

City of West Des Moines, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2004

As management of the City of West Des Moines, Iowa, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of West Des Moines for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which is located in the Introductory Section at the front of this report.

Financial Highlights

- The assets of the City of West Des Moines exceeded liabilities at the close of the fiscal year ending June 30, 2004 by \$315,544,963 (net assets). Of this amount, \$51,319,112 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. For the fiscal year ending June 30, 2003, assets exceeded liabilities by \$283,602,085. Of this amount, \$56,757,757 was unrestricted.
- The City's total net assets increased by \$27,211,204 during the fiscal year ended June 30, 2004. Governmental activities increased \$24,264,684 and business-type activities increased \$2,946,520. For fiscal year ended June 30, 2003, total net assets increased \$14,295,470. Governmental activities increased \$11,284,362 and business-type activities increased \$3,011,108.
- As of the close of the current fiscal year, the City of West Des Moines' governmental funds reported combined ending fund balances of \$77,825,271, an increase of \$5,173,677 in comparison with the prior year. Approximately 54 percent of this total amount, \$41,785,303, is unreserved fund balance which is available for spending at the City's discretion. As of the close of the fiscal year June 30, 2003, governmental funds reported combined ending fund balances of \$72,651,594, of which \$42,009,981 or 58 percent is unreserved.
- At the end of the current fiscal year, the City's unreserved fund balance for the General Fund was \$8,090,498, or 27.1 percent of total General Fund expenditures. These funds will be needed to meet expenditures during the next four months, at which time the City will receive the next semi-annual property tax revenue. The unreserved fund balance for the General Fund as of June 30, 2003 was \$8,497,469 or 29.7 percent of total General Fund expenditures.
- The City of West Des Moines' total debt increased by \$29,317,641 (20 percent) during the current fiscal year. The key factor in this increase was the issuance of \$19,250,000 in general obligation bonds to accelerate the construction of infrastructure in the newly annexed southwest portion of the City as part of a development agreement with Wells Fargo Home Mortgage whereby they will construct a corporate campus with a minimum assessed value of \$118,000,000 and bring new jobs to the community; as well as spur additional growth in this largely undeveloped portion of the City. The balance is comprised of the net of refunded bonds, bonds paid in full, and an additional \$12,000,000 in general obligation bonds issued for construction of infrastructure in other portions of the City. Total debt for the fiscal year June 30, 2003, increased by \$46,373,070 or 51 percent.

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Overview of the Financial Statements

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

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

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

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

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

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

The government-wide financial statements can be found on pages 16 through 19 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 20 through 25 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 25 through 31 of this report.

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

The basic fiduciary fund financial statements can be found on page 32 of this report.

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Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 through 56 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also provides certain *required supplementary information* concerning the City of West Des Moines' infrastructure condition and maintenance records as the City has used the "modified approach" for reporting much of its infrastructure. This approach to recording infrastructure is explained on page 11 of this MD&A. Required supplementary information can be found on pages 61 through 63 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on infrastructure. Combining and individual fund statements and schedules can be found on pages 64 through 73 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve as a useful indicator of a government's financial position. In the case of the City of West Des Moines, assets exceeded liabilities by \$315,544,963 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (75.9 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, improvements other than buildings, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to cover the liabilities.

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

	Governmental Activities		Business Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Current and other assets	\$ 137,767	\$ 124,407	\$ 39,981	\$ 42,345	\$ 177,748	\$ 166,752
Capital assets net of depreciation	317,308	262,152	50,001	46,881	367,309	309,033
Total assets	<u>455,075</u>	<u>386,559</u>	<u>89,982</u>	<u>89,226</u>	<u>545,057</u>	<u>475,785</u>
Liabilities						
Current liabilities	63,243	54,763	1,920	3,360	65,163	58,123
Long-term liabilities outstanding	157,409	126,370	6,940	7,690	164,349	134,060
Total liabilities	<u>220,652</u>	<u>181,133</u>	<u>8,860</u>	<u>11,050</u>	<u>229,512</u>	<u>192,183</u>
Net Assets						
Invested in capital assets, net of related debt	197,873	125,624	41,713	36,351	239,586	161,975
Restricted assets	23,552	63,169	1,088	1,700	24,640	64,869
Unrestricted assets	12,998	16,633	38,321	40,125	51,319	56,758
Total net assets	<u>\$ 234,423</u>	<u>\$ 205,426</u>	<u>\$ 81,122</u>	<u>\$ 78,176</u>	<u>\$ 315,545</u>	<u>\$ 283,602</u>

