

November 16, 2017

To the 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 the City of Waukee (the City) for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our presentation about planning matters on August 7, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Waukee are described in Note 1 to the financial statements. As described in Note 14 to the financial statements, the City adopted Statement of Governmental Accounting Standards Board (GASB Statement) No. 77, *Tax Abatement Disclosures*, during the year ended June 30, 2017. No other new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of depreciation expense is based on the City's estimated useful life of assets using the straight line method.

Management's estimate of net pension liability and pension related deferred inflows and outflows of resources is based upon actuarial assumptions and the City's proportionate share of the Plan's total net pension liability.

We evaluated the key factors and assumptions used to develop the depreciation and net pension liability estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of long-term liabilities in Note 6 to the financial statements and the pension plan disclosure in Note 7 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Corrected misstatements identified during the audit were related to the conversion from the cash basis to the accrual basis of accounting. These adjustments were prepared from information provided by City personnel and had a significant effect on the City's financial statements.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 16, 2017.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information which accompanies the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the City of Waukee Council and management, and 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  
November 16, 2017

**City of Waukee, Iowa**

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

**June 30, 2017**

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**City of Waukee, Iowa  
OFFICIALS**

	<u><b>Term expires</b></u>
<b>MAYOR AND MEMBERS OF CITY COUNCIL</b>	
William Peard, Mayor	January 2020
Rachelle Hughes, Council Member	January 2020
Brian Harrison, Council Member	January 2018
Rick Peterson, Council Member	Resigned January 2017
Larry Lyon, Council Member	January 2020
Anna Bergman (appointed July 2016)	January 2018
Charlie Bottenberg (appointed January 2017)	January 2018
<b>CITY ADMINISTRATOR</b>	
Tim Moerman	Indefinite
<b>CITY CLERK</b>	
Rebecca D. Schuett	Indefinite
<b>DIRECTOR OF FINANCE</b>	
Linda Burkhart	Indefinite
<b>CITY ATTORNEY</b>	
Steven P. Brick	January 2018



## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
Members of the City Council  
Waukee, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Waukee, Iowa (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Waukee, Iowa, as of June 30, 2017, and the respective changes in its financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of funding progress for the retiree health plan, the schedule of the City's proportionate share of the net position liability, and the schedule of City contributions on pages 6 through 13 and 54 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waukee, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements. The combining and individual nonmajor fund financial statements and schedule of revenues by source and expenditures by function, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2017 on our consideration of the City of Waukee, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Waukee, Iowa's internal control over financial reporting and compliance.

  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
November 16, 2017



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Waukeez 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, 2017. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2017 FINANCIAL HIGHLIGHTS

- Revenues of the City's Governmental Funds increased 2.22 %, or \$ 448,777, from fiscal 2016 to fiscal 2017. Property and other City Taxes increased \$ 556,671, Tax Increment Financing increased \$ 184,734, Licenses and Permits increased \$ 305,729, Intergovernmental decreased \$ 991,209, Charges for Services increased \$ 188,660 and Miscellaneous increased \$ 74,313.
- Program expenditures of the City's Governmental Funds increased 2.66 %, or \$ 776,788 in fiscal 2017 from fiscal 2016. Public Safety expenses increased \$ 557,960, Community and Economic Development decreased \$ 4,650, Culture and Recreation increased \$ 74,889, Public Works decreased \$ 299,951, General Government increased \$ 973, Debt Service increased \$ 1,422,412 and Capital Projects decreased \$ 969,745.
- The City has a net position of \$ 170,071,178 on June 30, 2017 as compared to \$ 156,007,505 on June 30, 2016. Of this amount, the net position of the Governmental Activities was \$ 112,992,894 and the net position of the Business Type Activities was \$ 57,078,284.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor Governmental and Proprietary Funds, and Schedule of Revenues by Source and Expenditures by Function. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

## REPORTING THE CITY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

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

### *Fund Financial Statements*

The City has two kinds of funds:

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Net Position at Year End					
	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$51,365,630	\$ 39,918,384	\$15,691,377	\$ 15,194,253	\$67,057,007	\$ 55,112,637
Capital Assets	140,836,978	133,958,706	53,693,742	45,799,286	194,530,720	179,757,992
Total Assets	<u>192,202,608</u>	<u>173,877,090</u>	<u>69,385,119</u>	<u>60,993,539</u>	<u>261,587,727</u>	<u>234,870,629</u>
Deferred Outflows of Resources	<u>1,510,012</u>	<u>849,708</u>	<u>331,288</u>	<u>202,822</u>	<u>1,841,300</u>	<u>1,052,530</u>
Current Liabilities	7,747,123	8,165,604	2,683,225	2,156,502	10,430,348	10,322,106
Non-Current Liabilities	57,176,093	47,600,665	9,938,088	7,951,024	67,114,181	55,551,689
Total Liabilities	<u>64,923,216</u>	<u>55,766,269</u>	<u>12,621,313</u>	<u>10,107,526</u>	<u>77,544,529</u>	<u>65,873,795</u>
Deferred Inflows of Resources	<u>15,796,510</u>	<u>13,316,659</u>	<u>16,810</u>	<u>77,595</u>	<u>15,813,320</u>	<u>14,041,859</u>
Net Position:						
Net investment in Capital Assets	102,028,507	96,837,304	44,742,913	38,623,530	146,771,420	135,460,834
Restricted	6,748,446	6,308,497	231,413	37,462	6,979,859	6,345,959
Unrestricted	<u>4,215,941</u>	<u>1,850,464</u>	<u>12,103,958</u>	<u>12,350,248</u>	<u>16,319,899</u>	<u>14,200,712</u>
Total Net Position	<u>\$ 112,992,894</u>	<u>\$ 104,996,265</u>	<u>\$ 57,078,284</u>	<u>\$ 51,011,240</u>	<u>\$ 170,071,178</u>	<u>\$ 156,007,505</u>

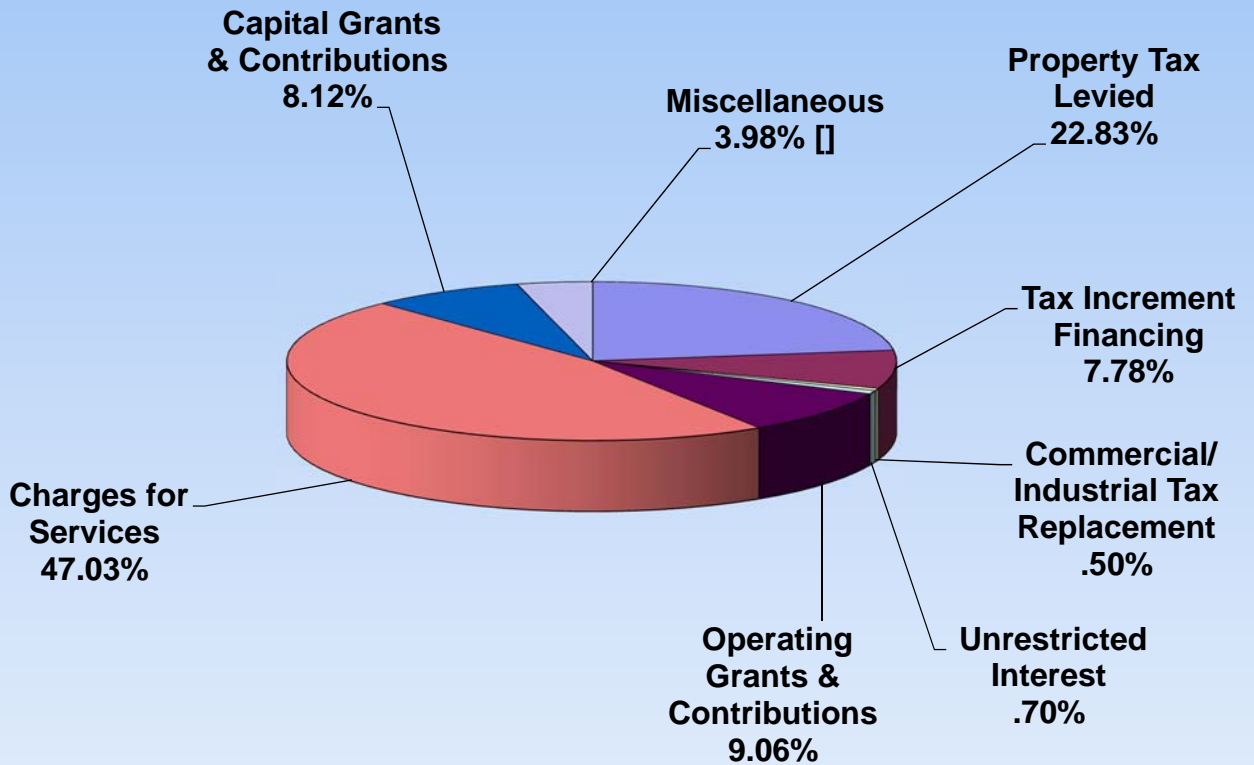
Net position of governmental activities increased \$ 7,996,629, or 7.62%, over fiscal year 2016. Net position of business type activities increased \$ 6,067,044, or 11.89%, over fiscal year 2016. The largest portion of the City's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt excluding unspent debt proceeds. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is \$ 16,319,899 at the end of this year.

Changes in Net Position for the Year Ended June 30, 2017

	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
Property Tax Levied and Other City Tax	\$ 10,020,893	\$ 9,464,222	\$ -	\$ -	\$ 10,020,893	\$ 9,464,222
Tax Increment Financing	3,414,595	3,229,861	-	-	3,414,595	3,229,861
Commercial/Industrial Tax Replacement	219,822	-	-	-	219,822	-
Unrestricted Interest	197,423	52,617	108,440	24,114	305,863	76,731
Operating Grants and Contributions	3,978,072	5,008,841	-	-	3,978,072	5,008,841
Charges for Services	2,505,488	2,015,739	18,139,322	15,981,431	20,644,810	17,997,170
Capital Grants and Contributions	3,561,867	11,574,526	-	-	3,561,867	11,574,526
Miscellaneous	1,178,397	437,308	570,432	249,038	1,748,829	686,346
<b>Total Revenues</b>	<b>25,076,557</b>	<b>31,783,114</b>	<b>18,818,194</b>	<b>16,254,583</b>	<b>43,894,751</b>	<b>48,037,697</b>
<b>Transfers</b>	<b>709,422</b>	<b>725,317</b>	<b>(709,422)</b>	<b>(725,317)</b>	<b>-</b>	<b>-</b>
<b>Total Revenues and Transfers</b>	<b>\$ 25,785,979</b>	<b>\$ 32,508,431</b>	<b>\$ 18,108,772</b>	<b>\$ 15,545,161</b>	<b>\$ 43,894,751</b>	<b>\$ 48,037,697</b>

