unmatured revenue notes, totaling \$5,862,828, are outstanding at June 30, 2012. These notes bear interest at rates ranging from 3% to 4.70% and mature in varying annual amounts, ranging from \$26,000 to \$505,000, with the final maturities due in the year ending June 30, 2022.

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

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

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

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

During the year ended June 30, 2012, the City was in compliance with the revenue note/bond provisions.

The City has pledged future sewer, golf, and gas customer revenues, net of specified operating expenses, to repay \$9,179,000 in revenue notes issued in 1998, 2005, and 2007. Proceeds from the notes provided financing for construction of improvements to the facilities and infrastructure. The notes are payable solely from customer net revenues and are payable through 2022. Annual principal and interest payments on the notes are expected to require less than net revenues. The total principal and interest remaining to be paid on the notes is \$7,187,052. For the current year, principal and interest paid and total customer net revenues were \$501,062 and \$2,194,461, respectively.

Details of revenue notes and refunding bonds payable at June 30, 2012 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, 2012</u>
Revenue Notes and Bonds						
Sewer						
Bonds-Series 1998A	October 8, 1998	3.00	June 1, 2018	\$27,000 - 33,000	\$ 455,748	\$ 178,000
Bonds-Series 1998B	October 8, 1998	3.00	June 1, 2018	55,000 - 68,000	945,252	369,000
Bonds Series 1998C	October 8, 1998	3.00	June 1, 2018	67,000 - 82,000	1,178,000	447,000
Golf Course						
Revenue Note	March 4, 2005	4.45	June 1, 2015	40,996 - 609,991	925,000	693,828
Gas						
Revenue Note	July 9, 2007	4.50-4.70	June 1, 2022	340,000 - 505,000	5,675,000	4,175,000

<u>Year ending June 30</u>	<u>Revenue Notes/Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 529,996	\$ 251,519	\$ 781,515
2014	552,841	229,904	782,745
2015	1,141,991	207,351	1,349,342
2016	559,000	159,130	718,130
2017	581,000	136,510	717,510
2018-2022	<u>2,498,000</u>	<u>339,810</u>	<u>2,837,810</u>
Subtotal	5,862,828	1,324,224	7,187,052
Less unamortized discount	<u>(74,129)</u>	—	<u>(74,129)</u>
Totals	<u>\$5,788,699</u>	<u>\$1,324,224</u>	<u>\$7,112,923</u>

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

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

Two issues of unmatured Des Moines Water Works refunding bonds, totaling \$2,059,667, are outstanding at June 30, 2012. These notes bear interest at the rate of 4.00% and mature in annual amounts ranging from \$172,167 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	
2013	\$ 172,167	\$ 3,443	\$ 175,610	\$ 398,750	\$ 75,500	\$ 474,250	\$ 649,860
2014	—	—	—	413,750	59,550	473,300	473,300
2015	—	—	—	431,667	43,000	474,667	474,667
2016	—	—	—	451,667	25,733	477,400	477,400
2017	—	—	—	191,666	7,667	199,333	199,333
Subtotals	172,167	3,443	175,610	1,887,500	211,450	2,098,950	2,274,560
Less unamortized discount	(1,005)	—	(1,005)	—	—	—	(1,005)
Totals	<u>\$ 171,162</u>	<u>\$ 3,443</u>	<u>\$ 174,605</u>	<u>\$1,887,500</u>	<u>\$ 211,450</u>	<u>\$2,098,950</u>	<u>\$2,273,555</u>

As of June 30, 2012, the general obligation debt issued by the City did not exceed its legal debt margin computed as follows:

Actual valuation	<u>\$1,064,657,984</u>
Debt limit - 5% of total actual valuation	\$53,232,899
Debt applicable to debt limit	
General obligation bonded debt outstanding	21,387,835
Tax increment financing debt outstanding	<u>4,012,438</u>
Legal debt margin	<u>\$25,400,273</u>
Percentage of debt limit	47.72%

