



West Des Moines, Iowa

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2012

CITY OF WEST DES MOINES, IOWA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2012**

Prepared by the Finance Department

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**CITY OF WEST DES MOINES
2012 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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INTRODUCTORY SECTION

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THE CITY OF
West Des Moines®
www.wdm.iowa.gov

Finance Department

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West Des Moines, IA 50265-0320

515-222-3600
FAX 515-222-3640

'Aaa'
Credit Rating
Moody's

'AAA'
Credit Rating
Standard & Poor's

January 24, 2013

Honorable Mayor,
Members of the City Council, and
Citizens of the City of West Des Moines, Iowa:

Chapter 11 of the *Code of Iowa* requires the City of West Des Moines (the "City") to publish a complete set of audited financial statements within nine months of the close of each fiscal year. This comprehensive annual financial report has been published to fulfill this requirement for the fiscal year ended June 30, 2012.

This report consists of management's representations concerning the finances of the City. Management assumes full responsibility for the completeness and reliability of all the information, based upon a comprehensive framework of internal control established for this purpose. The cost of internal controls should not exceed anticipated benefits; therefore, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Eide Bailly, LLP, a firm of licensed certified public accountants, has issued an unqualified opinion on the statements which has been published herein, immediately preceding the financial section of the report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is intended to complement the MD&A and they should be read in conjunction.

Profile of the City

The City was incorporated as Valley Junction in 1893, changed its name to West Des Moines in 1938, and is now the largest suburb of Iowa's capital city of Des Moines. Centrally located in Iowa, the City is currently comprised of approximately 47.3 square miles. Annexations of 4,600 acres in 2010 and 451 acres in 2011 resulted in the City currently spanning portions of Polk, Dallas, Warren, and Madison counties.

In 2010 the U.S. Census Bureau reported that the City was home to 56,609 residents which represented a 22% increase since the 2000 census. The City's current population as estimated by the American Community Survey is approximately 57,909 residents.

Policy-making and legislative authority in the City of West Des Moines are vested in a governing council. The City Council consists of a mayor and five council members; all are elected on a non-partisan basis. Three of the council members are elected by ward and two, as well as the mayor, elected at large. For continuity purposes, the mayor and council members serve four-year staggered terms with elections held every two years. The City Council makes policy decisions for the City through the enactment of ordinances, resolutions and motions. The Council is also responsible for adopting operating and capital budgets, appointing committees, hiring a city manager and city attorney, and appointing a city clerk.

The City Manager, as the City's chief administrative officer, is responsible for implementing policy decisions of the City Council, overseeing day-to-day operations, and hiring department directors. Departments of the City include Community & Economic Development, Development Services, Emergency Medical Services, Finance, Fire, Human Services, Parks & Recreation, Police, and Public Works. The City also maintains a public library which, through state statute, is governed by a separate Board of Trustees. However, the library and its employees are also considered a city department as they are budgeted funds by the City Council and routinely follow the general operating policies and procedures implemented by the City.

Public elementary and secondary education services for West Des Moines residents are provided by the Des Moines, Norwalk, Van Meter, Waukee, West Des Moines, and Winterset school districts, while public water services are provided by the West Des Moines Water Works. These entities have the ability to issue separate debt which is not an obligation of the City; therefore the financial statements of these entities have not been included in this report.

The annual budget serves as the foundation for the City's financial planning and control. Each fall, all departments are required to submit requests for budgetary appropriation related to the upcoming fiscal year. Using these requests, as well as revenue projections provided by the finance department, the city manager prepares a preliminary budget which is presented to the Mayor and City Council for discussion. The Council conducts workshops and a public hearing before ultimately voting on the budget. By state statute, the budget must be adopted and filed with the State of Iowa prior to March 15th of each year. The state mandates legal spending control at the function level, which consists of Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Capital Projects, Debt Service, and Business-type.

Local Economy

While West Des Moines is the 10th largest city in Iowa by population, it currently ranks 3rd in terms of taxable retail sales, 3rd in terms of property valuations, and 2nd in the collection of hotel/motel tax revenues. The median household income in the City continues to exceed both the national and state averages. Per 2011 U.S. Census Bureau data, the median household income in the City was \$69,051, compared to the State of Iowa median of \$50,028.

Over the past decade or more, the City has seen sustained commercial growth spanning across industry lines. This has provided relative economic stability during recent years as the nation's overall economy has been in flux. Major developments completed include Jordan Creek Town Center, a 200-acre upscale retail and entertainment complex, which opened in 2004. Adjacent to the Town Center is a new West Des Moines campus for Wells Fargo Home Mortgage, completed in 2006 and currently serving over 3,200 employees, as well as the newly-constructed North American Headquarters of Aviva USA and its over 1,500 employees, completed in September 2010.

Since the completion of the Town Center and corporate campuses, many other retail establishments, restaurants, hotels, and single and multi-family residences have been constructed in the Jordan Creek and nearby West Glen areas of the City. The construction of Mercy West Lakes Hospital and Iowa Methodist West Hospital was completed late in 2009 and since that time several medical-related facilities have been built or expanded in this corridor.

The City places an emphasis on a creative but sound economic development strategy which offers plans to businesses seeking to grow within or relocate to the City. In this regard, the City Council recently adopted a policy to provide incentives to industrial businesses that expand or improve their facilities as a way to both increase business productivity and promote businesses to stay in West Des Moines to receive full tax abatement benefits.

Relevant Financial Policies and Long-term Financial Planning

Due to an overall sluggish regional economy, the City continues to be cautious when estimating property tax revenue, ancillary revenue, and investment returns, as well as use conservative expense figures to establish rates and balance the budget into upcoming fiscal years. These tactics ensure that adequate funding for services will be available in future budget cycles.

For budgetary and planning purposes, management strives to maintain an unassigned, undesignated general fund balance equal to or slightly exceeding 25 percent of total general fund expenditures. These funds are necessary to meet

cash flow needs during the initial months of the new fiscal year as property tax revenue, the primary source of funding for general operations, is collected semi-annually with the respective county treasurers remitting the vast majority of those taxes to the City in the months of October and April.

During the annual budgeting process, the City evaluates the property tax rate for comparison to other cities of similar size and to determine that there will be sufficient revenue to provide the services deemed necessary by the City Council. Fees and charges for services are also evaluated annually to ensure they keep pace with the cost of providing these specific services. The City strives to maintain or increase its diversified revenue sources, a measure outlined in the City's Balanced Scorecard (i.e. strategic plan), to provide for greater financial stability.

Included in the operating budget are costs associated with the City's capital equipment replacement schedule. This money is set-aside annually to ensure funding is available for the timely replacement of vehicles and heavy equipment that are no longer cost effective to maintain. In addition, during each budget cycle the City Council and staff update the City's multi-year capital improvement plan, including funding of priority projects, based on community input and other data. Among the data available is information from a street management system which assesses and prioritizes street maintenance needs over a multi-year cycle.

The City has established four measures in regard to the issuance of debt. First, the City prefers to limit the amount of general obligation debt issued to one-half of the constitutionally allowed debt limit. Second, the City strives to maintain bonded debt below \$1,000 per capita. Third, a debt issuance that is not voted on by the taxpayers should not necessitate an increase in the property tax rate. Finally, the debt service property tax rate will be maintained at \$2.00 per \$1,000 of valuation.

Major Initiatives and Accomplishments

On March 12, 2012, Moody's Investor Services reaffirmed the City's Aaa bond rating. This rating, plus an AAA rating last confirmed by Standard and Poor's Rating Services on July 8, 2011, represent the highest ratings available from each agency and, according to Standard & Poor's, reflects "the City's status as an employment and residential center for the entire Des Moines metropolitan area; the City's access to the large and diverse Des Moines area economy; the City's economic indicators that compare favorably with state and national averages; and the City's historically strong financial position with conservative management." As of June 30, 2012, the City was one of only 93 in the United States to have the distinction of carrying the highest rating from both Moody's and Standard & Poor's.

The City's financial position remained strong and for the fiscal year ended June 30, 2012, the City reported a general fund surplus of just over \$5.7 million, which brought the general fund reserves to \$22.4 million, or 44.8% of expenditures. The city has eliminated or adjusted numerous staff positions over the last few years which resulted in significant savings to the general fund. Since 2008, the City has successfully refinanced several of its general obligation bond issuances and as a result has netted over \$6.6 million of net present value interest savings.

During the most recent fiscal year, building permit activity in the City rallied to achieve levels not seen since 2005, which provided strong indication of a recovering economy. A major residential development which had been stalled by developer problems for several years was revitalized through a cooperative effort between the City and a new developer, which triggered over 100 residential lot sales and construction of a new elementary school by year's end.

The City completed grading and construction for expanded section of the City's newest community park, Valley View Park, enabling residents in one of the City's other recently-developed areas an open place to recreate. Also completed during 2012 were numerous smaller parks improvements as well as the widening of South 60th Street from two to five lanes in order to accommodate increased traffic and future growth along a major corridor.

Financial Awards

In May 2002, the City of West Des Moines revised its investment policy and submitted it to the Association of Public Treasurers of the United States and Canada (APT US & C) for consideration in their Investment Policy Certification Program. Upon review of that submission, the City was presented with the Association's Written Investment Policy Certification.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of West Des Moines for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. This was the 19th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Additionally, for the 13th consecutive year, the City received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated January 31, 2012. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged and deemed proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

Acknowledgements

Preparation of this report was accomplished through the dedicated services provided by the Finance Department staff. We would like to express our appreciation to all members of the department who assisted with the audit and contributed to the preparation of this report, including our audit firm Eide Bailly LLP. Likewise, we wish to extend our sincere appreciation to the Mayor and members of the City Council for their interest in and support of our efforts to conduct the City's financial operations in the most responsible and progressive manner.

Respectfully submitted,



Greg L. Sparks
City Manager



Tim Stiles
Finance Director

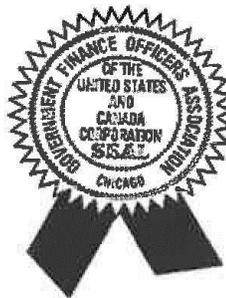
Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of West Des Moines
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morille

President

Jeffrey R. Enen

Executive Director

City of West Des Moines, Iowa

**List of Principal Officials
As of June 30, 2012**

Elected Officials

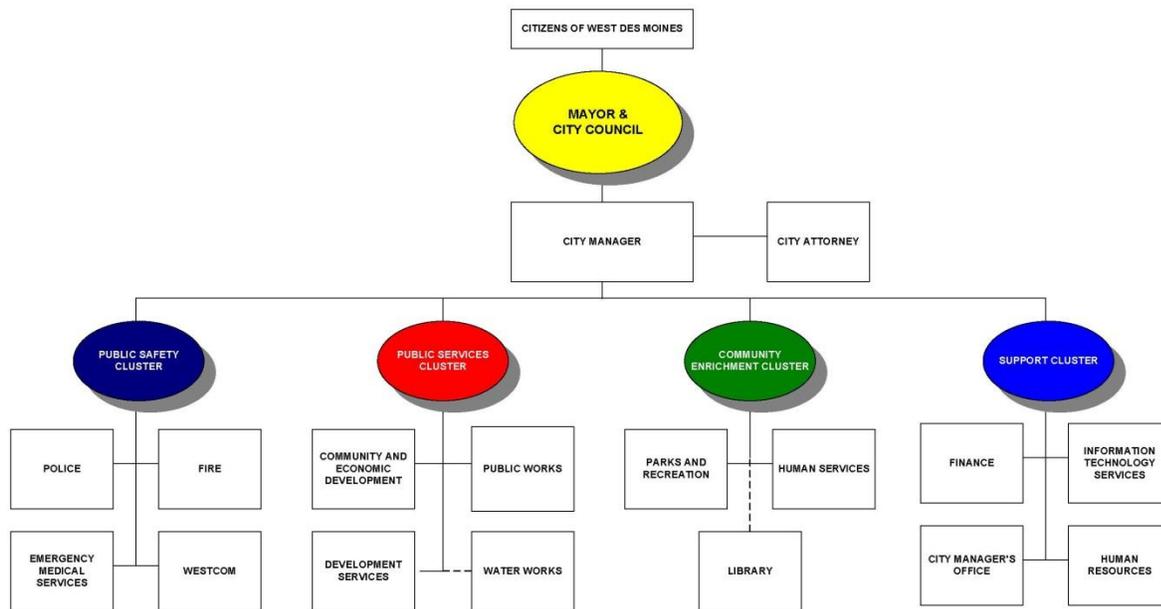
| | | |
|-------------------|-------------------------|---------------------------|
| Steven K. Gaer | Mayor | Term Expires January 2014 |
| Ted Ohmart | Councilmember, At Large | Term Expires January 2014 |
| James Sandager | Councilmember, At Large | Term Expires January 2016 |
| Charles Schneider | Councilmember, Ward 2 | Term Expires January 2016 |
| Kevin Trevillyan | Councilmember, Ward 1 | Term Expires January 2014 |
| Russ Trimble | Councilmember, Ward 3 | Term Expires January 2014 |

Appointed Officials

Greg L. Sparks, City Manager
Jody E. Smith, Deputy City Manager and City Clerk
Richard J. Scieszinski, City Attorney

City of West Des Moines, Iowa

Organizational Chart As of June 30, 2012



Last Revised: 10/22/08

---- Indicates Reports to Board

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FINANCIAL SECTION

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of West Des Moines, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Des Moines, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of West Des Moines, Iowa. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Des Moines, Iowa, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 17 to the financial statements, the City has recorded a material restatement of beginning equity.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining nonmajor fund financial statements, summary of key data for sewer revenue bonds, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining nonmajor fund financial statements and the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section, summary of key data for sewer revenue bonds, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Eide Bailly LLP

Dubuque, Iowa
January 24, 2013

City of West Des Moines, Iowa Management's Discussion and Analysis For Fiscal Year Ended June 30, 2012

As management of the City of West Des Moines, Iowa, (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which is located in the Introductory Section at the front of this report.

Financial Highlights

At June 30, 2012, assets of the City exceeded liabilities by \$509 million. Of this amount, \$66 million is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. By comparison, for the fiscal year ended June 30, 2011, assets exceeded liabilities by \$478 million, of which \$53.8 million was unrestricted.

The City's total net assets increased by \$31 million during the fiscal year ended June 30, 2012. Governmental activities increased \$24 million and business-type activities increased \$7 million, thus City continues to be able to report positive balances in all three categories of net assets; for the government as a whole, as well as its separate governmental and business-type activities.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$78 million, an increase of \$33 million from the end of the previous fiscal year. The unassigned portion of the City's fund balance, which is available for spending at the City's discretion, totaled \$22 million at June 30, 2012, an increase of \$13 million from the balance at the end of the prior fiscal year.

In conjunction with the issuance of 2012 Series General Obligation Bonds, Moody's Investor Services reaffirmed the City's Aaa bond rating on March 12, 2012. The City continues to hold the highest available rating from both Moody's and Standard and Poor's Rating Service. The Standard and Poor's rating was last reaffirmed on July 8, 2011. Each of the agencies cite the City's financial position and conservative fiscal management as strengths.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

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

The *Statement of Activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include public safety, public works (roads, engineering, and traffic controls), health and social services, culture and recreation, community and economic development, general government, and interest on long-term debt. The business-type activities of the City include sanitary sewer, storm water, and solid waste operations.

City of West Des Moines, Iowa

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2012

The government-wide financial statements include only those balances of the City of West Des Moines, as the *primary government*. The West Des Moines Community School District, the Waukee Community School District, the Des Moines Independent School District, the Norwalk Community School District and West Des Moines Waterworks provide services to the citizens of West Des Moines but do not meet established criteria to be component units of the City, and thus are not included in this report.

The government-wide financial statements can be found on pages 32 through 35 of this report.

Fund financial statements. A *fund* is defined as a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of West Des Moines, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds, which are described in further detail as follows:

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements, and is typically the basis used in developing the next annual budget.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The City maintains fourteen individual governmental funds. Information is presented separately in the *Balance Sheet - Governmental Funds* and in the *Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds* for the General Fund, Road Use Tax Fund, Tax Increment Financing Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation under the column heading *Non-major Governmental Funds*. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City presents budgetary information as allowed by GASB Statement No. 41. The City adopts an annual appropriated budget for the activity of all funds except agency funds. Formal and legal budgetary control as required by state statute is based upon nine major classes of expenditures known as functions, not by fund or fund type.

The basic governmental fund financial statements can be found on pages 36 through 39 of this report.

Proprietary funds consist of two different types of funds. *Enterprise funds* are used to report the same functions presented as *business-type* activities in the government-wide financial statements. The City uses enterprise funds to account for sanitary sewer system, storm water, and solid waste activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City utilizes four internal service funds to account for its vehicle replacement, vehicle maintenance, health and dental insurance program, and workers' compensation program. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

City of West Des Moines, Iowa Management's Discussion and Analysis For Fiscal Year Ended June 30, 2012

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the major sanitary sewer operations fund, the major storm water operations fund, and the non-major solid waste operations fund. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for internal service funds is provided as combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 40 through 45 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds *are* not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 46 of this report.

Notes to basic financial statements. The notes included herein provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 47 through 73 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also provides certain *required supplementary information* concerning the City, including progress in funding its obligation to provide retiree healthcare, a budgetary comparison based on the City's legal level of budgetary control, and infrastructure condition and maintenance records which are required as the City has elected to use the modified approach for reporting much of its infrastructure. This approach to recording infrastructure is explained in detail on page 26, while other required supplementary information can be found on pages 74 through 79 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on infrastructure. Combining and individual fund statements and schedules can be found on pages 80 through 89 of this report.

Government-Wide Financial Analysis

Net assets may serve as a useful indicator of a government's financial position. At June 30, 2012, the City's assets exceeded liabilities by \$509,360,433. The City's net assets are allocated on the basis of function and are categorized in the table below as either supporting a governmental or business-type purpose, and are discussed below.

City of West Des Moines, Iowa
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012

City of West Des Moines
Net Assets
(in thousands of dollars)

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|
| | June 30, 2011 | June 30, 2012 | June 30, 2011 | June 30, 2012 | June 30, 2011 | June 30, 2012 |
| Assets | | | | | | |
| Current and other assets | \$ 125,047 | \$ 161,643 | \$ 40,349 | \$ 41,890 | \$ 165,396 | \$ 203,533 |
| Capital assets, net of depreciation | 422,759 | 428,951 | 68,396 | 73,149 | 491,155 | 502,100 |
| Total assets | 547,806 | 590,594 | 108,745 | 115,039 | 656,551 | 705,634 |
| Liabilities | | | | | | |
| Current liabilities | 79,026 | 84,501 | 976 | 1,014 | 80,002 | 85,515 |
| Long-term liabilities outstanding | 96,527 | 109,746 | 1,444 | 1,012 | 97,971 | 110,758 |
| Total liabilities | 175,553 | 194,247 | 2,420 | 2,026 | 177,973 | 196,273 |
| Net assets | | | | | | |
| Invested in capital assets, net of related debt | 321,551 | 331,323 | 66,625 | 71,785 | 388,176 | 403,108 |
| Restricted net assets | 36,115 | 39,408 | 460 | 463 | 36,575 | 39,870 |
| Unrestricted net assets | 14,587 | 25,617 | 39,240 | 40,765 | 53,827 | 66,382 |
| Total net assets | \$ 372,253 | \$ 396,347 | \$ 106,325 | \$ 113,013 | \$ 478,578 | \$ 509,360 |

The largest portion of the City's net assets (79% of the total) represents its investment in capital assets (e.g., land, buildings, equipment, and infrastructure), net of all outstanding debt used to acquire those assets. The City uses the capital assets to provide services to its citizens; consequently these assets are *not* available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to cover the liabilities. Capital assets, net of related debt, increased by \$14.9 million over the previous year. The increases were in support of both governmental activities and business-type activities and are indicative of the City's ongoing commitment to provide quality infrastructure assets in the community, and its effort to aggressively repay debt related to those assets.

An additional portion of the City's net assets (6% of the total) represents resources that are subject to external use restrictions. These amounts fluctuate from year to year based on the timing of restricted revenue and completion of the restricted projects or activities. Total restricted net assets decreased by \$6.3 million during the fiscal year ended June 30, 2012.

The remaining balance of net assets (15% of the total) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net assets increased by \$12.6 million during the fiscal year ended June 30, 2012, which is reflective of significant savings in public works expenditures and interest on long-term debt. In the prior year, the City reported a one-time expenditure of \$5.1 million for a repayment arrangement with the Iowa Department of Transportation. The arrangement is to reimburse costs incurred by the State for Iowa Highway 5 improvements which, while a benefit to the City, do not increase the value of the City's infrastructure assets. An additional \$4.9 million savings in public works expenditures was largely due to the exceptionally mild winter, which decreased both snow removal and street repair costs. During the fiscal year, the City realized savings of \$1.4 million on long-term debt interest by refunding several bond issues at lower rates over the last several years.

City of West Des Moines, Iowa
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012

A summary of the City's changes in net assets during the fiscal year follows and is discussed below:

Changes in Net Assets
(in thousands of dollars)

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|------------------|--------------------------|-----------------|------------------|------------------|
| | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 7,470 | \$ 8,766 | \$ 12,025 | \$ 13,155 | \$ 19,495 | \$ 21,921 |
| Operating grants and contributions | 8,957 | 10,957 | 113 | - | 9,070 | 10,957 |
| Capital grants and contributions | 8,030 | 7,126 | 2,588 | 1,601 | 10,618 | 8,727 |
| General revenues: | | | | | | |
| Property taxes | 56,152 | 57,842 | - | - | 56,152 | 57,842 |
| Other Taxes | 3,979 | 3,951 | - | - | 3,979 | 3,951 |
| Earnings on investments | 286 | 59 | 396 | 149 | 682 | 208 |
| Other | 1,116 | 1,029 | - | - | 1,116 | 1,029 |
| Total revenues | 85,990 | 89,731 | 15,122 | 14,905 | 101,112 | 104,636 |
| Expenses | | | | | | |
| General government | 5,831 | 5,712 | - | - | 5,831 | 5,712 |
| Public safety | 23,683 | 24,797 | - | - | 23,683 | 24,797 |
| Public works | 14,402 | 9,523 | - | - | 14,402 | 9,523 |
| Health and social services | 1,119 | 1,191 | - | - | 1,119 | 1,191 |
| Culture and recreation | 9,645 | 9,526 | - | - | 9,645 | 9,526 |
| Economic development | 6,245 | 7,588 | - | - | 6,245 | 7,588 |
| Interest on long-term debt | 5,051 | 3,653 | - | - | 5,051 | 3,653 |
| Sanitary sewer | - | - | 7,285 | 8,255 | 7,285 | 8,255 |
| Solid Waste | - | - | 1,663 | 1,731 | 1,663 | 1,731 |
| Storm water | - | - | 1,264 | 1,311 | 1,264 | 1,311 |
| Total expenses | 65,976 | 61,990 | 10,212 | 11,296 | 76,188 | 73,286 |
| Change in net assets before transfers and special item | 20,014 | 27,741 | 4,910 | 3,609 | 24,924 | 31,349 |
| Transfers | 30 | (3,080) | (30) | 3,080 | - | - |
| Contributions to other government | (5,145) | - | - | - | (5,145) | - |
| Change in net assets | \$ 14,899 | \$ 24,661 | \$ 4,880 | \$ 6,688 | \$ 19,779 | \$ 31,349 |

Governmental Activities. Governmental revenues in the current year increased by \$3.7 million, or 4%. An increase of \$1.3 million, or 8.5%, in revenue received by charges for services was fueled by increased development activity, particularly building permits, plan reviews, and inspections, as well as increased fees from ambulatory services. The City experienced its third largest year in terms new building permit activity (based on dollars of valuation). Smaller portions of this increase can be attributed to adjustments to user fees such as park shelter rentals, animal licensing, and aquatic center admission fees.

Revenue from operating grants and contributions increased by slightly over \$2 million, largely due to grant revenue received from reimbursement of the City's construction of street infrastructure and rehabilitation of Historic West Des Moines City Hall.

Governmental Expenses decreased \$4 million, or 6%, from the prior fiscal year, primarily in the Public Works function, as previously discussed.

City of West Des Moines, Iowa

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2012

Business-Type Activities. Revenue received through Charges for Services increased by \$1.1 million or approximately 11 percent, in the current year. Expenses saw a similar increase based on sewer and solid waste usage. Historically, Charges for Services have increased by about 10 percent annually. Continued growth stimulated the business-type activities by generating development related connection fees and new customer accounts.

At the end of the current fiscal year, the City was able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. This was also the case in the prior fiscal year.

Financial Analysis of the Government's Fund Financial Statements

As noted earlier in this report, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The financial reporting focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balances serve as a useful measure of a government's net resources available at the end of the fiscal year.

The City's governmental funds reported combined fund balances of \$78,022,983 as of June 30, 2012. Of this total \$22,334,719 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is not available for new spending because it has already been restricted either (1) for the purpose of resale (\$147,108); (2) by legal requirements for debt service payments (\$19,724,769); (3) for urban renewal and development in Tax Increment Financing Districts (\$4,244,492); (4) for liquidation of contracts for capital improvements (\$25,810,078); or (5) various other purposes totaling \$5,761,817. The other purposes are described by the titles of the Special Revenue Funds in which the individual fund balances are disclosed.

The unassigned balance of the General Fund, the chief operating fund of the City, increased \$4,885,995, or 28%, to a total of \$22,334,719 at June 30, 2012. As a measure of the General Fund's liquidity, it is generally useful to compare unassigned fund balance to total annual fund expenditures. The unassigned balance of the General Fund at June 30, 2012, represents approximately 49.1% of annual General Fund expenditures. The City strives to maintain an average fund balance of at least 25.0% of General Fund expenditures for working capital needs due to fluctuations in revenue, as property tax revenue is only collected semi-annually with the majority of the revenue remitted to the City by the respective county treasurers in the months of October and April each year.

General Fund revenue saw increases during the fiscal year ended June 30, 2012, in several categories, including Licensing and Permits, as well as Charges for Services. Both categories increased primarily due to continued strength in development activity, which is particularly impressive in light of national and regional trends. As a result of the City's strong tax base, property tax collections increased during the fiscal year ended June 30, 2012, and the General Fund saw an overall increase in property tax revenue of 3.5%.

General Fund expenditures decreased by \$243,876, or 0.5%. This was the result of cost-containment procedures implemented citywide including staff adjustments, steady employee health insurance expenditures, and a mild winter season.

City of West Des Moines, Iowa Management's Discussion and Analysis For Fiscal Year Ended June 30, 2012

The Tax Increment Financing (TIF) Fund had a fund balance of \$4,244,492 at June 30, 2012; an increase of \$287,156 or 7.2%. Since property taxes are collected in arrears, the City continues to benefit from past growth in these areas. The property taxes collected in these special financing districts are generally transferred from the Tax Increment Financing Fund to other funds to cover bonded debt, other loans, advances and contracts used to finance infrastructure improvements in these TIF districts.

The Debt Service Fund had a fund balance of \$3,591,183 at June 30, 2012, an increase of \$11,171. This fund is restricted for the payment of debt (i.e. payment of general obligation principal and interest).

This timing also was reflected as part of a significant increase in the Capital Projects Fund of \$25,689,220. In addition to cash from the bond issuance, this fund contained restricted cash of \$16,133,586 as a result of funds held for General Obligation crossover refunding bonds. Finally, reflective in the Capital Projects Fund is \$12,306,157 restricted for the liquidation of construction contracts that have been entered into by the City. The Capital Projects Fund reports no unassigned fund balance at June 30, 2012.

Proprietary Funds. The City of West Des Moines' proprietary funds provide the same type of information found in the government-wide financial statements, except in more detail.

Total net assets of the Sanitary Sewer Fund at the end of the year amounted to \$83.6 million. This is comprised of: \$48.8 million invested in capital assets, net of related debt; \$0.5 million restricted for debt service; and \$34.3 million in unrestricted net assets. This increase in net assets of \$2.3 million, or 2.3%, included a 9.25% sanitary sewer rate increase effective October 1, 2011, from \$4.85 / 1,000 gallons to \$5.30 / 1,000 gallons.

Total net assets of the Storm Water Fund at the end of the current year were \$28.4 million, with \$23.0 million invested in capital assets net of related debt and \$5.4 million in unrestricted net assets.

Total net assets of the Solid Waste Fund at the end of the current year were \$784,949 all of which was unrestricted. The Solid Waste Fund does not have any investment in capital assets as all assets are handled by a private contractor.

Unrestricted net assets accumulated in the Sanitary Sewer and Storm Water funds will be used to fund future large dollar expenditures for the expansion of the City's sanitary sewer system to the south and southwest and, to meet more stringent, regulatory requirements for storm water runoff management and monitoring. The City began collecting storm water utility fees in July 1, 2006 to fund the new requirements.

Budgetary Highlights

The City presents budgetary information as allowed by GASB Statement No. 41. Budgets are based on nine functional areas as required by state statute, not by fund or fund type. During the year ended June 30, 2012, the City did not exceed the legal budget in any of the functional areas.

