

**West Des Moines Community School District**  
**West Des Moines, Iowa**

Comprehensive Annual Financial Report  
State of Iowa

Year Ended 06.30.2006

Official Issuing Report:  
Kurt Subra, CPA  
Chief Financial Officer

Office Issuing Report:  
Administrative Services Division

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WEST DES MOINES  
COMMUNITY  
SCHOOLS

Learning Resource Center  
3550 Mills Civic Parkway  
West Des Moines, IA 50265

Phone (515) 633-5000  
Fax (515) 633-5099  
wdmcs.org

Dr. Tom Narak,  
Superintendent.

January 29, 2007

The Board of Education and Residents  
West Des Moines Community School District

Ladies and Gentlemen:

The following report is a comprehensive financial record of the District for the fiscal year which ended June 30, 2006. The report is a reflection of the conditions which have enabled the West Des Moines Community School District to maintain a favorable financial position despite state budget constraints and the related impact on local school districts across our state.

The shared vision of the District states, "The West Des Moines Community School District will be a caring community of learners that knows and lifts every child. We will inspire joy in learning. Our schools will excel at preparing each student for his or her life journey."

This vision provides the foundation for our District's financial planning. Meeting the educational needs of our students despite state budget constraints is no simple task. The educational success of the West Des Moines Community School District is due to many factors including:

- An outstanding and effective Board of Education.
- A very supportive community with high expectations for student achievement.
- Supportive parents who have high expectations for outstanding schools.
- A team of outstanding and dedicated teachers, staff and administrators.
- Students who understand the importance of a quality education.

As you review the information included in this important document, please be sure to contact us if you have any questions or suggestions. Our focus is upon the learning needs of all our students. With your help and support we will continue to be an excellent school district. We all can take pride in the outstanding success of our students.

Sincerely,

Dr. Tom Narak  
Superintendent

The West Des Moines  
Community School District  
will be a caring community  
of learners that knows  
and lifts every child.  
We will inspire joy in learning.  
Our schools will excel  
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Dr. Tom Narak,  
Superintendent

January 29, 2007

The Board of Education and Residents  
West Des Moines Community School District

The Comprehensive Annual Financial Report of the West Des Moines Community School District (the District) for the fiscal year ended June 30, 2006 is submitted herewith. The District is an independent entity governed by a seven-member board. Responsibility for the accuracy and completeness of the presentation, including all disclosures, rests with the officials of the District's Administrative Services Division. We believe that the data is accurately presented, in all material respects; that the data is presented to fairly set forth the financial position and results of operations of the District as measured by the financial activity of the various funds; and that all necessary disclosures have been included in order to enable the reader to gain the maximum understanding of the District's financial affairs.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit compliance. The introductory section includes this transmittal letter, the District's organizational chart, a list of principal District officials and Certificates of Achievement for Excellence in Financial Reporting presented by the Government Finance Officers Association and the Association of School Business Officials. The financial section includes the Management's Discussion and Analysis, the basic financial statements, the independent auditor's report and the combining and individual fund financial statements and schedules. This transmittal letter is designed to be read in conjunction with the Management's Discussion and Analysis, which is located immediately following the report of the independent auditors. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The District was required to undergo a single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States and Local Governments and Nonprofit Organizations*. Information related to this single audit, including a schedule of expenditures of federal awards, summary schedule of prior audit findings, the independent auditor's report on internal control over financial reporting and on compliance and other matters, independent auditor's report on compliance with requirements applicable to each major program and internal control over compliance, a schedule of findings and questioned costs and corrective action plan are included in the single audit compliance section of this report.

This report includes all funds of the West Des Moines Community School District. The District provides a full range of programs and services including instructional; administrative; transportation; food service; maintenance of sites and facilities; custodial; clerical; extra, co-curricular and athletic activities; and community education.

As part of the new reporting model, management is responsible for preparing a Management's Discussion and Analysis. This discussion follows the independent auditor's report and provides an assessment of the District's finances for 2006.

The West Des Moines  
Community School District  
will be a caring community  
of learners that knows  
and lifts every child.  
We will inspire joy in learning.  
Our schools will excel  
at preparing each student  
for his or her life journey.

## **Profile of the Government**

In Iowa, school districts operate with local control and have fiscal independence from other government entities. The District operates in compliance with the accounting principles generally accepted in the United States of America (GAAP) and currently prepares its financial statements per the Governmental Accounting Standards Board (GASB) Statement No. 34.

The West Des Moines Community School District serves more than 58,000 people who live in the western portion of Polk County-West Des Moines, Clive, parts of Urbandale and Windsor Heights and nearby rural areas. Covering 36.6 square miles, the District has grown up around a former railroad center, Valley Junction and the farmland north and south of the Raccoon River. The District experienced rapid growth up until the fall of 1975 when enrollment reached 6,726 students. Enrollment gradually declined to 5,825 students in the fall of 1982, but increased annually (except for September 1999) through September 2002. Enrollment declined more than 200 students during fiscal years 2004 and 2005, but has a slight increase for the current year with 8,798.

The District operates fourteen schools, a maintenance/transportation/warehouse facility, a stadium and the Learning Resource Center (administrative offices). The West Des Moines Community School District provides a comprehensive Pre K-12 educational program and an extensive Community Education program.

## **Economic Condition and Outlook**

The District is located in the central part of the state, within the larger Des Moines metropolitan area and ranks as one of the top growth areas of the state. The economic condition and outlook of the District have remained strong during the past ten years, following several years of very high economic growth and steady enrollment growth. This growth has had a positive effect on employment and the District's tax base. The District has averaged nearly a seven percent annual increase in the tax base over the past 25 years and continued an increase during 2006 at the rate of 2.6%

Based on conservative projections, the tax base will grow in the 3-4% range. Future projections indicate enrollment will remain fairly stable over the next five years.

Retail sales, building permits and population increases in the western suburbs far exceed that of any other location in the metropolitan area or in the state of Iowa. These increases are projected to continue if economic conditions remain favorable. A large percentage of these increases are occurring outside the School District boundaries.

In recent years, the state of Iowa faced an economic downturn that severely hampered its ability to fund schools at the same level as in prior years. The District faced inadequate funding for state aid and other state-funded programs. However, the state's tax receipts have started growing again.

The 2005-2006 school year included many stories of success. The shared vision and five guiding principles continue to be the foundation for curriculum development, integration of technology, community involvement and the learning process.

The shared vision is carefully considered in all District efforts: "The West Des Moines Community School District will be a caring community of learners that knows and lifts every child. We will inspire joy in learning. Our schools will excel at preparing each student for his or her life journey."

The District continues the transformation of Valley High School as construction began on the major remodeling in fall 2004.

During 2005-2006, remodeling was completed at Clive Elementary and remodeling continued at Fairmeadows Elementary.

The Stretching Minds program continues to offer summer school for elementary students in grades 1-6 identified as those most likely to benefit from additional opportunities in reading, mathematics and community learning.

Valley High School had thirteen of nineteen athletic programs that finished fifth or higher in state competition during the 2005/06 school year. The Valley Tiger baseball team made 4A history by winning their fourth consecutive state championship which has never been accomplished in class 4A; Football captured their third state title in four years; Girls' Swimming & Diving brought home their first state title since 1975 and third in program history; Boys' Track & Field captured its fifth state title in program history; Boys' Soccer made it four state titles in program history; Girls' Soccer won back-to-back titles for its third in program history; and Girls' Golf won its first state title since 1983 while amassing nine state titles in school history. Girls' Cross-Country finished as State Runner-Up; Boys' Swimming, Girls' Track & Field and Softball finished third in state competition; and Boys' Golf finished fifth at the state meet.

Strong emphasis was placed on personalized learning and strengthening caring relationships.

### **Other Financial Information**

Management of the District is responsible for establishing and maintaining an internal control designed to ensure that its assets are protected from loss, theft or misuse and to ensure that adequate data are compiled to allow for the preparation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). The internal control is designed to provide reasonable, but not absolute, assurances that these objectives are met. The concept of reasonable recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

Single Audit. As a recipient of federal, state and county financial assistance, the District is responsible for ensuring that adequate internal control is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control is subject to periodic evaluation by management and external auditors.

As a part of the District's single audit, described earlier, tests are made to determine the adequacy of the internal control over financial reporting and its compliance with applicable laws and regulations, including those related to major federal awards programs. The results of the District's single audit for the fiscal year ended June 30, 2006 provided no instances of material weaknesses in the internal control.

Budgetary Controls. In addition, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Education. Activities of the General Fund, special revenue funds, Debt Service Fund, and enterprise funds are included in the annual appropriated budget by program. Project length financial plans are adopted for the capital projects funds and budgeted accordingly on an annual basis. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by program level for all funds combined rather than at the individual fund level. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at the fiscal year's end. However, encumbrances generally are re-appropriated as part of the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

Basis of Presentation. The charts and accounts used by the District have been prepared in conformity with GAAP as prescribed by the Governmental Accounting Standards Board and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants. In addition, the District's accounting records conform with the Uniform Accounting System for Iowa Schools, Chapter 11 of the Code of Iowa and Area Educational Agencies issued by the Department of Education, state of Iowa. The chart of accounts manual is updated annually and the District is in full compliance with these requirements.

Relevant Financial Policies. Since the funding formula is pupil driven, an increase in total spending authority occurs by increasing the number of pupils or by increasing the cost per pupil. The cost per pupil is determined by the legislature in setting the amount of allowable growth each year. Under the law, the legislature has 30 days after receiving the governor's budget recommendation to set the state percent of growth for the year following the budget year. To illustrate, the 2006 legislature set the FY08 state percent of growth. The allowable growth becomes increasingly important because as a District, if we are faced with declining enrollment in a given year, the amount of allowable growth often will dictate budget reductions that will take place.

Cash Management. Cash, while temporarily idle during the year, was invested in money market deposit accounts. Interest rates ranged from 3.50% to 5.15% during the year, compared to the highest of 3.25% of the previous year. This aspect of the District's finances has gained importance in recent years as we have sought to maximize the yield on our investments without forfeiting the use of fund balances.

Risk Management. Site safety committees have been operational for nine years. The site safety committees meet monthly to review accidents, the cause of the accidents and to conduct inspections of the sites and facilities for hazards. Recommendations are made that become an integral part of staff development, the maintenance operation or facility and site improvement.

## **Awards and Acknowledgements**

Independent Audit. The accounting firm of McGladrey & Pullen, LLP performed the annual audit. In addition to meeting requirements set forth in state statutes, the audit was designed to meet the requirements of federal Single Audit Act Amendments of 1996 and related OMB Circular I-133. The auditor's report on the basic financial statements, combining and individual fund statements and other schedules is included in the financial section of this report.

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 West Des Moines Community School District for its comprehensive annual financial report for the fiscal year ended June 30, 2005. The Certificate of Achievement is the highest form of recognition for excellence in state and local financial reporting.

In order to be presented this award, the District must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The West Des Moines Community School District has received a Certificate of Achievement for the last nineteen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

The School District has also received the Certificate of Excellence in Financial Reporting from the Association of School Business Officials (ASBO) for the last twenty-one consecutive years. Upon recommendation of the Association's Panel of Review, which has judged that the report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program, we are submitting this report to ASBO to determine its eligibility for another certificate.

A certificate from both associations is valid for a period of one year. We believe that our current comprehensive annual financial report continues to meet the program requirements of GFOA and ASBO International and we are submitting it to both associations to determine its eligibility for another certificate.

**Acknowledgement**

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated efforts of the accounting staff and our auditors, McGladrey & Pullen, LLP. We would like to express our appreciation to all staff members who assisted and contributed to this report. Also, appreciation is expressed for the interest and support of the Board of Education in conducting the financial operations of the District in a most responsible and progressive manner.

Respectfully submitted,



Dr. Tom Narak  
Superintendent



Kurt Subra, CPA  
Chief Financial Officer

**West Des Moines Community School District**

**Board of Education  
Year Ended June 30, 2006**

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		Term Expires
Before September 2005 election:		
John Ambroson	President	September 2005
Gretchen Tegeler	Vice President	September 2005
Barbara Burnett	Board Member	September 2006
Jill Hansen	Board Member	September 2006
Mark Lyons	Board Member	September 2007
Susan Moritz	Board Member	September 2007
Deb Thomas	Board Member	September 2007
After September 2005 election:		
Jill Hansen	President	September 2009
Barbara Burnett	Vice President	September 2009
Mark Lyons	Board Member	September 2007
Susan Moritz	Board Member	September 2007
Tom Suckow	Board Member	September 2008
Deb Thomas	Board Member	September 2007
Terry Tobin	Board Member	September 2008

## West Des Moines Community School District

### District Administration Year Ended June 30, 2006

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Dr. Tom Narak	Superintendent
Dr. Donna K. Wilkin	Associate Superintendent of Teaching and Learning
Dr. Debra VanGorp	Associate Superintendent of Human Resources
Dr. Jan Beatty	Assistant Superintendent of Human Resources
Cheryl Huisman	Assistant Superintendent of Human Resources
Galen G. Howsare, RSBA	Associate Superintendent of Administrative Services
Janice Miller-Hook	Director of Business Services
David D. Blum	Director of Curriculum
Dr. Phyllis M. Staplin	Director of Curriculum
Linda J. Sanda	Director of Community Education
Elizabeth N. Hanna	Director of Nutrition Services
Kay K. Rosene	Director of School/Community Relations
Dr. Gordon K. Dahlby	Director of Curriculum/Technology
Brian Abeling	Director of Curriculum/Technology
Dr. Susan Meade	Director of Special Education
Dr. Vicky Poole	Valley High School Principal
Rob Boley	Valley High School Associate Principal
Stephen C. Duncan	Valley High School Athletic Administrator
David Maxwell	Valley High School Team Associate Principal
Aiddy Phomvisay	Valley High School Team Associate Principal
Lisa Remy	Indian Hills Junior High Principal
Shane Christensen	Indian Hills Junior High Assistant Principal
Tim Miller	Stilwell Junior High Principal
Cotton Koch	Stilwell Junior High Assistant Principal
Dr. Robert Davis	Hillside Elementary School Principal
Brent Robins	Hillside Elementary School Assistant Principal
Gene Haigh	Clive Elementary School Principal
Kevin Fangman	Crestview Elementary School Principal
Britt K. Cameron	Crossroads Park Elementary School Principal
Judith A. Jesse	Fairmeadows Elementary School Principal
Dr. Lori J. Diebel	Valley Southwoods Freshman High School Principal
Shane Scott	Valley Southwoods Freshman High School Associate Principal/Team Leader
Bryan Stearns	Valley Southwoods Freshman High School Associate Principal/Team Leader
Kathryn Zaun	Valley Southwoods Freshman High School Associate Principal/Team Leader
Rachelle Dawson	Western Hills Elementary School Principal
Dr. Nancy Moorhead	Jordan Creek Elementary School Principal
Mary Jane Stites	Westridge Elementary School Principal
Brandon Pierce	Jordan Creek and Westridge Elementary Assistant Principal
John Villotti	Phenix Early Childhood Center Principal
Kim Jordan	Walnut Creek Campus Principal



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

West Des Moines  
Community School District,  
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.



*Carla E. Perry*

President

*Jeffrey R. Emer*

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

**WEST DES MOINES COMMUNITY SCHOOL DISTRICT**

**For its Comprehensive Annual Financial Report (CAFR)**

For the Fiscal Year Ended June 30, 2005

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Interim Executive Director

# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the Board of Education  
West Des Moines Community School District  
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 West Des Moines Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 West Des Moines Community School District 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.

As described in Note 13 to the basic financial statements, the District changed its method of accounting for net assets restricted by enabling legislation.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12 and budgetary comparison information on pages 45 through 47 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

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

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

*McGladrey & Pullen, LLP*

Davenport, Iowa  
January 29, 2007

## **West Des Moines Community School District**

### **Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006**

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It is an honor to present to you the financial picture of West Des Moines Community School District. We offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the West Des Moines Community School District 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.

#### **Financial Highlights**

The District showed an increase in net assets of \$10,118,081 and \$10,859,956 during the years ended June 30, 2006 and 2005, respectively.

Total revenues for the fiscal year ended June 30, 2006 and 2005 of \$98,038,491 and \$92,746,249 were comprised of general revenues in the amount of \$79,943,777 and \$76,713,405 and program revenues totaling \$18,094,714 and \$16,032,844, respectively.

As of June 30, 2006, the District's governmental funds reported combined ending fund balances of \$22,865,719, a decrease of \$15,291,290 in comparison with 2005. Of the total combined fund balance, \$22,087,008 represents unreserved undesignated fund balance. As of June 30, 2005, the District's governmental funds reported combined ending fund balances of \$38,157,009, a decrease of \$8,952,724 in comparison with 2004. Of the total combined fund balance, \$37,287,749 represents unreserved undesignated fund balance.

As of June 30, 2006, unreserved undesignated fund balance for the General Fund was \$9,565,091 or 14.0 percent of total General Fund expenditures and \$6,758,691 or 10.3 percent for 2005.

The West Des Moines Community School District's total long-term bonded debt decreased by \$5,910,000 during fiscal year ended June 30, 2006 and \$5,735,000 during fiscal year ended June 30, 2005. The decrease was due to scheduled debt payments.

#### **Overview of the Financial Statements**

This Discussion and Analysis is intended to serve as an introduction to the West Des Moines Community School District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the 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 West Des Moines Community School District's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of West Des Moines Community School District's 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 District is improving or deteriorating.

The statement of activities presents information showing how the District'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).

## West Des Moines Community School District

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

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Both of the government-wide financial statements reflect functions of West Des Moines Community School District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, noninstructional programs, other and interest on long-term debt. Business-type activities are those that the District charges a fee to help cover the costs, such as School Nutrition and Community Education.

The government-wide financial statements include only West Des Moines Community School District. There are no other organizations or agencies whose financial statements should be combined and presented with the financial statements of the District.

**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 West Des Moines Community School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental 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, governmental 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 financial requirements.

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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The West Des Moines Community School District maintains nine 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, Physical Plant and Equipment and Local Option Sales Tax funds which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 17 through 22 of this report.

## **West Des Moines Community School District**

### **Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006**

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**Proprietary funds** –The District maintains two types of proprietary funds: enterprise and internal service. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District maintains two enterprise funds. Internal service funds are used to report the same functions presented as governmental activities in the government-wide financial statements. The District maintains one internal service fund to account for the premium and claim payments for the self-insured health insurance plan for District employees. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. Because the service provided by the District predominately benefits governmental, rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 23 through 28 of this report.

