

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF WEST DES MOINES, IOWA

Year ended June 30, 2010

Prepared by the Finance Department

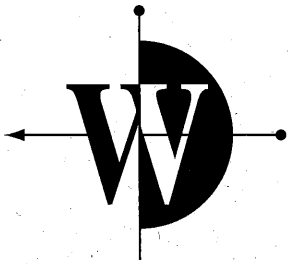


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THE CITY OF
West Des Moines®
www.wdm-ia.com

Finance Department

4200 Mills Civic Parkway
P.O. Box 65320
West Des Moines, IA 50265-0320

515-222-3600
FAX 515-222-3640
TDD/TTY 515-222-3334

E-mail cityinfo@wdm-ia.com

'Aaa'
Credit Rating
Moody's

'AAA'
Credit Rating
Standard & Poor's

December 15, 2010

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

Chapter 11 of the *Code of Iowa* requires that the City of West Des Moines publish within nine months of the close of each fiscal year, a complete set of audited financial statements. This Comprehensive Annual Financial Report (CAFR) is published to fulfill that requirement for the fiscal year ended June 30, 2010.

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

Denman and Company, LLP, a firm of licensed certified public accountants, has issued an unqualified ("clean") opinion on the City of West Des Moines' financial statements for the fiscal year ended June 30, 2010. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the City of West Des Moines

West Des Moines, incorporated as Valley Junction in 1893, is a suburb of the state's capital. Centrally located in Iowa, West Des Moines is currently comprised of approximately 46.6 square miles and is empowered by state statute to extend its corporate limits via annexation, which occurs periodically when deemed appropriate by the City Council. As one of the top growth areas in the state, the City has experienced significant increases in population, an increase of approximately 70 percent since 1990. The U.S. Census Bureau reported 46,403 residents in 2000 and the estimated population as of December of 2010 is 58,665.

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

As the City's chief administrative officer, the city manager is responsible for implementing policy decisions of the City Council, overseeing the day-to-day operations of the City, and hiring department directors. City departments include: Community & Economic Development, Development Services, Emergency Medical Services, Finance, Fire, Human Services, Library, Parks & Recreation, Police, and Public Works. By state statute, a separate Board of Trustees administers the operations of the Public Library; however, the library receives its budget appropriation from the City Council and routinely follows the general operating policies and procedures implemented by the City.

Public elementary and secondary education services within the City are provided by the West Des Moines, Waukee, and Des Moines Independent Community School Districts. Public water services are provided by the West Des Moines Water Works. These entities have the ability to issue debt, which is not an obligation of the City of West Des Moines. Therefore, the financial statements of these entities have not been included in this report.

The annual budget serves as the foundation for the City's financial planning and control. In the fall of each year, all departments are required to submit requests for appropriation in the upcoming year. Using these requests and revenue projections provided by the Finance department, the city manager prepares a proposed budget. This proposed budget is presented to the mayor and City Council for discussion during budget workshops held in January. The Council is then required to hold a public hearing on the proposed budget and adopt a final budget by March 15th. The state mandates legal spending control at the function level. These functions consist of Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Capital Projects, and Debt Service.

Local Economy

The City of West Des Moines is one of the fastest growing cities in the state of Iowa. West Des Moines is the 9th largest populated city in the state but ranks 4th in terms of retail sales, 3rd in terms of property valuations, and 4th in the collection of Hotel/Motel taxes. The median household income in West Des Moines continues to exceed both the national and state averages. In 2009, the median household income in the City of West Des Moines was estimated to be \$71,501, in comparison to state and national figures of \$48,585 and \$52,175 respectively.

West Des Moines has sustained commercial growth that spans across many industry lines, providing some economic stability at a time when the nation's overall economy is experiencing a down-turn. Jordan Creek Town Center, a 200-acre upscale retail and entertainment complex located in West Des Moines, has continued to stimulate area growth since opening in 2004. In 2006, Wells Fargo Home Mortgage completed construction of its 1 million square foot home office. Over 3,000 employees work at this location alone and contribute \$627 million to the local economy as projected by the State of Iowa. In September of 2010, Aviva U.S.A. occupied their 396,000 square foot North American headquarters. The insurance group currently has over 1,500 employees working at the West Des Moines location. Their campus is designed to accommodate 1.3 million square feet of building space.

The construction of two West Des Moines hospitals was completed late in 2009 with Mercy West Lakes opening in September 2009 and Methodist West opening in October 2009. Quality of life will be enhanced by the scope of medical services that will be offered and the availability of over 240 hospital beds.

Given the slowdown in the overall economy, the City has spent considerable time projecting revenues and expenditures to ensure that adequate funding for services will be available in future budget cycles. The starting point for all projections has been to use very conservative revenue assumptions, to be on the "high side" on potential expenditures, and no change in current property tax rates. Variables the City is closely monitoring include the slowdown of private sector taxable development, the anemic sub-1% earnings rate on our investments, and substantial increases of mandatory pension contributions.

To augment the City's desirable central Iowa location, highly educated workforce, attractive high-end residential and commercial developments, and the City's on-going commitment to provide crucial infrastructure to support quality development, the City is working with an economic development strategy company to create a new plan to bring growth

to West Des Moines and identify business sectors that are best suited to our community. The City also continues to work with independent small businesses already located in the community to get input regarding their specific situation and needs for City services. In this regard, the City Council recently adopted a policy to provide incentives to industrial businesses that expand or improve their facilities as a way to both increase business productivity and promote businesses to stay in West Des Moines to receive the full tax abatement benefits.

Relevant Financial Policies and Long-term Financial Planning

For budgetary and planning purposes, management strives to maintain an unreserved, undesignated general fund balance equal to or slightly exceeding 25 percent of total general fund expenditures. These funds are necessary to meet cash flow needs during the initial months of the new fiscal year as property tax revenue, the primary source of funding for general operations, is collected semi-annually with the respective county treasurers remitting the vast majority of those taxes to the City in the months of October and April.

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

The City's Balanced Scorecard is used to focus on the organization's key objectives. The scorecard is broken down into individual measures that provide timely indicators as to whether the City is headed in the right direction. Based on these objectives and measures the City's operating budget, which consists of a three-year plan, is re-evaluated annually. Included in the operating budget are costs associated with the City's capital equipment replacement schedule. This money is set-aside annually to ensure funding is available for the timely replacement of vehicles and heavy equipment that are no longer cost effective to maintain.

The City Council meets with staff each fall to update the City's multi-year plan for capital improvements within the community. Projects are prioritized based on community input and data provided by staff. Among the data available is information from the Street Management System (SMS), which the Public Works department uses to assess and prioritize the maintenance needs of the City's street network. Financing sources for the projects are also discussed, ranging from fee revenue, to the use of general fund operating dollars, the issuance of general obligation bonds, available grant dollars, road use tax receipts to be collected, and tax increment financing options. The committee then makes their recommendations to the City Council.

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

Major Initiatives and Accomplishments

The City of West Des Moines is now rated Aaa by Moody's Investor Services, the highest rating available from Moody's. The change came about in the spring of 2010 when Moody's recalibrated its long-term U.S. municipal ratings to move them from a separate municipal rating scale to its global rating scale. Basically, they started evaluating cities the same way they evaluate other entities, including the private sector. West Des Moines was the only City in Iowa to move to an Aaa, rating, joining Cedar Rapids, Iowa City, and Ames as the only Iowa municipalities with this rating.

During the past fiscal year the City of West Des Moines took advantage of low interest rates and a favorable bond market to refund approximately \$42,000,000 in outstanding general obligation bonds at a savings of almost \$2,000,000 (net present value).

After much planning and negotiating with land owners construction has been completed on the final section of the Jordan Creek Trail. This trail section, into West Des Moines' Raccoon River Park, connects all of West Des Moines' trails to that park and provides a link to the City of Des Moines trail system as well.

The City began offering prescription drug cards to residents who are without health insurance or have prescriptions that are not covered by insurance. The card is free to all West Des Moines residents and is estimated to save an average of 20% off the regular retail price of prescription drugs at participating pharmacies. This program is offered by the City in collaboration with the National League of Cities. Residents are responsible for paying for their entire prescription cost, less the discount offered by participating pharmacies.

Over the past year the City certified two more apartment complexes for the Crime-Free Multi-Housing program. Through this unique, three-phase program for rental properties, officers from the Police Department's Special Operations Unit train staff at multi-family complexes to solve problems and make upgrades and improvements that will deter crime. The three phases include an eight-hour training session for property managers, leasing staff, and maintenance personnel taught by management professionals, attorneys, and police personnel; an inspection of the rental property related to security and appearance, and an informational safety session for residents of the property.

The City of West Des Moines Emergency Medical Services was recognized for our collaboration with Iowa Health – Des Moines in the publication *Best Practices in Emergency Services*. Through a public-private partnership, known as the Iowa EMS Alliance, the City provides staffing and administration for ambulances based out of the Iowa Health facilities. This partnership provides for the sharing of administrative costs between the agencies and was recognized for both saving taxpayer money and elevating service levels. The Alliance has completed its second year in operation.

To improve internal efficiency and communication the City undertook a multi-year project to implement a comprehensive human resources and payroll software system (HRIS) to replace two existing systems. Phase 2, which includes manager and employee self-service features, automated workflows, and on-line employment applications, was completed in the spring of 2010. The City is now in the process of implementing Phase 3, automated time and attendance, with an anticipated implementation date of April 2011. The previously completed Phase 1 which involved converting and merging all personnel, payroll, and benefit records into one database and processing payroll on the new system. The first two phases have significantly reduced duplicate data entry and recordkeeping.

The Public Works department continued to enhance their system for snow removal with the internal development of a GPS system which identifies, for equipment operators, fire hydrants and other utilities hidden by snow.

In an effort to become more environmentally responsible the City began a sustainability initiative in 2009 with the creation of a Striving After Sustainable Solutions (SASS) team to coordinate sustainable efforts throughout the City organization. The SASS team has acquired single stream recycling containers for all City facilities, had energy audits completed for the City's 13 largest facilities, and began implementing projects that will be funded through an Energy Efficiency and Conservation Grant (EECBG). The City received this grant as part of the American Recovery and Reinvestment Act.

Effective May 20, 2010 the City of West Des Moines completed a voluntary annexation which added approximately 7 square miles to the City's corporate limits. With this annexation the City now spans into Madison County, in addition to Polk, Dallas, and Warren counties.

In July of 2010 the 105th Street/Alice Road Bridge over I-80 was completed and opened for traffic. The project cost approximately \$4,400,000 and was funded jointly by the City of West Des Moines, City of Waukee and Federal Grants. The estimated traffic that will utilize the bridge is 34,800 trips per day.

The City is currently undergoing an analysis of employee compensation and benefits. This review is being completed by a private consulting firm, with an anticipated completion date of January 2011.

Awards

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of West Des Moines for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. This was the seventeenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements.

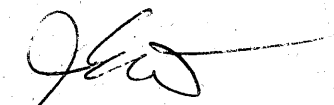
A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Additionally, for the twelfth consecutive year, the City received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated January 31, 2010. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged and deemed proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

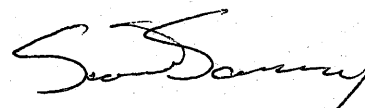
Acknowledgements

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

Respectfully submitted,



Jody E. Smith
Interim City Manager



Scott Sanders
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of West Des Moines
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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



President

Executive Director

City of West Des Moines, Iowa

List of Principal Officials
June 30, 2010

Elected Officials

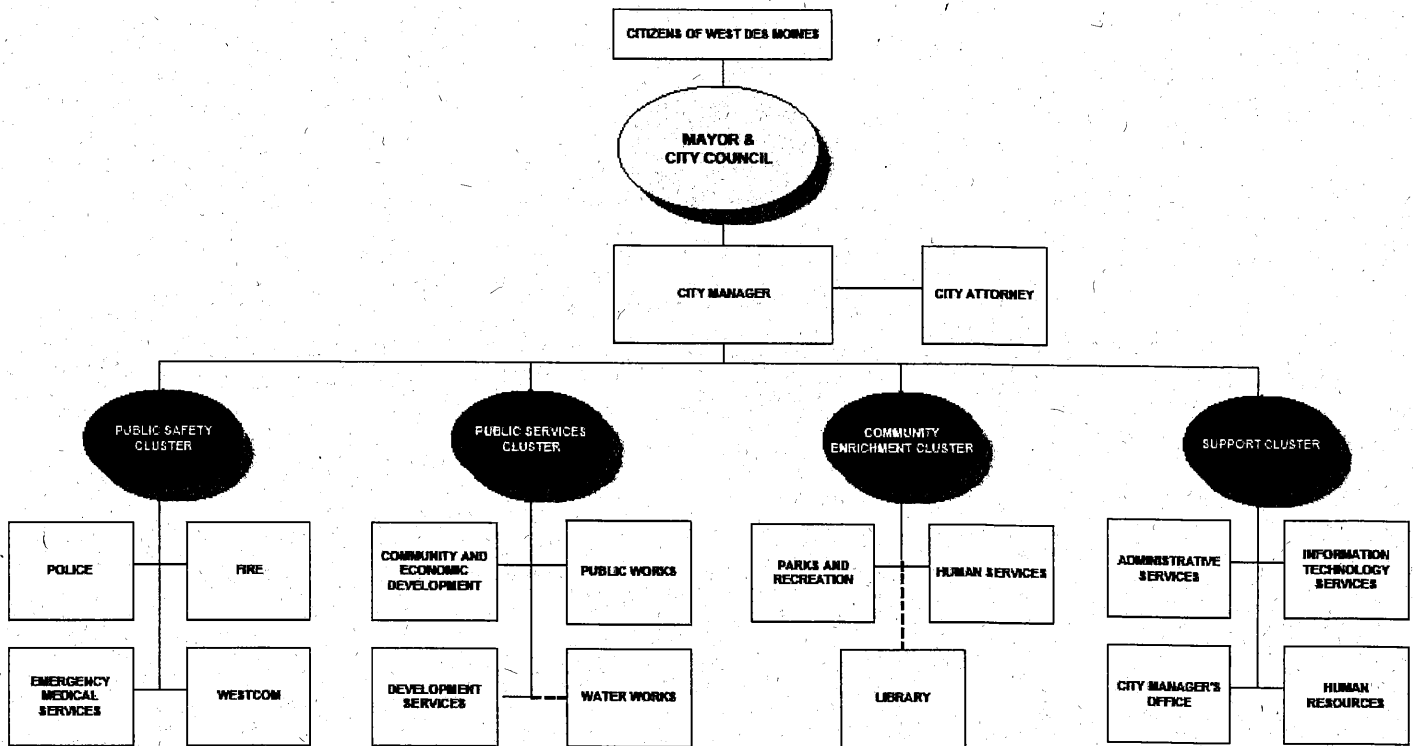
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|-------------------|-------------------------|----------------------------|
| Steven K. Gaer | Mayor | Term Expires January, 2014 |
| Ted Ohmart | Councilmember, At Large | Term Expires January, 2014 |
| Jim Sandager | Councilmember, At Large | Term Expires January, 2012 |
| Charles Schneider | Councilmember, Ward 2 | Term Expires January, 2012 |
| Kevin Trevillyan | Councilmember, Ward 1 | Term Expires January, 2014 |
| Russ Trimble | Councilmember, Ward 3 | Term Expires January, 2014 |

Appointed Officials

Jeffrey A. Pomeranz, City Manager
Jody E. Smith, City Clerk
Richard J. Scieszinski, City Attorney

City of West Des Moines, Iowa

Organizational Chart
June 30, 2010



---- Indicates Reports to Board

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, 2010, 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, 2010, 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 November 10, 2010 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, modified approach information and schedule of funding progress for the retiree health plan on pages 3 through 14 and 54 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Des Moines, Iowa's financial statements as a whole. 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements 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 do not express an opinion or provide any assurance on them.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 10, 2010

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2010

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, 2010. 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, 2010 by \$458,798,817 (net assets). Of this amount, \$60,717,805 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. For the fiscal year ended June 30, 2009, assets exceeded liabilities by \$433,815,037. Of this amount, \$51,241,157 was unrestricted.
- The City's total net assets increased by \$24,983,780 during the fiscal year ended June 30, 2010. Governmental activities increased \$19,314,047 and business-type activities increased \$5,669,733. Thus, the City continues to be able to report positive balances in all three categories of net assets; for the government as a whole, as well as its separate governmental and business-type activities.
- As of the close of the current fiscal year, the City of West Des Moines' governmental funds reported combined ending fund balances of \$78,696,615, an increase of \$39,458,839. It should be noted that as a result of advance refunding bonds issued by the City, \$33,525,293 of this fund balance is in an escrow account restricted for the retirement of debt on June 1, 2011. The unreserved portion of West Des Moines' fund balance, which is available for spending at the City's discretion, increased by \$2,140,005 to a total of \$27,119,754.
- The City of West Des Moines' issued \$54,965,000 in bonds during the current year. Of this amount \$41,465,000 was issued to refund existing outstanding debt which had been issued when interest rates were much higher than the current market. These refunding issues will result in a net present value savings to West Des Moines taxpayers of \$2,909,473.
- The City of West Des Moines is now rated "Aaa" by Moody's Investor Services, the highest rating available from Moody's. The change came about in July of 2010 when Moody's recalibrated its long-term U.S. municipal ratings to move them from a separate municipal rating scale to its global rating scale. Basically, they started evaluating cities the same way they evaluate other entities, including the private sector. West Des Moines was the only City in Iowa to move to an "Aaa" rating, joining Cedar Rapids, Iowa City, and Ames as the only other Iowa municipalities with this rating.

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.

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2010

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, government fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements, and is typically the basis used in developing the next annual budget.

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

The City 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, Road Use Tax Fund, Tax Increment Financing Fund, and Capital Projects Fund, all of which are considered to be major funds. Data from the other eight 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.

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2010

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

The basic governmental fund financial statements can be found on pages 20 through 23 of this report.

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. These services predominantly benefit governmental rather than business-type functions. Thus this activity is primarily reflected in governmental activities in the government-wide financial statements, rather than business-type activity, as is the case with other proprietary funds.

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 statements 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.

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2010

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 \$458,798,817 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 | |
|---|----------------------------|-------------------|-----------------------------|------------------|-------------------|-------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Assets | | | | | | |
| Current and other assets | \$ 155,799 | \$ 113,610 | \$ 37,610 | \$ 33,584 | \$ 193,409 | \$ 147,194 |
| Capital assets net of depreciation | 411,789 | 400,270 | 66,540 | 65,039 | 478,329 | 465,309 |
| Total assets | 567,588 | 513,880 | 104,150 | 98,623 | \$ 671,738 | \$ 612,503 |
| Liabilities | | | | | | |
| Current liabilities | 76,147 | 73,484 | 873 | 639 | \$ 77,020 | \$ 74,123 |
| Long-term liabilities outstanding | 134,088 | 102,357 | 1,831 | 2,208 | \$ 135,919 | \$ 104,565 |
| Total liabilities | 210,235 | 175,841 | 2,704 | 2,847 | \$ 212,939 | \$ 178,688 |
| Net Assets | | | | | | |
| Invested in capital assets, net of related debt | 302,966 | 292,459 | 64,377 | 62,494 | \$ 367,343 | \$ 354,953 |
| Restricted | 30,281 | 27,164 | 457 | 457 | \$ 30,738 | \$ 27,621 |
| Unrestricted | 24,106 | 18,416 | 36,612 | 32,825 | \$ 60,718 | \$ 51,241 |
| Total net assets | \$ 357,353 | \$ 338,039 | \$ 101,446 | \$ 95,776 | \$ 458,799 | \$ 433,815 |

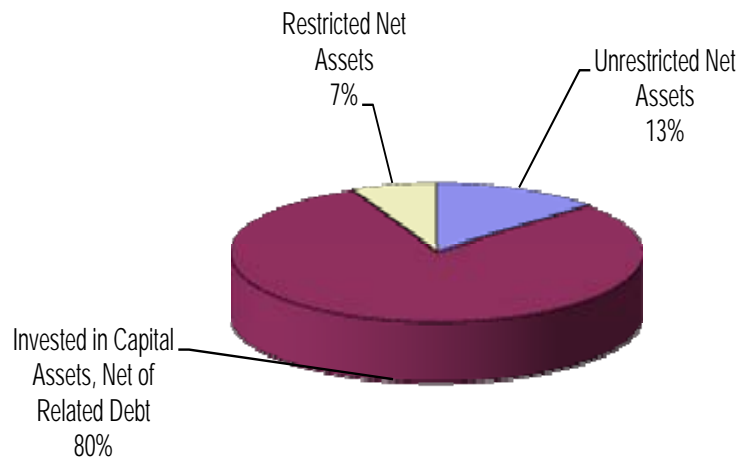
Invested in Capital Assets, Net of Related Debt:

By far the largest portion of the City's net assets (80 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 \$12,389,687 over the previous year. This increase is less than experienced in previous years and reflects slower private development growth. In response to the slowing of private investment, the City has taken on fewer new capacity infrastructure projects (capital assets). Additionally, new capital projects are often undertaken with a portion of the costs being borne by State or Federal Grant proceeds which immediately increase net assets.

Restricted Net Assets:

An additional portion of the City's net assets (7 percent or \$30,738,698) 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. An example of Restricted Assets is the purchase of escrow accounts required to advance refund high interest rate debt. The City issued Series 2010A Refunding Bonds at a lower interest rate than the callable portions of Series 2002C and Series 2003A. An escrow was established with the proceeds to pay the outstanding principal payments and the associated interest payments through the call date. The purchase of that escrow account increased the City's Restricted Assets by \$33,525,293; as evidenced in the "Current and other assets" total shown above. However, until the call date of June 1, 2011, the Refunded Series 2002C and Series 2003A outstanding principal payments remain as Long-term liabilities at June 30, 2010.

