

**CITY OF  
WEST DES MOINES,  
IOWA**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**Year Ended June 30, 2005**

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Prepared by:  
Department of Administrative Services

## **MISSION**

Our mission is to serve the people of West Des Moines honestly and effectively. Through a variety of services, we strive to provide the quality of life desired by the community.

## **COMMITMENT**

The members of our City organization insist that services are provided with the highest level of respect, responsiveness and honesty to the people of West Des Moines.

## **VALUE**

We, the employees of the City of West Des Moines, through TEAMWORK and COOPERATION, are COMMITTED to provide the highest QUALITY OF SERVICE with HONESTY and INTEGRITY to the community we serve.

We take pride in providing EFFECTIVE, DEPENDABLE services while striving to achieve EXCELLENCE through VISION and INNOVATION.

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November 17, 2005

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

Chapter 11 of the *Code of Iowa* requires that the City of West Des Moines publish within nine months of the close of each fiscal year a complete set of audited financial statements. This Comprehensive Annual Financial Report (CAFR) is published to fulfill that requirement for the fiscal year ended June 30, 2005.

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

McGladrey & Pullen, LLP, a firm of licensed certified public accountants, has issued an unqualified ("clean") opinion on the City of West Des Moines' financial statements for the fiscal year ended June 30, 2005. The independent auditor's report is located at the front of the financial section of this report.

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

### **City of West Des Moines Profile**

West Des Moines, incorporated as Valley Junction in 1893, is a suburb of the state's capital. Centrally located in the state, West Des Moines currently is comprised of approximately 38 square miles and is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council. As one of the top growth areas in the state, the City has experienced significant increases in population with a 63 percent increase since 1990. The U.S. Census Bureau reported 31,702 residents in 1990 with a special census, taken in 2005, reflecting a population of 51,744 residents.

Policy-making and legislative authority in the City of West Des Moines are vested in a governing council (i.e. City Council) consisting of a Mayor and five Councilmembers, all elected on a non-partisan basis with three Council members being elected by ward with two Councilmembers and the Mayor being elected at large. For continuity purposes the Mayor and Councilmembers serve four-year staggered terms with elections held every two years. The City Council makes policy decisions for the City through the enactment of ordinances, resolutions and motions.

The Council is also responsible for adopting the budget, appointing committees, and hiring the City Manager, City Attorney and appointing the City Clerk.

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

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

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

## **Local Economy**

West Des Moines is the 9<sup>th</sup> largest city in the state but ranks 6<sup>th</sup> in terms of retail sales, and 4<sup>th</sup> in terms of property valuations. The median household income in West Des Moines exceeds both the national and state average. In 2000, the most recent year for which the data is available, the U.S. Census Bureau reported the median household income in the City of West Des Moines as \$54,139, in comparison to state and national figures of \$39,469 and \$41,994 respectively.

The City of West Des Moines is one of the fastest growing cities in the State of Iowa. Infrastructure development and well planned growth have increased the community's tax base by more than 60 percent in the last 10 years with pending development plans and issued building permits indicating this growth will continue for at least the next several years. Recent construction includes the Jordan Creek Town Center, an upscale entertainment complex, which opened in August of 2004. This 200-acre development was the largest commercial development in Iowa's history and has spurred additional commercial and residential growth in the area. To the south of that site, in a previously undeveloped area of the City, construction began this past spring on a corporate campus with a guaranteed minimum assessed valuation of \$118,000,000. Analysts for the State of Iowa have projected that this residential mortgage corporate campus will have a \$627 million economic impact in the surrounding area.

The City expects this growth trend to continue as a result of a desirable central Iowa location, attractive high-end residential and commercial developments and the City of West Des Moines' commitment to providing the infrastructure necessary to promote development. In addition, the City offers many quality of life amenities including a comprehensive parks system with over 1,200 acres of park land and open space, approximately 34.8 miles of recreational trails, and two new aquatic facilities.

## **Relevant Financial Policies and Long-term Financial Planning**

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

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

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

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

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

## **Major Initiatives and Accomplishments**

The City continues to be proactive in collaborating with other local jurisdictions, one of the strategic goals of the City. During this past year the City entered into a new agreement to provide Human Resource services to the City of Urbandale in the areas of recruitment, employee relations and retention, and the development of employment related policies. The revenue generated by this agreement will enable both cities to have access to highly skilled human resource professionals.

West Des Moines continues to work with numerous other public safety agencies on expanding joint training opportunities. This allows the agencies to capitalize on existing instructors, facilities, and develop common practices that facilitate working together in the event of a large scale emergency.

The West Des Moines Police Department received the 2005 Webber Seavey Award for Quality in Law Enforcement from the International Association of Chiefs of Police (IACP). The award was in recognition of the Youth Justice Initiative (YJI) program for its innovative and successful contribution to the quality of life in the community. This program, which is operated with support from the West Des Moines Community School District, provides services for

juveniles who are entering the criminal justice system for the first time or who have committed more novice offenses and show promise, with appropriate intervention, of leaving the pathway into delinquency.

The Insurance Services Organization, which rates fire protection services on a scale of 1 to 10 with 10 equating to a region essentially without fire protection, has upgraded fire protection in West Des Moines to a "3" rating. Only 3.4% of the rated fire departments in the United States have received a rating of "3" or better.

Once again West Des Moines set a new record for the level of building permits issued. During FY 2004-2005 the City issued building permits for new construction valued at \$335,040,493.

In anticipation of service related issues resulting from rapid growth in the western portion of the community the City initiated the planning and design for a new public safety facility to serve that area.

The West Des Moines Human Services Department has seen an incredible increase in the amount of community support for those less fortunate. In 2004 area residents donated more than 5,000 volunteer hours to help others; donated goods and services valued at \$397,000 and cash contributions in excess of \$200,000 were received from residents, area businesses, and other organizations.

At the City's request, the U.S. Census Bureau completed a special census in 2005 that reported the City of West Des Moines' official population as 51,744, an increase of 5,095 residents since the previous census in 2000. As a result of this official increase in population the City will receive more than \$2,000,000 in additional revenue through 2010 when the next regular census is taken.

The City's bond rating was upgraded in March 2005 by Standard and Poor's to AAA. West Des Moines is one of only 70 cities in the nation to receive this rating from Standard and Poor's and the only city in Iowa to receive this high rating from the agency.

In July of 2004 the City hired an independent firm to conduct its second citizen survey. The purpose of this survey was to assess citizen satisfaction with the delivery of city services and to help determine priorities for the community as part of the City's ongoing planning process. Survey results revealed that overall satisfaction with city services improved in 8 of the 10 categories that were rated in both 2002 and 2004. 93% of the residents surveyed who had an opinion were satisfied with the quality of police, fire and ambulance services; 92% were satisfied with the public library services; and 90% were satisfied with the City's parks and recreation services. Overall, 93% of the respondents indicated they were satisfied with the quality of life in West Des Moines.

## **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of West Des Moines for its comprehensive annual financial report for the fiscal year ended June 30, 2004. This was the twelfth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated February 17, 2004. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document must be proficient in several categories, including as a policy document, a financial plan, an operations guide and a communications device.



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

## **Acknowledgements**

The preparation of this report could not have been accomplished without the dedicated services of the staff of the Administrative Services Department. We would like to express our appreciation to all members of the department who assisted with the audit and preparation of this report, and specifically to Accounting Manager Sheila Schmitt.

We would like to extend our sincere appreciation to the Mayor and Members of the City Council for their interest and support of our efforts conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Jeffrey A. Pomeranz  
City Manager

Jody E. Smith  
Director of Administrative Service

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of West Des Moines,  
Iowa

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2004

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



*Nancy L. Zeller*

President

*Jeffrey R. Enow*

Executive Director

**City of West Des Moines, Iowa**

**Elected and Appointed Officials  
June 30, 2005**

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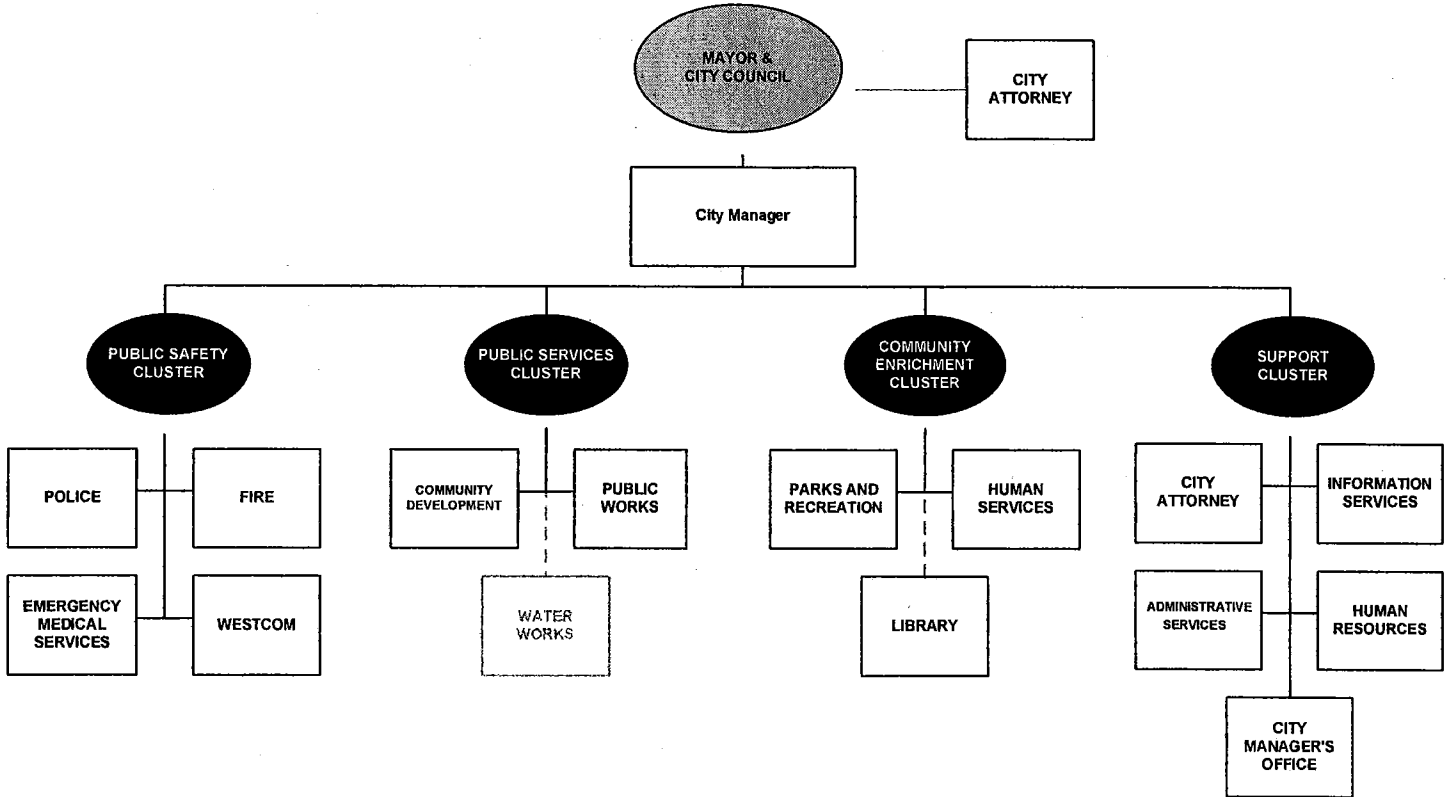
**Elected Officials**

		<u>Term Expires</u>
Eugene T. Meyer	Mayor	January 2006
Robert Parks	Council Member	January 2006
Brad Olson	Council Member	January 2008
Loretta J. Sieman	Council Member	January 2006
Jim Sandager	Council Member	January 2008
Ted Ohmart	Council Member	January 2006

**Appointed Officials**

Jeffrey A. Pomeranz	City Manager
Jody E. Smith	Director of Administrative Services/City Clerk
Richard J. Scieszinski	City Attorney

# CITY OF WEST DES MOINES ORGANIZATIONAL CHART



Last Revised:  
12/14/04

---- Indicates  
Reports to Board

# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Des Moines, Iowa as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Des Moines, Iowa as of June 30, 2005, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2005 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13 and budgetary comparison information and modified approach information on pages 57 through 64 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on them.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of West Des Moines, Iowa's basic financial statements. The combining nonmajor fund financial statements and other statements, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*McGladrey & Pullen, LLP*

Davenport, Iowa  
September 22, 2005

## City of West Des Moines, Iowa

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

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As management of the City of West Des Moines, Iowa, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of West Des Moines for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which is located in the Introductory Section at the front of this report.

