

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Des Moines, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Des Moines, Iowa as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 14 and schedule of funding progress for the retiree health plan, budgetary comparison information and modified approach information on pages 53 through 58 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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 basic financial statements. The combining nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
December 14, 2009

City of West Des Moines, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009

As management of the City of West Des Moines, Iowa, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of West Des Moines for the fiscal year ended June 30, 2009. 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

- The assets of the City of West Des Moines exceeded liabilities at the close of the fiscal year ending June 30, 2009 by \$433,815,037 (net assets). Of this amount, \$51,241,157 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. For the fiscal year ended June 30, 2008, assets exceeded liabilities by \$402,981,081. Of this amount, \$38,023,197 was unrestricted.
- The City's total net assets increased by \$30,833,956 during the fiscal year ended June 30, 2009. Governmental activities increased \$22,467,973 and business-type activities increased \$8,365,983. For fiscal year ended June 30, 2008, total net assets increased \$30,308,833. Governmental activities increased \$20,966,155 and business-type activities increased \$9,342,678.
- As of the close of the current fiscal year, the City of West Des Moines' governmental funds reported combined ending fund balances of \$39,237,776, a decrease of \$12,331,804 in comparison with the prior year. Approximately 63.7 percent of this total amount, \$24,979,749 is unreserved fund balance which is available for spending at the City's discretion. As of the close of the fiscal year June 30, 2008, governmental funds reported combined ending fund balances of \$51,569,580, of which \$30,476,228 or 59.1 percent was unreserved.
- At the end of the current fiscal year, the City's unreserved fund balance for the General Fund was \$15,733,356 or 36 percent of total General Fund expenditures. These funds will be needed to meet expenditures during the next four months, at which time the City will receive the next semi-annual property tax revenue. The unreserved fund balance for the General Fund as of June 30, 2008 was \$12,303,356 or 30 percent of total General Fund expenditures.
- The City of West Des Moines' total debt decreased by \$21,372,714 (15.7 percent) during the current fiscal year. Total debt for the fiscal year June 30, 2008, decreased by \$5,027,342 (3.6 percent).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of West Des Moines' basic financial statements. The City's basic financial statements 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 in addition to the basic financial statements themselves.

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

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

City of West Des Moines, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

The government-wide financial statements can be found on pages 16 through 19 of this report.

Fund financial statements. A *fund* is 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.

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, governmental 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 of West Des Moines maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Tax Increment Financing 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 basic governmental fund financial statements can be found on pages 20 through 23 of this report.

City of West Des Moines, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009

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.

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

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 sanitary sewer and storm water major funds and the nonmajor fund – solid waste operations. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 24 through 29 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 of West Des Moines' own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 30 of this report.

Notes to basic financial statements. The notes 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 31 through 53 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 of West Des Moines, including progress in funding its obligation to provide retiree healthcare, a budgetary comparison based on the City's legal level of budgetary control, and infrastructure condition and maintenance records which are required as the City has elected to use the modified approach for reporting much of its infrastructure. This approach to recording infrastructure is explained on page 11 of this Management's Discussion and Analysis (MD&A). Required supplementary information can be found on pages 54 through 59 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 and individual fund statements and schedules can be found on pages 60 through 69 of this report.

City of West Des Moines, Iowa

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2009**

Government-Wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a government's financial position. In the case of the City of West Des Moines, assets exceeded liabilities by \$433,815,037 at the close of the most recent fiscal year.

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets						
Current and other assets	\$ 113,610	\$ 123,133	\$ 33,584	\$ 28,937	\$ 147,194	\$ 152,070
Capital assets net of depreciation	400,270	388,442	65,039	61,658	465,309	450,100
Total assets	513,880	511,575	98,623	90,595	612,503	602,170
Liabilities						
Current liabilities	73,484	76,880	639	623	74,123	\$ 77,503
Long-term liabilities outstanding	102,357	119,124	2,208	2,562	104,565	\$ 121,686
Total liabilities	175,841	196,004	2,847	3,185	178,688	\$ 199,189
Net Assets						
Invested in capital assets, net of related debt	292,459	258,999	62,494	58,746	354,953	\$ 317,745
Restricted assets	27,164	38,812	457	1,073	27,621	\$ 39,885
Unrestricted assets	18,416	17,760	32,825	27,591	51,241	\$ 45,351
Total net assets	\$ 338,039	\$ 315,571	\$ 95,776	\$ 87,410	\$ 433,815	\$ 402,981

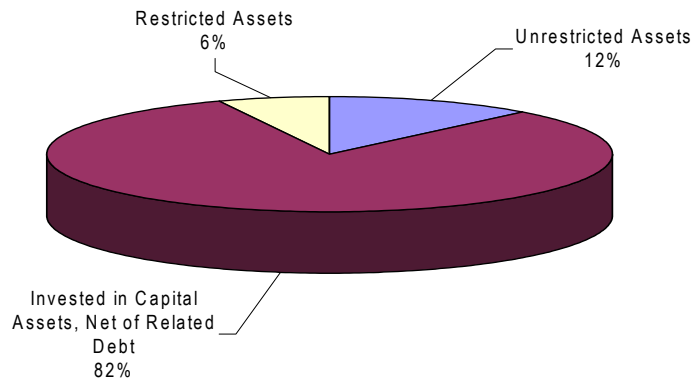
Invested in Capital Assets, Net of Related Debt:

By far the largest portion of the City's net assets (82 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, improvements other than buildings, and infrastructure), net of related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its 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. Net assets invested in capital assets, net of related debt, increased by \$37,207,345 over the previous year. These assets increased in both governmental activities and business-type activities as a result of the City's on-going commitment to providing quality infrastructure assets within the community as well as the City's aggressive repayment of the debt related to those assets.

Restricted Assets:

An additional portion of the City's net assets (6 percent or \$27,621,253) represents resources that are subject to external restrictions on how they may be used. These amounts frequently fluctuate from year to year based on the timing of restricted revenue and completion of the restricted projects or activities. Restricted assets decreased by \$12,263,517 for the fiscal year ended June 30, 2009. This primarily resulted from the City retiring long-term debt which reduced the amount of assets being held for debt service in both the governmental and business-type activities and reduced the amount of tax increment financing (TIF) revenue that was being held in governmental activities as restricted assets to repay TIF debt.

Net Assets as of June 30, 2009



Unrestricted assets:

The remaining balance is unrestricted net assets (12 percent or \$51,241,157) which may be used to meet the City's ongoing obligations to citizens and creditors. While the Change in Net Assets schedule on the following page reveals that the City's overall net assets increased \$30,833,956, the unrestricted portion of net assets increased by \$5,890,128. (See decrease in Restricted Assets explained above). This increase in unrestricted assets is explained below.

Governmental activities: Charges for Services increased by \$1,913,886 or approximately 29 percent. This increase is the result of building inspection and construction inspection fees charged on new development. While applications for new development slowed later in the fiscal year as a result of an uncertain economy, construction continued on several major projects that were just getting underway at the beginning of the fiscal year. This included Aviva USA's construction of their 1.3 million square foot North American headquarters and two new 175 bed hospitals which would open in the fall of 2009. Operating Grants and Contributions increased proportionate to related expenses as West Des Moines has numerous public / private partnerships that contribute a portion of the operating costs for activities such as emergency medical services, dispatch, housing rehabilitation and numerous other activities. Capital Grants and Contributions increased by \$5,116,396 largely as a result of reimbursements from the Iowa Department of Transportation for construction contracts completed during the fiscal year. (See changes in Invested in Capital Assets, Net of Related Debt explained on the previous page). Public Safety (e.g. building inspection, emergency medical services, dispatch) and Public Works (e.g. construction inspection, engineering) functions saw some increase in expenses related to the increased revenue; however, the City held the overall increase in expenses to just 6 percent.

Business-type activities: Charges for Services increased by \$956,062 or approximately 10 percent. \$662,800 of this increase occurred in the Sanitary Sewer enterprise where fees increased on October 1, 2008 from \$3.45 per thousand gallons to \$3.75 per one thousand gallons and sewer availability charges increased on July 1, 2008 from \$1.50 per month to \$2.00 per month. Storm Water enterprise fees increased \$278,144 as a result of a fee increase on July 1, 2008 from \$3.25 per month per equivalent residential unit (ERU) to \$3.75 per month per ERU. The Sanitary Sewer revenue increase was largely offset by increased operating expenses of the sewer utility. The City is accumulating unrestricted assets in the relatively new Storm Water utility to meet future costs associated with more stringent, regulatory requirements for storm water runoff management and monitoring.

City of West Des Moines, Iowa

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2009

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

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 8,568	\$ 6,654	\$ 10,419	\$ 9,463	\$ 18,987	\$ 16,117
Operating grants and contributions	9,249	8,077	284	3,621	9,533	11,698
Capital grants and contributions	5,391	274	5,640	7,039	11,031	7,313
General revenues:						
Property taxes	55,455	54,220			55,455	54,220
Other taxes	3,051	2,777			3,051	2,777
Earnings on investments	1,259	2,571	943	1,046	2,202	3,617
Other	1,282	603			1,282	603
Total revenues	84,255	75,176	17,286	21,169	101,541	96,345
Expenses:						
General government	4,967	4,795			4,967	4,795
Public safety	21,770	20,342			21,770	20,342
Public works	13,375	11,837			13,375	11,837
Health and social services	1,092	1,038			1,092	1,038
Culture and recreation	9,309	9,022			9,309	9,022
Community and economic development	6,487	5,808			6,487	5,808
Interest on long-term debt	5,254	5,622			5,254	5,622
Sanitary sewer			5,960	5,304	5,960	5,304
Solid waste			1,571	1,522	1,571	1,522
Storm water			922	746	922	746
Total expenses	62,254	58,464	8,453	7,572	70,707	66,036
Excess before transfers and special item	22,001	16,712	8,833	13,597	30,834	30,309
Transfers	467	4,254	(467)	(4,254)	-	-
Change in net assets	22,468	20,966	8,366	9,343	30,834	30,309
Net assets, beginning of year	315,571	294,605	87,410	78,067	402,981	372,672
Net assets, end of year	\$ 338,039	\$ 315,571	\$ 95,776	\$ 87,410	\$ 433,815	\$ 402,981

City of West Des Moines, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009

Financial Analysis of the Government's Fund Financial Statements

As noted earlier, the City of West Des Moines uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The City's governmental funds reported combined fund balances of \$39,237,776 as of June 30, 2009. This was a decrease of \$12,331,804, or 24 percent, from the prior year. Of this total amount, \$24,979,749 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate prior period contracts and purchase orders of \$10,263,366, and 2) to fund various debt service payments totaling \$3,994,661.

It is important to note that the General Fund is the chief operating fund of the City and that the unreserved fund balance of the General Fund increased by \$3,430,219 to \$15,733,356. As a measure of the General Fund's liquidity, it is generally useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance at June 30, 2009 represents approximately 36 percent of total General Fund expenditures. Property tax revenue is only collected semi-annually, in September and March, with the majority of the revenue remitted to the City by the respective county treasurers in the months of October and April. Thus, the City strives to maintain an average fund balance of approximately 25% of General Fund expenditures to use as working capital during the initial months of the new fiscal year. However, the City began implementing cost saving measures late in fiscal year 2009 in anticipation of the impact that the poor national economy is likely to have on our local economy.

During the current fiscal year General Fund revenue saw an increase primarily in property taxes, charges for services, and intergovernmental activities as revenue earned on investments (i.e. Use of Money and Property) decreased, resulting in a net increase in revenue of \$4,775,793. While the economic down turn has generally been slow in affecting the local economy the City experienced an immediate impact from the financial crisis in the banking industry which made it difficult for the City to find suitable options for investing idle funds, resulting in a \$775,549 decrease in interest earnings. The City's property tax valuations remained strong during this period resulting in a \$2,947,423 increase in property taxes collected. Charges for services increased largely as a result of several major development projects underway during fiscal year 2009 including construction of Aviva USA's 1.3 million square foot North American headquarters and two new 175 bed hospitals which would open in the fall of 2009. Intergovernmental revenue increased as West Des Moines has numerous public / private partnerships that contribute a portion of the operating costs for activities such as emergency medical services, dispatch, housing rehabilitation and miscellaneous other activities. In comparison to a 12 percent increase in revenue, General Fund expenditures only increased 7 percent. The most significant increases were in the areas of Public Safety and Public Works functions that expanded with our growing community's need for police, fire, emergency medical services, repair and maintenance needs of our increasing infrastructure (increased lane miles, etc), and the building and construction inspection services needed to ensure the safety and quality of new construction in the community.

The Tax Increment Financing (TIF) Fund had a fund balance of \$2,069,981 at June 30, 2009. 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. This special revenue fund saw a significant decrease (\$ 8,257,407) in fund balance when the City "called" and retired \$3,995,000 in tax increment financing bonds and \$1,885,000 in general obligation bonds (issued to finance TIF projects) on June 1, 2009, in addition to the regularly scheduled annual debt payments.