**Fiduciary funds** – 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 statement because the resources of those funds are not available to support the West Des Moines Community School District's own programs. The fiduciary fund of the District is an agency fund. Agency funds are custodial in nature and do not involve measurement of results of operation.

The basic fiduciary fund financial statements can be found on page 29 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.

**Other information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the West Des Moines Community School District's budgetary comparison. Required supplementary information can be found on pages 45 through 47 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

### **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The District's total net assets have increased from a year ago from \$114,604,255 to \$124,722,336.

A significant portion of the District's total assets reflects its investment in capital assets. The District uses these capital assets to provide educational services; consequently, these assets are not available for future spending. The District's net assets invested in capital assets, net of related debt, was \$103,157,397 for 2006 and \$76,208,848 for 2005. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

## West Des Moines Community School District

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

Table 1 - Net Assets

	Governmental Activities		Business-Type Activities		Total District	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current and other assets	\$ 85,519,112	\$ 97,953,559	\$ 1,855,877	\$ 1,594,311	\$ 87,374,989	\$ 99,547,870
Capital assets	127,042,325	105,925,934	899,710	967,914	127,942,035	106,893,848
<b>Total assets</b>	<b>212,561,437</b>	<b>203,879,493</b>	<b>2,755,587</b>	<b>2,562,225</b>	<b>215,317,024</b>	<b>206,441,718</b>
<b>Liabilities</b>						
Noncurrent liabilities	22,007,369	27,048,320	-	-	22,007,369	27,048,320
Other liabilities	68,458,859	64,665,684	128,460	123,459	68,587,319	64,789,143
<b>Total liabilities</b>	<b>90,466,228</b>	<b>91,714,004</b>	<b>128,460</b>	<b>123,459</b>	<b>90,594,688</b>	<b>91,837,463</b>
<b>Net Assets</b>						
Invested in capital assets net of debt	102,257,687	75,240,934	899,710	967,914	103,157,397	76,208,848
Restricted	12,250,659	27,986,161	-	-	12,250,659	27,986,161
Unrestricted	7,586,863	8,938,394	1,727,417	1,470,852	9,314,280	10,409,246
<b>Total net assets</b>	<b>\$ 122,095,209</b>	<b>\$ 112,165,489</b>	<b>\$ 2,627,127</b>	<b>\$ 2,438,766</b>	<b>\$ 124,722,336</b>	<b>\$ 114,604,255</b>

The restricted portion of the District's net assets (9.8 percent for 2006 and 24.4 percent for 2005) represents resources that are subject to external restrictions on how they may be used. These restrictions for 2006 include \$2,805,218 for physical plant and equipment levy, \$7,259,392 for local option sales tax, \$1,111,663 for management levy, \$431,425 for public education and recreation levy, \$301,754 for debt service, and \$341,207 for other purpose restricted assets. The remaining balance of unrestricted net assets, \$9,314,280 for 2006 and \$10,409,246 for 2005, may be used to meet the government's ongoing obligations to students and creditors.

At the end of the current fiscal year, the West Des Moines Community School District is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

The District's total net assets increased by \$10,118,081 during the current fiscal year as compared to \$10,859,956 in 2005. The governmental activities' net assets increased by \$9,929,720 in 2006 and \$10,800,234 in 2005. The business-type activities, which include nutrition, community education, preschool regular education and student construction increased by \$188,361 in 2006 and \$59,722 in 2005. The increase in governmental activities for 2006 was mainly attributable to less than expected budgeted expenditures.

Table 2 highlights the District's revenues and expenses for the fiscal year ended June 30, 2006 and 2005. These two main components are subtracted to yield the change in net assets. This table utilizes the full accrual method of accounting.

Revenue is further divided into two major components: program revenue and general revenue. Program revenue is defined as charges for services and sales, operating and capital grants and contributions. General revenue includes taxes and unrestricted grants such as state foundation support.

## West Des Moines Community School District

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

Expenses are shown in programs including instruction, support services, noninstructional programs, other interest on long-term debt, school nutrition and community education.

Table 2 - Program Revenues and Expenses

	Governmental Activities		Business-Type Activities		Total District	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services and sales	\$ 5,100,419	\$ 4,345,444	\$ 4,966,249	\$ 4,568,330	\$ 10,066,668	\$ 8,913,774
Operating grants and contributions	7,133,032	6,213,846	895,014	905,224	8,028,046	7,119,070
General revenue:						
Property taxes and other taxes	54,311,406	52,174,924	-	-	54,311,406	52,174,924
Other local sources	283,958	419,132	-	-	283,958	419,132
State sources	23,109,701	22,482,713	-	-	23,109,701	22,482,713
Investment earnings	1,739,251	1,447,612	65,682	17,225	1,804,933	1,464,837
Other	403,213	117,865	30,566	53,934	433,779	171,799
<b>Total revenues</b>	<b>92,080,980</b>	<b>87,201,536</b>	<b>5,957,511</b>	<b>5,544,713</b>	<b>98,038,491</b>	<b>92,746,249</b>
Program expenses:						
Instruction	48,369,475	45,983,491	-	-	48,369,475	45,983,491
Support services	23,988,291	24,052,185	-	-	23,988,291	24,052,185
Noninstructional programs	429,508	470,095	-	-	429,508	470,095
Other	8,166,432	4,364,405	-	-	8,166,432	4,364,405
Interest on long-term debt	1,308,279	1,594,395	-	-	1,308,279	1,594,395
School nutrition	-	-	3,360,467	3,237,532	3,360,467	3,237,532
Community education	-	-	2,187,360	2,184,190	2,187,360	2,184,190
Preschool Regular Education	-	-	106,262	-	106,262	-
Student Construction	-	-	4,336	-	4,336	-
<b>Total expenses</b>	<b>82,261,985</b>	<b>76,464,571</b>	<b>5,658,425</b>	<b>5,421,722</b>	<b>87,920,410</b>	<b>81,886,293</b>
<b>Excess of revenues over expenses before transfers</b>	<b>9,818,995</b>	<b>10,736,965</b>	<b>299,086</b>	<b>122,991</b>	<b>10,118,081</b>	<b>10,859,956</b>
Transfers	110,725	63,269	(110,725)	(63,269)	-	-
<b>Increase in net assets</b>	<b>\$ 9,929,720</b>	<b>\$ 10,800,234</b>	<b>\$ 188,361</b>	<b>\$ 59,722</b>	<b>\$ 10,118,081</b>	<b>\$ 10,859,956</b>

### Governmental Activities

Revenues for governmental activities were \$92,080,980 and expenses were \$82,261,985. Property taxes and other taxes such as sales tax and utility replacement tax and state sources including state foundation aid are the primary sources of revenue for the District, 59.0 percent and 25.1 percent, respectively, of total revenues. Instruction constitutes the largest portion of expenditures at \$48,369,475 or 58.8 percent of total expenditures.

## West Des Moines Community School District

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

Table 3 below discloses cost of services for governmental and business-type activities. The total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Succinctly put, net costs are costs that must be covered by state aid or local taxes. The difference in these two columns would represent restricted grants and charges for services.

Table 3 - Governmental and Business-Type Activities

Programs	Total Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2006	Net Cost of Services 2005
Instruction	\$ 48,369,475	\$ 45,983,491	\$ (39,215,193)	\$ (38,377,476)
Support services	23,988,291	24,052,185	(23,488,838)	(23,613,272)
Noninstructional programs	429,508	470,095	(429,508)	(454,074)
Other	8,166,432	4,364,405	(5,586,716)	(1,866,064)
Interest on long-term debt	1,308,279	1,594,395	(1,308,279)	(1,594,395)
School nutrition	3,360,467	3,237,532	(110,746)	(113,659)
Community education	2,187,360	2,184,190	227,659	165,491
Preschool Regular Education	106,262	-	(40,203)	-
Student Construction	4,336	-	126,128	-
<b>Total expenses</b>	<b>\$ 87,920,410</b>	<b>\$ 81,886,293</b>	<b>\$ (69,825,696)</b>	<b>\$ (65,853,449)</b>

Net cost of services is 79 percent of total cost of services in 2006 and 80 percent in 2005. The cost of governmental activities financed by users of the District's programs was \$5,100,410 for 2006 and \$4,345,444 for 2005. Federal and state governments subsidized certain programs with grants and contributions totaling \$7,133,032 for 2006 and \$6,213,846 for 2005. The remaining net cost of the governmental activities was financed with property tax, state foundation aid and investment earnings.

### Business Type Activities

- The School Nutrition and Community Education programs constitute the majority of the business-type activities.
- The primary sources of income are federal revenues and charges for services.
- The School Nutrition's primary expenses are staff and commodities. The District's free and reduced participation continued to increase during the fiscal year. The School Nutrition Fund had a negative change in net assets of \$18,807 for fiscal year 2006.
- The primary source of revenue for the Community Education fund is sales of services for educational programs. The Community Education fund had a positive change in net assets of \$231,235.

### Financial Analysis of the Government's Funds

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

**Governmental funds** – The focus of the West Des Moines Community School District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

## West Des Moines Community School District

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

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As of the end of the current fiscal year, the West Des Moines Community School District's governmental funds reported combined ending fund balances of \$22,865,719, a decrease of \$15,291,290 in comparison with the prior year fund balance of \$38,157,009. Approximately 96.6 percent or \$22,087,008 for 2006 and \$37,287,749 or 97.7 percent for 2005, constitutes unreserved fund balance, which is available for spending at the government's discretion. The District had no designations for 2006 and designations of \$300,000 for medical claims and \$1,500,000 for legal claims for 2005. The remainder of the fund balance for 2006 is reserved to indicate that it is not available for new spending because it has already been committed for 1) inventories \$66,016; 2) encumbrances \$410,941; and 3) debt service \$301,754.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$9,565,091 for 2006 and \$8,558,691 for 2005, while total fund balance reached \$9,702,188 for 2006 and \$8,675,742 for 2005. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 14 percent of total General Fund expenditures, while total fund balance also represents approximately 14 percent of that same amount for 2006. For 2005, unreserved fund balance represents 13 percent of total General Fund expenditures, while total fund balance also represents approximately 13 percent of that same amount.

The Physical Plant and Equipment Levy (PPEL) Fund balance decreased to \$2,805,218 in 2006 from \$4,693,714 in 2005. This decrease is due to timing of capital projects and increased transfers to the Local Option Sales Tax Fund.

The Local Option Sales Tax Fund balance decreased to \$7,259,392 in 2006 from \$21,590,749 in 2005. This decrease is mostly attributable to the remodeling costs of Valley High School, Clive Elementary School and the Fairmeadows Elementary School.

The fund balance of the District's General Fund increased by \$1,026,446 during June 30, 2006. Key factors in this increase are as follows:

- Lower expenditures than projected.
- Increased cash reserve to improve fund balance.

For 2005, the fund balance of the District's General Fund increased by \$970,711 from 2004. Key factors in this decline are as follows:

- Lower expenditures than projected.
- Increased cash reserve to improve fund balance.
- The Board's commitment to a total tax rate of \$13.50/\$1,000.

### Budgetary Highlights

As allowed by GASB Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences*, the District presents budgetary comparison schedules as required supplementary information based on the program structure of four functional areas as required by state statute for its legally adopted budget. In accordance with the Code of Iowa, the Board of Education annually adopts a program budget which includes all funds except internal service and agency funds as described in the note to required supplementary information.

## West Des Moines Community School District

### Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

A comparison of the actual expenditures/expenses of the District's budgeted funds with the final amended program budget amounts is as follows:

	Budget		Actual Expenditures/ Expenses	Variance
	Original	Final		
Instruction	\$ 48,671,365	\$ 48,733,409	\$ 46,207,978	\$ 2,525,431
Support services	24,748,537	25,653,359	22,901,023	2,752,336
Noninstructional programs	5,955,000	6,392,000	6,025,618	366,382
Other	35,693,480	44,290,147	37,414,310	6,875,837
	<b>\$ 115,068,382</b>	<b>\$ 125,068,915</b>	<b>\$ 112,548,929</b>	<b>\$ 12,519,986</b>

Differences between the original budget and the final amended budget are mainly due to an expected increase due to timing in capital outlay projects.

### Capital Assets and Debt Administration

The following table shows ending balances of capital assets invested in various categories. The District recognized a total net increase of \$21,048,187 for 2006. Most of the increase can be attributed to the remodeling costs for Valley High School, Clive Elementary and Fairmeadows Elementary. All were funded by the sales tax fund. Other major projects included cabling, purchases of equipment, copiers and computers.

For 2005, the District recognized a total net increase of \$14,428,708. Most of the increase can be attributed to the remodeling costs for Valley High School, Clive Elementary, Operations Facility and the completion of Hillside Elementary. All were funded by the sales tax fund except operations which was funded by PPEL.

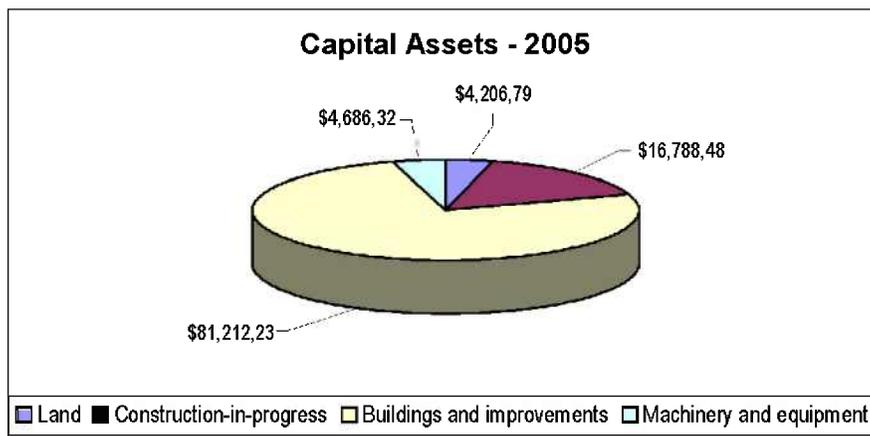
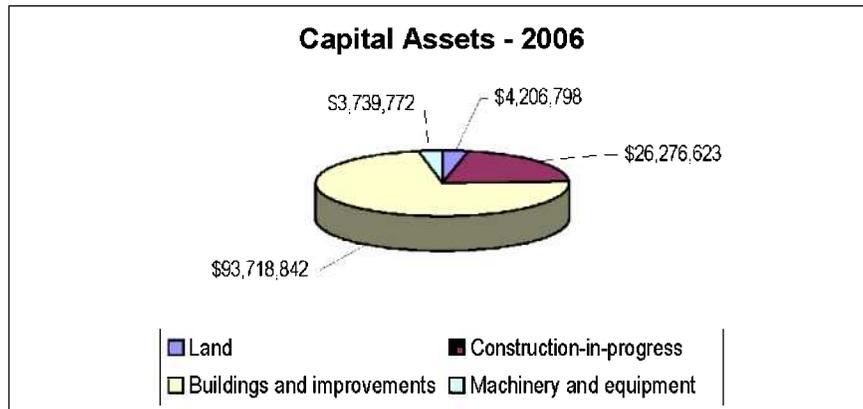
Additional information about the District's capital assets can be found in Note 5 to the financial statements.

Table 4 - Capital Assets as of June 30 (Net of Depreciation)

	Total	
	2006	2005
Land	\$ 4,206,798	\$ 4,206,798
Construction-in-progress	26,276,623	16,788,484
Buildings and improvements	93,718,842	81,212,237
Machinery and equipment	3,739,772	4,686,329
<b>Totals</b>	<b>\$ 127,942,035</b>	<b>\$ 106,893,848</b>

**West Des Moines Community School District**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006**



The above graphs show the category of the District's capital assets.

**Debt**

As of June 30, 2006, the West Des Moines Community School District had general obligation and revenue bonds outstanding totaling \$24,775,000 compared to \$30,685,000 as of June 30, 2005. In the current year, the District paid \$11,935,000 in principal and \$1,348,867 in interest on outstanding debt. Of the \$11,935,000 in principal paid, \$5,985,000 of that amount was from a 2006 \$6,025,000 General Obligation Refunding Bond issue to current refund the remaining balances of the General Obligation Series 1995 and 1996 bonds.

	<b>2006</b>	2005
General obligation bonds	<b>\$ 4,655,000</b>	\$ 5,985,000
Revenue bonds	<b>20,120,000</b>	24,700,000
	<b>\$ 24,775,000</b>	\$ 30,685,000

As of June 30, 2006, the District's available legal debt margin was \$251,033,121 compared to \$243,350,429 as of June 30, 2005.

## **West Des Moines Community School District**

### **Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006**

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Additional information about the District's long-term debt can be found in Note 6 to the financial statements.

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

The District is located in the central part of the state, within the larger Des Moines metropolitan area and ranks as one of the top growth areas of the state. The economic condition and outlook of the District have remained strong during the past ten years, following several years of very high economic growth and steady enrollment growth. This growth has had a positive effect on employment and the District's tax base. The District has averaged nearly a seven percent annual increase in the tax base over the past 25 years and continued an increase during 2006 at the rate of 2.6 percent.

Based on conservative projections, the tax base will grow in the 3-4 percent range. Future projections indicate enrollment will remain fairly stable over the next five years.

Retail sales, building permits and population increases in the western suburbs far exceed that of any other location in the metropolitan area or in the state of Iowa. These increases are projected to continue if economic conditions remain favorable. A large percentage of these increases are occurring outside the School District boundaries.

In recent years, the state of Iowa faced an economic downturn that severely hampered its ability to fund schools at the same level as in prior years. The District faced inadequate funding for state aid and other state-funded programs. However, the state's tax receipts have started growing again.

All of these factors were considered in preparing the West Des Moines Community School District's budget for the 2006 fiscal year. The District was able to maintain a total tax rate of \$13.50 per \$1,000 for the seventh consecutive year.

#### **Requests for Information**

These financial statements and discussions are designed to provide our students, citizens, taxpayers, investors and creditors with a complete disclosure of the District's finances and to demonstrate a high degree of accountability for the public dollars entrusted to us. If you have questions about this report or need additional information, please write Mr. Kurt Subra, CPA, Chief Financial Officer, West Des Moines Community School District, 3550 Mills Civic Parkway, West Des Moines, Iowa, 50265-5556.