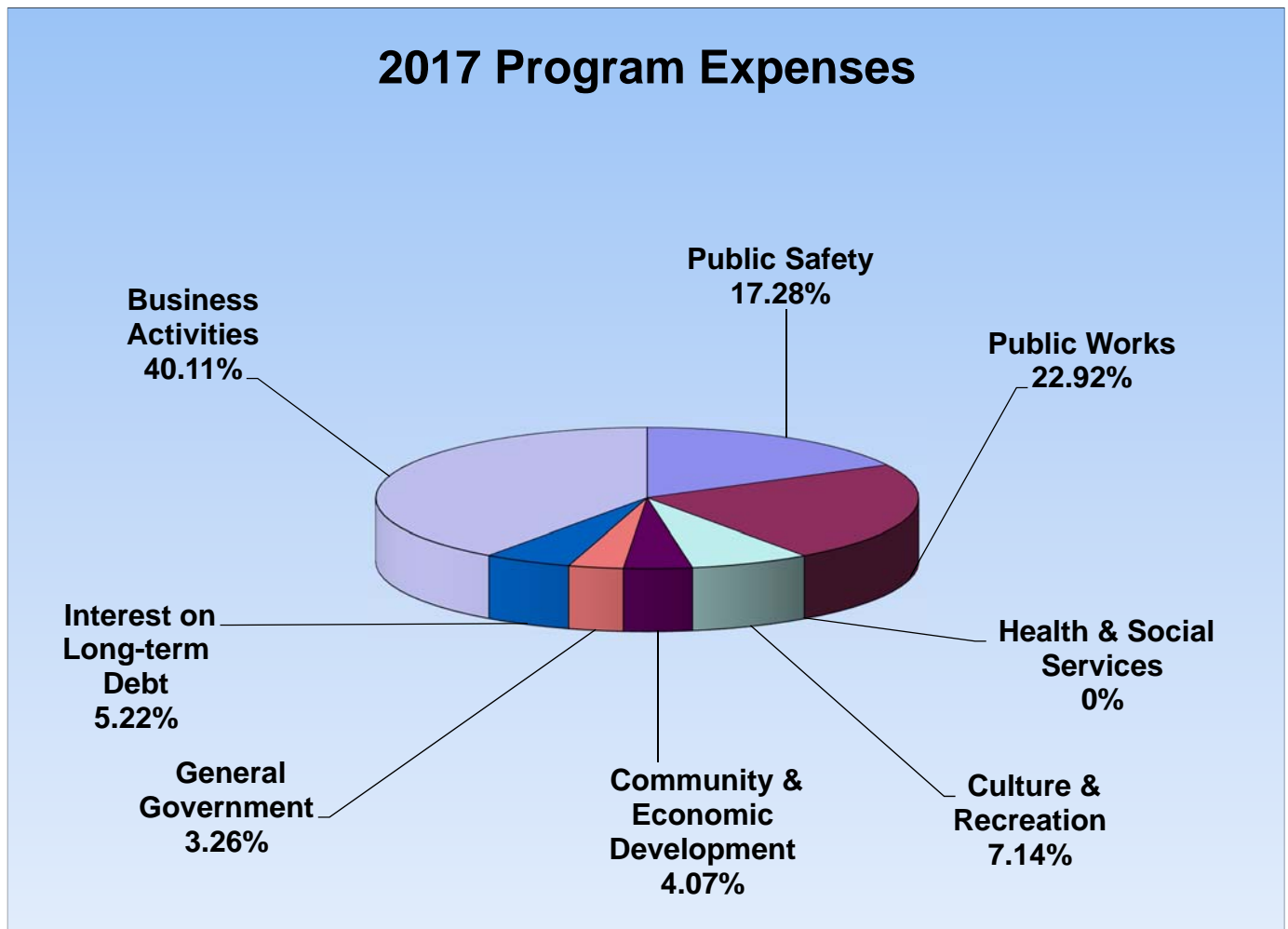
Total Revenues and Transfers

## 2017 Program Revenues



	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Program Expenses</b>						
Public Safety	\$ 5,185,820	\$ 4,430,308	\$ -	\$ -	\$ 5,185,820	\$ 4,430,308
Public Works	6,879,021	6,440,141	-	-	6,879,021	6,440,141
Health and Social Services	-	4,966	-	-	-	4,966
Culture and Recreation	2,143,529	1,979,815	-	-	2,143,529	1,979,815
Community and Economic Development	1,220,343	1,178,569	-	-	1,220,343	1,178,569
General Government	979,503	963,720	-	-	979,503	963,720
Interest on Long-Term Debt	1,569,190	1,469,426	-	-	1,569,190	1,469,426
Business Type Activities	-	-	12,041,728	10,921,777	12,041,728	10,921,777
<b>Total Expenses</b>	<b>17,977,406</b>	<b>16,466,945</b>	<b>12,041,728</b>	<b>10,921,777</b>	<b>30,019,134</b>	<b>27,388,722</b>
<b>Increase in Net Position</b>	<b>7,808,573</b>	<b>16,041,486</b>	<b>6,067,044</b>	<b>4,607,489</b>	<b>13,875,617</b>	<b>20,648,975</b>
<b>Net Position Beginning of Year</b>	<b>105,184,321</b>	<b>88,954,779</b>	<b>51,011,240</b>	<b>46,403,751</b>	<b>156,195,561*</b>	<b>135,358,530</b>
<b>Net Position End of Year</b>	<b>\$ 112,992,894</b>	<b>\$ 104,996,265</b>	<b>\$ 57,078,284</b>	<b>\$ 51,011,240</b>	<b>\$ 170,071,178</b>	<b>\$ 156,007,505</b>

\*As Restated



The City maintained the \$ 13.50 property tax levy for FY17, while recognizing an increase of \$ 741,405 in property tax revenue due to increase in residential property valuation. Revenues for operating and capital grants, contributions, and restricted interest, decreased by approximately \$ 9,043,400, charges for services increased by \$ 489,750 and miscellaneous revenues increased by approximately \$ 741,100.

Overall revenues for governmental activities decreased approximately \$ 6,706,560 from the prior year.

The cost of all governmental activities this year was approximately \$18,000,000 compared to approximately \$16,500,000 last year. However, as shown in the Statement of Activities on pages 17 and 18, the amount taxpayers ultimately financed for these activities was approximately \$ 7,900,000 as some of the cost was paid by those directly benefited from the programs \$ 2,505,488 or by other governments and organizations which subsidized certain programs with grants and contributions \$ 7,539,939.

Overall revenues for business type activities increased approximately \$ 2,580,000 over the prior year.

The cost of all business activities this year was approximately \$12,000,000 compared to approximately \$ 10,900,000 last year.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

### **Governmental Fund Highlights**

As the City of Waukee completed the year, its governmental funds reported a combined fund balance of \$ 32,889,510 at June 30, 2017, compared to \$ 23,727,043 combined fund balance at June 30, 2016.

The General Fund showed an increase of \$ 2,453,567 from the prior year to \$ 6,710,005.

The Tax Increment Financing Urban Renewal Funds account for revenues from the tax authorized by ordinance in the urban renewal districts which are used to pay the principal and interest on indebtedness incurred for urban renewal redevelopment projects. These funds ended fiscal 2017 with a \$ 2,448,863 balance compared to the prior year ending balance of \$ 1,390,647.

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 2017 with a \$ 82,723 balance compared to the prior year ending balance of \$ 73,750. Transfers out to operating funds totaled \$ 1,500,285 in fiscal 2017.

The Debt Service Fund ended fiscal 2017 with a \$ 1,028,384 balance compared to the prior year ending balance of \$ 1,017,597. Bond principal and interest payments increased by \$ 1,326,917 in fiscal 2017, due to increased debt for capital improvement projects.

The Capital Projects Fund ended fiscal 2017 with a \$ 22,367,502 balance compared to the prior year ending balance of \$ 16,647,422.

### **Proprietary Fund Highlights**

The Water Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal 2017 with a net position of \$18,046,005 compared to the prior year ending net position balance of \$ 16,662,040.

The Sewer Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal 2017 with a net position of \$ 25,016,450, compared to the prior year ending net position balance of \$ 22,167,784.

The Gas Fund, which accounts for the operations and maintenance of the City's gas utility, ended fiscal 2017 with a \$ 11,298,959 net position balance, compared to the prior year ending net position balance of \$ 10,206,367.

The Golf Course Fund, which accounts for the operations and maintenance of the City's municipal golf course, ended fiscal 2017 with a net position of \$ 457,110, compared to the prior year ending net position balance of \$ 134,864.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City of Waukee amended its budget once. This amendment was done in May 2017, and was needed to cover unplanned disbursements, including program expenditures associated with increases to Public Safety, Culture and Recreation, Community and Economic Development, General Government, Debt Service, and Enterprise Activities; while also increasing revenue sources for Licenses and Permits, Use of Money and Property, Intergovernmental, Charges for Services, Miscellaneous and Other Financing Sources.

The City exceeded the budgeted amount in the community and economic development function for the year ended June 30, 2017.

## **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 \$ 140,836,978 (net of accumulated depreciation) at June 30, 2017. Capital assets for business type activities totaled \$ 53,693,742 (net of accumulated depreciation) at June 30, 2017. See Note 5 to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities during the year included the completion of several Grand Prairie Pkwy projects including Ashworth to University, University Intersection, Trails & Enhancements, the I-80 interchange project, Fox Creek Park Phase I improvements, Douglas Pkwy extension, and developer lane additions; continued construction of Esker Ridge/RISE project construction of SE Westown Pkwy from Grand Prairie Pkwy to LA Grant, Alice's Road Phase 4 & Phase 5 improvements, RRVT Trailhead Art project, a joint project with West Des Moines for Waco/98<sup>th</sup> Street Improvements, and planning for the Broderick Rec Complex.

For business type activities, the major additions included the fees associated with the Wastewater Reclamation Authority (WRA), completion of a water tower refurbish project, water system purchase from Xenia Rural Water District, completion of Bluestem Lift Station, Golf Course Irrigation & Bridge replacement, Centennial Park Streambank Stabilization; continued construction on several major sewer projects including, South Outfall, Little Walnut Creek Trunk, Fox Creek Trunk, NW Area Trunk, SW Area Trunk as well as engineering for sewer expansion projects.

Construction in progress at June 30, 2017 for the City consists primarily of the Alice's Road Widening Phase 4 & Phase 5 projects, SE Westown Pkwy construction, Traffic Signals Hickman & Westgate, Traffic Monitoring System, Broderick Rec Complex planning, the RRVT Trailhead Art project, and planning & engineering for Ashworth Road improvements, 10<sup>th</sup> Street Realignment, a Dog Park, and the Walnut Creek Drive Paving project.

### **Long-Term Debt**

At June 30, 2017, the City had \$ 57,176,093 in total non-current debt outstanding for governmental activities. Total non-current debt outstanding for business type activities was \$ 9,938,088 at June 30, 2017. During the year ended June 30, 2017, the City issued \$15,660,000 in general obligation bonds and \$ 2,685,000 in revenue bonds.

The City received an upgrade to their general obligation bond rating from Aa3 to Aa2, assigned by national rating agency, Moody's Investors Services, on April 10, 2017. 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 \$ 57,984,472 is equal to 72% of its constitutional debt limit of \$ 80,529,612. Other obligations include accrued vacation pay, net OPEB liability and net pension liability. Additional information about the City's long-term debt is presented in Note 6 to the financial statements.

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

Several economic factors affected decisions made by the City in setting its fiscal 2018 budget. The City of Waukee will experience a significant increase in General Fund revenues and expenditures from fiscal 2017 to fiscal 2018. The major factors that will play a role in this change are the increase in property tax revenues from increased valuations for fiscal 2018.

The General Fund is projected to end fiscal 2018 with a fund balance of approximately \$ 6,712,000, or a planned increase of approximately \$ 2,000 from fiscal 2017. The tax levy rates per \$1,000 of taxable valuation for fiscal 2018 are provided below:

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

**CONTACTING THE CITY’S FINANCIAL MANAGEMENT**

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



## **BASIC FINANCIAL STATEMENTS**

**City of Waukee, Iowa**  
**STATEMENT OF NET POSITION**  
**June 30, 2017**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets			
Cash and investments	\$ 33,352,665	\$ 13,520,464	\$ 46,873,129
Receivables			
Property tax			
Delinquent	20,994	-	20,994
Succeeding year	15,426,030	-	15,426,030
Special assessments	293,868	25,716	319,584
Customer accounts	-	1,525,571	1,525,571
Other	711,762	-	711,762
Due from other governments	592,740	164,585	757,325
Internal balances	863,739	(863,739)	-
Inventories	103,832	240,081	343,913
Total unrestricted current assets	<u>51,365,630</u>	<u>14,612,678</u>	<u>65,978,308</u>
Restricted assets – cash and investments	<u>-</u>	<u>1,078,699</u>	<u>1,078,699</u>
Noncurrent assets			
Capital assets, net of accumulated depreciation	140,836,978	53,693,742	194,530,720
<b>Total assets</b>	<u>192,202,608</u>	<u>69,385,119</u>	<u>261,587,727</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	<u>1,510,012</u>	<u>331,288</u>	<u>1,841,300</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	2,179,428	1,391,310	3,570,738
Accrued interest payable	138,000	23,604	161,604
Customer deposits payable	-	225,915	225,915
Compensated absences	49,303	57,289	106,592
General obligation bonds/notes	5,181,392	-	5,181,392
Tax increment financing (TIF) bonds	155,000	-	155,000
Special assessment notes payable	44,000	-	44,000
Revenue notes payable	-	985,107	985,107
Total current liabilities	<u>7,747,123</u>	<u>2,683,225</u>	<u>10,430,348</u>
Noncurrent liabilities			
Compensated absences	248,838	-	248,838
General obligation bonds/notes, net	52,869,420	-	52,869,420
Tax increment financing (TIF) bonds	505,000	-	505,000
Special assessment notes payable	46,000	-	46,000
Revenue notes payable, net	-	9,102,469	9,102,469
Net OPEB liability	382,061	150,061	532,122
Net pension liability	3,124,774	685,558	3,810,332
Total noncurrent liabilities	<u>57,176,093</u>	<u>9,938,088</u>	<u>67,114,181</u>
<b>Total liabilities</b>	<u>64,923,216</u>	<u>12,621,313</u>	<u>77,544,529</u>

See Notes to Financial Statements.

**City of Waukee, Iowa**  
**STATEMENT OF NET POSITION (continued)**  
**June 30, 2017**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues			
Succeeding year property taxes	15,426,030	-	15,426,030
Special assessments	293,868	-	293,868
Pension related deferred inflows	<u>76,612</u>	<u>16,810</u>	<u>93,422</u>
<b>Total deferred inflows of resources</b>	<u>15,796,510</u>	<u>16,810</u>	<u>15,813,320</u>
<b>NET POSITION</b>			
Net investment in capital assets	102,028,507	44,742,913	146,771,420
Restricted for			
Debt service	1,112,545	231,413	1,343,958
Other purposes	5,635,901	-	5,635,901
Unrestricted	<u>4,215,941</u>	<u>12,103,958</u>	<u>16,319,899</u>
<b>Total net position</b>	<u>\$112,992,894</u>	<u>\$ 57,078,284</u>	<u>\$170,071,178</u>

**City of Waukee, Iowa**  
**STATEMENT OF ACTIVITIES**  
Year ended June 30, 2017

	<b>Program Revenues</b>		
<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>FUNCTIONS/PROGRAMS</b>			
Primary Government			
Governmental activities			
Public safety	\$ 5,185,820	\$ 1,507,319	\$ -
Public works	6,879,021	502,339	3,559,957
Culture and recreation	2,143,529	274,456	418,115
Community and economic development	1,220,343	-	-
General government	979,503	221,374	-
Interest on long-term debt	1,569,190	-	-
Total governmental activities	<u>17,977,406</u>	<u>2,505,488</u>	<u>3,978,072</u>
Business type activities			
Water	3,214,417	4,798,141	-
Sewer	2,145,811	5,030,049	-
Gas	4,386,032	5,533,044	-
Golf	498,348	486,812	-
Other	1,797,120	2,291,276	-
Total business type activities	<u>12,041,728</u>	<u>18,139,322</u>	<u>-</u>
Total Primary Government	<u>\$30,019,134</u>	<u>\$20,644,810</u>	<u>\$3,978,072</u>

**GENERAL REVENUES**

Property and other city tax levied for  
General purposes  
Debt service  
Employee benefits  
Tax increment financing  
Commercial/Industrial tax replacement  
Unrestricted interest on investments  
Miscellaneous

**TRANSFERS**

Total general revenues and transfers

**CHANGE IN NET POSITION**

**NET POSITION BEGINNING OF YEAR**

Prior period adjustment (See Note 20)

**NET POSITION END OF YEAR**

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

**Primary Government**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (3,678,501)	\$ —	\$ (3,678,501)
454,292	—	454,292
(1,160,108)	—	(1,160,108)
(1,220,343)	—	(1,220,343)
(758,129)	—	(758,129)
<u>(1,569,190)</u>	<u>—</u>	<u>(1,569,190)</u>
<u>(7,931,979)</u>	<u>—</u>	<u>(7,931,979)</u>
—	1,583,724	1,583,724
—	2,884,238	2,884,238
—	1,147,012	1,147,012
—	(11,536)	(11,536)
<u>—</u>	<u>494,156</u>	<u>494,156</u>
<u>—</u>	<u>6,097,594</u>	<u>6,097,594</u>
(7,931,979)	6,097,594	(1,834,385)
5,769,781	—	5,769,781
2,781,638	—	2,781,638
1,469,474	—	1,469,474
3,414,595	—	3,414,595
219,822	—	219,822
197,423	108,440	305,863
1,178,397	570,432	1,748,829
<u>709,422</u>	<u>(709,422)</u>	<u>—</u>
<u>15,740,552</u>	<u>(30,550)</u>	<u>15,710,002</u>
<u>7,808,573</u>	<u>6,067,044</u>	<u>13,875,617</u>
104,996,265	51,011,240	156,007,505
<u>188,056</u>	<u>—</u>	<u>188,056</u>
<u>\$112,992,894</u>	<u>\$57,078,284</u>	<u>\$170,071,178</u>

See Notes to Financial Statements.