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

**NOTE 7 INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 991,730
Debt Service	Governmental Funds	
	General	60,445
	Tax Increment Financing Urban Renewal	749,620
	Nonmajor Governmental Funds	766,663
	Enterprise	
	Water	192,395
	Sewer	159,980
	Gas	104,925
	Golf	<u>35,002</u>
		<u>2,069,030</u>
Capital Projects	Tax Increment Financing Urban Renewal	<u>75,000</u>
Total		<u>\$3,135,760</u>

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

**NOTE 8 DUE FROM AND DUE TO OTHER FUNDS**

The detail of interfund receivables and payables at June 30, 2012 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise—Gas Fund	General Fund	\$ 18,821
Enterprise—Gas Fund	Nonmajor Enterprise Funds	53,889
General	Enterprise Golf Course	85,000
General	Nonmajor governmental Funds	1,936
Enterprise—Water Fund	Enterprise Golf Course	<u>100,000</u>
Total		<u>\$ 259,646</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 9 PENSION AND RETIREMENT BENEFITS**

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$373,851, \$328,117 and \$287,801, respectively, equal to the required contributions for each year.

**NOTE 10 RISK MANAGEMENT**

The City of Waukee is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2012 were \$177,741.

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

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

**NOTE 10 RISK MANAGEMENT (continued)**

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. 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, 2012, no liability has been recorded in the City's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

**Self-insurance**

On July 1, 2008, the City adopted a partially self funded-insured medical expense reimbursement plan which provides medical benefits to its employees and their dependants. The plan is funded by both employee and City contributions and is administered through a service agreement with Wellmark Blue Cross Blue Shield of Iowa. The uninsured risk retention per person is based on coverage selected and whether the claims are in or out of the network. There has been no significant reduction in insurance coverage under the plan from prior years. Amounts payable for incurred but not reported (IBNR) claims were \$7,699 at June 30, 2012.

**NOTE 11 COMMITMENTS**

The City entered into contract commitments with contractors for the completion of several infrastructure construction projects. The total contract commitments are approximately \$7,427,000 of which approximately \$5,484,000 has been incurred as of June 30, 2012. The unpaid commitment balance is approximately \$1,943,000 which will be funded by current reserves in the capital projects funds and enterprise funds.

**NOTE 12 TAX INCREMENT FINANCING DEBT**

Urban renewal tax increment financing debt was issued for the purpose of defraying a portion of the costs of carrying out urban renewal projects of the City. The debt is payable solely from the income and proceeds of the Urban Renewal 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, 2012, approximately \$4,012,000 is outstanding.

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

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

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

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

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for June 30, 2012, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution, ARC	\$ 74,000
Interest on net OPEB obligation	3,000
Adjustment to annual required contribution	<u>(5,000)</u>
Annual OPEB cost	72,000
Contributions made	<u>—</u>
Increase in net OPEB obligation	72,000
Net OPEB obligation, beginning of year	<u>146,344</u>
Net OPEB obligation, end of year	<u>\$ 218,344</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2011. 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, 2012.

For the year ended June 30, 2012, 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, 2012 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>
June 30, 2011	\$ <u>73,344</u>	<u>0.0%</u>	\$ <u>146,344</u>
June 30, 2012	\$ <u>72,000</u>	<u>0.0%</u>	\$ <u>218,344</u>

As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$360,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of \$360,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,491,000, and the ratio of the UAAL to the covered payroll was 8.0%. As of June 30, 2012, there were no trust fund assets.

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

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

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

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

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

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

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

**NOTE 14 JOINT VENTURE**

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

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

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

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

**NOTE 14 JOINT VENTURE (continued)**

The WRA Sewer Revenue Bonds Series 2004B 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, 2012, the Series 2004B bonds had a balance of \$60,025,000 and the City of Waukee's estimated future allocation based on the WRA flows was \$1,852,483.

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, 2012, the Series 2006A bonds had a balance of \$34,985,000 and the City of Waukee's estimated future allocation based on the WRA flows is currently \$1,133,987.

