CITY OF WEST DES MOINES, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2006

Prepared by:
Department of Administrative Services

MISSION

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

COMMITMENT

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

VALUE

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

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

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'AAA'
Credit Rating from
Standard & Poor's

May 18, 2007

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

Chapter 11 of the *Code of Iowa* requires that the City of West Des Moines publish within nine months of the close of each fiscal year, unless granted an extension, a complete set of audited financial statements. This Comprehensive Annual Financial Report (CAFR) is published to fulfill that requirement for the fiscal year ended June 30, 2006.

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

McGladrey & Pullen, LLP, a firm of licensed certified public accountants, has issued an unqualified ("clean") opinion on the City of West Des Moines' financial statements for the fiscal year ended June 30, 2006. The independent auditor's report is located at the front of the financial section of this report.

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

City of West Des Moines Profile

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

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

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

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

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

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

Local Economy

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

The City of West Des Moines is one of the fastest growing cities in the State of Iowa. Infrastructure development and well-planned growth have increased the community's tax base by more than 60 percent in the last 10 years with pending development plans and issued building permits indicating this growth will continue for at least the next several years. Recent construction includes the Jordan Creek Town Center, an upscale entertainment complex, which opened in August of 2004. This 200-acre development was the largest commercial development in Iowa's history and has spurred additional commercial and residential growth in the area. To the south of that site, in a previously undeveloped area of the City, construction was completed on a corporate campus for Wells Fargo Home Mortgage. Analysts for the State of Iowa have projected that the more than 3,500 projected employees located at this facility will have a $627 million economic impact in the surrounding area. Finally, significant commercial and multi-use growth has occurred in the West Glen development to be complemented by future residential construction in the Michaels Landing and Ponderosa developments.

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

Relevant Financial Policies and Long-term Financial Planning

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

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

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

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

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

Major Initiatives and Accomplishments

The City of West Des Moines is now the fifth city in the United States to have all three public safety departments accredited. In February 2006 the City of West Des Moines Fire Department received Accredited Agency status with the Commission on Fire Accreditation International, Inc. (CFAI) for meeting the criteria established through the CFAI's voluntary self-assessment and rigorous on-site inspection, which took place the previous October. West Des Moines is one of 114 agencies to achieve Internally Accredited Agency status from CFAI and the first in the State of Iowa. The police department continues to maintain accreditation through the Commission on Accreditation for Law Enforcement Agencies, Inc. (CALEA) and the emergency medical services department is accredited through the Commission on Accreditation of Ambulance Services (CAAS).

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

The Youth Justice Initiative (YJI) program, which is operated with support from the West Des Moines Community School District, received numerous awards. This program provides services for juveniles who are entering the criminal justice system for the first time or who have committed more novice offenses and show promise, with appropriate intervention, of leaving the pathway into delinquency. In recognition of the program for its innovative and successful contribution to the quality of life in the community, the West Des Moines Police Department received the 2005 Webber Seavey Award for Quality in Law Enforcement from the International Association of Chiefs of Police (IACP). Other awards included the "Community Involvement in Education" award from the Iowa Community Education Association (ICEA) and, in June of 2005, the YJI program was recognized as a Commission on Accreditation for Law Enforcement Agencies (CALEA) Exemplary Program.

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

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

In the summer of 2005 the City officially kicked off a new Infill Housing program with a ground breaking ceremony on a vacant lot the City sold to Rottlund Homes. Over 50 suppliers, vendors, and contractors donated their time and materials to construct a single-family home on the lot. Proceeds from the sale of the home will be used to support the Home Improvement Loan Program and the Purchase / Rehab Loan Program.

The City's bond rating, which was upgraded in March 2005 by Standard and Poor's to AAA, was re-affirmed in April of 2006. West Des Moines is one of only approximately 70 cities in the nation to receive this rating from Standard and Poor's and the only city in Iowa to receive this high rating from the agency.

The City of West Des Moines and the Historic Valley Junction Foundation received a 2006 Main Street Iowa award for Best Partnership Effort Between Organizations. The award is a result of the cooperation between the City, the Foundation, Communication Designs Inc., and other donors to bring wireless Internet (Wi-Fi) to the historic business district and the surrounding neighborhood.

Throughout the year the City made numerous improvements to our website. In addition to Park and Recreation on-line program registrations and facility rental, the City added an on-line service desk for residents of the community. Citizens can use this on-line tool to input questions, comments, complaints, or problems with the Service Desk providing a direct link to the appropriate department. To assist contractors and the various utilities West Des Moines also added a Utility Atlas to our site which contains a map with quadrant and grid details identifying where the City's fiber optics, sanitary sewer and storm sewers are located.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of West Des Moines for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the thirteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated January 21, 2006. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document must be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

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

Acknowledgements

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

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

Respectfully submitted,

Jeffrey A. Pomeranz
City Manager

Jody E. Smith
Director of Administrative Service

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of West Des Moines, Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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

President

Executive Director

City of West Des Moines, Iowa

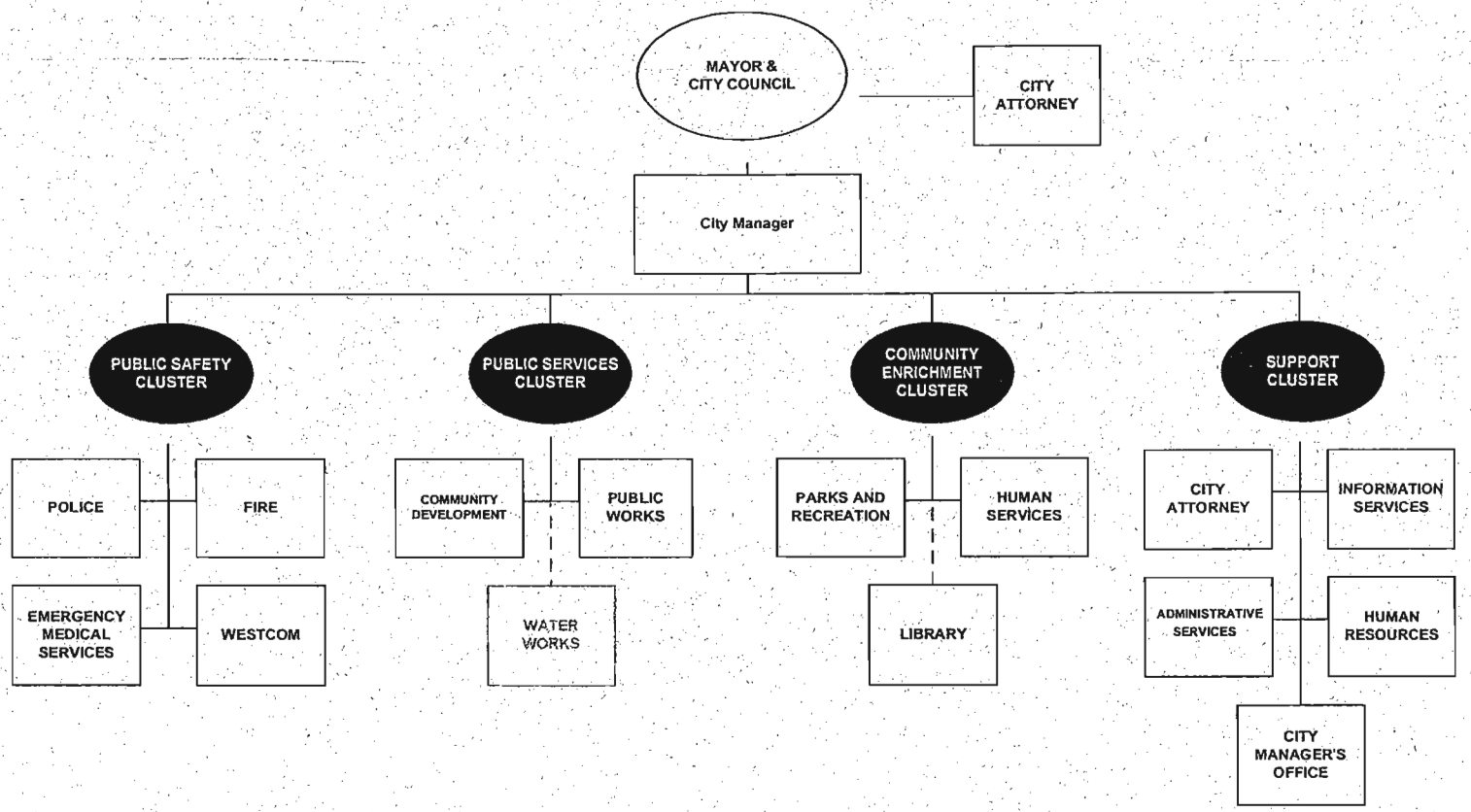
Elected and Appointed Officials
June 30, 2006

Elected Officials:		**Term Expires**
Eugene T. Meyer	Mayor	January, 2010
Ted Ohmart	Council Member	January, 2010
Brad Olson	Council Member	January, 2008
Robert Parks	Council Member	January, 2010
Jim Sandager	Council Member	January, 2008
Loretta J. Sieman	Council Member	January, 2010

Appointed Officials:

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

CITY OF WEST DES MOINES
ORGANIZATIONAL CHART



Last Revised:
12/14/04

---- Indicates
Reports to Board

McGladrey & Pullen
Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Des Moines, Iowa as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Des Moines, Iowa as of June 30, 2006, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

McGladrey & Pullen, LLP is a member firm of RSM International -
an affiliation of separate and independent legal entities.

The Management's Discussion and Analysis on pages 3 through 13 and budgetary comparison information and modified approach information on pages 56 through 63 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on them.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of West Des Moines, Iowa's basic financial statements. The combining nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

McGladrey & Pullen, LLP

Davenport, Iowa
October 6, 2006

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, 2006. 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, 2006 by $338,193,649 (net assets). Of this amount, $30,914,192 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. For the fiscal year ended June 30, 2005, assets exceeded liabilities by $311,922,982. Of this amount, $46,970,877 was unrestricted.
- The City's total net assets increased by $26,270,667 during the fiscal year ended June 30, 2006. Governmental activities increased $23,660,829 and business-type activities increased $2,609,838. For fiscal year ended June 30, 2005, total net assets decreased $3,621,981. Governmental activities increased $15,053,394 and business-type activities decreased $18,675,375.
- As of the close of the current fiscal year, the City of West Des Moines' governmental funds reported combined ending fund balances of $44,269,857, a decrease of $6,706,110 in comparison with the prior year. Approximately 61.1 percent of this total amount, $27,055,431, is unreserved fund balance which is available for spending at the City's discretion. As of the close of the fiscal year June 30, 2005, governmental funds reported combined ending fund balances of $50,975,967, of which $31,230,567 or 61 percent was unreserved.
- At the end of the current fiscal year, the City's unreserved fund balance for the General Fund was $7,929,180 or 22 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, 2005 was $8,745,770 or 26 percent of total General Fund expenditures.
- The City of West Des Moines' total debt decreased by $8,992,282 (5.5 percent) during the current fiscal year. Total debt for the fiscal year June 30, 2005, decreased by $13,894,412 (8 percent).

Overview of the Financial Statements

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

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

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

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 and traffic controls), health and social services, culture and recreation, community and economic development, general government, and interest on long-term debt. The business-type activities of the City include the sanitary sewer and solid waste operations.

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

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

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

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

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

The City of West Des Moines maintains thirteen 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 nine governmental funds are combined into a single, aggregated presentation under the column heading Nonmajor Governmental Funds. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

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

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

Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 31 through 55 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 pages 10 and 11 of this MD&A. Required supplementary information can be found on pages 56 through 63 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on infrastructure. Combining and individual fund statements and schedules can be found on pages 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 $338,193,649 at the close of the most recent fiscal year.

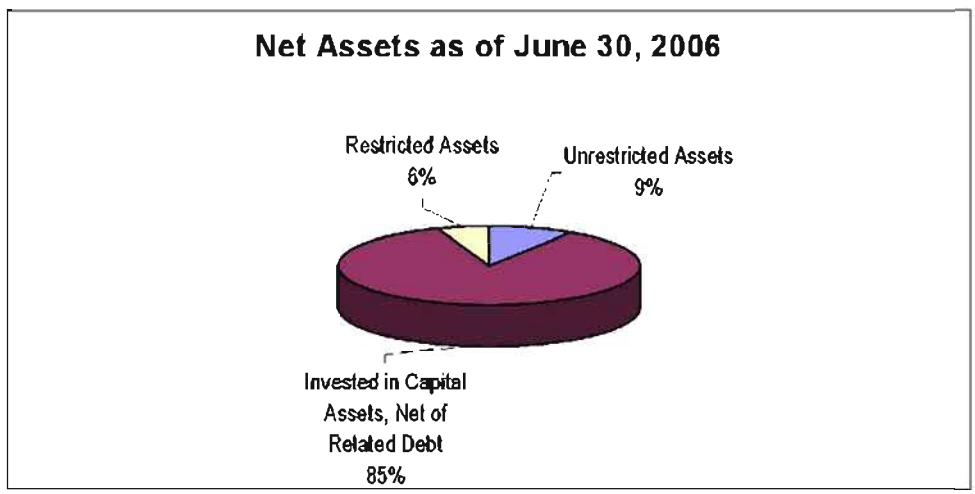
By far the largest portion of the City's net assets (85 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, improvements other than buildings, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to cover the liabilities.

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current and other assets	$ 108,090	$ 109,319	$ 21,086	$ 17,294	$ 129,176	$ 126,613
Capital assets net of depreciation	372,415	350,108	48,440	50,171	420,855	400,279
Total assets	480,505	459,427	69,526	67,465	550,031	526,892
Liabilities						
Current liabilities	71,931	67,633	887	787	72,818	68,420
Long-term liabilities outstanding	135,437	142,318	3,582	4,231	139,019	146,549
Total liabilities	207,368	209,951	4,469	5,018	211,837	214,969
Net Assets						
Invested in capital assets, net of related debt	244,127	198,075	44,241	45,375	288,368	243,450
Restricted assets	17,839	20,413	1,073	1,089	18,912	21,502
Unrestricted assets	11,171	30,988	19,743	15,983	30,914	46,971
Total net assets	$ 273,137	$ 249,476	$ 65,057	$ 62,447	$ 338,194	$ 311,923

An additional portion of the City's net assets (5.6 percent or $18,911,828) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (9.1 percent or $30,914,192) may be used to meet the City's ongoing obligations to citizens and creditors.

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



Governmental activities: Governmental activities increased the City's net assets by $23,660,829. This was largely the result of development in the area and the City's continuing commitment to construct infrastructure within the rapidly expanding community. As shown on page 11, capital assets, net of applicable depreciation, increased by more than $20 million dollars. Since bonds (debt) were issued to pay for much of this new infrastructure, a large portion of the investment in capital assets is currently offset by related debt, as shown in the chart on the previous page.

Business-type activities: As shown on the chart that follows, business-type activities increased the City's net assets by $2,609,838. This is comparable to the increase from operations that would have resulted in the prior year had it not been for the City's one-time contribution to the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) joint venture of $21,350,795 in fiscal year 2005, which resulted in a net decrease of $18,675,375 for that year. The fiscal year 2005 "Special item – contribution to WRA" resulted when the joint venture was restructured with the new agreement establishing the WRA as a separate legal entity with its own board.

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	$ 4,719	$ 4,894	$ 7,627	$ 7,359	$ 12,346	$ 12,253
Operating grants and contributions	7,161	6,559	-		7,161	6,559
Capital grants and contributions	12,222	9,278	1,475	542	13,697	9,820
General revenues:						
Property taxes	40,725	39,497			40,725	39,497
Other taxes	2,790	2,548			2,790	2,548
Earnings on investments	2,485	1,755	657	293	3,142	2,048
Other	1,865	1,122	1		1,866	1,122
Total revenues	72,067	65,653	9,760	8,194	81,827	73,847
Expenses:						
General government	6,400	5,482	-		6,400	5,482
Public safety	17,814	15,648	-		17,814	15,648
Public works	6,902	10,007	-		6,902	10,007
Health and social services	930	850	-		930	850
Culture and recreation	8,487	7,451	-		8,487	7,451
Community and economic development	3,618	4,945			3,618	4,945
Interest on long-term debt	6,042	6,391			6,042	6,391
Sanitary sewer	-		3,940	3,989	3,940	3,989
Solid waste	-		1,423	1,355	1,423	1,355
Total expenses	50,193	50,774	5,363	5,344	55,556	56,118
Excess before transfers and special item	21,874	14,879	4,397	2,850	26,271	17,729
Transfers	1,787	174	(1,787)	(174)	-	
Special item, contribution to WRA	-			(21,351)	-	(21,351)
Change in net assets	23,661	15,053	2,610	(18,675)	26,271	(3,622)
Net assets, beginning of year	249,476	234,423	62,447	81,122	311,923	315,545
Net assets, end of year	$ 273,137	$ 249,476	$ 65,057	$ 62,447	$ 338,194	$ 311,923

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 $44,269,857 as of June 30, 2006. This was a decrease of $6,706,110, or 15 percent, over the prior year. Of this total amount, $27,055,431 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 to 1) liquidate prior period contracts and purchase orders of $12,500,994 and 2) fund various debt service payments totaling $4,713,432.