#### Financial Highlights

- The assets of the City of West Des Moines exceeded liabilities at the close of the fiscal year ending June 30, 2005 by \$311,922,982 (net assets). Of this amount, \$46,970,877 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. For the fiscal year ended June 30, 2004, assets exceeded liabilities by \$315,544,963. Of this amount, \$51,319,112 was unrestricted.
- The City's total net assets decreased by \$3,621,981 during the fiscal year ended June 30, 2005. Governmental activities increased \$15,053,394 and business-type activities decreased \$18,675,375. For fiscal year ended June 30, 2004, total net assets increased \$27,211,204. Governmental activities increased \$24,264,684 and business-type activities increased \$2,946,520.
- As of the close of the current fiscal year, the City of West Des Moines' governmental funds reported combined ending fund balances of \$50,975,967, a decrease of \$26,849,304 in comparison with the prior year. Approximately 61 percent of this total amount, \$31,230,567, is unreserved fund balance which is available for spending at the City's discretion. As of the close of the fiscal year June 30, 2004, governmental funds reported combined ending fund balances of \$77,825,271, of which \$41,785,303 or 54 percent was unreserved.
- At the end of the current fiscal year, the City's unreserved fund balance for the General Fund was \$8,745,770 or 26 percent of total General Fund expenditures. These funds will be needed to meet expenditures during the next four months, at which time the City will receive the next semi-annual property tax revenue. The unreserved fund balance for the General Fund as of June 30, 2004 was \$8,090,498 or 27.1 percent of total General Fund expenditures.
- The City of West Des Moines' total debt decreased by \$13,894,412 (8 percent) during the current fiscal year. Total debt for the fiscal year June 30, 2004, increased by \$29,317,641(20 percent).

#### Overview of the Financial Statements

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

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

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

## City of West Des Moines, Iowa

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

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

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

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

The government-wide financial statements can be found on pages 14 through 17 of this report.

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

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

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

The City of West Des Moines maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Tax Increment Financing Fund, and Capital Projects Fund, all of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation under the column heading *Nonmajor Governmental Funds*. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.



## City of West Des Moines, Iowa

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

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

The basic governmental fund financial statements can be found on pages 18 through 23 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 24 through 29 of this report.

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

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

**Notes to basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 31 through 56 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also provides certain *required supplementary information* concerning the City of West Des Moines' infrastructure condition and maintenance records as the City has used the modified approach for reporting much of its infrastructure. This approach to recording infrastructure is explained on page 10 of this MD&A. Required supplementary information can be found on pages 57 through 64 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on infrastructure. Combining and individual fund statements and schedules can be found on pages 65 through 74 of this report.

City of West Des Moines, Iowa

Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005

Government-Wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a government's financial position. In the case of the City of West Des Moines, assets exceeded liabilities by \$311,922,982 at the close of the most recent fiscal year.

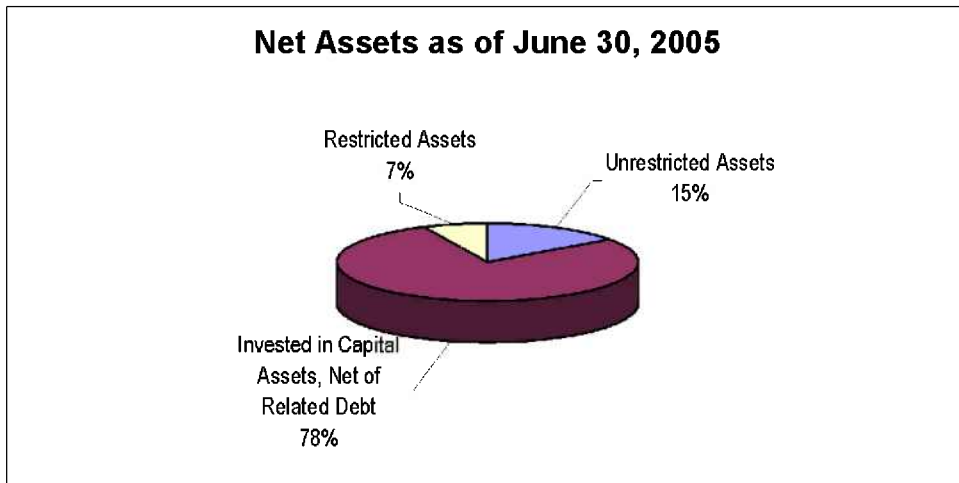
By far the largest portion of the City's net assets (78 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, improvements other than buildings, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to cover the liabilities.

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

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Assets</b>						
Current and other assets	\$ 109,319	\$ 137,767	\$ 17,294	\$ 39,981	\$ 126,613	\$ 177,748
Capital assets net of depreciation	350,108	317,308	50,171	50,001	400,279	367,309
<b>Total assets</b>	<b>459,427</b>	<b>455,075</b>	<b>67,465</b>	<b>89,982</b>	<b>526,892</b>	<b>545,057</b>
<b>Liabilities</b>						
Current liabilities	67,633	63,243	787	1,920	68,420	65,163
Long-term liabilities outstanding	142,318	157,409	4,231	6,940	146,549	164,349
<b>Total liabilities</b>	<b>209,951</b>	<b>220,652</b>	<b>5,018</b>	<b>8,860</b>	<b>214,969</b>	<b>229,512</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	198,075	197,873	45,375	41,713	243,450	239,586
Restricted assets	20,413	23,552	1,089	1,088	21,502	24,640
Unrestricted assets	30,988	12,998	15,983	38,321	46,971	51,319
<b>Total net assets</b>	<b>\$ 249,476</b>	<b>\$ 234,423</b>	<b>\$ 62,447</b>	<b>\$ 81,122</b>	<b>\$ 311,923</b>	<b>\$ 315,545</b>

An additional portion of the City's net assets (6.9 percent or \$21,503,005) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (15 percent or \$46,970,877) may be used to meet the City's ongoing obligations to citizens and creditors.

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



**Governmental activities:** Governmental activities increased the City's net assets by \$15,053,394. This was largely the result of development in the area and the City's commitment to construct infrastructure within the rapidly expanding community. As shown on page 11, capital assets, *net of applicable depreciation*, increased by more than \$32 million dollars. Since bonds (debt) were issued to pay for much of this new infrastructure, a large portion of the investment in capital assets is currently offset by related debt, as shown in the chart on the previous page.

**Business-type activities:** As shown on the chart that follows, business-type activities decreased the City's net assets by \$18,675,375. This 23 percent decrease relates to the City's contribution to the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) joint venture, which provides for treatment of the sewer flows of the participating communities. This joint venture agreement was amended as of July 1, 2004 with the new agreement establishing the WRA as a separate legal entity with its own Board. The effect of this restructuring of WRA is shown as a "special item" on the City's statement of activities. See note 11 on page 50 for a more in-depth discussion of this item.

City of West Des Moines, Iowa

Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005

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

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 4,894	\$ 4,791	\$ 7,359	\$ 6,899	\$ 12,253	\$ 11,690
Operating grants and contributions	6,559	6,456	-	-	6,559	6,456
Capital grants and contributions	9,278	20,802	542	893	9,820	21,695
General revenues:						
Property taxes	39,497	38,402	-	-	39,497	38,402
Other taxes	2,548	2,369	-	-	2,548	2,369
Earnings on investments	1,755	1,083	293	218	2,048	1,301
Loss from joint venture	-	-	-	(641)	-	(641)
Other	1,122	704	-	284	1,122	988
<b>Total revenues</b>	<b>65,653</b>	<b>74,607</b>	<b>8,194</b>	<b>7,653</b>	<b>73,847</b>	<b>82,260</b>
<b>Expenses:</b>						
General government	5,482	4,683	-	-	5,482	4,683
Public safety	15,648	14,588	-	-	15,648	14,588
Public works	10,007	13,856	-	-	10,007	13,856
Health and social services	850	830	-	-	850	830
Culture and recreation	7,451	7,141	-	-	7,451	7,141
Community and economic development	4,945	2,960	-	-	4,945	2,960
Interest on long-term debt	6,391	6,284	-	-	6,391	6,284
Sanitary sewer	-	-	3,989	3,389	3,989	3,389
Solid waste	-	-	1,355	1,318	1,355	1,318
<b>Total expenses</b>	<b>50,774</b>	<b>50,342</b>	<b>5,344</b>	<b>4,707</b>	<b>56,118</b>	<b>55,049</b>
Transfers	174	-	(174)	-	-	-
Special item, contribution to WRA	-	-	(21,351)	-	(21,351)	-
Change in net assets	15,053	24,265	(18,675)	2,946	(3,622)	27,211
Net assets, beginning of year	234,423	210,158	81,122	78,176	315,545	288,334
Net assets, end of year	\$ 249,476	\$ 234,423	\$ 62,447	\$ 81,122	\$ 311,923	\$ 315,545

## City of West Des Moines, Iowa

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

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#### Financial Analysis of the Government's Fund Financial Statements

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

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

The City's governmental funds reported combined fund balances of \$50,975,967 as of June 30, 2005. This was a decrease of \$26,849,304, or 34.5 percent, over the prior year. Of this total amount, \$31,230,567 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate prior period contracts and purchase orders of \$10,469,117, and 2) to fund various debt service payments totaling \$9,276,283.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$8,745,770, while total fund balance was \$8,753,583. As a measure of the General Fund's liquidity, it is generally useful to compare both unreserved fund balance and total fund balance to total fund expenditures. In this instance, unreserved fund balance and total fund balance both represent approximately 26 percent of total General Fund expenditures. These funds will be needed as working capital during the initial months of the new fiscal year as property tax revenue is only collected semi-annually, in September and March, with the majority of the revenue remitted to the City by the respective county treasurers in the months of October and April.

The fund balance for the City of West Des Moines' General Fund increased by \$587,726 during the current fiscal year. Key factors in this increase are as follows:

- Record levels of building permits issued in prior years resulted in a higher property tax base for the community and increased the amount of property tax revenue received.
- Rebounding interest rates improved the City's return on the investment of idle funds. This interest income is shown under the classification "Use of money and property" on the Statement of Revenues, Expenditures and Charges in Fund Balance – Governmental Funds (see pages 21 and 22).

The Tax Increment Financing (TIF) Fund had a total fund balance of \$7,802,589, all of which is unreserved. These funds will be transferred from the Tax Increment Financing Fund to cover debt payments on general obligation bonds, which were used to finance infrastructure improvements in the TIF districts, as the debt payments become due.

The Debt Service Fund had a fund balance of \$9,276,283, all of which is reserved for the payment of debt service (i.e. payment of general obligation principal and interest).

## City of West Des Moines, Iowa

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005

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The Capital Project Fund had a total fund balance of \$21,809,148, of which \$10,461,304 is reserved for the liquidation of construction contracts that were entered into during the prior period. The decrease in fund balance during the current fiscal year of \$24,298,493, or 52.7 percent, reflects the completion of construction contracts for which the bond proceeds (i.e. proceeds from long-term debt) were received in a prior fiscal year.

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

Total net assets of the Sanitary Sewer Fund at the end of the year amounted to \$62,117,516. This is comprised of: \$45,374,573 invested in capital assets, net of related debt; \$1,089,769 restricted for debt service; and \$15,653,174 in unrestricted net assets. Total net assets of the Solid Waste Fund at the end of the current year were \$331,489, all of which was unrestricted. The Solid Waste Fund does not have any investment in capital assets as this service was out-sourced to a private contractor in November of 2000.

#### Budgetary Highlights

The City presents budgetary information as allowed by GASB Statement No. 41. Budgets are based on nine functional areas as required by state statute, not by fund or fund type.