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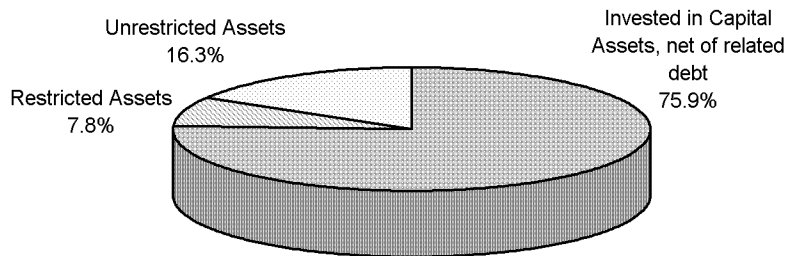
An additional portion of the City's net assets (7.8 percent or \$24,640,493) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (16.3 percent or \$51,319,112) may be used to meet the City's ongoing obligations to citizens and creditors.

West Des Moines' business-type activities had a decrease of \$611,280 in restricted net assets. This decrease resulted from the removal of restrictions on certain assets associated with revenue bonds that were refunded.

The decrease in unrestricted net assets City-wide (\$5,438,645) and the decrease in restricted assets reported in governmental activities (\$39,617,138) is largely the result of the City's significant commitment to providing infrastructure within the rapidly expanding community. The City's investment in capital assets, net of related debt, increased by \$77,609,941 or 47.9 percent during the fiscal year.

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

Net Assets as of June 30, 2004



Governmental activities: Governmental activities increased the City's net assets by \$24,264,684, as shown on the chart that follows. The 11.8 percent increase in net assets of governmental activities is primarily a result of the increased development activity within the City.

Revenue from Charges for Services increased as a result of:

- An increase in the number of building permits issued as well as a significant increase in the property valuation for which those permits were issued (see Table 14 in Statistical Section of this report). Building permit, construction inspection, and development related revenue increased by more than \$581,000.

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- A new city ordinance that went into effect which: 1) required all companies installing alarms in the City to be licensed; 2) each time an alarm is installed the companies are responsible for ensuring that the business or residence registers the alarm with the City; 3) those companies providing alarm monitoring services must collect a nominal monthly fee from their customer to help cover the City's cost in responding to those alarms; and 4) false alarm fees and fines for non-compliance were significantly increased. This resulted in additional revenue of \$47,050.
- Traffic and Court Fine revenue increased by \$70,000 after the City began issuing tickets for motor vehicle related violations under a city ordinance rather than state statute. This change allowed the City to retain a larger portion of the ticket proceeds.
- Construction and remodeling of two aquatic centers in the past one and one-half years, as well as the opening of the City's first "off-leash" dog park, contributed to an increase in revenue for recreational services of approximately \$170,000.
- A change in state legislation that enabled the City to increase the average parking ticket fine from \$5 to \$15, and a review of the fees charged for numerous City services also generated additional revenue.

The majority of the \$7,500,000 increase in Capital Grants and Contributions is attributed to the building and development boom experienced by the suburb. Approximately \$1,600,000 of this amount was received from private and public sources for expanding fiber communication and the construction of various amenities including recreational trails and parks. The balance results from infrastructure that was constructed, privately, by developers and turned over to the City of future maintenance.

Property tax collections primarily increased as a result of the growth in property valuations within the City. As shown in the Statistical Section of this report, taxable property values increased by more than 10 percent over the prior year.