West Des Moines Community School District

Statement of Net Assets  
June 30, 2006

Assets	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash, cash equivalents, and investments	\$ 32,914,943	\$ 1,634,655	\$ 34,549,598
Receivables:			
Property taxes	49,378,899	-	49,378,899
Other	2,972,826	51,783	3,024,609
Assets held for resale	-	276,610	276,610
Inventories	66,016	49,513	115,529
Internal balances	156,684	(156,684)	-
<b>Total current assets</b>	<b>85,489,368</b>	<b>1,855,877</b>	<b>87,345,245</b>
Noncurrent assets:			
Bond issuance costs	29,744	-	29,744
Capital assets:			
Nondepreciable:			
Land	4,191,798	15,000	4,206,798
Construction-in-progress	26,276,623	-	26,276,623
Depreciable:			
Buildings and improvements	124,681,157	-	124,681,157
Machinery and equipment	7,374,346	2,278,693	9,653,039
Accumulated depreciation	(35,481,599)	(1,393,983)	(36,875,582)
<b>Net capital assets</b>	<b>127,042,325</b>	<b>899,710</b>	<b>127,942,035</b>
<b>Total noncurrent assets</b>	<b>127,072,069</b>	<b>899,710</b>	<b>127,971,779</b>
<b>Total assets</b>	<b>\$ 212,561,437</b>	<b>\$ 2,755,587</b>	<b>\$ 215,317,024</b>

See Notes to Basic Financial Statements.

<b>Liabilities</b>	Governmental Activities	Business-Type Activities	Total
<b>Current liabilities:</b>			
Accounts payable	\$ 4,970,573	\$ 65,066	\$ 5,035,639
Claims payable	1,805,775	-	1,805,775
Accrued liabilities	4,542,975	-	4,542,975
Accrued interest	88,087	-	88,087
Unearned revenue	49,827,313	63,394	49,890,707
General obligation bonds	1,220,000	-	1,220,000
Revenue bonds	4,740,000	-	4,740,000
Compensated absences	321,627	-	321,627
Deferred compensation	11,843	-	11,843
Liability for early retirement	930,666	-	930,666
<b>Total current liabilities</b>	<b>68,458,859</b>	<b>128,460</b>	<b>68,587,319</b>
<b>Noncurrent liabilities:</b>			
General obligation bonds	3,435,000	-	3,435,000
Revenue bonds	15,380,000	-	15,380,000
Bond premiums	39,382	-	39,382
Liability for early retirement	3,152,987	-	3,152,987
<b>Total noncurrent liabilities</b>	<b>22,007,369</b>	<b>-</b>	<b>22,007,369</b>
<b>Total liabilities</b>	<b>90,466,228</b>	<b>128,460</b>	<b>90,594,688</b>
<b>Net Assets</b>			
Investment in capital assets, net of related debt	102,257,687	899,710	103,157,397
<b>Restricted for:</b>			
Physical plant and equipment levy	2,805,218	-	2,805,218
Local option sales tax	7,259,392	-	7,259,392
Management levy	1,111,663	-	1,111,663
Public education and recreation levy	431,425	-	431,425
Debt Service	301,754	-	301,754
Purpose restricted	341,207	-	341,207
Unrestricted	7,586,863	1,727,417	9,314,280
<b>Total net assets</b>	<b>122,095,209</b>	<b>2,627,127</b>	<b>124,722,336</b>
<b>Total liabilities and net assets</b>	<b>\$ 212,561,437</b>	<b>\$ 2,755,587</b>	<b>\$ 215,317,024</b>

**West Des Moines Community School District**

**Statement of Activities  
For the Year Ended June 30, 2006**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
<b>Primary Government</b>			
Governmental activities:			
Instruction	\$ 48,369,475	\$ 4,600,966	\$ 4,553,316
Support services	23,988,291	499,453	-
Noninstructional programs	429,508	-	-
Other	8,166,432	-	2,579,716
Interest on long-term debt	1,308,279	-	-
<b>Total governmental activities</b>	<b>82,261,985</b>	<b>5,100,419</b>	<b>7,133,032</b>
Business-type activities:			
School nutrition	3,360,467	2,423,275	826,446
Community education	2,187,360	2,410,950	4,069
Preschool Regular Education	106,262	1,560	64,499
Student Construction	4,336	130,464	-
<b>Total business-type activities</b>	<b>5,658,425</b>	<b>4,966,249</b>	<b>895,014</b>
<b>Total primary government</b>	<b>\$ 87,920,410</b>	<b>\$ 10,066,668</b>	<b>\$ 8,028,046</b>

**General Revenues and Transfers**

General revenues:

- Property taxes
- Local option sales tax
- Utility replacement tax
- Other local sources
- State foundation aid, unrestricted
- Other state sources, unrestricted
- Investment earnings
- Miscellaneous

Transfers

**Total general revenues and transfers**

Changes 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
\$ (39,215,193)	\$ -	\$ (39,215,193)
(23,488,838)	-	(23,488,838)
(429,508)	-	(429,508)
(5,586,716)	-	(5,586,716)
(1,308,279)	-	(1,308,279)
<u>(70,028,534)</u>	<u>-</u>	<u>(70,028,534)</u>
-	(110,746)	(110,746)
-	227,659	227,659
-	(40,203)	(40,203)
-	126,128	126,128
<u>-</u>	<u>202,838</u>	<u>202,838</u>
<u>(70,028,534)</u>	<u>202,838</u>	<u>(69,825,696)</u>
44,492,182	-	44,492,182
8,914,205	-	8,914,205
905,019	-	905,019
283,958	-	283,958
22,933,675	-	22,933,675
176,026	-	176,026
1,739,251	65,682	1,804,933
403,213	30,566	433,779
110,725	(110,725)	-
<u>79,958,254</u>	<u>(14,477)</u>	<u>79,943,777</u>
9,929,720	188,361	10,118,081
112,165,489	2,438,766	114,604,255
<u>\$ 122,095,209</u>	<u>\$ 2,627,127</u>	<u>\$ 124,722,336</u>

West Des Moines Community School District

Balance Sheet  
 Governmental Funds  
 June 30, 2006

	General	Physical Plant and Equipment	Local Option Sales Tax
<b>Assets</b>			
Cash, cash equivalents and investments	\$ 14,557,499	\$ 6,147,930	\$ 5,733,284
Receivables:			
Property taxes	37,959,106	6,535,707	-
Due from other funds	-	208,423	2,974,790
Other	1,077,351	50,626	1,104,781
Inventories	66,016	-	-
<b>Total assets</b>	<b>\$ 53,659,972</b>	<b>\$ 12,942,686</b>	<b>\$ 9,812,855</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 1,655,146	\$ 680,070	\$ 2,153,463
Accrued liabilities	4,542,975	-	-
Due to other funds	-	2,974,790	-
Deferred revenue	37,759,663	6,482,608	400,000
Liability for early retirement	-	-	-
<b>Total liabilities</b>	<b>43,957,784</b>	<b>10,137,468</b>	<b>2,553,463</b>
Fund balances:			
Reserved for:			
Inventories	66,016	-	-
Encumbrances	71,081	100,705	230,304
Debt service	-	-	-
Unreserved, undesignated reported in:			
General Fund	9,565,091	-	-
Special revenue funds	-	2,704,513	-
Capital projects funds	-	-	7,029,088
<b>Total fund balances</b>	<b>9,702,188</b>	<b>2,805,218</b>	<b>7,259,392</b>
<b>Total liabilities and fund balances</b>	<b>\$ 53,659,972</b>	<b>\$ 12,942,686</b>	<b>\$ 9,812,855</b>

See Notes to Basic Financial Statements.

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Nonmajor Governmental Funds		Total
\$	4,424,893	\$ 30,863,606
	4,884,086	49,378,899
	-	3,183,213
	442	2,233,200
	-	66,016
\$	9,309,421	\$ 85,724,934

\$	429,841	\$ 4,918,520
	-	4,542,975
	-	2,974,790
	4,849,993	49,492,264
	930,666	930,666
	6,210,500	62,859,215

	-	66,016
	8,851	410,941
	301,754	301,754
	-	9,565,091
	2,143,076	4,847,589
	645,240	7,674,328
	3,098,921	22,865,719
\$	9,309,421	\$ 85,724,934

**West Des Moines Community School District**

**Reconciliation of Total Governmental Fund Balances to Net Assets of  
Governmental Activities**

**June 30, 2006**

Total governmental fund balances		\$	22,865,719
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and, therefore, are not reported in the funds			127,042,325
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds, deferred revenue			400,000
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 Fund is included in governmental activities in the statement of net assets:			
Other current assets	\$	2,790,963	
Other current liabilities		<u>(2,592,877)</u>	198,086
Internal Service Fund allocated to business-type activities			(51,739)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:			
Accrued interest payable		(88,087)	
General obligation bonds, current		(1,220,000)	
General obligation bonds, noncurrent		(3,435,000)	
Revenue bonds, current		(4,740,000)	
Revenue bonds, noncurrent		(15,380,000)	
Bond issue costs		29,744	
Bond premium		(39,382)	
Compensated absences, current		(321,627)	
Deferred compensation, current		(11,843)	
Liability for early retirement, noncurrent		<u>(3,152,987)</u>	<u>(28,359,182)</u>
<b>Net assets of governmental activities</b>			<u><u>\$ 122,095,209</u></u>

See Notes to Basic Financial Statements.

West Des Moines Community School District

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

	General	Physical Plant and Equipment	Local Option Sales Tax
Revenues:			
Property taxes and other local sources:			
Property taxes	\$ 34,318,556	\$ 5,968,472	\$ -
Local option sales tax	-	-	8,914,205
Utility replacement	708,782	111,926	-
Other local sources	3,545,632	28,948	202,780
Investment earnings	488,933	178,660	906,399
Student activities	122,202	-	-
State sources:			
State foundation aid	22,933,675	-	-
Other state sources	5,489,229	-	-
Federal sources	1,707,901	-	137,163
<b>Total revenues</b>	<b>69,314,910</b>	<b>6,288,006</b>	<b>10,160,547</b>
Expenditures:			
Current:			
Instruction	44,062,637	-	-
Support services:			
Student support services	2,244,901	-	-
Instructional staff support services	2,756,030	-	-
General administration	636,872	225,288	-
Building administration	3,778,110	-	-
Business administration	2,866,084	-	-
Plant operation and maintenance	6,357,020	-	-
Student transportation	2,766,778	-	-
Noninstructional programs	411	-	-
Other	2,579,716	3,581,700	110,201
Capital outlay	311,218	1,023,636	22,084,028
Debt service:			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
<b>Total expenditures</b>	<b>68,359,777</b>	<b>4,830,624</b>	<b>22,194,229</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>955,133</b>	<b>1,457,382</b>	<b>(12,033,682)</b>
Other financing sources (uses):			
Issuance of general obligation bonds	-	-	-
Payment to refund bonds	-	-	-
Premium on general obligation bonds	-	-	-
Transfers in	126,283	2,122	3,348,000
Transfers (out)	(67,280)	(3,348,000)	(5,645,675)
Proceeds from sale of capital assets	12,310	-	-
<b>Total other financing sources (uses)</b>	<b>71,313</b>	<b>(3,345,878)</b>	<b>(2,297,675)</b>
<b>Net change in fund balances</b>	<b>1,026,446</b>	<b>(1,888,496)</b>	<b>(14,331,357)</b>
Fund balances, beginning of year	8,675,742	4,693,714	21,590,749
Fund balances, end of year	<b>\$ 9,702,188</b>	<b>\$ 2,805,218</b>	<b>\$ 7,259,392</b>

See Notes to Basic Financial Statements.

Nonmajor			
Governmental Funds		Total	
\$	4,205,154	\$	44,492,182
	-		8,914,205
	84,311		905,019
	152,360		3,929,720
	165,259		1,739,251
	1,061,934		1,184,136
	-		22,933,675
	-		5,489,229
	-		1,845,064
	5,669,018		91,432,481
	2,145,341		46,207,978
	-		2,244,901
	997		2,757,027
	18,847		881,007
	-		3,778,110
	35,296		2,901,380
	1,212,800		7,569,820
	2,000		2,768,778
	405,818		406,229
	25,703		6,297,320
	366,966		23,785,848
	5,950,000		5,950,000
	1,348,867		1,348,867
	32,275		32,275
	11,544,910		106,929,540
	(5,875,892)		(15,497,059)
	6,025,000		6,025,000
	(5,985,000)		(5,985,000)
	42,734		42,734
	5,721,455		9,197,860
	(26,180)		(9,087,135)
	-		12,310
	5,778,009		205,769
	(97,883)		(15,291,290)
	3,196,804		38,157,009
\$	3,098,921	\$	22,865,719

## West Des Moines Community School District

### 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 - total governmental funds		\$ (15,291,290)
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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:		
Capital outlay		24,719,331
Depreciation expense by function:		
Instruction	\$ (125,573)	
Support services	(662,462)	
Other	(2,696,783)	(3,484,818)
Proceeds from sale of capital assets	(12,310)	
Loss on sale of capital assets	(105,812)	(118,122)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred revenue, operating grants and contributions - instruction		(29,108)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds an interest expenditure is reported when due. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:		
Repayment of bond principal	5,950,000	
Payment to refund bonds	5,985,000	
Issuance of long term debt	(6,025,000)	
Interest	39,767	
Bond issue costs	32,275	
Premiums	(42,734)	
Amortization of bond premiums and bond issue costs	821	5,940,129
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.		(847,273)
Change in Internal Service Fund allocation to business-type activities		39,036
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, support services	20,877	
Change in liability for early retirement:		
Instruction	(718,091)	
Support	(281,458)	
Noninstruction	(18,999)	
Change in deferred compensation, support services	(494)	(998,165)
Change in net assets of governmental activities		\$ 9,929,720

See Notes to Basic Financial Statements.

West Des Moines Community School District

Statement of Net Assets  
 Proprietary Funds  
 June 30, 2006

	Business-Type Activities Nonmajor Enterprise Funds	Governmental Activities Internal Service Fund
<b>Assets</b>		
Current assets:		
Cash, cash equivalents, and investments	\$ 1,634,655	\$ 2,051,337
Other receivables	51,783	739,626
Due from other funds	38,507	-
Assets held for resale	276,610	-
Inventories	49,513	-
<b>Total current assets</b>	<b>2,051,068</b>	<b>2,790,963</b>
Noncurrent assets:		
Capital assets:		
Land	15,000	-
Machinery and equipment	2,278,693	-
Less accumulated depreciation	(1,393,983)	-
<b>Total noncurrent assets</b>	<b>899,710</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 2,950,778</b>	<b>\$ 2,790,963</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 65,066	\$ 52,053
Due to other funds	246,930	-
Claims payable	-	1,805,775
Unearned revenue	63,394	735,049
<b>Total liabilities</b>	<b>375,390</b>	<b>2,592,877</b>
<b>Net Assets</b>		
Invested in capital assets	899,710	-
Unrestricted	1,675,678	198,086
<b>Total net assets</b>	<b>2,575,388</b>	<b>198,086</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,950,778</b>	<b>\$ 2,790,963</b>

See Notes to Basic Financial Statements.

West Des Moines Community School District

Reconciliation of Enterprise Funds Net Assets to the Net Assets of Business-Type Activities  
June 30, 2006

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Total enterprise funds net assets \$ 2,575,388

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 costs of certain services to individual funds. The assets and liabilities of the Internal Service Fund is included in governmental activities in the statement of net assets.

51,739

**Net assets of business-type activities** \$ 2,627,127

See Notes to Basic Financial Statements.

West Des Moines Community School District

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

	Business-Type Activities Nonmajor Enterprise Funds	Governmental Activities Internal Service Fund
Operating revenues:		
Food sales	\$ 2,392,365	\$ -
Sale of services	2,573,884	-
Charges for services	-	7,797,448
<b>Total operating revenues</b>	<b>4,966,249</b>	<b>7,797,448</b>
Operating expenses:		
Salaries	2,534,931	-
Employee benefits	809,960	-
Purchased services	384,479	-
Food consumed	1,356,132	-
Supplies	316,403	52,053
Depreciation	109,868	-
Claims and administration	-	8,592,668
Other	99,493	-
<b>Total operating expenses</b>	<b>5,611,266</b>	<b>8,644,721</b>
<b>Operating (loss)</b>	<b>(645,017)</b>	<b>(847,273)</b>
Nonoperating revenue (expenses):		
Federal food commodities	173,032	-
Federal and state appropriations	721,982	-
Interest	65,682	-
(Loss) on disposal of capital assets	(8,123)	-
Other	30,566	-
<b>Total nonoperating revenues (expenses)</b>	<b>983,139</b>	<b>-</b>
<b>Income (loss) before transfers</b>	<b>338,122</b>	<b>(847,273)</b>
Transfers in	70,956	-
Transfers (out)	(181,681)	-
<b>Change in net assets</b>	<b>227,397</b>	<b>(847,273)</b>
Total net assets, beginning of year	2,347,991	1,045,359
Total net assets, end of year	<b>\$ 2,575,388</b>	<b>\$ 198,086</b>

**West Des Moines Community School District**

**Reconciliation of the Change in Net Assets of Enterprise Funds to the  
Statement of Activities**

**For the Year Ended June 30, 2006**

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Net changes in net assets in enterprise funds	\$ 227,397
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 the Internal Service Fund is reported with business-type activities.	(39,036)
<b>Change in net assets of governmental activities</b>	<u>\$ 188,361</u>

See Notes to Basic Financial Statements.

**West Des Moines Community School District**

**Statement of Cash Flows**

**Proprietary Funds**

**For the Year Ended June 30, 2006**

	Business-Type		Governmental	
	Activities		Activities	
	Nonmajor	Enterprise Funds	Internal	Service Fund
Cash flows from operating activities:				
Receipts from customers and users	\$	4,972,240	\$	8,489,099
Payments to suppliers		(2,123,016)		-
Payments to employees		(3,344,891)		-
Claims paid		-		(8,093,060)
Other payments		(99,493)		-
<b>Net cash provided by (used in) operating activities</b>		<b>(595,160)</b>		<b>396,039</b>
Cash flows from noncapital financing activities:				
Federal and state appropriations received		721,982		-
Receipts from interfund accounts		246,930		-
Payments of interfund accounts		(38,507)		-
Transfers in		70,956		-
Transfers (out)		(181,681)		-
Other, local donations and grants		30,566		-
<b>Net cash provided by noncapital financing activities</b>		<b>850,246</b>		<b>-</b>
Cash flows from capital and related financing activities, purchases of capital assets		(49,787)		-
Cash flows from investing activities, interest received		65,682		-
<b>Net increase in cash and cash equivalents</b>		<b>270,981</b>		<b>396,039</b>
Cash and cash equivalents:				
Beginning of year		1,363,674		1,655,298
End of year	\$	<b>1,634,655</b>	\$	<b>2,051,337</b>

(Continued)

**West Des Moines Community School District**

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

	Business-Type Activities Nonmajor Enterprise Funds	Governmental Activities Internal Service Fund
Reconciliation of operating (loss) to net cash provided by (used in) operating activities, operating (loss)	\$ (645,017)	\$ (847,273)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:		
Depreciation	109,868	-
Federal food commodities used	173,032	-
Change in assets and liabilities:		
Receivables	3,687	(739,626)
Assets held for resale	(263,595)	-
Inventories	34,879	-
Prepaid expenses	-	696,228
Accounts payable	(10,318)	52,053
Claims payable	-	499,608
Unearned revenue	2,304	735,049
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (595,160)</b>	<b>\$ 396,039</b>
Schedule of noncash items:		
Capital and related financing activities, federal food commodities received	\$ 173,032	\$ -
Operating activities, assets held for resale acquired through accounts payable	13,015	-

**West Des Moines Community School District**

**Statement of Fiduciary Assets and Liabilities**

**Agency Fund**

**June 30, 2006**

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	<u>Flower</u>
<b>Assets</b> , cash, cash equivalents, and investments	<u>\$ 1,000</u>
<b>Liabilities</b> , due to private individuals	<u>\$ 1,000</u>

See Notes to Basic Financial Statements.