City of West Des Moines, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009

The Debt Service Fund decreased from \$6,255,047 to a fund balance of \$3,994,661 at June 30, 2009. This fund balance is reserved for the payment of debt (i.e. payment of general obligation principal and interest). \$4,035,000 in general obligation debt outstanding was "called" and retired by the fund on June 1, 2009. Funds to retire \$1,885,000 of this debt were transferred in from the Tax Increment Financing Fund.

The Capital Projects Fund had a total fund balance of \$5,830,230, all of which is reserved for the liquidation of construction contracts that were entered into during the prior period. This fund did experience an increase in Special Assessment revenue of \$701,994 and Intergovernmental grant revenue of \$5,135,172 which offset an increase in capital outlay expenditures for related capital improvement projects.

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

Total net assets of the Sanitary Sewer Fund at the end of the year amounted to \$77,379,083. This is comprised of: \$46,857,844 invested in capital assets, net of related debt; \$457,350 restricted for debt service; and \$30,063,889 in unrestricted net assets. Total net assets of the Storm Water Fund at the end of the current year were \$17,716,325, with \$15,635,802 invested in capital assets net of related debt and \$2,080,523 in unrestricted net assets. Total net assets of the Solid Waste Fund at the end of the current year were \$491,612 all of which was unrestricted. The Solid Waste Fund does not have any investment in capital assets as this service was out-sourced to a private contractor in November of 2000.

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

For additional details regarding these funds see the prior section for Government-Wide Financial Analysis of Unrestricted Assets of Business-type Activities.

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, amendments to budgeted expenditures were primarily due to changes in the timing of capital improvement projects both in governmental and business-type activities, as is frequently the case with a June 30 fiscal year end. This budget also reflects the City's decision to "call" and retire \$4,035,000 in general obligation debt as of June 1, 2009. The City did exceed the expenditure budget for the Public Works function as a result of: 1) Public Works personnel taking delivery of de-icing product at the end of the fiscal year, in exchange for favorable pricing, without notifying Administrative Service department personnel of the need for a budget amendment; and 2) a fiscal year end entry had to be made by accounting staff to reclassify capital project / capital outlay expenditures that did not qualify for capitalization under the City's capital asset policy. This resulted in the City being over budget in the Public Works function, while being significantly under budget in Capital Projects. Budgetary comparison schedules on pages 55 and 56 provide more information.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounts to \$465,308,907 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings (e.g. recreation trails, athletic fields, parking lots), vehicles and equipment, and

City of West Des Moines, Iowa

**Management’s Discussion and Analysis
For Fiscal Year Ended June 30, 2009**

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 3.3 percent, much like the previous year.

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

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

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

The *required supplementary information* that must be presented by governments electing this approach appears on pages 57 through 59 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 57 of this report.

Condition Level for Street Network
(prior 3 years)

<u>Street subsystem:</u>	2005	2006	2007
Goal	78-80	78-80	78-80
Actual	80.21	80.91	80.90
<u>Bridge and culvert:</u>	81 or greater	81 or greater	81 or greater
Goal	81 or greater	81 or greater	81 or greater
Actual	91	91	93.8
<u>Levee subsystem:</u>	Acceptable	Acceptable	Acceptable
Goal	Acceptable	Acceptable	Acceptable
Actual	Acceptable	Acceptable	Acceptable

Condition Level for Street Network
(prior 3 years)

<u>Street subsystem:</u>	2005	2006	2007
Goal	78-80	78-80	78-80

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Actual	80.21	80.91	80.90
<u>Bridge and culvert:</u>			
Goal	81 or greater	81 or greater	81 or greater
Actual	91	91	93.8
<u>Levee subsystem:</u>			
Goal	Acceptable	Acceptable	Acceptable
Actual	Acceptable	Acceptable	Acceptable

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

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

	2003	2004	2005	2006	2007	2008
Estimated costs	\$3,167	\$2,996	\$3,323	\$4,077	\$4,480	\$4,915
Actual costs	\$3,349	\$3,052	\$3,517	\$3,516	\$4,751	\$4,661

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

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 26,086	\$ 24,077	\$ 411	\$ 328	\$ 26,497	\$ 24,405
Buildings	39,765	39,086	-	-	39,765	39,086
Improvements other than buildings	34,434	33,479	-	-	34,434	33,479
Fiber Network	3,511	3,444	-	-	3,511	3,444
Equipment and vehicles	20,282	19,398	7	7	20,289	19,405
Construction-in-progress	18,994	10,101	1,357	72	20,351	10,173
Share of undivided equity interest assets	1,398	1,189	-	-	1,398	1,189
Infrastructure, depreciable	-	-	89,352	85,565	89,352	85,565
Infrastructure, nondepreciable	301,391	298,487	-	-	301,391	298,487
Accumulated depreciation	(45,591)	(40,819)	(26,088)	(24,314)	(71,679)	(65,133)
Total capital assets	\$ 400,270	\$ 388,442	\$ 65,039	\$ 61,658	\$ 465,309	\$ 450,100

City of West Des Moines, Iowa

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2009**

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

- Construction began or continued on the following street projects with construction-in-progress totals as shown:
 - Grand Avenue between Railroad Ave. and Fuller Road \$462,401
 - Grand Avenue between Fuller Road and west of Raccoon River Park \$225,177
 - Grand Avenue and Fuller Road intersection improvements \$2,120,903
 - Grand Avenue and Vine Street intersection improvements \$1,017,261
 - SW Connector relocation of Hwy 5 and Army Post Road \$504,283
 - Lincoln Street between South 13th Street and Fuller Road \$840,924
 - Lincoln Street between South 4th Street and South 11th Street \$1,032,219
 - Mills Civic Parkway between South Jordan Creek Parkway and South 105th Street \$2,699,812
 - Cascade Avenue between South Jordan Creek Parkway and South 81st Street \$3,186,228
 - South 81st Street between Mills Civic Parkway and Cascade Avenue \$149,335
 - 105th Street and Interstate 80 interchange \$541,643
 - 105th Street between Wendover Road and Mills Civic Parkway \$123,849
 - University Avenue bridge widening over Interstates 80 and 35 \$351,775

- Construction began on the following storm water projects with construction-in-progress as shown:
 - Hoak Drive Levee modification, Phase I \$41,732
 - Fuller Road Storm Sewer improvements \$1,181,241

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 31 through 39 and 41 and 42, respectively.

Long-term debt. At the close of the fiscal year ended June 30, 2009, the City had total bonded debt outstanding of \$109,730,000. Of this amount, \$107,185,000 comprises debt backed by the full faith and credit of the government and the remaining \$2,545,000 represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

**Table of Outstanding Debt
General Obligation and Revenue Bonds**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 107,185,000	123,125,000	\$ -	\$ -	107,185,000	123,125,000
Revenue bonds	-	-	2,545,000	2,912,000	2,545,000	2,912,000
Total	\$ 107,185,000	\$ 123,125,000	\$ 2,545,000	\$ 2,912,000	\$ 109,730,000	\$ 126,037,000

The City's total bonded debt decreased by \$16,307,000, or 12.9 percent, during the current fiscal year. No additional bonded debt was issued during the year. The City elected to "call" and retire \$4,035,000 in general obligation bonds on June 1, 2009, significantly increasing the amount of debt retired during fiscal year 2009.

City of West Des Moines, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2009

State constitution limits the amount of general obligation debt an Iowa city may issue to 5 percent of the actual assessed value of all taxable property in the City of West Des Moines. The current debt limitation for the City is \$284,667,391. With outstanding general obligation debt of \$107,185,000 and other debt subject to the limitation of \$626,280, the City had utilized 38 percent of the debit limit as of June 30, 2009.

During this period, the City of West Des Moines' debt rating by Standard & Poor's was reconfirmed at "AAA", the highest rating given by that rating agency. The City also maintained its "Aa1" rating by Moody's Investors Service, that agency's second highest rating.

Additional information on the City's long-term debt can be found in Note 4 on pages 42 through 45 of this report.

Economic Factors and Next Year's Budgets and Rates

As one of the fastest growing cities in the state of Iowa, West Des Moines expects growth both in population and in taxable property valuations to continue over the next several years, albeit at a slower pace. The City's tax base measured by current actual property valuation and 2005 US Census population data is an extremely strong \$110,029 per capita. Available economic indicators for the City compare favorably with state and national averages. The unemployment rate has always remained below state and national averages. West Des Moines is the 9th largest city in the state but ranks 4th in terms of retail sales, 4th in terms of property valuations, and 4th in the collection of Hotel / Motel taxes. The City's top ten principal taxpayers represent just 13.58 percent of the City's assessed property valuation with no large concentration in any one industry sector, indicating West Des Moines has a sufficiently diverse tax base. See additional information and measures regarding the City in the Statistical Section of this report.

Through approximately 2014, a significant portion of the incremental property value gained in the rapidly developing western and southern portions of the City is committed to the repayment of general obligation bonds. This debt was issued to provide municipal services, including construction of infrastructure, in the area. This factor, combined with a down-turn in the overall economy, has resulted in the City spending considerable time projecting revenues and expenditures to ensure adequate funding for services will be available in future budget cycles. The City of West Des Moines has continued to budget conservatively for the fiscal year ending June 30, 2010 and goes into the new fiscal year with an unreserved general fund balance of \$15,733,356, or a very strong 36 percent of general fund expenditures in reserve. The City has budgeted for break even results, without the use of cash reserves, and without a property tax rate increase for the fiscal year ending June 30, 2010. The City's property tax rate remains at \$12.05 / \$1,000 of taxable valuation.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

City of West Des Moines, Iowa
STATEMENT OF NET ASSETS
June 30, 2009

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Current assets			
Cash and investments	\$ 50,082,324	\$25,857,392	\$ 75,939,716
Receivables			
Property taxes	57,047,491	–	57,047,491
Accounts and unbilled usage	657,162	2,592,091	3,249,253
Interest	71,450	1,178,455	1,249,905
Special assessments	1,273,860	25,196	1,299,056
Internal balances	(528,031)	528,031	–
Due from other governments	4,148,695	2,945,187	7,093,882
Inventories	55,552	–	55,552
Total current assets	<u>112,808,503</u>	<u>33,126,352</u>	<u>145,934,855</u>
Noncurrent assets			
Restricted cash and investments	–	457,350	457,350
Bond issuance costs	596,424	–	596,424
Bond discounts	205,624	–	205,624
	<u>802,048</u>	<u>457,350</u>	<u>1,259,398</u>
Capital assets			
Nondepreciable			
Land	26,085,746	411,278	26,497,024
Infrastructure	301,391,416	–	301,391,416
Construction-in-progress	18,994,030	1,356,630	20,350,660
Depreciable			
Buildings	39,765,413	–	39,765,413
Equipment and vehicles	20,281,440	6,977	20,288,417
Fiber network	3,510,855	–	3,510,855
Improvements other than buildings	34,433,936	–	34,433,936
Share of undivided equity interest assets	1,398,330	–	1,398,330
Infrastructure	–	89,351,690	89,351,690
Accumulated depreciation	(45,590,905)	(26,087,929)	(71,678,834)
Net capital assets	<u>400,270,261</u>	<u>65,038,646</u>	<u>465,308,907</u>
Total noncurrent assets	<u>401,072,309</u>	<u>65,495,996</u>	<u>466,568,305</u>
Total assets	<u>513,880,812</u>	<u>98,622,348</u>	<u>612,503,160</u>

LIABILITIES	Primary Government		
	Governmental Activities	Business-type Activities	Total
Current liabilities			
Accounts payable	\$ 2,677,393	\$ 157,208	\$ 2,834,601
Claims payable	534,837	—	534,837
Accrued wages payable	1,179,121	29,447	1,208,568
Interest payable	323,998	6,363	330,361
Unearned revenue	58,528,099	—	58,528,099
Compensated absences	669,132	64,819	733,951
General obligation bonds	9,470,000	—	9,470,000
Capital lease payable	101,814	—	101,814
Revenue notes payable	—	381,000	381,000
Total current liabilities	<u>73,484,394</u>	<u>638,837</u>	<u>74,123,231</u>
Noncurrent liabilities			
Compensated absences	3,554,902	37,215	3,592,117
General obligation bonds	97,715,000	—	97,715,000
Capital lease payable	285,637	—	285,637
Installment contracts	238,829	—	238,829
Revenue notes payable	—	2,164,000	2,164,000
Bond premiums	384,529	—	384,529
Net OPEB liability	178,239	6,541	184,780
Total noncurrent liabilities	<u>102,357,136</u>	<u>2,207,756</u>	<u>104,564,892</u>
Total liabilities	<u>175,841,530</u>	<u>2,846,593</u>	<u>178,688,123</u>
Net Assets			
Invested in capital assets, net of related debt	292,458,981	62,493,646	354,952,627
Restricted for			
Debt service	3,994,661	457,350	4,452,011
Purpose restricted by legislation	23,169,242	—	23,169,242
Unrestricted	<u>18,416,398</u>	<u>32,824,759</u>	<u>51,241,157</u>
Total net assets	<u>\$338,039,282</u>	<u>\$95,775,755</u>	<u>\$433,815,037</u>

City of West Des Moines, Iowa
STATEMENT OF ACTIVITIES
Year ended June 30, 2009

<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	\$21,770,283	\$ 5,011,751	\$ 2,901,377	\$ 352,662
Public works	13,375,100	906,216	4,330,498	4,855,425
Health and social services	1,092,443	-	268,305	-
Culture and recreation	9,308,507	1,415,877	121,134	15,167
Community and economic development	6,486,571	905,019	1,135,664	114,558
General government	4,966,906	329,147	492,351	52,568
Interest on long-term debt	<u>5,253,741</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>62,253,551</u>	<u>8,568,010</u>	<u>9,249,329</u>	<u>5,390,380</u>
Business-type activities				
Sewer system	5,960,011	6,963,248	284,071	1,489,316
Solid waste system	1,571,481	1,662,222	-	-
Storm water system	<u>921,824</u>	<u>1,793,470</u>	<u>-</u>	<u>4,150,933</u>
Total business-type activities	<u>8,453,316</u>	<u>10,418,940</u>	<u>284,071</u>	<u>5,640,249</u>
 Total primary government	 <u>\$70,706,867</u>	 <u>\$18,986,950</u>	 <u>\$ 9,533,400</u>	 <u>\$11,030,629</u>
		General revenues		
		Taxes		
		Property taxes		
		Franchise tax		
		Other City taxes		
		Hotel/Motel tax		
		Grants not restricted to specific programs		
		Investment earnings		
		Miscellaneous		
		Transfers		
		Total general revenues, special item and transfers		
		Changes in net assets		
		Net assets, beginning of year		
		Net assets, end of year		

See Notes to Basic Financial Statements.

