

City of West Des Moines, Iowa

Statement of Net Assets
June 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and investments	\$ 62,522,293	\$ 13,897,532	\$ 76,419,825
Receivables:			
Property taxes	43,377,531	-	43,377,531
Accounts and unbilled usage	255,041	1,608,684	1,863,725
Loans	288,864	-	288,864
Accrued interest	292,541	139,344	431,885
Special assessments	878,105	270,878	1,148,983
Internal balances	(273,103)	273,103	-
Due from other governments	1,126,366	-	1,126,366
Inventories	33,590	-	33,590
Total current assets	108,501,228	16,189,541	124,690,769
Noncurrent assets:			
Restricted cash and investments	-	1,089,769	1,089,769
Bond issuance costs	754,475	14,447	768,922
Bond discounts	63,597	-	63,597
	818,072	1,104,216	1,922,288
Capital assets:			
Nondepreciable:			
Land	21,216,992	258,234	21,475,226
Infrastructure	233,589,791	-	233,589,791
Construction-in-progress	43,855,837	2,794,245	46,650,082
Depreciable:			
Buildings	33,817,943	-	33,817,943
Equipment and vehicles	16,579,277	6,977	16,586,254
Improvements other than buildings	29,694,147	-	29,694,147
Share of undivided equity interest assets	999,429	-	999,429
Sanitary sewer system	-	66,828,866	66,828,866
Accumulated depreciation	(29,645,112)	(19,716,703)	(49,361,815)
Net capital assets	350,108,304	50,171,619	400,279,923
Total noncurrent assets	350,926,376	51,275,835	402,202,211
Total assets	\$ 459,427,604	\$ 67,465,376	\$ 526,892,980

See Notes to Basic Financial Statements.

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current:			
Accounts payable	\$ 5,371,742	\$ 118,301	\$ 5,490,043
Claims payable	257,301	-	257,301
Accrued wages payable	677,105	5,092	682,197
Interest payable	565,243	25,653	590,896
Unearned revenue	44,300,792	25,000	44,325,792
Compensated absences	2,477,845	10,143	2,487,988
General obligation bonds payable	12,705,000	-	12,705,000
Tax increment financing bonds	1,150,000	-	1,150,000
Capital lease payable	49,918	-	49,918
Loan payable	60,306	-	60,306
Installment contracts	18,327	-	18,327
Revenue bonds payable	-	603,000	603,000
Total current liabilities	67,633,579	787,189	68,420,768
Noncurrent:			
Compensated absences	367,814	22,697	390,511
General obligation bonds payable	131,575,000	-	131,575,000
Tax increment financing bonds	9,450,000	-	9,450,000
Capital lease payable	107,548	-	107,548
Loan payable	73,090	-	73,090
Installment contracts	261,006	-	261,006
Revenue bonds payable	-	4,199,000	4,199,000
Bond premiums	483,582	9,493	493,075
Total noncurrent liabilities	142,318,040	4,231,190	146,549,230
Total liabilities	209,951,619	5,018,379	214,969,998
Net Assets			
Invested in capital assets, net of related debt	198,074,527	45,374,573	243,449,100
Restricted for:			
Debt service	9,276,283	1,089,769	10,366,052
Purpose restricted by legislation	11,136,953	-	11,136,953
Unrestricted	30,988,222	15,982,655	46,970,877
Total net assets	249,475,985	62,446,997	311,922,982
Total liabilities and net assets	\$ 459,427,604	\$ 67,465,376	\$ 526,892,980

City of West Des Moines, Iowa

Statement of Activities
For the Year Ended June 30, 2005

Programs/Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Public safety	\$ 15,647,658	\$ 2,462,880	\$ 2,116,613	\$ 126,595
Public works	10,007,655	433,941	3,917,038	8,886,101
Health and social services	849,972	140	223,188	-
Culture and recreation	7,450,641	1,190,800	67,871	210,518
Community and economic development	4,945,081	653,643	143,258	-
General government	5,482,144	152,768	91,101	54,568
Interest on long-term debt	6,390,890	-	-	-
Total governmental activities	50,774,041	4,894,172	6,559,069	9,277,782
Business-type activities:				
Sewer system	3,989,864	6,013,830	-	541,716
Solid waste system	1,354,786	1,345,474	-	-
Total business-type activities	5,344,650	7,359,304	-	541,716
Total primary government	\$ 56,118,691	\$ 12,253,476	\$ 6,559,069	\$ 9,819,498

General Revenues:

Taxes:

- Property taxes
- Franchise tax
- Other City taxes
- Hotel/Motel tax
- Grants not restricted to specific programs
- Investment earnings
- Miscellaneous

Special item: Contribution to WRA

Transfers

**Total general revenues, special item
and transfers**

Change in net assets

Net assets, beginning of year

Net assets, end of year

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (10,941,570)	\$ -	\$ (10,941,570)
3,229,425	-	3,229,425
(626,644)	-	(626,644)
(5,981,452)	-	(5,981,452)
(4,148,180)	-	(4,148,180)
(5,183,707)	-	(5,183,707)
(6,390,890)	-	(6,390,890)
<u>(30,043,018)</u>	<u>-</u>	<u>(30,043,018)</u>
-	2,565,682	2,565,682
-	(9,312)	(9,312)
-	<u>2,556,370</u>	<u>2,556,370</u>
<u>(30,043,018)</u>	<u>2,556,370</u>	<u>(27,486,648)</u>
39,496,558	-	39,496,558
262,617	-	262,617
633,288	-	633,288
1,651,764	-	1,651,764
354,017	-	354,017
1,755,418	292,683	2,048,101
769,117	-	769,117
-	(21,350,795)	(21,350,795)
173,633	(173,633)	-
<u>45,096,412</u>	<u>(21,231,745)</u>	<u>23,864,667</u>
15,053,394	(18,675,375)	(3,621,981)
234,422,591	81,122,372	315,544,963
<u>\$ 249,475,985</u>	<u>\$ 62,446,997</u>	<u>\$ 311,922,982</u>

City of West Des Moines, Iowa

Balance Sheet
Governmental Funds
June 30, 2005

Assets	Tax Increment		
	General	Financing	Debt Service
Cash and investments	\$ 9,579,542	\$ 7,713,965	\$ 9,105,523
Receivables:			
Property taxes	22,717,552	11,261,794	6,367,178
Accounts	224,047	-	8,800
Special assessments	-	-	-
Loans	-	-	-
Accrued interest	89,779	-	135,578
Due from other funds	134,498	-	-
Due from other governments	453,320	-	-
Total assets	\$ 33,198,738	\$ 18,975,759	\$ 15,617,079
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 683,753	\$ -	\$ -
Accrued wages payable	674,165	-	-
Due to other funds	-	-	-
Deferred revenue	23,087,237	11,173,170	6,340,796
Total liabilities	24,445,155	11,173,170	6,340,796
Fund Equity:			
Fund balances:			
Reserved for debt service	-	-	9,276,283
Reserved for encumbrances	7,813	-	-
Unreserved, undesignated, reported in:			
General Fund	8,745,770	-	-
Special revenue funds	-	7,802,589	-
Capital Projects Fund	-	-	-
Total fund equity	8,753,583	7,802,589	9,276,283
Total liabilities and fund equity	\$ 33,198,738	\$ 18,975,759	\$ 15,617,079

See Notes to Basic Financial Statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 26,523,314	\$ 2,866,472	\$ 55,788,816
-	3,031,007	43,377,531
20,000	1,101	253,948
878,105	-	878,105
-	288,864	288,864
-	-	225,357
-	-	134,498
3,956	644,476	1,101,752
<u>\$ 27,425,375</u>	<u>\$ 6,831,920</u>	<u>\$ 102,048,871</u>