Net Assets as of June 30, 2010



Unrestricted net assets:

The remaining balance is unrestricted net assets (13 percent or \$60,717,805) which may be used to meet the City's ongoing obligations to citizens and creditors. The increase of approximately \$9,477,000 was deliberate in that the City purposely set aside funds for a possible reduction in tax rates and for future known increases to pension fund obligations. These additional unrestricted net assets will cushion the City from future economic downturns impacting operational revenues or expenditures

Governmental activities:

Revenues in the current year decreased by \$4,354,247, or 5 percent. This is largely the result of a decrease in development activity. This decrease in development activity is reflected in the Charges for Services revenue category shown on the following page. Charges for Services in governmental activities include revenue from building permits, development plan reviews, traffic studies, developer paid inspections, and special assessments charged to properties directly benefiting from the City's construction of infrastructure. Among the changes in this category, building permit revenue was down 46 percent and special assessment revenue decreased by 72 percent, or \$591,822. It should be noted that special assessments were atypically high in the previous year as the City had completed a very large paving assessment. While the Capital Grants and Contributions revenue category also experienced a significant decrease of \$1,202,388 this is largely a timing issue. This category is primarily comprised of grant revenue which is received on a reimbursement basis for the construction of street infrastructure. As a result of a very wet spring and summer the completion of construction contracts was delayed and, thus, grant reimbursements for capital outlay costs were delayed.

The most notable decrease in expenditures in governmental activities was a decrease of \$702,068 in Interest on Long-Term Debt. This occurred following the "call" and retirement of \$4,035,000 in general obligation bonds on June 1, 2009. This trend is expected to continue as the City refunded numerous high interest bonds during the current year. (See Long-Term Debt section on page 13 for additional detail.)

City of West Des Moines, Iowa

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2010

Business-type activities:

Charges for Services increased by \$462,859, or approximately 4 percent, in the current year. Expenses saw a similar moderate increase based on sewer and solid waste usage. Historically, Charges for Services have increased by about 10 percent. However, a reduction in development activity and growth impacted the business-type activities as development related connection fees and new customer accounts were down.

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|----------------------------|---------------|-----------------------------|---------------|---------------|----------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 6,242 | \$ 8,568 | \$ 10,882 | \$ 10,419 | \$ 17,124 | \$ 18,987 |
| Operating grants and contributions | 8,896 | 9,249 | 9 | 284 | 8,905 | 9,533 |
| Capital grants and contributions | 4,188 | 5,391 | 3,042 | 5,640 | 7,230 | 11,031 |
| General revenues: | | | | | | |
| Property taxes | 56,468 | 55,455 | - | - | 56,468 | 55,455 |
| Other taxes | 2,901 | 3,051 | - | - | 2,901 | 3,051 |
| Earnings on investments | 198 | 1,259 | 712 | 943 | 910 | 2,202 |
| Other | 1,007 | 1,282 | - | - | 1,007 | 1,282 |
| Total revenues | 79,900 | 84,255 | 14,645 | 17,286 | 94,545 | 101,541 |
| Expenses: | | | | | | |
| General government | 5,426 | 4,967 | - | - | 5,426 | 4,967 |
| Public safety | 23,683 | 21,770 | - | - | 23,683 | 21,770 |
| Public works | 10,511 | 13,375 | - | - | 10,511 | 13,375 |
| Health and social services | 1,114 | 1,092 | - | - | 1,114 | 1,092 |
| Culture and recreation | 9,356 | 9,309 | - | - | 9,356 | 9,309 |
| Community and economic development | 5,836 | 6,487 | - | - | 5,836 | 6,487 |
| Interest on long-term debt | 4,552 | 5,254 | - | - | 4,552 | 5,254 |
| Sanitary sewer | - | - | 6,514 | 5,960 | 6,514 | 5,960 |
| Solid waste | - | - | 1,549 | 1,571 | 1,549 | 1,571 |
| Storm water | - | - | 1,020 | 922 | 1,020 | 922 |
| Total expenses | 60,478 | 62,254 | 9,083 | 8,453 | 69,561 | 70,707 |
| Excess before transfers and special item | 19,422 | 22,001 | 5,562 | 8,833 | 24,984 | 30,834 |
| Transfers | (108) | 467 | 108 | (467) | - | - |
| Change in net assets | 19,314 | 22,468 | 5,670 | 8,366 | 24,984 | 30,834 |
| Net assets, beginning of year | 338,039 | 315,571 | 95,776 | 87,410 | 433,815 | 402,981 |
| Net assets, end of year | \$ 357,353 | \$ 338,039 | \$ 101,446 | \$ 95,776 | \$ 458,799 | \$ 433,815 |

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.

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 \$78,696,615 as of June 30, 2010. Of this total \$27,119,754 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 \$14,461,194, and 2) to fund debt service payments totaling \$37,115,667. This reserve for debt service payments includes the \$33,525,293 held in escrow for the retirement of high interest rate general obligation bonds that will be called on June 1, 2011.

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 decreased by \$837,862, or 5 percent, to \$14,890,544. 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, 2010 represents approximately 32 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. The City began implementing cost saving measures late in fiscal year 2009 in anticipation of the impact that the poor national economy would likely have on our local economy and City finances.

During the current fiscal year General Fund revenue saw a decrease in Licenses and Permits, as well as Charges for Services, both of which resulted primarily from reduced development activity. Use of Money and Property, which is comprised primarily of interest income on investments, decreased for the second straight year. While the economic down turn had been slow in affecting the local economy the City experienced an immediate impact from the financial crisis in the banking industry; finding it difficult to find suitable options for investing idle funds. Thus, interest earning decreased by \$775,549 in fiscal year 2009 and by an additional \$761,861 in the current fiscal year. As a result of a strong tax base property tax collections increased and the General Fund saw an overall *decrease* in revenue of just 1 percent. However, General Fund expenditures *increased* by 5 percent. The most significant increases were in the areas of Public Safety (i.e. police, fire, emergency medical services) and General Government, which includes the cost of the City's insurance policies. These functional areas increased by 7 and 9 percent respectively.

The Tax Increment Financing (TIF) Fund had a fund balance of \$3,311,336 at June 30, 2010; an increase of \$1,241,355. Since property taxes in the State of Iowa are collected in arrears, the city continues to benefit from past growth in these areas. The property taxes collected in these special financing districts are generally transferred from the Tax Increment Financing Fund to other funds to cover bonded debt, other loans, advances and contracts used to finance infrastructure improvements in these TIF districts.

The Debt Service Fund increased from a fund balance of \$3,994,661 at June 30, 2009 to \$37,115,667 at June 30, 2010. This fund balance is reserved for the payment of debt (i.e. payment of general obligation principal and interest). The restricted fund balance includes the \$33,525,293 being held in escrow from an advanced refunding bond issue, the proceeds of which will be used to retire high interest rate bonds on June 1, 2011.

City of West Des Moines, Iowa

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2010

The Capital Project Fund saw little change in fund balance, increasing by less than 1 percent to a fund balance of \$5,855,699. The entire fund balance is reserved for the liquidation of construction contracts that have been entered into by the City.

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 \$79,542,369. This is comprised of: \$46,785,686 invested in capital assets, net of related debt; \$457,920 restricted for debt service; and \$32,298,763 in unrestricted net assets. This increase in net assets of \$2,163,286, or 3 percent, included a 50 cent per month increase in sewer availability charges for each customer account. Total net assets of the Storm Water Fund at the end of the current year were \$21,078,704, with \$17,590,613 invested in capital assets net of related debt and \$3,488,091 in unrestricted net assets. Total net assets of the Solid Waste Fund at the end of the current year were \$621,398 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.

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. The City did not exceed the legal budget in any of these functional areas.

During the year there were two budget amendments, one on March 22, 2010 and one on May 17, 2010. This is a routine occurrence for the City, primarily due to changes in the timing of capital improvement projects and related grant and other receipts for these projects. With a June 30 fiscal year end which falls in the middle of the "construction season" in Iowa it is difficult to judge, in advance, that portion of construction projects which will be underway as of June 30th. Budget amendment #1 also routinely adjusts projected fiscal year beginning balances to equal actual audited fund balances. In the current year amendment #1 also included: a decrease in budgeted investment income as interest rates continued to fall below even the level of the previous year's decrease; an increase in expenditures for the carry over of unspent funds from the prior year for the purchase of new building permit software; the City's decision to take advantage of the current economic climate by refunding high interest rate bonds; and miscellaneous other changes. Budget amendment #2 included, in addition to changes as a result of the timing of construction projects: an increase in revenues and expenditures to cover new grants received; an increase in expenditures to cover higher than expected street maintenance needed as a result of extreme winter weather conditions; the decision to refund additional bonds outstanding; and miscellaneous other changes. Budgetary comparison schedules on pages 55 through 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, 2010, amounts to \$478,329,293 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings (e.g. recreation trails, athletic fields, parking lots), vehicles and equipment, and infrastructure (e.g. roads, bridges, sanitary and storm sewer lines). The total increase in the City of West Des Moines' capital assets for the current fiscal year was 2.8 percent; slightly below the previous year's increase of 3.3 percent.

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2010

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 condition assessments)

| Street subsystem: | 2006 | 2007 | 2009 |
|----------------------------|---------------|---------------|---------------|
| Goal | 78-80 | 78-80 | 78-80 |
| Actual | 80.91 | 80.90 | 80.80 |
| Bridge and culvert: | 2005 | 2007 | 2009 |
| Goal | 81 or greater | 81 or greater | 81 or greater |
| Actual | 91.0 | 93.8 | 93.8 |
| Levee subsystem: | 2006 | 2007 | 2009 |
| 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.

City of West Des Moines, Iowa

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2010

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

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

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 | |
|---|-------------------------|-------------------|--------------------------|------------------|-------------------|-------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Land | \$ 18,927 | \$ 16,096 | \$ 413 | \$ 411 | \$ 19,340 | \$ 16,507 |
| Buildings | 40,564 | 39,765 | - | - | 40,564 | 39,765 |
| Improvements other than buildings | 34,900 | 34,434 | - | - | 34,900 | 34,434 |
| Fiber Network | 4,126 | 3,511 | - | - | 4,126 | 3,511 |
| Equipment and vehicles | 20,996 | 19,786 | 25 | 7 | 21,021 | 19,793 |
| Construction-in-progress | 20,142 | 18,994 | 337 | 1,357 | 20,479 | 20,351 |
| Share of undivided equity interest assets | 1,290 | 1,324 | - | - | 1,290 | 1,324 |
| Infrastructure, depreciable | - | - | 93,594 | 89,352 | 93,594 | 89,352 |
| Infrastructure, nondepreciable | 309,887 | 301,391 | - | - | 309,887 | 301,391 |
| Accumulated depreciation | (50,484) | (45,591) | (27,829) | (26,088) | (78,313) | (71,679) |
| Intangibles | 11,441 | 10,560 | - | - | 11,441 | 10,560 |
| Total capital assets | \$ 411,789 | \$ 400,270 | \$ 66,540 | \$ 65,039 | \$ 478,329 | \$ 465,309 |

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 \$5,491,299
 - Grand Avenue between Fuller Road and west of Raccoon River Park \$363,669
 - Grand Avenue and Fuller Road intersection improvements \$2,385,284
 - Grand Avenue and Vine Street intersection improvements \$1,017,261
 - SW Connector relocation of Hwy 5 and Army Post Road \$1,200,7602
 - South 81st Street between Mills Civic Parkway and Cascade Avenue \$761,669
 - 105th Street and Interstate 80 interchange \$750,646
 - 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
 - Heathwood Drainage Improvements \$39,498
 - River Bank Stabilization \$48,458

City of West Des Moines, Iowa

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2010

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, 2010, the City had total bonded debt outstanding of \$143,986,308. Of this amount, \$141,822,308 comprises debt backed by the full faith and credit of the government and the remaining \$2,164,000 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 | |
|--------------------------|-------------------------|-----------------------|--------------------------|---------------------|-----------------------|-----------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| General obligation bonds | \$ 141,822,308 | \$ 107,363,905 | \$ - | \$ - | \$ 141,822,308 | \$ 107,363,905 |
| Revenue bonds | - | - | 2,164,000 | 2,545,000 | 2,164,000 | 2,545,000 |
| Total | \$ 141,822,308 | \$ 107,363,905 | \$ 2,164,000 | \$ 2,545,000 | \$ 143,986,308 | \$ 109,908,905 |

During the current fiscal year the City's total bonded debt increased by \$34,077,403. However, funds in the amount of \$33,525,293 are currently in escrow (see Restricted Assets on page 6) as a result of an advance refunding issuance dated March 4, 2010. The escrow will, on June 1, 2011, pay off \$26,140,000 in outstanding principal from Series 2003A and \$6,210,000 in outstanding principal from Series 2002C. The lower interest rate on the new debt compared to the higher interest rates on the old debt will result in \$1,746,112 in net present value savings. The percentage savings amounted to 5.4 percent of the par amount of refunded bonds which exceeded the 5 percent goal for an advance refunding to be considered by the City.

Series 2009A was issued in November of 2009 as an advance refunding of the Series 2001C debt. The net present value savings for this refunding was \$1,023,411. The percentage savings amounted to 13.3 percent of the par amount of refunded bonds which greatly exceeded the 5 percent goal for an advance refunding to be considered by the City.

Series 2010B was issued in April of 2010 as a current refunding of the Series 2001D and Series 2003C debt. The net present value savings for this refunding was \$139,950. The percentage savings amounted to 5.53 percent of the par amount of refunded bonds which greatly exceeded the 3 percent goal for a current refunding to be considered by the City.

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 \$294,266,750. With outstanding general obligation debt of \$139,415,964 (general obligation bonds plus other debt subject to the limitation), the City had utilized 47 percent of the debt limit as of June 30, 2010. As noted above, \$32,350,000 of this debt will be paid on June 1, 2011 from funds in escrow.

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. Additionally, the City received on July 19, 2010 an upgrade from Moody's Investors Service to a "Aaa" rating that represents that agency's 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. Historically, the tax base has grown between 6 percent and 9 percent annually. The budget for fiscal year ending in 2011 was built on projections that the tax base grew by 6.2 percent. Future year tax base growth assumptions will be lowered to between 2 and 4 percent annual growth. The City's tax base measured by current actual property valuation and recent population data is an extremely strong \$102,253 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, 3rd in terms of property valuations, and 4th in the collection of Hotel / Motel taxes. The City's top ten principal taxpayers represent just 13.6 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. Debt was issued to provide for construction of infrastructure in the area which has led to significant private investment. This factor, combined with a down-turn in the overall economy, has resulted in the City recognizing the need to project future revenue and expenditure levels to ensure adequate funding for services will be available in future budget cycles for operations. The City of West Des Moines has continued to budget conservatively for the fiscal year ending June 30, 2011 and goes into the new fiscal year with an unreserved general fund balance of \$14,890,544, or a very strong 32.7 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, 2011. The City's property tax rate remains at \$12.05 / \$1,000 of taxable valuation.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

City of West Des Moines, Iowa
STATEMENT OF NET ASSETS
June 30, 2010

| ASSETS | Primary Government | | |
|---|------------------------------------|-------------------------------------|--------------------|
| | Governmental Activities | Business-type Activities | Total |
| Current assets | | | |
| Cash and investments | \$ 58,871,997 | \$ 30,119,216 | \$ 88,991,213 |
| Receivables | | | |
| Property taxes | 56,650,681 | - | 56,650,681 |
| Accounts and unbilled usage | 749,821 | 2,692,302 | 3,442,123 |
| Interest | 22,440 | 841,259 | 863,699 |
| Special assessments | 1,004,720 | 25,632 | 1,030,352 |
| Loans | 96,436 | - | 96,436 |
| Prepaid expense | 786,059 | - | 786,059 |
| Internal balances | (528,031) | 528,031 | - |
| Due from other governments | 3,855,967 | 2,945,187 | 6,801,154 |
| Inventories | 42,630 | - | 42,630 |
| Total current assets | <u>121,552,720</u> | <u>37,151,627</u> | <u>158,704,347</u> |
| Noncurrent assets | | | |
| Restricted cash and investments | 33,525,293 | 457,920 | 33,983,213 |
| Bond issuance costs | 721,051 | - | 721,051 |
| | <u>34,246,344</u> | <u>457,920</u> | <u>34,704,264</u> |
| Capital assets | | | |
| Nondepreciable | | | |
| Land | 18,926,729 | 413,178 | 19,339,907 |
| Infrastructure | 309,887,182 | - | 309,887,182 |
| Construction-in-progress | 20,142,158 | 337,212 | 20,479,370 |
| Intangibles | 10,766,256 | - | 10,766,256 |
| Depreciable | | | |
| Buildings | 40,563,811 | - | 40,563,811 |
| Equipment and vehicles | 20,996,314 | 24,894 | 21,021,208 |
| Fiber network | 4,125,825 | - | 4,125,825 |
| Improvements other than buildings | 34,900,222 | - | 34,900,222 |
| Share of undivided equity interest assets | 1,289,958 | - | 1,289,958 |
| Intangibles | 674,341 | - | 674,341 |
| Infrastructure | - | 93,593,581 | 93,593,581 |
| Accumulated depreciation | (50,483,802) | (27,828,566) | (78,312,368) |
| Net capital assets | <u>411,788,994</u> | <u>66,540,299</u> | <u>478,329,293</u> |
| Total noncurrent assets | <u>446,035,338</u> | <u>66,998,219</u> | <u>513,033,557</u> |
| Total assets | <u>567,588,058</u> | <u>104,149,846</u> | <u>671,737,904</u> |

See Notes to Basic Financial Statements.

| LIABILITIES | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| Current liabilities | | | |
| Accounts payable | \$ 2,049,783 | \$ 364,401 | \$ 2,414,184 |
| Claims payable | 523,028 | — | 523,028 |
| Accrued wages payable | 1,292,271 | 31,548 | 1,323,819 |
| Interest payable | 479,388 | 5,670 | 485,058 |
| Unearned revenue | 58,132,469 | — | 58,132,469 |
| Compensated absences | 750,465 | 78,686 | 829,151 |
| General obligation bonds | 12,840,000 | — | 12,840,000 |
| Capital lease payable | 79,952 | — | 79,952 |
| Revenue notes payable | — | 393,000 | 393,000 |
| Total current liabilities | <u>76,147,356</u> | <u>873,305</u> | <u>77,020,661</u> |
| Noncurrent liabilities | | | |
| Compensated absences | 4,258,669 | 45,187 | 4,303,856 |
| General obligation bonds | 128,982,308 | — | 128,982,308 |
| Capital lease payable | 205,685 | — | 205,685 |
| Installment contracts | 240,327 | — | 240,327 |
| Revenue notes payable | — | 1,771,000 | 1,771,000 |
| Net OPEB liability | 400,384 | 14,866 | 415,250 |
| Total noncurrent liabilities | <u>134,087,373</u> | <u>1,831,053</u> | <u>135,918,426</u> |
| Total liabilities | <u>210,234,729</u> | <u>2,704,358</u> | <u>212,939,087</u> |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 302,966,015 | 64,376,299 | 367,342,314 |
| Restricted for | | | |
| Debt service | 3,590,374 | 457,920 | 4,048,294 |
| Purpose restricted by legislation | 26,690,404 | — | 26,690,404 |
| Unrestricted | <u>24,106,536</u> | <u>36,611,269</u> | <u>60,717,805</u> |
| Total net assets | <u>\$357,353,329</u> | <u>\$101,445,488</u> | <u>\$458,798,817</u> |

City of West Des Moines, Iowa
STATEMENT OF ACTIVITIES
Year ended June 30, 2010

| <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 | \$23,683,353 | \$ 3,859,194 | \$2,863,503 | \$ 1,960 |
| Public works | 10,511,602 | 298,400 | 4,666,008 | 3,910,682 |
| Health and social services | 1,113,846 | - | 304,591 | - |
| Culture and recreation | 9,355,663 | 1,336,498 | 172,253 | - |
| Community and economic development | 5,836,209 | 485,277 | 579,077 | 216,525 |
| General government | 5,425,921 | 262,331 | 310,950 | 58,825 |
| Interest on long-term debt | <u>4,551,673</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total governmental activities | <u>60,478,267</u> | <u>6,241,700</u> | <u>8,896,382</u> | <u>4,187,992</u> |
| Business-type activities | | | | |
| Sewer system | 6,513,514 | 7,131,407 | 8,673 | 855,392 |
| Solid waste system | 1,549,437 | 1,679,223 | - | - |
| Storm water system | <u>1,020,304</u> | <u>2,071,169</u> | <u>-</u> | <u>2,187,157</u> |
| Total business-type activities | <u>9,083,255</u> | <u>10,881,799</u> | <u>8,673</u> | <u>3,042,549</u> |
| Total primary government | <u>\$69,561,522</u> | <u>\$17,123,499</u> | <u>\$8,905,055</u> | <u>\$7,230,541</u> |
| | | General revenues | | |
| | | Taxes | | |
| | | Property taxes | | |
| | | Franchise tax | | |
| | | Other City taxes | | |
| | | Hotel/Motel tax | | |
| | | Grants not restricted to specific programs | | |
| | | Investment earnings | | |
| | | 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> |
|------------------------------------|-------------------------------------|----------------------|
| \$ (16,958,696) | \$ — | \$ (16,958,696) |
| (1,636,512) | — | (1,636,512) |
| (809,255) | — | (809,255) |
| (7,846,912) | — | (7,846,912) |
| (4,555,330) | — | (4,555,330) |
| (4,793,815) | — | (4,793,815) |
| <u>(4,551,673)</u> | <u>—</u> | <u>(4,551,673)</u> |
| <u>(41,152,193)</u> | <u>—</u> | <u>(41,152,193)</u> |
| — | 1,481,958 | 1,481,958 |
| — | 129,786 | 129,786 |
| <u>—</u> | <u>3,238,022</u> | <u>3,238,022</u> |
| <u>—</u> | <u>4,849,766</u> | <u>4,849,766</u> |
| <u>(41,152,193)</u> | <u>4,849,766</u> | <u>(36,302,427)</u> |
| 56,467,707 | — | 56,467,707 |
| 300,198 | — | 300,198 |
| 150,596 | — | 150,596 |
| 2,450,583 | — | 2,450,583 |
| 1,007,460 | — | 1,007,460 |
| 197,707 | 711,956 | 909,663 |
| <u>(108,011)</u> | <u>108,011</u> | <u>—</u> |
| <u>60,466,240</u> | <u>819,967</u> | <u>61,286,207</u> |
| 19,314,047 | 5,669,733 | 24,983,780 |
| <u>338,039,282</u> | <u>95,775,755</u> | <u>433,815,037</u> |
| <u>\$357,353,329</u> | <u>\$101,445,488</u> | <u>\$458,798,817</u> |

