

City of West Des Moines, Iowa

Statement of Net Assets
June 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and investments	\$ 93,428,165	\$ 12,553,627	\$ 105,981,792
Receivables:			
Property taxes	40,155,052	-	40,155,052
Accounts and unbilled usage	348,341	1,509,433	1,857,774
Loans	285,496	-	285,496
Accrued interest	255,758	79,368	335,126
Special assessments	1,328,320	378,458	1,706,778
Internal balances	(149,121)	149,121	-
Due from other governments	1,254,223	-	1,254,223
Due from joint venture	-	540,313	540,313
Inventories	33,590	-	33,590
Total current assets	136,939,824	15,210,320	152,150,144
Noncurrent assets:			
Restricted cash and investments	-	1,088,720	1,088,720
Investment in joint venture	-	23,653,301	23,653,301
Bond issuance costs	759,615	28,894	788,509
Bond discounts	67,741	-	67,741
	827,356	24,770,915	25,598,271
Capital assets:			
Nondepreciable:			
Land	19,956,038	256,952	20,212,990
Infrastructure	218,473,792	-	218,473,792
Construction-in-progress	26,079,506	4,360,971	30,440,477
Depreciable:			
Buildings	33,675,275	-	33,675,275
Equipment and vehicles	16,319,922	-	16,319,922
Improvements other than buildings	28,526,240	-	28,526,240
Share of undivided equity interest assets	992,669	-	992,669
Sanitary sewer system	-	63,763,404	63,763,404
Accumulated depreciation	(26,716,055)	(18,380,465)	(45,096,520)
Net capital assets	317,307,387	50,000,862	367,308,249
Total noncurrent assets	318,134,743	74,771,777	392,906,520
Total assets	\$ 455,074,567	\$ 89,982,097	\$ 545,056,664

See Notes to Basic Financial Statements.

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current:			
Accounts payable	\$ 8,755,777	\$ 103,656	\$ 8,859,433
Claims payable	294,283	-	294,283
Accrued wages payable	574,314	3,822	578,136
Interest payable	556,116	25,653	581,769
Deferred revenue	41,285,564	378,458	41,664,022
Compensated absences	2,196,571	28,099	2,224,670
General obligation bonds payable	7,638,514	611,486	8,250,000
Tax increment financing bonds	1,770,000	-	1,770,000
Capital lease payable	47,512	-	47,512
Loan payable	53,234	-	53,234
Installment contracts	71,329	-	71,329
Revenue bonds payable	-	582,000	582,000
Financing agreements payable	-	186,961	186,961
Total current liabilities	63,243,214	1,920,135	65,163,349
Noncurrent:			
Compensated absences	619,546	3,060	622,606
General obligation bonds payable	141,224,998	-	141,224,998
Tax increment financing bonds	14,525,000	-	14,525,000
Capital lease payable	157,466	-	157,466
Loan payable	106,467	-	106,467
Installment contracts	285,318	-	285,318
Revenue bonds payable	-	4,802,000	4,802,000
Financing agreements payable	-	2,115,545	2,115,545
Bond premiums	489,967	18,985	508,952
Total noncurrent liabilities	157,408,762	6,939,590	164,348,352
Total liabilities	220,651,976	8,859,725	229,511,701
Net Assets			
Invested in capital assets, net of related debt	197,872,579	41,712,779	239,585,358
Restricted for:			
Debt service	6,803,146	1,088,720	7,891,866
Employees' retirement system	21,805	-	21,805
Purpose restricted by legislation	16,726,822	-	16,726,822
Unrestricted	12,998,239	38,320,873	51,319,112
Total net assets	234,422,591	81,122,372	315,544,963
Total liabilities and net assets	\$ 455,074,567	\$ 89,982,097	\$ 545,056,664

City of West Des Moines, Iowa

Statement of Activities
For the Year Ended June 30, 2004

Programs/Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Public safety	\$ 14,587,854	\$ 2,284,751	\$ 1,641,945	\$ 1,159,704
Public works	13,856,235	190,300	12,598	19,302,018
Health and social services	829,841	890	211,233	-
Culture and recreation	7,140,816	1,091,036	89,727	204,765
Community and economic development	2,959,958	722,701	73,944	-
General government	4,682,828	501,177	145,996	135,186
Interest on long-term debt	6,284,431	-	-	-
Total governmental activities	50,341,963	4,790,855	2,175,443	20,801,673
Business-type activities:				
Sewer system	4,030,245	5,575,443	-	893,084
Solid waste system	1,318,339	1,324,048	-	-
Total business-type activities	5,348,584	6,899,491	-	893,084
Total primary government	\$ 55,690,547	\$ 11,690,346	\$ 2,175,443	\$ 21,694,757

General Revenues

Taxes:

Property taxes

Franchise tax

Other City taxes

Hotel Motel tax

Road use tax

Grants not restricted to specific programs

Investment earnings

Miscellaneous

Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning of year, as restated

Net assets, end of year

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (9,501,454)	\$ -	\$ (9,501,454)
5,648,681	-	5,648,681
(617,718)	-	(617,718)
(5,755,288)	-	(5,755,288)
(2,163,313)	-	(2,163,313)
(3,900,469)	-	(3,900,469)
(6,284,431)	-	(6,284,431)
(22,573,992)	-	(22,573,992)
-	2,438,282	2,438,282
-	5,709	5,709
-	2,443,991	2,443,991
(22,573,992)	2,443,991	(20,130,001)
38,401,617	-	38,401,617
313,435	-	313,435
627,593	-	627,593
1,427,883	-	1,427,883
4,281,282	-	4,281,282
230,831	-	230,831
1,082,954	217,866	1,300,820
620,830	-	620,830
136,914	-	136,914
(284,663)	284,663	-
46,838,676	502,529	47,341,205
24,264,684	2,946,520	27,211,204
210,157,907	78,175,852	288,333,759
\$ 234,422,591	\$ 81,122,372	\$ 315,544,963