During the year, amendments to budgeted expenditures were primarily due to changes in the timing of capital improvement projects and the City's decision to request a special census be taken by the U.S. Census Bureau in 2005. The special census was requested following an analysis of the estimated \$700,000 cost of a special census and the expected future benefits in terms of per capita revenue sources over the next several years. The revenue budget was also amended to reflect increased interest income as a result of improved market rates and to increase permit revenue in response to the issuance of record levels of commercial building permits. The budgetary comparison schedules on pages 57 through 60 provide more information.

#### Capital Assets and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$400,279,923 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings (e.g. recreation trails, athletic fields, parking lots), vehicles and equipment, and infrastructure (e.g. roads, bridges, sanitary sewer lines). The total increase in the City of West Des Moines' capital assets for the current fiscal year was 9 percent.

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

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

**City of West Des Moines, Iowa**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005**

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

The *required supplementary information* that must be presented by government's electing this approach appears on pages 61 through 64 of this report.

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

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

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 21,217	\$ 19,956	\$ 258	\$ 257	\$ 21,475	\$ 20,213
Buildings	33,818	33,675	-	-	33,818	33,675
Improvements other than buildings	29,694	28,526	-	-	29,694	28,526
Equipment and vehicles	16,579	16,320	7	-	16,586	16,320
Construction-in-progress	43,856	26,079	2,794	4,361	46,650	30,440
Share of undivided equity interest assets	999	993	-	-	999	993
Infrastructure, depreciable	-	-	66,829	63,763	66,829	63,763
Infrastructure, nondepreciable	233,590	218,474	-	-	233,590	218,474
Accumulated depreciation	(29,645)	(26,716)	(19,716)	(18,380)	(49,361)	(45,096)
<b>Total capital assets</b>	<b>\$ 350,108</b>	<b>\$ 317,307</b>	<b>\$ 50,172</b>	<b>\$ 50,001</b>	<b>\$ 400,280</b>	<b>\$ 367,308</b>

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

- Construction began or continued on the following street projects with construction-in-progress totals as shown:
  - South Jordan Creek Parkway between Mills Civic Parkway and Grand Avenue \$7,353,594
  - Jordan Creek Parkway between Ashworth Road and Mills Civic Parkway \$5,057,885
  - Railroad Avenue widening and reconstruction \$8,589,377
  - Grand Avenue between S. 60<sup>th</sup> Street and South Jordan Creek Parkway \$2,774,520
  - S. 68<sup>th</sup> Street between Mills Civic Parkway and Stagecoach Drive \$2,277,933
  - Stagecoach Drive between S. 68<sup>th</sup> and South Jordan Creek Parkway \$3,625,016
  - 50<sup>th</sup> Street between Ashworth Road and E.P. True Parkway \$3,660,969

**City of West Des Moines, Iowa**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005**

- Construction began or continued on the following sanitary sewer projects with construction-in-progress totals as shown:
  - Town Center/West Sanitary Sewer \$1,192,277
  - South Area Trunk Sewer/Walnut Woods \$697,332
  - South Area Trunk Sewer/S. 11<sup>th</sup> Street to the SW Connector \$792,336
- Construction continued on the fiber communications project. Construction-in-progress now totals \$2,857,094.
- Planning and design continued for a new Public Safety facility to be located at the intersection of S. 81<sup>st</sup> Street and Mills Civic Parkway.

Additional information concerning the City's capital assets can be found in Note 1 and Note 3 of the *Notes to Basic Financial Statements* on pages 31 through 38 and 41 and 42, respectively.

**Long-term debt.** At the close of the fiscal year ended June 30, 2005, the City had total bonded debt outstanding of \$159,682,000. Of this amount, \$144,280,000 comprises debt backed by the full faith and credit of the government and the remaining \$15,402,000 represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

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

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 144,280,000	\$ 148,863,512	\$ -	\$ 611,486	\$ 144,280,000	\$ 149,474,998
Revenue bonds	10,600,000	16,295,000	4,802,000	5,384,000	15,402,000	21,679,000
<b>Total</b>	<b>\$ 154,880,000</b>	<b>\$ 165,158,512</b>	<b>\$ 4,802,000</b>	<b>\$ 5,995,486</b>	<b>\$ 159,682,000</b>	<b>\$ 171,153,998</b>

The City's total bonded debt decreased by \$11,471,998 (6.7 percent) during the current fiscal year. The only new debt issued was a \$3,055,000 refunding of general obligation debt to take advantage of favorable interest rates. The majority of the decrease results from regularly scheduled payments to retire existing debt and begin returning to a generally lower level of debt, following a significant increase in the prior year to expand infrastructure to accommodate rapid growth and development taking place in underdeveloped and newly annexed areas of the City.

State constitution limits the amount of general obligation debt an Iowa city may issue to 5 percent of the actual assessed value of all taxable property in the City of West Des Moines. The current debt limitation for the City is \$216,929,744. With outstanding general obligation debt of \$144,280,000 and other debt subject to the limitation of \$11,170,195, the City had utilized 71.7 percent of the debt limit as of June 30, 2005.

During this period, the City of West Des Moines' debt rating by Standard & Poor's was upgraded from "Aa1" to "AAA", the highest rating given by the rating agency, in March of 2005. The City also maintained its "Aa1" rating by Moody's Investors Service, that agency's second highest rating.

Additional information on the City's long-term debt can be found in Note 4 on pages 43 through 47 of this report.



## **City of West Des Moines, Iowa**

### **Management's Discussion and Analysis For Fiscal Year Ended June 30, 2005**

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#### **Economic Factors and Next Year's Budgets and Rates**

The City of West Des Moines expects growth in taxable property valuations to continue over the next several years as West Des Moines is one of the fastest growing cities in the state of Iowa. In fiscal year 2004 – 2005, the City again set a new record for commercial building permit valuations and, based on the significant value of building permits and plans submitted to the Community Development Department to-date for both commercial and residential development another strong year is expected. However, through approximately 2009, a significant portion of the incremental property value gained in the newly annexed and rapidly expanding western and southern portions of the City has been committed to the repayment of general obligation bonds. This debt was issued to provide municipal services, including construction of infrastructure, in the area. As a result, the City of West Des Moines has continued to budget conservatively for the fiscal year ending June 30, 2006.

#### **Requests for Information**

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

City of West Des Moines, Iowa

Statement of Net Assets  
June 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
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
<b>Total current assets</b>	<b>108,501,228</b>	<b>16,189,541</b>	<b>124,690,769</b>
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
	<b>818,072</b>	<b>1,104,216</b>	<b>1,922,288</b>
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)
<b>Net capital assets</b>	<b>350,108,304</b>	<b>50,171,619</b>	<b>400,279,923</b>
<b>Total noncurrent assets</b>	<b>350,926,376</b>	<b>51,275,835</b>	<b>402,202,211</b>
<b>Total assets</b>	<b>\$ 459,427,604</b>	<b>\$ 67,465,376</b>	<b>\$ 526,892,980</b>

See Notes to Basic Financial Statements.

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Liabilities</b>			
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
<b>Total current liabilities</b>	<b>67,633,579</b>	<b>787,189</b>	<b>68,420,768</b>
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
<b>Total noncurrent liabilities</b>	<b>142,318,040</b>	<b>4,231,190</b>	<b>146,549,230</b>
<b>Total liabilities</b>	<b>209,951,619</b>	<b>5,018,379</b>	<b>214,969,998</b>
<b>Net Assets</b>			
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
<b>Total net assets</b>	<b>249,475,985</b>	<b>62,446,997</b>	<b>311,922,982</b>
<b>Total liabilities and net assets</b>	<b>\$ 459,427,604</b>	<b>\$ 67,465,376</b>	<b>\$ 526,892,980</b>

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	-	-	-
<b>Total governmental activities</b>	<b>50,774,041</b>	<b>4,894,172</b>	<b>6,559,069</b>	<b>9,277,782</b>
Business-type activities:				
Sewer system	3,989,864	6,013,830	-	541,716
Solid waste system	1,354,786	1,345,474	-	-
<b>Total business-type activities</b>	<b>5,344,650</b>	<b>7,359,304</b>	<b>-</b>	<b>541,716</b>
<b>Total primary government</b>	<b>\$ 56,118,691</b>	<b>\$ 12,253,476</b>	<b>\$ 6,559,069</b>	<b>\$ 9,819,498</b>

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	-	-
<b>Total assets</b>	<b>\$ 33,198,738</b>	<b>\$ 18,975,759</b>	<b>\$ 15,617,079</b>
<b>Liabilities and Fund Equity</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 683,753	\$ -	\$ -
Accrued wages payable	674,165	-	-
Due to other funds	-	-	-
Deferred revenue	23,087,237	11,173,170	6,340,796
<b>Total liabilities</b>	<b>24,445,155</b>	<b>11,173,170</b>	<b>6,340,796</b>
<b>Fund Equity:</b>			
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	-	-	-
<b>Total fund equity</b>	<b>8,753,583</b>	<b>7,802,589</b>	<b>9,276,283</b>
<b>Total liabilities and fund equity</b>	<b>\$ 33,198,738</b>	<b>\$ 18,975,759</b>	<b>\$ 15,617,079</b>

See Notes to Basic Financial Statements.

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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
<b>Revenues:</b>			
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	-	-
<b>Total revenues</b>	<b>31,577,171</b>	<b>9,999,998</b>	<b>6,928,267</b>
<b>Expenditures:</b>			
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	-	-
<b>Total expenditures</b>	<b>33,340,723</b>	<b>6,362,797</b>	<b>13,422,699</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,763,552)</b>	<b>3,637,201</b>	<b>(6,494,432)</b>
<b>Other financing sources (uses):</b>			
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	-	-
<b>Total other financing sources (uses)</b>	<b>2,351,278</b>	<b>(6,722,813)</b>	<b>8,967,569</b>
<b>Net changes in fund balances</b>	<b>587,726</b>	<b>(3,085,612)</b>	<b>2,473,137</b>
Fund balances, beginning of year	8,165,857	10,888,201	6,803,146
Fund balances, end of year	<b>\$ 8,753,583</b>	<b>\$ 7,802,589</b>	<b>\$ 9,276,283</b>

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
<b>Assets</b>				
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
<b>Total current assets</b>	<b>15,733,870</b>	<b>457,679</b>	<b>16,191,549</b>	<b>6,859,958</b>
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)
<b>Net capital assets</b>	<b>50,171,619</b>	<b>-</b>	<b>50,171,619</b>	<b>4,135,678</b>
<b>Total noncurrent assets</b>	<b>51,275,835</b>	<b>-</b>	<b>51,275,835</b>	<b>4,135,678</b>
<b>Total assets</b>	<b>\$ 67,009,705</b>	<b>\$ 457,679</b>	<b>\$ 67,467,384</b>	<b>\$ 10,995,636</b>

See Notes to Basic Financial Statements.

