

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Des Moines, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Des Moines, Iowa, as of June 30, 2013, and the respective changes in financial position and, where, applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Des Moines, Iowa's financial statements. The introductory section, combining nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated December 12, 2013, on our consideration of the City of West Des Moines, Iowa’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

Handwritten signature of Eide Bailly LLP in cursive script.

Dubuque, Iowa
December 12, 2013

City of West Des Moines, Iowa

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2013

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, 2013. 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, 2013, assets of the City exceeded liabilities by \$537 million. Of this amount, \$81 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, 2012, assets exceeded liabilities by \$509 million, of which \$66 million was unrestricted.

The City's total net position increased by \$27 million during the fiscal year ended June 30, 2013. Governmental activities increased \$21 million and business-type activities increased \$6 million. The City continues to be able to report positive balances in all three categories of net position; for the government as a whole, as well as its separate governmental and business-type activities.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$70 million, a decrease of \$8 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 \$25 million at June 30, 2013, an increase of \$3 million from the balance at the end of the prior fiscal year.

In conjunction with the issuance of 2013A Series General Obligation Bonds, Standard & Poor's Rating Services reaffirmed the City's AAA bond rating on July 18, 2013. The City continues to hold the highest available rating from both Standard & Poor's Rating Service and Moody's Investor Services. The Moody's rating was last reaffirmed on March 12, 2012. Each of the agencies cites the City's financial positions and conservative fiscal management as strengths.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include public safety, public works (roads, engineering, and traffic controls), health and social services, culture and recreation, community and 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, 2013

The government-wide financial statements include only those balances of the City of West Des Moines, as the *primary government*. The West Des Moines Community School District, the Waukee Community School District, the Des Moines Independent School District, the Norwalk Community School District, the Van Meter Community School District, the Winterset Community School District, and West Des Moines 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 34 through 37 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 38 through 41 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, 2013

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

The basic proprietary fund financial statements can be found on pages 42 through 47 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 48 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 49 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 27, while other required supplementary information can be found on pages 77 through 79 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on infrastructure. Combining and individual fund statements and schedules can be found on pages 80 through 89 of this report.

Government-Wide Financial Analysis

Net position may serve as a useful indicator of a government's financial standing. At June 30, 2013, the City's assets exceeded liabilities by \$536,805,704. The City's net position is allocated on the basis of function and 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, 2013

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------------|-------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|
| | June 30, 2012 | June 30, 2013 | June 30, 2012 | June 30, 2013 | June 30, 2012 | June 30, 2013 |
| Assets | | | | | | |
| Current and other assets | \$ 161,643 | \$ 152,605 | \$ 41,890 | \$ 43,510 | \$ 203,533 | \$ 196,115 |
| Capital assets, net of depreciation | 428,951 | 437,951 | 73,149 | 76,662 | 502,100 | 514,613 |
| Total assets | 590,594 | 590,556 | 115,039 | 120,172 | 705,633 | 710,728 |
| Liabilities | | | | | | |
| Current liabilities | 84,501 | 93,985 | 1,014 | 840 | 85,515 | 94,825 |
| Long-term liabilities outstanding | 109,746 | 79,003 | 1,012 | 94 | 110,758 | 79,097 |
| Total liabilities | 194,247 | 172,988 | 2,026 | 934 | 196,273 | 173,922 |
| Net position | | | | | | |
| Net investment in capital assets | 331,323 | 348,765 | 71,785 | 76,662 | 403,108 | 425,427 |
| Restricted net position | 39,407 | 30,255 | 463 | - | 39,870 | 30,255 |
| Unrestricted net position | 25,617 | 38,548 | 40,765 | 42,576 | 66,382 | 81,124 |
| Total net position | \$ 396,347 | \$ 417,568 | \$ 113,013 | \$ 119,238 | \$ 509,360 | \$ 536,806 |

The largest portion of the City's net position (79% of the total) represents its investment in capital assets (e.g., land, buildings, equipment, and infrastructure), less all outstanding debt used to acquire those assets. The City uses the capital assets to provide services to its citizens; consequently these assets are *not* available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to cover the liabilities. Overall, the net investment in capital assets increased \$22.3 million from the previous year. The increases were in support of both governmental activities and business-type activities and are indicative of the City's ongoing commitment to provide quality infrastructure assets in the community, and its effort to aggressively repay debt related to those assets.

An additional portion of the City's net position (6% of the total) represents resources that are subject to external use restrictions. These amounts fluctuate from year to year based on the timing of restricted revenue and completion of the restricted projects or activities. Total restricted net position decreased by \$9.6 million during the fiscal year ended June 30, 2013.

The remaining balance of net position (15% of the total) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net position increased by \$14.7 million during the fiscal year ended June 30, 2013, which partially reflects the absence of any new debt obligations, including bonds and other amounts payable, as well as the City's ability to meet or exceed budget projections in net revenue, particularly in the enterprise funds and more particularly, the sewer fund. The lack of bond issuances can largely be considered a timing issue, as the City did issue approximately \$4 million of new debt subsequent to June 30, 2013.

City of West Des Moines, Iowa
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2013

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

| | Changes in Net Position (in thousands of dollars) | | | | | |
|--|--|------------------|--------------------------|-----------------|------------------|------------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 8,766 | \$ 7,682 | \$ 13,155 | \$ 13,742 | \$ 21,921 | \$ 21,424 |
| Operating grants and contributions | 10,957 | 9,649 | - | - | 10,957 | 9,649 |
| Capital grants and contributions | 7,126 | 2,704 | 1,601 | 4,540 | 8,727 | 7,244 |
| General revenues: | | | | | | |
| Property taxes | 57,842 | 58,569 | - | - | 57,842 | 58,569 |
| Other taxes | 3,951 | 4,157 | - | - | 3,951 | 4,157 |
| Earnings on investments | 59 | 246 | 149 | 66 | 208 | 312 |
| Other | 1,029 | 1,426 | - | - | 1,029 | 1,426 |
| Total revenues | 89,730 | 84,433 | 14,905 | 18,348 | 104,635 | 102,781 |
| Expenses | | | | | | |
| General government | 5,712 | 6,200 | - | - | 5,712 | 6,200 |
| Public safety | 24,797 | 24,701 | - | - | 24,797 | 24,701 |
| Public works | 9,523 | 10,743 | - | - | 9,523 | 10,743 |
| Health and social services | 1,191 | 1,153 | - | - | 1,191 | 1,153 |
| Culture and recreation | 9,526 | 9,495 | - | - | 9,526 | 9,495 |
| Community and economic development | 7,588 | 7,592 | - | - | 7,588 | 7,592 |
| Interest on long-term debt | 3,653 | 3,450 | - | - | 3,653 | 3,450 |
| Sanitary sewer | - | - | 8,255 | 8,372 | 8,255 | 8,372 |
| Solid waste | - | - | 1,731 | 1,778 | 1,731 | 1,778 |
| Storm water | - | - | 1,311 | 1,852 | 1,311 | 1,852 |
| Total expenses | 61,990 | 63,334 | 11,297 | 12,002 | 73,287 | 75,336 |
| Change in net position before transfers | 27,740 | 21,099 | 3,608 | 6,346 | 31,348 | 27,445 |
| Transfers | (3,080) | 121 | 3,080 | (121) | - | - |
| Change in net position | \$ 24,660 | \$ 21,220 | \$ 6,688 | \$ 6,225 | \$ 31,348 | \$ 27,445 |

Governmental Activities. Governmental revenues in the current year decreased by \$5.3 million, or 6%. While building permit revenues continued to be strong, other fee-based revenues generally decreased. The City's overall property tax revenue increased just slightly; however revenue from construction grants and other outside funding was over \$4 million less than the previous year.

Governmental Expenses increased only \$1.3 million, or 2%, from the prior fiscal year. This increase was largely due to rising employee costs across all departments.

City of West Des Moines, Iowa Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

Business-Type Activities. Revenue received through Charges for Services increased by \$0.5 million, or approximately 4%, in the current year. Expenses increased by \$0.7 million, or approximately 6% based on sewer and solid waste usage. These increases are expected based on pre-determined rate increases which were developed as part of a long-term funding strategy.

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

Financial Analysis of the Government's Fund Financial Statements

As noted earlier 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 \$69,995,032 as of June 30, 2013. Of this total \$24,829,272 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) by legal requirements for debt service payments (\$16,237,372); (2) for urban renewal and development in Tax Increment Financing Districts (\$4,979,438); (3) for liquidation of contracts for capital improvements (\$18,323,593); or (4) various other purposes totaling \$5,625,357. 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 \$2,509,133, or 11%, to a total of \$24,843,852 at June 30, 2013. 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, 2013, represents approximately 53.2% 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 an overall decrease of \$0.5 million, largely because the City did not receive the level of intergovernmental revenue (i.e. grants) in the current fiscal year. There were very limited major grant-funded infrastructure projects as compared to previous years. Property tax revenue, the largest component of general fund revenue, saw a slight decrease of \$1.0 million, or 0.3%, largely because a more significant portion of property tax revenue than that of previous years was funneled towards TIF areas, due to contractual and debt obligations in those areas. While citywide tax revenue increased slightly, revenue in the more established non-TIF areas of the City decreased, presumably due to valuation adjustments and appeals.

General Fund expenditures increased by \$1,274,930, or 2.8%. This was nearly entirely the result of increases in employee cost, including salaries and benefits.

City of West Des Moines, Iowa

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2013

The Tax Increment Financing (TIF) Fund had a fund balance of \$4,979,438 at June 30, 2013; an increase of \$734,946 or 17.3%. 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 \$3,497,034 at June 30, 2013, a decrease of \$94,149. This fund is restricted for the payment of debt (i.e. payment of general obligation principal and interest).

The Capital Projects Fund experienced a decrease in fund balance of \$9,043,085. No bonds were issued during the fiscal year and the Capital Projects Fund reports no unassigned fund balance at June 30, 2013.

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 position of the Sanitary Sewer Fund at the end of the year amounted to \$86 million. This is comprised of: \$50.5 million net investment in capital assets and \$35.5 million in unrestricted net position. This increase in net position of \$2.4 million, or 2.8% was largely the result of a planned rate increase. It is anticipated that the fund balance will increase as development necessitates the construction of more sewer infrastructure in currently unimproved areas of the City.

Total net position of the Storm Water Fund at the end of the current year was \$32.1 million, with \$26.2 million net investment in capital assets and \$5.9 million in unrestricted net position.

Total net position of the Solid Waste Fund at the end of the current year was \$769,182 all of which was unrestricted. The Solid Waste Fund does not have any investment in capital assets as all assets are handled by a private contractor.

Unrestricted net position accumulated in the Storm Water and, more particularly, the Sewer fund will be used to fund future large dollar expenditures for the expansion of the City's sanitary sewer system to the south and southwest 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, 2013, the City did not exceed the legal budget in any of the functional areas.

During the fiscal year ended June 30, 2013, there were four budget amendments, dated November 12, 2012, December 10, 2012, March 4, 2013, and May 13, 2013. Amendments are a routine occurrence for the City and are primarily due to changes in the timing of capital improvement projects and related grant and other receipts for these projects. Because the City's June 30th 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 30th. 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 an expenditure of \$2,000,000 for the purchase of land for a proposed Public Services facility and \$3,341,892 for development agreement payments that were scheduled to be paid in FY 2011-12 but were carried over to FY 2012-13.

Budget amendments affecting the City's Business Type/Enterprise funds saw an increase to expenditures of \$918,131 for the early retirement of three bonds. The early pay off of these bonds will result in a savings of interest expense in future years. Debt service expenditures were increased to reflect payment of new bond issues and the advance refunding of Series 2006A

City of West Des Moines, Iowa Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

GO Bonds. An increase in revenues was included in these amendments to reflect reimbursement for several grant programs and development related receipts. Budgetary comparison schedules on pages 73 through 74 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, 2013, amounts to \$514.6 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 2.5%; slightly higher than the previous year's increase of 2.2%.