During the fiscal year there were two budget amendments, dated March 19 and May 14, 2012. Amendments are a routine occurrence for the City and are primarily due to changes in the timing of capital improvement projects and related grant and other receipts for these projects. Because the June 30 fiscal year end occurs during the "construction season" in Iowa, it is difficult to judge, in advance, that portion of construction projects which will be in process on June 30. The budget is also routinely amended each year to adjust projected fiscal year beginning balances to equal actual audited fund balances. In addition, the current year's amendments included a decrease in budgeted investment income as interest rates remain near record lows. General Fund Operating Revenue was decreased largely due to a change in accounting for the Dallas County Local Housing Trust Fund. Due to a requirement from the grantor, all revenues and expenses must be reported separately from the General Fund, and were moved to a Special Revenue Fund in the previous fiscal year. An expenditure of \$450,000

City of West Des Moines, Iowa Management's Discussion and Analysis For Fiscal Year Ended June 30, 2012

was added to the General Fund budget to reflect the purchase of a Storage Area Network. Debt service expenditures were increased to reflect payments of new bond issues. An increase in revenues was included in these amendments to reflect reimbursement for several grant programs, Federal Emergency Management Agency reimbursements, and development-related receipts. Budgetary comparison schedules on pages 75 through 76 provide more information

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$502.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings (e.g. recreation trails, athletic fields, parking lots), vehicles and equipment, and infrastructure (e.g. roads, bridges, sanitary and storm sewer lines). The total increase in the City of West Des Moines' capital assets for the current fiscal year was 2.2%; slightly below the previous year's increase of 2.7%.

The City of West Des Moines has elected the option to use the modified approach for reporting infrastructure within the governmental activities, as allowed by GASB Statement No. 34. Under the modified approach eligible infrastructure is not required to be depreciated if the following requirements have been met:

The government must have an up-to-date inventory of the assets of those networks or subsystems.

The government must perform or obtain condition assessments of those assets and summarize the results using a measurement scale. It is essential that such condition assessment be replicable (i.e., conducted using methods that would allow different measurers to reach substantially similar results).

The government must make an annual estimate of the amount needed to maintain and preserve those assets at a condition level established and disclosed by the government.

The government must document that infrastructure assets are being preserved at or above the condition level established and disclosed by the government.

The City already had an inventory management system in place and was performing condition assessments as part of its ongoing efforts to maintain and preserve the quality and useful life of these governmental infrastructure assets. Under the modified approach, the City records the actual maintenance and preservation costs incurred during the period as expense, rather than capitalizing the preservation costs and estimating the amount of depreciation expense to record. Only improvements and additions that increase the capacity or efficiency of the infrastructure network are capitalized under this approach. All other costs are expensed in the period incurred.

The *required supplementary information* that must be presented by governments electing this approach appears on pages 77 through 79 of this report. From this supplementary information you can see that the City has been able to consistently meet or exceed its condition level goals. For a full explanation as to how the following condition levels were determined, please see page 77 of this report.

City of West Des Moines, Iowa
 Management's Discussion and Analysis
 For Fiscal Year Ended June 30, 2012

Condition Level for Street Network
 (prior 3 condition assessments)

| | 2007 | 2009 | 2011 |
|-----------------------------------|---------------|---------------|----------------------|
| Street subsystem: | | | |
| Goal | 78-80 | 78-80 | 78-80 |
| Actual | 80.9 | 80.8 | 80.3 |
| Bridge and culvert system: | | | |
| Goal | 81 or greater | 81 or greater | 81 or greater |
| Actual | 93.8 | 93.8 | 91.3 |
| Levee subsystem: | | | |
| Goal | Acceptable | Acceptable | Minimally Acceptable |
| Actual | Acceptable | Acceptable | Minimally Acceptable |

The *required supplementary information* also reveals that estimated maintenance costs and actual maintenance costs are fairly consistent considering that the fiscal year falls in the middle of the construction season which will result in some fluctuation from year to year depending on the exact date that the construction contract is let.

Comparison of street network prevention and maintenance costs
 (in thousands)

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Estimated costs | \$3,323 | \$3,077 | \$4,480 | \$4,915 | \$5,397 | \$4,374 | \$5,296 | \$5,307 |
| Actual costs | 3,517 | 3,516 | 4,751 | 4,661 | 5,024 | 5,071 | 5,387 | 5,119 |

West Des Moines has *not* elected to use the modified approach for reporting the infrastructure of business-type activities, as the City has not yet completed the necessary condition assessments required for the use of the modified approach. Therefore, depreciation expense has been recognized for the sanitary sewer and storm sewer infrastructure capital assets.

City of West Des Moines, Iowa
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012

Capital Assets, Net of Applicable Depreciation
(in thousands of dollars)

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|------------|--------------------------|-----------|------------|------------|
| | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 |
| Land | \$ 18,927 | \$ 18,997 | \$ 413 | \$ 413 | \$ 19,340 | \$ 19,410 |
| Buildings | 40,803 | 42,222 | - | - | 40,803 | 42,222 |
| Improvements other than buildings | 35,687 | 38,672 | - | - | 35,687 | 38,672 |
| Fiber Network | 4,638 | 4,638 | - | - | 4,638 | 4,638 |
| Equipment and vehicles | 20,965 | 20,186 | 25 | 123 | 20,990 | 20,309 |
| Construction-in-Progress | 24,447 | 17,686 | 1,130 | 2,126 | 25,577 | 19,812 |
| Share of undivided equity interest assets | 1,388 | 1,803 | - | - | 1,388 | 1,803 |
| Infrastructure, depreciable | - | - | 96,569 | 102,261 | 96,569 | 102,261 |
| Infrastructure, non-depreciable | 317,156 | 327,330 | - | - | 317,156 | 327,330 |
| Accumulated depreciation | (54,656) | (58,940) | (29,741) | (31,773) | (84,397) | (90,713) |
| Intangibles | 13,404 | 16,358 | - | - | 13,404 | 16,358 |
| Total capital assets | \$ 422,759 | \$ 428,951 | \$ 68,396 | \$ 73,149 | \$ 491,155 | \$ 502,101 |

Major capital asset additions during the current fiscal year included the following:

- Spent over \$1.5 million to expand and reconstruct a significant section of Grand Avenue between 50th St and Interstate 35.
- Spent over \$2.9 million to construct another significant portion of SW Connector roadway (total project cost \$7.8 million to date).
- Spent over \$1.0 million to continue construction of S 88th Street and Grand Avenue to support Microsoft facilities (total project cost \$6.2 million).
- Spent over \$1.1 million for improvements to Valley View Park.

Additional information concerning the City's capital assets can be found in Note 1 and Note 3 of the *Notes to Basic Financial Statements* on pages 47 through 56 and 58 through 59, respectively.

Outstanding Debt
General Obligation and Revenue Bonds

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|----------------|--------------------------|--------------|----------------|----------------|
| | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 |
| General Obligation Bonds | \$ 101,081,101 | \$ 119,400,616 | \$ - | \$ - | \$ 101,081,101 | \$ 119,400,616 |
| Revenue Bonds | - | - | 1,771,000 | 1,364,000 | 1,771,000 | 1,364,000 |
| | \$ 101,081,101 | \$ 119,400,616 | \$ 1,771,000 | \$ 1,364,000 | \$ 102,852,101 | \$ 120,764,616 |

City of West Des Moines, Iowa Management's Discussion and Analysis For Fiscal Year Ended June 30, 2012

Long-term debt. At the close of the fiscal year ended June 30, 2012, the City had total bonded debt outstanding of \$120.7 million, of which \$119.4 million comprises debt backed by the full faith and credit of the government and the remaining \$1.3 million represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

During the current fiscal year the City's total bonded debt increased by \$17.9 million due to the recording of the crossover refunding transaction and the timing of the issuance of 2012 General Obligation Bonds, each described previously.

The Iowa State Constitution limits the amount of general obligation debt which may be issued by a city to 5 percent of the actual assessed value of all its taxable property. The current debt limitation for the City is approximately \$305.2 million. With outstanding general obligation debt of \$123.3 million (general obligation bonds plus other debt subject to the limitation), the City had utilized 40.4% of the debit limit as of June 30, 2012.

Additional information on the City's long-term debt can be found in Note 4 on pages 59 through 63 of this report.

Economic Factors, Budgets, and Rates for the Upcoming Fiscal Year

As one of the fastest growing cities in the state of Iowa, West Des Moines expects growth both in population and in taxable property valuations to continue over the next several years. Historically, the tax base has grown between 2 percent and 9 percent annually. The budget for fiscal year ending June 30, 2013, was built on projections that property tax values will actually contract slightly by approximately 1% from actual previous valuations. Helping to offset this loss in valuation is an adjustment to the calculation for residential property taxes, but nonetheless the fiscal 2013 budget projects general fund tax revenues to drop \$889,096, or 2.8%, from the approved budget of the previous year. Although it appears major valuation corrections have been made to reflect the down cycle of our overall economy, future year tax base growth assumptions remain conservative, reflecting between 2% and 4% annual growth.

The City's tax base measured by current actual property valuation and recent population data is an extremely strong at approximately \$106,000 per capita. The City's taxable valuation per capita of over \$76,000 remains the highest of Iowa's top ten most populated cities, which allows the City of West Des Moines to maintain the lowest tax rate of those cities. The City ranks as the fourth highest city for taxable retail sales in Iowa, due to the large presence of retail including two major regional shopping centers. Many other economic indicators for the City compare favorably with state and national averages. See additional information and measures regarding the City in the Statistical Section of this report.

While West Des Moines continues to experience growth in its property tax base, valuations are determined at the county level. Recent valuation rollbacks and appeals have resulted in the City recognizing the need to project future revenue and expenditure levels to ensure adequate funding for services will be available in future budget cycles for operations. The City essentially budgeted for breakeven results, without the use of this fund balance, and without a property tax rate increase for the fiscal year ending June 30, 2013. The City's property tax rate remains at \$12.05 / \$1,000 of taxable valuation.

Requests for Information

This financial report is designed to provide a general overview of the City of West Des Moines' finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Department at 4200 Mills Civic Parkway, Suite 2B or by mail to the City of West Des Moines, Finance Department, PO Box 65320, West Des Moines, Iowa 50265-0320.

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BASIC FINANCIAL STATEMENTS

City of West Des Moines, Iowa
STATEMENT OF NET ASSETS
June 30, 2012

| ASSETS | Primary Government | | |
|---|------------------------------------|-------------------------------------|--------------------|
| | Governmental Activities | Business-type Activities | Total |
| Current assets | | | |
| Cash and investments | \$ 79,526,578 | \$ 34,393,386 | \$113,919,964 |
| Restricted cash and investments | 2,827,118 | - | 2,827,118 |
| Receivables | | | |
| Property taxes | 60,052,562 | - | 60,052,562 |
| Accounts and unbilled usage | 802,933 | 3,210,076 | 4,013,009 |
| Interest | 9,499 | 49,575 | 59,074 |
| Special assessments | 870,712 | 45,037 | 915,749 |
| Loans | 1,484,581 | - | 1,484,581 |
| Internal balances | (783,851) | 783,851 | - |
| Due from other governments | 2,395,065 | 2,945,472 | 5,340,537 |
| Assets held for sale | 147,108 | - | 147,108 |
| Inventories | 71,496 | - | 71,496 |
| Total current assets | <u>147,403,801</u> | <u>41,427,397</u> | <u>188,831,198</u> |
| Noncurrent assets | | | |
| Restricted cash and investments | 13,306,468 | 462,920 | 13,769,388 |
| Bond issuance costs | 933,203 | - | 933,203 |
| | <u>14,239,671</u> | <u>462,920</u> | <u>14,702,591</u> |
| Capital assets | | | |
| Nondepreciable | | | |
| Land | 18,997,207 | 413,178 | 19,410,385 |
| Infrastructure | 327,329,865 | - | 327,329,865 |
| Construction-in-progress | 17,685,898 | 2,125,888 | 19,811,786 |
| Intangibles | 15,574,850 | - | 15,574,850 |
| Depreciable | | | |
| Buildings | 42,221,564 | - | 42,221,564 |
| Equipment and vehicles | 20,185,803 | 122,703 | 20,308,506 |
| Fiber network | 4,637,780 | - | 4,637,780 |
| Improvements other than buildings | 38,672,192 | - | 38,672,192 |
| Share of undivided equity interest assets | 1,802,889 | - | 1,802,889 |
| Intangibles | 783,447 | - | 783,447 |
| Infrastructure | - | 102,260,718 | 102,260,718 |
| Accumulated depreciation | (58,940,368) | (31,773,272) | (90,713,640) |
| Net capital assets | <u>428,951,127</u> | <u>73,149,215</u> | <u>502,100,342</u> |
| Total noncurrent assets | <u>443,190,798</u> | <u>73,612,135</u> | <u>516,802,933</u> |
| Total assets | <u>590,594,599</u> | <u>115,039,532</u> | <u>705,634,131</u> |

| | Primary Government | | |
|---|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | \$ 4,594,584 | \$ 457,412 | \$ 5,051,996 |
| Claims payable | 691,108 | - | 691,108 |
| Accrued wages payable | 494,547 | 18,001 | 512,548 |
| Interest payable | 341,725 | 3,410 | 345,135 |
| Unearned revenue | 59,737,942 | - | 59,737,942 |
| Compensated absences | 487,496 | 113,104 | 600,600 |
| General obligation bonds | 16,845,000 | - | 16,845,000 |
| Capital lease payable | 231,615 | - | 231,615 |
| Installment contracts | 1,076,848 | - | 1,076,848 |
| Revenue notes payable | - | 422,000 | 422,000 |
| Total current liabilities | <u>84,500,865</u> | <u>1,013,927</u> | <u>85,514,792</u> |
| Noncurrent liabilities | | | |
| Compensated absences | 3,954,972 | 44,809 | 3,999,781 |
| General obligation bonds | 102,555,616 | - | 102,555,616 |
| Capital lease payable | 528,407 | - | 528,407 |
| Installment contracts | 2,153,645 | - | 2,153,645 |
| Revenue notes payable | - | 942,000 | 942,000 |
| Net OPEB liability | 553,820 | 25,637 | 579,457 |
| Total noncurrent liabilities | <u>109,746,460</u> | <u>1,012,446</u> | <u>110,758,906</u> |
| Total liabilities | <u>194,247,325</u> | <u>2,026,373</u> | <u>196,273,698</u> |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 331,322,948 | 71,785,215 | 403,108,163 |
| Restricted for | | | |
| Capital projects | 12,306,157 | - | 12,306,157 |
| Debt service | 3,591,183 | 462,920 | 4,054,103 |
| Urban renewal and development | 4,244,492 | - | 4,244,492 |
| Road use projects | 13,503,921 | - | 13,503,921 |
| Retirement benefits | 3,467,712 | - | 3,467,712 |
| Other purposes | 2,294,105 | - | 2,294,105 |
| Unrestricted | <u>25,616,756</u> | <u>40,765,024</u> | <u>66,381,780</u> |
| Total net assets | <u>\$396,347,274</u> | <u>\$113,013,159</u> | <u>\$509,360,433</u> |

City of West Des Moines, Iowa
STATEMENT OF ACTIVITIES
Year ended June 30, 2012

| | | Program Revenues | | |
|------------------------------------|---------------------|--|--|--|
| Programs/Functions | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities | | | | |
| Public safety | \$24,796,973 | \$ 4,721,074 | \$ 2,663,420 | \$ - |
| Public works | 9,522,787 | 956,272 | 5,350,804 | 7,125,936 |
| Health and social services | 1,191,055 | - | 648,841 | - |
| Culture and recreation | 9,526,437 | 1,392,190 | 130,592 | - |
| Community and economic development | 7,587,871 | 411,260 | 1,046,406 | - |
| General government | 5,712,265 | 1,284,718 | 1,116,997 | - |
| Interest on long-term debt | 3,652,748 | - | - | - |
| Total governmental activities | <u>61,990,136</u> | <u>8,765,514</u> | <u>10,957,060</u> | <u>7,125,936</u> |
| Business-type activities | | | | |
| Sewer system | 8,254,719 | 9,225,687 | - | 1,210,579 |
| Storm water system | 1,310,785 | 2,156,738 | - | 390,093 |
| Solid waste system | 1,730,612 | 1,772,291 | - | - |
| Total business-type activities | <u>11,296,116</u> | <u>13,154,716</u> | <u>-</u> | <u>1,600,672</u> |
| Total primary government | <u>\$73,286,252</u> | <u>\$21,920,230</u> | <u>\$10,957,060</u> | <u>\$8,726,608</u> |
| | | General revenues | | |
| | | Taxes | | |
| | | Property taxes | | |
| | | Franchise tax | | |
| | | Other City taxes | | |
| | | Hotel/Motel tax | | |
| | | Miscellaneous | | |
| | | Investment earnings | | |
| | | Transfers | | |
| | | Total general revenues and transfers | | |
| | | Changes in net assets | | |
| | | Net assets, beginning of year, as restated | | |
| | | Net assets, end of year | | |

See Notes to Basic Financial Statements.

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

| Governmental Activities | Business-type Activities | Totals |
|------------------------------------|-------------------------------------|----------------------|
| \$ (17,412,479) | \$ — | \$ (17,412,479) |
| 3,910,225 | — | 3,910,225 |
| (542,214) | — | (542,214) |
| (8,003,655) | — | (8,003,655) |
| (6,130,205) | — | (6,130,205) |
| (3,310,550) | — | (3,310,550) |
| <u>(3,652,748)</u> | <u>—</u> | <u>(3,652,748)</u> |
| <u>(35,141,626)</u> | <u>—</u> | <u>(35,141,626)</u> |
| — | 2,181,547 | 2,181,547 |
| — | 1,236,046 | 1,236,046 |
| — | 41,679 | 41,679 |
| <u>—</u> | <u>3,459,272</u> | <u>3,459,272</u> |
| <u>(35,141,626)</u> | <u>3,459,272</u> | <u>(31,682,354)</u> |
| 57,842,225 | — | 57,842,225 |
| 300,737 | — | 300,737 |
| 579,248 | — | 579,248 |
| 3,071,320 | — | 3,071,320 |
| 1,029,403 | — | 1,029,403 |
| 59,397 | 149,088 | 208,485 |
| <u>(3,079,696)</u> | <u>3,079,696</u> | <u>—</u> |
| <u>59,802,634</u> | <u>3,228,784</u> | <u>63,031,418</u> |
| 24,661,008 | 6,688,056 | 31,349,064 |
| <u>371,686,266</u> | <u>106,325,103</u> | <u>478,011,369</u> |
| <u>\$396,347,274</u> | <u>\$113,013,159</u> | <u>\$509,360,433</u> |

City of West Des Moines, Iowa
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2012

| | <u>General</u> | <u>Road Use Tax</u> | <u>Tax Increment Financing</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------------|----------------------------|--|----------------------------|-----------------------------|--|---|
| ASSETS | | | | | | | |
| Cash and investments | \$22,130,094 | \$13,171,851 | \$ 6,355,133 | \$ 3,549,917 | \$ 11,727,323 | \$ 5,752,430 | \$ 62,686,748 |
| Restricted cash and investments | - | - | - | - | 16,133,586 | - | 16,133,586 |
| Receivables | | | | | | | |
| Property taxes | 31,921,729 | - | 13,545,595 | 8,475,127 | 37,660 | 6,072,451 | 60,052,562 |
| Accounts | 760,415 | - | - | - | 119 | 16,673 | 777,207 |
| Loans | - | - | - | - | 1,475,346 | 9,235 | 1,484,581 |
| Special assessments | 7,441 | - | - | - | 863,271 | - | 870,712 |
| Due from other funds | 26,880 | - | - | - | - | - | 26,880 |
| Due from other governments | 1,154,399 | 396,821 | - | - | 763,774 | 80,071 | 2,395,065 |
| Assets held for sale | 147,108 | - | - | - | - | - | 147,108 |
| Total assets | <u>\$56,148,066</u> | <u>\$13,568,672</u> | <u>\$19,900,728</u> | <u>\$12,025,044</u> | <u>\$ 31,001,079</u> | <u>\$11,930,860</u> | <u>\$144,574,449</u> |
| LIABILITIES AND FUND EQUITY | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | \$ 1,260,281 | \$ 64,751 | \$ 2,161,039 | \$ - | \$ 897,652 | \$ 85,405 | \$ 4,469,128 |
| Accrued wages payable | 492,399 | - | - | - | - | 2,148 | 494,547 |
| Due to other funds | - | - | - | - | 528,031 | 26,880 | 554,911 |
| Deferred revenue | 31,913,559 | - | 13,495,197 | 8,433,861 | 1,135,653 | 6,054,610 | 61,032,880 |
| Total liabilities | <u>33,666,239</u> | <u>64,751</u> | <u>15,656,236</u> | <u>8,433,861</u> | <u>2,561,336</u> | <u>6,169,043</u> | <u>66,551,466</u> |
| Fund Equity | | | | | | | |
| Fund balances | | | | | | | |
| Nonspendable, assets held for sale | \$ 147,108 | - | - | - | - | - | 147,108 |
| Restricted for | | | | | | | |
| Capital projects | - | 13,503,921 | - | - | 12,306,157 | - | 25,810,078 |
| Debt service | - | - | - | 3,591,183 | 16,133,586 | - | 19,724,769 |
| Urban renewal and development | - | - | 4,244,492 | - | - | - | 4,244,492 |
| Other purposes | - | - | - | - | - | 5,761,817 | 5,761,817 |
| Unassigned | 22,334,719 | - | - | - | - | - | 22,334,719 |
| Total fund equity | <u>22,481,827</u> | <u>13,503,921</u> | <u>4,244,492</u> | <u>3,591,183</u> | <u>28,439,743</u> | <u>5,761,817</u> | <u>78,022,983</u> |
| Total liabilities and fund equity | <u>\$56,148,066</u> | <u>\$13,568,672</u> | <u>\$19,900,728</u> | <u>\$12,025,044</u> | <u>\$31,001,079</u> | <u>\$11,930,860</u> | <u>\$144,574,449</u> |

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2012

| | | |
|--|------------------|----------------------|
| Total governmental funds balances | | \$ 78,022,983 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is \$475,145,202 and the accumulated depreciation is \$50,603,518. | | 424,541,684 |
| Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | | 1,294,938 |
| Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets | | |
| Capital assets | 12,746,293 | |
| Accumulated depreciation | (8,336,850) | |
| Other current assets | 16,946,551 | |
| Other current liabilities | <u>(816,564)</u> | 20,539,430 |
| Internal service funds allocated to business-type activities | | (255,820) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds | | |
| Compensated absences | (4,442,468) | |
| Other postemployment benefits payable | (553,820) | |
| Accrued interest payable | (341,725) | |
| General obligation bonds payable | (114,255,000) | |
| Premium on bonds payable | (5,145,616) | |
| Capital lease obligations | (760,022) | |
| Installment contracts | (3,230,493) | |
| Bond issuance costs | <u>933,203</u> | (127,795,941) |
| Net assets of governmental activities | | <u>\$396,347,274</u> |

City of West Des Moines, Iowa
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES—GOVERNMENTAL FUNDS
Year ended June 30, 2012

| | <u>General</u> | <u>Road Use Tax</u> | <u>Tax Increment Financing</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|-------------------------|--|-------------------------|-----------------------------|--|---|
| REVENUES | | | | | | | |
| Property taxes | \$32,053,643 | \$ — | \$12,219,161 | \$ 8,258,673 | \$ — | \$5,310,748 | \$57,842,225 |
| Other City taxes | 3,786,423 | — | — | 96,141 | — | 68,741 | 3,951,305 |
| Special assessments | — | — | — | — | 395,576 | — | 395,576 |
| Licenses and permits | 1,404,430 | — | — | — | — | — | 1,404,430 |
| Intergovernmental | 4,196,838 | 5,335,052 | — | — | 5,629,288 | 795,353 | 15,956,531 |
| Charges for services | 4,759,448 | — | — | — | — | — | 4,759,448 |
| Use of money and property | 108,667 | — | — | 1,455 | — | 97 | 110,219 |
| Miscellaneous | 716,253 | — | — | — | 16,711 | 1,316,597 | 2,049,561 |
| Total revenues | <u>47,025,702</u> | <u>5,335,052</u> | <u>12,219,161</u> | <u>8,356,269</u> | <u>6,041,575</u> | <u>7,491,536</u> | <u>86,469,295</u> |
| EXPENDITURES | | | | | | | |
| Current operating | | | | | | | |
| Public safety | 21,034,207 | — | — | — | — | 2,296,396 | 23,330,603 |
| Public works | 5,807,887 | 668,732 | — | — | — | — | 6,476,619 |
| Health and social services | 886,084 | — | — | — | — | 239,524 | 1,125,608 |
| Culture and recreation | 6,767,580 | — | — | — | — | 82,268 | 6,849,848 |
| Community and economic development | 4,683,308 | — | 2,161,039 | — | — | 543,270 | 7,387,617 |
| General government | 5,371,275 | — | — | — | — | — | 5,371,275 |
| Debt service | | | | | | | |
| Principal | 154,636 | 1,076,848 | — | 13,535,828 | — | 63,670 | 14,830,982 |
| Interest and other charges | 83,062 | — | — | 3,641,279 | 521,416 | 8,041 | 4,253,798 |
| Capital outlay | 658,145 | — | — | — | 14,180,916 | 136,725 | 14,975,786 |
| Total expenditures | <u>45,446,184</u> | <u>1,745,580</u> | <u>2,161,039</u> | <u>17,177,107</u> | <u>14,702,332</u> | <u>3,369,894</u> | <u>84,602,136</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,579,518</u> | <u>3,589,472</u> | <u>10,058,122</u> | <u>(8,820,838)</u> | <u>(8,660,757)</u> | <u>4,121,642</u> | <u>1,867,159</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | 4,125,331 | 100,342 | 22,520 | 20,329,748 | 3,068,695 | 239,930 | 27,886,566 |
| Transfers out | (697,996) | (2,108,899) | (9,793,486) | — | (12,307,963) | (3,709,668) | (28,618,012) |
| General obligation bonds issued | — | — | — | — | 15,150,000 | — | 15,150,000 |
| Refunding bonds issued | — | — | — | — | 25,235,000 | — | 25,235,000 |
| Premium on bond issuance | — | — | — | — | 3,204,245 | — | 3,204,245 |
| Payment to refunded bond escrow | — | — | — | (11,497,739) | — | — | (11,497,739) |
| Proceeds from sales of capital assets | 21,300 | — | — | — | — | — | 21,300 |
| Total other financing sources (uses) | <u>3,448,635</u> | <u>(2,008,557)</u> | <u>(9,770,966)</u> | <u>8,832,009</u> | <u>34,349,977</u> | <u>(3,469,738)</u> | <u>31,381,360</u> |
| NET CHANGE IN FUND BALANCES | 5,028,153 | 1,580,915 | 287,156 | 11,171 | 25,689,220 | 651,904 | 33,248,519 |
| FUND BALANCES, beginning of year, as restated | <u>17,453,674</u> | <u>11,923,006</u> | <u>3,957,336</u> | <u>3,580,012</u> | <u>2,750,523</u> | <u>5,109,913</u> | <u>44,774,464</u> |
| FUND BALANCES, end of year | <u>\$22,481,827</u> | <u>\$13,503,921</u> | <u>\$ 4,244,492</u> | <u>\$ 3,591,183</u> | <u>\$28,439,743</u> | <u>\$5,761,817</u> | <u>\$78,022,983</u> |

See NOTES to Basic Financial Statements.

City of West Des Moines, Iowa
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2012

Net change in fund balances—governmental funds \$33,248,519

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following is the amount by which capital outlays exceeded depreciation in the current year:

| | |
|----------------|-------------|
| Capital outlay | 8,067,679 |
| Depreciation | (4,700,016) |

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

| | |
|---------------------------------------|-----------|
| Capital contributions | 4,165,235 |
| Book value of capital assets disposed | (946,807) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Change in deferred revenue:

| | |
|---------------------|-----------|
| Special Assessments | 865,615 |
| Grants | (133,022) |

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. Change in:

| | |
|----------------------|-----------|
| Net OPEB liability | (108,428) |
| Compensated absences | (363,611) |

The issuance of long-term debt (e.g. bonds, loan, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds an interest expenditure is reported when due. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:

| | |
|--|--------------|
| Repayment of long-term debt: | |
| Capital lease obligations | 218,306 |
| General obligation bonds | 24,830,000 |
| Installment contracts | 1,076,848 |
| Interest | (36,950) |
| Issuance of long-term debt | (40,385,000) |
| Premium on issuance of long-term debt | (3,204,245) |
| Issuance costs | 521,416 |
| Amortization of bond premium | 439,730 |
| Amortization of bond issuance costs, including new issue amounts | (119,579) |

Internal service funds are used by management to charge the costs of various activities internally to individual funds. The net expense of certain activities of internal service funds is reported with governmental activities.