**City of Waukee, Iowa**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2017**

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Special Revenue</u>		<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
				<u>Urban Renewal TIF</u>	<u>Employee Benefits</u>		
<b>ASSETS</b>							
Cash and investments	\$ 6,014,204	\$23,207,838	\$1,024,246	\$2,456,006	\$ 80,644	\$ 460,351	\$33,243,289
Receivables							
Property tax							
Delinquent	8,363	—	4,138	6,414	2,079	—	20,994
Succeeding year	6,881,179	—	3,267,341	3,513,475	1,764,035	—	15,426,030
Special assessments	—	—	—	—	—	293,868	293,868
Other	286,379	—	—	—	—	425,383	711,762
Due from other funds	910,479	67,044	—	—	—	—	977,523
Due from other governments	—	592,740	—	—	—	—	592,740
Inventory	103,832	—	—	—	—	—	103,832
<b>Total assets</b>	<b>\$14,204,436</b>	<b>\$23,867,622</b>	<b>\$4,295,725</b>	<b>\$5,975,895</b>	<b>\$1,846,758</b>	<b>\$1,179,602</b>	<b>\$51,370,038</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ 567,140	\$ 1,500,120	\$ —	\$ 13,557	\$ —	\$ 98,611	\$ 2,179,428
Compensated absences	46,112	—	—	—	—	3,191	49,303
Due to other funds	—	—	—	—	—	113,784	113,784
<b>Total liabilities</b>	<b>613,252</b>	<b>1,500,120</b>	<b>—</b>	<b>13,557</b>	<b>—</b>	<b>215,586</b>	<b>2,342,515</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenues							
Succeeding year property tax	6,881,179	—	3,267,341	3,513,475	1,764,035	—	15,426,030
Special assessments	—	—	—	—	—	293,868	293,868
Other	—	—	—	—	—	418,115	418,115
<b>Total deferred inflows of resources</b>	<b>6,881,179</b>	<b>—</b>	<b>3,267,341</b>	<b>3,513,475</b>	<b>1,764,035</b>	<b>711,983</b>	<b>16,138,013</b>
<b>FUND BALANCES</b>							
Nonspendable							
Advances to other funds	910,479	—	—	—	—	—	910,479
Restricted for							
Capital projects	—	22,367,502	—	—	—	—	22,367,502
Debt service	—	—	1,028,384	—	—	84,161	1,112,545
Urban renewal and development	—	—	—	2,448,863	—	—	2,448,863
Other purposes	1,893	—	—	—	82,723	309,146	393,762
Committed	615,845	—	—	—	—	—	615,845
Unassigned	5,181,788	—	—	—	—	(141,274)	5,040,514
<b>Total fund balances</b>	<b>6,710,005</b>	<b>22,367,502</b>	<b>1,028,384</b>	<b>2,448,863</b>	<b>82,723</b>	<b>252,033</b>	<b>32,889,510</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$14,204,436</b>	<b>\$23,867,622</b>	<b>\$4,295,725</b>	<b>\$5,975,895</b>	<b>\$1,846,758</b>	<b>\$1,179,602</b>	<b>\$51,370,038</b>

See Notes to Financial Statements.

**City of Waukee**  
**RECONCILIATION OF THE BALANCE SHEET—**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**June 30, 2017**

<b>Total governmental fund balances</b>		<b>\$ 32,889,510</b>
 <b><i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i></b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		140,836,978
Other long-term assets are not available to pay for current-period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds balance sheet.		418,115
Long-term liabilities, including bonds/notes payable, bond premiums and discounts, other post employment benefits payable, net pension liability, compensated absences and accrued interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(62,694,485)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	1,510,012	
Deferred inflows of resources	<u>(76,612)</u>	1,433,400
The Internal Service Fund is used by management to charge the costs of future equipment purchases to individual funds. The assets of the Internal Service Fund are allocated between governmental and proprietary activities in the Statement of Net Position.		<u>109,376</u>
<b>Net position of governmental activities</b>		<b><u>\$112,992,894</u></b>

**City of Waukee, Iowa**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year ended June 30, 2017**

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Special Revenue</u>		<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
				<u>Urban Renewal TIF</u>	<u>Employee Benefits</u>		
<b>REVENUES</b>							
Property tax	\$5,734,345	\$ -	\$2,781,638	\$ -	\$1,469,474	\$ -	\$ 9,985,457
Tax increment financing	-	-	-	3,414,595	-	-	3,414,595
Other city tax	92	10,445	-	-	-	24,899	35,436
Licenses and permits	1,462,072	10,462	-	-	-	122,136	1,594,670
Use of money and property	157,302	107,029	5,149	21,686	5,915	28,134	325,215
Intergovernmental	373,757	1,829,571	54,060	-	33,869	1,958,871	4,250,128
Charges for services	539,581	-	-	-	-	420	540,001
Miscellaneous	158,831	185,612	-	-	-	135,038	479,481
Total revenues	<u>8,425,980</u>	<u>2,143,119</u>	<u>2,840,847</u>	<u>3,436,281</u>	<u>1,509,258</u>	<u>2,269,498</u>	<u>20,624,983</u>
<b>EXPENDITURES</b>							
Operating							
Public safety	4,839,355	-	-	-	-	-	4,839,355
Public works	387,170	-	-	-	-	1,610,131	1,997,301
Culture and recreation	1,802,315	-	-	-	-	36,002	1,838,317
Community and economic development	745,443	-	-	460,989	-	-	1,206,432
General government	818,853	-	-	-	-	-	818,853
Debt service							
Principal	-	-	7,284,739	-	-	41,000	7,325,739
Interest	-	-	1,351,746	-	-	4,698	1,356,444
Bond issuance and other costs	-	208,065	40,073	-	-	-	248,138
Capital projects	<u>803,900</u>	<u>8,701,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>864,029</u>	<u>10,369,279</u>
Total expenditures	<u>9,397,036</u>	<u>8,909,415</u>	<u>8,676,558</u>	<u>460,989</u>	<u>-</u>	<u>2,555,860</u>	<u>29,999,858</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(971,056)</u>	<u>(6,766,296)</u>	<u>(5,835,711)</u>	<u>2,975,292</u>	<u>1,509,258</u>	<u>(286,362)</u>	<u>(9,374,875)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Bond proceeds	-	13,940,000	1,720,000	-	-	-	15,660,000
Bond premium	-	46,376	-	-	-	-	46,376
Sale of capital assets	1,945,264	-	-	-	-	9,150	1,954,414
Operating transfers in	1,500,285	-	4,126,498	1,500,000	-	-	7,126,783
Operating transfers out	<u>(20,926)</u>	<u>(1,500,000)</u>	<u>-</u>	<u>(3,417,076)</u>	<u>(1,500,285)</u>	<u>-</u>	<u>(6,438,287)</u>
Total other financing sources (uses)	<u>3,424,623</u>	<u>12,486,376</u>	<u>5,846,498</u>	<u>(1,917,076)</u>	<u>(1,500,285)</u>	<u>9,150</u>	<u>18,349,286</u>
<b>CHANGE IN FUND BALANCES</b>	2,453,567	5,720,080	10,787	1,058,216	8,973	(277,212)	8,974,411
<b>FUND BALANCES, beginning</b>	4,068,382	16,647,422	1,017,597	1,390,647	73,750	529,245	23,727,043
Prior period adjustment (See Note 20)	<u>188,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>188,056</u>
<b>FUND BALANCES, ending</b>	<u>\$6,710,005</u>	<u>\$22,367,502</u>	<u>\$1,028,384</u>	<u>\$2,448,863</u>	<u>\$ 82,723</u>	<u>\$ 252,033</u>	<u>\$32,889,510</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, 2017**

<b>Change in fund balances—Total governmental funds</b>		<b>\$8,974,411</b>
 <b>Amounts reported for governmental activities in the Statement of Activities are different because:</b>		
Governmental funds reported capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Capital outlays, including contributed capital	\$13,698,486	
Depreciation expense	<u>(5,564,715)</u>	8,133,771
Governmental funds do not report capital assets and therefore do not report gains or losses on the disposal of those assets		
		(1,255,500)
Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.		
		418,115
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:		
Issued	(15,660,000)	
Repaid	<u>7,325,739</u>	(8,334,261)
Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
		27,016
The City's current year IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position.		
		526,422
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:		
Compensated absences	(38,985)	
Other postemployment benefits	(13,392)	
Pension expense	(613,111)	
Interest on long-term debt	<u>(38,000)</u>	(703,488)
The Internal Service Fund is used by management to charge the costs of future equipment purchases to individual funds. The change in net position of the Internal Service Fund is allocated to governmental and proprietary activities.		
		<u>22,087</u>
<b>Change in net position of governmental activities</b>		<b><u>\$7,808,573</u></b>

See Notes to Financial Statements.

**City of Waukee, Iowa**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2017**

	<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>ASSETS</b>							
<b>Current assets</b>							
Cash and investments	\$ 4,600,316	\$ 3,756,981	\$ 3,349,742	\$ 800	\$ 1,711,441	\$ 13,419,280	\$ 210,560
Receivables, net of allowances							
Customer accounts	714,521	502,417	144,137	-	164,496	1,525,571	-
Special assessments	-	25,716	-	-	-	25,716	-
Due from other funds	100,000	-	-	-	-	100,000	-
Due from other governments	-	-	-	164,585	-	164,585	-
Inventories	98,818	-	125,557	15,706	-	240,081	-
Total current assets	<u>5,513,655</u>	<u>4,285,114</u>	<u>3,619,436</u>	<u>181,091</u>	<u>1,875,937</u>	<u>15,475,233</u>	<u>210,560</u>
<b>Noncurrent assets</b>							
<b>Restricted assets – cash and investments</b>							
Customer deposits	126,265	-	99,650	-	-	225,915	-
Revenue note and interest sinking account	33,865	80,164	40,845	7,201	4,960	167,035	-
Revenue note reserve account	332,635	295,772	-	57,342	-	685,749	-
Capital assets, net of accumulated depreciation	15,883,160	25,050,471	9,947,634	1,777,859	1,034,618	53,693,742	-
Total noncurrent assets	<u>16,375,925</u>	<u>25,426,407</u>	<u>10,088,129</u>	<u>1,842,402</u>	<u>1,039,578</u>	<u>54,772,441</u>	<u>-</u>
Total assets	<u>21,889,580</u>	<u>29,711,521</u>	<u>13,707,565</u>	<u>2,023,493</u>	<u>2,915,515</u>	<u>70,247,674</u>	<u>210,560</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Pension related deferred outflows	65,708	64,587	100,864	37,383	62,746	331,288	-
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Accounts payable	230,331	841,921	187,228	55,917	75,913	1,391,310	-
Compensated absences	12,881	15,203	18,944	1,699	8,562	57,289	-
Due to other funds	-	-	-	963,739	-	963,739	-
Customer deposits payable	126,265	-	99,650	-	-	225,915	-
Revenue notes payable	220,000	283,000	368,000	54,107	60,000	985,107	-
Interest payable	8,650	8,379	4,365	1,430	780	23,604	-
Total current liabilities	<u>598,127</u>	<u>1,148,503</u>	<u>678,187</u>	<u>1,076,892</u>	<u>145,255</u>	<u>3,646,964</u>	<u>-</u>
<b>Noncurrent liabilities</b>							
Revenue notes payable, net	3,135,938	3,437,945	1,572,000	436,586	520,000	9,102,469	-
Net OPEB liability	35,909	36,279	45,439	11,032	21,402	150,061	-
Net pension liability	135,975	133,654	208,726	77,359	129,844	685,558	-
Total noncurrent liabilities	<u>3,307,822</u>	<u>3,607,878</u>	<u>1,826,165</u>	<u>524,977</u>	<u>671,246</u>	<u>9,938,088</u>	<u>-</u>
Total liabilities	<u>3,905,949</u>	<u>4,756,381</u>	<u>2,504,352</u>	<u>1,601,869</u>	<u>816,501</u>	<u>13,585,052</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
<b>Unavailable revenues</b>							
Pension related deferred inflows	3,334	3,277	5,118	1,897	3,184	16,810	-
<b>NET POSITION</b>							
Net investment in capital assets	12,527,222	22,182,831	8,007,634	1,287,166	738,060	44,742,913	-
Restricted for bond retirement	137,850	84,557	-	9,006	-	231,413	-
Unrestricted	5,380,933	2,749,062	3,291,325	(839,062)	1,420,516	12,002,774	210,560
Total net position	<u>\$18,046,005</u>	<u>\$25,016,450</u>	<u>\$11,298,959</u>	<u>\$ 457,110</u>	<u>\$2,158,576</u>	56,977,100	<u>\$ 210,560</u>

