

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Des Moines, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Des Moines, Iowa, as of June 30, 2014, and the respective changes in financial position and, where, applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During the year ended June 30, 2014, the City adopted GASB 65, *Items Previously Reported as Assets and Liabilities*. The adoption of this statement resulted in the reclassification of items previously reported in liabilities as deferred revenues. These items are now reported in deferred inflows of resources as unavailable revenues. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Des Moines, Iowa's financial statements. The introductory section, combining nonmajor fund financial statements, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated December 11, 2014, on our consideration of the City of West Des Moines, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Dubuque, Iowa
December 11, 2014

City of West Des Moines, Iowa

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2014

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, 2014. 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, 2014, assets of the City exceeded liabilities and deferred inflows by \$559 million. Of this amount, \$86 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, 2013, assets exceeded liabilities by \$537 million, of which \$81 million was unrestricted.

The City's total net position increased by \$23 million during the fiscal year ended June 30, 2014. Governmental activities increased \$17 million and business-type activities increased \$5 million. The City continues to be able to report positive balances in all three categories of net position; 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 \$57 million, a decrease of \$13 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 \$25 million at June 30, 2014, increasing less than \$1 million from the balance at the end of the prior fiscal year.

In conjunction with the issuance of 2014A Series General Obligation Bonds, Moody's Investor Services reaffirmed the City's Aaa bond rating on July 22, 2014. The City continues to hold the highest available rating from both Standard & Poor's Rating Service and Moody's Investor Services. The Standard and Poor's rating was last reaffirmed on July 18, 2013. Each of the agencies cites the City's financial positions 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 Position* presents information on all of the City's assets, liabilities, and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the 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, 2014

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, the Van Meter Community School District, the Winterset Community School District, and West Des Moines Water Works 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 34 through 37 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 *Nonmajor Governmental Funds*. Individual fund data for each of these nonmajor 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 38 through 41 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, 2014

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 nonmajor 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 42 through 47 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 48 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 49 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 pages 26 and 27, while other required supplementary information can be found on pages 77 through 79 of this report.

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

Government-Wide Financial Analysis

Net position may serve as a useful indicator of a government's financial standing. At June 30, 2014, the City's assets exceeded liabilities and deferred inflows by \$559 million. The City's Net Position is allocated on the basis of function and categorized as either supporting a governmental or business-type purpose. A summary of Net Position follows and is discussed below.

City of West Des Moines, Iowa
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2014

City of West Des Moines Net Position (in thousands of dollars)						
	Governmental Activities		Business-Type Activities		Total	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
Assets						
Current and other assets	\$ 152,605	\$ 140,719	\$ 43,510	\$ 46,977	\$ 196,115	\$ 187,696
Capital assets, net of depreciation	437,951	441,767	76,662	78,215	514,613	519,982
Total assets	590,556	582,486	120,172	125,192	710,728	707,678
Liabilities						
Current liabilities	35,022	20,663	840	620	35,862	21,283
Long-term liabilities outstanding	79,003	68,541	94	100	79,097	68,641
Total liabilities	114,025	89,204	934	720	114,959	89,924
Deferred Inflows						
Unavailable revenue, property taxes	58,963	58,301	-	-	58,963	58,301
Net position						
Net investment in capital assets	348,765	368,581	76,662	78,215	425,427	446,796
Restricted net position	30,255	26,436	-	-	30,255	26,436
Unrestricted net position	38,548	39,963	42,576	46,257	81,124	86,220
Total net position	\$ 417,568	\$ 434,980	\$ 119,238	\$ 124,472	\$ 536,806	\$ 559,452

The largest portion of the City's net position (80% of the total) represents its investment in capital assets (e.g., land, buildings, equipment, and infrastructure), less 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. Overall, the net investment in capital assets increased \$21.4 million from 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 position (5% of the total) represents resources that are subject to external use restrictions. These amounts fluctuate annually based on the timing of restricted revenue and completion of the restricted projects or activities. Total restricted net position decreased by \$3.8 million during the fiscal year ended June 30, 2014.

The remaining balance of net position (15% of the total) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net position increased \$5.1 million during the fiscal year ended June 30, 2014, which partially reflects the City's ability to meet or exceed budget projections in net revenue and expenses, most notably within enterprise funds.

A summary of the City's Changes in Net Position during the fiscal years ended June 30, 2013 and 2014, follows and is discussed below:

City of West Des Moines, Iowa
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2014

Changes in Net Position
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Revenues						
Program revenues:						
Charges for services	\$ 7,682	\$ 9,935	\$ 13,742	\$ 14,253	\$ 21,424	\$ 24,188
Operating grants and contributions	9,649	9,655	-	-	9,649	9,655
Capital grants and contributions	2,704	3,782	4,540	2,255	7,244	6,037
General revenues:						
Property taxes	58,569	57,929	-	-	58,569	57,929
Other taxes	4,157	4,313	-	-	4,157	4,313
Earnings on investments	246	150	66	110	312	260
Other	1,426	1,189	-	-	1,426	1,189
Total revenues	84,433	86,953	18,348	16,618	102,781	103,571
Expenses						
General government	6,200	6,652	-	-	6,200	6,652
Public safety	24,701	26,054	-	-	24,701	26,054
Public works	10,743	12,357	-	-	10,743	12,357
Health and social services	1,153	1,114	-	-	1,153	1,114
Culture and recreation	9,495	10,110	-	-	9,495	10,110
Community and economic development	7,592	8,659	-	-	7,592	8,659
Interest on long-term debt	3,450	3,743	-	-	3,450	3,743
Sanitary sewer	-	-	8,372	8,799	8,372	8,799
Solid waste	-	-	1,778	1,839	1,778	1,839
Storm water	-	-	1,852	1,598	1,852	1,598
Total expenses	63,334	68,687	12,002	12,236	75,336	80,924
Change in net position before transfers	21,099	18,266	6,346	4,382	27,445	22,647
Transfers	121	(852)	(121)	852	-	-
Change in net position	\$ 21,220	\$ 17,413	\$ 6,225	\$ 5,234	\$ 27,445	\$ 22,647

Governmental Activities. Governmental revenues in the current year increased by \$2.5 million, or 2.9%. Building permit revenues continued to be very strong and other fee-based revenues remained largely stable. The City's overall property tax revenue decreased just slightly; however revenue from construction grants and other outside funding was \$1 million more than the previous year.

Governmental Expenses increased \$5.4 million, or 8.4%, from the prior fiscal year. This increase was largely due to rising employee costs across all departments.

Business-Type Activities. Revenue received through Charges for Services increased by \$0.5 million, or approximately 4%, in the current year. Capital Grant revenues, which can swing dramatically based on available grant programs, dropped by \$2.3 million, or approximately 50%. Business-Type Expenses increased by \$0.2 million, or approximately 2% based on sewer and solid waste usage. These increases are expected based on pre-determined rate increases which were developed as part of a long-term funding strategy.

City of West Des Moines, Iowa Management's Discussion and Analysis For Fiscal Year Ended June 30, 2014

At the end of the current fiscal year, the City was able to report positive balances in all three categories of net position, 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 requirements. In particular, unassigned fund balances serve as a useful measure of a government's net resources available at 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 \$57,361,847 as of June 30, 2014. Of this total \$25,298,338 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) by legal requirements for debt service payments (\$3,431,293); (2) for urban renewal and development in Tax Increment Financing Districts (\$5,107,567); (3) for liquidation of contracts for capital improvements (\$18,186,504); or (4) various other purposes totaling \$5,338,145. 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 \$454,486, or 1.8%, to a total of \$25,298,338 at June 30, 2014. 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, 2014, represents approximately 51.6% 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 an overall increase of \$3 million, which includes an increase in property tax revenue of \$1.5 million, an increase of \$500,000 in licenses and permits (mostly related to increased construction) and other nominal increases. Property tax revenue increased largely due to less need to funnel valuation into TIF areas.

General Fund expenditures increased by \$2.3 million, or 5%. The most significant portion of this increase was rising employee costs, including salaries and benefits.

The Tax Increment Financing (TIF) Fund had a fund balance of \$5,107,567 at June 30, 2014; an increase of \$128,129 or 2.6%. 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 \$3,431,293 at June 30, 2014, a decrease of \$65,741. This fund is restricted for the payment of debt (i.e. payment of general obligation principal and interest).

City of West Des Moines, Iowa Management's Discussion and Analysis For Fiscal Year Ended June 30, 2014

The Capital Projects Fund experienced a decrease in fund balance of \$12,072,120. Bond proceeds included in the prior year balance were used to crossover advance refund \$12 million of outstanding bonds on June 1, 2014. The Capital Projects Fund reports no unassigned fund balance at June 30, 2014.

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 position of the Sanitary Sewer Fund at the end of the year amounted to \$88.6 million. This is comprised of: \$50.1 million investment in capital assets and \$38.5 million in unrestricted net position. This increase in net position of \$2.5 million, or 2.9% was largely the result of a planned rate increase. It is anticipated that the fund balance will increase as development necessitates the construction of more sewer infrastructure in currently unimproved areas of the City.

Total net position of the Storm Water Fund at the end of the current year was \$34.8 million, with \$28.1 million investment in capital assets and \$6.7 million in unrestricted net position.

Total net position of the Solid Waste Fund at the end of the current year was \$727,184 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 position accumulated in the Storm Water and, more particularly, the Sewer fund 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, 2014, disbursements exceeded the amount budgeted in the Community and Economic Development function. Late in the year, a pass-through federal grant payment to a sub-recipient was needed earlier than anticipated. This payment, along with the corresponding reimbursement from the grantor, was not included in the final adopted budget. However, both the expenditure and the grant revenue were recognized during the fiscal year.

During the fiscal year ended June 30, 2014, there were two budget amendments, dated November 29, 2013, and May 19, 2014. 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 City's 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 increases in Debt Service expenditures to properly account for the advance refunding of Series 2003D, 2004A, and 2005A GO Bonds and to reflect payment of the 2013A issue.

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, 2014, amounts to \$520 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings (e.g. recreation trails, athletic fields, and 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 1%; slightly lower than the previous year's increase of 2.5%.

**City of West Des Moines, Iowa
 Management's Discussion and Analysis
 For Fiscal Year Ended June 30, 2014**

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 on-going 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.

