

# **FINANCIAL SECTION**





## **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, 2016, 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, 2016, 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.

## **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 basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 April 6, 2017, 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.

*Eide Bailly LLP*

Dubuque, Iowa  
April 6, 2017

# City of West Des Moines, Iowa

## Management's Discussion and Analysis

### For Fiscal Year Ended June 30, 2016

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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, 2016. 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, 2016, assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows by \$578 million. Of this amount, \$49 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, 2015, assets and deferred outflows exceeded liabilities and deferred inflows by \$552 million, of which \$48 million was unrestricted.

The City's total net position increased by \$26 million during the fiscal year ended June 30, 2016. Governmental activities increased by \$20 million and business-type activities increased by \$6 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 \$81 million, a decrease of \$12 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 \$30.9 million at June 30, 2016, increasing \$4.7 million from the balance at the end of the prior fiscal year.

Moody's Investor Services reaffirmed the City's AAA rating on May 11, 2016 in conjunction with the issuance of 2016 Series A&B General Obligation Bonds. Standard and Poor's last reaffirmed the City's AAA bond rating on March 5, 2015. The City continues to hold the highest available rating from both services. Each of the agencies cites the City's financial position and conservative fiscal management as strengths.

## Overview of the Financial Statements

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

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

The *Statement of Net Position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in 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

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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.

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 32 through 35 of this report.

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

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

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

The City maintains fourteen individual governmental funds. Information is presented separately in the *Balance Sheet - Governmental Funds* and in the *Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds* for the General Fund, Road Use Tax Fund, Tax Increment Financing Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation under the column heading *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 36 through 39 of this report.

**Proprietary funds** consist of two different types of funds. *Enterprise funds* are used to report the same functions presented as *business-type* activities in the government-wide financial statements. The City uses enterprise funds to account for sanitary sewer system, storm water, and solid waste activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City utilizes five internal

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service funds to account for its vehicle replacement, vehicle maintenance, health and dental insurance program, workers' compensation program, and technology replacement. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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 40 through 45 of this report.

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

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

**Notes to basic financial statements.** The notes included herein provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 47 through 77 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, the City's proportionate share of the net pension liability and related contributions for both of the City's pension plans, a budgetary comparison based on the City's legal level of budgetary control, and infrastructure condition and maintenance records which are required as the City has elected to use the modified approach for reporting much of its infrastructure. This approach to recording infrastructure is explained in detail on page 27, while other required supplementary information can be found on pages 87 through 89 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 statements and schedules can be found on pages 91 through 98 of this report.

## Government-Wide Financial Analysis

Net position may serve as a useful indicator of a government's financial standing. At June 30, 2016, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$578 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  
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City of West Des Moines  
Net Position  
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
<b>Assets</b>						
Current and other assets	\$ 183,117	\$ 182,448	\$ 50,254	\$ 50,834	\$ 233,371	\$ 233,282
Capital assets, net of depreciation	449,920	484,259	82,859	88,978	532,779	573,237
<b>Total assets</b>	<b>633,037</b>	<b>666,707</b>	<b>133,113</b>	<b>139,812</b>	<b>766,150</b>	<b>806,519</b>
<b>Deferred Outflows - Pension Related</b>	<b>5,499</b>	<b>6,339</b>	<b>162</b>	<b>85</b>	<b>5,661</b>	<b>6,424</b>
<b>Liabilities</b>						
Current liabilities	31,530	33,913	862	1,247	32,392	35,160
Long-term liabilities outstanding	118,305	131,642	879	896	119,184	132,538
<b>Total liabilities</b>	<b>149,835</b>	<b>165,555</b>	<b>1,741</b>	<b>2,143</b>	<b>151,576</b>	<b>167,698</b>
<b>Deferred Inflows</b>						
Unavailable revenue, property taxes	58,649	64,773	-	-	58,649	64,773
Pension related	9,279	2,508	300	222	9,579	2,730
<b>Total deferred inflows</b>	<b>67,928</b>	<b>67,281</b>	<b>300</b>	<b>222</b>	<b>68,228</b>	<b>67,503</b>
<b>Net position</b>						
Net investment in capital assets	389,657	406,719	82,859	88,978	472,516	495,697
Restricted net position	29,399	27,216	1,682	5,566	31,081	32,782
Unrestricted net position	1,717	6,275	46,693	42,988	48,410	49,263
<b>Total net position</b>	<b>\$ 420,773</b>	<b>\$ 440,210</b>	<b>\$ 131,234</b>	<b>\$ 137,532</b>	<b>\$ 552,007</b>	<b>\$ 577,742</b>

The largest portion of the City's net position (85% 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 \$23.2 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 (6% 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 increased \$1.7 million during the fiscal year ended June 30, 2016.

The remaining balance of net position (9% of the total) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net position increased \$0.8 million during the fiscal year ended June 30, 2016.

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The City's Changes in Net Position during the fiscal years ended June 30, 2015 and 2016, follows and is discussed below:

**Changes in Net Position**  
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 10,567	\$ 14,504	\$ 14,132	\$ 14,749	\$ 24,699	\$ 29,253
Operating grants and contributions	10,669	11,808	-	-	10,669	11,808
Capital grants and contributions	8,443	10,553	5,157	2,608	13,600	13,161
General revenues:					-	-
Property taxes	57,601	57,978	-	-	57,601	57,978
Other taxes	4,600	4,802	-	-	4,600	4,802
Earnings on investments	116	346	90	237	206	583
Other	2,989	4,203	-	-	2,989	4,203
<b>Total revenues</b>	<b>94,985</b>	<b>104,194</b>	<b>19,379</b>	<b>17,594</b>	<b>114,364</b>	<b>121,788</b>
<b>Expenses</b>						
General government	6,952	9,081	-	-	6,952	9,081
Public safety	26,909	27,553	-	-	26,909	27,553
Public Works	12,867	24,317	-	-	12,867	24,317
Health and social services	1,221	1,235	-	-	1,221	1,235
Culture and recreation	11,107	10,498	-	-	11,107	10,498
Community & economic development	21,653	6,981	-	-	21,653	6,981
Interest on long term debt	2,345	3,092	-	-	2,345	3,092
Sanitary sewer	-	-	9,350	9,268	9,350	9,268
Solid waste	-	-	1,507	2,244	1,507	2,244
Storm water	-	-	1,886	1,784	1,886	1,784
<b>Total expenses</b>	<b>83,054</b>	<b>82,757</b>	<b>12,743</b>	<b>13,296</b>	<b>95,797</b>	<b>96,053</b>
<b>Changes in net position before transfers</b>	<b>11,931</b>	<b>21,437</b>	<b>6,636</b>	<b>4,298</b>	<b>18,567</b>	<b>25,735</b>
Transfers	(1,103)	(2,000)	1,103	2,000	-	-
<b>Change in net position</b>	<b>\$ 10,828</b>	<b>\$ 19,437</b>	<b>\$ 7,739</b>	<b>\$ 6,298</b>	<b>\$ 18,567</b>	<b>\$ 25,735</b>

**Governmental Activities.** Governmental revenues in the current year increased by \$9.2 million, or 9.7%. Building permit revenues continued to be very strong and other fee-based revenues remained largely stable. The City's overall property tax revenue remained relatively stable for the third consecutive year; however revenue from capital grants and other outside funding was \$2.1 million more than the previous year. Governmental expenses decreased \$0.3 million, or 0.4% from the prior fiscal year.

City of West Des Moines, Iowa  
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**Business-Type Activities.** Revenue received through charges for services increased by \$0.6 million, or approximately 4.4% in the current year. Capital grant revenues, which can swing dramatically based on available grant programs, decreased by \$2.5 million, or approximately 49.4%. Business-type expenses increased by \$0.6 million, or approximately 4.3%, and are largely 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.

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, 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 at the end of the fiscal year.

The City's governmental funds reported combined fund balances of \$81.2 million as of June 30, 2016. Of this total \$30.9 million constitutes *unassigned fund balance*, which is available for spending at the government's discretion. \$0.5 million of the balance is unspendable as the underlying asset is being held for resale, and 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 (\$3.0 million); (2) for urban renewal and development in Tax Increment Financing Districts (\$6.7 million); (3) for liquidation of contracts for capital improvements (\$34.6 million); or (4) various other purposes (\$5.5 million).

The unassigned balance of the General Fund, the chief operating fund of the City, increased \$4.8 million, or 18.0%, to a total of \$31.0 million at June 30, 2016. 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, 2016, represents approximately 58.0% 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.

The City's General Fund revenue saw an overall increase of \$5.2 million, which includes an increase in property tax revenue of \$0.4 million. The more significant portions of the change are a \$2.1 million increase in licenses and permits, a \$1.1 million increase in intergovernmental revenue, and a \$1.5 million increase in charges for services.

General Fund expenditures increased by \$2.8 million, or approximately 5.3%. The most significant portion of this increase was rising employee costs, including salaries, pensions, and insurance.

The Tax Increment Financing (TIF) Fund had a fund balance of \$6.6 million at June 30, 2016, which represents an increase of \$1.1 million, or 19.6% from the prior year. 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.

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The Debt Service Fund had a fund balance of \$3.0 million at June 30, 2016, which represents a decrease of 53.0%, from the prior year. The reason for the decrease is the completion during 2016 of a crossover refunding of general obligation bonds. The debt service fund restricted for the payment of debt (i.e. payment of general obligation principal and interest).

The Capital Projects Fund had a fund balance of \$22.6 million at June 30, 2016, which represents a decrease in fund balance of \$16.7 million. During the year ended June 30, 2015, general obligation bond proceeds of \$47.8 million were received into the fund and the bulk of these proceeds were expended on completed projects during the fiscal year ended June 30, 2016. A bulk of the underlying completed projects were related to the Microsoft Alluvion development. The Capital Projects Fund reports no unassigned fund balance at June 30, 2016.

**Proprietary Funds.** The City's proprietary funds financial statements provide detail which supports information found in the government-wide financial statements. Total net position of the City's Sanitary Sewer Fund at June 30, 2016, was \$95.9 million. This is comprised of a \$55.2 million investment in capital assets and \$40.7 million in net position, \$5.2 million of which is restricted to use only on specific improvement projects. The net position of the Sanitary Sewer Fund increased \$4.3 million, or 4.6%, was largely the result of a planned rate increase. It is anticipated that the net position will increase as development necessitates the construction of more sewer infrastructure in currently unimproved areas of the City.

Total net position of the City's Storm Water Fund at the end of the current year was \$40.4 million. This is comprised of \$33.8 million investment in capital assets and \$6.6 million in net position, \$0.3 million of which is restricted to use only on specific improvement projects.

Total net position of the Solid Waste Fund at the end of the current year was \$0.7 million, 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 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, as well as improve the system in older portions of the City. The balance of the Storm Water Fund will largely be used to meet more stringent regulatory requirements for storm water runoff management and monitoring. The City began collecting storm water utility fees on 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, 2016, disbursement exceeded the amount budgeted in the Debt Service function. Late in the fiscal year, general obligation bonds were sold and the associated issuance costs and underwriters discount were not adequately budgeted. The timing of the sale was such that amending the budget was not possible. However, the expenditures and associated bond proceeds were recognized during the fiscal year.

During the fiscal year ended June 30, 2016, there were two budget amendments, dated November 16, 2015, and May 16, 2016. 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.

City of West Des Moines, Iowa  
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<b>Condition Level for Street Network</b> (prior 3 condition assessments)			
	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Street subsystem:</b>			
Goal	78-80	78-80	78-80
Actual	80.2	79.9	80
<b>Levee subsystem:</b>			
Goal	Minimally Acceptable	Minimally Acceptable	Minimally Acceptable
Actual	Minimally Acceptable	Minimally Acceptable	Acceptable
<b>Bridge &amp; Culvert subsystem:</b>			
Goal	81 or greater	81 or greater	81 or greater
Actual	91.3	86.4	85.6

## 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, 2016, amounts to \$573 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 7.7%, which was greater than the previous year's increase of 2.3%, and is largely due to infrastructure completed in support of the Microsoft Alluvion Data Center.

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

- The government must have an up-to-date inventory of the assets of those networks or subsystems.
- The government must perform or obtain condition assessments of those assets and summarize the results using a measurement scale. It is essential that such condition assessment be replicable (i.e., conducted using methods that would allow different measurers to reach substantially similar results).
- The government must make an annual estimate of the amount needed to maintain and preserve those assets at a condition level established and disclosed by the government.
- The government must document that infrastructure assets are being preserved at or above the condition level established and disclosed by the government.

