

City of Waukee, Iowa

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

June 30, 2018

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City of Waukee, Iowa
OFFICIALS

Before January 2018

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

After January 2018

	<u>Term expires</u>
MAYOR AND MEMBERS OF CITY COUNCIL	
William Peard, Mayor	January 2020
Rachelle Hughes, Council Member	January 2020
Courtney Clarke, Council Member	January 2022
Larry Lyon, Council Member	January 2020
Anna Bergman, Council Member	January 2022
Charlie Bottenberg, Council Member	January 2022
CITY ADMINISTRATOR	
Tim Moerman	Indefinite
CITY CLERK	
Rebecca D. Schuett	Indefinite
DIRECTOR OF FINANCE	
Linda Burkhart	Indefinite
CITY ATTORNEY	
Steven P. Brick	January 2019



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, 2018, 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, 2018, and the respective changes in its financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the financial statements, the City adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of changes in the City's total OPEB liability, related ratios and notes, 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 56 through 64 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, 2017 (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 7, 2018 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 7, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Waukee provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- Revenues of the City's Governmental Funds increased 16.75 %, or \$ 3,455,653, from fiscal 2017 to fiscal 2018. Property and other City Taxes increased \$ 1,974,037, Tax Increment Financing increased \$ 135,347, Licenses and Permits decreased \$ 307,214, Intergovernmental increased \$ 1,671,142, Charges for Services increased \$ 6,673, Use of Money/Property increased \$199,916 and Miscellaneous decreased \$ 224,248.
- Program expenditures of the City's Governmental Funds increased 48.66 %, or \$ 14,598,960 in fiscal 2018 from fiscal 2017. Public Safety expenses increased \$ 604,213, Community and Economic Development increased \$ 181,030, Culture and Recreation increased \$ 201,309, Public Works decreased \$ 61,898, General Government increased \$ 255,452, Debt Service decreased \$ 1,703,189 and Capital Projects increased \$ 15,121,343.
- The City has a net position of \$ 186,595,756 on June 30, 2018 as compared to \$ 170,071,178 on June 30, 2017. Of this amount, the net position of the Governmental Activities was \$ 122,726,022 and the net position of the Business Type Activities was \$ 63,869,734.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year, the City's proportionate share of net pension liability and related contributions, as well as presenting the schedule of changes in the City's OPEB liability, related ratios and notes.

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Position at Year End						
	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
		(not restated)		(not restated)		(not restated)
Current and Other Assets	\$59,487,483	\$ 51,365,630	\$23,849,420	\$ 15,691,377	\$83,336,903	\$ 67,057,007
Capital Assets	160,538,037	140,836,978	66,528,570	53,693,742	227,066,607	194,530,720
Total Assets	<u>220,025,520</u>	<u>192,202,608</u>	<u>90,377,990</u>	<u>69,385,119</u>	<u>310,403,510</u>	<u>261,587,727</u>
Deferred Outflows of Resources	1,793,966	1,510,012	393,784	331,288	2,187,750	1,841,300
Non-Current Liabilities	71,513,848	57,176,093	23,748,534	9,938,088	95,262,382	67,114,181
Current Liabilities	9,764,561	7,747,123	3,112,626	2,683,225	12,877,187	10,430,348
Total Liabilities	<u>81,278,409</u>	<u>64,923,216</u>	<u>26,861,160</u>	<u>12,621,313</u>	<u>108,139,569</u>	<u>77,544,529</u>
Deferred Inflows of Resources	17,815,055	15,796,510	40,880	16,810	17,855,935	15,813,320
Net Assets:						
Net investment in Capital Assets	111,034,371	102,028,507	47,877,027	44,742,913	158,911,398	146,771,420
Restricted	9,191,198	6,748,446	419,252	231,413	9,610,450	6,979,859
Unrestricted	<u>2,500,453</u>	<u>4,215,941</u>	<u>15,573,455</u>	<u>12,103,958</u>	<u>18,073,908</u>	<u>16,319,899</u>
Total Net Position	<u>\$ 122,726,022</u>	<u>\$ 112,992,894</u>	<u>\$ 63,869,734</u>	<u>\$ 57,078,284</u>	<u>\$ 186,595,756</u>	<u>\$ 170,071,178</u>

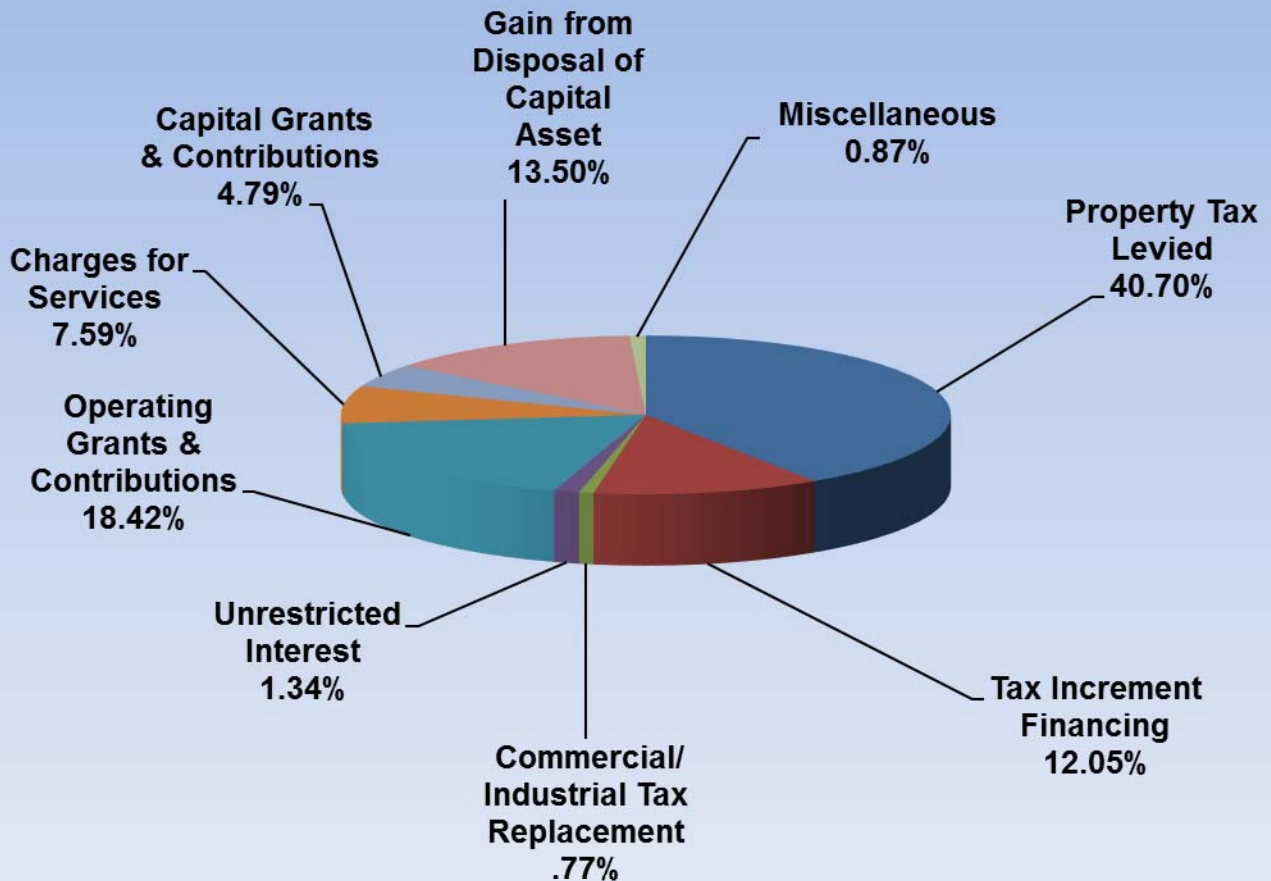
Prior to restatement, net position of governmental activities increased \$ 10,138,822, or 8.97%, over fiscal year 2017. Net position of business type activities increased \$ 6,747,379, or 11.82%, over fiscal year 2017. The largest portion of the City's net position is the investment in capital assets (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 \$ 18,073,908 at the end of this year.

Changes in Net Position for the Year Ended June 30, 2018

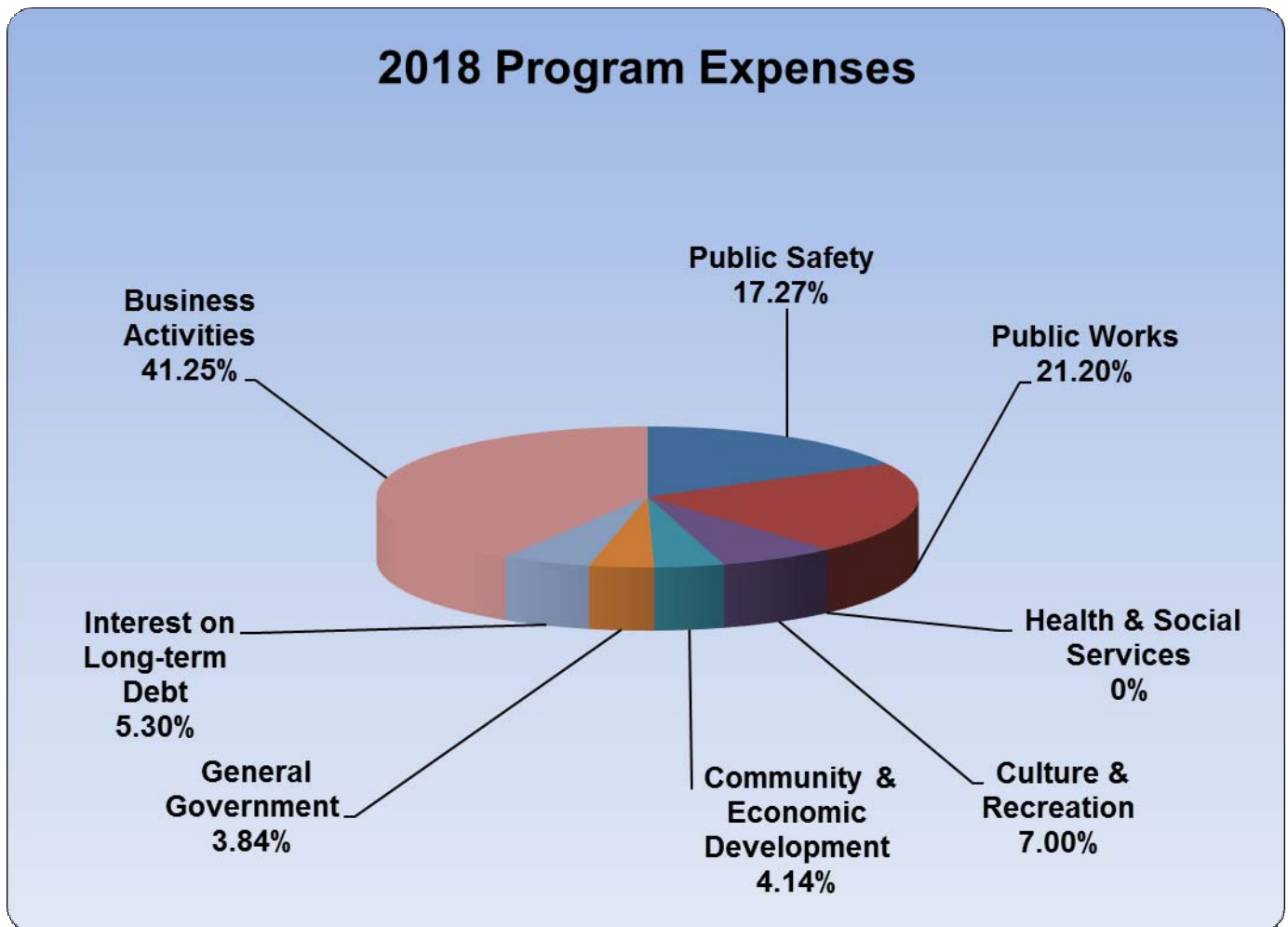
	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:		(not restated)		(not restated)		(not restated)
Property Tax Levied and Other City Tax	\$ 11,994,930	\$ 10,020,893	\$ -	\$ -	\$ 11,994,930	\$ 10,020,893
Tax Increment Financing	3,549,942	3,414,595	-	-	3,549,942	3,414,595
Commercial/Industrial Tax Replacement	226,258	219,822	-	-	226,258	219,822
Unrestricted Interest	393,568	197,423	221,844	108,440	615,412	305,863
Operating Grants and Contributions	5,428,263	3,978,072	-	-	5,428,263	3,978,072
Charges for Services	2,235,366	2,505,488	21,072,018	18,139,322	23,307,384	20,644,810
Capital Grants and Contributions	1,410,212	3,561,867	-	-	1,410,212	3,561,867
Gain from Disposal Capital Assets	3,977,080	-	35,853	-	4,012,933	-
Miscellaneous	255,234	1,178,397	200,332	570,432	455,566	1,748,829
Total Revenues	29,470,853	25,076,557	21,530,047	18,818,194	51,000,900	43,894,751
Transfers	709,471	709,422	(709,471)	(709,422)	-	-
Total Revenues and Transfers	\$ 30,180,324	\$ 25,785,979	\$ 20,820,576	\$ 18,108,772	\$ 51,000,900	\$ 43,894,751