City of West Des Moines, Iowa

Balance Sheet
Governmental Funds
June 30, 2004

Assets	General	Tax Increment Financing	Debt Service
Cash and investments	\$ 8,748,063	\$ 10,853,568	\$ 6,585,283
Receivables:			
Property taxes	22,136,419	9,257,559	6,108,563
Accounts	170,774	-	-
Special assessments	-	-	-
Loans	-	-	-
Accrued interest	27,005	-	195,814
Due from other funds	279,352	-	-
Due from other governments	578,583	-	-
Total assets	\$ 31,940,196	\$ 20,111,127	\$ 12,889,660
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 710,048	\$ -	\$ -
Accrued wages payable	573,115	-	-
Due to other funds	-	-	-
Deferred revenue	22,491,176	9,222,926	6,086,514
Total liabilities	23,774,339	9,222,926	6,086,514
Fund Equity:			
Fund balances:			
Reserved for debt service	-	-	6,803,146
Reserved for encumbrances	75,359	-	-
Reserved employees' retirement	-	-	-
Unreserved, undesignated, reported in:			
General Fund	8,090,498	-	-
Special revenue funds	-	10,888,201	-
Capital projects funds	-	-	-
Total fund equity	8,165,857	10,888,201	6,803,146
Total liabilities and fund equity	\$ 31,940,196	\$ 20,111,127	\$ 12,889,660

See Notes to Basic Financial Statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 53,887,274	\$ 5,498,187	\$ 85,572,375
-	2,652,511	40,155,052
173,931	951	345,656
1,328,320	-	1,328,320
-	285,496	285,496
-	-	222,819
-	-	279,352
-	656,552	1,235,135
<u>\$ 55,389,525</u>	<u>\$ 9,093,697</u>	<u>\$ 129,424,205</u>

\$ 7,857,594	\$ 72,477	\$ 8,640,119
-	1,199	574,314
153,607	229,999	383,606
1,270,683	2,929,596	42,000,895
<u>9,281,884</u>	<u>3,233,271</u>	<u>51,598,934</u>

-	-	6,803,146
29,139,658	-	29,215,017
-	21,805	21,805
-	-	8,090,498
-	5,838,621	16,726,822
16,967,983	-	16,967,983
<u>46,107,641</u>	<u>5,860,426</u>	<u>77,825,271</u>
<u>\$ 55,389,525</u>	<u>\$ 9,093,697</u>	<u>\$ 129,424,205</u>

City of West Des Moines, Iowa

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2004

Total governmental fund balances		\$ 77,825,271
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	\$ 19,956,038	
Construction-in-progress	26,079,506	
Buildings	33,675,275	
Equipment and vehicles	7,049,702	
Improvements other than buildings	28,526,240	
Share of undivided equity interest assets	992,669	
Infrastructure	218,473,792	
Accumulated depreciation	<u>(21,101,469)</u>	313,651,753
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds		715,331
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	9,270,220	
Accumulated depreciation	(5,614,586)	
Other current assets	7,944,092	
Internal balances	(49,353)	
Other current liabilities	<u>(409,941)</u>	11,140,432
Internal service funds allocated to business-type activities		4,486
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Compensated absences	(2,816,117)	
Accrued interest payable	(556,116)	
General obligation bonds payable	(148,863,512)	
Tax increment financing (TIF) bonds	(16,295,000)	
Capital lease obligations	(204,978)	
Loan payable	(159,701)	
Installment contracts	(356,647)	
Bond issuance costs	759,615	
Bond discounts	67,741	
Bond premiums	<u>(489,967)</u>	<u>(168,914,682)</u>
Net assets of governmental activities		<u><u>\$ 234,422,591</u></u>

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, 2004**

	General	Tax Increment Financing	Debt Service
Revenues:			
Property taxes	\$ 18,847,792	\$ 11,674,926	\$ 5,765,609
Other City taxes	2,243,107	-	118,994
Special assessments	-	-	-
Licenses and permits	1,072,584	-	-
Intergovernmental	2,337,100	-	-
Charges for services	2,292,260	-	-
Use of money and property	250,552	24,364	703,350
Miscellaneous	709,541	-	-
Total revenues	27,752,936	11,699,290	6,587,953
Expenditures:			
Current operating:			
Public safety	11,708,622	-	-
Public works	5,481,733	-	-
Health and social services	638,051	-	-
Culture and recreation	4,573,727	-	-
Community and economic development	2,848,437	-	-
General government	3,715,580	-	-
Debt service:			
Principal	64,164	1,695,000	9,637,049
Interest and other charges	11,998	730,715	5,381,461
Bond issuance costs	-	-	-
Capital outlay	833,518	-	-
Total expenditures	29,875,830	2,425,715	15,018,510
Excess (deficiency) of revenues over expenditures	(2,122,894)	9,273,575	(8,430,557)
Other financing sources (uses):			
Issuance of general obligation bonds	-	-	-
Premiums on general obligation bonds	-	-	13,912
Discounts on general obligation bonds	-	-	-
Transfers in	4,883,849	-	12,550,315
Transfers out	(3,224,932)	(4,133,104)	(2,049,913)
Proceeds from sale of capital assets	41,101	-	-
Total other financing sources (uses)	1,700,018	(4,133,104)	10,514,314
Net changes in fund balances	(422,876)	5,140,471	2,083,757
Fund balances, beginning of year	8,588,733	5,747,730	4,719,389
Fund balances, end of year	\$ 8,165,857	\$ 10,888,201	\$ 6,803,146

See Notes to Basic Financial Statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 2,113,290	\$ 38,401,617
-	51,308	2,413,409
225,112	-	225,112
-	-	1,072,584
1,639,465	4,385,646	8,362,211
-	-	2,292,260
-	9,619	987,885
46,038	398,899	1,154,478
1,910,615	6,958,762	54,909,556
-	1,012,041	12,720,663
-	580,501	6,062,234
-	131,933	769,984
-	69,125	4,642,852
-	44,327	2,892,764
-	-	3,715,580
279,852	53,234	11,729,299
15,392	-	6,139,566
400,441	-	400,441
41,176,942	72,909	42,083,369
41,872,627	1,964,070	91,156,752
(39,962,012)	4,994,692	(36,247,196)
41,559,249	-	41,559,249
7,570	-	21,482
(71,885)	-	(71,885)
46,590,445	327,042	64,351,651
(50,197,258)	(4,955,518)	(64,560,725)
80,000	-	121,101
37,968,121	(4,628,476)	41,420,873
(1,993,891)	366,216	5,173,677
48,101,532	5,494,210	72,651,594
\$ 46,107,641	\$ 5,860,426	\$ 77,825,271

