

FINANCIAL SECTION

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Independent Auditor's Report

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

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of West Des Moines, Iowa. 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 the 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, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 17 to the financial statements, the City has recorded a material restatement of beginning equity.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2013, on our consideration of the City's internal control over financial reporting and on 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 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 the schedule of funding progress for the retiree health plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining nonmajor fund financial statements, summary of key data for sewer revenue bonds, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 as a whole. The introductory section, summary of key data for sewer revenue bonds, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Eide Bailly LLP

Dubuque, Iowa
January 24, 2013

City of West Des Moines, Iowa

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2012

As management of the City of West Des Moines, Iowa, (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which is located in the Introductory Section at the front of this report.

Financial Highlights

At June 30, 2012, assets of the City exceeded liabilities by \$509 million. Of this amount, \$66 million is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. By comparison, for the fiscal year ended June 30, 2011, assets exceeded liabilities by \$478 million, of which \$53.8 million was unrestricted.

The City's total net assets increased by \$31 million during the fiscal year ended June 30, 2012. Governmental activities increased \$24 million and business-type activities increased \$7 million, thus 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's governmental funds reported combined ending fund balances of \$78 million, an increase of \$33 million from the end of the previous fiscal year. The unassigned portion of the City's fund balance, which is available for spending at the City's discretion, totaled \$22 million at June 30, 2012, an increase of \$13 million from the balance at the end of the prior fiscal year.

In conjunction with the issuance of 2012 Series General Obligation Bonds, Moody's Investor Services reaffirmed the City's Aaa bond rating on March 12, 2012. The City continues to hold the highest available rating from both Moody's and Standard and Poor's Rating Service. The Standard and Poor's rating was last reaffirmed on July 8, 2011. Each of the agencies cite the City's financial position and conservative fiscal management as strengths.

Overview of the Financial Statements

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

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

The *Statement of Net Assets* presents information on all of the City's 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.

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.

City of West Des Moines, Iowa

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2012

The government-wide financial statements include only those balances of the City of West Des Moines, as the *primary government*. The West Des Moines Community School District, the Waukee Community School District, the Des Moines Independent School District, the Norwalk Community School District 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 32 through 35 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 36 through 39 of this report.

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

City of West Des Moines, Iowa Management's Discussion and Analysis For Fiscal Year Ended June 30, 2012

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the major sanitary sewer operations fund, the major storm water operations fund, and the non-major solid waste operations fund. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for internal service funds is provided as combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 40 through 45 of this report.

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

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

Notes to basic financial statements. The notes included herein provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 47 through 73 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also provides certain *required supplementary information* concerning the City, including progress in funding its obligation to provide retiree healthcare, a budgetary comparison based on the City's legal level of budgetary control, and infrastructure condition and maintenance records which are required as the City has elected to use the modified approach for reporting much of its infrastructure. This approach to recording infrastructure is explained in detail on page 26, while other required supplementary information can be found on pages 74 through 79 of this report.

The combining statements referred to earlier in connection with non-major 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 80 through 89 of this report.

Government-Wide Financial Analysis

Net assets may serve as a useful indicator of a government's financial position. At June 30, 2012, the City's assets exceeded liabilities by \$509,360,433. The City's net assets are allocated on the basis of function and are categorized in the table below as either supporting a governmental or business-type purpose, and are discussed below.

City of West Des Moines, Iowa
 Management's Discussion and Analysis
 For Fiscal Year Ended June 30, 2012

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

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012
Assets						
Current and other assets	\$ 125,047	\$ 161,643	\$ 40,349	\$ 41,890	\$ 165,396	\$ 203,533
Capital assets, net of depreciation	422,759	428,951	68,396	73,149	491,155	502,100
Total assets	547,806	590,594	108,745	115,039	656,551	705,634
Liabilities						
Current liabilities	79,026	84,501	976	1,014	80,002	85,515
Long-term liabilities outstanding	96,527	109,746	1,444	1,012	97,971	110,758
Total liabilities	175,553	194,247	2,420	2,026	177,973	196,273
Net assets						
Invested in capital assets, net of related debt	321,551	331,323	66,625	71,785	388,176	403,108
Restricted net assets	36,115	39,408	460	463	36,575	39,870
Unrestricted net assets	14,587	25,617	39,240	40,765	53,827	66,382
Total net assets	\$ 372,253	\$ 396,347	\$ 106,325	\$ 113,013	\$ 478,578	\$ 509,360

The largest portion of the City's net assets (79% of the total) represents its investment in capital assets (e.g., land, buildings, equipment, and infrastructure), net of all outstanding debt used to acquire those assets. The City uses the capital assets to provide services to its citizens; consequently these assets are *not* available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to cover the liabilities. Capital assets, net of related debt, increased by \$14.9 million over the previous year. The increases were in support of both governmental activities and business-type activities and are indicative of the City's ongoing commitment to provide quality infrastructure assets in the community, and its effort to aggressively repay debt related to those assets.

An additional portion of the City's net assets (6% of the total) represents resources that are subject to external use restrictions. These amounts fluctuate from year to year based on the timing of restricted revenue and completion of the restricted projects or activities. Total restricted net assets decreased by \$6.3 million during the fiscal year ended June 30, 2012.

The remaining balance of net assets (15% of the total) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net assets increased by \$12.6 million during the fiscal year ended June 30, 2012, which is reflective of significant savings in public works expenditures and interest on long-term debt. In the prior year, the City reported a one-time expenditure of \$5.1 million for a repayment arrangement with the Iowa Department of Transportation. The arrangement is to reimburse costs incurred by the State for Iowa Highway 5 improvements which, while a benefit to the City, do not increase the value of the City's infrastructure assets. An additional \$4.9 million savings in public works expenditures was largely due to the exceptionally mild winter, which decreased both snow removal and street repair costs. During the fiscal year, the City realized savings of \$1.4 million on long-term debt interest by refunding several bond issues at lower rates over the last several years.

City of West Des Moines, Iowa
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012

A summary of the City's changes in net assets during the fiscal year follows and is discussed below:

Changes in Net Assets
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Revenues						
Program revenues:						
Charges for services	\$ 7,470	\$ 8,766	\$ 12,025	\$ 13,155	\$ 19,495	\$ 21,921
Operating grants and contributions	8,957	10,957	113	-	9,070	10,957
Capital grants and contributions	8,030	7,126	2,588	1,601	10,618	8,727
General revenues:						
Property taxes	56,152	57,842	-	-	56,152	57,842
Other Taxes	3,979	3,951	-	-	3,979	3,951
Earnings on investments	286	59	396	149	682	208
Other	1,116	1,029	-	-	1,116	1,029
Total revenues	85,990	89,731	15,122	14,905	101,112	104,636
Expenses						
General government	5,831	5,712	-	-	5,831	5,712
Public safety	23,683	24,797	-	-	23,683	24,797
Public works	14,402	9,523	-	-	14,402	9,523
Health and social services	1,119	1,191	-	-	1,119	1,191
Culture and recreation	9,645	9,526	-	-	9,645	9,526
Economic development	6,245	7,588	-	-	6,245	7,588
Interest on long-term debt	5,051	3,653	-	-	5,051	3,653
Sanitary sewer	-	-	7,285	8,255	7,285	8,255
Solid Waste	-	-	1,663	1,731	1,663	1,731
Storm water	-	-	1,264	1,311	1,264	1,311
Total expenses	65,976	61,990	10,212	11,296	76,188	73,286
Change in net assets before transfers and special item	20,014	27,741	4,910	3,609	24,924	31,349
Transfers	30	(3,080)	(30)	3,080	-	-
Contributions to other government	(5,145)	-	-	-	(5,145)	-
Change in net assets	\$ 14,899	\$ 24,661	\$ 4,880	\$ 6,688	\$ 19,779	\$ 31,349

Governmental Activities. Governmental revenues in the current year increased by \$3.7 million, or 4%. An increase of \$1.3 million, or 8.5%, in revenue received by charges for services was fueled by increased development activity, particularly building permits, plan reviews, and inspections, as well as increased fees from ambulatory services. The City experienced its third largest year in terms new building permit activity (based on dollars of valuation). Smaller portions of this increase can be attributed to adjustments to user fees such as park shelter rentals, animal licensing, and aquatic center admission fees.

Revenue from operating grants and contributions increased by slightly over \$2 million, largely due to grant revenue received from reimbursement of the City's construction of street infrastructure and rehabilitation of Historic West Des Moines City Hall.

Governmental Expenses decreased \$4 million, or 6%, from the prior fiscal year, primarily in the Public Works function, as previously discussed.

City of West Des Moines, Iowa Management's Discussion and Analysis For Fiscal Year Ended June 30, 2012

Business-Type Activities. Revenue received through Charges for Services increased by \$1.1 million or approximately 11 percent, in the current year. Expenses saw a similar increase based on sewer and solid waste usage. Historically, Charges for Services have increased by about 10 percent annually. Continued growth stimulated the business-type activities by generating development related connection fees and new customer accounts.

At the end of the current fiscal year, the City was 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 in this report, the City 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, unassigned fund balances serve as a useful measure of a government's net resources available at the end of the fiscal year.

The City's governmental funds reported combined fund balances of \$78,022,983 as of June 30, 2012. Of this total \$22,334,719 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is not available for new spending because it has already been restricted either (1) for the purpose of resale (\$147,108); (2) by legal requirements for debt service payments (\$19,724,769); (3) for urban renewal and development in Tax Increment Financing Districts (\$4,244,492); (4) for liquidation of contracts for capital improvements (\$25,810,078); or (5) various other purposes totaling \$5,761,817. The other purposes are described by the titles of the Special Revenue Funds in which the individual fund balances are disclosed.

The unassigned balance of the General Fund, the chief operating fund of the City, increased \$4,885,995, or 28%, to a total of \$22,334,719 at June 30, 2012. As a measure of the General Fund's liquidity, it is generally useful to compare unassigned fund balance to total annual fund expenditures. The unassigned balance of the General Fund at June 30, 2012, represents approximately 49.1% of annual General Fund expenditures. The City strives to maintain an average fund balance of at least 25.0% of General Fund expenditures for working capital needs due to fluctuations in revenue, as property tax revenue is only collected semi-annually with the majority of the revenue remitted to the City by the respective county treasurers in the months of October and April each year.

General Fund revenue saw increases during the fiscal year ended June 30, 2012, in several categories, including Licensing and Permits, as well as Charges for Services. Both categories increased primarily due to continued strength in development activity, which is particularly impressive in light of national and regional trends. As a result of the City's strong tax base, property tax collections increased during the fiscal year ended June 30, 2012, and the General Fund saw an overall increase in property tax revenue of 3.5%.

General Fund expenditures decreased by \$243,876, or 0.5%. This was the result of cost-containment procedures implemented citywide including staff adjustments, steady employee health insurance expenditures, and a mild winter season.

City of West Des Moines, Iowa

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2012

The Tax Increment Financing (TIF) Fund had a fund balance of \$4,244,492 at June 30, 2012; an increase of \$287,156 or 7.2%. Since property taxes are collected in arrears, the City continues to benefit from past growth in these areas. The property taxes collected in these special financing districts are generally transferred from the Tax Increment Financing Fund to other funds to cover bonded debt, other loans, advances and contracts used to finance infrastructure improvements in these TIF districts.

The Debt Service Fund had a fund balance of \$3,591,183 at June 30, 2012, an increase of \$11,171. This fund is restricted for the payment of debt (i.e. payment of general obligation principal and interest).

This timing also was reflected as part of a significant increase in the Capital Projects Fund of \$25,689,220. In addition to cash from the bond issuance, this fund contained restricted cash of \$16,133,586 as a result of funds held for General Obligation crossover refunding bonds. Finally, reflective in the Capital Projects Fund is \$12,306,157 restricted for the liquidation of construction contracts that have been entered into by the City. The Capital Projects Fund reports no unassigned fund balance at June 30, 2012.

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 \$83.6 million. This is comprised of: \$48.8 million invested in capital assets, net of related debt; \$0.5 million restricted for debt service; and \$34.3 million in unrestricted net assets. This increase in net assets of \$2.3 million, or 2.3%, included a 9.25% sanitary sewer rate increase effective October 1, 2011, from \$4.85 / 1,000 gallons to \$5.30 / 1,000 gallons.

Total net assets of the Storm Water Fund at the end of the current year were \$28.4 million, with \$23.0 million invested in capital assets net of related debt and \$5.4 million in unrestricted net assets.

Total net assets of the Solid Waste Fund at the end of the current year were \$784,949 all of which was unrestricted. The Solid Waste Fund does not have any investment in capital assets as all assets are handled by a private contractor.

Unrestricted net 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 in July 1, 2006 to fund the new requirements.

Budgetary Highlights

The City presents budgetary information as allowed by GASB Statement No. 41. Budgets are based on nine functional areas as required by state statute, not by fund or fund type. During the year ended June 30, 2012, the City did not exceed the legal budget in any of the functional areas.