Condition Level for Street Network
 (prior 3 condition assessments)

	2011	2012	2013
Street subsystem:			
Goal	78-80	78-80	78-80
Actual	80.3	80.3	80.2
<hr/>			
	2009	2011	2012
Levee subsystem:			
Goal	Acceptable	Minimally Acceptable	Minimally Acceptable
Actual	Acceptable	Minimally Acceptable	Minimally Acceptable
<hr/>			
	2009	2011	2013
Bridge and culvert system:			
Goal	81 or greater	81 or greater	81 or greater
Actual	93.8	91.3	86.4

City of West Des Moines, Iowa
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2014

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)

	2007	2008	2009	2010	2011	2012	2013	2014
Estimated costs	\$4,480	\$4,915	\$5,397	\$4,374	\$5,296	\$5,307	\$6,753	\$4,567
Actual costs	4,751	4,661	5,024	5,071	5,387	5,119	3,720	4,130

The City has *not* elected to use the modified approach for reporting the infrastructure of business-type activities, as it 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.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Land	\$ 23,852	\$ 23,908	\$ 413	\$ 413	\$ 24,265	\$ 24,321
Buildings	43,883	44,009	-	-	43,883	44,009
Improvements other than buildings	40,931	41,967	-	-	40,931	41,967
Fiber Network	5,109	5,109	-	-	5,109	5,109
Equipment and vehicles	21,663	22,761	302	302	21,965	23,063
Construction-in-Progress	11,298	14,460	1,415	988	12,713	15,448
Share of undivided equity interest assets	1,798	1,744	-	-	1,798	1,744
Infrastructure, depreciable	-	-	108,456	112,703	108,456	112,703
Infrastructure, non-depreciable	336,272	339,823	-	-	336,272	339,823
Accumulated depreciation	(63,060)	(68,222)	(33,956)	(36,223)	(97,016)	(104,445)
Intangibles	16,204	16,208	-	31	16,235	16,239
Total capital assets	\$ 437,950	\$ 441,767	\$ 76,661	\$ 78,214	\$ 514,611	\$ 519,981

**City of West Des Moines, Iowa
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2014**

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

- Spent over \$1.6 million to upgrade the emergency dispatch digital radio system (total project cost \$3.1 million to date).
- Spent over \$1.2 million to rebuild exterior of Fire Station #17 (total project cost \$1.4 million to date).
- Spent over \$1.2 million on construction of Veterans Parkway.
- Spent over \$0.9 million on a new interchange at Interstate 80 and 105th Street (total project cost \$2.7 million to date and expected to total approximately \$10.5 million when completed sometime over the next two to three years).
- Spent over \$0.5 million on renovations to the Law Enforcement Center (total project cost \$0.6 million to date).
- Spent over \$0.5 million on Human Services Building (project cost expected to total \$1.6 million).
- Spent over \$0.3 million on improvements to Holiday Park Baseball Complex (project cost expected to total \$3.3 million).

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 49 through 58 and 60 through 61, respectively.

**Outstanding Debt
General Obligation Bonds**

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
General Obligation Bonds	\$ 101,834,010	\$ 77,725,762	\$ -	\$ -	\$ 101,834,010	\$ 77,725,762
	\$ 101,834,010	\$ 77,725,762	\$ -	\$ -	\$ 101,834,010	\$ 77,725,762

Long-term debt. At the close of the fiscal year ended June 30, 2014, the City had total bonded debt outstanding of \$77.7 million, all backed by the full faith and credit of the government.

During the current fiscal year the City's total bonded debt decreased by \$24.1 million due to the current refunding of \$815,000 of the Series 2005A general obligation bonds, the crossover refunding of \$7.6 million of the Series 2003D and \$4.6 million of the Series 2004A general obligation bonds, and regular principal payments on the remaining outstanding general obligation bonds.

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 \$305.5 million. With outstanding general obligation debt of \$79.6 million (general obligation bonds plus other debt subject to the limitation), the City had utilized 26.1% of the debit limit as of June 30, 2014.

Additional information on the City's long-term debt can be found in Note 4 on pages 61 through 64 of this report.

City of West Des Moines, Iowa Management's Discussion and Analysis For Fiscal Year Ended June 30, 2014

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 overall property valuations to continue over the next several years. However, legislative action passed in May 2013 significantly affects future taxable valuations for commercial property. This legislation includes a 10% cut to commercial tax rates over a period beginning July 1, 2014. Additionally, the new legislation requires overall statewide tax growth not to exceed 3%, whereas before it was allowed to grow up to 4%. Multi-family residential property will be taxed at a reduced rate beginning with assessment year 2015, gradually declining over a period of several years to ultimately match the residential tax rate beginning in assessment year 2022. Lost revenues on the commercial property will be filled by funding from the State of Iowa, but this is only guaranteed to match the lost revenues for up to three fiscal years and will be capped at the fiscal year 2017 appropriation. Further, no State funding was approved to replace revenues lost by the multi-family residential property tax reduction. Thus, the City continued to engage in very conservative budgeting practices.

Historically, the City's tax base has grown between 2 percent and 9 percent annually. The City's tax base (taxable value) increased 5.8% annually from 2006-2010 but has remained fairly steady since then. The tax base decreased slightly in 2011, returned to a 4.3% increase in 2012, and contracted 1.7% in 2013.

The budget for fiscal year ending June 30, 2015, allowed a steady tax rate but included projections that show the City's property tax values will expand by approximately 1.05%. Helping to offset this relatively small increase in valuation is an adjustment to the calculation for residential property taxes, so the fiscal 2015 budget projects general fund tax revenues to increase \$620,308, or 1.83%, from the approved budget of the previous year. Future year tax base growth assumptions remain conservative, reflecting between 1% and 3% annual growth.

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, 2015. The City's property tax rate remains at \$12.05 / \$1,000 of taxable valuation.

As measured by current actual property valuation and recent population data, valuation compares very strongly to comparable cities, at approximately \$109,000 per capita. The City's taxable valuation per capita of over \$77,000 remains the highest of Iowa's top ten most populated cities, which allows the City of West Des Moines to maintain the third lowest tax rate of those cities. Based on fiscal year totals from the fiscal year ended June 30, 2013, the City ranks as the second highest city for taxable retail sales in Iowa at over \$1.7 billion, due to the large presence of retail businesses including two major regional shopping centers, and although 2014 totals are not yet available from the State of Iowa, the City's totals are expected to increase disproportionately in relation to the total of other Iowa cities. Businesses in the City account for at least 4.9% of all taxable sales in the State. 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.

City of West Des Moines, Iowa
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2014

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, Post Office Box 65320, West Des Moines, Iowa 50265-0320.

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BASIC FINANCIAL STATEMENTS

City of West Des Moines, Iowa
STATEMENT OF NET POSITION
June 30, 2014

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Current assets			
Cash and investments	\$ 77,775,108	\$ 43,206,237	\$120,981,345
Restricted cash and investments	200,000	-	200,000
Receivables			
Property taxes	58,537,624	-	58,537,624
Accounts and unbilled usage	1,340,286	3,322,414	4,662,700
Interest	5,192	66,964	72,156
Special assessments	590,069	7,000	597,069
Loans	22,500	-	22,500
Internal balances	(374,576)	374,576	-
Due from other governments	2,547,702	-	2,547,702
Inventories	75,205	-	75,205
Total current assets	<u>140,719,110</u>	<u>46,977,191</u>	<u>187,696,301</u>
Capital assets			
Nondepreciable			
Land	23,908,175	413,178	24,321,353
Infrastructure	339,822,638	-	339,822,638
Construction-in-progress	14,459,512	987,688	15,447,200
Intangibles	15,574,850	-	15,574,850
Depreciable			
Buildings	44,009,036	-	44,009,036
Equipment and vehicles	22,760,908	302,489	23,063,397
Fiber network	5,109,062	-	5,109,062
Improvements other than buildings	41,967,170	-	41,967,170
Share of undivided equity interest assets	1,743,923	-	1,743,923
Intangibles	633,348	31,250	664,598
Infrastructure	-	112,703,047	112,703,047
Accumulated depreciation	(68,221,723)	(36,223,048)	(104,444,771)
Net capital assets	<u>441,766,899</u>	<u>78,214,604</u>	<u>519,981,503</u>
Total assets	<u>582,486,009</u>	<u>125,191,795</u>	<u>707,677,804</u>

See Notes to Basic Financial Statements.

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities			
Accounts payable	\$ 3,066,329	\$ 489,741	\$ 3,556,070
Claims payable	698,999	-	698,999
Accrued wages payable	651,552	25,442	676,994
Interest payable	293,808	-	293,808
Compensated absences	2,507,143	104,978	2,612,121
General obligation bonds	12,025,000	-	12,025,000
Capital lease payable	173,339	-	173,339
Installment contracts	1,246,823	-	1,246,823
Total current liabilities	<u>20,662,993</u>	<u>620,161</u>	<u>21,283,154</u>
Noncurrent liabilities			
Compensated absences	1,624,107	64,746	1,688,853
General obligation bonds	65,700,762	-	65,700,762
Capital lease payable	109,528	-	109,528
Installment contracts	339,999	-	339,999
Net OPEB liability	766,918	34,928	801,846
Total noncurrent liabilities	<u>68,541,314</u>	<u>99,674</u>	<u>68,640,988</u>
Total liabilities	<u>89,204,307</u>	<u>719,835</u>	<u>89,924,142</u>
DEFERRED INFLOWS OF RESOURCES			
Revenue, property taxes	<u>58,300,816</u>	-	<u>58,300,816</u>
Total deferred inflows of resources	<u>58,300,816</u>	-	<u>58,300,816</u>
NET POSITION			
Net investment in capital assets	368,581,117	78,214,604	446,795,721
Restricted for			
Capital projects	1,671,508	-	1,671,508
Debt service	3,431,293	-	3,431,293
Urban renewal and development	6,431,156	-	6,431,156
Road use projects	10,861,966	-	10,861,966
Retirement benefits	2,959,142	-	2,959,142
Other purposes	1,081,325	-	1,081,325
Unrestricted	<u>39,963,379</u>	<u>46,257,356</u>	<u>86,220,735</u>
Total net position	<u>\$434,980,886</u>	<u>\$124,471,960</u>	<u>\$559,452,846</u>

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
STATEMENT OF ACTIVITIES
Year ended June 30, 2014

<u>Programs/Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities				
Public safety	\$26,053,563	\$ 6,641,203	\$2,490,415	\$ 9,200
Public works	12,356,926	207,541	5,660,623	1,364,858
Health and social services	1,114,334	-	237,948	-
Culture and recreation	10,109,588	1,384,465	137,992	369,265
Community and economic development	8,658,500	871,234	768,491	2,038,326
General government	6,651,611	830,713	359,569	-
Interest on long-term debt	<u>3,742,960</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>68,687,482</u>	<u>9,935,156</u>	<u>9,655,038</u>	<u>3,781,649</u>
Business-type activities				
Sewer system	8,798,820	10,253,778	-	754,686
Storm water system	1,598,003	2,201,450	-	1,500,418
Solid waste system	<u>1,839,484</u>	<u>1,797,486</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>12,236,307</u>	<u>14,252,714</u>	<u>-</u>	<u>2,255,104</u>
Total primary government	<u>\$80,923,789</u>	<u>\$24,187,870</u>	<u>\$9,655,038</u>	<u>\$6,036,753</u>

General revenues

- Taxes
 - Property taxes
 - Franchise tax
 - Other City taxes
 - Hotel/Motel tax
- Miscellaneous
- Investment earnings
- Unrestricted grants
- Transfers
 - Total general revenues and transfers
 - Changes in net position