	Sewer System	Nonmajor Enterprise Fund - Solid Waste	Total Enterprise Funds	Governmental Activities Internal Service Funds
<b>Liabilities and Net Assets</b>				
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	-
<b>Total current liabilities</b>	<b>671,628</b>	<b>115,561</b>	<b>787,189</b>	<b>393,801</b>
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	-
<b>Total noncurrent liabilities</b>	<b>4,220,561</b>	<b>10,629</b>	<b>4,231,190</b>	<b>-</b>
<b>Total liabilities</b>	<b>4,892,189</b>	<b>126,190</b>	<b>5,018,379</b>	<b>393,801</b>
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
<b>Total net assets</b>	<b>62,117,516</b>	<b>331,489</b>	<b>62,449,005</b>	<b>10,601,835</b>
<b>Total liabilities and net assets</b>	<b>\$ 67,009,705</b>	<b>\$ 457,679</b>	<b>\$ 67,467,384</b>	<b>\$ 10,995,636</b>
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	-
<b>Total operating revenues</b>	<b>6,013,830</b>	<b>1,345,474</b>	<b>7,359,304</b>	<b>3,923,200</b>
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	-
<b>Total operating expenses</b>	<b>3,482,146</b>	<b>1,354,786</b>	<b>4,836,932</b>	<b>4,823,276</b>
<b>Operating income (loss)</b>	<b>2,531,684</b>	<b>(9,312)</b>	<b>2,522,372</b>	<b>(900,076)</b>
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
<b>Total nonoperating revenues (expenses)</b>	<b>(217,513)</b>	<b>-</b>	<b>(217,513)</b>	<b>497,020</b>
<b>Income (loss) before special items, contributions and transfers</b>	<b>2,314,171</b>	<b>(9,312)</b>	<b>2,304,859</b>	<b>(403,056)</b>
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)
<b>Change in net assets</b>	<b>(18,668,541)</b>	<b>(9,312)</b>	<b>(18,677,853)</b>	<b>(538,597)</b>
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)	-
<b>Net cash provided by (used in) operating activities</b>	<b>4,081,387</b>	<b>(5,042)</b>	<b>4,076,345</b>	<b>(58,292)</b>
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)
<b>Net cash (used in) noncapital financing activities</b>	<b>(295,137)</b>	<b>-</b>	<b>(295,137)</b>	<b>(165,116)</b>
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
<b>Net cash (used in) capital and related financing activities</b>	<b>(2,668,961)</b>	<b>-</b>	<b>(2,668,961)</b>	<b>(1,037,109)</b>
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
<b>Net cash (used in) investing activities</b>	<b>(1,737,685)</b>	<b>-</b>	<b>(1,737,685)</b>	<b>(1,561,318)</b>
<b>(Decrease) in cash and cash equivalents</b>	<b>(620,396)</b>	<b>(5,042)</b>	<b>(625,438)</b>	<b>(2,821,835)</b>
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	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 4,081,387</b>	<b>\$ (5,042)</b>	<b>\$ 4,076,345</b>	<b>\$ (58,292)</b>
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

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**Assets**

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

**Liabilities**

Accounts payable	\$	500
Deposits and remittances due		202,941
	<b>\$</b>	<b>203,441</b>

See Notes to Basic Financial Statements.

## City of West Des Moines, Iowa

### Notes to Basic Financial Statements

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#### **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

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#### 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
<b>Governmental Activities</b>				
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
<b>Total capital assets, not being depreciated</b>	<b>264,509,336</b>	<b>48,391,898</b>	<b>14,238,614</b>	<b>298,662,620</b>
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
<b>Total capital assets, being depreciated</b>	<b>79,514,106</b>	<b>3,152,529</b>	<b>1,575,839</b>	<b>81,090,796</b>
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
<b>Total accumulated depreciation</b>	<b>26,716,055</b>	<b>4,400,996</b>	<b>1,471,939</b>	<b>29,645,112</b>
<b>Total capital assets, being depreciated, net</b>	<b>52,798,051</b>	<b>(1,248,467)</b>	<b>103,900</b>	<b>51,445,684</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 317,307,387</b>	<b>\$ 47,143,431</b>	<b>\$ 14,342,514</b>	<b>\$ 350,108,304</b>

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
<b>Business-Type Activities</b>				
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
<b>Total capital assets, not being depreciated</b>	<b>4,617,923</b>	<b>1,132,383</b>	<b>2,697,827</b>	<b>3,052,479</b>
Capital assets, being depreciated:				
Equipment	-	6,977	-	6,977
Sanitary sewer system	63,763,404	3,065,462	-	66,828,866
<b>Total capital assets, being depreciated</b>	<b>63,763,404</b>	<b>3,072,439</b>	<b>-</b>	<b>66,835,843</b>
Less accumulated depreciation for:				
Equipment	-	1,395	-	1,395
Sanitary sewer system	18,380,465	1,334,843	-	19,715,308
<b>Total accumulated depreciation</b>	<b>18,380,465</b>	<b>1,336,238</b>	<b>-</b>	<b>19,716,703</b>
<b>Total capital assets, being depreciated, net</b>	<b>45,382,939</b>	<b>1,736,201</b>	<b>-</b>	<b>47,119,140</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 50,000,862</b>	<b>\$ 2,868,584</b>	<b>\$ 2,697,827</b>	<b>\$ 50,171,619</b>

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

<b>Governmental Activities</b>	
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
<b>Governmental activities:</b>					
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>
<b>Business-Type activities:</b>					
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>
<b>Total long-term debt</b>	<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
				<u>\$ 163,339,249</u>	<u>\$ 144,280,000</u>

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

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#### 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
<b>Legal debt margin</b>	<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
<b>Total</b>	<b>\$ 409,609</b>	<b>\$ 409,609</b>

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
<b>Total</b>	<b>\$ 67,068,004</b>	<b>\$ 67,068,004</b>

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**

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**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

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#### 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
<b>Total assets</b>	<b>\$ 350,530,958</b>

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

#### 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**

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**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.

**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
<b>Total revenues</b>	<b>62,942,339</b>	<b>11,974,249</b>	<b>74,916,588</b>
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
<b>Total expenditures/expenses</b>	<b>99,273,322</b>	<b>9,517,911</b>	<b>108,791,233</b>
<b>Excess (deficiency) of revenues over (under) expenditures/expenses</b>	<b>(36,330,983)</b>	<b>2,456,338</b>	<b>(33,874,645)</b>
Other financing sources, net	5,286,782	(2,165,276)	3,121,506
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses</b>	<b>(31,044,201)</b>	<b>291,062</b>	<b>(30,753,139)</b>
Balances, beginning of year	80,773,557	87,564,400	168,337,957
Balances, end of year	<b>\$ 49,729,356</b>	<b>\$ 87,855,462</b>	<b>\$ 137,584,818</b>

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**

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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**

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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	-	-	-	-	-	-
<b>Total</b>		<b>492</b>	<b>100.0%</b>	<b>555</b>	<b>100.0%</b>	<b>581</b>	<b>100.0%</b>

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	-	-	-	-
<b>Total</b>		<b>16</b>	<b>100.0%</b>	<b>16</b>	<b>100.0%</b>

	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	-	-	-	-	-	-	
<b>Total</b>	<b>32</b>	<b>100.0%</b>	<b>32</b>	<b>100.0%</b>	<b>30</b>	<b>100.0%</b>	

	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

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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.

City of West Des Moines, Iowa

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2005

	Special Revenue			
	Road Use Tax	Police and Fire Retirement	Employee Benefit	Economic Development
<b>Assets</b>				
Cash and investments	\$ 1,470,027	\$ -	\$ -	\$ -
Receivables:				
Property taxes	-	1,203,581	1,827,426	-
Accounts	-	-	-	-
Loans	-	-	-	288,864
Due from other governments	644,476	-	-	-
<b>Total assets</b>	<b>\$ 2,114,503</b>	<b>\$ 1,203,581</b>	<b>\$ 1,827,426</b>	<b>\$ 288,864</b>
<b>Liabilities and Fund Balances (Deficits)</b>				
Liabilities:				
Accounts payable	\$ 48,590	\$ -	\$ -	\$ -
Accrued wages payable	-	-	-	-
Due to other funds	-	3,600	6,307	104,813
Deferred revenue	-	1,199,981	1,821,119	288,864
<b>Total liabilities</b>	<b>48,590</b>	<b>1,203,581</b>	<b>1,827,426</b>	<b>393,677</b>
Fund Balances (Deficits), unreserved, undesignated	2,065,913	-	-	(104,813)
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 2,114,503</b>	<b>\$ 1,203,581</b>	<b>\$ 1,827,426</b>	<b>\$ 288,864</b>

Housing Programs	Parks	Library	Public Safety	Total
\$ 129,769	\$ 844,097	\$ 164,059	\$ 258,520	\$ 2,866,472
-	-	-	-	3,031,007
479	-	-	622	1,101
-	-	-	-	288,864
-	-	-	-	644,476
\$ 130,248	\$ 844,097	\$ 164,059	\$ 259,142	\$ 6,831,920
\$ 3,802	\$ 1,227	\$ 14,638	\$ 1,675	\$ 69,932
2,940	-	-	-	2,940
-	-	-	-	114,720
-	-	-	-	3,309,964
6,742	1,227	14,638	1,675	3,497,556
123,506	842,870	149,421	257,467	3,334,364
\$ 130,248	\$ 844,097	\$ 164,059	\$ 259,142	\$ 6,831,920

City of West Des Moines, Iowa

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2005**

	Special Revenue			
	Road Use Tax	Police and Fire Retirement	Employee Benefit	Economic Development
<b>Revenues:</b>				
Property taxes	\$ -	\$ 939,794	\$ 1,647,030	\$ -
Other City taxes	-	18,515	32,448	-
Intergovernmental	3,893,940	-	-	5,000
Use of money and property	-	498	-	-
Miscellaneous	-	-	-	75,179
<b>Total revenues</b>	<b>3,893,940</b>	<b>958,807</b>	<b>1,679,478</b>	<b>80,179</b>
<b>Expenditures:</b>				
Current operating:				
Public safety	-	1,321,633	-	-
Public works	580,666	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	817,558
Debt service, principal	53,233	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>633,899</b>	<b>1,321,633</b>	<b>-</b>	<b>817,558</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>3,260,041</b>	<b>(362,826)</b>	<b>1,679,478</b>	<b>(737,379)</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	363,323	-	860,208
Transfers out	(5,818,094)	(22,302)	(1,679,478)	-
Proceeds from the sale of capital assets	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(5,818,094)</b>	<b>341,021</b>	<b>(1,679,478)</b>	<b>860,208</b>
<b>Net change in fund balances</b>	<b>(2,558,053)</b>	<b>(21,805)</b>	<b>-</b>	<b>122,829</b>
Fund balances (deficits), beginning of year	4,623,966	21,805	-	(227,642)
Fund balances (deficits), end of year	\$ 2,065,913	\$ -	\$ -	\$ (104,813)

Housing Programs	Parks	Library	Public Safety	Total
\$ -	\$ -	\$ -	\$ -	\$ 2,586,824
-	-	-	-	50,963
104,325	-	-	-	4,003,265
853	16,695	3,030	2,470	23,546
43,705	49,349	24,395	87,638	280,266
148,883	66,044	27,425	90,108	6,944,864
-	-	-	39,902	1,361,535
-	-	-	-	580,666
145,705	-	-	-	145,705
-	4,179	19,082	-	23,261
27,374	-	-	-	844,932
-	-	-	-	53,233
-	19,012	-	61,345	80,357
173,079	23,191	19,082	101,247	3,089,689
(24,196)	42,853	8,343	(11,139)	3,855,175
27,374	-	-	-	1,250,905
(3,500)	(82,558)	(1,000)	(29,000)	(7,635,932)
-	-	-	3,790	3,790
23,874	(82,558)	(1,000)	(25,210)	(6,381,237)
(322)	(39,705)	7,343	(36,349)	(2,526,062)
123,828	882,575	142,078	293,816	5,860,426
\$ 123,506	\$ 842,870	\$ 149,421	\$ 257,467	\$ 3,334,364



City of West Des Moines, Iowa

Combining Statement of Net Assets  
Internal Service Funds  
June 30, 2005

Assets	Vehicle Replacement	Vehicle Maintenance	Health and Dental Insurance	Total
Current assets:				
Cash and investments	\$ 6,075,012	\$ -	\$ 658,465	\$ 6,733,477
Accounts receivable	-	1,093	-	1,093
Accrued interest	59,706	-	7,478	67,184
Due from other governments	-	24,614	-	24,614
Inventories	-	33,590	-	33,590
<b>Total current assets</b>	<b>6,134,718</b>	<b>59,297</b>	<b>665,943</b>	<b>6,859,958</b>
Noncurrent assets, capital assets:				
Equipment and vehicles	9,728,436	-	-	9,728,436
Accumulated depreciation	(5,592,758)	-	-	(5,592,758)
<b>Total noncurrent assets</b>	<b>4,135,678</b>	<b>-</b>	<b>-</b>	<b>4,135,678</b>
<b>Total assets</b>	<b>\$ 10,270,396</b>	<b>\$ 59,297</b>	<b>\$ 665,943</b>	<b>\$ 10,995,636</b>
<b>Liabilities and Net Assets</b>				
Liabilities:				
Current:				
Accounts payable	\$ 361	\$ 61,480	\$ 54,881	\$ 116,722
Claims payable	-	-	257,301	257,301
Due to other funds	-	19,778	-	19,778
<b>Total current liabilities</b>	<b>361</b>	<b>81,258</b>	<b>312,182</b>	<b>393,801</b>
Net assets:				
Invested in capital assets, net of related debt	4,135,678	-	-	4,135,678
Unrestricted	6,134,357	(21,961)	353,761	6,466,157
<b>Total net assets</b>	<b>10,270,035</b>	<b>(21,961)</b>	<b>353,761</b>	<b>10,601,835</b>
<b>Total liabilities and net assets</b>	<b>\$ 10,270,396</b>	<b>\$ 59,297</b>	<b>\$ 665,943</b>	<b>\$ 10,995,636</b>