Total Revenues and Transfers

2018 Program Revenues



	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program Expenses		(not restated)		(not restated)		(not restated)
Public Safety	\$ 5,890,603	\$ 5,185,820	\$ -	\$ -	\$ 5,890,603	\$ 5,185,820
Public Works	7,232,422	6,879,021	-	-	7,232,422	6,879,021
Health and Social Services	700	-	-	-	700	-
Culture and Recreation	2,386,942	2,143,529	-	-	2,386,942	2,143,529
Community and Economic Development	1,412,314	1,220,343	-	-	1,412,314	1,220,343
General Government	1,310,342	979,503	-	-	1,310,342	979,503
Interest on Long-Term Debt	1,808,179	1,569,190	-	-	1,808,179	1,569,190
Business Type Activities	-	-	14,073,197	12,041,728	14,073,197	12,041,728
Total Expenses	20,041,502	17,977,406	14,073,197	12,041,728	34,114,699	30,019,134
Increase in Net Position	10,138,822	7,808,573	6,747,379	6,067,044	16,886,201	13,875,617
Net Position Beginning of Year, as restated	112,587,200	105,184,321	57,122,355	51,011,240	169,709,555	156,195,561
Net Position End of Year	\$ 122,726,022	\$ 112,992,894	\$ 63,869,734	\$ 57,078,284	\$ 186,595,756	\$ 170,071,178



The City maintained the \$ 13.50 property tax levy for FY18, while recognizing an increase of \$ 2,109,384 in property tax revenue due to increase in residential property valuation. Revenues for operating and capital grants, contributions restricted and unrestricted interest, decreased by \$ 391,915, charges for services increased by \$ 2,662,574, gain from disposal of capital assets increased \$ 4,012,933 and miscellaneous revenues decreased by \$ 1,293,263.

Overall revenues for governmental activities increased approximately \$ 4,394,300 from the prior year.

The cost of all governmental activities this year was approximately \$20 million compared to approximately \$18 million last year. However, as shown in the Statement of Activities on pages 17 and 18, the amount taxpayers ultimately financed for these activities was approximately (\$ 11) million as some of the cost was paid by those directly benefited from the programs (\$ 2,235,366) or by other governments and organizations which subsidized certain programs with grants and contributions (\$ 6,838,475).

Overall revenues for business type activities increased approximately \$ 2,711,900 over the prior year.

The cost of all business activities this year was approximately \$14.1 million compared to approximately \$ 12 million last year.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As the City of Waukee completed the year, its governmental funds reported a combined fund balance of \$ 38,774,716 at June 30, 2018, compared to \$ 32,889,510 combined fund balance at June 30, 2017, prior to restatement.

The General Fund showed a decrease of \$ 1,431,152 from the prior year to \$ 5,278,853.

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 2018 with a \$ 2,372,435 balance compared to the prior year ending balance of \$ 2,448,863.

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 2018 with a \$ 96,953 balance compared to the prior year ending balance of \$ 82,723. Transfers out to operating funds totaled \$ 1,802,000 in fiscal 2018.

The Debt Service Fund ended fiscal 2018 with a \$ 1,216,447 balance compared to the prior year ending balance of \$ 1,028,384. Bond principal and interest payments decreased by \$ 1,693,133 in fiscal 2018.

The Capital Projects Fund ended fiscal 2018 with a \$ 29,063,112 balance compared to the prior year ending balance of \$ 22,367,502.

Proprietary Fund Highlights

The Water Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal 2018 with a net position of \$19,563,983 compared to the prior year ending net position balance of \$ 18,046,005.

The Sewer Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal 2018 with a net position of \$ 28,347,399, compared to the prior year ending net position balance of \$ 25,016,450.

The Gas Fund, which accounts for the operations and maintenance of the City's gas utility, ended fiscal 2018 with a \$ 13,020,723 net position balance, compared to the prior year ending net position balance of \$ 11,298,959.

The Golf Course Fund, which accounts for the operations and maintenance of the City's municipal golf course, ended fiscal 2018 with a net position of \$ 467,272, compared to the prior year ending net position balance of \$ 457,110.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City of Waukee amended its budget once. This amendment was done in May 2018, 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, Capital Projects 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.

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 \$ 160,538,037 (net of accumulated depreciation) at June 30, 2018. Capital assets for business type activities totaled \$ 66,528,570 (net of accumulated depreciation) at June 30, 2018. 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 Traffic Signals at Hickman/Westgate, Phase 2 of Southfork Street Light Replacement, RRVT Trailhead Art project, SE Westown Parkway from Grand Prairie Pkwy to LA Grant, Grand Prairie Greenbelt and developer lane additions; continued construction of Esker Ridge/RISE project, Alice's Road Phase 4 & Phase 5 improvements, construction of a Dog Park, Heart of Warrior trail extension, Windfield/High School trail connection, Little Walnut Creek Road paving, Golf Course replacement water source 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 the Waco Place water main extension, completion of several sewer projects including Rehab Phase 2, Fox Creek Phase 3, NW Area Phase 1 and the SW Area trunk projects, Southfork Dam Stabilization; continued construction on several major sewer projects including, South Outfall, Little Walnut Creek Trunk, Fox Creek phase 2, NW Area phase 2 & 3/Copeland, and water projects including I80 West Industrial extension and NW Water phase 1 & 2 extension, and one gas project to relocate the main along the Alice's Road corridor in conjunction with the paving project, as well as engineering for sewer expansion projects.

Construction in progress at June 30, 2018 for the City consists primarily of the Alice's Road Widening Phase 4 & Phase 5 projects, Broderick Rec Complex planning, and planning & engineering for Ashworth Road improvements, 10th Street Realignment, a Dog Park, and the Walnut Creek Drive Paving project.

Long-Term Debt

At June 30, 2018, the City had \$ 71,513,848 in total non-current debt outstanding for governmental activities. Total non-current debt outstanding for business type activities was \$ 23,748,534 at June 30, 2018. During the year ended June 30, 2018, the City issued \$19,775,000 in general obligation bonds and \$ 15,017,027 in revenue bonds.

The City maintained their general obligation bond rating of Aa2, assigned by national rating agency, Moody's Investors Services, on April 10, 2018. 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 \$ 72,423,137 or 79%, is below its constitutional debt limit of \$ 92,216,747. 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 2019 budget. The City of Waukee will experience a significant increase in General Fund revenues and expenditures from fiscal 2018 to fiscal 2019. The major factors that will play a role in this change are the increase in property tax revenues from increased valuations for fiscal 2019, and the new revenue generated by the Local Sales Tax approved by voters in November 2017.

The General Fund is projected to end fiscal 2019 with a fund balance of approximately \$ 5,655,600, or a planned increase of \$ 376,760 from fiscal 2018. The tax levy rates per \$1,000 of taxable valuation for fiscal 2019 were reduced by \$0.10 and are provided below:

General levy	\$8.00
Debt Service levy	3.32
Employee Benefits Levy	<u>2.08</u>
Total	<u>\$13.40</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, 2018

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Current assets			
Cash and investments	\$ 39,939,611	\$ 21,053,531	\$ 60,993,142
Receivables			
Property tax			
Delinquent	25,883	-	25,883
Succeeding year	17,366,185	-	17,366,185
Special assessments	291,720	25,716	317,436
Customer accounts	-	1,477,797	1,477,797
Other	287,764	-	287,764
Due from other governments	697,710	-	697,710
Internal balances	730,998	(730,998)	-
Inventories	147,612	246,848	394,460
Total unrestricted current assets	<u>59,487,483</u>	<u>22,072,894</u>	<u>81,560,377</u>
Restricted assets – cash and investments	<u>-</u>	<u>1,776,526</u>	<u>1,776,526</u>
Noncurrent assets			
Capital assets, net of accumulated depreciation	160,538,037	66,528,570	227,066,607
Total assets	<u>220,025,520</u>	<u>90,377,990</u>	<u>310,403,510</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	1,767,885	383,572	2,151,457
OPEB related deferred outflows	26,081	10,212	36,293
Total deferred outflows of resources	<u>1,793,966</u>	<u>393,784</u>	<u>2,187,750</u>
LIABILITIES			
Current liabilities			
Accounts payable	2,927,198	1,354,115	4,281,313
Accrued interest payable	185,000	63,256	248,256
Customer deposits payable	-	264,544	264,544
Compensated absences	63,271	57,693	120,964
General obligation bonds/notes	6,383,092	-	6,383,092
Tax increment financing (TIF) bonds	160,000	-	160,000
Special assessment notes payable	46,000	-	46,000
Revenue notes payable	-	1,373,018	1,373,018
Total current liabilities	<u>9,764,561</u>	<u>3,112,626</u>	<u>12,877,187</u>
Noncurrent liabilities			
Compensated absences	269,408	-	269,408
General obligation bonds/notes, net	67,092,107	-	67,092,107
Tax increment financing (TIF) bonds	345,000	-	345,000
Revenue notes payable, net	-	22,872,116	22,872,116
Net OPEB liability	288,451	112,940	401,391
Net pension liability	3,518,882	763,478	4,282,360
Total noncurrent liabilities	<u>71,513,848</u>	<u>23,748,534</u>	<u>95,262,382</u>
Total liabilities	<u>81,278,409</u>	<u>26,861,160</u>	<u>108,139,569</u>

See Notes to Financial Statements.