Net position, beginning of year

Net position, end of year

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

Governmental Activities	Business-type Activities	Totals
\$ (16,912,745)	\$ —	\$ (16,912,745)
(5,123,904)	—	(5,123,904)
(876,386)	—	(876,386)
(8,217,866)	—	(8,217,866)
(4,980,499)	—	(4,980,449)
(5,461,329)	—	(5,461,329)
<u>(3,742,960)</u>	<u>—</u>	<u>(3,742,960)</u>
<u>(45,315,639)</u>	<u>—</u>	<u>(45,315,639)</u>
—	2,209,644	2,209,644
—	2,015,746	2,015,746
—	46,121	46,121
<u>—</u>	<u>4,271,511</u>	<u>4,271,511</u>
<u>(45,315,639)</u>	<u>4,271,511</u>	<u>(41,044,128)</u>
57,929,145	—	57,929,145
286,404	—	286,404
569,150	—	569,150
3,457,345	—	3,457,345
227,310	—	227,310
150,053	110,121	260,174
961,742	—	961,742
<u>(852,306)</u>	<u>852,306</u>	<u>—</u>
<u>62,728,843</u>	<u>962,427</u>	<u>63,691,270</u>
17,413,204	5,233,938	22,647,142
<u>417,567,682</u>	<u>119,238,022</u>	<u>536,805,704</u>
<u>\$434,980,886</u>	<u>\$124,471,960</u>	<u>\$559,452,846</u>

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2014

	<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	\$24,495,186	\$10,497,703	\$ 5,110,646	\$ 3,406,531	\$ 8,423,845	\$ 5,011,651	\$ 56,945,562
Restricted cash and investments	-	-	-	-	-	200,000	200,000
Receivables							
Property taxes	33,999,244	-	9,227,169	8,771,031	84,927	6,455,253	58,537,624
Accounts	978,020	-	-	900	251,284	103,776	1,333,980
Loans	-	-	-	-	-	22,500	22,500
Special assessments	22,087	-	-	-	567,982	-	590,069
Due from other funds	71,598	-	-	-	-	-	71,598
Due from other governments	<u>1,169,793</u>	<u>437,630</u>	<u>-</u>	<u>-</u>	<u>783,023</u>	<u>144,717</u>	<u>2,535,163</u>
Total assets	<u>\$60,735,928</u>	<u>\$10,935,333</u>	<u>\$14,337,815</u>	<u>\$12,178,462</u>	<u>\$ 10,111,061</u>	<u>\$11,937,897</u>	<u>\$120,236,496</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY							
Liabilities							
Accounts payable	\$ 832,703	\$ 73,367	\$ -	\$ -	\$ 2,029,884	\$ 83,472	\$ 3,019,426
Accrued wages payable	648,473	-	-	-	-	3,079	651,552
Due to other funds	-	-	24,458	-	-	47,140	71,598
Total liabilities	<u>1,481,176</u>	<u>73,367</u>	<u>24,458</u>	<u>-</u>	<u>2,029,884</u>	<u>133,691</u>	<u>3,742,576</u>
Deferred inflows of resources							
Unavailable revenue:							
Succeeding year property tax	33,907,707	-	9,205,790	8,747,169	-	6,440,150	58,300,816
Grants	28,352	-	-	-	207,349	4,911	240,612
Loans	-	-	-	-	-	21,000	21,000
Special assessments	<u>20,355</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>549,290</u>	<u>-</u>	<u>569,645</u>
Total deferred inflows of resources	<u>33,956,414</u>	<u>-</u>	<u>9,205,790</u>	<u>8,747,169</u>	<u>756,639</u>	<u>6,466,061</u>	<u>59,132,073</u>
Fund Equity							
Fund balances							
Restricted for							
Capital projects	-	10,861,966	-	-	7,324,538	-	18,186,504
Debt service	-	-	-	3,431,293	-	-	3,431,293
Urban renewal and development	-	-	5,107,567	-	-	-	5,107,567
Police and Fire Retirement	-	-	-	-	-	2,948,887	2,948,887
Employee Benefit	-	-	-	-	-	10,255	10,255
Economic Development	-	-	-	-	-	635,923	635,923
Housing Programs	-	-	-	-	-	608,285	608,285
Parks	-	-	-	-	-	469,123	469,123
Library	-	-	-	-	-	194,657	194,657
Public Safety	-	-	-	-	-	391,634	391,634
Dallas County Local Housing Trust Fund	-	-	-	-	-	2,095	2,095
Community Development Block Grant	-	-	-	-	-	77,286	77,286
Unassigned	<u>25,298,338</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,298,338</u>
Total fund equity	<u>25,298,338</u>	<u>10,861,966</u>	<u>5,107,567</u>	<u>3,431,293</u>	<u>7,324,538</u>	<u>5,338,145</u>	<u>57,361,847</u>
Total liabilities, deferred inflows of resources and fund equity	<u>\$60,735,928</u>	<u>\$10,935,333</u>	<u>\$14,337,815</u>	<u>\$12,178,462</u>	<u>\$10,111,061</u>	<u>\$11,937,897</u>	<u>\$120,236,496</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 POSITION
June 30, 2014

Total governmental funds balances		\$ 57,361,847
Amounts reported for governmental activities in the statement of net position 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 \$496,362,706 and the accumulated depreciation is \$59,612,326.		436,750,380
Other long term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds.		831,257
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 position		
Capital assets	13,625,916	
Accumulated depreciation	(8,609,397)	
Other current assets	20,928,788	
Other current liabilities	<u>(745,902)</u>	25,199,405
Internal service funds allocated to business-type activities		(374,576)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds		
Compensated absences	(4,131,250)	
Other postemployment benefits payable	(766,918)	
Accrued interest payable	(293,808)	
General obligation bonds payable	(73,945,000)	
Premium on bonds payable	(3,780,762)	
Capital lease obligations	(282,867)	
Installment contracts	<u>(1,586,822)</u>	<u>(84,787,427)</u>
Net position of governmental activities		<u>\$434,980,886</u>

City of West Des Moines, Iowa
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES—GOVERNMENTAL FUNDS
Year ended June 30, 2014

	<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	\$32,593,404	\$ —	\$10,822,378	\$ 8,490,080	\$ —	\$ 6,023,283	\$57,929,145
Other City taxes	4,144,319	—	—	94,465	—	74,115	4,312,899
Special assessments	—	—	—	—	315,821	—	315,821
Licenses and permits	2,172,885	—	—	—	—	—	2,172,885
Intergovernmental	4,164,254	5,637,020	—	—	2,588,754	2,727,205	15,117,233
Charges for services	5,600,845	—	—	—	—	—	5,600,845
Use of money and property	183,629	—	—	57,223	—	539	241,391
Miscellaneous	656,854	—	—	—	377,265	1,038,420	2,072,539
Total revenues	<u>49,516,190</u>	<u>5,637,020</u>	<u>10,822,378</u>	<u>8,641,768</u>	<u>3,281,840</u>	<u>9,863,562</u>	<u>87,762,758</u>
EXPENDITURES							
Current operating							
Public safety	22,612,957	—	—	—	—	2,937,052	25,550,009
Public works	7,033,702	866,013	—	—	—	—	7,899,715
Health and social services	838,590	—	—	—	—	220,802	1,059,392
Culture and recreation	7,383,508	—	—	—	—	144,909	7,528,417
Community and economic development	4,875,777	—	1,052,246	—	—	2,611,819	8,539,842
General government	6,088,713	—	—	—	—	—	6,088,713
Debt service							
Principal	209,005	1,076,823	—	27,850,000	170,000	67,625	29,373,453
Interest and other charges	7,152	—	—	3,608,455	65,175	4,086	3,684,868
Capital outlay	—	—	—	—	13,670,433	—	13,670,433
Total expenditures	<u>49,049,404</u>	<u>1,942,836</u>	<u>1,052,246</u>	<u>31,458,455</u>	<u>13,905,608</u>	<u>5,986,293</u>	<u>103,394,842</u>
Excess (deficiency) of revenues over expenditures	<u>466,786</u>	<u>3,694,184</u>	<u>9,770,132</u>	<u>(22,816,687)</u>	<u>(10,623,768)</u>	<u>3,877,269</u>	<u>(15,632,084)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	4,387,162	182,703	—	22,750,946	7,669,765	181,239	35,171,815
Transfers out	(4,410,820)	(4,682,194)	(9,642,003)	—	(13,612,024)	(4,331,140)	(36,678,181)
Issuance of bonds	—	—	—	—	4,385,000	—	4,385,000
Premium on bond issue	—	—	—	—	108,907	—	108,907
Proceeds from sales of capital assets	11,358	—	—	—	—	—	11,358
Total other financing sources (uses)	<u>(12,300)</u>	<u>(4,499,491)</u>	<u>(9,642,003)</u>	<u>22,750,946</u>	<u>(1,448,352)</u>	<u>(4,149,901)</u>	<u>2,998,899</u>
NET CHANGE IN FUND BALANCES	454,486	(805,307)	128,129	(65,741)	(12,072,120)	(272,632)	(12,633,185)
FUND BALANCES, beginning of year	<u>24,843,852</u>	<u>11,667,273</u>	<u>4,979,438</u>	<u>3,497,034</u>	<u>19,396,658</u>	<u>5,610,777</u>	<u>69,995,032</u>
FUND BALANCES, end of year	<u>\$25,298,338</u>	<u>\$10,861,966</u>	<u>\$ 5,107,567</u>	<u>\$ 3,431,293</u>	<u>\$ 7,324,538</u>	<u>\$ 5,338,145</u>	<u>\$57,361,847</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, 2014

Net change in fund balances—governmental funds \$(12,633,185)

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	9,826,001
Depreciation	(4,790,304)

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

Capital assets transferred to business-type activities	(965,538)
Book value of capital assets disposed	(34,013)

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

Special Assessments	(259,253)
Grants	(1,327,376)
Loans	(7,097)

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	(128,402)
Compensated absences	(153,937)

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 position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are 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	276,630
General obligation bonds	27,850,000
Installment contracts	1,246,823
Interest	(47,811)
Issuance of long-term debt	(4,493,907)
Bond issuance costs	(762,436)
Amortization of bond premium	752,155

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. 3,064,854

Change in net position of governmental activities	<u>\$17,413,204</u>
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City of West Des Moines, Iowa
STATEMENT OF NET POSITION—PROPRIETARY FUNDS
June 30, 2014