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, 2012, the 2008 SRF loan had a balance of \$153,679,700 and the City of Waukee's estimated future allocation based on the WRA flows was \$4,350,727.

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 15 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS**

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

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

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

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

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

**NOTE 15 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS (continued)**

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, will be effective for the City beginning with its year ending June 30, 2014. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, will be effective for the City beginning with its year ending June 30, 2014. This Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, will be effective for the City beginning with its year ending June 30, 2015. This Statement is to improve accounting and financial reporting by state and local governments for pensions.

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

**NOTE 16 SUBSEQUENT EVENTS**

The City purchased 1.0 m GD of excess water capacity from the City of Pleasant Hill on July 1, 2012 for \$2,510,000. The City issued Water Revenue Capital Loan Notes Taxable Series 2012C on August 20, 2012 totaling \$2,625,000 for the financing of the purchase of excess water capacity.

**NOTE 17 DEFICIT BALANCES**

At June 30, 2012, funds with deficit balances were as follows:

Capital Projects Fund	\$ <u>621,780</u>
-----------------------	-------------------

This deficit balance is the result of project costs in excess of available funds. The deficit will be eliminated upon issuance of bonds in 2013.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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

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

**City of Waukee, Iowa**  
**BUDGETARY COMPARISON SCHEDULE OF REVENUES,**  
**EXPENDITURES/EXPENSES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -**  
**GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**  
 Required Supplementary Information  
 Year ended June 30, 2012

	<u>Governmental funds actual</u>	<u>Proprietary funds actual</u>	<u>Less funds not required to be budgeted</u>	<u>Total actual</u>
<b>REVENUES</b>				
Property tax	\$ 6,811,607	\$ -	\$ -	\$ 6,811,607
Tax increment financing collections	3,186,693	-	-	3,186,693
Other city tax	462,040	-	-	462,040
Licenses and permits	507,344	-	-	507,344
Use of money and property	204,505	914,748	1,231	1,118,022
Intergovernmental	1,762,542	-	-	1,762,542
Charges for services	253,692	11,262,437	289,345	11,226,784
Miscellaneous	813,998	244,889	612,869	446,018
Total revenues	<u>14,002,421</u>	<u>12,422,074</u>	<u>903,445</u>	<u>25,521,050</u>
<b>EXPENDITURES/EXPENSES</b>				
Public safety	3,040,673	-	-	3,040,673
Public works	1,381,993	-	-	1,381,993
Health and social services	15,175	-	-	15,175
Culture and recreation	1,338,835	-	7,905	1,330,930
Community and economic development	885,864	-	-	885,864
General government	868,324	-	-	868,324
Debt service	6,111,183	-	-	6,111,183
Capital projects	3,501,963	-	-	3,501,963
Business type activities	-	8,785,655	-	8,785,655
Nonprogram	-	272,343	272,343	-
Total disbursements	<u>17,144,010</u>	<u>9,057,998</u>	<u>280,248</u>	<u>25,921,760</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	<u>(3,141,589)</u>	<u>3,364,076</u>	<u>623,197</u>	<u>(400,710)</u>
<b>OTHER FINANCING SOURCES, NET</b>				
Excess of revenues and other financing sources over disbursements and other financing uses	<u>3,821,001</u>	<u>(492,302)</u>	<u>-</u>	<u>3,328,699</u>
Capital contributions	-	41,358	-	41,358
<b>BALANCES, beginning of year</b>	<u>6,538,072</u>	<u>34,685,685</u>	<u>140,986</u>	<u>41,082,771</u>
<b>BALANCES, end of year</b>	<u>\$ 7,217,484</u>	<u>\$37,598,817</u>	<u>\$ 764,183</u>	<u>\$44,052,118</u>

See accompanying independent auditor's report.