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, 2004**

Net change in fund balances - governmental funds	\$ 5,173,677
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	34,700,386
Depreciation	(3,366,912)
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	19,127,018
Loss on the sale of capital assets	(121,671)
Proceeds from sale of capital assets	(121,101)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Other City taxes, change in deferred	(44,498)
Loans receivable	285,496
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	
	(1,691,974)
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	11,729,299
Interest	(86,229)
Bond issuance costs	400,441
Proceeds from bond issuance	(41,559,249)
Amortization of bond issuance costs, discounts, and premium	(58,636)
Premiums	(21,482)
Discounts	71,885
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.	
	(156,252)
Change in internal service fund allocation to business-type activities	4,486
Change in net assets of governmental activities	\$ 24,264,684

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa

Statement of Net Assets
 Proprietary Funds
 June 30, 2004

	Sewer System	Nonmajor Enterprise Fund - Solid Waste	Total Enterprise Funds	Governmental Activities Internal Service Funds
Assets				
Current assets:				
Cash and investments	\$ 12,417,236	\$ 136,391	\$ 12,553,627	\$ 7,855,790
Receivables:				
Accounts and unbilled usage	1,187,234	322,199	1,509,433	2,685
Accrued interest	79,368	-	79,368	32,939
Special assessments	378,458	-	378,458	-
Due from other funds	153,607	-	153,607	-
Due from other governments	-	-	-	19,088
Due from joint venture	540,313	-	540,313	-
Inventories	-	-	-	33,590
Total current assets	14,756,216	458,590	15,214,806	7,944,092
Noncurrent assets:				
Restricted cash and investments	1,088,720	-	1,088,720	-
Investments in joint venture	23,653,301	-	23,653,301	-
Bond issuance costs	28,894	-	28,894	-
Capital assets:				
Nondepreciable:				
Land	256,952	-	256,952	-
Construction-in-progress	4,360,971	-	4,360,971	-
Depreciable:				
Equipment and vehicles	-	-	-	9,270,220
Sanitary sewer system	63,763,404	-	63,763,404	-
Accumulated depreciation	(18,380,465)	-	(18,380,465)	(5,614,586)
Net capital assets	50,000,862	-	50,000,862	3,655,634
Total noncurrent assets	74,771,777	-	74,771,777	3,655,634
Total assets	\$ 89,527,993	\$ 458,590	\$ 89,986,583	\$ 11,599,726

See Notes to Basic Financial Statements.

	Sewer System	Nonmajor Enterprise Fund - Solid Waste	Total Enterprise Funds	Governmental Activities Internal Service Funds
Liabilities and Net Assets				
Liabilities:				
Current:				
Accounts payable	\$ 1,310	\$ 102,346	\$ 103,656	\$ 115,658
Claims payable	-	-	-	294,283
Compensated absences	16,482	11,617	28,099	-
Accrued wages payable	2,546	1,276	3,822	-
Due to other funds	-	-	-	49,353
Deferred revenue	378,458	-	378,458	-
Interest payable	25,653	-	25,653	-
Revenue bonds payable	582,000	-	582,000	-
General obligation bonds payable	611,486	-	611,486	-
Financing agreements payable	186,961	-	186,961	-
Total current liabilities	1,804,896	115,239	1,920,135	459,294
Noncurrent:				
Compensated absences	510	2,550	3,060	-
Bond premiums	18,985	-	18,985	-
Revenue bonds, net of current maturities	4,802,000	-	4,802,000	-
Financing agreements payable, net of current maturities	2,115,545	-	2,115,545	-
Total noncurrent liabilities	6,937,040	2,550	6,939,590	-
Total liabilities	8,741,936	117,789	8,859,725	459,294
Net assets:				
Invested in capital assets, net of related debt	41,712,779	-	41,712,779	3,655,634
Restricted for, debt service	1,088,720	-	1,088,720	-
Unrestricted	37,984,558	340,801	38,325,359	7,484,798
Total net assets	80,786,057	340,801	81,126,858	11,140,432
Total liabilities and net assets	\$ 89,527,993	\$ 458,590	\$ 89,986,583	\$ 11,599,726
Total enterprise funds net assets			\$ 81,126,858	
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 governmental activities in the statement of net assets.			(4,486)	
Net assets of business-type activities			\$ 81,122,372	

City of West Des Moines, Iowa

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Sewer System	Nonmajor Enterprise Fund - Solid Waste	Total Enterprise Funds	Internal Service Funds
Operating revenues:				
Charges for services	\$ 5,502,050	\$ 1,324,048	\$ 6,826,098	\$ 2,685,324
Lease revenue	-	-	-	990,863
Special assessments	73,393	-	73,393	-
Total operating revenues	5,575,443	1,324,048	6,899,491	3,676,187
Operating expenses:				
Cost of sales services	1,652,410	1,277,563	2,929,973	2,837,612
Administration	41,358	39,850	81,208	405,668
Depreciation	1,265,699	-	1,265,699	867,224
Total operating expenses	2,959,467	1,317,413	4,276,880	4,110,504
Operating income (loss)	2,615,976	6,635	2,622,611	(434,317)
Nonoperating revenues (expenses):				
Investment earnings	217,866	-	217,866	95,069
Interest expense and fiscal charges	(425,908)	-	(425,908)	-
Gain on disposal of capital assets	-	-	-	258,585
Loss from joint venture	(641,310)	-	(641,310)	-
Capital contributions	893,084	-	893,084	-
Total nonoperating revenues (expenses)	43,732	-	43,732	353,654
Gain (loss) before transfers	2,659,708	6,635	2,666,343	(80,663)
Transfers in	7,636,986	-	7,636,986	-
Transfers out	(7,352,323)	-	(7,352,323)	(75,589)
Change in net assets	2,944,371	6,635	2,951,006	(156,252)
Total net assets, beginning of year	77,841,686	334,166	78,175,852	11,296,684
Total net assets, end of year	\$ 80,786,057	\$ 340,801	\$ 81,126,858	\$ 11,140,432

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, 2004**

Net change in net assets in enterprise funds	\$ 2,951,006
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.	<u>(4,486)</u>
Change in net assets of business-type activities	<u><u>\$ 2,946,520</u></u>