	<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	\$36,457,619	\$6,307,443	\$441,175	\$43,206,237	\$20,829,546
Receivables					
Accounts and unbilled usage	2,330,016	554,101	438,297	3,322,414	6,306
Special assessments	2,165	3,837	998	7,000	—
Interest	64,497	2,467	—	66,964	5,192
Due from other governments	—	—	—	—	12,539
Inventories	—	—	—	—	75,205
Total current assets	<u>38,854,297</u>	<u>6,867,848</u>	<u>880,470</u>	<u>46,602,615</u>	<u>20,928,788</u>
Noncurrent assets					
Capital assets					
Nondepreciable					
Land	411,278	1,900	—	413,178	—
Construction-in-progress	808,587	179,101	—	987,688	—
Depreciable					
Equipment and vehicles	204,572	97,917	—	302,489	13,625,916
Intangibles	15,625	15,625	—	31,250	—
Infrastructure	81,716,984	30,986,063	—	112,703,047	—
Accumulated depreciation	<u>(33,047,918)</u>	<u>(3,175,130)</u>	<u>—</u>	<u>(36,223,048)</u>	<u>(8,609,397)</u>
Net capital assets	<u>50,109,128</u>	<u>28,105,476</u>	<u>—</u>	<u>78,214,604</u>	<u>5,016,519</u>
Total assets	<u>\$88,963,425</u>	<u>\$34,973,324</u>	<u>\$880,470</u>	<u>\$124,817,219</u>	<u>\$25,945,307</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 POSITION					
Liabilities					
Current					
Accounts payable	\$ 285,679	\$ 50,776	\$ 153,286	\$ 489,741	\$ 46,903
Claims payable	—	—	—	—	698,999
Compensated absences	62,893	42,085	—	104,978	—
Accrued wages payable	<u>11,578</u>	<u>13,864</u>	<u>—</u>	<u>25,442</u>	<u>—</u>
Total current liabilities	<u>360,150</u>	<u>106,725</u>	<u>153,286</u>	<u>620,161</u>	<u>745,902</u>
Noncurrent					
Compensated absences	23,605	41,141	—	64,746	—
Net OPEB liability	<u>19,566</u>	<u>15,362</u>	<u>—</u>	<u>34,928</u>	<u>—</u>
Total noncurrent liabilities	<u>43,171</u>	<u>56,503</u>	<u>—</u>	<u>99,674</u>	<u>—</u>
Total liabilities	<u>403,321</u>	<u>163,228</u>	<u>153,286</u>	<u>719,835</u>	<u>745,902</u>
Net position					
Investment in capital assets	50,109,128	28,105,476	—	78,214,604	5,016,519
Unrestricted	<u>38,450,976</u>	<u>6,704,620</u>	<u>727,184</u>	<u>45,882,780</u>	<u>20,182,886</u>
Total net position	<u>88,560,104</u>	<u>34,810,096</u>	<u>727,184</u>	<u>124,097,384</u>	<u>25,199,405</u>
Total liabilities and net position	<u>\$88,963,425</u>	<u>\$34,973,324</u>	<u>\$ 880,470</u>	<u>\$124,817,219</u>	<u>\$25,945,307</u>
Total enterprise funds net position				\$124,097,384	
Amounts reported for business-type activities in the statement of net position 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 position.				<u>374,576</u>	
Net position of business-type activities				<u>\$124,471,960</u>	

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION—PROPRIETARY FUNDS
Year ended June 30, 2014

	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	\$ 10,253,778	\$ 2,189,432	\$ 1,797,486	\$ 14,240,696	\$ 6,717,500
Lease revenue	—	—	—	—	1,548,297
Other	—	12,018	—	12,018	—
Total operating revenue	<u>10,253,778</u>	<u>2,201,450</u>	<u>1,797,486</u>	<u>14,252,714</u>	<u>8,265,797</u>
OPERATING EXPENSES					
Cost of sales and services	3,527,008	925,416	1,839,484	6,291,908	5,654,970
Administration	49,893	70,215	—	120,108	—
Depreciation	<u>1,633,376</u>	<u>634,429</u>	—	<u>2,267,805</u>	<u>1,149,199</u>
Total operating expenses	<u>5,210,277</u>	<u>1,630,060</u>	<u>1,839,434</u>	<u>8,679,821</u>	<u>6,804,169</u>
Operating income (loss)	<u>5,043,501</u>	<u>571,390</u>	<u>(41,998)</u>	<u>5,572,893</u>	<u>1,461,628</u>
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	102,692	7,429	—	110,121	15,357
Payments to WRA	(3,629,575)	—	—	(3,629,575)	—
Gain on sale of capital assets	<u>81</u>	—	—	<u>81</u>	<u>12,178</u>
Total nonoperating revenues (expenses)	<u>(3,526,802)</u>	<u>7,429</u>	<u>—</u>	<u>(3,519,373)</u>	<u>27,535</u>
Income (loss) before capital contributions and transfers	1,516,699	578,819	(41,998)	2,053,520	1,489,163
Capital contributions	1,012,551	2,208,091	—	3,220,642	29,101
Transfers in	—	—	—	—	1,630,467
Transfers out	—	(113,232)	—	(113,232)	(10,869)
Change in net position	<u>2,529,250</u>	<u>2,673,678</u>	<u>(41,998)</u>	<u>5,160,930</u>	<u>3,137,862</u>
Total net position, beginning of year	<u>86,030,854</u>	<u>32,136,418</u>	<u>769,182</u>	<u>118,936,454</u>	<u>22,061,543</u>
Total net position, end of year	<u>\$88,560,104</u>	<u>\$34,810,096</u>	<u>\$ 727,184</u>	<u>\$124,097,384</u>	<u>\$25,199,405</u>
Change in enterprise funds net position				\$ 5,160,930	
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>73,008</u>	
Change in net position of business-type activities				\$ <u>5,233,938</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, 2014

	Business-Type Activities Enterprise Funds				Internal Service Funds
	Sewer System	Storm Water System	Nonmajor Enterprise Fund Solid Waste	Total Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 10,225,198	\$ 2,185,315	\$ 1,788,533	\$14,199,046	\$ 8,270,504
Payments to suppliers	(2,364,575)	(657,715)	(1,946,548)	(4,968,838)	(1,264,018)
Payments to WRA	(3,629,575)	—	—	(3,629,575)	—
Payments to claimants	—	—	—	—	(4,460,157)
Payments to employees	(1,091,556)	(540,345)	—	(1,631,901)	—
Net cash provided (used for) operating activities	<u>3,139,492</u>	<u>987,255</u>	<u>(158,015)</u>	<u>3,968,732</u>	<u>2,546,329</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	—	—	—	—	1,630,467
Transfers out	—	(113,232)	—	(113,232)	(10,869)
Net cash provided by (used in) noncapital financing activities	<u>—</u>	<u>(113,232)</u>	<u>—</u>	<u>(113,232)</u>	<u>1,619,598</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(276,467)	(348,582)	—	(625,049)	(973,412)
Proceeds from disposal of capital assets	81	—	—	81	85,902
Net cash used in capital and related financing activities	<u>(276,386)</u>	<u>(348,582)</u>	<u>—</u>	<u>(624,968)</u>	<u>(887,510)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	111,931	6,346	—	118,277	15,499
Purchase of investment securities	(13,000,208)	(1,000,000)	—	(14,000,208)	(9,000,000)
Proceeds from maturity of investment securities	10,010,268	3,000,061	—	13,010,329	9,505,244
Net cash provided by (used in) investing activities	<u>(2,878,009)</u>	<u>2,006,407</u>	<u>—</u>	<u>(871,602)</u>	<u>520,743</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(14,903)	2,531,848	(158,015)	2,358,930	3,799,160
CASH AND CASH EQUIVALENTS, beginning of year	<u>17,472,314</u>	<u>2,775,595</u>	<u>599,190</u>	<u>20,847,099</u>	<u>11,530,386</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$17,457,411</u>	<u>\$ 5,307,443</u>	<u>\$ 441,175</u>	<u>\$23,206,029</u>	<u>\$15,329,546</u>

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
STATEMENT OF CASH FLOWS—PROPRIETARY FUNDS (continued)
Year ended June 30, 2014

	Business-Type Activities				
	Enterprise Funds				
	Sewer System	Storm Water System	Nonmajor Enterprise Fund Solid Waste	Total Enterprise Funds	Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income	\$ 5,043,501	\$ 571,390	\$ (41,998)	\$ 5,572,893	\$ 1,461,628
Adjustments to reconcile operating income to net cash provided by (used in) operating activities					
Depreciation	1,633,376	634,429	—	2,267,805	1,149,199
Payments to WRA	(3,629,575)	—	—	(3,629,575)	—
Change in assets and liabilities					
Receivables	(28,580)	(16,135)	(8,953)	(53,668)	4,707
Inventories	—	—	—	—	7,819
Accounts payable	101,441	(205,617)	(107,064)	(211,240)	(77,364)
Claims payable	—	—	—	—	340
Compensated absences and accrued wages payable	15,987	1,323	—	17,310	—
OPEB liability	3,342	1,865	—	5,207	—
Net cash provided by (used in) operating activities	<u>\$ 3,139,492</u>	<u>\$ 987,255</u>	<u>\$ (158,015)</u>	<u>\$ 3,968,732</u>	<u>\$ 2,546,329</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO SPECIFIC ASSETS ON THE STATEMENT OF NET POSITION					
Cash and investments	\$36,457,619	\$6,307,443	\$441,175	\$43,206,237	\$20,829,546
Less items not meeting the definition of cash equivalents	<u>(19,000,208)</u>	<u>(1,000,000)</u>	<u>—</u>	<u>(20,000,208)</u>	<u>(5,500,000)</u>
Cash and cash equivalents at end of year	<u>\$17,457,411</u>	<u>\$5,307,443</u>	<u>\$441,175</u>	<u>\$23,206,029</u>	<u>\$15,329,546</u>
SCHEDULE OF NONCASH ITEMS					
Capital and related financing activities					
Donated construction by developers	\$ 754,684	\$ 1,500,418	\$ —	\$ 2,512,969	\$ 29,101
Donated construction from other funds	\$ 257,865	\$ 707,673	\$ —	\$ 965,538	\$ —
Acquisition of capital assets through retainage payable	\$ (19,002)	\$ (5,842)	\$ —	\$ (24,844)	\$ —

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2014

ASSETS

Cash and investments	\$ 654,707
Restricted assets, contractors' bonds	<u>59,536</u>
Total assets	<u>\$ 714,243</u>

LIABILITIES

Deposits and remittances due	<u>714,243</u>
Total liabilities	<u>\$ 714,243</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 position 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 position presents the City's assets, liabilities, and deferred inflows of resources with the difference reported as net position. Three categories of net position are reported:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on the use of net position are either externally imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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)

Government-wide and fund financial statements (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, deferred inflows, fund balance/net position, 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 positions, 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 positions 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. 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.

Technology Replacement Fund: To account for replacement costs related to technology used by the City, such as hardware and software.

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 position and changes in net position 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 90 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 is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

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 2014, the date at which a lien attaches, based on the 2013 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 2014 tax levy is budgeted and levied for fiscal year 2015, the revenue from this tax levy has been deferred.

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 during the fiscal year. The financial statements of the City are prepared by making adjusting entries to the cash basis financial records at the end of the fiscal year.

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 positions 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.

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, 2014 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.

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 (continued):

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 reported as a deferred inflow of resources in both the government-wide and the 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, 2013, assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014, and reflects tax asking contained in the budget certified to the County Board of Supervisors in February 2013.

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 invested from contributions which carry specific restrictions for their use are classified as restricted assets.

Bond Issuance Costs: in the government-wide financial statements and the fund financial statements, bond issuance costs are recognized during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses in the government-wide financial statement and proprietary fund types in the fund financial statement. Governmental funds recognize the costs as debt service expenditures.

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.

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 (continued):

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 Inflows of Resources: In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to some future period(s) and is, therefore, not recognized as an inflow of resources (revenue) until that time. The governmental activities report unavailable property taxes, while the governmental funds also report unavailable revenues from grants, loans, and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the City's government-wide financial statements, only the property tax revenues remain under the full accrual basis of accounting. The property tax revenues will become an inflow in the year for which they are levied and budgeted.

