

## **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, (City) as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Notes 1 and 19 to the financial statements, the City has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which has resulted in a restatement of the net position as of July 1, 2017. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Des Moines, Iowa's financial statements. The introductory section, combining nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 17, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Dubuque, Iowa  
December 17, 2018

# City of West Des Moines, Iowa

## Management's Discussion and Analysis

### For Fiscal Year Ended June 30, 2018

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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, 2018. 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, 2018, assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows by \$634 million. Of this amount, \$65 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, 2017, assets and deferred outflows exceeded liabilities and deferred inflows by \$608 million, of which \$50 million was unrestricted.

The City's total net position increased by \$26 million during the fiscal year ended June 30, 2018. Governmental activities increased by \$15 million and business-type activities increased by \$11 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 \$146 million, which is significantly increased from the prior year in part due to an increase in bonds issued during the year related to construction. The unassigned portion of the City's fund balance, which is available for spending at the City's discretion, totaled \$40.4 million at June 30, 2018, increasing \$11.7 million from the balance at the end of the prior fiscal year.

The City implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions during fiscal year 2018. The beginning net position for governmental and business type activities was restated by \$1,368,431 and by \$60,052 to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.

Moody's Investors Services reaffirmed the City's Aaa rating on May 3, 2018 in conjunction with the issuance of 2018 General Obligation Bonds. Standard & Poor's last reaffirmed the City's Aaa bond rating on July 11, 2017. 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).

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

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.

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*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 internal 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 80 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 a schedule of changes in the City's total OPEB liability, 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 89 through 92 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 94 through 101 of this report.

## Government-Wide Financial Analysis

Net position may serve as a useful indicator of a government's financial standing. At June 30, 2018, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$634 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 on the following page.



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	
	2018	2017 (Not Restated)	2018	2017 (Not Restated)	2018	2017 (Not Restated)
<b>Assets</b>						
Current and other assets	\$ 254,130	\$ 179,719	\$ 47,958	\$ 48,474	\$302,088	\$ 228,193
Capital assets, net of depreciation	529,531	501,982	118,748	105,418	648,279	607,400
<b>Total assets</b>	<b>783,661</b>	<b>681,701</b>	<b>166,706</b>	<b>153,892</b>	<b>950,367</b>	<b>835,593</b>
<b>Deferred Outflows</b>						
Pension related	10,769	12,221	224	206	10,993	12,427
OPEB related	270	-	12	-	282	-
Advance refunding related	103	-	-	-	103	-
<b>Total deferred outflows</b>	<b>11,142</b>	<b>12,221</b>	<b>236</b>	<b>206</b>	<b>11,378</b>	<b>12,427</b>
<b>Liabilities</b>						
Current liabilities	32,491	29,544	3,076	1,125	35,567	30,669
Long-term liabilities outstanding	214,996	139,397	1,258	1,132	216,254	140,529
<b>Total liabilities</b>	<b>247,487</b>	<b>168,941</b>	<b>4,334</b>	<b>2,257</b>	<b>251,821</b>	<b>171,198</b>
<b>Deferred Inflows</b>						
Unavailable revenue, property taxes	75,510	68,220	-	-	75,510	68,220
Pension related	588	370	187	180	775	550
<b>Total deferred inflows</b>	<b>76,098</b>	<b>68,590</b>	<b>187</b>	<b>180</b>	<b>76,285</b>	<b>68,770</b>
<b>Net position</b>						
Net investment in capital assets	420,604	419,227	118,748	105,418	539,352	524,645
Restricted net position	27,581	27,059	1,365	5,971	28,946	33,030
Unrestricted net position	23,033	10,105	42,308	40,272	65,341	50,377
<b>Total net position</b>	<b>\$ 471,218</b>	<b>\$ 456,391</b>	<b>\$ 162,421</b>	<b>\$ 151,661</b>	<b>\$633,639</b>	<b>\$ 608,052</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 \$14.7 million from the previous year. The increases were in support of both governmental activities and business-type activities and are indicative of the City's ongoing commitment to provide quality infrastructure assets in the community, and its effort to aggressively repay debt related to those assets.

An additional portion of the City's net position (5% of the total) represents resources that are subject to external use restrictions. These amounts fluctuate annually based on the timing of restricted revenue and completion of the restricted projects or activities. Total restricted net position decreased \$4.1 million during the fiscal year ended June 30, 2018.

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The remaining balance of net position (10% of the total) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net position increased \$15.0 million during the fiscal year ended June 30, 2018.

The City's Changes in Net Position during the fiscal years ended June 30, 2018 and 2017, follows and is discussed below:

	Changes in Net Position (in thousands of dollars)					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017 (Not Restated)	2018	2017 (Not Restated)	2018	2017 (Not Restated)
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 13,628	\$ 13,539	\$ 15,854	\$ 15,164	\$ 29,482	\$ 28,703
Operating grants and contributions	13,871	10,391	-	-	13,871	10,391
Capital grants and contributions	565	5,174	4,206	3,373	4,771	8,547
General revenues:						
Property taxes	67,629	64,302	-	-	67,629	64,302
Other taxes	5,065	5,070	-	-	5,065	5,070
Earnings on investments	1,750	715	639	176	2,389	891
Other	5,771	5,687	23	-	5,794	5,687
<b>Total revenues</b>	<b>108,279</b>	<b>104,878</b>	<b>20,722</b>	<b>18,713</b>	<b>129,001</b>	<b>123,591</b>
<b>Expenses</b>						
General government	9,737	8,953	-	-	9,737	8,953
Public safety	31,869	30,994	-	-	31,869	30,994
Public Works	17,480	16,035	-	-	17,480	16,035
Health and social services	1,402	1,251	-	-	1,402	1,251
Culture and recreation	10,225	9,879	-	-	10,225	9,879
Community & economic development	10,593	7,578	-	-	10,593	7,578
Interest on long term debt	4,945	3,322	-	-	4,945	3,322
Sanitary sewer	-	-	10,012	9,815	10,012	9,815
Solid waste	-	-	3,714	3,650	3,714	3,650
Storm water	-	-	2,008	1,804	2,008	1,804
<b>Total expenses</b>	<b>86,251</b>	<b>78,012</b>	<b>15,734</b>	<b>15,269</b>	<b>101,985</b>	<b>93,281</b>
<b>Increase (decrease) in net position before transfers</b>	<b>22,028</b>	<b>26,866</b>	<b>4,988</b>	<b>3,444</b>	<b>27,016</b>	<b>30,310</b>
Transfers	(5,833)	(10,685)	5,833	10,685	-	-
<b>Increase (decrease) in net position</b>	<b>16,195</b>	<b>16,181</b>	<b>10,821</b>	<b>14,129</b>	<b>27,016</b>	<b>30,310</b>
<b>Net position, beginning of year</b>	<b>455,023</b>	<b>440,210</b>	<b>151,600</b>	<b>137,532</b>	<b>606,623</b>	<b>577,742</b>
<b>Net position, end of year</b>	<b>\$ 471,218</b>	<b>\$ 456,391</b>	<b>\$ 162,421</b>	<b>\$ 151,661</b>	<b>\$ 633,639</b>	<b>\$ 608,052</b>

**Governmental Activities.** Governmental revenues in the current year increased by \$3.4 million, or 3.2%, which largely was a result of an increase of \$3.1 million in grant revenue associated with the City's grant to renovate a former school building into housing. Revenues from building permits and related activity remained relatively strong (although down from the previous year) and other fee-based revenues also remained stable. Investment earnings were up sharply (\$1.0 million or 144%) due to rising interest rates and investment management. The City's overall property tax revenue increased by \$3.3 million due to development within the City, however revenue from capital grants decreased by \$4.6 million from the previous year due to smaller roadway infrastructure grant revenue received. Governmental expenses increased \$8.2 million, or 10.5% from the prior fiscal year and this was largely due to \$3.1 million in grant expenses associated with the renovation of a former school building into housing, a \$1.6 million increase in long term debt interest associated with bond issuances, the addition of 10 FTE's, less staffing vacancies compared to the prior year, and rising employee costs, including salaries, pensions, and insurance. Staffing efficiencies were assisted by combining the City's Parks Maintenance and Public Works Maintenance divisions into one consolidated unit, which allowed for cross-functionality of personnel and equipment.

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**Business-Type Activities.** Revenue received through charges for services increased by \$0.7 million, or approximately 4.6% in the current year. Capital grant revenues, which can swing dramatically based on available grant programs, increased by \$0.8 million, or approximately 24.7%. Investment earnings increased \$0.5 million due to the rise in interest rates. Business-type expenses increased by \$0.5 million, or approximately 3.2%, and are largely based on water (through stormwater fees), sewer, and solid waste usage. These increases were 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 \$145.7 million as of June 30, 2018. Of this total \$40.4 million constitutes *unassigned fund balance*, which is available for spending at the government's discretion. \$0.6 million of the balance is unspendable as it relates to inventory and loan receivables to be collected. 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 (\$5.0 million); (3) for liquidation of contracts for capital improvements (\$90.9 million); or (4) various other purposes (\$5.8 million).

The unassigned balance of the General Fund, the chief operating fund of the City, increased \$3.8 million, or 10.3%, to a total of \$40.5 million at June 30, 2018. 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, 2018, represents approximately 70.3% 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, the overwhelming majority of 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 \$2.4 million, which includes an increase in property tax revenue of \$1.4 million. The more significant portions of the change are a \$0.1 million increase in charges for services, a \$0.8 million increase in use of money and property.

General Fund expenditures increased by \$1.5 million, or approximately 2.7%. The most significant portion of this increase was rising employee costs, including salaries, pensions, and insurance.

The Road Use Tax Revenue collected by the State of Iowa and allocated to the City decreased by \$230,000 (-2.8%) from the previous fiscal year. Revenue is tied to vehicle registrations and the sale of fuel, but it is unknown whether the trend was due to price fluctuation or other factors. An increase in funding for the City's road maintenance projects led to a fiscal 2018 increase of only \$400,000, and although this increase is significantly less than that of the previous year (\$1.3 million), the overall ending fund balance at June 30, 2018, remained at a healthy level, exceeding \$13.8 million.

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The Tax Increment Financing (TIF) Fund had a fund balance of \$4.9 million at June 30, 2018, which represents an increase of \$100,000, or 2.8% from the prior year. Increases to this fund balance are not typically foreseen, and the City had actually planned for this balance to decrease, however, the State of Iowa continued to backfill lost commercial property tax revenue in fiscal 2018 and some of this revenue was allocable to the TIF areas of the City. Since property taxes are collected in arrears, the City continues to benefit from past growth in these areas. The property taxes collected in these special financing districts are generally transferred from the Tax Increment Financing Fund to other funds to cover bonded debt, other loans, advances, and contracts used to finance infrastructure improvements in these TIF districts.

The Debt Service Fund had a fund balance of \$3.0 million at June 30, 2018, which represents an increase of 50.0%, from the prior year. This increase was due to timing of debt payments. The continued long-term strategy for the fund is to maintain a minimum reserve balance approximately equal to 25% of total interest payable each fiscal year.

The Capital Projects Fund had a fund balance of \$77.1 million at June 30, 2018, which represents an increase in fund balance of \$58.5 million. The sales of Series 2018 A through D General Obligation Bonds were completed on June 13, 2018, which resulted in \$42 million of proceeds deposited into the fund with relatively little advance spending. In addition, certain projects designated for completion with Series 2017 C and D General Obligation Bonds were delayed and so a significant portion of those bond proceeds (approximately \$19 million of the total \$34 million) remained unspent at June 30, 2018. Numerous larger-scale capital projects are slated for fiscal 2019 so it is anticipated that the Capital Projects Fund will be reduced to a more typical level by the end of the upcoming fiscal year.

**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, 2018, was \$103.2 million. This is comprised of a \$60.7 million investment in capital assets and \$42.5 million in net position, \$1.3 million of which is restricted to use only on specific improvement projects. The net position of the Sanitary Sewer Fund increased \$4.2 million, or 4.2%, which was largely the result of a planned rate increase.

Total net position of the City's Storm Water Fund at the end of the current year was \$57.9 million. This is comprised of \$57.9 million investment in capital assets. In order to address the shortfall in unrestricted net position in this fund, the stormwater rate was increased by \$.60 per Equivalent Residential Unit effective July 1, 2018. The current rate had been in place since fiscal year ending June 30, 2010. In addition, the City authorized an internal loan from the sewer fund to the stormwater fund in the amount of \$6.2 million to be paid back over a 15 year term.

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. The fund balance did not change significantly from the previous year.

## 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, 2018, disbursements exceeded the amount budgeted in the Debt Service and Health and Social Services function. However, the expenditures and associated bond proceeds were recognized during the fiscal year.

During the fiscal year ended June 30, 2018, there were two budget amendments, dated October 16, 2017, and April 30, 2018. 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

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budget is also routinely amended each year to adjust projected fiscal year beginning balances to equal actual audited fund balances.