<u>Budgeted amounts</u>		<u>Final to actual variance</u>
<u>Original</u>	<u>Final</u>	
\$ 6,735,277	\$ 6,735,277	\$ 76,330
3,198,050	3,198,050	(11,357)
102,433	102,433	359,607
733,190	571,995	(64,651)
260,732	288,157	829,865
9,273,819	9,506,371	(7,743,829)
12,781,508	11,831,338	(604,554)
<u>3,705,738</u>	<u>3,886,908</u>	<u>(3,440,890)</u>
<u>36,790,747</u>	<u>36,120,529</u>	<u>(10,599,479)</u>
3,137,695	3,144,160	103,487
2,016,274	1,932,494	550,501
18,500	18,500	3,325
1,312,889	1,356,079	25,149
1,113,057	1,092,907	207,043
874,640	964,470	96,146
3,990,304	10,814,152	4,702,969
24,625,000	24,625,000	21,123,037
13,498,169	12,818,225	4,032,570
<u>—</u>	<u>—</u>	<u>—</u>
<u>50,586,528</u>	<u>56,765,987</u>	<u>30,844,227</u>
(13,795,781)	(20,645,458)	20,244,748
<u>14,165,000</u>	<u>21,105,000</u>	<u>(17,776,301)</u>
369,219	459,542	2,468,447
—	—	41,358
<u>23,417,026</u>	<u>23,417,026</u>	<u>17,665,745</u>
<u>\$23,786,245</u>	<u>\$23,876,568</u>	<u>\$20,175,550</u>

**City of Waukee, Iowa**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**  
**Year ended June 30, 2012**

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function expenditures/expenses required to be budgeted include expenditures/expenses for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function expenditures/expenses by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted expenditures/expenses by \$6,179,459. 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, 2012, no expenditures/expenses exceeded the amounts budgeted.

**OTHER SUPPLEMENTARY INFORMATION**

**City of Waukee  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2012**

	<u>Special Revenue Funds</u>					<u>Debt service</u>	
	<u>Road Use Tax</u>	<u>Employee Benefits</u>	<u>Enterprise Business Park TIF</u>	<u>Library Foundation</u>	<u>Hickman West Industrial Park TIF</u>	<u>Special Assessments</u>	<u>Total</u>
<b>ASSETS</b>							
Cash and pooled investments	\$ 435,067	\$ -	\$ 387,620	\$ 726,702	\$1,321,525	\$ 112,932	\$2,983,846
Receivables							
Property tax							
Delinquent	-	3,825	-	-	-	-	3,825
Succeeding year	-	1,036,230	-	-	-	-	1,036,230
Special assessments	-	-	-	-	-	423,102	423,102
Other	-	-	-	-	-	7,107	7,107
Due from other funds	-	-	-	-	-	-	-
Prepaid insurance	<u>8,183</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,183</u>
Total assets	<u>\$ 443,250</u>	<u>\$1,040,055</u>	<u>\$ 387,620</u>	<u>\$ 726,702</u>	<u>\$1,321,525</u>	<u>\$ 543,141</u>	<u>\$4,462,293</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ 124,282	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 124,282
Compensated absences	1,896	-	-	-	-	-	1,896
Due to other funds	-	1,936	-	-	-	-	1,936
Deferred revenue							
Succeeding year property tax	-	1,036,230	-	-	-	-	1,036,230
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>423,102</u>	<u>423,102</u>
Total liabilities	<u>126,178</u>	<u>1,038,166</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>423,102</u>	<u>1,587,446</u>
<b>FUND BALANCES</b>							
Fund balances							
Nonspendable	8,183	-	-	-	-	-	8,183
Restricted for							
Debt service	-	-	-	-	-	120,039	120,039
Other purposes	<u>308,889</u>	<u>1,889</u>	<u>387,620</u>	<u>726,702</u>	<u>1,321,525</u>	<u>-</u>	<u>2,746,625</u>
Total fund balances	<u>317,072</u>	<u>1,889</u>	<u>387,620</u>	<u>726,702</u>	<u>1,321,525</u>	<u>120,039</u>	<u>2,874,847</u>
Total liabilities and fund balances	<u>\$ 443,250</u>	<u>\$1,040,055</u>	<u>\$ 387,620</u>	<u>\$ 726,702</u>	<u>\$1,321,525</u>	<u>\$ 543,141</u>	<u>\$4,462,293</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, 2012