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".

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):

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, 2014, 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 Position and the proprietary fund Statement of Net Position.

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

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.

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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, it is the City's policy to pay the expenditure from restricted fund balance and then from less restrictive classifications of committed, assigned and then unassigned fund balance.

**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):

Net Position: Net position represents the difference between assets and liabilities. Net investment in capital assets, 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 investment in capital assets excludes unspent debt proceeds. As of June 30, 2014, the City had \$6,409,669 in unspent debt proceeds available for projects. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted through enabling legislation consists of \$10,861,966 for road construction projects, \$2,959,142 for retirement benefits, \$1,671,508 for capital projects, and \$6,431,156 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 position 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, 2014, disbursements exceeded the amount budgeted in the Community and Economic Development function because of a pass-through grant payment made to a federal grant subrecipient which was not anticipated to be required during the fiscal year. The corresponding revenue from the grantor was received, but was also not included in the budget.

NOTE 2 CASH AND INVESTMENTS

As of June 30, 2014, the City's cash and investments were as follows:

Cash and investments, statement of net position	\$120,981,345
Restricted cash and investments	200,000
Cash and investments, fiduciary funds	<u>714,243</u>
	<u>\$121,895,588</u>
Deposits including certificates of deposit	\$ 76,749,079
Investments	<u>45,146,509</u>
	<u>\$121,895,588</u>

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.

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

NOTE 2 CASH AND INVESTMENTS (continued)

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, 2014 was 36.3 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>45,146,509</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 of June 30, 2014, 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.

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

NOTE 3 CAPITAL ASSETS

The City has reported all capital assets including infrastructure in the government-wide statement of net position. 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, 2014:

	<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	\$ 23,852,183	\$ 55,992	\$ -	\$ -	\$ 23,908,175
Infrastructure	336,272,478	3,629,457	79,297	-	339,822,638
Construction-in-progress	11,298,163	13,840,432	9,713,545	(965,538)	14,459,512
Intangibles	<u>15,574,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,574,850</u>
Total capital assets, not being depreciated	<u>386,997,674</u>	<u>17,525,881</u>	<u>9,792,842</u>	<u>(965,538)</u>	<u>393,765,175</u>
Capital assets, being depreciated					
Buildings	43,883,441	125,595	-	-	44,009,036
Equipment and vehicles	21,663,173	1,873,045	775,310	-	22,760,908
Fiber network	5,109,062	-	-	-	5,109,062
Improvements other than buildings	40,930,977	1,047,551	11,358	-	41,967,170
Share of undivided equity interest assets	1,798,091	36,220	90,388	-	1,743,923
Intangibles	<u>629,235</u>	<u>13,064</u>	<u>8,951</u>	<u>-</u>	<u>633,348</u>
Total capital assets, being depreciated	<u>114,013,979</u>	<u>3,095,475</u>	<u>886,007</u>	<u>-</u>	<u>116,223,447</u>
Less accumulated depreciation for					
Buildings	21,714,845	1,484,050	-	-	23,198,895
Equipment and vehicles	11,243,526	1,732,917	719,499	-	12,256,944
Fiber network	1,273,180	255,428	-	-	1,528,608
Improvements other than buildings	26,770,920	2,371,501	-	-	29,142,421
Share of undivided equity interest assets	1,518,334	62,754	76,325	-	1,504,763
Intangibles	<u>539,685</u>	<u>50,407</u>	<u>-</u>	<u>-</u>	<u>590,092</u>
Total accumulated depreciation	<u>63,060,490</u>	<u>5,957,057</u>	<u>795,824</u>	<u>-</u>	<u>68,221,723</u>
Total capital assets, being depreciated, net	<u>50,953,489</u>	<u>(2,861,582)</u>	<u>90,183</u>	<u>-</u>	<u>48,001,724</u>
 Governmental activities, capital assets, net	 <u>\$437,951,163</u>	 <u>\$14,664,299</u>	 <u>\$ 9,883,025</u>	 <u>\$ (965,538)</u>	 <u>\$441,766,899</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>1,414,512</u>	<u>1,609,136</u>	<u>2,035,960</u>	<u>-</u>	<u>987,688</u>
Total capital assets, not being depreciated	<u>1,827,690</u>	<u>1,609,136</u>	<u>2,035,960</u>	<u>-</u>	<u>1,400,866</u>
Capital assets, being depreciated					
Equipment	302,489	-	-	-	302,489
Intangibles	31,250	-	-	-	31,250
Sanitary and storm sewer system	<u>108,456,306</u>	<u>3,282,133</u>	<u>930</u>	<u>965,538</u>	<u>112,703,047</u>
Total capital assets, being depreciated	<u>108,790,045</u>	<u>3,282,133</u>	<u>930</u>	<u>965,538</u>	<u>113,036,786</u>
Less accumulated depreciation for					
Equipment	78,412	41,123	-	-	119,535
Intangibles	6,250	6,250	-	-	12,500
Sanitary and storm sewer system	<u>33,871,511</u>	<u>2,220,432</u>	<u>930</u>	<u>-</u>	<u>36,091,013</u>
Total accumulated depreciation	<u>33,956,173</u>	<u>2,267,805</u>	<u>930</u>	<u>-</u>	<u>36,223,050</u>
Total capital assets, being depreciated, net	<u>74,833,872</u>	<u>1,014,326</u>	<u>0</u>	<u>965,538</u>	<u>76,813,736</u>
Business-type activities, capital assets, net	<u>\$76,661,562</u>	<u>\$2,623,462</u>	<u>\$2,035,960</u>	<u>\$965,538</u>	<u>\$78,214,602</u>

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

Governmental Activities	
Public safety	\$1,520,797
Health and social services	77,943
Culture and recreation	2,631,047
Public works	1,093,975
General government	489,170
Community and economic development	<u>144,125</u>
	<u>\$5,957,057</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, 2014:

	<u>Balance July 1, 2013</u>	<u>Increases and Issues</u>	<u>Decreases and Retirements</u>	<u>Balance June 30, 2014</u>	<u>Due within one year</u>
Governmental activities					
General obligation bonds	\$101,834,009	\$ 4,385,000	\$ 28,493,247	\$ 77,725,762	\$12,025,000
Capital lease obligations	559,497	-	276,630	282,867	173,339
Installment contracts	2,833,645	-	1,246,823	1,586,822	1,246,823
Compensated absences	3,977,313	4,131,250	3,977,313	4,131,250	2,507,143
Net OPEB liability	<u>638,516</u>	<u>128,402</u>	<u>-</u>	<u>766,918</u>	<u>-</u>
Total governmental activities	<u>109,842,980</u>	<u>8,644,652</u>	<u>33,994,013</u>	<u>84,493,619</u>	<u>15,952,305</u>
Business-type activities					
Compensated absences	159,454	169,723	159,454	169,723	104,978
Net OPEB liability	<u>29,721</u>	<u>5,207</u>	<u>-</u>	<u>34,928</u>	<u>-</u>
Total business-type activities	<u>189,175</u>	<u>174,930</u>	<u>159,454</u>	<u>204,651</u>	<u>95,575</u>
Total long-term debt	<u>\$110,032,156</u>	<u>\$ 8,819,582</u>	<u>\$ 34,153,467</u>	<u>\$ 84,698,270</u>	<u>\$ 16,057,283</u>

(1) Bonds were sold at a net premium; unamortized net premium at June 30, 2014 totaled \$3,780,762.

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

NOTE 4 BONDED AND OTHER DEBT (continued)

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 occurred 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 August 21, 2013, the City issued \$800,000 in general obligation refunding bonds with an average interest rate of 2% to current refund \$815,000 Series 2005A general obligation bonds with an average interest rate of 3.69%. The 2005A bonds were called on August 22, 2013. The City issued the refunding debt to reduce its total debt service payments over the next two years by \$37,155 and to obtain an economic gain of \$36,154.

General Obligation Bonds/Notes: General obligation bonds outstanding as of June 30, 2014, 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, 2014</u>
12/17/2007	3.625 - 3.800	June 2019	195,000 - 265,000	3,210,000	1,215,000
06/30/2008	3.625 - 4.000	June 2022	100,000 - 1,090,000	7,000,000	6,800,000
11/12/2009	2.500 - 3.500	June 2015	445,000 - 2,405,000	7,510,000	445,000
12/02/2009	4.000	June 2015	225,000 - 240,000	6,500,000	240,000
03/04/2010	2.000 - 4.250	June 2020	780,000 - 4,140,000	31,450,000	20,235,000
06/29/2010	3.000	June 2020	685,000 - 845,000	7,000,000	4,685,000
08/11/2010	2.000 - 4.000	June 2029	50,000 - 405,000	5,000,000	4,705,000
08/10/2011	2.000 - 3.500	June 2025	1,215,000 - 500,000	6,900,000	4,930,000
08/25/2011	2.000 - 2.500	June 2018	1,775,000 - 1,985,000	11,270,000	7,685,000
05/01/2012	4.000	June 2018	365,000 - 1,040,000	2,610,000	1,570,000
05/01/2012	5.000	June 2021	560,000 - 1,945,000	11,355,000	11,355,000
06/27/2012	2.000 - 3.000	June 2026	250,000 - 655,000	7,520,000	6,775,000
08/21/2013	2.000 - 3.100	June 2024	250,000 - 1,080,000	4,385,000	3,305,000
				<u>\$111,710,000</u>	<u>\$73,945,000</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 has been amended to include the purchase of a scale and conveyor at a cost of \$72,950. The agreement requires annual payments of \$112,004 including interest at 5.0 percent through July 2013. As of June 30, 2014, the lease purchase agreement had been paid in full, the building had a net book value of \$269,173 and the equipment had a net book value of \$58,360.

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, 2014, the balance of the lease purchase agreement was \$99,405 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.

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

NOTE 4 BONDED AND OTHER DEBT (continued)

Other than Bonded Debt (continued):

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, 2014, the balance of the lease purchase agreement was \$183,462 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.

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, 2014, was \$1,076,823.

Installment contract: The City has entered into an installment contract with Wright Outdoor Solutions for a building. The agreement is non-interest bearing and is payable in annual installments of \$170,000 through September 2016. The balance due as of June 30, 2014 was \$510,000 and the building had a net book value of \$557,755.