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

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Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2016

The *required supplementary information* that must be presented by governments electing this approach appears on pages 87 through 89 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 89 of this report.

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. This 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)							
	2009	2010	2011	2012	2013	2014	2015	2016
<b>Estimated Costs</b>	\$5,397	\$4,374	\$5,296	\$5,307	\$6,753	\$4,567	\$4,041	\$5,060
<b>Actual Costs</b>	\$5,024	\$5,071	\$5,387	\$5,119	\$3,720	\$4,130	\$4,119	\$3,784

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	
	2015	2016	2015	2016	2015	2016
Land	\$ 23,908	23,908	\$ 413	413	\$ 24,321	\$ 24,321
Buildings	48,166	49,774	-	-	48,166	49,774
Improvements other than buildings	43,335	43,371	-	-	43,335	43,371
Fiber Network	5,159	5,159	-	-	5,159	5,159
Equipment and vehicles	23,188	22,510	302	302	23,490	22,812
Construction-in-Progress	13,768	47,699	2,912	7,051	16,680	54,750
Share of undivided equity interest asset	3,802	3,802	-	-	3,802	3,802
Infrastructure, depreciable	-	-	117,788	122,213	117,788	122,213
Infrastructure, nondpreciable	346,156	350,715	-	-	346,156	350,715
Accumulated depreciation	(73,700)	(79,406)	(38,588)	(41,033)	(112,288)	(120,439)
Intangibles	16,138	16,728	31	31	16,169	16,759
<b>Total capital assets</b>	<b>\$ 449,920</b>	<b>\$ 484,260</b>	<b>\$ 82,858</b>	<b>\$ 88,977</b>	<b>\$ 532,778</b>	<b>\$ 573,237</b>

City of West Des Moines, Iowa  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2016

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Major capital asset expenditures during the fiscal year ended June 30, 2016, included the following:

- Spent the final \$12.1 million of an overall \$14.4 million project to complete the widening and improvement of Grand Avenue between the entrance to Raccoon River Park and S 50<sup>th</sup> Street.
- Spent \$11.2 million to continue pavement, improvement, and construction of roadways serving the Microsoft Alluvion Data Center, including White Crane Road, SE Maffitt Lake Road, Veterans Parkway, SE Pine Avenue, and SE Soteria Avenue.
- Spent \$3.4 million to continue construction of a new interchange for Grand Prairie Parkway on Interstate 80 and a new Grand Prairie Parkway southward from the interchange to Mills Civic Parkway. The cost of the interchange portion of the project is shared with the City of Waukee. West Des Moines' share of the overall project (the interchange and roadway portions combined) will total approximately \$11 million with completion expected in the next fiscal year.
- Spent \$3.3 million on water mains, a water storage reservoir, and other related construction needed to bring water service to the Alluvion Data Center site. West Des Moines Water Works will reimburse the City for a significant portion of these projects.
- Spent the first \$1.6 million of a \$9.9 million project to pave, widen, and improve S 60<sup>th</sup> Street from Mills Civic Parkway to Raccoon River Drive.
- Spent the first \$1.2 million of a \$3.6 million project to widen and improve S 50<sup>th</sup> Street from Mills Civic Parkway to EP True Parkway.
- Spent \$1.0 million to renovate the former City Hall at 318-5<sup>th</sup> Street in order to bring the facility up-to-date and prepare it for lease to the West Des Moines Business Incubator.
- Spent \$0.8 million to replace and upgrade the HVAC system at Fire Station #17.
- Spent \$0.8 million to renovate the Valley Junction Activities Center at 217- 5<sup>th</sup> Street, including the installation of public restroom facilities to accommodate shopping and festival-related pedestrian traffic in the district.
- Westcom spent \$1.5 million as part of an overall \$2.0 million project to purchase and implement new Computer Aided Dispatch (CAD) System. The City's financial share of this project is approximately 42%.
- Spent \$1.9 million of Sewer Funds to construct a trunk sewer through the Fox Creek area to serve development areas on the west side of the metro area.

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

**Long-term debt.** At the close of the fiscal year ended June 30, 2016, the City had total bonded debt outstanding of \$120.5 million (including unamortized net premium), all backed by the full faith and credit of the government. During the fiscal year the City's total bonded debt showed a net increase of \$6.5 million as new bonds were issued.

City of West Des Moines, Iowa  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2016

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The Iowa State Constitution limits the amount of general obligation debt which may be issued by a city to 5% of the actual assessed value of all its taxable property. The current debt limitation for the City is approximately \$348.1 million. With outstanding general obligation principal debt of \$115.7 million (general obligation bonds plus other debt subject to the limitation), the City had utilized 33.3% of the debt limit as of June 30, 2016.

Additional information on the City's long-term debt can be found in Note 4 on pages 60 through 61 of this report.

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

As one of the fastest growing cities in the State of Iowa, West Des Moines expects growth both in population and in overall property valuations to continue over the next several years. However, legislative action passed in May 2013 continues to affect taxable valuations for commercial and multi-family residential property. This legislation included a 10% cut to commercial tax rates over a period beginning July 1, 2014, a cap on overall statewide tax growth at an amount not to exceed 3% (it was previously allowed to grow up to 4%), and a drastic reduction to the taxable valuations of multi-family residential property (West Des Moines has the 4<sup>th</sup> largest amount of multi-family residential property of all cities in Iowa). The lost commercial revenue is being funded by the State of Iowa, but this is only guaranteed to match the lost revenues through the end of fiscal 2017, and there is no backfilling planned for the lost multi-family residential revenues. Thus, the City continues to engage in very conservative budgeting practices.

Historically, the City's tax base has grown between 2% and 9% annually. The City's tax base (taxable valuation) increased 5.8% annually from 2006-2010 but has slowed and remained fairly steady since then. The City's tax base grew 0.5% from 2014 to 2015, and 4.1% from 2015 to 2016 (as this was a re-valuation year for the county assessors).

The budget for fiscal year ending June 30, 2016, included a decrease in the City's levy rate from \$12.05 to \$12.00 as a result of Council direction to reduce the tax burden. Future year tax base growth assumptions remain conservative, reflecting between 1% and 3% annual growth.

While West Des Moines continues to experience moderate 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, 2017.

As measured by current actual property valuation and recent population data, valuation compares very strongly to comparable cities, at approximately \$113,000 per capita. The City's taxable valuation per capita of over \$78,200 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 same ten cities. Based on fiscal year totals from the fiscal year ended June 30, 2016, the City ranks as the third highest city for taxable retail sales in Iowa at over \$1.9 billion, due to the large presence of retail including two major regional shopping centers. Businesses in the City account for at least 4.8% 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.

### **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.



## **BASIC FINANCIAL STATEMENTS**

**City of West Des Moines, Iowa**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

<b>ASSETS</b>	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Current assets			
Cash and investments	\$ 80,519,190	\$ 46,601,364	\$ 127,120,554
Restricted cash and investments	30,070,190	-	30,070,190
Receivables			
Property taxes	64,970,812	-	64,970,812
Accounts and unbilled usage	1,879,965	3,564,319	5,444,284
Interest	183,214	215,435	398,649
Special assessments	499,786	18	499,804
Internal balances	(453,458)	453,458	-
Due from other governments	4,242,834	-	4,242,834
Assets held for resale	535,023	-	535,023
Total current assets	182,447,556	50,834,594	233,282,150
Capital assets			
Nondepreciable			
Land	23,908,175	413,178	24,321,353
Infrastructure	350,714,797	-	350,714,797
Construction-in-progress	47,699,145	7,051,111	54,750,256
Intangibles	15,574,850	-	15,574,850
Depreciable			
Buildings	49,774,273	-	49,774,273
Equipment and vehicles	22,509,693	302,489	22,812,182
Fiber network	5,159,190	-	5,159,190
Improvements other than buildings	43,371,279	-	43,371,279
Share of undivided equity interest assets	3,801,560	-	3,801,560
Intangibles	1,153,127	31,250	1,184,377
Infrastructure	-	122,212,842	122,212,842
Accumulated depreciation	(79,406,456)	(41,033,150)	(120,439,606)
Net capital assets	484,259,633	88,977,720	573,237,353
Total assets	666,707,189	139,812,314	806,519,503
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	6,339,649	85,752	6,425,401

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 11,026,589	\$ 1,103,698	\$ 12,130,287
Claims payable	671,561	-	671,561
Accrued wages payable	1,134,307	34,940	1,169,247
Interest payable	309,763	-	309,763
Compensated absences	2,776,761	107,944	2,884,705
General obligation bonds	17,660,000	-	17,660,000
Installment contracts	334,639	-	334,639
Total current liabilities	<u>33,913,620</u>	<u>1,246,582</u>	<u>35,160,202</u>
Noncurrent liabilities			
Compensated absences	2,018,959	19,698	2,038,657
General obligation bonds	102,834,464	-	102,834,464
Installment contracts	1,317,115	-	1,317,115
Net OPEB liability	766,207	34,898	801,105
Net pension liability	24,704,979	842,094	25,547,073
Total noncurrent liabilities	<u>131,641,724</u>	<u>896,690</u>	<u>132,538,414</u>
Total liabilities	<u>165,555,344</u>	<u>2,143,272</u>	<u>167,698,616</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property taxes	64,773,064	-	64,773,064
Pension related deferred inflows	2,508,464	222,597	2,731,061
Total deferred inflows of resources	<u>67,281,528</u>	<u>222,597</u>	<u>67,504,125</u>
<b>NET POSITION</b>			
Net investment in capital assets	406,719,035	88,977,720	495,696,755
Restricted for			
Debt service	2,963,773	-	2,963,773
Urban renewal and development	7,324,385	-	7,324,385
Road use projects	12,038,627	-	12,038,627
Retirement benefits	2,573,901	-	2,573,901
Other purposes	2,315,261	5,566,179	7,881,440
Unrestricted	6,274,984	42,988,298	49,263,282
Total net position	<u>\$ 440,209,966</u>	<u>\$ 137,532,197</u>	<u>\$ 577,742,163</u>

See Notes to Basic Financial Statements.

**City of West Des Moines, Iowa**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2016**

<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	\$27,553,472	\$ 8,958,481	\$ 3,432,717	\$ 794,671
Public works	24,317,064	423,612	7,427,481	9,636,011
Health and social services	1,234,763	-	272,635	-
Culture and recreation	10,498,272	1,512,266	106,576	121,751
Community & economic development	6,980,849	2,292,604	449,233	-
General government	9,081,229	1,317,863	120,000	-
Interest on long-term debt	3,091,773	-	-	-
Total governmental activities	<u>82,757,422</u>	<u>14,504,826</u>	<u>11,808,642</u>	<u>10,552,433</u>
Business-type activities				
Sewer system	9,268,656	10,443,664	-	1,401,630
Storm water system	2,243,666	2,458,867	-	1,206,371
Solid waste system	1,783,951	1,847,148	-	-
Total business-type activities	<u>13,296,273</u>	<u>14,749,679</u>	<u>-</u>	<u>2,608,001</u>
Total primary government	<u>\$96,053,695</u>	<u>\$ 29,254,505</u>	<u>\$ 11,808,642</u>	<u>\$13,160,434</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**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
\$ (14,367,603)	\$ -	\$ (14,367,603)
(6,829,960)	-	(6,829,960)
(962,128)	-	(962,128)
(8,757,679)	-	(8,757,679)
(4,239,012)	-	(4,239,012)
(7,643,366)	-	(7,643,366)
(3,091,773)	-	(3,091,773)
(45,891,521)	-	(45,891,521)
-	2,576,638	2,576,638
-	1,421,572	1,421,572
-	63,197	63,197
-	4,061,407	4,061,407
(45,891,521)	4,061,407	(41,830,114)
57,977,845	-	57,977,845
275,273	-	275,273
563,933	-	563,933
3,963,886	-	3,963,886
226,417	-	226,417
345,601	236,815	582,416
3,975,812	-	3,975,812
(2,000,021)	2,000,021	-
65,328,746	2,236,836	67,565,582
19,437,225	6,298,243	25,735,468
420,772,741	131,233,954	552,006,695
\$ 440,209,966	\$ 137,532,197	\$ 577,742,163

See Notes to Basic Financial Statements.