Finally, with a large amount of infrastructure constructed this past year, as well as right-of-way acquisition, a higher than normal portion of the costs incurred in the Public Works function were capitalized, resulting in a decrease in expenditures for this function.

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

	Governmental Activities		Business Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 4,791	\$ 2,809	\$ 6,899	\$ 6,283	\$ 11,690	\$ 9,092
Operating grants and contributions	2,175	2,453	-	-	2,175	2,453
Capital grants and contributions	20,802	13,286	893	1,035	21,695	14,321
General revenues:						
Property taxes	38,402	37,730	-	-	38,402	37,730
Road Use tax	4,281	3,763	-	-	4,281	3,763
Other taxes	2,369	2,020	-	-	2,369	2,020
Earnings on investments	1,083	820	218	703	1,301	1,523
Loss from joint venture	-	-	(641)	(522)	(641)	(522)
Other	704	758	284	-	988	758
Total revenues	<u>74,607</u>	<u>63,639</u>	<u>7,653</u>	<u>7,499</u>	<u>82,260</u>	<u>71,138</u>
Expenses:						
General government	4,683	3,781	-	-	4,683	3,781
Public safety	14,588	12,686	-	-	14,588	12,686
Public works	13,856	20,844	-	-	13,856	20,844
Health and social services	830	755	-	-	830	755
Culture and recreation	7,141	6,926	-	-	7,141	6,926
Community and economic development	2,960	3,401	-	-	2,960	3,401
Interest on long-term debt	6,284	3,962	-	-	6,284	3,962
Sanitary sewer	-	-	3,389	3,305	3,389	3,305
Solid waste	-	-	1,318	1,183	1,318	1,183
Total expenses	<u>50,342</u>	<u>52,355</u>	<u>4,707</u>	<u>4,488</u>	<u>55,049</u>	<u>56,843</u>
Change in net assets	24,265	11,284	2,946	3,011	27,211	14,295
Net assets, beginning of year	210,158	194,142	78,176	75,165	288,334	269,307
Net assets, end of year	<u>\$ 234,423</u>	<u>\$ 205,426</u>	<u>\$ 81,122</u>	<u>\$ 78,176</u>	<u>\$ 315,545</u>	<u>\$ 283,602</u>

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Business-type activities: Business-type activities increased the City's net assets by \$2,946,520. The majority of the 3.8 percent increase represents the degree to which growth in the number of sanitary system users and revenues generated outpaced the fixed and incremental operating costs of the system. There was also a \$350,000 increase in the collection of one-time sanitary sewer capital charges. These charges are collected as part of the building permit process which issued a record number of permits during the fiscal year.

Financial Analysis of the Government's Fund Financial Statements

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

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

The City's governmental funds reported combined fund balances of \$77,825,271 as of June 30, 2004. This was an increase of \$5,173,677, or 7.2 percent, over the prior year. Of this total amount, \$41,785,303 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$29,215,017), 2) to fund various debt service payments (\$6,803,146), and 3) to fund employee retirement commitments (\$21,805).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$8,090,498, while total fund balance reached \$8,165,857. As a measure of the General Fund's liquidity, it is generally useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 27.1 percent of total General Fund expenditures, while total fund balance represents 27.3 percent of that same amount. These funds will be needed as working capital during the initial months of the new fiscal year as property tax revenue is only collected semi-annually, in September and March.

The fund balance for the City of West Des Moines' General Fund decreased by \$422,876 during the current fiscal year. Key factors in this decline are as follows:

- A conscious decision by City policy-makers to reduce the City's cash reserve to the 25 percent needed to cover expenditures between July 1 and the first semi-annual property tax receipt on/about October 10th of each year.
- As a result of legislation passed by the state legislature, the City did not receive an estimated \$500,000 in municipal assistance from the State of Iowa that was received in prior years.

The Debt Service Fund had a fund balance of \$6,803,146, all of which is reserved for the payment of debt service (i.e. payment of general obligation principal and interest).