1,225,318

| | |
|---|---------------------|
| Change in net assets of governmental activities | <u>\$24,661,008</u> |
|---|---------------------|

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
STATEMENT OF NET ASSETS—PROPRIETARY FUNDS
June 30, 2012

| | <u>Sewer System</u> | <u>Storm Water System</u> | <u>Nonmajor Enterprise Fund Solid Waste</u> | <u>Total Enterprise Funds</u> | <u>Internal Service Funds</u> |
|---------------------------------|-------------------------|-----------------------------------|---|---------------------------------------|---------------------------------------|
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and investments | \$28,855,097 | \$ 5,039,861 | \$498,428 | \$ 34,393,386 | \$16,839,830 |
| Receivables | | | | | |
| Accounts and unbilled usage | 2,243,558 | 539,722 | 426,796 | 3,210,076 | 25,726 |
| Special assessments | 42,630 | 1,346 | 1,061 | 45,037 | — |
| Interest | 49,575 | — | — | 49,575 | 9,499 |
| Due from other funds | 528,031 | — | — | 528,031 | — |
| Due from other governments | 2,945,472 | — | — | 2,945,472 | — |
| Inventories | — | — | — | — | 71,496 |
| Total current assets | <u>34,664,363</u> | <u>5,580,929</u> | <u>926,285</u> | <u>41,171,577</u> | <u>16,946,551</u> |
| Noncurrent assets | | | | | |
| Restricted cash and investments | <u>462,920</u> | <u>—</u> | <u>—</u> | <u>462,920</u> | <u>—</u> |
| Capital assets | | | | | |
| Nondepreciable | | | | | |
| Land | 411,278 | 1,900 | — | 413,178 | — |
| Construction-in-progress | 1,593,102 | 532,786 | — | 2,125,888 | — |
| Depreciable | | | | | |
| Equipment and vehicles | 104,786 | 17,917 | — | 122,703 | 12,746,293 |
| Infrastructure | 77,891,783 | 24,368,935 | — | 102,260,718 | — |
| Accumulated depreciation | (29,811,983) | (1,961,289) | — | (31,773,272) | (8,336,850) |
| Net capital assets | <u>50,188,966</u> | <u>22,960,249</u> | <u>—</u> | <u>73,149,215</u> | <u>4,409,443</u> |
| Total noncurrent assets | <u>50,651,886</u> | <u>22,960,249</u> | <u>—</u> | <u>73,612,135</u> | <u>4,409,443</u> |
| Total assets | <u>\$85,316,249</u> | <u>\$28,541,178</u> | <u>\$926,285</u> | <u>\$114,783,712</u> | <u>\$21,355,994</u> |

See Notes to Basic Financial Statements.

| | <u>Sewer System</u> | <u>Storm Water System</u> | <u>Nonmajor Enterprise Fund Solid Waste</u> | <u>Total Enterprise Funds</u> | <u>Internal Service Funds</u> |
|---|-------------------------|-----------------------------------|---|---------------------------------------|---------------------------------------|
| LIABILITIES AND NET ASSETS | | | | | |
| Liabilities | | | | | |
| Current | | | | | |
| Accounts payable | \$ 227,210 | \$ 88,866 | \$141,336 | \$ 457,412 | \$ 125,456 |
| Claims payable | - | - | - | - | 691,108 |
| Compensated absences | 67,995 | 45,109 | - | 113,104 | - |
| Accrued wages payable | 9,801 | 8,200 | - | 18,001 | - |
| Interest payable | 3,410 | - | - | 3,410 | - |
| Revenue notes payable | <u>422,000</u> | <u>-</u> | <u>-</u> | <u>422,000</u> | <u>-</u> |
| Total current liabilities | <u>730,416</u> | <u>142,175</u> | <u>141,336</u> | <u>1,013,927</u> | <u>816,564</u> |
| Noncurrent | | | | | |
| Compensated absences | 5,682 | 39,127 | - | 44,809 | - |
| Revenue notes, net of current maturities | 942,000 | - | - | 942,000 | - |
| Net OPEB liability | <u>14,004</u> | <u>11,633</u> | <u>-</u> | <u>25,637</u> | <u>-</u> |
| Total noncurrent liabilities | <u>961,686</u> | <u>50,760</u> | <u>-</u> | <u>1,012,446</u> | <u>-</u> |
| Total liabilities | <u>1,692,102</u> | <u>192,935</u> | <u>141,336</u> | <u>2,026,373</u> | <u>816,564</u> |
| Net assets | | | | | |
| Invested in capital assets, net of related debt | 48,824,966 | 22,960,249 | - | 71,785,215 | 4,409,443 |
| Restricted for debt service | 462,920 | - | - | 462,920 | - |
| Unrestricted | <u>34,336,261</u> | <u>5,387,994</u> | <u>784,949</u> | <u>40,509,204</u> | <u>16,129,987</u> |
| Total net assets | <u>83,624,147</u> | <u>28,348,243</u> | <u>784,949</u> | <u>112,757,339</u> | <u>20,539,430</u> |
| Total liabilities and net assets | <u>\$85,316,249</u> | <u>\$28,541,178</u> | <u>\$926,285</u> | <u>\$114,783,712</u> | <u>\$21,355,994</u> |
| Total enterprise funds net assets | | | | \$112,757,339 | |
| Amounts reported for business-type activities in the statement of net assets are different because: | | | | | |
| Internal service funds are used by management to charge the cost of certain services to individual funds. These assets of the internal service funds are included in business-type activities in the statement of net assets. | | | | | |
| | | | | <u>255,820</u> | |
| Net assets of business-type activities | | | | <u>\$113,013,159</u> | |

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS—PROPRIETARY FUNDS
Year ended June 30, 2012

| | Business-Type Activities Enterprise Funds | | | | |
|--|--|-----------------------------------|---|---------------------------------------|---------------------------------------|
| | Sewer System | Storm Water System | Nonmajor Enterprise Fund Solid Waste | Total Enterprise Funds | Internal Service Funds |
| OPERATING REVENUES | | | | | |
| Charges for services | \$ 9,225,687 | \$ 2,156,738 | \$1,740,237 | \$ 13,122,662 | \$ 6,475,680 |
| Lease revenue | — | — | — | — | 1,339,735 |
| Other | — | — | 32,054 | 32,054 | — |
| Total operating revenue | <u>9,225,687</u> | <u>2,156,738</u> | <u>1,772,291</u> | <u>13,154,716</u> | <u>7,815,415</u> |
| Operating expenses | | | | | |
| Cost of sales and services | 3,860,118 | 788,156 | 1,730,612 | 6,378,886 | 5,849,343 |
| Administration | 47,902 | 67,859 | — | 115,761 | — |
| Depreciation | <u>1,544,208</u> | <u>490,962</u> | — | <u>2,035,170</u> | <u>1,139,067</u> |
| Total operating expenses | <u>5,452,228</u> | <u>1,346,977</u> | <u>1,730,612</u> | <u>8,529,817</u> | <u>6,988,410</u> |
| Operating income | <u>3,773,459</u> | <u>809,761</u> | <u>41,679</u> | <u>4,624,899</u> | <u>827,005</u> |
| Nonoperating revenues (expenses) | | | | | |
| Investment earnings | 146,533 | 2,555 | — | 149,088 | 14,709 |
| Interest expense and fiscal charges | (51,708) | — | — | (51,708) | — |
| Payments to WRA | (2,766,736) | — | — | (2,766,736) | — |
| (Loss) on sale of capital assets | <u>(8,433)</u> | — | — | <u>(8,433)</u> | <u>(18,597)</u> |
| Total nonoperating revenues (expenses) | <u>(2,680,344)</u> | <u>2,555</u> | <u>—</u> | <u>(2,677,789)</u> | <u>(3,888)</u> |
| Income before capital contributions and transfers | 1,093,115 | 812,316 | 41,679 | 1,947,110 | 823,117 |
| Capital contributions | 1,304,091 | 3,079,801 | — | 4,383,892 | 27,809 |
| Transfers in | — | 296,476 | — | 296,476 | 510,221 |
| Transfers out | — | — | — | — | (75,251) |
| Change in net assets | <u>2,397,206</u> | <u>4,188,593</u> | <u>41,679</u> | <u>6,627,478</u> | <u>1,285,896</u> |
| Total net assets, beginning of year | <u>81,226,941</u> | <u>24,159,650</u> | <u>743,270</u> | <u>106,129,861</u> | <u>19,253,534</u> |
| Total net assets, end of year | <u>\$83,624,147</u> | <u>\$28,348,243</u> | <u>\$ 784,949</u> | <u>\$112,757,339</u> | <u>\$20,539,430</u> |
| Change in enterprise funds net assets | | | | \$6,627,478 | |
| Amounts reported for proprietary activities in the statement of activities are different because internal service funds are used by management to charge the costs of various activities internally to individual funds. The net income of certain activities of internal service funds is reported with business-type activities. | | | | <u>60,578</u> | |
| Change in net assets of business-type activities | | | | <u>\$6,688,056</u> | |

See Notes to Basic Financial Statements.

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City of West Des Moines, Iowa
STATEMENT OF CASH FLOWS—PROPRIETARY FUNDS
Year ended June 30, 2012

| | Business-Type Activities | | | | |
|---|--------------------------|--------------------------|---|------------------------------|------------------------------|
| | Enterprise Funds | | | | |
| | Sewer System | Storm Water System | Nonmajor Enterprise Fund Solid Waste | Total Enterprise Funds | Internal Service Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers and users | \$ 8,959,410 | \$2,150,755 | \$1,767,498 | \$12,877,663 | \$ 7,804,312 |
| Payments to suppliers | (3,420,093) | (327,244) | (1,727,392) | (5,474,729) | (1,080,690) |
| Payments to WRA | (2,766,736) | — | — | (2,766,736) | — |
| Payments to claimants | — | — | — | — | (4,585,173) |
| Payments to employees | (492,436) | (567,051) | — | (1,059,487) | — |
| Net cash provided by operating activities | <u>2,280,145</u> | <u>1,256,460</u> | <u>40,106</u> | <u>3,576,711</u> | <u>2,138,449</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Transfers in | — | 296,476 | — | 296,476 | 510,221 |
| Transfers out | — | — | — | — | (75,251) |
| Net cash provided by noncapital financing activities | <u>—</u> | <u>296,476</u> | <u>—</u> | <u>296,476</u> | <u>434,970</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Purchase of capital assets | (1,639,085) | (3,477,469) | — | (5,116,554) | (736,877) |
| Capital contributions | 93,428 | 2,689,708 | — | 2,783,136 | — |
| Payment on debt | (407,000) | — | — | (407,000) | — |
| Interest paid on debt | (53,131) | — | — | (53,131) | — |
| Proceeds from disposal of capital assets | — | — | — | — | 735 |
| Net cash (used in) capital and related financing activities | <u>(2,005,788)</u> | <u>(787,761)</u> | <u>—</u> | <u>(2,793,549)</u> | <u>(736,142)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest received | 391,543 | 12,237 | — | 403,780 | 8,741 |
| Purchase of investment securities | (23,000,000) | — | — | (23,000,000) | (9,000,000) |
| Proceeds from maturity of investment securities | 19,500,000 | 1,000,000 | — | 20,500,000 | 6,000,000 |
| Net cash provided by (used in) investing activities | <u>(3,108,457)</u> | <u>1,012,237</u> | <u>—</u> | <u>(2,096,220)</u> | <u>(2,991,259)</u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (2,834,100) | 1,777,412 | 40,106 | (1,016,582) | (1,153,982) |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>14,152,117</u> | <u>3,262,449</u> | <u>458,322</u> | <u>17,872,888</u> | <u>12,993,812</u> |
| CASH AND CASH EQUIVALENTS, end of year | <u>\$11,318,017</u> | <u>\$5,039,861</u> | <u>\$ 498,428</u> | <u>\$16,856,306</u> | <u>\$11,839,830</u> |

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
STATEMENT OF CASH FLOWS—PROPRIETARY FUNDS (continued)
Year ended June 30, 2012

| | Business-Type Activities | | | | |
|--|--------------------------|-----------------------------------|---|---------------------------------------|---------------------------------------|
| | Enterprise Funds | | | | |
| | <u>Sewer System</u> | <u>Storm Water System</u> | <u>Nonmajor Enterprise Fund Solid Waste</u> | <u>Total Enterprise Funds</u> | <u>Internal Service Funds</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | | | |
| Operating income | \$ 3,773,459 | \$ 809,761 | \$ 41,679 | \$ 4,624,899 | \$ 827,005 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | | | |
| Depreciation | 1,544,208 | 490,962 | - | 2,035,170 | 1,139,067 |
| Payments to WRA | (2,766,736) | - | - | (2,766,736) | - |
| Change in assets and liabilities | | | | | |
| Receivables | (241,084) | (5,983) | (4,793) | (251,860) | (11,103) |
| Inventories | - | - | - | - | 1,968 |
| Accounts payable | 6,673 | (29,395) | 3,220 | (19,502) | 13,718 |
| Claims payable | - | - | - | - | 167,794 |
| Compensated absences and accrued wages payable | (14,293) | (11,301) | - | (25,594) | - |
| Unearned revenue | (25,193) | - | - | (25,193) | - |
| OPEB liability | 3,111 | 2,416 | - | 5,527 | - |
| Net cash provided by operating activities | <u>\$ 2,280,145</u> | <u>\$ 1,256,460</u> | <u>\$ 40,106</u> | <u>\$ 3,576,711</u> | <u>\$ 2,138,449</u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO SPECIFIC ASSETS ON THE STATEMENT OF NET ASSETS | | | | | |
| Cash and investments | \$28,855,097 | \$5,039,861 | \$498,428 | \$34,393,386 | \$16,839,830 |
| Restricted cash and investments | 462,920 | - | - | 462,920 | - |
| Less items not meeting the definition of cash equivalents | (18,000,000) | - | - | (18,000,000) | (5,000,000) |
| Cash and cash equivalents at end of year | <u>\$11,318,017</u> | <u>\$5,039,861</u> | <u>\$498,428</u> | <u>\$16,856,306</u> | <u>\$11,839,830</u> |
| SCHEDULE OF NONCASH ITEMS | | | | | |
| Capital and related financing activities | | | | | |
| Donated construction by developers | \$ 1,210,663 | \$ 390,093 | \$ - | \$ 1,600,756 | \$ 27,809 |
| Acquisition of capital assets through retainage payable | \$ 66,059 | \$ 13,617 | \$ - | \$ 79,676 | \$ - |

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2012

ASSETS

| | |
|---------------------------------------|-------------------|
| Cash and investments | \$ 565,445 |
| Restricted assets, contractors' bonds | <u>59,536</u> |
| Total assets | <u>\$ 624,981</u> |

LIABILITIES

| | |
|------------------------------|-------------------|
| Deposits and remittances due | <u>624,981</u> |
| Total liabilities | <u>\$ 624,981</u> |

City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of West Des Moines (the City) is a political subdivision of the state of Iowa located in Polk, Dallas, Madison and Warren counties. It was first incorporated in 1893 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government, with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, health and social services, public improvements and general administrative services. It also provides sewer, storm water and solid waste utilities.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

For financial reporting purposes, the City 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 exclusions 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. Based on these criteria, there are no component units, organizations or agencies which should be included in these basic financial statements.

Basis of Presentation

Government-wide and fund financial statements: The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent for support on fees and charges for services.

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

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

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

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

City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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 that are clearly identifiable with a specific function. There are no indirect expenses. 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 and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of fund financial statements is on major funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

Fund Accounting: The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues and expenditures or expenses, as appropriate. The City has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance". The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the City's major governmental funds:

General Fund: The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Road Use Tax Fund (Special Revenue): To account for the proceeds from road use tax monies.

Tax Increment Financing Fund (Special Revenue): To account for the accumulation of resources generated by TIF districts to be used for urban renewal and development. Property tax revenue generated on increased assessed valuations within TIF districts are the resources accounted for in this fund.

Debt Service Fund: To account for the servicing of the general long-term debt not financed by a specific source.

Capital Projects Fund: To account for the acquisition and construction of major capital facilities and other capital assets, with the exception of those that are financed through proprietary fund types.

City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Fund Accounting (continued):

Governmental Fund Types (continued):

The other governmental funds of the City are considered nonmajor and are as follows:

Special Revenue Funds: Are used to account for the proceeds of specific revenue sources (other than certain capital projects that are legally restricted to expenditures for specific projects).

Police and Fire Retirement Fund: To account for the remaining balances of the self-administered pension plans after a transfer to a state administered plan which may be used by the City to meet future pension funding requirements as prescribed by law.

Employee Benefit Fund: To account for the property tax revenues collected to be used for City employees' health insurance and pension costs.

Economic Development Fund: To account for grants, contributions, and loan repayments to be used for general economic development and redevelopment purposes of the City including low interest loans the City makes to private companies for economic development purposes, as well as the acquisition and sale of land.

Housing Programs Fund: To account for the U.S. Department of Housing and Urban Development Block Grant programs as well as miscellaneous other grants and contributions to provide housing assistance and housing rehabilitation programs.

Parks Fund: To account for the donations identified to specifically assist the park programs and annual tree planting.

Library Fund: To account for reimbursements from the State of Iowa for library materials lent to non-City residents and other libraries in Iowa, and used for improvements to the Library. This Fund also accounts for money received through donations and fund raising activities for the Library.

Public Safety Fund: To account for grants and contributions specifically identified for use in public safety activities such as contributions for the purchase of public access defibrillators. This fund is also used to account for funds received by the City as a result of drug seizures.

Dallas County Local Housing Trust Fund: To account for grants from the Iowa Finance Authority and other Dallas County Local Housing Trust Fund revenues and related expenditures.

Community Development Block Grant Fund: To account for the community development block grant revenues and related expenditures.

City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Fund Accounting (continued):

Proprietary Fund Types: Proprietary fund types are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector (business-type activities). The measurement focus is upon income determination, financial position and cash flows.

Enterprise Funds: Are used to account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the City has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements. The following are the City's major enterprise funds:

Sewer System Fund: To account for the operations of the City's sanitary sewer systems including the revenue from usage fees, the operating costs associated with it, any capital projects and all bond issues.

Storm Water System Fund: To account for the operations of the City's storm water sewer systems including revenue from usage fees, operating costs, capital projects, and all bond issues.

The other enterprise fund of the City is considered nonmajor and is as follows:

Solid Waste Fund: To account for the operations of the City's solid waste collection system.

Internal Service Funds: Are used to finance and account for services and commodities provided by designated departments or agencies to other departments and agencies of the City. The following are the City's internal service funds:

Vehicle Replacement Fund: To account for replacement costs related to vehicles and equipment of the City.

Vehicle Maintenance Fund: To account for the maintenance costs related to the vehicles and equipment of the City.

Health and Dental Insurance Fund: To account for the health and dental insurance premiums and claims for all City employees.

Worker's Compensation Insurance Fund: To account for the worker's compensation premiums and claims.

City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Fund Accounting (continued):

Fiduciary Fund Types: Fiduciary fund types are used to account for net assets and changes in net assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City has the following fiduciary fund type:

Agency Funds: Are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations. The City has the following agency funds:

Collections and Deposits Fund: To account for collections and deposits received by the City from external parties for purposes such as escrow accounts for transitional housing program participants, deposits by transient vendors to ensure compliance with temporary use permits and deposits from developers pending completion of remaining site plan requirements.

Section 125 Plan Fund: To account for current payroll deductions of City employees for future use as group insurance premiums.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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 in 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 of the current fiscal period.

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

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

When an expenditure is incurred in governmental funds that 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 assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

Property taxes are recognized at the time an enforceable legal claim is established. This is deemed to occur when the budget is certified. The current tax levy was certified in February 2012, the date at which a lien attaches, based on the 2011 assessed valuations. These taxes are due in two installments, on September 30 and the following March 31, with a 1½ percent per month penalty for delinquent payment. Since the 2012 tax levy is budgeted and levied for fiscal year 2013, the revenue from this tax levy has been deferred.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure. The City has elected not to follow subsequent private-sector guidance.

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 are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Summary of Significant Accounting Policies:

The significant accounting policies followed by the City include the following:

Cash, Pooled Investments and Cash Equivalents: The City maintains a cash and investment pool to maximize investment opportunities. Income from investments is recorded in the General Fund unless otherwise provided by law. Each fund's portion of total cash and investments is reported as such within this report. In addition, certain investments are separately held by several of the City's funds. Investments are reported at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost. Securities traded on the national or international exchange are valued at the last reported sales price at current exchange rates.

The City invests in the Iowa Public Agency Investment Trust (IPAIT) which is a 2a7-like pool. IPAIT is a common-law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

For purposes of the statement of cash flows for proprietary fund type funds, the City considers pooled cash and investments to be cash equivalents as these pooled amounts have the same characteristics of demand deposits and all highly liquid investments with a maturity of three months or less when purchased. Certificates of deposit with a maturity greater than three months are considered investments. Cash equivalents also include restricted cash and investments.

City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of Significant Accounting Policies: (continued)

Property Taxes Receivable, Including Tax Increment Financing: Property tax, including tax increment financing in governmental funds, is accounted for using the modified accrual basis of accounting.

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

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010, assessed property valuations; is for the tax accrual period July 1, 2011, through June 30, 2012, and reflects tax asking contained in the budget certified to the County Board of Supervisors in February 2011.

Accounts Receivable: results primarily from services provided to citizens and are accounted for in the governmental funds. Sanitary sewer, storm water sewer and solid waste services are accounted for in the enterprise funds. All are net of an allowance for uncollectibles. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Special Assessments Receivable: Special assessments receivable represents the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than ten nor more than twenty annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other tax.

Inventories: consists of materials and supplies and are valued at cost using the first-in, first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures.

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

Restricted Assets: Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable bond and note indentures.

Bond Issuance Costs: in the government-wide financial statements and proprietary fund types in the fund financial statements, issuance costs are deferred and amortized over the life of the bonds using the straight line method.

In the fund financial statements, governmental fund types recognize bond issuance costs during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of Significant Accounting Policies (continued):

Capital Assets: including land, buildings, improvements other than buildings, intangibles, equipment and vehicles, infrastructure, construction-in-progress, sanitary and storm water sewer systems and the City's share of assets in their undivided equity interest are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an initial useful life of one year or greater.

Assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

The City has chosen the modified approach, as defined by GASB Statement No. 34, for reporting the governmental activities infrastructure assets. The City maintains an inventory of infrastructure assets and performs periodic condition assessments to establish that the predetermined condition level is maintained.

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. No interest was capitalized in the current fiscal year.

Depreciation has been provided using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives for each capital asset type are as follows:

| <u>Asset class</u> | <u>Estimated useful lives (in years)</u> |
|---|--|
| Buildings | 30 |
| Improvements other than buildings | 15 |
| Equipment and vehicles | 5 - 18 |
| Fiber network | 20 |
| Sanitary and storm water sewer systems | 50 |
| Share of undivided equity interest assets | 5 - 15 |
| Intangibles | 5 |

The City's collection of works of art, library books and other similar assets are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to City policy that requires proceeds from the sale of these items to be used to acquire other collection items.

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

Unearned revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied and the amount of assets that have been recognized, but the related revenue is not yet earned and prepaid permits.

City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of Significant Accounting Policies (continued):

Interfund Transactions: Transactions among City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues and expenditures or expenses in the funds involved.

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective fund's operating statements.

Activity between funds, that are representative of lending/borrowing arrangements at the end of the fiscal year, are referred to as "due to/from other funds" in the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Compensated Absences: City employees accumulate vacation benefits for subsequent use or payment upon termination, death or retirement. City employees also accumulate sick leave benefits for subsequent use or payment at one-half the accumulated value upon death or retirement. For proprietary fund types, these accumulations are recorded as expenses and liabilities of the appropriate fund in the fiscal year earned. For governmental fund types, the amount of accumulated unpaid vacation which is payable from available resources is recorded as a liability of the respective fund only if they have matured. Examples of these are employee retirements and resignations. There is no amount considered due as of year-end or reported in the fund financial statements. However, the entire compensated absence liability, computed based on rates of pay in effect at June 30, 2012, is reported on the government-wide financial statements. 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 Assets and the proprietary fund Statement of Net Assets.

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

Fund Equity: In the governmental fund financial statements, 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, contributors, or laws or regulations of other governments 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 highest level of decision-making authority. The City Council is the highest level of decision-making authority and can, through ordinance or resolution approved prior to fiscal year end, commit fund balance. For the purpose of financial commitments, ordinances and resolutions are equally binding. 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. At this time no amounts have been committed by the City Council.

City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of Significant Accounting Policies (continued):

Fund Equity: (continued)

Assigned - Amounts the City intends to use for a specific purpose. The intent is expressed by the governing body itself, or a body or official to which the City has delegated the authority to assign amounts to be used for specific purposes. It does not require formal action of the City. At this time no amounts have been assigned nor has any specific authority to assign fund equity been delegated by the City, governing bodies or officials.

Unassigned - All amounts not included in other spendable classifications.

Net Assets: Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. As of June 30, 2012, the City had \$25,762,952 in unspent debt proceeds. Of this amount, \$9,600,655 was available for projects, while the remaining proceeds were placed in escrow for the advance refunding of outstanding debt. Net assets are reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted through enabling legislation consists of \$13,503,921 for road construction projects, \$3,467,712 for retirement benefits, \$2,676,791 for capital projects, and \$4,244,492 for tax increment projects. All other restrictions are imposed by outside parties through grants, debt agreements or donors.

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

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgetary and Budgetary Control: As allowed by GASB Statement No. 41, *Budgetary Comparison Schedules - Perspective Differences*, the City presents budgetary comparison schedules as required supplementary information based on the program structure of nine functional areas as required by state statute for its legally adopted budget. For the year ended June 30, 2012, disbursements did not exceed the amounts budgeted in any function.

NOTE 2 CASH AND INVESTMENTS

As of June 30, 2012, the City's cash and investments were as follows:

| | |
|---|----------------------|
| Cash and investments, statement of net assets | \$130,053,550 |
| Restricted cash and investments | 462,920 |
| Cash and investments, fiduciary funds | 565,445 |
| | <u>\$131,081,915</u> |
| Deposits including certificates of deposit | \$62,378,927 |
| Investments | 68,702,988 |
| | <u>\$131,081,915</u> |

City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 CASH AND INVESTMENTS (continued)

Authorized Investments: 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. However, the City's investment policy additionally limits investments in commercial paper to obligations at the time of purchase rated within the two highest ratings issued by nationally recognized statistical rating organizations with a maturity less than 270 days.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the City's investment policy, the City minimizes the fair value risk of investments in the portfolio by structuring its investment portfolio so that securities mature to meet cash requirements for operations, thereby avoiding the need to sell securities in the open market prior to maturity.

Investments of the City are held with Iowa Public Agency Investment Trust (IPAIT). IPAIT's weighted average maturity as of June 30, 2012, was 42.67 days.

Information about the sensitivity of the fair values of the City's investments to market interest risk fluctuations is provided by the following table that shows the distribution of the City's investments:

| <u>Investment Type</u> | <u>Fair Value</u> |
|-------------------------------------|---------------------|
| Iowa Public Agency Investment Trust | <u>\$68,702,988</u> |

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The City has investments in the Iowa Public Agency Investment Trust which are valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

The City has no investments meeting the disclosure requirement of GASB Statement No. 3, as amended by GASB Statement No. 40.

Concentration of Credit Risk: The City's investment policy seeks diversification to reduce overall portfolio risk while attaining market rates of return to enable the City to meet all anticipated cash requirements. The policy limits the City to holding a minimum of 5 percent of the total portfolio in highly marketable short-term treasuries, short-term federal government agencies, checking with interest, government pooled account or a combination of all four. The policy limits investments in order to avoid over-concentration in securities of a specific issuer and limits certificates of deposit to the amount approved by City Council for each financial institution in accordance with the Code of Iowa.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. It is the City's policy to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default. Chapter 12C of the Code of Iowa requires all City funds be deposited into an approved depository and be either insured or collateralized. As

City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2 CASH AND INVESTMENTS (continued)

Custodial Credit Risk: (continued)

of June 30, 2012, the City's deposits with financial institutions were entirely covered by federal depository insurance or insured by the state through pooled collateral, state sinking funds and by the state's ability to assess for lost funds. The City's investments were covered by investments purchased and held by an independent third party.

NOTE 3 CAPITAL ASSETS

The City has reported all capital assets including infrastructure in the government-wide statement of net assets. The City elected to use the modified approach as defined by GASB Statement No. 34 for governmental activities infrastructure reporting. As a result, no accumulated depreciation or depreciation expense has been recorded for these assets. A more detailed discussion of the modified approach is presented in the Required Supplementary Information section of this report. All other capital assets were reported using the basic approach whereby accumulated depreciation and depreciation expense have been recorded.