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

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

101,184

Net assets of business type activities

\$57,078,284

**City of Waukee, Iowa**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**Year ended June 30, 2017**

	<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	\$ 4,798,141	\$ 5,030,049	\$ 5,533,044	\$ 486,812	\$2,291,276	\$18,139,322	\$ -
Miscellaneous	4,109	10,545	21,029	321,305	33,057	390,045	-
Total operating revenues	<u>4,802,250</u>	<u>5,040,594</u>	<u>5,554,073</u>	<u>808,117</u>	<u>2,324,333</u>	<u>18,529,367</u>	<u>-</u>
<b>OPERATING EXPENSES</b>							
Business type activities							
Cost of sales and services	2,496,621	1,351,436	3,961,256	449,984	1,749,430	10,008,727	-
Depreciation and amortization	606,651	652,522	363,036	29,974	36,300	1,688,483	-
Total operating expenses	<u>3,103,272</u>	<u>2,003,958</u>	<u>4,324,292</u>	<u>479,958</u>	<u>1,785,730</u>	<u>11,697,210</u>	<u>-</u>
Operating income	<u>1,698,978</u>	<u>3,036,636</u>	<u>1,229,781</u>	<u>328,159</u>	<u>538,603</u>	<u>6,832,157</u>	<u>-</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Interest income	33,610	38,865	17,958	5,877	12,130	108,440	1,161
Rental income	67,605	-	-	6,600	-	74,205	-
Gain on disposal of capital assets	18,770	9,093	12,956	-	65,365	106,184	-
Interest expense and fiscal charges	(111,145)	(141,853)	(61,740)	(18,390)	(11,390)	(344,518)	-
Total nonoperating revenues (expenses)	<u>8,840</u>	<u>(93,895)</u>	<u>(30,826)</u>	<u>(5,913)</u>	<u>66,105</u>	<u>(55,689)</u>	<u>1,161</u>
Income before transfers	1,707,818	2,942,741	1,198,955	322,246	604,708	6,776,468	1,161
Transfers in (out)	<u>(323,853)</u>	<u>(94,075)</u>	<u>(106,363)</u>	<u>-</u>	<u>(185,131)</u>	<u>(709,422)</u>	<u>20,926</u>
<b>CHANGE IN NET POSITION</b>	1,383,965	2,848,666	1,092,592	322,246	419,577	6,067,046	22,087
<b>NET POSITION, beginning</b>	<u>16,662,040</u>	<u>22,167,784</u>	<u>10,206,367</u>	<u>134,864</u>	<u>1,738,999</u>	<u>50,910,054</u>	<u>188,473</u>
<b>NET POSITION, ending</b>	<u>\$18,046,005</u>	<u>\$25,016,450</u>	<u>\$11,298,959</u>	<u>\$ 457,110</u>	<u>\$2,158,576</u>	<u>\$56,977,100</u>	<u>\$ 210,560</u>

See Notes to Financial Statements.

**City of Waukee, Iowa**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year ended June 30, 2017**

	<b>Enterprise Funds</b>					<b>Total</b>	<b>Internal</b>
	<b>Water</b>	<b>Sewer</b>	<b>Gas</b>	<b>Golf</b>	<b>Nonmajor Funds</b>		<b>Service Fund Equipment Revolving</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Cash received from customers and users	\$4,639,183	\$4,961,422	\$5,510,286	\$ 486,812	\$2,272,315	\$17,870,018	\$ -
Cash received from other revenues	4,109	10,545	21,029	156,720	33,057	225,460	-
Cash paid for personal services	(684,348)	(693,897)	(867,330)	(210,825)	(409,664)	(2,866,064)	-
Cash paid to suppliers	(1,750,755)	(574,091)	(2,902,155)	(243,060)	(1,328,001)	(6,798,062)	-
Net cash provided by operating activities	<u>2,208,189</u>	<u>3,703,979</u>	<u>1,761,830</u>	<u>189,647</u>	<u>567,707</u>	<u>8,431,352</u>	<u>-</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Advances from other funds	-	-	-	134,634	-	134,634	-
Transfers to other funds	(323,853)	(94,075)	(106,363)	-	(185,131)	(709,422)	-
Transfers from other funds	-	-	-	-	-	-	20,926
Net cash provided by (used in) noncapital financing activities	<u>(323,853)</u>	<u>(94,075)</u>	<u>(106,363)</u>	<u>134,634</u>	<u>(185,131)</u>	<u>(574,788)</u>	<u>20,926</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Acquisition and construction of capital assets	(746,624)	(7,513,455)	(386,578)	(258,881)	(431,833)	(9,337,371)	-
Proceeds from sale of capital assets	37,376	17,833	28,833	-	100,000	184,042	-
Principal paid on revenue notes	(215,000)	(276,000)	(358,000)	(52,256)	(60,000)	(961,256)	-
Principal paid on DMWW notes	(107,950)	-	-	-	-	(107,950)	-
Interest and fiscal charges paid	(113,434)	(135,586)	(62,546)	(18,543)	(11,445)	(341,554)	-
Proceeds from bond issuance	-	2,752,173	-	-	-	2,752,173	-
Net cash (used in) capital and related financing activities	<u>(1,145,632)</u>	<u>(5,155,035)</u>	<u>(778,291)</u>	<u>(329,680)</u>	<u>(403,278)</u>	<u>(7,811,916)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Interest on investments	33,610	38,865	17,958	5,877	12,130	108,440	1,161
Purchase of investments	-	(31,601)	-	(5,877)	-	(37,478)	-
Cash received from property rental	67,605	-	-	6,600	-	74,205	-
Net cash provided by investing activities	<u>101,215</u>	<u>7,264</u>	<u>17,958</u>	<u>6,600</u>	<u>12,130</u>	<u>145,167</u>	<u>1,161</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	839,919	(1,537,867)	895,134	1,201	(8,572)	189,815	22,087
<b>CASH AND CASH EQUIVALENTS, beginning</b>	<u>3,920,527</u>	<u>5,549,918</u>	<u>2,595,103</u>	<u>6,800</u>	<u>1,724,973</u>	<u>13,797,321</u>	<u>188,473</u>
<b>CASH AND CASH EQUIVALENTS, ending</b>	<u>\$4,760,446</u>	<u>\$4,012,051</u>	<u>\$3,490,237</u>	<u>\$ 8,001</u>	<u>\$1,716,401</u>	<u>\$13,987,136</u>	<u>\$ 210,560</u>

See Notes to Financial Statements.

**City of Waukee, Iowa**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS (continued)**  
**Year ended June 30, 2017**

	<u>Enterprise Funds</u>					<u>Total</u>	<u>Internal</u>
	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Golf</u>	<u>Nonmajor Funds</u>		<u>Service Fund Equipment Revolving</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>							
Operating income	\$1,698,978	\$3,036,636	\$1,229,781	\$ 328,159	\$ 538,603	\$ 6,832,157	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities							
Depreciation expense	606,651	652,522	363,036	29,974	36,300	1,688,483	-
Change in assets, deferred outflows, liabilities and deferred inflows							
Customer accounts receivable	(158,958)	(68,627)	(22,758)	-	(18,961)	(269,304)	-
Due from other governments	-	-	-	(164,585)	-	(164,585)	-
Inventories	16,758	-	7,884	4,780	-	29,422	-
Accounts payable, net of capital assets	16,581	72,088	146,282	13,735	8,164	256,850	-
Customer deposits	11,630	-	7,550	-	-	19,180	-
Compensated absences	3,035	569	2,481	346	37	6,468	-
Net pension liability	35,767	31,614	68,628	3,367	37,924	177,300	-
Deferred outflows of resources	(25,720)	(23,868)	(44,957)	(7,856)	(26,065)	(128,466)	-
Deferred inflows of resources	(11,965)	(12,301)	(16,271)	(9,399)	(10,849)	(60,785)	-
OPEB liability	15,432	15,346	20,174	(8,874)	2,554	44,632	-
Net cash provided by operating activities	<u>\$2,208,189</u>	<u>\$3,703,979</u>	<u>\$1,761,830</u>	<u>\$ 189,647</u>	<u>\$ 567,707</u>	<u>\$ 8,431,352</u>	<u>\$ -</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON THE STATEMENT OF NET POSITION</b>							
Current assets							
Cash and investments	\$4,600,316	\$3,756,981	\$3,349,742	\$ 800	\$1,711,441	\$13,419,280	\$ 210,560
Restricted assets – cash and investments							
Customer deposits	126,265	-	99,650	-	-	225,915	-
Revenue note and interest sinking account	33,865	80,164	40,845	7,201	4,960	167,035	-
Revenue note reserve account	<u>332,635</u>	<u>295,772</u>	<u>-</u>	<u>57,342</u>	<u>-</u>	<u>685,749</u>	<u>-</u>
	<u>5,093,081</u>	<u>4,132,917</u>	<u>3,490,237</u>	<u>65,343</u>	<u>1,716,401</u>	<u>14,497,979</u>	<u>210,560</u>
Less items not meeting the definition of cash equivalent							
Certificates of deposit	<u>(332,635)</u>	<u>(120,866)</u>	<u>-</u>	<u>(57,342)</u>	<u>-</u>	<u>(510,843)</u>	<u>-</u>
Cash and cash equivalents at year end	<u>\$4,760,446</u>	<u>\$4,012,051</u>	<u>\$3,490,237</u>	<u>\$ 8,001</u>	<u>\$1,716,401</u>	<u>\$13,987,136</u>	<u>\$ 210,560</u>

See Notes to Financial Statements.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Reporting Entity**

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

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

**Component Units**

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

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

**Jointly Governed Organizations**

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

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

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

**Basis of Presentation**

**Government-wide Financial Statements**

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

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

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets. The related debt excludes unspent debt proceeds of \$21,135,854.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

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

**Fund Financial Statements**

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

The City reports the following major governmental funds:

**General Fund**

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

**Special Revenue**

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

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

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

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

**Basis of Presentation (continued)**

**Capital Projects Fund**

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

**Debt Service Fund**

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

The City reports the following major proprietary funds:

**Enterprise**

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

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

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

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

**Measurement Focus and Basis of Accounting**

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

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

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

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

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



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

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

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

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

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

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

**Cash and Pooled Cash Investments**

The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law.

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Delinquent property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2017 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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

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

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2016.

**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 taxes.

**Customer Accounts and Unbilled Usage**

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

**Due from and Due to Other Funds**

During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2017, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

**Due from Other Governments**

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

**Inventories**

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

**Restricted Assets**

Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

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

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

**Capital Assets**

Capital assets, which include property, equipment and vehicles and infrastructure assets acquired after July 1, 1980 (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the City) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position and in the Proprietary Funds Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Capital assets are defined by the City as assets with initial, individual cost in excess of \$5,000 and estimated useful lives in excess of two years.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capitalized interest was \$17,146 in the Sanitary Sewer Fund and \$3,595 in the Storm Water Utility Fund.

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

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

**Deferred Outflows of Resources**

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

**Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation for subsequent use. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. For governmental fund types, the amount of earned but unused vacation is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirement. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2017. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

**Long-Term Liabilities**

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

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

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

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

**Pensions**

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

**Deferred Inflows of Resources**

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

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

**Fund Balances**

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

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

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

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 the preceding classifications. The General Fund is the only fund which would report a positive amount in unassigned fund balance. Residual deficit amounts of other governmental funds would also be reported as unassigned.

**Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2017, disbursements exceeded the amount budgeted in the community and economic development function.

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

**NOTE 2 CASH AND POOLED CASH INVESTMENTS**

The City's deposits in banks at June 30, 2017 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 ensure 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.

In addition, the Waukee Foundation and Waukee Public Library Foundation, blended component units of the City, hold endowment funds with the Community Foundation of Greater Des Moines totaling approximately \$170,000.

The City has no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**Interest rate risk**

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

**NOTE 3 ALLOWANCES FOR COLLECTION LOSSES**

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

	<b>Gross receivables</b>	<b>Allowance for collection losses</b>	<b>Net receivables</b>
Customer accounts			
Water fund	\$ 715,371	\$ 850	\$ 714,521
Sewer fund	502,817	400	502,417
Gas fund	145,887	1,750	144,137
Nonmajor proprietary funds	<u>164,496</u>	<u>—</u>	<u>164,496</u>
Totals	<u>\$1,528,571</u>	<u>\$ 3,000</u>	<u>\$1,525,571</u>
Other			
General fund	<u>\$ 318,379</u>	<u>\$ 32,000</u>	<u>\$ 286,379</u>

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

**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 \$2,340 from September 1, 2017 through August 31, 2021.

The City leases space on a water tower under two operating lease agreements expiring in June 2021 and September 2026. The leases call for annual payments of approximately \$28,000 and \$30,000, respectively, with annual 3% escalating increases.

The City leases farm land under an operating lease agreement dated March 2017, and expiring in December 2017. The lease calls for payments of \$30,000 during fiscal year 2018.