City of West Des Moines, Iowa
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2010

| | <u>General</u> | <u>Road Use Tax</u> | <u>Tax Increment Financing</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|-------------------------|--|-------------------------|-----------------------------|--|---|
| ASSETS | | | | | | | |
| Cash and investments | \$15,413,488 | \$11,784,505 | \$ 3,236,597 | \$ 3,546,611 | \$ 7,548,081 | \$ 4,835,755 | \$ 46,365,037 |
| Cash held in escrow | - | - | - | 33,525,293 | - | - | 33,525,293 |
| Receivables | | | | | | | |
| Property taxes | 31,511,585 | - | 10,841,036 | 8,206,181 | 4,983 | 6,086,896 | 56,650,681 |
| Accounts | 552,482 | - | - | - | - | 183,464 | 735,946 |
| Loans | - | - | - | - | - | 96,436 | 96,436 |
| Special assessments | 15,537 | - | - | - | 989,183 | - | 1,004,720 |
| Due from other funds | 118,538 | - | - | - | - | - | 118,538 |
| Due from other governments | 1,168,505 | 815,137 | - | - | 1,713,260 | 159,065 | 3,855,967 |
| Interest | 10,107 | - | - | - | - | - | 10,107 |
| Prepaid expenses | <u>52,250</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>52,250</u> |
| Total assets | <u>\$48,842,492</u> | <u>\$12,599,642</u> | <u>\$14,077,633</u> | <u>\$45,278,085</u> | <u>\$10,255,507</u> | <u>\$11,361,616</u> | <u>\$142,414,975</u> |
| LIABILITIES AND FUND EQUITY | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | \$ 595,309 | \$ 60,686 | \$ - | \$ 200 | \$1,206,427 | \$ 107,429 | \$ 1,970,051 |
| Accrued wages payable | 1,287,521 | - | - | - | - | 4,750 | 1,292,271 |
| Due to other funds | - | - | - | - | 528,031 | 118,538 | 646,569 |
| Deferred revenue | <u>32,064,168</u> | <u>-</u> | <u>10,766,297</u> | <u>8,162,218</u> | <u>2,665,350</u> | <u>6,151,436</u> | <u>59,809,469</u> |
| Total liabilities | <u>33,946,998</u> | <u>60,686</u> | <u>10,766,297</u> | <u>8,162,418</u> | <u>4,399,808</u> | <u>6,382,153</u> | <u>63,718,360</u> |
| Fund Equity | | | | | | | |
| Fund balances | | | | | | | |
| Reserved from debt service | - | - | - | 37,115,667 | - | - | 37,115,667 |
| Reserved for encumbrances | 4,950 | - | - | - | 14,456,244 | - | 14,461,194 |
| Unreserved, undesignated, reported in | | | | | | | |
| General Fund | 14,890,544 | - | - | - | - | - | 14,890,544 |
| Special revenue funds | - | 12,538,956 | 3,311,336 | - | - | 4,979,463 | 20,829,755 |
| Capital Projects Fund | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(8,600,545)</u> | <u>-</u> | <u>(8,600,545)</u> |
| Total fund equity | <u>14,895,494</u> | <u>12,538,956</u> | <u>3,311,336</u> | <u>37,115,667</u> | <u>5,855,699</u> | <u>4,979,463</u> | <u>78,696,615</u> |
| Total liabilities and fund equity | <u>\$48,842,492</u> | <u>\$12,599,642</u> | <u>\$14,077,633</u> | <u>\$45,278,085</u> | <u>\$10,255,507</u> | <u>\$11,361,616</u> | <u>\$142,414,975</u> |

City of West Des Moines, Iowa
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2010

| | | |
|--|--------------------|----------------------|
| Total governmental funds balances | | \$ 78,696,615 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is \$449,798,273 and the accumulated depreciation is \$42,895,983. | | 406,902,290 |
| Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds, deferred revenue. | | 1,677,000 |
| Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets | | |
| Capital assets | 12,474,523 | |
| Accumulated depreciation | (7,587,819) | |
| Other current assets | 13,512,624 | |
| Other current liabilities | <u>(602,760)</u> | 17,796,568 |
| Internal service funds allocated to business-type activities | | (203,017) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds | | |
| Compensated absences | (5,009,134) | |
| Other postemployment benefits payable | (400,384) | |
| Accrued interest payable | (479,388) | |
| General obligation bonds payable | (138,890,000) | |
| Capital lease obligations | (285,637) | |
| Installment contracts | (240,327) | |
| Bond issuance costs | 721,051 | |
| Bond discounts | 352,051 | |
| Bond premiums | <u>(3,284,359)</u> | (147,516,127) |
| Net assets of governmental activities | | <u>\$357,353,329</u> |

City of West Des Moines, Iowa
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES—GOVERNMENTAL FUNDS
Year ended June 30, 2010

| | <u>General</u> | <u>Road Use Tax</u> | <u>Tax Increment Financing</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|-------------------------|--|-------------------------|-----------------------------|--|---|
| REVENUES | | | | | | | |
| Property taxes | \$29,474,179 | \$ — | \$12,870,419 | \$7,851,203 | \$ — | \$5,700,680 | \$55,896,481 |
| Other City taxes | 3,149,929 | — | — | 94,835 | — | 77,242 | 3,322,006 |
| Special assessments | — | — | — | — | 219,979 | — | 219,979 |
| Licenses and permits | 1,017,766 | — | — | — | — | — | 1,017,766 |
| Intergovernmental | 4,127,330 | 4,882,788 | — | — | 2,276,678 | 625,781 | 11,912,577 |
| Charges for services | 3,694,455 | — | — | — | — | — | 3,694,455 |
| Use of money and property | 105,277 | — | — | 35,797 | — | 1,002 | 142,076 |
| Miscellaneous | 797,650 | — | — | — | 15,220 | 919,755 | 1,732,625 |
| Total revenues | <u>42,366,586</u> | <u>4,882,788</u> | <u>12,870,419</u> | <u>7,981,835</u> | <u>2,511,877</u> | <u>7,324,460</u> | <u>77,937,965</u> |
| EXPENDITURES | | | | | | | |
| Current operating | | | | | | | |
| Public safety | 20,485,078 | — | — | — | 2,456 | 1,400,929 | 21,888,463 |
| Public works | 7,109,045 | 624,608 | — | — | 1,505,541 | — | 9,239,194 |
| Health and social services | 836,020 | — | — | — | — | 256,405 | 1,092,425 |
| Culture and recreation | 6,772,610 | — | — | — | 19,339 | 289 | 6,792,238 |
| Community and economic development | 4,238,611 | — | 1,049,595 | — | 7,521 | 423,195 | 5,718,922 |
| General government | 5,131,798 | — | — | — | — | — | 5,131,798 |
| Debt service | | | | | | | |
| Principal | 22,644 | — | — | 23,260,000 | — | 12,684 | 23,295,328 |
| Interest and other charges | 1,264 | — | — | 4,543,959 | 216,834 | 62 | 4,762,119 |
| Capital outlay | 972,247 | — | — | — | 16,612,903 | 384,947 | 17,970,097 |
| Total expenditures | <u>45,569,317</u> | <u>624,608</u> | <u>1,049,595</u> | <u>27,803,959</u> | <u>18,364,594</u> | <u>2,478,511</u> | <u>95,890,584</u> |
| Excess (deficiency) of revenues over expenditures | (3,202,731) | 4,258,180 | 11,820,824 | (19,822,124) | (15,852,717) | 4,845,949 | (17,952,619) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | 13,789,575 | — | 1,620,989 | 50,140,878 | 15,372,357 | 3,669,547 | 84,593,346 |
| Transfers out | (11,448,339) | (1,616,356) | (12,200,458) | (127,357) | (54,459,171) | (5,248,449) | (85,100,130) |
| General obligation bonds issued | — | — | — | — | 54,965,000 | — | 54,965,000 |
| Premium net of discount on general obligation bonds issued | — | — | — | 2,929,609 | — | — | 2,929,609 |
| Proceeds from sale of capital assets | 23,633 | — | — | — | — | — | 23,633 |
| Total other financing sources (uses) | <u>2,364,869</u> | <u>(1,616,356)</u> | <u>(10,579,469)</u> | <u>52,943,130</u> | <u>15,878,186</u> | <u>(1,578,902)</u> | <u>57,411,458</u> |
| NET CHANGE IN FUND BALANCES | (837,862) | 2,641,824 | 1,241,355 | 33,121,006 | 25,469 | 3,267,047 | 39,458,839 |
| FUND BALANCES, beginning of year | <u>15,733,356</u> | <u>9,897,132</u> | <u>2,069,981</u> | <u>3,994,661</u> | <u>5,830,230</u> | <u>1,712,416</u> | <u>39,237,776</u> |
| FUND BALANCES, end of year | <u>\$14,895,494</u> | <u>\$12,538,956</u> | <u>\$ 3,311,336</u> | <u>\$37,115,667</u> | <u>\$ 5,855,699</u> | <u>\$4,979,463</u> | <u>\$78,696,615</u> |

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2010

Net change in fund balances—governmental funds \$39,458,839

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 | 16,026,244 |
| Depreciation | (5,512,495) |

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 | 1,943,853 |
| Proceeds from sale of capital assets | (23,633) |
| Loss on the sale of capital assets | (141,507) |

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

| | |
|---|-----------|
| Change in deferred revenue, capital grants. | 1,677,000 |
|---|-----------|

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:

(1,007,245)

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 | 23,361,814 |
| Write up of installment contract | (1,498) |
| Interest | (155,390) |
| Issuance of long-term debt | (54,965,000) |
| Amortization of bond issuance costs, discounts and premiums, including new issue amounts | (2,628,775) |

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

1,281,840

Change in net assets of governmental activities

\$19,314,047

City of West Des Moines, Iowa
STATEMENT OF NET ASSETS—PROPRIETARY FUNDS
June 30, 2010

| | <u>Sewer System</u> | <u>Storm Water System</u> | <u>Nonmajor Enterprise Fund Solid Waste</u> | <u>Total Enterprise Funds</u> | <u>Internal Service Funds</u> |
|---------------------------------|-------------------------|-----------------------------------|---|---------------------------------------|---------------------------------------|
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and investments | \$26,474,387 | \$ 3,079,506 | \$ 362,306 | \$ 29,916,199 | \$12,709,977 |
| Receivables | | | | | |
| Accounts and unbilled usage | 1,751,583 | 526,753 | 413,966 | 2,692,302 | 13,875 |
| Special assessments | 25,632 | — | — | 25,632 | — |
| Interest | 840,162 | 1,097 | — | 841,259 | 12,333 |
| Prepaid expense | — | — | — | — | 733,809 |
| Due from other funds | 528,031 | — | — | 528,031 | — |
| Due from other governments | 2,945,187 | — | — | 2,945,187 | — |
| Inventories | — | — | — | — | 42,630 |
| Total current assets | <u>32,564,982</u> | <u>3,607,356</u> | <u>776,272</u> | <u>36,948,610</u> | <u>13,512,624</u> |
| Noncurrent assets | | | | | |
| Restricted cash and investments | <u>457,920</u> | <u>—</u> | <u>—</u> | <u>457,920</u> | <u>—</u> |
| Capital assets | | | | | |
| Nondepreciable | | | | | |
| Land | 411,278 | 1,900 | — | 413,178 | — |
| Construction-in-progress | 206,382 | 130,830 | — | 337,212 | — |
| Depreciable | | | | | |
| Equipment and vehicles | 6,977 | 17,917 | — | 24,894 | 12,474,523 |
| Infrastructure | 75,100,829 | 18,492,752 | — | 93,593,581 | — |
| Accumulated depreciation | (26,775,780) | (1,052,786) | — | (27,828,566) | (7,587,819) |
| Net capital assets | <u>48,949,686</u> | <u>17,590,613</u> | <u>—</u> | <u>66,540,299</u> | <u>4,886,704</u> |
| Total noncurrent assets | <u>49,407,606</u> | <u>17,590,613</u> | <u>—</u> | <u>66,998,219</u> | <u>4,886,704</u> |
| Total assets | <u>\$81,972,588</u> | <u>\$21,197,969</u> | <u>\$ 776,272</u> | <u>\$103,946,829</u> | <u>\$18,399,328</u> |

See Notes to Basic Financial Statements.

| | <u>Sewer System</u> | <u>Storm Water System</u> | <u>Nonmajor Enterprise Fund Solid Waste</u> | <u>Total Enterprise Funds</u> | <u>Internal Service Funds</u> |
|---|-------------------------|-----------------------------------|---|---------------------------------------|---------------------------------------|
| LIABILITIES AND NET ASSETS | | | | | |
| Liabilities | | | | | |
| Current | | | | | |
| Accounts payable | \$ 189,273 | \$ 20,254 | \$ 154,874 | \$ 364,401 | \$ 79,732 |
| Claims payable | — | — | — | — | 523,028 |
| Compensated absences | 47,756 | 30,930 | — | 78,686 | — |
| Accrued wages payable | 15,589 | 15,959 | — | 31,548 | — |
| Interest payable | 5,670 | — | — | 5,670 | — |
| Revenue notes payable | <u>393,000</u> | <u>—</u> | <u>—</u> | <u>393,000</u> | <u>—</u> |
| Total current liabilities | <u>651,288</u> | <u>67,143</u> | <u>154,874</u> | <u>873,305</u> | <u>602,760</u> |
| Noncurrent | | | | | |
| Compensated absences | — | 45,187 | — | 45,187 | — |
| Revenue notes, net of current maturities | 1,771,000 | — | — | 1,771,000 | — |
| Net OPEB liability | <u>7,931</u> | <u>6,935</u> | <u>—</u> | <u>14,866</u> | <u>—</u> |
| Total noncurrent liabilities | <u>1,778,931</u> | <u>52,122</u> | <u>—</u> | <u>1,831,053</u> | <u>—</u> |
| Total liabilities | <u>2,430,219</u> | <u>119,265</u> | <u>54,874</u> | <u>2,704,358</u> | <u>602,760</u> |
| Net assets | | | | | |
| Invested in capital assets, net of related debt | 46,785,686 | 17,590,613 | — | 64,376,299 | 4,886,704 |
| Restricted for debt service | 457,920 | — | — | 457,920 | — |
| Unrestricted | <u>32,298,763</u> | <u>3,488,091</u> | <u>621,398</u> | <u>36,408,252</u> | <u>12,909,864</u> |
| Total net assets | <u>79,542,369</u> | <u>21,078,704</u> | <u>621,398</u> | <u>101,242,471</u> | <u>17,796,568</u> |
| Total liabilities and net assets | <u>\$81,972,588</u> | <u>\$21,197,969</u> | <u>\$ 776,272</u> | <u>\$103,946,829</u> | <u>\$18,399,328</u> |
| Total enterprise funds net assets | | | | \$101,242,471 | |
| Amounts reported for business-type activities in the statement of net assets are different because: | | | | | |
| Internal service funds are used by management to charge the cost of certain services to individual funds. These assets of the internal service funds are included in business-type activities in the statement of net assets. | | | | <u>203,017</u> | |
| Net assets of business-type activities | | | | <u>\$101,445,488</u> | |

City of West Des Moines, Iowa
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS—PROPRIETARY FUNDS
Year ended June 30, 2010

| | Business-Type Activities Enterprise Funds | | | | |
|--|--|-----------------------------------|---|---------------------------------------|---------------------------------------|
| | Sewer System | Storm Water System | Nonmajor Enterprise Fund Solid Waste | Total Enterprise Funds | Internal Service Funds |
| OPERATING REVENUES | | | | | |
| Charges for services | \$ 7,131,407 | \$ 2,071,169 | \$ 1,679,223 | \$ 10,881,799 | \$ 6,395,436 |
| Lease revenue | — | — | — | — | 1,467,977 |
| Total operating revenue | <u>7,131,407</u> | <u>2,071,169</u> | <u>1,679,223</u> | <u>10,881,799</u> | <u>7,863,413</u> |
| Operating expenses | | | | | |
| Cost of sales and services | 3,082,794 | 653,834 | 1,549,437 | 5,286,065 | 5,740,437 |
| Administration | 46,100 | — | — | 46,100 | — |
| Depreciation | 1,483,683 | 373,438 | — | 1,857,121 | 1,097,366 |
| Amortization | 1,273 | — | — | 1,273 | — |
| Total operating expenses | <u>4,613,850</u> | <u>1,027,272</u> | <u>1,549,437</u> | <u>7,190,559</u> | <u>6,837,803</u> |
| Operating income | <u>2,517,557</u> | <u>1,043,897</u> | <u>129,786</u> | <u>3,691,240</u> | <u>1,025,610</u> |
| Nonoperating revenues (expenses) | | | | | |
| Investment earnings | 698,906 | 13,050 | — | 711,956 | 56,633 |
| Interest expense and fiscal charges | (75,658) | — | — | (75,658) | — |
| Payments to WRA | (1,831,320) | — | — | (1,831,320) | — |
| Miscellaneous | 8,673 | — | — | 8,673 | (184,893) |
| Total nonoperating revenues (expenses) | <u>(1,199,399)</u> | <u>13,050</u> | <u>—</u> | <u>(1,186,349)</u> | <u>(128,260)</u> |
| Income before capital contributions and transfers | 1,318,158 | 1,056,947 | 129,786 | 2,504,891 | 897,350 |
| Capital contributions | 855,392 | 2,187,157 | — | 3,042,549 | — |
| Transfers in | 5,786,909 | 123,175 | — | 5,910,084 | 452,108 |
| Transfers out | (5,797,173) | (4,900) | — | (5,802,073) | (53,335) |
| Change in net assets | 2,163,286 | 3,362,379 | 129,786 | 5,655,451 | 1,296,123 |
| Total net assets, beginning 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> |
| Total net assets, end of year | <u>\$79,542,369</u> | <u>\$21,078,704</u> | <u>\$ 621,398</u> | <u>\$101,242,471</u> | <u>\$17,796,568</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, 2010

| | |
|--|--------------------|
| Change in net assets | \$5,655,451 |
| Amounts reported for proprietary activities in the statement of activities are different because internal service funds are used by management to charge the costs of various activities internally to individual funds. The net income of certain activities of internal service funds is reported with business-type activities. | <u>14,282</u> |
| Change in net assets of business-type activities | <u>\$5,669,733</u> |

City of West Des Moines, Iowa
STATEMENT OF CASH FLOWS—PROPRIETARY FUNDS
Year ended June 30, 2010

| | Business-Type Activities | | | | Internal Service Funds |
|---|---------------------------------|---------------------------|---|-------------------------------|-------------------------------|
| | Enterprise Funds | | | | |
| | Sewer System | Storm Water System | Nonmajor Enterprise Fund Solid Waste | Total Enterprise Funds | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers and users | \$ 7,110,321 | \$1,996,719 | \$1,674,111 | \$10,781,151 | \$7,864,434 |
| Payments to suppliers | (2,494,845) | (173,389) | (1,522,525) | (4,190,759) | (2,647,656) |
| Payments to claimants | — | — | — | — | (3,835,095) |
| Payments to employees | (443,753) | (458,888) | — | (902,641) | — |
| Net cash provided by operating activities | <u>4,171,723</u> | <u>1,364,442</u> | <u>151,586</u> | <u>5,687,751</u> | <u>1,381,683</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Miscellaneous | 8,673 | — | — | 8,673 | — |
| Transfers in | 5,786,909 | 123,175 | — | 5,910,084 | 452,108 |
| Transfers out | (5,797,173) | (4,900) | — | (5,802,073) | (53,335) |
| Net cash provided by (used in) noncapital financing activities | <u>(1,591)</u> | <u>118,275</u> | <u>—</u> | <u>(116,684)</u> | <u>398,773</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Purchase of capital assets | — | — | — | — | (508,530) |
| Payment on debt | (381,000) | — | — | (381,000) | — |
| Payments to WRA | (1,831,320) | — | — | (1,831,320) | — |
| Interest paid on debt | (76,351) | — | — | (76,351) | — |
| Proceeds from disposal of capital assets | (175,133) | (141,092) | — | (316,225) | — |
| Net cash (used in) capital and related financing activities | <u>(2,463,804)</u> | <u>(141,095)</u> | <u>—</u> | <u>(2,604,896)</u> | <u>(508,530)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest received | 1,034,740 | 13,833 | — | 1,048,573 | 115,750 |
| Purchase of investment securities | (5,000,000) | (995,718) | — | (5,995,718) | (6,495,056) |
| Proceeds from maturity of investment securities | 8,000,000 | 1,000,000 | — | 9,000,000 | 6,500,000 |
| Net cash provided by investing activities | <u>4,034,740</u> | <u>18,115</u> | <u>—</u> | <u>4,052,855</u> | <u>120,694</u> |
| INCREASE IN CASH AND CASH EQUIVALENTS | 5,741,068 | 1,359,740 | 151,586 | 7,252,394 | 1,392,620 |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>6,191,239</u> | <u>724,048</u> | <u>210,720</u> | <u>7,126,007</u> | <u>6,822,301</u> |
| CASH AND CASH EQUIVALENTS, end of year | <u>\$11,932,307</u> | <u>\$2,083,788</u> | <u>\$ 362,306</u> | <u>\$14,378,401</u> | <u>\$8,214,921</u> |

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
STATEMENT OF CASH FLOWS—PROPRIETARY FUNDS (continued)
Year ended June 30, 2010

| | Business-Type Activities | | | | Internal Service Funds |
|--|---------------------------------|-----------------------------------|---|---------------------------------------|---------------------------------------|
| | Enterprise Funds | | | | |
| | <u>Sewer System</u> | <u>Storm Water System</u> | <u>Nonmajor Enterprise Fund Solid Waste</u> | <u>Total Enterprise Funds</u> | |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | | | |
| Operating income | \$ 2,517,557 | \$1,043,897 | \$ 129,786 | \$3,691,240 | \$1,025,610 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | | | |
| Depreciation and amortization | 1,484,956 | 373,438 | – | 1,858,394 | 1,097,366 |
| Change in assets and liabilities | | | | | |
| Receivables | (21,086) | (74,450) | (5,112) | (100,648) | 1,021 |
| Prepaid expense | – | – | – | – | (733,809) |
| Inventories | – | – | – | – | 12,922 |
| Accounts payable | 171,463 | 8,818 | 26,912 | 207,193 | (9,618) |
| Claims payable | – | – | – | – | (11,809) |
| Compensated absences and accrued wages payable | 15,143 | 8,797 | – | 23,940 | – |
| Interest payable | (693) | – | – | (693) | – |
| OPEB liability | <u>4,383</u> | <u>3,942</u> | <u>–</u> | <u>8,325</u> | <u>–</u> |
| Net cash provided by operating activities | <u>\$ 4,171,723</u> | <u>\$1,364,442</u> | <u>\$ 151,586</u> | <u>\$5,687,751</u> | <u>\$1,381,683</u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO SPECIFIC ASSETS ON THE STATEMENT OF NET ASSETS | | | | | |
| Cash and investments | \$26,474,387 | \$3,079,506 | \$ 362,306 | \$29,916,199 | \$12,709,977 |
| Restricted cash and investments | 457,920 | – | – | 457,920 | – |
| Less items not meeting the definition of cash equivalents | (15,000,000) | (995,718) | – | (15,995,718) | (4,495,056) |
| Cash and cash equivalents at end of year | <u>\$11,932,307</u> | <u>\$2,083,788</u> | <u>\$ 362,306</u> | <u>\$14,378,401</u> | <u>\$ 8,214,921</u> |
| SCHEDULE OF NONCASH ITEMS | | | | | |
| Capital and related financing activities | | | | | |
| Donated construction by developers | <u>\$ 855,392</u> | <u>\$2,187,157</u> | <u>\$ –</u> | <u>\$ 3,042,549</u> | <u>\$ –</u> |

City of West Des Moines, Iowa
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2010

ASSETS

| | |
|---------------------------------------|-------------------|
| Cash and investments | \$ 406,456 |
| Restricted assets, contractors' bonds | <u>59,536</u> |
| Total assets | <u>\$ 465,992</u> |

LIABILITIES

| | |
|------------------------------|-------------------|
| Accounts payable | \$ 4,300 |
| Deposits and remittances due | <u>461,692</u> |
| Total liabilities | <u>\$ 465,992</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 accounting principles generally accepted in the United States of America, 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.