\$ 4,501,335	\$ 69,932	\$ 5,255,020
-	2,940	677,105
275,111	114,720	389,831
839,781	3,309,964	44,750,948
<u>5,616,227</u>	<u>3,497,556</u>	<u>51,072,904</u>

-	-	9,276,283
10,461,304	-	10,469,117
-	-	8,745,770
-	3,334,364	11,136,953
11,347,844	-	11,347,844
<u>21,809,148</u>	<u>3,334,364</u>	<u>50,975,967</u>
<u>\$ 27,425,375</u>	<u>\$ 6,831,920</u>	<u>\$ 102,048,871</u>

City of West Des Moines, Iowa

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2005

Total governmental fund balances \$ 50,975,967

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

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

Land	\$ 21,216,992	
Construction-in-progress	43,855,837	
Buildings	33,817,943	
Equipment and vehicles	6,850,841	
Improvements other than buildings	29,694,147	
Share of undivided equity interest assets	999,429	
Infrastructure	233,589,791	
Accumulated depreciation	<u>(24,052,354)</u>	345,972,626

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds 450,156

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

Capital assets	9,728,436	
Accumulated depreciation	(5,592,758)	
Other current assets	6,859,958	
Internal balances	(19,778)	
Other current liabilities	<u>(374,023)</u>	10,601,835

Internal service funds allocated to business-type activities 2,008

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

Compensated absences	(2,845,659)	
Accrued interest payable	(565,243)	
General obligation bonds payable	(144,280,000)	
Tax increment financing (TIF) bonds	(10,600,000)	
Capital lease obligations	(157,466)	
Loan payable	(133,396)	
Installment contracts	(279,333)	
Bond issuance costs	754,475	
Bond discounts	63,597	
Bond premiums	<u>(483,582)</u>	<u>(158,526,607)</u>

Net assets of governmental activities \$ 249,475,985

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	Tax Increment		
	General	Financing	Debt Service
Revenues:			
Property taxes	\$ 20,998,460	\$ 9,942,370	\$ 5,968,904
Other City taxes	2,372,433	-	103,952
Special assessments	-	-	-
Licenses and permits	1,320,158	-	-
Intergovernmental	3,091,503	-	-
Charges for services	2,561,137	-	-
Use of money and property	646,385	57,628	855,411
Miscellaneous	587,095	-	-
Total revenues	31,577,171	9,999,998	6,928,267
Expenditures:			
Current operating:			
Public safety	13,126,140	-	-
Public works	5,827,284	-	-
Health and social services	661,270	-	-
Culture and recreation	4,986,743	-	-
Community and economic development	3,789,162	-	-
General government	3,843,167	-	-
Debt service:			
Principal	47,512	5,695,000	7,638,512
Interest and other charges	9,078	667,797	5,723,839
Bond issuance costs	-	-	60,348
Capital outlay	1,050,367	-	-
Total expenditures	33,340,723	6,362,797	13,422,699
Excess (deficiency) of revenues over expenditures	(1,763,552)	3,637,201	(6,494,432)
Other financing sources (uses):			
Issuance of general obligation refunding bonds	-	-	3,055,000
Premiums on general obligation bonds	-	-	34,812
Transfers in	5,523,797	700,000	8,622,793
Transfers out	(3,195,422)	(7,422,813)	(2,745,036)
Proceeds from sale of capital assets	22,903	-	-
Total other financing sources (uses)	2,351,278	(6,722,813)	8,967,569
Net changes in fund balances	587,726	(3,085,612)	2,473,137
Fund balances, beginning of year	8,165,857	10,888,201	6,803,146
Fund balances, end of year	<u>\$ 8,753,583</u>	<u>\$ 7,802,589</u>	<u>\$ 9,276,283</u>

See Notes to Basic Financial Statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 2,586,824	\$ 39,496,558
-	50,963	2,527,348
485,872	-	485,872
-	-	1,320,158
6,960,594	4,003,265	14,055,362
-	-	2,561,137
-	23,546	1,582,970
2,518	280,266	869,879
<u>7,448,984</u>	<u>6,944,864</u>	<u>62,899,284</u>
-	1,361,535	14,487,675
-	580,666	6,407,950
-	145,705	806,975
-	23,261	5,010,004
-	844,932	4,634,094
-	-	3,843,167
-	53,233	13,434,257
3,000	-	6,403,714
-	-	60,348
<u>36,955,359</u>	<u>80,357</u>	<u>38,086,083</u>
<u>36,958,359</u>	<u>3,089,689</u>	<u>93,174,267</u>
<u>(29,509,375)</u>	<u>3,855,175</u>	<u>(30,274,983)</u>
-	-	3,055,000
-	-	34,812
45,875,665	1,250,905	61,973,160
(40,664,783)	(7,635,932)	(61,663,986)
-	3,790	26,693
<u>5,210,882</u>	<u>(6,381,237)</u>	<u>3,425,679</u>
<u>(24,298,493)</u>	<u>(2,526,062)</u>	<u>(26,849,304)</u>
46,107,641	5,860,426	77,825,271
<u>\$ 21,809,148</u>	<u>\$ 3,334,364</u>	<u>\$ 50,975,967</u>

City of West Des Moines, Iowa

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2005

Net change in fund balances - governmental funds \$ (26,849,304)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following is the amount by which capital outlays exceeded depreciation in the current year:

Capital outlay	34,149,993
Depreciation	(3,519,360)

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

Capital contributions	2,135,506
Proceeds from sale of capital assets	(26,693)
Loss on the sale of capital assets	(418,573)

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

Charges for services, change in deferred	(285,496)
Other City taxes, change in deferred	20,321

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, change in compensated absences

(29,542)

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

Repayment of bond principal	13,434,257
Interest	41,259
Bond issuance costs	60,348
Proceeds from bond issuance	(3,055,000)
Amortization of bond issuance costs, discounts and premiums	(28,435)
Premiums	(34,812)

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.

(541,075)

Change in net assets of governmental activities

\$ 15,053,394

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa

Statement of Net Assets
 Proprietary Funds
 June 30, 2005

	Sewer System	Nonmajor Enterprise Fund - Solid Waste	Total Enterprise Funds	Governmental Activities Internal Service Funds
Assets				
Current assets:				
Cash and investments	\$ 13,766,183	\$ 131,349	\$ 13,897,532	\$ 6,733,477
Receivables:				
Accounts and unbilled usage	1,282,354	326,330	1,608,684	1,093
Accrued interest	139,344	-	139,344	67,184
Special assessments	270,878	-	270,878	-
Due from other funds	275,111	-	275,111	-
Due from other governments	-	-	-	24,614
Inventories	-	-	-	33,590
Total current assets	15,733,870	457,679	16,191,549	6,859,958
Noncurrent assets:				
Restricted cash and investments	1,089,769	-	1,089,769	-
Bond issuance costs	14,447	-	14,447	-
Capital assets:				
Nondepreciable:				
Land	258,234	-	258,234	-
Construction-in-progress	2,794,245	-	2,794,245	-
Depreciable:				
Equipment and vehicles	6,977	-	6,977	9,728,436
Sanitary sewer system	66,828,866	-	66,828,866	-
Accumulated depreciation	(19,716,703)	-	(19,716,703)	(5,592,758)
Net capital assets	50,171,619	-	50,171,619	4,135,678
Total noncurrent assets	51,275,835	-	51,275,835	4,135,678
Total assets	\$ 67,009,705	\$ 457,679	\$ 67,467,384	\$ 10,995,636

See Notes to Basic Financial Statements.