City of Waukee, Iowa
STATEMENT OF NET POSITION (continued)
June 30, 2018

	Primary Government		
	Governmental Activities	Business Type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues			
Succeeding year property taxes	17,366,185	–	17,366,185
Special assessments	291,720	–	291,720
Pension related deferred inflows	118,290	25,665	143,955
OPEB related deferred inflows	<u>38,860</u>	<u>15,215</u>	<u>54,075</u>
Total deferred inflows of resources	<u>17,815,055</u>	<u>40,880</u>	<u>17,855,935</u>
NET POSITION			
Net investment in capital assets	111,034,371	47,877,027	158,911,398
Restricted for			
Debt service	1,314,995	419,252	1,734,247
Other purposes	7,876,203	–	7,876,203
Unrestricted	<u>2,500,453</u>	<u>15,573,455</u>	<u>18,073,908</u>
Total net position	<u>\$122,726,022</u>	<u>\$ 63,869,734</u>	<u>\$186,595,756</u>

City of Waukee, Iowa
STATEMENT OF ACTIVITIES
Year ended June 30, 2018

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS			
Primary Government			
Governmental activities			
Public safety	\$ 5,890,603	\$ 1,368,522	\$ -
Public works	7,232,422	439,872	5,428,263
Health and human services	700	-	-
Culture and recreation	2,386,942	203,881	94,500
Community and economic development	1,412,314	-	-
General government	1,310,342	223,091	-
Interest on long-term debt	1,808,179	-	-
Total governmental activities	<u>20,041,502</u>	<u>2,235,366</u>	<u>5,428,263</u>
Business-type activities			
Water	3,470,940	5,115,805	-
Sewer	2,320,471	5,649,536	-
Gas	5,622,668	7,360,721	-
Golf	552,998	533,973	-
Other	2,106,120	2,411,983	-
Total business-type activities	<u>14,073,197</u>	<u>21,072,018</u>	<u>-</u>
Total Primary Government	<u>\$34,114,699</u>	<u>\$23,307,384</u>	<u>\$5,428,263</u>
		<u>\$1,410,212</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
 Gain from disposal of capital assets
 Miscellaneous

TRANSFERS

Total general revenues and transfers

CHANGE IN NET POSITION

NET POSITION BEGINNING OF YEAR

(as restated)

NET POSITION END OF YEAR

Net Revenue (Expense) and Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (4,522,081)	\$ —	\$ (4,522,081)
(48,575)	—	(48,575)
(700)	—	(700)
(2,088,561)	—	(2,088,561)
(1,412,314)	—	(1,412,314)
(1,087,251)	—	(1,087,251)
<u>(1,808,179)</u>	<u>—</u>	<u>(1,808,179)</u>
<u>(10,967,661)</u>	<u>—</u>	<u>(10,967,661)</u>
—	1,644,865	1,644,865
—	3,329,065	3,329,065
—	1,738,053	1,738,053
—	(19,025)	(19,025)
—	<u>305,863</u>	<u>305,863</u>
—	<u>6,998,821</u>	<u>6,998,821</u>
(10,967,661)	6,998,821	(3,968,840)
6,954,362	—	6,954,362
3,272,991	—	3,272,991
1,767,577	—	1,767,577
3,549,942	—	3,549,942
226,258	—	226,258
393,568	221,844	615,412
3,977,080	35,853	4,012,933
255,234	200,332	455,566
<u>709,471</u>	<u>(709,471)</u>	<u>—</u>
<u>21,106,483</u>	<u>(251,442)</u>	<u>20,855,041</u>
10,138,822	6,747,379	16,886,201
<u>112,587,200</u>	<u>57,122,355</u>	<u>169,709,555</u>
<u>\$122,726,022</u>	<u>\$63,869,734</u>	<u>\$186,595,756</u>

See Notes to Financial Statements.

**City of Waukee, Iowa
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018**

	<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>		
ASSETS							
Cash and investments	\$ 4,831,567	\$30,528,911	\$1,211,649	\$2,363,717	\$ 94,780	\$ 781,323	\$39,811,947
Receivables							
Property tax							
Delinquent	8,460	—	4,798	10,452	2,173	—	25,883
Succeeding year	7,596,904	—	3,672,661	4,124,530	1,972,090	—	17,366,185
Special assessments	—	—	—	—	—	291,720	291,720
Other	287,631	—	—	—	—	133	287,764
Due from other funds	730,998	—	—	—	—	—	730,998
Due from other governments	—	697,710	—	—	—	—	697,710
Inventory	122,110	—	—	—	—	25,502	147,612
Total assets	<u>\$13,577,670</u>	<u>\$31,226,621</u>	<u>\$4,889,108</u>	<u>\$6,498,699</u>	<u>\$2,069,043</u>	<u>\$1,098,678</u>	<u>\$59,359,819</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 701,913	\$ 2,163,509	\$ —	\$ 1,734	\$ —	\$ 60,042	\$ 2,927,198
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues							
Succeeding year property tax	7,596,904	—	3,672,661	4,124,530	1,972,090	—	17,366,185
Special assessments	—	—	—	—	—	291,720	291,720
Total deferred inflows of resources	<u>7,596,904</u>	<u>—</u>	<u>3,672,661</u>	<u>4,124,530</u>	<u>1,972,090</u>	<u>291,720</u>	<u>17,657,905</u>
FUND BALANCES							
Nonspendable	768,108	—	—	—	—	25,502	793,610
Restricted for							
Capital projects	—	29,063,112	—	—	—	—	29,063,112
Debt service	—	—	1,216,447	—	—	98,548	1,314,995
Urban renewal and development	—	—	—	2,372,435	—	—	2,372,435
Other purposes	243,370	—	—	—	96,953	622,866	963,189
Committed	522,191	—	—	—	—	—	522,191
Unassigned	3,745,184	—	—	—	—	—	3,745,184
Total fund balances	<u>5,278,853</u>	<u>29,063,112</u>	<u>1,216,447</u>	<u>2,372,435</u>	<u>96,953</u>	<u>746,916</u>	<u>38,774,716</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$13,577,670</u>	<u>\$31,226,621</u>	<u>\$4,889,108</u>	<u>\$6,498,699</u>	<u>\$2,069,043</u>	<u>\$1,098,678</u>	<u>\$59,359,819</u>

See Notes to Financial Statements.

City of Waukee
RECONCILIATION OF THE BALANCE SHEET—
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2018

Total governmental fund balances		\$ 38,774,716
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		160,538,037
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.		(78,351,211)
Pension and OPEB 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	1,793,966	
Deferred inflows of resources	<u>(157,150)</u>	1,636,816
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>127,664</u>
Net position of governmental activities		<u><u>\$122,726,022</u></u>

City of Waukee, Iowa
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended June 30, 2018

	<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>		
REVENUES							
Property tax	\$ 6,894,962	\$ -	\$3,272,991	\$ -	\$1,767,577	\$ -	\$11,935,530
Tax increment financing	-	-	-	3,549,942	-	-	3,549,942
Other city tax	596	3,292	-	-	-	55,512	59,400
Licenses and permits	1,267,487	14,650	-	-	-	5,319	1,287,456
Use of money and property	225,077	194,780	12,038	60,256	15,247	17,733	525,131
Intergovernmental	396,943	3,138,658	54,375	8,283	33,406	2,289,605	5,921,270
Charges for services	542,749	-	-	-	-	3,925	546,674
Miscellaneous	130,686	-	-	-	-	124,547	255,233
Total revenues	<u>9,458,500</u>	<u>3,351,380</u>	<u>3,339,404</u>	<u>3,618,481</u>	<u>1,816,230</u>	<u>2,496,641</u>	<u>24,080,636</u>
EXPENDITURES							
Operating							
Public safety	5,442,783	-	-	-	-	785	5,443,568
Public works	486,146	-	-	-	-	1,449,257	1,935,403
Health and social services	700	-	-	-	-	-	700
Culture and recreation	1,975,248	-	-	-	-	64,378	2,039,626
Community and economic development	815,166	-	-	572,296	-	-	1,387,462
General government	1,074,305	-	-	-	-	-	1,074,305
Debt service							
Principal	-	-	5,336,334	-	-	44,000	5,380,334
Interest	-	-	1,640,592	-	-	3,006	1,643,598
Bond issuance and other costs	-	196,701	6,499	-	-	-	203,200
Capital projects	<u>7,986,142</u>	<u>17,150,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>354,070</u>	<u>25,490,622</u>
Total expenditures	<u>17,780,490</u>	<u>17,347,111</u>	<u>6,983,425</u>	<u>572,296</u>	<u>-</u>	<u>1,915,496</u>	<u>44,598,818</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,321,990)</u>	<u>(13,995,731)</u>	<u>(3,644,021)</u>	<u>3,046,185</u>	<u>1,816,230</u>	<u>581,145</u>	<u>(20,518,182)</u>
OTHER FINANCING SOURCES (USES)							
Bond proceeds	-	19,775,000	-	-	-	-	19,775,000
Bond premium	-	916,341	-	-	-	-	916,341
Sale of capital assets	5,104,202	-	-	-	-	13,525	5,117,727
Operating transfers in	1,802,000	-	3,832,084	-	-	-	5,634,084
Operating transfers out	<u>(15,364)</u>	<u>-</u>	<u>-</u>	<u>(3,122,613)</u>	<u>(1,802,000)</u>	<u>-</u>	<u>(4,939,977)</u>
Total other financing sources (uses)	<u>6,890,838</u>	<u>20,691,341</u>	<u>3,832,084</u>	<u>(3,122,613)</u>	<u>(1,802,000)</u>	<u>13,525</u>	<u>26,503,175</u>
CHANGE IN FUND BALANCES	(1,431,152)	6,695,610	188,063	(76,428)	14,230	594,670	5,984,993
FUND BALANCES, beginning, as restated	<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>152,246</u>	<u>32,789,723</u>
FUND BALANCES, ending	<u>\$ 5,278,853</u>	<u>\$29,063,112</u>	<u>\$1,216,447</u>	<u>\$2,372,435</u>	<u>\$ 96,953</u>	<u>\$ 746,916</u>	<u>\$38,774,716</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, 2018

Change in fund balances—Total governmental funds **\$ 5,984,993**

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

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	\$26,841,261	
Depreciation expense	<u>(5,999,554)</u>	20,841,707

Governmental funds do not report capital assets and therefore do not report gains or losses on the disposal of those assets (1,140,647)

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	(19,775,000)	
Repaid	<u>5,380,334</u>	(14,394,666)

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. (830,722)

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. 527,023

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	(83,841)	
Other postemployment benefits	(31,377)	
Pension expense	(704,936)	
Interest on long-term debt	<u>(47,000)</u>	(867,154)

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. 18,288

Change in net position of governmental activities **\$10,138,822**

City of Waukee, Iowa
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Enterprise Funds						Internal Service Fund
	Water	Sewer	Gas	Golf	Nonmajor Funds	Total	Equipment Revolving
ASSETS							
Current assets							
Cash and investments	\$ 7,909,848	\$ 8,189,174	\$ 3,378,691	\$ -	\$ 1,474,634	\$20,952,347	\$ 228,848
Receivables, net of allowances							
Customer accounts	608,215	536,531	144,212	-	188,839	1,477,797	-
Special assessments	-	25,716	-	-	-	25,716	-
Due from other funds	100,000	-	-	-	-	100,000	-
Inventories	<u>72,848</u>	<u>-</u>	<u>158,139</u>	<u>15,861</u>	<u>-</u>	<u>246,848</u>	<u>-</u>
Total current assets	<u>8,690,911</u>	<u>8,751,421</u>	<u>3,681,042</u>	<u>15,861</u>	<u>1,663,473</u>	<u>22,802,708</u>	<u>228,848</u>
Noncurrent assets							
Restricted assets – cash and investments							
Customer deposits	154,394	-	110,150	-	-	264,544	-
Revenue note and interest sinking account	27,973	135,145	36,993	8,403	73,480	281,994	-
Revenue note reserve account	613,555	559,091	-	57,342	-	1,229,988	-
Capital assets, net of accumulated depreciation	<u>17,206,423</u>	<u>35,130,148</u>	<u>11,129,266</u>	<u>1,729,620</u>	<u>1,333,113</u>	<u>66,528,570</u>	<u>-</u>
Total noncurrent assets	<u>18,002,345</u>	<u>35,824,384</u>	<u>11,276,409</u>	<u>1,795,365</u>	<u>1,406,593</u>	<u>68,305,096</u>	<u>-</u>
Total assets	<u>26,693,256</u>	<u>44,575,805</u>	<u>14,957,451</u>	<u>1,811,226</u>	<u>3,070,066</u>	<u>91,107,804</u>	<u>228,848</u>
DEFERRED OUTFLOWS OF RESOURCES							
Pension related deferred outflows	69,334	86,767	108,343	42,246	76,882	383,572	-
OPEB related deferred outflows	<u>2,420</u>	<u>2,459</u>	<u>2,888</u>	<u>698</u>	<u>1,747</u>	<u>10,212</u>	<u>-</u>
Total deferred outflows of resources	<u>71,754</u>	<u>89,226</u>	<u>111,231</u>	<u>42,944</u>	<u>78,629</u>	<u>393,784</u>	<u>-</u>
LIABILITIES							
Current liabilities							
Accounts payable	269,993	913,484	83,676	21,339	65,623	1,354,115	-
Compensated absences	14,334	10,000	19,457	827	13,075	57,693	-
Due to other funds	-	-	-	830,998	-	830,998	-
Customer deposits payable	154,394	-	110,150	-	-	264,544	-
Revenue notes payable	325,000	555,000	377,000	56,018	60,000	1,373,018	-
Interest payable	<u>16,969</u>	<u>40,758</u>	<u>3,537</u>	<u>1,272</u>	<u>720</u>	<u>63,256</u>	<u>-</u>
Total current liabilities	<u>780,690</u>	<u>1,519,242</u>	<u>593,820</u>	<u>910,454</u>	<u>139,418</u>	<u>3,943,624</u>	<u>-</u>
Noncurrent liabilities							
Revenue notes payable, net	6,247,320	14,589,025	1,195,000	380,771	460,000	22,872,116	-
Net OPEB liability	26,767	27,191	31,937	7,717	19,328	112,940	-
Net pension liability	<u>138,005</u>	<u>172,705</u>	<u>215,651</u>	<u>84,089</u>	<u>153,028</u>	<u>763,478</u>	<u>-</u>
Total noncurrent liabilities	<u>6,412,092</u>	<u>14,788,921</u>	<u>1,442,588</u>	<u>472,577</u>	<u>632,356</u>	<u>23,748,534</u>	<u>-</u>
Total liabilities	<u>7,192,782</u>	<u>16,308,163</u>	<u>2,036,408</u>	<u>1,383,031</u>	<u>771,774</u>	<u>27,692,158</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues							
Pension related deferred inflows	4,639	5,806	7,249	2,827	5,144	25,665	-
OPEB related deferred inflows	<u>3,606</u>	<u>3,663</u>	<u>4,302</u>	<u>1,040</u>	<u>2,604</u>	<u>15,215</u>	<u>-</u>
Total deferred inflows of resources	<u>8,245</u>	<u>9,469</u>	<u>11,551</u>	<u>3,867</u>	<u>7,748</u>	<u>40,880</u>	<u>-</u>
NET POSITION							
Net investment in capital assets	12,229,344	23,776,712	9,557,266	1,292,831	1,020,874	47,877,027	-
Restricted for bond retirement	299,559	98,478	-	8,455	12,760	419,252	-
Unrestricted	<u>7,035,080</u>	<u>4,472,209</u>	<u>3,463,457</u>	<u>(834,014)</u>	<u>1,335,539</u>	<u>15,472,271</u>	<u>228,848</u>
Total net position	<u>\$19,563,983</u>	<u>\$28,347,399</u>	<u>\$13,020,723</u>	<u>\$ 467,272</u>	<u>\$2,369,173</u>	63,768,550	<u>\$ 228,848</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