The following is a summary of changes in capital assets for the year ended June 30, 2012:

| | <u>Balance beginning of year</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfers</u> | <u>Balance end of year</u> |
|--|--|---------------------|---------------------|----------------------|------------------------------------|
| Governmental activities | | | | | |
| Capital assets, not being depreciated | | | | | |
| Land | \$ 18,926,729 | \$ 70,478 | \$ - | \$ - | \$ 18,997,207 |
| Infrastructure | 317,155,572 | 11,024,583 | 850,290 | - | 327,329,865 |
| Construction-in-progress | 24,446,888 | 10,215,938 | 14,193,708 | (2,783,220) | 17,685,898 |
| Intangibles | <u>12,643,709</u> | <u>2,931,141</u> | <u>-</u> | <u>-</u> | <u>15,574,850</u> |
| Total capital assets, not being depreciated | <u>373,172,898</u> | <u>24,242,140</u> | <u>15,043,998</u> | <u>(2,783,220)</u> | <u>379,587,820</u> |
| Capital assets, being depreciated | | | | | |
| Buildings | 40,803,397 | 1,418,167 | - | - | 42,221,564 |
| Equipment and vehicles | 20,964,814 | 1,284,236 | 1,670,736 | (392,511) | 20,185,803 |
| Fiber network | 4,637,780 | - | - | - | 4,637,780 |
| Improvements other than buildings | 35,687,139 | 2,985,053 | - | - | 38,672,192 |
| Share of undivided equity interest assets | 1,387,554 | 22,824 | - | 392,511 | 1,802,889 |
| Intangibles | <u>761,338</u> | <u>22,109</u> | <u>-</u> | <u>-</u> | <u>783,447</u> |
| Total capital assets, being depreciated | <u>104,242,022</u> | <u>5,732,389</u> | <u>1,670,736</u> | <u>-</u> | <u>108,303,675</u> |
| Less accumulated depreciation for | | | | | |
| Buildings | 18,818,460 | 1,416,188 | - | - | 20,234,648 |
| Equipment and vehicles | 11,516,215 | 1,634,393 | 1,554,886 | (392,511) | 11,203,211 |
| Fiber network | 785,888 | 231,864 | - | - | 1,017,752 |
| Improvements other than buildings | 22,007,798 | 2,364,231 | - | - | 24,372,029 |
| Share of undivided equity interest assets | 943,224 | 110,331 | - | 392,511 | 1,446,066 |
| Intangibles | <u>584,586</u> | <u>82,076</u> | <u>-</u> | <u>-</u> | <u>666,662</u> |
| Total accumulated depreciation | <u>54,656,171</u> | <u>5,839,083</u> | <u>1,554,886</u> | <u>-</u> | <u>58,940,368</u> |
| Total capital assets, being depreciated, net | <u>49,585,851</u> | <u>(106,694)</u> | <u>115,850</u> | <u>-</u> | <u>49,363,307</u> |
| Governmental activities, capital assets, net | <u>\$422,758,749</u> | <u>\$24,135,447</u> | <u>\$15,159,849</u> | <u>\$(2,783,220)</u> | <u>\$428,951,127</u> |

City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 CAPITAL ASSETS (continued)

| | <u>Balance beginning of year</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfers</u> | <u>Balance end of year</u> |
|---|--|--------------------|--------------------|--------------------|------------------------------------|
| Business-Type Activities | | | | | |
| Capital assets, not being depreciated | | | | | |
| Land | \$ 413,178 | \$ - | \$ - | \$ - | \$ 413,178 |
| Construction-in-progress | <u>1,129,629</u> | <u>2,315,285</u> | <u>1,319,026</u> | <u>-</u> | <u>2,125,888</u> |
| Total capital assets, not being depreciated | <u>1,542,807</u> | <u>2,315,285</u> | <u>1,319,026</u> | <u>-</u> | <u>2,539,066</u> |
| Capital assets, being depreciated | | | | | |
| Equipment | 24,894 | 97,809 | - | - | 122,703 |
| Sanitary and storm sewer system | <u>96,568,896</u> | <u>2,919,698</u> | <u>11,096</u> | <u>2,783,220</u> | <u>102,260,718</u> |
| Total capital assets, being depreciated | <u>96,593,790</u> | <u>3,017,507</u> | <u>11,096</u> | <u>2,783,220</u> | <u>102,383,421</u> |
| Less accumulated depreciation for | | | | | |
| Equipment | 14,143 | 23,145 | - | - | 37,288 |
| Sanitary and storm sewer system | <u>29,726,622</u> | <u>2,012,025</u> | <u>2,663</u> | <u>-</u> | <u>31,735,984</u> |
| Total accumulated depreciation | <u>29,740,765</u> | <u>2,035,170</u> | <u>2,663</u> | <u>-</u> | <u>31,773,272</u> |
| Total capital assets, being depreciated, net | <u>66,853,025</u> | <u>982,337</u> | <u>8,433</u> | <u>2,783,220</u> | <u>70,610,149</u> |
| Business-type activities, capital assets, net | <u>\$68,395,832</u> | <u>\$3,297,622</u> | <u>\$1,327,459</u> | <u>\$2,783,220</u> | <u>\$73,149,215</u> |

Depreciation expense was charged to the governmental activities functions as follows:

| | |
|------------------------------------|--------------------|
| Governmental Activities | |
| Public safety | \$1,622,138 |
| Health and social services | 60,940 |
| Culture and recreation | 2,612,289 |
| Public works | 970,986 |
| General government | 401,834 |
| Community and economic development | <u>170,895</u> |
| | <u>\$5,839,082</u> |

NOTE 4 BONDED AND OTHER DEBT

The following is a summary of changes in bonded and other long-term debt for the year ended June 30, 2012:

| | <u>Balance July 1, 2011</u> | <u>Increases and Issues</u> | <u>Decreases and Retirements</u> | <u>Balance June 30, 2012</u> | <u>Due within one year</u> |
|--------------------------------|-------------------------------------|---------------------------------|--|--------------------------------------|------------------------------------|
| Governmental activities | | | | | |
| General obligation bonds | \$101,081,101 | \$43,589,245 | \$25,269,730 | \$119,400,616 | \$16,845,000 |
| Capital lease obligations | 978,328 | - | 218,306 | 760,022 | 231,615 |
| Installment contracts | 4,307,341 | - | 1,076,848 | 3,230,493 | 1,076,848 |
| Compensated absences | 4,078,857 | 4,442,468 | 4,078,857 | 4,442,468 | 487,496 |
| Net OPEB liability | <u>445,392</u> | <u>108,428</u> | <u>-</u> | <u>553,820</u> | <u>-</u> |
| Total governmental activities | <u>110,891,019</u> | <u>48,140,141</u> | <u>30,643,741</u> | <u>128,387,419</u> | <u>18,640,959</u> |
| Business-type activities | | | | | |
| Revenue notes | 1,771,000 | - | 407,000 | 1,364,000 | 422,000 |
| Compensated absences | 153,138 | 157,913 | 153,138 | 157,913 | 113,104 |
| Net OPEB liability | <u>20,110</u> | <u>5,527</u> | <u>-</u> | <u>25,637</u> | <u>-</u> |
| Total business-type activities | <u>1,944,248</u> | <u>163,440</u> | <u>560,138</u> | <u>1,547,550</u> | <u>535,104</u> |
| Total long-term debt | <u>\$112,835,267</u> | <u>\$48,303,581</u> | <u>\$31,203,879</u> | <u>\$129,934,969</u> | <u>\$19,176,063</u> |

(1) Bonds were sold at a net premium; unamortized net premium at June 30, 2012 totaled \$5,145,616.

City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 BONDED AND OTHER DEBT (continued)

On August 10, 2011, the City issued \$6,900,000 Series 2011A General Obligation Bonds. The bonds have an average interest rate of 2.96% with interest payments due each December and June and principal payments due each June through 2025. The bond proceeds were allocated to various capital improvement projects.

On August 25, 2011, the City issued \$11,270,000 in general obligations bonds with an average interest rate of 1.50% to advance refund \$11,070,000 Series 2003F general obligation bonds with an average interest rate of 4.16%. The net proceeds of \$11,497,739 were used to purchase government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2003F bonds. As a result, the Series 2003F bonds are considered deceased and the liability for those bonds has been removed from the governmental activities long-term debt. The City advance refunded the 2003F Series bonds to reduce its total debt service payments over the next eleven fiscal years by \$2,186,299 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,640,187.

On May 1, 2012, the City issued \$2,610,000 in general obligation refunding bonds with an average interest rate of 1.16% to crossover refund \$2,720,000 of Series 2006A general obligation bonds with an average interest rate of 4.19%. The crossover will occur on June 1, 2013. The City issued the crossover refunding debt to reduce its total debt service payments over the next eight fiscal years by \$331,787 and to obtain an economic gain of \$272,065.

On May 1, 2012, the City issued \$11,355,000 in general obligation refunding bonds with an average interest rate of 1.57% to crossover refund \$7,575,000 Series 2003D and \$4,630,000 Series 2004A general obligation bonds with a combined average interest rate of 4.72%. The crossover will occur on June 1, 2014. The City issued the crossover refunding debt to reduce its total debt service payments over the next nine years by \$1,137,280 and to obtain an economic gain of \$980,340.

On June 27, 2012, the City issued \$730,000 in Taxable General Obligation Bonds, Series 2012C. The bonds have an average interest rate of 0.66%. Interest is due on December 1, 2012, with principal and interest in full payable on June 1, 2013. The bond proceeds were allocated to the purchase of radio equipment.

On June 27, 2012, the City issued \$7,520,000 in General Obligation Bonds, Series 2012D. The bonds have an average interest rate of 2.38%. Interest payments are due each December and June and principal payments are due each June through 2026. The bond proceeds were allocated to various capital improvement projects.

Compensated Absences: Compensated absences are typically liquidated in the fund that accounts for the employee's salary and benefits.

City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 BONDED AND OTHER DEBT (continued)

General Obligation Bonds/Notes: General obligation bonds outstanding as of June 30, 2012, consist of the following individual issues:

| <u>Date of Issue</u> | <u>Interest Rates</u> | <u>Final Due Date</u> | <u>Annual Principal Payments</u> | <u>Amount Originally Issued</u> | <u>Amount Outstanding June 30, 2012</u> |
|----------------------|-----------------------|-----------------------|----------------------------------|---------------------------------|---|
| 09/01/2003 | 4.000 - 4.700 | June 2019 | \$ 625,000 - 2,200,000 | 12,000,000 | \$ 9,875,000 |
| 06/15/2004 | 4.000 - 5.000 | June 2021 | 180,000 - 1,250,000 | 6,000,000 | 5,010,000 |
| 04/01/2005 | 3.625 - 3.700 | June 2015 | 230,000 - 560,000 | 3,055,000 | 1,070,000 |
| 06/01/2006 | 4.000 - 4.250 | June 2020 | 310,000 - 440,000 | 6,000,000 | 3,045,000 |
| 12/17/2007 | 3.625 - 3.800 | June 2019 | 195,000 - 265,000 | 3,210,000 | 1,635,000 |
| 03/11/2008 | 3.000 - 3.125 | June 2014 | 1,675,000 - 1,785,000 | 9,860,000 | 3,515,000 |
| 06/30/2008 | 3.625 - 4.000 | June 2022 | 100,000 - 1,090,000 | 7,000,000 | 7,000,000 |
| 11/12/2009 | 2.500 - 3.500 | June 2015 | 445,000 - 2,405,000 | 7,510,000 | 3,075,000 |
| 12/02/2009 | 4.000 | June 2015 | 225,000 - 240,000 | 6,500,000 | 700,000 |
| 03/04/2010 | 2.000 - 4.250 | June 2020 | 780,000 - 4,140,000 | 31,450,000 | 27,790,000 |
| 04/01/2010 | 2.000 | June 2014 | 630,000 - 655,000 | 2,505,000 | 1,280,000 |
| 06/29/2010 | 3.000 | June 2020 | 685,000 - 845,000 | 7,000,000 | 6,090,000 |
| 08/11/2010 | 2.000 - 4.000 | June 2029 | 50,000 - 405,000 | 5,000,000 | 5,000,000 |
| 08/10/2011 | 2.000 - 3.500 | June 2025 | 1,215,000 - 500,000 | 6,900,000 | 5,685,000 |
| 08/25/2011 | 2.000 - 2.500 | June 2018 | 1,775,000 - 1,985,000 | 11,270,000 | 11,270,000 |
| 05/01/2012 | 4.000 | June 2018 | 365,000 - 1,040,000 | 2,610,000 | 2,610,000 |
| 05/01/2012 | 5.000 | June 2021 | 560,000 - 1,945,000 | 11,355,000 | 11,355,000 |
| 06/27/2012 | 1.000 | June 2013 | 730,000 | 730,000 | 730,000 |
| 06/27/2012 | 2.000 - 3.000 | June 2026 | 250,000 - 655,000 | <u>7,520,000</u> | <u>7,520,000</u> |
| | | | | <u>\$147,475,000</u> | <u>\$114,255,000</u> |

Other than Bonded Debt

Capital lease obligation: The City entered into a lease purchase agreement for the acquisition of a salt storage building at a cost of \$336,466. The agreement requires annual payments of \$75,529 including interest at 5.0 percent through July 2013. As of June 30, 2012, the balance of the lease purchase agreement was \$140,440 and the building had a net book value of \$291,604.

Capital lease obligation: The City entered into a lease purchase agreement for the acquisition of mobile data equipment at a cost of \$332,633. The agreement requires monthly payments of \$5,976, including interest at 3.0 percent through December 2015. As of June 30, 2012, the balance of the lease purchase agreement was \$232,659 and the equipment had no net book value as the individual items included in the purchase did not meet the threshold for capitalization under the City's capitalization policy.

Capital lease obligation: The City entered into a lease purchase agreement for the acquisition of computer network backbone equipment and an integrated phone software system at a cost of \$499,399. The agreement requires monthly payments of \$8,979, including interest at 3.0 percent through April 2016. As of June 30, 2012, the balance of the lease purchase agreement was \$381,700 and equipment had no net book value as the individual items included in the purchase did not meet the threshold for capitalization under the City's capitalization policy.

Installment contracts: The City has entered into an installment contract with the Iowa Department of Transportation (DOT) for the Highway 5 relocation construction project. The agreement is non-interest bearing and is payable in annual installments of approximately \$1,077,000 through June 2015. The balance due as of June 30, 2012, was \$3,320,493.

City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 BONDED AND OTHER DEBT (continued)

Other than Bonded Debt (continued)

Revenue capital loan notes: During the year ended June 30, 1995, the City authorized the issuance of \$2,600,000 Sewer Revenue Capital Loan Notes, Series 1994 and \$2,158,000 Sewer Revenue Capital Loan Notes, Series 1995. The notes were issued to evidence the City's obligations under a separate loan and disbursement agreement with the Iowa Department of Natural Resources and the Iowa Finance Authority under the state's State Revolving Fund (SRF) loan program. The projects were completed during the year ended June 30, 1996.

During the year ended June 30, 1997, the City authorized the issuance of \$1,800,000 Sewer Revenue Capital Loan Notes, Series 1996. The notes were also issued to evidence the City's obligations under an agreement with the Iowa Department of Natural Resources and the Iowa Finance Authority.

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

- a) The notes will only be redeemed from the future earnings of the Municipal Sewer Utility, and the note holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to an operation and maintenance account to meet the current expenses of the month plus an amount equal to 1/12 of expenses payable on an annual basis.
- c) Sufficient monthly transfers shall be made to a separate sewer revenue sinking account for the purpose of making the notes' principal and interest payments when due.
- d) A reserve fund must be maintained in an amount equal to the lesser of the maximum principal and interest due in any succeeding year or 10 percent of the note sale proceeds. Monies deposited in the reserve fund shall be used solely to pay principal and interest on notes, or parity bonds or notes should funds not be adequate in the sinking fund.
- e) All funds remaining in the sewer revenue account may be deposited in any of the funds created by the resolution to pay for extraordinary repairs or replacements to the system or to pay or redeem the notes.

The total of the restricted cash and investments under these agreements are \$462,920.

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$6,558,000 in sewer revenue notes issued in 1995 and 1997. Proceeds from the notes provided financing for the construction of improvements to the sewer facilities and infrastructure. The notes are payable solely from sewer customer net revenues and are payable through 2017. 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 \$1,459,250. For the current year, principal and interest paid and total customer net revenues were \$460,130 and \$2,550,931, respectively.

City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 BONDED AND OTHER DEBT (continued)

Summary of principal and interest maturities: Annual debt service requirements to service all outstanding indebtedness as of June 30, 2012, are as follows:

| <u>Year ending June 30</u> | <u>General Obligation Bonds</u> | | <u>Capital Lease Obligations</u> | |
|----------------------------|---------------------------------|---------------------|----------------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2013 | 16,845,000 | 4,060,607 | 231,615 | 23,211 |
| 2014 | 26,210,000 | 3,542,179 | 245,540 | 14,835 |
| 2015 | 11,790,000 | 2,594,701 | 173,339 | 6,122 |
| 2016 | 11,425,000 | 2,176,675 | 109,528 | 1,164 |
| 2017 | 11,455,000 | 1,772,238 | — | — |
| 2018 - 2022 | 30,070,000 | 3,602,607 | — | — |
| 2023 - 2027 | 5,300,000 | 641,081 | — | — |
| 2028 - 2030 | <u>1,160,000</u> | <u>47,800</u> | <u>—</u> | <u>—</u> |
| | <u>\$114,255,000</u> | <u>\$18,437,888</u> | <u>\$ 760,022</u> | <u>\$ 45,332</u> |

| <u>Year ending June 30</u> | <u>Installment Contracts</u> | | <u>Enterprise Revenue Notes</u> | |
|----------------------------|------------------------------|-----------------|---------------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2013 | 1,076,831 | — | 422,000 | 40,920 |
| 2014 | 1,076,831 | — | 436,000 | 28,260 |
| 2015 | 1,076,831 | — | 265,000 | 15,180 |
| 2016 | — | — | 119,000 | 7,230 |
| 2017 | <u>—</u> | <u>—</u> | <u>122,000</u> | <u>3,660</u> |
| | <u>\$3,230,493</u> | <u>\$ —</u> | <u>\$1,364,000</u> | <u>\$ 95,250</u> |

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

| | |
|---|------------------------|
| Actual valuation * | \$5,694,011,339 |
| Plus captured tax increment value | 413,950,068 |
| Less military exemption | <u>(3,966,280)</u> |
| Total assessed valuation of the property of the City of West Des Moines | <u>\$6,103,995,127</u> |
| Debt limit, 5% of total actual valuation | \$305,199,756 |
| Debt applicable to debt limit: | |
| General obligation bonds | 119,400,616 |
| Capital lease obligations | 760,022 |
| Installment contracts | <u>3,230,493</u> |
| Legal debt margin | <u>\$181,808,625</u> |

* 100% of assessed valuation including TIF increment.

City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5 INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivables and payables balances as of June 30, 2012, were:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>June 30, 2012</u> |
|-----------------------------------|--|----------------------|
| Proprietary funds, sewer system | Major governmental funds, capital projects | \$528,031 |
| Major governmental funds, general | Nonmajor governmental fund, Employee Benefit | 17,599 |
| Major governmental funds, general | Nonmajor governmental fund, Dallas County Local Housing Trust Fund | <u>9,281</u> |
| Total | | <u>\$554,911</u> |

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

NOTE 6 INTERFUND TRANSFERS

The following is a schedule of transfers as included in the basic financial statements of the City:

| | <u>Transfers in</u> | <u>Transfers out</u> |
|--------------------------------|---------------------|----------------------|
| Major governmental funds | | |
| General | \$ 4,125,331 | \$ 697,996 |
| Special revenue funds | | |
| Road Use Tax | 100,342 | 2,108,899 |
| Tax Increment financing | 22,520 | 9,793,486 |
| Debt Service | 20,329,748 | - |
| Capital Projects | 3,068,695 | 12,307,963 |
| Major enterprise fund | | |
| Storm Water System | 296,476 | - |
| Nonmajor governmental funds | 239,930 | 3,709,668 |
| Internal Service Fund | | |
| Vehicle Replacement | - | 37,414 |
| Vehicle Maintenance | - | 37,837 |
| Workers compensation insurance | <u>510,221</u> | <u>-</u> |
| Total | <u>\$28,693,263</u> | <u>\$28,693,263</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 PENSION AND RETIREMENT SYSTEMS

Plan Description: The City contributes to the Iowa Public Employees Retirement System (IPERS) and the Municipal Fire and Police Retirement System of Iowa (MFPRSI), which are cost-sharing multiple-employer defined benefit pension plans. The IPERS plan is administered by the State of Iowa while the MFPRSI is administered by a Board of Trustees. IPERS and MFPRSI provide retirement, disability benefits and death benefits to plan members and beneficiaries. Benefit provisions are established by state statute to plan members and beneficiaries. IPERS and MFPRSI issue publicly available financial reports that include financial statements and required supplementary information for the respective plans.

City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7 PENSION AND RETIREMENT SYSTEMS (continued)

Plan Description: (continued)

The reports may be obtained by contacting the respective organizations at the following addresses:

Iowa Public Employees Retirement System
 PO Box 9117
 Des Moines, IA 50306

Municipal Fire and Police Retirement System of Iowa
 7155 Lake Drive, Suite 201
 West Des Moines, IA 50266

Funding Policy: IPERS and MFPRSI plan members are required to contribute a percentage of their annual covered salary, and the City is required to contribute at an actuarially determined rate of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. For MFPRSI, the City's contribution rate cannot be less than 17%.

The contribution rates for plan members and the City in years ended June 30, 2012, 2011, and 2010 under the two plans is as follows:

| | Plan Member Contributions | | | City Contributions | | |
|-----------------|---------------------------|-------|-------|--------------------|--------|--------|
| | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 |
| IPERS | | | | | | |
| Regular | 5.38% | 4.50% | 4.30% | 8.07% | 6.95% | 6.65% |
| Protected Class | 6.65% | 6.64% | 6.14% | 9.97% | 9.95% | 9.20% |
| MFPRSI | 9.40% | 9.40% | 9.40% | 24.76% | 19.90% | 17.00% |

The City's contributions to IPERS and MFPRSI for the years ended June 30, 2012, 2011, and 2010 were equal to 100% of the required contributions for each year as follows:

| | 2012 | 2011 | 2010 |
|--------|-------------|-----------|-----------|
| IPERS | \$1,458,325 | 1,220,065 | 1,178,526 |
| MFPRSI | 1,881,373 | 1,445,739 | 1,223,912 |

NOTE 8 DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan was amended to comply with IRC Section 457(g) which allowed for the plan to hold its assets in trust. Under these requirements, the assets of the plan are no longer subject to the general creditors of the City, the City no longer owns the amount deferred by employees and, therefore, the liability and corresponding investment are not reflected in the financial statements.

City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

The healthcare benefit plans are self-insured and are administered by a third party. Retirees under age 65 pay 102% of the full active employee premium rates. This results in an implicit subsidy and an OPEB liability. The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

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

| | |
|--|-------------------|
| Annual required contribution, ARC | \$ 140,142 |
| Interest on net OPEB obligation | 23,275 |
| Adjustment to annual required contribution | <u>(30,282)</u> |
| Annual OPEB cost | 133,135 |
| Contributions made | <u>(19,179)</u> |
| Increase in net OPEB obligation | 113,956 |
| Net OPEB obligation, beginning of year | <u>465,501</u> |
| Net OPEB obligation, end of year | <u>\$ 579,457</u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the City contributed \$19,179 to the plan. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2012 are summarized as follows:

| <u>Fiscal year</u> <u>ended June 30</u> | <u>Annual</u> <u>OPEB cost</u> | <u>Percentage of</u> <u>annual OPEB</u> <u>cost contributed</u> | <u>Net</u> <u>OPEB</u> <u>obligation</u> |
|--|-----------------------------------|---|--|
| 2010 | \$ 230,470 | 0.0% | \$ 415,250 |
| 2011 | \$ 77,282 | 35.0% | \$ 465,502 |
| 2012 | \$ 133,135 | 14.4% | \$ 579,458 |

As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010, through June 30, 2012, the actuarial accrued liability was \$1,367,807 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of \$1,367,807. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$20,224,000, and the ratio of the UAAL to the covered payroll was 6.8%. As of June 30, 2012, there were no trust fund assets.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements,

City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

will present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2010, actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 5% investment rate and 3% inflation rate based on the City's funding policy. The projected annual healthcare cost trend rate is 6.0%. The ultimate medical trend rate is 5.0%. The medical trend rate is reduced 1.0% each year until reaching the 5.0% ultimate trend rate. There were no benefit increases considered.

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

Projected claim costs of the healthcare plan are approximately \$10,200 for retirees. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

There are no audited financial statements for this plan.

NOTE 10 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 of the participating communities. The Amended and Restated Agreement for the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) was effective on July 1, 2004. This agreement amended and restated the previous Integrated Community Area (I.C.A.) Agreement to provide continued operation, improvements and expansion. The WRA Agreement establishes the WRA as a separate legal entity with its own Board. The WRA Agreement creates an independent governance structure, establishes an independent bonding authority for the WRA and provides a framework for additional communities to participate.

Annually, the WRA establishes an allocation to all participating communities based on operations, maintenance, debt service and reserve requirements. Allocations are based on wastewater reclamation facility flows and 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 bonds issued during the time the entity was a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2004A, 2004B and 2006 include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

**City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 10 JOINT VENTURE (continued)

The WRA Sewer Revenue Bonds Series 2004A bonds were issued for the advance refunding of the City's sewer revenue bonds. The WRA Agreement requires the debt service on these bonds to be allocated through the annual flow allocation to the participating communities based on the existing allocations of debt service under the prior I.C.A. agreement. The Series 2004A bonds were paid in full June 2012 and had a zero balance as of June 30, 2012. The City of West Des Moines has no commitment for future principal payment requirements. The WRA Sewer Revenue Bonds Series 2004B bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2012, the Series 2004B bonds had a balance of \$60,025,000 and the City of West Des Moines' estimated future allocation based on the WRA flows is currently \$10,850,367. The WRA Sewer Revenue Bonds Series 2006A bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2012, the Series 2006A bonds had a balance of \$34,985,000 and the City of West Des Moines' estimated future allocation based on the WRA flows is currently \$6,682,471. The State Revolving Loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2012, the WRA had \$159,818,699 in State Revolving Loans of which \$29,024,865 future principal debt service is a commitment to the City of West Des Moines.

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 11 RELATED ORGANIZATIONS AND JOINTLY GOVERNED ORGANIZATIONS

Related organization: The West Des Moines Water Works Utility is governed by a five-member board which is appointed by the Mayor and approved by the City Council. The West Des Moines Water Works Utility is legally a separate entity and is not financially accountable to the City. The City provides various services to the Water Works, including office facilities, reimbursable expenses, and the availability to participate in the City's health insurance plan. The Water Works provides billing and collection services to the City in connection with the City's Sewer, Solid Waste, and Storm Water Enterprise Funds. The following is a summary of the related party transactions for the year ended June 30, 2012:

| | |
|---|-----------|
| Received from West Des Moines Water Works | |
| Occupancy reimbursements | \$ 22,112 |
| Health insurance premiums | 530,011 |
| Gasoline reimbursements | 57,632 |
| Telephone reimbursements | 8,004 |
| Share of general insurance | 129,345 |
| Capital project reimbursements | -- |
| Delinquent reimbursements | 4,826 |
| Miscellaneous reimbursements | 89,585 |
| Payments to West Des Moines Water Works | |
| Collection fees for sewer, solid waste, and storm water | 134,037 |
| Miscellaneous fees | 92,689 |

Amounts receivable from West Des Moines Water Works as of June 30, 2012, for sewer and solid waste charges totaled \$1,996,130 and \$284,144, respectively.

City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 11 RELATED ORGANIZATIONS AND JOINTLY GOVERNED ORGANIZATIONS (continued)

Jointly governed organizations: The City participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: Polk, Dallas and Warren County Assessor's Conference Boards; Metropolitan Planning Organization; Greater Des Moines Convention and Visitors Bureau.

In August 2000, the City entered into a jointly governed organization with two other Des Moines suburbs for the creation of WestCom. WestCom was established as an undivided interest ownership arrangement, whereby title to assets in WestCom is held individually by the City and two other Des Moines suburbs. The City's portion of current year costs of operations and capital for the dispatch center were \$1,198,531 and \$650,566, respectively.

In July 2008, the City entered into a jointly governed organization with Central Iowa Health System for the provision of emergency medical services. The agreement between the participating organizations is commonly referred to as the "Iowa EMS Alliance". The Iowa EMS Alliance was established as an undivided interest ownership arrangement, whereby the title to Alliance assets is held individually by the City and Iowa Health. The City's portion of current year costs of operation and capital for the Iowa EMS Alliance were \$1,754,958 and \$83,069, respectively.

NOTE 12 COMMITMENTS

In order to encourage development within designated Urban Renewal Areas, the City Council has approved development rebate agreements related to three different projects. Rebates are to be paid only after certain conditions have been met by each project developer, and are to be paid over many years in the form of a rebate of a predetermined percentage of future property taxes generated by the property.

It is estimated that outstanding commitments of approximately \$8.9 million exist, of which \$4.1 million is likely be eligible to be paid in the next fiscal year. \$2.2 million of the current portion has been included with accounts payable at June 30, 2012, as the conditions for those payments had been met. The remainder will be expensed in the period in which they are paid, and no further liability for these obligations is recognized due to the fact that the agreements are conditional, the remaining payments are to be funded by future property taxes receivable on the project, and the expenditures are subject to the City Council's right of non-appropriation each fiscal year.

NOTE 13 RISK MANAGEMENT

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

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

City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 13 RISK MANAGEMENT (continued)

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

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2012 were approximately \$491,000.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. The City of West Des Moines has elected \$10,000,000 in coverage. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhaust total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, as of June 30, 2012, no liability has been recorded in the City's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance company 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. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions; however, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

Self-insurance: The City has a self-insured medical expense reimbursement plan which provides medical benefits to its employees and to the employees of affiliates. The plan provides each covered person with a lifetime maximum of \$1,000,000 coverage for health care needs. The plan is funded by both employee and City contributions and is administered through a service agreement with CoreSource. The uninsured risk retention per person is \$100,000 (not to exceed 125 percent of the aggregate expected claims of \$4,124,763 for the year ended June 30, 2012). The City purchased commercial stop-loss insurance to provide for claims in excess of the \$100,000 to reduce its exposure to large losses. There has been no significant reduction in insurance coverage under the plan from prior years.