During the fiscal year there were two budget amendments, dated March 19 and May 14, 2012. Amendments are a routine occurrence for the City and are primarily due to changes in the timing of capital improvement projects and related grant and other receipts for these projects. Because the June 30 fiscal year end occurs during the "construction season" in Iowa, it is difficult to judge, in advance, that portion of construction projects which will be in process on June 30. The budget is also routinely amended each year to adjust projected fiscal year beginning balances to equal actual audited fund balances. In addition, the current year's amendments included a decrease in budgeted investment income as interest rates remain near record lows. General Fund Operating Revenue was decreased largely due to a change in accounting for the Dallas County Local Housing Trust Fund. Due to a requirement from the grantor, all revenues and expenses must be reported separately from the General Fund, and were moved to a Special Revenue Fund in the previous fiscal year. An expenditure of \$450,000

City of West Des Moines, Iowa Management's Discussion and Analysis For Fiscal Year Ended June 30, 2012

was added to the General Fund budget to reflect the purchase of a Storage Area Network. Debt service expenditures were increased to reflect payments of new bond issues. An increase in revenues was included in these amendments to reflect reimbursement for several grant programs, Federal Emergency Management Agency reimbursements, and development-related receipts. Budgetary comparison schedules on pages 75 through 76 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, 2012, amounts to \$502.1 million (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 2.2%; slightly below the previous year's increase of 2.7%.

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 ongoing efforts to maintain and preserve the quality and useful life of these governmental infrastructure assets. Under the modified approach, the City records the actual maintenance and preservation costs incurred during the period as expense, rather than capitalizing the preservation costs and estimating the amount of depreciation expense to record. Only improvements and additions that increase the capacity or efficiency of the infrastructure network are capitalized under this approach. All other costs are expensed in the period incurred.

The *required supplementary information* that must be presented by governments electing this approach appears on pages 77 through 79 of this report. From this supplementary information you can see that the City has been able to consistently meet or exceed its condition level goals. For a full explanation as to how the following condition levels were determined, please see page 77 of this report.

City of West Des Moines, Iowa
 Management's Discussion and Analysis
 For Fiscal Year Ended June 30, 2012

Condition Level for Street Network
 (prior 3 condition assessments)

	2007	2009	2011
Street subsystem:			
Goal	78-80	78-80	78-80
Actual	80.9	80.8	80.3
Bridge and culvert system:			
Goal	81 or greater	81 or greater	81 or greater
Actual	93.8	93.8	91.3
Levee subsystem:			
Goal	Acceptable	Acceptable	Minimally Acceptable
Actual	Acceptable	Acceptable	Minimally Acceptable

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

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

	2005	2006	2007	2008	2009	2010	2011	2012
Estimated costs	\$3,323	\$3,077	\$4,480	\$4,915	\$5,397	\$4,374	\$5,296	\$5,307
Actual costs	3,517	3,516	4,751	4,661	5,024	5,071	5,387	5,119

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.

City of West Des Moines, Iowa
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Land	\$ 18,927	\$ 18,997	\$ 413	\$ 413	\$ 19,340	\$ 19,410
Buildings	40,803	42,222	-	-	40,803	42,222
Improvements other than buildings	35,687	38,672	-	-	35,687	38,672
Fiber Network	4,638	4,638	-	-	4,638	4,638
Equipment and vehicles	20,965	20,186	25	123	20,990	20,309
Construction-in-Progress	24,447	17,686	1,130	2,126	25,577	19,812
Share of undivided equity interest assets	1,388	1,803	-	-	1,388	1,803
Infrastructure, depreciable	-	-	96,569	102,261	96,569	102,261
Infrastructure, non-depreciable	317,156	327,330	-	-	317,156	327,330
Accumulated depreciation	(54,656)	(58,940)	(29,741)	(31,773)	(84,397)	(90,713)
Intangibles	13,404	16,358	-	-	13,404	16,358
Total capital assets	\$ 422,759	\$ 428,951	\$ 68,396	\$ 73,149	\$ 491,155	\$ 502,101

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

- Spent over \$1.5 million to expand and reconstruct a significant section of Grand Avenue between 50th St and Interstate 35.
- Spent over \$2.9 million to construct another significant portion of SW Connector roadway (total project cost \$7.8 million to date).
- Spent over \$1.0 million to continue construction of S 88th Street and Grand Avenue to support Microsoft facilities (total project cost \$6.2 million).
- Spent over \$1.1 million for improvements to Valley View Park.

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

Outstanding Debt
General Obligation and Revenue Bonds

	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
General Obligation Bonds	\$ 101,081,101	\$ 119,400,616	\$ -	\$ -	\$ 101,081,101	\$ 119,400,616
Revenue Bonds	-	-	1,771,000	1,364,000	1,771,000	1,364,000
	\$ 101,081,101	\$ 119,400,616	\$ 1,771,000	\$ 1,364,000	\$ 102,852,101	\$ 120,764,616

City of West Des Moines, Iowa Management's Discussion and Analysis For Fiscal Year Ended June 30, 2012

Long-term debt. At the close of the fiscal year ended June 30, 2012, the City had total bonded debt outstanding of \$120.7 million, of which \$119.4 million comprises debt backed by the full faith and credit of the government and the remaining \$1.3 million represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

During the current fiscal year the City's total bonded debt increased by \$17.9 million due to the recording of the crossover refunding transaction and the timing of the issuance of 2012 General Obligation Bonds, each described previously.

The Iowa State Constitution limits the amount of general obligation debt which may be issued by a city to 5 percent of the actual assessed value of all its taxable property. The current debt limitation for the City is approximately \$305.2 million. With outstanding general obligation debt of \$123.3 million (general obligation bonds plus other debt subject to the limitation), the City had utilized 40.4% of the debit limit as of June 30, 2012.

Additional information on the City's long-term debt can be found in Note 4 on pages 59 through 63 of this report.

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

As one of the fastest growing cities in the state of Iowa, West Des Moines expects growth both in population and in taxable property valuations to continue over the next several years. Historically, the tax base has grown between 2 percent and 9 percent annually. The budget for fiscal year ending June 30, 2013, was built on projections that property tax values will actually contract slightly by approximately 1% from actual previous valuations. Helping to offset this loss in valuation is an adjustment to the calculation for residential property taxes, but nonetheless the fiscal 2013 budget projects general fund tax revenues to drop \$889,096, or 2.8%, from the approved budget of the previous year. Although it appears major valuation corrections have been made to reflect the down cycle of our overall economy, future year tax base growth assumptions remain conservative, reflecting between 2% and 4% annual growth.

The City's tax base measured by current actual property valuation and recent population data is an extremely strong at approximately \$106,000 per capita. The City's taxable valuation per capita of over \$76,000 remains the highest of Iowa's top ten most populated cities, which allows the City of West Des Moines to maintain the lowest tax rate of those cities. The City ranks as the fourth highest city for taxable retail sales in Iowa, due to the large presence of retail including two major regional shopping centers. Many other economic indicators for the City compare favorably with state and national averages. See additional information and measures regarding the City in the Statistical Section of this report.

While West Des Moines continues to experience growth in its property tax base, valuations are determined at the county level. Recent valuation rollbacks and appeals have resulted in the City recognizing the need to project future revenue and expenditure levels to ensure adequate funding for services will be available in future budget cycles for operations. The City essentially budgeted for breakeven results, without the use of this fund balance, and without a property tax rate increase for the fiscal year ending June 30, 2013. 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.

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BASIC FINANCIAL STATEMENTS

City of West Des Moines, Iowa
STATEMENT OF NET ASSETS
June 30, 2012

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Current assets			
Cash and investments	\$ 79,526,578	\$ 34,393,386	\$113,919,964
Restricted cash and investments	2,827,118	-	2,827,118
Receivables			
Property taxes	60,052,562	-	60,052,562
Accounts and unbilled usage	802,933	3,210,076	4,013,009
Interest	9,499	49,575	59,074
Special assessments	870,712	45,037	915,749
Loans	1,484,581	-	1,484,581
Internal balances	(783,851)	783,851	-
Due from other governments	2,395,065	2,945,472	5,340,537
Assets held for sale	147,108	-	147,108
Inventories	71,496	-	71,496
Total current assets	<u>147,403,801</u>	<u>41,427,397</u>	<u>188,831,198</u>
Noncurrent assets			
Restricted cash and investments	13,306,468	462,920	13,769,388
Bond issuance costs	933,203	-	933,203
	<u>14,239,671</u>	<u>462,920</u>	<u>14,702,591</u>
Capital assets			
Nondepreciable			
Land	18,997,207	413,178	19,410,385
Infrastructure	327,329,865	-	327,329,865
Construction-in-progress	17,685,898	2,125,888	19,811,786
Intangibles	15,574,850	-	15,574,850
Depreciable			
Buildings	42,221,564	-	42,221,564
Equipment and vehicles	20,185,803	122,703	20,308,506
Fiber network	4,637,780	-	4,637,780
Improvements other than buildings	38,672,192	-	38,672,192
Share of undivided equity interest assets	1,802,889	-	1,802,889
Intangibles	783,447	-	783,447
Infrastructure	-	102,260,718	102,260,718
Accumulated depreciation	(58,940,368)	(31,773,272)	(90,713,640)
Net capital assets	<u>428,951,127</u>	<u>73,149,215</u>	<u>502,100,342</u>
Total noncurrent assets	<u>443,190,798</u>	<u>73,612,135</u>	<u>516,802,933</u>
Total assets	<u>590,594,599</u>	<u>115,039,532</u>	<u>705,634,131</u>

LIABILITIES	Primary Government		
	Governmental Activities	Business-type Activities	Total
Current liabilities			
Accounts payable	\$ 4,594,584	\$ 457,412	\$ 5,051,996
Claims payable	691,108	–	691,108
Accrued wages payable	494,547	18,001	512,548
Interest payable	341,725	3,410	345,135
Unearned revenue	59,737,942	–	59,737,942
Compensated absences	487,496	113,104	600,600
General obligation bonds	16,845,000	–	16,845,000
Capital lease payable	231,615	–	231,615
Installment contracts	1,076,848	–	1,076,848
Revenue notes payable	–	422,000	422,000
Total current liabilities	<u>84,500,865</u>	<u>1,013,927</u>	<u>85,514,792</u>
Noncurrent liabilities			
Compensated absences	3,954,972	44,809	3,999,781
General obligation bonds	102,555,616	–	102,555,616
Capital lease payable	528,407	–	528,407
Installment contracts	2,153,645	–	2,153,645
Revenue notes payable	–	942,000	942,000
Net OPEB liability	553,820	25,637	579,457
Total noncurrent liabilities	<u>109,746,460</u>	<u>1,012,446</u>	<u>110,758,906</u>
Total liabilities	<u>194,247,325</u>	<u>2,026,373</u>	<u>196,273,698</u>
Net Assets			
Invested in capital assets, net of related debt	331,322,948	71,785,215	403,108,163
Restricted for			
Capital projects	12,306,157	–	12,306,157
Debt service	3,591,183	462,920	4,054,103
Urban renewal and development	4,244,492	–	4,244,492
Road use projects	13,503,921	–	13,503,921
Retirement benefits	3,467,712	–	3,467,712
Other purposes	2,294,105	–	2,294,105
Unrestricted	<u>25,616,756</u>	<u>40,765,024</u>	<u>66,381,780</u>
Total net assets	<u>\$396,347,274</u>	<u>\$113,013,159</u>	<u>\$509,360,433</u>

City of West Des Moines, Iowa
STATEMENT OF ACTIVITIES
Year ended June 30, 2012

<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	\$24,796,973	\$ 4,721,074	\$ 2,663,420	\$ -
Public works	9,522,787	956,272	5,350,804	7,125,936
Health and social services	1,191,055	-	648,841	-
Culture and recreation	9,526,437	1,392,190	130,592	-
Community and economic development	7,587,871	411,260	1,046,406	-
General government	5,712,265	1,284,718	1,116,997	-
Interest on long-term debt	3,652,748	-	-	-
Total governmental activities	<u>61,990,136</u>	<u>8,765,514</u>	<u>10,957,060</u>	<u>7,125,936</u>
Business-type activities				
Sewer system	8,254,719	9,225,687	-	1,210,579
Storm water system	1,310,785	2,156,738	-	390,093
Solid waste system	1,730,612	1,772,291	-	-
Total business-type activities	<u>11,296,116</u>	<u>13,154,716</u>	<u>-</u>	<u>1,600,672</u>
Total primary government	<u>\$73,286,252</u>	<u>\$21,920,230</u>	<u>\$10,957,060</u>	<u>\$8,726,608</u>
		General revenues		
		Taxes		
		Property taxes		
		Franchise tax		
		Other City taxes		
		Hotel/Motel tax		
		Miscellaneous		
		Investment earnings		
		Transfers		
		Total general revenues and transfers		
		Changes in net assets		
		Net assets, beginning of year, as restated		
		Net assets, end of year		

See Notes to Basic Financial Statements.