<b>Condition Level for Street Network</b> (prior 3 condition assessments)			
	<b>2015</b>	<b>2016</b>	<b>2017*</b>
<b>Street subsystem:</b>			
Goal	78-80	78-80	70
Actual	80.0	80.0	73.0
<b>Levee subsystem:</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Goal	Minimally Acceptable	Minimally Acceptable	Minimally Acceptable
Actual	Acceptable	Minimally Acceptable	Minimally Acceptable
<b>Bridge &amp; Culvert subsystem:</b>			
	<b>2013</b>	<b>2015</b>	<b>2017</b>
Goal	81 or greater	81 or greater	81 or greater
Actual	86.4	85.6	88.5

\*During FY17-18, the City began using the Iowa Pavement Management Program (IPMP) sponsored by Iowa DOT and Iowa State University for the street subsystem. The new program uses a different scale compared to previous fiscal years. For more information, please refer to the Required Supplementary Information-Modified Approach Section.

## 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, 2018, amounts to \$648 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 6.7%, and is largely due to infrastructure completed as part of several arterial street widening projects, and to a lesser degree, due to improvements to city building facilities. This is slightly more than the previous year's increase of 5.9%, which was largely due to city infrastructure improvements associated with the Alluvion Data Center site.

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.

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

The *required supplementary information* that must be presented by governments electing this approach appears on pages 89 through 92 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 through 90 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)

	2018	2017	2016	2015	2014	2013	2012	2011
<b>Estimated Costs</b>	\$4,820	\$4,760	\$5,060	\$4,041	\$4,567	\$6,753	\$5,307	\$5,296
<b>Actual Costs</b>	\$4,840	\$3,472	\$3,784	\$4,119	\$4,130	\$3,720	\$5,119	\$5,387

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	
	2018	2017	2018	2017	2018	2017
Land	\$ 23,908	\$ 23,908	413	\$ 413	\$ 24,321	\$ 24,321
Buildings	53,127	50,575	-	-	53,127	50,575
Improvements other than buildings	50,725	43,488	-	-	50,725	43,488
Fiber Network	5,159	5,159	-	-	5,159	5,159
Equipment and vehicles	23,280	23,480	648	302	23,928	23,782
Construction-in-Progress	46,094	43,783	15,320	10,975	61,414	54,758
Share of undivided equity interest assets	5,020	5,045	-	-	5,020	5,045
Infrastructure, depreciable	-	-	148,903	137,464	148,903	137,464
Infrastructure, nondepreciable	394,192	374,265	-	-	394,192	374,265
Accumulated depreciation	(88,754)	(84,371)	(46,583)	(43,767)	(135,337)	(128,138)
Intangibles	16,780	16,650	47	31	16,827	16,681
<b>Total capital assets</b>	<b>\$ 529,531</b>	<b>\$ 501,982</b>	<b>\$ 118,748</b>	<b>\$ 105,418</b>	<b>\$ 648,279</b>	<b>\$ 607,400</b>

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Major capital asset expenditures during the fiscal year ended June 30, 2018, included the following projects with over \$1 million in spending:

- Spent \$9.8 million towards an overall \$20.2 million project to construct South Grand Prairie Parkway from Raccoon River Drive to Veterans Parkway, including a bridge spanning the Raccoon River.
- Spent \$5.9 million towards an overall \$48.1 million project to construct Veterans Parkway from SE Maffit Lake Road to Grand Prairie Parkway, including construction of a new bridge over Interstate 35 (which will ultimately be owned and maintained by the Department of Transportation).
- Spent \$3.4 million of Stormwater Funds towards an \$8.1 million project to construct an outfall and pump station to assist in mitigation of floodwater in the Walnut Creek Basin in the area of 1<sup>st</sup> Street and Grand Avenue.
- Spent \$3.0 million towards an overall \$15.7 million project to widen and improve Ashworth Road from Jordan Creek Parkway to the City's western boundary, including construction of a new bridge over Interstate 80 (which will ultimately be owned and maintained by the Department of Transportation).
- Spent \$2.8 million towards an overall \$8.5 million project to construct infrastructure needed to support a new headquarters for IMT Insurance, including widening and improving Mills Civic Parkway from Jordan Creek Parkway to 81<sup>st</sup> Street and constructing new segments of 77<sup>th</sup> Street and Coachlight Drive.
- Spent \$2.1 million towards a total \$9.9 million project to pave, widen, and improve S 60<sup>th</sup> Street from Mills Civic Parkway to Raccoon River Drive.
- Spent \$1.5 million to pave South 50<sup>th</sup> Street and Adams Street to provide construction traffic access to the Microsoft Osmium Data Center.
- Spent \$1.2 million towards a \$5.6 million project to renovate the Holiday Park Baseball Complex.
- Spent \$1.2 million to construct a road crossing for Stagecoach Drive over Sugar Creek.

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, 2018, the City had total bonded debt outstanding of \$195.8 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 increased significantly as \$99 million was issued during the current fiscal year compared to \$19 million in the previous year.

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 \$359.5 million. With outstanding general obligation principal debt of \$186.3 million (general obligation bonds plus other debt subject to the limitation), the City had utilized 52% of the debit limit as of June 30, 2018.

Additional information on the City's long-term debt can be found in Note 4 on pages 60 through 62 of this report.

City of West Des Moines, Iowa  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2018

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

As one of the faster 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. A distinct advantage of West Des Moines is its unusual position as a desirable suburban city for residential growth while at the same time maintaining a strong retail, office, and commercial presence. The City's overall economic balance is 60%-65% residential valuation (including a significant presence of multi-family dwellings) and 40-45% commercial and industrial valuation.

Legislative action originally 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. 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 2018, 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 slowed during the recession. The past two years, since the economic recovery, there has been steady growth. The City's tax base grew 4.2% from 2016 to 2017 and another 4.5% from 2017 to 2018. The total assessed valuation of the City at January 1, 2018, was \$8.29 billion.

The budget for fiscal year ending June 30, 2019, decreased the City's levy rate from \$12.00 to \$11.79 per \$1,000 of taxable valuation. This decrease was largely possible because of a voter-approved local option sales tax in the Dallas County portion of West Des Moines. This local sales tax is projected to generate approximately \$2.5 million annually beginning July 1, 2018, with 50% of the revenue pledged for property tax reduction and 50% to be used for certain initiatives including quality of life amenities and increased public safety spending.

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 has 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, 2019.

As measured by current actual property valuation and recent population data, valuation compares very strongly to comparable cities, at approximately \$127,000 per capita. The City's taxable valuation per capita of over \$88,000 remains the highest of Iowa's top ten most populated cities, which allows 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, 2018, the City ranks as the third highest city for taxable retail sales in Iowa at over \$2 billion, due to the large presence of retail including a major regional shopping center. 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, 2018**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 87,021,359	\$ 47,302,834	\$ 134,324,193
Restricted cash and investments	82,358,928	-	82,358,928
Receivables			
Property taxes	75,630,474	-	75,630,474
Accounts and unbilled usage	1,466,567	3,877,001	5,343,568
Special Assessments	525,809	-	525,809
Interest	249,723	202,175	451,898
Loans	351,304	-	351,304
Internal balances	3,424,249	(3,424,249)	-
Due from other governments	2,897,114	-	2,897,114
Inventories	204,658	-	204,658
Total current assets	<u>254,130,185</u>	<u>47,957,761</u>	<u>302,087,946</u>
Capital Assets			
Nondepreciable			
Land	23,908,175	413,178	24,321,353
Infrastructure	394,191,661	-	394,191,661
Construction-in-progress	46,093,481	15,320,011	61,413,492
Intangibles	15,574,850	-	15,574,850
Depreciable			
Buildings	53,126,968	-	53,126,968
Equipment and vehicles	23,280,390	648,098	23,928,488
Fiber network	5,159,190	-	5,159,190
Improvements other than buildings	50,725,307	-	50,725,307
Share of undivided equity interest assets	5,020,429	-	5,020,429
Intangibles	1,204,722	47,050	1,251,772
Infrastructure	-	148,902,966	148,902,966
Accumulated depreciation	(88,753,965)	(46,583,413)	(135,337,378)
Net capital assets	<u>529,531,208</u>	<u>118,747,890</u>	<u>648,279,097</u>
Total assets	<u>783,661,393</u>	<u>166,705,651</u>	<u>950,367,043</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	10,769,262	224,030	10,993,292
OPEB related deferred outflows	269,768	11,838	281,606
Advance refunding related deferred outflows	102,958	-	102,958
Total deferred outflows	<u>11,141,988</u>	<u>235,868</u>	<u>11,377,856</u>

See Notes to Basic Financial Statements.

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 6,861,173	\$ 2,888,803	\$ 9,749,975
Claims payable	744,688	-	744,688
Accrued wages payable	1,495,259	55,565	1,550,824
Interest payable	507,363	-	507,363
Note payable	123,459	-	123,459
Compensated absences	3,113,990	131,272	3,245,262
General obligation bonds	19,480,000	-	19,480,000
Installment contracts	164,639	-	164,639
Total current liabilities	32,490,571	3,075,640	35,566,210
Noncurrent liabilities			
Note payable	319,690	-	319,690
Compensated absences	1,893,021	101,545	1,994,566
General obligation bonds	176,285,057	-	176,285,057
Installment contracts	987,837	-	987,837
Total OPEB liability	2,841,141	106,406	2,947,547
Net pension liability	32,669,792	1,049,822	33,719,614
Total noncurrent liabilities	214,996,538	1,257,773	216,254,311
Total liabilities	247,487,109	4,333,413	251,820,521
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property taxes	75,509,608	-	75,509,608
Pension related deferred inflows	588,202	187,531	775,733
Total deferred inflows of resources	76,097,810	187,531	76,285,341
<b>NET POSITION</b>			
Net investment in capital assets	420,604,201	118,747,890	539,352,091
Restricted for:			
Debt service	2,992,585	-	2,992,585
Urban renewal and development	5,489,051	-	5,489,051
Road use projects	13,847,226	-	13,847,226
Retirement benefits	2,612,697	-	2,612,697
Other purposes	2,640,046	1,365,019	4,005,065
Unrestricted	23,032,656	42,307,666	65,340,322
Total net position	\$ 471,218,462	\$ 162,420,575	\$ 633,639,037

See Notes to Basic Financial Statements.

**City of West Des Moines, Iowa**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2018**

<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	\$ 31,868,522	\$ 7,756,927	\$ 2,201,970	\$ 305,212
Public works	17,480,055	707,203	7,889,959	259,337
Health and social services	1,402,151	-	191,245	-
Culture and recreation	10,225,234	1,515,911	47,427	-
Community & economic development	10,593,060	2,066,713	3,540,262	-
General government	9,736,717	1,580,939	-	-
Interest on long-term debt	4,945,248	-	-	-
Total governmental activities	<u>86,250,987</u>	<u>13,627,693</u>	<u>13,870,863</u>	<u>564,549</u>
Business-type activities				
Sewer system	10,011,946	11,482,770	-	2,282,371
Storm water system	3,714,592	2,465,152	-	1,923,697
Solid waste system	2,007,770	1,906,217	-	-
Total business-type activities	<u>15,734,308</u>	<u>15,854,139</u>	<u>-</u>	<u>4,206,068</u>
Total primary government	<u>\$ 101,985,295</u>	<u>\$ 29,481,832</u>	<u>\$ 13,870,863</u>	<u>\$ 4,770,617</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, as restated

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>
\$ (21,604,413)	\$ -	\$ (21,604,413)
(8,623,556)	-	(8,623,556)
(1,210,906)	-	(1,210,906)
(8,661,896)	-	(8,661,896)
(4,986,085)	-	(4,986,085)
(8,155,778)	-	(8,155,778)
(4,945,248)	-	(4,945,248)
(58,187,882)	-	(58,187,882)
-	3,753,195	3,753,195
-	674,257	674,257
-	(101,553)	(101,553)
-	4,325,899	4,325,899
(58,187,882)	4,325,899	(53,861,983)
67,629,043	-	67,629,043
254,708	-	254,708
630,581	-	630,581
4,180,160	-	4,180,160
534,749	-	534,749
1,748,087	638,710	2,386,797
5,238,857	23,049	5,261,906
(5,832,650)	5,832,650	-
74,383,535	6,494,409	80,877,944
16,195,653	10,820,308	27,015,961
455,022,809	151,600,267	606,623,076
\$ 471,218,462	\$ 162,420,575	\$ 633,639,037

See Notes to Basic Financial Statements.