## West Des Moines Community School District

### Notes to Basic Financial Statements

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#### Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies

##### Nature of operations:

The West Des Moines Community School District (the "District") was incorporated under Chapter 274 of the State Code of Iowa. The District has the power to make rules and regulations for its own government consistent with the laws of the state of Iowa and the regulations of the Iowa State Board of Education. The District is governed by the elected West Des Moines Community School Board of Education (the "Board"). The District is composed of one high school, one-ninth grade school, two junior high schools, nine elementary schools and one alternative high school. Student enrollment (kindergarten through high school) for the 2005-2006 school year was approximately 8,798 regular and special education students. The District employs a total of 1,095 personnel.

##### Reporting entity:

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

**Basis of presentation:** The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**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 District. For the most part, the effect of the 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. Interfund services provided and used are not eliminated in the process of consolidation for these statements.

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. 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.

## West Des Moines Community School District

### Notes to Basic Financial Statements

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#### Note 1. Nature of Operations, Reporting Entity and 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 District 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 District 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 will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the District's major governmental funds:

*General Fund:* The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the fund consists primarily of local property taxes and state governmental aid.

*Physical Plant and Equipment Fund:* Accounts for the resources used to pay for the purchase and improvement of sites, demolition work, special assessments and major building repairs. The fund is required to be accounted for as a special revenue fund by state statutes.

*Local Option Sales Tax Fund:* The Local Option Sales Tax Fund, a capital projects fund, accounts for all financial transactions from the local option sales and services tax for school infrastructure authorized by Iowa Code Chapter 422E.

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

*Special Revenue Funds:* Are used to account for the revenue sources that are legally restricted to expenditures for specific purposes.

*Management Fund:* Accounts for tort liability insurance premiums, unemployment compensation insurance claims and early retirement incentive payments.

## West Des Moines Community School District

### Notes to Basic Financial Statements

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#### Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies (Continued)

Playground Fund: Accounts for the resources used to establish and maintain public recreation places and playgrounds and necessary accommodations for children and adults.

Student Activity Fund: Accounts for money held by the District on behalf of the students who have raised these funds and are responsible for their disposition for co-curricular or extracurricular activities of the District.

Schoolhouse Fund: Accounts for the resources to be used to pay for the purchase of grounds, construction of buildings, purchase of buildings, equipment and repairs, remodeling, reconstructing, improving or expanding schoolhouses or buildings. The Schoolhouse Fund is required to be accounted for as a special revenue fund by statutes.

Debt Service Fund: Accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. Revenue of the fund primarily consists of local property taxes.

Capital Projects Fund: Accounts for acquisition or construction of major capital facilities other than those specifically accounted for in the Local Option Sales Tax Fund.

**Proprietary Fund Types**: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. 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 District 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 District 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 enterprise funds of the District are considered nonmajor:

School Nutrition Fund: Accounts for the food service operations of the District.

Community Education Fund: Accounts for the educational programs available to the general public on a fee basis.

Preschool Regular Education Fund: To account for the resources, including registration and tuition fees as well as funding from the Polk County Empowerment, used to service the children eligible to attend one of the eleven preschool centers in the West Des Moines area.

Student Construction Fund: To account for the construction costs of building houses by the Valley High School construction technology classes and the income generated through the sale of these houses.

## West Des Moines Community School District

### Notes to Basic Financial Statements

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#### Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies (Continued)

**Internal Service Fund:** The Internal Service Fund is used to account for goods or services provided by one department to other departments of the District on a cost reimbursement basis. The District's Internal Service Fund is used to account for the premium and claim payments for the self-insured health insurance plans for District employees.

**Fiduciary Fund Types:** Fiduciary fund types are used to account for net assets and changes in net assets. The District has one fiduciary fund which is considered an Agency Fund.

*Flower Fund:* To account for donations to be used for flower purchases for memorials or illnesses of District employees.

**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 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 revenue 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 District 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.

**Revenues – exchange and nonexchange transactions:** Property taxes, other taxes, grants, entitlements and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which it is budgeted. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when used if first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

# West Des Moines Community School District

## Notes to Basic Financial Statements

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### Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies (Continued)

Property taxes are recognized as a receivable at the time they become an enforceable legal claim. This is determined to occur when the budget is certified and approved by the state of Iowa. The current tax levy recognized in revenue was certified in March 2005 based on 2004 assessed valuations. These taxes are due in two installments on September 30 and March 31, with a 1.5 percent per month penalty for delinquent payment.

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 revenue of the District's proprietary funds are charges for food sales or tuition and fees. Operating expenses for proprietary funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### Significant accounting policies:

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

**Pooled cash and investment accounts:** Separate bank accounts and investments are not maintained for all District funds, as certain funds maintain their cash and investment balances in a pooled account. Accounting records are maintained to show the portion of the pooled account attributable to each participating fund.

**Inventories:** Inventories are stated at cost (first-in, first-out), which approximates market. The consumption method of accounting is applied to the governmental fund type inventories. Unused commodities at balance sheet date are reported as inventory in the statement of net assets.

**Capital assets:** General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair values as of the date received. The District maintains a capitalization threshold of \$5,000 (\$500 for the School Nutrition Fund). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets except land and construction-in-progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and improvements	20 - 50 years
Machinery and equipment	5 - 20 years

The District's collection of library books and other similar assets are not capitalized due to the individual assets not meeting the District's capitalization threshold. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

## West Des Moines Community School District

### Notes to Basic Financial Statements

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#### Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies (Continued)

**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 that approximate the effective interest method.

**Deferred and unearned revenue:** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Accrued payroll:** Payroll and the related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but have balances payable in July and August, have been accrued as a liability as they are applicable to services provided during the respective fiscal years and will be paid with available resources.

**Compensated absences:** For governmental funds, the unpaid compensated absences that are considered due are recorded within the funds. There is no amount considered due as of year-end. The amount of the liability not considered due is not reported in fund financial statements. However, the entire compensated absence liability is reported on the government-wide financial statements.

**Self-insurance:** The District is self-insured for health and dental benefits. The District's premiums and claims are accounted for in the Internal Service Fund. Premiums are charged by the Internal Service Fund to operating funds based upon number of employees and selected coverage in each fund.

There have been no significant reductions in insurance coverage for the District from the prior year.

**Encumbrances:** Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in governmental fund types. Open encumbrances at year-end are reported as reservations of fund balances. Encumbrances do not constitute expenditures or liabilities.

**Cash flows:** For the purpose of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Fund equity:** Reservations of fund balance represent amounts that are not appropriated or are legally segregated for a specific purpose. Designations of fund balance represents tentative management plans that are subject to change.

## West Des Moines Community School District

### Notes to Basic Financial Statements

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#### Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies (Continued)

**Net assets:** Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net assets restricted through enabling legislation consists of \$2,805,218 for physical plant and equipment levy, \$7,259,392 for local option sales tax, \$1,111,663 for management levy, \$431,425 for public education and recreation levy and \$ 301,754 for debt service.

Purpose restricted net assets of \$341,207 consists of \$111,560 for professional development teacher salary allocation and \$229,647 for the At Risk program.

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

**Interfund activity:** Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Estimates:** The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

#### Note 2. Budgetary and Budgetary Control

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

#### Note 3. Cash and Cash Equivalents and Investments

**Interest rate risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy requires operating funds to be invested in investments that mature within three hundred and ninety-seven days or less. When investing other than operating funds, the investments must mature according to the needs of the funds. Operating funds of the District are funds which are reasonably expected to be used during a current budget year or within fifteen months of receipt.

## West Des Moines Community School District

### Notes to Basic Financial Statements

#### Note 3. Cash and Cash Equivalents and Investments (Continued)

As of June 30, 2006, the District's investment balances were as follows:

Investment Type	Fair Value	Maturity Dates (Years)			
		Less than 1	1 to 5	6 to 10	More than 10
Annuity	\$ 278,899	\$ -	\$ 278,899	\$ -	\$ -
Repurchase agreement	3,748,000	-	3,748,000	-	-
	<u>\$ 4,026,899</u>	<u>\$ -</u>	<u>\$ 4,026,899</u>	<u>\$ -</u>	<u>\$ -</u>

Credit risk: The District is authorized by statute to invest public funds not currently needed for operating expenses 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 Board of Education and the Treasurer of the State of Iowa; perfected repurchase agreements; and certain joint investments trusts. The District has no investment policies that would further limit its investment choices.

As of June 30, 2006, the District's investments which include a repurchase agreement and an annuity were not applicable to be rated by a nationally recognized statistical rating organization.

Concentration of credit risk: The District's general investment policy is to apply the prudent-person rule: In making investments, the District will exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use to meet the goals of the investment program.

The District places no limit on the amount the District may invest in any one issuer. More than 5 percent of the District's investments are in an annuity at ING Insurance Company and a repurchase agreement with JP Morgan Chase. These investments are 7 percent and 93 percent, respectively, of the District's total investments. The annuity is included in the District's General Fund and the repurchase agreement investment is all included in the Local Option Sales Tax Fund.

Custodial credit risk: For deposits, this is the risk that in the event of bank failure, the District's deposits may not be returned to it. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Chapter 12C of the Code of Iowa requires all District funds be deposited into an approved depository and be either insured or collateralized. As of June 30, 2006, the District has \$30,523,699 in deposits and \$4,026,899 in investments. Neither of the District's deposits or investments were subject to custodial credit risk.

#### Note 4. Interfund Balances

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

	Interfund Receivables	Interfund Payables
Major funds:		
Special Revenue, Physical Plant and Equipment	\$ 208,423	\$ 2,974,790
Capital Projects, Local Option Sales Tax	2,974,790	-
Other nonmajor proprietary funds	38,507	246,930
	<u>\$ 3,221,720</u>	<u>\$ 3,221,720</u>

## West Des Moines Community School District

### Notes to Basic Financial Statements

#### Note 4. Interfund Balances (Continued)

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. The interfund receivable and payables are schedule to be collected in the subsequent year.

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

	Transfers In	Transfers Out
Major funds:		
General	\$ 126,283	\$ 67,280
Special Revenue, Physical Plant and Equipment	2,122	3,348,000
Capital Projects, Local Option Sales Tax	3,348,000	5,645,675
Other nonmajor governmental funds	5,721,455	26,180
Other nonmajor proprietary funds	70,956	181,681
	<u>\$ 9,268,816</u>	<u>\$ 9,268,816</u>

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

#### Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

Governmental Activities	Balance June 30, 2005	Additions	Retirements	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	\$ 4,191,798	\$ -	\$ -	\$ 4,191,798
Construction-in-progress	16,788,484	22,289,331	12,801,192	26,276,623
<b>Total capital assets, not         being depreciated</b>	<u>20,980,282</u>	<u>22,289,331</u>	<u>12,801,192</u>	<u>30,468,421</u>
Capital assets, being depreciated:				
Buildings and improvements	109,910,953	14,940,865	170,661	124,681,157
Machinery and equipment	7,640,357	290,327	556,338	7,374,346
<b>Total capital assets, being         depreciated</b>	<u>117,551,310</u>	<u>15,231,192</u>	<u>726,999</u>	<u>132,055,503</u>
Accumulated depreciation:				
Buildings and improvements	28,698,716	2,434,260	170,661	30,962,315
Machinery and equipment	3,906,942	1,050,558	438,216	4,519,284
<b>Total accumulated depreciation</b>	<u>32,605,658</u>	<u>3,484,818</u>	<u>608,877</u>	<u>35,481,599</u>
<b>Total capital assets, being         depreciated, net</b>	<u>84,945,652</u>	<u>11,746,374</u>	<u>118,122</u>	<u>96,573,904</u>
<b>Governmental activities capital         assets, net</b>	<u>\$ 105,925,934</u>	<u>\$ 34,035,705</u>	<u>\$ 12,919,314</u>	<u>\$ 127,042,325</u>

**West Des Moines Community School District**

**Notes to Basic Financial Statements**

**Note 5. Capital Assets (Continued)**

Business-Type Activities	Balance June 30, 2005	Additions	Retirements	Balance June 30, 2006
Capital assets, not being depreciated, land	\$ 15,000	\$ -	\$ -	\$ 15,000
Capital assets, being depreciated, machinery and equipment	2,268,217	49,787	39,311	2,278,693
Accumulated depreciation, machinery and equipment	1,315,303	109,868	31,188	1,393,983
<b>Total capital assets, being depreciated, net</b>	<b>952,914</b>	<b>(60,081)</b>	<b>8,123</b>	<b>884,710</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 967,914</b>	<b>\$ (60,081)</b>	<b>\$ 8,123</b>	<b>\$ 899,710</b>

Governmental activities:

Instruction	\$ 125,573
Support services	662,462
Other	2,696,783
<b>Total depreciation expense, governmental activities</b>	<b>\$ 3,484,818</b>

Business-type activities, nutrition	<u>\$ 109,868</u>
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Depreciation expense was charged to the functions as follows:

**Note 6. Long-Term Debt**

The following is a summary of changes in long-term debt of the District including liabilities for deferred compensation, compensated absences and early retirement:

	Balance June 30, 2005	Additions	Retirements	Balance June 30, 2006	Balances Due Within One Year
Governmental activities:					
General obligation bonds	\$ 5,985,000	\$ 6,025,000	\$ 7,355,000	\$ 4,655,000	\$ 1,220,000
Revenue bonds	24,700,000	-	4,580,000	20,120,000	4,740,000
Deferred compensation	11,349	494	-	11,843	11,843
Compensated absences	342,504	445,792	466,669	321,627	321,627
	<u>\$ 31,038,853</u>	<u>\$ 6,471,286</u>	<u>\$ 12,401,669</u>	<u>\$ 25,108,470</u>	<u>\$ 6,293,470</u>

## West Des Moines Community School District

### Notes to Basic Financial Statements

#### Note 6. Long-Term Debt (Continued)

Deferred compensation:

The District has entered into unfunded, nonqualified plans of deferred compensation, ineligible under the terms of Section 457 of the Internal Revenue Code of 1986, as amended, with certain employees of the District. Liabilities under these agreements vest and are paid after the employees have remained in the continuous employment of the District for a predetermined number of years. As of June 30, 2006, the amount of liabilities to be paid with resources made available was \$11,843.

The liability for deferred compensation is generally liquidated by the Management Fund.

Compensated absences are generally liquidated by the General Fund.

The District's general obligation debt is as follows:

#### General Obligation Bonds

- On March 1, 2006, the District issued \$6,025,000 in General Obligation Bonds with an average interest rate of 3.75 percent to currently refund \$535,000 of outstanding General Obligation Series 1995 bonds with an average interest rate of 5.02 percent and \$5,450,000 of outstanding General Obligation Series 1996 bonds with an average interest rate of 4.83 percent. The net proceeds received of \$6,011,677 were used to immediately pay off the balance of the refunded debt above plus \$26,677 of interest due and payable as of the redemption date of March 8, 2006. The District completed the refunding to reduce its total debt service payments over the next 5 years by \$165,923 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$157,807. As of June 30, 2006, the unpaid balance on the 2006 bonds was \$4,655,000.

#### Local Option Sales and Service Tax Revenue Bonds

- An issue dated April 1, 2002, having an interest rate varying from 3.000 percent to 4.625 percent and an unpaid balance of \$20,120,000. The bonds are special limited revenue obligations and payments of principal and interest are secured solely by a pledge of the local option tax revenues and by the reserve funds and certain other amounts held under the bond resolution.

Principal payments for the bonds are due annually on June 1 and interest payments are due semiannually on June 1 and December 1.

Annual debt service requirements to service all outstanding indebtedness as of June 30, 2006, are as follows:

Year ending June 30:	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2007	\$ 1,220,000	\$ 174,562	\$ 4,740,000	\$ 882,475
2008	1,090,000	128,812	4,920,000	692,875
2009	1,155,000	87,938	5,120,000	483,775
2010	1,190,000	44,626	5,340,000	246,975
	<u>\$ 4,655,000</u>	<u>\$ 435,938</u>	<u>\$ 20,120,000</u>	<u>\$ 2,306,100</u>

## West Des Moines Community School District

### Notes to Basic Financial Statements

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#### Note 6. Long-Term Debt (Continued)

As of June 30, 2006, the District did not exceed its legal debt margin computed as follows:

Total assessed valuation	<u>\$ 5,113,762,410</u>
Debt limit, 5% of total assessed valuation	\$ 255,688,121
Amount of debt applicable to debt limitation, total indebtedness	<u>4,655,000</u>
Excess of debt limit over debt outstanding, legal debt margin	<u>\$ 251,033,121</u>

#### Note 7. Early Retirement

In order to hasten early retirement, the District offered an early retirement plan benefit to its employees. The Board reserves the right to amend or revoke this Early Retirement Plan or any provision of this plan at any time, with or without notice.

To be eligible to participate in this Plan, an employee must (1) have worked a minimum of thirty hours per week, or seventy percent of contract, during the last ten full years of service; (2) A year of service refers to a school year. Thus, in order to count as a school year, the employee must be employed by the first student contact day in order for that year to count towards a full year of service; (3) have a minimum of ten full years of continuous service in the District; (4) have obtained the age of fifty-five as of June 30, 2006; (5) An employee terminated for just cause, or receiving payments or benefits from or on behalf of the District that are not tied to the performance of current duties, is not eligible (6) an employee is eligible to participate in the plan only at the end of the current school year.

Benefits to eligible employees include a lump sum payment in January following retirement, which is based on the number of sick leave days accumulated as of retirement (125 maximum for nine- and ten-month employees or 135 maximum for 11- and 12-month employees) multiplied by \$20 per day. In addition, eligible employees will receive single hospital/major medical insurance paid-in-full by the District through the month prior to the employee's 65<sup>th</sup> birthday.