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

Governmental Activities	Business-type Activities	Totals
\$ (17,412,479)	\$ —	\$ (17,412,479)
3,910,225	—	3,910,225
(542,214)	—	(542,214)
(8,003,655)	—	(8,003,655)
(6,130,205)	—	(6,130,205)
(3,310,550)	—	(3,310,550)
<u>(3,652,748)</u>	<u>—</u>	<u>(3,652,748)</u>
<u>(35,141,626)</u>	<u>—</u>	<u>(35,141,626)</u>
—	2,181,547	2,181,547
—	1,236,046	1,236,046
—	41,679	41,679
<u>—</u>	<u>3,459,272</u>	<u>3,459,272</u>
<u>(35,141,626)</u>	<u>3,459,272</u>	<u>(31,682,354)</u>
57,842,225	—	57,842,225
300,737	—	300,737
579,248	—	579,248
3,071,320	—	3,071,320
1,029,403	—	1,029,403
59,397	149,088	208,485
<u>(3,079,696)</u>	<u>3,079,696</u>	<u>—</u>
<u>59,802,634</u>	<u>3,228,784</u>	<u>63,031,418</u>
24,661,008	6,688,056	31,349,064
<u>371,686,266</u>	<u>106,325,103</u>	<u>478,011,369</u>
<u>\$396,347,274</u>	<u>\$113,013,159</u>	<u>\$509,360,433</u>

City of West Des Moines, Iowa
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2012

	<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	\$22,130,094	\$13,171,851	\$ 6,355,133	\$ 3,549,917	\$ 11,727,323	\$ 5,752,430	\$ 62,686,748
Restricted cash and investments	-	-	-	-	16,133,586	-	16,133,586
Receivables							
Property taxes	31,921,729	-	13,545,595	8,475,127	37,660	6,072,451	60,052,562
Accounts	760,415	-	-	-	119	16,673	777,207
Loans	-	-	-	-	1,475,346	9,235	1,484,581
Special assessments	7,441	-	-	-	863,271	-	870,712
Due from other funds	26,880	-	-	-	-	-	26,880
Due from other governments	1,154,399	396,821	-	-	763,774	80,071	2,395,065
Assets held for sale	147,108	-	-	-	-	-	147,108
Total assets	<u>\$56,148,066</u>	<u>\$13,568,672</u>	<u>\$19,900,728</u>	<u>\$12,025,044</u>	<u>\$31,001,079</u>	<u>\$11,930,860</u>	<u>\$144,574,449</u>
LIABILITIES AND FUND EQUITY							
Liabilities							
Accounts payable	\$ 1,260,281	\$ 64,751	\$ 2,161,039	\$ -	\$ 897,652	\$ 85,405	\$ 4,469,128
Accrued wages payable	492,399	-	-	-	-	2,148	494,547
Due to other funds	-	-	-	-	528,031	26,880	554,911
Deferred revenue	31,913,559	-	13,495,197	8,433,861	1,135,653	6,054,610	61,032,880
Total liabilities	<u>33,666,239</u>	<u>64,751</u>	<u>15,656,236</u>	<u>8,433,861</u>	<u>2,561,336</u>	<u>6,169,043</u>	<u>66,551,466</u>
Fund Equity							
Fund balances							
Nonspendable, assets held for sale	\$ 147,108	-	-	-	-	-	147,108
Restricted for							
Capital projects	-	13,503,921	-	-	12,306,157	-	25,810,078
Debt service	-	-	-	3,591,183	16,133,586	-	19,724,769
Urban renewal and development	-	-	4,244,492	-	-	-	4,244,492
Other purposes	-	-	-	-	-	5,761,817	5,761,817
Unassigned	22,334,719	-	-	-	-	-	22,334,719
Total fund equity	<u>22,481,827</u>	<u>13,503,921</u>	<u>4,244,492</u>	<u>3,591,183</u>	<u>28,439,743</u>	<u>5,761,817</u>	<u>78,022,983</u>
Total liabilities and fund equity	<u>\$56,148,066</u>	<u>\$13,568,672</u>	<u>\$19,900,728</u>	<u>\$12,025,044</u>	<u>\$31,001,079</u>	<u>\$11,930,860</u>	<u>\$144,574,449</u>

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2012

Total governmental funds balances		\$ 78,022,983
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 \$475,145,202 and the accumulated depreciation is \$50,603,518.		424,541,684
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		1,294,938
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	12,746,293	
Accumulated depreciation	(8,336,850)	
Other current assets	16,946,551	
Other current liabilities	<u>(816,564)</u>	20,539,430
Internal service funds allocated to business-type activities		(255,820)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds		
Compensated absences	(4,442,468)	
Other postemployment benefits payable	(553,820)	
Accrued interest payable	(341,725)	
General obligation bonds payable	(114,255,000)	
Premium on bonds payable	(5,145,616)	
Capital lease obligations	(760,022)	
Installment contracts	(3,230,493)	
Bond issuance costs	<u>933,203</u>	<u>(127,795,941)</u>
Net assets of governmental activities		<u>\$396,347,274</u>

City of West Des Moines, Iowa
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES—GOVERNMENTAL FUNDS
Year ended June 30, 2012

	<u>General</u>	<u>Road Use Tax</u>	<u>Tax Increment Financing</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Property taxes	\$32,053,643	\$ —	\$12,219,161	\$ 8,258,673	\$ —	\$5,310,748	\$57,842,225
Other City taxes	3,786,423	—	—	96,141	—	68,741	3,951,305
Special assessments	—	—	—	—	395,576	—	395,576
Licenses and permits	1,404,430	—	—	—	—	—	1,404,430
Intergovernmental	4,196,838	5,335,052	—	—	5,629,288	795,353	15,956,531
Charges for services	4,759,448	—	—	—	—	—	4,759,448
Use of money and property	108,667	—	—	1,455	—	97	110,219
Miscellaneous	716,253	—	—	—	16,711	1,316,597	2,049,561
Total revenues	<u>47,025,702</u>	<u>5,335,052</u>	<u>12,219,161</u>	<u>8,356,269</u>	<u>6,041,575</u>	<u>7,491,536</u>	<u>86,469,295</u>
EXPENDITURES							
Current operating							
Public safety	21,034,207	—	—	—	—	2,296,396	23,330,603
Public works	5,807,887	668,732	—	—	—	—	6,476,619
Health and social services	886,084	—	—	—	—	239,524	1,125,608
Culture and recreation	6,767,580	—	—	—	—	82,268	6,849,848
Community and economic development	4,683,308	—	2,161,039	—	—	543,270	7,387,617
General government	5,371,275	—	—	—	—	—	5,371,275
Debt service							
Principal	154,636	1,076,848	—	13,535,828	—	63,670	14,830,982
Interest and other charges	83,062	—	—	3,641,279	521,416	8,041	4,253,798
Capital outlay	658,145	—	—	—	14,180,916	136,725	14,975,786
Total expenditures	<u>45,446,184</u>	<u>1,745,580</u>	<u>2,161,039</u>	<u>17,177,107</u>	<u>14,702,332</u>	<u>3,369,894</u>	<u>84,602,136</u>
Excess (deficiency) of revenues over expenditures	<u>1,579,518</u>	<u>3,589,472</u>	<u>10,058,122</u>	<u>(8,820,838)</u>	<u>(8,660,757)</u>	<u>4,121,642</u>	<u>1,867,159</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	4,125,331	100,342	22,520	20,329,748	3,068,695	239,930	27,886,566
Transfers out	(697,996)	(2,108,899)	(9,793,486)	—	(12,307,963)	(3,709,668)	(28,618,012)
General obligation bonds issued	—	—	—	—	15,150,000	—	15,150,000
Refunding bonds issued	—	—	—	—	25,235,000	—	25,235,000
Premium on bond issuance	—	—	—	—	3,204,245	—	3,204,245
Payment to refunded bond escrow	—	—	—	(11,497,739)	—	—	(11,497,739)
Proceeds from sales of capital assets	21,300	—	—	—	—	—	21,300
Total other financing sources (uses)	<u>3,448,635</u>	<u>(2,008,557)</u>	<u>(9,770,966)</u>	<u>8,832,009</u>	<u>34,349,977</u>	<u>(3,469,738)</u>	<u>31,381,360</u>
NET CHANGE IN FUND BALANCES	5,028,153	1,580,915	287,156	11,171	25,689,220	651,904	33,248,519
FUND BALANCES, beginning of year, as restated	<u>17,453,674</u>	<u>11,923,006</u>	<u>3,957,336</u>	<u>3,580,012</u>	<u>2,750,523</u>	<u>5,109,913</u>	<u>44,774,464</u>
FUND BALANCES, end of year	<u>\$22,481,827</u>	<u>\$13,503,921</u>	<u>\$ 4,244,492</u>	<u>\$ 3,591,183</u>	<u>\$28,439,743</u>	<u>\$5,761,817</u>	<u>\$78,022,983</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, 2012

Net change in fund balances—governmental funds \$33,248,519

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	8,067,679
Depreciation	(4,700,016)

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	4,165,235
Book value of capital assets disposed	(946,807)

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:

Special Assessments	865,615
Grants	(133,022)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Change in:

Net OPEB liability	(108,428)
Compensated absences	(363,611)

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:	
Capital lease obligations	218,306
General obligation bonds	24,830,000
Installment contracts	1,076,848
Interest	(36,950)
Issuance of long-term debt	(40,385,000)
Premium on issuance of long-term debt	(3,204,245)
Issuance costs	521,416
Amortization of bond premium	439,730
Amortization of bond issuance costs, including new issue amounts	(119,579)

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.

1,225,318

Change in net assets of governmental activities	<u>\$24,661,008</u>
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See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
STATEMENT OF NET ASSETS—PROPRIETARY FUNDS
June 30, 2012

	<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	\$28,855,097	\$ 5,039,861	\$498,428	\$ 34,393,386	\$16,839,830
Receivables					
Accounts and unbilled usage	2,243,558	539,722	426,796	3,210,076	25,726
Special assessments	42,630	1,346	1,061	45,037	—
Interest	49,575	—	—	49,575	9,499
Due from other funds	528,031	—	—	528,031	—
Due from other governments	2,945,472	—	—	2,945,472	—
Inventories	—	—	—	—	71,496
Total current assets	<u>34,664,363</u>	<u>5,580,929</u>	<u>926,285</u>	<u>41,171,577</u>	<u>16,946,551</u>
Noncurrent assets					
Restricted cash and investments	<u>462,920</u>	<u>—</u>	<u>—</u>	<u>462,920</u>	<u>—</u>
Capital assets					
Nondepreciable					
Land	411,278	1,900	—	413,178	—
Construction-in-progress	1,593,102	532,786	—	2,125,888	—
Depreciable					
Equipment and vehicles	104,786	17,917	—	122,703	12,746,293
Infrastructure	77,891,783	24,368,935	—	102,260,718	—
Accumulated depreciation	(29,811,983)	(1,961,289)	—	(31,773,272)	(8,336,850)
Net capital assets	<u>50,188,966</u>	<u>22,960,249</u>	<u>—</u>	<u>73,149,215</u>	<u>4,409,443</u>
Total noncurrent assets	<u>50,651,886</u>	<u>22,960,249</u>	<u>—</u>	<u>73,612,135</u>	<u>4,409,443</u>
Total assets	<u>\$85,316,249</u>	<u>\$28,541,178</u>	<u>\$926,285</u>	<u>\$114,783,712</u>	<u>\$21,355,994</u>

	<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	\$ 227,210	\$ 88,866	\$141,336	\$ 457,412	\$ 125,456
Claims payable	-	-	-	-	691,108
Compensated absences	67,995	45,109	-	113,104	-
Accrued wages payable	9,801	8,200	-	18,001	-
Interest payable	3,410	-	-	3,410	-
Revenue notes payable	<u>422,000</u>	<u>-</u>	<u>-</u>	<u>422,000</u>	<u>-</u>
Total current liabilities	<u>730,416</u>	<u>142,175</u>	<u>141,336</u>	<u>1,013,927</u>	<u>816,564</u>
Noncurrent					
Compensated absences	5,682	39,127	-	44,809	-
Revenue notes, net of current maturities	942,000	-	-	942,000	-
Net OPEB liability	<u>14,004</u>	<u>11,633</u>	<u>-</u>	<u>25,637</u>	<u>-</u>
Total noncurrent liabilities	<u>961,686</u>	<u>50,760</u>	<u>-</u>	<u>1,012,446</u>	<u>-</u>
Total liabilities	<u>1,692,102</u>	<u>192,935</u>	<u>141,336</u>	<u>2,026,373</u>	<u>816,564</u>
Net assets					
Invested in capital assets, net of related debt	48,824,966	22,960,249	-	71,785,215	4,409,443
Restricted for debt service	462,920	-	-	462,920	-
Unrestricted	<u>34,336,261</u>	<u>5,387,994</u>	<u>784,949</u>	<u>40,509,204</u>	<u>16,129,987</u>
Total net assets	<u>83,624,147</u>	<u>28,348,243</u>	<u>784,949</u>	<u>112,757,339</u>	<u>20,539,430</u>
Total liabilities and net assets	<u>\$85,316,249</u>	<u>\$28,541,178</u>	<u>\$926,285</u>	<u>\$114,783,712</u>	<u>\$21,355,994</u>
Total enterprise funds net assets				\$112,757,339	
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>255,820</u>	
Net assets of business-type activities				<u>\$113,013,159</u>	

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS—PROPRIETARY FUNDS
Year ended June 30, 2012

	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	\$ 9,225,687	\$ 2,156,738	\$1,740,237	\$ 13,122,662	\$ 6,475,680
Lease revenue	—	—	—	—	1,339,735
Other	—	—	32,054	32,054	—
Total operating revenue	<u>9,225,687</u>	<u>2,156,738</u>	<u>1,772,291</u>	<u>13,154,716</u>	<u>7,815,415</u>
Operating expenses					
Cost of sales and services	3,860,118	788,156	1,730,612	6,378,886	5,849,343
Administration	47,902	67,859	—	115,761	—
Depreciation	<u>1,544,208</u>	<u>490,962</u>	—	<u>2,035,170</u>	<u>1,139,067</u>
Total operating expenses	<u>5,452,228</u>	<u>1,346,977</u>	<u>1,730,612</u>	<u>8,529,817</u>	<u>6,988,410</u>
Operating income	<u>3,773,459</u>	<u>809,761</u>	<u>41,679</u>	<u>4,624,899</u>	<u>827,005</u>
Nonoperating revenues (expenses)					
Investment earnings	146,533	2,555	—	149,088	14,709
Interest expense and fiscal charges	(51,708)	—	—	(51,708)	—
Payments to WRA	(2,766,736)	—	—	(2,766,736)	—
(Loss) on sale of capital assets	<u>(8,433)</u>	—	—	<u>(8,433)</u>	<u>(18,597)</u>
Total nonoperating revenues (expenses)	<u>(2,680,344)</u>	<u>2,555</u>	—	<u>(2,677,789)</u>	<u>(3,888)</u>
Income before capital contributions and transfers	1,093,115	812,316	41,679	1,947,110	823,117
Capital contributions	1,304,091	3,079,801	—	4,383,892	27,809
Transfers in	—	296,476	—	296,476	510,221
Transfers out	—	—	—	—	(75,251)
Change in net assets	<u>2,397,206</u>	<u>4,188,593</u>	<u>41,679</u>	<u>6,627,478</u>	<u>1,285,896</u>
Total net assets, beginning of year	<u>81,226,941</u>	<u>24,159,650</u>	<u>743,270</u>	<u>106,129,861</u>	<u>19,253,534</u>
Total net assets, end of year	<u>\$83,624,147</u>	<u>\$28,348,243</u>	<u>\$ 784,949</u>	<u>\$112,757,339</u>	<u>\$20,539,430</u>
Change in enterprise funds net assets				\$6,627,478	
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>60,578</u>	
Change in net assets of business-type activities				<u>\$6,688,056</u>	

See Notes to Basic Financial Statements.