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

Summary of principal and interest maturities: Annual debt service requirements to service all outstanding indebtedness as of June 30, 2014, are as follows:

	<u>General Obligation Bonds</u>		<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<u>Year ending June 30</u>				
2015	12,025,000	2,657,741	173,339	6,122
2016	14,185,000	2,244,535	109,528	1,164
2017	11,715,000	1,735,073	-	-
2018	11,395,000	1,315,429	-	-
2019	9,120,000	897,059	-	-
2020 - 2024	11,860,000	1,596,701	-	-
2025 - 2029	<u>3,645,000</u>	<u>299,194</u>	<u>-</u>	<u>-</u>
	<u>\$ 73,945,000</u>	<u>\$ 10,745,732</u>	<u>\$ 282,867</u>	<u>\$ 7,286</u>
<u>Year ending June 30</u>				
2015	1,246,823	-		
2016	170,000	-		
2017	<u>170,000</u>	<u>-</u>		
	<u>\$ 1,586,823</u>	<u>\$ -</u>		

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

NOTE 4 BONDED AND OTHER DEBT (continued)

Legal debt margin: As of June 30, 2014, the outstanding general obligation debt of the City did not exceed its legal debt margin computed as follows:

Actual valuation *	\$5,719,470,341
Plus captured tax increment value	394,337,882
Less military exemption	<u>(3,806,652)</u>
 Total assessed valuation of the property of the City of West Des Moines	 <u>\$6,110,001,571</u>
 Debt limit, 5% of total actual valuation	 \$305,500,079
Debt applicable to debt limit:	
General obligation bonds	77,725,762
Capital lease obligations	282,867
Installment contracts	<u>1,586,822</u>
 Legal debt margin	 <u>\$225,904,628</u>

* 100% of assessed valuation including TIF increment.

NOTE 5 INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivables and payables balances as of June 30, 2014 were:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>June 30, 2014</u>
Major governmental fund, General	Major governmental fund, Tax Increment Financing	\$ 24,458
Major governmental fund, General	Nonmajor governmental fund, CDBG	100
Major governmental fund, General	Nonmajor governmental fund, Dallas County Local Housing Trust Fund	<u>47,040</u>
 Total		 <u>\$ 71,598</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.

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

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	\$ 4,387,162	\$ 4,410,820
Special revenue funds		
Road Use Tax	182,703	4,682,194
Tax Increment financing		9,642,003
Debt Service	22,750,946	-
Capital Projects	7,669,765	13,612,024
Major enterprise fund		
Storm Water System	-	113,232
Nonmajor governmental funds	181,239	4,331,140
Internal Service Fund		
Technology Replacement	1,000,000	
Vehicle Replacement	-	10,869
Workers compensation insurance	<u>630,467</u>	<u>-</u>
 Total	 <u>\$36,802,282</u>	 <u>\$36,802,282</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.

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 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%.

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

NOTE 7 PENSION AND RETIREMENT SYSTEMS (continued)

Funding Policy (continued):

The contribution rates for plan members and the City in years ended June 30, 2014, 2013, and 2012 under the two plans is as follows:

	Plan Member Contributions			City Contributions		
	2014	2013	2012	2014	2013	2012
IPERS						
Regular	5.95%	5.78%	5.38%	8.93%	8.67%	8.07%
Protected Class	6.76%	6.84%	6.65%	10.14%	10.27%	9.97%
MFPRSI	9.40%	9.40%	9.40%	30.12%	26.12%	24.76%

The City's contributions to IPERS and MFPRSI for the years ended June 30, 2014, 2013, and 2012 were equal to 100% of the required contributions for each year as follows:

	2014	2013	2012
IPERS	\$1,617,030	\$1,529,529	\$1,458,325
MFPRSI	\$2,404,500	\$2,023,600	\$1,881,373

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, is available to all full & ¾ time 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.

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.

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

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution, ARC	\$ 152,741
Interest on net OPEB obligation	33,412
Adjustment to annual required contribution	<u>(44,118)</u>
Annual OPEB cost	142,035
Contributions made	<u>(8,426)</u>
Increase in net OPEB obligation	133,609
Net OPEB obligation, beginning of year	<u>668,237</u>
 Net OPEB obligation, end of year	 <u>\$ 801,846</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the City contributed \$8,426 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, 2014 are summarized as follows:

<u>Fiscal year ended June 30</u>	<u>Annual OPEB cost</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB obligation</u>
2012	\$ 133,135	14.4%	\$ 579,458
2013	\$ 144,018	38.4%	\$ 668,237
2014	\$ 142,035	5.9%	\$ 801,846

As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$1,471,469 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of \$1,471,469. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$21,693,000, and the ratio of the UAAL to the covered payroll was 6.8%. As of June 30, 2014, 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, 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.

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

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

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, 2012, 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 5.0%. The ultimate medical trend rate is 5.0%. The medical trend rate has been 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 \$10,660 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.

In May of 2013, the WRA issued Sewer Revenue Bonds Series 2013B for the purpose of refunding Series 2004B. As of June 30, 2014, the Series 2013B bonds had a balance of \$55,880,000 and the City of West Des Moines' estimated future allocation based on the WRA flows is currently \$10,677,835.

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

NOTE 10 JOINT VENTURE (continued)

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, 2014, the Series 2006A bonds had a balance of \$33,275,000 and the City of West Des Moines' estimated future allocation based on the WRA flows is currently \$6,358,356.

The WRA Agreement requires the debt service on all State Revolving Loans issued after July 1, 2004 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, 2014, the WRA had \$249,324,590 of such State Revolving Loans of which \$44,896,482 future principal debt service is a commitment to the City of West Des Moines. The State Revolving Loans assumed by the WRA in 2004 are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2014, the WRA had \$3,506,000 in these State Revolving Loans of which \$346,989 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, 2014:

Received from West Des Moines Water Works	
Occupancy reimbursements	\$ 19,302
Health insurance premiums	489,164
Gasoline reimbursements	43,306
Telephone reimbursements	7,063
Share of general insurance	134,899
Delinquent reimbursements	548
Miscellaneous reimbursements	81,505
Payments to West Des Moines Water Works	
Collection fees for sewer, solid waste, and storm water	166,783
Miscellaneous fees	64,244

Amounts receivable from West Des Moines Water Works as of June 30, 2014 for sewer, storm water, and solid waste charges totaled \$1,638,916, \$380,158, and \$292,038, 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 \$1,090,955 and \$1,030,987, 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 \$2,445,105 and \$31,873, respectively.

NOTE 12 COMMITMENTS

The City has entered into contracts totaling approximately \$25,746,750 for various projects that were not complete at year-end. As of June 30, 2014, approximately \$12,972,130 has been incurred on these contracts.

In order to encourage development within designated Urban Renewal Areas, the City Council has approved development rebate agreements related to five 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 \$9.9 million exist, of which \$.9 million is likely to be eligible to be paid in the next fiscal year. The payments will be expensed in the period in which they are paid. No liability for these obligations is recognized due to the fact that the agreements are conditional and the payments are to be funded by future property taxes received on the project.

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, 2014 were approximately \$538,000.

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 \$100,000 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, 2014, no liability has been recorded in the City's financial statements. As of June 30, 2014, 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 unlimited lifetime maximum coverage for health care needs. The plan is funded by both employee and City contributions and is administered through a service agreement with Wellmark. The uninsured risk retention per person is \$100,000 (not to exceed 125 percent of the aggregate expected claims of \$3,535,127 for the year ended June 30, 2014). 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)

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, 2014 was \$4,188,518.

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 \$1,891,000.

Amounts payable from the Health and Dental Insurance Fund and the Worker's Compensation Insurance Fund as of June 30, 2014, totaled \$698,999 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 did not exceed the stop-loss coverage in the years ended June 30, 2014, 2013, and 2012. Information on changes in the aggregate liabilities for claims is as follows:

	2014	2013
Claims payable, beginning of year	\$ 698,659	\$ 691,108
Claims recognized	3,797,656	4,030,632
Claim payments	<u>(3,797,616)</u>	<u>(4,023,081)</u>
Claims payable, end of year	<u>\$ 698,999</u>	<u>\$ 698,659</u>

NOTE 14 CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued Industrial Development Revenue Bonds, under the provisions of Chapter 419 of the Code of Iowa, to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon prepayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2014, there was one series of industrial development revenue bonds outstanding, with an aggregated principal amount payable of \$2,690,000. On July 1, 2014, the principal was refinanced as part of a new series with an aggregated principal amount payable of \$5,200,000.

NOTE 15 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.

NOTE 16 SUBSEQUENT EVENTS

The City issued general obligation bonds totaling \$13,375,000 on September 11, 2014 to fund various infrastructure and other capital improvements and for the current refunding of \$1,215,000 of the Series 2007A General Obligation Bonds dated December 17, 2007.

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

NOTE 17 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS

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

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.

Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013, will be effective for the fiscal year ending June 30, 2015. The objective of this statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term government combinations is used in this Statement to refer to a variety of arrangements including mergers and acquisitions.

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, issued November 2013, will be effective for the fiscal year ending June 30, 2015. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*.

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>
2012	July 1, 2010	\$ -	\$1,368	\$1,368	0.0%	\$ 20,225	6.8%
2013	July 1, 2012	\$ -	\$1,471	\$1,471	0.0%	\$ 21,693	6.8%
2014	July 1, 2012	\$ -	\$1,471	\$1,471	0.0%	\$ 21,693	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, 2014

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
REVENUES						
Property tax	\$ 47,106,767	\$ —	\$ 47,106,767	\$ 47,510,700	\$ 47,510,700	\$ (403,933)
Tax increment financing taxes	10,822,378	—	10,822,378	10,877,193	10,877,193	(54,815)
Other City taxes	4,312,899	—	4,312,899	3,764,608	3,764,608	548,291
Special assessments	315,821	—	315,821	100,000	210,000	105,821
Licenses and permits	2,172,885	—	2,172,885	1,087,800	1,882,800	290,085
Intergovernmental	15,117,233	—	15,117,233	9,875,386	11,731,600	3,385,633
Charges for services	5,600,845	14,240,696	19,841,541	17,441,099	18,402,099	1,439,442
Use of money and property	241,391	110,121	351,512	1,917,425	1,957,425	(1,605,913)
Miscellaneous	2,072,539	12,018	2,084,557	8,154,801	8,444,101	(6,359,544)
Total revenues	<u>87,762,758</u>	<u>14,362,835</u>	<u>102,125,593</u>	<u>100,729,012</u>	<u>104,780,526</u>	<u>(2,654,933)</u>
EXPENDITURES/EXPENSES						
Public safety	25,550,009	—	25,550,009	26,418,092	26,886,247	1,336,238
Public works	7,899,715	—	7,899,715	8,253,575	8,567,835	668,120
Health and social services	1,059,392	—	1,059,392	1,240,193	1,258,493	199,101
Culture and recreation	7,528,417	—	7,528,417	7,576,755	7,985,466	457,049
Community and economic development	8,539,842	—	8,539,842	6,389,177	6,731,577	(1,808,265)
General government	6,088,713	—	6,088,713	6,475,713	6,761,128	672,415
Debt service	33,058,321	—	33,058,321	19,208,496	33,118,779	60,458
Capital outlay	13,670,433	—	13,670,433	15,847,000	20,836,503	7,166,070
Business-type	—	12,309,396	12,309,396	21,605,187	22,904,137	10,594,741
Total expenditures/expenses	<u>103,394,842</u>	<u>12,309,396</u>	<u>115,704,238</u>	<u>113,014,188</u>	<u>135,050,165</u>	<u>19,345,927</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(15,632,084)	2,053,439	(13,578,645)	(12,285,176)	(30,269,639)	16,690,994
OTHER FINANCING SOURCES, NET						
	<u>2,998,899</u>	<u>3,107,491</u>	<u>6,106,390</u>	<u>8,321,000</u>	<u>8,321,000</u>	<u>(2,214,610)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing sources (uses)	(12,633,185)	5,160,930	(7,472,255)	(3,964,176)	(21,948,639)	\$14,476,384
BALANCES , beginning of year	<u>69,995,032</u>	<u>118,936,454</u>	<u>188,931,486</u>	<u>189,931,486</u>	<u>188,931,486</u>	
BALANCES , end of year	<u>\$57,361,847</u>	<u>\$124,097,384</u>	<u>\$181,459,231</u>	<u>\$184,967,310</u>	<u>\$166,982,847</u>	

See Note to Required Supplementary Information.