The total minimum future lease payments receivable under the operating leases at June 30, 2017 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>
2018	\$ 37,075	\$ 60,363	\$ 30,000	\$ 127,438
2019	28,075	62,174	-	90,249
2020	28,075	64,039	-	92,114
2021	28,075	65,960	-	94,035
2022	4,679	32,460	-	37,139
Thereafter	-	139,873	-	139,873
	<u>\$ 125,979</u>	<u>\$ 424,869</u>	<u>\$ 30,000</u>	<u>\$ 580,848</u>

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

**NOTE 5 CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2017 was as follows:

	<u>Balance beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance end of year</u>
<b>Primary Government</b>				
Governmental activities				
Capital assets not being depreciated				
Land	\$ 12,084,409	\$ 973,619	\$ 1,255,500	\$ 11,802,528
Construction in progress	<u>23,894,442</u>	<u>8,746,888</u>	<u>18,487,329</u>	<u>14,154,001</u>
Total capital assets not being depreciated	<u>35,978,851</u>	<u>9,720,507</u>	<u>19,742,829</u>	<u>25,956,529</u>
Capital assets being depreciated				
Buildings	8,814,127	9,465	-	8,823,592
Improvements other than buildings	41,838,166	18,926,798	-	60,764,964
Equipment	6,976,311	458,029	841,675	6,592,665
Infrastructure, road network	<u>94,443,982</u>	<u>3,071,017</u>	<u>-</u>	<u>97,514,999</u>
Total capital assets being depreciated	<u>152,072,586</u>	<u>22,465,309</u>	<u>841,675</u>	<u>173,696,220</u>
Less accumulated depreciation for				
Buildings	2,785,473	275,170	-	3,060,643
Improvements other than buildings	8,006,878	2,057,444	-	10,064,322
Equipment	4,488,283	498,895	841,675	4,145,503
Infrastructure, road network	<u>38,812,097</u>	<u>2,733,206</u>	<u>-</u>	<u>41,545,303</u>
Total accumulated depreciation	<u>54,092,731</u>	<u>5,564,715</u>	<u>841,675</u>	<u>58,815,771</u>
Total capital assets being depreciated, net	<u>97,979,855</u>	<u>16,900,594</u>	<u>-</u>	<u>114,880,449</u>
Governmental activities capital assets, net	<u>\$133,958,706</u>	<u>\$26,621,101</u>	<u>\$19,742,829</u>	<u>\$140,836,978</u>
<b>Business type activities</b>				
Capital assets not being depreciated				
Land	\$ 1,226,032	\$ -	\$ -	\$ 1,226,032
Construction in progress	<u>1,014,371</u>	<u>7,165,429</u>	<u>1,805,258</u>	<u>6,374,542</u>
Total capital assets not being depreciated	<u>2,240,403</u>	<u>7,165,429</u>	<u>1,805,258</u>	<u>7,600,574</u>
Capital assets being depreciated				
Buildings	557,486	-	-	557,486
Equipment	4,087,307	555,266	483,409	4,159,164
Infrastructure, water and sewer network	<u>57,809,951</u>	<u>3,745,361</u>	<u>542</u>	<u>61,554,770</u>
Total capital assets being depreciated	<u>62,454,744</u>	<u>4,300,627</u>	<u>483,951</u>	<u>66,271,420</u>
Less accumulated depreciation for				
Buildings	210,596	13,173	-	223,769
Equipment	2,908,689	253,220	406,092	2,755,817
Infrastructure, water and sewer network	<u>15,776,576</u>	<u>1,422,090</u>	<u>-</u>	<u>17,198,666</u>
Total accumulated depreciation	<u>18,895,861</u>	<u>1,688,483</u>	<u>406,092</u>	<u>20,178,252</u>
Total capital assets being depreciated, net	<u>43,558,883</u>	<u>2,612,144</u>	<u>77,859</u>	<u>46,093,168</u>
Business type activities capital assets, net	<u>\$ 45,799,286</u>	<u>\$ 9,777,573</u>	<u>\$ 1,883,117</u>	<u>\$ 53,693,742</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	\$ 298,131
Public works	4,844,495
Culture and recreation	285,756
General government	<u>136,333</u>
Total depreciation expense--governmental activities	<u>\$5,564,715</u>
Business type activities	
Water	\$ 606,651
Sewer	652,522
Gas	363,036
Storm water	36,300
Golf	<u>29,974</u>
Total depreciation expense--business type activities	<u>\$1,688,483</u>

**NOTE 6 LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	Balance beginning of year	Increases	Decreases	Balance end of year	Due within one year
<b>Governmental activities</b>					
General obligation bonds/notes	\$49,557,567	\$15,706,376	\$7,213,131	\$58,050,812 (1)	\$5,181,392
Urban Renewal Revenue bonds	805,000	-	145,000	660,000	155,000
Special assessment notes	131,000	-	41,000	90,000	44,000
Compensated absences	251,695	46,446	-	298,141	49,303
Net OPEB liability	368,669	13,392	-	382,061	-
Net pension liability	<u>2,129,315</u>	<u>995,459</u>	<u>-</u>	<u>3,124,774</u>	<u>-</u>
Totals	<u>\$53,243,246</u>	<u>\$16,761,673</u>	<u>\$7,399,131</u>	<u>\$62,605,788</u>	<u>\$5,429,695</u>
<b>Business type activities</b>					
Des Moines Water Works bonds	\$ 107,950	\$ -	\$ 107,950	\$ -	\$ -
Revenue bonds/notes	8,298,599	2,685,000	896,023	10,087,576 (2)	985,107
Compensated absences	50,821	6,468	-	57,289	57,289
Net OPEB liability	105,429	44,632	-	150,061	-
Net pension liability	<u>508,258</u>	<u>177,300</u>	<u>-</u>	<u>685,558</u>	<u>-</u>
Totals	<u>\$ 9,071,057</u>	<u>\$ 2,913,400</u>	<u>\$1,003,973</u>	<u>\$10,980,484</u>	<u>\$1,042,396</u>

(1) Included in balance are unamortized bond premiums and discounts totaling \$1,195,865 and \$124,525, respectively at June 30, 2017.

(2) Included in balance are unamortized bond premiums and discounts totaling \$100,779 and \$21,890, respectively, at June 30, 2017.



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

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

**Bond/Note Issuance**

Thirteen issues of unmatured general obligation bonds/notes, totaling \$56,979,472, are outstanding at June 30, 2017. General obligation bonds/notes bear interest at rates ranging from 0.9% to 5.0% and mature in varying annual amounts, ranging from \$61,392 to \$2,265,000, with the final maturities due in the year ending June 30, 2036.

One issue of unmatured Urban Renewal revenue notes, totaling \$660,000, is outstanding at June 30, 2017. The note bears interest at 3.4% to 3.9% and matures in annual amounts of \$155,000 to \$175,000, with final maturity due in the year ending June 30, 2021.

One issue of unmatured special assessment notes, totaling \$90,000, is outstanding at June 30, 2017. The note bears interest at 4.15% to 4.55% and matures in annual amounts of \$44,000 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, 2017 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, 2017</u>
<b>General Obligation Bonds and Notes</b>						
Golf Course Refunding	February 19, 2016	2.75	June 1, 2020	\$ 61,392 - \$ 64,988	\$ 279,990	\$ 189,471
General Obligation 2010A	June 2, 2010	3.00-3.50	June 1, 2022	125,000 - 140,000	1,435,000	655,000
General Obligation 2010B	June 2, 2010	3.00-3.60	June 1, 2021	165,000 - 185,000	1,745,000	700,000
General Obligation 2012A	June 14, 2012	2.00	June 1, 2020	100,000 - 200,000	2,680,000	405,000
General Obligation 2012B	June 14, 2012	2.00-3.00	June 1, 2021	340,000 - 695,000	4,220,000	2,360,000
Urban Renewal 2012D	December 28, 2012	2.00	June 1, 2021	420,000 - 445,000	3,745,000	1,725,000
General Obligation 2013B	May 28, 2013	2.00-3.00	June 1, 2028	100,000 - 350,000	3,280,000	2,090,000
General Obligation Refunding 2013C	May 28, 2013	1.00-1.35	June 1, 2020	270,000 - 285,000	2,265,000	835,000
General Obligation 2013D	December 12, 2013	3.00-5.00	June 1, 2033	110,000 - 930,000	8,740,000	5,290,000
General Obligation 2014A	December 10, 2014	2.00-3.50	June 1, 2034	510,000 - 2,265,000	23,295,000	21,760,000
General Obligation 2015C	November 19, 2015	2.00-4.00	June 1, 2030	365,000 - 495,000	7,340,000	5,590,000
General Obligation Refunding 2016C	September 20, 2016	0.90-1.30	June 1, 2022	200,000 - 315,000	1,720,000	1,440,000
General Obligation 2017A	May 24, 2017	2.00-4.00	June 1, 2036	100,000 - 1,900,000	13,940,000	13,940,000
<b>Revenue Bonds</b>						
Urban Renewal 2010C	June 2, 2010	3.40-3.90	June 1, 2021	155,000 - 175,000	1,590,000	660,000
<b>Special Assessment Notes</b>						
Sewer Improvements	May 5, 2009	4.15-4.55	December 1, 2018	44,000 - 46,000	362,000	90,000

The City has pledged future tax increment revenues to repay the \$1,590,000 of bonds issued June 2, 2010. The Urban Renewal revenue bonds were issued for the purpose of defraying a portion of the cost of an urban renewal project. The bonds are payable solely from the proceeds of the tax increment revenues received by the City and are payable through 2021. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Annual principal and interest payments on the bonds are expected to require approximately five percent of the tax increment revenues. The total principal and interest remaining to be paid on the notes is \$723,470. For the current year, \$173,955 of principal and interest was paid on the bonds and total tax increment revenues were \$3,436,281.

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

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

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

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

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

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

<u>Year ending 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>
2018	\$ 5,181,392	\$ 1,616,217	\$ 6,797,609	\$ 44,000	\$ 3,006	\$ 47,006
2019	5,693,092	1,498,159	7,191,251	46,000	1,046	47,046
2020	5,574,988	1,352,596	6,927,584	—	—	—
2021	5,455,000	1,207,305	6,662,305	—	—	—
2022	2,465,000	1,064,609	3,529,609	—	—	—
2023-2027	11,745,000	4,371,933	16,116,933	—	—	—
2028-2032	12,395,000	2,560,230	14,955,230	—	—	—
2033-2036	<u>8,470,000</u>	<u>668,095</u>	<u>9,138,095</u>	—	—	—
Subtotal	56,979,472	14,339,144	71,318,616	90,000	4,052	94,052
Plus unamortized premium	<u>1,071,340</u>	—	<u>1,071,340</u>	—	—	—
Totals	<u>\$58,050,812</u>	<u>\$14,339,144</u>	<u>\$72,389,956</u>	<u>\$ 90,000</u>	<u>\$ 4,052</u>	<u>\$ 94,052</u>

<u>Year ending June 30</u>	<u>Revenue</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 155,000	\$ 24,315	\$ 179,315
2019	160,000	19,045	179,045
2020	170,000	13,285	183,285
2021	<u>175,000</u>	<u>6,825</u>	<u>181,825</u>
Totals	<u>\$ 660,000</u>	<u>\$ 63,470</u>	<u>\$ 723,470</u>

Ten issues of unamortized revenue notes, totaling \$10,008,687, are outstanding at June 30, 2017. These notes bear interest at rates ranging from 1.20% to 4.10% and mature in varying annual amounts, ranging from \$33,000 to \$409,000, with the final maturities due in the year ending June 30, 2036.

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

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

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

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

As of June 30, 2017, the City did not meet the reserve fund requirements set forth by the City's Sanitary Sewer Revenue Bond Series 2016C. The City subsequently transferred funds to the bond reserve and is in compliance with all revenue notes and bond provisions as of the date the financial statements were available to be issued.

The City has pledged future sewer, water, golf, and gas customer revenues, net of specified operating expenses, to repay the \$14,368,339 in revenue notes issued from 1998 to 2017. Proceeds from the notes provided financing for construction of improvements to the facilities and infrastructure and purchase capacity. The notes are payable solely from customer net revenues and are payable through 2036. 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 \$12,160,178. For the current year, principal and interest paid and total customer net revenues were \$1,227,500 and \$6,732,294, respectively.