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 $7,929,180, while total fund balance was $7,976,413. As a measure of the General Fund's liquidity, it is generally useful to compare both unreserved fund balance and total fund balance to total fund expenditures. In this instance, unreserved fund balance and total fund balance both represent more than 22 percent of total General Fund expenditures. These funds will be needed as working capital during the initial months of the new fiscal year as property tax revenue is only collected semi-annually, in September and March, with the majority of the revenue remitted to the City by the respective county treasurers in the months of October and April. Thus, the City has been on target for achieving its goal of a fund balance of approximately 25 percent of General Fund expenditures, with that fund balance percentage having been 26 percent in fiscal year 2005 and more than 24 percent in fiscal year 2006.

The Tax Increment Financing (TIF) Fund had a total fund balance of $7,572,614, all of which is unreserved. These funds will be transferred from the Tax Increment Financing Fund to cover debt payments on general obligation bonds, which were used to finance infrastructure improvements in the TIF districts as the debt payments become due.

The Debt Service Fund had a fund balance of $4,713,432, all of which is reserved for the payment of debt service (i.e. payment of general obligation principal and interest).

The Capital Projects Fund had a total fund balance of $18,404,934, of which $12,453,761 is reserved for the liquidation of construction contracts that were entered into during the prior period. The decrease in fund balance during the current fiscal year of $3,404,214, or 15.6 percent, reflects the completion of construction contracts for which the bond proceeds (i.e. proceeds from long-term debt) were received in a prior fiscal year.

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

Total net assets of the Sanitary Sewer Fund at the end of the year amounted to $64,747,131. This is comprised of: $44,241,020 invested in capital assets, net of related debt; $1,072,785 restricted for debt service; and $19,433,326 in unrestricted net assets. Total net assets of the Solid Waste Fund at the end of the current year were $308,855, all of which was unrestricted. The Solid Waste Fund does not have any investment in capital assets as this service was out-sourced to a private contractor in November of 2000.

Budgetary Highlights

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

During the year, amendments to budgeted expenditures were primarily due to changes in the timing of capital improvement projects. The revenue budget was also amended to reflect increased interest income as a result of improved market rates and an increase in permit revenue and charges for services in response to the issuance of near record levels of commercial building permits and construction inspection services. 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, 2006, amounts to $420,855,394 (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 5 percent.

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

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

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

The required supplementary information that must be presented by government's electing this approach appears on pages 61 through 64 of this report. From this supplementary information you will see that the City has been able to consistently meet or exceed its condition level goals. Also, that estimated maintenance costs and actual maintenance costs are fairly consistent considering that the fiscal year falls in the middle of the construction season which will result in some fluctuation from year to year depending on the exact date that the construction contract is let.

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

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	$ 23,161	$ 21,217	$ 328	$ 258	$ 23,489	$ 21,475
Buildings	33,755	33,818	-		33,755	33,818
Improvements other than buildings	30,488	29,694	-		30,488	29,694
Equipment and vehicles	17,508	16,579	7	7	17,515	16,586
Construction-in-progress	38,891	43,856	357	2,794	39,248	46,650
Share of undivided equity interest assets	984	999	-		984	999
Infrastructure, depreciable	-		68,806	66,829	68,806	66,829
Infrastructure, nondepreciable	260,276	233,590	-		260,276	233,590
Accumulated depreciation	(32,648)	(29,645)	(21,058)	(19,716)	(53,706)	(49,361)
Total capital assets	$ 372,415	$ 350,108	$ 48,440	$ 50,172	$ 420,855	$ 400,280

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

- Construction began or continued on the following street projects with construction-in-progress totals as shown:
  - South Jordan Creek Parkway between Mills Civic Parkway and Grand Avenue $7,800,889
  - Railroad Avenue widening and reconstruction $9,440,414
  - Stagecoach Drive between South 68th and South Jordan Creek Parkway $4,177,502

- Construction began on the following sanitary sewer project with construction-in-progress as shown:
  - West Des Moines Outfall to service Michael's Landing $288,056
- Construction continued on the fiber communications project. Construction-in-progress now totals $2,857,094.
- Following planning and design work, construction began on a new Public Safety facility to be located at the intersection of South 81st Street and Mills Civic Parkway.

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

Long-term debt. At the close of the fiscal year ended June 30, 2006, the City had total bonded debt outstanding of $140,824,000. Of this amount, $136,625,000 comprises debt backed by the full faith and credit of the government and the remaining $4,199,000 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	
	2006	2005	2006	2005	2006	2005
General obligation bonds	$ 136,625,000	$ 144,280,000	$ -	$ -	$ 136,625,000	$ 144,280,000
Revenue bonds	-	10,600,000	4,199,000	4,802,000	4,199,000	15,402,000
Total	$ 136,625,000	$ 154,880,000	$ 4,199,000	$ 4,802,000	$ 140,824,000	$ 159,682,000

The City's total bonded debt decreased by $18,858,000, or 11.8 percent, during the current fiscal year. The only new debt issued was a $6,000,000 general obligation bond. The decrease in outstanding debt results from regularly scheduled payments to retire existing debt and begin returning to a generally lower level of debt, following a significant increase in prior years to expand infrastructure to accommodate rapid growth and development taking place in underdeveloped and newly annexed areas of the City.

State constitution limits the amount of general obligation debt an Iowa city may issue up 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 $248,177,690. With outstanding general obligation debt of $136,625,000 and other debt subject to the limitation of $9,990,373, the City had utilized 59.1 percent of the debit limit as of June 30, 2006.

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

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

Economic Factors and Next Year's Budgets and Rates

The City of West Des Moines expects growth in taxable property valuations to continue over the next several years as West Des Moines is one of the fastest growing cities in the state of Iowa. However, through approximately 2009, a significant portion of the incremental property value gained in the rapidly developing western and southern portions of the City is committed to the repayment of general obligation bonds. This debt was issued to provide municipal services, including construction of infrastructure, in the area. As a result, the City of West Des Moines has continued to budget conservatively for the fiscal year ending June 30, 2007 and has increased property tax rates from $11.72/$1,000 of taxable valuation to $11.95 in order to provide additional public safety services to the expanding community.

Requests for Information

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

City of West Des Moines, Iowa

Statement of Net Assets
June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and investments	$ 54,077,885	$ 15,911,319	$ 69,989,204
Receivables:			
Property taxes	50,437,889	-	50,437,889
Accounts and unbilled usage	379,884	1,905,179	2,285,063
Loans	129,919	-	129,919
Interest	168,083	450,879	618,962
Special assessments	738,320	25,000	763,320
Internal balances	(528,880)	528,880	-
Due from other governments	1,817,165	1,192,121	3,009,286
Inventories	33,590	-	33,590
Total current assets	107,253,855	20,013,378	127,267,233
Noncurrent assets:			
Restricted cash and investments	-	1,072,785	1,072,785
Bond issuance costs	724,367	-	724,367
Bond discounts	111,576	-	111,576
	835,943	1,072,785	1,908,728
Capital assets:			
Nondepreciable:			
Land	23,160,944	327,809	23,488,753
Infrastructure	260,276,758	-	260,276,758
Construction-in-progress	38,890,836	357,281	39,248,117
Depreciable:			
Buildings	33,754,952	-	33,754,952
Equipment and vehicles	17,508,328	6,977	17,515,305
Improvements other than buildings	30,487,923	-	30,487,923
Share of undivided equity interest assets	983,460	-	983,460
Sanitary sewer system	-	68,806,398	68,806,398
Accumulated depreciation	(32,647,827)	(21,058,445)	(53,706,272)
Net capital assets	372,415,374	48,440,020	420,855,394
Total noncurrent assets	373,251,317	49,512,805	422,764,122
Total assets	$ 480,505,172	$ 69,526,183	$ 550,031,355

See Notes to Basic Financial Statements.

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current:			
Accounts payable	$ 4,258,773	$ 166,158	$ 4,424,931
Claims payable	521,653	-	521,653
Accrued wages payable	768,666	9,825	778,491
Interest payable	518,467	25,653	544,120
Unearned revenue	50,994,219	25,000	51,019,219
Compensated absences	2,206,296	33,430	2,239,726
General obligation bonds	10,785,000	-	10,785,000
Tax increment financing bonds	1,745,000	-	1,745,000
Capital lease payable	72,236	-	72,236
Loans payable	59,899	-	59,899
Installment contracts	1,073	-	1,073
Revenue bonds payable	-	627,000	627,000
Total current liabilities	71,931,282	887,066	72,818,348
Noncurrent:			
Compensated absences	1,074,031	10,282	1,084,313
General obligation bonds	125,840,000	-	125,840,000
Tax increment financing bonds	7,705,000	-	7,705,000
Capital lease payable	135,757	-	135,757
Loans payable	13,730	-	13,730
Installment contracts	257,679	-	257,679
Revenue bonds payable	-	3,572,000	3,572,000
Bond premiums	410,879	-	410,879
Total noncurrent liabilities	135,437,076	3,582,282	139,019,358
Total liabilities	207,368,358	4,469,348	211,837,706
Net Assets			
Invested in capital assets, net of related debt	244,126,609	44,241,020	288,367,629
Restricted for:			
Debt service	4,713,432	1,072,785	5,786,217
Purpose restricted by legislation	13,125,611	-	13,125,611
Unrestricted	11,171,162	19,743,030	30,914,192
Total net assets	273,136,814	65,056,835	338,193,649
Total liabilities and net assets	$ 480,505,172	$ 69,526,183	$ 550,031,355

City of West Des Moines, Iowa

Statement of Activities
For the Year Ended June 30, 2006

Programs/Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities:				
Public safety	$ 17,814,329	$ 2,420,064	$ 2,321,333	$ 174,388
Public works	6,901,977	257,722	4,135,015	11,858,494
Health and social services	929,656	-	237,283	-
Culture and recreation	8,486,772	1,333,080	182,467	39,336
Community and economic development	3,617,735	516,500	117,411	96,914
General government	6,400,259	191,788	167,438	52,568
Interest on long-term debt	6,042,440	-	-	-
Total governmental activities	50,193,168	4,719,154	7,160,947	12,221,700
Business-type activities:				
Sewer system	3,939,689	6,281,847	-	1,475,197
Solid waste system	1,422,689	1,344,707	-	-
Total business-type activities	5,362,378	7,626,554	-	1,475,197
Total primary government	$ 55,555,546	$ 12,345,708	$ 7,160,947	$ 13,696,897

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

Transfers

Total general revenues, special item and transfers

Change in net assets

Net assets, beginning of year

Net assets, end of year

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
$ (12,898,544)	$ -	$ (12,898,544)
9,349,254	-	9,349,254
(692,373)	-	(692,373)
(6,931,889)	-	(6,931,889)
(2,886,910)	-	(2,886,910)
(5,988,465)	-	(5,988,465)
(6,042,440)	-	(6,042,440)
(26,091,367)	-	(26,091,367)
-	3,817,355	3,817,355
-	(77,982)	(77,982)
-	3,739,373	3,739,373
(26,091,367)	3,739,373	(22,351,994)
40,724,880	-	40,724,880
342,629	-	342,629
481,740	-	481,740
1,966,628	-	1,966,628
447,479	-	447,479
2,484,652	657,153	3,141,805
1,517,500	-	1,517,500
1,786,688	(1,786,688)	-
49,752,196	(1,129,535)	48,622,661
23,660,829	2,609,838	26,270,667
249,475,985	62,446,997	311,922,982
$ 273,136,814	$ 65,056,835	$ 338,193,649

City of West Des Moines, Iowa

Balance Sheet
Governmental Funds
June 30, 2006

Assets	General	Tax Increment Financing	Debt Service
Cash and investments	$ 8,899,906	$ 7,530,089	$ 4,604,722
Receivables:			
Property taxes	24,353,602	14,421,053	6,957,771
Accounts	258,825	-	-
Special assessments	-	-	-
Loans	-	-	-
Interest	43,937	480	57,015
Due from other funds	379,370	-	-
Due from other governments	792,551	-	-
Total assets	$ 34,728,191	$ 21,951,622	$ 11,619,508
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	$ 1,276,796	$ -	$ 100
Accrued wages payable	760,471	-	-
Due to other funds	-	-	-
Deferred revenue	24,714,511	14,379,008	6,905,976
Total liabilities	26,751,778	14,379,008	6,906,076
Fund Equity:			
Fund balances:			
Reserved for debt service	-	-	4,713,432
Reserved for encumbrances	47,233	-	-
Unreserved, undesignated, reported in:			
General Fund	7,929,180	-	-
Special revenue funds	-	7,572,614	-
Capital Projects Fund	-	-	-
Total fund equity	7,976,413	7,572,614	4,713,432
Total liabilities and fund equity	$ 34,728,191	$ 21,951,622	$ 11,619,508

See Notes to Basic Financial Statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
$ 21,826,018	$ 5,100,017	$ 47,960,752
-	4,705,463	50,437,889
98,178	10,299	367,302
738,320	-	738,320
-	129,919	129,919
-	3,686	105,118
-	-	379,370
304,845	707,960	1,805,356
$ 22,967,361	$ 10,657,344	$ 101,924,026
$ 2,719,966	$ 129,616	$ 4,126,478
4,959	3,236	768,666
794,542	112,859	907,401
1,042,960	4,809,169	51,851,624
4,562,427	5,054,880	57,654,169
-	-	4,713,432
12,453,761	-	12,500,994
-	-	7,929,180
-	5,602,464	13,175,078
5,951,173	-	5,951,173
18,404,934	5,602,464	44,269,857
$ 22,967,361	$ 10,657,344	$ 101,924,026

City of West Des Moines, Iowa

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2006

Total governmental fund balances		$ 44,269,857
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	$ 23,160,944	
Construction-in-progress	38,890,836	
Buildings	33,754,952	
Equipment and vehicles	7,171,271	
Improvements other than buildings	30,487,923	
Share of undivided equity interest assets	983,460	
Infrastructure	260,276,758	
Accumulated depreciation	(27,190,703)	367,535,441
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		857,405
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	10,337,057	
Accumulated depreciation	(5,457,124)	
Other current assets	6,238,079	
Internal balances	-	
Other current liabilities	(653,948)	10,464,064
Internal service funds allocated to business-type activities		(849)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Compensated absences	(3,280,327)	
Accrued interest payable	(518,467)	
General obligation bonds payable	(136,625,000)	
Tax increment financing (TIF) bonds	(9,450,000)	
Capital lease obligations	(207,993)	
Loan payable	(73,629)	
Installment contracts	(258,752)	
Bond issuance costs	724,367	
Bond discounts	111,576	
Bond premiums	(410,879)	(149,989,104)
Net assets of governmental activities		$ 273,136,814

See Notes to Basic Financial Statements.

THE CITY OF WEST DES MOINES®

City of West Des Moines, Iowa

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	General	Tax Increment Financing	Debt Service
Revenues:			
Property taxes	$ 21,502,197	$ 10,089,944	$ 6,191,269
Other City taxes	2,533,899	-	100,699
Special assessments	-	-	-
Licenses and permits	973,262	-	-
Intergovernmental	2,994,202	-	-
Charges for services	2,738,930	-	-
Use of money and property	1,232,134	63,821	930,373
Miscellaneous	596,526	-	-
Total revenues	32,571,150	10,153,765	7,222,341
Expenditures:			
Current operating:			
Public safety	14,291,663	-	-
Public works	5,992,291	-	-
Health and social services	711,757	-	-
Culture and recreation	5,460,742	-	-
Community and economic development	3,464,102	-	-
General government	4,657,003	25,000	-
Debt service:			
Principal	56,342	1,150,000	13,655,000
Interest and other charges	8,218	422,440	5,652,449
Bond issuance costs	-	-	-
Capital outlay	811,235	-	-
Total expenditures	35,453,353	1,597,440	19,307,449
Excess (deficiency) of revenues over expenditures	(2,882,203)	8,556,325	(12,085,108)
Other financing sources (uses):			
Issuance of long term debt	106,869	-	-
Discount on long term debt	-	-	-
Transfers in	5,337,067	-	8,317,345
Transfers out	(3,370,713)	(8,786,300)	(795,088)
Proceeds from sale of capital assets	31,810	-	-
Total other financing sources (uses)	2,105,033	(8,786,300)	7,522,257
Net change in fund balances	(777,170)	(229,975)	(4,562,851)
Fund balances, beginning of year	8,753,583	7,802,589	9,276,283
Fund balances, end of year	$ 7,976,413	$ 7,572,614	$ 4,713,432

See Notes to Basic Financial Statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ 2,941,470	$ 40,724,880
-	53,995	2,688,593
136,656	-	136,656
-	-	973,262
1,423,009	4,320,771	8,737,982
97,055	41,361	2,877,346
-	24,317	2,250,645
787,369	459,284	1,843,179
2,444,089	7,841,198	60,232,543
-	1,929,080	16,220,743
-	581,705	6,573,996
-	169,415	881,172
-	66,407	5,527,149
-	98,310	3,562,412
303,176	-	4,985,179
	-	
-	59,767	14,921,109
1,500	-	6,084,607
43,060	-	43,060
14,054,622	241,857	15,107,714
14,402,358	3,146,541	73,907,141
(11,958,269)	4,694,657	(13,674,598)
6,000,000	-	6,106,869
(52,123)	-	(52,123)
15,491,406	453,561	29,599,379
(12,885,228)	(2,881,982)	(28,719,311)
-	1,864	33,674
8,554,055	(2,426,557)	6,968,488
(3,404,214)	2,268,100	(6,706,110)
21,809,148	3,334,364	50,975,967
$ 18,404,934	$ 5,602,464	$ 44,269,857

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, 2006

Net change in fund balances - governmental funds	$	(6,706,110)
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		13,985,843
Depreciation		(3,500,205)
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		10,157,149
Proceeds from sale of capital assets		(33,674)
Loss on the sale of capital assets		(237,104)
Capital assets transferred from business-type activities		1,190,806
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Intergovernmental, change in deferred		304,845
Other City taxes, change in deferred		102,404
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		(434,668)
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 long term debt		14,921,109
Write down of installment contract		20,581
Interest		46,776
Bond issuance costs		43,060
Issuance of long-term debt		(6,106,869)
Amortization of bond issuance costs, discounts and premiums		(4,609)
Discount on long term debt		52,123
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.		(140,628)
Change in net assets of governmental activities	$	23,660,829

See Notes to Basic Financial Statements.