	Sewer System	Nonmajor Enterprise Fund - Solid Waste	Total Enterprise Funds	Governmental Activities Internal Service Funds
Liabilities and Net Assets				
Liabilities:				
Current:				
Accounts payable	\$ 11,301	\$ 107,000	\$ 118,301	\$ 116,722
Claims payable	-	-	-	257,301
Compensated absences	3,320	6,823	10,143	-
Accrued wages payable	3,354	1,738	5,092	-
Due to other funds	-	-	-	19,778
Unearned revenue	25,000	-	25,000	-
Interest payable	25,653	-	25,653	-
Revenue bonds payable	603,000	-	603,000	-
Total current liabilities	671,628	115,561	787,189	393,801
Noncurrent:				
Compensated absences	12,068	10,629	22,697	-
Bond premiums	9,493	-	9,493	-
Revenue bonds, net of current maturities	4,199,000	-	4,199,000	-
Total noncurrent liabilities	4,220,561	10,629	4,231,190	-
Total liabilities	4,892,189	126,190	5,018,379	393,801
Net assets:				
Invested in capital assets, net of related debt	45,374,573	-	45,374,573	4,135,678
Restricted for debt service	1,089,769	-	1,089,769	-
Unrestricted	15,653,174	331,489	15,984,663	6,466,157
Total net assets	62,117,516	331,489	62,449,005	10,601,835
Total liabilities and net assets	\$ 67,009,705	\$ 457,679	\$ 67,467,384	\$ 10,995,636
Total enterprise funds net assets			\$ 62,449,005	
Amounts reported for business-type activities in the statement of net assets are different because:				
Internal service funds are used by management to charge the cost of certain services to individual funds. The assets and liabilities of the internal service funds are included in business-type activities in the statement of net assets.				
			(2,008)	
Net assets of business-type activities			<u>\$ 62,446,997</u>	

City of West Des Moines, Iowa

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2005**

	Business-Type Activities - Enterprise Funds			Governmental
	Sewer System	Nonmajor Enterprise Fund - Solid Waste	Total Enterprise Funds	Internal Service Funds
Operating revenues:				
Charges for services	\$ 5,646,449	\$ 1,345,474	\$ 6,991,923	\$ 3,039,837
Lease revenue	-	-	-	883,363
Special assessments	367,381	-	367,381	-
Total operating revenues	6,013,830	1,345,474	7,359,304	3,923,200
Operating expenses:				
Cost of sales and services	2,102,309	1,317,895	3,420,204	3,506,667
Administration	38,644	36,891	75,535	434,973
Depreciation	1,336,238	-	1,336,238	881,636
Amortization	4,955	-	4,955	-
Total operating expenses	3,482,146	1,354,786	4,836,932	4,823,276
Operating income (loss)	2,531,684	(9,312)	2,522,372	(900,076)
Nonoperating revenues (expenses):				
Investment earnings	292,683	-	292,683	172,449
Interest expense and fiscal charges	(249,658)	-	(249,658)	-
Payments to WRA	(260,538)	-	(260,538)	-
Gain on disposal of capital assets	-	-	-	324,571
Total nonoperating revenues (expenses)	(217,513)	-	(217,513)	497,020
Income (loss) before special items, contributions and transfers	2,314,171	(9,312)	2,304,859	(403,056)
Special item - Contribution to WRA	(21,350,795)	-	(21,350,795)	-
Capital contributions	541,716	-	541,716	-
Transfers in	5,086,844	-	5,086,844	8,000
Transfers out	(5,260,477)	-	(5,260,477)	(143,541)
Change in net assets	(18,668,541)	(9,312)	(18,677,853)	(538,597)
Total net assets, beginning of year	80,786,057	340,801	81,126,858	11,140,432
Total net assets, end of year	\$ 62,117,516	\$ 331,489	\$ 62,449,005	\$ 10,601,835

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa

Reconciliation of the Change in Net Assets of Enterprise Funds to the Statement of Activities
For the Year Ended June 30, 2005

Net change in net assets in enterprise funds \$ (18,677,853)

Amounts reported for proprietary activities in the statement of activities are different because internal service funds are used by management to charge the costs of various activities internally to individual funds. The net expense of certain activities of internal service funds is reported with business-type activities.

2,478

Change in net assets of business-type activities \$ (18,675,375)

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds			Governmental
	Sewer System	Nonmajor Enterprise Fund - Solid Waste	Total Enterprise Funds	Internal Service Funds
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 6,213,145	\$ 1,341,343	\$ 7,554,488	\$ 3,919,265
Payments to suppliers	(2,092,318)	(1,313,241)	(3,405,559)	(1,154,929)
Payments to claimants	-	-	-	(2,822,628)
Payments to employees	(39,440)	(33,144)	(72,584)	-
Net cash provided by (used in) operating activities	4,081,387	(5,042)	4,076,345	(58,292)
Cash Flows From Noncapital Financing Activities:				
Payments for other funds	(121,504)	-	(121,504)	(29,575)
Transfers in	5,086,844	-	5,086,844	8,000
Transfers out	(5,260,477)	-	(5,260,477)	(143,541)
Net cash (used in) noncapital financing activities	(295,137)	-	(295,137)	(165,116)
Cash Flows From Capital and Related Financing Activities:				
Purchase of capital assets	(965,279)	-	(965,279)	(1,042,109)
Payment on debt	(1,193,486)	-	(1,193,486)	-
Payments to WRA	(260,538)	-	(260,538)	-
Interest paid on debt	(249,658)	-	(249,658)	-
Proceeds from sale of capital assets	-	-	-	5,000
Net cash (used in) capital and related financing activities	(2,668,961)	-	(2,668,961)	(1,037,109)
Cash Flows From Investing Activities:				
Interest received	232,707	-	232,707	138,204
Purchase of investment securities	(11,220,392)	-	(11,220,392)	(3,449,522)
Proceeds from maturity of investment securities	9,250,000	-	9,250,000	1,750,000
Net cash (used in) investing activities	(1,737,685)	-	(1,737,685)	(1,561,318)
(Decrease) in cash and cash equivalents	(620,396)	(5,042)	(625,438)	(2,821,835)
Cash and cash equivalents, beginning of year	6,255,956	136,391	6,392,347	6,105,790
Cash and cash equivalents, end of year	\$ 5,635,560	\$ 131,349	\$ 5,766,909	\$ 3,283,955

(Continued)

City of West Des Moines, Iowa

Statement of Cash Flows (Continued)
 Proprietary Funds
 For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds			Governmental
	Sewer System	Nonmajor Enterprise Fund - Solid Waste	Total Enterprise Funds	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 2,531,684	\$ (9,312)	\$ 2,522,372	\$ (900,076)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,341,193	-	1,341,193	881,636
Change in assets and liabilities:				
Receivables	12,460	(4,131)	8,329	(3,934)
Due from joint venture	540,313	-	540,313	-
Accounts payable	9,991	4,654	14,645	1,064
Deferred revenue	(353,458)	-	(353,458)	-
Claims payable	-	-	-	(36,982)
Compensated absences and accrued wages payable	(796)	3,747	2,951	-
Net cash provided by (used in) operating activities	\$ 4,081,387	\$ (5,042)	\$ 4,076,345	\$ (58,292)
Reconciliation of cash and cash equivalents to specific assets on the statement of net assets:				
Cash and investments	\$ 14,855,952	\$ 131,349	\$ 14,987,301	\$ 6,733,477
Less items not meeting the definition of cash equivalents	(9,220,392)	-	(9,220,392)	(3,449,522)
Cash and cash equivalents at end of year	<u>\$ 5,635,560</u>	<u>\$ 131,349</u>	<u>\$ 5,766,909</u>	<u>\$ 3,283,955</u>
Schedule of noncash items:				
Capital and related financing activities:				
Contribution WRA	\$ 21,350,795	\$ -	\$ 21,350,795	\$ -
Purchase of capital assets through like-kind exchange	-	-	-	390,388
Donated construction by developers	541,716	-	541,716	-
Removal of financing agreements for new WRA agreement	2,302,506	-	2,302,506	-

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa

Statement of Assets and Liabilities

Agency Funds

June 30, 2005

Assets

Cash and investments	\$	195,582
Restricted cash and investments, contractors' bonds		7,859
Total assets	\$	203,441

Liabilities

Accounts payable	\$	500
Deposits and remittances due		202,941
	\$	203,441

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa

Notes to Basic Financial Statements

Note 1. Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies

Reporting entity:

The City of West Des Moines (the City) is a political subdivision of the state of Iowa located in Polk and Dallas 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, recreation, public improvements and general administrative services.