City of West Des Moines, Iowa

Combining Statement of Revenues, Expenses and Changes in Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2005

	Vehicle Replacement	Vehicle Maintenance	Health and Dental Insurance	Total
Operating revenues:				
Charges for services	\$ -	\$ 742,068	\$ 2,297,769	\$ 3,039,837
Lease revenue	883,363	-	-	883,363
<b>Total operating revenues</b>	<b>883,363</b>	<b>742,068</b>	<b>2,297,769</b>	<b>3,923,200</b>
Operating expenses:				
Cost of sales and services	-	721,021	2,785,646	3,506,667
Administration	-	-	434,973	434,973
Depreciation	881,636	-	-	881,636
<b>Total operating expenses</b>	<b>881,636</b>	<b>721,021</b>	<b>3,220,619</b>	<b>4,823,276</b>
<b>Operating income (loss)</b>	<b>1,727</b>	<b>21,047</b>	<b>(922,850)</b>	<b>(900,076)</b>
Nonoperating revenues (expenses):				
Investment earnings	143,541	-	28,908	172,449
Gain on disposal of capital assets	324,571	-	-	324,571
<b>Total nonoperating revenues (expenses)</b>	<b>468,112</b>	<b>-</b>	<b>28,908</b>	<b>497,020</b>
<b>Income (loss) before transfers</b>	<b>469,839</b>	<b>21,047</b>	<b>(893,942)</b>	<b>(403,056)</b>
Transfers in	8,000	-	-	8,000
Transfers out	(143,541)	-	-	(143,541)
<b>Change in net assets</b>	<b>334,298</b>	<b>21,047</b>	<b>(893,942)</b>	<b>(538,597)</b>
Total net assets, beginning of year	9,935,737	(43,008)	1,247,703	11,140,432
Total net assets, end of year	\$ 10,270,035	\$ (21,961)	\$ 353,761	\$ 10,601,835

City of West Des Moines, Iowa

Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2005

	Vehicle Replacement	Vehicle Maintenance	Health and Dental Insurance	Total
<b>Cash Flows From Operating Activities:</b>				
Receipts from customers and users	\$ 883,363	\$ 735,448	\$ 2,300,454	\$ 3,919,265
Payments to suppliers	(33,768)	(705,873)	(415,288)	(1,154,929)
Payments to claimants	-	-	(2,822,628)	(2,822,628)
<b>Net cash provided by (used in) operating activities</b>	<b>849,595</b>	<b>29,575</b>	<b>(937,462)</b>	<b>(58,292)</b>
<b>Cash Flows From Noncapital Financing Activities:</b>				
Payments for other funds	-	(29,575)	-	(29,575)
Transfers in	8,000	-	-	8,000
Transfers out	(143,541)	-	-	(143,541)
<b>Net cash (used in) noncapital financing activities</b>	<b>(135,541)</b>	<b>(29,575)</b>	<b>-</b>	<b>(165,116)</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Purchase of capital assets	(1,042,109)	-	-	(1,042,109)
Proceeds from sale of capital assets	5,000	-	-	5,000
<b>Net cash (used in) capital and related financing activities</b>	<b>(1,037,109)</b>	<b>-</b>	<b>-</b>	<b>(1,037,109)</b>
<b>Cash Flows From Investing Activities:</b>				
Interest received	108,388	-	29,816	138,204
Purchase of investment securities	(3,449,522)	-	-	(3,449,522)
Proceeds from maturity of investment securities	1,750,000	-	-	1,750,000
<b>Net cash provided by (used in) investing activities</b>	<b>(1,591,134)</b>	<b>-</b>	<b>29,816</b>	<b>(1,561,318)</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(1,914,189)</b>	<b>-</b>	<b>(907,646)</b>	<b>(2,821,835)</b>
<b>Cash and cash equivalents:</b>				
Beginning of year	4,539,679	-	1,566,111	6,105,790
End of year	\$ 2,625,490	\$ -	\$ 658,465	\$ 3,283,955

(Continued)

City of West Des Moines, Iowa

Combining Statement of Cash Flows (Continued)

Internal Service Funds

For the Year Ended June 30, 2005

	Vehicle Replacement	Vehicle Maintenance	Health and Dental Insurance	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ 1,727	\$ 21,047	\$ (922,850)	\$ (900,076)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	881,636	-	-	881,636
Change in assets and liabilities:				
Receivables	-	(6,619)	2,685	(3,934)
Accounts payable	(33,768)	15,147	19,685	1,064
Claims payable	-	-	(36,982)	(36,982)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 849,595</b>	<b>\$ 29,575</b>	<b>\$ (937,462)</b>	<b>\$ (58,292)</b>
Reconciliation of cash and cash equivalents to specific assets on the combining balance sheet:				
Cash and investments	\$ 6,075,012	\$ -	\$ 658,465	\$ 6,733,477
Less items not meeting the definition of cash equivalents	(3,449,522)	-	-	(3,449,522)
Cash and cash equivalents at end of year	<u>\$ 2,625,490</u>	<u>\$ -</u>	<u>\$ 658,465</u>	<u>\$ 3,283,955</u>
Schedule of noncash capital and related financing activities, purchase of capital assets through like-kind exchange				
	<u>\$ 390,388</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 390,388</u>

City of West Des Moines, Iowa

Combining Statement of Assets and Liabilities

Agency Funds

June 30, 2005

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	Collections and Deposits	Section 125 Plan	Total Agency Funds
<b>Assets</b>			
Cash and investments	\$ 187,670	\$ 7,912	\$ 195,582
Restricted assets, contractors' bonds	7,859	-	7,859
<b>Total assets</b>	<b>\$ 195,529</b>	<b>\$ 7,912</b>	<b>\$ 203,441</b>
<b>Liabilities</b>			
Accounts payable	\$ 500	\$ -	\$ 500
Deposits and remittances due	195,029	7,912	202,941
<b>Total liabilities</b>	<b>\$ 195,529</b>	<b>\$ 7,912</b>	<b>\$ 203,441</b>

City of West Des Moines, Iowa

Combining Statement of Changes in Assets and Liabilities  
 Agency Funds  
 For the Year Ended June 30, 2005

Collections and Deposits	Balance June 30, 2004	Increases	Decreases	Balance June 30, 2005
<b>Assets</b>				
Cash and investments	\$ 281,962	\$ -	\$ 94,292	\$ 187,670
Restricted cash and investments- contractors' bonds	8,360	26,531	27,032	7,859
<b>Total assets</b>	\$ 290,322	\$ 26,531	\$ 121,324	\$ 195,529
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 500	\$ -	\$ 500
Deposits and remittances due	290,322	30,915	126,208	195,029
<b>Total liabilities</b>	\$ 290,322	\$ 31,415	\$ 126,208	\$ 195,529
<b>Section 125 Plan</b>				
<b>Assets, cash and investments</b>	\$ 5,250	\$ 150,049	\$ 147,387	\$ 7,912
<b>Liabilities, deposits and remittances due</b>	\$ 5,250	\$ 150,049	\$ 147,387	\$ 7,912
<b>Combined Funds</b>				
<b>Assets</b>				
Cash and investments	\$ 287,212	\$ 150,049	\$ 241,679	\$ 195,582
Restricted cash and investments- contractors' bonds	8,360	26,531	27,032	7,859
<b>Total assets</b>	\$ 295,572	\$ 176,580	\$ 268,711	\$ 203,441
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 500	\$ -	\$ 500
Deposits and remittances due	295,572	180,964	273,595	202,941
<b>Total liabilities</b>	\$ 295,572	\$ 181,464	\$ 273,595	\$ 203,441

City of West Des Moines, Iowa

Summary of Key Data for Each TIF District  
(Unaudited)  
For the Year Ended June 30, 2005

	Valley Junction / RR	Westtown III	Westtown IV	Mills Parkway	Jordan Creek	Total
Beginning Balance	\$ 4,217,808	\$ 1,619,671	\$ 3,280,073	\$ 1,558,116	\$ 301,156	\$ 10,976,824
Deposits:						
Property tax	2,529,524	1,677,548	939,073	3,405,359	1,302,243	9,853,747
Interest in investments	-	16,562	18,171	22,895	-	57,628
Withdrawals:						
Debt service	1,919,819	1,478,251	4,098,147	3,188,235	1,556,104	12,240,556
Transfer to capital projects:						
WestNet	-	139,984	89,900	-	-	229,884
University Bridge I80/35	-	-	309,396	-	-	309,396
Westtown/West Lakes to 74th	-	12,432	-	-	-	12,432
Westtown/35th to West Lakes	-	-	32,409	-	-	32,409
74th Street improvements	-	22,534	-	-	-	22,534
60th Street interchange	-	26,123	-	-	-	26,123
JCP Trail/Office Plz-Westtown	-	170,338	-	-	-	170,338
74th/Ashworth - I-80	-	41,488	-	-	-	41,488
Valley Junction buy-out program	450	-	-	-	-	450
<b>Ending Balance</b>	<b>\$ 4,827,063</b>	<b>\$ 1,422,631</b>	<b>\$ (292,535)</b>	<b>\$ 1,798,135</b>	<b>\$ 47,295</b>	<b>\$ 7,802,589</b>

Tax Rates (per \$1,000 of taxable valuation):

Within Polk County	\$ 35.79693	\$ 35.79693	\$ 35.79693	\$ 35.79693	N/A
Within Dallas County	N/A	37.55851	N/A	37.55851	37.55851

January 1, 2004 Taxable Valuations:

Polk County	84,817,890	8,000,000	16,000,000	101,000,000	-
Dallas County	-	25,560,000	-	100,442	92,123,187

City of West Des Moines, Iowa

Summary of Key Data for Sewer Revenue Bonds  
(Unaudited)  
For the Year Ended June 30, 2005

Sales History and Total Sewer Charges

Calendar Year	Gallons Sold	Sewer Charges
1997	1,722,193,000	\$ 4,110,540
1998	1,702,262,650	4,231,943
1999	1,865,276,498	4,501,445
2000	1,982,156,844	4,779,893
2001	2,051,493,848	4,979,354
2002	2,119,054,696	4,930,065
2003	2,175,453,971	4,984,834
2004	2,068,454,938	5,023,024

Number of Sewer Customers

Calendar Year	Residential	Commercial	Total
1997	10,393	756	11,149
1998	11,074	784	11,858
1999	11,958	829	12,787
2000	12,836	885	13,721
2001	14,023	924	14,947
2002	14,644	964	15,608
2003	15,011	933	15,944
2004	15,412	984	16,396

Larger Sewer Customers (Calendar year 2004)

Customer	Water Gallons	Sewer Charges
General Growth Properties	37,630,000	\$ 118,535
Professional Property Mgmt.	35,474,000	111,743
WDM Community Schools	23,139,500	72,889
Belcher & Long Corporation	22,563,000	71,073
Knapp Properties, Inc	20,308,000	63,970
R&R Investors, Ltd	18,904,000	59,548
CMS Wellington LP	17,443,000	54,945
Valley West Mall	16,400,000	51,660
John Q. Hammons Industries	15,988,000	50,362
W.H., LLC	15,829,000	49,861

Rates and Charges

Sanitary Sewer Service - Effective July 1, 1997 \$3.15 per thousand gallons	Sewer Availability Charge - Effective July 1, 2005 \$0.50 per month
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Revenue Debt Supported By Sewer Revenues

Date of Issue	Original Amount	Purpose	Final Maturity	Principal Outstanding As of 6/30/05
09/1994	\$ 2,600,000	Sewer Improvements	06/2014	\$ 1,406,000
06/1995	2,158,000	Sewer Improvements	06/2015	1,276,000
10/1996	1,800,000	Sewer Improvements	06/2017	1,250,000
03/2002	1,655,000	Refunding	06/2008	870,000
				<u>\$ 4,802,000</u>



**Government-Wide Expenses by Function  
Last Three Fiscal Years\*  
(Amounts Expressed in Thousands)**

Fiscal Year Ended June 30	Public Safety	Public Works	Health and Social Services	Culture and Recreation	Community and Economic Development	General Government
2003	\$ 12,686	\$ 20,844	\$ 755	\$ 6,926	\$ 3,401	\$ 3,781
2004	14,588	13,856	830	7,141	2,960	4,683
2005	15,647	10,007	850	7,451	4,945	5,482

Fiscal Year Ended June 30	Interest on Long-Term Debt	Sewer	Solid Waste	Total
2003	\$ 3,962	\$ 3,305	\$ 1,183	\$ 56,843
2004	6,284	4,030	1,318	55,690
2005	6,391	3,990	1,355	56,118

Source: City's financial statements.