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

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

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

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

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

NOTE 1 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).

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 2010, the date at which a lien attaches, based on the 2009 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 2010 tax levy is budgeted and levied for the fiscal year 2011, 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, 2010 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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2009.

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 and straight line methods.

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

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

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

The City has chosen the modified approach, as defined by GASB Statement No. 34, for reporting the governmental activities infrastructure assets 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 |
| Intangibles | 5 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, 2010, the City had \$33,525,293 in unspent debt proceeds in the Debt Service 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 \$12,538,956 for road construction projects, \$170,570 for parks, \$3,082,398 for retirement benefits, \$14,456,244 for capital projects, \$232,456 for library projects, \$3,311,336 for tax increment projects and \$37,115,667 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, 2010, disbursements did not exceed the amounts budgeted in any function.

NOTE 2 CASH AND INVESTMENTS

As of June 30, 2010, the City's cash and investments were as follows:

| | |
|--|----------------------|
| Cash investments, statement of net assets | \$ 88,991,213 |
| Restricted cash and cash equivalents | 33,983,213 |
| Cash and cash equivalents, fiduciary funds | <u>406,456</u> |
| | <u>\$123,380,882</u> |
| Deposits including certificates of deposit | \$ 71,604,305 |
| Investments | <u>51,776,577</u> |
| | <u>\$123,380,882</u> |

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

NOTE 2 CASH AND INVESTMENTS (continued)

Authorized Investments: The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. However, the City's investment policy additionally limits investments in commercial paper to obligations at the time of purchase rated within the two highest ratings issued by nationally recognized statistical rating organizations with a maturity less than 270 days.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the City's investment policy, the City minimizes the 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>\$51,776,577</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, 2010, 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, 2010:

| | <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 | \$ 16,095,669 | \$ 2,831,060 | \$ - | \$ - | \$ 18,926,729 |
| Infrastructure | 301,391,416 | 206,824 | 494,835 | 8,783,777 | 309,887,182 |
| Construction-in-progress | 18,994,030 | 9,931,905 | - | (8,783,777) | 20,142,158 |
| Intangibles | <u>9,990,077</u> | <u>776,179</u> | <u>-</u> | <u>-</u> | <u>10,766,256</u> |
| Total capital assets, not being depreciated | <u>346,471,192</u> | <u>13,745,968</u> | <u>494,835</u> | <u>-</u> | <u>359,722,325</u> |
| Capital assets, being depreciated | | | | | |
| Buildings | 39,765,413 | 798,398 | - | - | 40,563,811 |
| Equipment and vehicles | 19,786,309 | 2,235,077 | 1,025,072 | - | 20,996,314 |
| Fiber network | 3,510,855 | 614,970 | - | - | 4,125,825 |
| Improvements other than buildings | 34,433,936 | 468,137 | 1,851 | - | 34,900,222 |
| Share of undivided equity interest assets | 1,323,562 | 3,105 | 36,709 | - | 1,289,958 |
| Intangibles | <u>569,899</u> | <u>104,442</u> | <u>-</u> | <u>-</u> | <u>674,341</u> |
| Total capital assets, being depreciated | <u>99,389,974</u> | <u>4,224,129</u> | <u>1,063,632</u> | <u>-</u> | <u>102,550,471</u> |
| Less accumulated depreciation for | | | | | |
| Buildings | 16,100,797 | 1,352,315 | - | - | 17,453,112 |
| Equipment and vehicles | 10,428,370 | 1,529,106 | 619,598 | - | 11,337,878 |
| Fiber network | 347,732 | 206,292 | - | - | 554,024 |
| Improvements other than buildings | 17,532,840 | 2,270,040 | - | - | 19,802,880 |
| Share of undivided equity interest assets | 745,706 | 78,551 | - | - | 824,257 |
| Intangibles | <u>435,460</u> | <u>76,191</u> | <u>-</u> | <u>-</u> | <u>511,651</u> |
| Total accumulated depreciation | <u>45,590,905</u> | <u>5,512,495</u> | <u>619,598</u> | <u>-</u> | <u>50,483,802</u> |
| Total capital assets, being depreciated, net | <u>53,799,069</u> | <u>(1,288,366)</u> | <u>444,034</u> | <u>-</u> | <u>52,066,669</u> |
| Governmental activities, capital assets, net | <u>\$400,270,261</u> | <u>\$12,457,602</u> | <u>\$ 938,869</u> | <u>\$ -</u> | <u>\$411,788,994</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 | \$ 411,278 | \$ 1,900 | \$ – | \$ 413,178 |
| Construction-in-progress | <u>1,356,630</u> | <u>225,180</u> | <u>1,244,598</u> | <u>337,212</u> |
| Total capital assets, not being depreciated | <u>1,767,908</u> | <u>227,080</u> | <u>1,244,598</u> | <u>750,390</u> |
| Capital assets, being depreciated | | | | |
| Equipment | 6,977 | 17,917 | – | 24,894 |
| Sanitary and storm sewer system | <u>89,351,690</u> | <u>4,584,491</u> | <u>342,600</u> | <u>93,593,581</u> |
| Total capital assets, being depreciated | <u>89,358,667</u> | <u>4,602,408</u> | <u>342,600</u> | <u>93,618,475</u> |
| Less accumulated depreciation for | | | | |
| Equipment | 6,977 | 3,583 | – | 10,560 |
| Sanitary and storm sewer system | <u>26,080,952</u> | <u>1,853,538</u> | <u>116,484</u> | <u>27,818,006</u> |
| Total accumulated depreciation | <u>26,087,929</u> | <u>1,857,121</u> | <u>116,484</u> | <u>27,828,566</u> |
| Total capital assets, being depreciated, net | <u>63,270,738</u> | <u>2,745,287</u> | <u>226,116</u> | <u>65,789,909</u> |
| Business-type activities, capital assets, net | <u>\$65,038,646</u> | <u>\$2,972,367</u> | <u>\$1,470,714</u> | <u>\$66,540,299</u> |

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

| | |
|------------------------------------|--------------------|
| Governmental Activities | |
| Public safety | \$1,517,720 |
| Health and social services | 33,288 |
| Culture and recreation | 2,555,239 |
| Public works | 921,141 |
| General government | 430,159 |
| Community and economic development | <u>54,948</u> |
| | <u>\$5,512,495</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, 2010:

| | <u>Balance July 1, 2009</u> | <u>Increases and Issues</u> | <u>Decreases and Retirements</u> | <u>Balance June 30, 2010</u> | <u>Due within one year</u> |
|--------------------------------|-------------------------------------|---------------------------------|--|--------------------------------------|------------------------------------|
| Governmental activities | | | | | |
| General obligation bonds | \$107,363,905 | \$57,894,609 | \$23,436,206 | \$141,822,308 (1) | \$12,840,000 |
| Capital lease obligations | 387,451 | – | 101,814 | 285,637 | 79,952 |
| Installment contracts | 238,829 | 1,498 | – | 240,327 | – |
| Compensated absences | 4,224,034 | 3,233,289 | 2,448,189 | 5,009,134 | 750,465 |
| Net OPEB liability | <u>178,239</u> | <u>222,145</u> | <u>–</u> | <u>400,384</u> | <u>–</u> |
| Total governmental activities | <u>112,392,458</u> | <u>61,351,541</u> | <u>25,986,209</u> | <u>147,757,790</u> | <u>13,670,417</u> |
| Business-type activities | | | | | |
| Revenue notes | 2,545,000 | – | 381,000 | 2,164,000 | 393,000 |
| Compensated absences | 102,034 | 105,422 | 83,583 | 123,873 | 78,686 |
| Net OPEB liability | <u>6,541</u> | <u>8,325</u> | <u>–</u> | <u>14,866</u> | <u>–</u> |
| Total business-type activities | <u>2,653,575</u> | <u>113,747</u> | <u>464,583</u> | <u>2,302,739</u> | <u>471,686</u> |
| Total long-term debt | <u>\$115,046,033</u> | <u>\$61,465,288</u> | <u>\$26,450,792</u> | <u>\$150,060,529</u> | <u>\$14,142,103</u> |

(1) Bonds were sold at a net premium; unamortized net premium at June 30, 2010 totaled \$2,932,308.

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, 2010 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, 2010</u> |
|----------------------|-----------------------|-----------------------|----------------------------------|---------------------------------|---|
| 06/30/2002 | 4.000 - 5.000 | June 2020 | \$ 545,000 - 830,000 | \$ 9,750,000 | \$ 6,755,000 |
| 05/01/2003 | 4.000 - 4.400 | June 2019 | 2,735,000 - 3,765,000 | 40,000,000 | 28,875,000 |
| 09/01/2003 | 4.000 - 4.700 | June 2019 | 600,000 - 2,200,000 | 12,000,000 | 11,225,000 |
| 12/15/2003 | 3.250 - 4.350 | June 2023 | 800,000 - 1,260,000 | 19,250,000 | 14,210,000 |
| 06/15/2004 | 3.750 - 5.000 | June 2021 | 175,000 - 1,250,000 | 6,000,000 | 5,365,000 |
| 04/01/2005 | 3.625 - 3.700 | June 2015 | 230,000 - 560,000 | 3,055,000 | 1,530,000 |
| 06/01/2006 | 4.000 - 4.250 | June 2020 | 310,000 - 440,000 | 6,000,000 | 3,705,000 |
| 12/17/2007 | 3.625 - 3.800 | June 2019 | 190,000 - 265,000 | 3,210,000 | 2,020,000 |
| 03/11/2008 | 3.000 - 3.125 | June 2014 | 1,625,000 - 1,785,000 | 9,860,000 | 6,815,000 |
| 06/30/2008 | 3.625 - 4.000 | June 2022 | 100,000 - 1,090,000 | 7,000,000 | 7,000,000 |
| 11/12/2009 | 2.000 - 3.500 | June 2015 | 445,000 - 2,030,000 | 7,510,000 | 7,510,000 |
| 12/02/2009 | 2.500 - 4.000 | June 2015 | 225,000 - 2,000,000 | 6,500,000 | 2,925,000 |
| 03/04/2010 | 2.000 - 4.250 | June 2020 | 780,000 - 4,140,000 | 31,450,000 | 31,450,000 |
| 04/01/2010 | 2.000 | June 2014 | 595,000 - 655,000 | 2,505,000 | 2,505,000 |
| 06/29/2010 | 2.000 - 3.000 | June 2020 | 225,000 - 845,000 | 7,000,000 | 7,000,000 |
| | | | | <u>\$171,090,000</u> | <u>\$138,890,000</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 monthly payments of \$1,992, including interest at 4.5 percent through February 1, 2011. The balance due as of June 30, 2010 was \$15,671, and had a net book value of \$-0-.

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, 2010 was \$269,966, and had a net book value of \$314,035.

Installment contracts: The City has entered into two installment contracts for the construction of pedestrian bridges. The \$1,498 shown as an increase/issue was due to a change in estimate of the amount due to the state due to imputed interest at 3.35%. The agreements are noninterest bearing and are payable in annual installments totaling \$71,329 through January 2015. The balance due as of June 30, 2010 was \$240,327.

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.

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

NOTE 4 BONDED AND OTHER DEBT (continued)

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

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

- a) The notes will only be redeemed from the future earnings of the Municipal Sewer Utility, and the note holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to an operation and maintenance account to meet the current expenses of the month plus an amount equal to 1/12 of expenses payable on an annual basis.
- c) Sufficient monthly transfers shall be made to a separate sewer revenue sinking account for the purpose of making the notes' principal and interest payments when due.
- d) A reserve fund must be maintained in an amount equal to the lesser of the maximum principal and interest due in any succeeding year or 10 percent of the 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 \$457,920.

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$6,558,000 in sewer revenue notes issued in 1995 and 1997. Proceeds from the notes provided financing for the construction of improvements to the sewer facilities and infrastructure. The notes are payable solely from sewer customer net revenues and are payable through 2017. Annual principal and interest payments on the notes are expected to require less than net revenues. The total principal and interest remaining to be paid on the notes is \$2,377,300. For the current year, principal and interest paid and total customer net revenues were \$457,351 and \$2,171,193, respectively.

Summary of principal and interest maturities: Annual debt service requirements to service all outstanding indebtedness as of June 30, 2010 are as follows:

| | <u>General Obligation Bonds</u> | | <u>Capital Lease Obligations</u> | |
|-----------------------------------|---------------------------------|---------------------|----------------------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| <u>Year ending June 30</u> | | | | |
| 2011 | \$ 12,840,000 | \$ 5,407,692 | \$ 79,952 | \$ 11,508 |
| 2012 | 15,945,000 | 4,735,493 | 65,245 | 10,284 |
| 2013 | 15,280,000 | 4,252,761 | 68,507 | 7,022 |
| 2014 | 14,880,000 | 3,773,665 | 71,933 | 3,597 |
| 2015 | 12,585,000 | 3,301,245 | - | - |
| 2016 - 2020 | 60,375,000 | 8,523,554 | - | - |
| 2020 - 2023 | <u>6,985,000</u> | <u>506,380</u> | - | - |
| | <u>\$138,890,000</u> | <u>\$30,500,790</u> | <u>\$ 285,637</u> | <u>\$ 32,411</u> |
| | | | | |
| | <u>Installment Contracts</u> | | <u>Enterprise Revenue Notes</u> | |
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| <u>Year ending June 30</u> | | | | |
| 2011 | \$ - | \$ - | \$ 393,000 | \$ 64,920 |
| 2012 | 40,113 | 8,934 | 407,000 | 53,130 |
| 2013 | 64,518 | 6,811 | 422,000 | 40,920 |
| 2014 | 66,713 | 4,616 | 436,000 | 28,260 |
| 2015 | 68,983 | 2,347 | 265,000 | 15,180 |
| 2016 - 2017 | <u>-</u> | <u>-</u> | <u>241,000</u> | <u>10,890</u> |
| | <u>\$ 240,327</u> | <u>\$ 22,708</u> | <u>\$2,164,000</u> | <u>\$ 213,300</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, 2010, the outstanding general obligation debt of the City did not exceed its legal debt margin computed as follows:

| | |
|---|----------------------------|
| Actual valuation * | \$5,444,964,891 |
| Plus captured tax increment value | 444,502,202 |
| Less military exemption | <u>(4,132,083)</u> |
| Total assessed valuation of the property of the City of West Des Moines | <u>\$5,885,335,010</u> |
| Debt limit, 5% of total actual valuation | \$294,266,750 |
| Debt applicable to debt limit | |
| General obligation bonds | 138,890,000 |
| Capital lease obligations | 285,637 |
| Installment contracts | <u>240,327</u> |
| Legal debt margin | <u>\$154,850,786</u> |

* 100% of assessed valuation including TIF increment.

NOTE 5 INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivables and payables balances as of June 30, 2010 were:

| | <u>Interfund</u> | |
|---------------------------------|-----------------------|-----------------------|
| | <u>Receivables</u> | <u>Payables</u> |
| Major governmental funds | | |
| General | \$ 118,538 | \$ - |
| Capital projects | - | 528,031 |
| Nonmajor governmental funds | - | 118,538 |
| Proprietary funds, sewer system | <u>528,031</u> | <u>-</u> |
| Total | <u>\$ 646,569</u> | <u>\$ 646,569</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 | \$13,789,575 | \$11,448,339 |
| Special revenue fund, Tax Increment Financing | 1,620,989 | 12,200,458 |
| Special revenue fund, Road Use Tax | - | 1,616,356 |
| Debt Service | 50,140,878 | 127,357 |
| Capital Projects | 15,372,357 | 54,459,171 |
| Major enterprise fund | | |
| Sewer System | 5,786,909 | 5,797,173 |
| Storm Water System | 123,175 | 4,900 |
| Nonmajor governmental funds | 3,669,547 | 5,248,449 |
| Internal Service Funds | | |
| Vehicle Replacement | - | 53,335 |
| Workers compensation insurance | <u>452,108</u> | <u>-</u> |
| Total | <u>\$90,955,538</u> | <u>\$90,955,538</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 4.30 percent of their annual covered salary and the City is required to contribute 6.65 percent of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$1,178,526, \$1,043,635 and \$908,811, 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 which 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, Suite 201, West Des Moines, Iowa 50266.

Plan members are required to contribute 9.40 percent of earnable compensation and the City's contribution rate, based upon actuarially determined normal contribution rate, can not be less than 17 percent of earnable compensation. Contribution rates are established by state statute. The City's contributions to the Plan for the years ended June 30, 2010, 2009 and 2008 were \$1,233,912, \$1,291,314 and \$1,631,104, respectively, which (met) exceeded 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, 2010:

| | |
|-----------------------------------|-----------------|
| Community Development Block Grant | <u>\$13,904</u> |
|-----------------------------------|-----------------|

The City intends to fund this deficit through transfers from the General Fund.

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The City operates a single-employer retiree benefit plan which provides healthcare benefits for retirees and their spouses and dependents. There are active and retired members in the plan. 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, 2010, 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 | 9,239 |
| Adjustment to annual required contribution | <u>(11,477)</u> |
| Annual OPEB cost | 230,470 |
| Contributions made | <u>—</u> |
| Increase in net OPEB obligation | 230,470 |
| Net OPEB obligation, beginning of year | <u>184,780</u> |
| Net OPEB obligation, end of year | <u>\$ 415,250</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, 2010.

For the year ended June 30, 2010, the City contributed \$-0- 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, 2010 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, 2010 | \$ <u>230,470</u> | <u>— %</u> | \$ <u>415,250</u> |

As of June 30, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, 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 \$24,431,000, and the ratio of the UAAL to the covered payroll was 8.3%. As of June 30, 2010, 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 for retirees. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

There are no audited financial statements for this plan.

NOTE 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 \$5,965,000 as of June 30, 2010. The City of West Des Moines has a commitment for approximately \$66,365 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, 2010, the Series 2004B bonds had a balance of \$62,430,000 and the City of West Des Moines' estimated future allocation based on the WRA flows is currently \$12,667,237. 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, 2010, the Series 2006A bonds had a balance of \$36,575,000 and the City of West Des Moines' estimated future allocation based on the WRA flows is currently \$7,804,225. 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, 2010, the WRA had \$22,965,583 in State Revolving Loans of which \$4,148,899 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, 2010:

| | |
|---|---------|
| Received from West Des Moines Water Works | |
| Occupancy reimbursements | 17,804 |
| Health insurance premiums | 498,956 |
| Gasoline reimbursements | 44,468 |
| Telephone reimbursements | 7,504 |
| Share of general insurance | 119,602 |
| Capital project reimbursements | 118,162 |
| Delinquent reimbursements | 1,529 |
| Miscellaneous reimbursements | 83,151 |
| Payments to West Des Moines Water Works | |
| Collection fees for sewer, solid waste, and storm water | 155,374 |
| Miscellaneous fees | 39,039 |

Amounts receivable from West Des Moines Water Works as of June 30, 2010 for sewer and solid waste charges totaled \$1,472,630 and \$274,625, 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; Greater Des Moines 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 \$1,005,650 and \$478,891, 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 \$2,264,650 and \$13,056, respectively.

NOTE 13 COMMITMENTS

The City has entered into contracts totaling approximately \$33,830,400 for various projects that were not complete at year-end. As of June 30, 2010, approximately \$15,141,000 has been incurred on 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, 2010, Wells Fargo Home Mortgage has satisfied the requirements for the full \$5 million of tax rebates. Remaining rebate amounts of \$850,000, \$850,000 and \$750,000 will be paid June 1, 2011, 2012, and 2013.

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 634 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, 2010 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, 2010, no liability has been recorded in the City's financial statements. As of June 30, 2010, 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 \$3,858,490 for the year ended June 30, 2010). 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, 2010 was \$3,862,864.

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 annual 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, 2010 totaled \$523,028 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, 2010, 2009 and 2008 of \$95,222, \$5,229, and \$160,347, respectively. Information on changes in the aggregate liabilities for claims is as follows:

| | 2010 | 2009 |
|-----------------------------------|--------------------|--------------------|
| Claims payable, beginning of year | \$ 534,837 | \$ 518,116 |
| Claims recognized | 3,618,928 | 3,647,505 |
| Claim payments | <u>(3,630,737)</u> | <u>(3,630,784)</u> |
| Claims payable, end of year | <u>\$ 523,028</u> | <u>\$ 534,837</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, 2010, there was one series of industrial development revenue bonds outstanding, with an aggregate principal amount payable of \$2,800,000.