**City of West Des Moines, Iowa**  
**BALANCE SHEET-GOVERNMENTAL FUNDS**  
**June 30, 2018**

	General	Road Use Tax	Tax Increment Financing	Debt Service	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and investments	\$36,163,498	\$13,301,773	\$ 4,935,409	\$ 2,972,406	\$ -	\$ 5,567,274	\$ 62,940,360
Restricted cash and investments	-	-	-	-	82,072,200	286,728	82,358,928
Receivables							
Property taxes	39,949,453	-	17,828,867	10,584,922	-	7,267,233	75,630,475
Accounts	873,347	-	-	-	507,639	74,823	1,455,809
Special assessments	9,893	-	-	-	515,916	-	525,809
Interest	194,908	-	-	-	-	1,110	196,018
Loans	351,304	-	-	-	-	-	351,304
Due from other funds	4,313,649	-	-	-	-	-	4,313,649
Due from other governments	1,709,141	605,977	-	-	80,764	481,668	2,877,550
Inventories	204,658	-	-	-	-	-	204,658
<b>Total assets</b>	<b>\$83,769,851</b>	<b>\$13,907,750</b>	<b>\$22,764,276</b>	<b>\$ 13,557,328</b>	<b>\$83,176,519</b>	<b>\$13,678,836</b>	<b>\$ 230,854,560</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY</b>							
<b>Liabilities</b>							
Accounts payable	\$ 1,409,486	\$ 60,524	\$ -	\$ -	\$ 5,112,253	\$ 219,713	\$ 6,801,976
Accrued wages payable	1,397,646	-	-	-	-	97,611	1,495,257
Due to other funds	-	-	-	-	-	329,848	329,848
<b>Total liabilities</b>	<b>2,807,132</b>	<b>60,524</b>	<b>-</b>	<b>-</b>	<b>5,112,253</b>	<b>647,172</b>	<b>8,627,081</b>
Deferred inflows of resources							
Unavailable revenue:							
Succeeding year property tax	39,863,320	-	17,822,026	10,564,743	-	7,251,868	75,501,957
Grants and other	35,454	-	-	-	483,327	42,754	561,535
Special assessments	7,296	-	-	-	499,487	-	506,783
<b>Total deferred inflows of resources</b>	<b>39,906,070</b>	<b>-</b>	<b>17,822,026</b>	<b>10,564,743</b>	<b>982,814</b>	<b>7,294,622</b>	<b>76,570,275</b>
<b>FUND BALANCES (DEFICITS)</b>							
Nonspendable	555,962	-	-	-	-	-	555,962
Restricted for							
Capital projects	-	13,847,226	-	-	77,081,452	-	90,928,678
Debt service	-	-	-	2,992,585	-	-	2,992,585
Urban renewal and development	-	-	4,942,250	-	-	-	4,942,250
Other purposes	-	-	-	-	-	5,799,544	5,799,544
Unassigned	40,500,687	-	-	-	-	(62,502)	40,438,185
<b>Total fund equity</b>	<b>41,056,649</b>	<b>13,847,226</b>	<b>4,942,250</b>	<b>2,992,585</b>	<b>77,081,452</b>	<b>5,737,042</b>	<b>145,657,204</b>
<b>Total liabilities, deferred inflows of resources and fund equity</b>	<b>\$83,769,851</b>	<b>\$13,907,750</b>	<b>\$22,764,276</b>	<b>\$ 13,557,328</b>	<b>\$83,176,519</b>	<b>\$13,678,836</b>	<b>\$ 230,854,560</b>

See Notes to Basic Financial Statements.

**City of West Des Moines, Iowa**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2018**

Total governmental funds balances		\$ 145,657,204
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 \$600,894,694 and the accumulated depreciation is \$77,855,166		523,039,528
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds, as unavailable revenue.		1,068,317
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	17,390,479	
Accumulated depreciation	(10,898,799)	
Other current assets	24,165,027	
Other current liabilities	(811,539)	29,845,168
Internal service funds allocated to business-type activities		(559,552)
Pension, OPEB and advance refunding 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	11,141,988	
Deferred inflows of resources	(588,202)	10,553,786
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds		
Compensated absences	(5,007,011)	
Other postemployment benefits payable	(2,841,141)	
Net pension liability	(32,669,792)	
Accrued interest payable	(507,363)	
General obligation bonds payable	(184,720,000)	
Premium on bonds payable	(11,045,057)	
Note payable	(443,149)	
Installment contracts	(1,152,476)	(238,385,989)
Net position of governmental activities		<u><u>\$ 471,218,462</u></u>

See Notes to Basic Financial Statements.

**City of West Des Moines, Iowa**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2018**

	General	Road Use Tax	Tax Increment Financing	Debt Service	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>							
Property taxes	\$ 37,775,427	\$ -	\$ 13,531,467	\$ 9,582,988	\$ -	\$ 6,739,161	\$ 67,629,043
Other City taxes	4,883,932	-	-	101,932	-	79,585	5,065,449
Special assessments	-	-	-	-	142,102	-	142,102
Licenses and permits	1,904,626	-	-	-	-	-	1,904,626
Intergovernmental	7,111,277	7,889,959	575,745	453,718	1,179,691	3,960,138	21,170,528
Charges for services	5,996,384	-	-	-	-	-	5,996,384
Use of money and property	1,081,968	-	127,076	101,200	-	121,158	1,431,402
Miscellaneous	1,071,638	-	-	-	987,198	1,454,522	3,513,358
Total revenues	<u>59,825,252</u>	<u>7,889,959</u>	<u>14,234,288</u>	<u>10,239,838</u>	<u>2,308,991</u>	<u>12,354,564</u>	<u>106,852,892</u>
<b>EXPENDITURES</b>							
Current operating							
Public safety	26,021,922	-	-	-	-	3,028,099	29,050,021
Public works	8,503,012	737,876	-	-	-	-	9,240,888
Health and social services	1,029,306	-	-	-	-	242,371	1,271,677
Culture and recreation	8,446,714	-	-	-	-	241,109	8,687,823
Community and economic development	5,152,185	-	1,676,573	-	-	3,530,328	10,359,086
General government	8,371,646	-	-	-	-	-	8,371,646
Debt service							
Principal	-	164,639	-	18,940,000	-	119,249	19,223,888
Interest and other charges	88,053	-	-	4,965,200	841,976	17,752	5,912,981
Capital outlay	-	-	-	-	43,414,199	-	43,414,199
Total expenditures	<u>57,612,838</u>	<u>902,515</u>	<u>1,676,573</u>	<u>23,905,200</u>	<u>44,256,175</u>	<u>7,178,908</u>	<u>135,532,209</u>
Excess (deficiency) of revenues over expenditures	<u>2,212,414</u>	<u>6,987,444</u>	<u>12,557,715</u>	<u>(13,665,362)</u>	<u>(41,947,184)</u>	<u>5,175,656</u>	<u>(28,679,317)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	5,139,899	-	-	14,588,223	9,200,256	170,000	29,098,378
Transfers out	(3,063,834)	(6,539,022)	(12,421,185)	-	(4,090,983)	(5,139,899)	(31,254,923)
Issuance of other debt	-	-	-	-	-	3,217	3,217
Issuance of bonds	-	-	-	-	89,730,000	-	89,730,000
Issuance of refunding bonds	-	-	-	3,470,000	-	-	3,470,000
Payment to refunding escrow	-	-	-	(3,740,105)	-	-	(3,740,105)
Premium on issuance of bonds	-	-	-	348,515	5,524,323	-	5,872,838
Proceeds from sale of capital assets	55,304	-	-	-	500	-	55,804
Total other financing sources (uses)	<u>2,131,369</u>	<u>(6,539,022)</u>	<u>(12,421,185)</u>	<u>14,666,633</u>	<u>100,364,096</u>	<u>(4,966,682)</u>	<u>93,235,209</u>
<b>NET CHANGE IN FUND BALANCES</b>	4,343,783	448,422	136,530	1,001,271	58,416,912	208,974	64,555,892
<b>FUND BALANCES, beginning of year</b>	36,712,866	13,398,804	4,805,720	1,991,314	18,664,540	5,528,068	81,101,312
<b>FUND BALANCES, end of year</b>	<u>\$ 41,056,649</u>	<u>\$ 13,847,226</u>	<u>\$ 4,942,250</u>	<u>\$ 2,992,585</u>	<u>\$ 77,081,452</u>	<u>\$ 5,737,042</u>	<u>\$ 145,657,204</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, 2018**

Net change in fund balances—governmental funds \$ 64,555,892

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	36,071,912
Depreciation	(4,657,822)

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	(3,976,104)
Book value of capital assets disposed	(55,804)

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	83,668
Grants	(536,937)

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:

Total OPEB liability	(235,292)
Compensated absences	(299,268)
Pension expense	(937,852)

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:	
Note payable	119,249
General obligation bonds	22,610,000
Installment contracts	164,639
Interest	(201,450)
Issuance of long-term debt	(99,072,838)
Amortization of bond premium	1,239,288
Advance refunding	102,958

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.

Change in net position of governmental activities	1,221,414
	\$ 16,195,653

See Notes to Basic Financial Statements.

**City of West Des Moines, Iowa**  
**STATEMENT OF NET POSITION-PROPRIETARY FUNDS**  
**June 30, 2018**

	Business-type Activities Enterprise Funds				
	Sewer System	Storm Water System	Nonmajor Enterprise Fund Solid Waste	Total Enterprise Funds	Internal Service Funds
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 38,720,694	\$ 8,170,362	\$ 411,778	\$ 47,302,834	\$ 24,080,999
Receivables					
Accounts and unbilled usage	2,777,318	634,657	465,026	3,877,001	10,759
Interest	169,320	32,855	-	202,175	53,704
Advance due from other funds	370,000	-	-	370,000	-
Due from other governments	-	-	-	-	19,565
Total current assets	<u>42,037,332</u>	<u>8,837,874</u>	<u>876,804</u>	<u>51,752,010</u>	<u>24,165,027</u>
Noncurrent assets:					
Advance due from other funds	5,830,000	-	-	5,830,000	-
Capital assets					
Nondepreciable					
Land	411,278	1,900	-	413,178	-
Construction-in-progress	5,750,560	9,569,451	-	15,320,011	-
Depreciable					
Equipment and vehicles	618,713	29,385	-	648,098	17,390,479
Intangibles	23,525	23,525	-	47,050	-
Infrastructure	94,034,406	54,868,560	-	148,902,966	-
Accumulated depreciation	(40,085,027)	(6,498,386)	-	(46,583,413)	(10,898,799)
Net capital assets	<u>60,753,455</u>	<u>57,994,435</u>	<u>-</u>	<u>118,747,890</u>	<u>6,491,680</u>
Total assets	<u>108,620,787</u>	<u>66,832,309</u>	<u>876,804</u>	<u>176,329,900</u>	<u>30,656,707</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related deferred outflows	119,286	104,744	-	224,030	-
OPEB related deferred outflows	6,749	5,089	-	11,838	-
Total deferred outflows	<u>126,035</u>	<u>109,833</u>	<u>-</u>	<u>235,868</u>	<u>-</u>

See Notes to Basic Financial Statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	Business-type Activities Enterprise Funds				
	Sewer System	Storm Water System	Nonmajor Enterprise Fund Solid Waste	Total Enterprise Funds	Internal Service Funds
<b>LIABILITIES</b>					
Current					
Accounts payable	\$ 667,114	\$ 2,048,571	\$ 173,118	\$ 2,888,803	\$ 59,201
Claims payable	-	-	-	-	744,687
Accrued wages payable	32,741	22,824	-	55,565	-
Compensated absences	66,171	65,101	-	131,272	-
Due to other funds	3,983,801	-	-	3,983,801	-
Advance due to other funds	-	370,000	-	370,000	-
Total current liabilities	4,749,827	2,506,496	173,118	7,429,441	803,888
Noncurrent					
Advance due to other funds	-	5,830,000	-	5,830,000	-
Compensated absences	66,825	34,720	-	101,545	-
Total OPEB liability	58,656	47,750	-	106,406	-
Net pension liability	552,152	497,670	-	1,049,822	-
Total noncurrent liabilities	677,633	6,410,140	-	7,087,773	-
Total liabilities	5,427,460	8,916,636	173,118	14,517,214	803,888
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related deferred inflows	102,894	84,637	-	187,531	-
Grant and other deferred inflows	-	-	-	-	7,651
Total deferred inflows of resources	102,894	84,637	-	187,531	7,651
<b>NET POSITION</b>					
Net investment in capital assets	60,753,455	57,994,435	-	118,747,890	6,491,680
Restricted for capital improvements	1,365,019	-	-	1,365,019	-
Unrestricted	41,097,994	(53,566)	703,686	41,748,114	23,353,488
Total net position	103,216,468	57,940,869	703,686	161,861,023	29,845,168
Total liabilities, deferred inflows of resources, and net position	\$108,746,822	\$ 66,942,142	\$ 876,804	\$176,565,768	\$ 30,656,707
Total enterprise funds net position				\$161,861,023	
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.				559,552	
Net position of business-type activities				\$162,420,575	

See Notes to Basic Financial Statements.