Details of revenue notes and bonds payable at June 30, 2017 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, 2017</u>
<b>Revenue Notes and Bonds</b>						
<b>Water</b>						
Revenue Capital Loan 2012C	September 5, 2012	2.00 - 4.10	June 1, 2032	\$110,000 - 185,000	\$2,625,000	\$2,115,000
Revenue Note Series 2015B	July 21, 2015	3.00	June 1, 2027	110,000 - 140,000	1,450,000	1,230,000
<b>Sewer</b>						
Bonds-Series 1998A	October 8, 1998	1.75	June 1, 2018	33,000	455,748	33,000
Bonds-Series 1998B	October 8, 1998	1.75	June 1, 2018	68,000	945,252	68,000
Bonds-Series 1998C	October 8, 1998	1.75	June 1, 2018	82,000	1,178,000	82,000
Revenue Capital Loan 2013A	March 1, 2013	2.00 - 2.50	June 1, 2024	100,000 - 120,000	1,185,000	785,000
Revenue Capital Loan 2016C	December 20, 2016	3.00 - 3.125	June 1, 2036	100,000 - 205,000	2,685,000	2,685,000
<b>Golf Course</b>						
Revenue refunding bond	February 19, 2016	3.50	December 1, 2020	54,107 - 322,567	572,339	490,693
<b>Gas</b>						
Revenue Note	March 18, 2015	2.70	June 1, 2022	368,000 - 409,000	2,632,000	1,940,000
<b>Stormwater</b>						
Revenue Note Series 2016A	June 1, 2016	1.20 - 2.00	June 1, 2026	60,000 - 70,000	640,000	580,000

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

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

<u>Year ending June 30</u>	<u>Revenue Notes/Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 985,107	\$ 283,229	\$ 1,268,336
2019	938,018	259,959	1,197,977
2020	945,995	235,872	1,181,867
2021	1,230,567	206,268	1,436,835
2022	934,000	177,442	1,111,442
2023-2027	2,500,000	624,942	3,124,942
2028-2032	1,695,000	302,455	1,997,455
2033-2036	<u>780,000</u>	<u>61,324</u>	<u>841,324</u>
Subtotal	10,008,687	2,151,491	12,160,178
Plus unamortized premium	<u>78,889</u>	<u>—</u>	<u>78,889</u>
Totals	<u>\$10,087,576</u>	<u>\$2,151,491</u>	<u>\$12,239,067</u>

As of June 30, 2017, the general obligation debt issued by the City did not exceed its legal debt limit computed as follows:

Actual valuation	<u>\$1,610,592,237</u>
Debt limit - 5% of total actual valuation	<u>\$80,529,612</u>
Debt applicable to debt limit	
General obligation bonded debt outstanding	\$56,979,472
Urban Renewal revenue bonds outstanding	660,000
Tax increment financing debt outstanding	<u>345,000</u>
Total debt subject to debt limit	<u>\$57,984,472</u>
Percentage of debt limit	72.00%

**NOTE 7 PENSION PLAN**

**Plan Description**

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

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

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

**NOTE 7 PENSION PLAN (continued)**

**Pension Benefits**

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

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

Protection occupation members may retire at normal retirement age which is generally at age 55. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

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

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

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

**Disability and Death Benefits**

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

**Contributions**

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

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

**NOTE 7 PENSION PLAN (continued)**

**Contributions (continued)**

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95 percent of covered payroll, and the City contributed 8.93 percent of covered payroll, for a total rate of 14.88 percent. Protection occupation members contributed 6.56 percent of covered payroll, and the City contributed 9.84 percent of covered payroll, for a total rate of 16.40 percent.

The City's total contributions to IPERS for the year ended June 30, 2017 were \$641,309.

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

At June 30, 2017, the City reported a liability of \$3,810,332 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. The following table summarizes the change in the City's proportionate share:

	<u>June 30</u>		
	<u>2016</u>	<u>2015</u>	<u>Change</u>
City's proportionate share	0.060546%	0.053387%	0.007159%

For the year ended June 30, 2017, the City recognized pension expense of \$716,047. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Total</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 32,564	\$ 86,207
Change in assumptions	56,215	551
Net difference between projected and actual earnings on IPERS' investments	820,626	-
Change in proportion and difference between City contributions and proportionate share of contributions	290,586	6,664
City contributions subsequent to the measurement date	<u>641,309</u>	<u>-</u>
Totals	<u>\$1,841,300</u>	<u>\$ 93,422</u>

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

**NOTE 7 PENSION PLAN (continued)**

\$641,309 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Total</u>
2018	\$ 189,450
2019	189,450
2020	473,029
2021	256,025
2022	<u>(1,385)</u>
Totals	<u>\$1,106,569</u>

There were no non-employer contributing entities at IPERS.

**Actuarial Assumptions**

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00 percent per annum based on 3.00 percent inflation and 1.00 percent real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

**NOTE 7 PENSION PLAN (continued)**

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Core Plus Fixed Income	28%	1.90%
Domestic Equity	24	5.85
International Equity	16	6.32
Private Equity/Debt	11	10.31
Real Estate	8	3.87
Credit Opportunities	5	4.48
U.S. TIPS	5	1.36
Other Real Assets	2	6.42
Cash	<u>1</u>	(0.26)
Total	<u>100%</u>	

**Discount Rate**

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

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

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

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability	\$7,193,336	\$3,810,332	\$ 956,356

**IPERS' Fiduciary Net Position**

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

**Payables to IPERS**

At June 30, 2017, the City did not report any amounts payable to IPERS for either legally required employer contributions or legally required employee contributions.



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

**NOTE 8 INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Employee Benefits	<u>\$1,500,285</u>
Debt Service	Governmental funds	
	Urban Renewal TIF	3,417,076
	Enterprise funds	
	Water	323,853
	Sewer	94,075
	Gas	106,363
	Nonmajor Enterprise funds	<u>185,131</u>
		<u>4,126,498</u>
Urban Renewal TIF	Capital Projects	<u>1,500,000</u>
Equipment Revolving	General	<u>20,926</u>
Total		<u>\$7,147,709</u>

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

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

The detail of interfund receivables and payables at June 30, 2017 is as follows:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
Enterprise-Golf Course	General	\$ 863,739
	Enterprise-Water	<u>100,000</u>
		963,739
Nonmajor Special Revenue-Road Use Tax	General	46,740
Nonmajor Special Revenue-Waukee Foundation	Capital Projects	<u>67,044</u>
Total		<u>\$1,077,523</u>

Amounts due from Golf Course result from interfund loans to finance the Golf Course's operations. Repayments will be made from future revenues over the next several years.

Amounts due from the Road Use Tax Fund result from interfund loans to finance the Fund's current operations. Repayments will be made from future revenues in fiscal year 2018.

Amounts due from the Waukee Foundation result from interfund loans to finance open construction projects. Repayments will be made in fiscal year 2018 upon receipt of reimbursable grant funds, due upon project completion.

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

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

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300 percent of the basis rate.

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

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2017 were \$187,099.

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 \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of casualty claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2017, no liability has been recorded in the City's financial statements. As of June 30, 2017, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

**NOTE 10 RISK MANAGEMENT (continued)**

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

**NOTE 11 EMPLOYEE HEALTH INSURANCE PLAN**

The Iowa Governmental Health Care Plan was established to account for the partial self-funding of the City's health insurance benefit plan. The plan is funded by both employee and City contributions and is administered through a service agreement with Iowa Governmental Health Care Plan. The agreement is subject to automatic renewal provisions. The City assumes liability for claims up to the deductible of \$5,000/\$10,000 per single/family plan with a maximum out of pocket expense of \$6,350/\$12,700 per single/family plan. The deductible and maximum out of pocket expense for the City is reduced by the deductible amount paid by the employee of \$200/\$400 per single/family plan and employee maximum out of pocket expense of \$500/\$1,000 per single/family plan. Claims in excess of deductibles are covered by Iowa Governmental Health Care Plan.

Monthly payments of service fees and plan contributions to the Iowa Governmental Health Care Plan Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Employee Benefit Systems, who administers the plan. The City records the Plan assets and related liabilities of the health plan in the General Fund. The City's contribution to the plan for the year ended June 30, 2016 was \$262,033.

Amounts payable from the Iowa Governmental Health Care Plan at June 30, 2017 total \$22,444, which is for incurred but not reported (IBNR) and reported but not paid claims, which is included in accounts payable in these financial statements. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years.

A reconciliation of changes in the aggregate liabilities for claims for the years ended June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Unpaid claims as of beginning of year	\$ 8,533	\$ 5,133
Incurred claims (including claims incurred but not reported as of June 30)	183,948	108,421
Payments on claims	<u>(170,037)</u>	<u>(105,021)</u>
Unpaid claims as of year end	<u>\$ 22,444</u>	<u>\$ 8,533</u>

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

**NOTE 12 COMMITMENTS**

The City entered into contract commitments with contractors for the completion of several infrastructure construction projects. The total contract commitments are approximately \$20,600,000 of which approximately \$12,200,000 has been incurred as of June 30, 2017. The unpaid commitment balance is approximately \$8,400,000 which will be funded by current reserves in the capital projects funds and other sources.

**NOTE 13 URBAN RENEWAL DEVELOPMENT AGREEMENTS**

The City has entered into development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for development of commercial projects by the developer. The total to be paid by the City under the agreements is not to exceed \$6,780,000. During the year ended June 30, 2017, the City rebated \$368,160 of incremental property tax to a developer. The outstanding balance of the agreements at June 30, 2017 was \$4,860,000.

The agreements are not a general obligation of the City and, due to their nature, are not recorded as a liability in the City's financial statements.

The agreements include an annual appropriation clause and, accordingly, only the amount payable in the succeeding year on the agreements is subject to the constitutional debt limitation. The entire outstanding principal balance of agreements not including an annual appropriation clause would be subject to the constitutional debt limitation.

**NOTE 14 TAX ABATEMENTS**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

**City Tax Abatements**

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapter 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2017, the City abated \$144,193 of property tax under the urban renewal and economic development projects.

**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

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

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

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

**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

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, 2017, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 56,000
Interest on net OPEB obligation	18,976
Adjustment to annual required contribution	<u>(17,251)</u>
Annual OPEB cost	57,725
Contributions made	<u>—</u>
Increase in net OPEB obligation	57,725
Net OPEB obligation, beginning of year	<u>474,397</u>
Net OPEB obligation, end of year	<u>\$ 532,122</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2017.

For the year ended June 30, 2017, 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 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, 2015	\$ <u>57,308</u>	<u>0.0%</u>	\$ <u>416,881</u>
June 30, 2016	\$ <u>57,516</u>	<u>0.0%</u>	\$ <u>474,397</u>
June 30, 2017	\$ <u>57,725</u>	<u>0.0%</u>	\$ <u>532,122</u>

As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$275,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of \$275,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,900,000, and the ratio of the UAAL to the covered payroll was 4.0%. As of June 30, 2017, there were no trust fund assets.

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.

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

**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

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

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

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

**NOTE 16 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, with the second amended and restated agreement becoming effective June 11, 2014. 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 2013B and 2015E include provisions that place the WRA debt service requirements on the same parity as other debts of the participating communities.

In May of 2013, the WRA issued Sewer Revenue Bonds Series 2013B for the purpose of refunding Series 2004B. The WRA Agreement requires the debt service of 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, 2017, the Series 2013B bonds had a balance of \$50,590,000 and the City of Waukee's estimated future allocation based on the WRA flows is currently \$1,738,043.

In May of 2015, the WRA issued Sewer Revenue Bonds Series 2015E for the purpose of refunding Series 2006A. The WRA Agreement requires the debt service of 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, 2017, the Series 2015E bonds had a balance of \$30,790,000 and the City of Waukee's estimated future allocation based on the WRA flows is currently \$1,142,058.

The WRA Agreement requires the debt service on all State Revolving Loans issues after July 1, 2004 to be allocated to the participating communities on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2017, the outstanding balance of State Revolving Loans issues after July 1, 2004 totaled \$259,257,700 and the City of Waukee's estimated future allocation is currently \$8,602,324.

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

**NOTE 16 JOINT VENTURE (continued)**

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

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

**NOTE 17 DEFICIT BALANCES**

At June 30, 2017, funds with deficit balances were as follows:

Road Use Tax Fund	\$ <u>141,274</u>
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The Road Use Tax deficit balance is the result of increased expenditures during fiscal year 2017 in excess of anticipated increases in road use tax revenues from new census data and increases in the State of Iowa's road use tax. The deficit will be eliminated by future revenues.

**NOTE 18 SUBSEQUENT EVENTS**

In August 2017, the Waukee City Council approved the issuance of \$12,557,000 in State Revolving Fund loans which will be used for sewer utility improvements.

In August 2016, the Waukee City Council approved a development agreement with a developer for the construction of data centers. The agreement calls for property tax rebates to the developer equal to approximately 71 percent of the taxable value added by the development over a twenty year period beginning with the year each data center is first assessed for taxation. In addition, the City has committed to performing certain infrastructure improvements with an estimated cost of \$6,000,000. In consideration of the property tax rebates, the developer has made certain commitments, including maintaining certain employment levels and achieving a minimum assessed value for each data center of \$200,000,000. In addition, the developer has committed to contributing to a public improvements fund \$500,000 annually for each data center constructed for a twenty year period, not to exceed \$100,000,000 in total.

In coordination with the development agreement, the Waukee City Council approved the sale of land to the developer for approximately \$5,000,000.

In August 2017, the Waukee City Council approved an option to purchase land for approximately \$9,400,000 to be used for a future Civic Campus. The purchase will be funded through the sale of City owned land noted in the previous paragraph and bond proceeds.

In May, 2016, the City entered into a 28E agreement with the Waukee Community School District for the purpose of purchasing and developing land to be used for joint public-use recreational fields and as the site for a new high school.

In accordance with the 28E agreement, in November, 2017, the City purchased land at a cost of approximately \$3,120,000. The Waukee Community School District will reimburse the City for a substantial portion of the costs of the land acquisition, with the remaining City obligation being funded through bond proceeds.

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

**NOTE 19 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS**

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

GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions* will be effective for the City beginning with the year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information.

GASB Statement No. 87 *Leases* will be effective for the City beginning with the year ending June 30, 2021. The standard establishes new financial reporting requirements for state and local governments which enter into lease agreements, either as a lessor or lessee. The standard also requires additional note disclosures regarding the government's lease agreements.

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

**NOTE 20 PRIOR PERIOD ADJUSTMENT**

The City recorded a prior period adjustment to report the balance of the City's funds held in its partially self-funded health insurance account. The effect on prior year's statement of net position was the understatement of net position by \$188,056.