NOTE 16 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS

The GASB has issued a statement not yet implemented by the City. The Statement which might impact the City are is follows:

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 this Statement 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 ACCOUNTING CHANGE/RECLASSIFICATION

Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets, was implemented during fiscal year 2010. Capital assets for governmental activities were reclassified to report intangible assets included prior to July 1, 2009, as follows:

| | <u>Land</u> | <u>Equipment and Vehicles</u> | <u>Share of Undivided Equity Interest</u> | <u>Intangibles</u> |
|---|---------------------|---------------------------------------|---|---------------------|
| Governmental activities: | | | | |
| Balances June 30, 3009, as previously reported | \$26,085,746 | \$20,281,440 | \$1,398,330 | \$ - |
| Intangible assets, less accumulated amortization | <u>(9,990,077)</u> | <u>(495,131)</u> | <u>(74,768)</u> | <u>10,566,976</u> |
| Balances July 1, 2009, as restated | <u>\$16,095,669</u> | <u>\$19,786,309</u> | <u>\$1,323,562</u> | <u>\$10,566,976</u> |

NOTE 19 SUBSEQUENT EVENTS

The City issued general obligation bonds totaling \$5,000,000 on August 11, 2010 for infrastructure and other capital improvements in the Mills Parkway TIF District.

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

REQUIRED SUPPLEMENTARY INFORMATION

| <u>Fiscal Year End June 30</u> | <u>Actuarial valuation date</u> | <u>Actuarial value of assets (a)</u> | <u>Actuarial accrued liability (AAL) (b)</u> | <u>Unfunded AAL (UAAL) (b - a)</u> | <u>Funded ratio (a/b)</u> | <u>Covered payroll (c)</u> | <u>UAAL as a percentage of covered payroll ((b - a)/c)</u> |
|--|---|--|--|--|-----------------------------------|------------------------------------|--|
| 2009 | June, 30, 2009 | \$ <u>—</u> | \$ <u>2,031</u> | \$ <u>2,031</u> | <u>0.0%</u> | \$ <u>20,565</u> | <u>9.9%</u> |
| 2010 | June 30, 2009 | \$ <u>—</u> | \$ <u>2,031</u> | \$ <u>2,031</u> | <u>0.0%</u> | \$ <u>24,481</u> | <u>8.3%</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, 2010

| | 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 | \$43,026,062 | \$ - | \$ 43,026,062 | \$ 43,083,063 | \$ 43,083,063 | \$ (57,001) |
| Tax increment financing taxes | 12,870,419 | - | 12,870,419 | 12,929,711 | 12,929,711 | (59,292) |
| Other City taxes | 3,322,006 | - | 3,322,006 | 3,402,381 | 3,402,381 | (80,375) |
| Special assessments | 219,979 | - | 219,979 | 100,000 | 100,000 | 119,979 |
| Licenses and permits | 1,017,766 | - | 1,017,766 | 648,000 | 865,100 | 152,666 |
| Intergovernmental | 11,912,577 | - | 11,912,577 | 14,773,456 | 15,758,867 | (3,846,290) |
| Charges for services | 3,694,455 | 10,881,799 | 14,576,254 | 14,253,300 | 14,645,750 | (69,496) |
| Use of money and property | 142,076 | 711,956 | 854,032 | 3,344,050 | 2,980,550 | (2,126,518) |
| Miscellaneous | <u>1,732,625</u> | <u>8,673</u> | <u>1,741,298</u> | <u>7,965,945</u> | <u>8,156,655</u> | <u>(6,415,357)</u> |
| Total revenues | <u>77,937,965</u> | <u>11,602,428</u> | <u>89,540,393</u> | <u>100,499,906</u> | <u>101,922,077</u> | <u>(12,381,684)</u> |
| EXPENDITURES/EXPENSES | | | | | | |
| Public safety | 21,886,007 | - | 21,886,007 | 22,903,024 | 23,364,427 | 1,478,420 |
| Public works | 7,733,653 | - | 7,733,653 | 7,753,145 | 8,428,755 | 695,102 |
| Health and social services | 1,092,425 | - | 1,092,425 | 1,137,578 | 1,137,918 | 45,493 |
| Culture and recreation | 6,772,899 | - | 6,772,899 | 7,125,987 | 7,272,662 | 499,763 |
| Community and economic development | 5,711,401 | - | 5,711,401 | 6,015,884 | 6,551,991 | 840,590 |
| General government | 5,131,798 | - | 5,131,798 | 6,231,101 | 6,469,926 | 1,338,128 |
| Debt service | 28,057,447 | - | 28,057,447 | 20,886,714 | 67,631,675 | 39,574,228 |
| Capital outlay | 19,504,954 | - | 19,504,954 | 23,208,855 | 32,783,605 | 13,278,651 |
| Business-type | - | <u>9,097,537</u> | <u>9,097,537</u> | <u>15,285,540</u> | <u>16,497,989</u> | <u>7,400,452</u> |
| Total expenditures/expenses | <u>95,890,584</u> | <u>9,097,537</u> | <u>104,988,121</u> | <u>110,547,828</u> | <u>170,138,948</u> | <u>65,150,827</u> |
| Excess (deficiency) of revenues over (under) expenditures/expenses | (17,952,619) | 2,504,891 | (15,447,728) | (10,047,922) | (68,216,871) | 52,769,143 |
| OTHER FINANCING SOURCES, NET | | | | | | |
| | <u>57,411,458</u> | <u>3,150,560</u> | <u>60,562,018</u> | <u>16,086,500</u> | <u>59,814,512</u> | <u>747,506</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing sources (uses) | 39,458,839 | 5,655,451 | 45,114,290 | 6,038,578 | (8,402,359) | \$ <u>53,516,649</u> |
| BALANCES , beginning of year | <u>39,237,776</u> | <u>95,587,020</u> | <u>134,824,796</u> | <u>66,494,117</u> | <u>637,440</u> | |
| BALANCES , end of year | <u>\$78,696,615</u> | <u>\$101,242,471</u> | <u>\$179,939,086</u> | <u>\$ 72,532,695</u> | <u>\$(7,764,919)</u> | |

See Note to Required Supplementary Information.

City of West Des Moines, Iowa
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION—BUDGETARY REPORTING
Year ended June 30, 2010

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearing which include all funds, except internal service and agency funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

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 \$59,591,120. 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, 2010, no disbursements exceeded the amounts budgeted.

City of West Des Moines, Iowa
REQUIRED SUPPLEMENTARY INFORMATION—MODIFIED APPROACH
Year ended June 30, 2010

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, 2010

Condition rating of the City's street subsystem:

| <u>Category</u> | <u>OCI Range</u> | <u>2006</u> | | <u>2007</u> | | <u>2009</u> | |
|-------------------------------|------------------|-------------------|----------------------------------|-------------------|----------------------------------|-------------------|----------------------------------|
| | | <u>Lane Miles</u> | <u>Percent of Street Network</u> | <u>Lane Miles</u> | <u>Percent of Street Network</u> | <u>Lane Miles</u> | <u>Percent of Street Network</u> |
| Very good | 100-90 | 191 | 31.3% | 243 | 35.3% | 245 | 34.1% |
| Good | 90-80 | 200 | 32.6 | 208 | 30.2 | 226 | 31.5 |
| Average | 80-60 | 149 | 24.3 | 156 | 22.7 | 162 | 22.5 |
| Below average | 60-50 | 55 | 8.9 | 64 | 9.3 | 73 | 10.2 |
| Poor | 50-25 | 18 | 2.9 | 17 | 2.5 | 12 | 1.7 |
| Failed | 25-0 | — | — | — | — | — | — |
| | | <u>492</u> | <u>100.0%</u> | <u>614</u> | <u>100.0%</u> | <u>718</u> | <u>100.0%</u> |
| Overall condition index (OCI) | | | | | | | |
| | | <u>2006</u> | | <u>2007</u> | | <u>2009</u> | |
| Goal | | | 78-80 | | 78-80 | | 78-80 |
| Actual | | | 80.91 | | 80.90 | | 80.80 |

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

Condition Categories Based on FHWA Criteria

| <u>Category</u> | <u>OCI Range</u> | <u>2005</u> | | <u>2007</u> | | <u>2009</u> | |
|--------------------------------|------------------|--------------------------|-------------------------------------|--------------------------|-------------------------------------|--------------------------|-------------------------------------|
| | | <u>Bridges Inspected</u> | <u>Percent of Bridges Inspected</u> | <u>Bridges Inspected</u> | <u>Percent of Bridges Inspected</u> | <u>Bridges Inspected</u> | <u>Percent of Bridges Inspected</u> |
| Excellent condition | 100-90 | 10 | 62.4% | 18 | 75.0% | 18 | 75.0% |
| Very good condition | 90-80 | 4 | 25.0 | 4 | 16.6 | 4 | 16.7 |
| Good condition | 80-70 | 1 | 6.3 | 1 | 4.2 | 1 | 4.2 |
| Satisfactory condition | 70-60 | 1 | 6.3 | 1 | 4.2 | 1 | 4.1 |
| 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>24</u> | <u>100.0%</u> | <u>24</u> | <u>100.0%</u> |
| Overall condition index (OCI): | | | | | | | |
| Goal | | | 81 or greater | | 81 or greater | | 81 or greater |
| Actual | | | 91.0 | | 93.8 | | 93.8 |

City of West Des Moines, Iowa
REQUIRED SUPPLEMENTARY INFORMATION—MODIFIED APPROACH (continued)
Year ended June 30, 2010

Levee Condition by Category as of the Last Assessment

Condition Categories Based on Army Corp. Criteria

| <u>OCI Range</u> | <u>2006</u> | | <u>2007</u> | | <u>2009</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 | 28 | 93.3% | 23 | 93.3% | 45 | 83.3% |
| Minimally acceptable | 2 | 6.7 | — | 6.7 | 9 | 16.7 |
| Unacceptable | — | — | — | — | — | — |
| Total | <u>30</u> | <u>100.0%</u> | <u>30</u> | <u>100.0%</u> | <u>54</u> | <u>100.0%</u> |

| | <u>2006</u> | <u>2007</u> | <u>2009</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>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Estimated costs | \$3,323 | \$4,077 | \$4,480 | \$4,915 | \$5,397 | \$4,374 |
| Actual cost | 3,517 | 3,516 | 4,751 | 4,751 | 5,024 | 5,071 |

**City of West Des Moines, Iowa
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010**

| | <u>Special Revenue</u> | | |
|---|---|-----------------------------|---------------------------------|
| | <u>Police and Fire Retirement</u> | <u>Employee Benefit</u> | <u>Economic Development</u> |
| ASSETS | | | |
| Cash and investments | \$3,073,850 | \$ — | \$567,329 |
| Receivables | | | |
| Property taxes | 1,678,548 | 4,408,348 | — |
| Accounts | — | — | 166,925 |
| Loans | — | — | 96,436 |
| Due from other governments | <u>—</u> | <u>—</u> | <u>—</u> |
| Total assets | <u>\$4,752,398</u> | <u>\$4,408,348</u> | <u>\$830,690</u> |
| LIABILITIES AND FUND BALANCES (DEFICITS) | | | |
| Liabilities | | | |
| Accounts payable | \$ — | \$ — | \$ 61,240 |
| Accrued wages payable | — | — | — |
| Due to other funds | — | 23,348 | — |
| Deferred revenue | <u>1,670,000</u> | <u>4,385,000</u> | <u>96,436</u> |
| Total liabilities | <u>1,670,000</u> | <u>4,408,348</u> | <u>157,676</u> |
| Fund balances (deficit), unreserved, undesignated | <u>3,082,398</u> | <u>—</u> | <u>673,014</u> |
| Total liabilities and fund balances | <u>\$4,752,398</u> | <u>\$4,408,348</u> | <u>\$830,690</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> |
|-------------------------|-------------------|-------------------|----------------------|--|---------------------|
| \$ 142,710 | \$ 170,570 | \$ 253,769 | \$ 627,527 | \$ - | \$ 4,835,755 |
| - | - | - | - | - | 6,086,896 |
| 6,439 | - | - | 10,100 | - | 183,464 |
| - | - | - | - | - | 96,436 |
| <u>75,896</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>83,169</u> | <u>159,065</u> |
| <u>\$ 225,045</u> | <u>\$ 170,570</u> | <u>\$ 253,769</u> | <u>\$ 637,627</u> | <u>\$ 83,169</u> | <u>\$11,361,616</u> |
| \$ 3,070 | \$ - | \$ 21,313 | \$ 21,791 | \$ 15 | \$ 107,429 |
| 2,882 | - | - | - | 1,868 | 4,750 |
| - | - | - | - | 95,190 | 118,538 |
| - | - | - | - | - | 6,151,436 |
| <u>5,952</u> | <u>-</u> | <u>21,313</u> | <u>21,791</u> | <u>97,073</u> | <u>6,382,153</u> |
| <u>219,093</u> | <u>170,570</u> | <u>232,456</u> | <u>615,836</u> | <u>(13,904)</u> | <u>4,979,463</u> |
| <u>\$ 225,045</u> | <u>\$ 170,570</u> | <u>\$ 253,769</u> | <u>\$ 637,627</u> | <u>\$ 83,169</u> | <u>\$11,361,616</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, 2010

| | <u>Special Revenue</u> | | |
|--|---|-----------------------------|---------------------------------|
| | <u>Police and Fire Retirement</u> | <u>Employee Benefit</u> | <u>Economic Development</u> |
| REVENUES | | | |
| Property taxes | \$1,544,528 | \$4,156,152 | \$ - |
| Other City taxes | 20,701 | 56,541 | - |
| Intergovernmental | - | - | 338,125 |
| Use of money and property | - | - | - |
| Miscellaneous | - | - | 30,449 |
| Total revenues | <u>1,565,229</u> | <u>4,212,693</u> | <u>368,574</u> |
| EXPENDITURES | | | |
| Current operating | | | |
| Public safety | 1,233,912 | - | - |
| Health and social services | - | - | - |
| Culture and recreation | - | - | - |
| Community and economic development | - | - | 229,330 |
| Debt service, principal | - | - | - |
| Interest | - | - | - |
| Capital outlay | - | - | 409 |
| Total expenditures | <u>1,233,912</u> | <u>-</u> | <u>229,739</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>331,317</u> | <u>4,212,693</u> | <u>138,835</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 2,200,000 | - | 1,469,547 |
| Transfers out | - | (4,212,693) | (850,000) |
| Total other financing sources (uses) | <u>2,200,000</u> | <u>(4,212,693)</u> | <u>619,547</u> |
| Net change in fund balances | 2,531,317 | - | 758,382 |
| Fund balances (deficit), beginning of year | <u>551,081</u> | <u>-</u> | <u>(85,368)</u> |
| Fund balances (deficit), end of year | <u>\$3,082,398</u> | <u>\$ -</u> | <u>\$ 673,014</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> |
|-------------------------|-------------------|-------------------|----------------------|--|---------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$5,700,680 |
| - | - | - | - | - | 77,242 |
| 107,645 | - | - | - | 180,011 | 625,781 |
| 74 | 40 | 303 | 585 | - | 1,002 |
| <u>139,547</u> | <u>74,098</u> | <u>67,875</u> | <u>607,786</u> | <u>-</u> | <u>919,755</u> |
| <u>247,266</u> | <u>74,138</u> | <u>68,178</u> | <u>608,371</u> | <u>180,011</u> | <u>7,324,460</u> |
| - | - | - | 167,017 | - | 1,400,929 |
| 216,771 | - | 39,634 | - | - | 256,405 |
| - | 289 | - | - | - | 289 |
| - | - | - | - | 193,865 | 423,195 |
| - | - | - | 12,684 | - | 12,684 |
| - | - | - | 62 | - | 62 |
| <u>-</u> | <u>66,599</u> | <u>20,450</u> | <u>297,489</u> | <u>-</u> | <u>384,947</u> |
| <u>216,771</u> | <u>66,888</u> | <u>60,084</u> | <u>477,252</u> | <u>193,865</u> | <u>2,478,511</u> |
| <u>30,495</u> | <u>7,250</u> | <u>8,094</u> | <u>131,119</u> | <u>(13,854)</u> | <u>4,845,949</u> |
| - | - | - | - | - | 3,669,547 |
| <u>(2,000)</u> | <u>-</u> | <u>-</u> | <u>(183,756)</u> | <u>-</u> | <u>(5,248,449)</u> |
| <u>(2,000)</u> | <u>-</u> | <u>-</u> | <u>(183,756)</u> | <u>-</u> | <u>(1,578,902)</u> |
| 28,495 | 7,250 | 8,094 | (52,637) | (13,854) | 3,267,047 |
| <u>190,598</u> | <u>163,320</u> | <u>224,362</u> | <u>668,473</u> | <u>(50)</u> | <u>1,712,416</u> |
| \$ <u>219,093</u> | \$ <u>170,570</u> | \$ <u>232,456</u> | \$ <u>615,836</u> | \$ <u>(13,904)</u> | \$ <u>4,979,463</u> |

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2010

| | <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 | \$ 7,715,370 | \$ 59,709 | \$3,192,868 | \$1,742,030 | \$12,709,977 |
| Accounts receivable | - | 12,770 | 1,105 | - | 13,875 |
| Interest | 12,333 | - | - | - | 12,333 |
| Prepaid expense | 733,809 | - | - | - | 733,809 |
| Inventories | - | 42,630 | - | - | 42,630 |
| Total current assets | <u>8,461,512</u> | <u>115,109</u> | <u>3,193,973</u> | <u>1,742,030</u> | <u>13,512,624</u> |
| Noncurrent assets, capital assets | | | | | |
| Equipment and vehicles | 12,474,523 | - | - | - | 12,474,523 |
| Accumulated depreciation | <u>(7,587,819)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(7,587,819)</u> |
| Total noncurrent assets | <u>4,886,704</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,886,704</u> |
| Total assets | <u>\$13,348,216</u> | <u>\$ 115,109</u> | <u>\$3,193,973</u> | <u>\$1,742,030</u> | <u>\$18,399,328</u> |
| LIABILITIES AND NET ASSETS | | | | | |
| Liabilities | | | | | |
| Current | | | | | |
| Accounts payable | \$ - | \$ 59,133 | \$ 2,245 | \$ 18,354 | \$ 79,732 |
| Claims payable | <u>-</u> | <u>-</u> | <u>404,571</u> | <u>118,457</u> | <u>523,028</u> |
| Total current liabilities | <u>-</u> | <u>59,133</u> | <u>406,816</u> | <u>136,811</u> | <u>602,760</u> |
| Net assets | | | | | |
| Invested in capital assets, net of related debt | 4,886,704 | - | - | - | 4,886,704 |
| Unrestricted | <u>8,461,512</u> | <u>55,976</u> | <u>2,787,157</u> | <u>1,605,219</u> | <u>12,909,864</u> |
| Total net assets | <u>13,348,216</u> | <u>55,976</u> | <u>2,787,157</u> | <u>1,605,219</u> | <u>17,796,568</u> |
| Total liabilities and net assets | <u>\$13,348,216</u> | <u>\$ 115,109</u> | <u>\$3,193,973</u> | <u>\$1,742,030</u> | <u>\$18,399,328</u> |

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
Year ended June 30, 2010

| | <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 | \$ — | \$1,181,034 | \$5,026,160 | \$ 188,242 | \$ 6,395,436 |
| Lease revenue | <u>1,467,977</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>1,467,977</u> |
| Total operating revenues | <u>1,467,977</u> | <u>1,181,034</u> | <u>5,026,160</u> | <u>188,242</u> | <u>7,863,413</u> |
| OPERATING EXPENSES | | | | | |
| Cost of sales and services | — | 1,150,707 | 4,268,964 | 320,766 | 5,740,437 |
| Depreciation | <u>1,097,366</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>1,097,366</u> |
| Total operating expenses | <u>1,097,366</u> | <u>1,150,707</u> | <u>4,268,964</u> | <u>320,766</u> | <u>6,837,803</u> |
| Operating income (loss) | <u>370,611</u> | <u>30,327</u> | <u>757,196</u> | <u>(132,524)</u> | <u>1,025,610</u> |
| Nonoperating revenues (expenses) | | | | | |
| Investment earnings | 53,335 | — | 3,298 | — | 56,633 |
| Miscellaneous | <u>(184,893)</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(184,893)</u> |
| Total nonoperating revenues (expenses) | <u>(131,558)</u> | <u>—</u> | <u>3,298</u> | <u>—</u> | <u>(128,260)</u> |
| Income (loss) before transfers | 239,053 | 30,327 | 760,494 | (132,524) | 897,350 |
| Capital contributions | | | | | |
| Transfers in | — | — | — | 452,108 | 452,108 |
| Transfers out | <u>(53,335)</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(53,335)</u> |
| Change in net assets | 185,718 | 30,327 | 760,494 | 319,584 | 1,296,123 |
| Total net assets, beginning 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> |
| Total net assets, end of year | <u>\$13,348,216</u> | <u>\$ 55,976</u> | <u>\$2,787,157</u> | <u>\$1,605,219</u> | <u>\$17,796,568</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, 2010

| | <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 | \$1,467,977 | \$1,183,160 | \$5,025,055 | \$ 188,242 | \$7,864,434 |
| Payments to suppliers | (733,809) | (1,149,443) | (664,675) | (99,729) | (2,647,656) |
| Payments to claimants | <u>—</u> | <u>—</u> | <u>(3,610,865)</u> | <u>(224,230)</u> | <u>(3,835,095)</u> |
| Net cash provided by (used in) operating activities | <u>734,168</u> | <u>33,717</u> | <u>749,515</u> | <u>(135,717)</u> | <u>1,381,683</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Transfers in | — | — | — | 452,108 | 452,108 |
| Transfers out | <u>(53,335)</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(53,335)</u> |
| Net cash provided by (used in) noncapital financing activities | <u>(53,335)</u> | <u>—</u> | <u>—</u> | <u>452,108</u> | <u>398,773</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Purchase of capital assets | <u>(508,530)</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(508,530)</u> |
| Net cash (used in) capital and related financing activities | <u>(508,530)</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(508,530)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest received | 112,452 | — | 3,298 | — | 115,750 |
| Purchase of investment securities | (6,495,056) | — | — | — | (6,495,056) |
| Proceeds from maturity of investment securities | <u>6,500,000</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>6,500,000</u> |
| Net cash provided by investing activities | <u>117,396</u> | <u>—</u> | <u>3,298</u> | <u>—</u> | <u>120,694</u> |
| Net increase in cash and cash equivalents | 289,699 | 33,717 | 752,813 | 316,391 | 1,392,620 |
| Cash and cash equivalents Beginning of year | <u>2,930,615</u> | <u>25,992</u> | <u>2,440,055</u> | <u>1,425,639</u> | <u>6,822,301</u> |
| End of year | <u>\$3,220,314</u> | <u>\$ 59,709</u> | <u>\$3,192,868</u> | <u>\$1,742,030</u> | <u>\$8,214,921</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, 2010

| | <u>Vehicle Replacement</u> | <u>Vehicle Maintenance</u> | <u>Health and Dental Insurance</u> | <u>Worker's Compensation Insurance</u> | <u>Total</u> |
|--|--------------------------------|--------------------------------|--|--|---------------------|
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | | | |
| Operating income (loss) | \$ 370,611 | \$ 30,327 | \$ 757,196 | \$ (132,524) | \$ 1,025,610 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | | | |
| Depreciation | 1,097,366 | - | - | - | 1,097,366 |
| Change in assets and liabilities | | | | | |
| Receivables | - | 2,126 | (1,105) | - | 1,021 |
| Prepaid expenses | (733,809) | - | - | - | (733,809) |
| Inventories | - | 12,922 | - | - | 12,922 |
| Accounts payable | - | (11,658) | (45) | 2,085 | (9,618) |
| Claims payable | - | - | (6,531) | (5,278) | (11,809) |
| | <u>-</u> | <u>-</u> | <u>(6,531)</u> | <u>(5,278)</u> | <u>(11,809)</u> |
| Net cash provided by (used in) operating activities | <u>\$ 734,168</u> | <u>\$ 33,717</u> | <u>\$ 749,515</u> | <u>\$ (135,717)</u> | <u>\$ 1,381,683</u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO SPECIFIC ASSETS ON THE COMBINING BALANCE SHEET | | | | | |
| Cash and investments | \$7,715,370 | \$ 59,709 | \$3,192,868 | \$1,742,030 | \$12,709,977 |
| Less items not meeting the definition of cash equivalents | (4,495,056) | - | - | - | (4,495,056) |
| Cash and cash equivalents at end of year | <u>\$3,220,314</u> | <u>\$ 59,709</u> | <u>\$3,192,868</u> | <u>\$1,742,030</u> | <u>\$ 8,214,921</u> |