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

Basis of presentation:

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

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.

Note 1. Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

Note 1. Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

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

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

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

Library Fund: To account for reimbursements from the state of Iowa for library materials lent to 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.

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

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

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.

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.

Note 1. Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Agency Funds: are used to account for assets that the City holds for others in an agency capacity. 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 taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Note 1. Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

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

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

Property taxes are recognized at the time an enforceable legal claim is established. This is deemed to occur when the budget is certified. The current tax levy was certified in March 2005 based on the 2004 assessed valuations. These taxes are due in two installments, on September 30 and the following March 31, with a 1½% per month penalty for delinquent payment. Since the 2005 tax levy is budgeted and levied for the fiscal year 2006, 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.

Summary of significant accounting policies:

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

Cash and investments: The City adopted Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3, during the current fiscal year. This statement modifies disclosure requirements for deposits and investments to address common deposit and investment risks related to credit risk, concentration risk, interest rate risk, and foreign currency risk. Accordingly, certain note disclosures have been revised to conform to the provisions of GASB Statement No. 40.

The City maintains a cash and investment pool to maximize investment opportunities. Income from investments is recorded in the General Fund unless otherwise provided by law. Each fund's portion of total cash and investments is reported as such within this report. In addition, certain investments are separately held by several of the City's funds. Investments are reported at fair value. Securities traded on the national or international exchange are valued at the last reported sales price at current exchange rates.

Note 1. Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

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

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

Accounts receivable: results primarily from services provided to citizens and are accounted for in the governmental funds. Sewer services are accounted for in the Sewer System Fund. All are net of an allowance for uncollectibles.

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

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

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

Capital assets: including land, buildings, improvements other than buildings, equipment and vehicles, infrastructure, construction-in-progress, sanitary sewer system 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.

City of West Des Moines, Iowa

Notes to Basic Financial Statements

Note 1. Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

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

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

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>Years</u>
Buildings	30
Improvements other than buildings	15
Equipment and vehicles	5 - 18
Sanitary sewer system	50
Share of undivided equity interest assets	5 - 15

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

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

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

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

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

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

Note 1. Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and 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 payable at one-half the accumulated value upon death or retirement. For proprietary fund types, these accumulations are recorded as expenses and liabilities of the appropriate fund in the fiscal year earned. For governmental fund types, the amount of accumulated unpaid vacation which is payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations.

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

Net assets: represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. As of June 30, 2005, the City had \$3,055,000 in cash held in escrow for a crossover refunding. This amount is treated as unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

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

Budgetary and appropriation data: 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.

Special item: As discussed in Note 11, the City is a participating community in a joint venture. The joint venture amended and restated its agreement and removed all previous equity ownership.

City of West Des Moines, Iowa

Notes to Basic Financial Statements

Note 2. Cash and Investments

As of June 30, 2005, the City's cash and investments were as follows:

Cash investments, statement of net assets	\$ 77,509,594
Cash and cash equivalents, fiduciary funds	203,441
	<u>\$ 77,713,035</u>
Deposits including certificates of deposit	\$ 47,809,282
Investments	29,903,753
	<u>\$ 77,713,035</u>

The City maintains cash and investment pool for certain funds where the resources have been pooled in order to maximize investment opportunities. Income from investments is recorded in the General Fund unless otherwise provided by law.

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

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

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

Investment Type	Maturities	Fair Value
Commercial paper	10/11/2005	\$ 1,972,904
Commercial paper	10/25/2005	1,970,392
U.S. government agency obligations	10/29/2005	1,699,522
State and local government securities ("SLGS")	12/01/2005	11,867
State and local government securities ("SLGS")	06/01/2006	3,012,980
Iowa Public Agency Investment Trust	32.86 days average	21,236,088
		<u>\$ 29,903,753</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. State and local government securities are not rated because they are backed by the full faith and credit of the issuing government and are therefore not subject to credit risk.

City of West Des Moines, Iowa

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

As of June 30, 2005, the City's investments were rated as follows:

Investment Type	Moody's Investors Services	Fitch
Commercial paper	P-1	F1+
U.S. government agency obligations	AAA	F1+
Iowa Public Agency Investment Trust	not rated	not rated

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

Issuer	Investment Type	Reported Amount
Citigroup	Commercial paper	\$ 3,943,296

Investments in any one issuer that represent 5% or more of total City investments are as follows:

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. As of June 30, 2005, the City's investments were collateralized; therefore, they were not subject to custodial risk. 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, 2005, 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.

City of West Des Moines, Iowa

Notes to Basic Financial Statements

Note 3. Capital Assets

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

The following is a summary of changes in capital assets for the year ended June 30, 2005:

	Ending Balance June 30, 2004	Additions	Deletions	Ending Balance June 30, 2005
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 19,956,038	\$ 1,260,954	\$ -	\$ 21,216,992
Infrastructure	218,473,792	15,528,182	412,183	233,589,791
Construction-in-progress	26,079,506	31,602,762	13,826,431	43,855,837
Total capital assets, not being depreciated	264,509,336	48,391,898	14,238,614	298,662,620
Capital assets, being depreciated:				
Buildings	33,675,275	142,668	-	33,817,943
Equipment and vehicles	16,319,922	1,769,671	1,510,316	16,579,277
Improvements other than buildings	28,526,240	1,233,430	65,523	29,694,147
Share of undivided equity interest assets	992,669	6,760	-	999,429
Total capital assets, being depreciated	79,514,106	3,152,529	1,575,839	81,090,796
Less accumulated depreciation for:				
Buildings	10,193,114	1,101,034	-	11,294,148
Equipment and vehicles	8,860,531	1,250,110	1,432,861	8,677,780
Improvements other than buildings	7,136,284	1,934,827	39,078	9,032,033
Share of undivided equity interest assets	526,126	115,025	-	641,151
Total accumulated depreciation	26,716,055	4,400,996	1,471,939	29,645,112
Total capital assets, being depreciated, net	52,798,051	(1,248,467)	103,900	51,445,684
Governmental activities capital assets, net	\$ 317,307,387	\$ 47,143,431	\$ 14,342,514	\$ 350,108,304

City of West Des Moines, Iowa

Notes to Basic Financial Statements

Note 3. Capital Assets (Continued)

	Ending Balance June 30, 2004	Additions	Deletions	Ending Balance June 30, 2005
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 256,952	\$ 1,282	\$ -	\$ 258,234
Construction-in-progress	4,360,971	1,131,101	2,697,827	2,794,245
Total capital assets, not being depreciated	4,617,923	1,132,383	2,697,827	3,052,479
Capital assets, being depreciated:				
Equipment	-	6,977	-	6,977
Sanitary sewer system	63,763,404	3,065,462	-	66,828,866
Total capital assets, being depreciated	63,763,404	3,072,439	-	66,835,843
Less accumulated depreciation for:				
Equipment	-	1,395	-	1,395
Sanitary sewer system	18,380,465	1,334,843	-	19,715,308
Total accumulated depreciation	18,380,465	1,336,238	-	19,716,703
Total capital assets, being depreciated, net	45,382,939	1,736,201	-	47,119,140
Business-type activities capital assets, net	\$ 50,000,862	\$ 2,868,584	\$ 2,697,827	\$ 50,171,619