City of West Des Moines, Iowa
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION—BUDGETARY REPORTING
Year ended June 30, 2014

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 \$22,035,977. 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, 2014

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 items are rated as Minimally Acceptable or one or more items are rated as Unacceptable and an engineering determination concludes that unacceptable items would not prevent the segment / system from performing 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, 2014

One factor that significantly affects the trend of levee condition assessments is the 2013 assessment is a Periodic Inspection using different criteria and standards than the previous years' Continuing Eligibility Inspections.

Condition rating of the City's street subsystem:

Category	OCI Range	2011		2012		2013	
		Lane Miles	Percent of Street Network	Lane Miles	Percent of Street Network	Lane Miles	Percent of Street Network
Very Good	100-90	260	34.1	254	33.2	241	31.2
Good	90-80	233	31.5	253	33.0	274	35.3
Average	80-60	171	22.5	157	20.5	151	19.5
Below Average	60-50	76	10.2	84	11.0	90	11.6
Poor	50-25	18	1.7	18	2.3	18	2.4
Failed	25-0	0	0	0	0	0	0
Total		758	100%	766	100%	774	100%

Overall condition index (OCI):

	2011	2012	2013
Goal	78-80	78-80	78-80
Actual	80.3	80.3	80.2

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

Condition Categories Based on FHWA Criteria:

Category	OCI Range	2009		2011		2013	
		Bridges Inspected	Percent of Bridges Inspected	Bridges Inspected	Percent of Bridges Inspected	Bridges Inspected	Percent of Bridges Inspected
Excellent	100-90	18	75.0	17	70.8	17	58.6
Very Good	90-80	4	16.7	4	16.7	6	20.7
Good	80-70	1	4.2	1	4.2	2	6.9
Satisfactory	70-60	1	4.1	1	4.2	2	6.9
Fair	60-50	0	0	1*	4.1	2	6.9
Poor	50-40	0	0	0	0	0	0
Serious	40-30	0	0	0	0	0	0
Critical	30-20	0	0	0	0	0	0
Imminent Failure	20-10	0	0	0	0	0	0
Failed	10-0	0	0	0	0	0	0
Total		24	100%	24	100%	29	100%

*Structure is closed to traffic

Overall condition index (OCI):

	2009	2011	2013
Goal	81 or greater	81 or greater	81 or greater
Actual	93.8	91.3	86.4

See accompanying independent auditor's report.

City of West Des Moines, Iowa
REQUIRED SUPPLEMENTARY INFORMATION—MODIFIED APPROACH (continued)
Year ended June 30, 2014

Levee Condition by Category as of the Last Assessment

Condition Categories Based on Army Corp. Criteria:

<u>OCI Range</u>	<u>2009</u>		<u>2011</u>		<u>2012</u>	
	<u>Levee Items Inspected</u>	<u>Percent of Levee Items Inspected</u>	<u>Levee Items Inspected</u>	<u>Percent of Levee Items Inspected</u>	<u>Levee Items Inspected</u>	<u>Percent of Levee Items Inspected</u>
Acceptable	45	83.3	50	86.2	40	75.5
Minimally Acceptable	9	16.7	8	13.8	10	18.9
Unacceptable	0	0	0	0	3	5.6
	<u>54</u>	<u>100%</u>	<u>58</u>	<u>100%</u>	<u>53</u>	<u>100%</u>

Overall condition index (OCI):

	<u>2009</u>	<u>2011</u>	<u>2012</u>
Goal	Acceptable	Minimally Acceptable	Minimally Acceptable
Actual	Acceptable	Minimally Acceptable	Minimally Acceptable

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Estimated Costs	\$4,915	\$5,397	\$4,374	\$5,296	\$5,307	\$6,753	\$4,567
Actual Costs	\$4,661	\$5,024	\$5,071	\$5,387	\$5,119	\$3,720	\$4,130

**City of West Des Moines, Iowa
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014**

	<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	\$2,999,339	\$ -	\$ 632,003	\$ 400,076
Restricted cash and investments	-	-	-	200,000
Receivables				
Property taxes	2,161,747	4,293,506	-	-
Accounts	-	-	2,850	700
Loans	-	-	22,500	-
Due from other governments	-	-	-	10,891
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$5,161,086</u>	<u>\$4,293,506</u>	<u>\$ 657,353</u>	<u>\$ 611,667</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)				
Liabilities				
Accounts payable	\$ 55,300	\$ -	\$ 430	\$ 1,953
Accrued wages payable	-	-	-	1,429
Due to other funds	-	-	-	-
Total liabilities	<u>55,300</u>	<u>-</u>	<u>430</u>	<u>3,382</u>
Deferred inflows of resources				
Unavailable revenue:				
Succeeding year property tax	2,156,899	4,283,251	-	-
Grants	-	-	-	-
Loans	-	-	21,000	-
Total deferred inflows of resources	<u>2,156,899</u>	<u>4,283,251</u>	<u>21,000</u>	<u>-</u>
Fund balances				
Restricted for				
Other purposes	2,948,887	10,255	635,923	608,285
Total fund balances	<u>2,948,887</u>	<u>10,255</u>	<u>635,923</u>	<u>608,285</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$5,161,086</u>	<u>\$4,293,506</u>	<u>\$ 657,353</u>	<u>\$ 611,667</u>

See accompanying independent auditor's report.

<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>
\$ 470,721	\$ 194,657	\$ 314,855	\$ -	\$ -	\$ 5,011,651
-	-	-	-	-	200,000
-	-	-	-	-	6,455,253
-	-	33,447	66,779	-	103,776
-	-	-	-	-	22,500
-	-	50,000	-	83,826	144,717
<u>\$ 470,721</u>	<u>\$ 194,657</u>	<u>\$ 398,302</u>	<u>\$ 66,779</u>	<u>\$ 83,826</u>	<u>\$11,937,897</u>
\$ 1,598	\$ -	\$ 6,668	\$ 17,227	\$ 296	\$ 83,472
-	-	-	417	1,233	3,079
-	-	-	47,040	100	47,140
<u>1,598</u>	<u>-</u>	<u>6,668</u>	<u>64,684</u>	<u>1,629</u>	<u>133,691</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,440,150
-	-	-	-	4,911	4,911
-	-	-	-	-	21,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,911</u>	<u>6,466,061</u>
469,123	194,657	391,634	2,095	77,286	5,338,145
<u>469,123</u>	<u>194,657</u>	<u>391,634</u>	<u>2,095</u>	<u>77,286</u>	<u>5,338,145</u>
<u>\$ 470,721</u>	<u>\$ 194,657</u>	<u>\$ 398,302</u>	<u>\$ 66,779</u>	<u>\$ 83,826</u>	<u>\$11,937,897</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, 2014

	<u>Special Revenue</u>		
	<u>Police and Fire Retirement</u>	<u>Employee Benefit</u>	<u>Economic Development</u>
REVENUE			
Property taxes	\$1,933,474	\$4,089,809	\$ -
Other City taxes	23,791	50,324	-
Intergovernmental	-	-	50,000
Use of money and property	-	-	-
Miscellaneous	-	-	19,396
Total revenues	<u>1,957,265</u>	<u>4,140,133</u>	<u>69,396</u>
EXPENDITURES			
Current operating			
Public safety	2,412,815	-	-
Health and social services	-	-	-
Culture and recreation	-	-	-
Community and economic development	-	-	107,909
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>2,412,815</u>	<u>-</u>	<u>107,909</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(455,550)</u>	<u>4,140,133</u>	<u>(38,513)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	50,000
Transfers out	-	(4,129,878)	-
Total other financing sources (uses)	<u>-</u>	<u>(4,129,878)</u>	<u>50,000</u>
Net change in fund balances	(455,550)	10,255	11,487
Fund balances (deficit), beginning of year	<u>3,404,437</u>	<u>-</u>	<u>624,436</u>
Fund balances, end of year	<u>\$2,948,887</u>	<u>\$ 10,255</u>	<u>\$ 635,923</u>

See accompanying independent auditor's report.

Housing Programs	Parks	Library	Public Safety	Dallas County Local Housing Trust Fund	Community Development Block Grant	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,023,283
-	-	-	-	-	-	74,115
113,852	-	-	-	222,192	2,341,161	2,727,205
511	2	20	6	-	-	539
<u>98,313</u>	<u>74,290</u>	<u>60,882</u>	<u>751,622</u>	<u>4,916</u>	<u>29,001</u>	<u>1,038,420</u>
<u>212,676</u>	<u>74,292</u>	<u>60,902</u>	<u>751,628</u>	<u>227,108</u>	<u>2,370,162</u>	<u>9,863,562</u>
-	-	-	524,237	-	-	2,937,052
220,802	-	-	-	-	-	220,802
-	56,323	88,586	-	-	-	144,909
-	-	-	-	256,876	2,247,034	2,611,819
-	-	-	67,625	-	-	67,625
-	-	-	4,086	-	-	4,086
<u>220,802</u>	<u>56,323</u>	<u>88,586</u>	<u>595,948</u>	<u>256,876</u>	<u>2,247,034</u>	<u>5,986,293</u>
<u>(8,126)</u>	<u>17,969</u>	<u>(27,684)</u>	<u>155,680</u>	<u>(29,768)</u>	<u>123,128</u>	<u>3,877,269</u>
8,000	120,000	-	-	3,239	-	222,151
-	-	-	(170,000)	-	(31,262)	(4,372,052)
<u>8,000</u>	<u>120,000</u>	<u>-</u>	<u>(170,000)</u>	<u>3,239</u>	<u>(31,262)</u>	<u>(4,149,901)</u>
(126)	137,969	(27,684)	(14,320)	(26,529)	91,866	(272,632)
<u>608,411</u>	<u>331,154</u>	<u>222,341</u>	<u>405,954</u>	<u>28,624</u>	<u>(14,580)</u>	<u>5,610,777</u>
<u>\$ 608,285</u>	<u>\$ 469,123</u>	<u>\$ 194,657</u>	<u>\$ 391,634</u>	<u>\$ 2,095</u>	<u>\$ 77,286</u>	<u>\$ 5,338,145</u>

See accompanying independent auditor's report.