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City of West Des Moines, Iowa
STATEMENT OF CASH FLOWS—PROPRIETARY FUNDS
Year ended June 30, 2012

	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	\$ 8,959,410	\$2,150,755	\$1,767,498	\$12,877,663	\$ 7,804,312
Payments to suppliers	(3,420,093)	(327,244)	(1,727,392)	(5,474,729)	(1,080,690)
Payments to WRA	(2,766,736)	—	—	(2,766,736)	—
Payments to claimants	—	—	—	—	(4,585,173)
Payments to employees	(492,436)	(567,051)	—	(1,059,487)	—
Net cash provided by operating activities	<u>2,280,145</u>	<u>1,256,460</u>	<u>40,106</u>	<u>3,576,711</u>	<u>2,138,449</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	—	296,476	—	296,476	510,221
Transfers out	—	—	—	—	(75,251)
Net cash provided by noncapital financing activities	<u>—</u>	<u>296,476</u>	<u>—</u>	<u>296,476</u>	<u>434,970</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(1,639,085)	(3,477,469)	—	(5,116,554)	(736,877)
Capital contributions	93,428	2,689,708	—	2,783,136	—
Payment on debt	(407,000)	—	—	(407,000)	—
Interest paid on debt	(53,131)	—	—	(53,131)	—
Proceeds from disposal of capital assets	—	—	—	—	735
Net cash (used in) capital and related financing activities	<u>(2,005,788)</u>	<u>(787,761)</u>	<u>—</u>	<u>(2,793,549)</u>	<u>(736,142)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	391,543	12,237	—	403,780	8,741
Purchase of investment securities	(23,000,000)	—	—	(23,000,000)	(9,000,000)
Proceeds from maturity of investment securities	19,500,000	1,000,000	—	20,500,000	6,000,000
Net cash provided by (used in) investing activities	<u>(3,108,457)</u>	<u>1,012,237</u>	<u>—</u>	<u>(2,096,220)</u>	<u>(2,991,259)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,834,100)	1,777,412	40,106	(1,016,582)	(1,153,982)
CASH AND CASH EQUIVALENTS, beginning of year	<u>14,152,117</u>	<u>3,262,449</u>	<u>458,322</u>	<u>17,872,888</u>	<u>12,993,812</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$11,318,017</u>	<u>\$5,039,861</u>	<u>\$ 498,428</u>	<u>\$16,856,306</u>	<u>\$11,839,830</u>

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
STATEMENT OF CASH FLOWS—PROPRIETARY FUNDS (continued)
Year ended June 30, 2012

	Business-Type Activities				
	Enterprise Funds				
	Sewer System	Storm Water System	Nonmajor Enterprise Fund Solid Waste	Total Enterprise Funds	Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income	\$ 3,773,459	\$ 809,761	\$ 41,679	\$ 4,624,899	\$ 827,005
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	1,544,208	490,962	-	2,035,170	1,139,067
Payments to WRA	(2,766,736)	-	-	(2,766,736)	-
Change in assets and liabilities					
Receivables	(241,084)	(5,983)	(4,793)	(251,860)	(11,103)
Inventories	-	-	-	-	1,968
Accounts payable	6,673	(29,395)	3,220	(19,502)	13,718
Claims payable	-	-	-	-	167,794
Compensated absences and accrued wages payable	(14,293)	(11,301)	-	(25,594)	-
Unearned revenue	(25,193)	-	-	(25,193)	-
OPEB liability	3,111	2,416	-	5,527	-
Net cash provided by operating activities	<u>\$ 2,280,145</u>	<u>\$ 1,256,460</u>	<u>\$ 40,106</u>	<u>\$ 3,576,711</u>	<u>\$ 2,138,449</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO SPECIFIC ASSETS ON THE STATEMENT OF NET ASSETS					
Cash and investments	\$28,855,097	\$5,039,861	\$498,428	\$34,393,386	\$16,839,830
Restricted cash and investments	462,920	-	-	462,920	-
Less items not meeting the definition of cash equivalents	(18,000,000)	-	-	(18,000,000)	(5,000,000)
Cash and cash equivalents at end of year	<u>\$11,318,017</u>	<u>\$5,039,861</u>	<u>\$498,428</u>	<u>\$16,856,306</u>	<u>\$11,839,830</u>
SCHEDULE OF NONCASH ITEMS					
Capital and related financing activities					
Donated construction by developers	\$ 1,210,663	\$ 390,093	\$ -	\$ 1,600,756	\$ 27,809
Acquisition of capital assets through retainage payable	\$ 66,059	\$ 13,617	\$ -	\$ 79,676	\$ -

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2012

ASSETS

Cash and investments	\$ 565,445
Restricted assets, contractors' bonds	<u>59,536</u>
Total assets	<u>\$ 624,981</u>

LIABILITIES

Deposits and remittances due	<u>624,981</u>
Total liabilities	<u>\$ 624,981</u>

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of West Des Moines (the City) is a political subdivision of the state of Iowa located in Polk, Dallas, Madison and Warren counties. It was first incorporated in 1893 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government, with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, health and social services, public improvements and general administrative services. It also provides sewer, storm water and solid waste utilities.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusions would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. Based on these criteria, there are no component units, organizations or agencies which should be included in these basic financial statements.

Basis of Presentation

Government-wide and fund financial statements: The government-wide financial statements (i.e., the statement of net 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 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 (Special Revenue): To account for the proceeds from road use tax monies.

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Fund Accounting (continued):

Governmental Fund Types (continued):

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

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

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

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

Economic Development Fund: To account for grants, contributions, and loan repayments to be used for general economic development and redevelopment purposes of the City including low interest loans the City makes to private companies for economic development purposes, as well as the acquisition and sale of land.

Housing Programs Fund: To account for the U.S. Department of Housing and Urban Development Block Grant programs as well as miscellaneous other grants and contributions to provide housing assistance and housing rehabilitation programs.

Parks Fund: To account for the donations identified to specifically assist the park programs and annual tree planting.

Library Fund: To account for reimbursements from the State of Iowa for library materials lent to non-City residents and other libraries in Iowa, and used for improvements to the Library. This Fund also accounts for money received through donations and fund raising activities for the Library.

Public Safety Fund: To account for grants and contributions specifically identified for use in public safety activities such as contributions for the purchase of public access defibrillators. This fund is also used to account for funds received by the City as a result of drug seizures.

Dallas County Local Housing Trust Fund: To account for grants from the Iowa Finance Authority and other Dallas County Local Housing Trust Fund revenues and related expenditures.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Fund Accounting (continued):

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

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

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

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Fund Accounting (continued):

Fiduciary Fund Types: Fiduciary fund types are used to account for net 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 revenue in the year in which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the current fiscal period.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

When an expenditure is incurred in governmental funds that can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

Property taxes are recognized at the time an enforceable legal claim is established. This is deemed to occur when the budget is certified. The current tax levy was certified in February 2012, the date at which a lien attaches, based on the 2011 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 2012 tax levy is budgeted and levied for fiscal year 2013, the revenue from this tax levy has been deferred.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure. The City has elected not to follow subsequent private-sector guidance.

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 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, Pooled Investments and Cash Equivalents: The City maintains a cash and investment pool to maximize investment opportunities. Income from investments is recorded in the General Fund unless otherwise provided by law. Each fund's portion of total cash and investments is reported as such within this report. In addition, certain investments are separately held by several of the City's funds. Investments are reported at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost. Securities traded on the national or international exchange are valued at the last reported sales price at current exchange rates.

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

For purposes of the statement of cash flows for proprietary fund type funds, the City considers pooled cash and investments to be cash equivalents as these pooled amounts have the same characteristics of demand deposits and all highly liquid investments with a maturity of three months or less when purchased. Certificates of deposit with a maturity greater than three months are considered investments. Cash equivalents also include restricted cash and investments.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of Significant Accounting Policies: (continued)

Property Taxes Receivable, Including Tax Increment Financing: Property tax, including tax increment financing in governmental funds, is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2012 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.

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, 2010, assessed property valuations; is for the tax accrual period July 1, 2011, through June 30, 2012, and reflects tax asking contained in the budget certified to the County Board of Supervisors in February 2011.

Accounts Receivable: results primarily from services provided to citizens and are accounted for in the governmental funds. Sanitary sewer, storm water sewer and solid waste services are accounted for in the enterprise funds. All are net of an allowance for uncollectibles. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Special Assessments Receivable: Special assessments receivable represents the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than ten nor more than twenty annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other tax.

Inventories: consists of materials and supplies and are valued at cost using the first-in, first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures.

Due from Other Governments: Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Restricted Assets: Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable bond and note indentures.

Bond Issuance Costs: in the government-wide financial statements and proprietary fund types in the fund financial statements, issuance costs are deferred and amortized over the life of the bonds using the straight line method.

In the fund financial statements, governmental fund types recognize bond issuance costs during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of Significant Accounting Policies (continued):

Capital Assets: 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. The City maintains an inventory of infrastructure assets and performs periodic condition assessments to establish that the predetermined condition level is maintained.

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

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

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

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

Deferred and Unearned Revenues: Although certain revenues are measurable, they are not available. Available means collected within the current year or collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of the succeeding year property tax receivable and tax increment financing receivable, special assessments receivable, other receivables not collected within sixty days after year end and prepaid permits.

Unearned revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied and the amount of assets that have been recognized, but the related revenue is not yet earned and prepaid permits.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of Significant Accounting Policies (continued):

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

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

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

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

Compensated Absences: City employees accumulate vacation benefits for subsequent use or payment upon termination, death or retirement. City employees also accumulate sick leave benefits for subsequent use or payment at one-half the accumulated value upon death or retirement. For proprietary fund types, these accumulations are recorded as expenses and liabilities of the appropriate fund in the fiscal year earned. For governmental fund types, the amount of accumulated unpaid vacation which is payable from available resources is recorded as a liability of the respective fund only if they have matured. Examples of these are employee retirements and resignations. There is no amount considered due as of year-end or reported in the fund financial statements. However, the entire compensated absence liability, computed based on rates of pay in effect at June 30, 2012, is reported on the government-wide financial statements. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities: In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

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

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

Nonspendable - Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the highest level of decision-making authority. The City Council is the highest level of decision-making authority and can, through ordinance or resolution approved prior to fiscal year end, commit fund balance. For the purpose of financial commitments, ordinances and resolutions are equally binding. Committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts. At this time no amounts have been committed by the City Council.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of Significant Accounting Policies (continued):

Fund Equity: (continued)

Assigned - Amounts the City intends to use for a specific purpose. The intent is expressed by the governing body itself, or a body or official to which the City has delegated the authority to assign amounts to be used for specific purposes. It does not require formal action of the City. At this time no amounts have been assigned nor has any specific authority to assign fund equity been delegated by the City, governing bodies or officials.

Unassigned - All amounts not included in other spendable classifications.

Net Assets: 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, 2012, the City had \$25,762,952 in unspent debt proceeds. Of this amount, \$9,600,655 was available for projects, while the remaining proceeds were placed in escrow for the advance refunding of outstanding debt. 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 \$13,503,921 for road construction projects, \$3,467,712 for retirement benefits, \$2,676,791 for capital projects, and \$4,244,492 for tax increment projects. All other restrictions are imposed by outside parties through grants, debt agreements or donors.

The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net 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. For the year ended June 30, 2012, disbursements did not exceed the amounts budgeted in any function.

NOTE 2 CASH AND INVESTMENTS

As of June 30, 2012, the City's cash and investments were as follows:

Cash and investments, statement of net assets	\$130,053,550
Restricted cash and investments	462,920
Cash and investments, fiduciary funds	565,445
	<u>\$131,081,915</u>
Deposits including certificates of deposit	\$62,378,927
Investments	68,702,988
	<u>\$131,081,915</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 fair value risk of investments in the portfolio by structuring its investment portfolio so that securities mature to meet cash requirements for operations, thereby avoiding the need to sell securities in the open market prior to maturity.