THE CITY OF WEST DES MOINES®

City of West Des Moines, Iowa

Statement of Net Assets
Proprietary Funds
June 30, 2006

	Sewer System	Nonmajor Enterprise Fund - Solid Waste	Total Enterprise Funds	Governmental Activities Internal Service Funds
Assets				
Current assets:				
Cash and investments	$ 15,803,394	$ 107,925	$ 15,911,319	$ 6,117,133
Receivables:				
Accounts and unbilled usage	1,574,042	331,137	1,905,179	12,582
Special assessments	25,000	-	25,000	-
Interest	450,879	-	450,879	62,965
Due from other funds	528,031	-	528,031	-
Due from other governments	1,192,121	-	1,192,121	11,809
Inventories	-	-	-	33,590
Total current assets	19,573,467	439,062	20,012,529	6,238,079
Noncurrent assets:				
Restricted cash and investments	1,072,785	-	1,072,785	-
Capital assets:				
Nondepreciable:				
Land	327,809	-	327,809	-
Construction-in-progress	357,281	-	357,281	-
Depreciable:				
Equipment and vehicles	6,977	-	6,977	10,337,057
Sanitary sewer system	68,806,398	-	68,806,398	-
Accumulated depreciation	(21,058,445)	-	(21,058,445)	(5,457,124)
Net capital assets	48,440,020	-	48,440,020	4,879,933
Total noncurrent assets	49,512,805	-	49,512,805	4,879,933
Total assets	$ 69,086,272	$ 439,062	$ 69,525,334	$ 11,118,012

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	$ 53,306	$ 112,852	$ 166,158	$ 132,295
Claims payable	-	-	-	521,653
Compensated absences	28,025	5,405	33,430	-
Accrued wages payable	8,157	1,668	9,825	-
Unearned revenue	25,000	-	25,000	-
Interest payable	25,653	-	25,653	-
Revenue bonds payable	627,000	-	627,000	-
Total current liabilities	767,141	119,925	887,066	653,948
Noncurrent:				
Compensated absences	-	10,282	10,282	-
Revenue bonds, net of current maturities	3,572,000	-	3,572,000	-
Total noncurrent liabilities	3,572,000	10,282	3,582,282	-
Total liabilities	4,339,141	130,207	4,469,348	653,948
Net assets:				
Invested in capital assets, net of related debt	44,241,020	-	44,241,020	4,879,933
Restricted for debt service	1,072,785	-	1,072,785	-
Unrestricted	19,433,326	308,855	19,742,181	5,584,131
Total net assets	64,747,131	308,855	65,055,986	10,464,064
Total liabilities and net assets	$ 69,086,272	$ 439,062	$ 69,525,334	$ 11,118,012
Total enterprise funds net assets			$ 65,055,986	
Amounts reported for business-type activities in the statement of net assets are different because:				
Internal service funds are used by management to charge the cost of certain services to individual funds. The assets and liabilities of the internal service funds are included in business-type activities in the statement of net assets.			849	
Net assets of business-type activities			$ 65,056,835	

City of West Des Moines, Iowa

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

	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	$ 6,281,847	$ 1,344,707	$ 7,626,554	$ 4,716,406
Lease revenue	-	-	-	1,107,102
Total operating revenues	6,281,847	1,344,707	7,626,554	5,823,508
Operating expenses:				
Cost of sales and services	1,504,318	1,390,139	2,894,457	4,786,201
Administration	39,874	30,578	70,452	577,528
Depreciation	1,367,434	-	1,367,434	996,906
Amortization	4,954	-	4,954	-
Total operating expenses	2,916,580	1,420,717	4,337,297	6,360,635
Operating income (loss)	3,365,267	(76,010)	3,289,257	(537,127)
Nonoperating revenues (expenses):				
Investment earnings	657,153	-	657,153	234,006
Interest expense and fiscal charges	(191,286)	-	(191,286)	-
Payments to WRA	(836,652)	-	(836,652)	-
Gain on disposal of capital assets	25,692	-	25,692	40,044
Total nonoperating revenues (expenses)	(345,093)	-	(345,093)	274,050
Income (loss) before capital contributions and transfers	3,020,174	(76,010)	2,944,164	(263,077)
Capital contributions	1,449,505	-	1,449,505	409,492
Transfers in	3,697,902	53,376	3,751,278	-
Transfers out	(5,537,966)	-	(5,537,966)	(284,186)
Change in net assets	2,629,615	(22,634)	2,606,981	(137,771)
Total net assets, beginning of year	62,117,516	331,489	62,449,005	10,601,835
Total net assets, end of year	$ 64,747,131	$ 308,855	$ 65,055,986	$ 10,464,064

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, 2006

Net change in net assets in enterprise funds	$	2,606,981
Amounts reported for proprietary activities in the statement of activities are different because internal service funds are used by management to charge the costs of various activities internally to individual funds. The net expense of certain activities of internal service funds is reported with business-type activities.		2,857
Change in net assets of business-type activities	$	2,609,838

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Sewer System	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:				
Receipts from customers and users	$ 6,236,037	$ 1,339,900	$ 7,575,937	$ 5,824,824
Payments to suppliers	(1,462,313)	(1,384,287)	(2,846,600)	(1,569,639)
Payments to claimants	-	-	-	(3,514,165)
Payments to employees	(22,434)	(32,413)	(54,847)	-
Net cash provided by (used in) operating activities	4,751,290	(76,800)	4,674,490	741,020
Cash flows from noncapital financing activities:				
Payments for other funds	(252,920)	-	(252,920)	(19,778)
Transfers in	3,697,902	53,376	3,751,278	-
Transfers out	(4,347,160)	-	(4,347,160)	(284,186)
Net cash provided by (used in) noncapital financing activities	(902,178)	53,376	(848,802)	(303,964)
Cash flows from capital and related financing activities:				
Purchase of capital assets	(543,565)	-	(543,565)	(1,315,675)
Payment on debt	(603,000)	-	(603,000)	-
Payments to WRA	(836,652)	-	(836,652)	-
Interest paid on debt	(191,286)	-	(191,286)	-
Proceeds from disposal of capital assets	-	-	-	24,050
Net cash (used in) capital and related financing activities	(2,174,503)	-	(2,174,503)	(1,291,625)
Cash flows from investing activities:				
Interest received	345,618	-	345,618	238,225
Purchase of investment securities	(14,500,000)	-	(14,500,000)	(8,454,903)
Proceeds from maturity of investment securities	9,470,392	-	9,470,392	6,449,522
Net cash (used in) investing activities	(4,683,990)	-	(4,683,990)	(1,767,156)
(Decrease) in cash and cash equivalents	(3,009,381)	(23,424)	(3,032,805)	(2,621,725)
Cash and cash equivalents, beginning of year	5,635,560	131,349	5,766,909	3,283,955
Cash and cash equivalents, end of year	$ 2,626,179	$ 107,925	$ 2,734,104	$ 662,230

(Continued)

City of West Des Moines, Iowa

Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Sewer System	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 3,365,267	$ (76,010)	$ 3,289,257	$ (537,127)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,372,388	-	1,372,388	996,906
Change in assets and liabilities:				
Receivables	(45,810)	(4,807)	(50,617)	1,316
Accounts payable	42,005	5,852	47,857	15,573
Claims payable	-	-	-	264,352
Compensated absences and accrued wages payable	17,440	(1,835)	15,605	-
Net cash provided by (used in) operating activities	$ 4,751,290	$ (76,800)	$ 4,674,490	$ 741,020
Reconciliation of cash and cash equivalents to specific assets on the statement of net assets:				
Cash and investments	$ 16,876,179	$ 107,925	$ 16,984,104	$ 6,117,133
Less items not meeting the definition of cash equivalents	(14,250,000)	-	(14,250,000)	(5,454,903)
Cash and cash equivalents at end of year	$ 2,626,179	$ 107,925	$ 2,734,104	$ 662,230
Schedule of noncash items:				
Capital and related financing activities:				
Purchase of capital assets through like-kind exchange	$ -	$ -	$ -	$ 15,994
Donated construction by developers	1,449,505	-	1,449,505	-
Reclassification of capital asset to receivable	1,192,121	-	1,192,121	-
Capital assets acquired through transfers from other funds	-	-	-	409,492
Capital assets transferred to governmental activities	1,190,806	-	1,190,806	-

See Notes to Basic Financial Statements.

City of West Des Moines, Iowa

Statement of Assets and Liabilities
Agency Funds
June 30, 2006

Assets		
Cash and investments	$	216,521
Restricted assets, contractors' bonds		7,859
Total assets	$	224,380
Liabilities		
Accounts payable	$	16,991
Deposits and remittances due		207,389
	$	224,380

See 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, Dallas and Warren counties. It was first incorporated in 1893 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government, with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens, including public safety, public works, culture, 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, 2) the City being entitled to, or having the ability to otherwise access, a majority of the economic resources received or held by the City and 3) the economic resources received or held by an individual organization that the City is entitled to, or has the ability to otherwise access, are significant to the City. Based on these criteria, there are no organizations or agencies which should be included in these basic financial statements.

Basis of presentation:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Community Development Block Grant Fund: To account for the community development block grant revenues and related expenditures.

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

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

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

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

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

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

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

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

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

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

Worker's Compensation Fund: To account for the worker's compensation premiums and claims.

Fiduciary Fund Types: Fiduciary fund types are used to account for net assets and changes in net 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 custodial in nature (assets equal liabilities) and do not involve measurement or results of operations. The City has the following agency funds:

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

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

Measurement focus and basis of accounting:

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

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

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

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

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

Property taxes are recognized at the time an enforceable legal claim is established. This is deemed to occur when the budget is certified. The current tax levy was certified in March 2006, the date at which a lien attaches, based on the 2005 assessed valuations. These taxes are due in two installments, on September 30 and the following March 31, with a 1½ percent per month penalty for delinquent payment. Since the 2006 tax levy is budgeted and levied for the fiscal year 2007, 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.

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

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

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

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

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

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

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

Capital assets: including land, buildings, improvements other than buildings, equipment and vehicles, infrastructure, construction-in-progress, sanitary sewer system and the City's share of assets in their undivided equity interest are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an initial useful life of one year or greater.

Assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

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

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

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

Depreciation has been provided using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives for each capital asset type are as follows:

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

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

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

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

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

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

Compensated absences: City employees accumulate vacation benefits for subsequent use or payment upon termination, death or retirement. City employees also accumulate sick leave benefits for subsequent use or payable at one-half the accumulated value upon death or retirement. For proprietary fund types, these accumulations are recorded as expenses and liabilities of the appropriate fund in the fiscal year earned. For governmental fund types, the amount of accumulated unpaid vacation which is payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations.

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

Net assets: represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. As of June 30, 2006, the City had $17,901,545 in unspent debt proceeds in the Capital Projects Fund. 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. Net assets restricted through enabling legislation consists of $5,161,731 for road construction projects, $247,087 for parks, $144,179 for library projects, $7,572,614 for tax increment financing projects and $4,713,432 for debt service.

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

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

Budgetary and appropriation data: As allowed by GASB Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences*, the City presents budgetary comparison schedules as required supplementary information based on the program structure of nine functional areas as required by state statute for its legally adopted budget.

Note 2. Cash and Investments

As of June 30, 2006, the City's cash and investments were as follows:

Cash investments, statement of net assets	$ 71,061,989
Cash and cash equivalents, fiduciary funds	216,521
	$ 71,278,510
Deposits including certificates of deposit	$ 44,762,093
Investments	26,516,417
	$ 71,278,510

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

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

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

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

Investment Type	Maturities	Fair Value
FNMA Discount Note	07/19/2006	$ 1,995,400
FNMA Discount Note	08/15/2006	1,987,600
FNMA Discount Note	08/29/2006	6,198,750
FNMA Discount Note	09/12/2006	1,979,400
FHLB Discount Note	08/14/2006	1,988,000
FHLMC Discount Note	09/12/2006	1,979,400
FNMA Discount Note	09/26/2006	1,975,400
FNMA Discount Note	07/25/2006	1,395,660
FHLB Discount Note	07/26/2006	1,395,380
FNMA Discount Note	03/27/2007	961,100
Iowa Public Agency Investment Trust	32.86 days average	4,660,327
		$ 26,516,417

Note 2. Cash and Investments (Continued)

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

As of June 30, 2006, the City's investments were rated as follows:

Investment Type	Moody's Investors Services	Standard & Poor's
FNMA Discount Notes	P-1	A-1+
FHLB Discount Note	P-1	A-1+
FHLMC Discount Note	P-1	A-1+
Iowa Public Agency Investment Trust	not rated	not rated

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

Issuer	Investment Type	Reported Amount
FNMA	U.S. government agency obligations	$ 16,493,310
FHLB	U.S. government agency obligations	3,383,380
FHLMC	U.S. government agency obligations	1,979,400

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. It is the City's policy to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default. Chapter 12c of the Code of Iowa requires all City funds be deposited into an approved depository and be either insured or collateralized. As of June 30, 2006, the City's deposits with financial institutions were entirely covered by federal depository insurance or insured by the state though pooled collateral, state sinking funds and by the state's ability to assess for lost funds. The City's investments were covered by investments purchased and held by an independent third party.

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, 2006:

	Beginning Balance June 30, 2005	Additions	Deletions	Ending Balance June 30, 2006
Governmental Activities				
Capital assets, not being depreciated:				
Land	$ 21,216,992	$ 1,943,952	$ -	$ 23,160,944
Infrastructure	233,589,791	26,829,620	142,653	260,276,758
Construction-in-progress	43,855,837	10,873,391	15,838,392	38,890,836
Total capital assets, not being depreciated	298,662,620	39,646,963	15,981,045	322,328,538
Capital assets, being depreciated:				
Buildings	33,817,943	79,509	142,500	33,754,952
Equipment and vehicles	16,579,277	2,396,707	1,467,656	17,508,328
Improvements other than buildings	29,694,147	793,776	-	30,487,923
Share of undivided equity interest assets	999,429	-	15,969	983,460
Total capital assets, being depreciated	81,090,796	3,269,992	1,626,125	82,734,663
Less accumulated depreciation for:				
Buildings	11,294,148	1,102,684	142,500	12,254,332
Equipment and vehicles	8,677,780	1,363,729	1,351,896	8,689,613
Improvements other than buildings	9,032,033	1,987,745	-	11,019,778
Share of undivided equity interest assets	641,151	42,953	-	684,104
Total accumulated depreciation	29,645,112	4,497,111	1,494,396	32,647,827
Total capital assets, being depreciated, net	51,445,684	(1,227,119)	131,729	50,086,836
Governmental activities capital assets, net	$ 350,108,304	$ 38,419,844	$ 16,112,774	$ 372,415,374

Note 3. Capital Assets (Continued)

	Ending Balance June 30, 2005	Additions	Deletions	Ending Balance June 30, 2006
Business-Type Activities				
Capital assets, not being depreciated:				
Land	$ 258,234	$ 69,575	$ -	$ 327,809
Construction-in-progress	2,794,245	473,990	2,910,954	357,281
Total capital assets, not being depreciated	3,052,479	543,565	2,910,954	685,090
Capital assets, being depreciated:				
Equipment	6,977	-	-	6,977
Sanitary sewer system	66,828,866	3,169,653	1,192,121	68,806,398
Total capital assets, being depreciated	66,835,843	3,169,653	1,192,121	68,813,375
Less accumulated depreciation for:				
Equipment	1,395	1,396	-	2,791
Sanitary sewer system	19,715,308	1,366,038	25,692	21,055,654
Total accumulated depreciation	19,716,703	1,367,434	25,692	21,058,445
Total capital assets, being depreciated, net	47,119,140	1,802,219	1,166,429	47,754,930
Business-type activities capital assets, net	$ 50,171,619	$ 2,345,784	$ 4,077,383	$ 48,440,020

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

Governmental Activities	
Public safety	$ 1,113,664
Health and social services	27,841
Culture and recreation	2,340,672
Public works	588,851
General government	426,083
	$ 4,497,111

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, 2006:

	June 30, 2005	Increases and Issues	Decreases and Retirements	June 30, 2006	Due Within One Year
Governmental activities:					
General obligation bonds	$ 144,280,000	$ 6,000,000	$ 13,655,000	$ 136,625,000	$ 10,785,000
Tax increment financing (TIF) bonds	10,600,000	-	1,150,000	9,450,000	1,745,000
Capital lease obligations	157,466	106,869	56,342	207,993	72,236
Loans payable	133,396	-	59,767	73,629	59,899
Installment contracts	279,333	-	20,581	258,752	1,073
Compensated absences	2,845,659	2,117,298	1,682,630	3,280,327	2,206,296
	158,295,854	8,224,167	16,624,320	149,895,701	14,869,504
Business-type activities:					
Revenue bonds	4,802,000	-	603,000	4,199,000	627,000
Compensated absences	32,840	41,553	30,681	43,712	33,430
	4,834,840	41,553	633,681	4,242,712	660,430
Total long-term debt	$ 163,130,694	$ 8,265,720	$ 17,258,001	$ 154,138,413	$ 15,529,934

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

General obligation bonds: On June 1, 2006, the City issued $6,000,000 in general obligation bonds with interest rates ranging from 4.0 percent to 4.25 percent and annual principal payments ranging from $310,000 to $700,000. The bonds were issued to fund various capital projects and will be repaid through 2020.