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

Governmental Activities	
Public safety	\$ 1,132,011
Health and social services	19,800
Culture and recreation	2,300,880
Public works	541,676
General government	406,629
	<u>\$ 4,400,996</u>

City of West Des Moines, Iowa

Notes to Basic Financial Statements

Note 4. Bonded and Other Debt

The following is a summary of changes in bonded and other long-term debt for the year ended June 30, 2005:

	June 30, 2004	Increases and Issues	Decreases and Retirements	June 30, 2005	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 148,863,512	\$ 3,055,000	\$ 7,638,512	\$ 144,280,000	\$ 12,705,000
Tax increment financing (TIF) bonds	16,295,000	-	5,695,000	10,600,000	1,150,000
Capital lease obligations	204,978	-	47,512	157,466	49,918
Loans payable	159,701	26,928	53,233	133,396	60,306
Installment contracts	356,647	-	77,314	279,333	18,327
Compensated absences	2,816,117	1,852,200	1,822,658	2,845,659	2,477,845
	<u>168,695,955</u>	<u>4,934,128</u>	<u>15,334,229</u>	<u>158,295,854</u>	<u>16,461,396</u>
Business-Type activities:					
Revenue bonds	5,384,000	-	582,000	4,802,000	603,000
General obligation bonds	611,486	-	611,486	-	-
Financing agreements	2,302,506	-	2,302,506	-	-
Compensated absences	31,159	18,697	17,016	32,840	10,143
	<u>8,329,151</u>	<u>18,697</u>	<u>3,513,008</u>	<u>4,834,840</u>	<u>613,143</u>
Total long-term debt	<u>\$ 177,025,106</u>	<u>\$ 4,952,825</u>	<u>\$ 18,847,237</u>	<u>\$ 163,130,694</u>	<u>\$ 17,074,539</u>

Crossover refunding: On April 1, 2005, the City issued \$3,055,000 in General Obligation Refunding Bonds with an average interest rate of 3.60 percent for a crossover refunding of \$3,005,000 of the \$3,510,000 of outstanding 1996 Series bonds with an average interest rate of 4.69 percent on June 1, 2006. The scheduled principal payment of \$505,000 on June 1, 2006 was not included in the refunding. The net proceeds of \$3,024,847 (after payment of \$60,348 in underwriting fees, insurance, and other issuance costs) were used to purchase SLGS. Those securities were deposited in an irrevocable trust with an escrow agent for the express purpose of paying \$3,005,000 principal on the refunded general obligation bonds Series 1996 when they become callable on June 1, 2006. After the principal and interest on all outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the City. The transactions, balances, and liabilities of the escrow account are recorded by the City since the refunded debt Series 1996 is not considered extinguished as of June 30, 2005.

The crossover refunding resulted in no difference between the reacquisition price and the net carrying amount of the old debt. The City will complete the crossover refunding to reduce its total debt service payments over the next nine years by \$699,264 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$128,881.

City of West Des Moines, Iowa

Notes to Basic Financial Statements

Note 4. Bonded and Other Debt (Continued)

Summary of bond issues: General obligation bonds outstanding as of June 30, 2005 consist of the following individual issues:

Date of Issue	Interest Rates	Final Due Date	Annual Principal Payments	Amount Originally Issued	Amount Outstanding June 30, 2005
01/01/96	4.25 - 5.13%	June 2015	\$175,000 - \$570,000	\$ 6,900,000	\$ 3,510,000
12/01/97	4.30 - 4.63	June 2009	250,000 - 350,000	3,000,000	1,250,000
06/01/99	3.75 - 4.35	June 2011	225,000 - 300,000	3,000,000	1,675,000
12/01/00	4.50 - 5.00	June 2012	185,000 - 550,000	5,000,000	3,275,000
11/01/01	3.25 - 5.00	June 2020	100,000 - 1,005,000	13,000,000	12,100,000
11/12/01	3.00 - 4.40	June 2014	40,000 - 595,000	3,575,000	2,830,000
05/29/02	3.00 - 4.40	June 2014	1,245,000 - 1,850,000	18,000,000	14,175,000
06/24/02	3.00 - 5.00	June 2020	135,000 - 830,000	9,750,000	9,180,000
05/01/03	2.50 - 4.40	June 2019	1,000,000 - 3,765,000	40,000,000	40,000,000
05/01/03	2.00 - 3.12	June 2010	1,640,000 - 1,885,000	10,500,000	8,860,000
05/01/03	2.00 - 3.75	June 2014	310,000 - 410,000	3,845,000	3,220,000
05/01/03	2.00 - 2.38	June 2006	710,000 - 730,000	2,155,000	730,000
09/01/03	3.75 - 4.70	June 2019	252,000 - 1,276,000	12,000,000	12,000,000
09/01/03	2.00 - 3.25	June 2009	525,735 - 1,250,000	4,309,249	3,170,000
12/01/03	2.00 - 4.35	June 2023	400,000 - 1,700,000	19,250,000	19,250,000
06/01/04	3.00 - 5.00	June 2021	100,000 - 1,250,000	6,000,000	6,000,000
04/01/05	3.50 - 3.70	June 2015	185,000 - 575,000	3,055,000	3,055,000
				\$ 163,339,249	\$ 144,280,000

The TIF bonds were issued for the purpose of defraying a portion of the costs of carrying out urban renewal projects of the City. The bonds are payable solely from the income and proceeds of the TIF Bonds Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the TIF bonds were to be expended only for purposes which are consistent with the plans of the City's urban renewal areas. The bonds are not a general obligation of the City; however, the debt is subject to the constitutional debt limitation of the City.

The covenants providing for the issuance of the TIF Bonds include the following provisions:

- a) The City must maintain the urban renewal project areas, enforce and maintain the City ordinance related to the project areas, and levy/collect the related tax increment revenues.
- b) The City must maintain proper books and prepare special TIF bond reports, which are to be audited within 210 days of the City's fiscal year-end and made available to bondholders.
- c) The City must comply with the Constitution and laws of Iowa related to each bond issue.

The TIF bonds also have a stated reserve requirement that is calculated as the lesser of (a) the maximum annual amount of the principal and interest coming due on the bonds and parity obligations or (b) 10 percent of the stated principal amount on the bonds and parity obligations. The City has established a reserve amount of \$1,520,430.

City of West Des Moines, Iowa

Notes to Basic Financial Statements

Note 4. Bonded and Other Debt (Continued)

Other than bonded debt:

Loan payable: The City entered into a RISE loan agreement during the year ended June 30, 1998 to fund a portion of the Westtown Parkway Bridge project. As of June 30, 2005, \$106,468 was outstanding under the agreement. The loan is noninterest bearing and is payable in annual installments of \$53,234.

Loan payable: The City, along with two other area cities, entered into a Local Government Innovation Fund Loan (LGIF) loan agreement during the year ended June 30, 2005 to fund the development and implementation of an emergency services training program. The agreement requires annual payments of \$7,072 of the City, including interest at 2.00% through June 1, 2009. As of June 30, 2005, \$26,928 was outstanding under the agreement.

Capital lease obligations: The City has entered into a lease purchase agreement for the acquisition and installation of a new telephone system. The agreement requires annual payments of \$56,590, including interest at 4.95% through June 1, 2008. The balance due as of June 30, 2005 was \$157,466.

Installment contracts: The City has entered into two installment contracts for the construction of pedestrian bridges. The \$77,314 shown as a decrease/retirement was due to a change in estimate of the amount due to the state. The agreements are noninterest bearing and are payable in annual installments totaling \$71,329 through January 2009. The balance due as of June 30, 2005 was \$279,333.

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

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

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

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

City of West Des Moines, Iowa

Notes to Basic Financial Statements

Note 4. Bonded and Other Debt (Continued)

- e) All funds remaining in the sewer revenue account may be deposited in any of the funds created by the resolution to pay for extraordinary repairs or replacements to the system or to pay or redeem the notes.