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Sewer System	Nonmajor Enterprise Funds - Solid Waste	Total Enterprise Funds	Internal Service Funds
Cash Flows From Operating Activities:				
Receipts from customers and users	\$ 5,628,493	\$ 1,302,610	\$ 6,931,103	\$ 3,654,414
Payments to suppliers for goods and services	(1,651,100)	(1,245,506)	(2,896,606)	(1,040,779)
Payments to claimants	-	-	-	(2,173,150)
Payments to employees	(27,541)	-	(27,541)	-
Net cash provided by operating activities	3,949,852	57,104	4,006,956	440,485
Cash Flows From Noncapital Financing Activities:				
Proceeds of interfund accounts	2,995	-	2,995	27,425
Payments of interfund accounts	(109,779)	-	(109,779)	-
Transfers in	7,636,986	-	7,636,986	-
Transfers out	(7,352,323)	-	(7,352,323)	(75,589)
Net cash provided by (used in) noncapital financing activities	177,879	-	177,879	(48,164)
Cash Flows From Capital and Related Financing Activities:				
Purchase of capital assets	(3,492,954)	-	(3,492,954)	(904,521)
Proceeds from debt, net \$9,909 issuance	1,125,842	-	1,125,842	-
Payment on debt	(3,367,272)	-	(3,367,272)	-
Interest paid on debt	(425,908)	-	(425,908)	-
Proceeds from sale of capital assets	-	-	-	124,258
Net cash (used in) capital and related financing activities	(6,160,292)	-	(6,160,292)	(780,263)
Cash Flows From Investing Activities:				
Interest received	538,517	-	538,517	86,257
Proceeds from maturity of investment securities	7,750,000	-	7,750,000	3,275,000
Net cash provided by investing activities	8,288,517	-	8,288,517	3,361,257
Increase in cash and cash equivalents	6,255,956	57,104	6,313,060	2,973,315
Cash and cash equivalents, beginning of year	-	79,287	79,287	3,132,475
Cash and cash equivalents, end of year	\$ 6,255,956	\$ 136,391	\$ 6,392,347	\$ 6,105,790

City of West Des Moines, Iowa

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Sewer System	Nonmajor Enterprise Funds - Solid Waste	Total Enterprise Funds	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 2,615,976	\$ 6,635	\$ 2,622,611	\$ (434,317)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities, depreciation	1,265,699	-	1,265,699	867,224
Change in assets and liabilities:				
Receivables	71,852	(21,438)	50,414	(21,773)
Inventories	-	-	-	(3,736)
Due from joint venture	14,751	-	14,751	-
Accounts payable	1,310	56,464	57,774	(261,196)
Deferred revenue	(33,553)	-	(33,553)	-
Claims payable	-	-	-	294,283
Compensated absences and accrued wages payable	13,817	15,443	29,260	-
Net cash provided by operating activities	\$ 3,949,852	\$ 57,104	\$ 4,006,956	\$ 440,485
Reconciliation of cash and cash equivalents to specific assets on the combining balance sheet:				
Cash and investments	\$ 13,505,956	\$ 136,391	\$ 13,642,347	\$ 7,855,790
Less items not meeting the definition of cash equivalents, certificates of deposit	(7,250,000)	-	(7,250,000)	(1,750,000)
Cash and cash equivalents at end of year	<u>\$ 6,255,956</u>	<u>\$ 136,391</u>	<u>\$ 6,392,347</u>	<u>\$ 6,105,790</u>
Schedule of noncash items:				
Capital and related financing activities:				
Acquisition of capital assets through accounts payable	\$ -	\$ -	\$ -	\$ 34,129
Purchase of capital assets through like-kind exchange	-	-	-	259,705
Donated construction by developers	893,084	-	893,084	-

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa

Statement of Assets and Liabilities

Agency Funds

June 30, 2004

Assets

Cash and investments	\$ 287,212
Restricted assets, contractors' bonds	<u>8,360</u>
Total assets	<u><u>\$ 295,572</u></u>

Liabilities

Deposits and remittances due	<u><u>\$ 295,572</u></u>
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See Notes to Basic Financial Statements.

Notes to Basic Financial Statements

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

Reporting entity:

The City of West Des Moines (the City) is a political subdivision of the State of Iowa located in Polk and Dallas counties. It was first incorporated in 1893 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government, with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens, including public safety, public works, culture, recreation, public improvements and general administrative services.

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

Basis of presentation:

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. There are no indirect expenses. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

Notes to Basic Financial Statements

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

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.

Notes to Basic Financial Statements

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

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

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

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

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

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

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, including those 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.

Notes to Basic Financial Statements

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

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.

Building Maintenance Fund: To account for building supply and maintenance costs incurred on behalf of various City facilities.

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.

Notes to Basic Financial Statements

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

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 2004 based on the 2003 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 2004 tax levy is budgeted and levied for the fiscal year 2005, 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 maintains a cash and investment pool to maximize investment opportunities. Income from investments is recorded in the General Fund unless otherwise provided by law. Each fund's portion of total cash and investments is reported as such within this report. In addition, certain investments are separately held by several of the City's funds. Investments are reported at fair value. Securities traded on the national or international exchange are valued at the last reported sales price at current exchange rates.

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

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

Notes to Basic Financial Statements

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

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.

The City has chosen the Modified Approach, as defined by Statement No. 34, for reporting 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.

Notes to Basic Financial Statements

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

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:

	Years
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 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, deferred 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".

Notes to Basic Financial Statements

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

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 not appropriated or are legally segregated for a specific purpose. Restrictions of net assets are limited to outside third-party restrictions. Designations of fund balance represents 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. 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 applied 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 general purpose 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.

Note 2. Cash and Investments

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.

Deposits: 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, 2004, the City's carrying amount of deposits with financial institutions totaled \$69,053,313 with bank balances of \$70,046,539. The City's deposits with financial institutions as of June 30, 2004 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 2. Cash and Investments (Continued)

The City also maintains petty cash accounts in various funds. The total amount of petty cash is \$1,500.

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.

The City's investments are categorized to give an indication of the level of risk assumed at year-end. The categories are defined as:

1. Insured or registered in the City's name or the securities are held by the City or its agent in the City's name.
2. Uninsured and unregistered securities, which are held by the counterparty's trust department or agent in the City's name.
3. Uninsured and unregistered securities, which are held by the counterparty or by its trust department or agent but not in the City's name.