\$63,869,734

See Notes to Financial Statements.

City of Waukee, Iowa
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year ended June 30, 2018

	Enterprise Funds						Internal
	Water	Sewer	Gas	Golf	Nonmajor Funds	Total	Service Fund Equipment Revolving
OPERATING REVENUES							
Charges for service	\$ 5,115,805	\$ 5,649,536	\$ 7,360,721	\$ 533,973	\$2,411,983	\$21,072,018	\$ -
Miscellaneous	<u>17,842</u>	<u>675</u>	<u>28,975</u>	<u>23,547</u>	<u>57,530</u>	<u>128,569</u>	<u>-</u>
Total operating revenues	<u>5,133,647</u>	<u>5,650,211</u>	<u>7,389,696</u>	<u>557,520</u>	<u>2,469,513</u>	<u>21,200,587</u>	<u>-</u>
OPERATING EXPENSES							
Business type activities							
Cost of sales and services	2,680,302	1,391,980	5,204,602	487,942	2,026,044	11,790,870	-
Depreciation and amortization	<u>608,636</u>	<u>729,290</u>	<u>366,014</u>	<u>48,239</u>	<u>77,076</u>	<u>1,829,255</u>	<u>-</u>
Total operating expenses	<u>3,288,938</u>	<u>2,121,270</u>	<u>5,570,616</u>	<u>536,181</u>	<u>2,103,120</u>	<u>13,620,125</u>	<u>-</u>
Operating income	<u>1,844,709</u>	<u>3,528,941</u>	<u>1,819,080</u>	<u>21,339</u>	<u>366,393</u>	<u>7,580,462</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES)							
Interest income	81,854	73,667	43,273	-	23,050	221,844	2,924
Rental income	69,363	-	-	2,400	-	71,763	-
Gain on disposal of capital assets	16,881	11,222	7,750	-	-	35,853	-
Interest expense and fiscal charges	<u>(182,002)</u>	<u>(199,201)</u>	<u>(52,052)</u>	<u>(16,817)</u>	<u>(3,000)</u>	<u>(453,072)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(13,904)</u>	<u>(114,312)</u>	<u>(1,029)</u>	<u>(14,417)</u>	<u>20,050</u>	<u>(123,612)</u>	<u>2,924</u>
Income before transfers	1,830,805	3,414,629	1,818,051	6,922	386,443	7,456,850	2,924
Transfers in (out)	<u>(323,373)</u>	<u>(94,335)</u>	<u>(109,632)</u>	<u>-</u>	<u>(182,131)</u>	<u>(709,471)</u>	<u>15,364</u>
CHANGE IN NET POSITION	1,507,432	3,320,294	1,708,419	6,922	204,312	6,747,379	18,288
NET POSITION, beginning, as restated	<u>18,056,551</u>	<u>25,027,105</u>	<u>11,312,304</u>	<u>460,350</u>	<u>2,164,861</u>	<u>57,021,171</u>	<u>210,560</u>
NET POSITION, ending	<u>\$19,563,983</u>	<u>\$28,347,399</u>	<u>\$13,020,723</u>	<u>\$ 467,272</u>	<u>\$2,369,173</u>	<u>\$63,768,550</u>	<u>\$ 228,848</u>

See Notes to Financial Statements.

City of Waukee, Iowa
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2018

	Enterprise Funds						Internal
	Water	Sewer	Gas	Golf	Nonmajor Funds	Total	Service Fund Equipment Revolving
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers and users	\$5,222,111	\$ 5,615,422	\$7,360,646	\$ 533,973	\$2,387,640	\$21,119,792	\$ -
Cash received from other revenues	17,842	675	28,975	188,132	57,530	293,154	-
Cash paid for personal services	(761,272)	(780,003)	(909,513)	(220,777)	(546,235)	(3,217,800)	-
Cash paid to suppliers	(1,871,167)	(682,198)	(4,442,445)	(294,223)	(1,471,573)	(8,761,606)	-
Net cash provided by operating activities	<u>2,607,514</u>	<u>4,153,896</u>	<u>2,037,663</u>	<u>207,105</u>	<u>427,362</u>	<u>9,433,540</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Payments made on interfund accounts	-	-	-	(132,741)	-	(132,741)	-
Transfers to other funds	(323,373)	(94,335)	(109,632)	-	(182,131)	(709,471)	-
Transfers from other funds	-	-	-	-	-	-	15,364
Net cash provided by (used in) noncapital financing activities	<u>(323,373)</u>	<u>(94,335)</u>	<u>(109,632)</u>	<u>(132,741)</u>	<u>(182,131)</u>	<u>(842,212)</u>	<u>15,364</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	(1,882,249)	(10,650,215)	(1,522,577)	(5,483)	(373,508)	(14,434,032)	-
Proceeds from sale of capital assets	16,881	11,222	7,750	-	-	35,853	-
Principal paid on revenue notes	(220,000)	(283,000)	(368,000)	(53,904)	(60,000)	(984,904)	-
Interest and fiscal charges paid	(175,522)	(170,282)	(52,880)	(16,975)	(3,060)	(418,719)	-
Proceeds from bond issuance	<u>3,438,221</u>	<u>11,709,540</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,147,761</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>1,177,331</u>	<u>617,265</u>	<u>(1,935,707)</u>	<u>(76,362)</u>	<u>(436,568)</u>	<u>(654,041)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest on investments	81,854	73,667	43,273	-	23,050	221,844	2,924
Purchase of investments	(280,920)	-	-	-	-	(280,920)	-
Cash received from property rental	<u>69,363</u>	<u>-</u>	<u>-</u>	<u>2,400</u>	<u>-</u>	<u>71,763</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>(129,703)</u>	<u>73,667</u>	<u>43,273</u>	<u>2,400</u>	<u>23,050</u>	<u>12,687</u>	<u>2,924</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>3,331,769</u>	<u>4,750,493</u>	<u>35,597</u>	<u>402</u>	<u>(168,287)</u>	<u>7,949,974</u>	<u>18,288</u>
CASH AND CASH EQUIVALENTS, beginning	<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>
CASH AND CASH EQUIVALENTS, ending	<u>\$8,092,215</u>	<u>\$ 8,762,544</u>	<u>\$3,525,834</u>	<u>\$ 8,403</u>	<u>\$1,548,114</u>	<u>\$21,937,110</u>	<u>\$ 228,848</u>

See Notes to Financial Statements.

City of Waukee, Iowa
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
Year ended June 30, 2018

	<u>Enterprise Funds</u>					<u>Total</u>	<u>Internal Service Fund Equipment Revolving</u>
	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Golf</u>	<u>Nonmajor Funds</u>		
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES							
Operating income	\$1,844,709	\$3,528,941	\$1,819,080	\$ 21,339	\$ 366,393	\$ 7,580,462	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities							
Depreciation expense	608,636	729,290	366,014	48,239	77,076	1,829,255	-
Change in assets, deferred outflows, liabilities and deferred inflows							
Customer accounts receivable	106,306	(34,114)	(75)	-	(24,343)	47,774	-
Due from other governments	-	-	-	164,585	-	164,585	-
Inventories	25,970	-	(32,582)	(155)	-	(6,767)	-
Accounts payable, net of capital assets	(9,988)	(87,189)	(128,621)	(29,095)	(12,353)	(267,246)	-
Customer deposits	28,129	-	10,500	-	-	38,629	-
Compensated absences	1,453	(5,203)	513	(872)	4,513	404	-
Net pension liability	2,030	39,051	6,925	6,730	23,184	77,920	-
Deferred outflows of resources	(6,046)	(24,639)	(10,367)	(5,561)	(15,883)	(62,496)	-
Deferred inflows of resources	4,911	6,192	6,433	1,970	4,564	24,070	-
OPEB liability	1,404	1,567	(157)	(75)	4,211	6,950	-
Net cash provided by operating activities	<u>\$2,607,514</u>	<u>\$4,153,896</u>	<u>\$2,037,663</u>	<u>\$ 207,105</u>	<u>\$ 427,362</u>	<u>\$ 9,433,540</u>	<u>\$ -</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON THE STATEMENT OF NET POSITION							
Current assets							
Cash and investments	\$7,909,848	\$8,189,174	\$3,378,691	\$ -	\$1,474,634	\$20,952,347	\$ 228,848
Restricted assets – cash and investments							
Customer deposits	154,394	-	110,150	-	-	264,544	-
Revenue note and interest sinking account	27,973	135,145	36,993	8,403	73,480	281,994	-
Revenue note reserve account	613,555	559,091	-	57,342	-	1,229,988	-
	<u>8,705,770</u>	<u>8,883,410</u>	<u>3,525,834</u>	<u>65,745</u>	<u>1,548,114</u>	<u>22,728,873</u>	<u>228,848</u>
Less items not meeting the definition of cash equivalent							
Certificates of deposit	(613,555)	(120,866)	-	(57,342)	-	(791,763)	-
Cash and cash equivalents at year end	<u>\$8,092,215</u>	<u>\$8,762,544</u>	<u>\$3,525,834</u>	<u>\$ 8,403</u>	<u>\$1,548,114</u>	<u>\$21,937,110</u>	<u>\$ 228,848</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.

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 \$30,120,695.

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.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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.

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.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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.

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, 2018 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, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2017.

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, 2018, 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.