As of June 30, 2006, the District has \$930,666 accrued in the Management Fund, as it is considered due, and an additional \$3,152,987 recorded in the government-wide financial statements. The current year cost to the District was \$593,314 which consisted of 130 participants in the plan. A summary of changes in liability for early retirement is shown as follows:

Balance, June 30, 2005	\$ 2,727,753
Additions	1,949,214
Reductions	<u>(593,314)</u>
Balance, June 30, 2006	<u>\$ 4,083,653</u>

#### Note 8. Retirement System

The District 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.

## West Des Moines Community School District

### Notes to Basic Financial Statements

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#### Note 8. Retirement System (Continued)

Plan members are required to contribute 3.70 percent of their annual salary and the District is required to contribute 5.75 percent of annual payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$2,488,356, \$2,400,563 and \$2,338,203, respectively, equal to the required contributions for each year.

#### Note 9. Risk Management

The District is exposed to various risk of loss related to tort, theft, damage to and destruction of assets, errors and omissions, and natural disasters. These risks, except injuries to employees and claim payments for health and dental insurance, are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District has established an internal service fund to account for premium and claim payments for a self-insured group health insurance plan for the District's employees to meet potential losses from medical claims. Self-insurance is in effect up to an individual stop loss amount of \$100,000 and aggregate amount of 125 percent of expected claims. The District also self-insures for its dental plan. The dental plan includes no aggregate reinsurance.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims payable include all known claims and an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are estimated by considering the effects of inflation, recent claim settlement trends, including frequency and amount of pay-outs, and other economic and social factors. Changes in the balances of claims payable during the years ended June 30, 2006 and 2005 are as follows:

	Self-Insurance Fund	
	2006	2005
Claims payable, beginning of year	\$ 1,306,167	\$ 596,286
Incurred claims (including IBNR)	8,592,668	7,960,440
Claim payments	8,093,060	7,250,559
Claims payable, end of year	<u>\$ 1,805,775</u>	<u>\$ 1,306,167</u>

Each participating fund makes payments to the self-insurance fund for amounts which are determined based on historical claims experience. Such payments are displayed on the financial statements as revenues and expenditures/expenses. There have been no significant reductions in insurance coverage from the prior year.

The District became self insured for its workers' compensation exposures beginning in September 2005. Claims which are due and payable are recorded in the Management Fund, a nonmajor governmental fund. Losses on workers' compensation claims are limited through the purchase of stop-loss insurance to \$250,000 per individual and an aggregate amount of \$1,000,000. Liabilities are reported in the financial statements in accounts payable. Changes in the balances of claims liabilities since September 2005 are as follows:

	Year Ended 2006
Claims payable, beginning of year	\$ -
Incurred claims (including IBNR)	225,612
Claim payments	(125,612)
Claims payable, end of year	<u>\$ 100,000</u>

## West Des Moines Community School District

### Notes to Basic Financial Statements

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#### **Note 10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the local area education agency. The District's actual amount for this purpose totaled \$2,579,716 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

#### **Note 11. Contingencies**

As of June 30, 2006, the District is involved in various claims against the District that arise in the normal course of operations, which are covered by insurance. The outcome and eventual liability of the District, if any, from these claims and any unasserted claims is not known at this time; however, management does not believe they will be material to the basic financial statements.

#### **Note 12. Commitments**

The District has financial commitments relating to various construction projects for Fairmeadows, Valley Schools and Hillside that are estimated to be approximately \$1,552,000 in total as of June 30, 2006.

#### **Note 13. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements**

The District 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. The adoption of this Statement had no effect on the District in the current year.

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*. This Statement improves the understandability and usefulness of statistical section information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model required by Statement No. 34 and related statements. The District reported the required statistical information in the current year.

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 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 financial statements when there are changes in the circumstances surrounding such legislation. The effect of adopting this Statement was to reclassify \$27,460,767 previously reported as unrestricted to restricted net assets.

**Note 13. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)**

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

As of June 30, 2006, the GASB has also issued several statements not yet implemented by the District. The statements which might impact the District 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 District 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 District 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, is effective for the District with its 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 flow 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 District 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 District's management has not yet determined the effect these Statements will have on the District's financial statements.

West Des Moines Community School District

**Budgetary Comparison Schedule - All Governmental Funds and Enterprise Funds  
Required Supplementary Information  
For the Year Ended June 30, 2006**

	Governmental Fund Types Actual	Enterprise Funds Actual	Total Actual
<b>Revenues:</b>			
Local sources	\$ 61,164,513	\$ 5,062,497	\$ 66,227,010
State sources	28,422,904	96,268	28,519,172
Federal sources	1,845,064	798,746	2,643,810
<b>Total revenues</b>	<b>91,432,481</b>	<b>5,957,511</b>	<b>97,389,992</b>
<b>Expenditures/Expenses:</b>			
Instruction	46,207,978	-	46,207,978
Support services	22,901,023	-	22,901,023
Noninstructional programs	406,229	5,619,389	6,025,618
Other	37,414,310	-	37,414,310
<b>Total expenditures/expenses</b>	<b>106,929,540</b>	<b>5,619,389</b>	<b>112,548,929</b>
<b>Excess (deficiency) of revenues over expenditures/expenses</b>	<b>(15,497,059)</b>	<b>338,122</b>	<b>(15,158,937)</b>
<b>Other financing sources (uses):</b>			
Issuance of general obligation bonds	6,025,000	-	6,025,000
Payment to bond escrow agent	(5,985,000)	-	(5,985,000)
Premium on general obligation bonds	42,734	-	42,734
Transfers in	9,197,860	70,956	9,268,816
Transfers (out)	(9,087,135)	(181,681)	(9,268,816)
Proceeds from sale of capital assets	12,310	-	12,310
	<b>205,769</b>	<b>(110,725)</b>	<b>95,044</b>
<b>Net change in fund balance</b>	<b>\$ (15,291,290)</b>	<b>\$ 227,397</b>	<b>\$ (15,063,893)</b>

See Note to Required Supplementary Information.

Budgeted Amounts		Final Budget to Actual Variance - Positive (Negative)
Original	Final	
\$ 63,837,181	\$ 63,837,181	\$ 2,389,829
28,535,257	28,535,257	(16,085)
1,824,514	1,824,514	819,296
94,196,952	94,196,952	3,193,040
48,671,365	48,733,409	2,525,431
24,748,537	25,653,359	2,752,336
5,955,000	6,392,000	366,382
35,693,480	44,290,147	6,875,837
115,068,382	125,068,915	12,519,986
(20,871,430)	(30,871,963)	15,713,026
-	-	6,025,000
-	-	(5,985,000)
-	-	42,734
9,153,375	9,278,155	(9,339)
(9,153,375)	(9,278,155)	9,339
12,000	9,000	3,310
12,000	9,000	86,044
\$ (20,859,430)	\$ (30,862,963)	\$ 15,799,070

## **West Des Moines Community School District**

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

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In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except internal service and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, noninstructional programs and other expenditures. The legal level of control is at the aggregated functional level, not at the fund or fund type level. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$10,000,533.

During the year ended June 30, 2006, disbursements in the functional areas did not exceed the amounts budgeted.

West Des Moines Community School District

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2006

	Special Revenue		
	Management	Playground	Student Activity
<b>Assets</b>			
Cash, cash equivalents and investments	\$ 2,123,357	\$ 432,434	\$ 648,865
Receivables:			
Property taxes	2,997,989	479,365	-
Other	45	108	267
<b>Total assets</b>	<b>\$ 5,121,391</b>	<b>\$ 911,907</b>	<b>\$ 649,132</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 104,058	\$ 5,259	\$ 64,638
Deferred revenue	2,975,004	475,223	4,919
Liability for early retirement	930,666	-	-
<b>Total liabilities</b>	<b>4,009,728</b>	<b>480,482</b>	<b>69,557</b>
<b>Fund balances:</b>			
Reserved for:			
Encumbrances	-	-	8,851
Debt service	-	-	-
Unreserved, undesignated reported in:			
Special revenue funds	1,111,663	431,425	570,724
Capital Projects Fund	-	-	-
<b>Total fund balances</b>	<b>1,111,663</b>	<b>431,425</b>	<b>579,575</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,121,391</b>	<b>\$ 911,907</b>	<b>\$ 649,132</b>

---

Schoolhouse	Debt Service	Capital Projects	Total
\$ 29,264	\$ 289,847	\$ 901,126	\$ 4,424,893
-	1,406,732	-	4,884,086
-	22	-	442
<u>\$ 29,264</u>	<u>\$ 1,696,601</u>	<u>\$ 901,126</u>	<u>\$ 9,309,421</u>

\$ -	\$ -	\$ 255,886	\$ 429,841
-	1,394,847	-	4,849,993
-	-	-	930,666
<u>-</u>	<u>1,394,847</u>	<u>255,886</u>	<u>6,210,500</u>

-	-	-	8,851
-	301,754	-	301,754
29,264	-	-	2,143,076
-	-	645,240	645,240
<u>29,264</u>	<u>301,754</u>	<u>645,240</u>	<u>3,098,921</u>
<u>\$ 29,264</u>	<u>\$ 1,696,601</u>	<u>\$ 901,126</u>	<u>\$ 9,309,421</u>

West Des Moines Community School District

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

	Special Revenue		
	Management	Playground	Student Activity
<b>Revenues</b>			
Property taxes and other local sources:			
Property taxes	\$ 2,431,308	\$ 438,089	\$ -
Utility replacement	50,214	9,048	-
Other local sources	3,993	1,159	146,301
Investment earnings	47,769	14,513	26,593
Student activities	-	-	1,061,934
<b>Total revenue</b>	<b>2,533,284</b>	<b>462,809</b>	<b>1,234,828</b>
<b>Expenditures</b>			
Current:			
Instruction	950,532	-	1,194,809
Support services:			
Instructional staff support services	-	997	-
General administration	9,132	9,715	-
Business administration	19,001	9,704	6,591
Plant operation and maintenance	1,212,182		618
Student transportation	-	-	2,000
Noninstructional programs	-	405,818	-
Other	-	-	-
Capital outlay	-	-	85,909
Debt service:			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
<b>Total expenditures</b>	<b>2,190,847</b>	<b>426,234</b>	<b>1,289,927</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>342,437</b>	<b>36,575</b>	<b>(55,099)</b>
Other financing sources (uses):			
Issuance of general obligation bonds	-	-	-
Payment to refund bonds			
Premium on general obligation bonds	-	-	-
Transfers in	-	-	75,780
Transfers (out)	(11,728)	(500)	(13,952)
<b>Total other financing sources (uses)</b>	<b>(11,728)</b>	<b>(500)</b>	<b>61,828</b>
<b>Net change in fund balances</b>	<b>330,709</b>	<b>36,075</b>	<b>6,729</b>
Fund balances, beginning of year	780,954	395,350	572,846
Fund balances, end of year	<b>\$ 1,111,663</b>	<b>\$ 431,425</b>	<b>\$ 579,575</b>

	Schoolhouse	Debt Service	Capital Projects	Total
\$	-	\$ 1,335,757	\$ -	\$ 4,205,154
	-	25,049	-	84,311
	-	907	-	152,360
	1,057	43,083	32,244	165,259
	-	-	-	1,061,934
	1,057	1,404,796	32,244	5,669,018
	-	-	-	2,145,341
	-	-	-	997
	-	-	-	18,847
	-	-	-	35,296
	-	-	-	1,212,800
	-	-	-	2,000
	-	-	-	405,818
	-	25,703	-	25,703
	-	-	281,057	366,966
	-	5,950,000	-	5,950,000
	-	1,348,867	-	1,348,867
	-	32,275	-	32,275
	-	7,356,845	281,057	11,544,910
	1,057	(5,952,049)	(248,813)	(5,875,892)
	-	6,025,000	-	6,025,000
	-	(5,985,000)	-	(5,985,000)
	-	42,734	-	42,734
	-	5,645,675	-	5,721,455
	-	-	-	(26,180)
	-	5,728,409	-	5,778,009
	1,057	(223,640)	(248,813)	(97,883)
	28,207	525,394	894,053	3,196,804
\$	29,264	\$ 301,754	\$ 645,240	\$ 3,098,921

West Des Moines Community School District

Combining Statement of Net Assets  
 Nonmajor Enterprise Funds  
 June 30, 2006

	School Nutrition	Community Education	Preschool Regular Education
<b>Assets</b>			
Current assets:			
Cash, cash equivalents and investments	\$ 754,360	\$ 880,295	\$ -
Other receivables	50,547	1,236	-
Due from other funds	-	38,507	-
Assets held for resale	-	-	-
Inventories	49,513	-	-
<b>Total current assets</b>	<b>854,420</b>	<b>920,038</b>	<b>-</b>
Noncurrent assets, capital assets:			
Land	-	15,000	-
Machinery and equipment	2,278,693	-	-
Less accumulated depreciation	(1,393,983)	-	-
<b>Total noncurrent assets</b>	<b>884,710</b>	<b>15,000</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 1,739,130</b>	<b>\$ 935,038</b>	<b>\$ -</b>
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Accounts payable	\$ 20,379	\$ 29,976	\$ 1,696
Due to other funds	-	-	38,507
Unearned revenue	62,863	531	-
<b>Total liabilities</b>	<b>83,242</b>	<b>30,507</b>	<b>40,203</b>
<b>Net Assets</b>			
Invested in capital assets	884,710	15,000	-
Unrestricted	771,178	889,531	(40,203)
<b>Total net assets</b>	<b>1,655,888</b>	<b>904,531</b>	<b>(40,203)</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,739,130</b>	<b>\$ 935,038</b>	<b>\$ -</b>

---

Student Construction	Total
\$ -	\$ 1,634,655
-	51,783
-	38,507
276,610	276,610
-	49,513
<u>276,610</u>	<u>2,051,068</u>
-	15,000
-	2,278,693
-	(1,393,983)
-	<u>899,710</u>
<u>\$ 276,610</u>	<u>\$ 2,950,778</u>

\$ 13,015	\$ 65,066
208,423	246,930
-	63,394
<u>221,438</u>	<u>375,390</u>
-	899,710
55,172	1,675,678
<u>55,172</u>	<u>2,575,388</u>
<u>\$ 276,610</u>	<u>\$ 2,950,778</u>

West Des Moines Community School District

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

	School Nutrition	Community Education	Preschool Regular Education
Operating revenues:			
Food sales	\$ 2,392,365	\$ -	\$ -
Sale of services	30,910	2,410,950	1,560
<b>Total operating revenues</b>	<b>2,423,275</b>	<b>2,410,950</b>	<b>1,560</b>
Operating expenses:			
Salaries	1,177,720	1,324,985	32,226
Employee benefits	436,477	361,214	12,269
Purchased services	181,007	148,987	51,334
Food consumed	1,356,132	-	-
Supplies	69,806	238,159	7,253
Depreciation	109,868	-	-
Other	-	96,313	3,180
<b>Total operating expenses</b>	<b>3,331,010</b>	<b>2,169,658</b>	<b>106,262</b>
<b>Operating income (loss)</b>	<b>(907,735)</b>	<b>241,292</b>	<b>(104,702)</b>
Nonoperating revenues (expenses):			
Federal food commodities	173,032	-	-
Federal and state appropriations	653,414	4,069	64,499
Interest	40,039	25,643	-
(Loss) on disposal of capital assets	(8,123)	-	-
Other	30,566	-	-
<b>Total nonoperating revenues (expenses)</b>	<b>888,928</b>	<b>29,712</b>	<b>64,499</b>
<b>Income (loss) before transfers</b>	<b>(18,807)</b>	<b>271,004</b>	<b>(40,203)</b>
Transfers in	-	70,956	-
Transfers (out)	-	(110,725)	-
<b>Changes in net assets</b>	<b>(18,807)</b>	<b>231,235</b>	<b>(40,203)</b>
Net assets, beginning of year	1,674,695	673,296	-
Net assets, end of year	\$ 1,655,888	\$ 904,531	\$ (40,203)

	Student Construction	Total
\$	-	\$ 2,392,365
	130,464	2,573,884
	130,464	4,966,249
	-	2,534,931
	-	809,960
	3,151	384,479
	-	1,356,132
	1,185	316,403
	-	109,868
	-	99,493
	4,336	5,611,266
	126,128	(645,017)
	-	173,032
	-	721,982
	-	65,682
	-	(8,123)
	-	30,566
	-	983,139
	126,128	338,122
	-	70,956
	(70,956)	(181,681)
	(70,956)	(110,725)
	55,172	227,397
	-	2,347,991
\$	55,172	\$ 2,575,388

West Des Moines Community School District

Combining Statement of Cash Flows  
 Nonmajor Enterprise Funds  
 For the Year Ended June 30, 2006

	School Nutrition	Community Education	Preschool Regular Education
Cash flows from operating activities:			
Receipts from customers and users	\$ 2,403,489	\$ 2,436,727	\$ 1,560
Payments to suppliers	(1,410,248)	(387,946)	(56,891)
Payments to employees	(1,614,197)	(1,686,199)	(44,495)
Other payments	-	(96,313)	(3,180)
<b>Net cash provided by (used in) operating activities</b>	<b>(620,956)</b>	<b>266,269</b>	<b>(103,006)</b>
Cash flows from noncapital financing activities:			
Federal and state appropriations received	653,414	4,069	64,499
Receipts from interfund accounts	-	-	38,507
Payments of interfund accounts	-	(38,507)	-
Transfers in	-	70,956	-
Transfers (out)	-	(110,725)	-
Other, local donations and grants	30,566	-	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>683,980</b>	<b>(74,207)</b>	<b>103,006</b>
Cash flows from capital and related financing activities, purchases of capital assets			
	(49,787)	-	-
Cash flows from investing activities, interest received			
	40,039	25,643	-
<b>Net increase in cash and cash equivalents</b>	<b>53,276</b>	<b>217,705</b>	<b>-</b>
Cash and cash equivalents:			
Beginning of year	701,084	662,590	-
End of year	\$ 754,360	\$ 880,295	\$ -
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (907,735)	\$ 241,292	\$ (104,702)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	109,868	-	-
Federal food commodities used	173,032	-	-
Change in assets and liabilities:			
Receivables	(21,559)	25,246	-
Assets held for resale	-	-	-
Inventories	34,879	-	-
Accounts payable	(11,214)	(800)	1,696
Unearned revenue	1,773	531	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (620,956)</b>	<b>\$ 266,269</b>	<b>\$ (103,006)</b>
Schedule of noncash items:			
Capital and related financing activities, federal food commodities received	\$ 173,032	\$ -	\$ -
Operating activities, assets held for resale acquired through accounts payable	-	-	-

---

	Student Construction	Total
\$	130,464	\$ 4,972,240
	(267,931)	(2,123,016)
	-	(3,344,891)
	-	(99,493)
	(137,467)	(595,160)

	-	721,982
	208,423	246,930
	-	(38,507)
	-	70,956
	(70,956)	(181,681)
	-	30,566
	137,467	850,246

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	-	(49,787)
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	-	65,682
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	-	270,981
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	-	1,363,674
\$	-	\$ 1,634,655

\$	126,128	\$ (645,017)
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	-	109,868
--	---	---------

	-	173,032
--	---	---------

	-	3,687
--	---	-------

	(263,595)	(263,595)
--	-----------	-----------

	-	34,879
--	---	--------

	-	(10,318)
--	---	----------

	-	2,304
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\$	(137,467)	\$ (595,160)
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\$	-	\$ 173,032
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	13,015	13,015
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West Des Moines Community School District

Statement of Changes in Assets and Liabilities

Agency Fund

For the Year Ended June 30, 2006

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	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Flower Fund				
Assets, cash, cash equivalents, and investments	\$ 718	\$ 548	\$ 266	\$ 1,000
Liabilities, due to private individuals	\$ 718	\$ 548	\$ 266	\$ 1,000

## West Des Moines Community School District

### Statistical Section Contents

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The statistical section of the West Des Moines Community School District'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 say about the District's overall financial health.