The following is a summary of the City's investments at year-end:

	Carrying Amount			Total
	Category			
	1	2	3	
Commercial paper	\$ 3,986,111	\$ -	\$ -	\$ 3,986,111
U.S. government agency obligations	1,983,473	-	-	1,983,473
	<u>\$ 5,969,584</u>	<u>\$ -</u>	<u>\$ -</u>	<u>5,969,584</u>
Investments not subject to risk categorization: Iowa Public Agency, Investment Trust				<u>32,333,327</u> <u>\$ 38,302,911</u>

The City's investments during the year did not vary substantially from those at year-end in amounts or level of risk.

A reconciliation of cash and investments, as shown in the financial statements, is as follows:

Cash on hand	\$ 1,500
Deposits with financial institutions	69,053,313
Investments	38,302,911
	<u>\$ 107,357,724</u>
Government-wide financial statements of net assets, cash and investments	<u>\$ 107,070,512</u>
Statement of fiduciary net assets, cash and investments	<u>\$ 287,212</u>

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, 2004:

	Ending Balance June 30, 2003, as Restated	Additions	Deletions	Ending Balance June 30, 2004
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 6,143,645	\$ 13,812,393	\$ -	\$ 19,956,038
Infrastructure	190,291,582	28,213,705	31,495	218,473,792
Construction-in-progress	22,668,730	24,319,527	20,908,751	26,079,506
Total capital assets, not being depreciated	219,103,957	66,345,625	20,940,246	264,509,336
Capital assets, being depreciated:				
Buildings	32,178,830	1,496,445	-	33,675,275
Equipment and vehicles	15,881,781	1,654,077	1,215,936	16,319,922
Improvements other than buildings	22,132,850	6,438,363	44,973	28,526,240
Share of undivided equity interest assets	1,000,486	-	7,817	992,669
Total capital assets, being depreciated	71,193,947	9,588,885	1,268,726	79,514,106
Less accumulated depreciation for:				
Buildings	9,096,835	1,096,279	-	10,193,114
Equipment and vehicles	8,613,322	1,173,474	926,265	8,860,531
Improvements other than buildings	5,285,124	1,856,966	5,806	7,136,284
Share of undivided equity interest assets	418,709	107,417	-	526,126
Total accumulated depreciation	23,413,990	4,234,136	932,071	26,716,055
Total capital assets, being depreciated, net	47,779,957	5,354,749	336,655	52,798,051
Governmental activities capital assets, net	\$ 266,883,914	\$ 71,700,374	\$ 21,276,901	\$ 317,307,387

City of West Des Moines, Iowa

Notes to Basic Financial Statements

Note 3. Capital Assets (Continued)

	Ending Balance June 30, 2003	Additions	Deletions	Ending Balance June 30, 2004
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ -	\$ 256,952	\$ -	\$ 256,952
Construction-in-progress	1,430,949	2,960,297	30,275	4,360,971
Total capital assets, not being depreciated	1,430,949	3,217,249	30,275	4,617,923
Capital assets, being depreciated, sanitary sewer system	62,564,340	1,199,064	-	63,763,404
Less accumulated depreciation for sanitary sewer system	17,114,766	1,265,699	-	18,380,465
Total capital assets, being depreciated, net	45,449,574	(66,635)	-	45,382,939
Business-type activities capital assets, net	\$ 46,880,523	\$ 3,150,614	\$ 30,275	\$ 50,000,862

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

Governmental Activities	
Public safety	\$ 1,074,489
Health and social services	21,627
Culture and recreation	2,239,549
Public works	500,675
General government	397,796
	<u>\$ 4,234,136</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, 2004:

	June 30, 2003	Increases and Issues	Decreases and Retirements	June 30, 2004	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 116,941,312	\$ 41,559,249	\$ 9,637,049	\$ 148,863,512	\$ 7,638,514
Tax increment financing (TIF) bonds	17,990,000	-	1,695,000	16,295,000	1,770,000
Capital lease obligations	269,142	-	64,164	204,978	47,512
Loan payable	212,935	-	53,234	159,701	53,234
Installment contracts	636,499	-	279,852	356,647	71,329
Compensated absences	1,124,143	3,091,414	1,399,440	2,816,117	2,196,571
	<u>137,174,031</u>	<u>44,650,663</u>	<u>13,128,739</u>	<u>168,695,955</u>	<u>11,777,160</u>
Business-Type activities:					
Revenue bonds	5,955,000	-	571,000	5,384,000	582,000
General obligation bonds	1,783,686	1,135,751	2,307,951	611,486	611,486
Financing agreements	2,790,827	-	488,321	2,302,506	186,961
Compensated absences	3,921	49,440	22,202	31,159	28,099
	<u>10,533,434</u>	<u>1,185,191</u>	<u>3,389,474</u>	<u>8,329,151</u>	<u>1,408,546</u>
Total long-term debt	<u>\$ 147,707,465</u>	<u>\$ 45,835,854</u>	<u>\$ 16,518,213</u>	<u>\$ 177,025,106</u>	<u>\$ 13,185,706</u>

Current Refunding: On September 4, 2003, the City issued \$5,445,000 in General Obligation Bonds with an average interest rate of 2.5 percent to current refund \$575,000 of outstanding 1992 Series bonds with an average interest rate of 5.5 percent, \$1,260,000 of outstanding 1993A Series bonds with an average interest rate of 5.3 percent, and \$3,575,000 of outstanding 1993B Series bonds with an average interest rate of 4.9 percent. The net proceeds of \$5,427,242 (after payment of \$54,860 in underwriting fees, insurance and other issuance costs) were used to pay in full the three series that were called (1992 Series called December 1, 2003, 1993A Series called September 11, 2003 and 1993B Series called December 1, 2003). As a result, the 1992, 1993A and 1993B Series bonds have been paid and the liability for those bonds has been removed from the government-wide statement of net assets.

The current refunding resulted in no difference between the reacquisition price and the net carrying amount of the old debt. The City completed the refunding to reduce its total debt service payments over the next five years by \$292,325 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$297,504.