\* The City adopted GASB Statement No. 34 in 2003; therefore, only three years of information is presented.

**Government-Wide Revenues  
Last Three Fiscal Years\*  
(Amounts Expressed in Thousands)**

Program Revenues						
Fiscal Year Ended June 30	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
2003	\$ 9,092	\$ 2,453	\$ 14,321			
2004	11,690	2,175	21,695			
2005	<b>12,253</b>	<b>6,559</b>	<b>9,819</b>			

General Revenues						
Fiscal Year Ended June 30	Taxes	Investment Earnings	Unrestricted Grants and Contributions	Gain (Loss) From Joint Venture	Miscellaneous	Total
2003	\$ 43,513	\$ 1,523	\$ 634	\$ (522)	\$ 125	\$ 45,273
2004	45,052	1,301	231	(641)	757	46,700
2005	<b>42,044</b>	<b>2,048</b>	<b>354</b>	-	<b>769</b>	<b>45,215</b>

Source: City's financial statements.

\* The City adopted GASB Statement No. 34 in 2003; therefore, only three years of information is presented.

**General Governmental Expenditures by Function and Transfers Out  
Last Ten Fiscal Years**

Year	Community Protection (1)	Human Development (2)	Home and Community Environment (3)	Policy and Admin. (4)	Transfers Out
1995-96	\$ 7,285,909	\$ 4,130,889	\$ 9,512,643	\$ 2,450,574	\$ 5,451,654
1996-97	7,465,054	4,404,656	11,327,641	2,555,526	3,813,503
1997-98	9,175,860	4,664,592	12,161,845	2,786,290	7,558,510
1998-99	9,459,240	4,731,456	12,908,891	3,119,758	9,104,470
1999-00	10,149,805	5,361,821	9,375,536	3,345,943	8,116,035
2000-01	11,936,843	6,138,401	12,366,881	3,819,716	11,214,757
2001-02	12,763,380	6,462,220	15,346,216	4,040,018	11,671,918

Notes:

General Fund, special revenue funds and Debt Service Fund

- (1) Includes Police, Fire, Emergency Medical Services, Traffic Control & Safety, and Flood Control
- (2) Includes Human Services, Library, Park & Recreation, and Animal Control
- (3) Includes Public Works Admin, Engineering, Street Maint., Economic Development, and Building Inspection
- (4) Includes Mayor & Council, Administrative Services, Insurance, Legal, Planning, and Government Buildings

Year	Public Safety (5)	Public Works (6)	Health and Social Services (7)	Culture and Recreation (8)	Community and Econ. Development (9)	General Government (10)	Debt Service
2002-03	\$ 11,412,329	\$ 5,676,476	\$ 726,762	\$ 4,215,107	\$ 3,372,440	\$ 3,168,044	\$ 15,456,652
2003-04	12,720,663	6,062,234	769,984	4,642,852	2,892,764	3,715,580	18,269,306
2004-05	14,487,675	6,407,950	806,975	5,010,004	4,634,094	3,843,167	19,898,319

Year	Capital Projects	Transfers Out
2002-03	\$ 45,875,946	\$ 18,468,395
2003-04	42,083,369	64,560,725
2004-05	38,086,083	61,663,986

Notes:

All funds except proprietary funds

- (5) Includes Police, Fire, Emergency Medical Svcs, Flood Control, Animal Control, and Building Inspection
- (6) Includes Public Works Admin., Engineering, Street Maint., and Traffic Control & Safety
- (7) Includes Human Services
- (8) Includes Library and Park & Recreation
- (9) Includes Economic Development and Planning
- (10) Includes Mayor & Council, Administrative Services, Insurance, Legal, and Government Buildings

**General Governmental\* Revenues by Source and Transfers In  
Last Ten Fiscal Years**

Year	Taxes	Inter-governmental Revenue	Charges for Services	Fines and Miscellaneous Revenues
1995-96	\$ 18,466,307	\$ 5,712,007	\$ 733,127	\$ 243,429
1996-97	21,684,290	5,965,446	843,885	477,845
1997-98	23,619,680	5,459,362	834,910	276,876
1998-99	25,549,612	5,208,252	1,041,493	617,023
1999-00	25,209,467	5,429,663	1,224,748	435,719
2000-01	30,475,298	6,083,123	1,320,276	549,753
2001-02	33,631,941	7,505,813	1,419,335	465,192
2002-03	38,782,554	6,795,129	1,817,837	928,922
2003-04	40,815,026	6,722,746	2,292,260	1,108,440
<b>2004-05</b>	<b>42,023,906</b>	<b>7,094,768</b>	<b>2,561,137</b>	<b>867,361</b>

Year	Licenses and Permits	Use of Money and Property	Transfers In	Total
1995-96	\$ 671,598	\$ 1,143,618	\$ 3,427,194	\$ 30,397,280
1996-97	650,005	1,118,378	2,686,124	33,425,973
1997-98	662,917	1,245,239	3,496,224	35,595,208
1998-99	1,061,223	1,097,358	3,379,140	37,954,101
1999-00	765,755	1,192,179	4,033,304	38,290,835
2000-01	685,869	1,229,898	4,826,662	45,170,879
2001-02	1,003,125	649,164	6,557,281	51,231,851
2002-03	700,261	696,474	10,629,464	60,350,641
2003-04	1,072,584	987,885	17,761,206	70,760,147
<b>2004-05</b>	<b>1,320,158</b>	<b>1,582,970</b>	<b>16,097,495</b>	<b>71,547,795</b>

Note:

\*General Fund, special revenue funds and Debt Service Fund

**Property Tax Revenues\* by Source  
Last Ten Fiscal Years**

Collection Year	Total Property Taxes	General Property Tax	Incremental Tax
1995-96	\$ 17,557,839	\$ 17,130,622	\$ 427,217
1996-97	20,692,270	18,487,575	2,204,695
1997-98	22,519,974	19,490,842	3,029,132
1998-99	24,243,738	20,001,923	4,241,815
1999-00	24,206,024	22,318,844	1,887,180
2000-01	28,046,318	22,564,813	5,481,505
2001-02	31,587,526	23,019,061	8,568,465
2002-03	37,182,752	25,314,303	11,868,449
2003-04	38,401,617	26,726,691	11,674,926
<b>2004-05</b>	<b>39,496,558</b>	<b>29,554,188</b>	<b>9,942,370</b>

Note:

\*General Fund, special revenue funds and Debt Service Fund

**Property Tax Levies and Collections  
Last Ten Fiscal Years**

Collection Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collection	Total Tax Collections	Total Collections as Percent of Current Levy
1995-96	\$ 17,655,096	\$ 17,549,617	99.40%	\$ 8,222	\$ 17,557,839	99.45%
1996-97	20,503,129	20,687,882	100.90	4,388	20,692,270	100.92
1997-98	22,213,855	22,512,975	101.35	6,999	22,519,974	101.38
1998-99	24,386,437	24,242,117	99.41	1,621	24,243,738	99.41
1999-00	23,875,542	24,129,161	101.06	76,863	24,206,024	101.38
2000-01	27,591,430	28,044,286	101.64	2,032	28,046,318	101.65
2001-02	31,474,669	31,587,309	100.36	217	31,587,526	100.36
2002-03	36,818,095	37,177,890	100.98	4,862	37,182,752	100.99
2003-04	38,012,501	38,383,372	100.98	18,245	38,401,617	101.02
<b>2004-05</b>	<b>38,820,140</b>	<b>39,491,148</b>	<b>101.73</b>	<b>5,410</b>	<b>39,496,558</b>	<b>101.74</b>

**Property Tax Rates - Direct and All Overlapping Governments  
Last Ten Fiscal Years**

Payable Year	City	School District	County Consoli- dated	Area Vocational	Total
<i>Tax Rates Per \$1,000 of Assessed Valuation</i>					
<b>Polk County/West Des Moines Community School District</b>					
1996-97	10.90532	13.54320	9.22555	0.50661	34.18068
1997-98	10.89988	13.58058	9.12036	0.47230	34.07312
1998-99	10.90000	13.66525	9.29190	0.50551	34.36266
1999-00	10.89994	13.50526	9.28374	0.52451	34.21345
2000-01	10.90000	13.49887	9.25871	0.54506	34.20264
2001-02	10.90002	13.48681	9.63888	0.54954	34.57525
2002-03	11.60003	13.50200	9.72617	0.54584	35.37404
2003-04	11.60206	13.50422	9.76626	0.58184	35.45438
2004-05	11.72777	13.50200	9.96860	0.59856	35.79693
2005-06	11.72540	13.50341	9.94718	0.68408	35.86007
<b>Dallas County/Waukee Community School District</b>					
1996-97	10.90532	16.16289	6.79166	0.50661	34.36648
1997-98	10.89988	16.86966	6.26657	0.47230	34.50841
1998-99	10.90000	16.97163	6.69935	0.50551	35.07649
1999-00	10.84994	17.34163	6.71465	0.52451	35.43073
2000-01	10.90000	17.48175	7.21446	0.54506	36.14127
2001-02	10.90002	17.46339	7.59039	0.54954	36.50334
2002-03	11.60003	17.64948	7.51800	0.54584	37.31335
2003-04	11.60206	17.66440	7.48340	0.58184	37.33170
2004-05	11.72777	17.89346	7.33872	0.59856	37.55851
2005-06	11.72540	17.84693	6.84194	0.68408	37.09835

Source: Polk and Dallas County Auditor's Offices.

**Assessed and Taxable Value of Property  
Last Ten Fiscal Years**

Assessment January 1	Collection Year Ended June 30	Assessed Value of Property	Taxable Value of Property
1995	1997	\$ 2,295,490,764	\$ 1,653,277,596
1996	1998	2,426,099,168	1,753,093,206
1997	1999	2,684,090,384	1,802,240,559
1998	2000	2,786,437,613	2,007,856,268
1999	2001	3,077,618,439	2,074,871,554
2000	2002	3,236,249,422	2,108,114,198
2001	2003	3,644,083,364	2,159,465,868
2002	2004	3,783,538,543	2,282,516,128
2003	2005	3,798,673,414	2,517,469,748
<b>2004</b>	<b>2006</b>	<b>3,967,590,148</b>	<b>2,951,937,488</b>

Note:

Property is reassessed in the odd number years to make adjustments to all property values

Source:

Polk and Dallas County Assessor's Offices



**Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita  
Last Ten Fiscal Years**

Levy Year	Population*	Assessed Value	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1995-96	39,562	\$ 2,295,490,764	\$ 35,010,000	\$ 307,770	\$ 34,702,230	0.0151 to 1	\$ 877
1996-97	39,562	2,426,099,168	32,060,000	829,448	31,231,552	0.0129 to 1	789
1997-98	39,562	2,684,090,384	31,650,000	637,547	31,012,453	0.0116 to 1	784
1998-99	39,562	2,786,437,613	31,130,000	259,958	30,870,042	0.0111 to 1	780
1999-00	39,562	3,077,618,439	34,810,000	1,447,938	33,362,062	0.0108 to 1	843
2000-01	46,403	3,236,249,422	44,320,000	2,613,846	41,706,154	0.0129 to 1	899
2001-02	46,403	3,644,083,364	65,033,814	3,913,946	61,119,868	0.0168 to 1	1,317
2002-03	46,403	3,783,538,543	117,419,257	4,719,389	112,699,868	0.0298 to 1	2,429
2003-04	46,403	3,798,673,414	148,863,512	6,803,146	142,060,366	0.0374 to 1	3,061
<b>2004-05</b>	<b>51,744</b>	<b>3,967,590,148</b>	<b>144,280,000</b>	<b>9,276,283</b>	<b>135,003,717</b>	<b>0.0340 to 1</b>	<b>2,609</b>