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, 2013

Condition Level for Street Network
 (prior 3 condition assessments)

| | 2009 | 2011 | 2012 |
|-----------------------------------|---------------|----------------------|----------------------|
| Street subsystem: | | | |
| Goal | 78-80 | 78-80 | 78-80 |
| Actual | 80.8 | 80.3 | 80.3 |
| Levee subsystem: | | | |
| Goal | Acceptable | Minimally Acceptable | Minimally Acceptable |
| Actual | Acceptable | Minimally Acceptable | Minimally Acceptable |
| | 2007 | 2009 | 2011 |
| Bridge and culvert system: | | | |
| Goal | 81 or greater | 81 or greater | 81 or greater |
| Actual | 93.8 | 93.8 | 91.3 |

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)

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Estimated costs | \$4,077 | \$4,480 | \$4,915 | \$5,397 | \$4,374 | \$5,296 | \$5,307 | \$6,753 |
| Actual costs | 3,516 | 4,751 | 4,661 | 5,024 | 5,071 | 5,387 | 5,119 | 3,720 |

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, 2013

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|------------|--------------------------|-----------|------------|------------|
| | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 |
| Land | \$ 18,997 | \$ 23,852 | \$ 413 | \$ 413 | \$ 19,410 | \$ 24,265 |
| Buildings | 42,222 | 43,883 | - | - | 42,222 | 43,883 |
| Improvements other than buildings | 38,672 | 40,931 | - | - | 38,672 | 40,931 |
| Fiber Network | 4,638 | 5,109 | - | - | 4,638 | 5,109 |
| Equipment and vehicles | 20,186 | 21,663 | 123 | 302 | 20,309 | 21,965 |
| Construction-in-Progress | 17,686 | 11,298 | 2,126 | 1,415 | 19,812 | 12,713 |
| Share of undivided equity interest assets | 1,803 | 1,798 | - | - | 1,803 | 1,798 |
| Infrastructure, depreciable | - | - | 102,261 | 108,456 | 102,261 | 108,456 |
| Infrastructure, non-depreciable | 327,330 | 336,272 | - | - | 327,330 | 336,272 |
| Accumulated depreciation | (58,940) | (63,060) | (31,773) | (33,956) | (90,713) | (97,016) |
| Intangibles | 16,358 | 16,204 | - | 31 | 16,358 | 16,235 |
| Total capital assets | \$ 428,952 | \$ 437,950 | \$ 73,150 | \$ 76,661 | \$ 502,102 | \$ 514,611 |

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

- Spent over \$1.7 million to upgrade the digital radio system for emergency dispatch (total project cost \$2.5 million to date).
- Spent over \$1.6 million to widen 60th Street between Applewood Drive and Coachlight Drive (total project cost \$2 million).
- Spent over \$1.5 million on traffic signal enhancements.
- Spent over \$0.9 million on a new interchange at Interstate 80 and 105th Street (total project cost \$1.7 million to date and expected to total approximately \$10.5 million when completed sometime over the next two to three years).

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 49 through 58 and 60 through 61, respectively.

Outstanding Debt
General Obligation and Revenue Bonds

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|----------------|--------------------------|------|----------------|----------------|
| | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 |
| General Obligation Bonds | \$ 119,400,616 | \$ 101,834,010 | \$ - | \$ - | \$ 119,400,616 | \$ 101,834,010 |
| Revenue Bonds | - | - | 1,364,000 | - | 1,364,000 | - |
| | \$ 119,400,616 | \$ 101,834,010 | \$ 1,364,000 | \$ - | \$ 120,764,616 | \$ 101,834,010 |

City of West Des Moines, Iowa Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

Long-term debt. At the close of the fiscal year ended June 30, 2013, the City had total bonded debt outstanding of \$101.8 million, all backed by the full faith and credit of the government.

During the current fiscal year the City's total bonded debt decreased by \$18.9 million due to the early payoff of \$1.4 million of outstanding sewer revenue bonds, the crossover refunding of \$2.7 million of the Series 2006A general obligation bonds, and regular principal payments on the remaining outstanding general obligation bonds.

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 \$302.3 million. With outstanding general obligation debt of \$105.2 million (general obligation bonds plus other debt subject to the limitation), the City had utilized 34.8% of the debit limit as of June 30, 2013.

Additional information on the City's long-term debt can be found in Note 4 on pages 61 through 64 of this report.

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

As one of the fastest growing cities in the State of Iowa, West Des Moines expects growth both in population and in overall property valuations to continue over the next several years. However, recent legislative action passed in May 2013 significantly affects future taxable valuations for commercial property. This legislation includes a 10% cut to commercial tax rates over a period beginning July 1, 2014. Lost revenues will be filled by funding from the State of Iowa, but this is only guaranteed to match the lost revenues for up to three fiscal years. Thus, the City is engaging in very conservative budgeting practices.

Historically, the City's tax base has grown between 2 percent and 9 percent annually. The City's tax base (taxable value) has increased 5.8% annually from 2006-2010, decreased slightly in 2011, then returned to a 4.3% increase in 2012.

The budget for fiscal year ending June 30, 2013, allowed a steady tax rate but included projections that show the City's property tax values will contract by approximately 1.7%. This was the result of a significant devaluation in Polk County. Helping to offset this loss in valuation is an adjustment to the calculation for residential property taxes, but nonetheless the fiscal 2014 budget projects general fund tax revenues to drop \$233,051, or 0.5%, 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.

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, 2014. The City's property tax rate remains at \$12.05 / \$1,000 of taxable valuation.

As measured by current actual property valuation and recent population data, valuation compares very strongly to comparable cities, at approximately \$108,000 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 third lowest tax rate of those cities. The City ranks as the fourth highest city for taxable retail sales in Iowa at over \$1.7 billion, due to the large presence of retail including two major regional shopping centers. Businesses in the City account for 4.9% of all taxable sales in the State. Many other economic indicators for the City compare favorably with state and national averages. See additional information and measures regarding the City in the Statistical Section of this report.

City of West Des Moines, Iowa
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2013

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 POSITION
June 30, 2013

| ASSETS | Primary Government | | |
|---|------------------------------------|-------------------------------------|--------------------|
| | Governmental Activities | Business-type Activities | Total |
| Current assets | | | |
| Cash and investments | \$ 74,467,028 | \$ 39,857,428 | \$114,324,456 |
| Restricted cash and investments | 12,940,338 | - | 12,940,338 |
| Receivables | | | |
| Property taxes | 59,158,920 | - | 59,158,920 |
| Accounts and unbilled usage | 729,036 | 3,271,031 | 4,000,067 |
| Interest | 5,334 | 75,120 | 80,454 |
| Special assessments | 841,921 | 4,715 | 846,636 |
| Loans | 30,331 | - | 30,331 |
| Internal balances | (301,568) | 301,568 | - |
| Due from other governments | 3,887,588 | - | 3,887,588 |
| Inventories | 83,024 | - | 83,024 |
| Total current assets | <u>151,841,952</u> | <u>43,509,862</u> | <u>195,351,814</u> |
| Noncurrent assets | | | |
| Bond issuance costs | 762,436 | - | 762,436 |
| Capital assets | | | |
| Nondepreciable | | | |
| Land | 23,852,183 | 413,178 | 24,265,361 |
| Infrastructure | 336,272,478 | - | 336,272,478 |
| Construction-in-progress | 11,298,163 | 1,414,512 | 12,712,675 |
| Intangibles | 15,574,850 | - | 15,574,850 |
| Depreciable | | | |
| Buildings | 43,883,441 | - | 43,883,441 |
| Equipment and vehicles | 21,663,173 | 302,489 | 21,965,662 |
| Fiber network | 5,109,062 | - | 5,109,062 |
| Improvements other than buildings | 40,930,977 | - | 40,930,977 |
| Share of undivided equity interest assets | 1,798,091 | - | 1,798,091 |
| Intangibles | 629,235 | 31,250 | 660,485 |
| Infrastructure | - | 108,456,306 | 108,456,306 |
| Accumulated depreciation | (63,060,490) | (33,956,173) | (97,016,663) |
| Net capital assets | <u>437,951,163</u> | <u>76,661,562</u> | <u>514,612,725</u> |
| Total noncurrent assets | <u>438,713,599</u> | <u>76,661,562</u> | <u>515,375,161</u> |
| Total assets | <u>590,555,551</u> | <u>120,171,424</u> | <u>710,726,975</u> |

See Notes to Basic Financial Statements.

| | Primary Government | | |
|----------------------------------|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | \$ 2,684,141 | \$ 725,825 | \$ 3,409,966 |
| Claims payable | 698,659 | - | 698,659 |
| Accrued wages payable | 553,590 | 18,402 | 571,992 |
| Interest payable | 245,997 | - | 245,997 |
| Unearned revenue | 58,962,501 | - | 58,962,501 |
| Compensated absences | 2,546,517 | 95,575 | 2,642,092 |
| General obligation bonds | 26,770,000 | - | 26,770,000 |
| Capital lease payable | 276,630 | - | 276,630 |
| Installment contracts | <u>1,246,823</u> | <u>-</u> | <u>1,246,823</u> |
| Total current liabilities | <u>93,984,858</u> | <u>839,802</u> | <u>94,824,660</u> |
| Noncurrent liabilities | | | |
| Compensated absences | 1,430,796 | 63,879 | 1,494,675 |
| General obligation bonds | 75,064,010 | - | 75,064,010 |
| Capital lease payable | 282,867 | - | 282,867 |
| Installment contracts | 1,586,822 | - | 1,586,822 |
| Net OPEB liability | <u>638,516</u> | <u>29,721</u> | <u>668,237</u> |
| Total noncurrent liabilities | <u>79,003,011</u> | <u>93,600</u> | <u>79,096,611</u> |
| Total liabilities | <u>172,987,869</u> | <u>933,402</u> | <u>173,921,271</u> |
| NET POSITION | | | |
| Net investment in capital assets | 348,765,036 | 76,661,562 | 425,426,598 |
| Restricted for | | | |
| Capital projects | 4,075,241 | - | 4,075,241 |
| Debt service | 3,497,034 | - | 3,497,034 |
| Urban renewal and development | 4,979,438 | - | 4,979,438 |
| Road use projects | 11,667,273 | - | 11,667,273 |
| Retirement benefits | 3,404,437 | - | 3,404,437 |
| Other purposes | 2,631,357 | - | 2,631,357 |
| Unrestricted | <u>38,547,866</u> | <u>42,576,460</u> | <u>81,124,326</u> |
| Total net position | <u>\$417,567,682</u> | <u>\$119,238,022</u> | <u>\$536,805,704</u> |

City of West Des Moines, Iowa
STATEMENT OF ACTIVITIES
Year ended June 30, 2013

| <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 | \$24,700,994 | \$ 5,608,894 | \$2,469,593 | \$ - |
| Public works | 10,742,899 | 104,108 | 5,504,499 | 2,516,288 |
| Health and social services | 1,152,757 | - | 226,484 | - |
| Culture and recreation | 9,495,234 | 1,343,505 | 177,360 | - |
| Community and economic development | 7,592,235 | 579,364 | 934,355 | - |
| General government | 6,199,838 | 46,383 | 336,938 | 187,753 |
| Interest on long-term debt | <u>3,450,029</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total governmental activities | <u>63,333,986</u> | <u>7,682,254</u> | <u>9,649,229</u> | <u>2,704,041</u> |
| Business-type activities | | | | |
| Sewer system | 8,372,160 | 9,814,708 | - | 982,089 |
| Storm water system | 1,852,241 | 2,165,281 | - | 3,557,677 |
| Solid waste system | <u>1,778,179</u> | <u>1,762,412</u> | <u>-</u> | <u>-</u> |
| Total business-type activities | <u>12,002,580</u> | <u>13,742,401</u> | <u>-</u> | <u>4,539,766</u> |
| Total primary government | <u>\$75,336,566</u> | <u>\$21,424,655</u> | <u>\$9,649,229</u> | <u>\$7,243,807</u> |
| | | General revenues | | |
| | | Taxes | | |
| | | Property taxes | | |
| | | Franchise tax | | |
| | | Other City taxes | | |
| | | Hotel/Motel tax | | |
| | | Miscellaneous | | |
| | | Investment earnings | | |
| | | Unrestricted grants | | |
| | | Transfers | | |
| | | Total general revenues and transfers | | |
| | | Changes in net position | | |
| | | Net position, beginning of year | | |
| | | Net position, end of year | | |

See Notes to Basic Financial Statements.