	<u>Special Revenue Funds</u>					<u>Debt service</u>	
	<u>Road Use Tax</u>	<u>Employee Benefits</u>	<u>Enterprise Business Park TIF</u>	<u>Library Foundation</u>	<u>Hickman West Industrial Park TIF</u>	<u>Special Assessments</u>	<u>Total</u>
<b>REVENUES</b>							
Property tax	\$ -	\$ 990,707	\$ -	\$ -	\$ -	\$ -	\$ 990,707
Tax increment financing collections	-	-	377,173	-	603,859	-	981,032
Other city tax	-	-	-	-	-	44,850	44,850
Use of money and property	-	665	820	932	2,973	27,171	32,561
Intergovernmental	1,307,997	-	-	-	-	-	1,307,997
Miscellaneous	8,781	-	-	607,390	-	-	616,171
Total revenues	<u>1,316,778</u>	<u>991,372</u>	<u>377,993</u>	<u>608,322</u>	<u>606,832</u>	<u>72,021</u>	<u>3,973,318</u>
<b>EXPENDITURES</b>							
Operating							
Public works	905,500	-	-	-	-	-	905,500
Culture and recreation	-	-	-	7,905	-	-	7,905
Community and economic development	-	-	-	-	452	-	452
Debt service							
Principal	-	-	-	-	-	31,000	31,000
Interest	-	-	-	-	-	10,388	10,388
Capital projects	333,002	-	-	-	-	-	333,002
Total expenditures	<u>1,238,502</u>	<u>-</u>	<u>-</u>	<u>7,905</u>	<u>452</u>	<u>41,388</u>	<u>1,288,247</u>
Excess of revenues over expenditures	<u>78,276</u>	<u>991,372</u>	<u>377,993</u>	<u>600,417</u>	<u>606,380</u>	<u>30,633</u>	<u>2,685,071</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Sale of capital assets	27,500	-	-	-	-	-	27,500
Operating transfers (out)	<u>(23,700)</u>	<u>(991,730)</u>	<u>(228,800)</u>	<u>-</u>	<u>(514,163)</u>	<u>-</u>	<u>(1,758,393)</u>
Total other financing sources (uses)	<u>3,800</u>	<u>(991,730)</u>	<u>(228,800)</u>	<u>-</u>	<u>(514,163)</u>	<u>-</u>	<u>(1,730,893)</u>
<b>NET CHANGES IN FUND BALANCES</b>	82,076	(358)	149,193	600,417	92,217	30,633	954,178
<b>FUND BALANCES, beginning of year</b>	<u>234,996</u>	<u>2,247</u>	<u>238,427</u>	<u>126,285</u>	<u>1,229,308</u>	<u>89,406</u>	<u>1,920,669</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 317,072</u>	<u>\$ 1,889</u>	<u>\$ 387,620</u>	<u>\$ 726,702</u>	<u>\$ 1,321,525</u>	<u>\$ 120,039</u>	<u>\$ 2,874,847</u>

City of Waukee, Iowa  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
June 30, 2012

	Enterprise Funds			Total
	Solid Waste	Utility Billing	Storm Water	
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and pooled investments	\$ 40,607	\$ 180,993	\$ 847,898	\$1,069,498
Receivables				
Customer accounts and unbilled usage	81,457	-	54,096	135,553
Capital assets (net of accumulated depreciation)	-	-	368,428	368,428
Total assets	122,064	180,993	1,270,422	1,573,479
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	428	80,463	17,301	98,192
Compensated absences	-	5,087	3,070	8,157
Interfund payable	-	53,889	-	53,889
Capital lease payable	-	-	37,705	37,705
Net OPEB liability	-	4,073	5,291	9,364
Total liabilities	428	143,512	63,367	207,307
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	-	-	330,723	330,723
Unrestricted	121,636	37,481	876,332	1,035,449
Total net assets	\$ 121,636	\$ 37,481	\$1,207,055	\$1,366,172