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.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

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. During the year ended June 30, 2018 the City capitalized the following interest payments:

Sanitary Sewer Fund	\$ 180,051
Water Fund	8,778
Storm Water Utility Fund	<u>3,900</u>
 Total	 \$ <u>192,729</u>

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

<u>Asset Class</u>	<u>Estimated useful lives</u>
Buildings	40-50 years
Improvements other than buildings	20-50 years
Vehicles	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, 2018. 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.

Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the City's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

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.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2018, disbursements exceeded the amount budgeted in the community and economic development function.

NOTE 2 CASH AND POOLED CASH INVESTMENTS

The City's deposits in banks at June 30, 2018 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 Public Library Foundation, a blended component unit of the City, holds endowment funds with the Community Foundation of Greater Des Moines totaling approximately \$140,000.

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:

	<u>Gross receivables</u>	<u>Allowance for collection losses</u>	<u>Net receivables</u>
Customer accounts			
Water fund	\$ 609,065	\$ 850	\$ 608,215
Sewer fund	536,931	400	536,531
Gas fund	145,962	1,750	144,212
Nonmajor proprietary funds	<u>188,839</u>	<u>—</u>	<u>188,839</u>
Totals	<u>\$1,480,797</u>	<u>\$ 3,000</u>	<u>\$1,477,797</u>
Other			
General fund	<u>\$ 334,631</u>	<u>\$ 47,000</u>	<u>\$ 287,631</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.

The City leases space on a water tower under two operating lease agreements expiring in March 2022 and September 2026. The leases call for annual payments of approximately \$30,000 and \$33,000, respectively, with annual 3% escalating increases.

The total minimum future lease payments receivable under the operating leases at June 30, 2018 are as follows:

<u>Year ending June 30</u>	<u>Office Space</u>	<u>Water Tower Space</u>	<u>Total</u>
2019	\$ 28,075	\$ 62,174	\$ 90,249
2020	28,075	64,039	92,114
2021	28,075	65,960	94,035
2022	4,679	67,939	72,618
2023	-	33,433	33,433
Thereafter	<u>-</u>	<u>106,440</u>	<u>106,440</u>
	<u>\$ 88,904</u>	<u>\$ 399,985</u>	<u>\$ 488,889</u>

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 was as follows:

	<u>Balance beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance end of year</u>
Primary Government				
Governmental activities				
Capital assets not being depreciated				
Land	\$ 11,802,528	\$ 7,667,275	\$ 1,140,647	\$ 18,329,156
Construction in progress	<u>14,154,001</u>	<u>16,533,052</u>	<u>13,061,352</u>	<u>17,625,701</u>
Total capital assets not being depreciated	<u>25,956,529</u>	<u>24,200,327</u>	<u>14,201,999</u>	<u>35,954,857</u>
Capital assets being depreciated				
Buildings	8,823,592	91,661	-	8,915,253
Improvements other than buildings	158,279,963	14,779,934	-	173,059,897
Equipment	<u>6,592,665</u>	<u>830,690</u>	<u>52,694</u>	<u>7,370,661</u>
Total capital assets being depreciated	<u>173,696,220</u>	<u>15,702,285</u>	<u>52,694</u>	<u>189,345,811</u>
Less accumulated depreciation for				
Buildings	3,060,643	277,069	-	3,337,712
Improvements other than buildings	51,609,625	5,199,675	-	56,809,300
Equipment	<u>4,145,503</u>	<u>522,810</u>	<u>52,694</u>	<u>4,615,619</u>
Total accumulated depreciation	<u>58,815,771</u>	<u>5,999,554</u>	<u>52,694</u>	<u>64,762,631</u>
Total capital assets being depreciated, net	<u>114,880,449</u>	<u>9,702,731</u>	<u>-</u>	<u>124,583,180</u>
Governmental activities capital assets, net	<u>\$140,836,978</u>	<u>\$33,903,058</u>	<u>\$14,201,999</u>	<u>\$160,538,037</u>
Business type activities				
Capital assets not being depreciated				
Land	\$ 1,226,032	\$ -	\$ -	\$ 1,226,032
Construction in progress	<u>6,374,542</u>	<u>11,754,987</u>	<u>4,653,450</u>	<u>13,476,079</u>
Total capital assets not being depreciated	<u>7,600,574</u>	<u>11,754,987</u>	<u>4,653,450</u>	<u>14,702,111</u>
Capital assets being depreciated				
Buildings	557,486	-	-	557,486
Equipment	4,159,164	535,119	100,191	4,594,092
Infrastructure	<u>61,554,770</u>	<u>7,027,427</u>	<u>-</u>	<u>68,582,197</u>
Total capital assets being depreciated	<u>66,271,420</u>	<u>7,562,546</u>	<u>100,191</u>	<u>73,733,775</u>
Less accumulated depreciation for				
Buildings	223,769	13,192	-	236,961
Equipment	2,755,817	283,896	100,191	2,939,522
Infrastructure	<u>17,198,666</u>	<u>1,532,167</u>	<u>-</u>	<u>18,730,833</u>
Total accumulated depreciation	<u>20,178,252</u>	<u>1,829,255</u>	<u>100,191</u>	<u>21,907,316</u>
Total capital assets being depreciated, net	<u>46,093,168</u>	<u>5,733,291</u>	<u>-</u>	<u>51,826,459</u>
Business type activities capital assets, net	<u>\$ 53,693,742</u>	<u>\$17,488,278</u>	<u>\$ 4,653,450</u>	<u>\$ 66,528,570</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	\$ 319,147
Public works	5,236,027
Culture and recreation	311,276
Community and economic development	804
General government	<u>132,300</u>
Total depreciation expense--governmental activities	<u>\$5,999,554</u>
Business type activities	
Water	\$ 608,636
Sewer	729,290
Gas	366,014
Storm water	77,076
Golf	<u>48,239</u>
Total depreciation expense--business type activities	<u>\$1,829,255</u>

NOTE 6 LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

	<u>Balance beginning of year</u> (As restated)	<u>Increases</u>	<u>Decreases</u>	<u>Balance end of year</u>	<u>Due within one year</u>
Governmental activities					
General obligation bonds/notes	\$58,050,812	\$20,691,341	\$ 5,266,954	\$73,475,199	(1) \$6,383,092
Urban Renewal Revenue bonds	660,000	-	155,000	505,000	160,000
Special assessment notes	90,000	-	44,000	46,000	46,000
Compensated absences	298,141	34,538	-	332,679	63,271
Net OPEB liability	269,853	18,598	-	288,451	-
Net pension liability	<u>3,124,774</u>	<u>394,108</u>	<u>-</u>	<u>3,518,882</u>	<u>-</u>
Totals	<u>\$62,493,580</u>	<u>\$21,138,585</u>	<u>\$ 5,465,954</u>	<u>\$78,166,211</u>	<u>\$6,652,363</u>
Business type activities					
Revenue bonds/notes	\$10,087,576	\$15,017,027	\$ 859,469	\$24,245,134	(2) \$1,373,018
Compensated absences	57,289	404	-	57,693	57,693
Net OPEB liability	105,990	6,950	-	112,940	-
Net pension liability	<u>685,558</u>	<u>77,920</u>	<u>-</u>	<u>763,478</u>	<u>-</u>
Totals	<u>\$10,936,413</u>	<u>\$15,102,301</u>	<u>\$ 859,469</u>	<u>\$25,179,245</u>	<u>\$1,430,711</u>

(1) Included in balance are unamortized bond premiums and discounts totaling \$2,006,388 and \$104,326, respectively at June 30, 2018.

(2) Included in balance are unamortized bond premiums and discounts totaling \$224,770 and \$20,452, respectively, at June 30, 2018.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM LIABILITIES (continued)

Bond/Note Issuance

Fourteen issues of unmatured general obligation bonds/notes, totaling \$71,573,137, are outstanding at June 30, 2018. General obligation bonds/notes bear interest at rates ranging from 1.0% to 5.0% and mature in varying annual amounts, ranging from \$63,092 to \$2,265,000, with the final maturities due in the year ending June 30, 2038.

One issue of unmatured Urban Renewal revenue notes, totaling \$505,000, is outstanding at June 30, 2018. The note bears interest at 3.6% to 3.9% and matures in annual amounts of \$160,000 to \$175,000, with final maturity due in the year ending June 30, 2021.

One issue of unmatured special assessment notes, totaling \$46,000, is outstanding at June 30, 2018. The note bears interest at 4.55% 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, 2018 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, 2018</u>
General Obligation Bonds and Notes						
Golf Course Refunding	February 19, 2016	2.75	June 1, 2020	\$ 63,092 - \$ 65,045	\$ 279,990	\$ 128,137
General Obligation 2010A	June 2, 2010	3.13-3.50	June 1, 2022	125,000 - 140,000	1,435,000	530,000
General Obligation 2010B	June 2, 2010	3.20-3.60	June 1, 2021	170,000 - 185,000	1,745,000	535,000
General Obligation 2012A	June 14, 2012	2.00	June 1, 2020	100,000 - 105,000	2,680,000	205,000
General Obligation 2012B	June 14, 2012	3.00	June 1, 2021	340,000 - 695,000	4,220,000	1,705,000
Urban Renewal 2012D	December 28, 2012	2.00	June 1, 2021	425,000 - 445,000	3,745,000	1,305,000
General Obligation 2013B	May 28, 2013	2.00-3.00	June 1, 2028	100,000 - 350,000	3,280,000	1,760,000
General Obligation Refunding 2013C	May 28, 2013	1.15-1.35	June 1, 2020	280,000 - 285,000	2,265,000	565,000
General Obligation 2013D	December 12, 2013	3.00-5.00	June 1, 2033	110,000 - 930,000	8,740,000	4,425,000
General Obligation 2014A	December 10, 2014	2.00-3.50	June 1, 2034	510,000 - 2,265,000	23,295,000	20,940,000
General Obligation 2015C	November 19, 2015	2.00-4.00	June 1, 2030	365,000 - 495,000	7,340,000	5,105,000
General Obligation Refunding 2016C	September 20, 2016	1.00-1.30	June 1, 2022	200,000 - 315,000	1,720,000	1,135,000
General Obligation 2017A	May 24, 2017	2.00-4.00	June 1, 2036	100,000 - 1,900,000	13,940,000	13,460,000
General Obligation 2018A	June 19, 2018	3.00-5.00	June 1, 2038	690,000 - 1,310,000	19,775,000	19,775,000
Revenue Bonds						
Urban Renewal 2010C	June 2, 2010	3.60-3.90	June 1, 2021	160,000 - 175,000	1,590,000	505,000
Special Assessment Notes						
Sewer Improvements	May 5, 2009	4.55	December 1, 2018	46,000	362,000	46,000

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 four percent of the tax increment revenues. The total principal and interest remaining to be paid on the notes is \$544,155. For the current year, \$179,315 of principal and interest was paid on the bonds and total tax increment revenues were \$3,618,481.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM LIABILITIES (continued)

The covenants providing for the issuance of the Urban Renewal 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 \$159,000.

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

<u>Year ending June 30</u>	<u>General Obligation</u>			<u>Special Assessment</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 6,383,092	\$ 2,242,520	\$ 8,625,612	\$ 46,000	\$ 1,046	\$ 47,046
2020	6,340,045	2,101,634	8,441,679	—	—	—
2021	6,260,000	1,918,093	8,178,093	—	—	—
2022	3,310,000	1,735,147	5,045,147	—	—	—
2023	3,185,000	1,632,897	4,817,897	—	—	—
2024-2028	16,990,000	6,467,188	23,457,188	—	—	—
2029-2033	18,570,000	3,560,949	22,130,949	—	—	—
2034-2038	<u>10,535,000</u>	<u>869,412</u>	<u>11,404,412</u>	—	—	—
Subtotal	71,573,137	20,527,840	92,100,977	46,000	1,046	47,046
Plus unamortized premium	<u>1,902,062</u>	—	<u>1,902,062</u>	—	—	—
Totals	<u>\$73,475,199</u>	<u>\$20,527,840</u>	<u>\$94,003,039</u>	<u>\$ 46,000</u>	<u>\$ 1,046</u>	<u>\$ 47,046</u>

<u>Year ending June 30</u>	<u>Revenue</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 505,000</u>	<u>\$ 39,155</u>	<u>\$ 544,155</u>

Ten issues of unamortized revenue notes, totaling \$24,040,816, are outstanding at June 30, 2018. These notes bear interest at rates ranging from 1.30% to 5.00% and mature in varying annual amounts, ranging from \$56,018 to \$809,000, with the final maturities due in the year ending June 30, 2038.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM LIABILITIES (continued)

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

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

During the year ended June 30, 2018, the City was in compliance with the revenue bond provisions.