**City of West Des Moines, Iowa**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2016**

	General	Road Use Tax	Tax Increment Financing	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and investments	\$31,008,492	\$11,512,413	\$ 6,663,207	\$ 2,935,497	\$ 698,110	\$ 5,271,444	\$ 58,089,163
Restricted cash and investments	-	-	-	-	29,782,067	288,123	30,070,190
Receivables							
Property taxes	36,947,656	-	12,003,792	9,326,047	16,138	6,677,179	64,970,812
Accounts	1,164,792	-	-	-	611,840	103,333	1,879,965
Special assessments	5,588	-	-	-	494,198	-	499,786
Interest	143,667	-	-	-	-	-	143,667
Due from other funds	107,423	-	-	-	-	-	107,423
Due from other governments	1,386,530	591,350	-	-	2,247,956	-	4,225,836
Assets held for resale	535,023	-	-	-	-	-	535,023
<b>Total assets</b>	<b>71,299,171</b>	<b>12,103,763</b>	<b>18,666,999</b>	<b>12,261,544</b>	<b>33,850,309</b>	<b>12,340,079</b>	<b>160,521,865</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY</b>							
Liabilities							
Accounts payable	1,785,339	65,136	1,220	-	8,798,389	140,253	10,790,337
Accrued wages payable	1,131,868	-	-	-	-	2,439	1,134,307
Due to other funds	-	-	-	-	-	107,423	107,423
<b>Total liabilities</b>	<b>2,917,207</b>	<b>65,136</b>	<b>1,220</b>	<b>-</b>	<b>8,798,389</b>	<b>250,115</b>	<b>12,032,067</b>
Deferred inflows of resources							
Unavailable revenue:							
Succeeding year property tax	36,821,048	-	11,999,963	9,297,771	-	6,654,282	64,773,064
Grants	-	-	-	-	1,974,007	-	1,974,007
Special assessments	5,456	-	-	-	490,547	-	496,003
<b>Total deferred inflows of resources</b>	<b>36,826,504</b>	<b>-</b>	<b>11,999,963</b>	<b>9,297,771</b>	<b>2,464,554</b>	<b>6,654,282</b>	<b>67,243,074</b>
Fund Equity							
Fund balances							
Nonspendable	535,023	-	-	-	-	-	535,023
Restricted for							
Capital projects	-	12,038,627	-	-	22,587,366	-	34,625,993
Debt service	-	-	-	2,963,773	-	-	2,963,773
Urban renewal and development	-	-	6,665,816	-	-	-	6,665,816
Other purposes	-	-	-	-	-	5,547,731	5,547,731
Unassigned	31,020,437	-	-	-	-	(112,049)	30,908,388
<b>Total fund equity</b>	<b>31,555,460</b>	<b>12,038,627</b>	<b>6,665,816</b>	<b>2,963,773</b>	<b>22,587,366</b>	<b>5,435,682</b>	<b>81,246,724</b>
<b>Total liabilities, deferred inflows of resources and fund equity</b>	<b>\$71,299,171</b>	<b>\$12,103,763</b>	<b>\$18,666,999</b>	<b>\$12,261,544</b>	<b>\$ 33,850,309</b>	<b>\$ 12,340,079</b>	<b>\$ 160,521,865</b>

**City of West Des Moines, Iowa**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2016**

Total governmental funds balances		\$ 81,246,724
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 \$547,549,471 and the accumulated depreciation is \$69,667,190.		477,882,281
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds, as unavailable revenue.		2,470,010
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	16,116,618	
Accumulated depreciation	(9,739,266)	
Other current assets	22,486,572	
Other current liabilities	<u>(907,813)</u>	27,956,111
Internal service funds allocated to business-type activities		(453,458)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources	6,339,649	
Deferred inflows of resources	<u>(2,508,464)</u>	3,831,185
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds		
Compensated absences	(4,795,720)	
Other postemployment benefits payable	(766,207)	
Net pension liability	(24,704,979)	
Accrued interest payable	(309,763)	
General obligation bonds payable	(114,090,000)	
Premium on bonds payable	(6,404,464)	
Installment contracts	<u>(1,651,754)</u>	(152,722,887)
Net position of governmental activities		<u>\$440,209,966</u>

**City of West Des Moines, Iowa**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES—GOVERNMENTAL FUNDS**  
**Year ended June 30, 2016**

	General	Road Use Tax	Tax Increment Financing	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Property taxes	\$33,776,558	\$ -	\$9,323,812	\$ 8,496,974	\$ -	\$ 6,380,501	\$ 57,977,845
Other City taxes	4,636,249	-	-	91,772	-	75,071	4,803,092
Special assessments	-	-	-	-	159,895	-	159,895
Licenses and permits	4,400,512	-	-	-	-	-	4,400,512
Intergovernmental	6,744,073	7,401,561	-	467,577	8,320,261	784,754	23,718,226
Charges for services	7,150,821	-	-	-	33,153	-	7,183,974
Use of money and property	373,078	-	-	64,223	-	2,077	439,378
Miscellaneous	701,342	-	-	-	236,502	1,256,258	2,194,102
Total revenues	<u>57,782,633</u>	<u>7,401,561</u>	<u>9,323,812</u>	<u>9,120,546</u>	<u>8,749,811</u>	<u>8,498,661</u>	<u>100,877,024</u>
<b>EXPENDITURES</b>							
Current operating							
Public safety	24,521,858	-	-	-	-	2,875,826	27,397,684
Public works	7,758,371	778,240	-	-	-	-	8,536,611
Health and social services	965,009	-	-	-	-	187,338	1,152,347
Culture and recreation	8,059,637	-	-	-	-	112,562	8,172,199
Community and economic development	5,337,039	-	1,004,473	-	-	480,334	6,821,846
General government	7,572,490	-	-	-	-	-	7,572,490
Debt service							
Principal	79,804	164,639	-	18,250,000	170,000	29,724	18,694,167
Interest and other charges	1,027	-	-	3,714,825	80,654	156	3,796,662
Capital outlay	-	-	-	-	54,187,611	-	54,187,611
Total expenditures	<u>54,295,235</u>	<u>942,879</u>	<u>1,004,473</u>	<u>21,964,825</u>	<u>54,438,265</u>	<u>3,685,940</u>	<u>136,331,617</u>
Excess (deficiency) of revenues over expenditures	<u>3,487,398</u>	<u>6,458,682</u>	<u>8,319,339</u>	<u>(12,844,279)</u>	<u>(45,688,454)</u>	<u>4,812,721</u>	<u>(35,454,593)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	5,903,023	528,877	-	9,511,068	9,007,982	173,949	25,124,899
Transfers out	(4,631,733)	(4,888,479)	(7,232,563)	-	(5,597,031)	(4,769,414)	(27,119,220)
Issuance of bonds	-	-	-	-	23,080,000	-	23,080,000
Premium on issuance of bonds	-	-	-	-	2,497,042	-	2,497,042
Proceed from sales of capital assets	58,767	-	-	-	1,526	-	60,293
Total other financing sources (uses)	<u>1,330,057</u>	<u>(4,359,602)</u>	<u>(7,232,563)</u>	<u>9,511,068</u>	<u>28,989,519</u>	<u>(4,595,465)</u>	<u>23,643,014</u>
<b>NET CHANGE IN FUND BALANCES</b>	4,817,455	2,099,080	1,086,776	(3,333,211)	(16,698,935)	217,256	(11,811,579)
<b>FUND BALANCES, beginning of year</b>	<u>26,738,005</u>	<u>9,939,547</u>	<u>5,579,040</u>	<u>6,296,984</u>	<u>39,286,301</u>	<u>5,218,426</u>	<u>93,058,303</u>
<b>FUND BALANCES, end of year</b>	<u>\$31,555,460</u>	<u>\$12,038,627</u>	<u>\$6,665,816</u>	<u>\$ 2,963,773</u>	<u>\$22,587,366</u>	<u>\$ 5,435,682</u>	<u>\$ 81,246,724</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, 2016**

Net change in fund balances—governmental funds \$ (11,811,579)

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	42,578,547
Depreciation	(5,206,330)

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	(675,107)
Book value of capital assets disposed	(3,273,585)

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	73,282
Grants	1,902,886

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	129,648
Compensated absences	(392,732)
Pension expense	1,729,745

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 positions. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. 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 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	109,528
General obligation bonds	18,250,000
Installment contracts	334,639
Interest	(89,947)
Issuance of long-term debt	(25,577,042)
Amortization of bond premium	794,836
Settlement of amount due on installment contract	(569,571)

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

1,130,007

Change in net position of governmental activities	<u>\$ 19,437,225</u>
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**City of West Des Moines, Iowa**  
**STATEMENT OF NET POSITION—PROPRIETARY FUNDS**  
**June 30, 2016**

	Business-Type Activities Enterprise Funds				Internal Service Funds
	Sewer System	Storm Water System	Nonmajor Enterprise Fund Solid Waste	Total Enterprise Funds	
<b>ASSETS</b>					
Current assets					
Cash and investments	\$38,983,740	\$ 7,191,367	\$ 426,257	\$ 46,601,364	\$22,430,027
Receivables					
Accounts and unbilled usage	2,512,221	601,275	450,823	3,564,319	-
Special assessments	-	18	-	18	-
Interest	194,097	21,338	-	215,435	39,547
Due from other governments	-	-	-	-	16,998
Total current assets	<u>41,690,058</u>	<u>7,813,998</u>	<u>877,080</u>	<u>50,381,136</u>	<u>22,486,572</u>
Noncurrent assets					
Capital assets					
Nondepreciable					
Land	411,278	1,900	-	413,178	-
Construction-in-progress	5,277,071	1,774,040	-	7,051,111	-
Depreciable					
Equipment and vehicles	204,572	97,917	-	302,489	16,116,618
Intangibles	15,625	15,625	-	31,250	-
Infrastructure	85,687,505	36,525,337	-	122,212,842	-
Accumulated depreciation	(36,414,556)	(4,618,594)	-	(41,033,150)	(9,739,266)
Net capital assets	<u>55,181,495</u>	<u>33,796,225</u>	<u>-</u>	<u>88,977,720</u>	<u>6,377,352</u>
Total assets	<u>96,871,553</u>	<u>41,610,223</u>	<u>877,080</u>	<u>139,358,856</u>	<u>28,863,924</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related deferred outflows	41,026	44,726	-	85,752	-

See Notes to Basic Financial Statements.

	Business-Type Activities Enterprise Funds				
	Sewer System	Storm Water System	Nonmajor Enterprise Fund Solid Waste	Total Enterprise Funds	Internal Service Funds
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>					
<b>LIABILITIES</b>					
Current					
Accounts payable	\$ 332,256	\$ 615,597	\$ 155,845	\$ 1,103,698	\$ 236,252
Claims payable	-	-	-	-	671,561
Compensated absences	59,918	48,026	-	107,944	-
Accrued wages payable	16,156	18,784	-	34,940	-
Total current liabilities	<u>408,330</u>	<u>682,407</u>	<u>155,845</u>	<u>1,246,582</u>	<u>907,813</u>
Noncurrent					
Compensated absences	-	19,698	-	19,698	-
Net OPEB liability	19,549	15,349	-	34,898	-
Net pension liability	435,285	406,809	-	842,094	-
Total noncurrent liabilities	<u>454,834</u>	<u>441,856</u>	<u>-</u>	<u>896,690</u>	<u>-</u>
Total liabilities	<u>863,164</u>	<u>1,124,263</u>	<u>155,845</u>	<u>2,143,272</u>	<u>907,813</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related deferred inflows	<u>123,576</u>	<u>99,021</u>	<u>-</u>	<u>222,597</u>	<u>-</u>
<b>NET POSITION</b>					
Investment in capital assets	55,181,495	33,796,225	-	88,977,720	6,377,352
Restricted	5,234,527	331,652	-	5,566,179	-
Unrestricted	35,509,817	6,303,788	721,235	42,534,840	21,578,759
Total net position	<u>95,925,839</u>	<u>40,431,665</u>	<u>721,235</u>	<u>137,078,739</u>	<u>27,956,111</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$96,912,579</u>	<u>\$41,654,949</u>	<u>\$ 877,080</u>	<u>\$139,444,608</u>	<u>\$28,863,924</u>
Total enterprise funds net position				\$137,078,739	
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>453,458</u>	
Net position of business-type activities				<u>\$137,532,197</u>	

**City of West Des Moines, Iowa**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET POSITION—PROPRIETARY FUNDS**  
**Year ended June 30, 2016**