Investments of the City are held with Iowa Public Agency Investment Trust (IPAIT). IPAIT's weighted average maturity as of June 30, 2012, was 42.67 days.

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

<u>Investment Type</u>	<u>Fair Value</u>
Iowa Public Agency Investment Trust	<u>\$68,702,988</u>

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

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

The City has no investments meeting the disclosure requirement of GASB Statement No. 3, as amended by GASB Statement No. 40.

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

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

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

NOTE 2 CASH AND INVESTMENTS (continued)

Custodial Credit Risk: (continued)

of June 30, 2012, 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.

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, 2012:

	<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	\$ 18,926,729	\$ 70,478	\$ -	\$ -	\$ 18,997,207
Infrastructure	317,155,572	11,024,583	850,290	-	327,329,865
Construction-in-progress	24,446,888	10,215,938	14,193,708	(2,783,220)	17,685,898
Intangibles	<u>12,643,709</u>	<u>2,931,141</u>	<u>-</u>	<u>-</u>	<u>15,574,850</u>
Total capital assets, not being depreciated	<u>373,172,898</u>	<u>24,242,140</u>	<u>15,043,998</u>	<u>(2,783,220)</u>	<u>379,587,820</u>
Capital assets, being depreciated					
Buildings	40,803,397	1,418,167	-	-	42,221,564
Equipment and vehicles	20,964,814	1,284,236	1,670,736	(392,511)	20,185,803
Fiber network	4,637,780	-	-	-	4,637,780
Improvements other than buildings	35,687,139	2,985,053	-	-	38,672,192
Share of undivided equity interest assets	1,387,554	22,824	-	392,511	1,802,889
Intangibles	<u>761,338</u>	<u>22,109</u>	<u>-</u>	<u>-</u>	<u>783,447</u>
Total capital assets, being depreciated	<u>104,242,022</u>	<u>5,732,389</u>	<u>1,670,736</u>	<u>-</u>	<u>108,303,675</u>
Less accumulated depreciation for					
Buildings	18,818,460	1,416,188	-	-	20,234,648
Equipment and vehicles	11,516,215	1,634,393	1,554,886	(392,511)	11,203,211
Fiber network	785,888	231,864	-	-	1,017,752
Improvements other than buildings	22,007,798	2,364,231	-	-	24,372,029
Share of undivided equity interest assets	943,224	110,331	-	392,511	1,446,066
Intangibles	<u>584,586</u>	<u>82,076</u>	<u>-</u>	<u>-</u>	<u>666,662</u>
Total accumulated depreciation	<u>54,656,171</u>	<u>5,839,083</u>	<u>1,554,886</u>	<u>-</u>	<u>58,940,368</u>
Total capital assets, being depreciated, net	<u>49,585,851</u>	<u>(106,694)</u>	<u>115,850</u>	<u>-</u>	<u>49,363,307</u>
Governmental activities, capital assets, net	<u>\$422,758,749</u>	<u>\$24,135,447</u>	<u>\$15,159,849</u>	<u>\$(2,783,220)</u>	<u>\$428,951,127</u>

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

NOTE 3 CAPITAL ASSETS (continued)

	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance end of year</u>
Business-Type Activities					
Capital assets, not being depreciated					
Land	\$ 413,178	\$ -	\$ -	\$ -	\$ 413,178
Construction-in-progress	<u>1,129,629</u>	<u>2,315,285</u>	<u>1,319,026</u>	<u>-</u>	<u>2,125,888</u>
Total capital assets, not being depreciated	<u>1,542,807</u>	<u>2,315,285</u>	<u>1,319,026</u>	<u>-</u>	<u>2,539,066</u>
Capital assets, being depreciated					
Equipment	24,894	97,809	-	-	122,703
Sanitary and storm sewer system	<u>96,568,896</u>	<u>2,919,698</u>	<u>11,096</u>	<u>2,783,220</u>	<u>102,260,718</u>
Total capital assets, being depreciated	<u>96,593,790</u>	<u>3,017,507</u>	<u>11,096</u>	<u>2,783,220</u>	<u>102,383,421</u>
Less accumulated depreciation for					
Equipment	14,143	23,145	-	-	37,288
Sanitary and storm sewer system	<u>29,726,622</u>	<u>2,012,025</u>	<u>2,663</u>	<u>-</u>	<u>31,735,984</u>
Total accumulated depreciation	<u>29,740,765</u>	<u>2,035,170</u>	<u>2,663</u>	<u>-</u>	<u>31,773,272</u>
Total capital assets, being depreciated, net	<u>66,853,025</u>	<u>982,337</u>	<u>8,433</u>	<u>2,783,220</u>	<u>70,610,149</u>
Business-type activities, capital assets, net	<u>\$68,395,832</u>	<u>\$3,297,622</u>	<u>\$1,327,459</u>	<u>\$2,783,220</u>	<u>\$73,149,215</u>

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

Governmental Activities	
Public safety	\$1,622,138
Health and social services	60,940
Culture and recreation	2,612,289
Public works	970,986
General government	401,834
Community and economic development	<u>170,895</u>
	<u>\$5,839,082</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, 2012:

	<u>Balance July 1, 2011</u>	<u>Increases and Issues</u>	<u>Decreases and Retirements</u>	<u>Balance June 30, 2012</u>	<u>Due within one year</u>
Governmental activities					
General obligation bonds	\$101,081,101	\$43,589,245	\$25,269,730	\$119,400,616	\$16,845,000
Capital lease obligations	978,328	-	218,306	760,022	231,615
Installment contracts	4,307,341	-	1,076,848	3,230,493	1,076,848
Compensated absences	4,078,857	4,442,468	4,078,857	4,442,468	487,496
Net OPEB liability	<u>445,392</u>	<u>108,428</u>	<u>-</u>	<u>553,820</u>	<u>-</u>
Total governmental activities	<u>110,891,019</u>	<u>48,140,141</u>	<u>30,643,741</u>	<u>128,387,419</u>	<u>18,640,959</u>
Business-type activities					
Revenue notes	1,771,000	-	407,000	1,364,000	422,000
Compensated absences	153,138	157,913	153,138	157,913	113,104
Net OPEB liability	<u>20,110</u>	<u>5,527</u>	<u>-</u>	<u>25,637</u>	<u>-</u>
Total business-type activities	<u>1,944,248</u>	<u>163,440</u>	<u>560,138</u>	<u>1,547,550</u>	<u>535,104</u>
Total long-term debt	<u>\$112,835,267</u>	<u>\$48,303,581</u>	<u>\$31,203,879</u>	<u>\$129,934,969</u>	<u>\$19,176,063</u>

(1) Bonds were sold at a net premium; unamortized net premium at June 30, 2012 totaled \$5,145,616.

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

NOTE 4 BONDED AND OTHER DEBT (continued)

On August 10, 2011, the City issued \$6,900,000 Series 2011A General Obligation Bonds. The bonds have an average interest rate of 2.96% with interest payments due each December and June and principal payments due each June through 2025. The bond proceeds were allocated to various capital improvement projects.

On August 25, 2011, the City issued \$11,270,000 in general obligations bonds with an average interest rate of 1.50% to advance refund \$11,070,000 Series 2003F general obligation bonds with an average interest rate of 4.16%. The net proceeds of \$11,497,739 were used to purchase government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2003F bonds. As a result, the Series 2003F bonds are considered deceased and the liability for those bonds has been removed from the governmental activities long-term debt. The City advance refunded the 2003F Series bonds to reduce its total debt service payments over the next eleven fiscal years by \$2,186,299 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,640,187.

On May 1, 2012, the City issued \$2,610,000 in general obligation refunding bonds with an average interest rate of 1.16% to crossover refund \$2,720,000 of Series 2006A general obligation bonds with an average interest rate of 4.19%. The crossover will occur on June 1, 2013. The City issued the crossover refunding debt to reduce its total debt service payments over the next eight fiscal years by \$331,787 and to obtain an economic gain of \$272,065.

On May 1, 2012, the City issued \$11,355,000 in general obligation refunding bonds with an average interest rate of 1.57% to crossover refund \$7,575,000 Series 2003D and \$4,630,000 Series 2004A general obligation bonds with a combined average interest rate of 4.72%. The crossover will occur on June 1, 2014. The City issued the crossover refunding debt to reduce its total debt service payments over the next nine years by \$1,137,280 and to obtain an economic gain of \$980,340.

On June 27, 2012, the City issued \$730,000 in Taxable General Obligation Bonds, Series 2012C. The bonds have an average interest rate of 0.66%. Interest is due on December 1, 2012, with principal and interest in full payable on June 1, 2013. The bond proceeds were allocated to the purchase of radio equipment.

On June 27, 2012, the City issued \$7,520,000 in General Obligation Bonds, Series 2012D. The bonds have an average interest rate of 2.38%. Interest payments are due each December and June and principal payments are due each June through 2026. The bond proceeds were allocated to various capital improvement projects.

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

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

NOTE 4 BONDED AND OTHER DEBT (continued)

General Obligation Bonds/Notes: General obligation bonds outstanding as of June 30, 2012, 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, 2012</u>
09/01/2003	4.000 - 4.700	June 2019	\$ 625,000 - 2,200,000	12,000,000	\$ 9,875,000
06/15/2004	4.000 - 5.000	June 2021	180,000 - 1,250,000	6,000,000	5,010,000
04/01/2005	3.625 - 3.700	June 2015	230,000 - 560,000	3,055,000	1,070,000
06/01/2006	4.000 - 4.250	June 2020	310,000 - 440,000	6,000,000	3,045,000
12/17/2007	3.625 - 3.800	June 2019	195,000 - 265,000	3,210,000	1,635,000
03/11/2008	3.000 - 3.125	June 2014	1,675,000 - 1,785,000	9,860,000	3,515,000
06/30/2008	3.625 - 4.000	June 2022	100,000 - 1,090,000	7,000,000	7,000,000
11/12/2009	2.500 - 3.500	June 2015	445,000 - 2,405,000	7,510,000	3,075,000
12/02/2009	4.000	June 2015	225,000 - 240,000	6,500,000	700,000
03/04/2010	2.000 - 4.250	June 2020	780,000 - 4,140,000	31,450,000	27,790,000
04/01/2010	2.000	June 2014	630,000 - 655,000	2,505,000	1,280,000
06/29/2010	3.000	June 2020	685,000 - 845,000	7,000,000	6,090,000
08/11/2010	2.000 - 4.000	June 2029	50,000 - 405,000	5,000,000	5,000,000
08/10/2011	2.000 - 3.500	June 2025	1,215,000 - 500,000	6,900,000	5,685,000
08/25/2011	2.000 - 2.500	June 2018	1,775,000 - 1,985,000	11,270,000	11,270,000
05/01/2012	4.000	June 2018	365,000 - 1,040,000	2,610,000	2,610,000
05/01/2012	5.000	June 2021	560,000 - 1,945,000	11,355,000	11,355,000
06/27/2012	1.000	June 2013	730,000	730,000	730,000
06/27/2012	2.000 - 3.000	June 2026	250,000 - 655,000	<u>7,520,000</u>	<u>7,520,000</u>
				<u>\$147,475,000</u>	<u>\$114,255,000</u>

Other than Bonded Debt

Capital lease obligation: The City entered into a lease purchase agreement for the acquisition of a salt storage building at a cost of \$336,466. The agreement requires annual payments of \$75,529 including interest at 5.0 percent through July 2013. As of June 30, 2012, the balance of the lease purchase agreement was \$140,440 and the building had a net book value of \$291,604.

Capital lease obligation: The City entered into a lease purchase agreement for the acquisition of mobile data equipment at a cost of \$332,633. The agreement requires monthly payments of \$5,976, including interest at 3.0 percent through December 2015. As of June 30, 2012, the balance of the lease purchase agreement was \$232,659 and the equipment had no net book value as the individual items included in the purchase did not meet the threshold for capitalization under the City's capitalization policy.

Capital lease obligation: The City entered into a lease purchase agreement for the acquisition of computer network backbone equipment and an integrated phone software system at a cost of \$499,399. The agreement requires monthly payments of \$8,979, including interest at 3.0 percent through April 2016. As of June 30, 2012, the balance of the lease purchase agreement was \$381,700 and equipment had no net book value as the individual items included in the purchase did not meet the threshold for capitalization under the City's capitalization policy.

Installment contracts: The City has entered into an installment contract with the Iowa Department of Transportation (DOT) for the Highway 5 relocation construction project. The agreement is non-interest bearing and is payable in annual installments of approximately \$1,077,000 through June 2015. The balance due as of June 30, 2012, was \$3,320,493.

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

NOTE 4 BONDED AND OTHER DEBT (continued)

Other than Bonded Debt (continued)

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 State Revolving Fund (SRF) loan program. The projects were completed during the year ended June 30, 1996.

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

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 note sale proceeds. 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 \$462,920.

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 \$1,459,250. For the current year, principal and interest paid and total customer net revenues were \$460,130 and \$2,550,931, respectively.