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

| Governmental Activities | Business-type Activities | Totals |
|------------------------------------|-------------------------------------|----------------------|
| \$ (16,622,507) | \$ — | \$ (16,622,507) |
| (2,618,004) | — | (2,618,004) |
| (926,273) | — | (926,273) |
| (7,974,369) | — | (7,974,369) |
| (6,078,516) | — | (6,078,516) |
| (5,628,764) | — | (5,628,764) |
| <u>(3,450,029)</u> | <u>—</u> | <u>(3,450,029)</u> |
| <u>(43,298,462)</u> | <u>—</u> | <u>(43,298,462)</u> |
| — | 2,424,637 | 2,424,637 |
| — | 3,870,717 | 3,870,717 |
| — | (15,767) | (15,767) |
| <u>—</u> | <u>6,279,587</u> | <u>6,279,587</u> |
| <u>(43,298,462)</u> | <u>6,279,587</u> | <u>(37,018,875)</u> |
| 58,568,528 | — | 58,568,528 |
| 294,182 | — | 294,182 |
| 575,555 | — | 575,555 |
| 3,287,208 | — | 3,287,208 |
| 480,641 | — | 480,641 |
| 245,879 | 66,498 | 312,377 |
| 945,655 | — | 945,655 |
| 121,222 | (121,222) | — |
| <u>64,518,870</u> | <u>(54,724)</u> | <u>64,464,146</u> |
| 21,220,408 | 6,224,863 | 27,445,271 |
| <u>396,347,274</u> | <u>113,013,159</u> | <u>509,360,433</u> |
| <u>\$417,567,682</u> | <u>\$119,238,022</u> | <u>\$536,805,704</u> |

City of West Des Moines, Iowa
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2013

| | <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 | \$24,054,337 | \$11,269,418 | \$ 4,953,120 | \$ 3,467,994 | \$ 7,697,579 | \$ 5,488,950 | \$ 56,931,398 |
| Restricted cash and investments | - | - | - | - | 12,740,338 | 200,000 | 12,940,338 |
| Receivables | | | | | | | |
| Property taxes | 33,403,849 | - | 10,903,511 | 8,665,020 | 7,753 | 6,178,787 | 59,158,920 |
| Accounts | 604,077 | - | - | - | - | 101,407 | 705,484 |
| Loans | - | - | - | - | - | 30,331 | 30,331 |
| Special assessments | 13,110 | - | - | - | 828,811 | - | 841,921 |
| Due from other funds | 129,103 | - | - | - | - | - | 129,103 |
| Due from other governments | <u>1,746,201</u> | <u>464,514</u> | <u>-</u> | <u>-</u> | <u>1,488,894</u> | <u>187,979</u> | <u>3,887,588</u> |
| Total assets | <u>\$59,950,677</u> | <u>\$11,733,932</u> | <u>\$15,856,631</u> | <u>\$12,133,014</u> | <u>\$22,763,375</u> | <u>\$12,187,454</u> | <u>\$134,625,083</u> |
| LIABILITIES AND FUND EQUITY | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | \$ 750,228 | \$ 66,659 | \$ - | \$ - | \$ 1,559,416 | \$ 183,571 | \$ 2,559,874 |
| Accrued wages payable | 551,055 | - | - | - | - | 2,535 | 553,590 |
| Due to other funds | - | - | - | - | - | 129,103 | 129,103 |
| Deferred revenue | <u>33,805,542</u> | <u>-</u> | <u>10,877,193</u> | <u>8,635,980</u> | <u>1,807,301</u> | <u>6,261,468</u> | <u>61,387,484</u> |
| Total liabilities | <u>35,106,825</u> | <u>66,659</u> | <u>10,877,193</u> | <u>8,635,980</u> | <u>3,366,717</u> | <u>6,576,677</u> | <u>64,630,051</u> |
| Fund Equity | | | | | | | |
| Fund balances | | | | | | | |
| Restricted for | | | | | | | |
| Capital projects | - | 11,667,273 | - | - | 6,656,320 | - | 18,323,593 |
| Debt service | - | - | - | 3,497,034 | 12,740,338 | - | 16,237,372 |
| Urban renewal and development | - | - | 4,979,438 | - | - | - | 4,979,438 |
| Other purposes | - | - | - | - | - | 5,625,357 | 5,625,357 |
| Unassigned | <u>24,843,852</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(14,580)</u> | <u>24,829,272</u> |
| Total fund equity | <u>24,843,852</u> | <u>11,667,273</u> | <u>4,979,438</u> | <u>3,497,034</u> | <u>19,396,658</u> | <u>5,610,777</u> | <u>69,995,032</u> |
| Total liabilities and fund equity | <u>\$59,950,677</u> | <u>\$11,733,932</u> | <u>\$15,856,631</u> | <u>\$12,133,014</u> | <u>\$22,763,375</u> | <u>\$12,187,454</u> | <u>\$134,625,083</u> |

City of West Des Moines, Iowa
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2013

| | | |
|--|------------------|----------------------|
| Total governmental funds balances | | \$ 69,995,032 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is \$487,691,082 and the accumulated depreciation is \$54,976,848. | | 432,714,234 |
| Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | | 2,424,983 |
| Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position | | |
| Capital assets | 13,320,571 | |
| Accumulated depreciation | (8,083,642) | |
| Other current assets | 17,647,540 | |
| Other current liabilities | <u>(822,926)</u> | 22,061,543 |
| Internal service funds allocated to business-type activities | | (301,568) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds | | |
| Compensated absences | (3,977,313) | |
| Other postemployment benefits payable | (638,516) | |
| Accrued interest payable | (245,997) | |
| General obligation bonds payable | (97,410,000) | |
| Premium on bonds payable | (4,424,010) | |
| Capital lease obligations | (559,497) | |
| Installment contracts | (2,833,645) | |
| Bond issuance costs | <u>762,436</u> | (109,326,542) |
| Net position of governmental activities | | <u>\$417,567,682</u> |

City of West Des Moines, Iowa
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES—GOVERNMENTAL FUNDS
Year ended June 30, 2013

| | <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 | \$31,096,461 | \$ — | \$13,272,106 | \$ 8,283,203 | \$ — | \$5,916,758 | \$58,568,528 |
| Other City taxes | 3,984,637 | — | — | 95,528 | — | 76,780 | 4,156,945 |
| Special assessments | — | — | — | — | 359,798 | — | 359,798 |
| Licenses and permits | 1,638,474 | — | — | — | — | — | 1,638,474 |
| Intergovernmental | 4,111,086 | 5,499,726 | — | — | 1,004,230 | 720,498 | 11,335,540 |
| Charges for services | 4,817,190 | — | — | — | — | — | 4,817,190 |
| Use of money and property | 168,491 | — | — | 62,422 | — | 210 | 231,123 |
| Miscellaneous | 677,149 | — | — | — | 332,326 | 1,036,113 | 2,045,588 |
| Total revenues | <u>46,493,488</u> | <u>5,499,726</u> | <u>13,272,106</u> | <u>8,441,153</u> | <u>1,696,354</u> | <u>7,750,359</u> | <u>83,153,186</u> |
| EXPENDITURES | | | | | | | |
| Current operating | | | | | | | |
| Public safety | 21,878,588 | — | — | — | — | 2,599,454 | 24,478,042 |
| Public works | 6,448,308 | 786,039 | — | — | — | — | 7,234,347 |
| Health and social services | 859,637 | — | — | — | — | 258,327 | 1,117,964 |
| Culture and recreation | 6,786,266 | — | — | — | — | 140,876 | 6,927,142 |
| Community and economic development | 4,792,300 | — | 1,960,610 | — | — | 744,973 | 7,497,883 |
| General government | 5,848,266 | — | — | — | — | — | 5,848,266 |
| Debt service | | | | | | | |
| Principal | 97,642 | 1,076,848 | — | 14,125,000 | 274,982 | 70,851 | 15,645,323 |
| Interest and other charges | 10,107 | — | — | 4,076,357 | 9,272 | 860 | 4,096,596 |
| Capital outlay | — | — | — | — | 16,238,960 | — | 16,238,960 |
| Total expenditures | <u>46,721,114</u> | <u>1,862,887</u> | <u>1,960,610</u> | <u>18,201,357</u> | <u>16,523,214</u> | <u>3,815,341</u> | <u>89,084,523</u> |
| Excess (deficiency) of revenues over expenditures | <u>(227,626)</u> | <u>3,636,839</u> | <u>11,311,496</u> | <u>(9,760,204)</u> | <u>(14,826,860)</u> | <u>3,935,018</u> | <u>(5,931,337)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | 4,302,368 | 173,630 | 83,590 | 12,386,055 | 8,592,952 | 216,675 | 25,755,270 |
| Transfers out | (1,798,016) | (5,647,117) | (10,660,140) | — | (3,732,127) | (4,306,039) | (26,143,439) |
| Capital lease obligation | — | — | — | — | 72,950 | — | 72,950 |
| Installment contract | — | — | — | — | 850,000 | — | 850,000 |
| Payment to refunded bond escrow | — | — | — | (2,720,000) | — | — | (2,720,000) |
| Proceeds from sales of capital assets | 85,299 | — | — | — | — | 3,306 | 88,605 |
| Total other financing sources (uses) | <u>2,589,651</u> | <u>(5,473,487)</u> | <u>(10,576,550)</u> | <u>9,666,055</u> | <u>5,783,775</u> | <u>(4,086,058)</u> | <u>(2,096,614)</u> |
| NET CHANGE IN FUND BALANCES | 2,362,025 | (1,836,648) | 734,946 | (94,149) | (9,043,085) | (151,040) | (8,027,951) |
| FUND BALANCES, beginning 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> |
| FUND BALANCES, end of year | <u>\$24,843,852</u> | <u>\$11,667,273</u> | <u>\$ 4,979,438</u> | <u>\$ 3,497,034</u> | <u>\$19,396,658</u> | <u>\$5,610,777</u> | <u>\$69,995,032</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, 2013

| | |
|--|---------------------|
| Net change in fund balances—governmental funds | \$(8,027,951) |
| <p>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:</p> | |
| Capital outlay | 13,411,118 |
| Depreciation | (4,826,721) |
| <p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations and disposals) is to increase (decrease) net position:</p> | |
| Book value of capital assets disposed | (411,847) |
| <p>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:</p> | |
| Special Assessments | (36,717) |
| Grants | 1,166,762 |
| <p>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:</p> | |
| Net OPEB liability | (84,696) |
| Compensated absences | 465,155 |
| <p>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 position. 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:</p> | |
| Repayment of long-term debt: | |
| Capital lease obligations | 273,475 |
| General obligation bonds | 16,845,000 |
| Installment contracts | 1,246,848 |
| Interest | 95,728 |
| Issuance of long-term debt | (922,950) |
| Amortization of bond issuance costs | (170,767) |
| Amortization of bond premium | 721,606 |
| <p>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.</p> | |
| | <u>1,476,365</u> |
| Change in net position of governmental activities | <u>\$21,220,408</u> |

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
STATEMENT OF NET POSITION—PROPRIETARY FUNDS
June 30, 2013

| | <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 | \$33,482,582 | \$ 5,775,656 | \$ 599,190 | \$ 39,857,428 | \$17,535,630 |
| Receivables | | | | | |
| Accounts and unbilled usage | 2,301,134 | 540,631 | 429,266 | 3,271,031 | 23,552 |
| Special assessments | 2,467 | 1,172 | 1,076 | 4,715 | — |
| Interest | 73,736 | 1,384 | — | 75,120 | 5,334 |
| Inventories | — | — | — | — | 83,024 |
| Total current assets | <u>35,859,919</u> | <u>6,318,843</u> | <u>1,029,532</u> | <u>43,208,294</u> | <u>17,647,540</u> |
| Noncurrent assets | | | | | |
| Capital assets | | | | | |
| Nondepreciable | | | | | |
| Land | 411,278 | 1,900 | — | 413,178 | — |
| Construction-in-progress | 1,035,348 | 379,164 | — | 1,414,512 | — |
| Depreciable | | | | | |
| Equipment and vehicles | 204,572 | 97,917 | — | 302,489 | 13,320,571 |
| Intangibles | 15,625 | 15,625 | — | 31,250 | — |
| Infrastructure | 80,221,137 | 28,235,169 | — | 108,456,306 | — |
| Accumulated depreciation | <u>(31,415,472)</u> | <u>(2,540,701)</u> | <u>—</u> | <u>(33,956,173)</u> | <u>(8,083,642)</u> |
| Net capital assets | <u>50,472,488</u> | <u>26,189,074</u> | <u>—</u> | <u>76,661,562</u> | <u>5,236,929</u> |
| Total assets | <u>\$86,332,407</u> | <u>\$32,507,917</u> | <u>\$1,029,532</u> | <u>\$119,869,856</u> | <u>\$22,884,469</u> |

See Notes to Basic Financial Statements.