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, 2012

	<b>Enterprise Funds</b>			<b>Total</b>
	<b>Solid Waste</b>	<b>Utility Billing</b>	<b>Storm Water</b>	
<b>OPERATING REVENUES</b>				
Charges for service	\$ 815,379	\$ 289,345	\$ 515,366	\$1,620,090
Miscellaneous	<u>2,229</u>	<u>5,479</u>	<u>1,784</u>	<u>9,492</u>
Total operating revenues	<u>817,608</u>	<u>294,824</u>	<u>517,150</u>	<u>1,629,582</u>
<b>OPERATING EXPENSES</b>				
Business type activities				
Cost of sales and services	778,172	272,343	217,693	1,268,208
Depreciation and amortization	<u>—</u>	<u>—</u>	<u>31,667</u>	<u>31,667</u>
Total operating expenses	<u>778,172</u>	<u>272,343</u>	<u>249,360</u>	<u>1,299,875</u>
Operating income	<u>39,436</u>	<u>22,481</u>	<u>267,790</u>	<u>329,707</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	30	299	1,476	1,805
Interest expense	<u>—</u>	<u>—</u>	<u>(88)</u>	<u>(88)</u>
Total nonoperating revenues (expenses)	<u>30</u>	<u>299</u>	<u>1,388</u>	<u>1,717</u>
<b>CHANGE IN NET ASSETS</b>	39,466	22,780	269,178	331,424
<b>NET ASSETS</b> , beginning of year	<u>82,170</u>	<u>14,701</u>	<u>937,877</u>	<u>1,034,748</u>
<b>NET ASSETS</b> , end of year	<u>\$ 121,636</u>	<u>\$ 37,481</u>	<u>\$1,207,055</u>	<u>\$1,366,172</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 eight years**

	<b>Modified Accrual Basis</b>			
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>REVENUES</b>				
Property tax	\$ 6,811,607	\$ 6,397,893	\$ 5,934,368	\$ 5,318,576
Tax increment financing revenue	3,186,693	3,051,143	3,032,038	2,824,039
Other city tax	462,040	62,895	70,367	1,301,852
Licenses and permits	507,344	531,196	353,777	673,103
Use of money and property	204,505	215,266	173,419	128,470
Intergovernmental	1,762,542	4,495,541	2,898,776	4,641,902
Charges for service	253,692	239,040	184,230	209,664
Miscellaneous	<u>813,998</u>	<u>440,669</u>	<u>144,913</u>	<u>1,142,477</u>
Totals	<u>\$14,002,421</u>	<u>\$15,433,643</u>	<u>\$12,791,888</u>	<u>\$16,240,083</u>
<b>EXPENDITURES</b>				
Operating				
Public safety	\$ 3,040,673	\$ 2,821,515	\$ 2,528,267	\$ 2,391,927
Public works	1,381,993	1,192,453	1,133,462	1,099,806
Health and social services	15,175	16,909	12,180	11,000
Culture and recreation	1,338,835	1,312,158	1,173,584	1,211,373
Community and economic development	885,864	1,023,639	892,553	848,245
General government	868,324	787,974	855,172	982,213
Debt service	6,111,183	3,919,273	3,441,710	8,379,401
Capital projects	<u>3,501,963</u>	<u>7,768,712</u>	<u>7,021,544</u>	<u>10,807,450</u>
Totals	<u>\$17,144,010</u>	<u>\$18,842,633</u>	<u>\$17,058,472</u>	<u>\$25,731,415</u>

See accompanying independent auditor's report.