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

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
\$ (13,504,493)	\$ —	\$ (13,504,493)
(3,282,961)	—	(3,282,961)
(824,138)	—	(824,138)
(7,756,329)	—	(7,756,329)
(4,331,330)	—	(4,331,330)
(4,092,840)	—	(4,092,840)
<u>(5,253,741)</u>	<u>—</u>	<u>(5,253,741)</u>
<u>(39,045,832)</u>	<u>—</u>	<u>(39,045,832)</u>
—	2,776,624	2,776,624
—	90,741	90,741
—	<u>5,022,579</u>	<u>5,022,579</u>
—	<u>7,889,944</u>	<u>7,889,944</u>
<u>(39,045,832)</u>	<u>7,889,944</u>	<u>(31,155,888)</u>
55,455,071	—	55,455,071
303,761	—	303,761
209,748	—	209,748
2,537,115	—	2,537,115
1,280,674	—	1,280,674
1,258,910	942,991	2,201,901
1,574	—	1,574
<u>466,952</u>	<u>(466,952)</u>	<u>—</u>
<u>61,513,805</u>	<u>476,039</u>	<u>61,989,844</u>
22,467,973	8,365,983	30,833,956
<u>315,571,309</u>	<u>87,409,772</u>	<u>402,981,081</u>
<u>\$338,039,282</u>	<u>\$95,775,755</u>	<u>\$433,815,037</u>

City of West Des Moines, Iowa
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2009

	<u>General</u>	<u>Tax Increment Financing</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and investments	\$15,635,947	\$ 1,982,177	\$ 3,932,173	\$ 6,405,222	\$10,993,239	\$ 38,948,758
Receivables						
Property taxes	30,170,852	13,017,515	8,021,354	–	5,837,770	57,047,491
Accounts	401,344	–	–	118,892	122,030	642,266
Special assessments	1,066	–	–	1,171,333	101,461	1,273,860
Due from other funds	169,560	–	–	–	–	169,560
Due from other governments	<u>2,006,408</u>	<u>–</u>	<u>–</u>	<u>1,393,281</u>	<u>749,006</u>	<u>4,148,695</u>
Total assets	<u>\$48,385,177</u>	<u>\$14,999,692</u>	<u>\$11,953,527</u>	<u>\$ 9,088,728</u>	<u>\$17,803,506</u>	<u>\$102,230,630</u>
LIABILITIES AND FUND EQUITY						
Liabilities						
Accounts payable	\$ 885,961	\$ –	\$ 3,478	\$ 1,567,375	\$ 131,229	\$ 2,588,043
Accrued wages payable	1,175,283	–	–	–	3,838	1,179,121
Due to other funds	–	–	–	528,031	169,560	697,591
Deferred revenue	<u>30,590,577</u>	<u>12,929,711</u>	<u>7,955,388</u>	<u>1,163,092</u>	<u>5,889,331</u>	<u>58,528,099</u>
Total liabilities	<u>32,651,821</u>	<u>12,929,711</u>	<u>7,958,866</u>	<u>3,258,498</u>	<u>6,193,958</u>	<u>62,992,854</u>
Fund Equity						
Fund balances						
Reserved from debt service	–	–	3,994,661	–	–	3,994,661
Reserved for encumbrances	–	–	–	10,263,366	–	10,263,366
Unreserved, undesignated, reported in						
General Fund	15,733,356	–	–	–	–	15,733,356
Special revenue funds	–	2,069,981	–	–	11,609,548	13,679,529
Capital Projects Fund	–	–	–	(4,433,136)	–	(4,433,136)
Total fund equity	<u>15,733,356</u>	<u>2,069,981</u>	<u>3,994,661</u>	<u>5,830,230</u>	<u>11,609,548</u>	<u>39,237,776</u>
Total liabilities and fund equity	<u>\$48,385,177</u>	<u>\$14,999,692</u>	<u>\$11,953,527</u>	<u>\$ 9,088,728</u>	<u>\$17,803,506</u>	<u>\$102,230,630</u>

City of West Des Moines, Iowa
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2009

Total governmental funds balances \$ 39,237,776

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds

Land	\$ 26,085,746	
Construction-in-progress	18,994,030	
Buildings	39,765,413	
Equipment and vehicles	8,644,684	
Fiber network	3,510,855	
Improvements other than buildings	34,433,936	
Share of undivided equity interest assets	1,398,330	
Infrastructure	301,391,416	
Accumulated depreciation	<u>(39,614,582)</u>	394,609,828

Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets

Capital assets	11,636,756	
Accumulated depreciation	(5,976,323)	
Other current assets	11,464,199	
Other current liabilities	<u>(624,187)</u>	16,500,445

Internal service funds allocated to business-type activities (188,735)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds

Compensated absences	(4,224,034)	
Other postemployment benefits payable	(178,239)	
Accrued interest payable	(323,998)	
General obligation bonds payable	(107,185,000)	
Capital lease obligations	(387,451)	
Installment contracts	(238,829)	
Bond issuance costs	596,424	
Bond discounts	205,624	
Bond premiums	<u>(384,529)</u>	<u>(112,120,032)</u>

Net assets of governmental activities \$338,039,282

City of West Des Moines, Iowa
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES—GOVERNMENTAL FUNDS
Year ended June 30, 2009

	<u>General</u>	<u>Tax Increment Financing</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Property taxes	\$27,718,091	\$14,193,555	\$ 7,525,831	\$ —	\$ 5,456,787	\$54,894,264
Other City taxes	3,231,613	—	93,105	—	76,966	3,401,684
Special assessments	—	—	—	811,801	—	811,801
Licenses and permits	1,457,440	—	—	—	—	1,457,440
Intergovernmental	4,665,406	—	—	5,162,919	5,577,348	15,405,673
Charges for services	3,846,730	—	—	—	—	3,846,730
Use of money and property	867,138	23,904	164,170	—	11,539	1,066,751
Miscellaneous	1,182,017	—	—	209,944	1,591,018	2,982,979
Total revenues	<u>42,968,435</u>	<u>14,217,459</u>	<u>7,783,106</u>	<u>6,184,664</u>	<u>12,713,658</u>	<u>83,867,322</u>
EXPENDITURES						
Current operating						
Public safety	19,080,510	—	—	38,672	1,572,879	20,692,061
Public works	7,343,340	—	—	1,261,400	607,292	9,212,032
Health and social services	860,175	—	—	13,365	194,762	1,068,302
Culture and recreation	6,561,539	—	—	108,339	58,471	6,728,349
Community and economic development	4,075,506	—	—	—	2,359,347	6,434,853
General government	4,689,574	—	—	—	—	4,689,574
Debt service						
Principal	28,757	5,890,000	15,940,000	—	112,931	21,971,688
Interest and other charges	2,223	246,348	4,955,401	7,745	—	5,211,717
Capital outlay	697,824	—	—	19,765,612	319,569	20,783,005
Total expenditures	<u>43,339,448</u>	<u>6,136,348</u>	<u>20,895,401</u>	<u>21,195,133</u>	<u>5,225,251</u>	<u>96,791,581</u>
Excess (deficiency) of revenues over expenditures	(371,013)	8,081,111	(13,112,295)	(15,010,469)	7,488,407	(12,924,259)
OTHER FINANCING SOURCES (USES)						
Capital lease proceeds	336,466	—	—	—	—	336,466
Transfers in	10,526,225	1,520,000	12,616,864	16,755,487	1,080,534	42,499,110
Transfers out	(7,075,256)	(17,858,518)	(1,764,955)	(10,683,142)	(4,887,868)	(42,269,739)
Proceeds from sale of capital assets	13,797	—	—	—	12,821	26,618
Total other financing sources (uses)	<u>3,801,232</u>	<u>(16,338,518)</u>	<u>10,851,909</u>	<u>6,072,345</u>	<u>(3,794,513)</u>	<u>592,455</u>
NET CHANGE IN FUND BALANCES	3,430,219	(8,257,407)	(2,260,386)	(8,938,124)	3,693,894	(12,331,804)
FUND BALANCES, beginning of year	<u>12,303,137</u>	<u>10,327,388</u>	<u>6,255,047</u>	<u>14,768,354</u>	<u>7,915,654</u>	<u>51,569,580</u>
FUND BALANCES, end of year	<u>\$15,733,356</u>	<u>\$ 2,069,981</u>	<u>\$ 3,994,661</u>	<u>\$ 5,830,230</u>	<u>\$11,609,548</u>	<u>\$39,237,776</u>

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, 2009

Net change in fund balances—governmental funds \$(12,331,804)

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	17,324,529
Depreciation	(5,416,228)

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

Capital contributions	3,458,476
Proceeds from sale of capital assets	(26,618)
Loss on the sale of capital assets	(3,702,812)

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 compensated absences and other postemployment benefits payable: (615,785)

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

Repayment of long-term debt	21,968,968
Write down of installment contract	10,974
Interest	(58,023)
Issuance of long-term debt	(336,466)
Amortization of bond issuance costs, discounts and premiums, including new issue amounts	(21,979)

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. 2,214,741

Change in net assets of governmental activities \$22,467,973

City of West Des Moines, Iowa
STATEMENT OF NET ASSETS—PROPRIETARY FUNDS
June 30, 2009

	<u>Sewer System</u>	<u>Storm Water System</u>	<u>Nonmajor Enterprise Fund Solid Waste</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities</u> <u>Internal Service Funds</u>
ASSETS					
Current assets					
Cash and investments	\$23,733,889	\$ 1,724,048	\$ 210,720	\$25,668,657	\$11,322,301
Receivables					
Accounts and unbilled usage	1,730,934	452,303	408,854	2,592,091	14,896
Special assessments	25,196	—	—	25,196	—
Interest	1,176,575	1,880	—	1,178,455	71,450
Due from other funds	528,031	—	—	528,031	—
Due from other governments	2,945,187	—	—	2,945,187	—
Inventories	—	—	—	—	55,552
Total current assets	<u>30,139,812</u>	<u>2,178,231</u>	<u>619,574</u>	<u>32,937,617</u>	<u>11,464,199</u>
Noncurrent assets					
Restricted cash and investments	<u>457,350</u>	—	—	<u>457,350</u>	—
Capital assets					
Nondepreciable					
Land	411,278	—	—	411,278	—
Construction-in-progress	31,249	1,325,381	—	1,356,630	—
Depreciable					
Equipment and vehicles	6,977	—	—	6,977	11,636,756
Infrastructure	74,361,922	14,989,768	—	89,351,690	—
Accumulated depreciation	<u>(25,408,582)</u>	<u>(679,347)</u>	—	<u>(26,087,929)</u>	<u>(5,976,323)</u>
Net capital assets	<u>49,402,844</u>	<u>15,635,802</u>	—	<u>65,038,646</u>	<u>5,660,433</u>
Total noncurrent assets	<u>49,860,194</u>	<u>15,635,802</u>	—	<u>65,495,996</u>	<u>5,660,433</u>
Total assets	<u>\$80,000,006</u>	<u>\$17,814,033</u>	<u>\$ 619,574</u>	<u>\$98,433,613</u>	<u>\$17,124,632</u>

See Notes to Basic Financial Statements.