Source:

\*U.S. Census Bureau

**Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures\*  
Last Ten Fiscal Years**

Year	Principal	Total Debt Interest	Total Debt Service	Ratio of Debt Service to General Expenditures	Total General Governmental Expenditures
1995-96	2,554,981	\$ 1,275,273	\$ 3,830,254	16.38	\$ 23,380,015
1996-97	2,807,576	1,641,799	4,449,375	17.28	25,752,877
1997-98	3,270,810	1,460,040	4,730,850	16.43	28,788,587
1998-99	3,409,412	1,611,003	5,020,415	16.61	30,219,345
1999-00	3,190,000	1,473,127	4,663,127	16.52	28,233,105
2000-01	5,731,010	2,169,498	7,900,508	23.06	34,261,841
2001-02	6,845,000	1,416,435	8,261,435	21.40	38,611,834
2002-03	4,592,500	2,693,019	7,285,519	16.55	44,027,810
2003-04	11,449,447	6,124,174	17,573,621	35.66	49,284,125
<b>2004-05</b>	<b>13,434,257</b>	<b>6,400,714</b>	<b>19,834,971</b>	<b>35.28</b>	<b>56,215,908</b>

Note:

\*General Fund, special revenue funds and Debt Service Fund

**Computation of Direct and Overlapping Bonded Debt  
June 30, 2005**

Name of Governmental Unit	Total Bonded Debt Outstanding	Percent Applicable to City of West Des Moines	Amount Applicable to City of West Des Moines
Direct, City of West Des Moines	\$ 144,280,000	100.00%	\$ 144,280,000
Overlapping:			
Des Moines Ind. CSD	8,880,500	0.02	1,776
West Des Moines CSD	30,685,000	65.74	20,172,319
Waukee CSD	56,675,000	44.58	25,265,715
Polk County	175,770,000	15.72	27,631,044
Dallas County	9,041,000	22.92	2,072,197
Area XI DMACC	42,300,000	9.03	3,819,690
<b>Subtotal overlapping debt</b>	<u>323,351,500</u>		<u>78,962,741</u>
<b>Total direct and overlapping debt</b>	<u>\$ 467,631,500</u>		<u>\$ 223,242,741</u>

**Revenue Bond/Notes Coverage  
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Sewer Revenue Bonds			Annual Debt Service			Ratio Coverage
	Revenue	Expenses	Net Revenue Available for Debt Service	Principal	Interest	Total	
1996	\$ 5,068,160	\$ 2,352,626	\$ 2,715,534	\$ 342,000	\$ 316,056	\$ 658,056	4.127
1997	4,216,632	2,216,258	2,000,374	354,000	333,046	687,046	2.912
1998	4,533,864	2,283,749	2,250,115	430,000	384,002	814,002	2.764
1999	5,383,921	2,113,927	3,269,994	443,000	374,944	817,944	3.998
2000	5,086,803	1,922,406	3,164,397	463,000	355,446	818,446	3.866
2001	4,842,550	2,171,830	2,670,720	483,000	334,750	817,750	3.266
2002	5,151,442	2,762,008	2,389,434	504,000	312,596	816,596	2.926
2003	5,169,122	2,829,483	2,339,639	532,000	254,468	786,468	2.975
2004	5,575,443	2,959,467	2,615,976	571,000	222,481	793,481	3.297
<b>2005</b>	<b>6,013,830</b>	<b>3,482,146</b>	<b>2,531,684</b>	<b>582,000</b>	<b>203,458</b>	<b>785,458</b>	<b>3.223</b>

Demographic Statistics

Year	West Des Moines Population	% Change	Polk County	% Change	State of Iowa	% Change
1960	11,949	112.80%	225,880	0.43%	2,737,537	4.44%
1970	16,441	37.59	286,130	26.67	2,824,376	3.17
1980	21,894	33.17	303,170	5.95	2,914,017	3.17
1985	23,456	7.13	-	-	-	-
1990	31,702	35.15	328,140	8.24	2,776,755	(4.71)
1995	39,562	24.79	-	-	-	-
2000	46,403	17.29	374,601	14.16	2,926,324	5.39
<b>2005</b>	<b>51,744</b>	<b>11.51</b>	-	-	-	-

Source:

U.S. Census Bureau, 1985 Special Census, 1995 Special Census, 2005 Special Census

**Property Value, Construction and Bank Deposits  
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Commercial		Residential		Tax-exempt	
	Permits	Value	Permits	Value	Permits	Value
1996	171	\$ 24,064,022	641	\$ 85,820,768	4	\$ 287,492
1997	191	50,874,748	584	61,343,237	7	18,766,295
1998	182	35,787,650	710	90,789,979	4	1,446,000
1999	207	100,332,700	855	106,891,398	6	4,033,125
2000	165	24,612,583	851	100,477,927	13	12,632,910
2001	142	50,960,503	652	62,868,526	9	9,154,925
2002	129	30,581,359	790	162,099,833	13	26,120,833
2003	157	63,865,560	601	63,800,810	6	6,904,960
2004	284	159,070,132	647	82,277,072	9	19,238,280
<b>2005</b>	<b>217</b>	<b>251,643,795</b>	<b>588</b>	<b>56,941,039</b>	<b>9</b>	<b>24,227,275</b>

Fiscal Year Ended June 30	Miscellaneous		Total	
	Permits	Value	Permits	Value
1996	390	\$ 858,367	1,206	\$ 111,030,649
1997	387	1,261,027	1,169	132,245,307
1998	421	1,831,533	1,317	129,855,162
1999	458	3,156,767	1,526	214,413,990
2000	422	1,897,704	1,451	139,621,124
2001	368	1,055,917	1,171	124,039,871
2002	440	1,306,278	1,372	220,108,303
2003	421	1,330,114	1,185	135,901,444
2004	501	6,480,485	1,441	267,065,969
<b>2005</b>	<b>498</b>	<b>2,228,384</b>	<b>1,312</b>	<b>335,040,493</b>

Source:  
City Building Inspection Department Records.

(Continued)

**Property Value, Construction and Bank Deposits (Continued)  
Last Ten Fiscal Years**

Levy Year	Bank Deposits (1)	Property Value (2)		
		Commercial	Residential	Other
1995-96	\$ 450,204,000	\$ 765,501,044	\$ 1,260,887,268	\$ 46,106,622
1996-97	485,998,000	869,243,997	1,318,810,480	42,845,516
1997-98	557,347,000	915,181,468	1,470,699,894	43,475,405
1998-99	671,896,000	1,004,575,362	1,601,637,125	46,697,100
1999-00	754,360,000	1,075,555,122	1,685,555,834	32,221,272
2000-01	779,406,000	1,080,090,851	1,767,314,030	39,459,988
2001-02	814,485,000	1,165,307,170	1,934,796,130	37,317,891
2002-03	840,191,000	1,251,082,058	1,983,238,137	35,352,397
2003-04	865,897,000	1,400,238,201	2,315,440,320	33,502,845
<b>2004-05</b>	<b>1,750,000</b>	<b>1,445,862,496</b>	<b>2,436,275,657</b>	<b>33,277,658</b>

Source:

(1) Iowa Bank Directory.

(2) Polk and Dallas County Auditor's Offices.

Top Ten Taxpayers

Taxpayer	Type of Business	January 1, 2004 Assessed Valuation*	Percentage of Total Assessed Valuation
Valley West Mall	Commercial Shopping Center	\$ 107,793,720	25.28%
Wells Fargo Home Mortgage	Mortgage Banking	63,750,829	14.94%
Mid-America Investment Company	Commercial Property	52,005,000	12.19%
Dallas County Partners	Office Buildings	41,740,371	9.78%
IFBF Property Management	Office Buildings	40,425,110	9.48%
Knapp Family, L.C.	Office Buildings	30,430,000	7.13%
Dallas County Partners II	Office Buildings	26,811,177	6.28%
HyVee Food Stores	Grocery Stores	23,405,510	5.49%
CMS Wellington Apts.	Apartment Buildings	20,794,800	4.87%
West Lakes Development Co.	Commercial Property	19,471,705	4.56%
		<u>\$ 426,628,222</u>	

\* Source: Polk and Dallas County Assessor's Offices.

Percent of total assessed value calculated based on assessed value in Table VI (assessed and estimated) total of all taxpayers assessed values.



**Miscellaneous Statistical Data  
June 30, 2005**

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Government Data:

Date of Incorporation	1893
Form of Government	Mayor – Council
Last General Election	2002
Registered Voters	30,722
Number of Votes Cast	13,139
Percent of Registered Voting	43%
City Employees:	
Civil Service	256
Noncivil Service	50

Geographic Data:

Area (square miles)	37.80
Population/square mile	1,369
Miles of streets:	
Paved	622
Unpaved	37
Miles of sewers:	
Storm	153
Sanitary	211

Service Data:

Public Education Facilities:	
Elementary	11
Middle School	2
Ninth Grade School	1
High School	1
Fire and Rescue Protection:	
Number of stations	4
Number of employees:	
Firefighters	38
Paid on-call	47
Office staff	1
Police Protection:	
Number of stations	1
Number of employees:	
Officers	67
Dispatchers	19
Office staff	14

(Continued)

**Miscellaneous Statistical Data (Continued)**  
**June 30, 2005**


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Emergency Medical Services, number of ambulances	4
Number of employees:	
Paramedics	14
Part-time EMT/Paramedics	37
Office staff	2
Leisure Services:	
Parks	33
Number of park acres	1,222
Number of picnic shelters	21
Number of dog parks	1
Number of playgrounds	18
Number of outdoor aquatic centers	2
Number of wading/spray pools	2
Number of tennis courts	10
Number of softball/baseball fields	24
Number of soccer fields	21
Number of horseshoe courts	18
Number of sand volleyball courts	5
Number of basketball courts	9
Miles of trails	34.8
Libraries:	
Number of volumes	154,740
Annual circulation	620,089
Annual visitors	336,032
Cemeteries:	
Number of facilities	1
Number of acres	8.66

**Insurance in Force  
June 30, 2005**

Insurance Company	Policy Number	Coverage	Amount of Coverage
Iowa Communities Assurance Pool	IP015981413000064	Municipal General Liability: "Bodily Injury, Personal Injury, Property Damage, and Advertising Injury" (Each Occurrence, Deductible \$10,000)	\$ 8,000,000
		Municipal Automobile Liability Coverage: "Bodily Injury and Property Damage" (Each Accident, \$1,000 Deductible)	8,000,000
		Public Officials Liability Coverage (Each Claim and Aggregate, \$5,000 Deductible)	8,000,000
		Law Enforcement Officers Liability (\$5,000 Deductible)	8,000,000
Greenwich Insurance Company	500058953	Employer's Liability, Coverage "B"	Statutory
Travelers Casualty and Surety	020BY103178032BCM	Employees Dishonesty Coverage (\$5,000 Deductible)	1,000,000
		Computer Fraud (\$5,000 Deductible)	1,000,000
Iowa Communities Assurance Pool	IP026981413000064	Commercial Property Coverage Blanket Real and Personal Property (Replacement Cost, Agreed Amount) (\$10,000 Deductible)	96,567,421
		Sublimits:	
		Municipal Automobile Physical Damage Coverage: "Comprehensive and Collision Coverage" (Coverage amt. varies per vehicle, \$1,000 Deductible)	8,433,389
		Buildings & Contents (\$10,000 Deductible)	67,083,751
		Book Collection ( \$10,000 Deductible)	6,304,328
		Fine Arts ( \$10,000 Deductible)	75,000
		Personal Property (\$10,000 Deductible)	8,449,300
		EDP Hardware (\$10,000 Deductible)	3,845,000
		Valuable Papers and Records, Various Locations (\$10,000 Deductible)	200,000
		Radio/Television Antennas (\$250 Deductible)	20,000
		Miscellaneous, Scheduled and Unscheduled (\$10,000 Deductible)	2,156,653