Note 4. Bonded and Other Debt (Continued)

Summary of bond issues: General obligation bonds outstanding as of June 30, 2006 consist of the following individual issues:

Date of Issue	Interest Rates	Final Due Date	Annual Principal Payments	Amount Originally Issued	Amount Outstanding June 30, 2006
06/01/99	3.75 - 4.35	June 2011	$225,000 - $300,000	$ 3,000,000	$ 1,425,000
12/01/00	4.50 - 5.00	June 2012	185,000 - 550,000	5,000,000	2,875,000
11/01/01	3.25 - 5.00	June 2020	100,000 - 1,005,000	13,000,000	11,305,000
11/12/01	3.00 - 4.40	June 2014	40,000 - 595,000	3,575,000	2,250,000
05/29/02	3.00 - 4.40	June 2014	1,245,000 - 1,850,000	18,000,000	12,830,000
06/24/02	3.00 - 5.00	June 2020	135,000 - 830,000	9,750,000	8,730,000
05/01/03	2.50 - 4.40	June 2019	1,000,000 - 3,765,000	40,000,000	39,000,000
05/01/03	2.00 - 3.12	June 2010	1,640,000 - 1,885,000	10,500,000	7,185,000
05/01/03	2.00 - 3.75	June 2014	310,000 - 410,000	3,845,000	2,900,000
05/01/03	2.00 - 2.38	June 2006	710,000 - 730,000	2,155,000	-
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	1,920,000
12/01/03	2.00 - 4.35	June 2023	400,000 - 1,700,000	19,250,000	19,250,000
06/01/04	3.00 - 5.00	June 2021	100,000 - 1,250,000	6,000,000	5,900,000
04/01/05	3.50 - 3.70	June 2015	185,000 - 575,000	3,055,000	3,055,000
06/01/06	4.00 - 4.25	June 2020	310,000 - 700,000	6,000,000	6,000,000
				$ 159,439,249	$ 136,625,000

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

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

a) The City must maintain the urban renewal project areas, enforce and maintain the City ordinance related to the project areas, and levy/collect the related tax increment revenues.

b) The City must maintain proper books and prepare special TIF bond reports, which are to be audited within 210 days of the City's fiscal year-end and made available to bondholders.

c) The City must comply with the Constitution and laws of Iowa related to each bond issue.

The TIF bonds also have a stated reserve requirement that is calculated as the lesser of (a) the maximum annual amount of the principal and interest coming due on the bonds and parity obligations or (b) 10 percent of the stated principal amount on the bonds and parity obligations. The City has established a reserve amount of $1,692,619.

Note 4. Bonded and Other Debt (Continued)

Other than bonded debt:

Loan payable: The City entered into a RISE loan agreement during the year ended June 30, 1998 to fund a portion of the Westown Parkway Bridge project. As of June 30, 2006, $53,234 was outstanding under the agreement. The loan is noninterest bearing and is payable in annual installments of $53,234.

Loan payable: The City, along with two other area cities, entered into a Local Government Innovation Fund Loan (LGIF) loan agreement during the year ended June 30, 2005 to fund the development and implementation of an emergency services training program. The agreement requires annual payments of $7,072 of the City, including interest at 2.00 percent through June 1, 2009. As of June 30, 2006, $20,395 was outstanding under the agreement.

Capital lease obligation: 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 percent through June 1, 2008. The balance due as of June 30, 2006 was $107,548.

Capital lease obligation: The City entered into a lease purchase agreement for the acquisition of six cardiac monitors. The agreement requires annual payments of $7,969, including interest at 4.5 percent through February 1, 2011. The balance due as of June 30, 2006 was $100,445.

Installment contracts: The City has entered into two installment contracts for the construction of pedestrian bridges. The $20,581 shown as a decrease/retirement was due to a change in estimate of the amount due to the state. The agreements are noninterest bearing and are payable in annual installments totaling $71,329 through January 2009. The balance due as of June 30, 2006 was $258,752.

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 $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.

Note 4. Bonded and Other Debt (Continued)

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 percent 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 $1,072,785.

Summary of principal and interest maturities: Annual debt service requirements to service all outstanding indebtedness as of June 30, 2006 are as follows:

	General Obligation Bonds		Tax Increment Notes Payable	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2007	$ 10,785,000	$ 5,405,508	$ 1,745,000	$ 381,406
2008	11,955,000	5,069,981	1,815,000	317,130
2009	11,765,000	4,674,601	1,895,000	246,348
2010	11,925,000	4,248,737	970,000	169,958
2011	10,220,000	3,804,040	710,000	64,360
2012 - 2016	46,220,000	12,989,788	2,315,000	203,560
2017 - 2021	31,295,000	4,029,885	-	-
2022 - 2023	2,460,000	160,620	-	-
	$ 136,625,000	$ 40,383,160	$ 9,450,000	$ 1,382,762

	Capital Lease Obligations		Loans Payable	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2007	$ 72,236	$ 8,262	$ 59,899	$ 408
2008	75,793	4,705	6,797	275
2009	21,650	2,258	6,933	139
2010	22,644	1,263	-	-
2011	15,670	268	-	-
	$ 207,993	$ 16,756	$ 73,629	$ 822

	Installment Contracts		Enterprise Revenue Bonds	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2007	$ 1,073	$ 70,256	$ 627,000	$ 143,860
2008	60,497	10,833	651,000	122,286
2009	63,040	8,289	363,000	99,436
2010	65,690	5,639	378,000	87,438
2011	68,452	2,878	391,000	74,944
2012 - 2016	-	-	1,660,000	175,868
2017	-	-	129,000	-
	$ 258,752	$ 97,895	$ 4,199,000	$ 703,832

Note 4. Bonded and Other Debt (Continued)

Legal debt margin: As of June 30, 2006, the outstanding general obligation debt of the City did not exceed its legal debt margin computed as follows:

January 2005 100% assessed valuation *	$ 4,476,454,682
Plus: Captured tax increment value	491,421,990
Less: Military exemption	(4,322,864)
Total assessed valuation of the property of the City of West Des Moines	$ 4,963,553,808
Debt limit, 5% of total actual valuation	$ 248,177,690
Debt applicable to debt limit:	
General obligation bonds	136,625,000
TIF revenue bonds	9,450,000
Loans payable	73,629
Capital lease obligations	207,993
Installment contracts	258,752
Legal debt margin	$ 101,562,316

* 100% of assessed valuation including TIF increment.

Note 5. Interfund Receivables and Payables

Individual interfund receivables and payables balances as of June 30, 2006 were:

	Interfund Receivables	Interfund Payables
Major governmental funds:		
General	$ 379,370	$ -
Capital projects	-	794,542
Nonmajor governmental funds	-	112,859
Proprietary funds, sewer system	528,031	-
Total	$ 907,401	$ 907,401

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

Note 6. Interfund Transfers

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

	Transfers In	Transfers Out
Major governmental funds:		
General	$ 5,337,067	$ 3,370,713
Special revenue fund, Tax Increment Financing	-	8,786,300
Debt Service	8,317,345	795,088
Capital Projects	15,491,406	12,885,228
Nonmajor governmental funds	453,561	2,881,982
Major enterprise fund, Sewer System	3,697,902	5,537,966
Nonmajor enterprise fund, Solid Waste	53,376	-
Internal Service Funds, Vehicle Maintenance	-	284,186
Total	$ 33,350,657	$ 34,541,463

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. During fiscal year 2006, the Sewer System Fund transferred $1,190,806 in capital assets to governmental activities.

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 percent of their annual covered salary and the City is required to contribute 5.75 percent of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were $744,909, $729,919 and $646,910, respectively, equal to the required contributions for each year.

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

Plan members are required to contribute 9.35 percent of earnable compensation and the City's contribution rate may not be less than 28.21 percent of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2006, 2005 and 2004 were $1,535,497, $1,321,629 and $967,268, respectively, which met the required contribution for each year.

Note 8. Deferred Compensation Plan

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

Note 9. Individual Fund Equity Deficit

The following funds have deficit fund balances as of June 30, 2006:

Nonmajor Special Revenue Fund, Public Safety	$	26,681
Nonmajor Special Revenue Fund, Community Development Block Grant		88,786
Internal Service Fund, Vehicle Maintenance		30,025
Internal Service Fund, Health & Dental Insurance		318,828

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 firefighters on medical disability and are financed and accounted for on a pay-as-you-go basis. The City pays 50 percent of the premium for single coverage for medically disabled police officers and firefighters 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, 2006 were $2,203 and one, respectively.

Note 11. Joint Venture

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

Annually, the WRA establishes an allocation to all participating communities based on operations, maintenance, debt service and reserve requirements. Allocations are based on wastewater reclamation facility flows and adjusted prospectively for differences in budgeted flows and actual flows.

Note 11. Joint Venture (Continued)

The City retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture. Although the debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any bonds issued during the time the entity was a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2004A and 2004B include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

The WRA Sewer Revenue Bonds Series 2004A bonds were issued for the advance refunding of the City's sewer revenue bonds. The WRA Agreement requires the debt service on these bonds to be allocated through the annual flow allocation to the participating communities based on the existing allocations of debt service under the prior I.C.A. agreement. The Series 2004A bonds had a balance of $20,030,000 as of June 30, 2006. The City of West Des Moines has a commitment for approximately $15,976,516 for future principal payment requirements. The WRA Sewer Revenue Bonds Series 2004B bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2006, the Series 2004B bonds had a balance of $66,830,000 and the City of West Des Moines' estimated future allocation based on the WRA flows is currently $24,360,252. The State Revolving Loans are to be paid by the participating communities based on the existing allocations under the prior I.C. A. agreement. As of June 30, 2006, the WRA had $12,824,000 in State Revolving Loans of which $8,258,649 future principal debt service is a commitment to the City of West Des Moines.

The WRA Agreement does not provide for the determination of an equity interest for the participating communities. Withdrawing from the joint venture is a forfeit of all reversionary interest and no compensation will be paid. Since there is no specific and measurable equity interest in the WRA Agreement, the investment in the joint venture previously reported by the City has been removed.

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

Condensed financial information of the joint venture is as follows:

Statement of net assets:	
Current assets	$ 55,308,177
Noncurrent assets	300,796,032
Total assets	$ 356,104,209
Current liabilities	$ 12,057,680
Noncurrent liabilities	99,595,460
Total liabilities	$ 111,653,140

Note 11. Joint Venture (Continued)

Net assets:	
Invested in capital assets, net of related debt	$ 209,419,431
Restricted	25,896,450
Unrestricted	9,135,188
Statement of revenues, expenses and changes in net assets:	
Operating revenues	$ 28,075,966
Operating expenses	20,331,639
Operating income	7,744,327
Nonoperating, net	(116,353)
Capital contributions	1,739,760
Change in net assets	9,367,734
Statement of cash flows:	
Cash provided by operating activities	$ 14,512,063
Cash used in investing activities	20,546,286
Cash provided by capital and related financing activities	(37,283,404)
Increase in cash and pooled cash investments	(2,225,055)

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, 2006:

	Amount
Received from West Des Moines Water Works:	
Occupancy reimbursements	$ 13,046
Health insurance premiums	263,409
Gasoline reimbursements	23,695
Telephone reimbursements	9,866
Share of general insurance	112,966
Delinquent reimbursements	652
Miscellaneous reimbursements	48,997
Payments to West Des Moines Water Works:	
Collection fees for sewer and solid waste	77,202
Miscellaneous fees	4,803

Amounts receivable from West Des Moines Water Works as of June 30, 2006 for sewer and solid waste charges totaled $1,574,042 and $331,137 respectively.

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

Jointly governed organizations: The City participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: Polk, Dallas and Warren County Assessor's Conference Boards; Metropolitan 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 $768,698 and $299,356, respectively.

Note 13. Commitments

The City has entered into contracts totaling approximately $13,242,459 for various projects that were not complete at year-end. As of June 30, 2006, $12,500,994 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 percent of the total current members' base rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2006 were approximately $423,056.

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, 2006, no liability has been recorded in the City's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all 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 percent 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 the Westcom Dispatch Center's 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: The City has a self-insured medical expense reimbursement plan which provides medical benefits to its employees and to the employees of affiliates. The plan provides each covered person with a lifetime maximum of $1,000,000 coverage for health care needs. The plan is funded by both employee and City contributions and is administered through a service agreement with Principal Life Insurance Company. The uninsured risk retention per person is $75,000 (not to exceed 125 percent of the aggregate expected claims of $2,708,463 for the year ended June 30, 2006). The City purchased commercial stop-loss insurance to provide for claims in excess of the $75,000 to reduce its exposure to large losses. There has been no significant reduction in insurance coverage under the plan from prior years.

The City has established the Health and Dental Insurance Fund (an internal service fund) to account for and finance the uninsured risk of loss. The City's contribution to the fund for the year ended June 30, 2006 was $2,595,858.

Effective July 1, 2005, the City established a self-insured plan for its worker's compensation plan. An internal service fund was created to account for premiums and claims paid. The uninsured risk retention is $350,000 per occurrence. The aggregate retention is 90 percent of the manual premium amount or approximately $716,000.

Note 14. Risk Management (Continued)

Amounts payable from the Health and Dental Insurance Fund and the Worker's Compensation Insurance Fund as of June 30, 2006 totaled $521,653 and include incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for other loss. A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss is reasonably estimable. Settlements have exceeded the stop-loss coverage in the year ending June 30, 2006, 2005, and 2004 of $101,711, $273,511 and $2,685, respectively. Information on changes in the aggregate liabilities for claims is as follows:

	2006	2005
Claims payable, beginning of year	$ 257,301	$ 294,283
Claims recognized	4,116,797	2,785,646
Claim payments	(3,852,445)	(2,822,628)
Claims payable, end of year	$ 521,653	$ 257,301

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, 2006, there were three series of industrial development revenue bonds outstanding, with an aggregate principal amount payable of $4,184,559.

Note 16. Governmental Accounting Standards Board (GASB) Statements

The City adopted the following statements during the year ended June 30, 2006:

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. 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. This Statement had no effect on the City in the current year.

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*. This Statement improved 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. This Statement modified the statistical section previously reported by the City.

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation,* an amendment of GASB Statement No. 34. The purpose of Statement No. 46 is to help the governments determine when net assets have been restricted to a particular use by the passage of enabling legislation and to specify how those net assets should be reported in the financial statements when there are changes in the circumstances surrounding such legislation. This Statement had no effect on the City in the current year.

Note 16. Governmental Accounting Standards Board (GASB) Statements (Continued)

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

The GASB has issued several statements not yet implemented by the City. The Statements which might impact the City are as follows:

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

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

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, issued September 2006, will be effective for the City's year ending June 30, 2008. This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also provides disclosure requirements for a government that pledges or commits future cash flows from a specific revenue source. In addition, this Statement establishes accounting and financial reporting standards for intra-entity transfers of assets and future revenues.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the City beginning with its year ending June 30, 2009. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. This standard requires the government to estimate the components of expected pollution remediation outlays and determine whether the outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired.