	<u>Sewer System</u>	<u>Storm Water System</u>	<u>Nonmajor Enterprise Fund Solid Waste</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities</u> <u>Internal Service Funds</u>
LIABILITIES AND NET ASSETS					
Liabilities					
Current					
Accounts payable	\$ 17,810	\$ 11,436	\$ 127,962	\$ 157,208	\$ 89,350
Claims payable	-	-	-	-	534,837
Compensated absences	34,855	29,964	-	64,819	-
Accrued wages payable	13,347	16,100	-	29,447	-
Interest payable	6,363	-	-	6,363	-
Revenue notes payable	<u>381,000</u>	<u>-</u>	<u>-</u>	<u>381,000</u>	<u>-</u>
Total current liabilities	<u>453,375</u>	<u>57,500</u>	<u>127,962</u>	<u>638,837</u>	<u>624,187</u>
Noncurrent					
Compensated absences	-	37,215	-	37,215	-
Revenue notes, net of current maturities	2,164,000	-	-	2,164,000	-
Net OPEB liability	<u>3,548</u>	<u>2,993</u>	<u>-</u>	<u>6,541</u>	<u>-</u>
Total noncurrent liabilities	<u>2,167,548</u>	<u>40,208</u>	<u>-</u>	<u>2,207,756</u>	<u>-</u>
Total liabilities	2,620,923	97,708	127,962	2,846,593	624,187
Net assets					
Invested in capital assets, net of related debt	46,857,844	15,635,802	-	62,493,646	5,660,433
Restricted for debt service	457,350	-	-	457,350	-
Unrestricted	<u>30,063,889</u>	<u>2,080,523</u>	<u>491,612</u>	<u>32,636,024</u>	<u>10,840,012</u>
Total net assets	<u>77,379,083</u>	<u>17,716,325</u>	<u>491,612</u>	<u>95,587,020</u>	<u>16,500,445</u>
Total liabilities and net assets	<u>\$80,000,006</u>	<u>\$17,814,033</u>	<u>\$ 619,574</u>	<u>\$98,433,613</u>	<u>\$17,124,632</u>
Total enterprise funds net assets				\$95,587,020	
Amounts reported for business-type activities in the statement of net assets are different because:					
Internal service funds are used by management to charge the cost of certain services to individual funds. The assets and liabilities of the internal service funds are included in business-type activities in the statement of net assets.				<u>188,735</u>	
Net assets of business-type activities				<u>\$95,775,755</u>	

City of West Des Moines, Iowa
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS—PROPRIETARY FUNDS
Year ended June 30, 2009

	Business-Type Activities Enterprise Funds			Governmental Activities	
	Sewer System	Storm Water System	Nonmajor Enterprise Fund Solid Waste	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES					
Charges for services	\$ 7,448,838	\$ 1,793,470	\$ 1,662,222	\$10,904,530	\$ 6,096,977
Lease revenue	—	—	—	—	1,355,051
Total operating revenue	<u>7,448,838</u>	<u>1,793,470</u>	<u>1,662,222</u>	<u>10,904,530</u>	<u>7,452,028</u>
Operating expenses					
Cost of sales and services	2,682,583	696,167	1,571,481	4,950,231	5,643,262
Administration	45,487	—	—	45,487	—
Depreciation	1,474,439	299,795	—	1,774,234	1,104,083
Amortization	1,456	—	—	1,456	—
Total operating expenses	<u>4,203,965</u>	<u>995,962</u>	<u>1,571,481</u>	<u>6,771,408</u>	<u>6,747,345</u>
Operating income	<u>3,244,873</u>	<u>797,508</u>	<u>90,741</u>	<u>4,133,122</u>	<u>704,683</u>
Nonoperating revenues (expenses)					
Investment earnings	929,163	13,828	—	942,991	203,697
Interest expense and fiscal charges	(86,443)	—	—	(86,443)	—
Payments to WRA	(1,715,373)	—	—	(1,715,373)	—
Loss on disposal of capital assets	—	—	—	—	87,340
Miscellaneous	284,071	—	—	284,071	1,101,348
Total nonoperating revenues (expenses)	<u>(588,582)</u>	<u>13,828</u>	<u>—</u>	<u>(574,754)</u>	<u>1,392,385</u>
Income before capital contributions and transfers	2,656,291	811,336	90,741	3,558,368	2,097,068
Capital contributions	1,003,726	4,150,933	—	5,154,659	—
Transfers in	5,016,655	—	—	5,016,655	413,451
Transfers out	(5,380,806)	(102,801)	—	(5,483,607)	(175,870)
Change in net assets	<u>3,295,866</u>	<u>4,859,468</u>	<u>90,741</u>	<u>8,246,075</u>	<u>2,334,649</u>
Total net assets, beginning of year	<u>74,083,217</u>	<u>12,856,857</u>	<u>400,871</u>	<u>87,340,945</u>	<u>14,165,796</u>
Total net assets, end of year	<u>\$77,379,083</u>	<u>\$17,716,325</u>	<u>\$ 491,612</u>	<u>\$95,587,020</u>	<u>\$16,500,445</u>

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
RECONCILIATION OF THE CHANGE IN NET ASSETS –
PROPRIETARY FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2009

Change in net assets	\$8,246,075
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 expense of certain activities of internal service funds is reported with business-type activities.	<u>119,908</u>
Change in net assets of business-type activities	<u>\$8,365,983</u>

City of West Des Moines, Iowa
STATEMENT OF CASH FLOWS—PROPRIETARY FUNDS
Year ended June 30, 2009

	Business-Type Activities Enterprise Funds			Total Enterprise Funds	Governmental Activities
	Sewer System	Storm Water System	Nonmajor Enterprise Fund Solid Waste		Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 9,037,209	\$ 1,727,496	\$ 1,655,425	\$12,420,130	\$ 7,540,903
Payments to suppliers	(2,310,981)	(255,554)	(1,582,788)	(4,149,323)	(1,734,679)
Payments to claimants	—	—	—	—	(4,131,838)
Payments to employees	(414,347)	(403,835)	—	(818,182)	—
Net cash provided by operating activities	<u>6,311,881</u>	<u>1,068,107</u>	<u>72,637</u>	<u>7,452,625</u>	<u>1,674,386</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Proceeds from WRA	284,701	—	—	284,701	—
Transfers in	5,016,655	—	—	5,016,655	413,451
Transfers out	(5,380,806)	(102,801)	—	(5,483,607)	(175,870)
Net cash provided by (used in) noncapital financing activities	<u>(79,450)</u>	<u>(102,801)</u>	<u>—</u>	<u>(182,251)</u>	<u>237,581</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	—	—	—	—	(309,342)
Payment on debt	(367,000)	—	—	(367,000)	—
Payments to WRA	(1,715,373)	—	—	(1,715,373)	—
Interest paid on debt	(87,360)	—	—	(87,360)	—
Proceeds from disposal of capital assets	—	—	—	—	87,340
Net cash (used in) capital and related financing activities	<u>(2,169,733)</u>	<u>—</u>	<u>—</u>	<u>(2,169,733)</u>	<u>(222,002)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	747,310	11,946	—	759,256	231,001
Purchase of investment securities	(9,000,000)	(1,000,000)	—	(10,000,000)	(8,500,000)
Proceeds from maturity of investment securities	6,000,000	—	—	6,000,000	8,500,000
Net cash provided by (used in) investing activities	<u>(2,252,690)</u>	<u>(988,054)</u>	<u>—</u>	<u>(3,240,744)</u>	<u>231,001</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,810,008	(22,748)	72,637	1,859,897	1,920,966
CASH AND CASH EQUIVALENTS, beginning of year	<u>4,381,231</u>	<u>746,796</u>	<u>138,083</u>	<u>5,266,110</u>	<u>4,901,838</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 6,191,239</u>	<u>\$ 724,048</u>	<u>\$ 210,720</u>	<u>\$ 7,126,007</u>	<u>\$ 6,822,804</u>

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
STATEMENT OF CASH FLOWS—PROPRIETARY FUNDS (continued)
Year ended June 30, 2009

	Business-Type Activities Enterprise Funds			Total Enterprise Funds	Governmental Activities
	Sewer System	Storm Water System	Nonmajor Enterprise Fund Solid Waste		Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income	\$ 3,244,873	\$ 797,508	\$ 90,741	\$ 4,133,122	\$ 704,683
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation and amortization	1,475,895	299,795	—	1,775,690	1,104,083
Change in assets and liabilities					
Receivables	1,588,371	(65,974)	(6,797)	1,515,600	88,875
Inventories	—	—	—	—	(43,088)
Accounts payable	6,062	9,316	(11,307)	4,071	352,997
Claims payable	—	—	—	—	448,650
Compensated absences and accrued wages payable	(5,951)	24,469	—	18,518	—
Interest payable	(917)	—	—	(917)	—
OPEB liability	3,548	2,993	—	6,541	—
Net cash provided by operating activities	<u>\$ 6,311,881</u>	<u>\$ 1,068,107</u>	<u>\$ 72,637</u>	<u>\$ 7,452,625</u>	<u>\$ 1,758,900</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO SPECIFIC ASSETS ON THE STATEMENT OF NET ASSETS					
Cash and investments	\$24,191,239	\$ 1,724,048	\$ 210,720	\$26,126,007	\$11,322,804
Less items not meeting the definition of cash equivalents	(18,000,000)	(1,000,000)	—	(19,000,000)	(4,500,000)
Cash and cash equivalents at end of year	<u>\$ 6,191,239</u>	<u>\$ 724,048</u>	<u>\$ 210,720</u>	<u>\$ 7,126,007</u>	<u>\$ 6,822,804</u>
SCHEDULE OF NONCASH ITEMS					
Capital and related financing activities					
Donated construction by developers	<u>\$ 1,007,243</u>	<u>\$ 4,150,933</u>	<u>\$ —</u>	<u>\$ 5,158,176</u>	<u>\$ —</u>

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2009

ASSETS

Cash and investments	\$ 284,424
Accounts receivable	100
Restricted assets, contractors' bonds	<u>4,759</u>
 Total assets	 <u>\$ 289,283</u>

LIABILITIES

Deposits and remittances due	\$ <u>289,283</u>
 Total liabilities	 <u>\$ 289,283</u>

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

NOTE 1 REPORTING ENTITY, BASIS OF PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING AND 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 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.

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements include all funds, organizations, agencies, boards, commissions and authorities for which the City is financially accountable. The City has also considered all other potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a 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. In addition, the GASB issued Statement No. 39, in May 2002, which sets forth additional criteria to determine whether certain organizations for which the City is not financially accountable should be reported as component units based on the nature and significance of their relationship with the City. These criteria include 1) the economic resources being received or held by the separate organization being entirely or almost entirely for the direct benefit of the City, its component units, or its constituents, 2) the City being entitled to, or having the ability to otherwise access, a majority of the economic resources received or held by the organization and 3) the economic resources received or held by an individual organization that the City is entitled to, or has the ability to otherwise access, are significant to the City. Based on these criteria, there are no component units, organizations or agencies which should be included in these basic financial statements.

Basis of Presentation

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

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

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

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

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

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

NOTE 1 REPORTING ENTITY, BASIS OF PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. There are no indirect expenses. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

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

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

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

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

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

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

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

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

NOTE 1 REPORTING ENTITY, BASIS OF PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Fund Accounting (continued):

Governmental Fund Types (continued):

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

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

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

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

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

Economic Development Fund: To account for the proceeds 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 nonCity 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.

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

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

NOTE 1 REPORTING ENTITY, BASIS OF PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Fund Accounting (continued):

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 1 REPORTING ENTITY, BASIS OF PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Fund Accounting (continued):

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

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

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

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

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Licenses and permits, fines and forfeitures, charges for sales and services (other than utility), and miscellaneous revenues are generally recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are measurable and available.

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

NOTE 1 REPORTING ENTITY, BASIS OF PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

Property taxes are recognized at the time an enforceable legal claim is established. This is deemed to occur when the budget is certified. The current tax levy was certified in March 2009, the date at which a lien attaches, based on the 2008 assessed valuations. These taxes are due in two installments, on September 30 and the following March 31, with a 1½ percent per month penalty for delinquent payment. Since the 2009 tax levy is budgeted and levied for the fiscal year 2010, the revenue from this tax levy has been deferred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Summary of Significant Accounting Policies:

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

Cash and Investments: 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. Securities traded on the national or international exchange are valued at the last reported sales price at current exchange rates.

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

Statement of Cash Flows: for purposes of the statement of cash flows for proprietary fund type funds, the City considers the 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 increment financing in governmental funds, are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Delinquent property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2009 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

NOTE 1 REPORTING ENTITY, BASIS OF PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of Significant Accounting Policies:

Property Taxes Receivable, Including Tax Increment Financing: (continued)

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2008.

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.

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.

Bond Discount, Premium and Issuance Costs: in the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

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

The City has chosen the modified approach, as defined by GASB Statement No. 34, for reporting the governmental activities infrastructure assets of the City.

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.

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

NOTE 1 REPORTING ENTITY, BASIS OF PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of Significant Accounting Policies (continued):

Capital Assets: (continued)

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:

Buildings	30 years
Improvements other than buildings	15 years
Equipment and vehicles	5 - 18 years
Fiber network	20 years
Sanitary and storm water sewer systems	50 years
Share of undivided equity interest assets	5 - 15 years

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

Deferred and Unearned Revenues: In the governmental funds, deferred revenues represent amounts due, which are measurable, but not available, or grants and similar items received, but for which the City has not met all eligibility requirements imposed by the provider. In the statement of net assets, unearned revenues represent the deferral of property tax receivables which are levied for a future period and unearned grants.