Policies are renewed annually

**Salary and Surety Bond of Principal Officials  
June 30, 2005**

Officials	Title	Annual Salary	Amount of Surety Bond
<b>Elected Officials:</b>			
Eugene T. Meyer	Mayor	\$ 10,000	\$ 1,000,000
Robert L. Parks	Council Member	9,000	1,000,000
Loretta J. Sieman	Council Member	9,000	1,000,000
Ted Ohmart	Council Member	9,000	1,000,000
Brad Olson	Council Member	9,000	1,000,000
Steven K. Gaer	Council Member	9,000	1,000,000
<b>Council Appointed Officials:</b>			
Jeffrey A. Pomeranz	City Manager	165,000	1,000,000
Jody E. Smith	City Clerk	107,104	1,000,000
Richard J. Scieszinski	City Attorney	102,900	1,000,000
<b>Manager Appointed Officials:</b>			
Ray Seidelman	Assistant to the City Manager	62,240	1,000,000
Larry Read	Director of Public Works	107,104	1,000,000
Jack O'Donnell	Police Chief	107,104	1,000,000
Jody E. Smith	Director of Administrative Services	107,104	1,000,000
Clyde E. Evans	Director of Community Development	106,110	1,000,000
Don L. Cox	Fire Chief	107,104	1,000,000
Jeff Dumermuth	EMS Director	88,059	1,000,000
Diana Borash	WestCom Dispatch Center Director	89,360	1,000,000
Gary D. Scott	Parks/Recreation Director	100,062	1,000,000
Susan Paterson-Nielsen	Human Services Director	80,638	1,000,000
Jane Pauba Dodge	Human Resources Manager	97,063	1,000,000
Darrel Greifzu	Information Services Director	97,063	1,000,000

City of West Des Moines, Iowa

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Direct:			
U.S. Department of Justice:			
Office of Community Oriented Policing Services Universal Hiring Program	16.710	N/A	\$ 230,210
Office of Justice Program, Bureau of Justice Assistance, Bulletproof Vest Partnership Program	16.607	N/A	5,108
Drug Enforcement Administration, DEA Overtime Reimbursement	16.005	N/A	13,035
			<u>248,353</u>
U.S. Department of Homeland Security:			
Assistance to Firefighters Grant	97.044	N/A	57,853
Assistance to Firefighters Grant	97.044	N/A	225,269
			<u>283,122</u>
Indirect:			
U.S. Department of Health and Human Services:			
Administration for Children and Families, State of Iowa, Iowa Department of Human Rights, Division of Community Action Agencies, Red Rock Area Community Action Program:			
Low Income Home Energy Assistance Program	93.568	LIHEAP 2205-12CU	6,000
Community Services Block Grant	93.569	CSBG 05-12	6,000
			<u>12,000</u>
U.S. Department of Housing and Urban Development:			
Community Planning and Development, City of Des Moines, Supportive Housing Program	14.235	IA26B202002	<u>87,325</u>
U.S. Department of Transportation:			
National Highway Traffic Safety Administration, Iowa Department of Public Safety, Governor's Traffic Safety Bureau State and Community Highway Safety	20.600	410-36/410-41	<u>24,392</u>
U.S. Department of the Interior, Fish and Wildlife Service, State of Iowa, Department of Natural Resources, Sport Fish Restoration			
	15.605	WDM-07-03	<u>150,000</u>
U.S. Department of Homeland Security, State of Iowa, Iowa Homeland Security and Emergency Management:			
Polk County Emergency Management Agency State Domestic Preparedness Equipment Support Program	97.004	2003 SHSGP II-CIPA	129,731
Public Assistance Grants	97.036	DR-1518-IA	51,047
			<u>180,778</u>
			<u>\$ 985,970</u>

See Notes to Schedule of Expenditures of Federal Awards.

City of West Des Moines, Iowa

Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2005

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**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of West Des Moines, Iowa for the year ended June 30, 2005. All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies are included in the Schedule. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**Note 2. Significant Accounting Policies**

Revenue from federal awards is recognized when the City has done everything necessary to establish its right to revenue. For governmental funds, revenue from federal grants is recognized when they become both measurable and available. Expenditures of federal awards are recognized in the accounting period when the liability is incurred.

City of West Des Moines, Iowa

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2005

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	Finding	Status	Corrective Action Plan or Other Explanation
<b>Other Findings Related to Required Statutory Reporting</b>			
04-IV-G	Council minutes were not published within 15 days as required by Chapter 372.13(6) of the Code of Iowa.	Not corrected.	See corrective action plan at 05-IV-G.
04-IV-N	The Economic Development Special Revenue Fund and the Vehicle Maintenance Internal Service Fund had deficit fund balances.	Not corrected.	See corrective action plan at 05-IV-N.

# McGladrey & Pullen

Certified Public Accountants

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Des Moines, Iowa as of and for the year ended June 30, 2005, which collectively comprise the City of West Des Moines, Iowa's basic financial statements and have issued our report thereon dated September 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of West Des Moines, Iowa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of West Des Moines, Iowa's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and responses as item 05-II-A.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of West Des Moines, Iowa in a separate letter dated September 22, 2005.



### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters in Section IV of the Schedule of Findings and Questioned Costs are not intended to constitute legal interpretation of those statutes.

This report is intended solely for the information and use of management and City Council and is not intended to be and should not be used by anyone other than those specified parties.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
September 22, 2005

# McGladrey & Pullen

Certified Public Accountants

## **Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133**

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

### Compliance

We have audited the compliance of the City of West Des Moines, Iowa with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that are applicable to each of its major federal programs for the year ended June 30, 2005. The City of West Des Moines, Iowa's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of West Des Moines, Iowa's management. Our responsibility is to express an opinion on the City of West Des Moines, Iowa's compliance based on our audit.

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

In our opinion, the City of West Des Moines, Iowa complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

### Internal Control Over Compliance

The management of the City of West Des Moines, Iowa is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of West Des Moines, Iowa's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 05-III-A.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of management and City Council and is not intended to be and should not be used by anyone other than those specified parties.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
September 22, 2005

City of West Des Moines, Iowa

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2005

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I. Summary of the Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
  - Reportable condition(s) identified that are not considered to be material weaknesses?  Yes  None Reported
- Noncompliance material to financial statements noted?  Yes  No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Reportable condition(s) identified that are not considered to be material weaknesses?  Yes  None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  Yes  No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
16.710	Public Safety Partnership and Community Policing Grant
97.004	State Domestic Preparedness Equipment Support Program
97.044	Assistance to Firefighters Grants

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

(Continued)

Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2005

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**II. Findings Relating to the Basic Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards**

A. Reportable conditions in internal control over financial reporting:

05-II-A

Finding: The City does not have an adequate system in place over the evidence room in the police department.

Condition: The cash and other assets seized by the police department is accessible to the individual supervising the maintenance of the inventory with no separate reconciliation or log procedures. The cash is not immediately deposited.

Effect: Misappropriation of assets could occur.

Recommendation: We recommend the City implement controls to segregate the recording and reconciling of the assets from the access to the assets. In addition, we recommend that all cash seized be immediately deposited into a separate bank account.

Response and corrective action plan: Procedures have been implemented which prohibit access to assets by any one individual, segregate the recording and reconciling of assets, and result in monetary assets being promptly receipted into the financial system and deposited into a bank account specifically designated for this purpose.

B. Compliance Findings

None

**III. Findings and Questioned Costs for Federal Awards**

A. Reportable conditions in internal control

05-III-A

U.S. Department of Homeland Security:  
State Domestic Preparedness Equipment Support Program (CFDA 97.004); Award Year 2003  
Assistance to Firefighters Grant (CFDA 97.044); Award Year 2003 and 2004

Finding: The City does not have a system in place for ensuring that vendors used are not suspended or debarred from participation in federal programs.

Condition: Currently, the City's purchasing policy and bid documents, that vendors certify, do not include the verbiage to ensure the vendors are not suspended or debarred. In addition, the City does not check the suspended/debarred listing to ensure those contracted with are not suspended or debarred.

(Continued)

City of West Des Moines, Iowa

Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2005

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Criteria: OMB Circular A-133 dictates that when a nonfederal entity (i.e. the City) enters into a contract (through a bidding process) with an entity (vendor), the nonfederal entity must verify that the entity is not suspended or debarred from participation in federal programs/grants.

Recommendation: We recommend the City implement a system by updating its purchasing policy and bid documents to ensure vendors are not suspended or debarred, prior to entering into contracts, for all transactions (federal and nonfederal).

Response and Corrective Action Plan: The City is currently in the process of adding wording to all bid documents requiring vendors to certify that they have not been debarred or suspended from participation in federal programs/grants.

B. Instances of noncompliance

None

(Continued)

Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2005

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IV. Other Findings Related to Required Statutory Reporting

- 05-IV-A Official Depositories - A resolution naming official depositories has been adopted by City Council. The maximum deposit amounts stated in the resolution were not exceeded during the year.
- 05-IV-B Certified Budget:  
Finding: Disbursements during the year ended June 30, 2005, exceeded the amount budgeted in the debt service function and the public works function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.  
Recommendation: The budget should be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.  
Response: The budget will be amended in the future, if applicable.  
Conclusion: Response accepted.
- 05-IV-C Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 05-IV-D Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- 05-IV-E Business Transactions - In accordance with Chapter 362.5(10) of the Code of Iowa, transactions with City employees and City officials do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.
- 05-IV-F Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- 05-IV-G Council Minutes - We noted no transactions requiring council approval which had not been approved in the Council minutes.  
Finding: Although minutes of Council meetings were published, they were not published within 15 days as required by Chapter 372.13(6) of the Code of Iowa.  
Recommendation: The City should comply with Chapter 21 of the Code of Iowa and should publish minutes as required.  
Response and Corrective Action Plan: The City publishes the minutes as soon as possible after the Council meetings. The 15-day requirement is not met due to the timing of meeting dates and publication dates.  
Conclusion: Response accepted.
- 05-IV-H Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- 05-IV-I Revenue Notes - The City has complied with the revenue bond provisions.
- 05-IV-J Payment of General Obligation Bonds - The City appears to be in compliance with Chapter 384.4 of the Code of Iowa.
- 05-IV-K Economic Development - We noted no instance of noncompliance with Chapter 15A of the Code of Iowa.
- 05-IV-L Notice of Public Hearing for Public Improvements - We noted no instance of noncompliance with Chapters 384.102 and 362.3 of the Code of Iowa.
- 05-IV-M Sales Tax - We noted no instance of noncompliance with Sections 701-26.71 and 701-26.72 of the Iowa Department of Revenue and Finance Administrative Rules and Regulations.
- 05-IV-N Financial Condition:  
Finding: The Economic Development Special Revenue Fund and the Vehicle Maintenance Internal Service Fund had deficit fund balances of \$104,813 and \$21,961, respectively, as of June 30, 2005.  
Recommendation: The City should investigate alternatives to eliminate the deficits in order to return these accounts to a sound financial position.  
Response and Corrective Action Plan: The City will fund the deficits through future transfers from the General Fund.  
Conclusion: Response accepted.

City of West Des Moines, Iowa

Corrective Action Plan  
Year Ended June 30, 2005

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Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
<b>Reportable Conditions in Internal Control:</b>				
05-II-A	Inadequate system over the evidence room in police department.	See response and corrective action plan at 05-II-A.	June 30, 2006	Jack O'Donnell
<b>Reportable Conditions in Administering Federal Awards:</b>				
05-III-A	The City does not have an adequate system in place for ensuring that vendors used are not suspended or debarred from participation in federal programs.	See response and corrective action plan at 05-III-A.	June 30, 2006	Jody Smith
<b>Other Findings Related to Required Statutory Reporting:</b>				
05-IV-B	Disbursements during the year exceeded the amount budgeted in the debt service and public works functions.	See response and corrective action plan at 05-IV-B.	June 30, 2006	Jody Smith
05-IV-G	Minutes of Council meetings were not published within 15 days as required by Chapter 372.13(6) of the Code of Iowa.	See response and corrective action plan at 05-IV-G.	June 30, 2006	Jody Smith
05-IV-N	The Economic Development Special Revenue Fund and Vehicle Maintenance Internal Service Fund had deficit fund balances as of June 30, 2005.	See response and corrective action plan at 05-IV-N.	June 30, 2006	Jody Smith