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The tax increment financing fund had a total fund balance of \$10,888,201, all of which is unreserved. The increase in this fund of \$5,140,471 reflects the growth in property tax valuation in these urban renewal areas as a result of the City's investment in infrastructure. This infrastructure was primarily financed with general obligation bonds as the bond market offered a lower rate of interest for general obligation debt as opposed to issuing bonds backed only by anticipated incremental property tax revenue. Funds will be transferred from the tax increment financing fund to cover the debt payments for these general obligation bonds as the debt payments become due.

The capital project fund had a total fund balance of \$46,107,641, of which \$29,139,658 is restricted for the liquidation of construction contracts that were entered into during the prior period. The decrease in fund balance during the current fiscal year of \$1,993,891, or 4.1 percent, reflects the completion of construction contracts for which the bond proceeds (i.e. proceeds from long-term debt) were received in the prior fiscal year.

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

Total net assets of the Sanitary Sewer Fund at the end of the year amounted to \$80,786,057. This is comprised of: \$41,712,779 invested in capital assets, net of related debt; \$1,088,720 restricted for debt service; and \$37,984,558 in unrestricted net assets. Total net assets of the Solid Waste Fund at the end of the current year were \$340,801, all of which was unrestricted. The Solid Waste Fund does not have any investment in capital assets as this service was out-sourced to a private contractor in November of 2000.

Budgetary Highlights

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

During the year, 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. The budgetary comparison schedules on pages 57 through 60 provide more information.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2004 amounts to \$367,308,249 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings (e.g. recreation trails, athletic fields, parking lots), vehicles and equipment, and infrastructure (e.g. roads, bridges, sanitary sewer lines). The total increase in the City of West Des Moines' capital assets for the current fiscal year was 17.1 percent.

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

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

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

The *required supplemental information* that must be presented by government's electing this approach appears on pages 61 through 63 of this report.

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

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

	Governmental		Business Type		Total	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
Land	\$ 19,956	\$ 6,144	\$ 257	\$ -	\$ 20,213	\$ 6,144
Buildings	33,675	27,109	-	-	33,675	27,109
Improvements other than buildings	28,526	22,133	-	-	28,526	22,133
Vehicles and equipment	16,320	15,882	-	-	16,320	15,882
Construction-in-progress	26,079	22,669	4,361	1,431	30,440	24,100
Share of undivided equity interest assets	993	1,000	-	-	993	1,000
Infrastructure, depreciable	-	-	63,763	62,564	63,763	62,564
Infrastructure, non-depreciable	218,474	190,291	-	-	218,474	190,291
Accumulated depreciation	(26,716)	(23,076)	(18,380)	(17,114)	(45,096)	(40,190)
Total capital assets	\$ 317,307	\$ 262,152	\$ 50,001	\$ 46,881	\$ 367,308	\$ 309,033

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

- Construction began or continued on the following street projects with construction-in-progress totals as shown:
 - S. 74th Street between Ashworth Road and Mills Civic Parkway \$9,743,060
 - S. 74th Street between Mills Civic Parkway and Grand Avenue \$1,724,327
 - Railroad Avenue widening and reconstruction \$2,740,456
 - 50th Street between Ashworth Road and E.P. True Parkway \$789,539
 - 68th Street between Mills Civic and E.P. True Parkways \$2,778,730
 - Mills Civic Parkway between I-35 and 60th Street \$3,911,233

- Construction began or continued on the following sanitary sewer projects with construction-in-progress totals as shown:
 - Grand Avenue Sanitary Sewer from S. 60th to S. 74th Streets \$1,068,063
 - S. 74th Sanitary Sewer from Grand Avenue to Mills Civic Parkway \$670,949
 - Town Center / West Sanitary Sewer \$1,818,523
 - South Area Trunk Sewer / Walnut Woods \$552,623

- Needed right-of-way and land were acquired for the following projects, as shown:
 - Railroad Avenue \$636,063
 - 50th Street \$400,102
 - 60th Street \$256,364
 - E.P. True Parkway \$2,570,868
 - Mills Civic Parkway \$271,155
 - 74th Street \$2,563,092
 - S. 35th Trunk Sewer \$226,227