| | <u>Sewer System</u> | <u>Storm Water System</u> | <u>Nonmajor Enterprise Fund Solid Waste</u> | <u>Total Enterprise Funds</u> | <u>Internal Service Funds</u> |
|---|-------------------------|-----------------------------------|---|---------------------------------------|---------------------------------------|
| LIABILITIES AND NET POSITION | | | | | |
| Liabilities | | | | | |
| Current | | | | | |
| Accounts payable | \$ 203,240 | \$ 262,235 | \$ 260,350 | \$ 725,825 | \$ 124,267 |
| Claims payable | — | — | — | — | 698,659 |
| Compensated absences | 58,492 | 37,083 | — | 95,575 | — |
| Accrued wages payable | <u>9,831</u> | <u>8,571</u> | <u>—</u> | <u>18,402</u> | <u>—</u> |
| Total current liabilities | <u>271,563</u> | <u>307,889</u> | <u>260,350</u> | <u>839,802</u> | <u>822,926</u> |
| Noncurrent | | | | | |
| Compensated absences | 13,766 | 50,113 | — | 63,879 | — |
| Net OPEB liability | <u>16,224</u> | <u>13,497</u> | <u>—</u> | <u>29,721</u> | <u>—</u> |
| Total noncurrent liabilities | <u>29,990</u> | <u>63,610</u> | <u>—</u> | <u>93,600</u> | <u>—</u> |
| Total liabilities | <u>301,553</u> | <u>371,499</u> | <u>260,350</u> | <u>933,402</u> | <u>822,926</u> |
| Net position | | | | | |
| Net investment in capital assets | 50,472,488 | 26,189,074 | — | 76,661,562 | 5,236,929 |
| Unrestricted | <u>35,558,366</u> | <u>5,947,344</u> | <u>769,182</u> | <u>42,274,892</u> | <u>16,824,614</u> |
| Total net position | <u>86,030,854</u> | <u>32,136,418</u> | <u>769,182</u> | <u>118,936,454</u> | <u>22,061,543</u> |
| Total liabilities and net position | <u>\$86,332,407</u> | <u>\$32,507,917</u> | <u>\$1,029,532</u> | <u>\$119,869,856</u> | <u>\$22,884,469</u> |
| Total enterprise funds net position | | | | \$118,936,454 | |
| Amounts reported for business-type activities in the statement of net position are different because: | | | | | |
| Internal service funds are used by management to charge the cost of certain services to individual funds. These assets of the internal service funds are included in business-type activities in the statement of net position. | | | | <u>301,568</u> | |
| Net position of business-type activities | | | | <u>\$119,238,022</u> | |

City of West Des Moines, Iowa
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION—PROPRIETARY FUNDS
Year ended June 30, 2013

| | 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 | \$ 9,814,669 | \$ 2,165,281 | \$ 1,762,412 | \$ 13,742,362 | \$ 6,612,724 |
| Lease revenue | — | — | — | — | 1,484,633 |
| Other | 39 | — | — | 39 | — |
| Total operating revenue | <u>9,814,708</u> | <u>2,165,281</u> | <u>1,762,412</u> | <u>13,742,401</u> | <u>8,097,357</u> |
| OPERATING EXPENSES | | | | | |
| Cost of sales and services | 3,401,994 | 1,227,809 | 1,778,179 | 6,407,982 | 5,938,787 |
| Administration | 48,809 | 68,838 | — | 117,647 | — |
| Depreciation | <u>1,603,761</u> | <u>579,412</u> | — | <u>2,183,173</u> | <u>1,278,797</u> |
| Total operating expenses | <u>5,054,564</u> | <u>1,876,059</u> | <u>1,778,179</u> | <u>8,708,802</u> | <u>7,217,584</u> |
| Operating income (loss) | <u>4,760,144</u> | <u>289,222</u> | <u>(15,767)</u> | <u>5,033,599</u> | <u>879,773</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Investment earnings | 64,611 | 1,887 | — | 66,498 | 14,756 |
| Interest expense and fiscal charges | (17,050) | — | — | (17,050) | — |
| Payments to WRA | (3,322,476) | — | — | (3,322,476) | — |
| (Loss) on sale of capital assets | — | — | — | — | (16,992) |
| Total nonoperating revenues (expenses) | <u>(3,274,915)</u> | <u>1,887</u> | <u>—</u> | <u>(3,273,028)</u> | <u>(2,236)</u> |
| Income (loss) before capital contributions and transfers | 1,485,229 | 291,109 | (15,767) | 1,760,571 | 877,537 |
| Capital contributions | 982,089 | 3,557,677 | — | 4,539,766 | 135,185 |
| Transfers in | — | — | — | — | 521,843 |
| Transfers out | <u>(60,611)</u> | <u>(60,611)</u> | — | <u>(121,222)</u> | <u>(12,452)</u> |
| Change in net position | 2,406,707 | 3,788,175 | (15,767) | 6,179,115 | 1,522,113 |
| Total net position, beginning 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> |
| Total net position, end of year | <u>\$86,030,854</u> | <u>\$32,136,418</u> | <u>\$ 769,182</u> | <u>\$118,936,454</u> | <u>\$22,061,543</u> |
| Change in enterprise funds net position | | | | \$6,179,115 | |
| 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>45,748</u> | |
| Change in net position of business-type activities | | | | <u>\$6,224,863</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, 2013

| | Business-Type Activities Enterprise Funds | | | | Internal Service Funds |
|---|--|--------------------------|---|------------------------------|------------------------------|
| | Sewer System | Storm Water System | Nonmajor Enterprise Fund Solid Waste | Total Enterprise Funds | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers and users | \$ 12,742,767 | \$2,164,546 | \$1,759,927 | \$16,667,240 | \$ 8,099,531 |
| Payments to suppliers | (2,458,170) | (544,264) | (1,659,165) | (4,661,599) | (1,246,269) |
| Payments to WRA | (3,322,476) | — | — | (3,322,476) | — |
| Payments to claimants | — | — | — | — | (4,697,684) |
| Payments to employees | (986,483) | (577,299) | — | (1,563,782) | — |
| Net cash provided by operating activities | <u>5,975,638</u> | <u>1,042,983</u> | <u>100,762</u> | <u>7,119,383</u> | <u>2,155,578</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Payments from other funds | 528,031 | — | — | 528,031 | — |
| Transfers in | — | — | — | — | 521,843 |
| Transfers out | (60,611) | (60,611) | — | (121,222) | (12,452) |
| Net cash provided by (used in) noncapital financing activities | <u>467,420</u> | <u>(60,611)</u> | <u>—</u> | <u>406,809</u> | <u>509,391</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Purchase of capital assets | (934,483) | (247,080) | — | (1,181,563) | (2,005,756) |
| Payment on debt | (1,364,000) | — | — | (1,364,000) | — |
| Interest paid on debt | (20,460) | — | — | (20,460) | — |
| Proceeds from disposal of capital assets | — | — | — | — | 17,666 |
| Net cash (used in) capital and related financing activities | <u>(2,318,943)</u> | <u>(247,080)</u> | <u>—</u> | <u>(2,566,023)</u> | <u>(1,988,090)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest received | 40,450 | 503 | — | 40,953 | 18,921 |
| Purchase of investment securities | (10,010,268) | (3,000,061) | — | (13,010,329) | (8,505,244) |
| Proceeds from maturity of investment securities | 12,000,000 | — | — | 12,000,000 | 7,500,000 |
| Net cash provided by (used in) investing activities | <u>2,030,182</u> | <u>(2,999,558)</u> | <u>—</u> | <u>(969,376)</u> | <u>(986,323)</u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 6,154,297 | (2,264,266) | 100,762 | 3,990,793 | (309,444) |
| CASH AND CASH EQUIVALENTS, beginning 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> |
| CASH AND CASH EQUIVALENTS, end of year | <u>\$17,472,314</u> | <u>\$2,775,595</u> | <u>\$ 599,190</u> | <u>\$20,847,099</u> | <u>\$11,530,386</u> |

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
STATEMENT OF CASH FLOWS—PROPRIETARY FUNDS (continued)
Year ended June 30, 2013

| | 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 (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | | | |
| Operating income (loss) | \$ 4,760,144 | \$ 289,222 | \$ (15,767) | \$ 5,033,599 | \$ 879,773 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | | | | | |
| Depreciation | 1,603,761 | 579,412 | — | 2,183,173 | 1,278,797 |
| Payments to WRA | (3,322,476) | — | — | (3,322,476) | — |
| Change in assets and liabilities | | | | | |
| Receivables | 2,928,059 | (735) | (2,485) | 2,924,839 | 2,174 |
| Inventories | — | — | — | — | (11,528) |
| Accounts payable | 5,319 | 169,889 | 119,014 | 294,222 | (1,189) |
| Claims payable | — | — | — | — | 7,551 |
| Compensated absences and accrued wages payable | (1,389) | 3,331 | — | 1,942 | — |
| OPEB liability | 2,220 | 1,864 | — | 4,084 | — |
| Net cash provided by operating activities | <u>\$ 5,975,638</u> | <u>\$ 1,042,983</u> | <u>\$ 100,762</u> | <u>\$ 7,119,383</u> | <u>\$ 2,155,578</u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO SPECIFIC ASSETS ON THE STATEMENT OF NET POSITION | | | | | |
| Cash and investments | \$33,482,582 | \$5,775,656 | \$599,190 | \$39,857,428 | \$17,535,630 |
| Less items not meeting the definition of cash equivalents | (16,010,268) | (3,000,061) | — | (19,010,329) | (6,005,244) |
| Cash and cash equivalents at end of year | <u>\$17,472,314</u> | <u>\$2,775,595</u> | <u>\$599,190</u> | <u>\$20,847,099</u> | <u>\$11,530,386</u> |
| SCHEDULE OF NONCASH ITEMS | | | | | |
| Capital and related financing activities | | | | | |
| Donated construction by developers | \$ 950,803 | \$1,471,693 | \$ — | \$ 2,422,496 | \$ 135,185 |
| Donated construction from other funds | \$ 31,286 | \$2,085,984 | \$ — | \$ 2,117,270 | \$ — |
| Acquisition of capital assets through retainage payable | \$ (29,289) | \$ 3,480 | \$ — | \$ (25,809) | \$ — |

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2013

ASSETS

| | |
|---------------------------------------|-------------------|
| Cash and investments | \$ 631,885 |
| Restricted assets, contractors' bonds | <u>59,536</u> |
| Total assets | <u>\$ 691,421</u> |

LIABILITIES

| | |
|------------------------------|-------------------|
| Deposits and remittances due | <u>691,421</u> |
| Total liabilities | <u>\$ 691,421</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 position 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 position presents the City's assets and liabilities, with the difference reported as net position. Three categories of net position are reported:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on the use of net position are either externally imposed by law through constitutional provisions or enabling legislation.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Government-wide and fund financial statements (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 position, revenues and expenditures or expenses, as appropriate. The City has the following funds:

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

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

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

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

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

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

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 positions and cash flows.

Enterprise Funds: Are used to account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The following are the City's major enterprise funds:

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

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

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

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

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 position and changes in net position held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City has the following fiduciary fund type:

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

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

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

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 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 is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

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 2013, the date at which a lien attaches, based on the 2012 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 2013 tax levy is budgeted and levied for fiscal year 2014, the revenue from this tax levy has been deferred.

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

The City maintains its financial records on the cash basis during the fiscal year. The financial statements of the City are prepared by making adjusting entries to the cash basis financial records at the end of the fiscal year.

Summary of Significant Accounting Policies:

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

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2013 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of Significant Accounting Policies (continued)

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

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2011, assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013, and reflects tax asking contained in the budget certified to the County Board of Supervisors in February 2012.

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.

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.

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 (continued):

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 Position 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.

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".

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):

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, 2013, 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 Position and the proprietary fund Statement of Net Position.

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

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.

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

Unassigned - All amounts not included in other spendable classifications.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, it is the City's policy to pay the expenditure from restricted fund balance and then from less restrictive classifications of committed, assigned and then unassigned fund balance.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Summary of Significant Accounting Policies (continued)

Fund Equity (continued):

Net Position: Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. As of June 30, 2013, the City had \$16,041,025 in unspent debt proceeds. Of this amount, \$3,300,687 was available for projects, while the remaining proceeds were placed in escrow for the advance refunding of outstanding debt. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted through enabling legislation consists of \$11,667,273 for road construction projects, \$3,404,437 for retirement benefits, \$4,075,241 for capital projects, and \$4,979,438 for tax increment projects. All other restrictions are imposed by outside parties through grants, debt agreements or donors.

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

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

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, 2013, disbursements did not exceed the amounts budgeted in any function.