The total of the restricted cash and investments under these agreements are \$1,089,769.

General obligation bonds: The City is repaying the principal and interest of a portion of its general obligation bonds from the net revenues of the Enterprise Fund – Sewer Fund. Accordingly, these bonds are reported as a liability of the Enterprise Fund.

Summary of principal and interest maturities: Annual debt service requirements to service all outstanding indebtedness as of June 30, 2005 are as follows:

	General Obligation Bonds		Tax Increment Notes Payable	
	Principal	Interest	Principal	Interest
<u>Year ending June 30:</u>				
2006	\$ 12,705,000	\$ 5,644,475	\$ 1,150,000	\$ 422,442
2007	10,455,000	5,206,236	1,745,000	381,406
2008	11,640,000	4,881,106	1,815,000	317,130
2009	11,415,000	4,496,451	1,895,000	246,348
2010	11,575,000	4,082,400	970,000	169,958
2011 - 2015	46,670,000	14,317,605	3,025,000	267,920
2016 - 2020	34,970,000	5,395,568	-	-
2021 - 2025	4,850,000	377,380	-	-
	<u>\$ 144,280,000</u>	<u>\$ 44,401,221</u>	<u>\$ 10,600,000</u>	<u>\$ 1,805,204</u>

	Capital Lease Obligations		Loans Payable	
	Principal	Interest	Principal	Interest
<u>Year ending June 30:</u>				
2006	\$ 49,918	\$ 6,672	\$ 60,306	\$ 1,205
2007	52,446	4,144	60,306	408
2008	55,102	1,488	7,072	275
2009	-	-	5,712	139
	<u>\$ 157,466</u>	<u>\$ 12,304</u>	<u>\$ 133,396</u>	<u>\$ 2,027</u>

City of West Des Moines, Iowa

Notes to Basic Financial Statements

Note 4. Bonded and Other Debt (Continued)

	Installment Contracts	
	Principal	Interest
Year ending June 30:		
2006	\$ 18,327	\$ 53,002
2007	61,776	9,553
2008	64,037	7,292
2009	66,381	4,948
2010	68,812	2,518
	<u>\$ 279,333</u>	<u>\$ 77,313</u>

	Enterprise Revenue Bonds	
	Principal	Interest
Year ending June 30:		
2006	\$ 603,000	\$ 183,332
2007	627,000	161,922
2008	651,000	138,492
2009	363,000	113,712
2010	378,000	99,716
2011 - 2015	1,927,000	268,900
2016 - 2019	253,000	16,008
	<u>\$ 4,802,000</u>	<u>\$ 982,082</u>

Legal debt margin: As of June 30, 2005, the outstanding general obligation debt of the City did not exceed its legal debt margin computed as follows:

January 2004 100% assessed valuation *	\$ 3,967,590,148
Plus: Captured tax increment value	375,112,722
Less: Military Exemption	(4,107,988)
Total assessed valuation of the property of the City of West Des Moines	<u>\$ 4,338,594,882</u>
Debt limit, 5% of total actual valuation	\$ 216,929,744
Debt applicable to debt limit:	
General obligation bonds	144,280,000
TIF revenue bonds	10,600,000
Loans payable	133,396
Capital lease obligations	157,466
Installment contracts	279,333
Legal debt margin	<u>\$ 61,479,549</u>

* 100% of assessed valuation including TIF increment.

City of West Des Moines, Iowa

Notes to Basic Financial Statements

Note 5. Interfund Receivables and Payables

Individual interfund receivables and payables balances as of June 30, 2005 were:

	Total	
	Interfund Receivables	Interfund Payables
Major governmental funds:		
General	\$ 134,498	\$ -
Capital projects	-	275,111
Major enterprise fund, Sewer System	275,111	-
Nonmajor governmental funds:		
Special revenue funds:		
Economic Development	-	104,813
Police and Fire Retirement	-	3,600
Employee Benefit	-	6,307
Internal service funds, Vehicle Maintenance	-	19,778
Total	<u>\$ 409,609</u>	<u>\$ 409,609</u>

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

Note 6. Interfund Transfers

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

	Transfers In	Transfers Out
Major governmental funds:		
General	\$ 5,523,797	\$ 3,195,422
Special revenue fund, Tax Increment Financing	700,000	7,422,813
Debt Service	8,622,793	2,745,036
Capital Projects	45,875,665	40,664,783
Nonmajor governmental funds	1,250,905	7,635,932
Internal service funds	8,000	143,541
Major enterprise fund, Sewer System	5,086,844	5,260,477
Total	<u>\$ 67,068,004</u>	<u>\$ 67,068,004</u>

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

City of West Des Moines, Iowa

Notes to Basic Financial Statements

Note 7. Pension and Retirement Systems

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$729,919, \$646,910 and \$597,270, respectively, equal to the required contributions for each year.

Municipal Fire and Police Retirement System of Iowa: The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate may not be less than 24.92% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2005, 2004 and 2003 were \$1,321,629, \$967,268 and \$735,641, respectively, which met the required contribution for each year.

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 Equity Deficit

The following funds have deficit fund balances as of June 30, 2005:

Nonmajor Special Revenue Fund, Economic Development	\$	104,813
Internal Service Fund, Vehicle Maintenance		21,961

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

Note 10. Post-Employment Benefits Other Than Pension Benefits

The City provides post-employment health insurance benefits. These benefits are provided to police officers and fire fighters on medical disability and are financed and accounted for on a pay-as-you-go basis. The City pays 50% of the premium for single coverage for medically disabled police officers and fire fighters to comply with Code of Iowa Section 411.15. The amount of post-employment health insurance benefits provided by the City and the number of eligible participants for the year ended June 30, 2005 were \$1,504 and one, respectively.

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.

As part of the Agreement, the WRA issued debt to advance refund the sewer revenue refunding bonds Series 1997C and 2002D and the state revolving loans SRF2 and SRF3 of the City of Des Moines, Iowa. In addition, state revolving loans SRF4, SRF6 and SRF7 were reassigned from the City of Des Moines, Iowa to the WRA. The City of West Des Moines, Iowa had previously entered into various financing agreements with the City of Des Moines, Iowa to provide for the City of West Des Moines' share of capital contribution for the construction and ongoing expansion of the WRA. The issuance of the debt by the WRA to advance refund and reassign previously issued the City of Des Moines, Iowa debt, removes the previous City of West Des Moines, Iowa liability to the City of Des Moines.

The City of West Des Moines, Iowa 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 of the bonds issued during the time the entity was a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2004A and 2004B include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

The WRA Agreement requires the debt service on the Series 2004A bonds to be allocated through the annual flow allocation to the participating communities based on the existing allocations of debt service under the prior I.C.A. agreement. The Series 2004A bonds had a balance of \$23,290,000 as of June 30, 2005. Therefore, the City of West Des Moines, Iowa has a commitment for approximately \$395,142 or 1.69% for future principal payment requirements. The WRA Sewer Revenue Bonds Series 2004B bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2005, the Series 2004B bonds had a balance of \$66,830,000 and the City of West Des Moines' estimated future allocation based on the WRA flows is currently \$12,455,791 or 18.6%. The State Revolving Loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2005, the WRA had \$13,782,000 in State Revolving Loans of which \$1,651,570 future principal debt service is a commitment of the City of West Des Moines.

City of West Des Moines, Iowa

Notes to Basic Financial Statements

Note 11. Joint Venture (Continued)

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, the investment in the joint venture previously reported by the City has been removed. The City's investment in the joint venture under the I.C.A. Agreement has been contributed to the new WRA organization. This contribution of \$21,350,795 is recorded as a special item in the Sewer System Fund. The City does retain a reversionary interest percentage in the net assets of the WRA that would be redeemed only in the event the WRA is dissolved.