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- Construction continued on the fiber communications project. Construction-in-progress totals \$1,729,821.
- Planning and design began for an anticipated Public Safety facility at the future intersection of South 81st Street and Mills Civic Parkway.
- Construction was completed on the Holiday Park Aquatic Facility at an approximate total cost of \$3,760,000.
- Land and improvements for various municipal parks totaled \$1,889,490 during the fiscal year. This included completing the construction of a handicap accessible fishing pier at Raccoon River Park.

Additional information concerning the City's capital assets can be found in Note 1 and Note 3 of the *Notes To Financial Statements* on pages 38 – 39 and 42 – 43, respectively.

Long-term debt. At the close of the fiscal year ended June 30, 2004, the City had total bonded debt outstanding of \$171,153,998. Of this amount, \$149,474,998 comprises debt backed by the full faith and credit of the government and the remaining \$21,679,000 represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

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

	Governmental Activities		Business Type Activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation bonds	\$ 148,863,512	\$ 117,419,257	\$ 611,486	\$ 1,783,686	\$ 149,474,998	\$ 119,202,943
Revenue bonds	16,295,000	17,990,000	5,384,000	5,955,000	21,679,000	23,945,000
Total	\$ 165,158,512	\$ 135,409,257	\$ 5,995,486	\$ 7,738,686	\$ 171,153,998	\$ 143,147,943

The City's total bonded debt increased by \$28,006,055 (19.6 percent) during the current fiscal year. The key factors in this increase were:

- Issuance of \$12,000,000 in general obligation bonds. \$6,950,000 to be used for construction and equipping Valley View and Holiday Park aquatic facilities, and \$5,050,000 for various park, storm water, public safety, and street improvement projects.
- Issuance of \$19,250,000 in general obligation bonds for the design and construction of infrastructure and other public improvements in the Mills Parkway Urban Renewal Plan. By issuing general obligation bonds rather than tax increment financing revenue bonds the City will realize a significant savings in interest costs over the life of this project.
- Issuance of \$6,000,000 in general obligation bonds for various capital improvement projects.

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Management's Discussion and Analysis For Fiscal Year Ended June 30, 2004

The City also issued \$5,445,000 in general obligation bonds to refinance some of its existing debt and take advantage of favorable interest rates.

The City of West Des Moines maintains an "Aa1" rating from Standard & Poor's and an "AA+" rating from Moody's Investors Service for general obligation debt. This is the second highest rating given by both rating agencies.

State statutes limit the amount of general obligation debt an Iowa city may issue to 5 percent of the actual assessed value of all taxable property in the City of West Des Moines. The current debt limitation for the City is \$207,991,349. With outstanding general obligation debt of \$149,474,998 and other debt subject to the limitation of \$16,971,326, the City had utilized 80 percent of the debit limit as of June 30, 2004.

Additional information on the City's long-term debt can be found in Note 4 on pages 44 through 49 of this report.

Economic Factors and Next Year's Budgets and Rates

The City of West Des Moines expects growth in taxable property valuations to continue over the next several years based on the significant value of building permits issued this past year, the record number of building permits issued for the new fiscal year as of the date of this document, and plans that have been submitted to the Community Development Department for the approval of both new commercial and residential developments in the recently annexed western and southern portions of the City. However, through approximately 2009, a significant portion of this incremental value has been committed to the repayment of general obligation bonds. This debt was issued to provide municipal services, including construction of infrastructure, in this rapidly expanding area.

The State legislature again announced funding cuts which will result in a loss of state-shared revenue of approximately \$200,000.

As a result, the City of West Des Moines has continued to budget conservatively for the fiscal year ended June 30, 2005. This budget includes an approximate one percent property tax increase, or ten cents per one thousand dollars of taxable property value, for a property tax rate of \$11.725 per one thousand dollars of taxable valuation.

Requests for Information

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