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, 2004 consist of the following individual issues:

Date of Issue	Interest Rates	Final Due Date	Annual Principal Payments	Amount Originally Issued	Amount Outstanding June 30, 2004
01/01/96	4.25 - 5.13	June 2015	\$175,000 - \$570,000	\$ 6,900,000	\$ 3,985,000
12/01/97	4.30 - 4.63	June 2009	250,000 - 350,000	3,000,000	1,500,000
06/01/99	3.75 - 4.35	June 2011	225,000 - 300,000	3,000,000	1,925,000
12/01/00	4.50 - 5.00	June 2012	185,000 - 550,000	5,000,000	3,650,000
11/01/01	3.25 - 5.00	June 2020	100,000 - 1,005,000	13,000,000	12,800,000
11/12/01	3.00 - 4.40	June 2014	40,000 - 595,000	3,575,000	3,395,000
05/29/02	3.00 - 4.40	June 2014	1,245,000 - 1,850,000	18,000,000	15,480,000
06/24/02	3.00 - 5.00	June 2020	135,000 - 830,000	9,750,000	9,615,000
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	10,500,000
05/01/03	2.00 - 3.75	June 2014	310,000 - 410,000	3,845,000	3,535,000
05/01/03	2.00 - 2.38	June 2006	710,000 - 730,000	2,155,000	1,445,000
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	3,783,512
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
				<u>\$ 160,284,249</u>	<u>\$ 148,863,512</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.

City of West Des Moines, Iowa

Notes to Basic Financial Statements

Note 4. Bonded and Other Debt (Continued)

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 \$2,220,000.

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, 2004, \$159,701 was outstanding under the agreement. The loan is noninterest bearing and is payable in annual installments of \$53,234.

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, 2004 was \$204,978.

Installment contracts: The City has entered into two installment contracts for the construction of pedestrian bridges. The agreements are noninterest bearing and are payable in annual installments totaling \$71,329 through January 2009. The balance due as of June 30, 2004 was \$356,647.

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.
- 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 \$1,088,720.

City of West Des Moines, Iowa

Notes to Basic Financial Statements

Note 4. Bonded and Other Debt (Continued)

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.

Financing agreements: The City is a member of the Wastewater Reclamation Authority (WRA) (see Note 11) and has entered into various financing agreements with the City of Des Moines, Iowa, to provide for West Des Moines' share of capital contribution for the construction and ongoing expansion of a Metropolitan Waste Water System. The agreements occurred at various phases in the construction process and are funded primarily by bonds sold to the Iowa Finance Authority. The agreements mature in years ranging from 2004 to 2018 and bear interest ranging from 3.74% to 9.80%.

Summary of principal and interest maturities: Annual debt service requirements to service all outstanding indebtedness as of June 30, 2004 are as follows:

	General Obligation Bonds		Tax Increment Notes Payable	
	Principal	Interest	Principal	Interest
<u>Year ending June 30:</u>				
2005	\$ 7,638,514	\$ 5,715,738	\$ 1,770,000	\$ 667,717
2006	9,700,000	5,516,886	1,850,000	601,247
2007	10,435,000	5,244,474	2,485,000	529,061
2008	11,625,000	4,913,891	2,600,000	431,485
2009	11,405,000	4,523,041	2,720,000	324,985
2010 - 2014	50,650,000	16,421,935	4,870,000	478,565
2015 - 2019	39,080,000	7,095,262	-	-
2020 - 2024	8,329,998	759,420	-	-
	<u>\$ 148,863,512</u>	<u>\$ 50,190,647</u>	<u>\$ 16,295,000</u>	<u>\$ 3,033,060</u>

	Capital Lease Obligations		Loan Payable	
	Principal	Interest	Principal	Interest
<u>Year ending June 30:</u>				
2005	\$ 47,512	\$ 9,078	\$ 53,234	\$ -
2006	49,918	6,672	53,234	-
2007	52,446	4,144	53,233	-
2008	55,102	1,488	-	-
	<u>\$ 204,978</u>	<u>\$ 21,382</u>	<u>\$ 159,701</u>	<u>\$ -</u>

City of West Des Moines, Iowa

Notes to Basic Financial Statements

Note 4. Bonded and Other Debt (Continued)

	Installment Contracts		General Obligation Bonds	
	Principal	Interest	Principal	Interest
<u>Year ending June 30:</u>				
2005	\$ 71,329	\$ -	\$ 611,486	\$ 44,080
2006	71,329	-	-	-
2007	71,329	-	-	-
2008	71,329	-	-	-
2009	71,331	-	-	-
	<u>\$ 356,647</u>	<u>\$ -</u>	<u>\$ 611,486</u>	<u>\$ 44,080</u>

	Enterprise Revenue Bonds		Enterprise Financing Agreement Payable	
	Principal	Interest	Principal	Interest
<u>Year ending June 30:</u>				
2005	\$ 582,000	\$ 203,458	\$ 186,961	\$ 96,568
2006	603,000	183,332	194,822	89,123
2007	627,000	161,922	202,731	81,200
2008	651,000	138,492	210,755	72,784
2009	363,000	113,712	219,885	63,881
2010 - 2014	2,036,000	347,418	940,363	185,220
2015 - 2018	522,000	37,206	346,989	26,776
	<u>\$ 5,384,000</u>	<u>\$ 1,185,540</u>	<u>\$ 2,302,506</u>	<u>\$ 615,552</u>

City of West Des Moines, Iowa

Notes to Basic Financial Statements

Note 4. Bonded and Other Debt (Continued)

Legal debt margin: As of June 30, 2004, the outstanding general obligation debt of the City did not exceed its legal debt margin computed as follows:

January 2003 100% assessed valuation *	\$ 3,798,673,414
Plus: Captured tax increment value	365,388,173
Less: Military Exemption	<u>(4,234,598)</u>
Total assessed valuation of the property of the City of West Des Moines	<u>\$ 4,159,826,989</u>
Debt limit, 5% of total actual valuation	\$ 207,991,349
Debt applicable to debt limit:	
General obligation bonds	148,863,512
TIF revenue bonds	16,250,000
Loans payable	159,701
Capital lease obligations	204,978
Installment contracts	356,647
Enterprise general obligation bonds	<u>611,486</u>
Legal debt margin	<u><u>\$ 41,545,025</u></u>

* 100% of assessed valuation including TIF increment.