**City of West Des Moines, Iowa**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET POSITION-PROPRIETARY FUNDS**  
**Year Ended June 30, 2018**

	Business-type Activities Enterprise Funds				Internal Service Funds
	Sewer System	Storm Water System	Nonmajor Enterprise Fund Solid Waste	Total Enterprise Funds	
<b>OPERATING REVENUES</b>					
Charges for services	\$ 11,482,770	\$ 2,465,152	\$ 1,906,217	\$ 15,854,139	\$ 7,545,663
Lease revenue	-	-	-	-	1,729,336
Other	23,049	14,622	-	37,671	431,544
Total operating revenues	<u>11,505,819</u>	<u>2,479,774</u>	<u>1,906,217</u>	<u>15,891,810</u>	<u>9,706,543</u>
<b>OPERATING EXPENSES</b>					
Cost of sales and services	3,898,381	2,109,232	2,007,770	8,015,383	7,536,532
Depreciation	1,814,301	1,155,253	-	2,969,554	1,528,108
Total operating expenses	<u>5,712,682</u>	<u>3,264,485</u>	<u>2,007,770</u>	<u>10,984,937</u>	<u>9,064,640</u>
Operating income (loss)	<u>5,793,137</u>	<u>(784,711)</u>	<u>(101,553)</u>	<u>4,906,873</u>	<u>641,903</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment earnings	485,055	143,986	9,669	638,710	388,169
Payments to WRA	(4,310,178)	-	-	(4,310,178)	-
Lawsuit payments	-	(464,464)	-	(464,464)	-
Gain (loss) on sale/transfer of capital assets	-	-	-	-	(83,386)
Total nonoperating revenues (expenses)	<u>(3,825,123)</u>	<u>(320,478)</u>	<u>9,669</u>	<u>(4,135,932)</u>	<u>304,783</u>
Income (loss) before contributions and transfers	1,968,014	(1,105,189)	(91,884)	770,941	946,686
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital contributions	2,284,714	5,882,835	-	8,167,549	-
Transfers in	7,653	1,856,546	-	1,864,199	300,000
Transfers out	-	(7,653)	-	(7,653)	-
Total other financing sources and uses	<u>2,292,367</u>	<u>7,731,728</u>	<u>-</u>	<u>10,024,095</u>	<u>300,000</u>
Change in net position	4,260,381	6,626,539	(91,884)	10,795,036	1,246,686
Total net position, beginning of year, as restated	98,956,087	51,314,330	795,570	151,065,987	28,598,482
Total net position, end of year	<u>\$ 103,216,468</u>	<u>\$ 57,940,869</u>	<u>\$ 703,686</u>	<u>\$ 161,861,023</u>	<u>\$ 29,845,168</u>

Change in net position \$ 10,795,036

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.

Change in net position of business-type activities 25,272  
\$ 10,820,308

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**City of West Des Moines, Iowa**  
**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS**  
**Year Ended June 30, 2018**

	Business-Type Activities				
	Enterprise Funds				
		Nonmajor			
	Sewer System	Storm Water System	Enterprise Fund Solid Waste	Total Enterprise Funds	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 11,387,594	\$ 2,473,761	\$ 1,900,271	\$15,761,626	\$ 2,168,807
Receipts from interfund charges	-	-	-	-	\$ 7,534,111
Payments to suppliers	(2,733,749)	(1,117,459)	(1,873,879)	(5,725,087)	(1,177,896)
Payments to WRA	(4,310,178)	-	-	(4,310,178)	-
Payments to claimants	-	-	-	-	(6,361,256)
Payments to employees	(767,718)	(682,937)	-	(1,450,655)	-
Payments to interfund	(157,910)	(151,880)	-	(309,790)	-
Net cash provided (used) by operating activities	3,418,039	521,485	26,392	3,965,916	2,163,766
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Payments from other funds	3,983,801	6,200,000	-	10,183,801	-
Payments to other funds	(6,200,000)	-	-	(6,200,000)	-
Transfers in	7,653	1,856,546	-	1,864,199	300,000
Transfers out	-	(7,653)	-	(7,653)	-
Net cash provided (used) by noncapital financing activities	(2,208,546)	8,048,893	-	5,840,347	300,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of capital assets	(2,901,616)	(5,425,437)	-	(8,327,053)	(1,865,214)
Capital contributions	740,353	453,577	-	1,193,930	-
Proceeds from disposal of capital assets	-	-	-	-	86,991
Net cash provided (used) by capital and related financing activities	(2,161,263)	(4,971,860)	-	(7,133,123)	(1,778,223)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	624,454	171,105	9,669	805,228	432,387
Purchase of investment securities	(44,562,460)	(8,647,048)	-	(53,209,508)	(14,134,085)
Proceeds from maturity of investment securities	44,081,821	8,553,783	-	52,635,604	13,981,639
Net cash provided (used) by investing activities	143,815	77,840	9,669	231,324	279,941
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
	(807,955)	3,676,358	36,061	2,904,464	965,484
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	2,172,974	(2,754,616)	375,717	(205,925)	11,267,240
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 1,365,019	\$ 921,742	\$ 411,778	\$ 2,698,539	\$12,232,724

See Notes to Basic Financial Statements.

**City of West Des Moines, Iowa**  
**STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS (continued)**  
**Year Ended June 30, 2018**

	Business-Type Activities				
	Enterprise Funds				
	Sewer System	Storm Water System	Nonmajor Enterprise Fund Solid Waste	Total Enterprise Funds	Internal Service Funds
<b>RECONCILIATION OF OPERATING INCOME (LOSS)</b>					
<b>TO NET CASH PROVIDED (USED) BY</b>					
<b>OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 5,793,137	\$ (784,711)	\$ (101,553)	\$ 4,906,873	\$ 641,903
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	1,814,301	1,155,253	-	2,969,554	1,528,108
Payments to WRA	(4,310,178)	-	-	(4,310,178)	-
Change in assets and liabilities					
Receivables	(118,224)	(6,013)	(5,946)	(130,183)	(11,271)
Accounts payable	182,424	138,154	133,891	454,469	(123,375)
Claims payable	-	-	-	-	128,401
Compensated absences and accrued wages payable	49,983	7,289	-	57,272	-
Net pension liability and related deferred					
outflows of resources and deferred inflows of resources	13,136	12,921	-	26,057	-
OPEB liability and related deferred outflows of resources	(6,540)	(1,408)	-	(7,948)	-
Net cash provided (used) by operating activities	<u>\$ 3,418,039</u>	<u>\$ 521,485</u>	<u>\$ 26,392</u>	<u>\$ 3,965,916</u>	<u>\$ 2,163,766</u>
<b>RECONCILIATION OF CASH AND CASH</b>					
<b>EQUIVALENTS TO SPECIFIC ASSETS ON THE</b>					
<b>STATEMENT OF NET POSITION</b>					
Cash and investments	\$ 38,720,694	\$ 8,170,362	\$ 411,778	\$ 47,302,834	\$ 24,080,999
Less items not meeting the definition of cash equivalents	(37,355,675)	(7,248,620)	-	(44,604,295)	(11,848,275)
Cash and cash equivalents at end of year	<u>\$ 1,365,019</u>	<u>\$ 921,742</u>	<u>\$ 411,778</u>	<u>\$ 2,698,539</u>	<u>\$ 12,232,724</u>
<b>SCHEDULE OF NONCASH ITEMS</b>					
Capital and related financing activities					
Donated construction by developers	\$ 1,544,361	\$ 1,486,677	\$ -	\$ 3,031,038	\$ -
Donated construction from other funds	\$ 2,344	\$ 3,973,760	\$ -	\$ 3,976,104	\$ -
Acquisition of capital assets through retainage payable	\$ -	\$ 149,863	\$ -	\$ 149,863	\$ -
Investing activities					
Change in fair market value of investments	\$ (199,919)	\$ (38,793)	\$ -	\$ (238,712)	\$ (63,409)

See Notes to Basic Financial Statements.

**City of West Des Moines, Iowa**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**June 30, 2018**

**ASSETS**

Cash and investments	\$ 719,436
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**LIABILITIES**

Deposits and remittances due	\$ 719,436
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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. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's proprietary functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. 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 2018, the date at which a lien attaches, based on the 2017 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 2017 tax levy is budgeted and levied for fiscal year 2019, 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 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, 2018 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City 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, 2016, assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018, and reflects tax asking contained in the budget certified to the County Board of Supervisors in February 2017.

**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	3 - 15
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 and OPEB 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, 2018, 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.

**Total OPEB Liability:** For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the City's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

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

Nonspendable - Amounts which cannot be spent either because they are in a 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. The General fund is the only fund that would report a positive amount in unassigned fund balance.

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, 2018, the City had \$76,048,676 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 \$13,847,226 for road construction projects, \$2,612,697 for retirement benefits, and \$5,489,051 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.

Implementation of GASB Statement No. 75

As of July 1, 2017, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments calculate and report costs and obligations associated with postemployment benefits other than pensions (OPEB) in their basic financial statements. Employers are required to recognize OPEB amounts for all benefits provided through the plan which include the total OPEB liability and OPEB expense. The effect of the implementation of this standard on beginning net position is disclosed in Note 19 and the additional disclosures required by this standard is included in Note 10.

**NOTE 2 CASH AND INVESTMENTS**

As of June 30, 2018, the City's cash and investments were as follows:

Cash and investments, statement of net position	\$134,324,193
Restricted cash and investments	82,358,928
Cash and investments, fiduciary funds	<u>719,436</u>
	<u>\$217,402,558</u>

As of June 30, 2018, the City had investments in U.S. Agency coupon securities with a fair value of \$42,080,478. 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, 2018 compared to June 30, 2017.

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

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

**NOTE 2 CASH AND INVESTMENTS (continued)**

insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. However, the City's investment policy additionally limits investments in commercial paper to obligations at the time of purchase rated within the two highest ratings issued by nationally recognized statistical rating organizations with a maturity less than 270 days.

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

The City employs a laddered maturity approach to its investments in U.S. Agency coupon securities. Within 12 months, \$7,968,730 of the fair value will mature. An additional \$14,801,110 will mature between 13 and 24 months. The remaining \$19,310,638 will mature between 25 and 60 months.

**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 \$42,080,478 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 adheres to investment policies established in the State of Iowa code.

**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-Deposits:** 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. It is the City's policy to require that time deposits in excess of FDIC insurance 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, 2018, 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.

**Custodial Credit Risk-Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City had no custodial risk with regards to investments since all investments were held by the City or its agent in the City's name.

**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, 2018:

	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	374,264,647	19,930,150	3,136	-	394,191,661
Construction-in-progress	43,783,460	36,239,934	29,998,993	(3,930,920)	46,093,481
Intangibles	15,574,850	-	-	-	15,574,850
Total capital assets, not being depreciated	457,531,132	56,170,084	30,002,129	(3,930,920)	479,768,167
Capital assets, being depreciated					
Buildings	50,575,303	2,551,665	-	-	53,126,968
Equipment and vehicles	23,480,054	1,533,366	1,703,646	(29,384)	23,280,390
Fiber network	5,159,190	-	-	-	5,159,190
Improvements other than buildings	43,488,187	7,408,898	171,778	-	50,725,307
Share of undivided equity interest assets	5,045,296	29,435	54,302	-	5,020,429
Intangibles	1,074,229	209,115	62,822	(15,800)	1,204,722
Total capital assets, being depreciated	128,822,259	11,732,479	1,992,548	(45,184)	138,517,006
Less accumulated depreciation for					
Buildings	28,102,082	1,740,486	-	-	29,842,568
Equipment and vehicles	15,121,381	2,036,007	1,631,519	(2,449)	15,523,420
Fiber network	2,433,815	389,339	-	-	2,823,154
Improvements other than buildings	35,539,872	1,421,569	15,881	-	36,945,560
Share of undivided equity interest assets	2,588,411	478,217	74,588	-	2,992,040
Intangibles	585,532	120,313	62,822	(15,800)	627,223
Total accumulated depreciation	84,371,093	6,185,931	1,784,810	(18,249)	88,753,965
Total capital assets, being depreciated, net	44,451,166	5,546,548	207,738	(26,935)	49,763,041
Governmental activities, capital assets net	\$ 501,982,298	\$ 61,716,632	\$ 30,209,867	\$ (3,957,855)	\$ 529,531,208

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

**NOTE 3 CAPITAL ASSETS (continued)**

	Balance beginning of year	Additions	Deletions	Transfers	Balance end of year
<b>Business-Type Activities</b>					
Capital assets, not being depreciated					
Land	\$ 413,178	\$ -	\$ -	\$ -	\$ 413,178
Construction-in-progress	10,975,009	9,196,907	8,782,825	3,930,920	15,320,011
Total capital assets, not being depreciated	<u>11,388,187</u>	<u>9,196,907</u>	<u>8,782,825</u>	<u>3,930,920</u>	<u>15,733,189</u>
Capital assets, being depreciated					
Equipment	302,489	316,225	-	29,384	648,098
Intangibles	31,250	-	-	15,800	47,050
Sanitary and storm sewer system	137,463,285	11,562,553	122,872	-	148,902,966
Total capital assets, being depreciated	<u>137,797,024</u>	<u>11,878,778</u>	<u>122,872</u>	<u>45,184</u>	<u>149,598,114</u>
Less accumulated depreciation for					
Equipment	211,096	38,488	-	2,449	252,033
Intangibles	26,564	1,561	-	15,800	43,925
Sanitary and storm sewer system	43,480,822	2,929,505	122,872	-	46,287,455
Total accumulated depreciation	<u>43,718,482</u>	<u>2,969,554</u>	<u>122,872</u>	<u>18,249</u>	<u>46,583,413</u>
Total capital assets, being depreciated, net	<u>94,078,542</u>	<u>8,909,224</u>	<u>-</u>	<u>26,935</u>	<u>103,014,701</u>
Business-type activities, capital assets, net	<u>\$ 105,466,729</u>	<u>\$ 18,106,131</u>	<u>\$ 8,782,825</u>	<u>\$ 3,957,855</u>	<u>\$ 118,747,890</u>