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

Note 17. Litigation

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

City of West Des Moines, Iowa

Budgetary Comparison Schedule
Budget and Actual - All Governmental Funds and Proprietary Funds - Budgetary Basis
Required Supplementary Information
For the Year Ended June 30, 2006

	Governmental Fund Types Actual Budgetary Basis	Proprietary Fund Types Actual Budgetary Basis	Total Actual Budgetary Basis
Revenues:			
Property tax	$ 30,634,935	$ -	$ 30,634,935
Tax increment financing taxes	10,089,944	-	10,089,944
Other City taxes	2,756,013	-	2,756,013
Special assessments	389,576	-	389,576
Licenses and permits	973,262	-	973,262
Intergovernmental	8,645,653	-	8,645,653
Charges for services	2,780,291	11,567,309	14,347,600
Use of money and property	2,142,899	1,991,220	4,134,119
Miscellaneous	1,603,178	-	1,603,178
Total revenues	60,015,751	13,558,529	73,574,280
Expenditures/Expenses:			
Public safety	15,932,694	-	15,932,694
Public works	6,445,600	-	6,445,600
Health and social services	860,893	-	860,893
Culture and recreation	5,378,442	-	5,378,442
Community and economic development	3,525,121	-	3,525,121
General government	4,323,082	-	4,323,082
Debt service	17,938,910	2,128,277	20,067,187
Capital outlay	16,894,137	-	16,894,137
Business-type	-	9,934,088	9,934,088
Total expenditures/expenses	71,298,879	12,062,365	83,361,244
Excess (deficiency) of revenues over (under) expenditures/expenses	(11,283,128)	1,496,164	(9,786,964)
Other financing sources, net	6,699,336	(586,864)	6,112,472
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(4,583,792)	909,300	(3,674,492)
Balances, beginning of year	49,729,356	87,855,462	137,584,818
Balances, end of year	$ 45,145,564	$ 88,764,762	$ 133,910,326

See Note to Required Supplementary Information.

Budgeted Amounts		
Original	Final	Final to Actual Variance - Positive (Negative)
$ 30,883,977	$ 30,883,977	$ (249,042)
10,060,000	10,060,000	29,944
2,397,502	2,577,502	178,511
100,000	100,000	289,576
881,500	967,500	5,762
7,208,804	7,583,522	1,062,131
9,360,750	9,553,900	4,793,700
1,945,550	2,888,550	1,245,569
4,019,800	4,480,700	(2,877,522)
66,857,883	69,095,651	4,478,629
14,683,317	16,269,511	336,817
6,716,770	7,191,020	745,420
904,246	896,996	36,103
5,264,731	5,604,831	226,389
3,526,292	3,937,943	412,822
4,457,696	4,677,301	354,219
18,497,421	18,078,975	(1,988,212)
14,715,500	18,658,000	1,763,863
10,060,817	10,891,567	957,479
78,826,790	86,206,144	2,844,900
(11,968,907)	(17,110,493)	7,323,529
5,935,000	6,091,920	20,552
(6,033,907)	(11,018,573)	$ 7,344,081
63,402,067	72,115,109	
$ 57,368,160	$ 61,096,536	

City of West Des Moines, Iowa

Budgetary Comparison Schedule
Budget to GAAP Reconciliation
Required Supplementary Information
For the Year Ended June 30, 2006

	Governmental Fund Types		
	Budget Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 60,015,751	$ 216,792	$ 60,232,543
Expenditures	71,298,879	2,608,262	73,907,141
Net	(11,283,128)	(2,391,470)	(13,674,598)
Other financing sources (uses)	6,699,336	269,152	6,968,488
Beginning fund balances	49,729,356	1,246,611	50,975,967
Ending fund balances	$ 45,145,564	$ (875,707)	$ 44,269,857

	Proprietary Fund Types		
	Budget Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 13,558,529	$ 2,707,425	$ 16,265,954
Expenditures	12,062,365	(336,495)	11,725,870
Net	1,496,164	3,043,920	4,540,084
Other financing sources (uses)	(586,864)	(293,204)	(880,068)
Beginning fund balances	87,855,462	(14,804,622)	73,050,840
Ending fund balances	$ 88,764,762	$ (12,053,906)	$ 76,710,856

See Note to Required Supplementary Information.

Note to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2006

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

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital outlay and business-type. The legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, budget amendments increased budgeted expenditures by $7,379,354. The budget amendments were primarily due to changes in breadth and timing of capital improvement projects.

The City has elected to use the modified approach as defined by the GASB Statement No. 34 for reporting the infrastructure of its street network. The street network is defined as all physical features existing within the right of way limits for the City's roadways and includes the streets, bridges and levees subsystems. (For additional information regarding the use of the modified approach and the City's capitalization policies, see Management's Discussion and Analysis and the Notes to Basic Financial Statements).

The City of West Des Moines maintains a computerized Street Management System (SMS) to keep an up-to-date inventory of the street network and to record condition assessments. In performing these condition assessments, each City street is evaluated and rated according to an Overall Condition Index (OCI). This index represents a composite rating including the evaluation of pavement defects/deterioration, ride quality, drainage, weathering and surface condition. The OCI of each street is calculated and 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 percent of the street area. The majority of the cracking is between 3/8 inch and 3 inches wide. Cracks typically may need to be sealed. More than 50 percent of the joints have sealant damage. Patches may exist up to 20 percent of the street area and are typically moderate in quality. Discernible bumps may be noticeable during vehicle travel. Vehicle speed is generally not affected by the pavement condition, except possibly at isolated locations. Water ponding may exist in isolated locations. Surface pop-outs may exist throughout the pavement.

Asphalt Surfaced Streets (OCI 78-80): Reflective cracking may exist up to 100 percent of the street area. The majority of the cracking is between 3/8 inch and 3 inches wide. Cracks typically may need to be sealed. Low and moderate severity bumps, alligator cracking, rutting, or raveling may exist up to 5 percent of the street area. Patches may exist up to 10 percent of the street area and are typically moderate in quality. Potholes may exist at small isolated locations. Discernible bumps may be noticeable during vehicle travel. Vehicle speed is generally not affected by the pavement condition, except possibly at isolated locations. Water ponding may exist in isolated locations. The surface color is typically medium gray.

(Continued)

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, chanel 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:

		2001		2004		2005		2006	
Category	OCI Range	Lane Miles	Percent of Street Network	Lane Miles	Percent of Street Network	Lane Miles	Percent of Street Network	Lane Miles	Percent of Street Network
Very good	100-90	200	40.7%	232	41.9%	191	32.9%	192	31.3%
Good	90-80	111	22.5	122	21.9	184	31.6	200	32.6
Average	80-60	123	25.0	124	22.3	132	22.8	149	24.3
Below average	60-50	47	9.6	56	10.2	59	10.1	55	8.9
Poor	50-25	11	2.2	21	3.7	15	2.6	18	2.9
Failed	25-0	-	-	-	-	-	-	-	-
Total		492	100.0%	555	100.0%	581	100.0%	614	100.0%

Overall condition index (OCI):

	2001	2004	2005	2006
Goal	78-80	78-80	78-80	78-80
Actual	81.20	80.35	80.21	80.91

(Continued)

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

Condition Categories Based on FHWA Criteria		2001		2003		2005	
Category	OCI Range	Bridges Inspected	Percent of Bridges Inspected	Bridges Inspected	Percent of Bridges Inspected	Bridges Inspected	Percent of Bridges Inspected
Excellent condition	100-90	10	62.4%	10	62.4%	10	62.4%
Very good condition	90-80	3	18.8	3	18.8	4	25.0
Good condition	80-70	3	18.8	3	18.8	1	6.3
Satisfactory condition	70-60	-	-	-	-	1	6.3
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%	16	100.0%

	2001	2003	2005
Overall condition index (OCI):			
Goal	81 or greater	81 or greater	81 or greater
Actual	90.6	90.6	91.0

Levee Condition by Category as of the Last Assessment

Condition Categories Based on Army Corp. Criteria	2004		2005		2006	
OCI Range	Levee Items Inspected	Percent of Levee Items Inspected	Levee Items Inspected	Percent of Levee Items Inspected	Levee Items Inspected	Percent of Levee Items Inspected
Acceptable	29	90.6%	29	96.7%	28	93.3%
Minimally acceptable	3	9.4	1	3.3	2	6.7
Unacceptable	-	-	-	-	-	-
Total	32	100.0%	30	100.0%	30	100.0%

	2004	2005	2006
Overall condition index (OCI):			
Goal	Acceptable	Acceptable	Acceptable
Actual	Acceptable	Acceptable	Acceptable

(Continued)

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

	2003	2004	2005	2006	2007	2008
Estimated cost	$ 3,167	$ 2,996	$ 3,323	$ 4,077	$ 4,480	$ 4,915
Actual cost	3,349	3,052	3,517	3,516	N/A	N/A

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

City of West Des Moines, Iowa

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Special Revenue			
	Road Use Tax	Police and Fire Retirement	Employee Benefit	Economic Development
Assets				
Cash and investments	$ 4,453,771	$ -	$ -	$ 30,919
Receivables:				
Property taxes	-	1,789,463	2,916,000	-
Accounts	-	-	-	-
Loans	-	-	-	129,919
Interest	-	-	-	-
Due from other governments	707,960	-	-	-
Total assets	$ 5,161,731	$ 1,789,463	$ 2,916,000	$ 160,838
Liabilities and Fund Balances (Deficits)				
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ -
Accrued wages payable	-	-	-	-
Due to other funds	-	10,412	15,801	-
Deferred revenue	-	1,779,051	2,900,199	129,919
Total liabilities	-	1,789,463	2,916,000	129,919
Fund Balances (Deficits), unreserved, undesignated (deficit)	5,161,731	-	-	30,919
Total liabilities and fund balances (deficits)	$ 5,161,731	$ 1,789,463	$ 2,916,000	$ 160,838

Housing Programs	Parks	Library	Public Safety	Community Development Block Grant	Total
$ 139,415	$ 257,102	$ 156,937	$ 61,873	$ -	$ 5,100,017
-	-	-	-	-	4,705,463
570	30	-	9,699	-	10,299
-	-	-	-	-	129,919
-	3,686	-	-	-	3,686
-	-	-	-	-	707,960
$ 139,985	$ 260,818	$ 156,937	$ 71,572	$ -	$ 10,657,344
$ 4,260	$ 13,731	$ 12,758	$ 98,253	$ 614	$ 129,616
1,710	-	-	-	1,526	3,236
-	-	-	-	86,646	112,859
-	-	-	-	-	4,809,169
5,970	13,731	12,758	98,253	88,786	5,054,880
134,015	247,087	144,179	(26,681)	(88,786)	5,602,464
$ 139,985	$ 260,818	$ 156,937	$ 71,572	$ -	$ 10,657,344

City of West Des Moines, Iowa

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue			
	Road Use Tax	Police and Fire Retirement	Employee Benefit	Economic Development
Revenues:				
Property taxes	$ -	$ 1,168,352	$ 1,773,118	$ -
Other City taxes	-	21,447	32,548	-
Intergovernmental	4,195,166	-	-	-
Charges for services	-	-	-	-
Use of money and property	-	-	-	-
Miscellaneous	-	-	-	92,081
Total revenues	4,195,166	1,189,799	1,805,666	92,081
Expenditures:				
Current operating:				
Public safety	-	1,538,360	-	-
Public works	581,705	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	9,124
Debt service, principal	59,767	-	-	-
Capital outlay	-	-	-	47,225
Total expenditures	641,472	1,538,360	-	56,349
Excess (deficiency) of revenues over expenditures	3,553,694	(348,561)	1,805,666	35,732
Other financing sources (uses):				
Transfers in	-	348,561	-	105,000
Transfers out	(457,876)	-	(1,805,666)	(5,000)
Proceeds from the sale of capital assets	-	-	-	-
Total other financing sources (uses)	(457,876)	348,561	(1,805,666)	100,000
Net change in fund balances	3,095,818	-	-	135,732
Fund balances (deficits), beginning of year	2,065,913	-	-	(104,813)
Fund balances (deficits), end of year	$ 5,161,731	$ -	$ -	$ 30,919

Housing Programs	Parks	Library	Public Safety	Community Development Block Grant	Total
$ -	$ -	$ -	$ -	$ -	$ 2,941,470
-	-	-	-	-	53,995
125,605	-	-	-	-	4,320,771
-	-	-	41,361	-	41,361
1,915	12,650	6,482	3,270	-	24,317
52,804	54,561	124,103	135,735	-	459,284
180,324	67,211	130,585	180,366	-	7,841,198
-	-	-	390,720	-	1,929,080
-	-	-	-	-	581,705
169,415	-	-	-	-	169,415
-	19,779	46,628	-	-	66,407
400	-	-	-	88,786	98,310
-	-	-	-	-	59,767
-	29,775	89,199	75,658	-	241,857
169,815	49,554	135,827	466,378	88,786	3,146,541
10,509	17,657	(5,242)	(286,012)	(88,786)	4,694,657
-	-	-	-	-	453,561
-	(613,440)	-	-	-	(2,881,982)
-	-	-	1,864	-	1,864
-	(613,440)	-	1,864	-	(2,426,557)
10,509	(595,783)	(5,242)	(284,148)	(88,786)	2,268,100
123,506	842,870	149,421	257,467	-	3,334,364
$ 134,015	$ 247,087	$ 144,179	$ (26,681)	$ (88,786)	$ 5,602,464

City of West Des Moines, Iowa

Combining Statement of Net Assets (Deficit)
Internal Service Funds
June 30, 2006

Assets	Vehicle Replacement	Vehicle Maintenance	Health and Dental Insurance	Worker's Compensation Insurance	Total
Current assets:					
Cash and investments	$ 5,823,760	$ 6,641	$ 137,786	$ 148,946	$ 6,117,133
Accounts receivable	-	-	12,582	-	12,582
Interest	62,965	-	-	-	62,965
Due from other governments	-	11,809	-	-	11,809
Inventories	-	33,590	-	-	33,590
Total current assets	5,886,725	52,040	150,368	148,946	6,238,079
Noncurrent assets, capital assets:					
Equipment and vehicles	10,337,057	-	-	-	10,337,057
Accumulated depreciation	(5,457,124)	-	-	-	(5,457,124)
Total noncurrent assets	4,879,933	-	-	-	4,879,933
Total assets	$ 10,766,658	$ 52,040	$ 150,368	$ 148,946	$ 11,118,012
Liabilities and Net Assets (Deficit)					
Liabilities:					
Current:					
Accounts payable	$ -	$ 82,065	$ 38,382	$ 11,848	$ 132,295
Claims payable	-	-	430,814	90,839	521,653
Total current liabilities	-	82,065	469,196	102,687	653,948
Net assets (deficit):					
Invested in capital assets, net of related debt	4,879,933	-	-	-	4,879,933
Unrestricted (deficit)	5,886,725	(30,025)	(318,828)	46,259	5,584,131
Total net assets (deficit)	10,766,658	(30,025)	(318,828)	46,259	10,464,064
Total liabilities and net assets (deficit)	$ 10,766,658	$ 52,040	$ 150,368	$ 148,946	$ 11,118,012

City of West Des Moines, Iowa

Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2006

	Vehicle Replacement	Vehicle Maintenance	Health and Dental Insurance	Worker's Compensation Insurance	Total
Operating revenues:					
Charges for services	$ -	$ 999,620	$ 3,368,115	$ 348,671	$ 4,716,406
Lease revenue	1,107,102	-	-	-	1,107,102
Total operating revenues	1,107,102	999,620	3,368,115	348,671	5,823,508
Operating expenses:					
Cost of sales and services	-	1,007,684	3,594,390	184,127	4,786,201
Administration	-	-	459,243	118,285	577,528
Depreciation	996,906	-	-	-	996,906
Total operating expenses	996,906	1,007,684	4,053,633	302,412	6,360,635
Operating income (loss)	110,196	(8,064)	(685,518)	46,259	(537,127)
Nonoperating revenues (expenses):					
Investment earnings	221,077	-	12,929	-	234,006
Gain on disposal of capital assets	40,044	-	-	-	40,044
Total nonoperating revenues (expenses)	261,121	-	12,929	-	274,050
Income (loss) before capital contributions and transfers	371,317	(8,064)	(672,589)	46,259	(263,077)
Capital contributions	409,492	-	-	-	409,492
Transfers out	(284,186)	-	-	-	(284,186)
Change in net assets	496,623	(8,064)	(672,589)	46,259	(137,771)
Total net assets, beginning of year	10,270,035	(21,961)	353,761	-	10,601,835
Total net assets, end of year	$ 10,766,658	$ (30,025)	$ (318,828)	$ 46,259	$ 10,464,064