City of West Des Moines
COMBINING STATEMENT OF NET POSITION-INTERNAL SERVICE FUNDS
Year ended June 30, 2014

	<u>Vehicle Replacement</u>	<u>Vehicle Maintenance</u>	<u>Health and Dental Insurance</u>	<u>Worker's Compensation Insurance</u>	<u>Technology Replacement</u>	<u>Total</u>
ASSETS						
Current assets						
Cash and investments	\$ 9,117,756	\$ 94,356	\$7,186,142	\$ 3,431,292	\$ 1,000,000	\$20,829,546
Accounts receivable	-	64	6,242	-	-	6,306
Interest	4,092	-	1,100	-	-	5,192
Due from other governments	-	12,539	-	-	-	12,539
Inventories	-	75,205	-	-	-	75,205
Total current assets	<u>9,121,848</u>	<u>182,164</u>	<u>7,193,484</u>	<u>3,431,292</u>	<u>1,000,000</u>	<u>20,928,788</u>
Noncurrent assets, capital assets						
Equipment and vehicles	13,625,916	-	-	-	-	13,625,916
Accumulated depreciation	<u>(8,609,397)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,609,397)</u>
Total noncurrent assets	<u>5,016,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,016,519</u>
Total assets	<u>\$ 14,138,367</u>	<u>\$ 182,164</u>	<u>\$7,193,484</u>	<u>\$ 3,431,292</u>	<u>\$ 1,000,000</u>	<u>\$25,945,307</u>
LIABILITIES AND NET POSITION						
Liabilities						
Current						
Accounts payable	\$ 2,370	\$ 44,533	\$ -	\$ -	\$ -	\$ 46,903
Claims payable	-	-	368,353	330,646	-	698,999
Total current liabilities	<u>2,370</u>	<u>44,533</u>	<u>368,353</u>	<u>330,646</u>	<u>-</u>	<u>745,902</u>
Net position						
Net investment in capital assets	5,016,519	-	-	-	-	5,016,519
Unrestricted	<u>9,119,478</u>	<u>137,631</u>	<u>6,825,131</u>	<u>3,100,646</u>	<u>1,000,000</u>	<u>20,182,886</u>
Total net position	<u>14,135,997</u>	<u>137,631</u>	<u>6,825,131</u>	<u>3,100,646</u>	<u>1,000,000</u>	<u>25,199,405</u>
Total liabilities and net position	<u>\$ 14,138,367</u>	<u>\$ 182,164</u>	<u>\$7,193,484</u>	<u>\$ 3,431,292</u>	<u>\$ 1,000,000</u>	<u>\$25,945,307</u>

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
Year ended June 30, 2014

	<u>Vehicle Replacement</u>	<u>Vehicle Maintenance</u>	<u>Health and Dental Insurance</u>	<u>Worker's Compensation Insurance</u>	<u>Technology Replacement</u>	<u>Total</u>
OPERATING REVENUES						
Charges for services	\$ -	\$ 1,198,125	\$5,225,018	\$ 294,357	\$ -	\$ 6,717,500
Lease revenue	<u>1,548,297</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,548,297</u>
Total operating revenues	<u>1,548,297</u>	<u>1,198,125</u>	<u>5,225,018</u>	<u>294,357</u>	<u>-</u>	<u>8,265,797</u>
OPERATING EXPENSES						
Cost of sales and services	-	1,194,473	4,063,845	396,652	-	5,654,970
Depreciation	<u>1,149,199</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,149,199</u>
Total operating expenses	<u>1,149,199</u>	<u>1,194,473</u>	<u>4,063,845</u>	<u>396,652</u>	<u>-</u>	<u>6,804,169</u>
Operating income (loss)	<u>399,098</u>	<u>3,652</u>	<u>1,161,173</u>	<u>(102,295)</u>	<u>-</u>	<u>1,461,628</u>
Nonoperating revenues						
Investment earnings	10,869	-	4,488	-	-	15,357
Gain on sale of capital assets	<u>12,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,178</u>
Total nonoperating revenues	<u>23,047</u>	<u>-</u>	<u>4,488</u>	<u>-</u>	<u>-</u>	<u>27,535</u>
Income (loss) before transfers	422,145	3,652	1,165,661	(102,295)	-	1,489,163
Capital contributions	29,101	-	-	-	-	29,101
Transfers in	-	-	-	630,467	1,000,000	1,630,467
Transfers out	<u>(10,869)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,869)</u>
Change in net position	440,377	3,652	1,165,661	528,172	1,000,000	3,137,862
Total net position, beginning of year	<u>13,695,620</u>	<u>133,979</u>	<u>5,659,470</u>	<u>2,572,474</u>	<u>-</u>	<u>22,061,543</u>
Total net position, end of year	<u>\$ 14,135,997</u>	<u>\$ 137,631</u>	<u>\$6,825,131</u>	<u>\$ 3,100,646</u>	<u>\$ 1,000,000</u>	<u>\$25,199,405</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, 2014

	<u>Vehicle Replacement</u>	<u>Vehicle Maintenance</u>	<u>Health and Dental Insurance</u>	<u>Worker's Compensation Insurance</u>	<u>Technology Replacement</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 1,554,816	\$ 1,197,205	\$ 5,224,126	\$ 294,357	\$ -	\$ 8,270,504
Payments to suppliers	(39,634)	(1,224,384)	-	-	-	(1,264,018)
Payments to claimants	-	-	(4,078,826)	(381,331)	-	(4,460,157)
Net cash provided by (used in) operating activities	<u>1,515,182</u>	<u>(27,179)</u>	<u>,145,300</u>	<u>(86,974)</u>	<u>-</u>	<u>2,546,329</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in	-	-	-	630,467	1,000,000	1,630,467
Transfers out	(10,869)	-	-	-	-	(10,869)
Net cash provided by (used in) noncapital financing activities	<u>(10,869)</u>	<u>-</u>	<u>-</u>	<u>630,467</u>	<u>,000,000</u>	<u>1,619,598</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	(973,412)	-	-	-	-	(973,412)
Proceeds from disposal of capital assets	85,902	-	-	-	-	85,902
Net cash (used in) capital and related financing activities	<u>(887,510)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(887,510)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	11,504	-	3,995	-	-	15,499
Purchase of investment securities	(4,500,000)	-	(4,500,000)	-	-	(9,000,000)
Proceeds from maturity of investment securities	5,505,153	-	4,000,091	-	-	9,505,244
Net cash provided by (used in) investing activities	<u>1,016,657</u>	<u>-</u>	<u>(495,914)</u>	<u>-</u>	<u>-</u>	<u>520,743</u>
Net increase (decrease) in cash and cash equivalents	1,633,460	(27,179)	649,386	543,493	1,000,000	3,799,160
Cash and cash equivalents Beginning of year	<u>3,984,296</u>	<u>121,535</u>	<u>4,536,756</u>	<u>2,887,799</u>	<u>-</u>	<u>11,530,386</u>
End of year	<u>\$ 5,617,756</u>	<u>\$ 94,356</u>	<u>\$ 5,186,142</u>	<u>\$ 3,431,292</u>	<u>\$ 1,000,000</u>	<u>\$15,329,546</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, 2014

	<u>Vehicle Replacement</u>	<u>Vehicle Maintenance</u>	<u>Health and Dental Insurance</u>	<u>Worker's Compensation Insurance</u>	<u>Technology Replacement</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	\$ 399,098	\$ 3,652	\$ 1,161,173	\$ (102,295)	\$ -	\$ 1,461,628
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	1,149,199	-	-	-	-	1,149,199
Change in assets and liabilities						
Receivables	6,519	(920)	(892)	-	-	4,707
Prepaid expenses	-	-	-	-	-	-
Inventories	-	7,819	-	-	-	7,819
Accounts payable	(39,634)	(37,730)	-	-	-	(77,364)
Claims payable	-	-	(14,981)	15,321	-	340
Net cash provided by (used in) operating activities	<u>\$ 1,515,182</u>	<u>\$ (27,179)</u>	<u>\$ 1,145,300</u>	<u>\$ (86,974)</u>	<u>\$ -</u>	<u>\$ 2,546,329</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO SPECIFIC ASSETS ON THE STATEMENT OF NET POSITION						
Cash and investments	\$ 9,117,756	\$ 94,356	\$ 7,186,142	\$ 3,431,292	\$ 1,000,000	\$20,829,546
Less items not meeting the definition of cash equivalents	<u>(3,500,000)</u>	<u>-</u>	<u>(2,000,000)</u>	<u>-</u>	<u>-</u>	<u>(5,500,000)</u>
Cash and cash equivalents at end of year	<u>\$ 5,617,756</u>	<u>\$ 94,356</u>	<u>\$ 5,186,142</u>	<u>\$ 3,431,292</u>	<u>\$ 1,000,000</u>	<u>\$ 5,329,546</u>
SCHEDULE OF NONCASH ITEMS						
Capital and related financing activities						
Donated capital assets	<u>\$ 29,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,101</u>

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2014

	Collections and Deposits	Section 125 Plan	Total Agency Funds
ASSETS			
Cash and investments	\$ 561,217	\$ 93,490	\$ 654,707
Restricted assets, contractors' bonds	<u>59,536</u>	<u>—</u>	<u>59,536</u>
Total assets	<u>\$ 620,753</u>	<u>\$ 93,490</u>	<u>\$ 714,243</u>
LIABILITIES			
Deposits and remittances due	<u>620,753</u>	<u>93,490</u>	<u>714,243</u>
Total liabilities	<u>\$ 620,753</u>	<u>\$ 93,490</u>	<u>\$ 714,243</u>

City of West Des Moines, Iowa
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
Year ended June 30, 2014

<u>Collections and Deposits</u>	<u>Balance June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>
ASSETS				
Cash and investments	\$ 564,165	\$ 164,001	\$ 166,949	\$ 561,217
Restricted assets, contractors' bonds	<u>59,536</u>	<u>—</u>	<u>—</u>	<u>59,536</u>
Total assets	<u>\$ 623,701</u>	<u>\$ 164,001</u>	<u>\$ 166,949</u>	<u>\$ 620,753</u>
LIABILITIES				
Deposits and remittances due	<u>623,701</u>	<u>164,001</u>	<u>166,949</u>	<u>620,753</u>
Total liabilities	<u>\$ 623,701</u>	<u>\$ 164,001</u>	<u>\$ 166,949</u>	<u>\$ 620,753</u>
<u>Section 125 Plan</u>				
ASSETS , cash and investments	<u>\$ 67,720</u>	<u>\$ 272,036</u>	<u>\$ 246,266</u>	<u>\$ 93,490</u>
LIABILITIES , deposits and remittances due	<u>\$ 67,720</u>	<u>\$ 272,036</u>	<u>\$ 246,266</u>	<u>\$ 93,490</u>
<u>Combined Funds</u>				
ASSETS				
Cash and investments	\$ 631,885	\$ 436,037	\$ 413,215	\$ 654,707
Restricted assets, contractors' bonds	<u>59,536</u>	<u>—</u>	<u>—</u>	<u>59,536</u>
Total assets	<u>\$ 691,421</u>	<u>\$ 436,037</u>	<u>\$ 413,215</u>	<u>\$ 714,243</u>
LIABILITIES				
Deposits and remittances due	<u>691,421</u>	<u>436,037</u>	<u>413,215</u>	<u>714,243</u>
Total liabilities	<u>\$ 691,421</u>	<u>\$ 436,037</u>	<u>\$ 413,215</u>	<u>\$ 714,243</u>

See accompanying independent auditor's report.

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