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 payable 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, for example, as a result of 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 is reported on the government wide financial statements.

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

NOTE 1 REPORTING ENTITY, BASIS OF PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of Significant Accounting Policies (continued):

Fund Equity: Reservations of fund balance represent amounts that are appropriated or are legally segregated for a specific purpose. Restrictions of net assets are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets: represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. As of June 30, 2009, the City had no unspent debt proceeds in the Capital Projects Fund. Net assets are reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted through enabling legislation consists of \$9,897,132 for road construction projects, \$163,320 for parks, \$551,081 for retirement benefits, \$10,263,366 for capital projects, \$224,362 for library projects, \$2,069,981 for tax increment projects and \$3,994,661 for debt service.

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

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

Budgetary and Budgetary Control: As allowed by GASB Statement No. 41, *Budgetary Comparison Schedules - Perspective Differences*, the City presents budgetary comparison schedules as required supplementary information based on the program structure of nine functional areas as required by state statute for its legally adopted budget. During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the public works function.

NOTE 2 CASH AND INVESTMENTS

As of June 30, 2009, the City's cash and investments were as follows:

Cash investments, statement of net assets	\$76,397,066
Cash and cash equivalents, fiduciary funds	<u>284,424</u>
	<u>\$76,681,490</u>
Deposits including certificates of deposit	\$23,476,818
Investments	<u>53,204,672</u>
	<u>\$76,681,490</u>

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

NOTE 2 CASH AND INVESTMENTS (continued)

Authorized Investments: The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; 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 market 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.

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

<u>Investment Type</u>	<u>Fair Value</u>
Iowa Public Agency Investment Trust	<u>\$53,204,672</u>

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

The City has no investments meeting the disclosure requirement of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

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

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. It is the City's policy to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default. Chapter 12C of the Code of Iowa requires all City funds be deposited into an approved depository and be either insured or collateralized. As of June 30, 2009, the City's deposits with financial institutions were entirely covered by federal depository insurance or insured by the state through pooled collateral, state sinking funds and by the state's ability to assess for lost funds. The City's investments were covered by investments purchased and held by an independent third party.

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

NOTE 3 CAPITAL ASSETS

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

The following is a summary of changes in capital assets for the year ended June 30, 2009:

	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance end of year</u>
Governmental activities					
Capital assets, not being depreciated					
Land	\$ 24,077,362	\$ 2,008,384	\$ —	\$ —	\$ 26,085,746
Infrastructure	298,487,497	2,910,346	3,667,788	3,661,361	301,391,416
Construction-in-progress	<u>10,101,240</u>	<u>12,554,151</u>	<u>—</u>	<u>(3,661,361)</u>	<u>18,994,030</u>
Total capital assets, not being depreciated	<u>332,666,099</u>	<u>17,472,881</u>	<u>3,667,788</u>	<u>—</u>	<u>346,471,192</u>
Capital assets, being depreciated					
Buildings	39,085,528	679,885	—	—	39,765,413
Equipment and vehicles	19,397,660	1,377,704	559,056	65,132	20,281,440
Fiber network	3,443,787	67,068	—	—	3,510,855
Improvements other than buildings	33,479,521	954,415	—	—	34,433,936
Share of undivided equity interest assets	<u>1,188,559</u>	<u>399,648</u>	<u>124,745</u>	<u>(65,132)</u>	<u>1,398,330</u>
Total capital assets, being depreciated	<u>96,595,055</u>	<u>3,478,720</u>	<u>683,801</u>	<u>—</u>	<u>99,389,974</u>
Less accumulated depreciation for					
Buildings	14,797,201	1,303,596	—	—	16,100,797
Equipment and vehicles	9,719,863	1,561,637	534,544	65,132	10,812,088
Fiber network	172,189	175,543	—	—	347,732
Improvements other than buildings	15,282,028	2,250,812	—	—	17,532,840
Share of undivided equity interest assets	<u>847,521</u>	<u>124,640</u>	<u>109,581</u>	<u>(65,132)</u>	<u>797,448</u>
Total accumulated depreciation	<u>40,818,802</u>	<u>5,416,228</u>	<u>644,125</u>	<u>—</u>	<u>45,590,905</u>
Total capital assets, being depreciated, net	<u>55,776,253</u>	<u>(1,937,508)</u>	<u>39,676</u>	<u>—</u>	<u>53,799,069</u>
Governmental activities, capital assets, net	<u>\$388,442,352</u>	<u>\$15,535,373</u>	<u>\$3,707,464</u>	<u>\$—</u>	<u>\$400,270,261</u>

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

NOTE 3 CAPITAL ASSETS (continued)

	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance end of year</u>
Business-Type Activities				
Capital assets, not being depreciated				
Land	\$ 327,809	\$ 83,469	\$ -	\$ 411,278
Construction-in-progress	72,358	1,284,272	-	1,356,630
Total capital assets, not being depreciated	<u>400,167</u>	<u>1,367,741</u>	<u>-</u>	<u>1,767,908</u>
Capital assets, being depreciated				
Equipment	6,977	-	-	6,977
Sanitary and storm sewer system	85,564,770	3,790,436	3,516	89,351,690
Total capital assets, being depreciated	<u>85,571,747</u>	<u>3,790,436</u>	<u>3,516</u>	<u>89,358,667</u>
Less accumulated depreciation for				
Equipment	5,581	1,396	-	6,977
Sanitary and storm sewer system	24,308,114	1,772,838	-	26,080,952
Total accumulated depreciation	<u>24,313,695</u>	<u>1,774,234</u>	<u>-</u>	<u>26,087,929</u>
Total capital assets, being depreciated, net	<u>61,258,052</u>	<u>2,016,202</u>	<u>3,516</u>	<u>63,270,738</u>
Business-type activities, capital assets, net	<u>\$61,658,219</u>	<u>\$3,383,943</u>	<u>\$ 3,516</u>	<u>\$65,038,646</u>

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

Governmental Activities		
Public safety		\$1,322,641
Health and social services		33,286
Culture and recreation		2,586,579
Public works		863,438
General government		430,696
Community and economic development		54,948
Westcom		<u>124,640</u>
		<u>\$5,416,228</u>

NOTE 4 BONDED AND OTHER DEBT

The following is a summary of changes in bonded and other long-term debt for the year ended June 30, 2009:

	<u>Balance July 1, 2008</u>	<u>Increases and Issues</u>	<u>Decreases and Retirements</u>	<u>Balance June 30, 2009</u>	<u>Due within one year</u>
Governmental activities					
General obligation bonds	\$123,125,000	\$ -	\$15,940,000	\$107,185,000	\$ 9,470,000
Tax increment financing (TIF) bonds	5,890,000	-	5,890,000	-	-
Capital lease obligations	183,019	336,466	132,034	387,451	101,814
Loan payable	6,934	-	6,934	-	-
Installment contracts	249,803	-	10,974	238,829	-
Compensated absences	3,786,488	437,546	-	4,224,034	669,132
Net OPEB liability	-	178,239	-	178,239	-
	<u>133,241,244</u>	<u>952,251</u>	<u>21,979,942</u>	<u>112,213,553</u>	<u>10,240,946</u>
Business-type activities					
Revenue notes	2,912,000	-	367,000	2,545,000	381,000
Compensated absences	86,598	15,436	-	102,034	64,819
Net OPEB liability	-	6,541	-	6,541	-
	<u>2,998,598</u>	<u>21,977</u>	<u>367,000</u>	<u>2,653,575</u>	<u>445,819</u>
Total long-term debt	<u>\$136,239,842</u>	<u>\$ 974,228</u>	<u>\$22,346,942</u>	<u>\$114,867,128</u>	<u>\$10,686,765</u>

**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 Bond Issues: General obligation bonds outstanding as of June 30, 2009 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, 2009</u>
11/15/2001	4.000 - 5.000	June 2020	\$ 410,000 - \$1,170,000	\$ 13,000,000	\$ 8,650,000
11/15/2001	4.000 - 4.400	June 2014	225,000 - 265,000	3,575,000	1,210,000
06/30/2002	3.800 - 5.000	June 2020	525,000 - 830,000	9,750,000	7,280,000
05/01/2003	4.000 - 4.400	June 2019	2,640,000 - 3,765,000	40,000,000	31,515,000
05/01/2003	3.250 - 3.750	June 2014	355,000 - 410,000	6,000,000	1,900,000
09/01/2003	3.750 - 4.700	June 2019	600,000 - 2,200,000	12,000,000	12,000,000
12/15/2003	3.000 - 4.350	June 2023	800,000 - 1,600,000	19,250,000	15,700,000
06/15/2004	3.750 - 5.000	June 2021	170,000 - 1,250,000	6,000,000	5,535,000
04/01/2005	3.550 - 3.700	June 2015	210,000 - 560,000	3,055,000	1,740,000
06/01/2006	4.000 - 4.250	June 2020	310,000 - 440,000	6,000,000	4,055,000
12/17/2007	3.625 - 3.800	June 2019	185,000 - 265,000	3,210,000	2,205,000
03/11/2008	3.000 - 3.125	June 2014	1,580,000 - 1,785,000	9,860,000	8,395,000
06/30/2008	3.625 - 4.000	June 2022	100,000 - 1,090,000	7,000,000	7,000,000
				<u>\$138,700,000</u>	<u>\$107,185,000</u>

Other than Bonded Debt

Capital lease obligation: The City entered into a lease purchase agreement for the acquisition of six cardiac monitors at a cost of \$106,869. The agreement requires annual payments of \$7,969, including interest at 4.5 percent through February 1, 2011. The balance due as of June 30, 2009 was \$38,315, and had a net book value of \$19,764.

Capital lease obligation: The City entered into a lease purchase agreement for the acquisition of an E911 Telephone System at a cost of \$220,000. The agreement requires monthly payments of \$6,496 including interest at 4.0 percent through August 1, 2009. The balance as of June 30, 2009 was \$12,670, and had a net book value of \$80,462.

Capital lease obligation: The City entered into a lease purchase agreement for the acquisition of a salt storage building at a cost of \$336,466. The agreement requires annual payments of \$75,529 including interest at 5.0 percent through July 2013. The balance as of June 30, 2009 was \$336,466, and had a net book value of \$325,250.

Installment contracts: The City has entered into two installment contracts for the construction of pedestrian bridges. The \$10,974 shown as a decrease/retirement was due to a change in estimate of the amount due to the state due to imputed interest at 3.72%. The agreements are noninterest bearing and are payable in annual installments totaling \$71,329 through January 2013. The balance due as of June 30, 2009 was \$238,829.

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

During the year ended June 30, 1997, the City authorized the issuance of \$1,800,000 Sewer Revenue Capital Loan Notes, Series 1996. The notes were also issued to evidence the City's obligations under an agreement with the Iowa Department of Natural Resources and the Iowa Finance Authority. As of June 30, 1999, the City had drawn all of the funds available under the Series 1996 note.

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

NOTE 4 BONDED AND OTHER DEBT (continued)

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

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

The total of the restricted cash and investments under these agreements are \$457,350.

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$6,558,000 in sewer revenue notes issued in 1995 and 1997. Proceeds from the notes provided financing for the construction of improvements to the sewer facilities and infrastructure. The notes are payable solely from sewer customer net revenues and are payable through 2017. Annual principal and interest payments on the notes are expected to require less than net revenues. The total principal and interest remaining to be paid on the notes is \$2,834,650. For the current year, principal and interest paid and total customer net revenues were \$454,360 and \$3,095,258, respectively.

Summary of principal and interest maturities: Annual debt service requirements to service all outstanding indebtedness as of June 30, 2009 are as follows:

<u>Year ending June 30</u>	<u>General Obligation Bonds</u>		<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 9,470,000	\$ 4,324,943	\$ 101,814	\$ 10,356
2011	9,585,000	3,984,556	79,952	11,508
2012	10,020,000	3,632,609	65,245	10,284
2013	10,030,000	3,258,503	68,507	7,022
2014	10,285,000	2,876,563	71,933	3,597
2015 - 2019	45,890,000	8,663,596	-	-
2020 - 2023	<u>11,905,000</u>	<u>1,031,520</u>	-	-
	<u>\$107,185,000</u>	<u>\$27,772,290</u>	<u>\$ 387,451</u>	<u>\$ 42,767</u>

<u>Year ending June 30</u>	<u>Installment Contracts</u>		<u>Enterprise Revenue Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ -	\$ 92,741	\$ 381,000	\$ 76,350
2011	40,070	9,848	393,000	64,920
2012	63,808	7,521	407,000	53,130
2013	66,222	5,107	422,000	40,920
2014	68,729	2,600	436,000	28,260
2015 - 2017	<u>-</u>	<u>-</u>	<u>506,000</u>	<u>26,070</u>
	<u>\$ 238,829</u>	<u>\$ 117,817</u>	<u>\$2,545,000</u>	<u>\$ 289,650</u>

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

NOTE 4 BONDED AND OTHER DEBT (continued)

Legal debt margin: As of June 30, 2009, the outstanding general obligation debt of the City did not exceed its legal debt margin computed as follows:

January 2007 100% assessed valuation *	\$5,213,151,367
Plus captured tax increment value	484,394,040
Less military exemption	<u>(4,197,584)</u>
 Total assessed valuation of the property of the City of West Des Moines	 <u>\$5,693,347,823</u>
 Debt limit, 5% of total actual valuation	 \$284,667,391
Debt applicable to debt limit	
General obligation bonds	107,185,000
Capital lease obligations	387,451
Installment contracts	<u>238,829</u>
 Legal debt margin	 <u>\$176,856,111</u>

* 100% of assessed valuation including TIF increment.