City of West Des Moines, Iowa

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2006

	Vehicle Replacement	Vehicle Maintenance	Health and Dental Insurance	Worker's Compensation Insurance	Total
Cash flows from operating activities:					
Receipts from customers and users	$ 1,107,102	$ 1,013,518	$ 3,355,533	$ 348,671	$ 5,824,824
Payments to suppliers	(361)	(987,099)	(475,742)	(106,437)	(1,569,639)
Payments to claimants	-	-	(3,420,877)	(93,288)	(3,514,165)
Net cash provided by (used in) operating activities	1,106,741	26,419	(541,086)	148,946	741,020
Cash flows from noncapital financing activities:					
Payments for other funds	-	(19,778)	-	-	(19,778)
Transfers out	(284,186)	-	-	-	(284,186)
Net cash (used in) noncapital financing activities	(284,186)	(19,778)	-	-	(303,964)
Cash flows from capital and related financing activities:					
Purchase of capital assets	(1,315,675)	-	-	-	(1,315,675)
Proceeds from disposal of capital assets	24,050	-	-	-	24,050
Net cash (used in) capital and related financing activities	(1,291,625)	-	-	-	(1,291,625)
Cash flows from investing activities:					
Interest received	217,818	-	20,407	-	238,225
Purchase of investment securities	(8,454,903)	-	-	-	(8,454,903)
Proceeds from maturity of investment securities	6,449,522	-	-	-	6,449,522
Net cash provided by (used in) investing activities	(1,787,563)	-	20,407	-	(1,767,156)
Net increase (decrease) in cash and cash equivalents	(2,256,633)	6,641	(520,679)	148,946	(2,621,725)
Cash and cash equivalents:					
Beginning of year	2,625,490	-	658,465	-	3,283,955
End of year	$ 368,857	$ 6,641	$ 137,786	$ 148,946	$ 662,230

(Continued)

City of West Des Moines, Iowa

Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2006

	Vehicle Replacement	Vehicle Maintenance	Health and Dental Insurance	Worker's Compensation Insurance	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ 110,196	$ (8,064)	$ (685,518)	$ 46,259	$ (537,127)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	996,906	-	-	-	996,906
Change in assets and liabilities:					
Receivables	-	13,898	(12,582)	-	1,316
Accounts payable	(361)	20,585	(16,499)	11,848	15,573
Claims payable	-	-	173,513	90,839	264,352
Net cash provided by (used in) operating activities	$ 1,106,741	$ 26,419	$ (541,086)	$ 148,946	$ 741,020
Reconciliation of cash and cash equivalents to specific assets on the combining balance sheet:					
Cash and investments	$ 5,823,760	$ 6,641	$ 137,786	$ 148,946	$ 6,117,133
Less items not meeting the definition of cash equivalents	(5,454,903)	-	-	-	(5,454,903)
Cash and cash equivalents at end of year	$ 368,857	$ 6,641	$ 137,786	$ 148,946	$ 662,230
Schedule of noncash capital and related financing activities:					
Purchase of capital assets through like-kind exchange	$ 15,994	$ -	$ -	$ -	$ 15,994
Capital assets acquired through transfers from other funds	409,492	-	-	-	409,492

City of West Des Moines, Iowa

Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2006

	Collections and Deposits	Section 125 Plan	Total Agency Funds
Assets			
Cash and investments	$ 211,006	$ 5,515	$ 216,521
Restricted assets, contractors' bonds	7,859	-	7,859
Total assets	$ 218,865	$ 5,515	$ 224,380
Liabilities			
Accounts payable	$ 16,991	$ -	$ 16,991
Deposits and remittances due	201,874	5,515	207,389
Total liabilities	$ 218,865	$ 5,515	$ 224,380

City of West Des Moines, Iowa

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2006

Collections and Deposits	Balance June 30, 2005	Increases	Decreases	**Balance June 30, 2006**
Assets				
Cash and investments	$ 187,670	$ 23,336	$ -	**$ 211,006**
Restricted assets, contractors' bonds	7,859	144,000	144,000	**7,859**
Total assets	$ 195,529	$ 167,336	$ 144,000	**$ 218,865**
Liabilities				
Accounts payable	$ 500	$ 16,991	$ 500	**$ 16,991**
Deposits and remittances due	195,029	167,132	160,287	**201,874**
Total liabilities	$ 195,529	$ 184,123	$ 160,787	**$ 218,865**
Section 125 Plan				
Assets, cash and investments	$ 7,912	$ 175,139	$ 177,536	**$ 5,515**
Liabilities, deposits and remittances due	$ 7,912	$ 175,139	$ 177,536	**$ 5,515**
Combined Funds				
Assets				
Cash and investments	$ 195,582	$ 198,475	$ 177,536	**$ 216,521**
Restricted assets, contractors' bonds	7,859	144,000	144,000	**7,859**
Total assets	$ 203,441	$ 342,475	$ 321,536	**$ 224,380**
Liabilities				
Accounts payable	$ 500	$ 16,991	$ 500	**$ 16,991**
Deposits and remittances due	202,941	342,271	337,823	**207,389**
Total liabilities	$ 203,441	$ 359,262	$ 338,323	**$ 224,380**

City of West Des Moines, Iowa

Summary of Key Data for Each TIF District
(Unaudited)
For the Year Ended June 30, 2006

	Valley Junction / RR	Westown III	Westown IV	Mills Parkway	Jordan Creek	Total
Beginning Balance	$ 4,827,063	$ 1,422,631	$ (292,535)	$ 1,798,135	$ 47,295	$ 7,802,589
Deposits:						
Property tax	2,665,241	1,002,912	497,203	3,173,118	2,751,470	10,089,944
Interest in investments	-	22,671	9,810	31,341	-	63,822
Withdrawals:						
Debt service	1,922,019	1,480,362	-	3,188,325	2,556,104	9,146,810
Appraisal services	-	-	-	-	25,000	25,000
Transfer to capital projects:						
WestNet	-	-	-	-	-	-
University Bridge I80/35	-	-	42,379	-	-	42,379
Westown/West Lakes to 74th	-	-	-	-	-	-
Westown/35th to West Lakes	-	-	-	-	-	-
JC Pkwy & University Rt. Turn	-	11,630	-	-	-	11,630
74th Street improvements	-	948,845	-	-	-	948,845
60th Street interchange	-	-	-	-	-	-
74th/Ashworth - I-80	-	-	-	-	-	-
JCP Trail/Office Plz-Westown	-	68,804	-	-	-	68,804
Westown Parkway Trail	-	3,320	-	-	-	3,320
Valley Junction buy-out program	136,950	-	-	-	-	136,950
Ending Balance	$ 5,433,335	$ (64,747)	$ 172,099	$ 1,814,269	$ 217,661	$ 7,572,617
Tax Rates (per $1,000 of taxable valuation):						
Within Polk County	$ 35.86007	$ 35.86007	$ 35.86007	$ 35.86007	N/A	
Within Dallas County	N/A	37.09835	N/A	37.09835	$ 37.09835	
January 1, 2005 Taxable Valuations:						
Polk County	94,273,500	7,960,000	-	127,310,000	-	
Dallas County	-	25,380,000	-	42,933,696	183,000,000	

City of West Des Moines, Iowa

Summary of Key Data for Sewer Revenue Bonds
(Unaudited)
For the Year Ended June 30, 2006

Sales History and Total Sewer Charges

Calendar Year	Gallons Sold	Sewer Charges
1997	1,722,193,000	$ 4,110,540
1998	1,702,262,650	4,231,943
1999	1,865,276,498	4,501,445
2000	1,982,156,844	4,779,893
2001	2,051,493,848	4,979,354
2002	2,119,054,696	4,930,065
2003	2,175,453,971	4,984,834
2004	2,068,454,938	5,023,024
2005	2,231,378,093	5,121,465

Number of Sewer Customers

Calendar Year	Residential	Commercial	Total
1997	10,393	756	$ 11,149
1998	11,074	784	11,858
1999	11,958	829	12,787
2000	12,836	885	13,721
2001	14,023	924	14,947
2002	14,644	964	15,608
2003	15,011	933	15,944
2004	15,412	984	16,396
2005	15,863	1,015	16,878

Larger Sewer Customers (Calendar year 2005)

Customer	Water Gallons	Sewer Charges
General Growth Properties	43,320,000	$ 136,458
Professional Property Mgmt.	35,281,000	111,135
WDM Community Schools	26,741,500	84,236
Belcher & Long Corporation	26,070,000	82,121
R&R Investors, Ltd	21,237,000	66,897
Knapp Properties, Inc	20,653,000	65,057
W.H., LLC	17,433,000	54,914
Executive Laser Wash	17,020,000	53,613
John Q. Hammons Industries	14,690,000	46,274
Valley West Mall	14,600,000	45,990

Rates and Charges

Sanitary Sewer Service - Effective July 1, 1997
$3.15 per thousand gallons

Sewer Availability Charge - Effective July 1, 2006
$1.00 per month

Revenue Debt Supported By Sewer Revenues

Date of Issue	Original Amount	Purpose	Final Maturity	Principal Outstanding As of 6/30/06
09/1994	$ 2,600,000	Sewer Improvements	06/2014	$ 1,272,000
06/1995	2,158,000	Sewer Improvements	06/2015	1,169,000
10/1996	1,800,000	Sewer Improvements	06/2017	1,168,000
03/2002	1,655,000	Refunding	06/2008	590,000
				$ 4,199,000

THE CITY OF WEST DES MOINES®

Statistical Section
Contents

The statistical section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time.	77 - 84
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	85 - 91
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	92 - 98
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	99 - 102
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	103 - 106

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The City implemented GASB 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

City of West Des Moines, Iowa
Schedule 1
Net Assets By Component
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	$ 125,624,407	$ 197,872,579	$ 198,074,527	$ 244,126,609
Restricted	63,168,911	23,551,773	20,413,236	17,839,043
Unrestricted	16,632,915	12,998,239	30,988,222	11,171,162
Total governmental activities net assets	$ 205,426,233	$ 234,422,591	$ 249,475,985	$ 273,136,814
Business-type activities:				
Invested in capital assets, net of related debt	$ 36,351,010	$ 41,712,779	$ 45,374,573	$ 44,241,020
Restricted	1,700,000	1,088,720	1,089,769	1,072,785
Unrestricted	40,124,842	38,320,873	15,982,655	19,743,030
Total business-type activities net assets	$ 78,175,852	$ 81,122,372	$ 62,446,997	$ 65,056,835
Primary government:				
Invested in capital assets, net of related debt	$ 161,975,417	$ 239,585,358	$ 243,449,100	$ 288,367,629
Restricted	64,868,911	24,640,493	21,503,005	18,911,828
Unrestricted	56,757,757	51,319,112	46,970,877	30,914,192
Total primary government net assets	$ 283,602,085	$ 315,544,963	$ 311,922,982	$ 338,193,649

City of West Des Moines, Iowa
Schedule 2
Changes In Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses:				
Governmental activities:				
Public safety	$ 12,686,404	$ 14,587,854	$ 15,647,658	$ 17,814,329
Public works	20,843,841	13,856,235	10,007,655	6,901,977
Health and social services	755,012	829,841	849,972	929,656
Culture and recreation	6,925,750	7,140,816	7,450,641	8,486,772
Community and economic development	3,401,126	2,959,958	4,945,081	3,617,735
General government	3,780,754	4,682,828	5,482,144	6,400,259
Interest on long-term debt	3,962,321	6,284,431	6,390,890	6,042,440
Total governmental activities expenses	52,355,208	50,341,963	50,774,041	50,193,168
Business-type activities:				
Sanitary sewer	3,305,046	4,030,245	3,989,864	3,939,689
Solid waste	1,182,799	1,318,339	1,354,786	1,422,689
Total business-type activities expenses	4,487,845	5,348,584	5,344,650	5,362,378
Total primary government expenses	56,843,053	55,690,547	56,118,691	55,555,546
Program revenue:				
Governmental activities:				
Charges for services:				
Public safety	1,602,755	2,284,751	2,462,880	2,420,064
Public works	44,066	190,300	433,941	257,722
Health and social services	858	890	140	-
Culture and recreation	911,470	1,091,036	1,190,800	1,333,080
Community and economic development	223,876	722,701	653,643	516,500
General government	26,093	501,177	152,768	191,788
Operating grants and contributions:				
Public safety	1,484,726	1,641,945	2,116,613	2,321,333
Public works	3,778,175	4,293,880	3,917,038	4,135,015
Health and social services	290,971	211,233	223,188	237,283
Culture and recreation	114,648	89,727	67,871	182,467
Community and economic development	426,079	73,944	143,258	117,411
General government	121,515	145,996	91,101	167,438
Capital grants and contributions	13,285,988	20,801,673	9,277,782	12,221,700
Total governmental activities program revenue	22,311,220	32,049,253	20,731,023	24,101,801
Business-type activities:				
Charges for services:				
Sanitary sewer	5,088,908	5,575,443	6,013,830	6,281,847
Solid waste	1,193,623	1,324,048	1,345,474	1,344,707
Operating grants and contributions, sanitary sewer	-	-	-	-
Capital grants and contributions:				
Sanitary sewer	1,035,050.00	893,084	541,716	1,475,197
Solid waste	-	-	-	-
Total business-type activities program revenues	7,317,581	7,792,575	7,901,020	9,101,751
Total primary government program revenues	29,628,801	39,841,828	28,632,043	33,203,552
Net (expense) revenue:				
Governmental activities	(30,043,988)	(18,292,710)	(30,043,018)	(26,091,367)
Business-type activities	2,829,736	2,443,991	2,556,370	3,739,373
Total primary government net expense	(27,214,252)	(15,848,719)	(27,486,648)	(22,351,994)

(Continued)

City of West Des Moines, Iowa
Schedule 2
Changes In Net Assets (Continued)
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Property taxes	37,729,528	38,401,617	39,496,558	40,724,880
Hotel motel taxes	1,441,514	1,427,883	1,651,764	1,966,628
Other taxes	578,864	941,028	895,905	824,369
Unrestricted grants and contributions	633,606	230,831	354,017	447,479
Investment earnings	820,112	1,082,954	1,755,418	2,484,652
Miscellaneous	124,726	757,744	769,117	1,517,500
Transfers	-	(284,663)	173,633	1,786,688
Total governmental activities	41,328,350	42,557,394	45,096,412	49,752,196
Business-type activities:				
Investment earnings	702,950	217,866	292,683	657,153
Miscellaneous	-	-	-	-
Loss from joint venture	(521,578)	-	-	-
Transfers	-	284,663	(173,633)	(1,786,688)
Special Item:Contribution to Wastewater Reclaimation Authority	-	-	(21,350,795)	-
Total business-type activities	181,372	502,529	(21,231,745)	(1,129,535)
Total primary government	41,509,722	43,059,923	23,864,667	48,622,661
Changes in net assets:				
Governmental activities	11,284,362	24,264,684	15,053,394	23,660,829
Business-type activities	3,011,108	2,946,520	(18,675,375)	2,609,838
Total primary government	$ 14,295,470	$ 27,211,204	$ (3,621,981)	$ 26,270,667

GASB Statement No. 34 implemented in fiscal year 2003.

City of West Des Moines, Iowa
Schedule 3
Program Revenues by Function/Program
Last Four Fiscal Years*
(accrual basis of accounting)

Function / Program	Fiscal Year 2003	2004	2005	2006
Governmental activities:				
Public safety	$ 3,473,558	$ 5,086,400	$ 4,706,088	$ 4,915,785
Public works	16,335,309	23,786,198	13,237,080	16,251,231
Health and social services	291,879	212,123	223,328	237,283
Culture and recreation	1,100,864	1,385,528	1,469,189	1,554,883
Community and economic development	649,955	796,645	796,901	730,825
General government	459,655	782,359	298,437	411,794
Total governmental activities	22,311,220	32,049,253	20,731,023	24,101,801
Business-type activities:				
Sanitary sewer	6,123,958	6,468,527	6,555,546	7,757,044
Solid waste	1,193,623	1,324,048	1,345,474	1,344,707
Total business-type activities	7,317,581	7,792,575	7,901,020	9,101,751
Total government	$ 29,628,801	$ 39,841,828	$ 28,632,043	$ 33,203,552

GASB Statement No. 34 implemented in fiscal year 2003.