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

Governmental Activities	
Public Safety	\$ 2,158,710
Health and social services	146,256
Culture and recreation	1,520,721
Public works	1,449,206
General government	727,218
Community and economic development	183,821
<b>Total</b>	<u><u>\$ 6,185,931</u></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, 2018:

	<u>Balance June 30, 2017</u>	<u>Increases &amp; Issues</u>	<u>Decreases &amp; Retirements</u>	<u>Balance June 30, 2018</u>	<u>Due within one year</u>
Governmental activities					
General obligation bonds	\$ 120,541,507	\$ 99,072,838	\$ 23,849,288	\$ 195,765,057	\$ 19,480,000
Equipment note payable	562,398	-	119,249	443,149	123,459
Installment contracts	1,317,115	-	164,639	1,152,476	164,639
Compensated absences	4,707,743	5,007,011	4,707,743	5,007,011	3,113,990
Net pension liability	33,402,064	-	732,272	32,669,792	-
Total OPEB liability, as restated	2,336,081	505,060	-	2,841,141	-
Total governmental activities	<u>162,866,908</u>	<u>104,584,909</u>	<u>29,573,191</u>	<u>237,878,626</u>	<u>22,882,088</u>
Business-type activities					
Compensated absences	187,891	232,817	187,891	232,817	131,272
Net pension liability	1,013,067	36,755	-	1,049,822	-
Total OPEB liability, as restated	102,516	3,890	-	106,406	-
Total business-type activities	<u>1,303,474</u>	<u>273,462</u>	<u>187,891</u>	<u>1,389,045</u>	<u>131,272</u>
Total long-term debt	<u>\$ 164,170,382</u>	<u>\$ 104,858,371</u>	<u>\$ 29,761,082</u>	<u>\$ 239,267,671</u>	<u>\$ 23,013,360</u>

Bonds were sold at a net premium; unamortized net premium at June 30, 2018 totaled \$11,045,058.

On August 22, 2017, the City issued \$3,470,000 in general obligation refunding bonds with an average interest rate of 3.86% to crossover refund \$3,773,744 Series 2010D general obligation bonds with a combined average interest rate of 3.13%. The crossover occurred on August 22, 2017. The City issued the crossover refunding debt to reduce its total debt service payments over the next eleven years by \$312,894 and to obtain an economic gain of \$276,358.

For governmental activities, pension-related debt and other post-employment benefits are generally liquidated by the general fund.

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

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

**General Obligation Bonds/Notes:** General obligation bonds outstanding as of June 30, 2018, consist of the following individual issues:

<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Principal Payments</u>		<u>Amount Originally issued</u>	<u>Amount Outstanding June 30, 2018</u>
03/04/2010	2.000-4.250	June 2020	\$ 780,000	\$ 4,140,000	\$ 31,450,000	\$ 4,920,000
06/29/2010	3.000	June 2020	685,000	845,000	7,000,000	1,660,000
08/11/2010	2.000-4.000	June 2029	50,000	405,000	5,000,000	-
08/10/2011	2.000-3.500	June 2025	500,000	1,215,000	6,900,000	3,190,000
08/25/2011	2.000-2.500	June 2018	1,775,000	1,985,000	11,270,000	-
05/01/2012	4.000	June 2018	365,000	1,040,000	2,610,000	-
05/01/2012	5.000	June 2021	560,000	1,945,000	11,355,000	2,875,000
06/27/2012	2.000-3.000	June 2026	250,000	655,000	7,520,000	4,725,000
08/21/2013	2.000-3.100	June 2024	250,000	1,080,000	4,385,000	1,735,000
09/11/2014	2.000-5.000	June 2026	820,000	1,055,000	13,375,000	7,585,000
04/07/2015	2.000-3.100	June 2029	240,000	2,195,000	21,755,000	21,080,000
04/07/2015	2.000-2.800	June 2025	875,000	1,660,000	12,715,000	10,815,000
04/07/2015	2.000	June 2020	615,000	955,000	3,410,000	1,570,000
06/15/2016	2.000-5.000	June 2026	690,000	3,260,000	9,225,000	5,295,000
06/15/2016	2.000-5.000	June 2031	555,000	1,495,000	13,855,000	12,185,000
11/16/2016	2.000-4.000	June 2026	100,000	840,000	7,200,000	6,350,000
11/16/2016	2.000-4.000	June 2030	100,000	1,025,000	10,700,000	10,500,000
08/22/2017	2.000-3.000	June 2029	435,000	2,320,000	7,650,000	5,330,000
08/22/2017	2.000-4.000	June 2024	615,000	735,000	4,665,000	4,020,000
08/22/2017	2.125-5.000	June 2032	535,000	850,000	9,130,000	9,130,000
08/22/2017	3.000-5.000	June 2036	100,000	2,125,000	25,555,000	25,555,000
08/22/2017	2.000-5.000	June 2029	240,000	385,000	3,470,000	3,470,000
06/13/2018	3.000-5.000	June 2030	430,000	2,100,000	8,110,000	8,110,000
06/13/2018	3.000-5.000	June 2031	315,000	1,675,000	12,540,000	12,540,000
06/13/2018	3.000-5.000	June 2037	100,000	485,000	6,155,000	6,155,000
06/13/2018	2.700-5.000	June 2036	250,000	1,455,000	15,925,000	15,925,000
					<b>\$ 272,925,000</b>	<b>\$ 184,720,000</b>

**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.

**Note payable:**

The City entered into a five year term loan agreement with a bank, collateralized by funds held in a general operating money market account. The note is payable in monthly installments of \$11,417, including variable interest at 2.0 percent above the money market rate, through November 2021. The balance due as of June 30, 2018 was \$443,149.

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

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

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, 2018, are as follows:

<u>Year Ending June 30</u>	<u>General Obligation Bonds</u>		<u>Installment Contracts &amp; Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 19,480,000	\$ 6,124,232	\$ 288,098	\$ 13,542
2020	14,720,000	5,524,490	292,489	9,151
2021	12,650,000	5,006,954	297,036	4,604
2022	13,635,000	4,565,705	224,085	496
2023	14,640,000	4,060,846	164,639	-
2024 - 2028	63,760,000	12,632,975	329,279	-
2029 - 2033	33,615,000	4,367,872	-	-
2034 - 2037	12,220,000	803,487	-	-
	<u>\$ 184,720,000</u>	<u>\$ 43,086,563</u>	<u>\$ 1,595,625</u>	<u>\$ 27,794</u>

Legal debt margin: As of June 30, 2018, the outstanding general obligation debt of the City did not exceed its legal debt margin computed as follows:

Actual valuation, net of military exemption *	\$ 7,188,993,509
Debt limit, 5% of total actual valuation	359,449,675
Debt applicable to debt limit	
General obligation bonds	184,720,000
Note payable	443,149
Installment contracts	<u>1,152,476</u>
Legal debt margin	<u>\$ 173,134,050</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 fund had a deficit fund balance as of June 30, 2018:

Community Development Block Grant \$ (62,502)

The City intends to fund this deficit through future grant revenues.

As of June 30, 2018, fund balances were composed of the following:

	General	Debt Service	Capital Projects	Special Revenue	Total
Nonspendable:					
Inventories and loan receivable	\$ 555,962	\$ -	\$ -	\$ -	\$ 555,962
Restricted for:					
Road and street projects	-	-	-	13,847,226	13,847,226
Tax rebates and urban renewal projects	-	-	-	4,942,250	4,942,250
Debt service	-	2,992,585	-	-	2,992,585
General obligation bond projects	-	-	77,081,452	-	77,081,452
Public safety pension	-	-	-	2,602,513	2,602,513
Employee insurance benefits	-	-	-	10,184	10,184
Economic development	-	-	-	546,801	546,801
General housing assistance	-	-	-	391,071	391,071
Elderly housing assistance	-	-	-	250,338	250,338
Parks operations and projects	-	-	-	22,378	22,378
Raccoon River quarry conservation	-	-	-	366,934	366,934
Public art	-	-	-	436,013	436,013
Adult softball field maintenance and improvements	-	-	-	125,093	125,093
Jordan Cemetery maintenance	-	-	-	335,520	335,520
Library operations and programs	-	-	-	229,232	229,232
Suburban Emergency Response Team	-	-	-	7,745	7,745
Dispatch operations and improvements	-	-	-	169,825	169,825
Police Operations	-	-	-	305,897	305,897
Total restricted fund balance	-	2,992,585	77,081,452	24,589,020	104,663,057
Unrestricted	40,500,687	-	-	(62,502)	40,438,185
Total fund balance	\$ 41,056,649	\$ 2,992,585	\$ 77,081,452	\$ 24,526,518	\$ 145,657,204

**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, 2018 were:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
Major Governmental Fund, General	Major Proprietary Fund, Sewer	\$ 3,983,801
Major Governmental Fund, General	Nonmajor Governmental Fund, CDBG	<u>329,848</u>
Total		<u>\$ 4,313,649</u>
 <u>Advance From Fund</u>	 <u>Advance To Fund</u>	
Major Proprietary Fund, Sewer	Major Proprietary Fund, Storm Water	<u>\$ 6,200,000</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.

On January 8, 2018 the City entered into an interfund loan agreement. The terms of the loan state that \$6,200,000 was paid from the Sewer Fund to the Storm Water fund. Repayments including 1.5% interest will occur over a 15 year term ending on June 1, 2033. This interfund loan has been eliminated in the government wide financial statements.

**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	\$ 5,139,899	\$ 3,063,834
Special Revenue Funds		
Road Use Tax	-	6,539,022
Tax Increment Financing	-	12,421,185
Debt Services	14,588,223	-
Capital Projects	9,200,256	4,090,983
Major Enterprise Funds		
Sewer System	7,653	-
Storm Water System	1,856,546	7,653
Non-major Governmental Funds	170,000	5,139,899
Internal Service Funds		
Technology Replacement	300,000	-
Total	<u>\$ 31,262,576</u>	<u>\$ 31,262,576</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: Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS 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 Investment Board. The actuarial contribution rate covers normal

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

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

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

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 2018, 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, 2018 were \$1,886,023.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2018 the City reported a liability of \$33,719,614 for its proportionate share of the net pension liability, of which \$15,203,717 relates to IPERS. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participation employers. At June 30, 2017, the City's collective proportion was 0.2282407% which was a decrease of 0.001227% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized total pension expense \$5,297,903 of which, \$2,426,066 relates to IPERS. At June 30, 2018, 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	\$ 147,914	\$ 169,698
Changes of assumptions	3,038,485	458
Net difference between projected and actual earnings on IPERS' investments	-	192,384
Changes in proportion and differences between City contributions and proportionate share of contributions	199,229	45,129
City contributions subsequent to the measurement date	1,886,023	-
	\$ 5,271,651	\$ 407,669

The \$1,886,023 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, 2019. 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>		
2019	\$	428,546
2020		1,413,220
2021		850,771
2022		79,231
2023		206,192
Total	\$	2,977,960

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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2017)	2.60 % per annum
Rates of salary increase (effective June 30, 2017)	3.25 % to 16.25 % average, including inflation. Rates vary by membership group.
Investment rate of return (effective June 30, 2017)	7.00 % per annum, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 2017)	3.25 % per annum based on 2.60 % inflation and .65 % real wage inflation

The actuarial assumptions used in the June 30, 2017 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 IPERS' 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	27.0%	2.25%
Domestic Equity	24.0%	6.25%
International Equity	16.0%	6.71%
Private Equity	11.0%	11.15%
Private Real Assets	7.5%	4.18%
Public Real Assets	7.0%	3.27%
Public Credit	3.5%	3.46%
Private Credit	3.0%	4.25%
Cash	1.0%	-0.31%
	100.0%	

Discount Rate – The discount rate used to measure the total pension liability was 7.0%. 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 IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

**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 7.00%, 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%-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 26,795,364	\$ 15,203,717	\$ 5,466,363

IPERS' 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 IPERS' – At June 30, 2018, 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, 2018.

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 25.68% for the year ended June 30, 2018.

The City's contributions to MFPRSI for the year ended June 30, 2018 was \$2,448,537.

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, 2018.