	Business-Type Activities				Internal Service Funds
	Enterprise Funds				
	Sewer System	Storm Water System	Nonmajor Enterprise Fund Solid Waste	Total Enterprise Funds	
<b>OPERATING REVENUES</b>					
Charges for services	\$10,443,664	\$ 2,333,519	\$ 1,847,148	\$ 14,624,331	\$ 6,747,366
Lease revenue	-	-	-	-	1,586,410
Other	-	125,348	-	125,348	-
Total operating revenue	<u>10,443,664</u>	<u>2,458,867</u>	<u>1,847,148</u>	<u>14,749,679</u>	<u>8,333,776</u>
<b>OPERATING EXPENSES</b>					
Cost of sales and services	3,582,716	1,443,182	1,783,951	6,809,849	6,877,362
Administration	71,388	79,764	-	151,152	-
Depreciation	1,708,814	741,632	-	2,450,446	1,189,417
Total operating expenses	<u>5,362,918</u>	<u>2,264,578</u>	<u>1,783,951</u>	<u>9,411,447</u>	<u>8,066,779</u>
Operating income (loss)	<u>5,080,746</u>	<u>194,289</u>	<u>63,197</u>	<u>5,338,232</u>	<u>266,997</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment earnings	217,237	19,578	-	236,815	46,335
Payments to WRA	(3,921,683)	-	-	(3,921,683)	-
Gain on sale of capital assets	-	-	-	-	184,125
Total nonoperating revenues (expenses)	<u>(3,704,446)</u>	<u>19,578</u>	<u>-</u>	<u>(3,684,868)</u>	<u>230,460</u>
Income (loss) before capital contributions and transfers	1,376,300	213,867	63,197	1,653,364	497,457
Capital contributions	1,434,102	1,849,006	-	3,283,108	-
Transfers in	1,461,216	-	-	1,461,216	675,133
Transfers out	-	(136,302)	-	(136,302)	(5,726)
Change in net position	<u>4,271,618</u>	<u>1,926,571</u>	<u>63,197</u>	<u>6,261,386</u>	<u>1,166,864</u>
Total net position, beginning of year	<u>91,654,221</u>	<u>38,505,094</u>	<u>658,038</u>	<u>130,817,353</u>	<u>26,789,247</u>
Total net position, end of year	<u>\$95,925,839</u>	<u>\$40,431,665</u>	<u>\$ 721,235</u>	<u>\$137,078,739</u>	<u>\$27,956,111</u>
Change in net position				\$ 6,261,386	
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>36,857</u>	
Change in net position of business-type activities				<u>\$ 6,298,243</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, 2016

	Business-Type Activities				
	Enterprise Funds				
	Sewer System	Storm Water System	Nonmajor Enterprise Fund Solid Waste	Total Enterprise Funds	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 10,331,353	\$ 2,426,551	\$ 1,838,439	\$ 14,596,343	\$ 8,343,672
Payments to suppliers	(2,473,783)	(224,201)	(1,785,032)	(4,483,016)	(823,985)
Payments to WRA	(3,921,683)	-	-	(3,921,683)	-
Payments to claimants	-	-	-	-	(5,897,366)
Payments to employees	(1,464,469)	(748,442)	-	(2,212,911)	-
Net cash provided by operating activities	<u>2,471,418</u>	<u>1,453,908</u>	<u>53,407</u>	<u>3,978,733</u>	<u>1,622,321</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers in	1,461,216	-	-	1,461,216	675,133
Transfers out	-	(136,302)	-	(136,302)	(5,726)
Net cash provided by (used in) noncapital financing activities	<u>1,461,216</u>	<u>(136,302)</u>	<u>-</u>	<u>1,324,914</u>	<u>669,407</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of capital assets	(4,962,817)	(3,470,798)	-	(8,433,615)	(2,144,618)
Capital contributions	1,434,102	1,849,006	-	3,283,108	-
Proceeds from disposal of capital assets	-	-	-	-	222,893
Net cash (used in) capital and related financing activities	<u>(3,528,715)</u>	<u>(1,621,792)</u>	<u>-</u>	<u>(5,150,507)</u>	<u>(1,921,725)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	93,355	1,191	-	94,546	9,294
Purchase of investment securities	(34,553,378)	(3,000,000)	-	(37,553,378)	(8,000,000)
Proceeds from maturity of investment securities	16,000,208	1,000,000	-	17,000,208	4,000,000
Net cash provided by (used in) investing activities	<u>(18,459,815)</u>	<u>(1,998,809)</u>	<u>-</u>	<u>(20,458,624)</u>	<u>(3,990,706)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(18,055,896)</u>	<u>(2,302,995)</u>	<u>53,407</u>	<u>(20,305,484)</u>	<u>(3,620,703)</u>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>22,486,258</u>	<u>6,494,362</u>	<u>372,850</u>	<u>29,353,470</u>	<u>18,050,730</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 4,430,362</u>	<u>\$ 4,191,367</u>	<u>\$ 426,257</u>	<u>\$ 9,047,986</u>	<u>\$14,430,027</u>

See Notes to Basic Financial Statements.

**Business-Type Activities  
Enterprise Funds**

	<b>Sewer System</b>	<b>Storm Water System</b>	<b>Nonmajor Enterprise Fund Solid Waste</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN)</b>					
<b>OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 5,080,746	\$ 194,289	\$ 63,197	\$ 5,338,232	\$ 266,997
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	1,708,814	741,632	-	2,450,446	1,189,417
Payments to WRA	(3,921,683)	-	-	(3,921,683)	-
Change in assets and liabilities					
Receivables	(112,311)	(32,316)	(8,709)	(153,336)	9,896
Accounts payable	(290,586)	535,133	(1,081)	243,466	108,804
Claims payable	-	-	-	-	47,207
Compensated absences and accrued wages payable	(28,482)	(7,484)	-	(35,966)	-
Net pension liability and related deferred outflows of resources and deferred inflows of resources	38,081	24,923	-	63,004	-
OPEB liability	(3,161)	(2,269)	-	(5,430)	-
Net cash provided by operating activities	<u>\$ 2,471,418</u>	<u>\$ 1,453,908</u>	<u>\$ 53,407</u>	<u>\$ 3,978,733</u>	<u>\$ 1,622,321</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO SPECIFIC ASSETS ON THE STATEMENT OF NET POSITION</b>					
Cash and investments	\$ 38,983,740	\$ 7,191,367	\$ 426,257	\$ 46,601,364	\$ 22,430,027
Less items not meeting the definition of cash equivalents	<u>(34,553,378)</u>	<u>(3,000,000)</u>	<u>-</u>	<u>(37,553,378)</u>	<u>(8,000,000)</u>
Cash and cash equivalents at end of year	<u>\$ 4,430,362</u>	<u>\$ 4,191,367</u>	<u>\$ 426,257</u>	<u>\$ 9,047,986</u>	<u>\$ 14,430,027</u>
<b>SCHEDULE OF NONCASH ITEMS</b>					
Capital and related financing activities					
Acquisition of capital assets through retainage payable	\$ 113,314	\$ 22,590	\$ -	\$ 135,904	\$ -

See Notes to Basic Financial Statements.

**City of West Des Moines, Iowa**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**June 30, 2016**

**ASSETS**

Cash and investments	<u>\$ 631,263</u>
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**LIABILITIES**

Deposits and remittances due	<u>\$ 631,263</u>
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**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 non-fiduciary 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, deferred outflows of resources, 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.

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

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

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

**Basis of Presentation (continued)**

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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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, liabilities, and deferred inflows of resources, 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.

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.

**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)**

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.

***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.

**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):**

***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.

***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.

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

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

**Basis of Presentation (continued)**

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

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.

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 2016, the date at which a lien attaches, based on the 2015 assessed valuations. These taxes are due in two installments, on September 30 and the following March 31, with a 1½% per month penalty for delinquent payment. Since the 2016 tax levy is budgeted and levied for fiscal year 2017, the revenue from this tax levy has been deferred.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating 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.

**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)**

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, 2016 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is 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, 2015, assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016, and reflects tax asking contained in the budget certified to the County Board of Supervisors in February 2015.

**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.

**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)**

**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 acquisition value at the date of donation.

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized in the current fiscal year.

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

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

The City's collection of works of art 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.

**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)**

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

**Deferred Inflows of Resources:** Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since it is not available. Deferred inflows of resources at the governmental fund level consist of the succeeding year property tax receivable, and other receivables not collected within 90 days of the current fiscal period.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which they are levied, the unamortized portion of the net difference between projected and actual earnings on pension plan investments, and other unrecognized items not yet charged to pension expense.

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

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

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

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

**Compensated Absences:** City employees accumulate vacation benefits for subsequent use or payment upon termination, death or retirement. City employees also accumulate sick leave benefits for subsequent use or payment at one-half the accumulated value upon death or retirement. For proprietary fund types, these accumulations are recorded as expenses and liabilities of the appropriate fund in the fiscal year earned. For governmental fund types, the amount of accumulated unpaid vacation which is payable from available resources is recorded as a liability of the respective fund only if they have matured. Examples of these are employee retirements and resignations. There is no amount considered due as of year-end or reported in the fund financial statements. However, the entire compensated absence liability, computed based on rates of pay in effect at June 30, 2016, 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.



**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):**

**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.

**Pensions:** For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's two pension systems, and additions to/deductions from the pensions' fiduciary net position have been determined on the same basis as they are reported by each respective pension system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

**Non-spendable** - Amounts which cannot be spent either because they are in a non-spendable 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):**

Net Position: Net position represents the difference between assets, deferred inflows of resources, liabilities, and deferred outflows of resources. 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, 2016, the City had \$28,480,620 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 \$12,038,627 for road construction projects, \$2,573,901 for retirement benefits, and \$7,324,385 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.

**NOTE 2 CASH AND INVESTMENTS**

As of June 30, 2016, the City's cash and investments were as follows:

Cash and investments, statement of net position	\$127,120,554
Restricted cash and investments	30,070,190
Cash and investments, fiduciary funds	<u>631,263</u>
	<u>\$157,822,007</u>

As of June 30, 2016, the City had investments in U.S. Agency coupon securities with a fair value of \$45,794,503. The City categorized its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. All of the City's investments in U.S. Agency coupon securities are valued using significant other observable inputs (level 2 inputs). There have been no changes in valuation methodologies at June 30, 2016 compared to June 30, 2015.

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.

The City employs a laddered maturity approach to its investments in U.S. Agency coupon securities. Within 12 months, \$17,280,406 of the fair value will mature. An additional \$6,020,989 will mature between 13 and 24 months. The remaining \$22,493,108 will mature between 25 and 60 months.

Certain investments with the City are held with Iowa Public Agency Investment Trust (IPAIT). IPAIT's weighted average maturity as of June 30, 2016 was 30.31 days.

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

Investment Type	Fair Value
Iowa Public Agency Investment Trust	\$26,675,653

**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. All \$45,794,503 of the fair value invested in U.S. Agency coupon securities are rated AAA by Fitch, Standard and Poor's, and Moody's.