**REQUIRED SUPPLEMENTARY INFORMATION**

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

<u>Fiscal year ended</u>	<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a percentage of covered payroll ((b - a)/c)</u>
June 30, 2010	July 1, 2008	\$ <u>—</u>	\$ <u>265</u>	\$ <u>265</u>	<u>0.0%</u>	\$ <u>3,866</u>	<u>6.9%</u>
June 30, 2011	July 1, 2008	\$ <u>—</u>	\$ <u>265</u>	\$ <u>265</u>	<u>0.0%</u>	\$ <u>4,144</u>	<u>6.4%</u>
June 30, 2012	July 1, 2011	\$ <u>—</u>	\$ <u>360</u>	\$ <u>360</u>	<u>0.0%</u>	\$ <u>4,491</u>	<u>8.0%</u>
June 30, 2013	July 1, 2011	\$ <u>—</u>	\$ <u>360</u>	\$ <u>360</u>	<u>0.0%</u>	\$ <u>4,633</u>	<u>7.8%</u>
June 30, 2014	July 1, 2011	\$ <u>—</u>	\$ <u>360</u>	\$ <u>360</u>	<u>0.0%</u>	\$ <u>5,339</u>	<u>6.7%</u>
June 30, 2015	July 1, 2014	\$ <u>—</u>	\$ <u>275</u>	\$ <u>275</u>	<u>0.0%</u>	\$ <u>5,902</u>	<u>4.7%</u>
June 30, 2016	July 1, 2014	\$ <u>—</u>	\$ <u>275</u>	\$ <u>275</u>	<u>0.0%</u>	\$ <u>6,260</u>	<u>4.4%</u>
June 30, 2017	July 1, 2014	\$ <u>—</u>	\$ <u>275</u>	\$ <u>275</u>	<u>0.0%</u>	\$ <u>6,900</u>	<u>4.0%</u>

See Note 15 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost, Net OPEB Obligation, funded status and funding progress.

City of Waukee, Iowa  
**BUDGETARY COMPARISON SCHEDULE OF REVENUES,  
EXPENDITURES/EXPENSES AND CHANGES IN BALANCES - BUDGET AND ACTUAL -  
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**  
Required Supplementary Information  
Year ended June 30, 2017

	<u>Governmental funds actual</u>	<u>Proprietary funds actual</u>	<u>Accrual adjustments</u>	<u>Total actual</u>
<b>REVENUES</b>				
Property taxes	\$ 9,985,457	\$ -	\$ -	\$ 9,985,457
Tax increment financing	3,414,595	-	-	3,414,595
Other city tax	35,436	-	-	35,436
Licenses and permits	1,594,670	-	-	1,594,670
Use of money and property	325,215	182,645	(18,500)	489,360
Intergovernmental	4,250,128	-	-	4,250,128
Charges for services	540,001	18,139,322	-	18,679,323
Miscellaneous	479,481	496,229	(114,721)	860,989
Total revenues	<u>20,624,983</u>	<u>18,818,196</u>	<u>(133,221)</u>	<u>39,309,958</u>
<b>EXPENDITURES/EXPENSES</b>				
Public safety	4,839,355	-	-	4,839,355
Public works	1,997,301	-	-	1,997,301
Health and social services	-	-	-	-
Culture and recreation	1,838,317	-	(36,002)	1,802,315
Community and economic development	1,206,432	-	-	1,206,432
General government	818,853	-	-	818,853
Debt service	8,930,321	-	(208,065)	8,722,256
Capital projects	10,369,279	-	(34,695)	10,334,584
Business type activities	-	12,041,728	8,065,793	20,107,521
Total disbursements	<u>29,999,858</u>	<u>12,041,728</u>	<u>7,787,031</u>	<u>49,828,617</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	<u>(9,374,875)</u>	<u>6,776,468</u>	<u>(7,920,252)</u>	<u>(10,518,659)</u>
<b>OTHER FINANCING SOURCES (USES), NET</b>				
Excess (deficiency) of revenues and other financing sources over disbursements and other financing uses	18,349,286	(709,422)	-	17,639,864
	8,974,411	6,067,046	(7,920,252)	7,121,205
<b>BALANCES, beginning of year</b>	23,727,043	50,910,054	(4,521,463)	70,115,634
Prior period adjustment	188,056	-	-	188,056
<b>BALANCES, end of year</b>	<u>\$32,889,510</u>	<u>\$56,977,100</u>	<u>\$(12,441,715)</u>	<u>\$77,424,895</u>

See accompanying independent auditor's report.

<u>Budgeted amounts</u>		<u>Final to actual variance</u>
<u>Original</u>	<u>Final</u>	
\$ 9,911,813	\$ 9,911,813	\$ 73,644
3,351,300	3,351,300	63,295
79,546	79,546	(44,110)
1,077,850	1,380,480	214,190
218,675	221,775	267,585
2,340,876	2,354,446	1,895,682
15,985,000	17,702,825	976,498
<u>1,381,750</u>	<u>1,522,395</u>	<u>(661,406)</u>
<u>34,346,810</u>	<u>36,524,580</u>	<u>2,785,378</u>
5,086,730	5,136,320	296,965
3,043,254	2,879,179	881,878
6,500	6,500	6,500
1,880,554	1,947,449	145,134
1,052,775	1,096,870	(109,562)
971,958	1,490,218	671,365
6,997,179	8,722,568	312
11,653,500	11,653,500	1,318,916
<u>18,799,001</u>	<u>20,328,641</u>	<u>221,120</u>
<u>49,491,451</u>	<u>53,261,245</u>	<u>3,432,628</u>
(15,144,641)	(16,736,665)	6,218,006
<u>15,045,600</u>	<u>16,765,600</u>	<u>874,264</u>
(99,041)	28,935	7,092,270
31,449,940	31,449,940	38,665,694
<u>—</u>	<u>—</u>	<u>188,056</u>
<u>\$31,350,899</u>	<u>\$31,478,875</u>	<u>\$45,946,020</u>

**City of Waukee, Iowa**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**  
**Year ended June 30, 2017**

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 on the cash basis 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 disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$3,769,794. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2017, disbursements in the community and economic development function exceeded the amount budgeted.

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

	<b>June 30</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
City's proportion of the net pension liability	0.060546%	0.053387%	0.046117%
City's proportionate share of the net pension liability	\$3,810	\$2,638	\$1,829
City's covered-employee payroll	\$6,949	\$6,412	\$6,005
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	54.83%	41.14%	30.49%
Plan fiduciary net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

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

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying notes to required supplementary information – pension liability.

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

	<b>Year ended June 30</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Statutorily required contribution	\$ 641	\$ 578	\$ 550	\$ 497
Contributions in relation to the statutorily required contribution	<u>641</u>	<u>578</u>	<u>550</u>	<u>497</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
City's covered-employee payroll	\$6,949	\$6,412	\$6,005	\$5,339
Contributions as a percentage of covered-employee payroll	9.2%	9.0%	9.2%	9.3%

See accompanying notes to required supplementary information – pension liability.





<b>Year ended June 30</b>					
<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 423	\$ 374	\$ 328	\$ 288	\$ 246	\$ 209
<u>423</u>	<u>374</u>	<u>328</u>	<u>288</u>	<u>246</u>	<u>209</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$4,633	\$4,491	\$4,144	\$3,866	\$3,738	\$3,378
9.1%	8.3%	7.9%	7.4%	6.6%	6.2%

See accompanying notes to required supplementary information – pension liability.

**City of Waukee, Iowa**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY**  
**Year ended June 30, 2017**

**CHANGES OF BENEFIT TERMS**

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

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

**CHANGES OF ASSUMPTIONS**

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

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

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

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

**SUPPLEMENTARY INFORMATION**

**City of Waukee  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2017**

	<u>Special Revenue Funds</u>				<u>Debt service</u>	<u>Total</u>
	<u>Road Use Tax</u>	<u>Library Foundation</u>	<u>Waukee Foundation</u>	<u>Forfeitures</u>	<u>Special Assessments</u>	
<b>ASSETS</b>						
Cash and investments	\$ -	\$ 208,171	\$ 166,831	\$ 1,188	\$ 84,161	\$ 460,351
Receivables						
Special assessments	-	-	-	-	293,868	293,868
Other	<u>7,268</u>	<u>-</u>	<u>418,115</u>	<u>-</u>	<u>-</u>	<u>425,383</u>
Total assets	<u>\$ 7,268</u>	<u>\$ 208,171</u>	<u>\$ 584,946</u>	<u>\$ 1,188</u>	<u>\$ 378,029</u>	<u>\$1,179,602</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 98,611	\$ -	\$ -	\$ -	\$ -	\$ 98,611
Compensated absences	3,191	-	-	-	-	3,191
Due to other funds	<u>46,740</u>	<u>-</u>	<u>67,044</u>	<u>-</u>	<u>-</u>	<u>113,784</u>
Total liabilities	<u>148,542</u>	<u>-</u>	<u>67,044</u>	<u>-</u>	<u>-</u>	<u>215,586</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues						
Special assessments	-	-	-	-	293,868	293,868
Other	<u>-</u>	<u>-</u>	<u>418,115</u>	<u>-</u>	<u>-</u>	<u>418,115</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>418,115</u>	<u>-</u>	<u>293,868</u>	<u>711,983</u>
<b>FUND BALANCES</b>						
Restricted for						
Debt service	-	-	-	-	84,161	84,161
Other purposes	-	208,171	99,787	1,188	-	309,146
Unassigned	<u>(141,274)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(141,274)</u>
Total fund balances	<u>(141,274)</u>	<u>208,171</u>	<u>99,787</u>	<u>1,188</u>	<u>84,161</u>	<u>252,033</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,268</u>	<u>\$ 208,171</u>	<u>\$ 584,946</u>	<u>\$ 1,188</u>	<u>\$ 378,029</u>	<u>\$1,179,602</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, 2017**

	<u>Special Revenue Funds</u>				<u>Debt service</u>	<u>Total</u>
	<u>Road</u>	<u>Library</u>	<u>Waukee</u>	<u>Forfeitures</u>	<u>Special</u>	
	<u>Use Tax</u>	<u>Foundation</u>	<u>Foundation</u>	<u>Forfeitures</u>	<u>Assessments</u>	
<b>REVENUES</b>						
Other city taxes	\$ -	\$ -	\$ -	\$ -	\$ 24,899	\$ 24,899
Licenses and permits	122,136	-	-	-	-	122,136
Use of money and property	-	17,422	1,078	-	9,634	28,134
Intergovernmental	1,958,871	-	-	-	-	1,958,871
Charges for services	-	-	-	420	-	420
Miscellaneous	<u>20,317</u>	<u>43,487</u>	<u>71,234</u>	<u>-</u>	<u>-</u>	<u>135,038</u>
Total revenue	<u>2,101,324</u>	<u>60,909</u>	<u>72,312</u>	<u>420</u>	<u>34,533</u>	<u>2,269,498</u>
<b>EXPENDITURES</b>						
Operating						
Public works	1,610,131	-	-	-	-	1,610,131
Culture and recreation	-	30,897	5,105	-	-	36,002
Debt service						
Principal	-	-	-	-	41,000	41,000
Interest	-	-	-	-	4,698	4,698
Capital projects	<u>621,269</u>	<u>-</u>	<u>242,760</u>	<u>-</u>	<u>-</u>	<u>864,029</u>
Total expenditures	<u>2,231,400</u>	<u>30,897</u>	<u>247,865</u>	<u>-</u>	<u>45,698</u>	<u>2,555,860</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(130,076)</u>	<u>30,012</u>	<u>(175,553)</u>	<u>420</u>	<u>(11,165)</u>	<u>(286,362)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of capital assets	<u>9,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,150</u>
Total other financing sources (uses)	<u>9,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,150</u>
<b>NET CHANGES IN FUND BALANCES</b>	(120,926)	30,012	(175,553)	420	(11,165)	(277,212)
<b>FUND BALANCES, beginning</b>	<u>(20,348)</u>	<u>178,159</u>	<u>275,340</u>	<u>768</u>	<u>95,326</u>	<u>529,245</u>
<b>FUND BALANCES, ending</b>	<u>\$ (141,274)</u>	<u>\$ 208,171</u>	<u>\$ 99,787</u>	<u>\$ 1,188</u>	<u>\$ 84,161</u>	<u>\$ 252,033</u>

See accompanying independent auditor's report.

**City of Waukee, Iowa**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
**June 30, 2017**

	Enterprise Funds			Total
	Solid Waste	Utility Billing	Storm Water	
<b>ASSETS</b>				
Current assets				
Cash and investments	\$ 243,023	\$ 148,855	\$1,319,563	\$1,711,441
Receivables				
Customer accounts	97,843	—	66,653	164,496
Total current assets	340,866	148,855	1,386,216	1,875,937
Noncurrent assets				
Restricted assets – cash and investments	—	—	4,960	4,960
Capital assets, net of accumulated depreciation	—	6,766	1,027,852	1,034,618
Total noncurrent assets	—	6,766	1,032,812	1,039,578
Total assets	340,866	155,621	2,419,028	2,915,515
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related deferred outflows	—	27,644	35,102	62,746
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	348	44,708	30,857	75,913
Compensated absences	—	4,883	3,679	8,562
Revenue notes payable	—	—	60,000	60,000
Interest payable	—	—	780	780
Total current liabilities	348	49,591	95,316	145,255
Noncurrent liabilities				
Revenue notes payable	—	—	520,000	520,000
Net OPEB liability	—	8,015	13,387	21,402
Net pension liability	—	57,205	72,639	129,844
Total noncurrent liabilities	—	65,220	606,026	671,246
Total liabilities	348	114,811	701,342	816,501
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues				
Pension related deferred inflows	—	1,403	1,781	3,184
<b>NET POSITION</b>				
Net investment in capital assets	—	—	738,060	738,060
Unrestricted	340,518	67,051	1,012,947	1,420,516
Total net position	\$ 340,518	\$ 67,051	\$1,751,007	\$2,158,576

See accompanying independent auditor's report.