NOTE 5 INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivables and payables balances as of June 30, 2009 were:

	Interfund	
	Receivables	Payables
Major governmental funds		
General	\$ 169,560	\$ -
Capital projects	-	528,031
Nonmajor governmental funds	-	169,560
Proprietary funds, sewer system	<u>528,031</u>	<u>-</u>
 Total	 <u>\$ 697,591</u>	 <u>\$ 697,591</u>

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

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

NOTE 6 INTERFUND TRANSFERS

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

	<u>Transfers in</u>	<u>Transfers out</u>
Major governmental funds		
General	\$10,526,225	\$ 7,075,256
Special revenue fund, Tax Increment Financing	1,520,000	17,858,518
Debt Service	12,616,864	1,764,955
Capital Projects	16,755,487	10,683,142
Major enterprise fund		
Sewer System	5,016,655	5,380,806
Storm Water System	—	102,801
Nonmajor governmental funds	1,080,534	4,887,868
Internal Service Funds		
Vehicle Replacement	23,106	175,870
Workers compensation insurance	<u>390,345</u>	<u>—</u>
 Total	 <u>\$47,929,216</u>	 <u>\$47,929,216</u>

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

NOTE 7 PENSION AND RETIREMENT SYSTEMS

Iowa Public Employees Retirement System: The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing, multiple-employer defined benefit pension plan administered by the state of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.10 percent of their annual covered salary and the City is required to contribute 6.35 percent of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$1,043,635, \$908,811 and \$819,773, respectively, equal to the required contributions for each year.

Municipal Fire and Police Retirement System of Iowa: The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, West Des Moines, Iowa 50263.

Plan members are required to contribute 9.35 percent of earnable compensation and the City's contribution rate, based upon actuarially determined normal contribution rate, is 18.75 percent of earnable compensation. Contribution rates are established by state statute. The City's contributions to the Plan for the years ended June 30, 2009, 2008 and 2007 were \$1,291,314, \$1,631,104 and \$1,608,837, respectively, which met the required minimum contribution for each year.

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

NOTE 8 DEFERRED COMPENSATION PLAN

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

NOTE 9 INDIVIDUAL FUND DEFICIT BALANCES

The following funds had deficit fund balances as of June 30, 2009:

Economic Development Fund	\$ <u>85,368</u>
Community Development Block Grant	\$ <u>50</u>

The City intends to fund these deficits through transfers from the General Fund.

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The City has implemented Governmental Accounting Standards Board, GASB, Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2009. The City operates a single-employer retiree benefit plan which provides healthcare benefits for retirees and their spouses and dependents. There are active and retired members in the plan. Participants must be age 55 or older at retirement.

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

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for June 30, 2009, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution, ARC	\$ 232,708
Interest on net OPEB obligation	—
Adjustment to annual required contribution	—
Annual OPEB cost	<u>232,708</u>
Contributions made	<u>(47,928)</u>
Increase in net OPEB obligation	184,780
Net OPEB obligation, beginning of year	<u>—</u>
Net OPEB obligation, end of year	<u>\$ 184,780</u>

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

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the City contributed \$47,928 to the plan. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009 are summarized as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB cost</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB obligation</u>
June 30, 2009	<u>\$232,708</u>	<u>20.60%</u>	<u>\$184,780</u>

As of June 30, 2009, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$2,030,787 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of \$2,030,787. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$20,565,000, and the ratio of the UAAL to the covered payroll was 9.9%. As of June 30, 2009, there were no trust fund assets.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the June 30, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the City's funding policy. The projected annual medical trend rate is 8.0%. The ultimate medical trend rate is 5.0%. The medical trend rate is reduced 1.0% each year until reaching the 5.0% ultimate trend rate.

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

Projected claim costs of the healthcare plan are approximately \$11,900 per month for retirees. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

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.

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

NOTE 11 JOINT VENTURE (continued)

Annually, the WRA establishes an allocation to all participating communities based on operations, maintenance, debt service and reserve requirements. Allocations are based on wastewater reclamation facility flows and adjusted prospectively for differences in budgeted flows and actual flows.

The City retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation. Although the debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any bonds issued during the time the entity was a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2004A, 2004B and 2006 include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

The WRA Sewer Revenue Bonds Series 2004A bonds were issued for the advance refunding of the City's sewer revenue bonds. The WRA Agreement requires the debt service on these bonds to be allocated through the annual flow allocation to the participating communities based on the existing allocations of debt service under the prior I.C.A. agreement. The Series 2004A bonds had a balance of \$9,665,000 as of June 30, 2009. The City of West Des Moines has a commitment for approximately \$138,761 for future principal payment requirements. The WRA Sewer Revenue Bonds Series 2004B bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2009, the Series 2004B bonds had a balance of \$63,580,000 and the City of West Des Moines' estimated future allocation based on the WRA flows is currently \$12,886,039. The WRA Sewer Revenue Bonds Series 2006A bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2009, the Series 2006A bonds had a balance of \$37,325,000 and the City of West Des Moines' estimated future allocation based on the WRA flows is currently \$7,961,339. The State Revolving Loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2009, the WRA had \$24,105,583 in State Revolving Loans of which \$4,294,577 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, 2009:

Received from West Des Moines Water Works	
Occupancy reimbursements	\$ 21,245
Health insurance premiums	395,032
Gasoline reimbursements	34,077
Telephone reimbursements	11,059
Share of general insurance	125,994
Capital project reimbursements	729,966
Delinquent reimbursements	715
Miscellaneous reimbursements	98,204
Payments to West Des Moines Water Works	
Collection fees for sewer, solid waste, and storm water	\$ 153,461
Miscellaneous fees	109,048

Amounts receivable from West Des Moines Water Works as of June 30, 2009 for sewer and solid waste charges totaled \$1,313,114 and \$271,068, 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 Transportation Planning Committee; DART; Metropolitan Waste Authority; Convention and Visitors Bureau; Joint County/Municipal Disaster Services; Emergency Planning Administrations.

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 are 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 \$879,913 and \$600,880, respectively.

In July 2008, the City entered into a jointly governed organization with Central Iowa Health System for the provision of emergency medical services. The agreement between the participating organizations is commonly referred to as the "Iowa EMS Alliance". The Iowa EMS Alliance was established as an undivided interest ownership arrangement, whereby the title to Alliance assets is held individually by the City and Iowa Health. The City's portion of current year costs of operation and capital for the Iowa EMS Alliance were \$2,241,786 and \$189,313, respectively.

NOTE 13 COMMITMENTS

The City has entered into contracts totaling approximately \$29,956,000 for various projects that were not complete at year-end. As of June 30, 2009, \$10,287,000 has been encumbered for completion of these contracts.

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

NOTE 13 COMMITMENTS (continued)

The City entered into a development agreement with Wells Fargo Home Mortgage. Wells Fargo Home Mortgage is eligible to receive up to \$5 million in tax rebates. The City's payment of such tax rebates is conditional upon the creation and/or retention of not less than 3,300 full time equivalents (FTE's). If not less than 1,650 FTE's are certified by Wells Fargo Home Mortgage as being employed on September 30, 2007, the City shall incur an obligation to pay Wells Fargo Home Mortgage the first \$2.5 million of tax rebates. If an additional 1,650 FTE's are certified by Wells Fargo Home Mortgage as being employed on or before January 1, 2010, the City shall incur an obligation to pay Wells Fargo Home Mortgage an additional \$2.5 million of tax rebates. As of June 30, 2009, Wells Fargo Home Mortgage has satisfied the requirements for the first \$2.5 million of tax rebates.

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 577 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 200 percent 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, 2009 were approximately \$438,000.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. The City of West Des Moines has elected \$8,000,000 in coverage. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhaust total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, as of June 30, 2009, no liability has been recorded in the City's financial statements. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

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

NOTE 14 RISK MANAGEMENT (continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions; however, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

Self-insurance: The City has a self-insured medical expense reimbursement plan which provides medical benefits to its employees and to the employees of affiliates. The plan provides each covered person with a lifetime maximum of \$1,000,000 coverage for health care needs. The plan is funded by both employee and City contributions and is administered through a service agreement with Principal Life Insurance Company. The uninsured risk retention per person is \$95,000 (not to exceed 125 percent of the aggregate expected claims of \$3,574,903 for the year ended June 30, 2009). The City purchased commercial stop-loss insurance to provide for claims in excess of the \$95,000 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, 2009 was \$3,747,761.

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 \$350,000 per occurrence. The aggregate retention is 90 percent of the manual premium amount or approximately \$1,525,000.

Amounts payable from the Health and Dental Insurance Fund and the Worker's Compensation Insurance Fund as of June 30, 2009 totaled \$609,258 and include incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for other loss. A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss is reasonably estimable. Settlements have exceeded the stop-loss coverage in the years ended June 30, 2009, 2008 and 2007 of \$5,229, \$160,347 and \$181,895, respectively. Information on changes in the aggregate liabilities for claims is as follows:

	2009	2008
Claims payable, beginning of year	\$ 518,116	\$ 457,310
Claims recognized	3,647,505	3,446,447
Claim payments	(3,630,784)	(3,385,641)
Claims payable, end of year	<u>\$ 534,837</u>	<u>\$ 518,116</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 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 repayment 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, 2009, there was one series of industrial development revenue bonds outstanding, with an aggregate principal amount payable of \$2,729,000.

NOTE 16 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS

The GASB has issued several statements not yet implemented by the City. The Statements which might impact the City are as follows:

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, will be effective for the City beginning with its year ending June 30, 2010. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, will be effective for the City beginning with its year ending June 30, 2009. This Statement requires endowments to report their land and other real estate investments at fair value.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, will be effective for the City beginning with its year ending June 30, 2010. This Statement requires that derivative instruments be reported at fair value.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will be effective for the City beginning with its year ending June 30, 2011. This Statement establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types.

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

NOTE 17 LITIGATION

Claims have been asserted against the City in the ordinary course of business with a maximum exposure of \$1,500,000. Management is unable to estimate the cost of these claims or determine a range of loss and, accordingly, no accrual has been made for them.

NOTE 18 SUBSEQUENT EVENTS

The City issued refunding notes and general obligation bonds totaling \$14,010,000 on November 12, 2009 and December 2, 2009.

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

REQUIRED SUPPLEMENTARY INFORMATION

<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a percentage of covered payroll ((b - a)/c)</u>
July 1, 2008	\$ <u>—</u>	<u>\$2,031</u>	<u>\$2,031</u>	<u>0.0%</u>	<u>\$ 20,565</u>	<u>9.9%</u>

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

City of West Des Moines, Iowa
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL—ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2009

	Governmental Fund Types <u>Actual</u>	Proprietary Fund Types <u>Actual</u>	Total <u>Actual</u>	<u>Budgeted Amounts</u>		Final to Actual Variance - Positive - (Negative)
				<u>Original</u>	<u>Final</u>	
REVENUES						
Property tax	\$40,700,709	\$ —	\$ 40,700,709	\$ 40,783,461	\$ 40,783,461	\$ (82,752)
Tax increment financing taxes	14,193,555	—	14,193,555	14,688,293	14,688,293	(494,738)
Other City taxes	3,401,684	—	3,401,684	3,047,852	3,297,852	103,832
Special assessments	811,801	—	811,801	200,000	786,600	25,201
Licenses and permits	1,457,440	—	1,457,440	945,500	1,312,200	145,240
Intergovernmental	15,405,673	—	15,405,673	11,904,879	14,264,979	1,140,694
Charges for services	3,846,730	10,904,530	14,751,260	12,893,650	13,890,150	861,110
Use of money and property	1,066,751	942,991	2,009,742	2,560,000	3,760,000	(1,750,258)
Miscellaneous	<u>2,982,979</u>	<u>284,071</u>	<u>3,267,050</u>	<u>7,797,167</u>	<u>10,862,567</u>	<u>(7,595,517)</u>
Total revenues	<u>83,867,322</u>	<u>12,131,592</u>	<u>95,998,914</u>	<u>94,820,802</u>	<u>103,646,102</u>	<u>(7,647,188)</u>
EXPENDITURES/EXPENSES						
Public safety	20,692,061	—	20,692,061	22,095,316	23,324,954	2,632,893
Public works	9,212,032	—	9,212,032	7,675,385	8,249,836	(962,196)
Health and social services	1,068,302	—	1,068,302	1,055,736	1,083,711	15,409
Culture and recreation	6,728,349	—	6,728,349	6,824,736	6,949,939	221,590
Community and economic development	6,434,853	—	6,434,853	5,384,377	7,146,532	711,679
General government	4,689,574	—	4,689,574	5,927,476	6,099,891	1,410,317
Debt service	27,183,405	—	27,183,405	20,575,419	28,700,419	1,517,014
Capital outlay	20,783,005	—	20,783,005	33,835,000	44,641,310	23,858,305
Business-type	—	<u>8,566,683</u>	<u>8,566,683</u>	<u>14,166,788</u>	<u>16,911,344</u>	<u>8,344,661</u>
Total expenditures/expenses	<u>96,791,581</u>	<u>8,566,683</u>	<u>105,358,264</u>	<u>117,540,233</u>	<u>143,107,936</u>	<u>37,749,672</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(12,924,259)	3,564,909	(9,359,350)	(22,719,431)	(39,461,834)	30,102,484
OTHER FINANCING SOURCES, NET						
	592,455	4,687,707	5,280,162	29,240,000	29,240,000	(23,959,838)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(12,331,804)	8,252,616	(4,079,188)	6,520,569	(10,221,834)	\$ <u>6,142,646</u>
BALANCES , beginning of year	<u>51,569,580</u>	<u>87,340,945</u>	<u>138,910,525</u>	<u>59,973,548</u>	<u>10,859,274</u>	
BALANCES , end of year	<u>\$39,237,776</u>	<u>\$95,593,561</u>	<u>\$134,831,337</u>	<u>\$ 66,494,117</u>	<u>\$ 637,440</u>	

See Note to Required Supplementary Information.