<b>Modified Accrual Basis</b>			
<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 4,405,384	\$ 3,804,888	\$3,468,779	\$ 3,057,974
2,447,271	1,651,122	1,279,032	980,076
599,570	466,312	57,134	160,531
627,720	766,811	880,119	659,487
330,789	242,139	142,740	111,127
1,054,612	1,727,796	870,087	2,138,494
134,996	92,707	75,600	89,475
<u>170,474</u>	<u>459,154</u>	<u>331,615</u>	<u>430,772</u>
<u>\$ 9,770,816</u>	<u>\$ 9,210,929</u>	<u>\$7,105,106</u>	<u>\$ 7,627,936</u>
\$ 1,806,932	\$ 1,510,461	\$1,373,641	\$ 2,169,067
1,167,008	1,081,599	1,185,751	1,214,158
9,800	9,000	13,500	12,050
982,900	1,110,158	806,026	854,233
701,524	645,533	508,066	236,485
717,792	708,556	706,296	414,964
2,552,259	2,432,070	2,407,072	1,498,394
<u>7,764,263</u>	<u>4,062,917</u>	<u>1,376,921</u>	<u>4,474,304</u>
<u>\$15,702,478</u>	<u>\$11,560,294</u>	<u>\$8,377,273</u>	<u>\$10,873,655</u>

See accompanying independent auditor's report.

**City of Waukee, Iowa**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended June 30, 2012**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b><u>Federal CFDA Number</u></b>	<b><u>Agency Pass-through Number</u></b>	<b><u>Federal Expenditures</u></b>
<b>DIRECT</b>			
U.S. Department of Justice			
Bulletproof Vest Partnership Program - ARRA	16.607		\$ 4,996
DEA Overtime Reimbursement	16.005		<u>2,796</u>
Total direct			<u>7,792</u>
<b>INDIRECT</b>			
U.S. Department of Transportation			
Iowa Department of Transportation			
Highway Planning and Construction	20.205		905,172
Iowa Department of Public Safety			
State and Community Highway Safety	20.600	PAP12-04 Task 24	10,594
State and Community Highway Safety	20.600	PAP11-410 Task 83	<u>6,012</u>
Total indirect			<u>921,778</u>
Total			<u>\$ 929,570</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 financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Waukee, Iowa (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 10, 2012. 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**

Management of the City of Waukee is responsible for establishing and maintaining effective 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.

### **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, 2012 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  
December 10, 2012

**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 OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2012. 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 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 compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

### **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 grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 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 internal control over compliance 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  
December 10, 2012

## **SCHEDULE OF FINDINGS**

**City of Waukee**  
**SCHEDULE OF FINDINGS**  
**Year ended June 30, 2012**

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal 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 qualify as a low-risk auditee.

**City of Waukee**  
**SCHEDULE OF FINDINGS (continued)**  
**Year ended June 30, 2012**

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

**Instances of Noncompliance**

No matters were noted.

**Internal Control Deficiencies**

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

**City of Waukee**  
**SCHEDULE OF FINDINGS (continued)**  
**Year ended June 30, 2012**

**Part III—Findings related to 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, 2012**

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

**IV-12-A CERTIFIED BUDGET**

Expenditures during the year ended June 30, 2012 did not exceed the amounts budgeted.

**IV-12-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-12-C TRAVEL EXPENSE**

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

**IV-12-D BUSINESS TRANSACTIONS**

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

**IV-12-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.

**IV-12-F COUNCIL MINUTES**

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

**IV-12-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-12-H REVENUE BONDS/NOTES**

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

**City of Waukee**  
**SCHEDULE OF FINDINGS (continued)**  
**Year ended June 30, 2012**

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

**IV-12-I TAX INCREMENT FINANCING INTEREST**

The City has earned interest on funds accumulated in the Tax Increment Financing (TIF) Fund and has not decertified the amount of interest with the county. Chapter 403.19(5)(b) of the Code of Iowa requires that interest earned on funds being accumulated for the payment of principal and interest be used for that same purpose.

**Recommendation**

The City needs to decertify to the county, the amount of interest earned on TIF funds.

**Response**

We will decertify the interest with our next filing with the county.

**Conclusion**

Response accepted.

**IV-12-J FINANCIAL CONDITION**

The Capital Projects Fund had a deficit balance of \$621,780 at June 30, 2012.

**Recommendation**

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

**Response**

The deficit was due to the timing of ongoing projects. Debt proceeds will be used to eliminate the deficit.

**Conclusion**

Response accepted.