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

**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% 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, 2016, 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, 2016:

	Balance beginning of year	Additions	Deletions	Transfers	Balance end of year
<b>Governmental Activities</b>					
Capital assets, not being depreciated					
Land	\$ 23,908,175	\$ -	\$ -	\$ -	\$ 23,908,175
Infrastructure	346,156,433	4,558,364	-	-	350,714,797
Construction-in-progress	13,768,441	42,256,147	7,650,336	(675,107)	47,699,145
Intangibles	15,574,850	-	-	-	15,574,850
Total capital assets, not being depreciated	399,407,899	46,814,511	7,650,336	(675,107)	437,896,967
Capital assets, being depreciated					
Buildings	48,165,706	1,608,567	-	-	49,774,273
Equipment and vehicles	23,188,297	3,323,681	4,002,285	-	22,509,693
Fiber network	5,159,190	-	-	-	5,159,190
Improvements other than buildings	43,334,718	36,561	-	-	43,371,279
Share of undivided equity interest assets	3,801,560	-	-	-	3,801,560
Intangibles	562,946	590,181	-	-	1,153,127
Total capital assets, being depreciated	124,212,417	5,558,990	4,002,285	-	125,769,122
Less accumulated depreciation for					
Buildings	24,825,738	1,723,274	-	-	26,549,012
Equipment and vehicles	13,100,929	1,972,056	689,932	-	14,383,053
Fiber network	1,786,542	257,934	-	-	2,044,476
Improvements other than buildings	31,477,065	2,209,820	-	-	33,686,885
Share of undivided equity interest assets	1,896,434	221,559	-	-	2,117,993
Intangibles	613,933	11,104	-	-	625,037
Total accumulated depreciation	73,700,641	6,395,747	689,932	-	79,406,456
Total capital assets, being depreciated, net	50,511,776	(836,757)	3,312,353	-	46,362,666
Governmental activities, capital assets net	\$ 449,919,675	\$ 45,977,754	\$ 10,962,689	\$ (675,107)	\$ 484,259,633

**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>
<b>Business-Type Activities</b>					
Capital assets, not being depreciated					
Land	\$ 413,178	\$ -	\$ -	\$ -	\$ 413,178
Construction-in-progress	2,911,707	5,529,551	1,390,147	-	7,051,111
Total capital assets, not being depreciated	<u>3,324,885</u>	<u>5,529,551</u>	<u>1,390,147</u>	<u>-</u>	<u>7,464,289</u>
Capital assets, being depreciated					
Equipment	302,489	-	-	-	302,489
Intangibles	31,250	-	-	-	31,250
Sanitary and storm sewer system	117,788,165	3,755,006	5,438	675,107	122,212,840
Total capital assets, being depreciated	<u>118,121,904</u>	<u>3,755,006</u>	<u>5,438</u>	<u>675,107</u>	<u>122,546,579</u>
Less accumulated depreciation for					
Equipment	157,075	37,540	-	-	194,615
Intangibles	18,750	6,250	-	-	25,000
Sanitary and storm sewer system	38,412,317	2,406,655	5,438	-	40,813,534
Total accumulated depreciation	<u>38,588,142</u>	<u>2,450,445</u>	<u>5,438</u>	<u>-</u>	<u>41,033,149</u>
Total capital assets, being depreciated, net	<u>79,533,762</u>	<u>1,304,561</u>	<u>-</u>	<u>675,107</u>	<u>81,513,430</u>
Business-type activities, capital assets, net	<u>\$82,858,647</u>	<u>\$6,834,112</u>	<u>\$1,390,147</u>	<u>\$ 675,107</u>	<u>\$88,977,719</u>

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

Governmental Activities	
Public Safety	\$1,830,922
Health and social services	119,178
Culture and recreation	2,442,327
Public works	1,198,370
General government	621,146
Community and economic development	183,804
<b>Total</b>	<u><b>\$6,395,747</b></u>

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

**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, 2016:

	Balance July 1, 2015	Increases & Issues	Decreases & Retirements	Balance June 30, 2016	Due within one year
<b>Governmental activities</b>					
General obligation bonds	\$ 113,962,258	\$ 25,577,042	\$ 19,044,836	\$ 120,494,464	\$ 17,660,000
Capital lease obligations	109,527	-	109,527	-	-
Installment contracts	1,416,822	569,571	334,639	1,651,754	334,639
Compensated absences	4,402,988	4,795,720	4,402,988	4,795,720	2,776,761
Net OPEB liability	895,855	-	129,648	766,207	-
Total governmental activities	<u>120,787,450</u>	<u>30,942,333</u>	<u>24,021,638</u>	<u>127,708,145</u>	<u>20,771,400</u>
<b>Business-type activities</b>					
Compensated absences	171,362	127,642	171,362	127,642	107,944
Net OPEB liability	40,328	-	5,430	34,898	-
Total business-type activities	<u>211,690</u>	<u>127,642</u>	<u>176,792</u>	<u>162,540</u>	<u>107,944</u>
Total long-term debt	<u>\$ 120,999,140</u>	<u>\$ 31,069,975</u>	<u>\$ 24,198,430</u>	<u>\$ 127,870,685</u>	<u>\$ 20,879,344</u>

Bonds were sold at a net premium; unamortized net premium at June 30, 2016 totaled \$6,404,464.

On April 7, 2015, the City issued \$3,410,000 in general obligation refunding bonds with an average interest rate of 2% to crossover refund \$3,390,000 Series 2008B general obligation bonds with a combined average interest rate of 3.76%. The crossover occurred on June 1, 2016. The City issued the crossover refunding debt to reduce its total debt service payments over the next five years by \$124,281 and to obtain an economic gain of \$119,857.

**General Obligation Bonds/Notes:** General obligation bonds outstanding as of June 30, 2016, consist of the following individual issues:

Date of Issue	Interest Rates	Final Due Date	Annual Principal Payments	Amount Originally issued	Amount Outstanding June 30, 2016
03/04/2010	2.000-4.250	June 2020	780,000 - 4,140,000	31,450,000	12,700,000
06/29/2010	3.000	June 2020	685,000 - 845,000	7,000,000	3,215,000
08/11/2010	2.000-4.000	June 2029	50,000 - 405,000	5,000,000	4,200,000
08/10/2011	2.000-3.500	June 2025	1,215,000 - 500,000	6,900,000	3,695,000
08/25/2011	2.000-2.500	June 2018	1,775,000 - 1,985,000	11,270,000	3,925,000
05/01/2012	4.000	June 2018	365,000 - 1,040,000	2,610,000	735,000
05/01/2012	5.000	June 2021	560,000 - 1,945,000	11,355,000	7,090,000
06/27/2012	2.000-3.000	June 2026	250,000 - 655,000	7,520,000	5,765,000
08/21/2013	2.000-3.100	June 2024	250,000 - 1,080,000	4,385,000	2,260,000
09/11/2014	2.000-5.000	June 2026	820,000 - 1,055,000	13,375,000	9,545,000
04/07/2015	2.000-3.100	June 2029	240,000 - 2,195,000	21,755,000	21,755,000
04/07/2015	2.000-2.800	June 2025	875,000 - 1,660,000	12,715,000	12,715,000
04/07/2015	2.000	June 2020	615,000 - 955,000	3,410,000	3,410,000
06/15/2016	2.000-5.000	June 2026	3,260,000 - 690,000	9,225,000	9,225,000
06/15/2016	2.000-5.000	June 2031	555,000 - 1,495,000	13,855,000	13,855,000
				<u>\$ 161,825,000</u>	<u>\$ 114,090,000</u>

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

**NOTE 4 BONDED AND OTHER DEBT (continued)**

**Other than Bonded Debt**

**Installment contracts:**

The City has entered into an installment contract with the Iowa Department of Transportation (DOT) related to the Highway 5 relocation construction project. The agreement is non-interest bearing and originally called for annual installments of approximately \$1,077,000 through June 2015. Prior to the final payment due date, IDOT agreed to delay the payment pending modification of terms of the agreement. An amendment, effective January 11, 2016, included settlement of additional construction cost reimbursement of \$569,571, and provided for the remaining balance of \$1,646,390 to be refinanced into a non-interest bearing installment contract allowing for equal principal installments over ten years beginning April 2016.

The City has entered into an installment contract with Wright Outdoor Solutions for purchase of 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, 2016 was \$170,000 and the building had a net book value, as improved, of \$2,269,470.

**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, 2016, are as follows:

<u>Year Ending June 30</u>	<u>General Obligation Bonds</u>		<u>Installment Contracts</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 17,660,000	\$ 3,752,011	\$ 334,640	\$ -
2018	15,125,000	3,123,858	164,640	-
2019	14,875,000	2,598,708	164,639	-
2020	10,580,000	2,091,358	164,639	-
2021	8,200,000	1,735,972	164,639	-
2022 - 2026	37,015,000	4,714,349	658,557	-
2027 - 2031	10,635,000	683,250	-	-
	<u>\$ 114,090,000</u>	<u>\$ 18,699,506</u>	<u>\$ 1,651,754</u>	<u>\$ -</u>

**Legal debt margin:** As of June 30, 2016, the outstanding general obligation debt of the City did not exceed its legal debt margin computed as follows:

Actual valuation, net of military exemption *	\$ 6,961,717,535
Debt limit, 5% of total actual valuation	348,085,877
Debt applicable to debt limit	
General obligation bonds	114,090,000
Installment contracts	<u>1,651,754</u>
Legal debt margin	<u>\$ 232,344,123</u>

\* 100% of assessed valuation including TIF increment

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

**NOTE 5 FUND BALANCES**

The following funds had deficit fund balances as of June 30, 2016:

Dallas County Local Housing Trust Fund	\$ (7,408)
Community Development Block Grant	\$ (104,641)

The City intends to fund these deficits through future grant revenues.

As of June 30, 2016, fund balances are composed of the following:

	General	Debt Service	Capital Projects	Special Revenue	Total
Nonspendable:					
Vacant building held for resale	\$ 535,023	\$ -	\$ -	\$ -	\$ 535,023
Total nonspendable fund balance	535,023	-	-	-	535,023
Restricted for:					
Road and street projects	-	-	-	12,038,627	12,038,627
Tax rebates and urban renewal projects	-	-	-	6,665,816	6,665,816
Debt service	-	2,963,773	-	-	2,963,773
General obligation bond projects	-	-	22,587,366	-	22,587,366
Public safety pension	-	-	-	2,558,805	2,558,805
Employee insurance benefits	-	-	-	15,096	15,096
Economic development	-	-	-	658,569	658,569
General housing assistance	-	-	-	356,782	356,782
Elderly housing assistance	-	-	-	289,609	289,609
Parks operations and projects	-	-	-	22,221	22,221
Raccoon River quarry conservation	-	-	-	146,735	146,735
Public art	-	-	-	432,721	432,721
Adult softball field maintenance and improvements	-	-	-	128,175	128,175
Jordan Cemetery maintenance	-	-	-	209,813	209,813
Soccer concession improvements	-	-	-	1,383	1,383
Library operations and programs	-	-	-	229,811	229,811
Suburban Emergency Response Team	-	-	-	6,322	6,322
Dispatch operations and improvements	-	-	-	112,169	112,169
Police Operations	-	-	-	379,520	379,520
Total restricted fund balance	-	2,963,773	22,587,366	24,252,174	49,803,313
Unassigned	31,020,437	-	-	(112,049)	30,908,388
Total fund balance	\$ 31,555,460	\$ 2,963,773	\$ 22,587,366	\$ 24,140,125	\$ 81,246,724



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

**NOTE 6 INTERFUND RECEIVABLES AND PAYABLES**

Individual interfund receivables and payables balances as of June 30, 2016 were:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
Major Governmental Fund, General	Nonmajor Governmental Fund, CDBG	\$ 88,377
Major Governmental Fund, General	Nonmajor Governmental Fund, Dallas County Local Housing Trust Fund	<u>19,046</u>
Total		<u>\$ 107,423</u>

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

**NOTE 7 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	\$ 5,903,023	\$ 4,631,733
Special Revenue Funds		
Road Use Tax	528,877	4,888,479
Tax Increment Financing	-	7,232,563
Debt Services	9,511,068	-
Capital Projects	9,007,982	5,597,031
Major Enterprise Funds		
Sewer System	1,461,216	-
Storm Water System	-	136,302
Non-major Governmental Funds	173,949	4,769,414
Internal Service Funds		
Vehicle Replacement	-	5,726
Workers' Compensation Insurance	675,133	-
Total	<u>\$ 27,261,248</u>	<u>\$ 27,261,248</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.

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

**NOTE 8 PENSION AND RETIREMENT SYSTEMS**

**Iowa Public Employees' Retirement System - IPERS**

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

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

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

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

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

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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.5% for each month that the member received benefits before age 65.

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

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

Contributions: Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS's Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS's Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS

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

**NOTE 8 PENSION AND RETIREMENT SYSTEMS (continued):**

**Iowa Public Employees' Retirement System – IPERS**

Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, regular members contributed 5.95% of pay and the City contributed 8.93% for a total rate of 14.88%. Protection occupation members contributed 6.56% of pay and the City contributed 9.84% for a total rate of 16.40%.

The City's total contributions to IPERS for the year ended June 30, 2016 were \$1,754,825.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2016 the City reported a liability of \$10,716,237 for its proportionate share of the net pension liability. The new pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participation employers. At June 30, 2015, the City's collective proportion was 0.2169066% which was a decrease of 0.008381% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$1,053,640. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 167,879	\$ 75,910
Changes of assumptions	305,924	1,165
Net difference between projected and actual earnings on pension plan investments	-	1,101,249
Changes in proportion and differences between City contributions and proportionate share of contributions	49,083	831
City contributions subsequent to the measurement date	1,754,825	-
	<u>\$ 2,277,711</u>	<u>\$ 1,179,155</u>

The \$1,754,825 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	
2017	\$ (406,616)
2018	(406,616)
2019	(406,616)
2020	561,561
2021	2,018
Total	<u>\$ (656,269)</u>

There were no non-employer contributing entities at IPERS.