**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, 2018, the City reported a liability of \$33,719,614 for its proportionate share of the net pension liability, of which \$18,515,897 relates to MFPRSI. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. At June 30, 2017, the City's proportion was 3.157150% which was a decrease of .037354% from its proportions measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized total pension expense of \$5,297,903, of which \$2,871,837 relates to MFPRSI. At June 30, 2018, 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	\$ 710,550	\$ 11,266
Changes of assumptions	1,573,452	210,304
Net difference between projected and actual earnings on pension plan investments	758,668	-
Changes in proportion and differences between City contributions and proportionate share of contributions	230,434	146,494
City contributions subsequent to the measurement date	2,448,537	-
Total	<u>\$ 5,721,641</u>	<u>\$ 368,064</u>

\$2,448,537 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, 2018. 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>	
2019	471,945
2020	1,734,894
2021	899,606
2022	(311,197)
2023	109,792
Total	<u>\$ 2,905,040</u>

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

Rate of Inflation	3.00 % per annum
Salary Increases	4.50 % to 15.11 %, including inflation
Investment rate of return	7.50 % 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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

Postretirement mortality rates were based on the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years, females set-forward one year and individuals with disabilities set-forward one year (male only rates), with five years projection of future mortality improvement with Scale BB.

The long-term expected rate of return on MFPRSI 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 best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Large cap	5.5%
Small cap	5.8%
International large cap	7.3%
Emerging makets	9.0%
Emerging market debt	6.3%
Private non-core real estate	8.0%
Master limited partnerships	9.0%
Private equity	9.0%
Core plus fixed income	3.3%
Private core real estate	6.0%
Tactical asset allocation	6.4%

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. 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 (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 30,429,762	\$ 18,515,897	\$ 8,606,604

**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)**

MFPRSI’s 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 MFPRSI - At June 30, 2018, 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. During the fiscal year, the City changed management firms and also added a new plan in accordance with Internal Revenue Code Section 401a.

**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS - OPEB**

Plan Description - The City operates a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses and dependents. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue a stand-alone financial report. The healthcare benefit plans are self-insured and are administered by a third party.

OPEB Benefits – Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay 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.

Retired participants must be age 55 or older at retirement. At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	16
Inactive employees or beneficiaries entitled to but not yet receiving benefit payment	0
Active employees	377
Total	393

Total OPEB Liability – The City’s total OPEB liability of \$2,947,547 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2017.

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

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

Actuarial Assumptions - The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2018)	3.00% per annum
Rates of salary increases (effective June 30, 2018)	3.00% per annum, including inflation
Discount rate (effective June 30, 2018)	3.87% compounded annually, including inflation
Health cost trend rate (effective June 30, 2018)	5.00% per annum

Discount Rate – The discount rate used to measure the total OPEB liability was 3.87% which reflects the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP 2014 annuitant distinct mortality table adjusted to 2016 with MP 2016 generational projection of future mortality improvement. Annual retirement and termination probabilities are based on varying rates by age and were developed based on Scale T-3 of the Actuary’s Pension Handbook.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB Liability beginning of year, as restated	\$ 2,438,597
Changes for the year:	
Service cost	157,757
Interest	111,053
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	306,308
Benefit payments	(66,168)
Net changes	508,950
Total OPEB Liability end of year	\$ 2,947,547

Changes of assumptions reflect a change in the discount rate from 5.00% in fiscal year 2017 to 3.87% in fiscal year 2018.

Sensitivity of the City’s Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.87%) or 1% higher (4.87%) than the current discount rate.

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$ 3,228,460	\$ 2,947,547	\$ 2,693,186

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

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

Sensitivity of the City's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (4.00%) or 1% higher (6.00%) than the current healthcare cost trend rates.

	1% Decrease (4.00%)	Current Healthcare Cost Trend Rate (5.00%)	1% Increase (6.00%)
Total OPEB Liability	\$ 2,604,330	\$ 2,947,547	\$ 3,353,901

OPEB Expense and Deferred Outflows of Resources Related to OPEB – For the year ended June 30, 2018, the City recognized OPEB expense of \$293,512. At June 30, 2018, the City reported deferred outflows of resources related to OPEB from the following:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -
Changes of assumptions	281,606
	\$ 281,606

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

Year ending June 30,	Amount
2019	\$ 24,702
2020	24,702
2021	24,702
2022	24,702
2023	24,702
Thereafter	158,096
	\$ 281,606

**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, 2018, the Series 2015E bonds had a balance of \$29,665,000 and the City of West Des Moines' estimated future allocation based on the WRA flows is currently \$5,608,949.

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, 2018, the Series 2013B bonds had a balance of \$48,730,000 and the City of West Des Moines' estimated future allocation based on the WRA flows is currently \$8,847,180.

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, 2018, the WRA had \$279,527,264 of such State Revolving Loans of which \$44,134,729 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, 2018, the WRA had \$1,515,326 in these State Revolving Loans of which \$35,883 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, 2018:

Received from West Des Moines Water Works	
Occupancy reimbursements	\$ 24,721
Health insurance reimbursements	522,031
Gasoline reimbursements	30,393
Telephone reimbursements	6,298
Share of general insurance	144,191
Delinquent reimbursements	331
Payments to West Des Moines Water Works	
Collection fees for sewer, solid waste, and storm water	179,934
Miscellaneous fees	50,353

Amounts receivable from West Des Moines Water Works as of June 30, 2018 for sewer, storm, and solid waste charges totaled \$3,226,845, \$634,007, and \$465,026 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 \$1,361,508 and \$52,590 respectively. On July 1, 2018 Westcom was re-classified as an enterprise fund from the general fund to improve presentation of the operation.

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 \$2,980,432 and there were no capital costs.

**NOTE 13 COMMITMENTS**

The City has entered into contracts totaling approximately \$117 million for various projects that were not complete at year-end. As of June 30, 2018, approximately \$50 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 several 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 \$20.87 million exist, of which \$11.60 million is likely to be eligible to be paid in the

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

**NOTE 13 COMMITMENTS (continued)**

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.

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

**NOTE 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, 2018 were approximately \$448,438.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured in an amount not to exceed \$2,500,000 per claim, with no aggregate. For members requiring specific coverage from \$2,000,000 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, 2018, no liability has been recorded in the City's financial statements. As of June 30, 2018, settled claims have not exceeded the risk pool or reinsurance 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 four 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 \$5,151,390 for the year ended June 30, 2018). 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, 2018 was \$4,727,954.

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 85.5% of the annual premium amount or approximately \$2,747,750.

Amounts payable from the Health and Dental Insurance Fund and the Worker's Compensation Insurance Fund as of June 30, 2018, totaled \$744,687 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, 2018, June 30, 2017, June 30, 2016, and June 30, 2015 by \$328,387, \$61,672, \$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>2018</u>	<u>2017</u>
Claims payable, beginning of year	\$ 616,286	\$ 671,561
Claims recognized	5,891,354	4,788,454
Claim payments	<u>(5,762,953)</u>	<u>(4,843,729)</u>
Claims payable, end of year	<u>\$ 744,687</u>	<u>\$ 616,286</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, 2018, there was one series of industrial development revenue bonds outstanding, with an aggregated principal amount payable of \$3,575,005.

**NOTE 16 LITIGATION**

Claims have been asserted against the City in the ordinary course of business with a maximum exposure of \$490,000. 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. The City settled litigation subsequent to year end in the amount of \$464,464 for stormwater fees that were collected through June 30, 2018 in one district. The liability has been accrued in Accounts Payable and the stormwater fees were refunded subsequent to year end.

**NOTE 17 TAX ABATEMENTS**

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

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

For the year ended June 30, 2018, the City abated \$1,654,766 of property tax under the urban renewal and economic development projects. Property tax revenues of the City were reduced by \$0 for the year ended June 30, 2018 under agreements entered into by other entities.

**NOTE 18 SUBSEQUENT EVENTS**

On July 1, 2018 Westcom was re-classified as an enterprise fund from the general fund to improve presentation of the operation.

On September 24, 2018 and on October 9, 2018, the City issued a loan payable totaling \$625,000 with the intention to pass on the funds to a sub-recipient in the continuation of the rehabilitation of a school building.

On December 10, 2018, the City issued bonds totaling \$10,565,000 in General Obligation Urban Renewal Bonds.

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

**NOTE 19 ACCOUNTING CHANGE / RESTATEMENT**

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

	Governmental Activities	Sewer	Storm Water	Solid Waste	Business Type Activities
Net position June 30, 2017 as previously reported	\$ 456,391,240	98,990,324	51,340,145	795,570	\$ 151,660,319
Net OPEB obligation measured under previous standards	967,650	24,210	18,254	-	42,464
Total OPEB liability at June 30, 2017	(2,336,081)	(58,447)	(44,069)	-	(102,516)
Net position July 1, 2017, as restated	\$ 455,022,809	98,956,087	51,314,330	795,570	\$ 151,600,267

**City of West Des Moines, Iowa**  
**SCHEDULE OF CHANGES IN THE CITY'S**  
**TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES**

**FOR THE CURRENT YEAR**  
**REQUIRED SUPPLEMENTARY INFORMATION**

	2018
Service Cost	\$ 157,757
Interest Cost	111,053
Difference between expected and actual experience	-
Changes of assumptions	306,308
Benefit payments	(66,168)
Net change in total OPEB liability	508,950
Total OPEB liability beginning of year, as restated	2,438,597
Total OPEB liability end of year	\$ 2,947,547
Covered-employee payroll	26,989,124
Total OPEB Liability as a percentage of covered-employee payroll	10.92%

**Notes to Schedule of Changes in the City's Total OPEB Liability and Related Ratios**

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

*Changes in benefit terms:*

There were no significant changes in benefit terms.

*Changes in assumptions:*

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

Year ended June 30, 2018	3.87%
Year ended June 30, 2017	5.00%

Note: GASB Statement No. 75 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.

**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 FOUR FISCAL YEARS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

	2015	2016	2017	2018
City's proportion of the net pension liability	0.208525300%	0.216906600%	0.229468000%	0.228240700%
City's proportionate share of the net pension liability	\$ 8,269,916	\$ 10,716,237	\$ 14,441,145	\$ 15,203,717
City's covered payroll	\$ 16,337,805	\$ 18,379,445	\$ 19,793,111	\$ 20,057,940
City's proportionate share of the net pension liability as a percentage of its covered payroll	50.62%	58.31%	72.96%	75.80%
Plan fiduciary net position as a percentage of the total pension liability	87.61%	85.19%	81.82%	82.21%

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**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Statutorily required contribution	\$ 1,043,635	\$ 1,178,526	\$ 1,220,065	\$ 1,458,325	\$ 1,529,529	\$ 1,617,030	\$ 1,675,318	\$ 1,754,825	\$ 1,820,285	\$ 1,886,023
Contribution in the relation to the statutorily required contribution	1,043,635	1,178,526	1,220,065	1,458,325	1,529,529	1,617,030	1,675,318	1,754,825	1,820,285	1,886,023
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	13,847,643	16,865,755	16,524,200	17,426,384	15,827,188	16,337,805	18,379,445	19,793,111	20,057,940	20,769,182
Contributions as a percentage of covered payroll	7.54%	6.99%	7.38%	8.37%	9.66%	9.90%	9.12%	8.87%	9.08%	9.08%

**City of West Des Moines, Iowa**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY**  
**IOWA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM - IPERS**  
**June 30, 2018**

**Changes of benefit terms:**

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average Salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% 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.

**Changes of assumptions:**

The 2017 valuation implemented the following refinements as a result of an accelerated experience study:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50%.
- Lowered the estimated investment rate of return from 7.50% to 7.00%.
- Lowered the assumed wage growth rate from 4.00% to 3.25%.
- Decreased the estimated rate of payroll growth from 4.00% to 3.25%.

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

- Decreased the inflation assumption from 3.25% 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**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA - MFPRSI**  
**LAST FOUR FISCAL YEARS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

	2015	2016	2017	2018
City's proportion of the net pension liability	3.126078%	3.156744%	3.194504%	3.157150%
City's proportionate share of the net pension liability	\$ 11,331,979	\$ 14,830,836	\$ 19,973,986	\$ 18,515,897
City's covered payroll	\$ 7,983,068	\$ 8,278,428	\$ 8,766,120	\$ 8,941,753
City's proportionate share of the net pension liability as a percentage of its covered payroll	141.95%	179.15%	227.85%	207.07%
Plan fiduciary net position as a percentage of the total pension liability	86.27%	83.04%	78.20%	80.60%

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-MFPRS**  
**LAST TEN FISCAL YEARS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Statutorily required contribution	\$ 1,291,314	\$ 1,223,912	\$ 1,445,739	\$ 1,881,373	\$ 2,023,600	\$ 2,404,500	\$ 2,517,470	\$ 2,404,016	\$ 2,317,700	\$ 2,448,537
Contribution in the relation to the statutorily required contribution	1,291,314	1,223,912	1,445,739	1,881,373	2,023,600	2,404,500	2,517,470	2,404,016	2,317,700	2,448,537
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	6,887,008	7,199,482	7,265,020	7,598,437	7,747,320	7,983,068	8,278,428	8,766,120	8,941,753	9,534,802
Contributions as a percentage of covered payroll	18.75%	17.00%	19.90%	24.76%	26.12%	30.12%	30.41%	27.42%	25.92%	25.68%

Notes to Required Supplementary Information - Pension Liability:

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

Changes of assumptions: Postretirement mortality rates changed to the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years, females set-forward one year and individuals with disabilities set-forward one year (male only rates), with five years projection of future mortality improvement with Scale BB.