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2010

| | <u>Collections and Deposits</u> | <u>Section 125 Plan</u> | <u>Total Agency Funds</u> |
|---------------------------------------|--|------------------------------------|--|
| ASSETS | | | |
| Cash and investments | \$ 373,414 | \$ 33,042 | \$ 406,456 |
| Restricted assets, contractors' bonds | <u>59,536</u> | <u>—</u> | <u>59,536</u> |
| Total assets | <u>\$ 432,950</u> | <u>\$ 33,042</u> | <u>\$ 465,992</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 4,300 | \$ — | \$ 4,300 |
| Deposits and remittances due | <u>428,650</u> | <u>33,042</u> | <u>461,692</u> |
| Total liabilities | <u>\$ 432,950</u> | <u>\$ 33,042</u> | <u>\$ 465,992</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, 2010

| <u>Collections and Deposits</u> | <u>Balance June 30, 2009</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance June 30, 2010</u> |
|---|---|-------------------------|-------------------------|---|
| ASSETS | | | | |
| Cash and investments | \$ 268,600 | \$ 104,814 | \$ - | \$ 373,414 |
| Accounts receivable | 100 | - | 100 | - |
| Restricted assets, contractors' bonds | <u>4,759</u> | <u>315,334</u> | <u>260,557</u> | <u>59,536</u> |
| Total assets | <u>\$ 273,459</u> | <u>\$ 420,148</u> | <u>\$ 260,657</u> | <u>\$ 432,950</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ 4,300 | \$ - | \$ 4,300 |
| Deposits and remittances due | <u>273,459</u> | <u>155,191</u> | <u>-</u> | <u>428,650</u> |
| Total liabilities | <u>\$ 273,459</u> | <u>\$ 159,491</u> | <u>\$ -</u> | <u>\$ 432,950</u> |
| Section 125 Plan | | | | |
| ASSETS , cash and investments | <u>\$ 15,824</u> | <u>\$ 218,817</u> | <u>\$ 201,599</u> | <u>\$ 33,042</u> |
| LIABILITIES , deposits and remittances due | <u>\$ 15,824</u> | <u>\$ 218,817</u> | <u>\$ 201,599</u> | <u>\$ 33,042</u> |
| Combined Funds | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 284,424 | \$ 323,631 | \$ 201,599 | \$ 406,456 |
| Accounts receivable | 100 | - | 100 | - |
| Restricted assets, contractors' bonds | <u>4,759</u> | <u>315,334</u> | <u>260,557</u> | <u>59,536</u> |
| Total assets | <u>\$ 289,283</u> | <u>\$ 638,965</u> | <u>\$ 462,256</u> | <u>\$ 465,992</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ 4,300 | \$ - | \$ 4,300 |
| Deposits and remittances due | <u>289,283</u> | <u>374,008</u> | <u>201,599</u> | <u>461,692</u> |
| Total liabilities | <u>\$ 289,283</u> | <u>\$ 378,308</u> | <u>\$ 201,599</u> | <u>\$ 465,992</u> |

See accompanying independent auditor's report.

City of West Des Moines
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2010

| <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 | 288,883 |
| Bulletproof Vest Partnership Program | 16.607 | 2,839 |
| DEA Overtime Reimbursement | 16.005 | 9,615 |
| Bryne Justice Assistance Grant | 16.738 | 71,023 |
| US Department of Housing and Urban Development | | |
| CDBG Entitlement and (HUD Administered) Small Cities Cluster | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | 169,276 |
| US Department of Housing and Urban Development | | |
| Supportive Housing Program | 14.235 | 82,645 |
| US Department of Transportation | | |
| Highway Safety Cluster | | |
| State and Community Highway Safety | 20.600 | 58,062 |
| Highway Planning and Construction | 20.205 | 2,909,507 |
| US Department of Homeland Security | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | 303,276 |
| American Recovery and Reinvestment Act | | |
| US Department of Justice Assistance Grant | | |
| Des Moines Police Department | | |
| Edward Byrne Memorial Justice Assistance Grant | 16.804 | 18,738 |
| US Department of Housing and Urban Development | | |
| CDBG Entitlement and (HUD Administered) Small Cities Cluster | | |
| Community Development Block Grants/Entitlement Grants | 14.253 | 6,295 |
| US Department of Energy | | |
| EECBG Grant | 81.128 | 4,440 |
| ARRA State Fiscal Stabilization Fund | | |
| I-Jobs | 84.397 | <u>61,859</u> |
| Total federal expenditures | | <u>\$3,998,458</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.

See accompanying independent auditor's report.

City of West Des Moines, Iowa
SUMMARY OF KEY DATA FOR SEWER REVENUE BONDS
(UNAUDITED)
Year ended June 30, 2010

Sales History and Total Sewer Charges

| <u>Calendar Year</u> | <u>Gallons Sold</u> | <u>Sewer Charges</u> |
|----------------------|---------------------|----------------------|
| 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 |
| 2009 | 2,026,622,795 | 6,712,507 |

Number of Sewer Customers

| <u>Calendar Year</u> | <u>Residential</u> | <u>Commercial</u> | <u>Total</u> |
|----------------------|--------------------|-------------------|--------------|
| 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 |
| 2009 | 17,246 | 1,216 | 18,462 |

Larger Sewer Customers (Calendar year 2009)

| <u>Customer</u> | <u>Water Gallons</u> | <u>Sewer Charges</u> |
|-----------------------------|----------------------|----------------------|
| General Growth Properties | 42,720,000 | \$ 164,169 |
| Professional Property Mgmt. | 31,062,000 | 119,007 |
| Wells Fargo Bank, NA | 27,362,000 | 104,577 |
| WDM Community Schools | 26,592,000 | 102,306 |
| Belcher & Long Corporation | 21,956,000 | 84,212 |
| R&R Investors, Ltd | 17,607,000 | 67,442 |
| Executive Laser Wash | 16,530,000 | 62,999 |
| Wellington Apartments | 15,565,000 | 59,724 |
| Maple Grove Villas | 14,153,000 | 53,947 |
| W.H., LLC | 13,435,000 | 51,602 |

Rates and Charges

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

Sewer Availability Charge - Effective July 1, 2009
 \$2.50 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 6/30/10</u> |
|----------------------|------------------------|--------------------|-----------------------|--|
| 09/1994 | \$2,600,000 | Sewer Improvements | 06/2014 | \$ 682,000 |
| 06/1995 | 2,158,000 | Sewer Improvements | 06/2015 | 696,000 |
| 10/1996 | 1,800,000 | Sewer Improvements | 06/2017 | <u>786,000</u> |
| | | | | <u>\$2,164,000</u> |



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

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

C O N T E N T S

| | <u>Page</u> |
|--|-------------|
| Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time. | 73-80 |
| Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax. | 81-87 |
| Debt Capacity These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future. | 88-94 |
| Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. | 95-98 |
| Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. | 99-102 |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The City implemented GASB 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

City of West Des Moines, Iowa
Schedule 1
Net Assets By Component
Last Eight Fiscal Years
(accrual basis of accounting)

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

GASB Statement No. 34 implemented in fiscal year 2003.

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

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Expenses: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| Public safety | \$ 12,686,404 | \$ 14,587,854 | \$ 15,647,658 | \$ 17,814,329 | \$ 19,749,856 | \$ 20,342,187 | \$ 21,770,283 | \$ 23,683,353 |
| Public works | 20,843,841 | 13,856,235 | 10,007,655 | 6,901,977 | 8,963,727 | 11,837,435 | 13,375,100 | 10,511,602 |
| Health and social services | 755,012 | 829,841 | 849,972 | 929,656 | 985,322 | 1,037,464 | 1,092,443 | 1,113,846 |
| Culture and recreation | 6,925,750 | 7,140,816 | 7,450,641 | 8,486,772 | 8,562,340 | 9,022,443 | 9,308,507 | 9,355,663 |
| Community and economic development | 3,401,126 | 2,959,958 | 4,945,081 | 3,617,735 | 3,885,459 | 5,807,890 | 6,486,571 | 5,836,209 |
| General government | 3,780,754 | 4,682,828 | 5,482,144 | 5,900,259 | 5,016,718 | 4,794,526 | 4,966,906 | 5,425,921 |
| Interest on long-term debt | 3,962,321 | 6,284,431 | 6,390,890 | 6,042,440 | 5,884,073 | 5,621,912 | 5,253,741 | 4,551,673 |
| Total governmental activities expenses | 52,355,208 | 50,341,963 | 50,774,041 | 49,693,168 | 53,047,495 | 58,463,857 | 62,253,551 | 60,478,267 |
| Business-type activities: | | | | | | | | |
| Sanitary sewer | 3,305,046 | 4,030,245 | 3,989,864 | 3,939,689 | 9,346,307 | 5,303,776 | 5,960,011 | 6,513,514 |
| Solid waste | 1,182,799 | 1,318,339 | 1,354,786 | 1,422,689 | 1,452,719 | 1,522,130 | 1,571,481 | 1,549,437 |
| Storm Water | - | - | - | - | 743,399 | 746,187 | 921,824 | 1,020,304 |
| Total business-type activities expenses | 4,487,845 | 5,348,584 | 5,344,650 | 5,362,378 | 11,542,425 | 7,572,093 | 8,453,316 | 9,083,255 |
| Total primary government expenses | 56,843,053 | 55,690,547 | 56,118,691 | 55,055,546 | 64,589,920 | 66,035,950 | 70,706,867 | 69,561,522 |
| Program revenue: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| Charges for services: | | | | | | | | |
| Public safety | 1,602,755 | 2,284,751 | 2,462,880 | 2,420,064 | 3,444,099 | 3,636,497 | 5,011,751 | 3,859,194 |
| Public works | 44,066 | 190,300 | 433,941 | 257,722 | 495,334 | 305,923 | 906,216 | 298,400 |
| Health and social services | 858 | 890 | 140 | - | - | - | - | - |
| Culture and recreation | 911,470 | 1,091,036 | 1,190,800 | 1,333,080 | 1,321,027 | 1,396,476 | 1,415,877 | 1,336,498 |
| Community and economic development | 223,876 | 722,701 | 653,643 | 516,500 | 599,482 | 832,464 | 905,019 | 485,277 |
| General government | 26,093 | 501,177 | 152,768 | 191,788 | 169,240 | 482,764 | 329,147 | 262,331 |
| Operating grants and contributions: | | | | | | | | |
| Public safety | 1,484,726 | 1,641,945 | 2,116,613 | 2,321,333 | 1,912,045 | 1,963,806 | 2,901,377 | 2,863,503 |
| Public works | 3,778,175 | 4,293,880 | 3,917,038 | 4,135,015 | 4,359,424 | 4,431,681 | 4,330,498 | 4,666,008 |
| Health and social services | 290,971 | 211,233 | 223,188 | 237,283 | 269,484 | 267,588 | 268,305 | 304,591 |
| Culture and recreation | 114,648 | 89,727 | 67,871 | 182,467 | 177,696 | 175,825 | 121,134 | 172,253 |
| Community and economic development | 426,079 | 73,944 | 143,258 | 117,411 | 533,662 | 1,035,866 | 1,135,664 | 579,077 |
| General government | 121,515 | 145,996 | 91,101 | 167,438 | 199,834 | 202,436 | 492,351 | 310,950 |
| Capital grants and contributions | 13,285,988 | 20,801,673 | 9,277,782 | 12,221,700 | 8,219,897 | 273,984 | 5,390,380 | 4,187,992 |
| Total governmental activities program revenue | 22,311,220 | 32,049,253 | 20,731,023 | 24,101,801 | 21,701,224 | 15,005,310 | 23,207,719 | 19,326,074 |
| Business-type activities: | | | | | | | | |
| Charges for services: | | | | | | | | |
| Sanitary sewer | 5,088,908 | 5,575,443 | 6,013,830 | 5,077,364 | 6,182,572 | 6,300,448 | 6,963,248 | 7,131,407 |
| Solid waste | 1,193,623 | 1,324,048 | 1,345,474 | 1,344,707 | 1,419,761 | 1,647,104 | 1,662,222 | 1,679,223 |
| Storm water | - | - | - | - | 1,247,882 | 1,515,326 | 1,793,470 | 2,071,169 |
| Operating grants and contributions: | | | | | | | | |
| Sanitary sewer | - | - | - | 650,111 | 4,540,127 | 3,620,736 | 284,071 | 8,673 |
| Capital grants and contributions: | | | | | | | | |
| Sanitary sewer | 1,035,050.00 | 893,084 | 541,716 | 2,003,877 | 3,653,009 | 1,729,595 | 1,489,316 | 855,392 |
| Storm Water | - | - | - | - | 3,356,295 | 5,309,506 | 4,150,933 | 2,187,157 |
| Total business-type activities program revenues | 7,317,581 | 7,792,575 | 7,901,020 | 9,076,059 | 20,399,646 | 20,122,715 | 16,343,260 | 13,933,021 |
| Total primary government program revenues | 29,628,801 | 39,841,828 | 28,632,043 | 33,177,860 | 42,100,870 | 35,128,025 | 39,550,979 | 33,259,095 |
| Net (expense) revenue: | | | | | | | | |
| Governmental activities | (30,043,988) | (18,292,710) | (30,043,018) | (25,591,367) | (31,346,271) | (43,458,547) | (39,045,832) | (41,152,193) |
| Business-type activities | 2,829,736 | 2,443,991 | 2,556,370 | 3,713,681 | 8,857,221 | 12,550,622 | 7,889,944 | 4,849,766 |
| Total primary government net expense | (27,214,252) | (15,848,719) | (27,486,648) | (21,877,686) | (22,489,050) | (30,907,925) | (31,155,888) | (36,302,427) |

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

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

GASB Statement No. 34 implemented in fiscal year 2003.

City of West Des Moines, Iowa
Schedule 3
Program Revenues by Function/Program
Last Eight Fiscal Years*
(accrual basis of accounting)

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

GASB Statement No. 34 implemented in fiscal year 2003.

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

| | Fiscal Year | | | |
|---|---------------------|----------------------|----------------------|----------------------|
| | 2001 | 2002 | 2003 | 2004 |
| General Fund: | | | | |
| Reserved | \$ - | \$ 123,501 | \$ 91,264 | \$ 75,359 |
| Unreserved | 8,917,707 | 8,822,286 | 8,497,469 | 8,090,498 |
| Total General Fund | \$ 8,917,707 | \$ 8,945,787 | \$ 8,588,733 | \$ 8,165,857 |
| All Other Governmental Funds: | | | | |
| Reserved | \$ 12,545,332 | \$ 34,809,908 | \$ 30,550,349 | \$ 35,964,609 |
| Unreserved, reported in: | | | | |
| Special revenue funds | 5,673,248 | 7,608,662 | 11,168,110 | 16,726,822 |
| Capital projects funds | (14,923,843) | (430,602) | 22,344,402 | 16,967,983 |
| Total all other government funds | \$ 3,294,737 | \$ 41,987,968 | \$ 64,062,861 | \$ 69,659,414 |

| 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 7,813 | \$ 47,233 | \$ 7,700 | \$ - | \$ - | \$ 4,950 |
| 8,745,770 | 8,429,180 | 10,234,813 | 12,303,137 | 15,733,356 | 14,890,544 |
| <u>\$ 8,753,583</u> | <u>\$ 8,476,413</u> | <u>\$ 10,242,513</u> | <u>\$ 12,303,137</u> | <u>\$ 15,733,356</u> | <u>\$ 14,895,494</u> |
| \$ 19,737,587 | \$ 17,167,193 | \$ 16,518,756 | \$ 21,093,352 | \$ 14,258,027 | \$ 51,571,911 |
| 11,136,953 | 13,175,078 | 16,746,467 | 18,243,042 | 13,679,529 | 20,829,755 |
| 11,347,844 | 5,951,173 | 2,142,098 | (69,951) | (4,433,136) | (8,600,545) |
| <u>\$ 42,222,384</u> | <u>\$ 36,293,444</u> | <u>\$ 35,407,321</u> | <u>\$ 39,266,443</u> | <u>\$ 23,504,420</u> | <u>\$ 63,801,121</u> |

City of West Des Moines, Iowa
Schedule 5
Changes In Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| | Fiscal Year | | | |
|--|-----------------------|----------------------|----------------------|---------------------|
| | 2001 | 2002 | 2003 | 2004 |
| Revenues: | | | | |
| Taxes | \$ 30,475,298 | \$ 33,631,941 | \$ 38,782,554 | \$ 40,815,026 |
| Special assessments | 441,309 | 568,077 | 231,943 | 225,112 |
| Licenses and permits | 685,869 | 1,003,125 | 700,261 | 1,072,584 |
| Intergovernmental | 8,106,850 | 9,608,244 | 10,133,859 | 8,362,211 |
| Charges for services | 1,320,276 | 1,419,335 | 1,817,837 | 2,292,260 |
| Use of money and property | 1,229,898 | 649,164 | 696,474 | 987,885 |
| Miscellaneous | 551,886 | 1,465,597 | 1,342,002 | 1,154,478 |
| Total revenues | 42,811,386 | 48,345,483 | 53,704,930 | 54,909,556 |
| Expenditures: | | | | |
| Public safety | - | - | 11,412,329 | 12,720,663 |
| Public works | - | - | 5,676,476 | 6,062,234 |
| Health and social services | - | - | 726,762 | 769,984 |
| Culture and recreation | - | - | 4,215,107 | 4,642,852 |
| Community and economic development | - | - | 3,372,440 | 2,892,764 |
| General government | - | - | 3,168,044 | 3,715,580 |
| Community protection | 11,033,289 | 11,065,825 | - | - |
| Human development | 4,543,466 | 5,021,556 | - | - |
| Home and community environment | 6,964,862 | 8,408,187 | - | - |
| Policy and administration | 3,819,716 | 3,746,235 | - | - |
| Capital outlay | 27,661,173 | 28,136,362 | 45,875,946 | 42,083,369 |
| Debt service: | | | | |
| Principal | 6,010,862 | 7,047,246 | 11,211,720 | 11,729,299 |
| Interest | 2,215,674 | 2,700,596 | 3,760,575 | 6,139,566 |
| Bond issuance costs | - | - | 484,357 | 400,441 |
| Total expenditures | 62,249,042 | 66,126,007 | 89,903,756 | 91,156,752 |
| Excess (deficiency) of revenues over (under) expenditures | (19,437,656) | (17,780,524) | (36,198,826) | (36,247,196) |
| Other financing sources (uses): | | | | |
| Issuance of long-term debt | 15,000,000 | 56,525,000 | 57,334,590 | 41,559,249 |
| Payments to escrow agent | - | (3,575,000) | - | - |
| Issuance of capital lease | 83,400 | - | 250,200 | - |
| Premium (discount) on long-term debt | - | - | - | (50,403) |
| Proceeds from sale of capital assets | 128,378 | 828,267 | 20,000 | 121,101 |
| Transfers In | 28,502,278 | 34,811,099 | 18,605,963 | 64,351,651 |
| Transfers Out | (27,526,125) | (33,704,259) | (18,468,395) | (64,560,725) |
| Total other financing sources (uses) | 16,187,931 | 54,885,107 | 57,742,358 | 41,420,873 |
| Net changes in fund balance | \$ (3,249,725) | \$ 37,104,583 | \$ 21,543,532 | \$ 5,173,677 |
| Debt service as a percentage of noncapital expenditures | 23.8% | 25.7% | 35.1% | 37.2% |

Note: Prior to the implementation of GASB 34 in fiscal year 2003, the State of Iowa required reporting by four program areas rather than the functions currently used.