Contents	Page
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.	60 - 71
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the District's most significant local revenue sources, the property tax (or sales tax).	72 - 77
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the District's current level of outstanding debt and the District's ability to issue additional debt in the future.	78 - 82
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	83 - 84
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	85 - 92

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

West Des Moines Community School District

**Net Assets by Component**  
**Last Four Fiscal Years\***  
*(accrual basis of accounting)*  
**(Unaudited)**

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 38,206,371	\$ 55,015,332	\$ 75,240,934	\$ 102,257,687
Restricted	50,293,751	37,722,387	27,986,161	12,250,659
Unrestricted	6,480,070	8,627,536	8,938,394	7,586,863
<b>Total governmental activities net assets</b>	<b>\$ 94,980,192</b>	<b>\$ 101,365,255</b>	<b>\$ 112,165,489</b>	<b>\$ 122,095,209</b>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 781,580	\$ 1,029,808	\$ 967,914	\$ 899,710
Unrestricted	1,493,948	1,349,236	1,470,852	1,727,417
<b>Total business-type activities net assets</b>	<b>\$ 2,275,528</b>	<b>\$ 2,379,044</b>	<b>\$ 2,438,766</b>	<b>\$ 2,627,127</b>
Primary government:				
Invested in capital assets, net of related debt	\$ 38,987,951	\$ 56,045,140	\$ 76,208,848	\$ 103,157,397
Restricted	50,293,751	37,722,387	27,986,161	12,250,659
Unrestricted	7,974,018	9,976,772	10,409,246	9,314,280
<b>Total primary government net assets</b>	<b>\$ 97,255,720</b>	<b>\$ 103,744,299</b>	<b>\$ 114,604,255</b>	<b>\$ 124,722,336</b>

\* The District began to report accrual information when it implemented GASB Statement No. 34 in 2003.

West Des Moines Community School District

Expenses, Program Revenues and Net (Expense) Revenue  
 Last Four Fiscal Years\*  
 (accrual basis of accounting)  
 (Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Expenses:				
Governmental activities:				
Instruction	\$ 42,296,619	\$ 43,091,363	\$ 45,983,491	\$ 48,369,475
Support services	22,111,550	23,293,867	24,052,185	23,988,291
Noninstructional programs	443,210	452,045	470,095	429,508
Other	3,797,979	7,548,005	4,364,405	8,166,432
Interest on long-term debt	2,320,789	1,905,422	1,594,395	1,308,279
<b>Total governmental activities expenses</b>	<b>70,970,147</b>	<b>76,290,702</b>	<b>76,464,571</b>	<b>82,261,985</b>
Business-type activities:				
Nutrition	2,819,691	2,875,927	3,237,532	3,360,467
Community education	2,196,899	2,138,390	2,184,190	2,187,360
Preschool Regular Education	-	-	-	106,262
Student Construction	-	-	-	4,336
<b>Total business-type activities expenses</b>	<b>5,016,590</b>	<b>5,014,317</b>	<b>5,421,722</b>	<b>5,658,425</b>
<b>Total primary government expenses</b>	<b>\$ 75,986,737</b>	<b>\$ 81,305,019</b>	<b>\$ 81,886,293</b>	<b>87,920,410</b>
Program revenues:				
Governmental activities:				
Charges for services:				
Instruction	\$ 3,966,942	\$ 4,041,320	\$ 4,041,145	\$ 4,600,966
Support services	146,998	186,330	288,278	499,453
Noninstructional programs	129,301	31,651	16,021	-
Operating grants and contributions	5,763,030	6,022,542	6,213,846	7,133,032
<b>Total governmental activities program revenues</b>	<b>10,006,271</b>	<b>10,281,843</b>	<b>10,559,290</b>	<b>12,233,451</b>

(Continued)

West Des Moines Community School District

Expenses, Program Revenues and Net (Expense) Revenue (Continued)

Last Four Fiscal Years\*

(accrual basis of accounting)

(Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Business-type activities:				
Charges for services:				
Nutrition	\$ 2,051,983	\$ 2,219,080	\$ 2,311,625	\$ 2,423,275
Community Education	2,092,751	2,149,003	2,256,705	2,410,950
Preschool Regular Education	-	-	-	1,560
Student Construction	-	-	-	130,464
Operating grants and contributions	688,968	834,558	905,224	895,014
<b>Total business-type program revenues</b>	<b>4,833,702</b>	<b>5,202,641</b>	<b>5,473,554</b>	<b>5,861,263</b>
<b>Total primary government program revenues</b>	<b>\$ 14,839,973</b>	<b>\$ 15,484,484</b>	<b>\$ 16,032,844</b>	<b>\$ 18,094,714</b>
Net (expense) revenue:				
Governmental activities	\$ (60,963,876)	\$ (66,008,859)	\$ (65,905,281)	\$ (70,028,534)
Business-type activities	(182,888)	188,324	51,832	202,838
<b>Total primary government net expense</b>	<b>\$ (61,146,764)</b>	<b>\$ (65,820,535)</b>	<b>\$ (65,853,449)</b>	<b>\$ (69,825,696)</b>

\* The District began to report accrual information when it implemented GASB Statement No. 34 in 2003.

West Des Moines Community School District

General Revenues and Total Change in Net Assets

Last Four Fiscal Years\*

(accrual basis of accounting)

(Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Net (expense) revenue:				
Governmental activities	\$ (60,963,876)	\$ (66,008,859)	\$ (65,905,281)	\$ (70,028,534)
Business-type activities	(182,888)	188,324	51,832	202,838
<b>Total primary government net expense</b>	<b>(61,146,764)</b>	<b>(65,820,535)</b>	<b>(65,853,449)</b>	<b>(69,825,696)</b>
General revenues and other changes in net assets:				
Governmental activities:				
General revenues:				
Taxes:				
Property taxes	40,093,237	41,802,072	43,601,307	44,492,182
Local option sales tax	7,726,781	8,434,634	7,637,458	8,914,205
Utility replacement tax	910,625	971,146	936,159	905,019
Other local sources	247,487	349,931	419,132	283,958
State foundation aid, unrestricted	21,512,521	21,797,665	22,296,608	22,933,675
Other state sources, unrestricted	255,612	228,087	186,105	176,026
Investment earnings	2,964,898	(1,624,664)	1,447,612	1,739,251
Gain on disposal of capital assets			3,861	-
Miscellaneous	491,762	303,438	114,004	403,213
Transfers	73,925	131,613	63,269	110,725
<b>Total governmental activities</b>	<b>74,276,848</b>	<b>72,393,922</b>	<b>76,705,515</b>	<b>79,958,254</b>
Business-type activities:				
Investment earnings	17,718	12,008	17,225	65,682
Miscellaneous	175,892	34,797	53,934	30,566
Transfers	(73,925)	(131,613)	(63,269)	(110,725)
<b>Total business-type activities</b>	<b>119,685</b>	<b>(84,808)</b>	<b>7,890</b>	<b>(14,477)</b>
<b>Total primary government</b>	<b>74,396,533</b>	<b>72,309,114</b>	<b>76,713,405</b>	<b>79,943,777</b>
Change in net assets:				
Governmental activities	13,312,972	6,385,063	10,800,234	9,929,720
Business-type activities	(63,203)	103,516	59,722	188,361
<b>Total primary government</b>	<b>\$ 13,249,769</b>	<b>\$ 6,488,579</b>	<b>\$ 10,859,956</b>	<b>\$ 10,118,081</b>

\* The District began to report accrual information when it implemented GASB Statement No. 34 in 2003.

West Des Moines Community School District

**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*  
**(Unaudited)**

	Fiscal Year			
	1997	1998	1999	2000
General Fund:				
Reserved	\$ 581,380	\$ 410,653	\$ 392,234	\$ 258,991
Unreserved	4,961,430	5,172,202	5,702,922	7,897,024
<b>Total General Fund</b>	<b>5,542,810</b>	<b>5,582,855</b>	<b>6,095,156</b>	<b>8,156,015</b>
All Other Governmental Funds:				
Reserved	\$ 1,219,880	\$ 268,643	\$ 448,820	\$ 423,986
Unreserved, reported in:				
Special revenue funds	1,279,621	2,743,493	3,917,734	4,055,154
Capital projects funds	3,526,866	1,963,840	1,061,345	779,207
<b>Total all other governmental funds</b>	<b>\$ 6,026,367</b>	<b>\$ 4,975,976</b>	<b>\$ 5,427,899</b>	<b>\$ 5,258,347</b>

Fiscal Year											
2001		2002		2003		2004		2005		2006	
\$	317,946	\$	165,941	\$	161,580	\$	113,191	\$	117,051	\$	137,097
	11,343,206		8,523,397		6,156,164		7,591,840		8,558,691		9,565,091
\$	11,661,152	\$	8,689,338	\$	6,317,744	\$	7,705,031	\$	8,675,742	\$	9,702,188
<hr/>											
\$	461,432	\$	434,718	\$	612,193	\$	1,430,176	\$	752,209	\$	641,614
	4,351,592		6,520,439		8,027,687		6,717,845		6,328,716		4,847,589
	6,379,300		46,031,835		43,387,674		31,256,681		22,400,342		7,674,328
\$	11,192,324	\$	52,986,992	\$	52,027,554	\$	39,404,702	\$	29,481,267	\$	13,163,531

West Des Moines Community School District

Governmental Funds Revenues  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)  
 (Unaudited)

	Fiscal Year			
	1997	1998	1999	2000
Local sources:				
Property taxes	*	*	*	*
Local option sales tax	*	*	*	*
Utility replacement	*	*	*	*
Other local sources	*	*	*	*
Investment earnings	*	*	*	*
Student activities	*	*	*	*
<b>Total local sources</b>	<b>31,789,251</b>	<b>39,023,601</b>	<b>39,307,466</b>	<b>41,738,829</b>
State sources:				
State foundation aid	*	*	*	*
Other state sources	*	*	*	*
<b>Total state sources</b>	<b>20,164,359</b>	<b>21,032,756</b>	<b>22,204,558</b>	<b>23,556,641</b>
Federal sources	421,304	498,251	737,372	914,010
<b>Total revenues</b>	<b>\$ 52,374,914</b>	<b>\$ 60,554,608</b>	<b>\$ 62,249,396</b>	<b>\$ 66,209,480</b>

\* Revenue from local and state sources were not broken down into detail prior to fiscal year 2003. Therefore, only the total is shown for these sources.

						Fiscal Year					
2001		2002		2003		2004		2005		2006	
*		*		\$	40,093,237	\$	41,802,072	\$	43,601,307	\$	44,492,182
*		*			8,052,881		8,123,534		7,587,458		8,914,205
*		*			910,625		971,146		936,159		905,019
*		*			3,294,121		3,102,763		2,887,930		3,929,720
*		*			2,964,898		(1,624,664)		1,447,612		1,739,251
*		*			1,304,348		1,362,072		1,469,563		1,184,136
51,326,526		51,655,306		56,620,110		53,736,923		57,930,029		61,164,513	
*		*			21,512,521		21,797,665		22,296,608		22,933,675
*		*			5,217,758		5,152,155		4,945,757		5,489,229
24,511,098		25,241,325		26,730,279		26,949,820		27,242,365		28,422,904	
669,283		724,754		993,586		1,222,186		1,475,194		1,845,064	
\$	76,506,907	\$	77,621,385	\$	84,343,975	\$	81,908,929	\$	86,647,588	\$	91,432,481

West Des Moines Community School District

Governmental Funds Expenditures and Debt Service Ratio

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year			
	1997	1998	1999	2000
Instruction	\$ 30,807,624	\$ 31,810,109	\$ 32,350,409	\$ 33,832,207
Support services:		14,940,834	15,170,464	17,243,319
Student support services	1,525,063	*	*	*
Instructional staff support services	1,596,715	*	*	*
General administration	4,294,289	*	*	*
Building administration	-	*	*	*
Business administration	-	*	*	*
Plant operation and maintenance	-	*	*	*
Student transportation	-	*	*	*
Central Support	6,763,953	*	*	*
Noninstructional programs	-	460,168	476,121	367,231
Other	-	2,353,226	2,644,308	3,876,779
Capital outlay	13,343,725	6,146,486	3,577,944	1,929,796
Debt service:				
Principal	5,455,000	5,845,642	5,415,094	5,709,658
Interest	2,176,969	2,088,303	1,700,832	1,409,183
Bond issuance costs	-	-	-	-
<b>Total expenditures</b>	<b>\$ 65,963,338</b>	<b>\$ 63,644,768</b>	<b>\$ 61,335,172</b>	<b>\$ 64,368,173</b>
Debt service as a percentage of noncapital expenditures	14.5%	13.8%	12.3%	11.4%

\* Support service expenditures were not broken down into further functional detail for these years. Therefore, only total support services are shown.

		Fiscal Year									
		2001	2002	2003	2004	2005	2006				
\$	35,557,439	\$	38,346,741	\$	41,769,792	\$	42,344,118	\$	44,885,629	\$	46,207,978
	17,194,642		18,562,222								
	*		*		1,938,149		2,137,215		2,216,145		2,244,901
	*		*		2,350,940		2,373,555		2,467,936		2,757,027
	*		*		1,201,606		1,240,684		1,313,866		881,007
	*		*		3,307,547		3,372,496		3,485,597		3,778,110
	*		*		2,222,219		2,452,600		2,777,644		2,901,380
	*		*		5,745,895		5,948,868		6,547,932		7,569,820
	*		*		2,098,647		2,306,540		2,340,252		2,768,778
	*		*		109,624		177,745				
	398,558		456,789		440,522		450,142		458,630		406,229
	3,694,571		3,822,304		3,496,847		5,242,969		5,400,981		6,297,320
	4,228,406		9,124,540		11,413,868		14,640,439		16,437,967		23,785,848
	4,864,606		4,955,000		9,185,000		8,675,000		5,735,000		5,950,000
	1,184,571		985,363		2,528,089		1,933,200		1,599,863		1,348,867
	-		-		-		-		-		32,275
\$	67,122,793	\$	76,252,959	\$	87,808,745	\$	93,295,571	\$	95,667,442	\$	106,929,540
	9.6%		8.8%		15.3%		13.5%		9.3%		8.8%

West Des Moines Community School District

Other Financing Sources and Uses and Net Change in Fund Balances

Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year			
	1997	1998	1999	2000
Excess of revenues over (under) expenditures	\$ (10,616,328)	\$ (3,090,160)	\$ 914,224	\$ 1,841,307
Other financing sources (uses):				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	1,607,626	895,002	897,493
Transfers out	-	(1,569,626)	(845,002)	(847,493)
Premiums on bonds	-	-	-	-
Proceeds from revenue bonds	-	-	-	-
Proceeds from general obligation bonds	2,994,311	-	6,450,664	-
Payments to escrow agent to refund bonds	-	-	(6,450,664)	-
Proceeds from capital loan notes	-	2,041,814	-	-
Proceeds from long-term notes	370,000	-	-	-
<b>Total other financing sources (uses)</b>	<b>3,364,311</b>	<b>2,079,814</b>	<b>50,000</b>	<b>50,000</b>
<b>Net change in fund balances</b>	<b>\$ (7,252,017)</b>	<b>\$ (1,010,346)</b>	<b>\$ 964,224</b>	<b>\$ 1,891,307</b>

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 9,384,114	\$ 1,368,426	\$ (3,464,770)	\$ (11,386,642)	\$ (9,019,854)	\$ (15,497,059)
-	-	-	19,464	3,861	12,310
883,759	86,000	6,465,902	5,920,704	8,505,533	9,197,860
(828,759)	-	(6,391,977)	(5,789,091)	(8,442,264)	(9,087,135)
-	-	-	-	-	42,734
-	37,940,493	-	-	-	-
-	-	-	-	-	6,025,000
-	-	-	-	-	(5,985,000)
-	-	-	-	-	-
-	-	-	-	-	-
55,000	38,026,493	73,925	151,077	67,130	205,769
\$ 9,439,114	\$ 39,394,919	\$ (3,390,845)	\$ (11,235,565)	\$ (8,952,724)	\$ (15,291,290)

**West Des Moines Community School District**

**Assessed Value and Actual Value of Taxable Property**

**Last Ten Fiscal Years**

*(in thousands of dollars)*

**(Unaudited)**

Fiscal Year	Actual Value				Total Actual Value
	Real Property	Personal Property	Railroad and Utilities Without Gas & Electric	Gas & Electric	
1997	\$ 2,994,417,798	\$ 28,254,926	\$ 91,219,654	*	\$ 3,113,892,378
1998	3,138,998,770	24,239,260	102,198,095	*	3,265,436,125
1999	3,417,306,707	22,270,513	107,877,451	*	3,547,454,671
2000	3,628,669,858	13,719,985	95,485,998	*	3,737,875,841
2001	3,906,981,268	9,378,569	16,998,749	73,135,511	4,006,494,097
2002	3,987,358,028	5,862,868	19,452,921	72,828,704	4,085,502,521
2003	4,307,206,614	3,332,935	21,335,163	72,423,205	4,404,297,917
2004	4,440,819,943	-	21,090,380	72,673,765	4,534,584,088
2005	4,897,654,080	-	18,035,054	71,019,452	4,986,708,586
<b>2006</b>	<b>5,019,942,550</b>	<b>-</b>	<b>19,142,992</b>	<b>74,676,868</b>	<b>5,113,762,410</b>

Note: The assessed values are determined as of January 1, of the fiscal year indicated. These assessed values are used to calculate the taxable values for the second budget following assessment date. For example the total assessed value of \$4,534,584,088 from January 1, 2004 are used for the taxable values for fiscal year 2006.