City of Waukee, Iowa  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES  
 IN FUND NET POSITION  
 NONMAJOR PROPRIETARY FUNDS  
 Year ended June 30, 2017**

	<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	\$1,180,724	\$ 245,699	\$ 864,853	\$2,291,276
Miscellaneous	2,279	27,545	3,233	33,057
Total operating revenues	<u>1,183,003</u>	<u>273,244</u>	<u>868,086</u>	<u>2,324,333</u>
<b>OPERATING EXPENSES</b>				
Business type activities				
Cost of sales and services	1,101,220	252,970	395,240	1,749,430
Depreciation and amortization	-	2,194	34,106	36,300
Total operating expenses	<u>1,101,220</u>	<u>255,164</u>	<u>429,346</u>	<u>1,785,730</u>
Operating income	<u>81,783</u>	<u>18,080</u>	<u>438,740</u>	<u>538,603</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Gain on disposal of capital assets	-	-	65,365	65,365
Interest income	1,665	810	9,655	12,130
Interest expense and fiscal charges	-	-	(11,390)	(11,390)
Total nonoperating revenues	<u>1,665</u>	<u>810</u>	<u>63,630</u>	<u>66,105</u>
Income before transfers	83,448	18,890	502,370	604,708
Transfers (out)	<u>-</u>	<u>-</u>	<u>(185,131)</u>	<u>(185,131)</u>
<b>CHANGE IN NET POSITION</b>	83,448	18,890	317,239	419,577
<b>NET POSITION BEGINNING OF YEAR</b>	<u>257,070</u>	<u>48,161</u>	<u>1,433,768</u>	<u>1,738,999</u>
<b>NET POSITION END OF YEAR</b>	<u>\$ 340,518</u>	<u>\$ 67,051</u>	<u>\$1,751,007</u>	<u>\$2,158,576</u>

See accompanying independent auditor's report.

**City of Waukee, Iowa**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
**Year ended June 30, 2017**

	<b>Enterprise Funds</b>			<b>Total</b>
	<b>Solid Waste</b>	<b>Utility Billing</b>	<b>Storm Water</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customer and users	\$1,173,677	\$ 245,699	\$ 852,939	\$2,272,315
Cash received from other revenues	2,279	27,545	3,233	33,057
Cash paid for personal services	-	(153,397)	(256,267)	(409,664)
Cash paid to supplies	(1,100,907)	(95,315)	(131,779)	(1,328,001)
Net cash provided by operating activities	<u>75,049</u>	<u>24,532</u>	<u>468,126</u>	<u>567,707</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer to other funds	-	-	(185,131)	(185,131)
Net cash (used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>(185,131)</u>	<u>(185,131)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	-	-	(431,833)	(431,833)
Proceeds from sale of capital assets	-	-	100,000	100,000
Principal paid on revenue notes	-	-	(60,000)	(60,000)
Interest and fiscal charges paid	-	-	(11,445)	(11,445)
Net cash (used in) capital and related financing activities	<u>-</u>	<u>-</u>	<u>(403,278)</u>	<u>(403,278)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	<u>1,665</u>	<u>810</u>	<u>9,655</u>	<u>12,130</u>
Net cash provided by investing activities	<u>1,665</u>	<u>810</u>	<u>9,655</u>	<u>12,130</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	76,714	25,342	(110,628)	(8,572)
<b>CASH AND CASH EQUIVALENTS, beginning</b>	<u>166,309</u>	<u>123,513</u>	<u>1,435,151</u>	<u>1,724,973</u>
<b>CASH AND CASH EQUIVALENTS, ending</b>	<u>\$ 243,023</u>	<u>\$ 148,855</u>	<u>\$1,324,523</u>	<u>\$1,716,401</u>

See accompanying independent auditor's report.



**City of Waukee, Iowa**  
**COMBINING STATEMENT OF CASH FLOWS (continued)**  
**NONMAJOR PROPRIETARY FUNDS**  
**Year ended June 30, 2017**

	<u>Enterprise Funds</u>			
	<u>Solid Waste</u>	<u>Utility Billing</u>	<u>Storm Water</u>	<u>Total</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income	\$ 81,783	\$ 18,080	\$ 438,740	\$ 538,603
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation expense	-	2,194	34,106	36,300
Change in assets, deferred outflows, liabilities and deferred inflows				
Customer accounts receivable	(7,047)	-	(11,914)	(18,961)
Accounts payable, net of capital assets	313	3,667	4,184	8,164
Compensated absences	-	39	(2)	37
Net pension liability	-	17,089	20,835	37,924
Deferred outflows of resources	-	(11,636)	(14,429)	(26,065)
Deferred inflows of resources	-	(4,721)	(6,128)	(10,849)
OPEB liability	-	(180)	2,734	2,554
Net cash provided by operating activities	<u>75,049</u>	<u>24,532</u>	<u>468,126</u>	<u>567,707</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON THE COMBINING STATEMENT OF NET POSITION</b>				
Current assets				
Cash and investments	243,023	148,855	1,319,563	1,711,441
Restricted assets – cash and investments				
Revenue note and interest sinking account	<u>-</u>	<u>-</u>	<u>4,960</u>	<u>4,960</u>
Cash and cash equivalents at year end	<u>\$ 243,023</u>	<u>\$ 148,855</u>	<u>\$1,324,523</u>	<u>\$1,716,401</u>

See accompanying independent auditor's report.

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

	<b>Modified Accrual Basis</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>REVENUES</b>				
Property tax	\$ 9,985,457	\$ 9,436,301	\$ 8,385,843	\$ 7,666,911
Tax increment financing	3,414,595	3,229,861	3,204,146	3,017,853
Other city tax	35,436	27,921	133,216	60,988
Licenses and permits	1,594,670	1,288,941	1,391,499	1,057,350
Use of money and property	325,215	195,336	182,503	222,405
Intergovernmental	4,250,128	5,241,337	5,602,222	2,539,186
Charges for services	540,001	351,341	414,059	597,042
Miscellaneous	479,481	405,168	385,164	281,147
Totals	<u>\$20,624,983</u>	<u>\$20,176,206</u>	<u>\$19,698,652</u>	<u>\$15,442,882</u>
<b>EXPENDITURES</b>				
Operating				
Public safety	\$ 4,839,355	\$ 4,281,395	\$ 3,543,201	\$ 3,286,146
Public works	1,997,301	2,297,252	2,281,384	2,241,516
Health and social services	-	5,100	4,800	16,500
Culture and recreation	1,838,317	1,763,428	1,599,802	1,457,105
Community and economic development	1,206,432	1,211,082	760,100	910,021
General government	818,853	817,880	872,753	757,317
Debt service	8,930,321	7,507,909	6,421,577	5,996,633
Capital projects	10,369,279	11,339,024	19,067,964	9,226,292
Totals	<u>\$29,999,858</u>	<u>\$29,223,070</u>	<u>\$34,551,581</u>	<u>\$23,891,530</u>

<b>Modified Accrual Basis</b>					
<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 7,133,514	\$ 6,811,607	\$ 6,397,893	\$ 5,934,368	\$ 5,318,576	\$ 4,405,384
3,427,898	3,186,693	3,051,143	3,032,038	2,824,039	2,447,271
39,355	462,040	62,895	70,367	1,301,852	599,570
639,233	507,344	531,196	353,777	673,103	627,720
210,762	204,505	215,266	173,419	128,470	330,789
3,713,932	1,762,542	4,495,541	2,898,776	4,641,902	1,054,612
728,310	253,692	239,040	184,230	209,664	134,996
<u>1,058,091</u>	<u>813,998</u>	<u>440,669</u>	<u>144,913</u>	<u>1,142,477</u>	<u>170,474</u>
<u>\$16,951,095</u>	<u>\$14,002,421</u>	<u>\$15,433,643</u>	<u>\$12,791,888</u>	<u>\$16,240,083</u>	<u>\$ 9,770,816</u>
\$ 2,912,583	\$ 3,040,673	\$ 2,821,515	\$ 2,528,267	\$ 2,391,927	\$ 1,806,932
1,580,884	1,381,993	1,192,453	1,133,462	1,099,806	1,167,008
12,750	15,175	16,909	12,180	11,000	9,800
2,010,987	1,338,835	1,312,158	1,173,584	1,211,373	982,900
618,937	885,864	1,023,639	892,553	848,245	701,524
785,443	868,324	787,974	855,172	982,213	717,792
4,642,544	6,111,183	3,919,273	3,441,710	8,379,401	2,552,259
<u>5,976,606</u>	<u>3,501,963</u>	<u>7,768,712</u>	<u>7,021,544</u>	<u>10,807,450</u>	<u>7,764,263</u>
<u>\$18,540,734</u>	<u>\$17,144,010</u>	<u>\$18,842,633</u>	<u>\$17,058,472</u>	<u>\$25,731,415</u>	<u>\$15,702,478</u>

See accompanying independent auditor's report.

**City of Waukee, Iowa**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended June 30, 2017**

<u>Federal Grantor Pass-Through Grantor/Program Title</u>	<u>Federal CFDA number</u>	<u>Agency or Pass-through Number</u>	<u>Federal expenditures</u>
<b>Direct Federal Awards</b>			
<b>U.S. Department of Justice</b>			
Bulletproof Vest Partnership Program	16.607		\$ <u>689</u>
<b>Indirect Federal Awards</b>			
<b>U.S. Department of Transportation</b>			
Iowa Department of Transportation Highway Planning and Construction	20.205	STP-U-8177(619) -- 70-25	944,387
<b>U.S. Department of Homeland Security</b>			
Iowa Department of Homeland Security and Emergency Management Disaster Grants – Public Assistance (Presidentially Declared Disasters) Total Indirect Federal Awards	97.036	FEMA-4234-DRIA	<u>164,585</u> <u>1,108,972</u>
Total Federal Awards			<u>\$1,109,661</u>

**NOTE A BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City it is not intended to and does not present the financial position, change in net position, or cash flows of the City.

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected to use the 10% de minimus indirect costs rate as allowed under the Uniform Guidance.



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

Honorable Mayor and  
Members of the City Council  
Waukee, Iowa

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Waukee, Iowa (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 16, 2017.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2017-001. In addition, we noted certain immaterial instances of noncompliance or other matters which are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

### **Purpose of this Report**

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

  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
November 16, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY THE UNIFORM GUIDANCE**

Honorable Mayor and  
Members of City Council  
Waukee, Iowa

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

We have audited the City of Waukee, Iowa's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2017. The City's major federal program is identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the City of Waukee, Iowa complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

## Report on Internal Control Over Compliance

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

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

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

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

  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
November 16, 2017



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**City of Waukee, Iowa**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year ended June 30, 2017**

**SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS**

Financial Statements

- (a) The auditor's report expresses an unmodified opinion on whether the financial statements of the City of Waukee, Iowa, were prepared in accordance with accounting principles generally accepted in the United States of America.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements. No material weaknesses were reported.
- (c) An instance of noncompliance material to the financial statements of the City of Waukee, Iowa was disclosed during the audit.

Federal Awards

- (d) No significant deficiencies or material weaknesses in internal controls over the major federal award program were reported.
- (e) The auditor's report on compliance for the major program expresses an unmodified opinion.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Uniform Guidance section 200.515.
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used for distinguishing between Types A and B programs was \$750,000.
- (i) The City of Waukee did not qualify as a low-risk auditee.

City of Waukee, Iowa  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)  
Year ended June 30, 2017

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**INTERNAL CONTROL DEFICIENCIES**

**2017-001 Compliance with Bond Reserve Requirements**

**Conditions**

The City was not in compliance with the bond reserve requirements of the Sanitary Sewer Revenue Capital Loan Notes Series 2016C.

**Criteria**

The revenue note requires the City to transfer funds equal to 125% of the average aggregate debt service of the notes and parity obligations of the Sanitary Sewer Fund into a separate bond reserve account.

**Cause**

City staff did not make the requisite transfer of funds to comply with the bond reserve requirement. The City does not perform an independent review of bond compliance requirements.

**Effect**

The City was not in compliance with the bond reserve requirements. The City's financial statements understated restricted cash balances and overstated unrestricted cash balances.

**Recommendation**

The City should review procedures to ensure an independent review of bond requirements is performed subsequent to the issuance of each bond.

**Views of Responsible Officials**

The City will make the requisite transfer of funds to comply with the bond reserve requirements. The City will review internal practices to ensure an independent review of bond compliance requirements is performed.

**Conclusion**

Response accepted.

**INSTANCES OF NONCOMPLIANCE**

Item 2017-001, as discussed above, is considered to be both an internal control deficiency and an instance of noncompliance.

City of Waukee, Iowa  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)  
Year ended June 30, 2017

**SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**INTERNAL CONTROL DEFICIENCIES**

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

**INSTANCES OF NONCOMPLIANCE**

No matters were noted.

**City of Waukee, Iowa**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**Year ended June 30, 2017**

**SECTION IV—OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING**

**IV-A-17 CERTIFIED BUDGET**

Disbursements during the year ended June 30, 2017 exceeded the amounts budgeted in the community and economic development function. In addition, disbursements in the debt service function exceeded amounts budgeted prior to the budget being amended in May, 2017. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

**Recommendation**

The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

**Response**

The budget will be amended in the future, as applicable.

**Conclusion**

Response accepted.

**IV-B-17 QUESTIONABLE EXPENDITURES**

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

**IV-C-17 TRAVEL EXPENSE**

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

**IV-D-17 BUSINESS TRANSACTIONS**

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

**IV-E-17 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 ensure that the coverage is adequate for current operations.

**IV-F-17 COUNCIL MINUTES**

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

City of Waukee, Iowa  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)  
Year ended June 30, 2017

**SECTION IV—OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING (continued)**

**IV-G-17 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-H-17 ANNUAL URBAN RENEWAL REPORT**

The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1.

**IV-I-17 DEFICIT FUND BALANCE**

The Road Use Tax Fund had a deficit fund balance of \$141,274 at June 30, 2017.

**Recommendation**

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

**Response**

The deficit balance is the result of increased expenditures in anticipation of revenue increases from updated census data which will be realized by the City in future fiscal years.

**Conclusion**

Response accepted.