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

**NOTE 8 PENSION AND RETIREMENT SYSTEMS (continued)**

**Iowa Public Employees' Retirement System – IPERS**

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core Plus Fixed Income	28%	2.04%
Domestic Equity	24%	6.29%
International Equity	16%	6.75%
Private Equity/Debt	11%	11.32%
Real Estate	8%	3.48%
Credit Opportunities	5%	3.63%
US TIPS	5%	1.91%
Other Real Assets	2%	6.24%
Cash	1%	-0.71%
	<u>100%</u>	

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

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

**NOTE 8 PENSION AND RETIREMENT SYSTEMS (continued)**

**Iowa Public Employees' Retirement System – IPERS**

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5% ,as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 20,597,233	\$ 10,716,237	\$ 2,378,300

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan – At June 30, 2016, the City reported payables to the defined benefit pension plan of \$0 for legally required employer contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**Municipal Fire & Police Retirement System - MFPRSI**

Plan Description – MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at [www.mfprsi.org](http://www.mfprsi.org).

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member's highest 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66% of the member's average final compensation. Members who perform more than 22 years of service receive an additional 2% of the member's average final compensation for each additional year of service up to a maximum of 8 years. Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50% surviving spouse benefit.

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

**NOTE 8 PENSION AND RETIREMENT SYSTEMS (continued)**

**Municipal Fire & Police Retirement System – MFPRSI (continued)**

Active members, at least 55 years of age, with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4, or 5 year DROP period. By electing to participate in DROP the member is signing a contract indicating the member will retire at the end of the selected DROP period. During the DROP period the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

Disability and Death Benefits – Disability benefits may be either accidental or ordinary. Accidental disability is defined as permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60% of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50% of the member's average final compensation, for those with 5 or more years of service, or the member's service retirement benefit calculation amount, and 25% of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50% of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40% of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50% of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

Benefits are increased (escalated) annually in accordance with Chapter 411.6 of the Code of Iowa which provides a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

Contributions - Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2016.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa the employer's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 27.77% for the year ended June 30, 2016.

The City's contributions to MFPRSI for the year ended June 30, 2016 was \$2,404,016.

If approved by the state legislature, state appropriation may further reduce the employer's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa therefore is considered to be a non-employer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67 – Financial Reporting for Pension Plans, (GASB 67).

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2016.

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

**NOTE 8 PENSION AND RETIREMENT SYSTEMS (continued):**

**Municipal Fire & Police Retirement System – MFPRSI (continued)**

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a liability of \$14,830,836 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. At June 30, 2015, the City's proportion was 3.156744% which was an increase of .030666% from its proportions measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$1,432,716. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 398,655	\$ 25,345
Changes of assumptions	1,115,902	-
Net difference between projected and actual earnings on pension plan investments	-	1,526,561
Changes in proportion and differences between City contributions and proportionate share of contributions	229,117	-
City contributions subsequent to the measurement date	2,404,016	-
Total	\$ 4,147,690	\$ 1,551,906

\$2,404,016 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30</b>	
2017	\$ (299,723)
2018	(299,723)
2019	(299,723)
2020	963,061
2021	127,876
Total	\$ 191,768

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation	3.00 percent per annum
Salary Increases	4.00 percent to 15.11 percent, including inflation
Investment rate of return	7.50 percent per annum, net of investment expense, including inflation

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

**NOTE 8 PENSION AND RETIREMENT SYSTEMS (continued):**

**Municipal Fire & Police Retirement System – MFPRSI (continued)**

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

Mortality rates were based on weighting equal to 2/12 of the 1971 GAM table and 10/12 of the 1994 GAM table with no projection of future mortality improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (i.e., expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Core Plus Fixed Income	7.0%	3.8%
Emerging Markets Debt	3.0%	6.5%
Domestic Equities	12.5%	6.0%
Master Limited Partnerships (MLP)	5.0%	8.5%
International Equities	12.5%	7.0%
<b>Core Investments</b>	40.0%	
<b>Tactical Asset Allocation</b>	35.0%	6.0%
<b>Private Equity</b>	15.0%	9.8%
Private Non-Core Real Estate	5.0%	9.3%
Private Core Real Estate	5.0%	6.8%
<b>Real Estate</b>	10.0%	
Total	<u>100.0%</u>	

**Discount Rate** – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at 9.40% of covered payroll and the City contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the city’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City’s proportionate share of the net pension liability	\$ 25,820,926	\$ 14,830,836	\$ 5,699,356



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

**NOTE 8 PENSION AND RETIREMENT SYSTEMS (continued):**

**Municipal Fire & Police Retirement System – MFPRSI (continued)**

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI's website at [www.mfprsi.org](http://www.mfprsi.org).

Payables to the Pension Plan - At June 30, 2016, the City reported payables to the defined benefit pension plan of \$0 for legally required employer contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to MFPRSI.

**NOTE 9 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 10 OTHER POSTEMPLOYMENT BENEFITS - OPEB**

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

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

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution, ARC	\$ 204,233
Interest on net OPEB obligation	46,809
Adjustment to annual required contribution	<u>(60,902)</u>
Annual OPEB cost	190,130
Contributions made	<u>(325,208)</u>
Increase in net OPEB obligation	135,078
Net OPEB obligation, beginning of year	<u>936,183</u>
Net OPEB obligation, end of year	<u><u>\$ 801,105</u></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, 2016.

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

**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS - OPEB (continued):**

For the year ended June 30, 2016, the City contributed \$325,208 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, 2016 are summarized as follows:

<u>Fiscal Year</u> <u>ended June 30</u>	<u>Annual OPEB</u> <u>cost</u>	<u>Percentage of annual</u> <u>OPEB cost contributed</u>	<u>Net OPEB</u> <u>obligation</u>
2014	\$142,035	5.9%	\$801,846
2015	\$192,152	30.1%	\$936,183
2016	\$190,130	171.0%	\$801,105

As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$2,419,375 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of \$2,419,375. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$24,386,000, and the ratio of the UAAL to the covered payroll was 9.9%. As of June 30, 2015, 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.

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, 2014, 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 RP2014 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 \$10,000 for retirees. The salary increase rate was assumed to be 3% 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.

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

**NOTE 11 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 2015, the WRA issued Sewer Revenue Bonds Series 2015E for the purpose of refunding Series 2006A. 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, 2016, the Series 2015E bonds had a balance of \$31,865,000 and the City of West Des Moines' estimated future allocation based on the WRA flows is currently \$6,186,482.

In May of 2013, the WRA issued Sewer Revenue Bonds Series 2013B for the purpose of refunding Series 2004B. The WRA Agreement requires the debt service 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, 2016, the Series 2013B bonds had a balance of \$52,405,000 and the City of West Des Moines' estimated future allocation based on the WRA flows is currently \$10,174,253.

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, 2016, the WRA had \$265,029,866 of such State Revolving Loans of which \$48,231,200 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, 2016, the WRA had \$1,199,987 in these State Revolving Loans of which \$70,308 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.

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

**NOTE 12 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, 2016:

Received from West Des Moines Water Works	
Occupancy reimbursements	\$ 21,494
Health insurance reimbursements	444,167
Gasoline reimbursements	24,997
Telephone reimbursements	7,276
Share of general insurance	128,741
Delinquent reimbursements	2,264
Payments to West Des Moines Water Works	
Collection fees for sewer, solid waste, and storm water	173,617
Miscellaneous fees	46,125

Amounts receivable from West Des Moines Water Works as of June 30, 2016 for sewer, storm, and solid waste charges totaled \$2,512,221, \$601,275, and \$450,823 respectively.

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 \$1,346,869 and \$1,518,644, 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 for the Iowa EMS Alliance was \$236,212 and there were no capital costs.

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

**NOTE 13 COMMITMENTS**

The City has entered into contracts totaling approximately \$73 million for various projects that were not complete at year-end. As of June 30, 2016, approximately \$25 million 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 \$7.25 million exist, of which \$1.28 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 14 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 800 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% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2016 were approximately \$524,000.

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 \$250,000 each occurrence, each location, with excess coverage reinsured through reinsurance and risk-sharing agreements with various providers.

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

**NOTE 14 RISK MANAGEMENT (continued):**

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, 2016, no liability has been recorded in the City's financial statements. As of June 30, 2016, 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% 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 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% of the aggregate expected claims of \$4,899,837 for the year ended June 30, 2016). 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.

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, 2016 was \$4,328,625.

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% of the annual premium amount or approximately \$2,532,000.

Amounts payable from the Health and Dental Insurance Fund and the Worker's Compensation Insurance Fund as of June 30, 2016, totaled \$671,561 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 exceeded stop-loss coverage in the year ended June 30, 2016 and June 30, 2015 by \$162,624 and \$404,139 respectively. Settlements did not exceed the stop-loss coverage in the year ended June 30, 2014. Information on changes in the aggregate liabilities for claims is as follows:

	<u>2016</u>	<u>2015</u>
Claims payable, beginning of year	\$ 624,354	\$ 698,999
Claims recognized	4,998,708	4,851,853
Claim payments	<u>(4,951,501)</u>	<u>(4,926,498)</u>
Claims payable, end of year	<u>\$ 671,561</u>	<u>\$ 624,354</u>

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

**NOTE 15 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 info 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, 2016, there was one series of industrial development revenue bonds outstanding, with an aggregated principal amount payable of \$4,333,336.

**NOTE 16 LITIGATION**

Claims have been asserted against the City in the ordinary course of business with a maximum exposure of \$150,000. 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 17 SUBSEQUENT EVENTS**

On October 17, 2016, the City issued bonds totaling \$17,900,000 to fund infrastructure and other capital improvements. The issuance consisted of \$10,700,000 of General Obligation Urban Renewal Bonds with the balance being General Obligation Bonds.

On November 15, 2016, the City Council entered into a \$1,900,000 settlement agreement regarding an employment related lawsuit. The settlement was covered by the City's insurance, which limits the City's out-of-pocket cost to \$10,000.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

<b>Fiscal Year End June 30</b>	<b>Actuarial valuation date</b>	<b>Actuarial value of assets (a)</b>	<b>Actuarial accrued liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded ratio (a/b)</b>	<b>Covered payroll (c)</b>	<b>UAAL as a percentage of covered payroll ((b-a)/c)</b>
2012	7/1/2010	\$ -	\$ 1,368	\$ 1,368	0.0%	\$20,225	6.8%
2014	7/1/2012	\$ -	\$ 1,471	\$ 1,471	0.0%	\$21,693	6.8%
2016	7/1/2014	\$ -	\$ 2,419	\$ 2,419	0.0%	\$24,386	9.9%

See Note 10 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.



**City of West Des Moines, Iowa**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM – IPERS**  
**LAST TWO FISCAL YEARS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

	<u>2015</u>	<u>2016</u>
City's proportion of the net pension liability	0.20852530%	0.21690660%
City's proportionate share of the net pension liability	\$ 8,269,916	\$ 10,716,237
City's covered-employee payroll	\$ 16,337,805	\$ 18,379,445
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	50.61%	58.31%
Plan fiduciary net position as a percentage of the total pension liability	87.61%	85.19%

See accompanying notes to required supplementary information

Note: GASB Statement No. 68 required ten years to be presented in this table.  
However, until a full 10-year trend is compiled, the City will present  
information for those years for which information was available.