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

Condensed financial information of the joint venture is as follows:

Statement of Net Assets:

Current assets	\$ 75,901,125
Noncurrent assets	274,629,833
Total assets	\$ 350,530,958

Current liabilities	\$ 10,558,469
Noncurrent liabilities	104,889,154
Total liabilities	\$ 115,447,623

Net Assets:

Invested in capital assets, net of related debt	\$ 199,013,986
Restricted	24,849,002
Unrestricted	11,220,347

Statement of Revenues, Expenses and Changes in Net Assets:

Operating revenues	\$ 30,186,283
Operating expenses	19,369,752
Operating income	10,816,531
Nonoperating, net	(986,540)
Special items, net	(39,819,051)
Change in net assets	(29,989,060)

Statement of Cash Flows:

Cash provided by operating activities	\$ 14,156,934
Cash used in investing activities	(51,027,502)
Cash provided by capital and related financing activities	49,380,577
Increase in cash and pooled cash investments	12,510,009

City of West Des Moines, Iowa

Notes to Basic Financial Statements

Note 12. Related Organizations and Jointly Governed Organizations

Related organization: The City of 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 and Solid Waste Enterprise Funds. The following is a summary of the related party transactions for the year ended June 30, 2005:

	<u>Amount</u>
Received from West Des Moines Water Works:	
Occupancy reimbursements	\$ 12,644
Health insurance premiums	228,900
Gasoline reimbursements	19,326
Telephone reimbursements	7,553
Share of general insurance	108,224
Delinquent reimbursements	1,045
Miscellaneous reimbursements	45,229
Donation pass-through	7,050
Payments to West Des Moines Water Works:	
Collection fees for sewer and solid waste	82,466
Special assessment remittances	27,351
Miscellaneous fees	7,095

Amounts receivable from West Des Moines Water Works as of June 30, 2005 for sewer and solid waste charges totaled \$1,282,354 and \$326,330, respectively.

Jointly governed organizations: The City participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: Polk and Dallas County Assessor's Conference Boards; Metropolitan Transportation Planning Committee; Metropolitan Transit Authority; Metropolitan Waste Authority; Convention and Visitors Bureau; Joint County/Municipal Disaster Services; Emergency Planning Administrations.

In August 2000, the City entered into a jointly governed organization with two other Des Moines suburbs for the creation of WestCom. WestCom was established as an undivided interest ownership arrangement, whereby title to assets in WestCom are held individually by the City and two other Des Moines suburbs. The City's portion of current year costs of operations and capital for the dispatch center were \$924,462 and \$999,429, respectively.

Note 13. Commitments

The City has entered into contracts totaling approximately \$12,160,847 for various projects that were not complete at year-end. As of June 30, 2005, \$10,469,117 has been encumbered for completion of these contracts.

Note 14. Risk Management

The City is a member in the Iowa Communities Assurance Pool (the Pool), as allowed by Chapter 331.301 of the Code of Iowa. The Pool is a local government risk-sharing pool whose over 500 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 and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributes to the Pool Fund's 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 300% of the total current members' base rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2005 were approximately \$408,367.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim for a total of \$2,000,000 in coverage and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. The City of West Des Moines has elected \$8,000,000 in coverage. Automobile physical damage risks are retained by the Pool up to \$50,000 each accident, each location, with excess coverage reinsured on an individual-member basis. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceed 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 that such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, as of June 30, 2005, no liability has been recorded in the City's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Notes to Basic Financial Statements

Note 14. Risk Management (Continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given sixty days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all 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 capital contributions. After the sixth year, the member is refunded 100% of its capital contributions; however, the refund is reduced by an amount equal to the annual 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 workers compensation and employee blanket bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Self-insurance health plan: The City has a self-insured medical expense reimbursement plan which provides medical benefits to its employees and to the employees of affiliates. The plan provides each covered person with a lifetime maximum of \$1,000,000 coverage for health care needs. The plan is funded by both employee and City contributions and is administered through a service agreement with Principal Life Insurance Company. The uninsured risk retention per person is \$75,000 (not to exceed 125% of the aggregate expected claims of \$2,127,435 for the year ended June 30, 2005). The City purchased commercial stop-loss insurance to provide for claims in excess of the \$75,000 to reduce its exposure to large losses. There has been no significant reduction in insurance coverage under the plan from prior years.

The City has established the Health and Dental Insurance Fund (an internal service fund) to account for and finance the uninsured risk of loss. The City's contribution to the fund for the year ended June 30, 2005 was \$1,976,635.

Amounts payable from the Health and Dental Insurance Fund as of June 30, 2005 total \$257,301 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 year ending June 30, 2005, 2004, and 2003 of \$273,511, \$2,685, and none, respectively. Information on changes in the aggregate liabilities for claims is as follows:

	2005	2004
Claims payable, beginning of year	\$ 294,283	\$ 254,127
Claims recognized	2,785,646	2,213,306
Claim payments	(2,822,628)	(2,173,150)
Claims payable, end of year	\$ 257,301	\$ 294,283

Note 15. Conduit Debt Obligations

From time-to-time, the City has issued Industrial Development Revenue Bonds, under the provisions of Chapter 419 of the Code of Iowa, to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2005, there were three series of industrial development revenue bonds outstanding, with an aggregate principal amount payable of \$4,698,963.

Note 16. New Pronouncements

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

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, issued November 2003, will be effective for the City beginning with its year ending June 30, 2006. This Statement requires governments to report the effects of capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in the same manner.

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, was issued April 2004. This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supersedes existing guidance. The provisions of this Statement will be effective for the City beginning with its year ending June 30, 2008.

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, issued May 2004, will be effective for the City beginning with its year ending June 30, 2006. This Statement improves the understandability and usefulness of statistical section information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model required by Statement No. 34 and related statements.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the City beginning with its year ending June 30, 2009. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB Statement No. 34, issued December 2004, will be effective for the City beginning with its year ending June 30, 2006. The purpose of Statement No. 46 is to help the governments determine when net assets have been restricted to a particular use by the passage of enabling legislation and to specify how those net assets should be reported in the financial statements when there are changes in the circumstances surrounding such legislation.

Note 16. New Pronouncements (Continued)

GASB Statement No. 47, *Accounting for Termination Benefits*, issued June 2005, will be effective for the City beginning with its year ending June 30, 2006. This Statement establishes accounting standards for termination benefits. In financial statements prepared on the accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (early retirement incentives) when the offer is accepted and the amount can be estimated. A liability for involuntary termination benefits (severance benefits) should be recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees, and the amount can be estimated. In financial statements prepared on the modified accrual basis of accounting, liabilities and expenditures for termination benefits should be recognized to the extent the liabilities are normally expected to be liquidated with expendable available financial resources.

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

Note 17. Litigation

The City is a defendant in several claims and lawsuits. In the opinion of the City Attorney and management, the resolution of these matters will not have a material adverse effect on the future financial statements of the City.