NOTE 2 CASH AND INVESTMENTS

As of June 30, 2013, the City's cash and investments were as follows:

| | |
|---|----------------------|
| Cash and investments, statement of net position | \$114,324,458 |
| Restricted cash and investments | 12,940,338 |
| Cash and investments, fiduciary funds | <u>691,421</u> |
| | <u>\$127,956,217</u> |
| | |
| Deposits including certificates of deposit | \$ 81,080,460 |
| Investments | <u>46,875,757</u> |
| | <u>\$127,956,217</u> |

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

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

NOTE 2 CASH AND INVESTMENTS (continued)

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

Investments of the City are held with Iowa Public Agency Investment Trust (IPAIT). IPAIT's weighted average maturity as of June 30, 2013 was 46.1 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>46,875,757</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 of June 30, 2013, the City's deposits with financial institutions were entirely covered by federal depository insurance or insured by the state through pooled collateral, state sinking funds and by the state's ability to assess for lost funds. The City's investments were covered by investments purchased and held by an independent third party.

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

NOTE 3 CAPITAL ASSETS

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

The following is a summary of changes in capital assets for the year ended June 30, 2013:

| | <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 | \$ 18,997,207 | \$ 4,854,976 | \$ - | \$ - | \$ 23,852,183 |
| Infrastructure | 327,329,865 | 9,284,266 | 341,653 | - | 336,272,478 |
| Construction-in-progress | 17,685,898 | 12,796,961 | 17,067,426 | (2,117,270) | 11,298,163 |
| Intangibles | <u>15,574,850</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>15,574,850</u> |
| Total capital assets, not being depreciated | <u>379,587,820</u> | <u>26,936,203</u> | <u>17,409,079</u> | <u>(2,117,270)</u> | <u>386,997,674</u> |
| Capital assets, being depreciated | | | | | |
| Buildings | 42,221,564 | 1,661,877 | - | - | 43,883,441 |
| Equipment and vehicles | 20,185,803 | 3,381,785 | 1,904,415 | - | 21,663,173 |
| Fiber network | 4,637,780 | 471,282 | - | - | 5,109,062 |
| Improvements other than buildings | 38,672,192 | 2,258,785 | - | - | 40,930,977 |
| Share of undivided equity interest assets | 1,802,889 | 5,030 | 9,828 | - | 1,798,091 |
| Intangibles | <u>783,447</u> | <u>21,793</u> | <u>176,005</u> | <u>-</u> | <u>629,235</u> |
| Total capital assets, being depreciated | <u>108,303,675</u> | <u>7,800,552</u> | <u>2,090,248</u> | <u>-</u> | <u>114,013,979</u> |
| Less accumulated depreciation for | | | | | |
| Buildings | 20,234,648 | 1,480,197 | - | - | 21,714,845 |
| Equipment and vehicles | 11,203,211 | 1,841,149 | 1,800,834 | - | 11,243,526 |
| Fiber network | 1,017,752 | 255,428 | - | - | 1,273,180 |
| Improvements other than buildings | 24,372,029 | 2,398,891 | - | - | 26,770,920 |
| Share of undivided equity interest assets | 1,446,066 | 80,825 | 8,557 | - | 1,518,334 |
| Intangibles | <u>666,662</u> | <u>49,028</u> | <u>176,005</u> | <u>-</u> | <u>539,685</u> |
| Total accumulated depreciation | <u>58,940,368</u> | <u>6,105,518</u> | <u>1,985,396</u> | <u>-</u> | <u>63,060,490</u> |
| Total capital assets, being depreciated, net | <u>49,363,307</u> | <u>1,695,034</u> | <u>104,852</u> | <u>-</u> | <u>50,953,489</u> |
| Governmental activities, capital assets, net | <u>\$428,951,127</u> | <u>\$28,631,237</u> | <u>\$17,513,931</u> | <u>\$(2,117,270)</u> | <u>\$437,951,163</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>2,125,888</u> | <u>2,437,391</u> | <u>3,148,767</u> | <u>-</u> | <u>1,414,512</u> |
| Total capital assets, not being depreciated | <u>2,539,066</u> | <u>2,437,391</u> | <u>3,148,767</u> | <u>-</u> | <u>1,827,690</u> |
| Capital assets, being depreciated | | | | | |
| Equipment | 122,703 | 179,786 | - | - | 302,489 |
| Intangibles | - | 31,250 | - | - | 31,250 |
| Sanitary and storm sewer system | <u>102,260,718</u> | <u>4,078,590</u> | <u>272</u> | <u>2,117,270</u> | <u>108,456,306</u> |
| Total capital assets, being depreciated | <u>102,383,421</u> | <u>4,289,626</u> | <u>272</u> | <u>2,117,270</u> | <u>108,790,045</u> |
| Less accumulated depreciation for | | | | | |
| Equipment | 37,288 | 41,124 | - | - | 78,412 |
| Intangibles | - | 6,250 | - | - | 6,250 |
| Sanitary and storm sewer system | <u>31,735,984</u> | <u>2,135,799</u> | <u>272</u> | <u>-</u> | <u>33,871,511</u> |
| Total accumulated depreciation | <u>31,773,272</u> | <u>2,183,173</u> | <u>272</u> | <u>-</u> | <u>33,956,173</u> |
| Total capital assets, being depreciated, net | <u>70,610,149</u> | <u>2,106,453</u> | <u>0</u> | <u>2,117,270</u> | <u>74,833,872</u> |
| Business-type activities, capital assets, net | <u>\$73,149,215</u> | <u>\$4,543,844</u> | <u>\$3,148,767</u> | <u>\$2,117,270</u> | <u>\$76,661,562</u> |

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

| | |
|------------------------------------|--------------------|
| Governmental Activities | |
| Public safety | \$1,584,029 |
| Health and social services | 67,314 |
| Culture and recreation | 2,668,426 |
| Public works | 1,064,692 |
| General government | 579,091 |
| Community and economic development | <u>141,966</u> |
| | <u>\$6,105,518</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, 2013:

| | <u>Balance July 1, 2012</u> | <u>Increases and Issues</u> | <u>Decreases and Retirements</u> | <u>Balance June 30, 2013</u> | <u>Due within one year</u> |
|--------------------------------|-------------------------------------|---------------------------------|--|--------------------------------------|------------------------------------|
| Governmental activities | | | | | |
| General obligation bonds | \$119,400,616 | \$ - | \$ 17,566,606 | \$101,834,010 | \$ 26,770,000 |
| Capital lease obligations | 760,022 | 72,950 | 273,475 | 559,497 | 276,630 |
| Installment contracts | 3,230,493 | 850,000 | 1,246,848 | 2,833,645 | 1,246,823 |
| Compensated absences | 4,442,468 | 3,977,313 | 4,442,468 | 3,977,313 | 2,546,517 |
| Net OPEB liability | <u>553,820</u> | <u>84,696</u> | <u>-</u> | <u>638,516</u> | <u>-</u> |
| Total governmental activities | <u>128,387,419</u> | <u>4,984,959</u> | <u>23,529,397</u> | <u>109,842,981</u> | <u>30,839,970</u> |
| Business-type activities | | | | | |
| Revenue notes | 1,364,000 | - | 1,364,000 | - | - |
| Compensated absences | 157,913 | 159,454 | 157,913 | 159,454 | 95,575 |
| Net OPEB liability | <u>25,637</u> | <u>4,084</u> | <u>-</u> | <u>29,721</u> | <u>-</u> |
| Total business-type activities | <u>1,547,550</u> | <u>163,538</u> | <u>1,521,913</u> | <u>189,175</u> | <u>95,575</u> |
| Total long-term debt | <u>\$129,934,969</u> | <u>\$ 5,148,497</u> | <u>\$ 25,051,310</u> | <u>\$110,032,156</u> | <u>\$ 30,935,545</u> |

(1) Bonds were sold at a net premium; unamortized net premium at June 30, 2013 totaled \$4,424,009.

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

NOTE 4 BONDED AND OTHER DEBT (continued)

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 occurred 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.

General Obligation Bonds/Notes: General obligation bonds outstanding as of June 30, 2013, 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, 2013</u> |
|----------------------|-----------------------|-----------------------|----------------------------------|---------------------------------|---|
| 09/01/2003 | 4.000 - 4.700 | June 2019 | \$ 625,000 - 2,200,000 | \$ 12,000,000 | \$ 8,675,000 |
| 06/15/2004 | 4.000 - 5.000 | June 2021 | 180,000 - 1,250,000 | 6,000,000 | 4,825,000 |
| 04/01/2005 | 3.625 - 3.700 | June 2015 | 230,000 - 560,000 | 3,055,000 | 815,000 |
| 12/17/2007 | 3.625 - 3.800 | June 2019 | 195,000 - 265,000 | 3,210,000 | 1,430,000 |
| 03/11/2008 | 3.000 - 3.125 | June 2014 | 1,675,000 - 1,785,000 | 9,860,000 | 1,785,000 |
| 06/30/2008 | 3.625 - 4.000 | June 2022 | 100,000 - 1,090,000 | 7,000,000 | 6,900,000 |
| 11/12/2009 | 2.500 - 3.500 | June 2015 | 445,000 - 2,405,000 | 7,510,000 | 1,420,000 |
| 12/02/2009 | 4.000 | June 2015 | 225,000 - 240,000 | 6,500,000 | 470,000 |
| 03/04/2010 | 2.000 - 4.250 | June 2020 | 780,000 - 4,140,000 | 31,450,000 | 24,050,000 |
| 04/01/2010 | 2.000 | June 2014 | 630,000 - 655,000 | 2,505,000 | 655,000 |
| 06/29/2010 | 3.000 | June 2020 | 685,000 - 845,000 | 7,000,000 | 5,395,000 |
| 08/11/2010 | 2.000 - 4.000 | June 2029 | 50,000 - 405,000 | 5,000,000 | 4,950,000 |
| 08/10/2011 | 2.000 - 3.500 | June 2025 | 1,215,000 - 500,000 | 6,900,000 | 5,310,000 |
| 08/25/2011 | 2.000 - 2.500 | June 2018 | 1,775,000 - 1,985,000 | 11,270,000 | 9,495,000 |
| 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 | 2.000 - 3.000 | June 2026 | 250,000 - 655,000 | <u>7,520,000</u> | <u>7,270,000</u> |
| | | | | <u>\$140,745,000</u> | <u>\$97,410,000</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 has been amended to include the purchase of a scale and conveyor at a cost of \$72,950. The agreement requires annual payments of \$112,004 including interest at 5.0 percent through July 2013. As of June 30, 2013, the balance of the lease purchase agreement was \$108,408, the building had a net book value of \$280,388 and the equipment had a net book value of \$72,950.

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, 2013, the balance of the lease purchase agreement was \$167,030 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.

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

NOTE 4 BONDED AND OTHER DEBT (continued)

Other than Bonded Debt (continued):

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, 2013, the balance of the lease purchase agreement was \$284,058 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, 2013, was \$2,153,646.

Installment contract: The City has entered into an installment contract with Wright Outdoor Solutions for a building. The agreement is non-interest bearing and is payable in annual installments of \$170,000 through September 2016. The balance due as of June 30, 2013 was \$680,000 and the building had a net book value of \$577,675.

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

Summary of principal and interest maturities: Annual debt service requirements to service all outstanding indebtedness as of June 30, 2013, 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> |
| 2014 | \$ 26,770,000 | \$ 3,518,957 | \$ 276,630 | \$ 14,835 |
| 2015 | 11,230,000 | 2,573,981 | 173,339 | 6,122 |
| 2016 | 13,935,000 | 2,176,675 | 109,528 | 1,164 |
| 2017 | 11,455,000 | 1,672,213 | — | — |
| 2018 | 11,130,000 | 1,257,769 | — | — |
| 2019 - 2023 | 17,815,000 | 2,132,369 | — | — |
| 2024 - 2028 | 4,670,000 | 456,075 | — | — |
| 2029 - 2030 | <u>405,000</u> | <u>16,200</u> | <u>—</u> | <u>—</u> |
| | \$ <u>97,410,000</u> | \$ <u>13,804,239</u> | \$ <u>559,497</u> | \$ <u>22,121</u> |
| | <u>Installment Contracts</u> | | | |
| | <u>Principal</u> | <u>Interest</u> | | |
| <u>Year ending June 30</u> | | | | |
| 2014 | 1,246,823 | — | | |
| 2015 | 1,246,822 | — | | |
| 2016 | 170,000 | — | | |
| 2017 | <u>170,000</u> | <u>—</u> | | |
| | \$ <u>2,833,645</u> | \$ <u>—</u> | | |

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

NOTE 4 BONDED AND OTHER DEBT (continued)

Legal debt margin: As of June 30, 2013, the outstanding general obligation debt of the City did not exceed its legal debt margin computed as follows:

| | |
|---|----------------------------|
| Actual valuation * | \$5,592,914,112 |
| Plus captured tax increment value | 456,215,897 |
| Less military exemption | <u>(3,899,245)</u> |
| Total assessed valuation of the property of the City of West Des Moines | <u>\$6,045,230,764</u> |
| Debt limit, 5% of total actual valuation | \$302,261,538 |
| Debt applicable to debt limit: | |
| General obligation bonds | 101,834,010 |
| Capital lease obligations | 559,497 |
| Installment contracts | <u>2,833,645</u> |
| Legal debt margin | <u>\$197,034,386</u> |

* 100% of assessed valuation including TIF increment.