City of West Des Moines, Iowa
Schedule 4
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	1997	1998	1999	2000
General Fund:				
Reserved	$ -	$ -	$ -	$ -
Unreserved	7,787,657	8,564,332	9,443,380	9,364,002
Total General Fund	$ 7,787,657	$ 8,564,332	$ 9,443,380	$ 9,364,002
All Other Governmental Funds:				
Reserved	$ 6,749,844	$ 7,324,196	$ 8,551,488	$ 18,483,516
Unreserved, reported in:				
Special revenue funds	7,758,117	7,580,928	5,727,532	6,588,787
Capital projects funds	(3,832,818)	(4,577,825)	(7,283,758)	(18,974,136)
Total all other government funds	$ 10,675,143	$ 10,327,299	$ 6,995,262	$ 6,098,167

Fiscal Year					
2001	2002	2003	2004	2005	2006
$ -	$ 123,501	$ 91,264	$ 75,359	$ 7,813	$ 47,233
8,917,707	8,822,286	8,497,469	8,090,498	8,745,770	7,929,180
$ 8,917,707	$ 8,945,787	$ 8,588,733	$ 8,165,857	$ 8,753,583	$ 7,976,413
$ 12,545,332	$ 34,809,908	$ 30,550,349	$ 35,964,609	$ 19,737,587	$ 17,167,193
5,673,248	7,608,662	11,168,110	16,726,822	11,136,953	13,175,078
(14,923,843)	(430,602)	22,344,402	16,967,983	11,347,844	5,951,173
$ 3,294,737	$ 41,987,968	$ 64,062,861	$ 69,659,414	$ 42,222,384	$ 36,293,444

City of West Des Moines, Iowa
Schedule 5
Changes In Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	1997	1998	1999	2000
Revenues:				
Taxes	$ 21,684,290	$ 23,619,680	$ 25,549,612	$ 25,209,467
Special assessments	451,170	704,135	1,274,009	427,546
Licenses and permits	650,005	662,917	1,061,223	765,755
Intergovernmental	8,250,295	7,789,792	5,990,218	7,089,365
Charges for services	843,885	834,910	1,041,493	1,224,748
Use of money and property	1,118,378	1,245,239	1,097,358	1,192,179
Miscellaneous	487,400	289,200	634,600	616,956
Total revenues	33,485,423	35,145,873	36,648,513	36,526,016
Expenditures:				
Public safety	-	-	-	-
Public works	-	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Community protection	7,465,054	9,175,860	8,763,324	9,444,318
Human development	3,292,312	3,481,879	3,845,969	4,155,191
Home and community environment	7,990,610	8,613,708	9,469,879	6,234,734
Policy and administration	2,556,146	2,786,290	3,119,758	3,345,943
Capital outlay	8,558,293	11,302,433	12,637,809	17,207,172
Debt service:				
Principal	2,807,576	3,270,810	3,520,000	3,397,746
Interest	1,641,799	1,460,040	1,500,415	1,655,173
Bond issuance costs	-	-	-	-
Total expenditures	34,311,790	40,091,020	42,857,154	45,440,277
Excess (deficiency) of revenues over (under) expenditures	(826,367)	(4,945,147)	(6,208,641)	(8,914,261)
Other financing sources (uses):				
Issuance of long-term debt	2,283,272	3,142,592	3,000,000	7,000,000
Payments to escrow agent	-	-	-	-
Issuance of capital lease	-	1,148,997	-	-
Premium (discount) on long-term debt	-	-	-	-
Proceeds from sale of capital assets	366,129	37,304	17,777	28,562
Transfers in	10,523,359	15,767,510	17,473,801	17,585,087
Transfers out	(9,701,621)	(14,722,425)	(16,735,926)	(16,675,861)
Total other financing sources (uses)	3,471,139	5,373,978	3,755,652	7,937,788
Net changes in fund balance	$ 2,644,772	$ 428,831	$ (2,452,989)	$ (976,473)
Debt service as a percentage of noncapital expenditures	17.3%	16.4%	16.6%	17.9%

Note: Prior to the implementation of GASB 34 in fiscal year 2003, the State of Iowa required reporting by four program areas rather than the functions currently used.

Fiscal Year					
2001	2002	2003	2004	2005	2006
$ 30,475,298	$ 33,631,941	$ 38,782,554	$ 40,815,026	$ 42,023,906	$ 43,413,473
441,309	568,077	231,943	225,112	485,872	136,656
685,869	1,003,125	700,261	1,072,584	1,320,158	973,262
8,106,850	9,608,244	10,133,859	8,362,211	14,055,362	8,737,982
1,320,276	1,419,335	1,817,837	2,292,260	2,561,137	2,877,346
1,229,898	649,164	696,474	987,885	1,582,970	2,250,645
551,886	1,465,597	1,342,002	1,154,478	869,879	1,843,179
42,811,386	48,345,483	53,704,930	54,909,556	62,899,284	60,232,543
-	-	11,412,329	12,720,663	14,487,675	16,220,743
-	-	5,676,476	6,062,234	6,407,950	6,573,996
-	-	726,762	769,984	806,975	881,172
-	-	4,215,107	4,642,852	5,010,004	5,527,149
-	-	3,372,440	2,892,764	4,634,094	3,562,412
-	-	3,168,044	3,715,580	3,843,167	4,985,179
11,033,289	11,065,825	-	-	-	-
4,543,466	5,021,556	-	-	-	-
6,964,862	8,408,187	-	-	-	-
3,819,716	3,746,235	-	-	-	-
27,661,173	28,136,362	45,875,946	42,083,369	38,086,083	15,107,714
6,010,862	7,047,246	11,211,720	11,729,299	13,434,257	14,921,109
2,215,674	2,700,596	3,760,575	6,139,566	6,403,714	6,084,607
-	-	484,357	400,441	60,348	43,060
62,249,042	66,126,007	89,903,756	91,156,752	93,174,267	73,907,141
(19,437,656)	(17,780,524)	(36,198,826)	(36,247,196)	(30,274,983)	(13,674,598)
15,000,000	56,525,000	57,334,590	41,559,249	3,055,000	6,106,869
-	(3,575,000)	-	-	-	-
83,400	-	250,200	-	-	-
-	-	-	(50,403)	34,812	(52,123)
128,378	828,267	20,000	121,101	26,693	33,674
28,502,278	34,811,099	18,605,963	64,351,651	61,973,160	29,599,379
(27,526,125)	(33,704,259)	(18,468,395)	(64,560,725)	(61,663,986)	(28,719,311)
16,187,931	54,885,107	57,742,358	41,420,873	3,425,679	6,968,488
$ (3,249,725)	$ 37,104,583	$ 21,543,532	$ 5,173,677	$ (26,849,304)	$ (6,706,110)
23.8%	25.7%	35.1%	37.2%	36.1%	35.8%

City of West Des Moines, Iowa
Schedule 6
General Government Tax Revenues by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Tax	Tax Increment Finance Revenue(TIF)	Cable Franchise	Hotel/ Motel Tax	Total
1997	18,657,152	$ 2,175,206	$ 123,845	$ 728,087	$ 21,684,290
1998	19,609,433	3,029,079	124,844	856,324	23,619,680
1999	19,390,106	4,241,815	215,715	1,701,976	25,549,612
2000	22,111,729	1,887,180	207,115	1,003,443	25,209,467
2001	23,312,495	5,481,505	181,386	1,499,912	30,475,298
2002	23,366,334	8,568,465	197,957	1,499,185	33,631,941
2003	25,037,082	11,868,449	435,509	1,441,514	38,782,554
2004	27,398,782	11,674,926	313,435	1,427,883	40,815,026
2005	30,164,155	9,945,370	262,617	1,651,764	42,023,906
2006	31,014,272	10,089,944	342,629	1,966,628	43,413,473
Change 1997-2006	66.23%	363.86%	176.66%	170.11%	100.21%

Source: City records.

(1) For the purpose of this schedule, property taxes include miscellaneous other City taxes that are received in conjunction with the County's tax.

City of West Des Moines, Iowa
Schedule 7
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Valuation Date Jan. 1,	Fiscal Year Collected	Residential Property	Commercial Property	Industrial Property	Personal Property	Utilities	Tax Increment
1995	1997	*	*	*	*	*	*
1996	1998	1,323,114,430	869,243,997	17,069,290	25,776,226	69,933,436	128,320,732
1997	1999	1,392,905,576	830,288,113	19,527,482	16,394,292	71,032,636	147,700,131
1998	2000	1,601,134,020	1,001,073,791	31,648,360	15,109,440	71,601,965	67,351,529
1999	2001	1,726,334,550	1,077,114,757	20,566,690	11,654,582	60,156,148	182,675,824
2000	2002	1,767,314,030	1,080,090,851	17,439,860	9,113,855	63,747,063	299,630,526
2001	2003	1,934,796,130	1,165,307,170	18,477,730	-	65,290,186	457,180,614
2002	2004	2,086,202,897	1,306,469,276	18,911,478	-	60,638,834	311,949,260
2003	2005	2,315,440,320	1,400,238,201	19,387,724	-	60,627,791	365,388,173
2004	2006	2,436,275,657	1,445,862,496	19,344,180	-	63,271,857	375,112,722

* Detail is not available for this year.

Source: Polk and Dallas County Auditor's Offices

Note: The tax rate collected by the City for properties in the Tax Increment Districts varies by district, ranging from a rate > the City's direct rate to a rate < the total rate for all overlapping governments.

Total Assessed Value	Actual Taxable Value	Total Direct Tax Rate
$ 2,297,879,436	$ 1,760,804,021	10.90532
2,433,458,111	1,864,646,853	10.89988
2,477,848,230	1,956,538,970	10.90000
2,787,919,105	2,071,736,731	10.89994
3,078,502,551	2,254,017,087	10.90000
3,237,336,185	2,407,746,576	10.90002
3,641,051,830	2,562,287,676	11.60003
3,784,171,745	2,677,302,154	11.60206
4,161,082,209	2,838,397,892	11.72770
4,339,866,912	2,949,101,530	11.72540

City of West Des Moines, Iowa
Schedule 8
Direct and Overlapping Property Tax Rates - Per $1,000 of Assessed Valuation
Last Ten Fiscal Years

	City Direct Rates				Overlapping Rates				
Fiscal Year	General Fund	Debt Service	Otther Levies	Total Direct	School District	County	Community College	State	Total Direct & Overlapping Rates
Polk County / West Des Moines Community School District:									
1997	7.30504	2.35493	1.24535	10.90532	13.54320	9.22055	0.50661	0.00500	34.18068
1998	7.35645	2.34559	1.19784	10.89988	13.58058	9.11536	0.47230	0.00500	34.07312
1999	7.38456	2.31128	1.20416	10.90000	13.66525	9.28690	0.50551	0.00500	34.36266
2000	7.67834	2.09413	1.12747	10.89994	13.50526	9.27874	0.52451	0.00500	34.21345
2001	7.73061	2.07053	1.09886	10.90000	13.49887	9.25371	0.54506	0.00500	34.20264
2002	7.57718	2.03732	1.28552	10.90002	13.48681	9.63888	0.54454	0.00500	34.57525
2003	7.99295	2.15299	1.45409	11.60003	13.50200	9.72217	0.54584	0.00400	35.37404
2004	7.94848	2.19945	1.45413	11.60206	13.50422	9.76226	0.58184	0.00400	35.45438
2005	8.01297	2.14435	1.57045	11.72777	13.50200	9.96460	0.59856	0.00400	35.79693
2006	7.75465	2.15008	1.82067	11.72540	13.50341	9.94318	0.68408	0.00400	35.86007
Dallas County / Waukee Community School District:									
1997	7.30504	2.35493	1.24535	10.90532	16.16289	6.78666	0.50661	0.00500	34.36648
1998	7.35645	2.34559	1.19784	10.89988	16.86966	6.26157	0.47230	0.00500	34.50841
1999	7.38456	2.31128	1.20416	10.90000	16.97163	6.69435	0.50551	0.00500	35.07649
2000	7.67834	2.09413	1.12747	10.89994	17.34163	6.65965	0.52451	0.00500	35.43073
2001	7.73061	2.07053	1.09886	10.90000	17.48175	7.20946	0.54506	0.00500	36.14127
2002	7.57718	2.03732	1.28552	10.90002	17.46339	7.59039	0.54454	0.00500	36.50334
2003	7.99295	2.15299	1.45409	11.60003	17.64948	7.51400	0.54584	0.00400	37.31335
2004	7.94848	2.19945	1.45413	11.60206	17.66440	7.47940	0.58184	0.00400	37.33170
2005	8.01297	2.14435	1.57038	11.72770	17.89346	7.33479	0.59856	0.00400	37.55851
2006	7.75465	2.15008	1.82067	11.72540	17.84693	6.83794	0.68408	0.00400	37.09835

Source: Polk and Dallas County Auditor's Offices

Note: State law limits the maximum tax rate for the General Fund to $8.10 per thousand dollars of assessed valuation.
The limit does not include debt service or other special levies.

City of West Des Moines, Iowa
Schedule 9
Principal Property Taxpayers
Current Year and Nine Years Ago

	2006			1997		
Taxpayer	Assessed Value	Rank	Percentage of Total City Assessed Value	Assessed Value	Rank	Percentage of Total City Assessed Value
Valley West Mall	$ 107,793,720	1	2.48%	$ 73,231,210	1	3.19%
Wells Fargo Home Mortgage	63,750,829	2	1.47	-	-	-
Mid-America Investment Company	52,005,000	3	1.20	35,194,987	3	1.53
Dallas County Partners	41,740,371	4	0.96	18,108,373	9	0.79
IFBF Property Management	40,425,110	5	0.93	-	-	-
Knapp Family, L.C.	30,430,000	6	0.70	-	-	-
Dallas County Partners II	26,811,177	7	0.62	21,620,820	7	0.94
Hy-Vee Food Stores	23,405,510	8	0.54	16,502,714	10	0.72
CMS Wellington Apts.	20,794,800	9	0.48	-	-	-
West Lakes Development Co.	19,471,705	10	0.45	-	-	-
MidAmerican Energy	-	-	-	60,489,136	2	2.63
Farm Bureau Insurance Companies	-	-	-	33,277,598	4	1.45
R & R Investors	-	-	-	28,671,130	5	1.18
Iowa Realty Co. Inc., I.R.F.B. Joint Venture	-	-	-	27,502,270	6	1.13
Preferred Risk Mutual Life Insurance Co.	-	-	-	21,185,227	8	0.87
Total	$ 426,628,222		9.83%	$ 335,783,465		14.43%

Source: Polk and Dallas County Assessor's Offices

City of West Des Moines, Iowa
Schedule 10
Property Tax Levies And Collections
Last Ten Fiscal Years
(Cash basis of accounting)

Fiscal Year Ended June 30:	Taxes Levied for the Tax Year	Collected Within the Fiscal Year of the Levy		Delinquent Tax Collections
		Amount	Percentage of Levy	
1997	$ 20,503,129	$ 20,687,882	100.90%	$ 4,388
1998	22,213,855	22,512,975	101.35	6,999
1999	24,386,437	24,242,117	99.41	1,621
2000	23,875,542	24,129,161	101.06	76,863
2001	27,591,430	28,044,286	101.64	2,032
2002	31,474,669	31,587,309	100.36	217
2003	36,818,095	37,117,890	100.81	4,862
2004	38,012,501	38,383,372	100.98	18,245
2005	38,820,140	39,491,148	101.73	5,410
2006	40,943,977	40,724,880	99.46	-

Source: City's certified budget for amt. levied; monthly tax statements from Polk and Dallas County Treasurer's Offices.

Total Collections	
Amount	Percentage of Levy
$ 20,692,270	100.92%
22,519,974	101.38
24,243,738	99.41
24,206,024	101.38
28,046,318	101.65
31,587,526	100.36
37,122,752	100.83
38,401,617	101.02
39,496,558	101.74
40,724,880	99.46

City of West Des Moines, Iowa
Schedule 11
Outstanding Debt By Type
Last Ten Fiscal Years

	Governmental Activities			
Fiscal Year	General Obligation Bonds	Tax Increment Financing Bonds	Capital Leases	Loans Payable & Installment Contracts
1997	$ 29,462,530	$ 4,765,069	$ -	$ 619,409
1998	29,191,720	3,111,436	817,900	524,429
1999	28,782,308	-	672,923	500,146
2000	25,730,186	6,870,000	519,190	1,541,808
2001	27,420,480	14,825,000	439,571	1,183,965
2002	65,033,814	24,075,000	244,621	825,873
2003	117,419,257	17,990,000	269,142	849,434
2004	148,863,512	16,295,000	204,978	516,348
2005	144,280,000	10,600,000	157,466	412,729
2006	136,625,000	9,450,000	207,993	332,381

Note: Details regarding the City's outstanding debt may be found in the notes to the basic financial statements.

Business-type Activities				
Financing Agreements	General Obligation Bonds	Revenue Bonds	Total Primary Government	Total Debt Per Capita
$ 5,925,547	$ 2,597,470	$ 7,012,000	$ 50,382,025	$ 1,273
5,397,710	2,458,280	8,380,000	49,881,475	1,261
4,709,383	2,347,692	7,937,000	44,949,452	1,136
4,265,586	2,209,814	7,474,000	48,610,584	1,048
3,800,738	2,074,520	6,991,000	56,735,274	1,223
3,315,238	1,941,186	6,487,000	101,922,732	2,196
2,790,827	1,783,686	5,955,000	147,057,346	3,169
2,302,506	611,486	5,384,000	174,177,830	3,754
-	-	4,802,000	160,252,195	3,097
-	-	4,199,000	150,814,374	2,915

City of West Des Moines, Iowa
Schedule 12
Ratios of General Obligation Bonded Debt
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Tax Increment Financing Bonds	Gross Bonded Debt	Less: Amount Available in Debt Service	Net General Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1997	$ 32,060,000	$ 4,765,069	$ 36,825,069	$ 829,448	$ 35,995,621	0.01566 to 1	$ 910
1998	31,650,000	3,111,436	34,761,436	637,547	34,123,889	0.01402 to 1	862.54
1999	31,130,000	-	31,130,000	259,958	30,870,042	0.01246 to 1	780.30
2000	27,940,000	6,870,000	34,810,000	1,447,938	33,362,062	0.01197 to 1	718.96
2001	29,495,000	14,825,000	44,320,000	2,613,846	41,706,154	0.01355 to 1	898.78
2002	66,975,000	24,075,000	91,050,000	3,913,946	87,136,054	0.02692 to 1	1,877.81
2003	119,202,943	17,990,000	137,192,943	4,719,389	132,473,554	0.03638 to 1	2,854.85
2004	149,474,998	16,295,000	165,769,998	6,803,146	158,966,852	0.04201 to 1	3,425.79
2005	144,280,000	10,600,000	154,880,000	9,276,283	145,603,717	0.03499 to 1	2,813.92
2006	136,625,000	9,450,000	146,075,000	4,713,432	141,361,568	0.03257 to 1	2,731.94

Note: Details regarding the City's outstanding debt may be found in the notes to the basic financial statements.