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

NOTE 4 BONDED AND OTHER DEBT (continued)

Summary of principal and interest maturities: Annual debt service requirements to service all outstanding indebtedness as of June 30, 2012, are as follows:

<u>Year ending June 30</u>	<u>General Obligation Bonds</u>		<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	16,845,000	4,060,607	231,615	23,211
2014	26,210,000	3,542,179	245,540	14,835
2015	11,790,000	2,594,701	173,339	6,122
2016	11,425,000	2,176,675	109,528	1,164
2017	11,455,000	1,772,238	—	—
2018 - 2022	30,070,000	3,602,607	—	—
2023 - 2027	5,300,000	641,081	—	—
2028 - 2030	<u>1,160,000</u>	<u>47,800</u>	<u>—</u>	<u>—</u>
	<u>\$114,255,000</u>	<u>\$18,437,888</u>	<u>\$ 760,022</u>	<u>\$ 45,332</u>

<u>Year ending June 30</u>	<u>Installment Contracts</u>		<u>Enterprise Revenue Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	1,076,831	—	422,000	40,920
2014	1,076,831	—	436,000	28,260
2015	1,076,831	—	265,000	15,180
2016	—	—	119,000	7,230
2017	<u>—</u>	<u>—</u>	<u>122,000</u>	<u>3,660</u>
	<u>\$3,230,493</u>	<u>\$ —</u>	<u>\$1,364,000</u>	<u>\$ 95,250</u>

Legal debt margin: As of June 30, 2012, the outstanding general obligation debt of the City did not exceed its legal debt margin computed as follows:

Actual valuation *	\$5,694,011,339
Plus captured tax increment value	413,950,068
Less military exemption	<u>(3,966,280)</u>
Total assessed valuation of the property of the City of West Des Moines	<u>\$6,103,995,127</u>
Debt limit, 5% of total actual valuation	\$305,199,756
Debt applicable to debt limit:	
General obligation bonds	119,400,616
Capital lease obligations	760,022
Installment contracts	<u>3,230,493</u>
Legal debt margin	<u>\$181,808,625</u>

* 100% of assessed valuation including TIF increment.

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

NOTE 5 INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivables and payables balances as of June 30, 2012, were:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>June 30, 2012</u>
Proprietary funds, sewer system	Major governmental funds, capital projects	\$528,031
Major governmental funds, general	Nonmajor governmental fund, Employee Benefit	17,599
Major governmental funds, general	Nonmajor governmental fund, Dallas County Local Housing Trust Fund	<u>9,281</u>
Total		<u>\$554,911</u>

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

NOTE 6 INTERFUND TRANSFERS

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

	<u>Transfers in</u>	<u>Transfers out</u>
Major governmental funds		
General	\$ 4,125,331	\$ 697,996
Special revenue funds		
Road Use Tax	100,342	2,108,899
Tax Increment financing	22,520	9,793,486
Debt Service	20,329,748	-
Capital Projects	3,068,695	12,307,963
Major enterprise fund		
Storm Water System	296,476	-
Nonmajor governmental funds	239,930	3,709,668
Internal Service Fund		
Vehicle Replacement	-	37,414
Vehicle Maintenance	-	37,837
Workers compensation insurance	<u>510,221</u>	<u>-</u>
Total	<u>\$28,693,263</u>	<u>\$28,693,263</u>

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

NOTE 7 PENSION AND RETIREMENT SYSTEMS

Plan Description: The City contributes to the Iowa Public Employees Retirement System (IPERS) and the Municipal Fire and Police Retirement System of Iowa (MFPRSI), which are cost-sharing multiple-employer defined benefit pension plans. The IPERS plan is administered by the State of Iowa while the MFPRSI is administered by a Board of Trustees. IPERS and MFPRSI provide retirement, disability benefits and death benefits to plan members and beneficiaries. Benefit provisions are established by state statute to plan members and beneficiaries. IPERS and MFPRSI issue publicly available financial reports that include financial statements and required supplementary information for the respective plans.

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

NOTE 7 PENSION AND RETIREMENT SYSTEMS (continued)

Plan Description: (continued)

The reports may be obtained by contacting the respective organizations at the following addresses:

Iowa Public Employees Retirement System
 PO Box 9117
 Des Moines, IA 50306

Municipal Fire and Police Retirement System of Iowa
 7155 Lake Drive, Suite 201
 West Des Moines, IA 50266

Funding Policy: IPERS and MFPRSI plan members are required to contribute a percentage of their annual covered salary, and the City is required to contribute at an actuarially determined rate of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. For MFPRSI, the City's contribution rate cannot be less than 17%.

The contribution rates for plan members and the City in years ended June 30, 2012, 2011, and 2010 under the two plans is as follows:

	Plan Member Contributions			City Contributions		
	2012	2011	2010	2012	2011	2010
IPERS						
Regular	5.38%	4.50%	4.30%	8.07%	6.95%	6.65%
Protected Class	6.65%	6.64%	6.14%	9.97%	9.95%	9.20%
MFPRSI	9.40%	9.40%	9.40%	24.76%	19.90%	17.00%

The City's contributions to IPERS and MFPRSI for the years ended June 30, 2012, 2011, and 2010 were equal to 100% of the required contributions for each year as follows:

	2012	2011	2010
IPERS	\$1,458,325	1,220,065	1,178,526
MFPRSI	1,881,373	1,445,739	1,223,912

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.

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

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

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

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution, ARC	\$ 140,142
Interest on net OPEB obligation	23,275
Adjustment to annual required contribution	<u>(30,282)</u>
Annual OPEB cost	133,135
Contributions made	<u>(19,179)</u>
Increase in net OPEB obligation	113,956
Net OPEB obligation, beginning of year	<u>465,501</u>
Net OPEB obligation, end of year	<u>\$ 579,457</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. 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, 2012.

For the year ended June 30, 2012, the City contributed \$19,179 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, 2012 are summarized as follows:

<u>Fiscal year</u> <u>ended June 30</u>	<u>Annual</u> <u>OPEB cost</u>	<u>Percentage of</u> <u>annual OPEB</u> <u>cost contributed</u>	<u>Net</u> <u>OPEB</u> <u>obligation</u>
2010	\$ 230,470	0.0%	\$ 415,250
2011	\$ 77,282	35.0%	\$ 465,502
2012	\$ 133,135	14.4%	\$ 579,458

As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010, through June 30, 2012, the actuarial accrued liability was \$1,367,807 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of \$1,367,807. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$20,224,000, and the ratio of the UAAL to the covered payroll was 6.8%. As of June 30, 2012, 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,

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

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

will present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2010, actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 5% investment rate and 3% inflation rate based on the City's funding policy. The projected annual healthcare cost trend rate is 6.0%. 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. There were no benefit increases considered.

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

Projected claim costs of the healthcare plan are approximately \$10,200 for retirees. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

There are no audited financial statements for this plan.

NOTE 10 JOINT VENTURE

The City is a participating community in the Des Moines Metropolitan Wastewater Reclamation Authority joint venture. This joint venture provides primary and secondary treatment of the sewer flows of the participating communities. The Amended and Restated Agreement for the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) was effective on July 1, 2004. This agreement amended and restated the previous Integrated Community Area (I.C.A.) Agreement to provide continued operation, improvements and expansion. The WRA Agreement establishes the WRA as a separate legal entity with its own Board. The WRA Agreement creates an independent governance structure, establishes an independent bonding authority for the WRA and provides a framework for additional communities to participate.

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

The City retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation. Although the debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any bonds issued during the time the entity was a participating community are still outstanding. 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.

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

NOTE 10 JOINT VENTURE (continued)

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 were paid in full June 2012 and had a zero balance as of June 30, 2012. The City of West Des Moines has no commitment 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, 2012, the Series 2004B bonds had a balance of \$60,025,000 and the City of West Des Moines' estimated future allocation based on the WRA flows is currently \$10,850,367. 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, 2012, the Series 2006A bonds had a balance of \$34,985,000 and the City of West Des Moines' estimated future allocation based on the WRA flows is currently \$6,682,471. 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, 2012, the WRA had \$159,818,699 in State Revolving Loans of which \$29,024,865 future principal debt service is a commitment to the City of West Des Moines.

The WRA Agreement does not provide for the determination of an equity interest for the participating communities. Withdrawing from the joint venture is a forfeit of all reversionary interest and no compensation will be paid. Since there is no specific and measurable equity interest in the WRA Agreement, no investment in the joint venture has been reported by the City.

The WRA issues separate financial statements that may be obtained at 3000 Vandalia Road, Des Moines, Iowa 50317-1346.

NOTE 11 RELATED ORGANIZATIONS AND JOINTLY GOVERNED ORGANIZATIONS

Related organization: The West Des Moines Water Works Utility is governed by a five-member board which is appointed by the Mayor and approved by the City Council. The West Des Moines Water Works Utility is legally a separate entity and is not financially accountable to the City. The City provides various services to the Water Works, including office facilities, reimbursable expenses, and the availability to participate in the City's health insurance plan. The Water Works provides billing and collection services to the City in connection with the City's Sewer, Solid Waste, and Storm Water Enterprise Funds. The following is a summary of the related party transactions for the year ended June 30, 2012:

Received from West Des Moines Water Works	
Occupancy reimbursements	\$ 22,112
Health insurance premiums	530,011
Gasoline reimbursements	57,632
Telephone reimbursements	8,004
Share of general insurance	129,345
Capital project reimbursements	--
Delinquent reimbursements	4,826
Miscellaneous reimbursements	89,585
Payments to West Des Moines Water Works	
Collection fees for sewer, solid waste, and storm water	134,037
Miscellaneous fees	92,689

Amounts receivable from West Des Moines Water Works as of June 30, 2012, for sewer and solid waste charges totaled \$1,996,130 and \$284,144, respectively.

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

NOTE 11 RELATED ORGANIZATIONS AND JOINTLY GOVERNED ORGANIZATIONS (continued)

Jointly governed organizations: The City participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: Polk, Dallas and Warren County Assessor's Conference Boards; Metropolitan Planning Organization; Greater Des Moines Convention and Visitors Bureau.

In August 2000, the City entered into a jointly governed organization with two other Des Moines suburbs for the creation of WestCom. WestCom was established as an undivided interest ownership arrangement, whereby title to assets in WestCom is held individually by the City and two other Des Moines suburbs. The City's portion of current year costs of operations and capital for the dispatch center were \$1,198,531 and \$650,566, 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 \$1,754,958 and \$83,069, respectively.

NOTE 12 COMMITMENTS

In order to encourage development within designated Urban Renewal Areas, the City Council has approved development rebate agreements related to three different projects. Rebates are to be paid only after certain conditions have been met by each project developer, and are to be paid over many years in the form of a rebate of a predetermined percentage of future property taxes generated by the property.

It is estimated that outstanding commitments of approximately \$8.9 million exist, of which \$4.1 million is likely be eligible to be paid in the next fiscal year. \$2.2 million of the current portion has been included with accounts payable at June 30, 2012, as the conditions for those payments had been met. The remainder will be expensed in the period in which they are paid, and no further liability for these obligations is recognized due to the fact that the agreements are conditional, the remaining payments are to be funded by future property taxes receivable on the project, and the expenditures are subject to the City Council's right of non-appropriation each fiscal year.

NOTE 13 RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool (the Pool), as allowed by Chapter 670.7 of the Code of Iowa. The Pool is a local government risk-sharing pool whose 663 members include various governmental entities throughout the state of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

NOTE 13 RISK MANAGEMENT (continued)

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

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2012 were approximately \$491,000.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. The City of West Des Moines has elected \$10,000,000 in coverage. Property and automobile physical damage risks are retained by the Pool up to \$150,000 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, 2012, no liability has been recorded in the City's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

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

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

Self-insurance: The City has a self-insured medical expense reimbursement plan which provides medical benefits to its employees and to the employees of affiliates. The plan provides each covered person with 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 CoreSource. The uninsured risk retention per person is \$100,000 (not to exceed 125 percent of the aggregate expected claims of \$4,124,763 for the year ended June 30, 2012). The City purchased commercial stop-loss insurance to provide for claims in excess of the \$100,000 to reduce its exposure to large losses. There has been no significant reduction in insurance coverage under the plan from prior years.

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

NOTE 13 RISK MANAGEMENT (continued)

Self-insurance: (continued)

The City has established the Health and Dental Insurance Fund (an internal service fund) to account for and finance the uninsured risk of loss. The City's contribution to the fund for the year ended June 30, 2012 was \$3,939,881.

Effective July 1, 2005, the City established a self-insured plan for its worker's compensation plan. An internal service fund was created to account for premiums and claims paid. The uninsured risk retention is \$400,000 per occurrence. The aggregate retention is 90 percent of the annual premium amount or approximately \$1,116,000.

Amounts payable from the Health and Dental Insurance Fund and the Worker's Compensation Insurance Fund as of June 30, 2012, totaled \$652,772 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, 2012, 2011, and 2010, of \$234,654, \$234,951, and \$95,222, respectively. Information on changes in the aggregate liabilities for claims is as follows:

	<u>2012</u>	<u>2011</u>
Claims payable, beginning of year	\$ 523,314	\$ 523,028
Claims recognized	3,666,867	3,554,854
Claim payments	<u>(3,537,409)</u>	<u>(3,554,568)</u>
Claims payable, end of year	<u>\$ 652,772</u>	<u>\$ 523,314</u>

NOTE 14 LITIGATION

Claims have been asserted against the City in the ordinary course of business with a maximum exposure of \$50,000. Management is unable to estimate the cost of these claims or determine a range of loss and, accordingly, no accrual has been made for them.