City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 13 RISK MANAGEMENT (continued)

Self-insurance: (continued)

The City has established the Health and Dental Insurance Fund (an internal service fund) to account for and finance the uninsured risk of loss. The City's contribution to the fund for the year ended June 30, 2012 was \$3,939,881.

Effective July 1, 2005, the City established a self-insured plan for its worker's compensation plan. An internal service fund was created to account for premiums and claims paid. The uninsured risk retention is \$400,000 per occurrence. The aggregate retention is 90 percent of the annual premium amount or approximately \$1,116,000.

Amounts payable from the Health and Dental Insurance Fund and the Worker's Compensation Insurance Fund as of June 30, 2012, totaled \$652,772 and include incurred but not reported (IBNR) and reported but not paid claims. 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 other loss. A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss is reasonably estimable. Settlements have exceeded the stop-loss coverage in the years ended June 30, 2012, 2011, and 2010, of \$234,654, \$234,951, and \$95,222, respectively. Information on changes in the aggregate liabilities for claims is as follows:

| | 2012 | 2011 |
|-----------------------------------|--------------------|--------------------|
| Claims payable, beginning of year | \$ 523,314 | \$ 523,028 |
| Claims recognized | 3,666,867 | 3,554,854 |
| Claim payments | <u>(3,537,409)</u> | <u>(3,554,568)</u> |
| Claims payable, end of year | <u>\$ 652,772</u> | <u>\$ 523,314</u> |

NOTE 14 LITIGATION

Claims have been asserted against the City in the ordinary course of business with a maximum exposure of \$50,000. Management is unable to estimate the cost of these claims or determine a range of loss and, accordingly, no accrual has been made for them.

City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 15 RESTATEMENT OF EQUITY

During the fiscal year ending June 30, 2012, the City received guidance from the Office of the Treasurer of the State of Iowa concerning the timing of Road Use Tax allocation remittances paid to the City by the State. As a result, the amount disclosed as Due from other governments at June 30, 2011, in the Road Use Tax Fund was determined to be overstated. The effects of fund balance and net assets of restating this amount are as follows:

| | Road Use Tax Fund | Net Assets- Governmental Activities |
|--|------------------------------|--|
| Balances June 30, 2011, as previously reported | \$12,489,277 | \$372,252,537 |
| Change to Due from other governments per State of Iowa guidance | (566,271) | (566,271) |
| Balances July 1 2011, as restated | <u>\$11,923,006</u> | <u>\$371,686,266</u> |

The effect on the amount reported for net change in fund balance in the Road Use Tax Fund for the fiscal year ending June 30, 2011, is a decrease of \$566,271.

NOTE 16 SUBSEQUENT EVENTS

At June 30, 2012, the City had bond proceeds remaining from the \$7,000,000 Series 2008B GO Bonds dated June 30, 2008. Subsequent to June 30, 2012, the City placed the remaining bond proceeds, in the amount of \$2,480,595.56, into an escrow account to advance fund a portion of the 2020 maturity and 100% of the 2021 and 2022 maturities.

On December 1, 2012, the City paid the \$1,364,000 remaining balances of its Sewer Revenue Capital Loan Notes as was allowed under their terms.

NOTE 17 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS

The Governmental Accounting Standards Board (GASB) has issued eight statements not yet implemented by the City of West Des Moines. The statements which might impact on the City of West Des Moines, is as follows:

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements.

Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*; issued November 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; issued December 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance.

City of West Des Moines, Iowa
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 17 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS (continued)

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued June 2011, will be effective for the fiscal year ending June 30, 2013. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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

Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, issued June 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to establish accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans.

Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, issued June 2012, will be effective for the fiscal year ending June 30, 2015. The objective of this Statement is to improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

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

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

REQUIRED SUPPLEMENTARY INFORMATION

| <u>Fiscal Year End June 30</u> | <u>Actuarial valuation date</u> | <u>Actuarial value of assets (a)</u> | <u>Actuarial accrued liability (AAL) (b)</u> | <u>Unfunded AAL (UAAL) (b - a)</u> | <u>Funded ratio (a/b)</u> | <u>Covered payroll (c)</u> | <u>UAAL as a percentage of covered payroll ((b - a)/c)</u> |
|--|---|--|--|--|-----------------------------------|------------------------------------|--|
| 2010 | June 30, 2009 | \$ - | \$2,031 | \$2,031 | 0.0% | \$ 24,481 | 8.3% |
| 2011 | July 1, 2010 | \$ - | \$1,368 | \$1,368 | 0.0% | \$ 20,225 | 6.8% |
| 2012 | July 1, 2010 | \$ - | \$1,368 | \$1,368 | 0.0% | \$ 20,224 | 6.8% |

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

City of West Des Moines, Iowa
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL—ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2012

| | Governmental Fund Types Actual | Proprietary Fund Types Actual | Total Actual | Budgeted Amounts | | Final to Actual Variance - Positive (Negative) |
|--|---|--|----------------------|----------------------|----------------------|--|
| | | | | Original | Final | |
| REVENUES | | | | | | |
| Property tax | \$ 45,623,064 | \$ — | \$ 45,623,064 | \$ 45,901,436 | \$ 45,901,436 | \$ (278,372) |
| Tax increment financing taxes | 12,219,161 | — | 12,219,161 | 12,264,794 | 12,264,794 | (45,633) |
| Other City taxes | 3,951,305 | — | 3,951,305 | 3,457,252 | 3,457,252 | 494,053 |
| Special assessments | 395,576 | — | 395,576 | — | 145,000 | 250,576 |
| Licenses and permits | 1,404,430 | — | 1,404,430 | 818,050 | 953,150 | 451,280 |
| Intergovernmental | 15,956,531 | — | 15,956,531 | 9,953,766 | 13,861,894 | 2,094,637 |
| Charges for services | 4,759,448 | 13,122,662 | 17,882,110 | 14,731,996 | 15,417,346 | 2,464,764 |
| Use of money and property | 110,219 | 149,088 | 259,307 | 1,747,653 | 1,292,253 | (1,032,946) |
| Miscellaneous | 2,049,561 | 32,054 | 2,081,615 | 7,871,008 | 8,077,425 | (5,995,810) |
| Total revenues | <u>86,469,295</u> | <u>13,303,804</u> | <u>99,773,099</u> | <u>96,745,955</u> | <u>101,370,550</u> | <u>(1,597,451)</u> |
| EXPENDITURES/EXPENSES | | | | | | |
| Public safety | 23,330,603 | — | 23,330,603 | 25,207,386 | 25,449,500 | 2,118,897 |
| Public works | 6,476,619 | — | 6,476,619 | 8,219,485 | 7,769,405 | 1,292,786 |
| Health and social services | 1,125,608 | — | 1,125,608 | 1,129,017 | 1,169,017 | 43,409 |
| Culture and recreation | 6,849,848 | — | 6,849,848 | 7,314,591 | 7,431,046 | 581,198 |
| Community and economic development | 7,387,617 | — | 7,387,617 | 7,253,955 | 7,473,955 | 86,338 |
| General government | 5,371,275 | — | 5,371,275 | 6,392,845 | 7,002,955 | 1,631,680 |
| Debt service | 19,084,780 | — | 19,084,780 | 18,770,475 | 45,433,274 | 26,348,494 |
| Capital outlay | 14,975,786 | — | 14,975,786 | 13,440,593 | 27,583,931 | 12,608,145 |
| Business-type | — | 11,356,694 | 11,356,694 | 17,348,755 | 20,305,985 | 8,949,291 |
| Total expenditures/expenses | <u>84,602,136</u> | <u>11,356,694</u> | <u>95,958,830</u> | <u>105,077,102</u> | <u>149,619,068</u> | <u>53,660,238</u> |
| Excess (deficiency) of revenues over (under) expenditures/expenses | 1,867,159 | 1,947,110 | 3,814,269 | (8,331,147) | (48,248,518) | 52,062,787 |
| OTHER FINANCING SOURCES, NET | | | | | | |
| | <u>31,381,360</u> | <u>4,680,368</u> | <u>36,061,728</u> | <u>8,505,000</u> | <u>31,431,350</u> | <u>4,630,378</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing sources (uses) | 33,248,519 | 6,627,478 | 39,875,997 | 173,853 | (16,817,168) | \$56,693,165 |
| BALANCES , beginning of year | <u>44,774,464</u> | <u>106,129,861</u> | <u>150,904,325</u> | <u>88,861,548</u> | <u>93,633,145</u> | |
| BALANCES , end of year | <u>\$78,022,983</u> | <u>\$112,757,339</u> | <u>\$190,780,322</u> | <u>\$ 89,035,401</u> | <u>\$ 76,815,977</u> | |

See Note to Required Supplementary Information.

City of West Des Moines, Iowa
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION—BUDGETARY REPORTING
Year ended June 30, 2012

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

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearing which include all funds, except internal service and agency 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 expenditures known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital outlay 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, budget amendments increased budgeted expenditures by \$44,541,966. The budget amendments are reflected in the final budgeted amounts.

The City of West Des Moines, Iowa prepares its budget on the modified accrual basis for the governmental fund types and the accrual basis for the proprietary fund types which is consistent with generally accepted accounting principles.

City of West Des Moines, Iowa
REQUIRED SUPPLEMENTARY INFORMATION—MODIFIED APPROACH
Year ended June 30, 2012

The City has elected to use the modified approach as defined by the GASB Statement No. 34 for reporting the infrastructure of its street network. The street network is defined as all physical features existing within the right of way limits for the City's roadways and includes the streets, bridges and levees subsystems. (For additional information regarding the use of the modified approach and the City's capitalization policies, see Management's Discussion and Analysis and the Notes to Basic Financial Statements.)

The City of West Des Moines maintains a computerized Street Management System (SMS) to keep an up-to-date inventory of the street network and to record condition assessments. In performing these condition assessments, each City street is evaluated and rated according to an Overall Condition Index (OCI). This index represents a composite rating including the evaluation of pavement defects/deterioration, ride quality, drainage, weathering and surface condition. The OCI of each street is calculated and rated on a scale from 100 to 0, with an OCI rating of 100 being the best and 0 the worst. This condition assessment will be performed at least once every three years. The following table defines the Overall Condition Index (OCI) rating scale for streets:

| <u>Pavement Condition</u> | <u>OCI Range</u> |
|---------------------------|------------------|
| Very good | 100 - 90 |
| Good | 90 - 80 |
| Average | 80 - 60 |
| Below Average | 60 - 50 |
| Poor | 50 - 25 |
| Failed | 25 - 0 |

The City's goal is to maintain an OCI rating of 78 - 80 for the street network. The following are descriptions for Portland cement concrete and asphalt surfaced streets in the City with an OCI rating of 78 - 80.

Portland Cement Concrete Streets (OCI 78 - 80): Low and moderate severity settlement, bumps, cracking or joint deterioration may exist up to 15 percent of the street area. The majority of the cracking is between 3/8 inch and 3 inches wide. Cracks typically may need to be sealed. More than 50 percent of the joints have sealant damage. Patches may exist up to 20 percent of the street area and are typically moderate in quality. Discernible bumps may be noticeable during vehicle travel. Vehicle speed is generally not affected by the pavement condition, except possibly at isolated locations. Water ponding may exist in isolated locations. Surface pop-outs may exist throughout the pavement.

Asphalt Surfaced Streets (OCI 78 - 80): Reflective cracking may exist up to 100 percent of the street area. The majority of the cracking is between 3/8 inch and 3 inches wide. Cracks typically may need to be sealed. Low and moderate severity bumps, alligator cracking, rutting, or raveling may exist up to 5 percent of the street area. Patches may exist up to 10 percent of the street area and are typically moderate in quality. Potholes may exist at small isolated locations. Discernible bumps may be noticeable during vehicle travel. Vehicle speed is generally not affected by the pavement condition, except possibly at isolated locations. Water ponding may exist in isolated locations. The surface color is typically medium gray.

Levees and Associated Flood Control Elements (Army Corp. Rating – Minimally Acceptable): One or more minor deficiencies that need to be corrected have been identified. The minor deficiency or deficiencies will not seriously impair the functioning of the item as intended during the next flood event.

Bridge and Large Street Culverts (FHWA & Iowa DOT Sufficiency Rating - 81 or Greater): The item is structurally sound and there appears to be no immediate safety hazards. Minor cracking, scaling, leaching, channel silting and vegetation, or other minor problems may exist in isolated locations. Minor problems, if any exist, do not appear to have an immediate impact on structural integrity or safety.

See accompanying independent auditor's report.

City of West Des Moines, Iowa
REQUIRED SUPPLEMENTARY INFORMATION—MODIFIED APPROACH (continued)
Year ended June 30, 2012

Condition rating of the City's street subsystem:

| <u>Category</u> | <u>OCI Range</u> | <u>2007</u> | | <u>2009</u> | | <u>2011</u> | |
|-----------------|------------------|-------------------|----------------------------------|-------------------|----------------------------------|-------------------|----------------------------------|
| | | <u>Lane Miles</u> | <u>Percent of Street Network</u> | <u>Lane Miles</u> | <u>Percent of Street Network</u> | <u>Lane Miles</u> | <u>Percent of Street Network</u> |
| Very good | 100-90 | 243 | 35.3% | 245 | 34.1% | 260 | 34.1% |
| Good | 90-80 | 208 | 30.2 | 226 | 31.5 | 233 | 31.5 |
| Average | 80-60 | 156 | 22.7 | 162 | 22.5 | 171 | 22.5 |
| Below average | 60-50 | 64 | 9.3 | 73 | 10.2 | 76 | 10.2 |
| Poor | 50-25 | 17 | 2.5 | 12 | 1.7 | 18 | 1.7 |
| Failed | 25-0 | — | — | — | — | — | — |
| | | <u>688</u> | <u>100.0%</u> | <u>718</u> | <u>100.0%</u> | <u>758</u> | <u>100.0%</u> |

Overall condition index (OCI)

| | <u>2007</u> | <u>2009</u> | <u>2011</u> |
|--------|-------------|-------------|-------------|
| Goal | 78-80 | 78-80 | 78-80 |
| Actual | 80.90 | 80.80 | 80.30 |

Bridge & Street Culvert Condition by Category as of the Last Assessment

Condition Categories Based on FHWA Criteria

| <u>Category</u> | <u>OCI Range</u> | <u>2007</u> | | <u>2009</u> | | <u>2011</u> | |
|----------------------------|------------------|--------------------------|-------------------------------------|--------------------------|-------------------------------------|--------------------------|-------------------------------------|
| | | <u>Bridges Inspected</u> | <u>Percent of Bridges Inspected</u> | <u>Bridges Inspected</u> | <u>Percent of Bridges Inspected</u> | <u>Bridges Inspected</u> | <u>Percent of Bridges Inspected</u> |
| Excellent condition | 100-90 | 18 | 75.0% | 18 | 75.0% | 17 | 70.8% |
| Very good condition | 90-80 | 4 | 16.7 | 4 | 16.7 | 4 | 16.7 |
| Good condition | 80-70 | 1 | 4.2 | 1 | 4.2 | 1 | 4.2 |
| Satisfactory condition | 70-60 | 1 | 4.1 | 1 | 4.1 | 1 | 4.2 |
| Fair condition | 60-50 | — | — | — | — | 1* | 4.1 |
| Poor condition | 50-40 | — | — | — | — | — | — |
| Serious condition | 40-30 | — | — | — | — | — | — |
| Critical condition | 30-20 | — | — | — | — | — | — |
| Imminent failure condition | 20-10 | — | — | — | — | — | — |
| Failed condition | 25-0 | — | — | — | — | — | — |
| Total | | <u>24</u> | <u>100.0%</u> | <u>24</u> | <u>100.0%</u> | <u>24</u> | <u>100.0%</u> |

*Structure is closed to traffic

| | <u>2007</u> | <u>2009</u> | <u>2011</u> |
|--------------------------------|---------------|---------------|---------------|
| Overall condition index (OCI): | | | |
| Goal | 81 or greater | 81 or greater | 81 or greater |
| Actual | 93.8 | 93.8 | 91.3 |

See accompanying independent auditor's report.

City of West Des Moines, Iowa
REQUIRED SUPPLEMENTARY INFORMATION—MODIFIED APPROACH (continued)
Year ended June 30, 2012

Levee Condition by Category as of the Last Assessment

Condition Categories Based on Army Corp. Criteria

| <u>OCI Range</u> | <u>2007</u> | | <u>2009</u> | | <u>2011</u> | |
|----------------------|------------------|---------------------------|------------------|---------------------------|------------------|---------------------------|
| | Levee Items | Percent of Levee Items | Levee Items | Percent of Levee Items | Levee Items | Percent of Levee Items |
| | <u>Inspected</u> | <u>Inspected</u> | <u>Inspected</u> | <u>Inspected</u> | <u>Inspected</u> | <u>Inspected</u> |
| Acceptable | 23 | 100.0% | 45 | 83.3% | 50 | 86.2% |
| Minimally acceptable | — | — | 9 | 16.7 | 8 | 13.8 |
| Unacceptable | — | — | — | — | — | — |
| Total | <u>23</u> | <u>100.0%</u> | <u>54</u> | <u>100.0%</u> | <u>58</u> | <u>100.0%</u> |

| | <u>2007</u> | <u>2009</u> | <u>2011</u> |
|--------------------------------|-------------|-------------|----------------------|
| Overall condition index (OCI): | | | |
| Goal | Acceptable | Acceptable | Minimally Acceptable |
| Actual | Acceptable | Acceptable | Minimally Acceptable |

Comparison of estimated prevention/maintenance costs to actual for the street network (in thousands):

| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Estimated costs | \$4,077 | \$4,480 | \$4,915 | \$5,397 | \$4,374 | \$5,296 | \$5,307 |
| Actual cost | 3,516 | 4,751 | 4,661 | 5,024 | 5,071 | 5,387 | 5,119 |

**City of West Des Moines, Iowa
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012**

| | <u>Special Revenue</u> | | | |
|---|---|-----------------------------|---------------------------------|-----------------------------|
| | <u>Police and Fire Retirement</u> | <u>Employee Benefit</u> | <u>Economic Development</u> | <u>Housing Programs</u> |
| ASSETS | | | | |
| Cash and investments | \$3,492,670 | \$ - | \$ 703,968 | \$ 596,196 |
| Receivables | | | | |
| Property taxes | 1,984,977 | 4,087,474 | - | - |
| Accounts | - | - | - | 446 |
| Loans | - | - | 9,235 | - |
| Due from other governments | - | - | - | 12,492 |
| Total assets | <u>\$5,477,647</u> | <u>\$4,087,474</u> | <u>\$ 713,203</u> | <u>\$ 609,134</u> |
| LIABILITIES AND FUND BALANCES (DEFICITS) | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 34,435 | \$ - | \$ 957 | \$ 5,762 |
| Accrued wages payable | - | - | - | 1,156 |
| Due to other funds | - | 17,599 | - | - |
| Deferred revenue | <u>1,975,500</u> | <u>4,069,875</u> | <u>9,235</u> | <u>-</u> |
| Total liabilities | <u>2,009,935</u> | <u>4,087,474</u> | <u>10,192</u> | <u>6,918</u> |
| Fund balances (deficits) | | | | |
| Restricted for | | | | |
| Other purposes | <u>3,467,712</u> | <u>-</u> | <u>703,011</u> | <u>602,216</u> |
| Total liabilities and fund balances | <u>\$5,477,647</u> | <u>\$4,087,474</u> | <u>\$ 713,203</u> | <u>\$ 609,134</u> |

| <u>Parks</u> | <u>Library</u> | <u>Public Safety</u> | <u>Dallas County Local Housing Trust Fund</u> | <u>Community Development Block Grant</u> | <u>Totals</u> |
|-------------------|-------------------|----------------------|---|--|---------------------|
| \$ 173,718 | \$ 254,735 | \$ 476,643 | \$ - | \$ 54,500 | \$ 5,752,430 |
| - | - | - | - | - | 6,072,451 |
| 30 | - | 150 | 16,047 | - | 16,673 |
| - | - | - | - | - | 9,235 |
| - | - | - | - | 67,579 | 80,071 |
| <u>\$ 173,748</u> | <u>\$ 254,735</u> | <u>\$ 476,793</u> | <u>\$ 16,047</u> | <u>\$ 122,079</u> | <u>\$11,930,860</u> |
| \$ 2,758 | \$ 2,348 | \$ 11,401 | \$ 3,758 | \$ 23,986 | \$ 85,405 |
| - | - | - | 368 | 624 | 2,148 |
| - | - | - | 9,281 | - | 26,880 |
| - | - | - | - | - | 6,054,610 |
| <u>2,758</u> | <u>2,348</u> | <u>11,401</u> | <u>13,407</u> | <u>24,610</u> | <u>6,169,043</u> |
| <u>170,990</u> | <u>252,387</u> | <u>465,392</u> | <u>2,640</u> | <u>97,469</u> | <u>5,761,817</u> |
| <u>\$ 173,748</u> | <u>\$ 254,735</u> | <u>\$ 476,793</u> | <u>\$ 16,047</u> | <u>\$ 122,079</u> | <u>\$11,930,860</u> |

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(DEFICITS)
NONMAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2012

| | <u>Special Revenue</u> | | |
|--|---|-----------------------------|---------------------------------|
| | <u>Police and Fire Retirement</u> | <u>Employee Benefit</u> | <u>Economic Development</u> |
| REVENUE | | | |
| Property taxes | \$1,858,762 | \$3,451,986 | \$ — |
| Other City taxes | 24,059 | 44,682 | — |
| Intergovernmental | — | — | 50,000 |
| Use of money and property | — | — | — |
| Miscellaneous | — | — | 41,476 |
| Total revenues | <u>1,882,821</u> | <u>3,496,668</u> | <u>91,476</u> |
| EXPENDITURES | | | |
| Current operating | | | |
| Public safety | 1,915,809 | — | — |
| Health and social services | — | — | — |
| Culture and recreation | — | — | — |
| Community and economic development | — | — | 97,585 |
| Debt service, principal | — | — | — |
| Interest | — | — | — |
| Capital outlay | — | — | — |
| Total expenditures | <u>1,915,809</u> | <u>—</u> | <u>97,585</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(32,988)</u> | <u>3,496,668</u> | <u>(6,109)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | — | — | 149,283 |
| Transfers out | — | <u>(3,496,668)</u> | — |
| Total other financing sources (uses) | <u>—</u> | <u>(3,496,668)</u> | <u>149,283</u> |
| Net change in fund balances | (32,988) | — | 143,174 |
| Fund balances (deficit), beginning of year | <u>3,500,700</u> | <u>—</u> | <u>559,837</u> |
| Fund balances, end of year | <u>\$3,467,712</u> | <u>\$ —</u> | <u>\$ 703,011</u> |

See accompanying independent auditor's report.

| <u>Housing Programs</u> | <u>Parks</u> | <u>Library</u> | <u>Public Safety</u> | <u>Dallas County Local Housing Trust Fund</u> | <u>Community Development Block Grant</u> | <u>Totals</u> |
|-------------------------|-------------------|-------------------|----------------------|---|--|---------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 5,310,748 |
| - | - | - | - | - | - | 68,741 |
| 110,805 | - | - | - | 255,980 | 378,568 | 795,353 |
| 6 | 1 | 37 | 53 | - | - | 97 |
| <u>486,787</u> | <u>50,880</u> | <u>50,294</u> | <u>645,302</u> | <u>38,133</u> | <u>3,725</u> | <u>1,316,597</u> |
| <u>597,598</u> | <u>50,881</u> | <u>50,331</u> | <u>645,355</u> | <u>294,113</u> | <u>382,293</u> | <u>7,491,536</u> |
| - | - | - | 380,587 | - | - | 2,296,396 |
| 239,524 | - | - | - | - | - | 239,524 |
| - | 30,917 | 51,351 | - | - | - | 82,268 |
| - | - | - | - | 262,850 | 182,835 | 543,270 |
| - | - | - | 63,670 | - | - | 63,670 |
| - | - | - | 8,041 | - | - | 8,041 |
| - | - | - | <u>136,725</u> | - | - | <u>136,725</u> |
| <u>239,524</u> | <u>30,917</u> | <u>51,351</u> | <u>589,023</u> | <u>262,850</u> | <u>182,835</u> | <u>3,369,894</u> |
| <u>358,074</u> | <u>19,964</u> | <u>(1,020)</u> | <u>56,332</u> | <u>31,263</u> | <u>199,458</u> | <u>4,121,642</u> |
| 12,250 | - | - | - | 2,400 | 75,997 | 239,930 |
| - | - | - | (170,000) | - | (43,000) | (3,709,668) |
| <u>12,250</u> | <u>-</u> | <u>-</u> | <u>(170,000)</u> | <u>2,400</u> | <u>32,997</u> | <u>(3,469,738)</u> |
| 370,324 | 19,964 | (1,020) | (113,668) | 33,663 | 232,455 | 651,904 |
| <u>231,892</u> | <u>151,026</u> | <u>253,407</u> | <u>579,060</u> | <u>(31,023)</u> | <u>(134,986)</u> | <u>5,109,913</u> |
| \$ <u>602,216</u> | \$ <u>170,990</u> | \$ <u>252,387</u> | \$ <u>465,392</u> | \$ <u>2,640</u> | \$ <u>97,469</u> | \$ <u>5,761,817</u> |

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2012

| | <u>Vehicle Replacement</u> | <u>Vehicle Maintenance</u> | <u>Health and Dental Insurance</u> | <u>Worker's Compensation Insurance</u> | <u>Total</u> |
|--|--------------------------------|--------------------------------|--|--|---------------------|
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and investments | \$ 9,033,318 | \$ 54,671 | \$5,278,828 | \$2,473,013 | \$16,839,830 |
| Accounts receivable | — | 13,966 | 11,760 | — | 25,726 |
| Interest | 9,499 | — | — | — | 9,499 |
| Inventories | — | 71,496 | — | — | 71,496 |
| Total current assets | <u>9,042,817</u> | <u>140,133</u> | <u>5,290,588</u> | <u>2,473,013</u> | <u>16,946,551</u> |
| Noncurrent assets, capital assets | | | | | |
| Equipment and vehicles | 12,746,293 | — | — | — | 12,746,293 |
| Accumulated depreciation | <u>(8,336,850)</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(8,336,850)</u> |
| Total noncurrent assets | <u>4,409,443</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>4,409,443</u> |
| Total assets | <u>\$13,452,260</u> | <u>\$ 140,133</u> | <u>\$5,290,588</u> | <u>\$2,473,013</u> | <u>\$21,355,994</u> |
| LIABILITIES AND NET ASSETS | | | | | |
| Liabilities | | | | | |
| Current | | | | | |
| Accounts payable | \$ 80,668 | \$ 44,788 | \$ — | \$ — | \$ 125,456 |
| Claims payable | — | — | 367,023 | 324,085 | 691,108 |
| Total current liabilities | <u>80,668</u> | <u>44,788</u> | <u>367,023</u> | <u>324,085</u> | <u>816,564</u> |
| Net assets | | | | | |
| Invested in capital assets, net of related debt | 4,409,443 | — | — | — | 4,409,443 |
| Unrestricted | <u>8,962,149</u> | <u>95,345</u> | <u>4,923,565</u> | <u>2,148,928</u> | <u>16,129,987</u> |
| Total net assets | <u>13,371,592</u> | <u>95,345</u> | <u>4,923,565</u> | <u>2,148,928</u> | <u>20,539,430</u> |
| Total liabilities and net assets | <u>\$13,452,260</u> | <u>\$ 140,133</u> | <u>\$5,290,588</u> | <u>\$2,473,013</u> | <u>\$21,355,994</u> |

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
Year ended June 30, 2012

| | <u>Vehicle Replacement</u> | <u>Vehicle Maintenance</u> | <u>Health and Dental Insurance</u> | <u>Worker's Compensation Insurance</u> | <u>Total</u> |
|---|--------------------------------|--------------------------------|--|--|---------------------|
| OPERATING REVENUES | | | | | |
| Charges for services | \$ — | \$1,153,063 | \$5,082,115 | \$ 240,502 | \$ 6,475,680 |
| Lease revenue | 1,339,735 | — | — | — | 1,339,735 |
| Other | — | — | — | — | — |
| Total operating revenues | <u>1,339,735</u> | <u>1,153,063</u> | <u>5,082,115</u> | <u>240,502</u> | <u>7,815,415</u> |
| OPERATING EXPENSES | | | | | |
| Cost of sales and services | — | 1,096,376 | 4,105,804 | 647,163 | 5,849,343 |
| Depreciation | <u>1,139,067</u> | — | — | — | <u>1,139,067</u> |
| Total operating expenses | <u>1,139,067</u> | <u>1,096,376</u> | <u>4,105,804</u> | <u>647,163</u> | <u>6,988,410</u> |
| Operating income (loss) | <u>200,668</u> | <u>56,687</u> | <u>976,311</u> | <u>(406,661)</u> | <u>827,005</u> |
| Nonoperating revenues | | | | | |
| Investment earnings | 13,943 | — | 766 | — | 14,709 |
| Loss on sale of capital assets | <u>(18,597)</u> | — | — | — | <u>(18,597)</u> |
| Total nonoperating revenues | <u>(4,654)</u> | — | <u>766</u> | — | <u>(3,888)</u> |
| Income (loss) before transfers | 196,014 | 56,687 | 977,077 | (406,661) | 823,117 |
| Capital contributions | 27,809 | — | — | — | 27,809 |
| Transfers in | — | — | — | 510,221 | 510,221 |
| Transfers out | <u>(37,414)</u> | <u>(37,837)</u> | — | — | <u>(75,251)</u> |
| Change in net assets | <u>186,409</u> | <u>18,850</u> | <u>977,077</u> | <u>103,560</u> | <u>1,285,896</u> |
| Total net assets, beginning of year, as restated | <u>13,185,183</u> | <u>76,495</u> | <u>3,946,488</u> | <u>2,045,368</u> | <u>19,253,534</u> |
| Total net assets, end of year | <u>\$13,371,592</u> | <u>\$ 95,345</u> | <u>\$4,923,565</u> | <u>\$2,148,928</u> | <u>\$20,539,430</u> |