NOTE 5 INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivables and payables balances as of June 30, 2013 were:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>June 30, 2013</u> |
|-----------------------------------|---|----------------------|
| Major governmental funds, general | Nonmajor governmental fund, Employee Benefits | \$14,726 |
| Major governmental funds, general | Nonmajor governmental fund, CDBG | 76,108 |
| Major governmental funds, general | Nonmajor governmental fund, Dallas County Local Housing Trust Fund | <u>38,269</u> |
| Total | | <u>\$129,103</u> |

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

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

NOTE 6 INTERFUND TRANSFERS

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

| | <u>Transfers in</u> | <u>Transfers out</u> |
|--------------------------------|-------------------------|-------------------------|
| Major governmental funds | | |
| General | \$ 4,302,369 | \$ 1,798,016 |
| Special revenue funds | | |
| Road Use Tax | 173,630 | 5,647,117 |
| Tax Increment financing | 83,590 | 10,660,140 |
| Debt Service | 12,386,055 | - |
| Capital Projects | 8,592,952 | 3,732,127 |
| Major enterprise fund | | |
| Sewer System | - | 60,611 |
| Storm Water System | - | 60,611 |
| Nonmajor governmental funds | 216,674 | 4,306,039 |
| Internal Service Fund | | |
| Vehicle Replacement | - | 12,452 |
| Workers compensation insurance | <u>521,843</u> | <u>-</u> |
| Total | <u>\$26,277,113</u> | <u>\$26,277,113</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.

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 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%.

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

NOTE 7 PENSION AND RETIREMENT SYSTEMS (continued)

Funding Policy (continued):

The contribution rates for plan members and the City in years ended June 30, 2013, 2012, and 2011 under the two plans is as follows:

| | Plan Member Contributions | | | City Contributions | | |
|-----------------|---------------------------|-------|-------|--------------------|--------|--------|
| | 2013 | 2012 | 2011 | 2013 | 2012 | 2011 |
| IPERS | | | | | | |
| Regular | 5.78% | 5.38% | 4.50% | 8.67% | 8.07% | 6.95% |
| Protected Class | 6.84% | 6.65% | 6.64% | 10.27% | 9.97% | 9.95% |
| MFPRSI | 9.40% | 9.40% | 9.40% | 26.12% | 24.76% | 19.90% |

The City's contributions to IPERS and MFPRSI for the years ended June 30, 2013, 2012, and 2011 were equal to 100% of the required contributions for each year as follows:

| | 2013 | 2012 | 2011 |
|--------|-------------|-------------|-------------|
| IPERS | \$1,529,529 | \$1,458,325 | \$1,220,065 |
| MFPRSI | \$2,023,600 | \$1,881,373 | \$1,445,739 |

NOTE 8 DEFERRED COMPENSATION PLAN

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

NOTE 9 INDIVIDUAL FUND DEFICIT BALANCE

The following fund had a deficit fund balance as of June 30, 2013:

| | |
|-----------------------------------|-------------|
| Community Development Block Grant | \$ (14,580) |
|-----------------------------------|-------------|

The City intends to fund this deficit through future grant revenues and transfers from the General Fund.

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

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

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

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, 2013, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

| | |
|--|-----------------------|
| Annual required contribution, ARC | \$ 152,741 |
| Interest on net OPEB obligation | 28,973 |
| Adjustment to annual required contribution | <u>(37,696)</u> |
| Annual OPEB cost | 144,018 |
| Contributions made | <u>(55,238)</u> |
| Increase in net OPEB obligation | 88,780 |
| Net OPEB obligation, beginning of year | <u>579,457</u> |
| Net OPEB obligation, end of year | <u>\$ 668,237</u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the City contributed \$55,238 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, 2013 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> |
|--|-----------------------------------|---|--|
| 2011 | \$ 77,282 | 35.0% | \$ 465,502 |
| 2012 | \$ 133,135 | 14.4% | \$ 579,458 |
| 2013 | \$ 144,018 | 38.4% | \$ 668,237 |

As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1,471,469 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability, UAAL, of \$1,471,469. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$21,693,000, and the ratio of the UAAL to the covered payroll was 6.8%. As of June 30, 2013, there were no trust fund assets.

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

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

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

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, 2012, actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 5% investment rate and 3% inflation rate based on the City's funding policy. The projected annual healthcare cost trend rate is 5.0%. The ultimate medical trend rate is 5.0%. The medical trend rate has been reduced 1.0% each year until reaching the 5.0% ultimate trend rate. There were no benefit increases considered.

Mortality rates are from the 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 \$10,660 for retirees. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level dollar amount on an open basis over a period of 30 years.

There are no audited financial statements for this plan.

NOTE 11 JOINT VENTURE

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

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 2004B bonds were issued for capital expansion. In May of 2013, the WRA issued Sewer Revenue Bonds Series 2013B for the purpose of refunding Series 2004B, thus the Series 2004B bonds had a zero balance at June 30, 2013. As of June 30, 2013, the Series 2013B bonds had a balance of \$56,420,000 and the City of West Des Moines' estimated future allocation based on the WRA flows is currently \$10,251,004.

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

NOTE 11 JOINT VENTURE, (continued)

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, 2013, the Series 2006A bonds had a balance of \$34,145,000 and the City of West Des Moines' estimated future allocation based on the WRA flows is currently \$6,539,887.

The WRA Agreement requires the debt service on all State Revolving Loans issued after July 1, 2004 to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2013, the WRA had \$219,873,119 of such State Revolving Loans of which \$38,326,460 future principal debt service is a commitment to the City of West Des Moines. The State Revolving Loans assumed by the WRA in 2004 are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2013, the WRA had \$4,850,000 in these State Revolving Loans of which \$516,255 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 12 RELATED ORGANIZATIONS AND JOINTLY GOVERNED ORGANIZATIONS

Related organization: The West Des Moines Water Works Utility is governed by a five-member board which is appointed by the Mayor and approved by the City Council. The West Des Moines Water Works Utility is legally a separate entity and is not financially accountable to the City. The City provides various services to the Water Works, including office facilities, reimbursable expenses, and the availability to participate in the City's health insurance plan. The Water Works provides billing and collection services to the City in connection with the City's Sewer, Solid Waste, and Storm Water Enterprise Funds. The following is a summary of the related party transactions for the year ended June 30, 2013:

| | |
|---|-----------|
| Received from West Des Moines Water Works | |
| Occupancy reimbursements | \$ 21,010 |
| Health insurance premiums | 492,622 |
| Gasoline reimbursements | 49,573 |
| Telephone reimbursements | 7,389 |
| Share of general insurance | 127,737 |
| Capital project reimbursements | -- |
| Delinquent reimbursements | 2,268 |
| Miscellaneous reimbursements | 73,303 |
| Payments to West Des Moines Water Works | |
| Collection fees for sewer, solid waste, and storm water | 149,747 |
| Miscellaneous fees | 76,758 |

Amounts receivable from West Des Moines Water Works as of June 30, 2013 for sewer, storm water, and solid waste charges totaled \$1,658,148, \$375,518, and \$287,294, respectively.

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

NOTE 12 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 \$1,102,592 and \$1,727,820, respectively.

In July 2008, the City entered into a jointly governed organization with Central Iowa Health System for the provision of emergency medical services. The agreement between the participating organizations is commonly referred to as the "Iowa EMS Alliance". The Iowa EMS Alliance was established as an undivided interest ownership arrangement, whereby the title to Alliance assets is held individually by the City and Iowa Health. The City's portion of current year costs of operation and capital for the Iowa EMS Alliance were \$2,370,128 and \$22,828, respectively.

NOTE 13 COMMITMENTS

The City has entered into contracts totaling approximately \$20,752,729 for various projects that were not complete at year-end. As of June 30, 2013, approximately \$13,420,286 has been incurred on these contracts.

In order to encourage development within designated Urban Renewal Areas, the City Council has approved development rebate agreements related to 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 \$8.2 million exist, of which \$1 million is likely to be eligible to be paid in the next fiscal year. The payments will be expensed in the period in which they are paid. No liability for these obligations is recognized due to the fact that the agreements are conditional and the payments are to be funded by future property taxes received on the project.

NOTE 14 RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool (the Pool), as allowed by Chapter 670.7 of the Code of Iowa. The Pool is a local government risk-sharing pool whose 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 14 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, 2013 were approximately \$537,690.

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 \$100,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhaust total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, as of June 30, 2013, no liability has been recorded in the City's financial statements. As of June 30, 2013, 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 unlimited lifetime maximum coverage for health care needs. The plan is funded by both employee and City contributions and is administered through a service agreement with Wellmark. The uninsured risk retention per person is \$100,000 (not to exceed 125 percent of the aggregate expected claims of \$3,028,543 for the year ended June 30, 2013). 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 14 RISK MANAGEMENT (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, 2013 was \$3,965,137.

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 \$2,171,000.

Amounts payable from the Health and Dental Insurance Fund and the Worker's Compensation Insurance Fund as of June 30, 2013, totaled \$698,659 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, 2013, 2012, and 2011, of \$0, \$0, and \$234,654, respectively. Information on changes in the aggregate liabilities for claims is as follows:

| | 2013 | 2012 |
|-----------------------------------|--------------------|--------------------|
| Claims payable, beginning of year | \$ 691,108 | \$ 523,314 |
| Claims recognized | 4,030,632 | 3,917,006 |
| Claim payments | <u>(4,023,081)</u> | <u>(3,821,212)</u> |
| Claims payable, end of year | <u>\$ 698,659</u> | <u>\$ 691,108</u> |

NOTE 15 CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued Industrial Development Revenue Bonds, under the provisions of Chapter 419 of the Code of Iowa, to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon prepayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2013, there was one series of industrial development revenue bonds outstanding, with an aggregated principal amount payable of \$2,800,000.

NOTE 16 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.

NOTE 17 SUBSEQUENT EVENTS

The City issued general obligation bonds totaling \$4,385,000 on August 21, 2013 to fund various infrastructure and other capital improvements and for the current refunding of \$815,000 of the Series 2005A General Obligation Bonds dated April 1, 2005.

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

NOTE 18 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS

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

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.

Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013, will be effective for the fiscal year ending June 30, 2015. The objective of this statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term government combinations is used in this Statement to refer to a variety of arrangements including mergers and acquisitions.

Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued April 2013, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions.