\* Gas and electric was broken out fo the total utilities in fiscal year 200 due to change in state law. Gas and electric is no longer subject to property tax, but instead pay utility replacement taxes.

Source: Polk County Auditor

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	Total Taxable Value	Total Direct Rate
\$	2,308,759,996	13.54320
	2,446,788,295	13.58058
	2,522,932,244	13.66525
	2,723,358,157	13.50526
	2,844,945,014	13.49887
	2,925,201,385	13.48681
	2,954,384,680	13.50200
	3,095,545,757	13.50422
	3,254,873,265	13.50200
	<b>3,336,798,349</b>	<b>13.50341</b>

**West Des Moines Community School District**

**Direct and Overlapping Property Tax Rates**

**Last Ten Fiscal Years**

*(rate per \$1,000 of assessed value)*

**(Unaudited)**

Fiscal Year Ended June 30	District Direct Rates				Overlapping Rates			
	General Purposes	Capital Purposes	Debt Service	Total	County	City of Clive	City of Urbandale	City of West Des Moines
1997	9.77920	1.14000	2.62400	13.54320	9.22555	7.63657	8.52000	10.90532
1998	10.02578	1.13993	2.41487	13.58058	9.12036	7.60506	8.51857	10.89988
1999	10.15664	1.13500	2.37361	13.66525	9.29190	7.70014	8.49000	10.90000
2000	10.19847	1.13498	2.17181	13.50526	9.28374	7.91330	8.83994	10.39994
2001	10.62980	1.13499	1.73408	13.49887	9.25871	7.91104	8.97000	10.90000
2002	9.80256	1.80500	1.87925	13.48681	0.54454	8.45211	8.96096	10.90002
2003	9.89601	1.80500	1.80099	13.50200	9.72617	8.96811	8.97000	11.60003
2004	10.24171	1.80500	1.45751	13.50422	9.76626	8.92149	9.07000	11.60206
2005	11.23663	1.80500	0.46037	13.50200	9.96860	8.92714	9.07306	11.72777
<b>2006</b>	<b>11.32466</b>	<b>1.80500</b>	<b>0.37375</b>	<b>13.50341</b>	<b>9.94718</b>	<b>9.11072</b>	<b>9.07010</b>	<b>11.72540</b>

Source: Polk County Auditor

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Overlapping Rates					
City of	Area XI	Special Rates for City of:			
Windsor Heights	Comm. College	Clive	Urbandale	West Des Moines	Windsor Heights
10.37181	0.50661	0.18548	0.18548	0.18548	0.18548
10.65785	0.47230	0.06381	0.06381	0.06381	0.06381
10.86905	0.50551	0.06264	0.06264	0.06264	0.06264
10.91900	0.52451	0.06024	0.06024	0.06024	0.06024
10.92057	0.54506	0.05743	0.05743	0.05743	0.05743
11.02530	0.54454	0.06012	0.06012	0.06012	0.06012
11.58837	0.54584	0.03742	0.41734	0.03742	0.03742
12.35119	0.58184	0.04365	0.42528	0.04365	0.04365
12.62510	0.59856	0.08701	0.41222	0.08701	0.08701
<b>12.62896</b>	<b>0.68048</b>	<b>0.00000</b>	<b>0.40073</b>	<b>0.17530</b>	<b>0.17530</b>

West Des Moines Community School District

Principal Property Taxpayers  
Current Year and Nine Years Ago  
(Unaudited)

Taxpayer	2006			1997		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
Valley West DM	\$ 81,900,000	1	2.45%	\$ -	-	- %
Mid-America Invest Co	61,536,000	2	1.84	40,164,707	3	1.74
IFBF Property Mgmt Inc	44,061,100	3	1.32	-	-	-
Deerfield Retirement Community Inc	40,000,000	4	1.20	-	-	-
Hy-Vee Food Store, Inc	36,896,200	5	1.11	16,502,714	9	0.71
1776 Westakes Parkway, LC	31,000,000	6	0.93	-	-	-
William C Knapp, LC	25,287,000	7	0.76	-	-	-
Colby West Univ Trust	20,539,830	8	0.62	-	-	-
Mercy Properties	20,539,830	9	0.62	15,510,640	10	0.67
Twenty-Three Hundred Ltd.	19,349,100	10	0.58	-	-	-
Mid-American Energy	-	-	-	85,120,240	1	3.69
Individual	-	-	-	73,231,210	2	3.17
Farm Bureau Insurance	-	-	-	33,277,598	4	1.44
West Lakes Development	-	-	-	28,864,250	5	1.25
R&R Investors, Ltd.	-	-	-	28,671,130	6	1.24
Iowa Realty Co., Inc/I.R.F.B Joint Venture	-	-	-	28,353,730	7	1.23
Preferred Risk Mutual Insurance	-	-	-	21,185,227	8	0.92
<b>Total</b>	<b>\$ 381,109,060</b>		<b>11.43%</b>	<b>\$ 370,881,446</b>		<b>16.06%</b>
<b>Total taxable value</b>	<b>\$ 3,336,798,349</b>			<b>\$ 2,308,759,996</b>		

Source: Polk County Auditor

**West Des Moines Community School District**

**Property Tax Levies and Collections  
Last Ten Fiscal Years  
(Unaudited)**

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 29,960,907	\$ 29,637,633	98.92%	*	\$ 29,637,633	98.92%
1998	31,517,237	31,753,333	100.75	*	31,753,333	100.75
1999	33,472,140	33,452,318	99.94	*	33,452,318	99.94
2000	34,806,731	34,597,372	99.40	*	34,597,372	99.40
2001	36,920,867	36,994,021	100.20	*	36,994,021	100.20
2002	38,831,883	38,662,957	99.56	*	38,662,957	99.56
2003	40,283,254	40,083,520	99.50	\$ 49,450	40,132,970	99.63
2004	41,078,919	41,003,862	99.82	7,731	41,011,593	99.84
2005	42,819,960	42,773,220	99.89	3,399	42,776,619	99.90
2006	<b>44,670,240</b>	<b>44,537,466</b>	<b>99.70</b>	<b>4,797</b>	<b>44,542,263</b>	<b>99.91</b>

Source: District records

Source: Polk County Treasurer

\* Information not available

West Des Moines Community School District

Outstanding Debt by Type

Last Ten Fiscal Years

(dollars in thousands, except per capita)

(Unaudited)

Fiscal Year	Governmental Activities			Total	Percent of Actual Taxable Value of Property	Per Capita	Percentage of Personal Income
	General Obligation Bonds	Sales Tax Revenue Bonds	Equipment and Capital Loan Notes				
1997	\$ 39,680,000	\$ -	\$ 1,715,000	\$ 41,395,000	1.33%	713.71	0.430%
1998	35,265,000	-	2,334,358	37,599,358	1.15	648.26	0.370
1999	30,740,000	-	1,589,264	32,329,264	0.91	557.40	0.293
2000	25,810,000	-	809,606	26,619,606	0.71	458.96	0.229
2001	21,755,000	-	-	21,755,000	0.54	373.32	0.177
2002	16,800,000	37,480,000	-	54,280,000	1.33	931.45	0.426
2003	11,640,000	33,455,000	-	45,095,000	1.02	773.83	0.336
2004	7,285,000	29,135,000	-	36,420,000	0.80	624.97	0.261
2005	5,985,000	24,700,000	-	30,685,000	0.62	526.56	0.206
2006	4,655,000	20,120,000	-	24,775,000	0.48	425.14	*

Source: District records

\* Information not available

West Des Moines Community School District

Direct and Overlapping Governmental Activities Debt

As of June 30, 2006

(dollars in thousands)

(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Polk County	\$ 183,695,000	23.26%	\$ 42,731,501
City of West Des Moines	146,075,001	75.37	110,091,893
City of Des Moines	318,239,041	0.21	669,580
City of Clive	42,650,000	84.02	35,832,781
City of Urbandale	33,030,000	17.47	5,771,198
City of Windsor Heights	11,202,580	51.31	5,748,358
Des Moines Area Community College	53,240,000	13.36	7,110,713
<b>Subtotal, overlapping debt</b>	788,131,622		207,956,024
District direct debt			
General Obligation	4,655,000	100%	4,655,000
Sales tax revenue	20,120,000	100%	20,120,000
<b>Total direct and overlapping debt</b>	\$ 812,906,622		\$ 232,731,024

**West Des Moines Community School District**

**Legal Debt Margin Information**

**Last Ten Fiscal Years**

*(dollars in thousands)*

**(Unaudited)**

	1997	1998	1999	2000
Debt limit	\$ 155,694,619	\$ 163,271,806	\$ 177,372,734	\$ 186,893,792
Total net debt applicable to limit	39,680,000	35,265,000	30,740,000	25,810,000
Legal debt margin	\$ 116,014,619	\$ 128,006,806	\$ 146,632,734	\$ 161,083,792
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	34.20%	27.55%	20.96%	16.02%

Source: Polk County Auditor and District records

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed value	<u>\$ 5,113,762,410</u>
Debt limit (5% of assessed value)	<u>\$ 255,688,121</u>
Debt applicable to limit	<u>4,655,000</u>
Legal debt margin	<u>\$ 251,033,121</u>

2001	2002	2003	2004	2005	2006
\$ 200,324,705	\$ 204,275,126	\$ 220,214,896	\$ 226,729,204	\$ 249,335,429	\$ 255,688,121
21,755,000	16,800,000	11,640,000	7,285,000	5,985,000	4,655,000
<u>\$ 178,569,705</u>	<u>\$ 187,475,126</u>	<u>\$ 208,574,896</u>	<u>\$ 219,444,204</u>	<u>\$ 243,350,429</u>	<u>\$ 251,033,121</u>

12.18%	8.96%	5.58%	3.32%	2.46%	1.85%
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West Des Moines Community School District

Pledged Revenue Coverage

Last Ten Fiscal Years

(dollars in thousands)

(Unaudited)

Fiscal Year	Local Option Sales Tax Revenue Bonds				Coverage
	Revenue	Debt Service		Total	
		Principal	Interest		
1997	\$ -	\$ -	\$ -	\$ -	-
1998	-	-	-	-	-
1999	-	-	-	-	-
2000	-	-	-	-	-
2001	-	-	-	-	-
2002	-	-	-	-	-
2003	-	-	-	-	-
2004	6,294,949	4,320,000	1,383,475	5,703,475	1.10
2005	8,802,310	4,435,000	1,243,075	5,678,075	1.55
2006	10,160,547	4,580,000	1,065,675	5,645,675	1.80

Source: District records

**West Des Moines Community School District**

**Demographic and Economic Statistics  
Last Ten Calendar Years  
(Unaudited)**

Calendar Year	Population		Personal Income (000's)		(1) Per Capita Personal Income	(1) Unemployment Rate
1996	58,000	**	\$ 9,625,633	\$	27,207	2.00%
1997	58,000	**	10,155,903		28,379	1.90
1998	58,000	**	11,031,940		30,523	1.60
1999	58,000	**	11,636,115		31,626	1.40
2000	58,275	*	12,299,159		32,728	1.00
2001	58,275	*	12,735,942		33,487	1.20
2002	58,275	*	13,421,332		34,858	1.50
2003	58,275	*	13,960,668		35,852	1.70
2004	58,275	*	14,918,628		37,862	1.90
<b>2005</b>	<b>58,275</b>	*	<b>NA</b>		<b>NA</b>	<b>2.70</b>

Population figures relate to census taken in 2000

\*\* Estimated increase from "West Des Moines Fact Book" or census

\* Population figures relate to census taken in 2000

(1) Source: Office of Social & Economic Trend Analysis

[www.seta.iastate.edu](http://www.seta.iastate.edu)

NA- Information not available

West Des Moines Community School District

Principal Employers  
Current Year and Nine Years Ago  
(Unaudited)

Employer	2006			1997		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Hy-Vee, Inc	1,500	1	*	890	5	*
Wells Fargo Home Mortgage	1,469	2	*	-	-	*
Wells Fargo Card Services	1,278	3	*	-	-	*
WDM Community Schools	1,200	4	*	1,100	2	*
FBL Financial (Farm Bureau)	1,117	5	*	775	8	*
Marsh Insurance	950	6	*	-	-	*
Krause Gentle Corporation	712	7	*	-	-	*
GuideOne Insurance	642	8	*	-	-	*
Iowa Foundation for Medical Care	623	9	*	-	-	*
ITA Group	400	10	*	-	-	*
Sears Credit Services	-	-	*	1,100	3	*
Norwest Card Services	-	-	*	900	4	*
Preferred Risk Insurance Group	-	-	*	805	7	*
KVI	-	-	*	1,400	1	*
Deere Credit Services	-	-	*	687	9	*
Fawn Engineering Corporation	-	-	*	625	10	*
Farm Bureau Management	-	-	*	875	6	*
All other employers	*		*	*		*
<b>Total</b>	<b>\$ 9,891</b>		<b>*</b>	<b>\$ 9,157</b>		<b>*</b>

Source: West Des Moines Chamber of Commerce

\* Information not available.

West Des Moines Community School District

Full-Time Equivalent District Employees By Type  
Last Ten Fiscal Years  
(Unaudited)

	Full-Time Equivalent Employees as of June 30			
	1997	1998	1999	2000
<b>Administration:</b>				
Superintendent	1.0	1.0	1.0	1.0
Principals	15.0	15.0	15.0	14.3
Assistant principals	9.0	12.0	11.0	11.0
Other	14.0	14.0	13.0	15.7
Other Professionals	21.0	24.0	25.0	25.0
<b>Total supervisory</b>	<b>60.0</b>	<b>66.0</b>	<b>65.0</b>	<b>67.0</b>
<b>Instruction:</b>				
Teacher	507.4	523.3	524.4	537.3
Curriculum specialist	1.0	1.0	1.5	1.0
Counselor	18.5	18.5	18.5	18.5
Chapter 1	4.5	5.0	5.0	5.0
Librarian	10.0	10.0	10.0	10.0
<b>Total instruction</b>	<b>541.4</b>	<b>557.8</b>	<b>559.4</b>	<b>571.8</b>
<b>Student services:</b>				
Nurse	7.5	7.5	7.5	7.5
Other professionals (noninstructional)	1.2	1.2	1.2	1.5
<b>Total student services</b>	<b>8.7</b>	<b>8.7</b>	<b>8.7</b>	<b>9.0</b>
<b>Support and administration:</b>				
Clerical/secretarial	75.2	78.2	75.0	56.5
Service workers				
Teacher associate	*	*	*	*
Other support personnel	305.7	324.5	321.1	328.2
Crafts/trades	25.0	23.0	23.0	24.0
<b>Total support and administration</b>	<b>405.9</b>	<b>425.7</b>	<b>419.1</b>	<b>408.7</b>
<b>Total</b>	<b>1,016.0</b>	<b>1,058.2</b>	<b>1,052.2</b>	<b>1,056.5</b>

\* Information not available

Full-Time Equivalent Employees as of June 30							Percentage Change 1997 - 2006
2001	2002	2003	2004	2005	2006		
1.0	1.0	1.0	1.0	1.0	1.0	- %	
14.3	14.3	13.3	13.3	13.3	13.3	-	
11.0	12.0	12.0	11.0	11.0	11.0	-	
10.7	12.7	10.7	10.7	10.7	9.2	(14.0)	
25.0	35.0	57.9	59.9	32.9	21.0	(36.2)	
62.0	75.0	94.9	95.9	68.9	55.5	(50.2)	
539.1	539.4	545.8	545.3	547.6	554.9	1.3	
1.0	1.0						
18.5	18.5	18.5	18.5	19.5	19.5	-	
5.0	5.0	5.0	5.0	4.0	4.0	-	
10.0	10.5	10.5	10.5	10.0	10.0	-	
573.6	574.4	579.8	579.3	581.1	588.4	1.3	
7.5	7.5	7.5	7.5	3.0	3.0	-	
1.5	1.5	2.0	5.3	4.8	6.1	27.1	
9.0	9.0	9.5	12.8	7.8	9.1	27.1	
61.5	70.1	73.4	71.5	71.2	55.2	(22.5)	
*	118.4	138.7	131.9	143.0	162.8	13.8	
315.0	190.3	167.8	161.1	203.0	208.7	2.8	
24.0	22.0	23.5	27.3	17.0	15.0	(11.8)	
400.5	400.8	403.4	391.8	434.2	441.7	(17.7)	
1,045.1	1,059.2	1,087.6	1,079.8	1,092.0	1,094.7	(39.5)%	

West Des Moines Community School District

Operating Statistics  
Last Ten Fiscal Years  
(Unaudited)

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Fiscal Year	Enrollment	General Fund Operating Expenditures	Cost Per Pupil	Percentage Change
1997	8,165	\$ 44,590,571	\$ 5,461	- %
1998	8,247	47,694,243	5,783	5.90
1999	8,294	49,587,957	5,979	3.39
2000	8,327	51,117,274	6,139	2.68
2001	8,687	53,499,598	6,159	0.33
2002	8,747	57,661,045	6,592	7.03
2003	8,755	61,056,104	6,974	5.79
2004	8,741	61,934,352	7,085	1.59
2005	8,573	65,523,847	7,643	7.88
2006	8,798	68,359,777	7,770	1.66

Source: District records

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Teaching Staff	Pupil-Teacher Ratio	Percentage of Students Receiving Fee or Reduced-Priced Meals
541.4	15.08	7.80%
557.8	14.78	8.30
559.4	14.83	9.60
571.8	14.56	9.60
573.6	15.14	9.60
574.4	15.23	10.50
579.8	15.10	9.30
579.3	15.09	11.70
581.1	14.75	12.90
<b>588.4</b>	<b>14.95</b>	<b>12.30</b>