City of West Des Moines, Iowa
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION—BUDGETARY REPORTING
Year ended June 30, 2009

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 agency funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

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. The legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, budget amendments increased budgeted expenditures by \$25,567,703. The budget amendments were primarily due to changes in breadth and timing of capital improvement projects.

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.

During the year ended June 30, 2009, disbursements in the public works function exceeded the amounts budgeted.

City of West Des Moines, Iowa
REQUIRED SUPPLEMENTARY INFORMATION—MODIFIED APPROACH
Year ended June 30, 2009

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

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

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

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

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

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

Levees and Associated Flood Control Elements (Army Corp. Rating - Acceptable): No immediate work required other than routine maintenance. The flood control elements will function as designed and intended, with a high degree of reliability, and necessary cyclic maintenance is being adequately performed.

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

City of West Des Moines, Iowa
REQUIRED SUPPLEMENTARY INFORMATION—MODIFIED APPROACH (continued)
Year ended June 30, 2009

Condition rating of the City's street subsystem:

Category	OCI Range	2001		2005		2006		2007	
		Lane Miles	Percent of Street Network	Lane Miles	Percent of Street Network	Lane Miles	Percent of Street Network	Lane Miles	Percent of Street Network
Very good	100-90	200	40.7%	191	32.9%	192	31.3%	243	35.3%
Good	90-80	111	22.5	184	31.6	200	32.6	208	30.2
Average	80-60	123	25.0	132	22.8	149	24.3	156	22.7
Below average	60-50	47	9.6	59	10.1	55	8.9	64	9.3
Poor	50-25	11	2.2	15	2.6	18	2.9	17	2.5
Failed	25-0	—	—	—	—	—	—	—	—
		<u>492</u>	<u>100.0%</u>	<u>581</u>	<u>100.0%</u>	<u>614</u>	<u>100.0%</u>	<u>688</u>	<u>100.0%</u>

Overall condition index (OCI)

	2001	2005	2006	2007
Goal	78-80	78-80	78-80	78-80
Actual	81.20	80.21	80.91	80.90

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

Condition Categories Based on FHWA Criteria

Category	OCI Range	2003		2005		2007	
		Bridges Inspected	Percent of Bridges Inspected	Bridges Inspected	Percent of Bridges Inspected	Bridges Inspected	Percent of Bridges Inspected
Excellent condition	100-90	10	62.4%	10	62.4%	18	75.0%
Very good condition	90-80	3	18.8	4	25.0	4	16.6
Good condition	80-70	3	18.8	1	6.3	1	4.2
Satisfactory condition	70-60	—	—	1	6.3	1	4.2
Fair condition	60-50	—	—	—	—	—	—
Poor condition	50-40	—	—	—	—	—	—
Serious condition	40-30	—	—	—	—	—	—
Critical condition	30-20	—	—	—	—	—	—
Imminent failure condition	20-10	—	—	—	—	—	—
Failed condition	25-0	—	—	—	—	—	—
Total		<u>16</u>	<u>100.0%</u>	<u>16</u>	<u>100.0%</u>	<u>24</u>	<u>100.0%</u>

Overall condition index (OCI):	2005	2007	2008
Goal	81 or greater	81 or greater	81 or greater
Actual	90.6	91.0	93.8

City of West Des Moines, Iowa
REQUIRED SUPPLEMENTARY INFORMATION—MODIFIED APPROACH (continued)
Year ended June 30, 2009

Levee Condition by Category as of the Last Assessment

Condition Categories Based on Army Corp. Criteria

<u>OCI Range</u>	<u>2005</u>		<u>2006</u>		<u>2007</u>	
	Levee Items	Percent of Levee Items	Levee Items	Percent of Levee Items	Levee Items	Percent of Levee Items
	<u>Inspected</u>	<u>Inspected</u>	<u>Inspected</u>	<u>Inspected</u>	<u>Inspected</u>	<u>Inspected</u>
Acceptable	29	96.7%	28	93.3%	23	100.0%
Minimally acceptable	1	3.3	2	6.7	—	—
Unacceptable	—	—	—	—	—	—
Total	<u>30</u>	<u>100.0%</u>	<u>30</u>	<u>100.0%</u>	<u>23</u>	<u>100.0%</u>

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Overall condition index (OCI):			
Goal	Acceptable	Acceptable	Acceptable
Actual	Acceptable	Acceptable	Acceptable

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Estimated costs	\$3,167	\$2,996	\$3,323	\$4,077	\$4,480	\$4,915
Actual cost	3,349	3,052	3,517	3,516	4,751	4,661

**City of West Des Moines, Iowa
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2009**

	Special Revenue			
	Road Use Tax	Police and Fire Retirement	Employee Benefit	Economic Development
ASSETS				
Cash and investments	\$9,219,022	\$ 538,606	\$ -	\$ -
Receivables				
Property taxes	-	1,563,375	4,274,395	-
Accounts	-	-	-	825
Loans	-	-	-	101,461
Due from other governments	<u>737,685</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$9,956,707</u>	<u>\$2,101,981</u>	<u>\$4,274,395</u>	<u>\$ 102,286</u>
LIABILITIES AND FUND BALANCES (DEFICITS)				
Liabilities				
Accounts payable	\$ 59,575	\$ -	\$ -	\$ -
Accrued wages payable	-	-	-	-
Due to other funds	-	-	37,425	86,193
Deferred revenue	<u>-</u>	<u>1,550,900</u>	<u>4,236,970</u>	<u>101,461</u>
Total liabilities	<u>59,575</u>	<u>1,550,900</u>	<u>4,274,395</u>	<u>187,654</u>
Fund balances (deficit), unreserved, undesignated	<u>9,897,132</u>	<u>551,081</u>	<u>-</u>	<u>(85,368)</u>
Total liabilities and fund balances	<u>\$9,956,707</u>	<u>\$2,101,981</u>	<u>\$4,274,395</u>	<u>\$ 102,286</u>

See accompanying independent auditor's report.

<u>Housing Programs</u>	<u>Parks</u>	<u>Library</u>	<u>Public Safety</u>	<u>Community Development Block Grant</u>	<u>Totals</u>
\$ 183,671	\$ 163,420	\$ 226,820	\$ 661,700	\$ -	\$10,993,239
-	-	-	-	-	5,837,770
601	-	-	73,409	47,195	122,030
-	-	-	-	-	101,461
<u>11,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>749,006</u>
<u>\$ 195,593</u>	<u>\$ 163,420</u>	<u>\$ 226,820</u>	<u>\$ 735,109</u>	<u>\$ 47,195</u>	<u>\$17,803,506</u>
\$ 2,410	\$ 100	\$ 2,458	\$ 66,636	\$ 50	\$ 131,229
2,585	-	-	-	1,253	3,838
-	-	-	-	45,942	169,560
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,889,331</u>
<u>4,995</u>	<u>100</u>	<u>2,458</u>	<u>66,636</u>	<u>47,245</u>	<u>6,193,958</u>
<u>190,598</u>	<u>163,320</u>	<u>224,362</u>	<u>668,473</u>	<u>(50)</u>	<u>11,609,548</u>
<u>\$ 195,593</u>	<u>\$ 163,420</u>	<u>\$ 226,820</u>	<u>\$ 735,109</u>	<u>\$ 47,195</u>	<u>\$17,803,506</u>

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
NONMAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2009

	<u>Special Revenue</u>			
	<u>Road Use Tax</u>	<u>Police and Fire Retirement</u>	<u>Employee Benefit</u>	<u>Economic Development</u>
REVENUES				
Property taxes	\$ -	\$1,364,197	\$4,092,590	\$ -
Other City taxes	-	19,242	57,724	-
Intergovernmental	4,325,450	-	-	950,840
Use of money and property	-	-	-	-
Miscellaneous	-	-	-	50,591
Total revenues	<u>4,325,450</u>	<u>1,383,439</u>	<u>4,150,314</u>	<u>1,001,431</u>
EXPENDITURES				
Current operating				
Public safety	-	1,291,314	-	-
Public works	607,292	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	2,251,652
Debt service, principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	393
Total expenditures	<u>607,292</u>	<u>1,291,314</u>	<u>-</u>	<u>2,252,045</u>
Excess (deficiency) of revenues over expenditures	3,718,158	92,125	4,150,314	(1,250,614)
OTHER FINANCING SOURCES (USES)				
Transfers in	10,989	-	-	999,676
Transfers out	(546,217)	-	(4,150,314)	-
Proceeds from the sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>(535,228)</u>	<u>-</u>	<u>(4,150,314)</u>	<u>999,676</u>
Net change in fund balances	3,182,930	92,125	-	(250,938)
Fund balances, beginning of year	<u>6,714,202</u>	<u>458,956</u>	<u>-</u>	<u>165,570</u>
Fund balances (deficit), end of year	<u>\$9,897,132</u>	<u>\$ 551,081</u>	<u>\$ -</u>	<u>\$ (85,368)</u>

See accompanying independent auditor's report.

<u>Housing Programs</u>	<u>Parks</u>	<u>Library</u>	<u>Public Safety</u>	<u>Community Development Block Grant</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,456,787
-	-	-	-	-	76,966
130,504	-	-	-	170,554	5,577,348
633	278	8,392	2,236	-	11,539
78,854	34,137	73,919	1,353,517	-	1,591,018
<u>209,991</u>	<u>34,415</u>	<u>82,311</u>	<u>1,355,753</u>	<u>170,554</u>	<u>12,713,658</u>
-	-	-	281,565	-	1,572,879
-	-	-	-	-	607,292
194,762	-	55,327	-	-	250,089
-	3,144	-	-	-	3,144
-	-	-	-	107,695	2,359,347
-	-	-	112,931	-	112,931
-	-	-	-	-	-
-	7,625	-	311,551	-	319,569
<u>194,762</u>	<u>10,769</u>	<u>55,327</u>	<u>706,047</u>	<u>107,695</u>	<u>5,225,251</u>
15,229	23,646	26,984	649,706	62,859	7,488,407
19,602	49,014	-	-	1,253	1,080,534
(19,602)	-	-	(171,735)	-	(4,887,868)
-	-	-	12,821	-	12,821
<u>-</u>	<u>49,014</u>	<u>-</u>	<u>(158,914)</u>	<u>1,253</u>	<u>(3,794,513)</u>
15,229	72,660	26,984	490,792	64,112	3,693,894
<u>175,369</u>	<u>90,660</u>	<u>197,378</u>	<u>177,681</u>	<u>(64,162)</u>	<u>7,915,654</u>
<u>\$ 190,598</u>	<u>\$ 163,320</u>	<u>\$ 224,362</u>	<u>\$ 668,473</u>	<u>\$ (50)</u>	<u>\$11,609,548</u>