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> |
|--|---|--|--|--|-----------------------------------|------------------------------------|--|
| 2011 | July 1, 2010 | \$ - | \$2,031 | \$2,031 | 0.0% | \$ 20,565 | 9.9% |
| 2012 | July 1, 2010 | \$ - | \$1,368 | \$1,368 | 0.0% | \$ 20,225 | 6.8% |
| 2013 | July 1, 2012 | \$ - | \$1,471 | \$1,471 | 0.0% | \$ 21,693 | 6.8% |

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

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, 2013

| | Governmental Fund Types Actual | Proprietary Fund Types Actual | Total Actual | Budgeted Amounts | | Final to Actual Variance - Positive - (Negative) |
|--|---|--|----------------------|----------------------|----------------------|--|
| | | | | Original | Final | |
| REVENUES | | | | | | |
| Property tax | \$ 45,296,422 | \$ — | \$ 45,296,422 | \$ 45,668,385 | \$ 45,668,385 | \$ (371,963) |
| Tax increment financing taxes | 13,272,106 | — | 13,272,106 | 13,495,197 | 13,495,197 | (223,091) |
| Other City taxes | 4,156,945 | — | 4,156,945 | 3,504,360 | 3,754,360 | 402,585 |
| Special assessments | 359,798 | — | 359,798 | — | 266,000 | 93,798 |
| Licenses and permits | 1,638,474 | — | 1,638,474 | 871,800 | 1,217,800 | 420,674 |
| Intergovernmental | 11,335,540 | — | 11,335,540 | 10,548,513 | 11,194,742 | 140,798 |
| Charges for services | 4,817,190 | 13,742,362 | 18,559,552 | 15,673,231 | 16,575,536 | 1,984,016 |
| Use of money and property | 231,123 | 66,498 | 297,621 | 1,701,865 | 1,765,165 | (1,467,544) |
| Miscellaneous | <u>2,045,588</u> | <u>39</u> | <u>2,045,627</u> | <u>8,144,025</u> | <u>8,450,378</u> | <u>(6,404,751)</u> |
| Total revenues | <u>83,153,186</u> | <u>13,808,899</u> | <u>96,962,085</u> | <u>99,607,376</u> | <u>102,387,563</u> | <u>(5,425,478)</u> |
| EXPENDITURES/EXPENSES | | | | | | |
| Public safety | 24,478,042 | — | 24,478,042 | 24,641,927 | 25,222,037 | 743,995 |
| Public works | 7,234,347 | — | 7,234,347 | 7,705,575 | 7,812,282 | 577,935 |
| Health and social services | 1,117,964 | — | 1,117,964 | 1,142,602 | 1,148,942 | 30,978 |
| Culture and recreation | 6,927,142 | — | 6,927,142 | 7,380,475 | 7,418,356 | 491,214 |
| Community and economic development | 7,497,883 | — | 7,497,883 | 5,873,621 | 9,822,219 | 2,324,336 |
| General government | 5,848,266 | — | 5,848,266 | 6,113,372 | 6,548,882 | 700,616 |
| Debt service | 19,741,919 | — | 19,741,919 | 18,861,433 | 22,320,376 | 2,578,457 |
| Capital outlay | 16,238,960 | — | 16,238,960 | 13,278,500 | 22,952,666 | 6,713,706 |
| Business-type | — | <u>12,048,328</u> | <u>12,048,328</u> | <u>22,976,180</u> | <u>25,594,869</u> | <u>13,546,541</u> |
| Total expenditures/expenses | <u>89,084,523</u> | <u>12,048,328</u> | <u>101,132,851</u> | <u>107,973,685</u> | <u>128,840,629</u> | <u>27,707,778</u> |
| Excess (deficiency) of revenues over (under) expenditures/expenses | (5,931,337) | 1,760,571 | (4,170,766) | (8,366,309) | (26,453,066) | 22,282,300 |
| OTHER FINANCING SOURCES, NET | | | | | | |
| | <u>(2,096,614)</u> | <u>4,418,544</u> | <u>2,321,930</u> | <u>8,006,000</u> | <u>8,071,000</u> | <u>(5,749,070)</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing sources (uses) | (8,027,951) | 6,179,115 | (1,848,836) | (360,309) | (18,382,066) | \$16,533,230 |
| BALANCES , beginning of year | <u>78,022,983</u> | <u>112,757,339</u> | <u>190,780,322</u> | <u>190,780,322</u> | <u>190,780,322</u> | |
| BALANCES , end of year | <u>\$69,995,032</u> | <u>\$118,936,454</u> | <u>\$188,931,486</u> | <u>\$190,420,013</u> | <u>\$172,398,256</u> | |

See Note to Required Supplementary Information.

City of West Des Moines, Iowa
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION—BUDGETARY REPORTING
Year ended June 30, 2013

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 \$20,866,944. 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, 2013

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 items are rated as Minimally Acceptable or one or more items are rated as Unacceptable and an engineering determination concludes that unacceptable items would not prevent the segment / system from performing as intended during the next flood event.

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

See accompanying independent auditor's report.

City of West Des Moines, Iowa
REQUIRED SUPPLEMENTARY INFORMATION—MODIFIED APPROACH (continued)
Year ended June 30, 2013

One factor that significantly affects the trend of levee condition assessments is that the Periodic Inspection in 2012 uses different criteria and standards than the Continuing Eligibility Inspections of previous years.

Condition Rating of the City's Street Subsystem:

| <u>Category</u> | <u>OCI Range</u> | <u>2009</u> | | <u>2011</u> | | <u>2012</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 | 245 | 34.1 | 260 | 34.1 | 254 | 33.2 |
| Good | 90-80 | 226 | 31.5 | 233 | 31.5 | 253 | 33.0 |
| Average | 80-60 | 162 | 22.5 | 171 | 22.5 | 157 | 20.5 |
| Below Average | 60-50 | 73 | 10.2 | 76 | 10.2 | 84 | 11.0 |
| Poor | 50-25 | 12 | 1.7 | 18 | 1.7 | 18 | 2.3 |
| Failed | 25-0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | | 718 | 100% | 758 | 100% | 766 | 100% |

Overall condition index (OCI):

| | <u>2009</u> | <u>2011</u> | <u>2012</u> |
|--------|-------------|-------------|-------------|
| Goal | 78-80 | 78-80 | 78-80 |
| Actual | 80.8 | 80.3 | 80.3 |

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 | 100-90 | 18 | 75.0 | 18 | 75.0 | 17 | 70.8 |
| Very Good | 90-80 | 4 | 16.7 | 4 | 16.7 | 4 | 16.7 |
| Good | 80-70 | 1 | 4.2 | 1 | 4.2 | 1 | 4.2 |
| Satisfactory | 70-60 | 1 | 4.1 | 1 | 4.1 | 1 | 4.2 |
| Fair | 60-50 | 0 | 0 | 0 | 0 | 1* | 4.1 |
| Poor | 50-40 | 0 | 0 | 0 | 0 | 0 | 0 |
| Serious | 40-30 | 0 | 0 | 0 | 0 | 0 | 0 |
| Critical | 30-20 | 0 | 0 | 0 | 0 | 0 | 0 |
| Imminent Failure | 20-10 | 0 | 0 | 0 | 0 | 0 | 0 |
| Failed | 10-0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | | 24 | 100% | 24 | 100% | 24 | 100% |

*Structure is closed to traffic

Overall condition index (OCI):

| | <u>2007</u> | <u>2009</u> | <u>2011</u> |
|--------|---------------|---------------|---------------|
| 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, 2013

Levee Condition by Category as of the Last Assessment

Condition Categories Based on Army Corp. Criteria:

| | 2009 | | 2011 | | 2012 | |
|----------------------|-----------------------------|---|-----------------------------|---|-----------------------------|---|
| | Levee Items Inspected | Percent of Levee Items Inspected | Levee Items Inspected | Percent of Levee Items Inspected | Levee Items Inspected | Percent of Levee Items Inspected |
| <u>OCI Range</u> | | | | | | |
| Acceptable | 45 | 83.3 | 50 | 86.2 | 40 | 75.5 |
| Minimally Acceptable | 9 | 16.7 | 8 | 13.8 | 10 | 18.9 |
| Unacceptable | 0 | 0 | 0 | 0 | 3 | 5.6 |
| | <u>54</u> | <u>100%</u> | <u>58</u> | <u>100%</u> | <u>53</u> | <u>100%</u> |

Overall condition index (OCI):

| | 2009 | 2011 | 2012 |
|--------|------------|----------------------|----------------------|
| Goal | Acceptable | Minimally Acceptable | Minimally Acceptable |
| Actual | Acceptable | Minimally Acceptable | Minimally Acceptable |

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

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------------|---------|---------|---------|---------|---------|---------|---------|
| Estimated Costs | \$4,480 | \$4,915 | \$5,397 | \$4,374 | \$5,296 | \$5,307 | \$6,753 |
| Actual Costs | \$4,751 | \$4,661 | \$5,024 | \$5,071 | \$5,387 | \$5,119 | \$3,720 |

See accompanying independent auditor's report.

**City of West Des Moines, Iowa
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013**

| | <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 | \$3,444,191 | \$ - | \$ 630,611 | \$ 406,583 |
| Restricted cash and investments | - | - | - | 200,000 |
| Receivables | | | | |
| Property taxes | 1,982,652 | 4,196,135 | - | - |
| Accounts | - | - | - | 577 |
| Loans | - | - | 30,331 | - |
| Due from other governments | - | - | - | 20,780 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$5,426,843</u> | <u>\$4,196,135</u> | <u>\$ 660,942</u> | <u>\$ 627,940</u> |
| LIABILITIES AND FUND BALANCES (DEFICITS) | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 46,909 | \$ - | \$ 8,409 | \$ 18,268 |
| Accrued wages payable | - | - | - | 1,261 |
| Due to other funds | - | 14,726 | - | - |
| Deferred revenue | 1,975,497 | 4,181,409 | 28,097 | - |
| Total liabilities | <u>2,022,406</u> | <u>4,196,135</u> | <u>36,506</u> | <u>19,529</u> |
| Fund balances (deficits) | | | | |
| Restricted for | | | | |
| Other purposes | 3,404,437 | - | 624,436 | 608,411 |
| Unassigned | - | - | - | - |
| Total fund balances (deficits) | <u>3,404,437</u> | <u> </u> | <u>624,436</u> | <u>608,411</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities and fund balances | <u>\$5,426,843</u> | <u>\$4,196,135</u> | <u>\$ 660,942</u> | <u>\$ 627,940</u> |

See accompanying independent auditor's report.

| <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> |
|-------------------|-------------------|----------------------|---|--|---------------------|
| \$ 342,941 | \$ 274,879 | \$ 389,745 | \$ - | \$ - | \$ 5,488,950 |
| - | - | - | - | - | 200,000 |
| - | - | - | - | - | 6,178,787 |
| - | - | 5,545 | 95,285 | - | 101,407 |
| - | - | - | - | - | 30,331 |
| - | - | 26,829 | - | 140,370 | 187,979 |
| <u>\$ 342,941</u> | <u>\$ 274,879</u> | <u>\$ 422,119</u> | <u>\$ 95,285</u> | <u>\$ 140,370</u> | <u>\$12,187,454</u> |
| \$ 11,787 | 52,538 | \$ 16,165 | \$ 28,042 | \$ 1,453 | \$ 183,571 |
| - | - | - | 350 | 924 | 2,535 |
| - | - | - | 38,269 | 76,108 | 129,103 |
| - | - | - | - | 76,465 | 6,261,468 |
| <u>11,787</u> | <u>52,538</u> | <u>16,165</u> | <u>66,661</u> | <u>154,950</u> | <u>6,576,677</u> |
| 331,154 | 222,341 | 405,954 | 28,624 | - | 5,625,357 |
| - | - | - | - | (14,580) | (14,580) |
| <u>331,154</u> | <u>222,341</u> | <u>405,954</u> | <u>28,624</u> | <u>(14,580)</u> | <u>5,610,777</u> |
| <u>\$ 342,941</u> | <u>\$ 274,879</u> | <u>\$ 422,119</u> | <u>\$ 95,285</u> | <u>\$ 140,370</u> | <u>\$12,187,454</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, 2013

| | <u>Special Revenue</u> | | |
|--|---|-----------------------------|---------------------------------|
| | <u>Police and Fire Retirement</u> | <u>Employee Benefit</u> | <u>Economic Development</u> |
| REVENUE | | | |
| Property taxes | \$1,947,693 | \$3,969,065 | \$ - |
| Other City taxes | 25,107 | 51,673 | - |
| Intergovernmental | - | - | 50,000 |
| Use of money and property | - | - | - |
| Miscellaneous | - | - | 16,956 |
| Total revenues | <u>1,972,800</u> | <u>4,020,738</u> | <u>66,956</u> |
| EXPENDITURES | | | |
| Current operating | | | |
| Public safety | 2,036,075 | - | - |
| Health and social services | - | - | - |
| Culture and recreation | - | - | - |
| Community and economic development | - | - | 195,531 |
| Debt service | | | |
| Principal | - | - | - |
| Interest | - | - | - |
| Total expenditures | <u>2,036,075</u> | <u>-</u> | <u>195,531</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(63,275)</u> | <u>4,020,738</u> | <u>(128,575)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from sale of capital assets | - | - | - |
| Transfers in | - | - | 50,000 |
| Transfers out | - | (4,020,738) | - |
| Total other financing sources (uses) | <u>-</u> | <u>(4,020,738)</u> | <u>50,000</u> |
| Net change in fund balances | (63,275) | - | (78,575) |
| Fund balances (deficit), beginning of year | <u>3,467,712</u> | <u>-</u> | <u>703,011</u> |
| Fund balances, end of year | <u>\$3,404,437</u> | <u>\$ -</u> | <u>\$ 624,436</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> |
|-------------------------|-------------------|-------------------|----------------------|---|--|---------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 5,916,758 |
| - | - | - | - | - | - | 76,780 |
| 128,795 | - | - | - | 174,826 | 366,877 | 720,498 |
| 167 | 1 | 27 | 15 | - | - | 210 |
| <u>119,559</u> | <u>65,329</u> | <u>76,112</u> | <u>745,637</u> | <u>9,368</u> | <u>3,152</u> | <u>1,036,113</u> |
| <u>248,521</u> | <u>65,330</u> | <u>76,139</u> | <u>745,652</u> | <u>184,194</u> | <u>370,029</u> | <u>7,750,359</u> |
| - | - | - | 563,379 | - | - | 2,599,454 |
| 258,327 | - | - | - | - | - | 258,327 |
| - | 31,385 | 109,491 | - | - | - | 140,876 |
| - | - | - | - | 161,449 | 387,993 | 744,973 |
| - | - | - | 70,851 | - | - | 70,851 |
| - | - | - | 860 | - | - | 860 |
| <u>258,327</u> | <u>31,385</u> | <u>109,491</u> | <u>635,090</u> | <u>161,449</u> | <u>387,993</u> | <u>3,815,341</u> |
| <u>(9,806)</u> | <u>33,945</u> | <u>(33,352)</u> | <u>110,562</u> | <u>22,745</u> | <u>(17,964)</u> | <u>3,935,018</u> |
| - | - | 3,306 | - | - | - | 3,306 |
| 16,001 | 147,435 | - | - | 3,239 | - | 216,675 |
| - | (21,216) | - | (170,000) | - | (94,085) | (4,306,039) |
| <u>16,001</u> | <u>126,219</u> | <u>3,306</u> | <u>(170,000)</u> | <u>3,239</u> | <u>(94,085)</u> | <u>(4,086,058)</u> |
| 6,195 | 160,164 | (30,046) | (59,438) | 25,984 | (112,049) | (151,040) |
| <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> |
| <u>\$ 608,411</u> | <u>\$ 331,154</u> | <u>\$ 222,341</u> | <u>\$ 405,954</u> | <u>\$ 28,624</u> | <u>\$ (14,580)</u> | <u>\$ 5,610,777</u> |