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

NOTE 15 RESTATEMENT OF EQUITY

During the fiscal year ending June 30, 2012, the City received guidance from the Office of the Treasurer of the State of Iowa concerning the timing of Road Use Tax allocation remittances paid to the City by the State. As a result, the amount disclosed as Due from other governments at June 30, 2011, in the Road Use Tax Fund was determined to be overstated. The effects of fund balance and net assets of restating this amount are as follows:

	Road Use Tax Fund	Net Assets- Governmental Activities
Balances June 30, 2011, as previously reported	\$12,489,277	\$372,252,537
Change to Due from other governments per State of Iowa guidance	(566,271)	(566,271)
Balances July 1 2011, as restated	<u>\$11,923,006</u>	<u>\$371,686,266</u>

The effect on the amount reported for net change in fund balance in the Road Use Tax Fund for the fiscal year ending June 30, 2011, is a decrease of \$566,271.

NOTE 16 SUBSEQUENT EVENTS

At June 30, 2012, the City had bond proceeds remaining from the \$7,000,000 Series 2008B GO Bonds dated June 30, 2008. Subsequent to June 30, 2012, the City placed the remaining bond proceeds, in the amount of \$2,480,595.56, into an escrow account to advance fund a portion of the 2020 maturity and 100% of the 2021 and 2022 maturities.

On December 1, 2012, the City paid the \$1,364,000 remaining balances of its Sewer Revenue Capital Loan Notes as was allowed under their terms.

NOTE 17 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS

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

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements.

Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*; issued November 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; issued December 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance.

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

NOTE 17 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS (continued)

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued June 2011, will be effective for the fiscal year ending June 30, 2013. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*.

Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, issued June 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to establish accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans.

Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, issued June 2012, will be effective for the fiscal year ending June 30, 2015. The objective of this Statement is to improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

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

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

REQUIRED SUPPLEMENTARY INFORMATION

<u>Fiscal Year End June 30</u>	<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a percentage of covered payroll ((b - a)/c)</u>
2010	June 30, 2009	\$ -	\$2,031	\$2,031	0.0%	\$ 24,481	8.3%
2011	July 1, 2010	\$ -	\$1,368	\$1,368	0.0%	\$ 20,225	6.8%
2012	July 1, 2010	\$ -	\$1,368	\$1,368	0.0%	\$ 20,224	6.8%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

City of West Des Moines, Iowa
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL—ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2012

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
REVENUES						
Property tax	\$ 45,623,064	\$ —	\$ 45,623,064	\$ 45,901,436	\$ 45,901,436	\$ (278,372)
Tax increment financing taxes	12,219,161	—	12,219,161	12,264,794	12,264,794	(45,633)
Other City taxes	3,951,305	—	3,951,305	3,457,252	3,457,252	494,053
Special assessments	395,576	—	395,576	—	145,000	250,576
Licenses and permits	1,404,430	—	1,404,430	818,050	953,150	451,280
Intergovernmental	15,956,531	—	15,956,531	9,953,766	13,861,894	2,094,637
Charges for services	4,759,448	13,122,662	17,882,110	14,731,996	15,417,346	2,464,764
Use of money and property	110,219	149,088	259,307	1,747,653	1,292,253	(1,032,946)
Miscellaneous	2,049,561	32,054	2,081,615	7,871,008	8,077,425	(5,995,810)
Total revenues	<u>86,469,295</u>	<u>13,303,804</u>	<u>99,773,099</u>	<u>96,745,955</u>	<u>101,370,550</u>	<u>(1,597,451)</u>
EXPENDITURES/EXPENSES						
Public safety	23,330,603	—	23,330,603	25,207,386	25,449,500	2,118,897
Public works	6,476,619	—	6,476,619	8,219,485	7,769,405	1,292,786
Health and social services	1,125,608	—	1,125,608	1,129,017	1,169,017	43,409
Culture and recreation	6,849,848	—	6,849,848	7,314,591	7,431,046	581,198
Community and economic development	7,387,617	—	7,387,617	7,253,955	7,473,955	86,338
General government	5,371,275	—	5,371,275	6,392,845	7,002,955	1,631,680
Debt service	19,084,780	—	19,084,780	18,770,475	45,433,274	26,348,494
Capital outlay	14,975,786	—	14,975,786	13,440,593	27,583,931	12,608,145
Business-type	—	11,356,694	11,356,694	17,348,755	20,305,985	8,949,291
Total expenditures/expenses	<u>84,602,136</u>	<u>11,356,694</u>	<u>95,958,830</u>	<u>105,077,102</u>	<u>149,619,068</u>	<u>53,660,238</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	1,867,159	1,947,110	3,814,269	(8,331,147)	(48,248,518)	52,062,787
OTHER FINANCING SOURCES, NET						
	<u>31,381,360</u>	<u>4,680,368</u>	<u>36,061,728</u>	<u>8,505,000</u>	<u>31,431,350</u>	<u>4,630,378</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing sources (uses)	33,248,519	6,627,478	39,875,997	173,853	(16,817,168)	\$56,693,165
BALANCES , beginning of year	<u>44,774,464</u>	<u>106,129,861</u>	<u>150,904,325</u>	<u>88,861,548</u>	<u>93,633,145</u>	
BALANCES , end of year	<u>\$78,022,983</u>	<u>\$112,757,339</u>	<u>\$190,780,322</u>	<u>\$ 89,035,401</u>	<u>\$ 76,815,977</u>	

See Note to Required Supplementary Information.

City of West Des Moines, Iowa
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION—BUDGETARY REPORTING
Year ended June 30, 2012

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

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearing which include all funds, except internal service and agency funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital outlay and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, budget amendments increased budgeted expenditures by \$44,541,966. The budget amendments are reflected in the final budgeted amounts.

The City of West Des Moines, Iowa prepares its budget on the modified accrual basis for the governmental fund types and the accrual basis for the proprietary fund types which is consistent with generally accepted accounting principles.

City of West Des Moines, Iowa
REQUIRED SUPPLEMENTARY INFORMATION—MODIFIED APPROACH
Year ended June 30, 2012

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

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

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

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

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

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

Levees and Associated Flood Control Elements (Army Corp. Rating – Minimally Acceptable): One or more minor deficiencies that need to be corrected have been identified. The minor deficiency or deficiencies will not seriously impair the functioning of the item as intended during the next flood event.

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

City of West Des Moines, Iowa
REQUIRED SUPPLEMENTARY INFORMATION—MODIFIED APPROACH (continued)
Year ended June 30, 2012

Condition rating of the City's street subsystem:

<u>Category</u>	<u>OCI Range</u>	<u>2007</u>		<u>2009</u>		<u>2011</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	243	35.3%	245	34.1%	260	34.1%
Good	90-80	208	30.2	226	31.5	233	31.5
Average	80-60	156	22.7	162	22.5	171	22.5
Below average	60-50	64	9.3	73	10.2	76	10.2
Poor	50-25	17	2.5	12	1.7	18	1.7
Failed	25-0	—	—	—	—	—	—
		<u>688</u>	<u>100.0%</u>	<u>718</u>	<u>100.0%</u>	<u>758</u>	<u>100.0%</u>

Overall condition index (OCI)

	<u>2007</u>	<u>2009</u>	<u>2011</u>
Goal	78-80	78-80	78-80
Actual	80.90	80.80	80.30

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>2007</u>		<u>2009</u>		<u>2011</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	18	75.0%	18	75.0%	17	70.8%
Very good condition	90-80	4	16.7	4	16.7	4	16.7
Good condition	80-70	1	4.2	1	4.2	1	4.2
Satisfactory condition	70-60	1	4.1	1	4.1	1	4.2
Fair condition	60-50	—	—	—	—	1*	4.1
Poor condition	50-40	—	—	—	—	—	—
Serious condition	40-30	—	—	—	—	—	—
Critical condition	30-20	—	—	—	—	—	—
Imminent failure condition	20-10	—	—	—	—	—	—
Failed condition	25-0	—	—	—	—	—	—
Total		<u>24</u>	<u>100.0%</u>	<u>24</u>	<u>100.0%</u>	<u>24</u>	<u>100.0%</u>

*Structure is closed to traffic

	<u>2007</u>	<u>2009</u>	<u>2011</u>
Overall condition index (OCI):			
Goal	81 or greater	81 or greater	81 or greater
Actual	93.8	93.8	91.3

See accompanying independent auditor's report.

City of West Des Moines, Iowa
REQUIRED SUPPLEMENTARY INFORMATION—MODIFIED APPROACH (continued)
Year ended June 30, 2012

Levee Condition by Category as of the Last Assessment

Condition Categories Based on Army Corp. Criteria

<u>OCI Range</u>	<u>2007</u>		<u>2009</u>		<u>2011</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	23	100.0%	45	83.3%	50	86.2%
Minimally acceptable	—	—	9	16.7	8	13.8
Unacceptable	—	—	—	—	—	—
Total	<u>23</u>	<u>100.0%</u>	<u>54</u>	<u>100.0%</u>	<u>58</u>	<u>100.0%</u>

	<u>2007</u>	<u>2009</u>	<u>2011</u>
Overall condition index (OCI):			
Goal	Acceptable	Acceptable	Minimally Acceptable
Actual	Acceptable	Acceptable	Minimally Acceptable

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Estimated costs	\$4,077	\$4,480	\$4,915	\$5,397	\$4,374	\$5,296	\$5,307
Actual cost	3,516	4,751	4,661	5,024	5,071	5,387	5,119

**City of West Des Moines, Iowa
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012**

	<u>Special Revenue</u>			
	<u>Police and Fire Retirement</u>	<u>Employee Benefit</u>	<u>Economic Development</u>	<u>Housing Programs</u>
ASSETS				
Cash and investments	\$3,492,670	\$ —	\$ 703,968	\$ 596,196
Receivables				
Property taxes	1,984,977	4,087,474	—	—
Accounts	—	—	—	446
Loans	—	—	9,235	—
Due from other governments	—	—	—	12,492
Total assets	<u>\$5,477,647</u>	<u>\$4,087,474</u>	<u>\$ 713,203</u>	<u>\$ 609,134</u>
LIABILITIES AND FUND BALANCES (DEFICITS)				
Liabilities				
Accounts payable	\$ 34,435	\$ —	\$ 957	\$ 5,762
Accrued wages payable	—	—	—	1,156
Due to other funds	—	17,599	—	—
Deferred revenue	<u>1,975,500</u>	<u>4,069,875</u>	<u>9,235</u>	<u>—</u>
Total liabilities	<u>2,009,935</u>	<u>4,087,474</u>	<u>10,192</u>	<u>6,918</u>
Fund balances (deficits)				
Restricted for				
Other purposes	<u>3,467,712</u>	—	<u>703,011</u>	<u>602,216</u>
Total liabilities and fund balances	<u>\$5,477,647</u>	<u>\$4,087,474</u>	<u>\$ 713,203</u>	<u>\$ 609,134</u>

<u>Parks</u>	<u>Library</u>	<u>Public Safety</u>	<u>Dallas County Local Housing Trust Fund</u>	<u>Community Development Block Grant</u>	<u>Totals</u>
\$ 173,718	\$ 254,735	\$ 476,643	\$ -	\$ 54,500	\$ 5,752,430
-	-	-	-	-	6,072,451
30	-	150	16,047	-	16,673
-	-	-	-	-	9,235
-	-	-	-	67,579	80,071
<u>\$ 173,748</u>	<u>\$ 254,735</u>	<u>\$ 476,793</u>	<u>\$ 16,047</u>	<u>\$ 122,079</u>	<u>\$11,930,860</u>
\$ 2,758	\$ 2,348	\$ 11,401	\$ 3,758	\$ 23,986	\$ 85,405
-	-	-	368	624	2,148
-	-	-	9,281	-	26,880
-	-	-	-	-	6,054,610
<u>2,758</u>	<u>2,348</u>	<u>11,401</u>	<u>13,407</u>	<u>24,610</u>	<u>6,169,043</u>
<u>170,990</u>	<u>252,387</u>	<u>465,392</u>	<u>2,640</u>	<u>97,469</u>	<u>5,761,817</u>
<u>\$ 173,748</u>	<u>\$ 254,735</u>	<u>\$ 476,793</u>	<u>\$ 16,047</u>	<u>\$ 122,079</u>	<u>\$11,930,860</u>

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(DEFICITS)
NONMAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2012

	<u>Special Revenue</u>		
	<u>Police and Fire Retirement</u>	<u>Employee Benefit</u>	<u>Economic Development</u>
REVENUE			
Property taxes	\$1,858,762	\$3,451,986	\$ —
Other City taxes	24,059	44,682	—
Intergovernmental	—	—	50,000
Use of money and property	—	—	—
Miscellaneous	—	—	41,476
Total revenues	<u>1,882,821</u>	<u>3,496,668</u>	<u>91,476</u>
EXPENDITURES			
Current operating			
Public safety	1,915,809	—	—
Health and social services	—	—	—
Culture and recreation	—	—	—
Community and economic development	—	—	97,585
Debt service, principal	—	—	—
Interest	—	—	—
Capital outlay	—	—	—
Total expenditures	<u>1,915,809</u>	<u>—</u>	<u>97,585</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(32,988)</u>	<u>3,496,668</u>	<u>(6,109)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	—	—	149,283
Transfers out	—	<u>(3,496,668)</u>	—
Total other financing sources (uses)	<u>—</u>	<u>(3,496,668)</u>	<u>149,283</u>
Net change in fund balances	(32,988)	—	143,174
Fund balances (deficit), beginning of year	<u>3,500,700</u>	<u>—</u>	<u>559,837</u>
Fund balances, end of year	<u>\$3,467,712</u>	<u>\$ —</u>	<u>\$ 703,011</u>

See accompanying independent auditor's report.