Note 5. Interfund Receivables and Payables

Individual interfund receivables and payables balances as of June 30, 2004 were:

	Total	
	Interfund Receivables	Interfund Payables
Major governmental funds:		
General	\$ 279,352	\$ -
Capital projects	-	153,607
Major enterprise fund, Sewer System	153,607	-
Nonmajor governmental funds:		
Special revenue funds:		
Economic development	-	225,142
Employee benefit	-	4,857
Internal service funds, Vehicle Maintenance	-	49,353
Total	<u>\$ 432,959</u>	<u>\$ 432,959</u>

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

City of West Des Moines, Iowa

Notes to Basic Financial Statements

Note 6. Interfund Transfers

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

	Transfers In	Transfers Out
Governmental activities:		
Major governmental funds:		
General	\$ 4,883,849	\$ 3,224,932
Special revenue fund, Tax Increment Financing	-	4,133,104
Debt service	12,550,315	2,049,913
Capital projects	46,590,445	50,197,258
Nonmajor governmental funds	327,042	4,955,518
Internal service funds	-	75,589
Total governmental activities	64,351,651	64,636,314
Business-type activities, major enterprise fund, sewer system	7,636,986	7,352,323
Total	\$ 71,988,637	\$ 71,988,637

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

Note 7. Pension and Retirement Systems

Iowa Public 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, 2004, 2003 and 2002 were \$646,910, \$597,270 and \$545,110, 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 St., 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 17% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2004, 2003 and 2002 were \$967,268, \$735,641 and \$669,629, respectively, which met the required contribution for each year.

Notes to Basic Financial Statements

Note 8. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan was amended to comply with IRC Section 457(g) which allowed for the plan to hold its assets in trust. Under these new 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, 2004:

Nonmajor Special Revenue Fund, Economic Development	\$	227,642
Internal Service Fund, Vehicle Maintenance		43,008

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, 2004 were \$1,467 and one respectively.

Note 11. Joint Ventures

Equity interest: The City is a member of WRA, a joint venture established in accordance with the provisions of Chapter 28E of the Code of Iowa for the purpose of planning, constructing, operating and managing sewer-related facilities. Pursuant to the joint venture agreement, the City of Des Moines is the operating agency and, as such, provides the management and each member participates in governing the joint venture.

Each WRA member participates, at varying percentages, in each project phase based on the member's respective benefit. The City's share of the joint venture has been funded through a combination of general obligation bonds, sewer revenue bonds, and several financing agreements with the WRA based on specific construction phases of the project. At the conclusion of each project, project estimates and actual costs are compared and any overages or underages are returned or billed to the participating members.

The City retains an ownership interest in the project based on existing contributions of capital during various phases of the project. The City's interest as of June 30, 2004 was 10.40%. The City is accounting for its investment in the joint venture under the "equity method" of accounting. Under the equity method of accounting the investment in the joint venture is recorded at cost and is adjusted annually for the City's share of the joint venture's income (loss) before capital contributions.

City of West Des Moines, Iowa

Notes to Basic Financial Statements

Note 11. Joint Ventures (Continued)

The WRA system is operated on a cost reimbursement basis whereby participating communities share in the costs of operations as set forth in the WRA agreement. As of June 30, 2004, the City had deposits held and refunds due from the WRA of \$321,832 and \$540,313, respectively, as adjustments under the cost reimbursement plan.

Selected information of the WRA as of the year ended June 30, 2004 is as follows:

Operating revenues	\$ 9,134,149
Loss before capital contributions	(6,166,441)
Capital contributions	70,788
Decrease in net assets	(6,095,653)
Total assets	272,519,611
Total liabilities	7,447,216
Net assets	265,072,395

The financial statements for the WRA can be obtained from the operating agency, the City of Des Moines, Iowa.

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, 2004:

	<u>Amount</u>
Received from West Des Moines Water Works:	
Occupancy reimbursements	\$ 177,658
Health insurance premiums	216,354
Gasoline reimbursements	13,874
Telephone reimbursements	7,056
Share of general insurance	92,646
Capital project reimbursements	5,000
Delinquent reimbursements	770
Miscellaneous reimbursements	92,683
Donation pass-through	8,452
Payments to West Des Moines Water Works:	
Collection fees for sewer and solid waste	82,562
Special assessment remittances	-
Miscellaneous fees	4,775

Amounts receivable from West Des Moines Water Works as of June 30, 2004 for sewer and solid waste charges totaled \$756,213 and \$214,940, respectively.

Notes to Basic Financial Statements

Note 12. Related Organizations and Jointly Governed Organizations (Continued)

Jointly governed organizations: The City participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: Polk 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 \$765,426 and \$992,669, respectively.

Note 13. Commitments

The City has entered into contracts totaling approximately \$32,900,661 for various projects that were not complete at year-end. As of June 30, 2004, \$29,215,017 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' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2004 were approximately \$406,000.

Notes to Basic Financial Statements

Note 14. Risk Management (Continued)

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, 2004, no liability has been recorded in the City's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 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 \$70,000 (not to exceed 125% of the aggregate expected claims of \$1,567,746 for the year ended June 30, 2004). The City purchased commercial stop-loss insurance to provide for claims in excess of the \$70,000 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, 2004 was \$1,819,585.

Notes to Basic Financial Statements

Note 14. Risk Management (Continued)

Amounts payable from the Health and Dental Insurance Fund as of June 30, 2004 total \$294,283 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 not exceeded the stop-loss coverage in any of the past three years. Information on changes in the aggregate liabilities for claims is as follows:

	2004	2003
Claims payable, beginning of year	\$ 254,127	\$ 229,864
Claims recognized	2,213,306	1,718,440
Claim payments	(2,173,150)	(1,694,177)
Claims payable, end of year	\$ 294,283	\$ 254,127

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, 2004, there were three series of industrial development revenue bonds outstanding, with an aggregate principal amount payable of \$4,987,939.

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:

Statement No. 40, *Deposits and Investment Risk Disclosures*, issued March 2003, will be effective for the City beginning with its year ending June 30, 2005. This Statement establishes and modifies disclosure requirements related to investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. This Statement also establishes and modifies disclosure requirements for deposits risks.

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.

Notes to Basic Financial Statements

Note 16. New Pronouncements (Continued)

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.

Statement No. 44, *Economic Condition Reporting: The Statistical Section*, issued in 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.

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.

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

Note 17. Restatement

The beginning net assets of governmental activities, as of June 30, 2003, have been restated by \$4,731,674 to record a municipal building constructed in prior years with historical cost of \$5,069,650 and accumulated depreciation of \$337,976.