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2013

| | <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 | \$ 8,489,449 | \$ 121,535 | \$6,036,847 | \$2,887,799 | \$17,535,630 |
| Accounts receivable | 6,519 | 11,683 | 5,350 | - | 25,552 |
| Interest | 4,727 | - | 607 | - | 5,334 |
| Inventories | <u>-</u> | <u>83,024</u> | <u>-</u> | <u>-</u> | <u>83,024</u> |
| Total current assets | <u>8,500,695</u> | <u>216,242</u> | <u>6,042,804</u> | <u>2,887,799</u> | <u>17,647,540</u> |
| Noncurrent assets, capital assets | | | | | |
| Equipment and vehicles | 13,320,571 | - | - | - | 13,320,571 |
| Accumulated depreciation | <u>(8,083,642)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(8,083,642)</u> |
| Total noncurrent assets | <u>5,236,929</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,236,929</u> |
| Total assets | <u>\$13,737,624</u> | <u>\$ 216,242</u> | <u>\$6,042,804</u> | <u>\$2,887,799</u> | <u>\$22,884,469</u> |
| LIABILITIES AND NET POSITION | | | | | |
| Liabilities | | | | | |
| Current | | | | | |
| Accounts payable | \$ 42,004 | \$ 82,263 | \$ - | \$ - | \$ 124,267 |
| Claims payable | <u>-</u> | <u>-</u> | <u>383,334</u> | <u>315,325</u> | <u>698,659</u> |
| Total current liabilities | <u>42,004</u> | <u>82,263</u> | <u>383,334</u> | <u>315,325</u> | <u>822,926</u> |
| Net position | | | | | |
| Net investment in capital assets | 5,236,929 | - | - | - | 5,236,929 |
| Unrestricted | <u>8,458,691</u> | <u>133,979</u> | <u>5,659,470</u> | <u>2,572,474</u> | <u>16,824,614</u> |
| Total net position | <u>13,695,620</u> | <u>133,979</u> | <u>5,659,470</u> | <u>2,572,474</u> | <u>22,061,543</u> |
| Total liabilities and net position | <u>\$13,737,624</u> | <u>\$ 216,242</u> | <u>\$6,042,804</u> | <u>\$2,887,799</u> | <u>\$22,884,469</u> |

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
Year ended June 30, 2013

| | <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 | \$ — | \$1,272,186 | \$5,095,636 | \$ 244,902 | \$ 6,612,724 |
| Lease revenue | 1,484,633 | — | — | — | 1,484,633 |
| Other | — | — | — | — | — |
| Total operating revenues | <u>1,484,633</u> | <u>1,272,186</u> | <u>5,095,636</u> | <u>244,902</u> | <u>8,097,357</u> |
| OPERATING EXPENSES | | | | | |
| Cost of sales and services | — | 1,233,552 | 4,362,036 | 343,199 | 5,938,787 |
| Depreciation | <u>1,278,797</u> | — | — | — | <u>1,278,797</u> |
| Total operating expenses | <u>1,278,797</u> | <u>1,233,552</u> | <u>4,362,036</u> | <u>343,199</u> | <u>7,217,584</u> |
| Operating income (loss) | <u>205,836</u> | <u>38,634</u> | <u>733,600</u> | <u>(98,297)</u> | <u>879,773</u> |
| Nonoperating revenues (expenses) | | | | | |
| Investment earnings | 12,451 | — | 2,305 | — | 14,756 |
| Loss on sale of capital assets | <u>(16,992)</u> | — | — | — | <u>(16,992)</u> |
| Total nonoperating revenues | <u>(4,541)</u> | — | <u>2,305</u> | — | <u>(2,236)</u> |
| Income (loss) before transfers | 201,295 | 38,634 | 735,905 | (98,297) | 877,537 |
| Capital contributions | 135,185 | — | — | — | 135,185 |
| Transfers in | — | — | — | 521,843 | 521,843 |
| Transfers out | <u>(12,452)</u> | — | — | — | <u>(12,452)</u> |
| Change in net position | <u>324,028</u> | <u>38,634</u> | <u>735,905</u> | <u>423,546</u> | <u>1,522,113</u> |
| Total net position, beginning 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> |
| Total net position, end of year | <u>\$13,695,620</u> | <u>\$ 133,979</u> | <u>\$5,659,470</u> | <u>\$2,572,474</u> | <u>\$22,061,543</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, 2013

| | <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 | \$1,478,114 | \$1,274,469 | \$5,102,046 | \$ 244,902 | \$ 8,099,531 |
| Payments to suppliers | (38,664) | (1,207,605) | — | — | (1,246,269) |
| Payments to claimants | — | — | (4,345,725) | (351,959) | (4,697,684) |
| Net cash provided by (used in) operating activities | <u>1,439,450</u> | <u>66,864</u> | <u>756,321</u> | <u>(107,057)</u> | <u>2,155,578</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Transfers in | — | — | — | 521,843 | 521,843 |
| Transfers out | (12,452) | — | — | — | (12,452) |
| Net cash provided by (used in) noncapital financing activities | <u>(12,452)</u> | <u>—</u> | <u>—</u> | <u>521,843</u> | <u>509,391</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Purchase of capital assets | (2,005,756) | — | — | — | (2,005,756) |
| Proceeds from disposal of capital assets | 17,666 | — | — | — | 17,666 |
| Net cash (used in) capital and related financing activities | <u>(1,988,090)</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(1,988,090)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest received | 17,223 | — | 1,698 | — | 18,921 |
| Purchase of investment securities | (6,005,153) | — | (2,500,091) | — | (8,505,244) |
| Proceeds from maturity of investment securities | 6,500,000 | — | 1,000,000 | — | 7,500,000 |
| Net cash provided by investing activities | <u>512,070</u> | <u>—</u> | <u>(1,498,393)</u> | <u>—</u> | <u>(986,323)</u> |
| Net increase (decrease) in cash and cash equivalents | (49,022) | 66,864 | (742,072) | 414,786 | (309,444) |
| Cash and cash equivalents Beginning 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> |
| End of year | <u>\$3,984,296</u> | <u>\$ 121,535</u> | <u>\$4,536,756</u> | <u>\$2,887,799</u> | <u>\$11,530,386</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, 2013

| | <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 (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | | | |
| Operating income (loss) | \$ 205,836 | \$ 38,634 | \$ 733,600 | \$ (98,297) | \$ 879,773 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | | | |
| Depreciation | 1,278,797 | - | - | - | 1,278,797 |
| Change in assets and liabilities | | | | | |
| Receivables | (6,519) | 2,283 | 6,410 | - | 2,174 |
| Inventories | - | (11,528) | - | - | (11,528) |
| Accounts payable | (38,664) | 37,475 | - | - | (1,189) |
| Claims payable | - | - | 16,311 | (8,760) | 7,551 |
| Net cash provided by (used in) operating activities | <u>\$1,439,450</u> | <u>\$ 66,864</u> | <u>\$ 756,321</u> | <u>\$ (107,057)</u> | <u>\$2,155,578</u> |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO SPECIFIC ASSETS ON THE COMBINING BALANCE SHEET | | | | | |
| Cash and investments | \$8,489,449 | \$ 121,535 | \$6,036,847 | \$2,887,799 | \$17,535,630 |
| Less items not meeting the definition of cash equivalents | <u>(4,505,153)</u> | <u>-</u> | <u>(1,500,091)</u> | <u>-</u> | <u>(6,005,244)</u> |
| Cash and cash equivalents at end of year | <u>\$3,984,296</u> | <u>\$ 121,535</u> | <u>\$4,536,756</u> | <u>\$2,887,799</u> | <u>\$11,530,386</u> |
| SCHEDULE OF NONCASH ITEMS | | | | | |
| Capital and related financing activities | | | | | |
| Donated capital assets | <u>\$ 135,185</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 135,185</u> |

See accompanying independent auditor's report.

City of West Des Moines, Iowa
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2013

| | Collections and Deposits | Section 125 Plan | Total Agency Funds |
|---------------------------------------|---|-----------------------------|-----------------------------------|
| ASSETS | | | |
| Cash and investments | \$ 564,165 | \$ 67,720 | \$ 631,885 |
| Restricted assets, contractors' bonds | <u>59,536</u> | <u>—</u> | <u>59,536</u> |
| Total assets | <u>\$ 623,701</u> | <u>\$ 67,720</u> | <u>\$ 691,421</u> |
| LIABILITIES | | | |
| Deposits and remittances due | <u>623,701</u> | <u>67,720</u> | <u>691,421</u> |
| Total liabilities | <u>\$ 623,701</u> | <u>\$ 67,720</u> | <u>\$ 691,421</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, 2013

| <u>Collections and Deposits</u> | <u>Balance June 30, 2012</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance June 30, 2013</u> |
|---|---|-------------------------|-------------------------|---|
| ASSETS | | | | |
| Cash and investments | \$ 522,050 | \$ 189,885 | \$ 147,770 | \$ 564,165 |
| Restricted assets, contractors' bonds | <u>59,536</u> | <u>—</u> | <u>—</u> | <u>59,536</u> |
| Total assets | <u>\$ 581,586</u> | <u>\$ 189,885</u> | <u>\$ 147,770</u> | <u>\$ 623,701</u> |
| LIABILITIES | | | | |
| Deposits and remittances due | <u>581,586</u> | <u>189,885</u> | <u>147,770</u> | <u>623,701</u> |
| Total liabilities | <u>\$ 581,586</u> | <u>\$ 189,885</u> | <u>\$ 147,770</u> | <u>\$ 623,701</u> |
| Section 125 Plan | | | | |
| ASSETS , cash and investments | <u>\$ 43,395</u> | <u>\$ 259,948</u> | <u>\$ 235,623</u> | <u>\$ 67,720</u> |
| LIABILITIES , deposits and remittances due | <u>\$ 43,395</u> | <u>\$ 259,948</u> | <u>\$ 235,623</u> | <u>\$ 67,720</u> |
| Combined Funds | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 565,445 | \$ 449,833 | \$ 383,393 | \$ 631,885 |
| Restricted assets, contractors' bonds | <u>59,536</u> | <u>—</u> | <u>—</u> | <u>59,536</u> |
| Total assets | <u>\$ 624,981</u> | <u>\$ 449,833</u> | <u>\$ 383,393</u> | <u>\$ 691,421</u> |
| LIABILITIES | | | | |
| Deposits and remittances due | <u>624,981</u> | <u>449,833</u> | <u>383,393</u> | <u>691,421</u> |
| Total liabilities | <u>\$ 624,981</u> | <u>\$ 449,833</u> | <u>\$ 383,393</u> | <u>\$ 691,421</u> |

See accompanying independent auditor's report.

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