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year ended June 30, 2012

| | <u>Vehicle Replacement</u> | <u>Vehicle Maintenance</u> | <u>Health and Dental Insurance</u> | <u>Worker's Compensation Insurance</u> | <u>Total</u> |
|---|--------------------------------|--------------------------------|--|--|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers and users | \$1,339,735 | \$1,153,720 | \$5,070,355 | \$ 240,502 | \$ 7,804,312 |
| Payments to suppliers | 50,121 | (1,112,116) | (2,177) | (16,518) | (1,080,690) |
| Payments to claimants | <u>—</u> | <u>—</u> | (4,142,109) | (443,064) | (4,585,173) |
| Net cash provided by (used in) operating activities | <u>1,389,856</u> | <u>41,604</u> | <u>926,069</u> | <u>(219,080)</u> | <u>2,138,449</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Transfers in | — | — | — | 510,221 | 510,221 |
| Transfers out | <u>(37,414)</u> | <u>(37,837)</u> | <u>—</u> | <u>—</u> | <u>(75,251)</u> |
| Net cash provided by (used in) noncapital financing activities | <u>(37,414)</u> | <u>(37,837)</u> | <u>—</u> | <u>510,221</u> | <u>434,970</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Purchase of capital assets | (736,877) | — | — | — | (736,877) |
| Proceeds from disposal of capital assets | <u>735</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>735</u> |
| Net cash (used in) capital and related financing activities | <u>(736,142)</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(736,142)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest received | 7,975 | — | 766 | — | 8,741 |
| Purchase of investment securities | (9,000,000) | — | — | — | (9,000,000) |
| Proceeds from maturity of investment securities | <u>6,000,000</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>6,000,000</u> |
| Net cash provided by investing activities | <u>(2,992,025)</u> | <u>—</u> | <u>766</u> | <u>—</u> | <u>(2,991,259)</u> |
| Net increase (decrease) in cash and cash equivalents | (2,375,725) | 3,767 | 926,835 | 291,141 | (1,153,982) |
| Cash and cash equivalents Beginning of year | <u>6,409,043</u> | <u>50,904</u> | <u>4,351,993</u> | <u>2,181,872</u> | <u>12,993,812</u> |
| End of year | <u>\$4,033,318</u> | <u>\$ 54,671</u> | <u>\$5,278,828</u> | <u>\$2,473,013</u> | <u>\$11,839,830</u> |
| SCHEDULE OF NONCASH ITEMS | | | | | |
| Capital and related financing activities | | | | | |
| Donated capital assets | <u>\$ 27,809</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 27,809</u> |

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF CASH FLOWS (continued)
INTERNAL SERVICE FUNDS
Year ended June 30, 2012

| | <u>Vehicle Replacement</u> | <u>Vehicle Maintenance</u> | <u>Health and Dental Insurance</u> | <u>Worker's Compensation Insurance</u> | <u>Total</u> |
|--|--------------------------------|--------------------------------|--|--|---------------------|
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | | | |
| Operating income (loss) | \$ 200,668 | \$ 56,687 | \$ 976,311 | \$ (406,661) | \$ 827,005 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | | | |
| Depreciation | 1,139,067 | - | - | - | 1,139,067 |
| Change in assets and liabilities | | | | | |
| Receivables | - | 657 | (11,760) | - | (11,103) |
| Prepaid expenses | - | - | - | - | - |
| Inventories | - | 1,968 | - | - | 1,968 |
| Accounts payable | 50,121 | (17,708) | (2,177) | (16,518) | 13,718 |
| Claims payable | - | - | (36,305) | 204,099 | 167,794 |
| Net cash provided by (used in) operating activities | <u>\$1,389,856</u> | <u>\$ 41,604</u> | <u>\$ 926,069</u> | <u>\$ (219,080)</u> | <u>\$2,138,449</u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO SPECIFIC ASSETS ON THE COMBINING BALANCE SHEET | | | | | |
| Cash and investments | \$9,033,318 | \$ 54,671 | \$5,278,828 | \$2,473,013 | \$16,839,830 |
| Less items not meeting the definition of cash equivalents | <u>(5,000,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(5,000,000)</u> |
| Cash and cash equivalents at end of year | <u>\$4,033,318</u> | <u>\$ 54,671</u> | <u>\$5,278,828</u> | <u>\$2,473,013</u> | <u>\$11,839,830</u> |

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2012

| | Collections and Deposits | Section 125 Plan | Total Agency Funds |
|---------------------------------------|---|-----------------------------|-----------------------------------|
| ASSETS | | | |
| Cash and investments | \$ 522,050 | \$ 43,395 | \$ 565,445 |
| Restricted assets, contractors' bonds | <u>59,536</u> | <u>—</u> | <u>59,536</u> |
| Total assets | <u>\$ 581,586</u> | <u>\$ 43,395</u> | <u>\$ 624,981</u> |
| LIABILITIES | | | |
| Deposits and remittances due | <u>581,586</u> | <u>43,395</u> | <u>624,981</u> |
| Total liabilities | <u>\$ 581,586</u> | <u>\$ 43,395</u> | <u>\$ 624,981</u> |

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
Year ended June 30, 2012

| <u>Collections and Deposits</u> | <u>Balance June 30, 2011</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance June 30, 2012</u> |
|---|---|-------------------------|-------------------------|---|
| ASSETS | | | | |
| Cash and investments | \$ 515,343 | \$ 181,052 | \$ 174,345 | \$ 522,050 |
| Restricted assets, contractors' bonds | <u>59,536</u> | <u>—</u> | <u>—</u> | <u>59,536</u> |
| Total assets | <u>\$ 574,879</u> | <u>\$ 181,052</u> | <u>\$ 174,345</u> | <u>\$ 581,586</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 67,993 | \$ — | \$ 67,993 | \$ — |
| Deposits and remittances due | <u>506,886</u> | <u>181,052</u> | <u>106,352</u> | <u>581,586</u> |
| Total liabilities | <u>\$ 574,879</u> | <u>\$ 181,052</u> | <u>\$ 174,345</u> | <u>\$ 581,586</u> |
| Section 125 Plan | | | | |
| ASSETS , cash and investments | <u>\$ 37,674</u> | <u>\$ 227,608</u> | <u>\$ 221,887</u> | <u>\$ 43,395</u> |
| LIABILITIES , deposits and remittances due | <u>\$ 37,674</u> | <u>\$ 227,608</u> | <u>\$ 221,887</u> | <u>\$ 43,395</u> |
| Combined Funds | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 553,017 | \$ 408,660 | \$ 396,232 | \$ 565,445 |
| Restricted assets, contractors' bonds | <u>59,536</u> | <u>—</u> | <u>—</u> | <u>59,536</u> |
| Total assets | <u>\$ 612,553</u> | <u>\$ 408,660</u> | <u>\$ 396,232</u> | <u>\$ 624,981</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 67,993 | \$ — | \$ 67,993 | \$ — |
| Deposits and remittances due | <u>544,560</u> | <u>408,660</u> | <u>328,239</u> | <u>624,981</u> |
| Total liabilities | <u>\$ 612,553</u> | <u>\$ 408,660</u> | <u>\$ 396,232</u> | <u>\$ 624,981</u> |

See accompanying independent auditor's report.

City of West Des Moines, Iowa
SUMMARY OF KEY DATA FOR SEWER REVENUE BONDS
(UNAUDITED)
Year ended June 30, 2012

Sales History and Total Sewer Charges

| <u>Calendar Year</u> | <u>Gallons Sold</u> | <u>Sewer Charges</u> |
|----------------------|---------------------|----------------------|
| 2002 | 2,119,054,696 | 4,930,065 |
| 2003 | 2,175,453,971 | 4,984,834 |
| 2004 | 2,068,454,938 | 5,023,024 |
| 2005 | 2,231,378,093 | 5,121,465 |
| 2006 | 2,237,565,759 | 5,214,740 |
| 2007 | 2,188,526,562 | 5,475,514 |
| 2008 | 2,028,362,108 | 5,927,446 |
| 2009 | 2,026,622,795 | 6,712,507 |
| 2010 | 1,935,563,050 | 6,751,306 |
| 2011 | 2,110,689,100 | 7,497,161 |

Number of Sewer Customers

| <u>Calendar Year</u> | <u>Residential</u> | <u>Commercial</u> | <u>Total</u> |
|----------------------|--------------------|-------------------|--------------|
| 2002 | 14,644 | 964 | 15,608 |
| 2003 | 15,011 | 933 | 15,944 |
| 2004 | 15,412 | 984 | 16,396 |
| 2005 | 15,863 | 1,015 | 16,878 |
| 2006 | 16,270 | 1,131 | 17,401 |
| 2007 | 16,744 | 1,166 | 17,910 |
| 2008 | 16,988 | 1,202 | 18,190 |
| 2009 | 17,246 | 1,216 | 18,462 |
| 2010 | 17,351 | 1,240 | 18,591 |
| 2011 | 17,351 | 1,240 | 18,591 |

Larger Sewer Customers (Calendar year 2011)

| <u>Customer</u> | <u>Water Gallons</u> | <u>Sewer Charges</u> |
|---|----------------------|----------------------|
| Professional Property Management, Inc. | 25,129,000 | 114,859 |
| General Growth Properties | 24,556,000 | 112,749 |
| West Des Moines Community School District | 22,516,000 | 102,581 |
| Belcher & Long Corporation | 21,899,000 | 99,477 |
| Wells Fargo Bank, NA | 17,830,000 | 80,880 |
| R & R Realty Group | 17,101,000 | 77,625 |
| Executive Laser Wash | 16,930,000 | 76,895 |
| Wellington Apartments | 15,889,000 | 72,260 |
| W.H., LLC | 14,673,000 | 66,669 |
| Polo Club Apartments | 14,003,000 | 63,795 |

Rates and Charges

Sanitary Sewer Service - Effective October 1, 2011
 \$4.85 per thousand gallons

Sewer Availability Charge - Effective July 1, 2011
 \$3.00 per month

Revenue Debt Supported by Sewer Revenues

| <u>Date of Issue</u> | <u>Original Amount</u> | <u>Purpose</u> | <u>Final Maturity</u> | <u>Principal Outstanding as of 6/30/12</u> |
|----------------------|------------------------|--------------------|-----------------------|--|
| 09/1994 | \$2,600,000 | Sewer Improvements | 06/2014 | \$ 354,000 |
| 06/1995 | 2,158,000 | Sewer Improvements | 06/2015 | 433,000 |
| 10/1996 | 1,800,000 | Sewer Improvements | 06/2017 | <u>577,000</u> |
| | | | | <u>\$1,364,000</u> |

**STATISTICAL SECTION
(UNAUDITED)**

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**City of West Des Moines, Iowa
STATISTICAL SECTION
(UNAUDITED)**

The statistical section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

C O N T E N T S

| | <u>Page</u> |
|--|-------------|
| Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time. | 94-101 |
| Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax. | 102-107 |
| Debt Capacity These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future. | 108-112 |
| Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. | 113-114 |
| Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. | 115-119 |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

City of West Des Moines, Iowa

Schedule 1

Net Assets By Component

Last Ten Fiscal Years

(accrual basis of accounting)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental activities: | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$125,624,407 | \$197,872,579 | \$198,074,527 | \$242,935,803 | \$244,928,693 | \$258,999,063 | \$292,458,981 | \$302,966,015 | \$321,551,229 | \$331,322,948 |
| Restricted | 63,168,911 | 23,551,773 | 20,413,236 | 17,839,043 | 33,537,713 | 38,811,985 | 27,163,903 | 30,280,778 | 36,114,937 | 39,407,570 |
| Unrestricted | 16,632,915 | 12,998,239 | 30,988,222 | 11,671,162 | 16,138,748 | 17,760,261 | 18,416,398 | 24,106,536 | 14,586,371 | 25,616,756 |
| Total governmental activities net assets | \$205,426,233 | \$234,422,591 | \$249,475,985 | \$272,446,008 | \$294,605,154 | \$315,571,309 | \$338,039,282 | \$357,353,329 | \$372,252,537 | \$396,347,274 |
| Business-type activities: | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 36,351,010 | \$ 41,712,779 | \$ 45,374,573 | \$ 45,431,826 | \$ 52,756,898 | \$ 58,746,219 | \$ 62,493,646 | \$ 64,376,299 | \$ 66,624,832 | \$ 71,785,215 |
| Restricted | 1,700,000 | 1,088,720 | 1,089,769 | 1,072,785 | 1,072,785 | 1,072,785 | 457,350 | 457,920 | 460,130 | 462,920 |
| Unrestricted | 40,124,842 | 38,320,873 | 15,982,655 | 19,743,030 | 24,237,411 | 27,590,768 | 32,824,759 | 36,611,269 | 39,240,141 | 40,765,024 |
| Total business-type activities net assets | \$ 78,175,852 | \$ 81,122,372 | \$ 62,446,997 | \$ 66,247,641 | \$ 78,067,094 | \$ 87,409,772 | \$ 95,775,755 | \$101,445,488 | \$106,325,103 | \$113,013,159 |
| Primary government | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$161,975,417 | \$239,585,358 | \$243,449,100 | \$288,367,629 | \$297,685,591 | \$317,745,282 | \$354,952,627 | \$367,342,314 | \$388,176,061 | \$403,108,163 |
| Restricted | 64,868,911 | 24,640,493 | 21,503,005 | 18,911,828 | 34,610,498 | 39,884,770 | 27,621,253 | 30,738,698 | \$ 36,575,067 | \$ 39,870,490 |
| Unrestricted | 56,757,757 | 51,319,112 | 46,970,877 | 31,414,192 | 40,376,159 | 45,351,029 | 51,241,157 | 60,717,805 | \$ 53,826,512 | \$ 66,381,780 |
| Total primary government net assets | \$283,602,085 | \$315,544,963 | \$311,922,982 | \$338,693,649 | \$372,672,248 | \$402,981,081 | \$433,815,037 | \$458,798,817 | \$478,577,640 | \$509,360,433 |

City of West Des Moines, Iowa

Schedule 2

Changes In Net Assets

Last Ten Fiscal Years

(accrual basis of accounting)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Expenses: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Public safety | \$ 12,686,404 | \$ 14,587,854 | \$ 15,647,658 | \$ 17,814,329 | \$ 19,749,856 | \$ 20,342,187 | \$ 21,770,283 | \$ 23,683,353 | \$ 23,683,157 | \$ 24,796,973 |
| Public works | 20,843,841 | 13,856,235 | 10,007,655 | 6,901,977 | 8,963,727 | 11,837,435 | 13,375,100 | 10,511,602 | 14,401,577 | 9,522,787 |
| Health and social services | 755,012 | 829,841 | 849,972 | 929,656 | 985,322 | 1,037,464 | 1,092,443 | 1,113,846 | 1,119,049 | 1,191,055 |
| Culture and recreation | 6,925,750 | 7,140,816 | 7,450,641 | 8,486,772 | 8,562,340 | 9,022,443 | 9,308,507 | 9,355,663 | 9,644,825 | 9,526,437 |
| Community and economic development | 3,401,126 | 2,959,958 | 4,945,081 | 3,617,735 | 3,885,459 | 5,807,890 | 6,486,571 | 5,836,209 | 6,245,150 | 7,587,871 |
| General government | 3,780,754 | 4,682,828 | 5,482,144 | 5,900,259 | 5,016,718 | 4,794,526 | 4,966,906 | 5,425,921 | 5,590,913 | 5,712,265 |
| Interest on long-term debt | 3,962,321 | 6,284,431 | 6,390,890 | 6,042,440 | 5,884,073 | 5,621,912 | 5,253,741 | 4,551,673 | 5,050,716 | 3,652,748 |
| Total governmental activities expenses | 52,355,208 | 50,341,963 | 50,774,041 | 49,693,168 | 53,047,495 | 58,463,857 | 62,253,551 | 60,478,267 | 65,735,387 | 61,990,136 |
| Business-type activities: | | | | | | | | | | |
| Sanitary sewer | 3,305,046 | 4,030,245 | 3,989,864 | 3,939,689 | 9,346,307 | 5,303,776 | 5,960,011 | 6,513,514 | 7,285,218 | 8,254,719 |
| Solid waste | 1,182,799 | 1,318,339 | 1,354,786 | 1,422,689 | 1,452,719 | 1,522,130 | 1,571,481 | 1,549,437 | 1,663,021 | 1,310,785 |
| Storm Water | - | - | - | - | 743,399 | 746,187 | 921,824 | 1,020,304 | 1,264,278 | 1,730,612 |
| Total business-type activities expenses | 4,487,845 | 5,348,584 | 5,344,650 | 5,362,378 | 11,542,425 | 7,572,093 | 8,453,316 | 9,083,255 | 10,212,517 | 11,296,116 |
| Total primary government expenses | 56,843,053 | 55,690,547 | 56,118,691 | 55,055,546 | 64,589,920 | 66,035,950 | 70,706,867 | 69,561,522 | 75,947,904 | 73,286,252 |
| Program revenue: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Public safety | 1,602,755 | 2,284,751 | 2,462,880 | 2,420,064 | 3,444,099 | 3,636,497 | 5,011,751 | 3,859,194 | 4,656,246 | 4,721,074 |
| Public works | 44,066 | 190,300 | 433,941 | 257,722 | 495,334 | 305,923 | 906,216 | 298,400 | 442,416 | 956,272 |
| Health and social services | 858 | 890 | 140 | - | - | - | - | - | - | - |
| Culture and recreation | 911,470 | 1,091,036 | 1,190,800 | 1,333,080 | 1,321,027 | 1,396,476 | 1,415,877 | 1,336,498 | 1,391,873 | 1,392,190 |
| Community and economic development | 223,876 | 722,701 | 653,643 | 516,500 | 599,482 | 832,464 | 905,019 | 485,277 | 437,296 | 411,260 |
| General government | 26,093 | 501,177 | 152,768 | 191,788 | 169,240 | 482,764 | 329,147 | 262,331 | 542,589 | 1,284,718 |

City of West Des Moines, Iowa
Schedule 2 (continued)
Changes In Net Assets (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Operating grants and contributions: | | | | | | | | | | |
| Public safety | 1,484,726 | 1,641,945 | 2,116,613 | 2,321,333 | 1,912,045 | 1,963,806 | 2,901,377 | 2,863,503 | 2,542,721 | 2,663,420 |
| Public works | 3,778,175 | 4,293,880 | 3,917,038 | 4,135,015 | 4,359,424 | 4,431,681 | 4,330,498 | 4,666,008 | 5,039,619 | 5,350,804 |
| Health and social services | 290,971 | 211,233 | 223,188 | 237,283 | 269,484 | 267,588 | 268,305 | 304,591 | 277,529 | 648,841 |
| Culture and recreation | 114,648 | 89,727 | 67,871 | 182,467 | 177,696 | 175,825 | 121,134 | 172,253 | 140,754 | 130,592 |
| Community and economic development | 426,079 | 73,944 | 143,258 | 117,411 | 533,662 | 1,035,866 | 1,135,664 | 579,077 | 623,836 | 1,046,406 |
| General government | 121,515 | 145,996 | 91,101 | 167,438 | 199,834 | 202,436 | 492,351 | 310,950 | 332,379 | 1,116,997 |
| Capital grants and contributions | 13,285,988 | 20,801,673 | 9,277,782 | 12,221,700 | 8,219,897 | 273,984 | 5,390,380 | 4,187,992 | 8,029,691 | 7,125,936 |
| Total governmental activities program revenue | 22,311,220 | 32,049,253 | 20,731,023 | 24,101,801 | 21,701,224 | 15,005,310 | 23,207,719 | 19,326,074 | 24,456,949 | 26,848,510 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Sanitary sewer | 5,088,908 | 5,575,443 | 6,013,830 | 5,077,364 | 6,182,572 | 6,300,448 | 6,963,248 | 7,131,407 | 8,203,582 | 9,225,687 |
| Storm water | - | - | - | - | 1,247,882 | 1,515,326 | 1,793,470 | 2,071,169 | 2,111,487 | 2,156,738 |
| Solid waste | 1,193,623 | 1,324,048 | 1,345,474 | 1,344,707 | 1,419,761 | 1,647,104 | 1,662,222 | 1,679,223 | 1,709,893 | 1,772,291 |
| Operating grants and contributions: | | | | | | | | | | |
| Sanitary sewer | - | - | - | 650,111 | 4,540,127 | 3,620,736 | 284,071 | 8,673 | 285 | |
| Storm water | - | - | - | - | - | - | - | - | 37,882 | |
| Solid waste | - | - | - | - | - | - | - | - | 75,000 | |
| Capital grants and contributions: | | | | | | | | | | |
| Sanitary sewer | 1,035,050 | 893,084 | 541,716 | 2,003,877 | 3,653,009 | 1,729,595 | 1,489,316 | 855,392 | 382,564 | 1,210,579 |
| Storm Water | - | - | - | - | 3,356,295 | 5,309,506 | 4,150,933 | 2,187,157 | 2,205,180 | 390,093 |
| Solid waste | - | - | - | - | - | - | - | - | - | |
| Total business-type activities program revenues | 7,317,581 | 7,792,575 | 7,901,020 | 9,076,059 | 20,399,646 | 20,122,715 | 16,343,260 | 13,933,021 | 14,725,873 | 14,755,388 |
| Total primary government program revenues | 29,628,801 | 39,841,828 | 28,632,043 | 33,177,860 | 42,100,870 | 35,128,025 | 39,550,979 | 33,259,095 | 39,182,822 | 41,603,898 |
| Net (expense) revenue: | | | | | | | | | | |
| Governmental activities | (30,043,988) | (18,292,710) | (30,043,018) | (25,591,367) | (31,346,271) | (43,458,547) | (39,045,832) | (41,152,193) | (41,278,438) | (35,141,626) |
| Business-type activities | 2,829,736 | 2,443,991 | 2,556,370 | 3,713,681 | 8,857,221 | 12,550,622 | 7,889,944 | 4,849,766 | 4,513,356 | 3,459,272 |
| Total primary government net expense | (27,214,252) | (15,848,719) | (27,486,648) | (21,877,686) | (22,489,050) | (30,907,925) | (31,155,888) | (36,302,427) | (36,765,082) | (31,682,354) |

City of West Des Moines, Iowa
Schedule 2 (continued)
Changes In Net Assets (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General revenues and other changes in net assets: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes | \$ 37,729,528 | \$ 38,401,617 | \$ 39,496,558 | \$ 40,724,880 | \$ 49,764,858 | \$ 54,219,517 | \$ 55,455,071 | \$ 56,467,707 | \$ 56,151,749 | \$ 57,842,225 |
| Hotel motel taxes | 1,441,514 | 1,427,883 | 1,651,764 | 1,966,628 | 2,131,977 | 2,369,596 | 2,537,115 | 2,450,583 | 3,621,343 | 3,071,320 |
| Other taxes | 578,864 | 941,028 | 895,905 | 824,369 | 571,545 | 407,726 | 513,509 | 450,794 | 357,518 | 879,985 |
| Unrestricted grants and contributions | 633,606 | 230,831 | 354,017 | 447,479 | 611,282 | 596,981 | 1,280,674 | 1,007,460 | 1,116,368 | |
| Investment earnings | 820,112 | 1,082,954 | 1,755,418 | 2,484,652 | 2,574,840 | 2,570,563 | 1,258,910 | 197,707 | 285,935 | 59,397 |
| Miscellaneous | 124,726 | 757,744 | 769,117 | 1,517,500 | 408,449 | 6,035 | 1,574 | - | | 1,029,403 |
| Transfers | | (284,663) | 173,633 | 595,882 | (3,248,340) | 4,254,284 | 466,952 | (108,011) | 29,784 | (3,079,696) |
| Contribution to other government | - | - | - | - | - | - | - | - | (5,385,051) | |
| Total governmental activities | 41,328,350 | 42,557,394 | 45,096,412 | 48,561,390 | 52,814,611 | 64,424,702 | 61,513,805 | 60,466,240 | 56,177,646 | 59,802,634 |
| Business-type activities: | | | | | | | | | | |
| Investment earnings | 702,950 | 217,866 | 292,683 | 657,153 | 904,698 | 1,046,340 | 942,991 | 711,956 | 396,043 | 149,088 |
| Miscellaneous | - | - | - | 25,692 | - | - | - | - | - | - |
| Loss from joint venture | - | - | - | - | - | - | - | - | - | - |
| Transfers | (521,578) | 284,663 | (173,633) | (595,882) | 3,248,340 | (4,254,284) | (466,952) | 108,011 | (29,784) | 3,079,696 |
| Special Item:Contribution to WRA | - | - | (21,350,795) | - | - | - | - | - | - | - |
| Total business-type activities | 181,372 | 502,529 | (21,231,745) | 86,963 | 4,153,038 | (3,207,944) | 476,039 | 819,967 | 366,259 | 3,228,784 |
| Total primary government | 41,509,722 | 43,059,923 | 23,864,667 | 48,648,353 | 56,967,649 | 61,216,758 | 61,989,844 | 61,286,207 | 56,543,905 | 63,031,418 |
| Changes in net assets: | | | | | | | | | | |
| Governmental activities | 11,284,362 | 24,264,684 | 15,053,394 | 22,970,023 | 21,468,340 | 20,966,155 | 22,467,973 | 19,314,047 | 14,899,208 | 59,802,634 |
| Business-type activities | 3,011,108 | 2,946,520 | (18,675,375) | 3,800,644 | 13,010,259 | 9,342,678 | 8,365,983 | 5,669,733 | 4,879,615 | 3,228,784 |
| Total primary government | \$ 14,295,470 | \$ 27,211,204 | \$ (3,621,981) | \$ 26,770,667 | \$ 34,478,599 | \$ 30,308,833 | \$ 30,833,956 | \$ 24,983,780 | \$ 19,778,823 | \$ 63,031,418 |

City of West Des Moines, Iowa

Schedule 3

Program Revenues by Function/Program

Last Ten Fiscal Years

(accrual basis of accounting)

| Function / Program | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental activities: | | | | | | | | | | |
| Public safety | \$ 3,473,558 | \$ 5,086,400 | \$ 4,706,088 | \$ 4,915,785 | \$ 5,548,013 | \$ 5,657,755 | \$ 8,265,790 | \$ 6,724,657 | \$ 7,401,727 | \$ 7,384,494 |
| Public works | 16,335,309 | 23,786,198 | 13,237,080 | 16,251,231 | 12,688,071 | 4,872,142 | 10,092,139 | 8,875,090 | 12,572,431 | 13,433,012 |
| Health and social services | 291,879 | 212,123 | 223,328 | 237,283 | 269,484 | 267,588 | 268,305 | 304,591 | 277,529 | 648,841 |
| Culture and recreation | 1,100,864 | 1,385,528 | 1,469,189 | 1,554,883 | 1,635,870 | 1,574,227 | 1,552,178 | 1,508,751 | 1,650,898 | 1,522,782 |
| Community and economic development | 649,955 | 796,645 | 796,901 | 730,825 | 1,133,144 | 1,895,830 | 2,155,241 | 1,280,879 | 1,626,828 | 1,457,666 |
| General government | 459,655 | 782,359 | 298,437 | 411,794 | 426,642 | 737,768 | 874,066 | 632,106 | 927,536 | 2,401,715 |
| Total governmental activities | 22,311,220 | 32,049,253 | 20,731,023 | 24,101,801 | 21,701,224 | 15,005,310 | 23,207,719 | 19,326,074 | 24,456,949 | 26,848,510 |
| Business-type activities: | | | | | | | | | | |
| Sanitary sewer | 6,123,958 | 6,468,527 | 6,555,546 | 7,731,352 | 14,375,708 | 11,650,779 | 8,736,635 | 7,995,472 | 8,586,431 | 10,436,266 |
| Storm water | - | - | - | - | 4,604,177 | 6,824,832 | 5,944,403 | 4,258,326 | 4,354,549 | 2,546,831 |
| Solid waste | 1,193,623 | 1,324,048 | 1,345,474 | 1,344,707 | 1,419,761 | 1,647,104 | 1,662,222 | 1,679,223 | 1,784,893 | 1,772,291 |
| Total business-type activities | 7,317,581 | 7,792,575 | 7,901,020 | 9,076,059 | 20,399,646 | 20,122,715 | 16,343,260 | 13,933,021 | 14,725,873 | 14,755,388 |
| Total government | \$ 29,628,801 | \$ 39,841,828 | \$ 28,632,043 | \$ 33,177,860 | \$ 42,100,870 | \$ 35,128,025 | \$ 39,550,979 | \$ 33,259,095 | \$ 39,182,822 | \$ 41,603,898 |