In accordance with GASB No 68 the amounts presented for each fiscal year  
were determined as of June 30th of the preceding year

**City of West Des Moines, Iowa  
SCHEDULE OF CITY CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM - IPERS  
LAST TEN FISCAL YEARS  
REQUIRED SUPPLEMENTARY INFORMATION**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Statutorily required contribution	\$ 819,773	\$ 908,811	\$ 1,043,635	\$ 1,178,526	\$ 1,220,065	\$ 1,458,325	\$ 1,529,529	\$ 1,617,030	\$ 1,675,318	\$ 1,754,825
Contribution in the relation to the statutorily required contribution	819,773	908,811	1,043,635	1,178,526	1,220,065	1,458,325	1,529,529	1,617,030	1,675,318	1,754,825
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	14,127,802	14,927,240	13,847,643	16,865,755	16,524,200	17,426,384	15,827,188	16,337,805	18,379,445	19,793,111
Contributions as a percentage of covered-employee payroll	5.80%	6.09%	7.54%	6.99%	7.38%	8.37%	9.66%	9.90%	9.12%	8.87%

**City of West Des Moines, Iowa**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY**  
**IOWA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM - IPERS**  
**June 30, 2016**

**Changes of benefit terms:**

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

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

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

**Changes of assumptions:**

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

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

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

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

**City of West Des Moines, Iowa**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY**  
**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM - IPERS**  
**June 30, 2016**

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

**City of West Des Moines, Iowa**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA - MFPRSI**  
**LAST TWO FISCAL YEARS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

	<u>2015</u>	<u>2016</u>
City's proportion of the net pension liability	3.126078%	3.156744%
City's proportionate share of the net pension liability	\$ 11,331,979	\$ 14,830,836
City's covered-employee payroll	\$ 7,983,068	\$ 8,278,428
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	142.00%	179.15%
Plan fiduciary net position as a percentage of the total pension liability	86.27%	83.04%

See accompanying notes to required supplementary information

Note: GASB Statement No. 68 required ten years to be presented in this table.  
However, until a full 10-year trend is compiled, the City will present  
information for those years for which information was available.

In accordance with GASB No 68 the amounts presented for each fiscal year  
were determined as of June 30th of the preceding year

See accompanying notes to required supplementary information.

**City of West Des Moines, Iowa**  
**SCHEDULE OF CITY CONTRIBUTIONS**  
**MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA - MFPRSI**  
**LAST TEN FISCAL YEARS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Statutorily required contribution	\$ 1,608,837	\$ 1,631,104	\$ 1,291,314	\$ 1,223,912	\$ 1,445,739	\$ 1,881,373	\$ 2,023,600	\$ 2,404,500	\$ 2,517,470	\$ 2,404,016
Contribution in the relation to the statutorily required contribution	1,608,837	1,631,104	1,291,314	1,223,912	1,445,739	1,881,373	2,023,600	2,404,500	2,517,470	2,404,016
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	5,797,611	6,401,507	6,887,008	7,199,482	7,265,020	7,598,437	7,747,320	7,983,068	8,278,428	8,766,120
Contributions as a percentage of covered-employee payroll	27.75%	25.48%	18.75%	17.00%	19.90%	24.76%	26.12%	30.12%	30.41%	27.42%

Notes to Required Supplementary Information - Pension Liability:

Changes of benefit terms: There were no significant changes of benefit terms.

Changes of assumptions: Effective July 1, 2014, two additional steps to phase in the 1994 Group Annuity Mortality Table for post-retirement mortality. The two additional steps result in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 for the 1994 Group Mortality Table.

**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, 2016**

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
<b>REVENUES</b>						
Property tax	\$ 48,654,033	\$ -	\$ 48,654,033	\$ 48,749,698	\$ 48,749,698	\$ (95,665)
Tax increment financing taxes	9,323,812	-	9,323,812	9,320,759	9,320,759	3,053
Other City taxes	4,803,092	-	4,803,092	4,506,325	4,506,325	296,767
Special assessments	159,895	-	159,895	225,000	225,000	(65,105)
Licenses and permits	4,400,512	-	4,400,512	1,465,550	3,138,550	1,261,962
Intergovernmental	23,718,226	-	23,718,226	14,448,764	18,066,948	5,651,278
Charges for services	7,183,974	14,624,331	21,808,305	19,046,500	20,575,300	1,233,005
Use of money and property	439,378	236,815	676,193	2,076,875	2,106,925	(1,430,732)
Miscellaneous	2,194,102	125,348	2,319,450	8,594,726	8,840,426	(6,520,976)
Total revenues	100,877,024	14,986,494	115,863,518	108,434,197	115,529,931	333,587
<b>EXPENDITURES/EXPENSES</b>						
Public safety	27,397,684	-	27,397,684	29,710,676	30,216,601	2,818,917
Public works	8,536,611	-	8,536,611	9,322,160	9,492,980	956,369
Health and social services	1,152,347	-	1,152,347	1,245,911	1,245,911	93,564
Culture and recreation	8,172,199	-	8,172,199	8,620,699	8,898,309	726,110
Community and economic development	6,821,846	-	6,821,846	7,176,270	8,484,893	1,663,047
General government	7,572,490	-	7,572,490	7,243,972	8,095,222	522,732
Debt service	22,490,829	-	22,490,829	22,098,666	22,242,916	(247,913)
Capital outlay	54,187,611	-	54,187,611	34,015,507	83,709,937	29,522,326
Business-type	-	13,333,130	13,333,130	27,276,625	35,273,138	21,940,008
Total expenditures/expenses	136,331,617	13,333,130	149,664,747	146,710,486	207,659,907	57,995,160
Excess (deficiency) of revenues over (under) expenditures/expenses	(35,454,593)	1,653,364	(33,801,229)	(38,276,289)	(92,129,976)	58,328,747
<b>OTHER FINANCING SOURCES, NET</b>						
	23,643,014	4,608,022	28,251,036	12,158,000	28,999,625	(748,589)
Excess (deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing sources (uses)	(11,811,579)	6,261,386	(5,550,193)	(26,118,289)	(63,130,351)	(68,680,544)
<b>BALANCES, beginning of year</b>	93,058,303	130,817,353	223,875,656	223,875,656	223,875,656	
<b>BALANCES, end of year</b>	\$ 81,246,724	\$ 137,078,739	\$ 218,325,463	\$ 197,757,367	\$ 160,745,305	

See Note to Required Supplementary Information.

**City of West Des Moines, Iowa**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION—BUDGETARY REPORTING**  
**Year ended June 30, 2016**

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 \$60,949,421. 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, 2016**

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 and trails (OCI 78-80):** Low and moderate severity settlement, bumps, cracking or joint deterioration may exist up to 15% 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% of the joints have sealant damage. Patches may exist up to 20% 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 and trails (OCI 78-80):** Reflective cracking may exist up to 100% 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% of the street area. Patches may exist up to 10% 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 areas. 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.

**City of West Des Moines, Iowa**  
**REQUIRED SUPPLEMENTARY INFORMATION—MODIFIED APPROACH (continued)**  
**Year ended June 30, 2016**

One factor that significantly affects the trend of levee condition assessments is the 2014 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	2013		2014		2015	
		Lane Miles	Percent of Street Network	Lane Miles	Percent of Street Network	Lane Miles	Percent of Street Network
Very Good	100 - 90	241	31.2%	240	30.8%	239	30.6%
Good	90 - 80	274	35.3%	254	32.6%	262	33.5%
Average	80 - 60	151	19.5%	181	23.3%	181	23.1%
Below Average	60 - 50	90	11.6%	88	11.3%	89	11.4%
Poor	50 - 25	18	2.4%	16	2.0%	11	1.0%
Failed	25 - 0	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>		<b>774</b>	<b>100%</b>	<b>779</b>	<b>100%</b>	<b>782</b>	<b>100%</b>

Overall condition index (OCI)

	2013	2014	2015
Goal	78-80	78-80	78-80
Actual	80.2	79.9	80

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

Condition Categories Based on FHWA Criteria:

Category	OCI Range	2011		2013		2015	
		Bridges Inspected	Percent of Bridges Inspected	Bridges Inspected	Percent of Bridges Inspected	Bridges Inspected	Percent of Bridges Inspected
Excellent	100 - 90	17	70.8%	17	58.6%	16	57.1%
Very Good	90 - 80	4	16.7%	6	20.7%	5	17.9%
Good	80 - 70	1	4.2%	2	6.9%	2	7.1%
Satisfactory	70 - 60	1	4.2%	2	6.9%	1	3.6%
Fair	60 - 50	1*	4.1%	2*	6.9%	4*	14.3%
Poor	50 - 40	0	0.0%	0	0.0%	0	0.0%
Serious	40 - 30	0	0.0%	0	0.0%	0	0.0%
Critical	30 - 20	0	0.0%	0	0.0%	0	0.0%
Imminent Failure	20 - 10	0	0.0%	0	0.0%	0	0.0%
Failed	10 - 0	0	0.0%	0	0.0%	0	0.0%
<b>Total</b>		<b>24</b>	<b>100%</b>	<b>29</b>	<b>100%</b>	<b>28</b>	<b>100%</b>

\*Structures closed to traffic or scheduled for replacement

Overall condition index (OCI)

	2011	2013	2015
Goal	81 or greater	81 or greater	81 or greater
Actual	91.3	86.4	85.6

**City of West Des Moines, Iowa**  
**REQUIRED SUPPLEMENTARY INFORMATION—MODIFIED APPROACH (continued)**  
**Year ended June 30, 2016**

Levee Condition by Category as of the Last Assessment

Condition Categories Based on the Army Corp. Criteria

OCI Range	2013		2014		2015	
	Levee Items	Percent of	Levee Items	Percent of	Levee Items	Percent of
	<u>Inspected</u>	<u>Inspected</u>	<u>Inspected</u>	<u>Inspected</u>	<u>Inspected</u>	<u>Inspected</u>
Acceptable	42	76.4%	48	87.3%	48	88.9%
Minimally Acceptable	13	23.6%	7	12.7%	6	11.1%
Unacceptable	0	0.0%	0	0.0%	0	0.0%
	<u>55</u>	<u>100%</u>	<u>55</u>	<u>100%</u>	<u>54</u>	<u>100%</u>

Overall condition index (OCI)

	2013	2014	2015
Goal	Minimally Acceptable	Minimally Acceptable	Minimally Acceptable
Actual	Minimally Acceptable	Minimally Acceptable	Acceptable

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

	2009	2010	2011	2012	2013	2014	2015	2016
<b>Estimated Costs</b>	\$5,397	\$4,374	\$5,296	\$5,307	\$6,753	\$4,567	\$4,041	\$5,060
<b>Actual Costs</b>	\$5,024	\$5,071	\$5,387	\$5,119	\$3,720	\$4,130	\$4,119	\$3,784

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**City of West Des Moines, Iowa  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2016**

	Police and Fire Retirement	Employee Benefit	Economic Development	Housing Programs	Parks	Library	Public Safety	Dallas County Local Housing Trust Fund	Community Development Block Grant	Totals
<b>ASSETS</b>										
Cash and investments	\$2,623,094	\$ -	\$ 687,281	\$ 359,002	\$ 944,845	\$ 229,811	\$ 427,411	\$ -	\$ -	\$ 5,271,444
Restricted cash and investments	-	-	-	288,123	-	-	-	-	-	288,123
Receivables										
Property taxes	2,242,808	4,434,371	-	-	-	-	-	-	-	6,677,179
Accounts	-	-	-	1,923	-	-	80,410	21,000	-	103,333
Total assets	<u>\$4,865,902</u>	<u>\$4,434,371</u>	<u>\$ 687,281</u>	<u>\$ 649,048</u>	<u>\$ 944,845</u>	<u>\$ 229,811</u>	<u>\$ 507,821</u>	<u>\$ 21,000</u>	<u>\$ -</u>	<u>\$12,340,079</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>										
Liabilities										
Accounts payable	\$ 72,090	\$ -	\$ 28,712	\$ 2,657	\$ 3,797	\$ -	\$ 9,810	\$ 8,484	\$ 14,703	\$ 140,253
Accrued wages payable	-	-	-	-	-	-	-	878	1,561	2,439
Due to other funds	-	-	-	-	-	-	-	19,046	88,377	107,423
Total liabilities	<u>72,090</u>	<u>-</u>	<u>28,712</u>	<u>2,657</u>	<u>3,797</u>	<u>-</u>	<u>9,810</u>	<u>28,408</u>	<u>104,641</u>	<u>250,115</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>										
Unavailable revenue:										
Succeeding year property tax	2,235,007	4,419,275	-	-	-	-	-	-	-	6,654,282
Total deferred inflows of resources	<u>2,235,007</u>	<u>4,419,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,654,282</u>
<b>FUND BALANCES (DEFICITS)</b>										
Restricted for										
Other purposes	2,558,805	15,096	658,569	646,391	941,048	229,811	498,011	-	-	5,547,731
Unassigned	-	-	-	-	-	-	-	(7,408)	(104,641)	(112,049)
Total fund balances (deficits)	<u>2,558,805</u>	<u>15,096</u>	<u>658,569</u>	<u>646,391</u>	<u>941,048</u>	<u>229,811</u>	<u>498,011</u>	<u>(7,408)</u>	<u>(104,641)</u>	<u>5,435,682</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$4,865,902</u>	<u>\$4,434,371</u>	<u>\$ 687,281</u>	<u>\$ 649,048</u>	<u>\$ 944,845</u>	<u>\$ 229,811</u>	<u>\$ 507,821</u>	<u>\$ 21,000</u>	<u>\$ -</u>	<u>\$12,340,079</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, 2016**