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|----|--------------|----------------|---------------|---------------|-----------------|---------------|
| \$ | 42,023,906 | \$ 43,413,473 | \$ 52,178,661 | \$ 56,886,469 | \$ 58,295,948 | \$ 59,218,487 |
| | 485,872 | 136,656 | 289,719 | 109,807 | 811,801 | 219,979 |
| | 1,320,158 | 973,262 | 975,003 | 1,239,900 | 1,457,440 | 1,017,766 |
| | 14,055,362 | 8,737,982 | 9,406,490 | 8,626,836 | 15,405,673 | 11,912,577 |
| | 2,561,137 | 2,877,346 | 3,870,691 | 3,137,752 | 3,846,730 | 3,694,455 |
| | 1,582,970 | 2,250,645 | 2,574,840 | 2,409,358 | 1,066,751 | 142,076 |
| | 869,879 | 1,843,179 | 1,439,447 | 2,664,929 | 2,982,979 | 1,732,625 |
| | 62,899,284 | 60,232,543 | 70,734,851 | 75,075,051 | 83,867,322 | 77,937,965 |
| | 14,487,675 | 16,220,743 | 18,065,698 | 19,285,895 | 20,692,061 | 21,888,463 |
| | 6,407,950 | 6,573,996 | 6,735,605 | 7,222,303 | 9,212,032 | 9,239,194 |
| | 806,975 | 881,172 | 947,488 | 1,013,531 | 1,068,302 | 1,092,425 |
| | 5,010,004 | 5,527,149 | 5,924,537 | 6,369,572 | 6,728,349 | 6,792,238 |
| | 4,634,094 | 3,562,412 | 3,827,557 | 5,721,841 | 6,434,853 | 5,718,922 |
| | 3,843,167 | 4,485,179 | 4,544,709 | 4,834,942 | 4,689,574 | 5,131,798 |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | 38,086,083 | 15,107,714 | 16,086,159 | 18,015,390 | 20,783,005 | 17,970,097 |
| | 13,434,257 | 14,921,109 | 12,785,548 | 24,856,121 | 21,971,688 | 23,295,328 |
| | 6,403,714 | 6,084,607 | 5,814,531 | 5,567,214 | 5,211,717 | 4,762,119 |
| | 60,348 | 43,060 | - | 214,830 | - | - |
| | 93,174,267 | 73,407,141 | 74,731,832 | 93,101,639 | 96,791,581 | 95,890,584 |
| | (30,274,983) | (13,174,598) | (3,996,981) | (18,026,588) | (12,924,259) | (17,952,619) |
| | 3,055,000 | 6,106,869 | - | 20,070,000 | - | 54,965,000 |
| | - | - | - | - | - | - |
| | - | - | 420,000 | - | 336,466 | - |
| | 34,812 | (52,123) | - | - | - | 2,929,609 |
| | 26,693 | 33,674 | 15,115 | 17,155 | 26,618 | 23,633 |
| | 61,973,160 | 29,599,379 | 35,371,885 | 49,246,479 | 42,499,110 | 84,593,346 |
| | (61,663,986) | (28,719,311) | (30,430,042) | (45,387,300) | (42,269,739) | (85,100,130) |
| | 3,425,679 | 6,968,488 | 5,376,958 | 23,946,334 | 592,455 | 57,411,458 |
| \$ | (26,849,304) | \$ (6,206,110) | \$ 1,379,977 | \$ 5,919,746 | \$ (12,331,804) | \$ 39,458,839 |
| | 36.1% | 36.1% | 31.7% | 40.8% | 34.2% | 35.1% |

City of West Des Moines, Iowa
 Schedule 6
 General Government Tax Revenues by Source
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

| Fiscal Year | Property Taxes (1) | Tax Increment Finance Revenue(TIF) | Cable Franchise | Hotel/ Motel Tax | Total |
|---------------------|--------------------|------------------------------------|-----------------|------------------|---------------|
| 2001 | \$ 23,312,495 | \$ 5,481,505 | \$ 181,386 | \$ 1,499,912 | \$ 30,475,298 |
| 2002 | 23,366,334 | 8,568,465 | 197,957 | 1,499,185 | 33,631,941 |
| 2003 | 25,037,082 | 11,868,449 | 435,509 | 1,441,514 | 38,782,554 |
| 2004 | 27,398,782 | 11,674,926 | 313,435 | 1,427,883 | 40,815,026 |
| 2005 | 30,164,155 | 9,945,370 | 262,617 | 1,651,764 | 42,023,906 |
| 2006 | 31,014,272 | 10,089,944 | 342,629 | 1,966,628 | 43,413,473 |
| 2007 | 34,907,611 | 14,857,246 | 281,827 | 2,131,977 | 52,178,661 |
| 2008 | 37,961,238 | 16,258,279 | 297,356 | 2,369,596 | 56,886,469 |
| 2009 | 41,261,516 | 14,193,555 | 303,761 | 2,537,115 | 58,295,948 |
| 2010 | 43,597,288 | 12,870,419 | 300,198 | 2,450,583 | 59,218,487 |
| Change 2000-2010 | 87.01% | 134.80% | 65.50% | 63.38% | 94.32% |

Source: City records.

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



City of West Des Moines, Iowa
 Schedule 7
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years

| Valuation Date Jan. 1, | Fiscal Year Collected | Residential Property | Commercial Property | Industrial Property | Personal Property | Utilities | Tax Increment |
|---------------------------|--------------------------|----------------------|---------------------|---------------------|-------------------|------------|---------------|
| 1999 | 2001 | 1,726,334,550 | 1,077,114,757 | 20,566,690 | 11,654,582 | 60,156,148 | 182,675,824 |
| 2000 | 2002 | 1,767,314,030 | 1,080,090,851 | 17,439,860 | 9,113,855 | 63,747,063 | 299,630,526 |
| 2001 | 2003 | 1,934,796,130 | 1,165,307,170 | 18,477,730 | - | 65,290,186 | 457,180,614 |
| 2002 | 2004 | 2,086,202,897 | 1,306,469,276 | 18,911,478 | - | 60,638,834 | 311,949,260 |
| 2003 | 2005 | 2,315,440,320 | 1,400,238,201 | 19,387,724 | - | 60,627,791 | 365,388,173 |
| 2004 | 2006 | 2,436,275,657 | 1,445,862,496 | 19,344,180 | - | 63,271,857 | 375,112,722 |
| 2005 | 2007 | 2,806,348,158 | 1,574,956,035 | 20,295,460 | - | 67,559,399 | 491,421,990 |
| 2006 | 2008 | 2,936,360,174 | 1,713,854,952 | 21,505,125 | - | 69,692,494 | 527,883,468 |
| 2007 | 2009 | 3,190,575,026 | 1,930,481,940 | 21,818,907 | - | 66,077,910 | 484,394,040 |
| 2008 | 2010 | 3,373,591,777 | 1,971,150,188 | 21,850,279 | - | 74,240,564 | 444,502,202 |

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

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

| Total Assessed Value | Actual Taxable Value | Total Direct Tax Rate |
|----------------------------|----------------------------|--------------------------|
| 3,078,502,551 | 2,254,017,087 | 10.90000 |
| 3,237,336,185 | 2,407,746,576 | 10.90002 |
| 3,641,051,830 | 2,562,287,676 | 11.60003 |
| 3,784,171,745 | 2,677,302,154 | 11.60206 |
| 4,161,082,209 | 2,838,397,892 | 11.72770 |
| 4,339,866,912 | 2,949,101,530 | 11.72540 |
| 4,960,581,042 | 3,340,592,057 | 11.95000 |
| 5,269,296,213 | 3,594,665,835 | 12.05000 |
| 5,693,347,823 | 3,820,324,623 | 12.05000 |
| 5,885,335,010 | 3,979,630,063 | 12.05000 |

City of West Des Moines, Iowa
 Schedule 8
 Direct and Overlapping Property Tax Rates - Per \$1,000 of Assessed Valuation
 Last Ten Fiscal Years

| Fiscal Year | City Direct Rates | | | | Overlapping Rates | | | | | Total Direct & Overlapping Rates |
|---|-------------------|--------------|--------------|--------------|-------------------|----------|-------------------|------------------|---------|----------------------------------|
| | General Fund | Debt Service | Other Levies | Total Direct | School District | County | Community College | Regional Transit | State | |
| Polk County / West Des Moines Community School District: | | | | | | | | | | |
| 2001 | 7.73061 | 2.07053 | 1.09886 | 10.90000 | 13.49887 | 9.25371 | 0.54506 | | 0.00500 | 34.20264 |
| 2002 | 7.57718 | 2.03732 | 1.28552 | 10.90002 | 13.48681 | 9.63888 | 0.54454 | | 0.00500 | 34.57525 |
| 2003 | 7.99295 | 2.15299 | 1.45409 | 11.60003 | 13.50200 | 9.72217 | 0.54584 | | 0.00400 | 35.37404 |
| 2004 | 7.94848 | 2.19945 | 1.45413 | 11.60206 | 13.50422 | 9.76226 | 0.58184 | | 0.00400 | 35.45438 |
| 2005 | 8.01297 | 2.14435 | 1.57045 | 11.72777 | 13.50200 | 9.96460 | 0.59856 | | 0.00400 | 35.79693 |
| 2006 | 7.75465 | 2.15008 | 1.82067 | 11.72540 | 13.50341 | 9.94318 | 0.68408 | | 0.00400 | 35.86007 |
| 2007 | 7.98419 | 2.06729 | 1.89852 | 11.95000 | 13.70060 | 10.17511 | 0.68688 | 0.27070 | 0.00400 | 36.78729 |
| 2008 | 7.94081 | 1.99881 | 2.11037 | 12.04999 | 13.70031 | 10.16218 | 0.60276 | 0.33240 | 0.00350 | 36.85114 |
| 2009 | 8.09676 | 2.00053 | 1.95271 | 12.05000 | 13.69179 | 10.12532 | 0.56386 | 0.33566 | 0.00350 | 36.77013 |
| 2010 | 8.08219 | 2.00055 | 1.96726 | 12.05000 | 13.64410 | 9.97134 | 0.56778 | 0.38095 | 0.00350 | 36.61767 |
| Dallas County / Waukee Community School District: | | | | | | | | | | |
| 2001 | 7.73061 | 2.07053 | 1.09886 | 10.90000 | 17.48175 | 7.20946 | 0.54506 | | 0.00500 | 36.14127 |
| 2002 | 7.57718 | 2.03732 | 1.28552 | 10.90002 | 17.46339 | 7.59039 | 0.54454 | | 0.00500 | 36.50334 |
| 2003 | 7.99295 | 2.15299 | 1.45409 | 11.60003 | 17.64948 | 7.51400 | 0.54584 | | 0.00400 | 37.31335 |
| 2004 | 7.94848 | 2.19945 | 1.45413 | 11.60206 | 17.66440 | 7.47940 | 0.58184 | | 0.00400 | 37.33170 |
| 2005 | 8.01297 | 2.14435 | 1.57038 | 11.72770 | 17.89346 | 7.33479 | 0.59856 | | 0.00400 | 37.55851 |
| 2006 | 7.75465 | 2.15008 | 1.82067 | 11.72540 | 17.84693 | 6.83794 | 0.68408 | | 0.00400 | 37.09835 |
| 2007 | 7.98419 | 2.06729 | 1.89852 | 11.95000 | 17.80905 | 6.83669 | 0.68688 | 0.27070 | 0.00400 | 37.55732 |
| 2008 | 7.94081 | 1.99881 | 2.11037 | 12.04999 | 17.80148 | 6.93669 | 0.60276 | 0.33240 | 0.00350 | 37.72682 |
| 2009 | 8.09676 | 2.00053 | 1.95271 | 12.05000 | 17.75814 | 6.33037 | 0.56386 | 0.33566 | 0.00350 | 37.04153 |
| 2010 | 8.08219 | 2.00055 | 1.96726 | 12.05000 | 17.80336 | 6.26394 | 0.56778 | 0.38095 | 0.00300 | 37.06903 |
| Warren County / Norwalk Community School District : | | | | | | | | | | |
| 2007 | 7.98419 | 2.06729 | 1.89852 | 11.95000 | 21.27253 | 6.88094 | 0.68688 | 0.27070 | 0.00400 | 41.06505 |
| 2008 | 7.94081 | 1.99881 | 2.11037 | 12.04999 | 21.03490 | 7.23323 | 0.60276 | 0.33240 | 0.00350 | 41.25678 |
| 2009 | 8.09676 | 2.00053 | 1.95271 | 12.05000 | 20.89092 | 6.89026 | 0.56386 | 0.33566 | 0.00350 | 40.73420 |
| 2010 | 8.08219 | 2.00055 | 1.96726 | 12.05000 | 20.56618 | 6.56329 | 0.56778 | 0.38095 | 0.00300 | 40.13120 |

Source: Polk, Dallas, and Warren County Auditor's Offices
 * City's corporate boundaries did not extend into Warren County prior to 2007

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

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

| Taxpayer | 2010 | | | 2001 | | |
|--------------------------------------|-----------------------|------|---|-----------------------|------|---|
| | Assessed Value | Rank | Percentage of Total City Assessed Value | Assessed Value | Rank | Percentage of Total City Assessed Value |
| Wells Fargo Home Mortgage | 188,454,660 | 1 | 3.31% | 19,844,485 | 8 | 0.64% |
| GPG Jordan Creek LLC | 175,142,440 | 2 | 3.08% | | | |
| Valley West DM | 70,218,000 | 3 | 1.23% | 90,856,000 | 1 | 2.95% |
| Mid-America Investment Company | 55,130,500 | 4 | 0.97% | 37,295,280 | 3 | 1.21% |
| CCOP I LLC | 49,114,960 | 5 | 0.86% | | | |
| IFBF Property Management | 45,599,700 | 6 | 0.80% | 35,804,100 | 4 | 1.16% |
| West Glen I LLC | 37,741,100 | 7 | 0.66% | | | |
| 1776 Westlakes Parkway LC | 32,023,000 | 8 | 0.56% | | | |
| Dallas County Partners II | 31,725,370 | 9 | 0.56% | 22,064,995 | 7 | 0.72% |
| Water Tower Place Shopping Center LC | 28,776,100 | 10 | 0.51% | | | |
| Dallas County Partners | | | | 39,424,008 | 2 | 1.28% |
| Knapp Family, LC | | | | 29,096,500 | 5 | 0.95% |
| CMS Wellington Apts. | | | | 22,338,000 | 6 | 0.73% |
| Fountain Two | | | | 19,362,000 | 9 | 0.63% |
| Hy-Vee Food Stores | | | | 18,814,500 | 10 | 0.61% |
| Total | \$ 713,925,830 | | 13.55% | \$ 334,899,868 | | 10.88% |

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

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

| Fiscal Year Ended June 30: | Taxes Levied for the Tax Year | Collected Within the Fiscal Year of the Levy | |
|----------------------------|-------------------------------------|---|-----------------------|
| | | Amount | Percentage of Levy |
| 2001 | 27,591,430 | 28,044,286 | 101.64% |
| 2002 | 31,474,669 | 31,587,309 | 100.36% |
| 2003 | 36,818,095 | 37,117,890 | 100.81% |
| 2004 | 38,012,501 | 38,383,372 | 100.98% |
| 2005 | 38,820,140 | 39,491,148 | 101.73% |
| 2006 | 40,943,977 | 40,724,880 | 99.46% |
| 2007 | 48,771,504 | 49,195,228 | 100.87% |
| 2008 | 53,699,307 | 53,373,210 | 99.39% |
| 2009 | 55,471,754 | 54,891,361 | 98.95% |
| 2010 | 56,012,774 | 55,896,481 | 99.79% |

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

| Delinquent Tax Collections | Total Collections | |
|----------------------------------|-------------------|-----------------------|
| | Amount | Percentage of Levy |
| 2,032 | 28,046,318 | 101.65% |
| 217 | 31,587,526 | 100.36% |
| 4,862 | 37,122,752 | 100.83% |
| 18,245 | 38,401,617 | 101.02% |
| 5,410 | 39,496,558 | 101.74% |
| - | 40,724,880 | 99.46% |
| 5,107 | 49,200,335 | 100.88% |
| 297,640 | 53,670,850 | 99.95% |
| 2,902 | 54,894,263 | 98.96% |
| - | 55,896,481 | 99.79% |

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

| Fiscal Year | Governmental Activities | | | | Business-type Activities | | |
|-------------|--------------------------|-------------------------------|----------------|---------------------------------------|--------------------------|--------------------------|---------------|
| | General Obligation Bonds | Tax Increment Financing Bonds | Capital Leases | Loans Payable & Installment Contracts | Financing Agreements | General Obligation Bonds | Revenue Bonds |
| 2001 | 27,420,480 | 14,825,000 | 439,571 | 1,183,965 | 3,800,738 | 2,074,520 | 6,991,000 |
| 2002 | 65,033,814 | 24,075,000 | 244,621 | 825,873 | 3,315,238 | 1,941,186 | 6,487,000 |
| 2003 | 117,419,257 | 17,990,000 | 269,142 | 849,434 | 2,790,827 | 1,783,686 | 5,955,000 |
| 2004 | 148,863,512 | 16,295,000 | 204,978 | 516,348 | 2,302,506 | 611,486 | 5,384,000 |
| 2005 | 144,280,000 | 10,600,000 | 157,466 | 412,729 | - | - | 4,802,000 |
| 2006 | 136,625,000 | 9,450,000 | 207,993 | 332,381 | - | - | 4,199,000 |
| 2007 | 125,840,000 | 7,705,000 | 432,344 | 275,739 | - | - | 3,567,000 |
| 2008 | 123,125,000 | 5,890,000 | 183,019 | 256,737 | - | - | 2,912,000 |
| 2009 | 107,185,000 | - | 387,451 | 238,829 | - | - | 2,545,000 |
| 2010 | 138,890,000 | - | 285,637 | 240,327 | - | - | 2,164,000 |

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

* Based on most recent year Personal Income data is available; 2007

| Total Primary Government | Total Debt Per Capita | Total Debt as a Percentage of Personal Income | |
|--------------------------------|-----------------------------|---|---|
| 56,735,274 | 1,223 | 3.65% | |
| 101,922,732 | 2,196 | 6.30% | |
| 147,057,346 | 3,169 | 8.84% | |
| 174,177,830 | 3,754 | 9.91% | |
| 160,252,195 | 3,097 | 7.90% | |
| 150,814,374 | 2,915 | 7.44% | |
| 137,820,083 | 2,663 | 6.38% | |
| 132,366,756 | 2,558 | 6.12% | * |
| 110,356,280 | 2,133 | 5.11% | * |
| 141,579,964 | 2,417 | 6.44% | * |

City of West Des Moines, Iowa
 Schedule 12
 Ratios of General Obligation Bonded Debt
 Last Ten Fiscal Years

| Fiscal Year | General Obligation Bonds | Tax Increment Financing Bonds | Gross Bonded Debt | Less: Amount Available in Debt Service | Net General Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt Per Capita |
|-------------|--------------------------|-------------------------------|-------------------|--|-------------------------|--|----------------------------|
| 2001 | 29,495,000 | 14,825,000 | 44,320,000 | 2,613,846 | 41,706,154 | 0.01355 to 1 | 898.78 |
| 2002 | 66,975,000 | 24,075,000 | 91,050,000 | 3,913,946 | 87,136,054 | 0.02692 to 1 | 1,877.81 |
| 2003 | 119,202,943 | 17,990,000 | 137,192,943 | 4,719,389 | 132,473,554 | 0.03638 to 1 | 2,854.85 |
| 2004 | 149,474,998 | 16,295,000 | 165,769,998 | 6,803,146 | 158,966,852 | 0.04201 to 1 | 3,425.79 |
| 2005 | 144,280,000 | 10,600,000 | 154,880,000 | 9,276,283 | 145,603,717 | 0.03499 to 1 | 2,813.92 |
| 2006 | 136,625,000 | 9,450,000 | 146,075,000 | 4,713,432 | 141,361,568 | 0.03257 to 1 | 2,731.94 |
| 2007 | 125,840,000 | 7,705,000 | 133,545,000 | 5,493,105 | 128,051,895 | 0.02581 to 1 | 2,474.72 |
| 2008 | 123,125,000 | 5,890,000 | 129,015,000 | 6,255,047 | 122,759,953 | 0.02330 to 1 | 2,372.45 |
| 2009 | 107,185,000 | - | 107,185,000 | 3,994,661 | 103,190,339 | 0.01812 to 1 | 1,994.25 |
| 2010 | 138,890,000 | - | 138,890,000 | 37,115,667 | 101,774,333 | 0.01729 to 1 | 1,737.33 |

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

City of West Des Moines, Iowa
 Schedule 13
 Direct and Overlapping Governmental Activities Debt
 For the Year Ended June 30, 2010

| Governmental Unit | General Obligation Debt Outstanding | Estimated Percentage Applicable | Estimated Share of Overlapping Debt |
|---|---|---------------------------------------|--|
| Polk County | \$ 227,804,000 | 14.37% | \$ 32,735,435 |
| Dallas County | 17,275,000 | 35.06% | 6,056,615 |
| Warren County | 420,000 | 0.09% | 378 |
| West Des Moines Community School District (CSD) | 1,190,000 | 64.01% | 761,719 |
| Des Moines Independent CSD | 2,060,000 | 0.02% | 412 |
| Waukee CSD | 105,380,000 | 52.90% | 55,746,020 |
| Des Moines Area Community College | 80,065,000 | 11.84% | 9,479,696 |
| | | | 104,780,275 |
| | | | 139,415,964 |
| | | | \$ 244,196,239 |

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

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

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

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

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|----------------|----------------|----------------|----------------|----------------|
| Debt limit | \$ 161,866,809 | \$ 182,052,592 | \$ 189,208,587 | \$ 207,747,136 | \$ 207,991,349 |
| Total net debt applicable to limit | 92,120,494 | 138,311,519 | 166,491,324 | 155,450,195 | 146,615,374 |
| Legal debt margin | \$ 69,746,315 | \$ 43,741,073 | \$ 22,717,263 | \$ 52,296,941 | \$ 61,375,975 |
| Total net debt applicable to the limit as a percentage of debt limit | 56.91% | 75.97% | 87.99% | 74.83% | 70.49% |

| | 2006 | | 2007 | | 2008 | | 2009 | | 2010 |
|----|-------------|----|-------------|----|-------------|----|-------------|----|-------------|
| \$ | 216,929,744 | \$ | 248,177,690 | \$ | 263,464,811 | \$ | 284,667,391 | \$ | 294,266,751 |
| | 146,615,374 | | 134,253,083 | | 129,454,756 | | 107,811,280 | | 139,415,964 |
| \$ | 70,314,370 | \$ | 113,924,607 | \$ | 134,010,055 | \$ | 176,856,111 | \$ | 154,850,787 |
| | 67.59% | | 54.10% | | 49.14% | | 37.87% | | 47.38% |