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2009

	<u>Vehicle Replacement</u>	<u>Vehicle Maintenance</u>	<u>Health and Dental Insurance</u>	<u>Worker's Compensation Insurance</u>	<u>Total</u>
ASSETS					
Current assets					
Cash and investments	\$ 7,430,615	\$ 25,992	\$2,440,055	\$1,425,639	\$11,322,301
Accounts receivable	-	14,896	-	-	14,896
Interest	71,450	-	-	-	71,450
Inventories	-	55,552	-	-	55,552
Total current assets	<u>7,502,065</u>	<u>96,440</u>	<u>2,440,055</u>	<u>1,425,639</u>	<u>11,464,199</u>
Noncurrent assets, capital assets					
Equipment and vehicles	11,636,756	-	-	-	11,636,756
Accumulated depreciation	<u>(5,976,323)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,976,323)</u>
Total noncurrent assets	<u>5,660,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,660,433</u>
Total assets	<u>\$13,162,498</u>	<u>\$ 96,440</u>	<u>\$2,440,055</u>	<u>\$1,425,639</u>	<u>\$17,124,632</u>
LIABILITIES AND NET ASSETS					
Liabilities					
Current					
Accounts payable	\$ -	\$ 70,791	\$ 2,290	\$ 16,269	\$ 89,350
Claims payable	<u>-</u>	<u>-</u>	<u>411,102</u>	<u>123,735</u>	<u>534,837</u>
Total current liabilities	<u>-</u>	<u>70,791</u>	<u>413,392</u>	<u>140,004</u>	<u>624,187</u>
Net assets					
Invested in capital assets, net of related debt	5,660,433	-	-	-	5,660,433
Unrestricted	<u>7,502,065</u>	<u>25,649</u>	<u>2,026,663</u>	<u>1,285,635</u>	<u>10,840,012</u>
Total net assets	<u>13,162,498</u>	<u>25,649</u>	<u>2,026,663</u>	<u>1,285,635</u>	<u>16,500,445</u>
Total liabilities and net assets	<u>\$13,162,498</u>	<u>\$ 96,440</u>	<u>\$2,440,055</u>	<u>\$1,425,639</u>	<u>\$17,124,632</u>

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (DEFICIT)
INTERNAL SERVICE FUNDS
Year ended June 30, 2009

	<u>Vehicle Replacement</u>	<u>Vehicle Maintenance</u>	<u>Health and Dental Insurance</u>	<u>Worker's Compensation Insurance</u>	<u>Total</u>
OPERATING REVENUES					
Charges for services	\$ —	\$1,178,164	\$4,762,996	\$ 155,817	\$ 6,096,977
Lease revenue	<u>1,355,051</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,355,051</u>
Total operating revenues	<u>1,355,051</u>	<u>1,178,164</u>	<u>4,762,966</u>	<u>155,817</u>	<u>7,452,028</u>
OPERATING EXPENSES					
Cost of sales and services	—	1,106,543	4,323,679	213,040	5,643,262
Depreciation	<u>1,104,083</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,104,083</u>
Total operating expenses	<u>1,104,083</u>	<u>1,106,543</u>	<u>4,323,679</u>	<u>213,040</u>	<u>6,747,345</u>
Operating income (loss)	<u>250,968</u>	<u>71,621</u>	<u>439,317</u>	<u>(57,223)</u>	<u>704,683</u>
Nonoperating revenues					
Investment earnings	175,870	—	27,827	—	203,697
Gain on disposal of capital assets	87,340	—	—	—	87,340
Miscellaneous	<u>1,101,348</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,101,348</u>
Total nonoperating revenues	<u>1,364,558</u>	<u>—</u>	<u>27,827</u>	<u>—</u>	<u>1,392,385</u>
Income before transfers	1,615,526	71,621	467,144	(57,223)	2,097,068
Capital contributions					
Transfers in	23,106	—	—	390,345	413,451
Transfers out	<u>(175,870)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(175,870)</u>
Change in net assets	1,462,762	71,621	467,144	333,122	2,334,649
Total net assets (deficit), beginning of year	<u>11,699,736</u>	<u>(45,972)</u>	<u>1,559,519</u>	<u>952,513</u>	<u>14,165,796</u>
Total net assets, end of year	<u>\$13,162,498</u>	<u>\$ 25,649</u>	<u>\$2,026,663</u>	<u>\$1,285,635</u>	<u>\$16,500,445</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, 2009

	<u>Vehicle Replacement</u>	<u>Vehicle Maintenance</u>	<u>Health and Dental Insurance</u>	<u>Worker's Compensation Insurance</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$1,355,051	\$1,244,296	\$4,785,739	\$ 155,817	\$7,540,903
Payments to suppliers	(212,215)	(1,217,801)	(719,557)	(119,943)	(2,269,516)
Payments to claimants	<u>—</u>	<u>—</u>	<u>(3,576,755)</u>	<u>(20,246)</u>	<u>(3,597,001)</u>
Net cash provided by operating activities	<u>1,142,836</u>	<u>26,495</u>	<u>489,427</u>	<u>15,628</u>	<u>1,674,386</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Proceeds from other funds	—	—	—	—	—
Transfers in	23,106	—	—	390,345	413,451
Transfers out	<u>(175,870)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(175,870)</u>
Net cash provided by (used in) noncapital financing activities	<u>(152,764)</u>	<u>—</u>	<u>—</u>	<u>390,345</u>	<u>237,581</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(309,342)	—	—	—	(309,342)
Proceeds from disposal of capital assets	<u>87,340</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>87,340</u>
Net cash (used in) capital and related financing activities	<u>(222,002)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(222,002)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	203,174	—	27,827	—	231,001
Purchase of investment securities	(5,500,000)	—	(3,000,000)	—	(8,500,000)
Proceeds from maturity of investment securities	<u>5,500,000</u>	<u>—</u>	<u>3,000,000</u>	<u>—</u>	<u>8,500,000</u>
Net cash provided by investing activities	<u>203,174</u>	<u>—</u>	<u>27,827</u>	<u>—</u>	<u>231,001</u>
Net increase in cash and cash equivalents	971,244	26,495	517,254	405,973	1,920,966
Cash and cash equivalents Beginning of year	<u>1,959,371</u>	<u>—</u>	<u>1,922,801</u>	<u>1,019,666</u>	<u>4,901,838</u>
End of year	<u>\$2,930,615</u>	<u>\$ 26,495</u>	<u>\$2,440,055</u>	<u>\$1,425,639</u>	<u>\$6,822,804</u>

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF CASH FLOWS (continued)
INTERNAL SERVICE FUNDS
Year ended June 30, 2009

	<u>Vehicle Replacement</u>	<u>Vehicle Maintenance</u>	<u>Health and Dental Insurance</u>	<u>Worker's Compensation Insurance</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income	\$ 250,968	\$ 71,621	\$ 439,317	\$ (57,223)	\$ 704,683
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	1,104,083	-	-	-	1,104,083
Change in assets and liabilities					
Receivables	-	66,132	22,743	-	88,875
Inventories	-	(43,088)	-	-	(43,088)
Accounts payable	(212,215)	16,344	208	13,823	(181,840)
Claims payable	<u>-</u>	<u>-</u>	<u>27,159</u>	<u>59,028</u>	<u>86,187</u>
Net cash provided by operating activities	<u>\$1,142,836</u>	<u>\$ 111,009</u>	<u>\$ 489,427</u>	<u>\$ 15,628</u>	<u>\$1,758,900</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO SPECIFIC ASSETS ON THE COMBINING BALANCE SHEET					
Cash and investments	\$7,430,615	\$ 26,495	\$2,440,055	\$1,425,639	\$11,322,804
Less items not meeting the definition of cash equivalents	<u>(4,500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,500,000)</u>
Cash and cash equivalents at end of year	<u>\$2,930,615</u>	<u>\$ 26,495</u>	<u>\$2,440,055</u>	<u>\$1,425,639</u>	<u>\$ 6,822,804</u>

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2009

	Collections and Deposits	Section 125 Plan	Total Agency Funds
ASSETS			
Cash and investments	\$ 268,600	\$ 15,824	\$ 284,424
Accounts receivable	100	-	100
Restricted assets, contractors' bonds	<u>4,759</u>	<u>-</u>	<u>4,759</u>
Total assets	<u>\$ 273,459</u>	<u>\$ 15,824</u>	<u>\$ 289,283</u>
LIABILITIES			
Deposits and remittances due	<u>\$ 273,459</u>	<u>\$ 15,824</u>	<u>\$ 289,283</u>
Total liabilities	<u>\$ 273,459</u>	<u>\$ 15,824</u>	<u>\$ 289,283</u>

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
Year ended June 30, 2009

<u>Collections and Deposits</u>	<u>Balance June 30, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2009</u>
ASSETS				
Cash and investments	\$ 185,859	\$ 82,741	\$ —	\$ 268,600
Accounts receivable	—	100	—	100
Restricted assets, contractors' bonds	<u>7,559</u>	<u>155,516</u>	<u>158,316</u>	<u>4,759</u>
Total assets	<u>\$ 193,418</u>	<u>\$ 238,357</u>	<u>\$ 158,316</u>	<u>\$ 273,459</u>
LIABILITIES				
Accounts payable	\$ 100	\$ —	\$ 100	\$ —
Deposits and remittances due	<u>193,318</u>	<u>80,141</u>	<u>—</u>	<u>273,459</u>
Total liabilities	<u>\$ 193,418</u>	<u>\$ 80,141</u>	<u>\$ 100</u>	<u>\$ 273,459</u>
 Section 125 Plan				
ASSETS , cash and investments	<u>\$ 22,351</u>	<u>\$ 252,094</u>	<u>\$ 258,621</u>	<u>\$ 15,824</u>
LIABILITIES , deposits and remittances due	<u>\$ 22,351</u>	<u>\$ 252,094</u>	<u>\$ 258,621</u>	<u>\$ 15,824</u>
 Combined Funds				
ASSETS				
Cash and investments	\$ 208,210	\$ 334,835	\$ 258,621	\$ 284,424
Accounts receivable	—	100	—	100
Restricted assets, contractors' bonds	<u>7,559</u>	<u>155,516</u>	<u>158,316</u>	<u>4,759</u>
Total assets	<u>\$ 215,769</u>	<u>\$ 490,451</u>	<u>\$ 416,937</u>	<u>\$ 289,283</u>
LIABILITIES				
Accounts payable	\$ 100	\$ —	\$ 100	\$ —
Deposits and remittances due	<u>215,669</u>	<u>332,235</u>	<u>258,621</u>	<u>289,283</u>
Total liabilities	<u>\$ 215,769</u>	<u>\$ 332,235</u>	<u>\$ 258,721</u>	<u>\$ 289,283</u>

See accompanying independent auditor's report.

City of West Des Moines
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
US Department of Health and Human Services		
Low Income Energy Assistance	93.568	\$ 6,000
Community Services Block Grant	93.569	6,000
US Department of Justice		
Public Safety Partnership and Community Policing Grants	16.710	175,435
Bulletproof Vest Partnership Program	16.607	8,933
DEA Overtime Reimbursement	16.005	4,918
Bryne Justice Assistance Grant	16.738	49,487
US Department of Housing and Urban Development		
CDBG Entitlement and (HUD Administered) Small Cities Cluster		
Community Development Block Grants/Entitlement Grants	14.218	170,554
US Department of Housing and Urban Development		
Supportive Housing Program	14.235	75,771
US Department of Transportation		
Highway Safety Cluster		
State and Community Highway Safety	20.600	10,500
Alcohol traffic safety and drunk driving prevention incentive grants	20.601	23,532
Highway Planning and Construction	20.205	1,307,449
US Department of Homeland Security		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	<u>551,457</u>
Total federal expenditures		<u>\$2,390,036</u>

BASIS OF PRESENTATION

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

City of West Des Moines, Iowa
SUMMARY OF KEY DATA FOR SEWER REVENUE BONDS
(UNAUDITED)
Year ended June 30, 2009

Sales History and Total Sewer Charges

<u>Calendar Year</u>	<u>Gallons Sold</u>	<u>Sewer Charges</u>
1999	1,865,276,498	\$4,501,445
2000	1,982,156,844	4,779,893
2001	2,051,493,848	4,979,354
2002	2,119,054,696	4,930,065
2003	2,175,453,971	4,984,834
2004	2,068,454,938	5,023,024
2005	2,231,378,093	5,121,465
2006	2,237,565,759	5,214,740
2007	2,188,526,562	5,475,514
2008	2,028,362,108	5,927,446

Number of Sewer Customers

<u>Calendar Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Total</u>
1997	10,393	756	\$ 11,149
1998	11,074	784	11,858
1999	11,958	829	12,787
2000	12,836	885	13,721
2001	14,023	924	14,947
2002	14,644	964	15,608
2003	15,011	933	15,944
2004	15,412	984	16,396
2005	15,863	1,015	16,878
2006	16,270	1,131	17,401
2007	16,744	1,166	17,910
2008	16,988	1,202	18,190

Larger Sewer Customers (Calendar year 2008)

<u>Customer</u>	<u>Water Gallons</u>	<u>Sewer Charges</u>
Professional Property Mgmt.	32,293,000	\$ 113,869
WDM Community Schools	29,676,000	104,137
Wells Fargo Bank, NA	27,051,000	94,980
Belcher & Long Corporation	26,978,000	95,086
General Growth Properties	24,684,000	86,798
R&R Investors, Ltd	19,893,000	69,864
Executive Laser Wash	18,300,000	64,263
Wellington Apartments	15,966,000	56,218
W.H., LLC	15,065,000	53,245
Valley West Mall	12,580,000	44,371

Rates and Charges

Sanitary Sewer Service - Effective October 1, 2008
\$3.75 per thousand gallons

Sewer Availability Charge - Effective July 1, 2008
\$2.00 per month

Revenue Debt Supported by Sewer Revenues

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding as of 6/30/09</u>
09/1994	\$2,600,000	Sewer Improvements	06/2014	\$ 838,000
06/1995	2,158,000	Sewer Improvements	06/2015	821,000
10/1996	1,800,000	Sewer Improvements	06/2017	886,000
				<u>\$2,545,000</u>