Note 18. 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, 2004

	Governmental Fund Types Actual Budgetary Basis	Proprietary Fund Type Actual Budgetary Basis	Total Actual Budgetary Basis
Revenues:			
Property tax	\$ 26,726,691	\$ -	\$ 26,726,691
Tax increment financing taxes	11,674,926	-	11,674,926
Other City taxes	2,348,547	-	2,348,547
Special assessments	300,418	-	300,418
Licenses and permits	1,072,584	-	1,072,584
Intergovernmental	7,997,903	-	7,997,903
Charges for services	2,292,260	9,674,051	11,966,311
Use of money and property	987,886	1,247,917	2,235,803
Miscellaneous	1,117,989	-	1,117,989
Total revenues	54,519,204	10,921,968	65,441,172
Expenditures/Expenses:			
Public safety	12,796,825	-	12,796,825
Public works	6,062,234	-	6,062,234
Health and social services	769,984	-	769,984
Culture and recreation	4,642,853	-	4,642,853
Community and economic development	2,892,764	-	2,892,764
General government	3,710,580	-	3,710,580
Debt service	20,346,975	1,340,772	21,687,747
Capital outlay	43,131,546	-	43,131,546
Business-type	-	6,512,083	6,512,083
Total expenditures/expenses	94,353,761	7,852,855	102,206,616
Excess (deficiency) of revenues over (under) expenditures/expenses	(39,834,557)	3,069,113	(36,765,444)
Other financing sources, net	47,956,520	(4,977,249)	42,979,271
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	8,121,963	(1,908,136)	6,213,827
Balances, beginning of year	72,651,594	89,472,536	162,124,130
Balances, end of year	\$ 80,773,557	\$ 87,564,400	\$ 168,337,957

See Note to Required Supplementary Information.

Budgeted Amounts

Original	Final	Final to Actual Variance - Positive (Negative)
\$ 26,773,156	\$ 26,773,156	\$ (46,465)
11,239,345	11,239,345	435,581
2,168,915	2,408,915	(60,368)
100,000	100,000	200,418
879,900	904,550	168,034
11,112,992	11,550,142	(3,552,239)
8,233,660	8,632,910	3,333,401
1,772,000	1,560,550	675,253
3,647,400	3,966,400	(2,848,411)
<u>65,927,368</u>	<u>67,135,968</u>	<u>(1,694,796)</u>
12,771,900	13,559,050	762,225
6,188,923	6,335,153	272,919
840,511	846,981	76,997
4,694,716	4,850,005	207,152
3,069,227	3,006,413	113,649
3,930,024	4,082,539	371,959
12,556,532	24,379,620	2,691,873
24,276,320	65,395,745	22,264,199
10,147,256	15,486,726	8,974,643
<u>78,475,409</u>	<u>137,942,232</u>	<u>35,735,616</u>
(12,548,041)	(70,806,264)	34,040,820
<u>13,098,150</u>	<u>16,223,150</u>	<u>26,756,121</u>
550,109	(54,583,114)	<u>\$ 60,796,941</u>
162,124,130	162,124,130	
<u>\$ 162,674,239</u>	<u>\$ 107,541,016</u>	

City of West Des Moines, Iowa

**Budgetary Comparison Schedule
Budget to GAAP Reconciliation
Required Supplementary Information
For the Year Ended June 30, 2004**

	Governmental Fund Types		
	Budget Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 54,519,204	\$ 390,352	\$ 54,909,556
Expenditures	94,353,761	(3,197,009)	91,156,752
Net	(39,834,557)	3,587,361	(36,247,196)
Other financing sources (uses)	47,956,520	(6,535,647)	41,420,873
Beginning fund balances	72,651,594	-	72,651,594
Ending fund balances	<u>\$ 80,773,557</u>	<u>\$ (2,948,286)</u>	<u>\$ 77,825,271</u>

	Proprietary Fund Types		
	Budget Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 10,921,968	\$ (33,355)	\$ 10,888,613
Expenditures	7,852,855	960,437	8,813,292
Net	3,069,113	(993,792)	2,075,321
Other financing sources (uses)	(4,977,249)	5,696,682	719,433
Beginning fund balances	89,472,536	-	89,472,536
Ending fund balances	<u>\$ 87,564,400</u>	<u>\$ 4,702,890</u>	<u>\$ 92,267,290</u>

City of West Des Moines, Iowa

**Note to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2004**

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearing for 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. Function expenditures required to be budgeted include expenditures for the General Fund, special revenue funds, Debt Service Fund, Capital Projects Fund and proprietary funds. The legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, budget amendments increased budgeted expenditures by \$59,466,823. 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, 2004**

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 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.

City of West Des Moines, Iowa

**Required Supplementary Information – Modified Approach
For the Year Ended June 30, 2004**

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	
		Lane Miles	Percent of Street Network	Lane Miles	Percent of Street Network
Very good	100-90	200	40.7%	232	41.9%
Good	90-80	111	22.5	122	21.9
Average	80-60	123	25.0	124	22.3
Below average	60-50	47	9.6	56	10.2
Poor	50-25	11	2.2	21	3.7
Failed	25-0	-	-	-	-
Total		492	100.0%	555	100.0%

Overall condition index (OCI):

	Fiscal Year 2001	Fiscal Year 2004
Goal	78-80	78-80
Actual	81.2	80.35

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

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

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

City of West Des Moines, Iowa

Required Supplementary Information – Modified Approach
For the Year Ended June 30, 2004

Levee Condition by Category as of the Last Assessment				
Condition Categories Based on Army Corp. Criteria	2003		2004	
	Levee Items Inspected	Percent of Levee Items Inspected	Levee Items Inspected	Percent of Levee Items Inspected
OCI Range				
Acceptable	29	90.6%	29	90.6%
Minimally acceptable	3	9.4	3	9.4
Unacceptable	-	-	-	-
Total	32	100.0%	32	100.0%

	2001	2003
Overall condition index (OCI):		
Goal	Acceptable	Acceptable
Actual	Acceptable	Acceptable

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

	Fiscal				
	2003	2004	2005	2006	2007
Estimated cost	\$ 1,172	\$ 1,347	\$ 1,550	\$ 2,100	\$ 2,420
Actual cost	3,349	3,052	N/A	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, historical data is not yet 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.