The City has pledged future sewer, water, golf, and gas customer revenues, net of specified operating expenses, to repay the \$31,301,339 in revenue notes issued from 2012 to 2018. 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 2038. 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 \$30,215,144. For the current year, principal and interest paid and total customer net revenues were \$1,335,458 and \$7,496,745, respectively.

Details of revenue notes and bonds payable at June 30, 2018 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, 2018</u>
Revenue Notes and Bonds						
Water						
Revenue Capital Loan 2012C	September 5, 2012	2.00 - 4.10	June 1, 2032	\$110,000 - 185,000	\$2,625,000	\$2,005,000
Revenue Note Series 2015B	July 21, 2015	3.00	June 1, 2027	115,000 - 140,000	1,450,000	1,120,000
Revenue Note Series 2018B	June 19, 2018	3.00	June 1, 2038	100,000 - 265,000	3,410,000	3,410,000
Sewer						
Revenue Capital Loan 2013A	March 1, 2013	2.00 - 2.50	June 1, 2024	110,000 - 120,000	1,185,000	685,000
Revenue Capital Loan 2016C	December 20, 2016	3.00 - 3.125	June 1, 2036	100,000 - 205,000	2,685,000	2,685,000
Revenue Capital Loan 2018C	June 19, 2018	3.00 - 5.00	June 1, 2038	125,000 - 250,000	3,565,000	3,565,000
Capital Loan Note 2017	September 1, 2017	2.00	June 1, 2038	335,000 - 809,000	12,537,000	8,042,027
Golf Course						
Revenue refunding bond	February 19, 2016	3.50	December 1, 2020	56,018 - 322,567	572,339	436,789
Gas						
Revenue Note	March 18, 2015	2.70	June 1, 2022	377,000 - 409,000	2,632,000	1,572,000
Stormwater						
Revenue Note Series 2016A	June 1, 2016	1.30 - 2.00	June 1, 2026	60,000 - 70,000	640,000	520,000

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM LIABILITIES (continued)

Year ending June 30	Revenue Notes/Bonds		
	Principal	Interest	Total
2019	\$ 1,373,018	\$ 659,085	\$ 2,032,103
2020	1,525,995	636,840	2,162,835
2021	1,905,776	589,886	2,495,662
2022	1,634,000	541,660	2,175,660
2023	1,249,000	497,206	1,746,206
2024-2028	6,782,000	1,940,275	8,722,275
2029-2033	6,551,027	1,014,800	7,565,827
2034-2038	<u>3,020,000</u>	<u>294,576</u>	<u>3,314,576</u>
Subtotal	24,040,816	6,174,328	30,215,144
Plus unamortized premium	<u>204,318</u>	<u>—</u>	<u>204,318</u>
Totals	<u>\$24,245,134</u>	<u>\$6,174,328</u>	<u>\$30,419,462</u>

As of June 30, 2018, the general obligation debt issued by the City did not exceed its legal debt limit computed as follows:

Actual valuation	<u>\$1,844,334,937</u>
Debt limit - 5% of total actual valuation	<u>\$92,216,747</u>
Debt applicable to debt limit	
General obligation bonded debt outstanding	\$71,573,137
Urban Renewal revenue bonds outstanding	505,000
Tax increment financing debt outstanding	<u>345,000</u>
Total debt subject to debt limit	<u>\$72,423,137</u>
Percentage of debt limit	78.54%

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 P.O. Box 9117, Des Moines, Iowa 50306-9117 or at 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 2018, 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, 2018 were \$723,166.

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

At June 30, 2018, the City reported a liability of \$4,282,360 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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:

	June 30		Change
	2017	2016	
City's proportionate share	<u>0.064287%</u>	<u>0.060546%</u>	<u>0.003741%</u>

For the year ended June 30, 2018, the City recognized pension expense of \$935,570. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 45,260	\$ 64,193
Change in assumptions	1,027,176	327
Net difference between projected and actual earnings on IPERS' investments	-	68,691
Change in proportion and difference between City contributions and proportionate share of contributions	355,855	10,744
City contributions subsequent to the measurement date	<u>723,166</u>	<u>-</u>
Totals	<u>\$2,151,457</u>	<u>\$ 143,955</u>

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (continued)

\$723,166 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, 2018. 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>
2019	\$ 254,381
2020	558,995
2021	330,718
2022	57,729
2023	<u>82,513</u>
Totals	<u>\$1,284,336</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60 percent per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25 percent average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00 percent, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 2017)	3.25 percent per annum based on 2.60 percent inflation and 0.65 percent real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

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	27.0%	2.25%
Domestic Equity	24.0	6.25
International Equity	16.0	6.71
Public Credit	3.5	3.46
Public Real Assets	7.0	3.27
Private Equity	11.0	11.15
Private Real Assets	7.5	4.18
Private Credit	3.0	4.25
Cash	<u>1.0</u>	(0.31)
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.0 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 7.0 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 (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate.

	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
City's proportionate share of the net pension liability	<u>\$8,301,177</u>	<u>\$4,282,360</u>	<u>\$ 907,105</u>

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.

Payables to IPERS

At June 30, 2018, 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, 2018 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Employee Benefits	<u>\$1,802,000</u>
Debt Service	Governmental funds	
	Urban Renewal TIF	3,122,613
	Enterprise funds	
	Water	323,373
	Sewer	94,335
	Gas	109,632
	Nonmajor Enterprise funds	<u>182,131</u>
		<u>3,832,084</u>
Equipment Revolving	General	<u>15,364</u>
Total		<u>\$5,649,448</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, 2018 is as follows:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
Enterprise-Golf Course	General	\$ 730,998
	Enterprise-Water	<u>100,000</u>
Total		<u>\$ 830,998</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.

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 775 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, 2018 were \$185,652.

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, 2018, no liability has been recorded in the City's financial statements. As of June 30, 2018, 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, 2018 was \$281,047.

Amounts payable from the Iowa Governmental Health Care Plan at June 30, 2018 total \$20,344, 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, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Unpaid claims as of beginning of year	\$ 22,444	\$ 8,533
Incurred claims (including claims incurred but not reported as of June 30)	196,642	183,948
Payments on claims	<u>(198,742)</u>	<u>(170,037)</u>
Unpaid claims as of year end	<u>\$ 20,344</u>	<u>\$ 22,444</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 \$29,000,000 of which approximately \$19,000,000 has been incurred as of June 30, 2018. The unpaid commitment balance is approximately \$10,000,000 which will be funded by current reserves in the capital projects funds and other sources.

The City, in equal partnership with a neighboring city, has entered into an agreement with the Iowa Department of Transportation (IDOT) where the cities have agreed to reimburse in equal shares the IDOT's construction cost for a new interstate interchange which straddles the shared border of the two cities. The construction project was nearly complete but not finalized at June 30, 2018. As a result, final repayment amounts and terms have not yet been formalized. However, the cities and IDOT have agreed that payments will be made in ten annual equal principal-only installments beginning in 2020. It is currently estimated that each city's share of the total project cost will be approximately \$9 million. No liability for this obligation has been recognized.

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 \$9,755,000. During the year ended June 30, 2018, the City rebated \$411,865 of incremental property tax to developers. The outstanding balance of the agreements at June 30, 2018 was \$7,489,900.

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.

In August 2017, the Waukee City Council approved a development agreement with a developer for the construction of data centers. The agreement calls for property tax abatements 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 abatements, 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.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

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 Rebates

The City provides tax rebates 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, 2018, the City rebated \$165,098 of property tax under the urban renewal and economic development projects.

NOTE 15 OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City administers a single-employer benefit plan which provides medical and prescription drug benefits to retired employees and their dependents under certain conditions. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits

Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	<u>97</u>
Total	<u>97</u>

OPEB Liability

The City's total OPEB liability of \$401,391 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 15 OTHER POST EMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

The OPEB liability as of June 30, 2018 was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation	3.0% per annum
Rates of salary increase	3.25% per annum
Discount rate	3.58% per annum
Healthcare cost trend rate	6.5% initial rate decreasing by .25% annually to an ultimate rate of 5%

The discount rate used to measure the OPEB liability was 3.58% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates were based on the RP-2000 Employee and Healthy Annuitant Mortality Tables projected generationally using Scale AA.

Annual retirement probabilities are based on varying rates by age and turnover probabilities which mirror those used by IPERS.

Changes in OPEB Liability

	<u>OPEB Liability</u>
OPEB liability, July 1, 2017, as restated	\$ 375,843
Changes for the year	
Service cost	35,135
Interest on the OPEB liability	13,952
Changes in benefit terms	-
Differences between expected and actual experience	38,762
Changes in assumptions or other inputs	(57,754)
Benefit payments	<u>(4,547)</u>
OPEB liability, June 30, 2018	\$ <u>401,391</u>

Changes in assumptions or other inputs includes a change in the discount rate from 4.5% in fiscal year 2017 to 3.58% in fiscal year 2018.

Sensitivity of the City's OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability of the City, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.58%) or 1% higher (4.58%) than the current discount rate.

	<u>1% Decrease (2.58%)</u>	<u>Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
City's OPEB liability	\$ <u>441,406</u>	\$ <u>401,391</u>	\$ <u>384,957</u>

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

NOTE 15 OTHER POST EMPLOYMENT BENEFITS (continued)

Sensitivity of the City's OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the OPEB liability of the City, as well as what the City's OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.5% to 4%) or 1% higher (7.5% to 6%) than the current healthcare cost trend rates.

	1% Decrease (5.5% to 4%)	Healthcare Cost Trend Rate (6.5% to 5%)	1% Increase (7.5% to 6%)
City's OPEB liability	\$ <u>347,569</u>	\$ <u>401,391</u>	\$ <u>466,228</u>

OPEB Expense and Deferred Inflows or Resources Related to OPEB

For the year ended Jun 30, 2018, the City recognized OPEB expense of \$47,877. At June 30, 2018, the City reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 36,293
Changes in assumptions or other inputs	<u>54,075</u>	<u>-</u>
Totals	<u>\$ 54,075</u>	<u>\$ 36,293</u>

The amount reported as deferred inflows of resources and deferred outflows of resources related to OPEB will be recognized net of OPEB expense as follows:

Year ending June 30

2019	\$ (1,210)
2020	(1,210)
2021	(1,210)
2022	(1,210)
2023	(1,210)
Thereafter	<u>(11,732)</u>
	<u>\$ (17,782)</u>

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.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 16 JOINT VENTURE (continued)

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, 2018, the Series 2013B bonds had a balance of \$48,730,000 and the City of Waukee's estimated future allocation based on the WRA flows is currently \$1,706,463.

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, 2018, the Series 2015E bonds had a balance of \$29,665,000 and the City of Waukee's estimated future allocation based on the WRA flows is currently \$1,081,836.

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, 2018, the outstanding balance of State Revolving Loans issues after July 1, 2004 totaled \$279,527,264 and the City of Waukee's estimated future allocation is currently \$8,804,949.

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 SUBSEQUENT EVENTS

In July 2018, the Waukee City Council approved the issuance of \$2,948,000 in State Revolving Fund loans which will be used for sewer utility improvements.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 18 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. 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.

GASB Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* will be effective for the City beginning with the year ending June 30, 2019. The standard improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements and clarifies which liabilities governments should include when disclosing information related to debt

GASB Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period* will be effective for the City beginning with the year ending June 30, 2021. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. The statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period for financial statements prepared using the economic resources measurement focus.

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

NOTE 19 ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), was implemented during fiscal year 2018. The revised requirements established new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental and business type activities was restated to retroactively report the change in valuation of the beginning total OPEB liability.