<u>Housing Programs</u>	<u>Parks</u>	<u>Library</u>	<u>Public Safety</u>	<u>Dallas County Local Housing Trust Fund</u>	<u>Community Development Block Grant</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,310,748
-	-	-	-	-	-	68,741
110,805	-	-	-	255,980	378,568	795,353
6	1	37	53	-	-	97
<u>486,787</u>	<u>50,880</u>	<u>50,294</u>	<u>645,302</u>	<u>38,133</u>	<u>3,725</u>	<u>1,316,597</u>
<u>597,598</u>	<u>50,881</u>	<u>50,331</u>	<u>645,355</u>	<u>294,113</u>	<u>382,293</u>	<u>7,491,536</u>
-	-	-	380,587	-	-	2,296,396
239,524	-	-	-	-	-	239,524
-	30,917	51,351	-	-	-	82,268
-	-	-	-	262,850	182,835	543,270
-	-	-	63,670	-	-	63,670
-	-	-	8,041	-	-	8,041
-	-	-	<u>136,725</u>	-	-	<u>136,725</u>
<u>239,524</u>	<u>30,917</u>	<u>51,351</u>	<u>589,023</u>	<u>262,850</u>	<u>182,835</u>	<u>3,369,894</u>
<u>358,074</u>	<u>19,964</u>	<u>(1,020)</u>	<u>56,332</u>	<u>31,263</u>	<u>199,458</u>	<u>4,121,642</u>
12,250	-	-	-	2,400	75,997	239,930
-	-	-	(170,000)	-	(43,000)	(3,709,668)
<u>12,250</u>	<u>-</u>	<u>-</u>	<u>(170,000)</u>	<u>2,400</u>	<u>32,997</u>	<u>(3,469,738)</u>
370,324	19,964	(1,020)	(113,668)	33,663	232,455	651,904
<u>231,892</u>	<u>151,026</u>	<u>253,407</u>	<u>579,060</u>	<u>(31,023)</u>	<u>(134,986)</u>	<u>5,109,913</u>
<u>\$ 602,216</u>	<u>\$ 170,990</u>	<u>\$ 252,387</u>	<u>\$ 465,392</u>	<u>\$ 2,640</u>	<u>\$ 97,469</u>	<u>\$ 5,761,817</u>

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2012

	<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	\$ 9,033,318	\$ 54,671	\$5,278,828	\$2,473,013	\$16,839,830
Accounts receivable	-	13,966	11,760	-	25,726
Interest	9,499	-	-	-	9,499
Inventories	-	71,496	-	-	71,496
Total current assets	<u>9,042,817</u>	<u>140,133</u>	<u>5,290,588</u>	<u>2,473,013</u>	<u>16,946,551</u>
Noncurrent assets, capital assets					
Equipment and vehicles	12,746,293	-	-	-	12,746,293
Accumulated depreciation	<u>(8,336,850)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,336,850)</u>
Total noncurrent assets	<u>4,409,443</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,409,443</u>
Total assets	<u>\$13,452,260</u>	<u>\$ 140,133</u>	<u>\$5,290,588</u>	<u>\$2,473,013</u>	<u>\$21,355,994</u>
LIABILITIES AND NET ASSETS					
Liabilities					
Current					
Accounts payable	\$ 80,668	\$ 44,788	\$ -	\$ -	\$ 125,456
Claims payable	-	-	367,023	324,085	691,108
Total current liabilities	<u>80,668</u>	<u>44,788</u>	<u>367,023</u>	<u>324,085</u>	<u>816,564</u>
Net assets					
Invested in capital assets, net of related debt	4,409,443	-	-	-	4,409,443
Unrestricted	<u>8,962,149</u>	<u>95,345</u>	<u>4,923,565</u>	<u>2,148,928</u>	<u>16,129,987</u>
Total net assets	<u>13,371,592</u>	<u>95,345</u>	<u>4,923,565</u>	<u>2,148,928</u>	<u>20,539,430</u>
Total liabilities and net assets	<u>\$13,452,260</u>	<u>\$ 140,133</u>	<u>\$5,290,588</u>	<u>\$2,473,013</u>	<u>\$21,355,994</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, 2012

	<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	\$ —	\$1,153,063	\$5,082,115	\$ 240,502	\$ 6,475,680
Lease revenue	1,339,735	—	—	—	1,339,735
Other	—	—	—	—	—
Total operating revenues	<u>1,339,735</u>	<u>1,153,063</u>	<u>5,082,115</u>	<u>240,502</u>	<u>7,815,415</u>
OPERATING EXPENSES					
Cost of sales and services	—	1,096,376	4,105,804	647,163	5,849,343
Depreciation	<u>1,139,067</u>	—	—	—	<u>1,139,067</u>
Total operating expenses	<u>1,139,067</u>	<u>1,096,376</u>	<u>4,105,804</u>	<u>647,163</u>	<u>6,988,410</u>
Operating income (loss)	<u>200,668</u>	<u>56,687</u>	<u>976,311</u>	<u>(406,661)</u>	<u>827,005</u>
Nonoperating revenues					
Investment earnings	13,943	—	766	—	14,709
Loss on sale of capital assets	<u>(18,597)</u>	—	—	—	<u>(18,597)</u>
Total nonoperating revenues	<u>(4,654)</u>	—	<u>766</u>	—	<u>(3,888)</u>
Income (loss) before transfers	196,014	56,687	977,077	(406,661)	823,117
Capital contributions	27,809	—	—	—	27,809
Transfers in	—	—	—	510,221	510,221
Transfers out	<u>(37,414)</u>	<u>(37,837)</u>	—	—	<u>(75,251)</u>
Change in net assets	<u>186,409</u>	<u>18,850</u>	<u>977,077</u>	<u>103,560</u>	<u>1,285,896</u>
Total net assets, beginning of year, as restated	<u>13,185,183</u>	<u>76,495</u>	<u>3,946,488</u>	<u>2,045,368</u>	<u>19,253,534</u>
Total net assets, end of year	<u>\$13,371,592</u>	<u>\$ 95,345</u>	<u>\$4,923,565</u>	<u>\$2,148,928</u>	<u>\$20,539,430</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, 2012

	<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	\$1,339,735	\$1,153,720	\$5,070,355	\$ 240,502	\$ 7,804,312
Payments to suppliers	50,121	(1,112,116)	(2,177)	(16,518)	(1,080,690)
Payments to claimants	<u>—</u>	<u>—</u>	(4,142,109)	(443,064)	(4,585,173)
Net cash provided by (used in) operating activities	<u>1,389,856</u>	<u>41,604</u>	<u>926,069</u>	<u>(219,080)</u>	<u>2,138,449</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	—	—	—	510,221	510,221
Transfers out	<u>(37,414)</u>	<u>(37,837)</u>	<u>—</u>	<u>—</u>	<u>(75,251)</u>
Net cash provided by (used in) noncapital financing activities	<u>(37,414)</u>	<u>(37,837)</u>	<u>—</u>	<u>510,221</u>	<u>434,970</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(736,877)	—	—	—	(736,877)
Proceeds from disposal of capital assets	<u>735</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>735</u>
Net cash (used in) capital and related financing activities	<u>(736,142)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(736,142)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	7,975	—	766	—	8,741
Purchase of investment securities	(9,000,000)	—	—	—	(9,000,000)
Proceeds from maturity of investment securities	<u>6,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,000,000</u>
Net cash provided by investing activities	<u>(2,992,025)</u>	<u>—</u>	<u>766</u>	<u>—</u>	<u>(2,991,259)</u>
Net increase (decrease) in cash and cash equivalents	(2,375,725)	3,767	926,835	291,141	(1,153,982)
Cash and cash equivalents Beginning of year	<u>6,409,043</u>	<u>50,904</u>	<u>4,351,993</u>	<u>2,181,872</u>	<u>12,993,812</u>
End of year	<u>\$4,033,318</u>	<u>\$ 54,671</u>	<u>\$5,278,828</u>	<u>\$2,473,013</u>	<u>\$11,839,830</u>
SCHEDULE OF NONCASH ITEMS					
Capital and related financing activities					
Donated capital assets	<u>\$ 27,809</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 27,809</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, 2012

	<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)	\$ 200,668	\$ 56,687	\$ 976,311	\$ (406,661)	\$ 827,005
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	1,139,067	-	-	-	1,139,067
Change in assets and liabilities					
Receivables	-	657	(11,760)	-	(11,103)
Prepaid expenses	-	-	-	-	-
Inventories	-	1,968	-	-	1,968
Accounts payable	50,121	(17,708)	(2,177)	(16,518)	13,718
Claims payable	-	-	(36,305)	204,099	167,794
Net cash provided by (used in) operating activities	<u>\$1,389,856</u>	<u>\$ 41,604</u>	<u>\$ 926,069</u>	<u>\$ (219,080)</u>	<u>\$2,138,449</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO SPECIFIC ASSETS ON THE COMBINING BALANCE SHEET					
Cash and investments	\$9,033,318	\$ 54,671	\$5,278,828	\$2,473,013	\$16,839,830
Less items not meeting the definition of cash equivalents	<u>(5,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,000,000)</u>
Cash and cash equivalents at end of year	<u>\$4,033,318</u>	<u>\$ 54,671</u>	<u>\$5,278,828</u>	<u>\$2,473,013</u>	<u>\$11,839,830</u>

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2012

	<u>Collections and Deposits</u>	<u>Section 125 Plan</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and investments	\$ 522,050	\$ 43,395	\$ 565,445
Restricted assets, contractors' bonds	<u>59,536</u>	<u>—</u>	<u>59,536</u>
Total assets	<u>\$ 581,586</u>	<u>\$ 43,395</u>	<u>\$ 624,981</u>
LIABILITIES			
Deposits and remittances due	<u>581,586</u>	<u>43,395</u>	<u>624,981</u>
Total liabilities	<u>\$ 581,586</u>	<u>\$ 43,395</u>	<u>\$ 624,981</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, 2012

<u>Collections and Deposits</u>	<u>Balance June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
ASSETS				
Cash and investments	\$ 515,343	\$ 181,052	\$ 174,345	\$ 522,050
Restricted assets, contractors' bonds	<u>59,536</u>	<u>—</u>	<u>—</u>	<u>59,536</u>
Total assets	<u>\$ 574,879</u>	<u>\$ 181,052</u>	<u>\$ 174,345</u>	<u>\$ 581,586</u>
LIABILITIES				
Accounts payable	\$ 67,993	\$ —	\$ 67,993	\$ —
Deposits and remittances due	<u>506,886</u>	<u>181,052</u>	<u>106,352</u>	<u>581,586</u>
Total liabilities	<u>\$ 574,879</u>	<u>\$ 181,052</u>	<u>\$ 174,345</u>	<u>\$ 581,586</u>
 Section 125 Plan				
ASSETS , cash and investments	<u>\$ 37,674</u>	<u>\$ 227,608</u>	<u>\$ 221,887</u>	<u>\$ 43,395</u>
LIABILITIES , deposits and remittances due	<u>\$ 37,674</u>	<u>\$ 227,608</u>	<u>\$ 221,887</u>	<u>\$ 43,395</u>
 Combined Funds				
ASSETS				
Cash and investments	\$ 553,017	\$ 408,660	\$ 396,232	\$ 565,445
Restricted assets, contractors' bonds	<u>59,536</u>	<u>—</u>	<u>—</u>	<u>59,536</u>
Total assets	<u>\$ 612,553</u>	<u>\$ 408,660</u>	<u>\$ 396,232</u>	<u>\$ 624,981</u>
LIABILITIES				
Accounts payable	\$ 67,993	\$ —	\$ 67,993	\$ —
Deposits and remittances due	<u>544,560</u>	<u>408,660</u>	<u>328,239</u>	<u>624,981</u>
Total liabilities	<u>\$ 612,553</u>	<u>\$ 408,660</u>	<u>\$ 396,232</u>	<u>\$ 624,981</u>

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, 2012

Sales History and Total Sewer Charges

<u>Calendar Year</u>	<u>Gallons Sold</u>	<u>Sewer Charges</u>
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
2010	1,935,563,050	6,751,306
2011	2,110,689,100	7,497,161

Number of Sewer Customers

<u>Calendar Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Total</u>
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
2010	17,351	1,240	18,591
2011	17,351	1,240	18,591

Larger Sewer Customers (Calendar year 2011)

<u>Customer</u>	<u>Water Gallons</u>	<u>Sewer Charges</u>
Professional Property Management, Inc.	25,129,000	114,859
General Growth Properties	24,556,000	112,749
West Des Moines Community School District	22,516,000	102,581
Belcher & Long Corporation	21,899,000	99,477
Wells Fargo Bank, NA	17,830,000	80,880
R & R Realty Group	17,101,000	77,625
Executive Laser Wash	16,930,000	76,895
Wellington Apartments	15,889,000	72,260
W.H., LLC	14,673,000	66,669
Polo Club Apartments	14,003,000	63,795

Rates and Charges

Sanitary Sewer Service - Effective October 1, 2011
 \$4.85 per thousand gallons

Sewer Availability Charge - Effective July 1, 2011
 \$3.00 per month

Revenue Debt Supported by Sewer Revenues

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding as of 6/30/12</u>
09/1994	\$2,600,000	Sewer Improvements	06/2014	\$ 354,000
06/1995	2,158,000	Sewer Improvements	06/2015	433,000
10/1996	1,800,000	Sewer Improvements	06/2017	<u>577,000</u>
				<u>\$1,364,000</u>