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, 2018

	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	\$ 54,097,576	\$ -	\$ 54,097,576	\$ 54,096,896	\$ 54,096,896	\$ 680
Tax increment financing taxes	13,531,467	-	13,531,467	13,498,069	13,498,069	33,398
Other City taxes	5,065,449	-	5,065,449	4,901,803	4,901,803	163,646
Special assessments	142,102	-	142,102	150,000	150,000	(7,898)
Licenses and permits	1,904,626	-	1,904,626	1,806,671	1,700,782	203,844
Intergovernmental	21,170,528	-	21,170,528	23,580,508	26,032,817	(4,862,289)
Charges for services	5,996,384	15,854,139	21,850,523	19,931,050	20,387,125	1,463,398
Use of money and property	1,431,402	638,710	2,070,112	578,000	1,084,500	985,612
Miscellaneous	3,513,358	37,671	3,551,029	13,044,496	15,067,341	(11,516,312)
Total revenues	106,852,892	16,530,520	123,383,412	131,587,493	136,919,333	(13,535,921)
<b>EXPENDITURES/EXPENSES</b>						
Public safety	29,050,021	-	29,050,021	31,517,239	32,834,503	3,784,482
Public works	9,240,888	-	9,240,888	10,578,765	10,711,350	1,470,462
Health and social services	1,271,677	-	1,271,677	1,212,406	1,250,526	(21,151)
Culture and recreation	8,687,823	-	8,687,823	9,404,368	9,606,358	918,535
Community and economic development	10,359,086	-	10,359,086	10,862,888	12,765,532	2,406,446
General government	8,371,646	-	8,371,646	9,042,102	9,830,037	1,458,391
Debt service	25,136,869	-	25,136,869	21,767,475	27,877,452	2,740,583
Capital outlay	43,414,199	-	43,414,199	116,116,061	145,171,223	101,757,024
Business-type	-	15,759,579	15,759,579	37,698,221	46,549,419	30,789,840
Total expenditures/expenses	135,532,209	15,759,579	151,291,788	248,199,525	296,596,400	145,304,612
Excess (deficiency) of revenues over (under) expenditures/expenses	(28,679,317)	770,941	(27,908,376)	(116,612,032)	(159,677,067)	131,768,691
<b>OTHER FINANCING SOURCES, NET</b>						
	93,235,209	10,024,095	103,259,304	101,242,100	102,014,490	1,244,814
Excess (deficiency) of revenues and other financing sources over/under expenditures/expenses and other financing sources (uses)	64,555,892	10,795,036	75,350,928	(15,369,932)	(57,662,577)	17,688,351
<b>BALANCES</b> , beginning of year, as restated	81,101,312	151,065,987	232,167,299	156,604,227	99,745,405	
<b>BALANCES</b> , end of year	\$ 145,657,204	\$ 161,861,023	\$ 307,518,227	\$ 141,234,295	\$ 42,082,828	

**City of West Des Moines, Iowa**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION—BUDGETARY REPORTING**  
**Year ended June 30, 2018**

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

In accordance with the Code of Iowa, the City Council annually adopts a budget 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 \$48,396,875. 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, 2018**

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, flood control levees, and bridges and street culverts (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).

**City Street Network**

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. As of 2017, the City utilized the Iowa Pavement Management Program (IPMP) sponsored by the Iowa DOT and Iowa State University to assess to the pavement condition [prior to 2017, each City street was evaluated to an Overall Condition Index (OCI)]. The IPMP uses automated equipment to rate the condition of Iowa roads, including for the City of West Des Moines, every two years. The PCI index represents a composite rating including the evaluation of pavement defects/deterioration, ride quality and other characteristics condition. The PCI of each street is calculated and rated on a scale from 100 to 0, with a PCI rating of 100 being the best and 0 the worst. This condition assessment will be performed at least once every three years.

The following tables defines the Pavement Condition Index (PCI) rating scale for streets and the Overall Condition Index (OCI) rating scale for streets:

<u>Pavement Condition</u>	<u>PCI Range (2017)</u>	<u>Pavement Condition</u>	<u>OCI Range (prior to 2017)</u>
Excellent	100 – 80	Very Good	100-90
Good	80 – 60	Good	90-80
Fair	60 – 40	Average	80-60
Poor	40 – 20	Below Average	60-50
Very Poor	20 – 0	Poor	50-25
		Failed	25-0

The City's goal is to maintain a PCI rating of 70 for the street network. The following are descriptions for Portland cement concrete and asphalt surfaced streets in the City in the 70 PCI rating range.

**Portland cement concrete streets and trails (PCI - 70):** 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. Patches may exist up to 20% of the street area and are typically moderate in quality. Joint spalling may exist up to 15 to 25 isolated locations. The pavement smoothness international roughness index typically ranges between 250 to 550 in. /mi. 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 (PCI - 70):** Reflective cracking may exist throughout the pavement. Reflective cracking is typically between 3/8 inch and 2 inches wide. Reflective cracks typically may need to be sealed. Low and moderate severity bumps, alligator cracking, rutting, or raveling may exist up to 10% of the street area. Patches may exist up to 10% of the street area and are typically moderate in quality. Up to a total of 10 SF of potholes may exist at small isolated locations. The pavement smoothness international roughness index typically ranges between 100 to 400 in. /mi. 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.

**City of West Des Moines, Iowa**  
**REQUIRED SUPPLEMENTARY INFORMATION—MODIFIED APPROACH (continued)**  
**Year ended June 30, 2018**

***City Flood Control Levee System***

The City's federal levees and associated flood control elements are inspected and maintained per the U.S. Army Corp of Engineers criteria. The Army Corp inspects the flood control levee system in the City every two years. The Army Corps rating criteria for the flood control levee system is Acceptable, Minimally Acceptable and Unacceptable. The City's goal is to maintain as least a minimally acceptable rating for the levee system. The following is the description for minimally acceptable rating.

**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.

***City Bridges and Large Street Culverts***

The City's vehicle bridges, large drainage and box culverts and pedestrian underpasses under streets greater than greater than 20 ft. in span are inspected every two years using the Iowa DOT / FHWA National Bridge Inspection System (NBIS). The NBIS evaluates each structure for drainage, scour/erosion, debris, surface and structural deficiencies. The NBIS gives each structure a Sufficiency Rating (SR). The SR is composite score of the evaluation items. The SR of each structure is calculated and rated on a scale from 100 to 0, with a SR of 100 being the best and 0 the worst. The City's goal is to maintain a SR of 80 or better for each bridge or culvert structure. The following are descriptions for an 80 Sufficiency Rating.

**Bridge and Large Street Culverts (FHWA & Iowa DOT Sufficiency Rating – 80 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, 2018**

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	2015		2016		Category	PCI Range	2017	
		Lane Miles	Percent of Street Network	Lane Miles	Percent of Street Network			Lane Miles	Percent of Street Network
Very Good	100 - 90	239	30.6%	265	33.7%	Excellent	100 - 80	326	39.5%
Good	90 - 80	262	33.5%	245	31.1%	Good	80 - 60	278	33.7%
Average	80 - 60	181	23.1%	179	22.7%	Fair	60 - 40	155	18.8%
Below Average	60 - 50	89	11.4%	88	11.2%	Poor	40 - 20	14	1.7%
Poor	50 - 25	11	1.4%	10	1.3%	Very Poor	20 - 0	1	0.1%
Failed	25 - 0	0	0.0%	0	0.0%	Unpaved*	N/R	52	6.3%
<b>Total</b>		<b>782</b>	<b>100%</b>	<b>787</b>	<b>100%</b>			<b>826</b>	<b>100%</b>

Overall condition index (OCI)

	2015	2016	2017**
Goal	78-80	78-80	70
Actual	80.0	80.0	73.0

\*The IPMP does not rate the condition of gravel roads. Unpaved roads are listed on the table to show they are part of the City street network. For more information on the IPMP, please see the following website <http://www.ctre.iastate.edu/ipmp>.

\*\*Due to 2017 being the City's first year using the IPMP to assess pavement conditions, the PCI goal is an estimate and may be subject to change based on further evaluation by the City and Iowa State University.

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

Condition Categories Based on FHWA Criteria:

Category	OCI Range	2013		2015		2017	
		Bridges Inspected	Percent of Bridges Inspected	Bridges Inspected	Percent of Bridges Inspected	Bridges Inspected	Percent of Bridges Inspected
Excellent	100 - 90	17	58.6%	16	57.1%	21	63.6%
Very Good	90 - 80	6	20.7%	5	17.9%	5	15.2%
Good	80 - 70	2	6.9%	2	7.1%	2	6.1%
Satisfactory	70 - 60	2	6.9%	1	3.6%	2	6.1%
Fair	60 - 50	2*	6.9%	4*	14.3%	3*	9.1%
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>29</b>	<b>100%</b>	<b>28</b>	<b>100%</b>	<b>33</b>	<b>100%</b>

\*Structures closed to traffic or scheduled for replacement

Overall condition index (OCI)

	2013	2015	2017
Goal	81 or greater	81 or greater	81 or greater
Actual	86.4	85.6	88.5

See accompanying independent auditor's report.

**City of West Des Moines, Iowa**  
**REQUIRED SUPPLEMENTARY INFORMATION—MODIFIED APPROACH (continued)**  
**Year ended June 30, 2018**

Levee Condition by Category as of the Last Assessment

Condition Categories Based on the Army Corp. Criteria

OCI Range	2015		2016		2017	
	Levee Items Inspected	Percent of Levee Items Inspected	Levee Items Inspected	Percent of Levee Items Inspected	Levee Items Inspected	Percent of Levee Items Inspected
	Acceptable	48	88.9%	43	93.5%	43
Minimally Acceptable	6	11.1%	3	6.5%	4	8.5%
Unacceptable	0	0.0%	0	0.0%	0	0.0%
	<u>54</u>	<u>100%</u>	<u>46</u>	<u>100%</u>	<u>47</u>	<u>100%</u>

Overall condition index (OCI)

	2015	2016	2017
Goal	Minimally Acceptable	Minimally Acceptable	Minimally Acceptable
Actual	Acceptable	Minimally Acceptable	Minimally Acceptable

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

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

	2018	2017	2016	2015	2014	2013	2012	2011
<b>Estimated Costs</b>	\$4,820	\$4,760	\$5,060	\$4,041	\$4,567	\$6,753	\$5,307	\$5,296
<b>Actual Costs</b>	\$4,840	\$3,472	\$3,784	\$4,119	\$4,130	\$3,720	\$5,119	\$5,387

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City of West Des Moines, Iowa  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
 June 30, 2018

	Police & Fire Retirement	Employee Benefits	Economic Development	Housing Programs	Parks	Library	Public Safety	Dallas County Local Housing Trust	Community Development Block Grant	Totals
Cash and investments	\$ 2,691,567	\$ -	\$ 550,019	\$ 354,556	\$ 1,256,215	\$ 230,115	\$ 473,183	\$ 11,619	\$ -	\$ 5,567,274
Restricted cash and investments	-	-	-	286,728	-	-	-	-	-	286,728
Receivables										
Property taxes	2,465,437	4,801,796	-	-	-	-	-	-	-	7,267,233
Accounts	-	-	-	-	50,000	-	-	24,823	-	74,823
Interest	-	-	-	1,110	-	-	-	-	-	1,110
Due from other governments	-	-	-	17,931	-	-	194,180	-	269,557	481,668
Total assets	\$ 5,157,004	\$ 4,801,796	\$ 550,019	\$ 660,325	\$ 1,306,215	\$ 230,115	\$ 667,363	\$ 36,442	\$ 269,557	\$ 13,678,836

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY**

Accounts payable	\$ -	\$ -	\$ 3,218	\$ 135	\$ 20,277	\$ 883	\$ 183,896	\$ 10,975	\$ 329	\$ 219,713
Accrued wages payable	94,235	-	-	850	-	-	-	644	1,882	97,611
Due to other funds	-	-	-	-	-	-	-	-	329,848	329,848
Total liabilities	94,235	-	3,218	985	20,277	883	183,896	11,619	332,059	647,172

**DEFERRED INFLOWS OF RESOURCES**

Unavailable revenue:										
Succeeding year property tax	2,460,256	4,791,612	-	-	-	-	-	-	-	7,251,868
Grants and other	-	-	-	17,931	-	-	-	24,823	-	42,754
Total deferred inflows of resources	2,460,256	4,791,612	-	17,931	-	-	-	24,823	-	7,294,622

**FUND BALANCES (DEFICITS)**

Restricted for										
Other purposes	2,602,513	10,184	546,801	641,409	1,285,938	229,232	483,467	-	-	5,799,544
Unassigned	-	-	-	-	-	-	-	-	(62,502)	(62,502)
Total fund balances (deficits)	2,602,513	10,184	546,801	641,409	1,285,938	229,232	483,467	-	(62,502)	5,737,042
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 5,157,004	\$ 4,801,796	\$ 550,019	\$ 660,325	\$ 1,306,215	\$ 230,115	\$ 667,363	\$ 36,442	\$ 269,557	\$ 13,678,836