In addition, the Waukee Foundation has been previously reported by the City as a blended component unit of the City and presented as a special revenue fund. In fiscal year 2018, due to changes in the Foundation's operating structure, the Foundation no longer meets the definition of a component unit as defined by the Governmental Accounting Standards Board. As such, beginning net position has been restated to exclude the assets and liabilities of the Waukee Foundation.

City of Waukee, Iowa
NOTES TO FINANCIAL STATEMENTS

NOTE 19 ACCOUNTING CHANGE/RESTATEMENT (continued)

	<u>Enterprise Funds</u>				
	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Golf</u>	<u>Nonmajor Funds</u>
Net position June 30, 2017, as previously reported	\$18,046,005	\$25,016,450	\$11,298,959	\$ 457,110	\$ 2,158,576
Net OPEB obligation measured under previous standards	35,909	36,279	45,439	11,032	21,402
Total OPEB liability at June 30, 2017	<u>(25,363)</u>	<u>(25,624)</u>	<u>(32,094)</u>	<u>(7,792)</u>	<u>(15,117)</u>
	<u>\$18,056,551</u>	<u>\$25,027,105</u>	<u>\$11,312,304</u>	<u>\$ 460,350</u>	<u>\$ 2,164,861</u>
			<u>Governmental Funds</u>		
			<u>Nonmajor Governmental</u>	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
Net position June 30, 2017, as previously reported			\$ 252,033	\$57,078,284	\$112,992,894
Net OPEB obligation measured under previous standards			-	150,061	382,061
Total OPEB liability at June 30, 2017			-	(105,990)	(269,853)
Waukee Foundation			<u>(99,787)</u>	<u>-</u>	<u>(517,902)</u>
			<u>\$ 152,246</u>	<u>\$57,122,355</u>	<u>\$112,587,200</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Waukee, Iowa
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES
Required Supplementary Information
Year ended June 30, 2018

	2018
Service cost	\$ 35,135
Interest cost	13,952
Differences between expected and actual experience	38,762
Changes in assumptions or other inputs	(57,754)
Benefit payments	(4,547)
Net change in OPEB liability	25,548
OPEB liability, beginning of year, as restated	375,843
OPEB liability, end of year	\$ 401,391
Covered-employee payroll	\$6,661,636
OPEB liability as a percentage of covered-employee payroll	6.03%

NOTES TO SCHEDULE

Changes in benefit terms

There were no significant changes in benefit terms.

Changes in assumptions or other inputs

Changes in assumptions or other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2017	4.5%
Year ended June 30, 2018	3.58%

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, 2018

	<u>Governmental funds actual</u>	<u>Proprietary funds actual</u>	<u>Accrual adjustments</u>	<u>Total actual</u>
REVENUES				
Property taxes	\$11,935,530	\$ -	\$ -	\$11,935,530
Tax increment financing	3,549,942	-	-	3,549,942
Other city tax	59,400	-	-	59,400
Licenses and permits	1,287,456	-	-	1,287,456
Use of money and property	525,131	293,607	(11,852)	806,886
Intergovernmental	5,921,270	-	-	5,921,270
Charges for services	546,674	21,072,018	-	21,618,692
Miscellaneous	255,233	164,422	(42,985)	376,670
Total revenues	<u>24,080,636</u>	<u>21,530,047</u>	<u>(54,837)</u>	<u>45,555,846</u>
EXPENDITURES/EXPENSES				
Public safety	5,443,568	-	-	5,443,568
Public works	1,935,403	-	-	1,935,403
Health and social services	700	-	-	700
Culture and recreation	2,039,626	-	(64,378)	1,975,248
Community and economic development	1,387,462	-	-	1,387,462
General government	1,074,305	-	7,472,775	8,547,080
Debt service	7,227,132	-	(170,674)	7,056,458
Capital projects	25,490,622	-	(7,302,101)	18,188,521
Business type activities	-	14,073,197	12,793,387	26,866,584
Total disbursements	<u>44,598,818</u>	<u>14,073,197</u>	<u>12,729,009</u>	<u>71,401,024</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	<u>(20,518,182)</u>	<u>7,456,850</u>	<u>(12,783,846)</u>	<u>(25,845,178)</u>
OTHER FINANCING SOURCES (USES), NET				
Excess (deficiency) of revenues and other financing sources over disbursements and other financing uses	<u>26,503,175</u>	<u>(709,471)</u>	<u>-</u>	<u>25,793,704</u>
	5,984,993	6,747,379	(12,783,846)	(51,474)
BALANCES , beginning of year, as restated	<u>32,789,723</u>	<u>57,021,171</u>	<u>(4,521,463)</u>	<u>85,289,431</u>
BALANCES , end of year	<u>\$38,774,716</u>	<u>\$63,768,550</u>	<u>\$(17,305,309)</u>	<u>\$85,237,957</u>

See accompanying independent auditor's report.

<u>Budgeted amounts</u>		<u>Final to actual variance</u>
<u>Original</u>	<u>Final</u>	
\$11,863,538	\$11,863,538	\$ 71,992
3,513,475	3,521,755	28,187
96,798	134,498	(75,098)
1,186,450	1,353,690	(66,234)
231,070	483,150	323,736
4,603,565	4,628,425	1,292,845
16,761,160	21,254,550	364,142
308,000	421,990	(45,320)
<u>38,564,056</u>	<u>43,661,596</u>	<u>1,894,250</u>
6,155,900	5,795,740	352,172
3,090,388	2,786,468	851,065
7,500	7,500	6,800
2,086,187	2,251,087	275,839
1,023,475	1,152,715	(234,747)
1,246,988	8,852,618	305,538
6,132,740	7,056,915	457
12,640,000	20,640,000	2,451,479
<u>29,999,452</u>	<u>31,985,465</u>	<u>5,118,881</u>
<u>62,382,630</u>	<u>80,528,508</u>	<u>9,127,484</u>
<u>(23,818,574)</u>	<u>(36,866,912)</u>	<u>11,021,734</u>
<u>9,650,000</u>	<u>22,746,000</u>	<u>3,047,704</u>
(14,168,574)	(14,120,912)	14,069,438
<u>56,079,107</u>	<u>56,079,107</u>	<u>29,210,324</u>
<u>\$41,910,533</u>	<u>\$41,958,195</u>	<u>\$43,279,762</u>

City of Waukee, Iowa
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
Year ended June 30, 2018

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 \$18,145,878. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2018, 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 Four Years *
(In Thousands)
Required Supplementary Information

	June 30			
	2018	2017	2016	2015
City's proportion of the net pension liability	0.064287%	0.060546%	0.053387%	0.046117%
City's proportionate share of the net pension liability	\$4,282	\$3,810	\$2,638	\$1,829
City's covered-employee payroll	\$7,814	\$6,949	\$6,412	\$6,005
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	54.80%	54.83%	41.14%	30.49%
Plan fiduciary net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	84.61%

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

	<u>Year ended June 30</u>			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 723	\$ 641	\$ 578	\$ 550
Contributions in relation to the statutorily required contribution	<u>723</u>	<u>641</u>	<u>578</u>	<u>550</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
City's covered-employee payroll	\$7,814	\$6,949	\$6,412	\$6,005
Contributions as a percentage of covered-employee payroll	9.3%	9.2%	9.0%	9.2%

See accompanying notes to required supplementary information – pension liability.

Year ended June 30					
<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 497	\$ 423	\$ 374	\$ 328	\$ 288	\$ 246
<u>497</u>	<u>423</u>	<u>374</u>	<u>328</u>	<u>288</u>	<u>246</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
\$5,339	\$4,633	\$4,491	\$4,144	\$3,866	\$3,738
9.3%	9.1%	8.3%	7.9%	7.4%	6.6%

See accompanying notes to required supplementary information – pension liability.

City of Waukee, Iowa
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year ended June 30, 2018

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.

CHANGES OF ASSUMPTIONS

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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, 2018**

	<u>Special Revenue Funds</u>			<u>Debt service</u>	<u>Total</u>
	<u>Road Use Tax</u>	<u>Library Foundation</u>	<u>Forfeitures</u>	<u>Special Assessments</u>	
ASSETS					
Cash and investments	\$ 479,817	\$ 198,630	\$ 4,328	\$ 98,548	\$ 781,323
Receivables					
Special assessments	-	-	-	291,720	291,720
Other	133	-	-	-	133
Inventory	<u>25,502</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,502</u>
Total assets	<u>\$ 505,452</u>	<u>\$ 198,630</u>	<u>\$ 4,328</u>	<u>\$ 390,268</u>	<u>\$1,098,678</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	<u>\$ 60,042</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,042</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues					
Special assessments	<u>-</u>	<u>-</u>	<u>-</u>	<u>291,720</u>	<u>291,720</u>
FUND BALANCES					
Nonspendable	25,502	-	-	-	25,502
Restricted for					
Debt service	-	-	-	98,548	98,548
Other	<u>419,908</u>	<u>198,630</u>	<u>4,328</u>	<u>-</u>	<u>622,866</u>
Total fund balances	<u>445,410</u>	<u>198,630</u>	<u>4,328</u>	<u>98,548</u>	<u>746,916</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 505,452</u>	<u>\$ 198,630</u>	<u>\$ 4,328</u>	<u>\$ 390,268</u>	<u>\$1,098,678</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, 2018

	<u>Special Revenue Funds</u>			<u>Debt service</u>	<u>Total</u>
	<u>Road</u>	<u>Library</u>	<u>Forfeitures</u>	<u>Special</u>	
	<u>Use Tax</u>	<u>Foundation</u>		<u>Assessments</u>	
REVENUES					
Other city taxes	\$ -	\$ -	\$ -	\$ 55,512	\$ 55,512
Licenses and permits	5,319	-	-	-	5,319
Use of money and property	-	11,852	-	5,881	17,733
Intergovernmental	2,289,605	-	-	-	2,289,605
Charges for services	-	-	3,925	-	3,925
Miscellaneous	81,562	42,985	-	-	124,547
Total revenue	<u>2,376,486</u>	<u>54,837</u>	<u>3,925</u>	<u>61,393</u>	<u>2,496,641</u>
EXPENDITURES					
Operating					
Public safety	-	-	785	-	785
Public works	1,449,257	-	-	-	1,449,257
Culture and recreation	-	64,378	-	-	64,378
Debt service					
Principal	-	-	-	44,000	44,000
Interest	-	-	-	3,006	3,006
Capital projects	354,070	-	-	-	354,070
Total expenditures	<u>1,803,327</u>	<u>64,378</u>	<u>785</u>	<u>47,006</u>	<u>1,915,496</u>
Excess (deficiency) of revenues over (under) expenditures	<u>573,159</u>	<u>(9,541)</u>	<u>3,140</u>	<u>14,387</u>	<u>581,145</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	13,525	-	-	-	13,525
Total other financing sources (uses)	<u>13,525</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,525</u>
NET CHANGES IN FUND BALANCES	586,684	(9,541)	3,140	14,387	594,670
FUND BALANCES, beginning, as restated	<u>(141,274)</u>	<u>208,171</u>	<u>1,188</u>	<u>84,161</u>	<u>152,246</u>
FUND BALANCES, ending	<u>\$ 445,410</u>	<u>\$ 198,630</u>	<u>\$ 4,328</u>	<u>\$ 98,548</u>	<u>\$ 746,916</u>

See accompanying independent auditor's report.