	Police and Fire Retirement	Employee Benefit	Economic Development	Housing Programs	Parks	Library	Public Safety	Dallas County Local Housing Trust Fund	Community Development Block Grant	Totals
<b>REVENUES</b>										
Property taxes	\$2,173,780	\$4,206,721	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$6,380,501
Other City taxes	25,577	49,494	-	-	-	-	-	-	-	75,071
Intergovernmental	130,312	252,172	50,000	65,316	-	-	-	102,242	184,712	784,754
Use of money and property	-	-	-	2,064	-	-	13	-	-	2,077
Miscellaneous	-	-	-	153,527	188,886	64,353	770,704	20,468	58,320	1,256,258
Total revenues	2,329,669	4,508,387	50,000	220,907	188,886	64,353	770,717	122,710	243,032	8,498,661
<b>EXPENDITURES</b>										
Current operating										
Public safety	2,414,930	-	-	-	-	-	460,896	-	-	2,875,826
Health and social services	-	-	-	187,338	-	-	-	-	-	187,338
Culture and recreation	-	-	-	-	82,238	30,324	-	-	-	112,562
Community & economic development	-	-	123,112	-	-	-	-	113,627	243,595	480,334
Debt service										
Principal	-	-	-	-	-	-	29,724	-	-	29,724
Interest	-	-	-	-	-	-	156	-	-	156
Total expenditures	2,414,930	-	123,112	187,338	82,238	30,324	490,776	113,627	243,595	3,685,940
Excess (deficiency) of revenues over (under) expenditures	(85,261)	4,508,387	(73,112)	33,569	106,648	34,029	279,941	9,083	(563)	4,812,721
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	-	-	50,000	710	120,000	-	-	3,239	-	173,949
Transfers out	-	(4,493,291)	-	-	-	-	(170,000)	-	(106,123)	(4,769,414)
Total other financing sources (uses)	-	(4,493,291)	50,000	710	120,000	-	(170,000)	3,239	(106,123)	(4,595,465)
Net change in fund balances	(85,261)	15,096	(23,112)	34,279	226,648	34,029	109,941	12,322	(106,686)	217,256
Fund balances (deficit), beginning of year	2,644,066	-	681,681	612,112	714,400	195,782	388,070	(19,730)	2,045	5,218,426
Fund balances (deficit), end of year	\$2,558,805	\$ 15,096	\$ 658,569	\$ 646,391	\$ 941,048	\$ 229,811	\$ 498,011	\$ (7,408)	\$ (104,641)	\$5,435,682

See accompanying independent auditor's report.

**City of West Des Moines, Iowa**  
**COMBINING STATEMENT OF NET POSITION-INTERNAL SERVICE FUNDS**  
**Year ended June 30, 2016**

	Vehicle Replacement	Vehicle Maintenance	Health and Dental Insurance	Worker's Compensation Insurance	Technology Replacement	Total
<b>ASSETS</b>						
Current assets						
Cash and investments	\$ 9,166,035	\$ 106,460	\$7,563,161	\$ 4,594,371	\$ 1,000,000	\$22,430,027
Interest	22,245	-	17,302	-	-	39,547
Due from other governments	-	16,998	-	-	-	16,998
Total current assets	<u>9,188,280</u>	<u>123,458</u>	<u>7,580,463</u>	<u>4,594,371</u>	<u>1,000,000</u>	<u>22,486,572</u>
Noncurrent assets, capital assets						
Equipment and vehicles	16,116,618	-	-	-	-	16,116,618
Accumulated depreciation	(9,739,266)	-	-	-	-	(9,739,266)
Total noncurrent assets	<u>6,377,352</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,377,352</u>
Total assets	<u>\$ 15,565,632</u>	<u>\$ 123,458</u>	<u>\$7,580,463</u>	<u>\$ 4,594,371</u>	<u>\$ 1,000,000</u>	<u>\$28,863,924</u>
<b>LIABILITIES AND NET POSITION</b>						
Liabilities						
Current						
Accounts payable	\$ 152,806	\$ 83,446	\$ -	\$ -	\$ -	\$ 236,252
Claims payable	-	-	499,753	171,808	-	671,561
Total current liabilities	<u>152,806</u>	<u>83,446</u>	<u>499,753</u>	<u>171,808</u>	<u>-</u>	<u>907,813</u>
Net position						
Investment in capital assets	6,377,352	-	-	-	-	6,377,352
Unrestricted	9,035,474	40,012	7,080,710	4,422,563	1,000,000	21,578,759
Total net position	<u>15,412,826</u>	<u>40,012</u>	<u>7,080,710</u>	<u>4,422,563</u>	<u>1,000,000</u>	<u>27,956,111</u>
Total liabilities and net position	<u>\$ 15,565,632</u>	<u>\$ 123,458</u>	<u>\$7,580,463</u>	<u>\$ 4,594,371</u>	<u>\$ 1,000,000</u>	<u>\$28,863,924</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, 2016**

	Vehicle Replacement	Vehicle Maintenance	Health and Dental Insurance	Worker's Compensation Insurance	Technology Replacement	Total
<b>OPERATING REVENUES</b>						
Charges for services	\$ -	\$ 914,601	\$5,574,462	\$ 258,303	\$ -	\$ 6,747,366
Lease revenue	1,586,410	-	-	-	-	1,586,410
Total operating revenues	1,586,410	914,601	5,574,462	258,303	-	8,333,776
<b>OPERATING EXPENSES</b>						
Cost of sales and services	-	932,789	5,569,961	374,612	-	6,877,362
Depreciation	1,189,417	-	-	-	-	1,189,417
Total operating expenses	1,189,417	932,789	5,569,961	374,612	-	8,066,779
Operating income (loss)	396,993	(18,188)	4,501	(116,309)	-	266,997
Nonoperating revenues (expenses)						
Investment earnings	27,971	-	18,364	-	-	46,335
Gain (loss) on sale of capital assets	184,125	-	-	-	-	184,125
Total nonoperating revenues	212,096	-	18,364	-	-	230,460
Income (loss) before transfers	609,089	(18,188)	22,865	(116,309)	-	497,457
Transfers in	-	-	-	675,133	-	675,133
Transfers out	(5,726)	-	-	-	-	(5,726)
Change in net position	603,363	(18,188)	22,865	558,824	-	1,166,864
Total net position, beginning of year	14,809,463	58,200	7,057,845	3,863,739	1,000,000	26,789,247
Total net position, end of year	\$ 15,412,826	\$ 40,012	\$ 7,080,710	\$ 4,422,563	\$ 1,000,000	\$ 27,956,111

See accompanying independent auditor's report.



**City of West Des Moines, Iowa**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**Year ended June 30, 2016**

	Vehicle Replacement	Vehicle Maintenance	Health and Dental Insurance	Worker's Compensation Insurance	Technology Replacement	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 1,586,410	\$ 911,716	\$5,587,243	\$ 258,303	\$ -	\$ 8,343,672
Payments to suppliers	69,656	(893,641)	-	-	-	(823,985)
Payments to claimants	-	-	(5,463,089)	(434,277)	-	(5,897,366)
Net cash provided by (used in) operating activities	1,656,066	18,075	124,154	(175,974)	-	1,622,321
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers in	-	-	-	675,133	-	675,133
Transfers out	(5,726)	-	-	-	-	(5,726)
Net cash provided by (used in) noncapital financing activities	(5,726)	-	-	675,133	-	669,407
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Purchase of capital assets	(2,144,618)	-	-	-	-	(2,144,618)
Proceeds from disposal of capital assets	222,893	-	-	-	-	222,893
Net cash (used in) capital and related financing activities	(1,921,725)	-	-	-	-	(1,921,725)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest received	8,232	-	1,062	-	-	9,294
Purchase of investment securities	(4,500,000)	-	(3,500,000)	-	-	(8,000,000)
Proceeds from maturity of investment securities	4,000,000	-	-	-	-	4,000,000
Net cash provided by (used in) investing activities	(491,768)	-	(3,498,938)	-	-	(3,990,706)
Net increase (decrease) in cash and cash equivalents	(763,153)	18,075	(3,374,784)	499,159	-	(3,620,703)
Cash and cash equivalents						
Beginning of year	5,429,188	88,385	7,437,945	4,095,212	1,000,000	18,050,730
End of year	\$ 4,666,035	\$ 106,460	\$4,063,161	\$ 4,594,371	\$ 1,000,000	\$14,430,027

See accompanying independent auditor's report.

**City of West Des Moines, Iowa**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS (continued)**  
**Year ended June 30, 2016**

	Vehicle Replacement	Vehicle Maintenance	Health and Dental Insurance	Worker's Compensation Insurance	Technology Replacement	Total
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 396,993	\$ (18,188)	\$ 4,501	\$ (116,309)	\$ -	\$ 266,997
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	1,189,417	-	-	-	-	1,189,417
Change in assets and liabilities						
Receivables	-	(2,885)	12,781	-	-	9,896
Accounts payable	69,656	39,148	-	-	-	108,804
Claims payable	-	-	106,872	(59,665)	-	47,207
Net cash provided by (used in) operating activities	<u>\$ 1,656,066</u>	<u>\$ 18,075</u>	<u>\$ 124,154</u>	<u>\$ (175,974)</u>	<u>\$ -</u>	<u>\$ 1,622,321</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO SPECIFIC ASSETS ON THE STATEMENT OF NET POSITION</b>						
Cash and investments	\$ 9,166,035	\$ 106,460	\$ 7,563,161	\$ 4,594,371	\$ 1,000,000	\$ 22,430,027
Less items not meeting the definition of cash equivalents	(4,500,000)	-	(3,500,000)	-	-	(8,000,000)
Cash and cash equivalents at end of year	<u>\$ 4,666,035</u>	<u>\$ 106,460</u>	<u>\$ 4,063,161</u>	<u>\$ 4,594,371</u>	<u>\$ 1,000,000</u>	<u>\$ 14,430,027</u>

See accompanying independent auditor's report.

**City of West Des Moines, Iowa**  
**COMBINING STATEMENT OF ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**June 30, 2016**

	Collections and Deposits	Section 125 Plan	Total Agency Funds
<b>ASSETS</b>			
Cash and investments	\$ 547,501	\$ 83,762	\$ 631,263
<b>LIABILITIES</b>			
Deposits and remittances due	\$ 547,501	\$ 83,762	\$ 631,263

See accompanying independent auditor's report.

**City of West Des Moines, Iowa**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**Year ended June 30, 2016**

<b><u>Collections and Deposits</u></b>	<b>Balance June 30, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2016</b>
<b>ASSETS</b>				
Cash and investments	\$ 738,301	\$ 28,284	\$ 219,084	\$ 547,501
Total assets	<u>\$ 738,301</u>	<u>\$ 28,284</u>	<u>\$ 219,084</u>	<u>\$ 547,501</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 3,996	\$ -	\$ 3,996	\$ -
Deposits and remittances due	734,305	28,284	215,088	547,501
Total liabilities	<u>\$ 738,301</u>	<u>\$ 28,284</u>	<u>\$ 219,084</u>	<u>\$ 547,501</u>
<b><u>Section 125 Plan</u></b>				
<b>ASSETS</b> , cash and investments	<u>\$ 78,999</u>	<u>\$ 264,247</u>	<u>\$ 259,484</u>	<u>\$ 83,762</u>
<b>LIABILITIES</b> , deposits and remittances due	<u>\$ 78,999</u>	<u>\$ 264,247</u>	<u>\$ 259,484</u>	<u>\$ 83,762</u>
<b><u>Combined Funds</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 817,300	\$ 292,531	\$ 478,568	\$ 631,263
<b>LIABILITIES</b>				
Accounts payable	\$ 3,996	\$ -	\$ 3,996	\$ -
Deposits and remittances due	813,304	292,531	474,572	631,263
Total liabilities	<u>\$ 817,300</u>	<u>\$ 292,531</u>	<u>\$ 478,568</u>	<u>\$ 631,263</u>