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, 2018

	Police & Fire Retirement	Employee Benefits	Economic Development	Housing Programs	Parks	Library	Public Safety	Dallas County Local Housing Trust	Community Development Block Grant	Totals
<b>REVENUES</b>										
Property taxes	\$ 2,272,444	\$ 4,466,717	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,739,161
Other City taxes	26,836	52,749	-	-	-	-	-	-	-	79,585
Intergovernmental	109,318	214,875	50,000	99,313	-	47,427	-	267,289	3,171,916	3,960,138
Use of money and property	65,827	-	-	11,195	28,439	5,497	10,200	-	-	121,158
Miscellaneous	-	-	-	125,975	242,661	35,970	1,034,310	7,572	8,034	1,454,522
Total revenues	2,474,425	4,734,341	50,000	236,483	271,100	88,894	1,044,510	274,861	3,179,950	12,354,564
<b>EXPENDITURES</b>										
Current operating										
Public safety	2,459,612	-	-	-	-	-	568,487	-	-	3,028,099
Health and social services	-	-	-	242,371	-	-	-	-	-	242,371
Culture and recreation	-	-	-	-	164,804	76,305	-	-	-	241,109
Community & economic development	-	-	156,796	-	-	-	-	259,402	3,114,130	3,530,328
Debt Service										
Principal	-	-	-	-	-	-	119,249	-	-	119,249
Interest	-	-	-	-	-	-	17,752	-	-	17,752
Total expenditures	2,459,612	-	156,796	242,371	164,804	76,305	705,488	259,402	3,114,130	7,178,908
Excess (deficiency) of revenues over (under) expenditures	14,813	4,734,341	(106,796)	(5,888)	106,296	12,589	339,022	15,459	65,820	5,175,656
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	-	-	50,000	-	120,000	-	-	-	-	170,000
Transfers out	-	(4,732,960)	-	-	-	-	(294,045)	(12,475)	(100,419)	(5,139,899)
Issuance of debt	-	-	-	-	-	-	-	-	3,217	3,217
Total other financing sources (uses)	-	(4,732,960)	50,000	-	120,000	-	(294,045)	(12,475)	(97,202)	(4,966,682)
Net change in fund balances	14,813	1,381	(56,796)	(5,888)	226,296	12,589	44,977	2,984	(31,382)	208,974
Fund balances (deficit), beginning of year	2,587,700	8,803	603,597	647,297	1,059,642	216,643	438,490	(2,984)	(31,120)	5,528,068
Fund balances (deficit), end of year	\$ 2,602,513	\$ 10,184	\$ 546,801	\$ 641,409	\$ 1,285,938	\$ 229,232	\$ 483,467	\$ -	\$ (62,502)	\$ 5,737,042

See accompanying independent auditor's report.

**City of West Des Moines, Iowa**  
**COMBINING STATEMENT OF NET POSITION-INTERNAL SERVICE FUNDS**  
**June 30, 2018**

	Vehicle Replacement	Vehicle Maintenance	Health & Dental Insurance	Workers' Compensation Insurance	Technology Replacement	Total
<b>ASSETS</b>						
Current assets:						
Cash and investments	\$ 10,087,563	\$ 82,704	\$ 8,971,490	\$ 4,377,738	\$ 561,504	\$ 24,080,999
Accounts	-	10,759	-	-	-	10,759
Interest	20,687	-	33,017	-	-	53,704
Due from other governments	-	19,565	-	-	-	19,565
Total current assets	<u>10,108,250</u>	<u>113,028</u>	<u>9,004,507</u>	<u>4,377,738</u>	<u>561,504</u>	<u>24,165,027</u>
Noncurrent assets, capital assets						
Equipment and vehicles	16,968,857	-	-	-	421,622	17,390,479
Accumulated depreciation	(10,808,451)	-	-	-	(90,348)	(10,898,799)
Total noncurrent assets	<u>6,160,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>331,274</u>	<u>6,491,680</u>
Total assets	<u>\$ 16,268,656</u>	<u>\$ 113,028</u>	<u>\$ 9,004,507</u>	<u>\$ 4,377,738</u>	<u>\$ 892,778</u>	<u>\$ 30,656,707</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>						
Current liabilities:						
Accounts payable	\$ 1,373	\$ 57,828	\$ -	\$ -	\$ -	\$ 59,201
Claims payable	-	-	468,187	276,500	-	744,687
Total current liabilities	<u>1,373</u>	<u>57,828</u>	<u>468,187</u>	<u>276,500</u>	<u>-</u>	<u>803,888</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Grant and other deferred inflows	-	7,651	-	-	-	7,651
<b>NET POSITION</b>						
Investment in capital assets	6,160,406	-	-	-	331,274	6,491,680
Unrestricted	10,106,877	47,549	8,536,320	4,101,238	561,504	23,353,488
Total net position	<u>\$ 16,267,283</u>	<u>\$ 47,549</u>	<u>\$ 8,536,320</u>	<u>\$ 4,101,238</u>	<u>\$ 892,778</u>	<u>\$ 29,845,168</u>
Total liabilities and net position	<u>\$ 16,268,656</u>	<u>\$ 113,028</u>	<u>\$ 9,004,507</u>	<u>\$ 4,377,738</u>	<u>\$ 892,778</u>	<u>\$ 30,656,707</u>

See accompanying independent auditor's report.

**City of West Des Moines, Iowa**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**Year Ended June 30, 2018**

	Vehicle Replacement	Vehicle Maintenance	Health & Dental Insurance	Workers' Compensation Insurance	Technology Replacement	Total
<b>OPERATING REVENUES</b>						
Charges for services	\$ -	\$ 1,088,449	\$ 6,173,015	\$ 284,199	\$ -	\$ 7,545,663
Lease revenue	1,729,336	-	-	-	-	1,729,336
Other	13,642	-	417,902	-	-	431,544
Total operating revenues	<u>1,742,978</u>	<u>1,088,449</u>	<u>6,590,917</u>	<u>284,199</u>	<u>-</u>	<u>9,706,543</u>
<b>OPERATING EXPENSES</b>						
Cost of sales and services	-	1,046,875	6,029,198	460,459	-	7,536,532
Depreciation	1,467,876	-	-	-	60,232	1,528,108
Total operating expenses	<u>1,467,876</u>	<u>1,046,875</u>	<u>6,029,198</u>	<u>460,459</u>	<u>60,232</u>	<u>9,064,640</u>
Operating income (loss)	<u>275,102</u>	<u>41,574</u>	<u>561,719</u>	<u>(176,260)</u>	<u>(60,232)</u>	<u>641,903</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment earnings	177,879	-	98,471	105,475	6,344	388,169
Gain (loss) on sale of capital assets	(83,386)	-	-	-	-	(83,386)
Total nonoperating revenues (expenses)	<u>94,493</u>	<u>-</u>	<u>98,471</u>	<u>105,475</u>	<u>6,344</u>	<u>304,783</u>
Income (Loss) before transfers	<u>369,595</u>	<u>41,574</u>	<u>660,190</u>	<u>(70,785)</u>	<u>(53,888)</u>	<u>946,686</u>
Transfers in	-	-	-	-	300,000	300,000
Change in net position	<u>369,595</u>	<u>41,574</u>	<u>660,190</u>	<u>(70,785)</u>	<u>246,112</u>	<u>1,246,686</u>
Total net position, beginning of year	<u>15,897,688</u>	<u>5,975</u>	<u>7,876,130</u>	<u>4,172,023</u>	<u>646,666</u>	<u>28,598,482</u>
Total net position, ending of year	<u>\$ 16,267,283</u>	<u>\$ 47,549</u>	<u>\$ 8,536,320</u>	<u>\$ 4,101,238</u>	<u>\$ 892,778</u>	<u>\$ 29,845,168</u>

See accompanying independent auditor's report.

City of West Des Moines, Iowa  
**COMBINING STATEMENT OF CASH FLOWS-INTERNAL SERVICE FUNDS**  
Year Ended June 30, 2018

	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	\$ 13,642	\$ 36,094	\$ 1,834,872	\$ 284,199	\$ -	\$ 2,168,807
Receipts from interfund charges	1,729,336	1,048,730	4,756,045	-	-	7,534,111
Payments to suppliers	(142,508)	(1,035,388)	-	-	-	(1,177,896)
Payments to claimants	-	-	(5,852,388)	(508,868)	-	(6,361,256)
Net cash provided (used) by operating activities	1,600,470	49,436	738,529	(224,669)	-	2,163,766
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers in	-	-	-	-	300,000	300,000
Net cash provided (used) by noncapital financing activities	-	-	-	-	300,000	300,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Purchase of capital assets	(1,865,214)	-	-	-	-	(1,865,214)
Proceeds from disposal of capital assets	86,991	-	-	-	-	86,991
Net cash provided (used) by capital and related financing activities	(1,778,223)	-	-	-	-	(1,778,223)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest received	194,874	-	125,694	105,475	6,344	432,387
Purchase of investment securities	(5,444,382)	-	(8,689,703)	-	-	(14,134,085)
Proceeds from maturity of investment securities	5,385,660	-	8,595,979	-	-	13,981,639
Net cash provided (used) by investing activities	136,152	-	31,970	105,475	6,344	279,941
Net increase (decrease) in cash and cash equivalents	(41,601)	49,436	770,499	(119,194)	306,344	965,484
Cash and cash equivalents						
Beginning of year	5,565,265	33,268	916,615	4,496,932	255,160	11,267,240
End of year	\$ 5,523,664	\$ 82,704	\$ 1,687,114	\$ 4,377,738	\$ 561,504	\$ 12,232,724

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, 2018**

	Vehicle Replacement	Vehicle Maintenance	Health and Dental Insurance	Worker's Compensation Insurance	Technology Replacement	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 275,102	\$ 41,574	\$ 561,719	\$ (176,260)	\$ (60,232)	\$ 641,903
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation	1,467,876	-	-	-	60,232	1,528,108
Change in assets and liabilities						
Receivables	-	(11,271)	-	-	-	(11,271)
Accounts payable & other liabilities	(142,508)	19,133	-	-	-	(123,375)
Claims payable	-	-	176,810	(48,409)	-	128,401
Net cash provided (used) by operating activities	\$ 1,600,470	\$ 49,436	\$ 738,529	\$ (224,669)	-	\$ 2,163,766
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO SPECIFIC ASSETS ON THE STATEMENT OF NET POSITION</b>						
Cash and investments	\$ 10,087,563	\$ 82,704	\$ 8,971,490	\$ 4,377,738	\$ 561,504	\$ 24,080,999
Less items not meeting the definition of cash equivalents	(4,563,899)	-	(7,284,376)	-	-	(11,848,275)
Cash and cash equivalents at end of year	\$ 5,523,664	\$ 82,704	\$ 1,687,114	\$ 4,377,738	\$ 561,504	\$ 12,232,724
<b>SCHEDULE OF NONCASH ITEMS</b>						
Investing activities						
Change in fair market value of investments	\$ (24,425)	-	\$ (38,984)	-	-	\$ (63,409)

See accompanying independent auditor's report.

**City of West Des Moines, Iowa**  
**COMBINING STATEMENT OF ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**June 30, 2018**

	Collections and Deposits	Section 125 Plan	Total Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 613,906	\$ 105,530	\$ 719,436
<b>LIABILITIES</b>			
Deposits and remittances due	\$ 613,906	\$ 105,530	\$ 719,436

See accompanying independent auditor's report.

**City of West Des Moines, Iowa**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**June 30, 2018**

<u>Collections and Deposits</u>	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
<b>ASSETS</b>				
Cash and investments	\$ 620,464	\$ 335,229	\$ 341,787	\$ 613,906
Total assets	<u>\$ 620,464</u>	<u>\$ 335,229</u>	<u>\$ 341,787</u>	<u>\$ 613,906</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 6,483	\$ 354,654	\$ 339,537	\$ 21,600
Deposits and remittances due	613,981	311,379	333,054	592,306
Total liabilities	<u>\$ 620,464</u>	<u>\$ 666,033</u>	<u>\$ 672,591</u>	<u>\$ 613,906</u>
 <b><u>Section 125 Plan</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 81,757	\$ 330,363	\$ 306,590	\$ 105,530
Total assets	<u>\$ 81,757</u>	<u>\$ 330,363</u>	<u>\$ 306,590</u>	<u>\$ 105,530</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 31,274	\$ 17,286	\$ 13,988
Deposits and remittances due	81,757	316,376	306,591	91,542
Total liabilities	<u>\$ 81,757</u>	<u>\$ 347,650</u>	<u>\$ 323,877</u>	<u>\$ 105,530</u>
 <b><u>Combined Funds</u></b>				
<b>ASSETS</b>				
Cash and investments	\$ 702,221	\$ 665,592	\$ 648,377	\$ 719,436

See accompanying independent auditor's report.

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