Legal Debt Margin Calculation for Fiscal Year 2010:

| | | | |
|---|----------|----|--------------------|
| Total Assessed Value | 1/1/2008 | \$ | 5,885,335,010 |
| Debt limit (5% of total assessed value) | | \$ | 294,266,751 |
| Less: Debt applicable to limit | | | |
| General obligation bonds | | | 138,890,000 |
| TIF revenue bonds | | | - |
| Capital lease obligations | | | 285,637 |
| Loans payable and installment contracts | | | 240,327 |
| Legal debt margin | | \$ | <u>154,850,787</u> |

City of West Des Moines, Iowa
 Schedule 15
 Pledged-Revenue Coverage
 Last Ten Fiscal Years

| Fiscal Year | Sewer Revenue Bonds | | | | | | | Ratio of Coverage |
|-------------|---------------------|--------------------------|-----------------------|--------------|----------|---------|-------|-------------------|
| | Revenue | Less: Operating Expenses | Net Available Revenue | Debt Service | | | | |
| | | | | Principal | Interest | Total | | |
| 2000 | 5,677,784 | 1,165,942 | 4,511,842 | 463,000 | 355,446 | 818,446 | 5.51 | |
| 2001 | 5,595,665 | 1,358,646 | 4,237,019 | 483,000 | 334,750 | 817,750 | 5.18 | |
| 2002 | 5,837,911 | 1,939,441 | 3,898,470 | 504,000 | 312,596 | 816,596 | 4.77 | |
| 2003 | 5,872,071 | 1,582,809 | 4,289,262 | 529,000 | 289,022 | 818,022 | 5.24 | |
| 2004 | 5,793,309 | 1,693,768 | 4,099,541 | 571,000 | 222,481 | 793,481 | 5.17 | |
| 2005 | 6,306,513 | 2,140,953 | 4,165,560 | 582,000 | 203,458 | 785,458 | 5.30 | |
| 2006 | 6,939,000 | 1,544,192 | 5,394,808 | 603,000 | 183,332 | 786,332 | 6.86 | |
| 2007 | 8,297,929 | 2,253,982 | 6,043,947 | 632,000 | 136,910 | 768,910 | 7.86 | |
| 2008 | 7,336,709 | 2,447,237 | 4,889,472 | 655,000 | 109,260 | 764,260 | 6.40 | |
| 2009 | 8,378,001 | 2,728,070 | 5,649,931 | 367,000 | 87,360 | 454,360 | 12.43 | |
| 2010 | 7,830,313 | 3,128,894 | 4,701,419 | 381,000 | 76,350 | 457,350 | 10.28 | |

Notes:

Revenue = Operating Revenue + investment earnings

Operating expenses excluding depreciation and amortization expenses

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

| Calendar Year | Population | Personal Income | Per Capita Income | Unemployment Rate | Taxable Retail Sales (1) |
|---------------|------------|-----------------|-------------------|-------------------|--------------------------|
| 2001 | 46,403 | 1,553,897,261 | 33,487 | 2.8% | 853,491,553 |
| 2002 | 46,403 | 1,617,515,774 | 34,858 | 3.5% | 871,552,123 |
| 2003 | 46,403 | 1,663,640,356 | 35,852 | 1.7% | 965,124,639 |
| 2004 | 46,403 | 1,756,910,386 | 37,862 | 1.9% | 914,997,369 |
| 2005 | 51,744 | 2,029,140,960 | 39,215 | 2.6% | 1,115,625,249 |
| 2006 | 51,744 | 2,026,502,016 | 39,164 | 2.3% | 1,256,339,527 |
| 2007 | 51,744 | 2,161,295,136 | 41,769 | 2.2% | 1,354,682,059 |
| 2008 | 51,744 | 2,199,430,464 | 42,506 | 2.9% | 1,397,818,852 |
| 2009 | 51,744 | N/A | N/A | 4.1% | 1,563,886,251 |
| 2010 | 58,581 | N/A | N/A | N/A | 1,496,999,951 |

Sources: U.S. Census Bureau

Per Capita Income is based on Metropolitan Des Moines/West Des Moines and based on figures from Bureau of Economic Analysis
 Bond Offering Statements prepared by independent financial advisor

NA - Information not available

(1) Year ending March 31st

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

| Employer | Type of Business | 2010 | | | 2000 | | |
|---|--------------------------------|-----------|------|--------------------------------|-----------|------|--------------------------------|
| | | Employees | Rank | Percentage of Total Employment | Employees | Rank | Percentage of Total Employment |
| Wells Fargo Home Mortgage | Financial Services | 3,609 | 1 | 5.66% | - | - | * |
| Wells Fargo Card Services / Norwest Card Services | Financial Services | 1,443 | 2 | 2.26% | 900 | 7 | * |
| West Des Moines Community School District | Education | 1,355 | 3 | 2.13% | 1,200 | 2 | * |
| Aviva USA | Insurance | 1,300 | 4 | 2.04% | - | - | * |
| FBL Financial Group / Iowa Farm Bureau Insurance | Insurance / Financial Services | 1,054 | 5 | 1.65% | 1,085 | 3 | * |
| City of West Des Moines | Municipal Government | 757 | 6 | 1.19% | - | - | * |
| Hy-Vee Inc. | Grocery Stores | 752 | 7 | 1.18% | 1,345 | 1 | * |
| Iowa Foundation for Medical Care | Healthcare Management | 645 | 8 | 1.01% | - | - | * |
| ADP National Service Center | Financial Services | 550 | 9 | 0.86% | - | - | * |
| Guide One Insurance Company | Insurance | 480 | 10 | 0.75% | 975 | 4 | * |
| Sears Credit Services | Financial Services | - | - | - | 800 | 8 | * |
| Associates Credit Card Center | Financial Services | - | - | - | 640 | 10 | * |
| John Deere Credit | Financial Services | - | - | - | 770 | 9 | * |
| Marsh Insurance / Kirke Van Orsdel | Insurance | - | - | - | 951 | 5 | * |
| Norwest Mortgage | Financial Services | - | - | - | 927 | 6 | * |
| All West Des Moines Employees | | 51,774 | - | 81.27% | * | * | * |

* Information not available

Source: Bond Offering Statements prepared by independent financial advisor.



City of West Des Moines, Iowa
 Schedule 18
 Full-Time Equivalent City Government Employees By Function / Program
 Last Ten Fiscal Years

| Functions/Program | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Community Enrichment: | | | | | | | |
| Human Services | 11.50 | 11.50 | 11.50 | 12.00 | 12.00 | 12.00 | 12.00 |
| Library | 23.10 | 23.10 | 23.10 | 23.60 | 23.60 | 23.60 | 23.60 |
| Parks & Recreation | 22.00 | 22.75 | 22.75 | 22.75 | 23.75 | 23.75 | 23.75 |
| Public Safety: | | | | | | | |
| Emergency Medical Services & Dispatch | 10.00 | 25.25 | 30.25 | 31.25 | 34.25 | 34.25 | 39.25 |
| Fire | 31.00 | 31.00 | 36.00 | 36.00 | 39.00 | 39.00 | 51.00 |
| Police | 85.00 | 72.75 | 76.75 | 81.75 | 81.75 | 82.75 | 82.75 |
| Public Services: | | | | | | | |
| Community & Economic Dev | | | | | | | |
| Development Services | 20.00 | 20.00 | 22.00 | 22.00 | 22.00 | 22.00 | 23.00 |
| Public Works | 63.00 | 63.00 | 63.00 | 67.00 | 68.00 | 71.00 | 72.00 |
| Support Services: | | | | | | | |
| Administrative Services | 9.75 | 9.75 | 10.25 | 9.25 | 9.25 | 9.25 | 9.50 |
| City Manager's Office | 3.50 | 3.50 | 3.50 | 3.50 | 3.50 | 4.00 | 4.00 |
| Human Resources | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.50 | 4.50 |
| Information Services | 4.00 | 4.00 | 5.00 | 6.00 | 7.00 | 7.00 | 7.00 |
| Legal | 2.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Total | 288.85 | 293.60 | 311.10 | 322.10 | 331.10 | 336.10 | 355.35 |

Source: City Payroll records

| 2008 | 2009 | 2010 |
|---------------|---------------|---------------|
| 12.00 | 12.00 | 12.25 |
| 23.60 | 23.60 | 23.60 |
| 25.50 | 25.75 | 25.75 |
| 39.25 | 39.25 | 39.25 |
| 51.00 | 51.00 | 51.00 |
| 82.75 | 85.75 | 85.75 |
| | 5.00 | 5.00 |
| 23.00 | 24.00 | 23.00 |
| 74.00 | 68.00 | 67.00 |
| 9.50 | 9.50 | 9.75 |
| 4.00 | 4.00 | 4.00 |
| 4.50 | 4.50 | 4.50 |
| 9.00 | 10.00 | 10.00 |
| 3.00 | 3.00 | 3.00 |
| <u>361.10</u> | <u>365.35</u> | <u>363.85</u> |

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

| Function/Program | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Emergency Medical Services | | | | | | | |
| Total ambulance calls | 2,349 | 2,405 | 2,622 | 2,894 | 3,245 | 3,251 | 3,395 |
| Fire Department | | | | | | | |
| Total incidents | 1,670 | 1,975 | 2,309 | 2,614 | 2,265 | 2,310 | 2,466 |
| Total estimated loss | \$ 979,985 | \$ 473,165 | \$ 459,020 | \$ 1,676,790 | \$ 2,795,050 | \$ 1,178,372 | \$ 1,403,750 |
| Police Department | | | | | | | |
| Number of parking tickets issues | NA | 1,217 | 1,204 | 1,351 | 937 | 1,163 | 1,090 |
| Percent of parking tickets paid | NA | 70.17% | 81.24% | 83.35% | 73.12% | 77.30% | 75.29% |
| Calls for service | 43,062 | 38,336 | 39,115 | 44,051 | 51,439 | 51,273 | 48,450 |
| Case Reports | 6,858 | 6,694 | 6,832 | 7,199 | 7,385 | 7,094 | 6,279 |
| Fed UCR Part 1 Crimes | 1,885 | 1,861 | 1,993 | 1,872 | 1,970 | 2,033 | 1,698 |
| Development Services | | | | | | | |
| Total building permits issued | 1,171 | 1,372 | 1,185 | 1,567 | 1,159 | 1,197 | 1,213 |
| Total value of permits issued | \$ 124,039,871 | \$ 220,108,303 | \$ 135,901,444 | \$ 363,813,418 | \$ 176,762,250 | \$ 181,231,329 | \$ 173,263,974 |
| Public Works | | | | | | | |
| Lane miles of streets per operator | 20.57 | 21.39 | 21.33 | 21.43 | 22.78 | 23.43 | 24.57 |
| Library | | | | | | | |
| Volumes in collection | 142,238 | 143,130 | 145,782 | 149,579 | 154,740 | 157,740 | 160,801 |
| Annual circulation | 615,492 | 626,694 | 631,784 | 612,398 | 620,089 | 651,583 | 713,913 |
| Parks & Recreation | | | | | | | |
| Aquatic Centers | 1 | 1 | 2 | 2 | 2 | 2 | 2 |
| Aquatic Center attendance | 32,283 | 36,287 | 89,051 | 96,957 | 136,198 | 133,671 | 137,499 |
| Rec program participation | NA | 46,989 | 47,006 | 54,683 | 59,410 | 63,402 | 72,073 |
| Total acres of parks maintained | 1,207 | 1,217 | 1,221 | 1,222 | 1,222 | 1,222 | 1,230 |
| Total miles of trails maintained | 19 | 20 | 22 | 28 | 33 | 36 | 38 |

NA - Historical data not available

CY - Data maintained on calendar year basis, not yet available

* Based on independent survey of City residents, completed every two to three years.

| | 2008 | 2009 | 2010 |
|---------------|---------------|---------------|------------|
| | 4,137 | 5,395 | 5,678 |
| | 2,476 | 2,756 | 2,539 |
| \$ | 1,211,950 | \$ 991,000 | \$ 990,400 |
| | 1,115 | 1,205 | 1,392 |
| | 73.95% | 78.81% | 79.04% |
| | 48,675 | 48,956 | CY |
| | 6,453 | 6,617 | CY |
| | 1,918 | 1,888 | CY |
| | 1,135 | 1,009 | 1,163 |
| \$252,906,667 | \$380,668,062 | \$133,491,107 | |
| | 25.00 | 27.00 | 28.00 |
| | 164,456 | 172,718 | 180,188 |
| | 784,906 | 815,944 | 691,721 |
| | 2 | 2 | 2 |
| | 135,038 | 122,517 | 124,499 |
| | 69,873 | 68,256 | 70,231 |
| | 1,278 | 1,238 | 1,238 |
| | 44 | 45 | 48 |

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

| Department | 2001 | 2002 | 2003 | 2004 | 2005 |
|---------------------------------|---------|---------|---------|---------|---------|
| Police: Stations | 1 | 1 | 1 | 1 | 1 |
| Fire: Stations | 3 | 4 | 4 | 4 | 4 |
| Public Works: | | | | | |
| Streets (Miles): | | | | | |
| Paved | 164 | 487 | 516 | 545 | 622 |
| Unpaved | 16 | 26 | 39 | 36 | 37 |
| Wastewater (Miles): | | | | | |
| Storm Sewer | 84 | 82 | 85 | 110 | 153 |
| Sanitary Sewer | 169 | 176 | 191 | 197 | 211 |
| Parks & Recreation: | | | | | |
| Park Acreage | 1,217 | 1,221 | 1,222 | 1,222 | 1,222 |
| Parks | 33 | 33 | 33 | 33 | 33 |
| Parks with Playground Equipment | 15 | 15 | 18 | 18 | 18 |
| Miles of Trails | 20 | 21 | 28 | 35 | 35 |
| Baseball/Softball Diamonds | 24 | 24 | 24 | 24 | 24 |
| Horseshoe Courts | 18 | 18 | 18 | 18 | 18 |
| Sand Volleyball Courts | 5 | 5 | 5 | 5 | 5 |
| Soccer/Football Fields | 21 | 21 | 21 | 21 | 21 |
| Basketball Courts | 8 | 9 | 9 | 9 | 9 |
| Tennis Courts | 10 | 10 | 10 | 10 | 10 |
| Swimming pools | 1 | 1 | - | - | - |
| Aquatic Centers | - | - | 2 | 2 | 2 |
| Wading Pools | 1 | 1 | 2 | 2 | 2 |
| Dog Parks | - | - | - | - | 1 |
| Parks and Recreation / Other: | | | | | |
| Cemetery acres | 9 | 9 | 9 | 9 | 9 |
| Library: | | | | | |
| Facilities | 1 | 1 | 1 | 1 | 1 |
| Volumes in collection | 142,238 | 143,130 | 145,782 | 149,579 | 154,740 |

Source: Department capital asset records

| 2006 | 2007 | 2008 | 2009 | 2010 |
|---------|---------|---------|---------|---------|
| 1 | 1 | 1 | 1 | 1 |
| 4 | 5 | 5 | 5 | 5 |
| 620 | 642 | 658 | 670 | 691 |
| 43 | 42 | 42 | 48 | 51 |
| 160 | 170 | 184 | 190 | 182 |
| 220 | 223 | 230 | 233 | 232 |
| 1,222 | 1,238 | 1,278 | 1,238 | 1,238 |
| 33 | 37 | 40 | 36 | 36 |
| 19 | 20 | 21 | 22 | 23 |
| 50 | 38 | 44 | 45 | 48 |
| 24 | 24 | 24 | 24 | 24 |
| 18 | 18 | 18 | 18 | 18 |
| 5 | 5 | 5 | 5 | 5 |
| 21 | 21 | 21 | 21 | 21 |
| 13 | 13 | 14 | 14 | 15 |
| 11 | 11 | 11 | 11 | 12 |
| - | - | - | - | - |
| 2 | 2 | 2 | 2 | 2 |
| 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 |
| 9 | 9 | 9 | 9 | 9 |
| 1 | 1 | 1 | 1 | 1 |
| 157,681 | 160,801 | 164,456 | 172,718 | 180,188 |



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of West Des Moines, Iowa (the City) as of and for the year ended June 30, 2010, which collectively comprise the City of West Des Moines, Iowa's basic financial statements and have issued our report thereon dated November 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters in Part IV of the Schedule of Findings are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of West Des Moines and other parties to whom the City of West Des Moines may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 10, 2010

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the City of West Des Moines' (the City) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on to its major federal program for the year ended June 30, 2010. The City's major federal program is identified in the summary of the independent auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of West Des Moines complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

This report, a public record by law, is intended solely for the information and use of the City and other parties to whom the City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 10, 2010

City of West Des Moines, Iowa
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2010

| <u>Summary</u> | <u>Status</u> |
|---|---------------------------------------|
| <u>Other Findings Related to Required Statutory Reporting:</u> | |
| 09-IV-A Expenditures during the year ended June 30, 2009 exceeded the amount budgeted in the public works function. | Corrected |
| 09-IV-F Minutes of Council meetings were not published within 15 days as required by Chapter 372.13(6) of the Code of Iowa. | Not corrected; see finding 10-IV-F |
| 09-IV-M Community Development Block Grant Special Revenue Fund balance as of June 30, 2009. | Not corrected; see finding 10-IV-M |
| 09-IV-M Economic Development Special Revenue Fund balance as of June 30, 2009. | Corrected |

**City of West Des Moines
SCHEDULE OF FINDINGS
Year ended June 30, 2010**

Part I. Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal controls over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to major programs.
- (f) The audit did not disclose audit findings that are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - *CFDA Number 20.205 - Highway Planning and Construction
- (h) The dollar threshold used to distinguish between type A and B programs was \$300,000.
- (i) The City of West Des Moines qualifies as a low-risk auditee.

**Part II—Findings Relating to the Financial Statements Reported in
Accordance with *Government Auditing Standards***

Instances of Non-compliance
No matters were noted.

Internal Control Deficiencies
No matters were noted.

Part III—Findings and Questioned Costs for Federal Awards

Instances of Non-compliance
No matters were noted.

Internal Control Deficiencies
No material weaknesses in internal control over the major program was noted.

**City of West Des Moines, Iowa
SCHEDULE OF FINDINGS
Year ended June 30, 2010**

Part IV—Other Findings Related to Required Statutory Reporting

10-IV-A CERTIFIED BUDGET

Expenditures during the year ended June 30, 2010 didn't exceed the amount budgeted.

10-IV-B QUESTIONABLE EXPENDITURES

No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

10-IV-C TRAVEL EXPENSE

No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

10-IV-D BUSINESS TRANSACTIONS

We noted no business transactions between the City and City officials or employees in excess of \$1,500.

10-IV-E BOND COVERAGE

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

City of West Des Moines, Iowa
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2010

10-IV-F COUNCIL MINUTES - We noted no transactions requiring Council approval which had not been approved in the Council minutes.

Finding

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

Recommendation

The City should comply with Chapter 21 of the Code of Iowa and should publish minutes as required.

Response and Corrective Action Plan

The City publishes the minutes as soon as possible after the Council meetings. The 15-day requirement is not met due to the timing of meeting dates and publication dates.

Conclusion

Response Accepted.

10-IV-G DEPOSITS AND INVESTMENTS

No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

10-IV-H REVENUE NOTES

No instances of non-compliance with their revenue note provisions were noted.

10-IV-I PAYMENT OF GENERAL OBLIGATION BONDS

The City appears to be in compliance with Chapter 384.4 of the Code of Iowa.

10-IV-J ECONOMIC DEVELOPMENT

We noted no instance of noncompliance with Chapter 15A of the Code of Iowa.

10-IV-K NOTICE OF PUBLIC HEARING FOR PUBLIC IMPROVEMENTS

We noted no instance of noncompliance with Chapters 384.102 and 362.3 of the Code of Iowa.

10-IV-L SALES TAX

We noted no instance of noncompliance with Sections 701-26.71 and 701-26.72 of the Iowa Department of Revenue and Finance Administrative Rules and Regulations.

City of West Des Moines, Iowa
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2010

10-IV-M FINANCIAL CONDITION

Finding

Community Development Block Grant Fund had a deficit fund balance of \$13,904 as of June 30, 2010.

Recommendation

The City should investigate alternatives to eliminate the deficit in order to return this fund to a sound financial position.

Response and Corrective Action Plan

Transfers will be made from the General Fund to fund the Special Revenue Fund deficit.

Conclusion

Response Accepted.

10-IV-N EXPENDITURES

Finding

The City employee handbook states that travel reimbursement for department directors must be approved by the City Manager. An expenditure was noted that lacked proper approval by the City Manager.

Recommendation

Department directors should attain proper approval from the City Manager for all travel reimbursements.

Response and Corrective Action Plan

The City will require that all travel reimbursements receive proper approval.

Conclusion

Response accepted.

**City of West Des Moines, Iowa
CORRECTIVE ACTION PLAN
Year ended June 30, 2010**

| <u>Current Number</u> | <u>Comment</u> | <u>Corrective Action Plan</u> | <u>Anticipated Date of Completion</u> | <u>Contact Person</u> |
|-----------------------|---|--|---------------------------------------|-----------------------|
| 10-IV-F | Minutes of Council meetings were not published within 15 days as required by Chapter 372.13(6) of the Code of Iowa. | See response and corrective action plan at 10-IV-F | June 30, 2010 | Jody Smith |
| 10-IV-M | Community Development Block Grant Fund balance as of June 30, 2010. | See response and corrective action plan at 10-IV-M | June 30, 2010 | Jody Smith |
| 10-IV-N | Travel reimbursement approval | See response and corrective action plan at 10-IV-N | June 30, 2010 | Jody Smith |