City of West Des Moines, Iowa
Schedule 4
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund: | | | | | | | | | | |
| Reserved | \$ 91,264 | \$ 75,359 | \$ 7,813 | \$ 47,233 | \$ 7,700 | \$ - | \$ - | \$ 4,950 | | |
| Unreserved | 8,497,469 | 8,090,498 | 8,745,770 | 8,429,180 | 10,234,813 | 12,303,137 | 15,733,356 | 14,890,544 | | |
| Assigned | | | | | | | | | \$ 4,950 | |
| Unassigned | | | | | | | | | 17,448,724 | 22,334,719 |
| Nonspendable | | | | | | | | | - | 147,108 |
| Total General Fund | \$ 8,588,733 | \$ 8,165,857 | \$ 8,753,583 | \$ 8,476,413 | \$ 10,242,513 | \$ 12,303,137 | \$ 15,733,356 | \$ 14,895,494 | \$ 17,453,674 | \$ 22,481,827 |
| All Other Governmental Funds: | | | | | | | | | | |
| Reserved | \$ 30,550,349 | \$ 35,964,609 | \$ 19,737,587 | \$ 17,167,193 | \$ 16,518,756 | \$ 21,093,352 | \$ 14,258,027 | \$ 51,571,911 | | |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 11,168,110 | 16,726,822 | 11,136,953 | 13,175,078 | 16,746,467 | 18,243,042 | 13,679,529 | 20,829,755 | | |
| Capital projects funds | 22,344,402 | 16,967,983 | 11,347,844 | 5,951,173 | 2,142,098 | (69,951) | (4,433,136) | (8,600,545) | | |
| Restricted for | | | | | | | | | | |
| Capital projects | | | | | | | | | 10,794,471 | 25,810,078 |
| Debt service | | | | | | | | | 3,580,012 | 19,724,769 |
| Urban renewal and development | | | | | | | | | 3,957,336 | 4,244,492 |
| Other purposes | | | | | | | | | 17,783,118 | 5,761,817 |
| Unassigned | | | | | | | | | (8,227,876) | - |
| Total all other government funds | \$ 64,062,861 | \$ 69,659,414 | \$ 42,222,384 | \$ 36,293,444 | \$ 35,407,321 | \$ 39,266,443 | \$ 23,504,420 | \$ 63,801,121 | \$ 27,887,061 | \$ 55,541,156 |

GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, implemented in fiscal year 2011

City of West Des Moines, Iowa

Schedule 5

Changes In Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|---------------------|---------------------|---------------------|---------------------|--------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| Revenues: | | | | | | | | | | |
| Taxes | \$ 38,782,554 | \$ 40,815,026 | \$ 42,023,906 | \$ 43,413,473 | \$ 52,178,661 | \$ 56,886,469 | \$ 58,295,948 | \$ 59,218,487 | \$ 60,074,073 | \$ 61,793,530 |
| Special assessments | 231,943 | 225,112 | 485,872 | 136,656 | 289,719 | 109,807 | 811,801 | 219,979 | 285,121 | 395,576 |
| Licenses and permits | 700,261 | 1,072,584 | 1,320,158 | 973,262 | 975,003 | 1,239,900 | 1,457,440 | 1,017,766 | 1,023,653 | 1,404,430 |
| Intergovernmental | 10,133,859 | 8,362,211 | 14,055,362 | 8,737,982 | 9,406,490 | 8,626,836 | 15,405,673 | 11,912,577 | 18,885,005 | 15,956,531 |
| Charges for services | 1,817,837 | 2,292,260 | 2,561,137 | 2,877,346 | 3,870,691 | 3,137,752 | 3,846,730 | 3,694,455 | 4,254,710 | 4,759,448 |
| Use of money and property | 696,474 | 987,885 | 1,582,970 | 2,250,645 | 2,574,840 | 2,409,358 | 1,066,751 | 142,076 | 247,705 | 110,219 |
| Miscellaneous | 1,342,002 | 1,154,478 | 869,879 | 1,843,179 | 1,439,447 | 2,664,929 | 2,982,979 | 1,732,625 | 1,833,998 | 2,049,561 |
| Total revenues | 53,704,930 | 54,909,556 | 62,899,284 | 60,232,543 | 70,734,851 | 75,075,051 | 83,867,322 | 77,937,965 | 86,604,265 | 86,469,295 |
| Expenditures: | | | | | | | | | | |
| Public safety | 11,412,329 | 12,720,663 | 14,487,675 | 16,220,743 | 18,065,698 | 19,285,895 | 20,692,061 | 21,888,463 | 22,746,328 | 23,330,603 |
| Public works | 5,676,476 | 6,062,234 | 6,407,950 | 6,573,996 | 6,735,605 | 7,222,303 | 9,212,032 | 9,239,194 | 13,278,333 | 6,476,619 |
| Health and social services | 726,762 | 769,984 | 806,975 | 881,172 | 947,488 | 1,013,531 | 1,068,302 | 1,092,425 | 1,082,744 | 1,125,608 |
| Culture and recreation | 4,215,107 | 4,642,852 | 5,010,004 | 5,527,149 | 5,924,537 | 6,369,572 | 6,728,349 | 6,792,238 | 7,237,052 | 6,849,848 |
| Community and economic development | 3,372,440 | 2,892,764 | 4,634,094 | 3,562,412 | 3,827,557 | 5,721,841 | 6,434,853 | 5,718,922 | 6,195,337 | 7,387,617 |
| General government | 3,168,044 | 3,715,580 | 3,843,167 | 4,485,179 | 4,544,709 | 4,834,942 | 4,689,574 | 5,131,798 | 5,959,287 | 5,371,275 |
| Capital outlay | 45,875,946 | 42,083,369 | 38,086,083 | 15,107,714 | 16,086,159 | 18,015,390 | 20,783,005 | 17,970,097 | 16,919,978 | 14,975,786 |
| Debt service: | | | | | | | | | | |
| Principal | 11,211,720 | 11,729,299 | 13,434,257 | 14,921,109 | 12,785,548 | 24,856,121 | 21,971,688 | 23,295,328 | 46,342,770 | 14,830,982 |
| Interest | 3,760,575 | 6,139,566 | 6,403,714 | 6,084,607 | 5,814,531 | 5,567,214 | 5,211,717 | 4,762,119 | 5,549,995 | 4,253,798 |
| Bond issuance costs | 484,357 | 400,441 | 60,348 | 43,060 | - | 214,830 | - | - | - | - |
| Total expenditures | 89,903,756 | 91,156,752 | 93,174,267 | 73,407,141 | 74,731,832 | 93,101,639 | 96,791,581 | 95,890,584 | 125,311,824 | 84,602,136 |
| Excess (deficiency) of revenues over (under) expenditures | (36,198,826) | (36,247,196) | (30,274,983) | (13,174,598) | (3,996,981) | (18,026,588) | (12,924,259) | (17,952,619) | (38,707,559) | 1,867,159 |

City of West Des Moines, Iowa

Schedule 5 (Continued)

Changes In Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|----------------------|---------------------|-----------------------|-----------------------|---------------------|---------------------|-----------------------|----------------------|-----------------------|----------------------|
| Other financing sources (uses): | | | | | | | | | | |
| Issuance of long-term debt | 57,334,590 | 41,559,249 | 3,055,000 | 6,106,869 | - | 20,070,000 | - | 54,965,000 | 4,963,424 | 40,385,000 |
| Payments to escrow agent | | | | | | | | | | (11,497,739) |
| Issuance of capital lease | 250,200 | - | - | - | 420,000 | - | 336,466 | - | 832,032 | |
| Premium (discount) on long-term debt | - | (50,403) | 34,812 | (52,123) | - | - | - | 2,929,609 | (281) | 3,204,245 |
| Proceeds from sale of capital assets | 20,000 | 121,101 | 26,693 | 33,674 | 15,115 | 17,155 | 26,618 | 23,633 | - | 21,300 |
| Transfers In | 18,605,963 | 64,351,651 | 61,973,160 | 29,599,379 | 35,371,885 | 49,246,479 | 42,499,110 | 84,593,346 | 21,031,612 | 27,886,566 |
| Transfers Out | (18,468,395) | (64,560,725) | (61,663,986) | (28,719,311) | (30,430,042) | (45,387,300) | (42,269,739) | (85,100,130) | (21,475,108) | (28,618,012) |
| Total other financing sources (uses) | 57,742,358 | 41,420,873 | 3,425,679 | 6,968,488 | 5,376,958 | 23,946,334 | 592,455 | 57,411,458 | 5,351,679 | 31,381,360 |
| Net changes in fund balance | \$ 21,543,532 | \$ 5,173,677 | \$(26,849,304) | \$ (6,206,110) | \$ 1,379,977 | \$ 5,919,746 | \$(12,331,804) | \$ 39,458,839 | \$(33,355,880) | \$ 33,248,519 |
| Debt service as a percentage of noncapital expenditures | 25.4% | 32.4% | 33.7% | 35.4% | 27.0% | 37.8% | 34.2% | 35.1% | 46.7% | 24.9% |

City of West Des Moines, Iowa

Schedule 6

General Government Tax Revenues by Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

| Fiscal Year | Property Taxes (1) | Tax Increment Finance Revenue(TIF) | Cable Franchise | Hotel/ Motel Tax | Total |
|-------------|--------------------|------------------------------------|-----------------|------------------|---------------|
| 2003 | 25,037,082 | 11,868,449 | 435,509 | 1,441,514 | \$ 38,782,554 |
| 2004 | 27,398,782 | 11,674,926 | 313,435 | 1,427,883 | \$ 40,815,026 |
| 2005 | 30,164,155 | 9,945,370 | 262,617 | 1,651,764 | \$ 42,023,906 |
| 2006 | 31,014,272 | 10,089,944 | 342,629 | 1,966,628 | \$ 43,413,473 |
| 2007 | 34,907,611 | 14,857,246 | 281,827 | 2,131,977 | \$ 52,178,661 |
| 2008 | 37,961,238 | 16,258,279 | 297,356 | - | \$ 56,886,469 |
| 2009 | 41,261,516 | 14,193,555 | 303,761 | - | \$ 58,295,948 |
| 2010 | 43,597,288 | 12,870,419 | 300,198 | 2,450,583 | \$ 59,218,487 |
| 2011 | 45,429,128 | 10,722,622 | 300,979 | 2,815,388 | \$ 60,074,073 |
| 2012 | 46,202,311 | 12,219,161 | 300,737 | 2,974,428 | \$ 61,793,530 |
| Change | | | | | |
| 2003-2012 | 84.54% | 2.95% | -30.95% | 106.34% | 59.33% |

Source: City records.

(1) For the purposes of this schedule, Property Taxes includes miscellaneous Other City Taxes that are received in conjunction with the county's tax collections on behalf of the City. These miscellaneous taxes include Utility Tax Replacement / Excise Tax.

City of West Des Moines, Iowa

Schedule 7

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

| Valuation Date Jan. 1, | Fiscal Year Collected | Residential Property | Commercial Property | Industrial Property | Personal Property | Utilities | Tax Increment | Total Assessed Value | Actual Taxable Value | Total Direct Tax Rate |
|------------------------------|-----------------------------|-------------------------|------------------------|------------------------|----------------------|------------|---------------|----------------------------|----------------------------|--------------------------|
| 2001 | 2003 | 1,934,796,130 | 1,165,307,170 | 18,477,730 | - | 65,290,186 | 457,180,614 | 3,641,051,830 | 2,562,287,676 | 11.60003 |
| 2002 | 2004 | 2,086,202,897 | 1,306,469,276 | 18,911,478 | - | 60,638,834 | 311,949,260 | 3,784,171,745 | 2,677,302,154 | 11.60206 |
| 2003 | 2005 | 2,315,440,320 | 1,400,238,201 | 19,387,724 | - | 60,627,791 | 365,388,173 | 4,161,082,209 | 2,838,397,892 | 11.72770 |
| 2004 | 2006 | 2,436,275,657 | 1,445,862,496 | 19,344,180 | - | 63,271,857 | 375,112,722 | 4,339,866,912 | 2,949,101,530 | 11.72540 |
| 2005 | 2007 | 2,806,348,158 | 1,574,956,035 | 20,295,460 | - | 67,559,399 | 491,421,990 | 4,960,581,042 | 3,340,592,057 | 11.95000 |
| 2006 | 2008 | 2,936,360,174 | 1,713,854,952 | 21,505,125 | - | 69,692,494 | 527,883,468 | 5,269,296,213 | 3,594,665,835 | 12.05000 |
| 2007 | 2009 | 3,190,575,026 | 1,930,481,940 | 21,818,907 | - | 66,077,910 | 484,394,040 | 5,693,347,823 | 3,820,324,623 | 12.05000 |
| 2008 | 2010 | 3,373,591,777 | 1,971,150,188 | 21,850,279 | - | 74,240,564 | 444,502,202 | 5,885,335,010 | 3,979,630,063 | 12.05000 |
| 2009 | 2011 | 3,518,096,224 | 2,006,487,532 | 36,249,137 | - | 77,233,162 | 360,625,798 | 5,998,691,853 | 4,084,690,238 | 12.05000 |
| 2010 | 2012 | 3,596,162,970 | 1,978,387,072 | 35,461,977 | - | 80,033,040 | 413,950,068 | 6,103,995,127 | 4,205,957,596 | 12.05000 |

Source: Polk, Dallas, Warren, and Madison County Auditor's Offices

Note: The tax rate collected by the City for properties in the Tax Increment Districts varies by district, ranging from a rate > the City's direct rate to a rate < the total rate for all overlapping governments

City of West Des Moines, Iowa

Schedule 8

Direct and Overlapping Property Tax Rates - Per \$1,000 of Assessed Valuation

Last Ten Fiscal Years

| Fiscal Year | City Direct Rates | | | | Overlapping Rates | | | | | Total Direct & Overlapping Rates |
|---|-------------------|--------------|--------------|--------------|-------------------|----------|-------------------|------------------|---------|----------------------------------|
| | General Fund | Debt Service | Other Levies | Total Direct | School District | County | Community College | Regional Transit | State | |
| Polk County / Des Moines Community School District: | | | | | | | | | | |
| 2003 | 7.99295 | 2.15299 | 1.45409 | 11.60003 | 17.10442 | 9.72217 | 0.54584 | | 0.00400 | 38.97646 |
| 2004 | 7.94848 | 2.19945 | 1.45413 | 11.60206 | 17.36358 | 9.76226 | 0.58184 | | 0.00400 | 39.31374 |
| 2005 | 8.01297 | 2.14435 | 1.57045 | 11.72777 | 18.02657 | 9.96460 | 0.59856 | | 0.00400 | 40.32150 |
| 2006 | 7.75465 | 2.15008 | 1.82067 | 11.72540 | 18.01394 | 9.94318 | 0.68408 | | 0.00400 | 40.37060 |
| 2007 | 7.98419 | 2.06729 | 1.89852 | 11.95000 | 18.01713 | 10.17511 | 0.68688 | 0.27070 | 0.00400 | 41.10382 |
| 2008 | 7.94081 | 1.99881 | 2.11037 | 12.04999 | 17.93709 | 10.16218 | 0.60276 | 0.33240 | 0.00350 | 41.08792 |
| 2009 | 8.09676 | 2.00053 | 1.95271 | 12.05000 | 17.78888 | 10.12532 | 0.56386 | 0.33566 | 0.00350 | 40.86722 |
| 2010 | 8.08219 | 2.00055 | 1.96726 | 12.05000 | 17.64277 | 9.97134 | 0.56778 | 0.38095 | 0.00300 | 40.61584 |
| 2011 | 8.09998 | 2.00000 | 1.95002 | 12.05000 | 17.64347 | 10.05423 | 0.56008 | 0.38830 | 0.00340 | 40.69948 |
| 2012 | 8.10000 | 2.00000 | 1.95000 | 12.05000 | 18.34845 | 10.07059 | 0.58466 | 0.55300 | 0.00330 | 41.61000 |
| Polk County / West Des Moines Community School District: | | | | | | | | | | |
| 2003 | 7.99295 | 2.15299 | 1.45409 | 11.60003 | 13.50200 | 9.72217 | 0.54584 | | 0.00400 | 35.37404 |
| 2004 | 7.94848 | 2.19945 | 1.45413 | 11.60206 | 13.50422 | 9.76226 | 0.58184 | | 0.00400 | 35.45438 |
| 2005 | 8.01297 | 2.14435 | 1.57045 | 11.72777 | 13.50200 | 9.96460 | 0.59856 | | 0.00400 | 35.79693 |
| 2006 | 7.75465 | 2.15008 | 1.82067 | 11.72540 | 13.50341 | 9.94318 | 0.68408 | | 0.00400 | 35.86007 |
| 2007 | 7.98419 | 2.06729 | 1.89852 | 11.95000 | 13.70060 | 10.17511 | 0.68688 | 0.27070 | 0.00400 | 36.78729 |
| 2008 | 7.94081 | 1.99881 | 2.11037 | 12.04999 | 13.70031 | 10.16218 | 0.60276 | 0.33240 | 0.00350 | 36.85114 |
| 2009 | 8.09676 | 2.00053 | 1.95271 | 12.05000 | 13.69179 | 10.12532 | 0.56386 | 0.33566 | 0.00350 | 36.77013 |
| 2010 | 8.08219 | 2.00055 | 1.96726 | 12.05000 | 13.64410 | 9.97134 | 0.56778 | 0.38095 | 0.00300 | 36.61717 |
| 2011 | 8.09998 | 2.00000 | 1.95002 | 12.05000 | 13.94266 | 10.05423 | 0.56008 | 0.38830 | 0.00340 | 36.99867 |
| 2012 | 8.10000 | 2.00000 | 1.95000 | 12.05000 | 13.30184 | 10.07059 | 0.58466 | 0.55300 | 0.00330 | 36.56339 |
| Dallas County / Waukee Community School District: | | | | | | | | | | |
| 2003 | 7.99295 | 2.15299 | 1.45409 | 11.60003 | 17.64948 | 7.51400 | 0.54584 | | 0.00400 | 37.31335 |
| 2004 | 7.94848 | 2.19945 | 1.45413 | 11.60206 | 17.66440 | 7.47940 | 0.58184 | | 0.00400 | 37.33170 |
| 2005 | 8.01297 | 2.14435 | 1.57038 | 11.72770 | 17.89346 | 7.33479 | 0.59856 | | 0.00400 | 37.55851 |
| 2006 | 7.75465 | 2.15008 | 1.82067 | 11.72540 | 17.84693 | 6.83794 | 0.68408 | | 0.00400 | 37.09835 |
| 2007 | 7.98419 | 2.06729 | 1.89852 | 11.95000 | 17.80905 | 6.83669 | 0.68688 | 0.27070 | 0.00400 | 37.55732 |
| 2008 | 7.94081 | 1.99881 | 2.11037 | 12.04999 | 17.80148 | 6.93669 | 0.60276 | 0.33240 | 0.00350 | 37.72682 |
| 2009 | 8.09676 | 2.00053 | 1.95271 | 12.05000 | 17.75814 | 6.33037 | 0.56386 | 0.33566 | 0.00350 | 37.04153 |
| 2010 | 8.08219 | 2.00055 | 1.96726 | 12.05000 | 17.80336 | 6.26394 | 0.56778 | 0.38095 | 0.00300 | 37.06903 |
| 2011 | 8.09998 | 2.00000 | 1.95002 | 12.05000 | 17.79315 | 5.72984 | 0.56008 | 0.38830 | 0.00340 | 36.52477 |
| 2012 | 8.10000 | 2.00000 | 1.95000 | 12.05000 | 17.80292 | 5.23877 | 0.59018 | 0.40300 | 0.00320 | 36.08807 |

City of West Des Moines, Iowa

Schedule 8 (Continued)

Direct and Overlapping Property Tax Rates - Per \$1,000 of Assessed Valuation

Last Ten Fiscal Years

| Fiscal Year | City Direct Rates | | | | Overlapping Rates | | | | | Total Direct & Overlapping Rates |
|---|-------------------|--------------|--------------|--------------|-------------------|---------|-------------------|------------------|---------|----------------------------------|
| | General Fund | Debt Service | Other Levies | Total Direct | School District | County | Community College | Regional Transit | State | |
| Warren County / Norwalk Community School District : | | | | | | | | | | |
| * | | | | | | | | | | |
| 2007 | 7.98419 | 2.06729 | 1.89852 | 11.95000 | 21.27253 | 6.88094 | 0.68688 | 0.27070 | 0.00400 | 41.06505 |
| 2008 | 7.94081 | 1.99881 | 2.11037 | 12.04999 | 21.03490 | 7.23323 | 0.60276 | 0.33240 | 0.00350 | 41.25678 |
| 2009 | 8.09676 | 2.00053 | 1.95271 | 12.05000 | 20.89092 | 6.89026 | 0.56386 | 0.33566 | 0.00350 | 40.73420 |
| 2010 | 8.08219 | 2.00055 | 1.96726 | 12.05000 | 20.56618 | 6.56329 | 0.56778 | 0.38095 | 0.00300 | 40.13120 |
| 2011 | 8.09998 | 2.00000 | 1.95002 | 12.05000 | 20.16885 | 6.36577 | 0.56008 | 0.38830 | 0.00340 | 39.53640 |
| 2012 | 8.10000 | 2.00000 | 1.95000 | 12.05000 | 20.01224 | 6.16492 | 0.59018 | 0.40300 | 0.00320 | 39.22354 |
| Madison County / Van Meter Community School District : | | | | | | | | | | |
| ** | | | | | | | | | | |
| 2012 | 8.10000 | 2.00000 | 1.95000 | 12.05000 | 16.56006 | N/A*** | 0.59018 | 0.40300 | 0.00320 | 29.60644 |
| Madison County / Winterset Community School District : | | | | | | | | | | |
| ** | | | | | | | | | | |
| 2012 | 8.10000 | 2.00000 | 1.95000 | 12.05000 | 19.43152 | N/A*** | 0.59018 | 0.40300 | 0.00320 | 32.47790 |

Source: Polk, Dallas, and Warren County Auditor's Offices

* City's corporate boundaries did not extend into Warren County prior to 2007

** City's corporate boundaries did not extend into Madison County prior to 2012

*** Not available

Note: State law limits the maximum tax rate for the General Fund to \$8.10 per thousand dollars of assessed valuation. The limit does not include debt service or other special levies.

City of West Des Moines, Iowa
 Schedule 9
 Principal Property Taxpayers
 Current Year and Nine Years Ago

| Taxpayer | 2012 | | | 2003 | | |
|-----------------------------------|-----------------------|------|---|-----------------------|------|---|
| | Assessed Value | Rank | Percentage of Total City Assessed Value | Assessed Value | Rank | Percentage of Total City Assessed Value |
| Wells Fargo Home Mortgage | 188,489,940 | 1 | 3.09% | 63,472,100 | 2 | 1.74% |
| GGP Jordan Creek LLC | 162,901,660 | 2 | 2.67% | | | |
| Valley West DM | 67,650,000 | 3 | 1.11% | 96,222,000 | 1 | 2.64% |
| Aviva USA | 54,976,357 | 4 | 0.90% | | | |
| Regency West Office Partners, LLC | 51,125,000 | 5 | 0.84% | | | |
| West Glen I LLC | 27,440,100 | 6 | 0.45% | | | |
| IFBF Property Management | 40,250,700 | 7 | 0.66% | 37,725,210 | 5 | 1.04% |
| CCOP I LLC | 38,120,570 | 8 | 0.62% | | | |
| 1776 Westlakes Parkway LC | 28,784,370 | 9 | 0.47% | | | |
| Dallas County Partners II | 28,860,180 | 10 | 0.47% | 26,675,680 | 7 | 0.73% |
| Dallas County Partners | | | | 42,034,360 | 4 | 1.15% |
| Mid-America Investment Company | | | | 49,521,000 | 3 | 1.36% |
| Knapp Family, LC | | | | 28,710,090 | 6 | 0.79% |
| CMS Wellington Apts. | | | | 20,600,800 | 8 | 0.57% |
| West Lakes Development Company | | | | 19,276,290 | 9 | 0.53% |
| Hy-Vee Food Stores | | | | 18,040,630 | 10 | 0.50% |
| Total | <u>\$ 688,598,877</u> | | <u>13.07%</u> | <u>\$ 402,278,160</u> | | <u>11.05%</u> |

Source: Polk, Dallas, and Warren County Assessor's Offices

City of West Des Moines, Iowa
 Schedule 10
Property Tax Levies And Collections
Last Ten Fiscal Years
(Cash basis of accounting)

| Fiscal Year Ended June 30th | Taxes Levied for the Tax Year | Collected Within the Fiscal Year of the Levy | | Delinquent Tax Collections | Total Collections | |
|--------------------------------|-------------------------------------|---|-----------------------|----------------------------------|-------------------|-----------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2003 | 36,818,095 | 37,122,752 * | 100.83% | NA ** | 37,122,752 | 100.83% |
| 2004 | 38,012,501 | 38,401,617 * | 101.02% | NA ** | 38,401,617 | 101.02% |
| 2005 | 38,820,140 | 39,496,558 * | 101.74% | NA ** | 39,496,558 | 101.74% |
| 2006 | 40,943,977 | 40,724,880 * | 99.46% | NA ** | 40,724,880 | 99.46% |
| 2007 | 48,771,504 | 49,200,335 * | 100.88% | NA ** | 49,200,335 | 100.88% |
| 2008 | 53,699,307 | 53,670,850 * | 99.95% | NA ** | 53,670,850 | 99.95% |
| 2009 | 55,471,754 | 54,894,263 * | 98.96% | NA ** | 54,894,263 | 98.96% |
| 2010 | 56,012,774 | 55,896,481 * | 99.79% | NA ** | 55,896,481 | 99.79% |
| 2011 | 55,738,390 | 55,877,746 * | 100.25% | NA ** | 55,877,746 | 100.25% |
| 2012 | 58,166,230 | 57,842,225 * | 99.44% | NA ** | 57,842,225 | 99.44% |

* Collected amounts include all cash basis property taxes, including delinquent taxes related to prior years, which may result in over 100% collection of levied tax.

** Collections for delinquencies are not available from the County by the year levied. Delinquencies are records in the fiscal year collected.

Source: City's certified budget for amt. levied; monthly tax statements from Polk, Dallas, Warren, and Madison County Treasurer's Offices.

City of West Des Moines, Iowa
Schedule 11
Outstanding Debt By Type
Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | | | | Business-type Activities | | | Total Primary Government | Total Debt Per Capita | Total Debt as a Percentage of Personal Income | |
|-------------|--------------------------|-------------------------------|----------------|---------------------------------------|--------------------------|--------------------------|---------------|--------------------------|-----------------------|---|---|
| | General Obligation Bonds | Tax Increment Financing Bonds | Capital Leases | Loans Payable & Installment Contracts | Financing Agreements | General Obligation Bonds | Revenue Bonds | | | | |
| 2003 | 117,419,257 | 17,990,000 | 269,142 | 849,434 | 2,790,827 | 1,783,686 | 5,955,000 | 147,057,346 | 3,169 | 8.11% | |
| 2004 | 148,863,512 | 16,295,000 | 204,978 | 516,348 | 2,302,506 | 611,486 | 5,384,000 | 174,177,830 | 3,754 | 8.85% | |
| 2005 | 144,280,000 | 10,600,000 | 157,466 | 412,729 | - | - | 4,802,000 | 160,252,195 | 3,097 | 7.73% | |
| 2006 | 136,625,000 | 9,450,000 | 207,993 | 332,381 | - | - | 4,199,000 | 150,814,374 | 2,915 | 7.18% | |
| 2007 | 125,840,000 | 7,705,000 | 432,344 | 275,739 | - | - | 3,567,000 | 137,820,083 | 2,570 | 6.06% | |
| 2008 | 123,125,000 | 5,890,000 | 183,019 | 256,737 | - | - | 2,912,000 | 132,366,756 | 2,431 | 5.82% | * |
| 2009 | 107,185,000 | - | 387,451 | 238,829 | - | - | 2,545,000 | 110,356,280 | 1,996 | 4.64% | * |
| 2010 | 138,890,000 | - | 285,637 | 240,327 | - | - | 2,164,000 | 141,579,964 | 2,500 | 5.95% | * |
| 2011 | 101,081,101 | - | 978,328 | 4,307,341 | - | - | 1,771,000 | 108,137,770 | 1,877 | 4.55% | * |
| 2012 | 119,400,616 | - | 760,022 | 3,230,493 | - | - | 1,364,000 | 124,755,131 | 2,125 | 5.13% | * |

Note: Details regarding the City's outstanding debt may be found in the notes to the basic financial statements.