City of Waukee, Iowa
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2018

	Enterprise Funds			Total
	Solid Waste	Utility Billing	Storm Water	
ASSETS				
Current assets				
Cash and investments	\$ 351,392	\$ 127,044	\$ 996,198	\$1,474,634
Receivables				
Customer accounts	<u>110,943</u>	<u>—</u>	<u>77,896</u>	<u>188,839</u>
Total current assets	<u>462,335</u>	<u>127,044</u>	<u>1,074,094</u>	<u>1,663,473</u>
Noncurrent assets				
Restricted assets – cash and investments	—	—	73,480	73,480
Capital assets, net of accumulated depreciation	<u>—</u>	<u>4,571</u>	<u>1,328,542</u>	<u>1,333,113</u>
Total noncurrent assets	<u>—</u>	<u>4,571</u>	<u>1,402,022</u>	<u>1,406,593</u>
Total assets	<u>462,335</u>	<u>131,615</u>	<u>2,476,116</u>	<u>3,070,066</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related deferred outflows	—	32,891	43,991	76,882
OPEB related deferred outflows	<u>—</u>	<u>502</u>	<u>1,245</u>	<u>1,747</u>
Total deferred outflows of resources	<u>—</u>	<u>33,393</u>	<u>45,236</u>	<u>78,629</u>
LIABILITIES				
Current liabilities				
Accounts payable	—	49,649	15,974	65,623
Compensated absences	—	7,893	5,182	13,075
Revenue notes payable	—	—	60,000	60,000
Interest payable	<u>—</u>	<u>—</u>	<u>720</u>	<u>720</u>
Total current liabilities	<u>—</u>	<u>57,542</u>	<u>81,876</u>	<u>139,418</u>
Noncurrent liabilities				
Revenue notes payable	—	—	460,000	460,000
Net OPEB liability	—	5,557	13,771	19,328
Net pension liability	<u>—</u>	<u>65,467</u>	<u>87,561</u>	<u>153,028</u>
Total noncurrent liabilities	<u>—</u>	<u>71,024</u>	<u>561,332</u>	<u>632,356</u>
Total liabilities	<u>—</u>	<u>128,566</u>	<u>643,208</u>	<u>771,774</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues				
Pension related deferred inflows	—	2,201	2,943	5,144
OPEB related deferred inflows	<u>—</u>	<u>749</u>	<u>1,855</u>	<u>2,604</u>
Total deferred inflows of resources	<u>—</u>	<u>2,950</u>	<u>4,798</u>	<u>7,748</u>
NET POSITION				
Net investment in capital assets	—	—	1,020,874	1,020,874
Unrestricted	<u>462,335</u>	<u>33,492</u>	<u>852,472</u>	<u>1,348,299</u>
Total net position	<u>\$ 462,336</u>	<u>\$ 33,492</u>	<u>\$1,873,346</u>	<u>\$2,369,173</u>

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, 2018**

	Enterprise Funds			Total
	Solid Waste	Utility Billing	Storm Water	
OPERATING REVENUES				
Charges for service	\$1,308,838	\$ 209,412	\$ 893,733	\$2,411,983
Miscellaneous	4,539	37,345	15,646	57,530
Total operating revenues	<u>1,313,377</u>	<u>246,757</u>	<u>909,379</u>	<u>2,469,513</u>
OPERATING EXPENSES				
Business type activities				
Cost of sales and services	1,195,694	282,364	547,986	2,026,044
Depreciation and amortization	—	2,195	74,881	77,076
Total operating expenses	<u>1,195,694</u>	<u>284,559</u>	<u>622,867</u>	<u>2,103,120</u>
Operating income (loss)	<u>117,683</u>	<u>(37,802)</u>	<u>286,512</u>	<u>366,393</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	4,134	1,889	17,027	23,050
Interest expense and fiscal charges	—	—	(3,000)	(3,000)
Total nonoperating revenues	<u>4,134</u>	<u>1,889</u>	<u>14,027</u>	<u>20,050</u>
Income (loss) before transfers	121,817	(35,913)	300,539	386,443
Transfers (out)	—	—	(182,131)	(182,131)
CHANGE IN NET POSITION	121,817	(35,913)	118,408	204,312
NET POSITION, beginning, as restated	<u>340,518</u>	<u>69,405</u>	<u>1,754,938</u>	<u>2,164,861</u>
NET POSITION, ending	<u>\$ 462,335</u>	<u>\$ 33,492</u>	<u>\$1,873,346</u>	<u>\$2,369,173</u>

See accompanying independent auditor's report.

City of Waukee, Iowa
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
Year ended June 30, 2018

	Enterprise Funds			Total
	Solid Waste	Utility Billing	Storm Water	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customer and users	\$1,295,738	\$ 209,412	\$ 882,490	\$2,387,640
Cash received from other revenues	4,539	37,345	15,646	57,530
Cash paid for personal services	-	(155,344)	(390,891)	(546,235)
Cash paid to supplies	(1,196,042)	(115,113)	(160,418)	(1,471,573)
Net cash provided by (used in) operating activities	<u>104,235</u>	<u>(23,700)</u>	<u>346,827</u>	<u>427,362</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer to other funds	-	-	(182,131)	(182,131)
Net cash (used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>(182,131)</u>	<u>(182,131)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	-	-	(373,508)	(373,508)
Principal paid on revenue notes	-	-	(60,000)	(60,000)
Interest and fiscal charges paid	-	-	(3,060)	(3,060)
Net cash (used in) capital and related financing activities	<u>-</u>	<u>-</u>	<u>(436,568)</u>	<u>(436,568)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	<u>4,134</u>	<u>1,889</u>	<u>17,027</u>	<u>23,050</u>
Net cash provided by investing activities	<u>4,134</u>	<u>1,889</u>	<u>17,027</u>	<u>23,050</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	108,369	(21,811)	(254,845)	(168,287)
CASH AND CASH EQUIVALENTS, beginning	<u>243,023</u>	<u>148,855</u>	<u>1,324,523</u>	<u>1,716,401</u>
CASH AND CASH EQUIVALENTS, ending	<u>\$ 351,392</u>	<u>\$ 127,044</u>	<u>\$1,069,678</u>	<u>\$1,548,114</u>

See accompanying independent auditor's report.

City of Waukee, Iowa
COMBINING STATEMENT OF CASH FLOWS (continued)
NONMAJOR PROPRIETARY FUNDS
Year ended June 30, 2018

	Enterprise Funds			
	Solid Waste	Utility Billing	Storm Water	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 117,683	\$ (37,802)	\$ 286,512	\$ 366,393
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	-	2,195	74,881	77,076
Change in assets, deferred outflows, liabilities and deferred inflows				
Customer accounts receivable	(13,100)	-	(11,243)	(24,343)
Accounts payable, net of capital assets	(348)	4,941	(16,946)	(12,353)
Compensated absences	-	3,010	1,503	4,513
Net pension liability	-	8,262	14,922	23,184
Deferred outflows of resources	-	(5,749)	(10,134)	(15,883)
Deferred inflows of resources	-	1,547	3,017	4,564
OPEB liability	-	(104)	4,315	4,211
Net cash provided by (used in) operating activities	<u>104,235</u>	<u>(23,700)</u>	<u>346,827</u>	<u>427,362</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON THE COMBINING STATEMENT OF NET POSITION				
Current assets				
Cash and investments	351,392	127,044	996,198	1,474,634
Restricted assets – cash and investments				
Revenue note and interest sinking account	<u>-</u>	<u>-</u>	<u>73,480</u>	<u>73,480</u>
Cash and cash equivalents at year end	<u>\$ 351,392</u>	<u>\$ 127,044</u>	<u>\$1,069,678</u>	<u>\$1,548,114</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

	Modified Accrual Basis			
	2018	2017	2016	2015
REVENUES				
Property tax	\$11,935,530	\$ 9,985,457	\$ 9,436,301	\$ 8,385,843
Tax increment financing	3,549,942	3,414,595	3,229,861	3,204,146
Other city tax	59,400	35,436	27,921	133,216
Licenses and permits	1,287,456	1,594,670	1,288,941	1,391,499
Use of money and property	525,131	325,215	195,336	182,503
Intergovernmental	5,921,270	4,250,128	5,241,337	5,602,222
Charges for services	546,674	540,001	351,341	414,059
Miscellaneous	<u>255,233</u>	<u>479,481</u>	<u>405,168</u>	<u>385,164</u>
Totals	<u>\$24,080,636</u>	<u>\$20,624,983</u>	<u>\$20,176,206</u>	<u>\$19,698,652</u>
EXPENDITURES				
Operating				
Public safety	\$ 5,443,568	\$ 4,839,355	\$ 4,281,395	\$ 3,543,201
Public works	1,935,403	1,997,301	2,297,252	2,281,384
Health and social services	700	-	5,100	4,800
Culture and recreation	2,039,626	1,838,317	1,763,428	1,599,802
Community and economic development	1,387,462	1,206,432	1,211,082	760,100
General government	1,074,305	818,853	817,880	872,753
Debt service	7,227,132	8,930,321	7,507,909	6,421,577
Capital projects	<u>25,490,622</u>	<u>10,369,279</u>	<u>11,339,024</u>	<u>19,067,964</u>
Totals	<u>\$44,598,818</u>	<u>\$29,999,858</u>	<u>\$29,223,070</u>	<u>\$34,551,581</u>

Modified Accrual Basis					
<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 7,666,911	\$ 7,133,514	\$ 6,811,607	\$ 6,397,893	\$ 5,934,368	\$ 5,318,576
3,017,853	3,427,898	3,186,693	3,051,143	3,032,038	2,824,039
60,988	39,355	462,040	62,895	70,367	1,301,852
1,057,350	639,233	507,344	531,196	353,777	673,103
222,405	210,762	204,505	215,266	173,419	128,470
2,539,186	3,713,932	1,762,542	4,495,541	2,898,776	4,641,902
597,042	728,310	253,692	239,040	184,230	209,664
<u>281,147</u>	<u>1,058,091</u>	<u>813,998</u>	<u>440,669</u>	<u>144,913</u>	<u>1,142,477</u>
<u>\$15,442,882</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>
\$ 3,286,146	\$ 2,912,583	\$ 3,040,673	\$ 2,821,515	\$ 2,528,267	\$ 2,391,927
2,241,516	1,580,884	1,381,993	1,192,453	1,133,462	1,099,806
16,500	12,750	15,175	16,909	12,180	11,000
1,457,105	2,010,987	1,338,835	1,312,158	1,173,584	1,211,373
910,021	618,937	885,864	1,023,639	892,553	848,245
757,317	785,443	868,324	787,974	855,172	982,213
5,996,633	4,642,544	6,111,183	3,919,273	3,441,710	8,379,401
<u>9,226,292</u>	<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>\$23,891,530</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>

See accompanying independent auditor's report.

City of Waukee, Iowa
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2018

<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>
U.S. Department of Justice			
Direct			
Bulletproof Vest Partnership Program	16.607		\$ <u>398</u>
U.S. Department of Transportation			
Indirect			
Iowa Department of Transportation			
Highway Planning and Construction	20.205	4-16-STP-U-18	1,314,898
Highway Planning and Construction	20.205	4-18-ICAAP-02	65,191
Highway Planning and Construction	20.205	4-17-STP-U-10	<u>364,965</u>
Total Highway Planning and Construction			<u>1,745,054</u>
Total U.S. Department of Transportation			<u>1,745,054</u>
 Total Federal Awards			 <u>\$1,745,452</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, 2018. 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, 2018, 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 7, 2018.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2018 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 Response to the Finding

The City of Waukee's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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 7, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
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, 2018. 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, 2018.

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 7, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Waukee, Iowa
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2018

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

- (a) The auditor's report expresses unmodified opinions 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) No significant deficiencies or material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

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 200.516.
- (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, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS

INTERNAL CONTROL DEFICIENCIES

No matters were noted.

INSTANCES OF NONCOMPLIANCE

No matters were noted.

City of Waukee, Iowa
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year ended June 30, 2018

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, 2018

SECTION IV—OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

IV-A-18 CERTIFIED BUDGET

Disbursements during the year ended June 30, 2018 exceeded the amounts budgeted in the community and economic development function. In addition, disbursements in the general government and capital projects functions exceeded amounts budgeted prior to the budget being amended in May, 2018. 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-18 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-18 TRAVEL EXPENSE

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

IV-D-18 BUSINESS TRANSACTIONS

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

IV-E-18 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-18 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, 2018

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

IV-G-18 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-18 REVENUE BONDS AND NOTES

No instances of noncompliance with the City's revenue bond and note provisions were noted.