City of West Des Moines, Iowa

Budgetary Comparison Schedule
Budget and Actual - All Governmental Funds and Proprietary Funds - Budgetary Basis
Required Supplementary Information
For the Year Ended June 30, 2005

	Governmental Fund Types Actual Budgetary Basis	Proprietary Fund Types Actual Budgetary Basis	Total Actual Budgetary Basis
Revenues:			
Property tax	\$ 29,554,188	\$ -	\$ 29,554,188
Tax increment financing taxes	9,942,370	-	9,942,370
Other City taxes	2,459,928	-	2,459,928
Special assessments	607,377	-	607,377
Licenses and permits	1,320,158	-	1,320,158
Intergovernmental	14,066,913	-	14,066,913
Charges for services	2,561,137	10,625,784	13,186,921
Use of money and property	1,582,970	1,348,465	2,931,435
Miscellaneous	847,298	-	847,298
Total revenues	62,942,339	11,974,249	74,916,588
Expenditures/Expenses:			
Public safety	14,487,673	-	14,487,673
Public works	6,407,949	-	6,407,949
Health and social services	806,975	-	806,975
Culture and recreation	5,010,004	-	5,010,004
Community and economic development	4,634,095	-	4,634,095
General government	3,843,167	-	3,843,167
Debt service	23,620,841	1,048,116	24,668,957
Capital outlay	40,462,618	-	40,462,618
Business-type	-	8,469,795	8,469,795
Total expenditures/expenses	99,273,322	9,517,911	108,791,233
Excess (deficiency) of revenues over (under) expenditures/expenses	(36,330,983)	2,456,338	(33,874,645)
Other financing sources, net	5,286,782	(2,165,276)	3,121,506
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(31,044,201)	291,062	(30,753,139)
Balances, beginning of year	80,773,557	87,564,400	168,337,957
Balances, end of year	<u>\$ 49,729,356</u>	<u>\$ 87,855,462</u>	<u>\$ 137,584,818</u>

See Note to Required Supplementary Information.

Budgeted Amounts		Final to Actual Variance - Positive (Negative)
Original	Final	
\$ 29,597,214	\$ 29,597,214	\$ (43,026)
9,222,926	9,222,926	719,444
2,426,680	2,426,680	33,248
100,000	100,000	507,377
795,500	1,148,230	171,928
6,733,564	7,573,751	6,493,162
8,793,110	8,983,110	4,203,811
1,653,300	2,023,773	907,662
3,416,975	4,056,675	(3,209,377)
<u>62,739,269</u>	<u>65,132,359</u>	<u>9,784,229</u>
13,412,311	14,831,641	343,968
6,510,020	6,402,927	(5,022)
936,196	897,231	90,256
4,924,788	5,037,385	27,381
3,511,314	4,790,486	156,391
4,192,736	4,093,556	250,389
20,295,165	23,743,198	(925,759)
46,812,796	57,722,495	17,259,877
9,662,328	12,761,084	4,291,289
<u>110,257,654</u>	<u>130,280,003</u>	<u>21,488,770</u>
(47,518,385)	(65,147,644)	31,272,999
<u>6,000,000</u>	<u>9,089,812</u>	<u>(5,968,306)</u>
(41,518,385)	(56,057,832)	<u>\$ 25,304,693</u>
162,674,239	107,541,016	
<u>\$ 121,155,854</u>	<u>\$ 51,483,184</u>	

City of West Des Moines, Iowa

**Budgetary Comparison Schedule
Budget to GAAP Reconciliation
Required Supplementary Information
For the Year Ended June 30, 2005**

	Governmental Fund Types		
	Budget Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 62,942,339	\$ (43,055)	\$ 62,899,284
Expenditures	99,273,322	(6,099,055)	93,174,267
Net	(36,330,983)	6,056,000	(30,274,983)
Other financing sources (uses)	5,286,782	(1,861,103)	3,425,679
Beginning fund balances	80,773,557	(2,948,286)	77,825,271
Ending fund balances	<u>\$ 49,729,356</u>	<u>\$ 1,246,611</u>	<u>\$ 50,975,967</u>

	Proprietary Fund Types		
	Budget Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 11,974,249	\$ (226,613)	\$ 11,747,636
Expenditures	9,517,911	652,493	10,170,404
Net	2,456,338	(879,106)	1,577,232
Other financing sources (uses)	(2,165,276)	(18,628,406)	(20,793,682)
Beginning fund balances	87,564,400	4,702,890	92,267,290
Ending fund balances	<u>\$ 87,855,462</u>	<u>\$ (14,804,622)</u>	<u>\$ 73,050,840</u>

See Note to Required Supplementary Information.

City of West Des Moines, Iowa

**Note to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2005**

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearing which include all funds, except agency funds. The budget basis of accounting is cash basis plus 30 days of payable and receivable accruals. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital outlay and business-type. The legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, budget amendments increased budgeted expenditures by \$20,022,349. The budget amendments were primarily due to changes in breadth and timing of capital improvement projects as well as changes necessitated by the loss of state revenue.

City of West Des Moines, Iowa

**Required Supplementary Information – Modified Approach
For the Year Ended June 30, 2005**

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 the 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 rates 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:

Pavement Condition	OCI Range
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% 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% of the joints have sealant damage. Patches may exist up to 20% 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% 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% of the street area. Patches may exist up to 10% 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.

(Continued)

City of West Des Moines, Iowa

**Required Supplementary Information – Modified Approach (Continued)
For the Year Ended June 30, 2005**

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

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

Condition rating of the City's street subsystem:

Category	OCI Range	2001		2004		2005	
		Lane Miles	Percent of Street Network	Lane Miles	Percent of Street Network	Lane Miles	Percent of Street Network
Very good	100-90	200	40.7%	232	41.9%	191	32.9%
Good	90-80	111	22.5	122	21.9	184	31.6
Average	80-60	123	25.0	124	22.3	132	22.8
Below average	60-50	47	9.6	56	10.2	59	10.1
Poor	50-25	11	2.2	21	3.7	15	2.6
Failed	25-0	-	-	-	-	-	-
Total		492	100.0%	555	100.0%	581	100.0%

Overall condition index (OCI):

	2001	2004	2005
Goal	78-80	78-80	78-80
Actual	81.20	80.35	80.21

(Continued)

City of West Des Moines, Iowa

Required Supplementary Information – Modified Approach (Continued)
 For the Year Ended June 30, 2005

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

Condition Categories Based on FHWA Criteria		2001		2003	
Category	OCI Range	Bridges Inspected	Percent of Bridges Inspected	Bridges Inspected	Percent of Bridges Inspected
Excellent condition	100-90	10	62.4%	10	62.4%
Very good condition	90-80	3	18.8	3	18.8
Good condition	80-70	3	18.8	3	18.8
Satisfactory condition	70-60	-	-	-	-
Fair condition	60-50	-	-	-	-
Poor condition	50-40	-	-	-	-
Serious condition	40-30	-	-	-	-
Critical condition	30-20	-	-	-	-
Imminent failure condition	20-10	-	-	-	-
Failed condition	10-0	-	-	-	-
Total		16	100.0%	16	100.0%

	2001	2003
Overall condition index (OCI):		
Goal	81 or greater	81 or greater
Actual	90.6	90.6

Levee Condition by Category as of the Last Assessment

Condition Categories Based on Army Corp. Criteria		2003		2004		2005	
OCI Range	Levee Items Inspected	Percent of Levee Items Inspected	Levee Items Inspected	Percent of Levee Items Inspected	Levee Items Inspected	Percent of Levee Items Inspected	
Acceptable	29	90.6%	29	90.6%	29	96.7%	
Minimally acceptable	3	9.4	3	9.4	1	3.3	
Unacceptable	-	-	-	-	-	-	
Total	32	100.0%	32	100.0%	30	100.0%	

	2003	2004	2005
Overall condition index (OCI):			
Goal	Acceptable	Acceptable	Acceptable
Actual	Acceptable	Acceptable	Acceptable

(Continued)

City of West Des Moines, Iowa

Required Supplementary Information – Modified Approach (Continued)
For the Year Ended June 30, 2005

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

	2003	2004	2005	2006	2007
Estimated cost	\$ 1,172	\$ 1,347	\$ 1,550	\$ 2,100	\$ 2,420
Actual cost	3,349	3,052	3,517	N/A	N/A

Note: Fiscal year 2003 was the City of West Des Moines' first year of implementation for GASB Statement No. 34; therefore, this year, there is two years of historical data available. In future years, as data becomes available, we will show the three most recent condition assessments and five years of history for the prevention and maintenance costs.