* Based on most recent year Personal Income data is available; 2009

City of West Des Moines, Iowa

Schedule 12

Ratios of General Obligation Bonded Debt

Last Ten Fiscal Years

| Fiscal Year | General Obligation Bonds | Tax Increment Financing Bonds | Gross Bonded Debt | Less: Amount Available in Debt Service | Net General Bonded Debt | Ratio of Net | |
|----------------|--------------------------------|-------------------------------------|-------------------------|--|-------------------------------|--|-------------------------------------|
| | | | | | | Bonded Debt to Assessed Value | Net Bonded Debt Per Capita |
| 2003 | 149,474,998 | 16,295,000 | 165,769,998 | 4,719,389 | 161,050,609 | 0.03638 to 1 | 3,186.16 |
| 2004 | 144,280,000 | 10,600,000 | 154,880,000 | 6,803,146 | 148,076,854 | 0.04201 to 1 | 2,848.12 |
| 2005 | 136,625,000 | 9,450,000 | 146,075,000 | 9,276,283 | 136,798,717 | 0.03499 to 1 | 2,588.73 |
| 2006 | 125,840,000 | 7,705,000 | 133,545,000 | 4,713,432 | 128,831,568 | 0.03257 to 1 | 2,402.32 |
| 2007 | 123,125,000 | 5,890,000 | 129,015,000 | 5,493,105 | 123,521,895 | 0.02581 to 1 | 2,268.16 |
| 2008 | 107,185,000 | - | 107,185,000 | 6,255,047 | 100,929,953 | 0.02330 to 1 | 1,825.83 |
| 2009 | 138,890,000 | - | 138,890,000 | 3,994,661 | 134,895,339 | 0.01812 to 1 | 2,382.09 |
| 2010 | 138,890,000 | - | 138,890,000 | 37,115,667 | 101,774,333 | 0.01729 to 1 | 1,766.64 |
| 2011 | 101,081,101 | - | 101,081,101 | 3,580,012 | 97,501,089 | 0.01657 to 1 | 1,660.84 |
| 2012 | 119,400,616 | - | 119,400,616 | 3,591,183 | 115,809,433 | 0.01657 to 1 | 1,953.57 |

Note: Details regarding the City's outstanding debt may be found in the notes to the basic financial statements.

City of West Des Moines, Iowa
 Schedule 13
Direct and Overlapping Governmental Activities Debt
For the Year Ended June 30, 2012

| Governmental Unit | General Obligation Debt Outstanding | Estimated Percentage Applicable | Estimated Share of Overlapping Debt |
|---|---|---------------------------------------|--|
| Polk County | \$ 250,561,132 | 14.37% | \$ 36,005,635 |
| Dallas County | \$ 14,075,000 | 35.06% | \$ 4,934,695 |
| Warren County | \$ 212,199 | 0.09% | \$ 191 |
| Madison County | \$ 1,080,000 | 0.07% | \$ 756 |
| West Des Moines Community School District CSD | \$ 50,675,000 | 64.01% | \$ 32,437,068 |
| Waukee CSD | \$ 110,465,000 | 52.90% | \$ 58,435,985 |
| Des Moines Independent CSD | \$ - | 0.00% | \$ - |
| Des Moines Area Community College | \$ 80,745,000 | 11.84% | \$ 9,560,208 |
| Norwalk CSD | \$ 19,350,000 | 0.07% | \$ 13,545 |
| Winterset CSD | \$ 11,310,000 | 0.02% | \$ 2,262 |
| Van Meter CSD | \$ 2,895,000 | 0.02% | \$ 579 |
| | | | 141,390,923 |
| Subtotal, overlapping debt | | | |
| City Direct Debt | | | 123,391,131 |
| | | | \$ 264,782,054 |
| Total direct and overlapping debt | | | |

Sources: Official Bond Offering Statement and Finance officer for each government entity listed

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of West Des Moines. This process recognizes that, when considering the government's ability to issue and repay long-term debt the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

The percentage of an overlapping government's debt that is applicable to City of West Des Moines residents and businesses located within that particular government's jurisdiction is calculated based on the portion of that government's taxable value that lies within the boundaries of the city.

City of West Des Moines, Iowa
Schedule 14
Legal Debt Margin Information
Last Ten Fiscal Years

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Debt limit | \$ 189,208,587 | \$ 207,747,136 | \$ 207,991,349 | \$ 216,929,744 | \$ 248,177,690 | \$ 263,464,811 | \$ 284,667,391 | \$ 294,266,751 | \$ 299,934,593 | \$ 305,199,756 |
| Total net debt applicable to limit | 166,491,324 | 155,450,195 | 146,615,374 | 146,615,374 | 134,253,083 | 129,454,756 | 107,811,280 | 139,415,964 | 103,985,669 | 123,391,131 |
| Legal debt margin | \$ 22,717,263 | \$ 52,296,941 | \$ 61,375,975 | \$ 70,314,370 | \$ 113,924,607 | \$ 134,010,055 | \$ 176,856,111 | \$ 154,850,787 | \$ 195,948,924 | \$ 181,808,625 |
| Total net debt applicable to the limit as a percentage of debt limit | 87.99% | 74.83% | 70.49% | 67.59% | 54.10% | 49.14% | 37.87% | 47.38% | 34.67% | 40.43% |

Legal Debt Margin Calculation for Fiscal Year 2012:

| | |
|---|-----------------------|
| Total Assessed Value | \$ 6,103,995,127 |
| Debt limit (5% of total assessed value) | \$ 305,199,756 |
| Less: Debt applicable to limit | |
| General obligation bonds | 119,400,616 |
| TIF revenue bonds | - |
| Capital lease obligations | 760,022 |
| Loans payable and installment contracts | 3,230,493 |
| Legal debt margin | <u>\$ 181,808,625</u> |

City of West Des Moines, Iowa

Schedule 15

Pledged-Revenue Coverage

Last Ten Fiscal Years

| Fiscal Year | Revenue | Sewer Revenue Bonds | | | | | Ratio of Coverage |
|----------------|-----------|-----------------------|--------------------------|--------------|----------|---------|----------------------|
| | | Less: | Net Available Revenue | Debt Service | | Total | |
| | | Operating Expenses | | Principal | Interest | | |
| 2003 | 5,872,071 | 1,582,809 | 4,289,262 | 529,000 | 289,022 | 818,022 | 5.24 |
| 2004 | 5,793,309 | 1,693,768 | 4,099,541 | 571,000 | 222,481 | 793,481 | 5.17 |
| 2005 | 6,306,513 | 2,140,953 | 4,165,560 | 582,000 | 203,458 | 785,458 | 5.30 |
| 2006 | 6,939,000 | 1,544,192 | 5,394,808 | 603,000 | 183,332 | 786,332 | 6.86 |
| 2007 | 8,297,929 | 2,253,982 | 6,043,947 | 632,000 | 136,910 | 768,910 | 7.86 |
| 2008 | 7,336,709 | 2,447,237 | 4,889,472 | 655,000 | 109,260 | 764,260 | 6.40 |
| 2009 | 8,378,001 | 2,728,070 | 5,649,931 | 367,000 | 87,360 | 454,360 | 12.43 |
| 2010 | 7,830,313 | 3,128,894 | 4,701,419 | 381,000 | 76,350 | 457,350 | 10.28 |
| 2011 | 8,585,615 | 3,216,312 | 5,369,303 | 393,000 | 64,920 | 457,920 | 11.73 |
| 2012 | 9,079,154 | 3,908,020 | 5,171,134 | 407,000 | 53,130 | 460,130 | 11.24 |

Notes:

Revenue = Operating Revenue + investment earnings

Operating expenses excluding depreciation and amortization expenses

City of West Des Moines, Iowa
 Schedule 16
Demographic and Economic Statistics
Last Ten Fiscal Years

| Calendar Year | Population | Personal Income | Per Capita Income | Unemployment Rate | Taxable Retail Sales (1) |
|---------------|------------|-----------------|-------------------|-------------------|--------------------------|
| 2003 | 50,547 | 1,812,211,044 | 35,852 | 1.7% | 965,124,639 |
| 2004 | 51,991 | 1,968,483,242 | 37,862 | 1.9% | 914,997,369 |
| 2005 | 52,844 | 2,072,277,460 | 39,215 | 2.6% | 1,115,625,249 |
| 2006 | 53,628 | 2,100,286,992 | 39,164 | 2.3% | 1,256,339,527 |
| 2007 | 54,459 | 2,274,697,971 | 41,769 | 2.2% | 1,354,682,059 |
| 2008 | 55,279 | 2,349,689,174 | 42,506 | 2.7% | 1,397,818,852 |
| 2009 | 56,629 | 2,379,097,548 | 42,012 | 4.3% | 1,563,886,251 |
| 2010 | 57,609 | 2,433,058,506 | 42,234 | 4.4% | 1,496,999,951 |
| 2011 | 58,706 | 2,639,773,996 | 44,966 | 4.5% | 1,529,029,060 |
| 2012 | 59,281 | N/A | N/A | N/A | 1,681,710,058 |

Sources: U.S. Census Bureau

Per Capita Income is based on Metropolitan Des Moines/West Des Moines and based on figures from Bureau of Economic Analysis

Bond Offering Statements prepared by independent financial advisor

N/A - Information not available

(1) Year ending March 31st

City of West Des Moines, Iowa
Schedule 17
Principal Employers
Current Year and Ten Years Ago

| Employer | Type of Business | 2012 | | | 2002 | | |
|--|--------------------------------|-----------|------|--------------------------------|-----------|------|--------------------------------|
| | | Employees | Rank | Percentage of Total Employment | Employees | Rank | Percentage of Total Employment |
| Wells Fargo Mortgage | Financial Services | 6,534 | 1 | 12.01% | 1,400 | 2 | * |
| Aviva USA | Insurance | 1,434 | 2 | 2.64% | | | |
| West Fargo Consumer Credit Solutions | Financial Services | 1,285 | 3 | 2.36% | 900 | 7 | * |
| West Des Moines Community School District | Education | 1,145 | 4 | 2.10% | 1,200 | 3 | * |
| FBL Financial Group / Iowa Farm Bureau Insurance | Insurance / Financial Services | 1,048 | 5 | 1.93% | 1,100 | 4 | * |
| Hy-Vee Inc. | Grocery Stores | 816 | 6 | 1.50% | 2,595 | 1 | * |
| ADP | Financial Services | 550 | 7 | 1.01% | | | |
| MetLife | Insurance | 534 | 8 | 0.98% | | | |
| GuideOne Insurance Company | Insurance | 493 | 9 | 0.91% | | | |
| Sammons Annuity Group | Financial Services | 437 | 10 | 0.80% | | | |
| Meredith | Publishing | | | | 960 | 5 | * |
| Sears Credit Services | Financial Services | | | | 850 | 8 | * |
| Associates Credit Card Center | Financial Services | | | | 640 | 9 | * |
| Von Maur | Retail Store | | | | 620 | 10 | * |
| Marsh Insurance / Kirke Van Orsdel | Insurance | | | | 951 | 6 | * |
| Norwest Mortgage | Financial Services | | | | | | |
| Meredith | Publishing | | | | | | |
| Von Maur | Retail Store | | | | | | |
| Goodrich Crop | Manufacturing | | | | | | |
| All West Des Moines Employees | | 54,410 | | 26.24% | * | | * |

* Information not available

Source: Bond Offering Statements prepared by independent financial advisor

City of West Des Moines, Iowa

Schedule 18

Full-Time Equivalent City Government Employees By Function / Program

Last Ten Fiscal Years

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <u>Functions/Program</u> | | | | | | | | | | |
| Community Enrichment: | | | | | | | | | | |
| Human Services | 11.50 | 12.00 | 12.00 | 12.00 | 12.00 | 12.00 | 12.00 | 12.25 | 12.25 | 12.25 |
| Library | 23.10 | 23.60 | 23.60 | 23.60 | 23.60 | 23.60 | 23.60 | 23.60 | 23.60 | 22.50 |
| Parks & Recreation | 22.75 | 22.75 | 23.75 | 23.75 | 23.75 | 25.50 | 25.75 | 25.75 | 25.75 | 25.00 |
| Public Safety: | | | | | | | | | | |
| Emergency Medical Services & Dispatch | 30.25 | 31.25 | 34.25 | 34.25 | 39.25 | 39.25 | 45.25 | 45.25 | 47.25 | 51.25 |
| Fire | 36.00 | 36.00 | 39.00 | 39.00 | 51.00 | 51.00 | 51.00 | 51.00 | 51.00 | 50.00 |
| Police | 76.75 | 81.75 | 81.75 | 82.75 | 82.75 | 82.75 | 85.75 | 85.75 | 84.75 | 82.75 |
| Public Services: | | | | | | | | | | |
| Community & Economic Dev | | | | | | | 5.50 | 5.50 | 5.50 | 4.50 |
| Development Services | 22.00 | 22.00 | 22.00 | 22.00 | 23.00 | 23.00 | 24.00 | 23.00 | 22.00 | 22.20 |
| Public Works | 63.00 | 67.00 | 68.00 | 71.00 | 72.00 | 74.00 | 68.00 | 68.00 | 67.00 | 67.80 |
| Support Services: | | | | | | | | | | |
| City Manager's Office | 3.50 | 3.50 | 3.50 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| Finance | 10.25 | 9.25 | 9.25 | 9.25 | 9.50 | 9.50 | 9.50 | 9.50 | 9.75 | 9.75 |
| Human Resources | 4.00 | 4.00 | 4.00 | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 | 4.00 |
| Information Services | 5.00 | 6.00 | 7.00 | 7.00 | 7.00 | 9.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| Legal | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Total | 311.10 | 322.10 | 331.10 | 336.10 | 355.35 | 361.10 | 371.85 | 371.10 | 370.35 | 369.00 |

Source: City Payroll records

City of West Des Moines, Iowa
Schedule 19
Operating Indicators By Department
Last Ten Fiscal Years

| Function/Program | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Emergency Medical Services | | | | | | | | | | |
| Total ambulance calls | 2,622 | 2,894 | 3,245 | 3,251 | 3,395 | 4,137 | 5,395 | 5,678 | 6,005 | 6,295 |
| Fire Department | | | | | | | | | | |
| Total incidents | 2,309 | 2,614 | 2,265 | 2,310 | 2,466 | 2,476 | 2,756 | 2,539 | 2,638 | 2,513 |
| Total estimated loss | \$459,020 | \$1,676,790 | \$2,795,050 | \$1,178,372 | \$1,403,750 | \$1,211,950 | \$991,000 | \$990,400 | \$2,012,250 | \$1,693,070 |
| Police Department | | | | | | | | | | |
| Number of parking tickets issued | 1,204 | 1,351 | 937 | 1,163 | 1,090 | 1,115 | 1,205 | 1,392 | 1,148 | 968 |
| Percent of parking tickets paid | 81.24% | 83.35% | 73.12% | 77.30% | 75.29% | 73.95% | 78.81% | 79.04% | 82.14% | 80.89% |
| Calls for service | 39,115 | 44,051 | 51,439 | 51,273 | 48,450 | 48,675 | 48,956 | 48,798 | 46,931 | CY |
| Case Reports | 6,832 | 7,199 | 7,385 | 7,094 | 6,279 | 6,453 | 6,617 | 6,570 | 6,533 | CY |
| Fed UCR Part 1 Crimes | 1,993 | 1,872 | 1,970 | 2,033 | 1,698 | 1,918 | 1,888 | 1,887 | 1,968 | CY |
| Development Services | | | | | | | | | | |
| Total building permits issued | 1,185 | 1,567 | 1,159 | 1,197 | 1,213 | 1,135 | 1,009 | 1,163 | 1,158 | 1,002 |
| Total value of permits issued | \$135,901,444 | \$363,813,418 | \$176,762,250 | \$181,231,329 | \$173,263,974 | \$252,906,667 | \$380,668,062 | \$133,491,107 | \$297,239,849 | \$227,758,147 |
| Public Works | | | | | | | | | | |
| Lane miles of streets per operator | 21.33 | 21.43 | 22.78 | 23.43 | 24.57 | 25.00 | 27.00 | 28.00 | 28.00 | 28.00 |
| Library | | | | | | | | | | |
| Volumes in collection | 145,782 | 149,579 | 154,740 | 157,740 | 160,801 | 164,456 | 172,718 | 180,188 | 180,308 | 178,509 |
| Annual circulation | 631,784 | 612,398 | 620,089 | 651,583 | 713,913 | 784,906 | 815,944 | 691,721 | 689,193 | 685,899 |
| Parks & Recreation | | | | | | | | | | |
| Aquatic Centers | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Aquatic Center attendance | 89,051 | 96,957 | 136,198 | 133,671 | 137,499 | 135,038 | 122,517 | 124,499 | 103,049 | 112,364 |
| Rec program participation | 47,006 | 54,683 | 59,410 | 63,402 | 72,073 | 69,873 | 68,256 | 70,231 | 70,851 | 71,226 |
| Total acres of parks maintained | 1,221 | 1,222 | 1,222 | 1,222 | 1,230 | 1,278 | 1,238 | 1,238 | 1,238 | 1,239 |
| Total miles of trails maintained | 22 | 28 | 33 | 36 | 38 | 44 | 45 | 48 | 48 | 49 |

Source: City Departmental data

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City of West Des Moines, Iowa

Schedule 20

Capital Asset Statistics By Department

Last Ten Fiscal Years

| Department | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Police: Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Fire: Stations | 4 | 4 | 4 | 4 | 5 | 5 | 5 | 5 | 5 | 5 |
| Public Works: | | | | | | | | | | |
| Streets (Miles): | | | | | | | | | | |
| Paved | 516 | 545 | 622 | 620 | 642 | 658 | 670 | 691 | 708 | 708 |
| Unpaved | 39 | 36 | 37 | 43 | 42 | 42 | 48 | 51 | 50 | 58 |
| Wastewater (Miles): | | | | | | | | | | |
| Storm Sewer | 85 | 110 | 153 | 160 | 170 | 184 | 190 | 182 | 187 | 195 |
| Sanitary Sewer | 191 | 197 | 211 | 220 | 223 | 230 | 233 | 232 | 232 | 233 |
| Parks & Recreation: | | | | | | | | | | |
| Park Acreage | 1,222 | 1,222 | 1,222 | 1,222 | 1,238 | 1,278 | 1,238 | 1,238 | 1,238 | 1,239 |
| Parks | 33 | 33 | 33 | 33 | 37 | 40 | 36 | 36 | 36 | 36 |
| Parks with Playground Equipment | 18 | 18 | 18 | 19 | 20 | 21 | 22 | 23 | 23 | 23 |
| Miles of Trails | 28 | 35 | 35 | 50 | 38 | 44 | 45 | 48 | 48 | 49 |
| Baseball/Softball Diamonds | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 |
| Horseshoe Courts | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 |
| Sand Volleyball Courts | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 3 |
| Soccer/Football Fields | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 |
| Basketball Courts | 9 | 9 | 9 | 13 | 13 | 14 | 14 | 15 | 15 | 15 |

City of West Des Moines, Iowa
 Schedule 20 (Continued)
Capital Asset Statistics By Department
Last Ten Fiscal Years

| Department | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Parks & Recreation: (Continued) | | | | | | | | | | |
| Tennis Courts | 10 | 10 | 10 | 11 | 11 | 11 | 11 | 12 | 12 | 12 |
| Swimming pools | - | - | - | - | - | - | - | - | - | - |
| Aquatic Centers | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Wading Pools | 2 | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Dog Parks | - | - | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Parks and Recreation / Other: | | | | | | | | | | |
| Cemetery acres | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Library: | | | | | | | | | | |
| Facilities | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Volumes in collection | 145,782 | 149,579 | 154,740 | 157,681 | 160,801 | 164,456 | 172,718 | 180,188 | 180,308 | 178,509 |

Source: Department capital asset records

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**INTERNAL CONTROLS
AND
COMPLIANCE SECTION**

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**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***

To the Honorable Mayor and
Members of the City Council
City of West Des Moines, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Des Moines, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 24, 2013. Our Independent Auditor's Report dated January 24, 2013, contains an emphasis of the matter paragraph containing a material restatement of beginning equity. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-12 to be a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of West Des Moines, Iowa, and are reported in Part IV of the accompanying Schedule of Findings and Questioned Costs. 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.

We noted certain other matters that we reported to management of the City in a separate letter dated January 24, 2013.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Mayor, the City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Dubuque, Iowa
January 24, 2013

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council
City of West Des Moines, Iowa

Compliance

We have audited the compliance of the City of West Des Moines, Iowa, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of the independent auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of West Des Moines, Iowa, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the City of West Des Moines, Iowa, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

This report is intended solely for the information and use of management, the Mayor, the City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.



Dubuque, Iowa
January 24, 2013

City of West Des Moines, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

| <u>Grantor/Program</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Federal Expenditures</u> |
|---|------------------------------------|---|---------------------------------|
| U.S. Department of Housing and Urban Development: | | | |
| Direct program: | | | |
| Community Development Block | | | |
| Grants/Entitlement Grants | 14.218 | | \$ 75,021 |
| Supportive Housing Program | 14.235 | | <u>101,796</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>176,817</u> |
| U.S. Department of Justice: | | | |
| Direct program: | | | |
| Edward Byrne Memorial Formula Grant | | | |
| Program | 16.579 | | <u>17,590</u> |
| Bulletproof Vest Partnership Program | 16.607 | | <u>10,054</u> |
| JAG Program Cluster: | | | |
| Direct program: | | | |
| Edward Byrne Memorial Justice | | | |
| Assistance Grant Program | 16.738 | | 20,874 |
| Edward Byrne Memorial Justice | | | |
| Assistance Grant Program | 16.738 | | 9,599 |
| Pass-through program from: | | | |
| Polk County Mid-Iowa Narcotics Task | | | |
| Force: | | | |
| ARRA - Recovery Act - Edward | | | |
| Byrne Memorial Justice Assistance | | | |
| Grant (JAG) Program/Grants to | | | |
| States and Territories | 16.803 | 08-09JAG/ARRA-16168C | 77,060 |
| City of Des Moines: | | | |
| ARRA - Recovery Act - Edward Byrne | | | |
| Memorial Justice Assistance Grant | | | |
| (JAG) Program/Grants to Units of | | | |
| Local Government | 16.804 | 2009-SB-B9-0580 | 82 |
| Total JAG Program Cluster | | | <u>107,615</u> |
| Direct program: | | | |
| Equitable Sharing Program | 16.922 | | <u>13,614</u> |
| Total U.S. Department of Justice | | | <u>148,873</u> |

City of West Des Moines, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

| <u>Grantor/Program</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Federal Expenditures</u> |
|--|------------------------------------|---|---------------------------------|
| U.S. Department of Transportation: | | | |
| Pass-through program from: | | | |
| Iowa Department of Transportation: | | | |
| Highway Planning and Construction | 20.205 | HDP-8260(615)--71-77 | \$ 1,907,906 |
| Highway Planning and Construction | 20.205 | STP-U-8260(626)--70-77 | 1,000,000 |
| Highway Planning and Construction | 20.205 | STP-U-8260(613)-70-77 | 450,899 |
| | | | <u>3,358,805</u> |
| Iowa Department of Public Safety: | | | |
| State and Community Highway Safety | 20.600 | PAP 11-410 | 37,445 |
| State and Community Highway Safety | 20.600 | PAP 12-410 | 26,149 |
| | | | <u>63,594</u> |
| Total U.S. Department of Transportation | | | <u>3,422,399</u> |
| U.S. Department of Energy: | | | |
| Direct program: | | | |
| ARRA - Energy Efficiency and Conservation | | | |
| Block Grant Program | 81.128 | | 82,389 |
| Pass-through program from: | | | |
| Iowa Office of Energy Independence: | | | |
| ARRA - Energy Efficiency and | | | |
| Conservation Block Grant Program | 81.128 | DE-EE000812 | 36,663 |
| Total U.S. Department of Energy | | | <u>119,052</u> |
| U.S. Department of Health and Human Services: | | | |
| Direct program: | | | |
| Low-Income Home Energy Assistance | 93.568 | | 5,500 |
| Community Services Block Grant | 93.569 | | 5,500 |
| Total U.S. Department of Health and Human Services | | | <u>11,000</u> |
| Total | | | <u>\$ 3,878,141</u> |

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of West Des Moines, Iowa, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Part I: Summary of the Independent Auditor's Results:

Financial Statements

| | |
|--|---------------|
| Type of auditor's report issued | Unqualified |
| Internal control over financial reporting: | |
| Material weakness identified | Yes |
| Significant deficiency | None reported |
| Noncompliance material to financial statements noted | No |

Federal Awards

| | |
|--|---------------|
| Internal control over major programs: | |
| Material weakness identified | No |
| Significant deficiency | None reported |
| Type of auditor's report issued on compliance for major programs | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) | No |

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|---|---|
| 20.205 | Highway Planning and Construction |
| 81.128 | ARRA - Energy Efficiency and Conservation Block Grant Program |
| Dollar threshold used to distinguish between Type A and Type B programs | \$300,000 |
| Auditee qualified as low-risk auditee | No |

Part II: Findings Related to the Financial Statements:

MATERIAL WEAKNESS:

II-A-12 Material Audit Adjustments

Criteria – A properly designed system of internal control over financial reporting allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles and the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Part II: Findings Related to the Financial Statements: (continued)

Condition – During the course of our engagement, we proposed material audit adjustments, including a restatement of beginning equity, to the financial statements and Schedule of Expenditures of Federal Awards that would not have been identified as a result of the City’s existing internal controls and, therefore, could have resulted in a material misstatement of the City’s financial statements and Schedule of Expenditures of Federal Awards.

Cause – There is a limited number of office employees with varying levels of experience with the reporting requirements.

Effect – The effect of this condition was financial data not in accordance with generally accepted accounting principles or the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Recommendation – We recommend that finance staff continue to receive relevant training and that management review all documentation completed by staff for use in preparing the financial statements and Schedule of Expenditures of Federal Awards. The City may also benefit from implementing an accounts receivable/billing system and adding a capital asset module to their general ledger system.

Response – City agrees with the recommendation and has and will implement various strategies to improve the financial statement preparation and accounting processes, including training and an improved financial recordkeeping system.

As an example of the commitment to training, more training money for the department has been budgeted, a new employee with the Certified Public Accountant designation was hired, one current employee completed training to receive the Certified Public Accountant designation, and third employee completed governmental and not-for-profit coursework towards an accounting degree.

Plans are developed for implementation of an improved general ledger system which would include the modules recommended by the auditor. Funds are included in the proposed fiscal year 2013-14 budget to provide an assessment of the current system and to find an appropriate solution which will address the shortcoming and meet the City’s future needs.

Part III: Findings and Questioned Costs for Federal Awards:

None reported.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-12 Certified Budget – Disbursements during the year ended June 30, 2012, did not exceed the amount budgeted.

IV-B-12 Questionable Expenditures – We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

Part IV: Other Findings Related to Required Statutory Reporting: (continued)

IV-C-12 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-12 Business Transactions – No business transactions between the City and City officials or employees were noted.

IV-E-12 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-12 Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

Although minutes of City Council proceedings were published, they were normally not published within 15 days of the meeting as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should take measures to publish Council minutes within 15 days of the meeting.

Response – The City’s practice is to publish Council meeting minutes immediately after approval by Council at the subsequent meeting, generally two weeks following. Minutes are made available to the public via the City’s website along with the upcoming meeting Council packet within two weeks, however they are generally considered to be a proposed version until acted upon by the Council.

IV-G-12 Deposits and Investments – No instances of non-compliance 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-12 Revenue Notes – No instances of non-compliance with the sewer revenue note provisions were noted.

IV-I-12 Bond Sale – Chapter 75 of the Code of Iowa states the advertisement for the sale of bonds shall be published at least once, the last one of which shall be not less than four nor more than twenty days before the sale. The City did not publish the advertisement for the 2011A \$6,900,000 General Obligation bond issuance as required by Chapter 75 of the Code of Iowa.

Recommendation – Before selling bonds, the City should publish a notice of the sale in accordance with Chapter 75 of the Code of Iowa.

Response – The City is aware of the requirement and generally has adhered to the publishing parameters with each of its bond issuances; however the requirement was inadvertently overlooked by all parties at the time of the sale, including Bond Counsel and staff. As the bonds were successfully sold without question or incident, corrective action was limited to issuing a reminder of the requirement to all involved parties.



January 24, 2013

To the Management of the
City of West Des Moines
West Des Moines, Iowa

In conjunction with our recently completed audit of the City of West Des Moines, as of and for the year ended June 30, 2012, we noted the following accounting and operating issues.

Journal Entry Procedures

During our audit, we noted that several employees can post journal entries to the general ledger and that there is no formal procedure over journal entries. We recommend that the City write and enforce a strict journal entry policy. The policy should contain provisions governing supporting documentation required, review and approval by Finance Department Management, and who is allowed to post the entries to the general ledger.

Disaster Recovery and Business Continuation Plans

In the event of an unplanned loss of computer operation caused by software or hardware malfunction, or a man-made or natural event that results in the City's computer system being disabled or destroyed, the City should have plans in place to restore the City's critical applications and business operations. We noted no formal disaster recovery or business continuation plans during our audit. It is our understanding that the City will be replacing its accounting computer software in the near future. We recommend that the City implement formal disaster recovery and business continuation plans as part of the replacement process.

Sincerely,

EIDE BAILLY LLP

A handwritten signature in cursive script that reads "Eide Bailly LLP".