City of West Des Moines, Iowa
Schedule 13
Direct and Overlapping Governmental Activities Debt
For the Year Ended June 30, 2006

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Polk County	$ 183,695,000	15.72%	$ 28,876,854
Des Moines Area Community College	53,240,000	9.03	4,807,572
West Des Moines Community School District	24,775,000	65.74	16,287,085
Subtotal, overlapping debt			49,971,511
City Direct Debt			146,615,374
Total direct and overlapping debt			$ 196,586,885

Sources: Finance officer for each government entity listed

City of West Des Moines, Iowa
Schedule 14
Legal Debt Margin Information
Last Ten Fiscal Years

	1997	1998	1999	2000
Debt limit	$ 114,893,972	$ 121,672,906	$ 123,892,412	$ 139,395,955
Total net debt applicable to limit	37,444,478	36,103,765	32,303,069	36,870,998
Legal debt margin	$ 77,449,494	$ 85,569,141	$ 91,589,343	$ 102,524,957
Total net debt applicable to the limit as a percentage of debt limit	32.59%	29.67%	26.07%	26.45%

2001	2002	2003	2004	2005	2006
$ 153,925,128	$ 161,866,809	$ 182,052,592	$ 189,208,587	$ 208,054,110	$ 248,177,690
45,943,536	92,120,494	138,311,519	166,491,324	155,450,195	146,615,374
$ 107,981,592	$ 69,746,315	$ 43,741,073	$ 22,717,263	$ 52,603,915	$ 101,562,316
29.85%	56.91%	75.97%	87.99%	74.72%	59.08%

Legal Debt Margin Calculation for Fiscal Year 2006:

Total Assessed Value	01/01/2005	$ 4,963,553,808
Debt limit (5% of total assessed value)		$ 248,177,690
Less: Debt applicable to limit		
General obligation bonds		136,625,000
Geneal obligation bonds payable by enterprise funds		-
TIF revenue bonds		9,450,000
Capital lease obligations		207,993
Loans payable and installment contracts		332,381
Legal debt margin		$ 101,562,316

City of West Des Moines, Iowa
Schedule 15
Pledged-Revenue Coverage
Last Ten Fiscal Years

	Sewer Revenue Bonds						
Fiscal Year	Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Ratio of Coverage
1997	$ 4,574,605	$ 1,594,337	$ 2,980,268	$ 354,000	$ 333,046	$ 687,046	4.34
1998	4,955,054	1,560,582	3,394,472	370,000	318,078	688,078	4.93
1999	6,109,276	1,390,121	4,719,155	443,000	374,944	817,944	5.77
2000	5,677,784	1,165,942	4,511,842	463,000	355,446	818,446	5.51
2001	5,595,665	1,358,646	4,237,019	483,000	334,750	817,750	5.18
2002	5,837,911	1,939,441	3,898,470	504,000	312,596	816,596	4.77
2003	5,872,071	1,582,809	4,289,262	529,000	289,022	818,022	5.24
2004	5,793,309	1,693,768	4,099,541	571,000	222,481	793,481	5.17
2005	6,306,513	2,140,953	4,165,560	582,000	203,458	785,458	5.30
2006	6,939,000	1,544,192	5,394,808	603,000	183,332	786,332	6.86

Notes:
Revenue = Operating Revenue + investment earnings
Operating expenses excluding depreciation and amortization expenses

City of West Des Moines, Iowa
Schedule 16
Demographic and Economic Statistics
Last Ten Fiscal Years

Calendar Year	Population	Personal Income	Per Capita Income	Unemployment Rate	Taxable Retail Sales (1)
1997	39,562	$ 12,590,007	$ 28,134	2.5%	$ 651,252,029
1998	39,562	13,614,781	30,217	2.2	704,030,575
1999	39,562	14,365,888	31,399	2.0	815,650,848
2000	46,403	15,218,999	32,728	2.5	858,590,928
2001	46,403	15,800,827	33,487	2.8	853,491,553
2002	46,403	16,646,109	34,858	3.5	871,552,123
2003	46,403	17,302,853	35,852	4.0	965,124,639
2004	46,403	18,640,861	37,862	4.5	914,997,369
2005	51,744	NA	NA	4.2	1,115,625,249
2006	51,744	NA	NA	NA	NA

Sources: U.S. Census Bureau
West Des Moines Fact Book compiled by the City's Community & Economic Development Department
Bond Offering Statements prepared by independent financial advisor

NA - Information not available
(1) Year ending March 31st

City of West Des Moines, Iowa
Schedule 17
Principal Employers
Current Year and Nine Years Ago

		1997		2006
Employer	Type of Business	Employees	Rank	Employees
Wells Fargo Home Mortgage	Financial Services	-	-	1,600
Hy-Vee Food Stores	Grocery Stores	690	6	1,397
FBL Financial Group	Insurance / Financial Services	658	7	1,169
West Des Moines Community School District	Education	950	3	1,165
Preferred Risk / Guide One Insurance Company	Insurance	700	5	1,000
Kirke-Van Orsdel / Marsh	Insurance	600	8	950
Norwest / Wells Fargo Card Services	Financial Services	900	4	941
City of West Des Moines	Government	220	19	556
Delavan Inc / Turbine Feul Technologies	Manufacturing	457	10	450
J.C. Penney Company	Retail	200	21	284
Sears Operation Center	Retail Support & Financial Services	1,100	2	200
Associates Credit Card Center	Financial Services	1,650	1	-
John Deere Credit	Financial Services	550	9	-

Source: Bond Offering Statements prepared by independent financial advisor

THE CITY OF WEST DES MOINES®

City of West Des Moines, Iowa
Schedule 18
Full-Time Equivalent City Government Employees By Function / Program
Last Nine Fiscal Years

	Full-Time Equivalent Employees as of June 30			
	1998	1999	2000	2001
Functions/Program				
Community Enrichment:				
Human Services	10.00	11.00	11.50	11.50
Library	22.00	21.50	23.10	23.10
Parks & Recreation	17.75	19.75	21.50	22.00
Public Safety:				
Emergency Medical Services	6.00	9.00	10.00	10.00
Fire	22.00	22.00	31.00	31.00
Police	72.00	76.00	79.00	85.00
WestCom Dispatch Center	-	-	-	-
Public Services:				
Community Development	18.00	19.00	19.00	20.00
Public Works	60.50	63.50	65.50	63.00
Support Services:				
Administrative Services	9.75	9.75	9.75	9.75
City Manager's Office	3.50	3.50	3.50	3.50
Human Resources	3.50	3.50	3.50	4.00
Information Services	2.00	2.00	3.00	4.00
Legal	-	1.00	1.50	2.00
Total	247.00	261.50	281.85	288.85

Source: City Payroll records

Note: Number of Full-Time Equivalent Employees was not available for June 30, 1997

Full-Time Equivalent Employees as of June 30				
2002	2003	2004	2005	2006
11.50	11.50	12.00	12.00	12.00
23.10	23.10	23.60	23.60	23.60
22.75	22.75	22.75	23.75	23.75
10.00	13.00	13.00	16.00	16.00
31.00	36.00	36.00	39.00	39.00
72.75	76.75	81.75	81.75	82.75
15.25	17.25	18.25	18.25	18.25
20.00	22.00	22.00	22.00	22.00
63.00	63.00	67.00	68.00	71.00
9.75	10.25	9.25	9.25	9.25
3.50	3.50	3.50	3.50	4.00
4.00	4.00	4.00	4.00	4.50
4.00	5.00	6.00	7.00	7.00
3.00	3.00	3.00	3.00	3.00
293.60	311.10	322.10	331.10	336.10

City of West Des Moines
Schedule 19
Operating Indicators By Department
Last Nine Years

Function/Program	Calendar Year 1997	1998	1999	2000
Emergency Medical Services				
Total ambulance calls	NA	NA	NA	NA
Fire Department				
Total incidents	1,266	1,290	1,544	1,601
Total estimated loss	$ 462,385	$ 957,349	$ 2,695,040	$ 2,810,040
Police Department				
Number of parking tickets issues	NA	NA	NA	NA
Percent of parking tickets paid	NA	NA	NA	NA
Calls for service	NA	NA	NA	44,724
Case Reports	NA	NA	NA	6,607
Fed UCR Part 1 Crimes	NA	NA	NA	1,864
Development Services				
Total building permits issued	1,169	1,317	1,526	1,451
Total value of permits issued	$ 132,245,307	$ 129,855,162	$ 214,413,990	$ 139,621,124
Public Works				
% Citizens satisfied with city maintenance*	-	-	90%	-
Lane miles of streets per operator	22.00	20.14	20.95	20.77
Library				
Volumes in collection	98,833	113,327	125,483	136,908
Annual circulation	530,870	591,775	615,945	645,284
Parks & Recreation				
Aquatic Centers	1	1	1	1
Aquatic Center attendance	35,909	33,226	34,574	30,497
Rec program participation	NA	NA	NA	NA
Total acres of parks maintained	1,061.5	1,070.9	1,098.6	1,205.9
Total miles of trails maintained	7.7	8.6	13.2	15.8

NA - Historical date not available
* Based on independent survey of City residents, completed every two to three years.

Calendar Year				
2001	2002	2003	2004	2005
2,349	2,405	2,622	2,894	3,245
1,670	1,975	2,569	2,375	2,341
$ 979,985	$ 473,165	$ 344,715	$ 3,987,860	$ 856,572
NA	1,217	1,204	1,195	1,178
NA	70.17%	81.24%	81.21%	74.88%
43,062	38,336	39,115	44,051	51,439
6,858	6,694	6,832	7,199	7,385
1,885	1,861	1,993	1,872	1,970
1,171	1,372	1,185	1,567	1,159
$ 124,039,871	$ 220,108,303	$ 135,901,444	$ 363,813,418	$ 176,762,250
-	91%	-	93%	-
20.57	21.39	21.33	21.43	22.78
142,238	143,130	145,782	149,579	154,740
615,492	626,694	631,784	612,398	620,089
1	1	2	2	2
32,283	36,287	89,051	96,957	136,198
NA	46,989	49,910	54,372	57,810
1,206.8	1,216.7	1,220.6	1,222.2	1,222.2
18.8	19.8	22.0	28.1	37.3

City of West Des Moines, Iowa
Schedule 20
Capital Asset Statistics By Department
Last Ten Fiscal Years

Department	1997	1998	1999	2000
Police: Stations	1	1	1	1
Fire: Stations	3	3	3	3
Public Works:				
Streets (Miles):				
Paved	163	164	164	164
Unpaved	16	16	16	16
Traffic Signals				
Wastewater (Miles):				
Storm Sewer	81	84	84	84
Sanitary Sewer	166	169	169	169
Parks & Recreation:				
Park Acreage	1,057	1,106	1,214	1,200
Parks	17	18	23	22
Parks with Playground Equipment	8	11	12	13
Miles of Trails	8	12	13	18
Baseball/Softball Diamonds	24	24	24	24
Horseshoe Courts	18	18	18	18
Sand Volleyball Courts	5	5	5	5
Soccer/Football Fields	21	21	21	21
Basketball Courts	8	7	8	8
Tennis Courts	10	10	10	10
Swimming pools	1	1	1	1
Aquatic Centers	-	-	-	-
Wading Pools	1	1		1
Dog Parks	-	-	-	-
Parks and Recreation / Other:				
Cemetery acres	9	9	9	9
Library:				
Facilities	1	1	1	1
Volumes in collection	98,833	113,327	125,483	136,908

Source: Department capital asset records

2001	2002	2003	2004	2005	2006
1	1	1	1	1	1
3	4	4	4	4	4
164	487	516	545	622	620
16	26	39	36	37	43
84	82	85	110	153	180
169	176	191	197	211	220
1,217	1,221	1,222	1,222	1,222	1,222
33	33	33	33	33	33
15	15	18	18	18	19
20	21	28	35	35	50
24	24	24	24	24	24
18	18	18	18	18	18
5	5	5	5	5	5
21	21	21	21	21	21
8	9	9	9	9	13
10	10	10	10	10	11
1	1	-	-	-	-
-	-	2	2	2	2
1	1	2	2	2	1
-	-	-	-	1	1
9	9	9	9	9	9
1	1	1	1	1	1
142,238	143,130	145,782	149,579	154,740	157,681

THE CITY OF WEST DES MOINES®

McGladrey & Pullen
Certified Public Accountants

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Des Moines, Iowa as of and for the year ended June 30, 2006, which collectively comprise the City of West Des Moines, Iowa's basic financial statements and have issued our report thereon dated October 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of West Des Moines, Iowa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of West Des Moines, Iowa in a separate letter dated October 6, 2006.

Compliance and Other Matters

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

McGladrey & Pullen, LLP is a member firm of RSM International -
an affiliation of separate and independent legal entities.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters in Section IV of the Schedule of Findings and Questioned Costs are not intended to constitute legal interpretation of those statutes.

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

McGladrey & Pullen, LLP

Davenport, Iowa
October 6, 2006

City of West Des Moines, Iowa

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2006

	Summary	Status
Reportable Conditions in Internal Control:		
05-II-A	Inadequate system over the evidence room in police department.	Corrected
Reportable Conditions in Administering Federal Awards:		
05-III-A	The City does not have an adequate system in place for ensuring that vendors used are not suspended or debarred from participation in federal programs.	Corrected
Other Findings Related to Required Statutory Reporting:		
05-IV-B	Disbursements during the year exceeded the amount budgeted in the debt service and public works functions.	Partially corrected; see finding 06-IV-A
05-IV-G	Minutes of Council meetings were not published within 15 days as required by Chapter 372.13(6) of the Code of Iowa.	Not corrected; see finding 06-IV-F
05-IV-N	The Economic Development Special Revenue Fund and Vehicle Maintenance Internal Service Fund had deficit fund balances as of June 30, 2005.	Partially corrected; see finding 06-IV-M

Other Findings Related to Required Statutory Reporting

06-IV-A Certified Budget:

Finding: Disbursements during the year ended June 30, 2006, exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation: The budget should be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

Response: The budget will be amended in the future, if applicable.

Conclusion: Response accepted.

06-IV-B Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

06-IV-C Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

06-IV-D Business Transactions - In accordance with Chapter 362.5(10) of the Code of Iowa, transactions with City employees and City officials do not appear to represent conflicts of interest since total transactions with each individual were less than $1,500 during fiscal year.

06-IV-E Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

06-IV-F Council Minutes - We noted no transactions requiring Council approval which had not been approved in the Council minutes.

Finding: Although minutes of Council meetings were published, they were not published within 15 days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation: The City should comply with Chapter 21 of the Code of Iowa and should publish minutes as required.

Response and Corrective Action Plan: The City publishes the minutes as soon as possible after the Council meetings. The 15-day requirement is not met due to the timing of meeting dates and publication dates.

Conclusion: Response accepted.

06-IV-G Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

06-IV-H Revenue Notes - The City has complied with the revenue bond provisions.

06-IV-I Payment of General Obligation Bonds - The City appears to be in compliance with Chapter 384.4 of the Code of Iowa.

06-IV-J Economic Development - We noted no instance of noncompliance with Chapter 15A of the Code of Iowa.

06-IV-K Notice of Public Hearing for Public Improvements - We noted no instance of noncompliance with Chapters 384.102 and 362.3 of the Code of Iowa.

06-IV-L Sales Tax - We noted no instance of noncompliance with Sections 701-26.71 and 701-26.72 of the Iowa Department of Revenue and Finance Administrative Rules and Regulations.

06-IV-M Financial Condition:

Finding: The Public Safety Special Revenue Fund, the Community Development Block Grant Special Revenue Fund, the Health and Dental Internal Service Fund and the Vehicle Maintenance Internal Service Fund had deficit fund balances of $26,681, $88,786, $30,025 and $318,828, respectively, as of June 30, 2006.

Recommendation: The City should investigate alternatives to eliminate the deficits in order to return these accounts to a sound financial position.

Response and Corrective Action Plan: The City will fund the deficits through future transfers from the General Fund.

Conclusion: Response accepted.

Corrective Action Plan
Year Ended June 30, 2006

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Other Findings Related to Required Statutory Reporting:				
06-IV-A	Disbursements during the year exceeded the amount budgeted in the debt service functions.	See response and corrective action plan at 06-IV-A.	June 30, 2007	Jody Smith
06-IV-F	Minutes of Council meetings were not published within 15 days as required by Chapter 372.13(6) of the Code of Iowa.	See response and corrective action plan at 06-IV-F.	June 30, 2007	Jody Smith
06-IV-M	The Public Safety Special Revenue Fund, the Community Development Block Grant Special Revenue Fund and the Health and Dental Internal Service Fund had deficit fund balances as of June 30, 2006.	See response and corrective action plan at 06-IV-M.	June 30, 2007	Jody Smith

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