**West Des Moines Community School District**

**School Building Information  
Last Ten Fiscal Years  
(Unaudited)**

School	Fiscal Year			
	1997	1998	1999	2000
Elementary:				
Clegg Park (1957,1970,1989,1991)				
Square feet	41,260	41,260	41,260	41,260
Number of classrooms	17	17	14	14
Enrollment	275	257	275	250
Clive (1952,1955,1957,1959,1976,1989,1991)				
Square feet	67,802	67,802	67,802	67,802
Number of classrooms	23	23	21	21
Enrollment	463	464	455	432
Crestview (1961,1966,1969,1976,1991)				
Square feet	59,310	59,310	59,310	59,310
Number of classrooms	24	24	22	22
Enrollment	524	528	530	534
Crossroads Park (1977)				
Square feet	60,619	60,619	60,619	60,619
Number of classrooms	26	26	21	21
Enrollment	462	459	448	457
Fairmeadows (1957,1962,1876,1987, 1992)				
Square feet	51,435	51,435	51,435	51,435
Number of classrooms	24	24	21	21
Enrollment	524	503	488	501
Hillside (2004)				
Square feet	-	-	-	-
Number of classrooms	-	-	-	-
Enrollment	-	-	-	-
Jordan Creek (1992)				
Square feet	82,000	82,000	82,000	82,000
Number of classrooms	31	31	31	31
Enrollment	624	645	662	699
Rex Mathes (1951,1956,1969,1989,1991)				
Square feet	44,401	44,401	44,401	44,401
Number of classrooms	17	17	14	14
Enrollment	308	303	313	335
Phenix (1939, 1992)				
Square feet	36,650	36,650	36,650	36,650
Number of classrooms	11	11	10	10
Enrollment	155	156	153	157
Western Hills (1967,1968,1971,1988,1992)				
Square feet	73,689	73,689	73,689	73,689
Number of classrooms	28	28	22	22
Enrollment	533	510	490	473
Westridge (1990)				
Square feet	81,000	81,000	81,000	81,000
Number of classrooms	31	31	31	31
Enrollment	647	652	723	722

\* Information not available

(Continued)

Fiscal Year					
2001	2002	2003	2004	2005	2006
41,260	41,260	41,260	41,260	41,260	41,260
14	14	14	14	14	14
271	263	269	261	-	-
67,802	67,802	67,802	67,802	67,802	67,802
21	21	21	21	21	21
407	395	403	426	383	426
59,310	59,310	59,310	59,310	59,310	59,310
22	22	22	22	22	22
545	534	530	522	516	493
60,619	60,619	60,619	60,619	60,619	60,619
21	21	21	21	21	21
459	491	500	520	507	529
51,435	51,435	51,435	51,435	51,435	51,435
21	21	21	21	21	21
496	488	501	487	465	473
-	-	-	-	81,222	81,222
-	-	-	-	45	45
-	-	-	-	575	564
82,000	82,000	82,000	82,000	82,000	82,000
31	33	34	34	35	35
708	725	756	764	770	770
44,401	44,401	44,401	44,401	44,401	44,401
15	15	15	15	3	3
349	336	288	310	-	-
36,650	36,650	36,650	36,650	36,650	36,650
10	10	10	10	10	10
156	154	144	155	144	164
73,689	73,689	73,689	73,689	73,689	73,689
25	25	25	25	25	25
445	429	417	404	414	392
81,000	81,000	81,000	81,000	81,000	81,000
31	31	31	32	32	32
733	733	733	739	723	724

**West Des Moines Community School District**

**School Building Information (Continued)  
Last Ten Fiscal Years  
(Unaudited)**

School	Fiscal Year			
	1997	1998	1999	2000
<b>Middle:</b>				
Indian Hills (1977,1992)				
Square feet	115,074	115,074	115,074	115,074
Number of classrooms	39	39	45	45
Enrollment	645	651	635	632
Stilwell (1960,1962,1968,1984,1988,1992, 2002))				
Square feet	*	*	*	*
Number of classrooms	31	31	42	42
Enrollment	672	681	697	663
<b>High:</b>				
Valley Southwoods Freshman (1999)				
Square feet	-	162,500	162,500	162,500
Number of classrooms	-	44	44	44
Enrollment	-	644	635	618
Valley (1964,1967,1969, 1970, 1989, 1992, 2005)				
Square feet	*	*	*	*
Number of classrooms	101	101	101	101
Enrollment	2,185	1,643	1,680	1,677
<b>Other:</b>				
Walnut Creek Campus 8th Street (1999)				
Square feet	18,052	18,052	18,052	18,052
Number of classrooms	8	8	8	14
Enrollment	131	139	163	151

Source: District records.

\* Information not available

Fiscal Year					
2001	2002	2003	2004	2005	2006
115,074	115,074	115,074	115,074	115,074	115,074
45	45	45	45	45	45
622	644	662	632	638	637
*	95,520	95,520	95,520	95,520	95,520
42	42	42	42	42	42
653	686	735	753	665	711
162,500	162,500	162,500	162,500	162,500	162,500
44	44	44	44	44	44
650	621	611	683	696	650
*	*	*	*	310,196	310,196
101	101	101	101	101	101
1,700	1,716	1,749	1,793	1,823	1,859
18,052	18,052	18,052	18,052	18,052	18,052
16	16	16	16	16	16
161	181	172	188	182	171

**West Des Moines Community School District**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2006**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog Of Federal Domestic Assistance Number	Pass- Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Agriculture:</b>			
Passed through State Department of Agriculture and State of Iowa Department of Education:			
Noncash Assistance, USDA Commodities	10.550	42-6004525	\$ 173,032
National School Breakfast Program	10.553	42-6004525	52,662
National School Lunch Program	10.555	42-6004525	517,280
National School Fruit and Vegetable	10.555	42-6004525	22,546
Summer Food Service Program for Children	10.559	42-6004525	29,156
<b>Total nutrition cluster</b>			<u>621,644</u>
			<u>794,676</u>
<b>National Endowment for the Arts:</b>			
Direct Program - Promotion of the Arts-Partnership Agreements	45.025	N/A	200
<b>U.S. Department of Education:</b>			
Direct Programs:			
Smaller Learning Communities	84.215L	42-6001433	81,921
Foreign Language Assistance	84.293B	42-6001433	17,810
Passed through State of Iowa Department of Education:			
Title I - Grants to Local Educational Agencies	84.010A	42-6004525	318,686
Special Education - Grants to States	84.027	42-6004525	494,354
Special Education Grant Institution Decision Making	84.027	42-6004525	13,831
Vocational Education Basic Grants to States - Carl Perkins Basic Grant	84.048A	42-6004525	76,724
Safe and Drug-Free Schools and Community - State Grants	84.186A	42-6004525	26,119
Safe and Drug-Free Schools and Community - National Program	84.184	42-6004525	4,907
Iowa Demonstration Construction Grants	84.215	42-6004525	136,929
Title V, Part A - Innovative Education Program Strategies	84.298A	42-6004525	32,077
Education Technology State Grant (Title II Technology -E2T2)	84.318	42-6004525	5,400
Comprehensive School Reform Demonstration	84.332	42-6004525	52,896
Title II - Improving Teacher Quality State Grant	84.367	42-6004525	166,585
Grants for State Assessments and Related Activities	84.369	42-6004525	50,778
Hurricane Relief Funding Program	84.938	42-6004525	42,000
			<u>1,521,017</u>
<b>U.S. Department of Health and Human Services,</b>			
Passed through Drake University, Head Start	93.600	42-0680460	7,485
Passed through State of Iowa Department of Health and Human Services:			
Child Care and Development Block Grant	93.575	42-6004568	4,069
			<u>11,554</u>
			<u>\$ 2,327,447</u>

See Notes to Schedule of Expenditures of Federal Awards.

**West Des Moines Community School District**

**Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2006**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of West Des Moines Community School District for the year ended June 30, 2006. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2. Significant Accounting Policies**

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

**West Des Moines Community School District**

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

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	Findings	Status	Corrective Action Plan or Other Explanation
<b>Reportable Conditions in Internal Control</b>			
05-II-A	The Physical Plant and Equipment Fund had not been properly reconciled throughout the year to identify construction-in-progress and related retainages payable.	Uncorrected	See corrective action plan at 06-II-A
05-II-B	Many accounts in the Nutrition Fund are not reconciled to the general ledger and adjusted to actual at year-end by the District.	Corrective action taken.	
<b>Other Findings Related to Required Statutory Reporting:</b>			
05-IV-B	Disbursements exceeded the amended certified budget amounts in the noninstructional programs function.	Corrective action taken.	
05-IV-H	Documentation to support the number of foster care students reported as enrolled is not maintained.	Uncorrected	See corrective action plan at 06-IV-G

# 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 Board of Education  
West Des Moines Community School District  
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 West Des Moines Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 29, 2007. 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 West Des Moines Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 06-II-A and 06-II-B.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of West Des Moines Community School District in a separate letter dated January 29, 2007.

## Compliance and Other Matters

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

However, we noted certain immaterial instances of noncompliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District'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 District. 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 of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
January 29, 2007

# McGladrey & Pullen

Certified Public Accountants

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

To the Board of Education  
West Des Moines Community School District  
West Des Moines, Iowa

### **Compliance**

We have audited the compliance of West Des Moines Community School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that are applicable to the District's major federal programs for the year ended June 30, 2006. West Des Moines Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, West Des Moines Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

## Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 06-III-A and 06-III-B.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are a material weakness.

This report is intended solely for the information of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
January 29, 2007

West Des Moines Community School District

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2006

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I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major program:

CFDA Number	Name of Federal Program
10.555	National School Lunch Program
10.555	National School Fruit and Vegetable Program
10.553	National School Breakfast Program
10.559	Summer Food Service Program
84.010A	Title 1 - Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee?  Yes  No

(Continued)

**West Des Moines Community School District**

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2006**

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

**A. Reportable conditions in internal control.**

**06-II-A**

Finding: Capital outlay expenditures are not being reconciled on a timely basis to the general ledger. In addition, an overall master listing of construction-in-progress is not maintained by the District. Retainages payable relating to work already completed should also be accrued for and capitalized.

Condition: The District incurred construction-in-progress expenditures throughout the year in various funds that had not been identified timely as a capital asset. An overall master listing of what is remaining in construction-in-progress at the end of the year is not maintained.

Context: Capital expenditures meeting the District's capital asset criteria should be properly capitalized within the District's capital asset system or included on their off ledger construction-in-progress listing.

Effect: Capital expenditures made throughout the year may go undetected from being captured as capital assets.

Recommendation: We recommend the District reconcile their capital expenditure accounts as well as their purchased service accounts on the general ledger to amounts capitalized into their capital assets system on a timely basis. In addition, a listing of construction-in-progress expenditures incurred and identified as a capital asset should be maintained by the District. Any expenditures recorded in a capital outlay account or purchased service account not being capitalized should be accounted for, reconciled and explained. In addition, any related retainage payables associated with these projects should be identified and recorded throughout the year.

Response and corrective action plan: The District is now recording retainage payable throughout the year. At least annually, we will summarize expenditures from these funds as expense items or capital assets. We will explore the capabilities of our new general ledger system to assist us in accounting for construction costs.

(Continued)

**West Des Moines Community School District**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2006**

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**06-II-B**

Finding: The District's June 2006 bank reconciliation was not performed timely or accurately.

Condition: As of June 30, 2006, the District had an unexplained difference of approximately \$109,000 between what was reported as cash and investments on the general ledger and amounts reconciled from the bank balance.

Context: To ensure cash is being appropriately accounted for, bank reconciliations should be performed on a monthly basis, and any variances should be investigated immediately to ensure transactions are being posted to the proper accounts and reported in the proper time period.

Effect: A transaction error was not detected timely and posted to the correct accounts.

Recommendation: We recommend bank reconciliations be performed timely and any variances be investigated immediately.

Response and corrective action plan: Personnel changes within the District delayed completion of the monthly bank reconciliation. Our expectation is that the reconciliation will be performed more timely in the future.

**B. Compliance findings.**

None

(Continued)

**West Des Moines Community School District**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2006**

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

**A. Reportable conditions in administering federal awards.**

**U.S. Department of Education  
Passed Through State of Iowa Department of Education  
Title 1 Grants to Local Educational Agencies  
(CFDA 84.010A) (Award Year 2005-2006)**

**06-III-A**

Finding: The District does not have a system in place to document the allocation of split funded employee payroll costs related to Title 1.

Condition: The employees of Title 1 are not required by the District to complete timesheets or equivalent documentation to support payroll costs charged to the program. Quarterly comparisons of actual costs as accumulated by time records were not compared to the budgeted distributions.

Questioned costs: None

Criteria/context: The Office of Management and Budget Circular A-87 requires a distribution of salaries be supported by personnel activity reports or equivalent documentation for all employees who work for more than one cost objective and the documentation be signed by the employee. Also, the circular requires at least quarterly comparisons of actual cost to budgeted distributions be made and reflect adjustments as a result of actual activity performed.

Effect: Improper payroll expenditures could be charged to the Federal program.

Recommendation: We recommend the District implement a system to track employees' time by activity. Based on OMB Circular A-87, the employees should submit a signed (by the employee) timesheet or equivalent documentation by activity on a monthly basis. If a budget or estimate is determined before the services are performed, comparisons of actual costs to budgeted distributions based on the monthly documentation should be done at least on a quarterly basis.

Response and corrective action plan: The District will implement the recommendation. We compare budget and actual costs at various times during the year.

(Continued)

**West Des Moines Community School District**

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2006**

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**U.S. Department of Education**  
**Passed Through State of Iowa Department of Education**  
**Title 1 Grants to Local Educational Agencies**  
**(CFDA 84.010A) (Award Years 2005-2006)**

**06-III-B**

Finding: Semiannual certifications are not prepared and signed by employees who work solely with the Title 1 program.

Condition: The employees did not sign certification letters specifying their title and state that their duties were exclusively related to the Title 1 program on a semiannual basis.

Questioned costs: None

Criteria/context: The Office of Management and Budget Circular A-87 requires semiannual certifications to support charges to a single federal award.

Effect: The program compliance requirement was not adequately documented to support 100 percent of these employees' time being charged to the federal program.

Recommendation: We recommend employees sign certifications semiannually that certifies their duties were exclusively related to Title 1.

Response and corrective plan: The District will implement the recommendation.

**B. Instance of Noncompliance**

None

**IV. Other Findings Related to Required Statutory Reporting**

**06-IV-A - Certified Budget**

Disbursements for the year ended June 30, 2006 did not exceed the amounts budgeted in the final amended certified budget.

**06-IV-B - Questionable Expenditures**

No expenditures that 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 District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

**06-IV-D - Business Transactions**

No business transactions between the District and District officials and/or employees were noted.

(Continued)

**West Des Moines Community School District**

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2006**

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**06-IV-E - Bond Coverage**

Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

**06-IV-F - Board Minutes**

The following was noted regarding the Board minutes:

Finding 1: The District did not publish the proceedings of each regular, adjourned, or special meeting of the board in at least one newspaper published in the District within two weeks following the adjournment of the meeting.

Recommendation: Proceedings of regular, adjourned or special meeting of the board should be published in at least one newspaper published in the District within two weeks following the adjournment of the meeting in accordance with Chapter 279.35 & 279.36.

Response and corrective action plan: The District will make every attempt to publish minutes on a timely basis.

Conclusion: Response accepted.

**06-IV-G - Certified Enrollment**

No material variances in the basic enrollment data certified to the Department of Education were noted other than the following:

Finding 1: The District does not keep documentation supporting the number of foster care students reported as enrolled within the District.

Recommendation: The District is required to maintain instructions on file describing the procedures for tracking the number of foster care students, which includes communication with foster care facilities. Information from these facilities should be maintained in the file as supporting documentation.

Response and corrective action plan: The District will contact the Iowa Department of Education to identify procedures for more effectively tracking and documenting foster care students.

Conclusion: Response accepted.

Finding 2: Based on documentation maintained by the District to support the basic enrollment certified to the Iowa Department of Education for September 2005, the following variances were noted in relation to FTEs of resident public students, open enrolled out resident public students, and open enrolled in nonresident public students:

<u>Line No.</u>	<u>Certified Number</u>	<u>District Records</u>
1	8,233.7	8,231.7

Recommendation: The District should update and maintain proper documentation on file supporting the number of students reported in the certified enrollment. The District should also notify the Iowa Department of Management and Iowa Department of Education as required of the variances.

(Continued)

## West Des Moines Community School District

### Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

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Response and corrective action plan: The District retains all supporting documentation for certified enrollment. The discrepancy will be reported to the Iowa Department of Education and the Iowa Department of Management.

Conclusion: Response accepted.

#### **06-IV-H - Deposits and Investments**

No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

#### **06-IV-I - Certified Annual Report**

The Certified Annual Report was filed with the Department of Education timely.

**06-IV-J – Deficit Balances** – The Preschool Regular Education Fund had a deficit fund balance as of June 30, 2006 of \$40,203.

Recommendation: The District should continue to investigate alternatives to eliminate these deficits in order to return funds to a sound financial condition.

Response and corrective action plan: This fund was established in 2006. A reimbursement was received in November 2006 in the amount of \$50,946 for the previous year. If this transaction had been reported properly, the fund would not have shown a deficit balance.

Conclusion: Response accepted.

**West Des Moines Community School District**

**Corrective Action Plan  
Year Ended June 30, 2006**

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Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
<b>Reportable Conditions in Internal Control</b>				
06-II-A	Capital outlay expenditures are not properly being reconciled throughout the year to the general ledger and identified as a capital asset on a timely basis.	See corrective action plan at 06-II-A.	June 30, 2007	Kurt Subra
06-II-B	The District's June 2006 bank reconciliation was not performed timely or accurately.	See corrective action plan at 06-II-B.	June 30, 2007	Kurt Subra
<b>Reportable Conditions in Administering Federal Awards</b>				
06-III-A	The District does not have a system in place to document the allocation of split funded employee payroll costs related to Title 1.	See corrective action plan at 06-III-A.	June 30, 2007	Kurt Subra
06-III-B	Semiannual certifications are not prepared and signed by employees who work solely with the Title 1 program.	See corrective action plan at 06-III-B.	June 30, 2007	Kurt Subra
<b>Other Findings Related to Required Statutory Reporting:</b>				
06-IV-F	The District did not publish the proceedings of each regular, adjourned, or special meeting of the board in at least one newspaper published in the District within two weeks following the adjournment of the meeting.	See corrective action plan at 06-IV-F.	June 30, 2007	Kurt Subra
06-IV-G	Documentation to support the number of foster care students reported as enrolled is not maintained.	See corrective action plan at 06-IV-G - Finding 1.	June 30, 2007	Kurt Subra
06-IV-G	Certain variances were noted in the documentation maintained to support the basic enrollment certified to the Iowa Department of Education for September 2005.	See corrective action plan at 06-IV-G - Finding 2.	June 30, 2007	Kurt Subra
06-IV-J	The Preschool Regular Education Fund had a deficit fund balance as of June 30, 2006.	See corrective action plan at 06-IV-J.	June 30, 2007	Kurt Subra